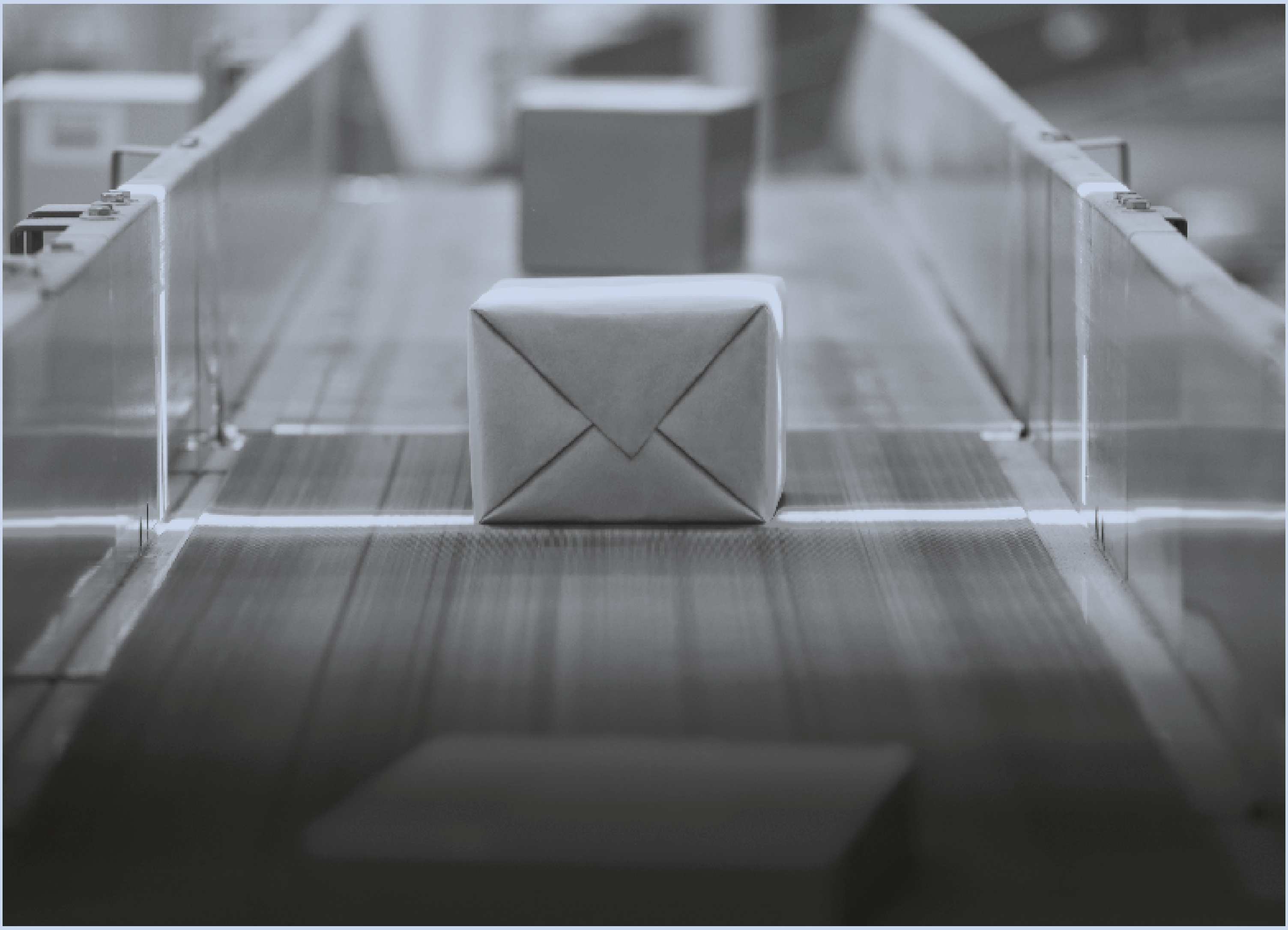
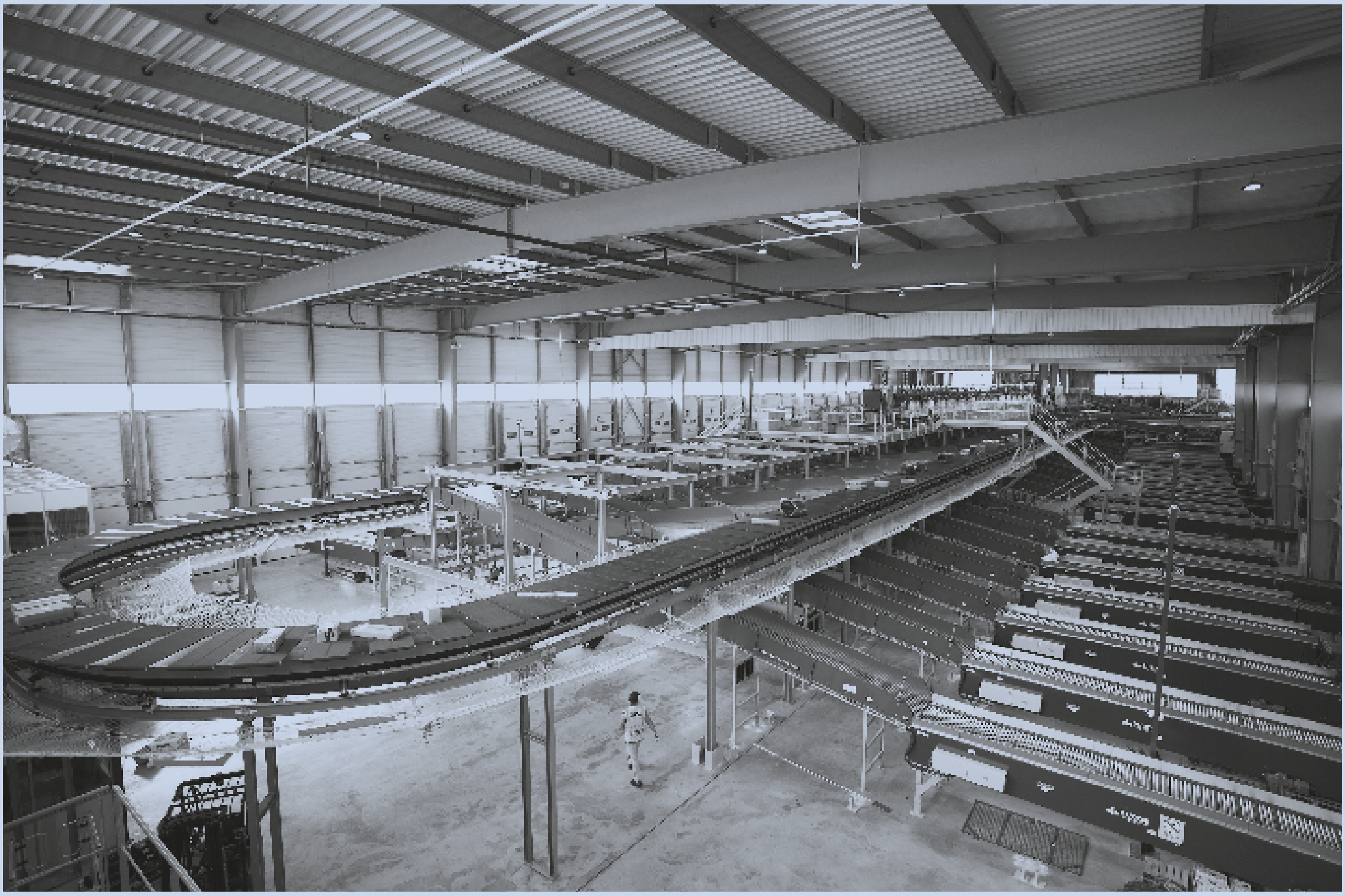
Annual Report and Financial Statements 2024-25

International Distribution Services plc



Contents



Introduction

A year of continued progress and transition.

The Directors present the Annual Report and Financial Statements of International Distribution Services plc (the Group or IDS) for the year ended 30 March 2025.

IDS is a holding company, which includes Royal Mail and Parcelforce Worldwide (Royal Mail), and GLS and all of its group companies and affiliates (GLS group). The Group's businesses provide postal and delivery services across their extensive networks. Royal Mail is the UK's Universal Service Provider and delivers letters and parcels to around 32 million addresses across the UK. GLS is one of the largest parcel services providers in Europe, with a significant presence in North America.

The Group's business model is built around a number of key resources and strengths. Royal Mail has unparalleled scale and reach in the UK, a renowned brand and strong customer relationships. GLS' international network is underpinned by national expertise, long-term customer relations, and consistent and tailored premium services. The Group is focused on meeting evolving customer needs, improving service levels, modernising Royal Mail, increasing productivity and efficiencies, and leveraging innovation and expertise across its businesses.

On 29 May 2024, the Board announced that it had reached agreement with EP UK Bidco Limited (Bidco), a newly formed company owned indirectly by EP Group, a.s. (EP) (formerly known as EP Corporate Group, a.s.) and J&T Capital Partners, a.s., to acquire the entire issued and to be issued ordinary share capital of IDS, to be implemented by means of a takeover offer under Part 28 of the Companies Act 2006 (the Offer). On 30 April 2025, the Offer became unconditional and the Company's shares were delisted from the London Stock Exchange on 2 June 2025.

EP is a long-term investor. It will focus on putting customers at the heart of everything IDS does, supporting the investment needed to continue to improve service quality and growing the business. Employees are at the centre of EP's plans for IDS and developing a shared vision for the future and sharing the fruits of success with employees are key priorities.

Group results

Overview

Despite a difficult market environment, the Group made good progress during the year. Royal Mail's ongoing transformation delivered a significantly improved financial and operational performance, marking an important milestone in the business' turnaround. GLS delivered a resilient performance. Revenue growth was delivered in most of its markets; however margin was lower year-on-year due to operational cost pressures, particularly in Germany and Italy. In response, the business effectively implemented efficiency and pricing measures, and continued to invest to support delivery of its strategic priorities.

Group reported revenue[1] grew by £460 million year on year[2] to £13,139 million, driven by growth in both businesses. Group reported operating profit was £376 million (2023-24: £26 million profit). Adjusted operating profit[3] was £278 million (2023-24: £28 million loss) due to revenue growth and a significant reduction in the loss at Royal Mail. Further information about the Group's financial performance and the performance of each of its businesses is set out in the Financial Review on pages 31 to 39. The Group's Financial Statements for the financial year ended 30 March 2025 are included on pages 83 to 158.

Market environment

The market environment has continued to be difficult, with macroeconomic, regulatory and competitive headwinds. In the UK, ongoing cost-of-living pressures and sluggish GDP growth were evident throughout the year, whilst consumer confidence remained subdued. Customer demand for more convenient and sustainable products and services remained an ongoing trend. Across Europe, GDP growth was also slow, with Germany on the cusp of recession. Regulatory headwinds also impacted some markets including Germany and Italy.

In response to these market trends, the Group has remained focused on becoming more agile and mitigating escalating operational costs where possible through efficiency, increased automation and final-mile optimisation. It has also continued to expand its product and service offering to meet customers' evolving demands. As customer demand for more sustainable products and services continued to grow, to enhance competitiveness, both Royal Mail and GLS continued to implement environmental initiatives to further reduce the impact of their operations and to contribute to the transition to a low-carbon future.

Strategy update and developments during the year

Royal Mail

During the year, Royal Mail significantly progressed its strategic objectives, including modernising the business and deploying a range of initiatives to improve service levels, drive efficiency and expand its customer offering, particularly in the highly competitive out-of-home sector.

Increasing customer choice and convenience

Royal Mail continued to expand its product and service offering to make sending and receiving parcels as convenient as possible.

1. Reported results are prepared in accordance with UK adopted International Financial Reporting Standards (IFRS).
2. The Group reported results for the comparative period are for the 53-week period to 31 March 2024.
3. The Group's performance is explained through the use of alternative performance measures (APMs) that are not defined under IFRS. A full list of the APMs is set out on pages 163 to 168 and reconciliations to the closest measure prescribed under IFRS are provided where appropriate.

Royal Mail has rapidly expanded its out-of-home footprint and as at the year end, the business' out-of-home network included around 23,000 locations, a c.60% increase since the prior year. This network includes c.1,500 lockers, c.7,300 Collect+ stores, c.11,500 Post Office branches, c.1,200 Royal Mail Customer Service Points and c.1,400 parcel postboxes. In December 2024, Royal Mail launched its own branded parcel locker network, and its strategic partnerships now include an agreement with Sainsbury's to provide lockers in its stores across the UK.

During the year, Royal Mail enabled its 115,000 postboxes to provide a new proof of posting receipt for Royal Mail app users. This gives customers additional assurance for their parcel journey, which allows greater usage of postboxes for small parcels, as well as letters, adding significant parcel drop off coverage to the network.

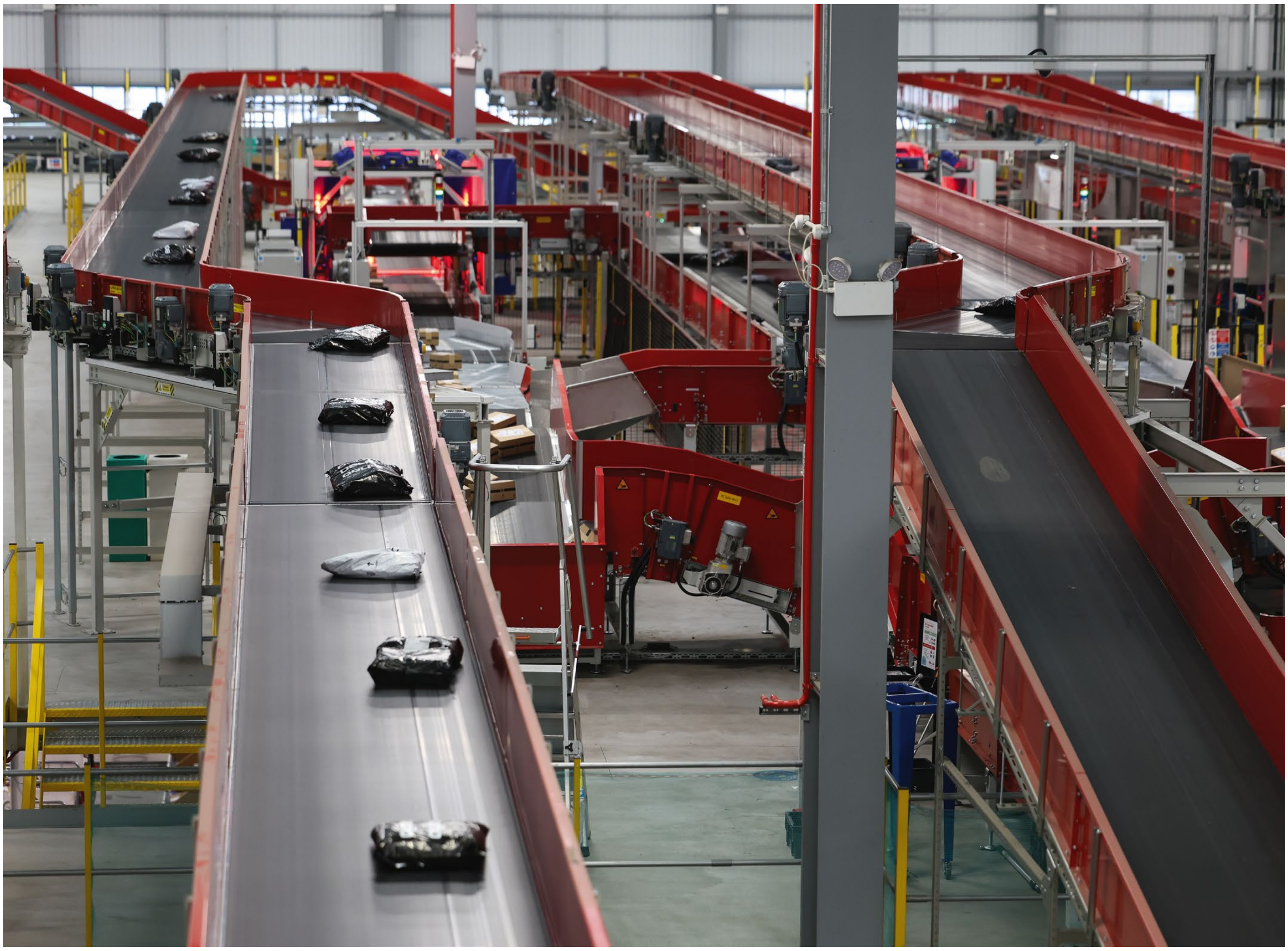
Transformation to increase efficiency

The transformation of Royal Mail has continued at pace, with significant progress being made to increase efficiency, enabling Royal Mail to reduce costs and provide improved service. Parcel automation has increased significantly in recent years, reaching 90% at the end of March 2025 (50% in 2022), and is enabling the business to handle higher volumes of parcels more efficiently for customers.

Other key operational developments during the year included:

— Deploying the biggest operational change in over 20 years, with later start times for frontline colleagues. This enabled the removal of half of the business' domestic flights and the transport of more mail by road. As a result, the business is better able to improve reliability while reducing carbon emissions.
— Optimising processing to increase capacity at the parcel hubs in Warrington and Daventry to over 1.5 million parcels a day combined.
— Installing new high-speed parcel sortation machines at mail centres in Leeds, Plymouth and Exeter, with the combined capacity to process over 25,000 parcels per hour.
— Digitally tracking vehicles and containers to deliver real time visibility of core assets and parcels, which has increased efficiency across the network, and enable precision humidity and temperature monitoring at scale.
— Deploying an innovative automatic trailer unloader, designed and engineered in just nine months by Royal Mail's in-house engineering team. This has dramatically reduced the average time it takes to unload an HGV trailer from three-and-a-half hours to just six minutes, enabling customers to order even later in the day for next-day delivery.
— Starting to move larger-sized parcels through the Parcelforce Worldwide network, which is better equipped than Royal Mail to handle larger parcels.
— Adding ten large parcel conveyors across the network.
— Continuing to reduce sickness absence rates. The average rate over the year was 5.7%, down from 6.8% in 2023-24.
— Continuing to deliver the business' Net-Zero ambitions and strengthening Royal Mail's position as the UK's greenest[4] parcel delivery company. Emissions fell by 25% across all scopes compared to the baseline year and average emissions per parcel delivered fell to 165g CO_2e compared to 206g CO_2e in the prior year. Further information about the business' environmental performance is included on pages 7 to 9.

4. Based on average gCO_2e emissions per parcel delivered by UK parcel operators, as published by Citizens Advice 2024 Parcels League Table.



Improving reliability
As a result of the significant operational changes highlighted above, quality of service continued to improve during the year, across both Universal Service and commercial products. Whilst these efforts are yielding some improvement, it is clear more work is needed and providing customers with a high-quality service remains a top priority.

At the year end, Royal Mail delivered an average of 92.2% of Second Class mail within three working days, with 98.6% delivered within five working days. 76.5% of First Class mail arrived within one working day and 92.3% of First Class mail arrived within two days. The business also demonstrated a high level of reliability during its busiest period, with over 99% of items posted on or before the last recommended posting dates arriving in time for Christmas. Ofcom has opened an investigation into Royal Mail's compliance with Universal Service quality of service performance targets during the year and the business is engaging with Ofcom in relation to its investigation.

In July 2025 Ofcom announced changes to the Universal Service following an extensive consultation with thousands of people and businesses to ensure that the postal service better reflects their needs and the realities of how customers send and receive mail today. The reforms include changes to Second Class letter deliveries and new delivery targets.

Royal Mail welcomes Ofcom's announcement which is good news for customers across the UK as it supports the delivery of a reliable, efficient and financially sustainable Universal Service.

Further information about the reforms, and what they mean for customers, are available at www.internationaldistributionservices.com/en/about-us/regulation/universal-service-obligation/the-future-of-letter-deliveries.

Investing in our people
Royal Mail continues to offer highly competitive employment terms and conditions. In April 2025, a new recruitment and application careers platform was launched to simplify the application process for candidates and enhance the experience for hiring managers. The system is mobile-optimised and has led to higher application completion rates and more efficient recruitment. During the year, over 21,000 new colleagues joined the business.

The business has continued to invest in learning and development opportunities. During the year, the MyPerformance programme helped drive improvements, including reductions in workplace accidents and a 2.6% increase in customer net promoter score, by giving postmen and women more information about their own performance and customer feedback.

Royal Mail's Change for Good multi-year campaign aims to change Royal Mail for the better, by creating an inclusive culture where everyone is treated with dignity and respect. The campaign includes training and awareness raising, and colleagues are able to offer their own personal pledges to role model positive behaviours in the workplace.

In March 2025, the business relaunched its annual employee survey. Over 66,000 employees participated in the survey, representing 51% of the workforce, and produced an engagement score of 6.4 (out of 10). The latest survey evidenced positive progress in areas including pride, advocacy and engagement.

In July 2025 Royal Mail and the CWU agreed an industry leading three-year pay deal. The agreement was endorsed by the CWU's Postal Executive Committee, and accepted by CWU members following a ballot in August 2025.

Further information is included on page 11 and in the business' latest ESG report which is available at www.internationaldistributionservices.com/en/sustainability/reporting-and-performance.

GLS

Delivering the GLS strategy

During the year, GLS continued to upgrade its network to support growth and to transform the last mile, reinforcing its position in the 2B and 2C parcel segments. It has also deployed a number of new innovative digital solutions and expanded its international business and network to support cross-border volumes.

Transforming the last mile

GLS continued to invest to expand its out-of-home network, with over 110,000 access points at the end of June 2025, up 30% from June 2024. The locker network in Europe increased 162%, to 17,900, compared to the previous year. GLS-owned lockers grew by 49%, while third-party lockers grew by 327% by the year end.

During the year, GLS continued to strengthen its out-of-home offering through key strategic partnerships across Europe. In Poland, the business' collaboration with Orlen now provides customers with access to approximately 6,000 parcel lockers nationwide. In the Netherlands, through partnership with PostNL, GLS' customers now have access to 1,000+ parcel lockers.

In France, the business further expanded the joint rollout of its locker network with Quadient, while in Germany, GLS partnered with DPD to share their respective parcel shop networks and co-develop a nationwide open locker network.

These partnerships reflect GLS' commitment to convenience, accessibility and scalable last-mile solutions across key markets.

Upgrading the network

During the year, GLS continued to upgrade its network to improve delivery speed and flexibility, increase footprint, enhance productivity and reduce environmental impact. The new Paris hub, which has capacity to handle up to 350,000 parcels per day, opened in September 2024 in time for the peak period. In May 2024, a new hub, which is capable of handling up to 250,000 parcels per day, was opened in Berlin, one of Germany's biggest regional hubs. It will play a key role in serving the greater Berlin area and as an international gateway to Eastern Europe.

Following successful testing, GLS started the rollout of automated guided sorting vehicles in depots across Germany. The business also introduced robotic sortation technology to improve the efficiency of feeding parcels into sorters. Since initiation this year, GLS has established dedicated AI teams focused on developing scalable and innovative solutions across its network. These teams have already delivered their first outputs in out-of-home optimisation, improving sorting accuracy and reducing parcel losses. Together, these initial steps mark a significant advancement in embedding AI across GLS operations.

Building a global service offering

During the year, GLS expanded its global service offering across the US and Asia Pacific with the launch of a new cross-border service for North American and EU customers to seamlessly send transatlantic volumes. The cross-border market between North America and Europe remains a significant potential growth area for GLS, with higher-than-average margins per parcel.

GLS also announced a bilateral network partnership with SF Express, China's largest integrated logistics service provider, to enhance global distribution capabilities in the Asia Pacific region comprising China, India, Japan, South Korea, Thailand and Vietnam.

As previously announced in October 2024, GLS acquired 20% of ACS Postal Services SMSA (ACS) in Greece, the largest parcel carrier in the domestic Greek parcels market which serves over 30,000 customers, with an option to acquire the remaining 80% of the share capital of ACS on 31 October 2025 or 30 October 2026.

Expanding service range

Service range expansion is cementing customer relationships, generating synergies with parcel operations and creating opportunities to differentiate and increase wallet share. GLS has continued to expand its fulfilment capability with services added to its Hungarian and Spanish markets, which further augment its existing eCommerce fulfilment capability in Germany and Slovenia.

In Eastern Europe, GLS successfully launched a new consignee app offering key features including real-time parcel tracking, redirection options, an out-of-home point locator, flexible parcel locker access and a built-in loyalty programme. The app has been well received, achieving an impressive 4.7+ rating across both Android and iOS platforms in all launch countries.

Meanwhile, the Bettermile product suite continues to be rolled out across the GLS network, with steadily increasing adoption in both last-mile navigation for drivers and live tracking for consumers. Feature development remains active, with recent additions including 'Last Meter', a feature that guides drivers more precisely to the recipient's doorstep. The product suite is also evolving to support last-mile van load balancing, optimise delivery tours and further improve efficiency across the last mile.

Section 172 Statement

The Group's stakeholders are integral to its success and the Group must take account of their issues and concerns if it is to create sustainable long-term value.

On occasions, the Board has to make difficult choices and prioritise the interests of different stakeholders. In such circumstances, what matters to each stakeholder is carefully considered and, after taking account of all relevant factors, a decision is made based on the long-term interests of the Group. Outcomes of decisions are not always positive for all stakeholders.

In relation to the decisions taken during the financial year ended 30 March 2025, the Directors of International Distribution Services plc consider, both individually and together, 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 of its members as a whole, having regard to the stakeholders and matters set out in section 172 of the Companies Act 2006.

Examples of principal decisions made by the Board during the 52 weeks ended 30 March 2025, and the stakeholder issues and section 172 matters considered as part of the decision-making process, are set out below. The Group defines 'principal decisions' as decisions which are material or strategic to the Group and/or significant to any of its stakeholders. In each case, given the materiality and importance of these matters, the relevant management team made recommendations to the Board and, where relevant, its Committees for consideration.

Universal Service reform

In January 2025, as part of its review of the Universal Service, Ofcom opened a consultation on proposed changes to Royal Mail's Universal Service obligations. Royal Mail's response to the consultation, which was submitted on 8 April 2025, is summarised at www.internationaldistributionservices.com/en/press-centre/press-releases/international-distribution-services-plc/royal-mail-responds-to-ofcom-consultation-on-the-universal-service.

In March 2025, the Board reviewed and concurred with Royal Mail's consultation response based on the following matters:

- **The long-term interests of the Group and all its stakeholders:** Key changes Ofcom is proposing to make to the proposed reforms Royal Mail outlined in April 2024 (see www.internationaldistributionservices.com/en/about-us/regulation/universal-service-obligation/the-future-of-letter-deliveries) will not deliver an efficient, reliable and financially sustainable Universal Service.
- **Customers:** Royal Mail's proposed introduction of new additional reliability targets will give customers greater confidence and reflect the fact that customers increasingly value reliability over speed. However the level at which Ofcom is proposing to set the new reliability targets is over specified and will add significant cost to the delivery of the Universal Service. This would put the benefits of Universal Service reform at risk and could lead to higher prices for customers. Furthermore, maintaining unnecessary regulation that prohibits Royal Mail from offering parcel tracking for Universal Service customers does not meet customer needs and renders the Universal Service unfit for the digital age.

Ofcom published its decision in relation to changes to Royal Mail's Universal Service obligations in July 2025 (see pages 3 and 27).

Recommended cash offer for IDS by EP UK Bidco Limited

In May 2024, the Board recommended that shareholders should accept the offer from EP UK Bidco Limited to acquire for cash the entire issued and to be issued ordinary share capital of IDS, other than the IDS shares owned or controlled by VESA Equity Investment S.a.r.l. (the Acquisition). The Board, in making this recommendation, received advice in relation to the financial terms of the Acquisition and briefings on the Directors' responsibilities and duties under relevant legislation and guidance including the UK Takeover Code, the UK Corporate Governance Code and section 172 of the Companies Act 2006. The Directors took into account a wide range of stakeholders and the section 172 matters including:

- **The long-term interests of the Group and all its stakeholders**: While the Board was confident that IDS was well positioned, with a standalone strategy which would deliver value for shareholders over the long term, significant uncertainty remained as to the speed of Royal Mail's transformation and Universal Service reform, and the consequent impact on the Group's performance. The Board also recognised that the Group needed to make further investment into strategic areas such as the network and out-of-home solutions. The Board believed that EP, with its significant knowledge of the postal, logistics and distribution sectors, and as a long-term investor in infrastructure, had both the expertise and access to capital to accelerate and de-risk the delivery of IDS' strategic plans over the long-term. The Board also believed that the terms of the Acquisition were fair and reasonable and that the Acquisition would enable IDS to substantially accelerate and de-risk the delivery of its strategic plans, including through better access to further investment as a private company.
- **Shareholders:** The terms of the Acquisition represented an immediate and significant premium to the undisturbed closing price of 214 pence per share on 16 April 2024 and provided shareholders with an opportunity to realise the value inherent in the IDS business in cash without the execution risk associated with delivering IDS' current strategy in the absence of Universal Service reform.
- **Customers, employees and the community**: Royal Mail performs critical functions in the markets where it operates, and the Board was particularly mindful of Royal Mail's unique heritage and responsibilities as the designated Universal Service Provider in the UK and a key part of national infrastructure. The Board was also very mindful of the impact on Royal Mail and its stakeholders and employees, as well as broader factors. To this end, the Board sought, and EP agreed, a set of legally binding undertakings to be offered to the UK Government as well as contractual commitments from EP to IDS to protect broader interests, including union recognition, the Royal Mail defined pension arrangements and recognising Royal Mail's status as a key part of national infrastructure.

Acquisition of stake in ACS Postal Services SMSA (ACS)

In October 2024, GLS acquired 20% of the shares in ACS, the largest parcel carrier in the Greek domestic parcels market. The business also secured a call option to acquire the remaining 80% of ACS' share capital on 31 October 2025 or 30 October 2026. In approving the transaction, the Board considered the following matters:

- **The long-term interests of the Group and all its stakeholders**: The investment was consistent with GLS' strategy to strengthen its parcel operations, including within the cross-border deferred segment.
- **Customers**: The investment in ACS would improve GLS' service offering within mainland Greece and the Greek islands, the largest EU market by population currently not served by the GLS network.
- **Environmental impact**: The asset base included measures to reduce the business' environmental impact. In particular, its Athens hub, which opened in 2022, is equipped with a 1 MW photovoltaic system.

Sustainability

Environment, Social and Governance (ESG) approach

The Group's ESG approach is built around the following ambitions which focus on the topics identified by our stakeholders as being material and support a number of the United Nations Sustainable Development Goals (SDGs):

- Environment: Net-Zero[1] by 2040 (Royal Mail) and Net-Zero[1] by 2045 (GLS).
- Social: To be an employer of choice and an integral and valued part of the places where we operate.
- Governance: To maintain stakeholders' trust at all times.

Royal Mail and GLS undertake regular materiality assessments to ensure that their respective ESG programmes continue to take account of the areas stakeholders consider most important. Information about Royal Mail's and GLS' most recent materiality assessments and further detail about each business' ESG programme are included in their respective ESG Reports, which are available at www.internationaldistributionservices.com/en/sustainability/reporting-and-performance.

Environment

Royal Mail's and GLS' respective environmental strategies are focused on climate change and emissions reduction and support SDGs 11 (Sustainable cities and communities) and 13 (Climate action). Royal Mail's and GLS' respective carbon ambitions and targets are set out in the adjacent panel.

Royal Mail's 'Steps to Zero' strategy

Royal Mail is the UK's greenest delivery option for letters and parcels.[2] The business' carbon targets, which have been validated by the Science Based Targets initiative (SBTi), are aligned to the latest climate science and to a 1.5°C decarbonisation pathway across all scopes of greenhouse gas (GHG) emissions.

As part of 'Steps to Zero', Royal Mail is:

- Optimising its distribution network and modernising its vehicles to reduce transport fuel emissions.
- Improving the energy efficiency of its buildings, making space for more parcel automation and technology.
- Transforming its operations and behaviours to embrace circularity by enabling re-use models and reducing single-use items.
- Decarbonising its supply chain, by engaging with key suppliers on carbon performance and reducing domestic air freight.
- Using its size, scale and reputation to play a positive role in championing sustainability in its industry, for its workforce and customers.

Royal Mail also tracks and reports its average CO_2e per parcel and letter, which helps customers make informed decisions about their carbon footprint. Due to its ongoing decarbonisation actions in the year, in addition to the environmental advantages afforded by its final-mile 'feet on the street' delivery model, Royal Mail's average CO_2e per parcel is currently 165g CO_2e, a reduction of 20% compared to 206g CO_2e in the prior year.

This is significantly below the per parcel emissions of between c.308g and 547g CO_2e attributed to the business' peers in the Citizens Advice 2024 Parcels League Table.

Carbon ambitions and targets

Royal Mail

Net-Zero by 2040 across Scopes 1, 2 and 3[3] aligned to 1.5°C, the latest climate science and science-based target standards.

Net-Zero and interim targets:

GHG emissions	90% reduction in Scope 1, 2 and 3 emissions by 2040 50% reduction in Scope 1 and 2 emissions by 2030 25% reduction in Scope 3 emissions by 2030
Renewable electricity	100% from 2022 (achieved)
Zero-emission final mile[4]	100% by 2035
Company cars	100% zero-emission by 2030

GLS

Net-Zero[1] by 2045 across Scopes 1, 2 and 3[5] aligned to 1.5°C, the latest climate science and science-based target standards.

Net-Zero and interim targets:

GHG emissions (SBTs)	90% reduction in Scope 1, 2 and 3 emissions by 2045 42% reduction in Scope 1 and 2 emissions by 2030 36.9% gCO_2e per ton-km reduction in Scope 3 for light commercial vehicles 31.7% gCO_2e per ton-km reduction in Scope 3 for heavy freight trucks
Renewable electricity	100% renewable electricity consumed by 2030
Fleet	50% electric- and low-emission[6] by 2030 100% of new vehicles will be electric- and low-emission by 2035
Company cars	100% electric vehicles by 2030

1. Royal Mail's Net-Zero by 2040 ambition is to reduce 90% of its Scope 1, 2 and 3 CO_2e emissions by 2040, while offsetting the remaining 10% residual emissions through investment in certified carbon removals against a 2020-21 base year of 1,325.1 $KtCO_2e$. This has been verified by SBTi to be aligned to a 1.5°C decarbonisation pathway across all scopes of GHG emissions. GLS B.V. is committed to reduce its absolute Scope 1, 2 and 3 GHG emissions by 90% by 2045, using 2021 as the base year. The residual emissions will be neutralised. This means the business counterbalances up to 10% of its CO_2e emissions with investments in carbon removal projects outside its value chain, in line with the SBTi Net-Zero Standard. GLS B.V.'s SBTi commitment encompasses all affiliated companies of GLS B.V. operating under the GLS trademark.
2. Based on average gCO_2e emissions per parcel delivered by UK parcel operators, as published by Citizens Advice 2024 Parcels League Table.
3. Royal Mail reports its carbon emissions in line with the GHG Protocol Corporate Standard. The standard classifies a company's GHG emissions into three scopes. Scope 1 emissions are direct emissions from sources that are owned or controlled, including combustion of fuel and operation of facilities. Scope 2 emissions are indirect emissions from the purchase of electricity for own use. Scope 3 emissions are all indirect emissions (not included in Scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions. Royal Mail also reports 'Outside of Scopes' emissions in its ESG data pack to account for the biogenic emissions associated with the combustion of biogas and biofuel which sit outside of Scopes 1 to 3. For information about our conversion factors, please refer to our reporting criteria (www.internationaldistributionservices.com/en/sustainability/reporting-and-performance).
4. Royal Mail's zero-emission final mile target is calculated as the percentage of final mile delivery routes completed using zero-emission vehicles or entirely on foot. In line with the UK Government's Zero Emission Vehicle (ZEV) mandate, Royal Mail defines zero-emission vehicles as those that produce no tailpipe emissions.
5. GLS reports carbon emissions according to the GHG Protocol Standard. The standard classifies a company's GHG emissions into three scopes. Scope 1 emissions are direct emissions from sources that are owned or controlled, including combustion of fuel and operation of facilities. Scope 2 emissions are indirect emissions from the purchase of electricity, heat, steam and cooling purchased for own use. Scope 3 emissions are all indirect emissions (not included in Scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions. Further details about the basis of reporting are available at www.internationaldistributionservices.com/en/sustainability/reporting-and-performance.
6. This means vehicles that during driving operation use only electricity or fuels that create lower emissions than diesel or gasoline fuel (e.g. HVO, biogas, natural gas such as LNG, LPG, CNG). Further, this also includes parcel deliveries on foot (as of today, only applicable for GLS Spain).

GLS' Climate Protect strategy

GLS has set science-based emission reduction targets in line with the SBTi. The targets, which are outlined on the previous page, were validated by the SBTi in December 2024 and they are consistent with the goals of the Paris Agreement.

To achieve these targets, GLS is:

- Working with its transport partners to transform their parcel and freight delivery fleet towards electric- and low-emission[1] vehicles.
- Fostering cooperation with electric vehicle providers and its transport partners to get access to latest available technology.
- Implementing distribution network and final-mile efficiency, including extending its parcel shop and locker network.
- Improving the energy efficiency of its existing buildings by introducing own-green electricity production and renewable heating systems.

In addition to initiatives to gradually reduce carbon emissions, some GLS companies are also simultaneously compensating for carbon emissions at a national level. In 2024-25, GLS worked with ClimatePartner GmbH (Munich, Germany) on a number of projects to offset emissions from the transportation of parcels and freight shipments, buildings and business travel generated by the companies in the following countries, operating under the GLS trademark: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Portugal, Slovenia and Spain. Further information about GLS' compensation of carbon emissions is available at www.gls-group.eu/GROUP/en/carbon-offsetting.

Environmental performance

In 2024-25, the Group's total emissions decreased by 2.55%, compared to the prior year. Information about ongoing initiatives to reduce energy across the Group are detailed on the next page.

Royal Mail's total (market-based) emissions[1] were 1,173 KtCO_2e in the year, representing an overall decrease of 25% on the base year in 2020-21 and a 3% decrease since last year. This reduction was primarily due to continued reductions in our vehicle fleet emissions through the deployment of hydrotreated vegetable oil (HVO) in our fleet of large trucks, alongside the removal of several domestic flight routes, as well as a continued focus on energy efficiency measures across Royal Mail's operations and significant reductions in our supply chain. GLS' total (market-based) emissions were 1,210 KtCO_2e, representing a decrease of 7% since last year. The emission reduction is distributed across all three scope categories, including direct and indirect emissions. The reduction was primarily due to the implementation of various decarbonisation measures across buildings and subcontracted transport fleet, as well as one-time effects.

As outlined in the Group's 2023-24 Annual Report, energy efficiency is aligned with its ambition to decarbonise, focusing on optimisation and the deployment of more efficient technology.

Carbon emissions performance CO_2e ('000 tonnes)[2]

	FY 2024-25			FY 2023-24		
	Total	Royal Mail	GLS	Total	Royal Mail[3]	GLS[4]
Scope 1	425.8	351.9	73.9	504.6	394.8	109.8
Scope 2 (location-based)	82.0	54.5	27.5	79.0	54.5	24.5
Scope 3 (location-based)[5]	1,983.3	826.0	1,157.3	2,005.5	813.0	1,192.5
Total	2,491.1	1,232.4	1,258.7	2,589.1	1,262.3	1,326.8
Tonnes CO_2e per £1m revenue[6]	38.6	49.4	20.6	46.0	57.4	27.6
Scope 2 (market-based)	4.8	0.2	4.6	5.6	0.3	5.3
Energy consumption kWh ('000)[7]	2,522,947	2,105,077	417,870	2,810,927	2,245,547	565,380

1. This means vehicles that during driving operation use only electricity or fuels that create lower emissions than diesel or gasoline fuel (e.g. HVO, biogas, natural gas such as LNG, LPG, CNG). Further, this also includes parcel deliveries on foot (as of today, only applicable for GLS Spain).
2. Carbon emissions are reported in accordance with the GHG Protocol Corporate Standard, which classifies a company's emissions into three scopes. Scope 1 emissions are direct emissions from sources that are owned or controlled by Royal Mail or GLS, including the combustion of fuel and operation of facilities. Scope 2 emissions are indirect emissions from Royal Mail's or GLS' purchase of electricity, heat, steam and cooling for own use. Scope 3 emissions are all other indirect emissions that occur in each business' value chain and are voluntary to report. For the avoidance of doubt, GLS reports emissions related to its subcontracted transport fleet (Europe and part of North America) within Scope 3 and its own transport fleet (most of North America) within Scope 1. Royal Mail also reports 'Outside of Scopes' emissions in its ESG data pack to account for the biogenic emissions associated with the combustion of biogas and biofuel, which sit outside of Scopes 1 to 3. Totals may include small discrepancies due to the use of rounded values. Further details about the basis of reporting are available at www.internationaldistributionservices.com/en/sustainability/reporting-and-performance.
3. 2023-24 data (all rows) have been restated following the provision of data that was previously estimated. This restatement is in accordance with the Group's reporting guidelines and the GHG Protocol.
4. GLS' emission data reflects the calendar year rather than the financial year. Further information in relation to GLS' carbon emissions performance, including a detailed description of the Scope 1, 2 and 3 calculation methodology, is included in GLS' ESG Report which is available at www.internationaldistributionservices.com/en/sustainability/reporting-and-performance. Not included are CO_2e emissions from recent M&A activities in 2024, the acquisition of E-Log Logística Insular, S.L. (Spain) and iLOGISTIC LOGISZTIKAI ÉS SZOLGÁLTATÓ Kft. (Hungary), as well as a 20% share of ACS. These will be included in the reporting of 2025 CO_2e emissions.
5. Royal Mail has restated its Scope 3 emissions across five categories back to base year 2020-21 to reflect methodology enhancements across five categories. The categories that were restated are: 1. Purchased Goods & Services, 2. Capital Goods, 4. Upstream Transportation & Distribution, 7. Employee Commute and 9. Downstream Transportation & Distribution. Royal Mail reports Scope 3 market-based performance in its ESG Data Pack.
6. The tonnes of CO_2e per £1m revenue ratio comprises Scope 1 and Scope 2 (location-based) emissions only. This ratio provides an overview of our carbon efficiency as we continue to grow.
7. The data presented contains disclosures in relation to the Streamlined Energy and Carbon Reporting (SECR) requirements. Carbon (Scope 1 and 2) and energy data is for Royal Mail's operations in the UK. All carbon and energy data reported for GLS is considered offshore. In accordance with SECR, details of energy efficiency actions taken in the year are listed throughout this Environment section.

Buildings

During the year, estate emissions accounted for 7% of Royal Mail's total annual emission profile (2023-24: 8%).

To reduce energy consumption across Royal Mail's operations, the business is continuing to implement energy efficiency measures, including optimising time and temperature controls throughout the coldest months. It has also continued to purchase and generate 100% renewable electricity, the majority being achieved through a 100% renewable electricity tariff backed by Renewable Energy Guarantees of Origin certificates, which has been in place since April 2022. The business is now looking to purchase renewable electricity via power purchase agreements, ensuring a sustainably priced renewable electricity supply and renewable generation in the future.

In the year 2024, 89% of GLS-operated sites in Europe used renewable electricity and 80% of the business' global electricity consumption was renewable. Compared to the prior year, self-generated renewable electricity increased by 31% and the total purchased green electricity increased by 10%. Therefore, GLS' Scope 2 (market-based) emissions, which are predominantly electricity, decreased by 13% compared to the prior year.

GLS' businesses in Germany, Denmark, Spain, Finland, Portugal and Czech Republic consume 100% green electricity. The ambition to have 100% renewable electricity by 2030 across the whole GLS group will be achieved by further increasing the generation of renewable electricity using solar panels, and the purchase of Renewable Energy Guarantees of Origin certificates for all GLS entities in Europe and North America.

To further decarbonise its operations, GLS considers energy efficiency measures and sustainability requirements, including regenerative heating systems and solar panels, for all new build sites. In 2024, GLS Germany's depot in Potsdam was awarded Gold certification by the German Sustainable Building Council (DGNB) for its sustainable building approach.

GLS also supports its fleet transformation by investing in infrastructure upgrades at its hubs and depots. This includes installing charging infrastructure, enhancing the power supply and implementing load balancing systems. At the end of December 2024, GLS' group network included more than 4,000 charging points.

Transport

Royal Mail operates one of the largest commercial fleets in the UK, which, alongside air and rail emissions, accounts for around 60% of the business' total emissions profile. Around 27% of the business' delivery routes are zero-emission, undertaken by a dedicated or shared electric van. As at April 2025, over 7,000 electric vans were deployed at 289 units across the UK, of which 27 are fully electrified. Royal Mail also made significant progress on decarbonising its line haul fleet of large trucks, through the deployment of HVO, a biofuel that reduces direct carbon emissions by up to 90% compared to diesel. 27 million litres of HVO have been deployed, resulting in a c.44,000 tCO_2e emissions saving compared to diesel. The business works with suppliers to ensure the HVO procured is derived from sustainable feedstocks and purchases only International Sustainability & Carbon Certification (ISCC) certified HVO.

Currently, around 2% of Royal Mail's domestic mail is transported by air. As of April 2025, 18 flight routes were removed and once fully realised for a full year, this will equate to savings of around 50% of base year domestic air freight emissions.

As 90% of GLS' emissions derive from parcel, freight and transport services, the reduction of vehicle emissions is a key factor in achieving the business' decarbonisation goals.

GLS is continuing to expand its electric- and low-emission fleet by adding more e-vans, light vehicles and alternative-fuel vehicles to its delivery network. New electric trucks are now operating on line hauls across Germany, France, Italy and Canada, while other GLS countries continue to undertake electric truck trials. In addition, vehicles using HVO are now in operation in Germany, Hungary, Italy, Austria and Poland.

GLS also collaborates with municipalities and cities to decarbonise last-mile deliveries, including the 'Zero Emission' project in Vienna, where all deliveries in districts 1 and 2 are now made by electric vehicles. In total, more than 6,600 electric- and low-emission vehicles are now in operation, representing a 55% increase in electric- and low-emission vehicles compared to the end of 2023.

In calendar year 2024, GLS reduced the transport emissions per parcel by 1% compared to 2023. However, this figure does not fully reflect the successful progress made in decarbonising the transport operations during 2024. Updated emission factors for fuels such as diesel and gasoline increased by about 7%,[1] which, together with other methodological changes, reduced the decrease in transport emissions per parcel. In a like-for-like comparison, when applying 2023 emission factors to both years, GLS' groupwide CO_2e emissions per parcel decreased by around 8% in 2024 compared to 2023.

Responsible consumption

Royal Mail is targeting a 25% reduction in waste volumes by 2030. During the year, the business generated 30,645 tonnes of waste (2023-24: 29,500 tonnes) and recycled, reused or diverted 97% of its waste, a similar performance compared to the prior year.

Further information about Royal Mail's waste and water consumption is included in the Royal Mail ESG Report, which is available at www.internationaldistributionservices.com/en/sustainability/reporting-and-performance.

1. The increase stems from previously unquantified methane venting in the production of fossil fuels.

Social

The Group aims to deliver economic and social benefits and focus on the following key issues which support SDGs 3 (Good health and wellbeing), 8 (Decent work and economic growth), 10 (Reduced inequalities) and 11 (Sustainable cities and communities):

- Health and safety: Ensuring a safe and healthy work environment for employees, while considering the safety of customers and other members of the public.
- Employees: Offering attractive employment opportunities and promoting an inclusive working environment.
- Customer service: Delivering fast, convenient and environmentally sustainable services, with reliable quality of service for customers and communities.

Royal Mail

Royal Mail's Health and Safety Policy, which is available at www.internationaldistributionservices.com/en/sustainability/governance/policies, is implemented through the business' integrated Safety, Health and Environment (SHE) management system and applies to employees, temporary workers, subcontractors and contractors. This provides the framework for managing risk, improving performance and maintaining a safe, healthy and environmentally responsible workplace.

During 2024-25, Royal Mail carried out over 1,000 SHE audits focused on risk management, compliance standards and performance. Additionally, the business provided health and safety information and guidance to all employees. In 2024-25, training focused on road traffic collisions and accident investigations, in addition to our core Health & Safety training.

During the year, the number of dog attacks[3] increased by 2% compared to the prior year (2023-24: 2,156). The business launched a Dog Attack Victim Guide to ensure colleagues get the right level of support and are aware of the help that is available to them. It also trialled a new 'posting peg' to help reduce dog attacks through the letterbox, and continued to promote responsible dog ownership by customers as part of the 12th annual Dog Awareness Week.

GLS

GLS aims to ensure the health and safety of its employees, transport partners and their drivers through implementation of its Occupational Health and Safety (OHS) Policy via its extensive OHS Programme. The programme covers management training, regular staff briefings that raise awareness of particular workplace hazards and specially developed transport and driver training courses that focus on road traffic risks.

The business also operates a number of country-specific preventative health programmes that are intended to prevent work-related health hazards and ensure early detection of occupational illnesses.

Health and safety performance

The Group's 2024-25 safety performance is set out in the table below.

Despite efforts to reduce all risks, during the year, regrettably one employee and five members of the public sadly lost their lives in accidents that involved Royal Mail vehicles. Royal Mail's Lost Time Accident Frequency Rate (LTAFR) decreased by 3% and the total accident frequency rate decreased by 1%. GLS' employee LTAFR decreased to 1.72%. Royal Mail's Road Traffic Collision Frequency Rate (RTCFR) increased by 5.62% compared with the previous year.

All serious and fatal accidents are investigated by a safety professional to identify the causes and learning points and, in 2024, a dedicated road safety steering group was established to ensure that an effective and coordinated approach to improving road safety operates across the business. New telemetry is also being trialled to help better identify issues and improve driver behaviour.

During 2024-25, GLS' total number of fatal accidents increased from 12 in the prior year to 13. No GLS employee had a fatal accident and all fatalities related to road traffic accidents involving GLS' transport partner companies.

The level of sickness absence in Royal Mail during the year fell to 5.71% (2023-24: 6.75%) driven by the improved wellbeing programme and processes for managing sickness and ill health. GLS' sickness absence level increased to 5.12%.

Group health and safety performance

		2024-25			2023-24		2022-23	
		IDS	**Royal Mail**	**GLS**	Royal Mail	GLS	Royal Mail	GLS
Fatalities[1]	Employees	**1**	**1**	**0**	1	0	0	0
	Third parties[2]	**18**	**5**	**13**	5	12	6	17
LTAFR (per 100,000 hours worked)		**0.88**	**0.76**	**1.72**	0.78	1.98	0.79	2.08
Sickness absence (%)		**5.62**	**5.71**	**5.12**	6.75	4.73	7.50	4.96

1. The total number of fatalities due to accidents that have occurred as a result of our activities.
2. Third parties include contractors, third-party drivers and members of the public.
3. 2023-24 covered 53 weeks and the number of dog attacks was 2,206. The figure of 2,156 has been adjusted to remove the 53rd week, to enable comparison between reporting years.

Employee engagement
Ongoing dialogue with colleagues is essential and a number of employee listening mechanisms, which provide valuable feedback on a range of issues, are in place. These include quarterly People Panels and surveys, and until IDS was delisted on 2 June 2025, a Non-Executive Director sponsored Employee Voice Forum.

In March 2025, Royal Mail relaunched its annual employee survey, which invites all employees to share their views on working for Royal Mail. Over 66,000 employees participated in the survey, representing 51% of the workforce, compared with 53% in the previous survey, which was undertaken in September 2023. The survey results produced an engagement score of 6.4 (out of 10). Because the business onboarded a new employee experience research platform to provide stronger insight and understanding of the employee experience, it is not possible to make direct comparisons with the findings of the prior year survey. However, feedback received from the latest survey evidenced positive progress in areas including pride, advocacy and engagement.

In February 2024, Royal Mail launched Change for Good, a multi-year campaign to change Royal Mail for the better, by creating an inclusive culture where everyone is treated with dignity and respect. The campaign continued in the year and included training and awareness raising, and colleagues were able to offer their own personal pledges to role model positive behaviours in the workplace.

GLS conducts employee surveys regularly across its operations to gauge workplace sentiment and ensure alignment with employee priorities in each country. For example, in 2024, a common engagement survey was carried out across the Eastern Europe region. The feedback demonstrated strong employee engagement, a high sense of belonging, trust in leadership and a strong sense of security within the organisation.

Information about how employee feedback is used by the Board to monitor culture across Royal Mail and GLS is set out on page 43.

Rewarding people fairly
Royal Mail provides highly competitive employment terms and conditions in our industry in the UK. Fair employment conditions are the foundation of how Royal Mail does business. It offers permanent employees a competitive salary, paid holiday and a good pension.

In 2024-25 a UK postie's basic hourly rate, where applicable, was more than the UK National Living and Minimum Wages (NLMW) for the same period. All temporary workers receive pay in line with the NLMW, with the majority receiving hourly pay above the voluntary Living Wage set by the Living Wage Foundation at national level.

In 2024 the total average pay for male and female Royal Mail employees continued to be broadly the same as the prior year, with male employees paid 0.2% more than female employees on a mean basis and 1.2% on a median basis. Information on the Royal Mail 2024 Gender Pay Gap Report is available at www.internationaldistributionservices.com/en/sustainability/reporting-and-performance.

Providing learning and development opportunities
In 2024-25, Royal Mail invested £7.1 million in learning and development, equivalent to 62,759 days[1], compared with £5.3 million and 57,435 days in 2023-24.

Continuous development is key to equipping colleagues with the skills and knowledge they need to thrive in a rapidly evolving environment.

During the year, the MyPerformance programme helped drive improvements including reductions in workplace accidents and a 2.6% increase in customer net promoter score, by giving postmen and women more information about their own performance and customer feedback.

In February 2025, Royal Mail launched its new Ignite programme, a Chartered Management Institute recognised pathway to equip managers with foundational skills, and in April 2025, a new Accelerate programme to foster advanced leadership skills with high-potential managers was introduced. The year also saw the launch of the People Manager Hub to better connect managers with signposting, resources and courses to support them in their roles.

A new mandatory mental health programme for managers has also been introduced to equip them with tools to look after their own mental health and spot signs and provide support to colleagues. More than 5,000 managers participated in the programme's training workshops.

GLS provides a range of targeted training and professional development programmes to enhance employees' abilities and enable them to reach their full potential. The business' 'New Level Work' coaching programme aims to support the development of managers and help them become modern leaders, and is offered across all GLS countries. In addition, the business runs interactive leadership development sessions to support leadership in a number of areas including transformation, recruitment and onboarding, development and succession planning.

Furthermore, GLS subsidiaries deliver tailored employee training programmes, including talent development initiatives, specifically designed to foster growth across various operational and functional roles.

Further information on Royal Mail's and GLS' training and development initiatives is included in their respective ESG Reports, which are available at www.internationaldistributionservices.com/en/sustainability/reporting-and-performance.

Diversity, equity and inclusion (DEI)
The Group strives to create an inclusive, fair, respectful and accessible working environment for all its employees. To achieve this, Royal Mail and GLS have developed DEI strategies relevant to their respective markets and businesses.

Royal Mail's DEI strategy underpins the business' ambition to develop a workforce that reflects the broad diversity of the communities it serves. Diversity includes, but is not limited to, age, disability, marital or civil partnership status, pregnancy or maternity status, race, ethnicity and national origin, religion/faith or belief, sex or gender identity, and sexual orientation.

1. Days equivalent is calculated by totalling the number of completed hours across all learning activity (classroom, e-learning, etc.) and then dividing by an eight-hour working day.

Royal Mail 2025 diversity targets[1]

	Position 31 March 2024 (%)	**Position March 2025 (%)**	Target position March 2025 (%)
Female representation (all levels)	20	**20**	25
Female representation (levels 1-6)	26	**30**	33
Ethnic minority (all levels)	13	**14**	15
Ethnic minority representation (levels 1-6)	7	**6**	11
Youth representation (frontline below level 6)	8	**9**	18

1. In total, 15,809 employees do not have an assigned ethnicity in our reporting and are not included in this table.

In February 2022, Royal Mail set ambitious DEI targets aimed at improving under 30s, gender and ethnicity representation by March 2025. While progress has been made through various initiatives, amidst a challenging cost landscape, these March 2025 gender and ethnicity targets were not met. As part of a continued effort to drive DEI across its business, Royal Mail has set new targets and launched new initiatives.

Around 14% of Royal Mail employees are from underrepresented ethnic groups. Royal Mail is a signatory to Business in the Community's (BITC) Race at Work Charter and actively participates in BITC's Mentoring Circles programme. This programme offers colleagues from underrepresented ethnic groups an opportunity to maximise their full potential through mentorships by senior colleagues within the organisation and across multiple industries.

Royal Mail remains committed to supporting disabled applicants and colleagues at all stages of the employee cycle. The business provides training, career development and promotion opportunities, and operations managers complete Disability and Reasonable Adjustments training to ensure that they are confident and effective in supporting colleagues with disabilities. Support and training are provided for colleagues with existing disabilities and for those who have become disabled during their employment.

Further information on Royal Mail's DEI strategy and progress made during the year is included in the Royal Mail ESG Report, which is available at www.internationaldistributionservices.com/en/sustainability/reporting-and-performance.

GLS

GLS is committed to fostering a diverse and inclusive workplace, representing over 100 nationalities. This commitment is detailed in the GLS Diversity Statement, which is available at www.gls-group.com/GROUP/en/our-sustainability/social-sustainability.

In 2024, GLS continued to promote gender equality by enhancing recruitment strategies to attract more qualified women, acknowledging the traditionally lower female representation in the logistics sector. This included refining job advertisements to ensure inclusive language and implementing structured outreach programmes. GLS also strengthened career development planning processes, providing equal opportunities for advancement to all employees. Active internal recommendations are utilised to highlight the pool of female talent to both HR and management, and are a crucial part of the business' succession planning process.

As GLS predominantly operates within the EU, it adheres to EU Data Protection Law and therefore does not collect ethnicity data of employees.

Group gender diversity profile as at 30 March 2025

	Male	Female	Total
Board	6	4	10
Senior leaders[1]	267	83	350
Other employees[2]	120,034	32,188	152,222

1. Per the Companies Act 2006 definition (those employees who are responsible for planning, directing or controlling the activities of the Company or a strategically significant part of it). In Royal Mail this includes employees graded levels 1 to 6 and in GLS this includes employees graded level A. It also includes directors of subsidiary undertakings included in the consolidation but does not include Board members who would otherwise classify as senior leaders.
2. In the case of Royal Mail, Pension Trustees who are not employees are excluded and gender data is not collected for Intersoft and eCourier.

Supporting communities
Royal Mail seeks to be an integral, valued and trusted part of every community in which it operates. In 2024-25, the business contributed £3.3 million to good causes and charitable schemes. This included matched giving for colleague fundraising and the cost of its Articles for the Blind service. In addition to the total contributed, Royal Mail colleagues raised £2.13 million for charitable causes.

The business' flagship charity partnership with British Heart Foundation (BHF) is one of the largest corporate charity partnerships for heart health in the UK. Over the last two years, the partnership has raised over £1 million and facilitated cardiopulmonary resuscitation (CPR) training for thousands of people in local communities. During the year, Royal Mail Kits 4 Kids, a new community youth sports programme, was launched to help young people get active. The programme supports local grassroots youth sports teams with grants to fund new sports kit and around 300 local teams were fitted out in the year.

Royal Mail continues to support the Disasters Emergency Committee (DEC) by providing a dedicated PO Box which enables the UK public to respond to national appeals for overseas disasters. In October 2024, the DEC launched a Middle East Humanitarian Appeal and, in April 2025, a Myanmar Earthquake Appeal. Royal Mail supported both appeals by providing a free PO Box service to help direct donations through the post. In 2024-25, £2.5 million was received via the PO Box.

GLS empowers each of its national subsidiaries to lead their own social initiatives. This decentralised strategy ensures that efforts address the most pressing local challenges and opportunities that are likely to have a lasting impact. This tailored approach also strengthens community ties, making GLS a trusted and integral part of the communities it serves. Activities include employee volunteering, donations and crisis relief, and linking social activities to GLS' core business, free parcel delivery.

Protecting human rights
The Group is committed to playing its part to uphold and protect human rights in our businesses and across our supply chain globally. It obeys the laws, rules and regulations of every country in which it operates and implements the UN Guiding Principles on Business and Human Rights, the UN Declaration of Human Rights and the International Labour Organization Fundamental Conventions within our businesses and our supply chain. These cover freedom of association, the abolition of forced labour, equality and the elimination of child labour.

Building awareness of modern slavery forms part of Royal Mail's induction and compliance training, which is mandatory for all managers. GLS provides online supply chain compliance training, which also covers modern slavery. This training is mandatory for all personnel with purchasing authority or depot supervisory responsibility. In addition, modern slavery issues are highlighted during face-to-face training with relevant GLS managers.

Royal Mail continues to focus on assessing supply chain risks in relation to modern slavery and human trafficking, and is exploring options for certification of third-party suppliers for correct employment standards and signposting them to modern day slavery training materials. The Group's Modern Slavery Act Statement is available at www.internationaldistributionservices.com/sustainability/reporting-and-performance.

Governance

Maintaining stakeholders' trust by operating with integrity is essential if the Group is to succeed and generate long-term value. Reflecting this, the Group focuses on the following key issues which support SDGs 3 (Good health and wellbeing) and 10 (Reduced inequalities):

— Service responsibility: Maintaining integrity and transparency and addressing data protection and information security.
— Compliance: Operating high standards of governance and complying with all applicable laws and regulations.

ESG oversight and implementation
During the year, the following governance structure, processes and metrics were in place to support the Board's oversight of ESG matters and ensure effective implementation of the Group's ESG strategy:

— **ESG Committee:** Provided Board-level oversight of the implementation of the ESG Principles (see page 42) across the Group.
— **Executive sponsor:** The then Investor Relations Director, was the Company's ESG sponsor and the person ultimately responsible for Group-level stakeholder engagement.
— **Royal Mail and GLS Executive Boards and dedicated ESG functions:** Responsible for ensuring effective execution of ESG strategies and alignment of targets, policies and procedures with the Group's ESG Principles and ESG Policy Statement.
— **Risk management:** Relevant social and environmental issues were assessed, monitored and managed using the Group's risk management framework (see page 22). Management of climate-related risks and opportunities is outlined on pages 15 to 22.
— **Reward:** Relevant ESG performance metrics were incorporated into the Group's remuneration arrangements.
— **Policies and frameworks:** Implemented strategies, policies and processes tailored to the needs of each business and its respective stakeholders.

Ethical standards
The policies that set out the Group's approach to responsible business conduct include the Group's ESG Policy Statement, Royal Mail's Ethical Business Conduct Policy, Business Standards, Supplier Code of Conduct and Speak Up (Reporting) Policy, and GLS' Code of Business Standards, Supplier Code of Conduct and Whistleblower system. Copies of all policies are available at www.internationaldistributionservices.com/en/sustainability/governance/policies and www.gls-group.com/GROUP/en/governance.

Royal Mail employees have access to policies and guidance via internal communication channels. GLS employees with computer access are assigned relevant policies and guidance through an online system, and those without computer access can access print versions of the policies in the depot locations. Both Royal Mail and GLS operate comprehensive ethics and compliance training programmes. All Royal Mail employees are required to undertake training relevant to their role and managers are required to complete compliance refresher training annually, which includes an attestation of the Royal Mail Business Standards. GLS' compliance training approach consists of training for all office-based employees, including employees with purchasing or depot supervisory functions. The Group's overall completion rate for annual compliance training in 2024-25 was 98.5%.

Both Royal Mail and GLS operate confidential whistleblowing processes for reporting and investigating breaches of policy, allegations of criminal acts or similar serious offences. Employees, business partners and third parties are encouraged to report, in confidence, any concerns they have.

Embedding ethical standards across our supply chain
The Group is committed to embedding high standards of social, ethical and environmental conduct across our supply chains and to ensuring that modern slavery and human rights abuse, including trafficking (together 'modern slavery') are not taking place in its business or supply chains. The Group's Modern Slavery Statement is available at www.internationaldistributionservices.com/en/sustainability/reporting-and-performance.

During the year, Royal Mail established new Sustainable Procurement Guiding Principles, which are aligned with the Steps to Zero environment strategy and objectives. These principles guide Royal Mail's sourcing decisions and support the achievement of environmental targets. GLS operates a mandatory business partner approval process and its Supplier Code of Conduct, based on the UN Global Compact Principles framework, sets out the standards expected of suppliers.

Reporting standards
The Group is committed to being as open and transparent as possible about its business, and its ESG reporting meets its obligations as a signatory to the United Nations Global Compact. Royal Mail and GLS report in accordance with the Global Reporting Initiative (GRI) Sustainability Framework and each business' latest ESG Report has been prepared in accordance with the GRI Standards. The GRI index for the Royal Mail report can be found as part of the Royal Mail ESG Appendix 2024-25 and the GRI index for the GLS report can be found as part of the GLS ESG Report 2025, both of which are available at www.internationaldistributionservices.com/en/sustainability/reporting-and-performance.

IDS, Royal Mail and GLS engaged Bureau Veritas to provide limited assurance on reported key non-financial performance indicators and related assertions for 2024-25. Its assurance covers environmental indicators and metrics used to monitor culture, such as health and safety, sickness absence and diversity. Assurance in relation to IDS, Royal Mail and GLS data was performed in accordance with the ISAE 3000 (Revised). Further information, including the assurance statements, is available at www.internationaldistributionservices.com/en/sustainability/reporting-and-performance.

Non-financial and sustainability information statement
In accordance with sections 414A and 414CB of the Companies Act 2006, information on employees, environmental and social matters, respect for human rights, and anti-corruption and anti-bribery are included in this Sustainability section (pages 7 to 14). A description of the Group's business model is set out on page 1 and its principal risks are detailed on pages 25 to 30.

Climate-related financial disclosures

The Group recognises climate change as a key global threat that poses particular risks and opportunities for its business. Identifying and managing these risks and opportunities enhances resilience and competitiveness.

The Group is committed to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) established by the Financial Stability Board. During the year, it continued to evolve its business, strategy and financial planning processes to take account of identified climate-related risks and opportunities. The Group has now implemented all TCFD recommendations.

Statement of compliance
These disclosures are consistent with the mandatory climate-related financial disclosures of the UK Companies Act and are contained in the TCFD statement detailed below, and follow the 'Guidance for All Sectors' and the Supplementary Guidance for Non-Financial Groups.

	Recommended disclosures	Status	Page
Governance	a) Board's oversight of climate-related risks and opportunities.	**Consistent**	16
	b) Management's role in assessing and managing climate-related risks and opportunities.	**Consistent**	16
Strategy	a) Climate-related risks and opportunities identified over the short, medium, and long term.	**Consistent**	17 to 20
	b) Impact of climate-related risks and opportunities on businesses, strategy, and financial planning.	**Consistent**	21
	c) Resilience of strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	**Consistent**	22
Risk management	a) Processes for identifying and assessing climate-related risks.	**Consistent**	22
	b) Processes for managing climate-related risks.	**Consistent**	22
	c) How processes for identifying, assessing, and managing climate-related risks are integrated into overall risk management.	**Consistent**	22
Metrics and targets	a) Metrics used to assess climate-related risks and opportunities in line with its strategy and risk management process.	**Consistent**	22
	b) Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions, and the related risks.	**Consistent**	22
	c) Targets used to manage climate-related risks and opportunities and performance against targets.	**Consistent**	22

1. Governance

(a) Board's oversight of climate-related risks and opportunities (consistent)

During the year, the Board had formal oversight of climate-related risks and opportunities. Over the course of the last two years, its strategy development, planning and investment decision-making processes have taken into account climate-related transitional risks and opportunities. This has resulted in the design, implementation and monitoring of the Group's main decarbonisation initiatives and the development of more environmentally friendly products and services.

Specific responsibilities were delegated to the Board's Committees as follows:

— **Audit and Risk Committee (ARC)**: Oversight of the Group's 'Climate change and environmental management' principal risk and the progress made against goals and targets for addressing climate-related issues. The ARC reported to the Board four times during the year.
— **ESG Committee**: Oversight of the Group's ESG agenda, including the progress of Royal Mail's and GLS' environmental strategies, stewardship and performance, and steps to tackle climate change and become a Net-Zero business. The ESG Committee reported to the Board four times during the year and the ESG Committee Chair regularly updated the Board on key topics.
— **Remuneration Committee**: Determination of how ESG metrics, including environmental and climate-related issues, are considered within the Remuneration Policy and how they will be taken into consideration in determining the final incentive pay decisions. The Remuneration Committee reported to the Board twice during the year.

Key activities of the Board and its Committees during the year in relation to climate-related matters included:

— The Board received training on ESG-related topics provided by an external specialist on decarbonisation and emerging regulatory requirements. Three Directors, who served during the financial year, had prior specific ESG experience.
— The ARC was updated by way of the regular cadence of risk reviews on the Group's risk profile including the 'Climate change and environmental management' principal risk. Spotlight papers presented to the Royal Mail and GLS Audit and Risk Committees included an update on environmental remediation, which included climate-related metrics, risk indicators, remediation activities and targets.
— The ESG Committee received two updates on Royal Mail's environmental strategies, and one from GLS, including progress made against climate-related metrics and targets. The Committee continued to monitor progress on TCFD implementation via five updates from the TCFD Working Group.

(b) Management's role in assessing and managing climate-related risks and opportunities (consistent)

The Board and its Committees were supported by the following executive management functions:

— **Royal Mail Audit and Risk Committee and GLS Audit and Risk Committee**: Responsible for overseeing the identification of and progress against environmental and climate-related risks and remediation plans. These committees reported to the ARC during the year.
— **The Royal Mail and GLS Executive Boards**: Responsible for day-to-day assessment and management of risk and opportunities, and the delivery of each business' environmental strategy. On a quarterly basis, goals, targets and other updates relating to the decarbonisation process being undertaken by each business were reported to each Executive Board via dedicated workstream sponsors, respective ESG teams and country managers. During the financial year, each Executive Board regularly reported to its respective ARC.

In addition, a multi-disciplinary TCFD Working Group has been responsible for coordinating and progressing climate-related considerations from TCFD across the Group. This forum comprises representatives from Company Secretariat, Risk Assurance, Finance, Legal as required, and the Royal Mail and GLS ESG teams, and was supported by external consultants as required. It convened two times during the year and updated the ESG Committee on progress three times in the year.

2. Strategy

(a) Climate-related risks and opportunities identified over the short, medium, and long term (consistent)

The Group has undertaken two scenario analyses (the first in 2021 and a second in 2023 to further enhance our understanding) to identify the climate-related risks and opportunities facing the Group over the short, medium and long term. As part of these analyses, climate-related physical and transition risks and opportunities were ranked and their variation across scenarios, operational geographies and time horizons were assessed. As a result, transition risks were identified as more material to the business than physical risks and the most impactful transition risk identified was quantified for Royal Mail. The risks and opportunities identified and assessed by the TCFD Working Group are detailed in the tables on pages 19 and 20.

Climate transition strategies

The Group is committed to managing its transition to a low-carbon economy through science-based decarbonisation strategies, and Royal Mail and GLS have developed strategies that are tailored to their respective business models and markets. These strategies include pathways, targets and mitigating actions that are helping us achieve our ambition to become a low-carbon business, while offering a wide range of green solutions to our customers, including low- and zero-emission delivery routes, the Royal Mail carbon calculator for account customers, which estimates emissions of parcels sent, and collection services that encourage more recycling. The Group is committed to achieving Net-Zero[1] emissions from Royal Mail's operations by 2040 and Net-Zero[2] emissions from GLS' operations by 2045. See pages 7 to 9.

In addition to the Group's efforts and in common with the wider transport and logistics sector, the Group recognises that technological improvements and innovations are required to underpin the successful delivery of its decarbonisation strategies, and these continue to be monitored. They include the availability of low-emission heavy goods vehicles (HGV) at commercial scale and competitive price points; increased deployment of charging infrastructure in markets; and the availability of biofuels for use in air freight across the supply chain. Where long-term commercially viable improvements and innovations are not yet available, the Group is implementing temporary measures to continue progressing its decarbonisation. For example, Royal Mail is expanding its deployment of HVO, a renewable diesel alternative that does not require any engine or fuelling infrastructure modifications. While the availability of HVO is limited across most of GLS' markets, the business has begun introducing it in Germany, Italy, Spain, Hungary, Austria and Poland. The Group will continue to monitor developments in these and other areas, and support public-private partnerships that are helping drive change.

Scenario analysis and identification of risks and opportunities

The Group has undertaken climate-risk scenario analyses based on the latest TCFD guidance using information and data scenarios from the Network for Greening the Financial System (NGFS).
The scenarios selected (see table on the next page) are widely recognised and comparable. The Group also considers them to be the most relevant, as they are aligned with the use of carbon pricing in the UK and relevant to the potential impact on the transport sector. The scenarios apply the latest NGFS economic and climate data, model versions and policy commitments in renewable energy and mitigation technologies, and reflect new country-level commitments to reach zero emissions. The time horizons considered for these scenarios are Short term (< 2030); Medium term (2030-2040); and Long term (> 2040), and they were selected as they align to Royal Mail's strategic planning and the business' broader climate-related policies and 2030 and 2040 targets. In the analysis, the perceived materiality of the risks and opportunities were qualitatively assessed by the TCFD Working Group against the NGFS data scenarios.

As both Royal Mail and GLS operate in the same sector, no sector variations have been applied. To account for geographic variation in the transition risks and opportunities analysis, the Group considered differences across geographies (UK, US, Canada, France, Germany, Netherlands, Denmark, Italy and Ireland) and how previous policies and operations might provide a blueprint for responses to transition risk uncertainty. The Group assessed these at a high level across these geographies, using carbon taxation as a proxy and looking at current exposure and exposure under the 1.5°C scenario. The Group also considered geographic variation of exposure to physical risks across the US, Canada, UK and Europe; however, these were deemed not to be sufficiently material at a Group level to detail in this statement. The final analysis is presented at a Group level and combines all geographic considerations into a single assessment of the Group's exposure.

1. Royal Mail's Net-Zero by 2040 ambition is to reduce 90% of its Scope 1, 2 and 3 CO_2e emissions by 2040, while offsetting the remaining 10% residual emissions through investment in certified carbon removals against a 2020-21 base year of 1,325.1 $KtCO_2e$. This has been verified by SBTi to be aligned to a 1.5°C decarbonisation pathway across all scopes of greenhouse gas (GHG) emissions.
2. GLS B.V. is committed to reduce its absolute Scope 1, 2 and 3 greenhouse gas emissions by 90% by 2045, using 2021 as the base year. The residual emissions will be neutralised. This means the business counterbalances up to 10% of its CO_2e emissions with investments in carbon removal projects outside its value chain, in line with the SBTi Net-Zero Standard.

1.5°C rapid transition (orderly)	The world takes the rapid and drastic policy measures required to meet the ambition of the 2015 Paris Agreement. Key considerations are to ensure that Royal Mail's and GLS' decarbonisation and business strategies are aligned with or are ahead of policy requirements. The Group's decarbonisation plans and business strategy will require regular review to ensure that they remain at pace with climate science and are aligned to requirements across all areas of operation. The potential impact of physical risks is limited in this scenario, but there is high potential for transition risks and opportunities. Both businesses are committed to achieving Net-Zero emissions and are aligning their decarbonisation strategies in support of the Paris Agreement to limit global warming to 1.5°C (see pages 7 to 9).
2°C steady transition (orderly)	Climate action policies are introduced early and become gradually more stringent, though not as rapidly or as drastic as in the 1.5°C scenario. Carbon price remains relatively low, and the potential impact of physical risks are relatively low, transition risks are moderate to high and Net-Zero CO_2e emissions are achieved before 2070. This scenario would need regular reviews of the Group's decarbonisation plans and business strategy to ensure that plans remain aligned across all areas of operation. Most significantly, a ban on new petrol/diesel vehicles could be expected, which would increase the demand and uptake of electric vehicles, and have follow-on impacts for the Group's distribution network. Meanwhile, physical risks would be integrated into business continuity and business risk mitigation and adaptation planning.
Delayed 2°C transition leading to notable physical impacts (disorderly)	Social, economic and technological trends do not shift markedly from historical patterns until 2030. The delay and divergence in responses across sectors and countries results in a disjointed transition ultimately reaching warming below 2°C. Carbon prices rapidly increase. Emission reductions need to be sharper than in the orderly scenario to limit warming to the same target, so more severe transition risks are experienced. This scenario highlights the increased volatility/market risks presented by a disorderly transition. The potential impact of physical risks is significantly higher within this scenario, requiring more significant business continuity planning to avoid or mitigate disruption to operations.
4°C business as usual emissions, extreme warming (disorderly)	Worst-case levels of global warming, with increasingly severe and frequent extreme weather causing extensive business disruption, as well as chronic changes to seasonal weather patterns severely damaging economic growth. The Group would be required to comply with current policy only from a regulatory perspective, but the physical impacts of climate change would be significant, causing disruption to operations and the value chain. In this scenario, transition risks are integrated into our business continuity and business risk mitigation and adaptation planning.

The Group has applied the following three-step approach in our analysis of climate-related risks and opportunities:

i. Conducted a survey and held workshop discussions with the TCFD Working Group to discuss the risks and opportunities in our operations, supply chain and markets.

ii. Examined the likelihood and impact of the climate risks and opportunities identified for each scenario.

iii. Via a dedicated workshop discussion, we reprioritised and ranked the identified climate-related risks and opportunities.

The analyses undertaken have been largely qualitative, with one risk (carbon taxes) quantified for financial impact so far (see page 21), and the appropriate strategic responses have been developed where possible. The analysis showed how an identified risk can be mitigated by taking advantage of associated opportunities, while acknowledging the risks associated with each opportunity. The Group considers materiality to correspond to the risks and opportunities it deems to be of sufficient importance to its stakeholders. The Group is continuing to quantify the financial impact of its climate-related risks and opportunities (see below). The Group's definition of financial materiality is set out on page 75.

Transition risks and opportunities

Our transition risks are considered to be more material than physical risks due to our strong reliance on fleet and customers' rapidly changing expectations about decarbonisation. The transition risks and opportunities that could lead to a material financial impact are listed in the table below.

Inherent risk assessment key

Likelihood

High: Regular or continuous occurrence.
Medium: Likely to occur but not often.
Low: Unlikely to occur.

Time horizon

Short term (< 2030)
Medium term (2030-2040)
Long term (> 2040)

Impact

High: Significant/repeated financial loss, damaging media coverage; high-profile litigation resulting in restrictions to freedom to operate.
Medium: External stakeholder awareness; one-off financial cost/loss; moderate regulatory breach restricting some freedom to operate.
Low: Reputation intact; limited or no direct/indirect financial cost/loss; regulatory body issues verbal warning.

Opportunities assessment key

Effort

High: It is difficult for the business to implement this action, based on current available resources and investment.
Medium: It is neither easy nor extremely difficult to implement this action, based on current available resources and investment.
Low: It is easy for the business to implement this action, based on current available resources and investment.

Impact

High: Significant reputational, financial and regulatory benefit.
Medium: Moderate reputational, financial and regulatory benefit.
Low: Little reputational, financial and regulatory benefit.

Category	Trend and impact	Likelihood (risks) or effort (opportunity)	Financial or non-financial impact	Scenario assessed	Time horizon	Response and resilience
Policy & legal	**Risk 1:** The potential impact associated with carbon-related taxes on commercial fleet and logistics activity, which could increase operating costs.	High	High	Primary: 2°C disorderly	Short term	Transitioning last- and middle-mile fleets to low- or zero-emission alternatives. Main metrics: number of electric vans and lower-emission larger trucks deployed.
		High	High	Secondary: 1.5°C		
Energy source	**Opportunity 1:** The use of lower-emission transport in commercial fleet has the potential to reduce maintenance and fuel costs over the life cycle of a vehicle.	High	High	1.5°C	Short term	Royal Mail findings confirm fleet electrification can significantly reduce maintenance and fuel costs over the life cycle of a vehicle when compared with diesel equivalents, even after factoring in costs associated with the installation of charging infrastructure.
	Opportunity 2: The potential use of government schemes and other subsidies that promote low-emission vehicle alternatives among commercial fleets, thereby reducing investment and operating costs.	Medium	High	1.5°C	Short term	Utilise these incentives where they are available. For example, Royal Mail is participating in the UK Government's zero-emission road freight trials funding, while GLS Canada has used various programmes by national and provincial authorities to support the deployment of charging infrastructure and zero-emission vehicles.
Reputation	**Risk 2:** Increased stakeholder pressure to act in response to climate-related risks that causes reputational damage and misses the opportunity to gain market share, which could result in a loss of revenues.	High	High	1.5°C	Short term	Regularly engage customers and prospects to provide updates and details on their respective decarbonisation actions and plans, and broader management of climate-related risks. Main metric: GHG emissions Scopes 1, 2 and 3.
Policy & legal	**Risk 3:** Ban on the sale of petrol and diesel vehicles and the introduction of low-emission zones requiring alternative fuel vehicles could impact costs and create liabilities.	High	Medium	Primary: 1.5°C	Short term	Transitioning last- and middle-mile fleets to low- or zero-emission alternatives, such as electric vans, to mitigate this risk. Main metrics: number of electric vans and lower emissions larger trucks deployed. See page 9.
		High	Medium	Secondary: 2°C orderly		
Products & services	**Opportunity 3:** Changing consumer demands leading to new products and services, and gains in market share.	Medium	High	1.5°C	Short term	Continuously making products and services more environmentally friendly and appealing to customers. Main metrics: GHG emissions Scopes 1, 2 and 3, and emissions per parcel delivered.

Category	Trend and impact	Likelihood (risks) or effort (opportunity)	Financial or non-financial impact	Scenario assessed	Time horizon	Response and resilience
Policy & legal	**Risk 4:** Claims by peers, regulators, or customers that products and services fail to meet the Group's claims of green/low-carbon credentials could damage its reputation, creating a loss in revenues, and exposing it to fines from regulators.	Medium	High	Primary: 2°C orderly	Short term	Adhere to all regulations and applicable advertising and marketing guidance with regard to environmental claims made.
		Medium	High	Secondary: 1.5°C		
Market	**Opportunity 4:** Joint ventures with other companies/energy providers in relation to electric vehicles could help reduce costs and increase revenues.	Medium	High	2°C disorderly	Short term	Consider partnerships and joint ventures that can facilitate the transition of fleets to electric vehicles.

Physical risks

Physical risks include risks arising from the physical effects of climate change, such as an increase in extreme weather events, are considered to be less materially significant than transition risks. Some physical risks, such as flooding, have been part of the management of operational sites for a longer time and have more mature mitigation actions.

The physical risks that could impact the Group are listed in the table below.

Category	Trend and impact	Likelihood	Impact	Scenario	Time horizon	Resilience
Acute	**Risk 1:** Extreme weather events could cause damage to data centres and reduce connectivity to operations, resulting in a loss of revenues and an increase in costs.	Low	High	Primary: 4°C	Medium term mainly, but with potential impacts in the short and long term too.	As part of the management of operational sites, consider a range of physical risks, including flooding and storms, and take steps to prevent and minimise these where possible
		Low	High	Secondary: 2°C disorderly		
Chronic	**Risk 2:** Chronic risks might have an ongoing impact on supplier operations where we have sole suppliers for certain raw materials/ components for electric vehicles equipment, which could result in increased costs.	Medium	Medium	4°C	Long term	Work with a diverse pool of suppliers to gather more information on climate risk management.
Acute	**Risk 3:** Extreme weather events impacting employee safety and wellbeing could lead to an increase in costs and liabilities, and loss in revenues.	Medium	Medium	Primary: 4°C	Short term	Monitor and respond to the impact of changing weather on employees' wellbeing as part of ongoing health and safety programmes.
		Medium	Low	Secondary: 2°C disorderly		
Acute	**Risk 4:** Extreme weather events could impact operations and facilities/equipment, resulting in a loss of revenues and an increase in costs.	Medium	Medium	Primary: 4°C	Short term	As part of the management of operational sites, consider a range of physical risks such as flooding and storms, and take steps to prevent and minimise these where possible.
		Medium	Low	Secondary: 1.5°C		

(b) Impact of climate-related risks and opportunities on businesses, strategy, and financial planning (consistent)

As part of the Group's strategic development, business and financial planning processes, it takes account of the transitional and physical climate-related risks and opportunities detailed in the tables above. Among other areas, this has led to the development of strategies and investment plans to transition its businesses to a low-carbon economy and actions to meet the increasing demand for more sustainable products and services from its customers (see pages 7 to 9).

The Group increasingly embeds climate-related risks and has taken opportunities into its business and budgetary planning cycles to better support management's role in managing and assessing these.

Royal Mail has established an internal carbon price for its business as it continues to embed carbon considerations into its centralised strategic decision-making forums. Climate-related risks and opportunities are also taken into account when developing operational business cases and were considered in relation to the business' extended network window programme and its vehicle replacement plans.

GLS has begun implementing the EU Taxonomy to classify the GLS activities in sustainable and non-sustainable economic activities. This information covers GLS revenues as well as investment and expenditure KPIs.

Financial impacts

To better understand the potential impacts of one of the Group's key transition risks, carbon taxes, it has continued to review its quantitative analysis as described below. The Group has estimated the potential financial impact associated with carbon taxes on Royal Mail's road transport and logistics activity (see table below). If the UK Government uses a carbon tax on the road transport and logistics sector as a key instrument in limiting global warming, based on our estimate, Royal Mail would experience significant increases in fuel spend unless mitigation measures were put in place. By comparison, at GLS, the cost of these various tax schemes (e.g. carbon, road, congestion) would occur indirectly, to the extent that its logistics partners choose to pass on their increased operational costs to GLS.

The quantitative analysis determined how a carbon tax would impact the cost of running Royal Mail's commercial vehicle fleet in 2025 (short term), 2030 (medium term) and 2040 (long term). The risk quantified is the unmitigated impact, without any of the planned changes to operations or delivery models, and it was quantified for Royal Mail as it was evaluated as likely to impact the business within the next five years. NGFS fuel price and carbon taxes were used to estimate how different climate futures could drive changes in Royal Mail's operating costs and a series of simplifying assumptions were made to complete the analysis[1].

Based on initial analysis and the view that the UK's current climate goals and emerging policies are consistent with an 2°C orderly transition, the Group estimated that the Royal Mail vehicle fleet fuel spend increase would be £20 million per annum in an unmitigated Net-Zero scenario by 2025. Mitigating actions, primarily the delivery of strong decarbonisation progress through targeted initiatives, have resulted in minimal exposure to the 2025 fuel spend increases projected by the quantitative scenario analysis. The Group will continue to review the financial impact of its other climate-related risks, and modify its assessments and mitigation plans accordingly.

In the case of GLS, where a comparable quantification of the direct impacts of this transition risk to its business cannot be made, the Group has reviewed the differences in exposure to the additional vehicle-related transition risks across various geographies.

Quantitative scenario analysis of carbon taxes[1]

Scenario	Key development	Fuel spend increase (relative to FY2021-22)
1. Net-Zero orderly transition (1.5°C)	In a rapid transition, the high level of ambition to mitigate climate change means high carbon and fuel prices to reduce emissions, so total fuel spend is projected to increase substantially.	2025: £120 million (+59%) 2030: £200 million (+93%) 2040: £390 million (+183%)
2. Below 2°C orderly transition	In a steady transition, a gradual increase in climate policies means carbon prices are kept lower than in a rapid scenario, as auxiliary policies absorb some of the decarbonisation burden. Total fuel spend is projected to increase but not as much as in the Net-Zero scenario.	2025: £20 million (+11%) 2030: £40 million (+21%) 2040: £80 million (+38%)
3. Delayed 2°C disorderly transition | fossil fuel led economic recovery undermines climate goals and assumes disorderly management of physical risks	In a delayed and disorderly transition, projected fuel spend does not increase significantly in the short-term horizon, but in the long term, the high carbon price required to limit global warming is projected to increase total fuel spend rapidly and substantially.	2025: -£4 million (-2%) 2030: £10 million (+4%) 2040: £420 million (+201%)
4. Current policies, NGFS hot house world (3°C)	In a business-as-usual scenario, projected total fuel spend does not vary significantly.	Projected fuel spend does not vary significantly

1. Risks were quantified relative to Royal Mail's current-state business with no forward-looking assumptions about future fuel use. The cost of its current fuel demand was quantified using future-looking fuel price and tax assumptions from NGFS. In the case of the 'below 2°C orderly' transition scenario, this was equal to 72.5 US$2010/t CO_2 in 2025; 96.7 US$2010/t CO_2 in 2030; and 145.0 US$2010/t CO_2 in 2040. This enabled the scale of future unmitigated costs to be estimated without introducing additional assumptions about how Royal Mail's business could change or how mitigating activities could impact future exposure. All quantifications will be updated within the next two financial years.

(c) Resilience of strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario (consistent)
The Group considers the strategies of its businesses to be resilient in each of the climate-related scenarios detailed above, while it is also noted that its overall resilience can also be impacted by non-climate-related risks as outlined in the Risk Management chapter of this report (see pages 23 to 30).

The Group's businesses closely manage any uncertainty risks associated with, for example, the availability of low- and zero-emission technologies, the widespread availability of charging infrastructure and developments in local and national government policies. The Group closely monitors these and, where necessary, has adapted its existing assets. For example, the Group is continuing to progress the decarbonisation of its heavy goods vehicles through deployment of HVO (see above), given that low-emission alternatives are not yet commercially viable at scale. Both businesses cooperate with truck manufacturers and public charging infrastructure providers to better manage uncertainties related to the feasibility of electric truck solutions.

Responses and resilience are further described within the transition and physical risk tables on pages 19 and 20 and are indicative of the Group's overall resilience to climate change. Following the identification of a full set of climate-related risks and opportunities, the Group has assessed its existing responses and mitigating strategies for its most material climate-related risks and opportunities and confirms that they are generally effective, with a recognition of the need to continue building resilience strategies.

3. Risk management
In addition to the risk management oversight detailed on page 16, the Group operates the following processes:

(a) Processes for identifying and assessing climate-related risks (consistent)
Group-level climate scenario analyses were performed in 2021 and 2023 and ranked the Group's climate-related physical and transition risks and opportunities, and reassessed their variation across scenarios, operational geographies and time horizons, based on the process described on pages 17 and 18. A cross-section of senior management provided insights for this exercise, which identified that transition risks were more significant to the Group than physical risks. A risk-scoring methodology has been applied to identify, assess, rank and ensure ownership of climate risks (see page 24). A third climate risk scenario analysis is planned in late 2025.

(b) Processes for managing climate-related risks (consistent)
During 2024-25, the 'Climate change and environmental management' principal risk was managed through the Group's risk management framework, with respective executive leadership and their functions overseeing its day-to-day management. The process used by the Group to make decisions to mitigate, transfer, accept or control those risks is detailed on pages 23 and 24.

(c) How processes for identifying, assessing, and managing climate-related risks are integrated into overall risk management (consistent)
The Group's most significant climate-related risks and opportunities are formally integrated into its risk management framework as the principal risk 'Climate change and environmental management'. A risk-scoring methodology is applied to identify, assess and rank all key climate risks, including those highlighted, and to ensure ownership by the businesses. The outcomes of this assessment are presented to the ARC.

4. Metrics and targets
(a) Metrics used to assess climate-related risks and opportunities in line with its strategy and risk management process (consistent)
The Group discloses key cross-industry metrics that are in line with its strategy, which include absolute GHG emissions (see page 8). These are included within the assessment of the 'Climate change and environmental management' principal risk, which continued to be managed through the Group's risk management framework during 2024-25 (see pages 23 and 24). The climate-related risks in this framework are managed via a standard risk-scoring methodology to identify, assess and rank key climate risks as a new sub-group of climate-related risks and associated targets/metrics (see above).

ESG-related measures are included in the Short-Term Incentive Plan scorecard. 10% of the scorecard for the Group CEO and CFO was based on environmental metrics in 2024-25 and these were met in full during the year. The Group will continue progressing its metrics in line with the development of its scenario analyses and taking into consideration the seven metric categories from the TCFD guidance.

(b) Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks (consistent)
The Group measures and discloses its Scope 1, Scope 2 and Scope 3 GHG emissions (see page 8) following the GHG Protocol and considers the related risks associated with these. In addition, Royal Mail and GLS use other targets, including intensity metrics, to gauge the effectiveness and progress of their respective environmental strategies to become low-carbon businesses.

(c) Targets used to manage climate-related risks and opportunities and performance against targets (consistent)
The Group tracks, manages and discloses its most material climate-related targets, including those related to GHG emissions and energy usage, in addition to metrics related to mitigation actions, such as the deployment of electric vehicles and biofuels (see page 9). The Royal Mail business has applied SBTi-validated targets to 2030 and 2040 across each GHG emission scope. In each case, the type of targets that apply, the time frames over which they apply and how they are measured are described. Since December 2024, GLS has validated GHG emission reduction targets in line with SBTi. GLS is committed to reaching Net-Zero[1] emissions from Scope 1, 2 and 3 by 2045 and has set near-term targets for 2030. The Group's targets, and progress and performance against them, are described in more detail on pages 7 to 9. Environmental targets also form part of our Directors' remuneration (see above and page 56).

1. GLS B.V. is committed to reduce its absolute Scope 1, 2 and 3 greenhouse gas emissions by 90% by 2045, using 2021 as the base year. The residual emissions will be neutralised. This means the business counterbalances up to 10% of its CO_2e emissions with investments in carbon removal projects outside its value chain, in line with the SBTi Net-Zero Standard.

Risk management

Risk management framework

Through the implementation of risk management processes that promote a sound control environment, the Group seeks to identify, assess and manage risks that could impact its businesses.

During the year, the Board had overall accountability for ensuring that sound risk management and internal control systems are in place and, on an annual basis, for assessing their effectiveness.

The Board also sets the Group's risk appetite. This determines the level of risk the Group is prepared to accept to achieve its strategic objectives over the medium to long term and the extent of controls that need to operate to mitigate the Group's principal risks.

The Group applies the following three risk appetite levels:

— Low in relation to legal, regulatory and compliance risks, which it seeks to reduce as far as practically possible.
— Low to moderate in relation to operational risks to achieve strategic objectives.
— Moderate to high if, based on well-informed management decisions, potential benefits outweigh potential risks, particularly where such risks are not in management's direct control.

The Group's risk management framework, which also covers financial reporting, includes three lines of defence. The first line is the primary controls that manage risks in the day-to-day operations. Compliance monitoring of the primary controls, including regular reviews by dedicated oversight functions, serves as the second line. Independent third line assurance on the effectiveness of controls is provided by internal and external providers.

During the year, the Audit and Risk Committee (the ARC) monitored the Group's principal risk management activity within the risk appetite, and the Royal Mail and GLS Executive Boards and management teams were accountable for identifying and managing risks and for delivering the Group's objectives in accordance with the Group's risk appetite.

The Board has delegated responsibility for reviewing the effectiveness of the Group's risk management and internal control systems to the ARC. The results of the ARC's review are reported to the Board together with the recommended disclosure to be included in this Annual Report (see pages 51 and 52). The ARC seeks to ensure that the Group operates prudent and effective controls that allow material risks to be identified, assessed and managed. In fulfilling its duties, the ARC is supported by the Royal Mail and GLS Audit and Risk Committees.

Risk management policies and procedures are utilised across the Group, and guidance and support are provided to relevant personnel in relation to their application. Management teams across Royal Mail and GLS are responsible for the management of specific risks and developing actions to mitigate their impact.

The Group's risk management processes and controls are designed to manage rather than eliminate risk. Taking on manageable risks is an inherent part of the Group's commercial activities and the risk management framework can only provide reasonable and not absolute assurance against misstatement or loss.

Principal and emerging risks

The Group's principal risks were assessed by the Board twice during the year and monitored by the ARC across the year. Emerging risks are identified through various discussions with management and subject matter experts, and other external insights. Short- and medium-term emerging risks are reported to the ARC throughout the year along with the preparations that may be required to mitigate and manage such risks.

The Board confirms that robust risk assessments were completed during the financial year.

Detailed on pages 25 to 30 are the principal risks that could threaten the Group's business model, the execution of its strategy, and the preservation and creation of sustainable value.

During the year, the following risks materially changed in nature and/or severity:

— **Financial Sustainability of the Universal Service** (Risk 6) – decreasing risk and change in nature. A consultation in relation to the proposed changes to the Universal Service Obligation (USO) concluded in April 2025 and Ofcom published a decision in July 2025. Ofcom approved many of Royal Mail's proposed changes to the Universal Service which improves the sustainability of the USO and reduced the risk to moderate. However significant operational change is required to implement the reforms and there is a risk that not all benefits of the new regulatory environment will be achieved. The ongoing risk associated with the continued structural decline in letter volumes and the competitive parcels market will continue to impact the sustainability of the Universal Service in the future.
— **Employee relations** (previously 'Industrial Relations') (Risk 3) – decreasing risk and change in nature. In July 2025 Royal Mail and the CWU agreed an industry leading three-year pay deal. The agreement was endorsed by the CWU's Postal Executive Committee, and accepted by CWU members following a ballot in August 2025. Employee relations have also improved driven by training initiatives, improved peer-to-peer relationships amongst the business' senior leaders and the CWU, and support for frontline managers to manage union relationships locally. As a result, the risk has reduced to moderate.
— **Failure to grow revenue and effectively compete within a market that uses predominantly low-cost labour model** (previously 'Customer expectations and ability to grow revenue') (Risk 5) – stable risk and change in nature. There has been a recovery in revenue over the last year and improving quality of service. Growing market share in an increasingly competitive environment requires continued focus on quality of service and improvement to products and services, including the development of the businesses' out-of-home offering and Next Day Delivery.

Identification, analysis and response
The process to identify and assess risks takes account of the internal and external business environment as well as the effectiveness of the risk controls the Group operates. Principal risk profiles are maintained by relevant members of the Royal Mail and GLS Executive Boards. Business unit risk profiles are maintained at functional levels across the Royal Mail business, and regional-level risk profiles are maintained in GLS' major countries of operation. Fraud risk profiles are also monitored and formally presented to the Royal Mail and GLS Audit and Risk Committees and to the ARC.

Gross, net and target risk scores are evaluated as a product of potential impact and likelihood, and are represented visually on heatmaps within risk profiles to facilitate analysis and management focus. These risk profiles provide visibility to management over the effectiveness of control activities and mitigations. Each risk is assessed considering the likelihood of the event occurring based on multiple factors, the range of potential impacts and their severity should the event occur.

Monitoring and reporting
Throughout the year, Royal Mail business unit leadership teams review the risk profiles covering their functional areas of responsibility. Formal risk assessments are undertaken on a bi-annual basis to coincide with the Group's full- and half-year reporting cycle. Twice a year, country-level risks are reviewed by GLS regional management and centrally managed principal risk profiles are reviewed by subject matter experts. The outcomes of these bi-annual assessments are considered by the Royal Mail and GLS Audit and Risk Committees and then by the ARC. In addition, for Group principal risks, there is a periodic cadence of remediation progress reviews by the ARC known as 'spotlights on risk' (see page 46). This process is used to inform, determine and monitor the Group's principal risks.

Principal Risks and Uncertainties

Detailed below are the principal risks that could threaten the Group's business model, the execution of its strategy, and the preservation and creation of sustainable value. Activities to mitigate the risks and material changes in net risk score year on year are also explained below.

1. Economic and political environment – High risk
Stable risk – no material change

Risk

Macro-economic conditions and/or the political environment across Royal Mail's and GLS' markets may adversely affect the Group's ability to control costs and maintain and grow revenue due to reducing volumes or by driving customers to adopt cheaper products or formats for sending letters and parcels.

Status

The Group's performance is closely aligned to economic growth in the markets in which it operates. The current geopolitical outlook is uncertain and economic growth remains subdued in the UK and EU, with high interest rates weakening households' disposable income.

Inflation in the UK remains above the Bank of England target rate and the base interest rate remains high. Low levels of consumer and business confidence are expected to impact discretionary spend, creating further unfavourable macro-economic headwinds over the course of 2025-26 with forecast low levels of GDP growth.

Political developments in the UK, including changes to employment law, the Government consultation on a modern industrial relations framework and compliance requirements under the Windsor Framework could impact Royal Mail's financial position through increased costs of compliance. The UK Government's decision to increase employer's national insurance contributions has increased Royal Mail's annual tax burden by c.£120 million. The business is seeking to partly mitigate this in the short term through pricing and cost actions.

Conflicts across the globe could escalate, which could negatively impact the stability and security of international transport routes crucial to the Group's business. International tariffs could subdue US consumer demand, impacting export volumes, but could have a positive impact on European trading. The UK-US trade agreement could reduce the potential impact.

Across Europe (notably Italy, Germany and Belgium), the use and tax treatment of subcontractors is coming under increasing scrutiny. While significant investment is being made in impacted territories, this could drive a change in GLS' operating model in affected countries and, as a result, put pressure on margin.

Current and planned mitigations

- Ongoing monitoring of the economic and wider external environment across all markets.
- Implementing pricing and cost transformation programmes to stabilise the Royal Mail business and build resilience into its operating model (see Risks 2 and 5).
- Ongoing monitoring of the political landscape across all markets and regular engagement with politicians and policy makers, as appropriate.
- Monitoring government policy and developments in GLS markets relating to the treatment of subcontractors, implementing appropriate compliance measures and digital tools, and adapting to local market circumstances.

2. Failure to reduce the operational cost base – High risk
Stable risk – no material change

Risk

The Group must become more efficient and agile to compete effectively in the parcel and letter markets. It must also reduce its operational cost base and manage wider cost pressures to protect and achieve margin expansion and deliver productivity benefits across the Royal Mail and GLS businesses.

Failure to reduce operational costs and, at the same time, deliver high-quality services could result in a loss of customers, market share, revenue and profit erosion.

Status

Royal Mail has a significant fixed cost base, with high operational gearing. While the business' delivery network provides a strong competitive position, particularly in the combined delivery of letters and small parcels, it is not currently optimised for the increased demand for flexible acceptance times and larger parcels. In addition, while variable spend is being significantly reduced, the high fixed labour cost structure makes it difficult to flex the cost base according to sales volumes, especially in the final-mile element.

Progress has been made in the year, including improvements in frontline absence levels, operational savings in Parcelforce Worldwide and efficiency initiatives in delivery office sortation, as well as cost management including the Every Penny Counts programme. Nonetheless, operational costs have remained high recognising the need for continued investment in improving quality of service.

Whilst GLS' cost structure is more flexible, optimisation of the business' networks and processes must continue to withstand inflationary cost pressures and regulatory changes that impact the subcontractor model, while supporting sustainable growth particularly in high-impacting territories such as Italy, Germany and Belgium.

Current and planned mitigations

Effective implementation of the Agreement is key to the delivery of operational efficiencies in Royal Mail and governance processes are in place to oversee its timely implementation. There are also several initiatives in place to drive efficiency whilst remaining focused on high quality of service. These include:

- Measures to improve operational productivity and performance, and right- size the operation to align volumes to delivery capacity and capability.
- Improved automation through parcel hubs and mail centres to increase throughput and reduce costs per parcel through reducing manual sortation.
- Trialling frameworks to deliver operational improvements at a greater pace, such as letter sortation methods within delivery offices.
- Use of digital tools to align scheduled and actual hours to match variation in workload throughout the year and scan-in scan-out technology across the delivery network.
- Improving network design, and implementation of a single parcels network including optimising synergies with Parcelforce Worldwide for larger parcels.
- Day-to-day management of headcount costs with a focus on agency spend, overtime and careful management of recruitment across the network.
- Operational pilots and rollout plans in place to operationalise USO reforms.

Implementation of actions in GLS to improve margin including:

- Productivity and efficiency improvements to optimise operations and control costs.
- Increased automation in hubs, depots and digitisation in the final mile.
- Targeted in-country actions and productivity initiatives including cross-border synergies and strategies to manage regulatory changes impacting the subcontractor model.
- Parcel locker rollout programme to reduce last-mile costs in the medium term.

3. Employee relations (Royal Mail only) – Moderate risk Decreasing risk

Risk

Royal Mail's transformation is essential in order to deliver quality and compete effectively in the parcel and letter markets. Successful delivery of the transformation strategy relies upon significant operational change, increased automation and developing new ways of working, in addition to the need for new and different workforce skills. There is a risk that the business will not successfully deliver the strategic transformation unless all levels of the workforce are engaged in delivering the objectives of the business within a positive and supportive culture.

Status

The Business Recovery, Transformation and Growth Agreement with the CWU continues to underpin much of the required transformation. A number of initiatives including changes to the operational workplan have already been implemented successfully. While there is more to do, increased engagement is clearly evident across the business, including the achievement of a three-year pay deal endorsed by the CWU's Postal Executive Committee and accepted by CWU members following a ballot, and positive progress in areas of pride, advocacy and engagement evident from the latest annual employee engagement survey. As a result the risk has reduced to moderate.

As a result of the takeover, a number of undertakings have been agreed between EP and the CWU. Undertakings cover a range of topics including relationships, pay and a new resourcing model. The agreement also introduces an Employee Advisory Committee, composed of representatives of the CWU, Unite and EP, to review important Board matters and offer oversight into the broader industrial relations and transformation agenda.

Relationships with Unite remain positive and constructive, and are also the subject of a recent agreement with EP. As well as a forthcoming pay review in September 2025, this invites Royal Mail to enter into discussions with Unite about important resourcing matters, including voluntary redundancy, redeployment and retirement.

Current and planned mitigations

- Annual surveys to assess employee engagement followed by local action plans to address any issues identified.
- Launched an Employee Value Proposition and developed an employer brand.
- Training for Operational Managers to support their teams' performance and development through the 'Meaningful Conversations' programme.
- Developed a suite of industrial relations training for frontline managers and Universal Service change agents.
- Joint working with the CWU on a code of conduct that sets a baseline for behavioural standards and a cultural foundation.
- Pay negotiations with both the CWU and Unite during 2025.

4. Major breach of information security, data protection regulation and/or cyber attack – High risk Stable risk – no material change

Risk

Due to the nature of the Group's business, it collects, processes and stores confidential business, operational and personal information. As a result, it is subject to a range of laws, regulations and contractual obligations around the governance and protection of various classes of data to protect customers, employees and suppliers.

In common with all major organisations, the Group is a potential target of cyber attacks that could threaten the confidentiality, integrity and availability of data and systems, and trigger material service and/or operational interruption.

Also, a major breach of information security, data protection laws and regulations and/or a cyber attack could adversely impact the Group's reputation, resulting in financial loss, regulatory action, business disruption and loss of stakeholder confidence.

Status

Given the evolving nature, sophistication and prevalence of cyber threats, and an increasing reliance on technology and data for operational and strategic purposes, this continues to be a high principal risk.

In a Group with over 150,000 colleagues, who use technology to process large quantities of data to deliver services, there is a possibility of human error in the protection of data. The Group depends on a large number of third parties to keep data secure and provide critical services. This, together with the large legacy technology estate that operates across both Royal Mail and GLS, impacts the Group's cyber security risk.

Over the past year, several key measures have been implemented to continue to improve the Group's overall cyber security framework. The evolving nature of cyber threats along with the increasing importance of digital transformation requires a continuous and proactive approach to further enhance resilience in this key area.

Current and planned mitigations

- Ongoing investment in cyber-resilience including enhancing cyber-control capabilities across the Group's technology estate to protect customers, employees, services and assets.
- Strengthening the Group's ability to quickly detect and respond to threats before they become incidents, including ransomware.
- Improving assurance of organisational and technical measures, including access management, disaster recovery and assessment of third-party supplier controls.
- Strengthening security operations including incident management, threat monitoring and vulnerability management.
- Delivery of a technology refresh programme to address higher-risk legacy systems and, where appropriate, migrate certain services to the cloud and build in strengthened cyber controls by design.
- Promoting good behaviours and stressing the importance of maintaining vigilance through regular communication, training and awareness across the workforce.
- Encouraging an open and prompt reporting culture so that appropriate remedial action can be taken as soon as possible.
- Operating data privacy and protection policies, compliance framework and privacy programme, which includes privacy by design, and assessment and monitoring of data risks.

5. Failure to grow revenue and effectively compete within a market that uses predominantly low-cost labour model – High risk
Stable risk – no material change

Risk

Failure to deliver against existing and changing customer needs and expectations in an increasingly competitive environment could impact the demand for the Group's products and services. Competition in the marketplace could restrict the ability to manage prices in a way that maintains profitable margins.

Successfully scaling and growing new areas of business is dependent on identifying profitable and sustainable areas of growth and embedding appropriate operational structures to support transformation.

In addition, there is a risk that Royal Mail is unable to effectively compete in the parcel market that uses predominantly low-cost labour.

Status

Societal expectations continue to change rapidly and demand is continuing to grow for high-quality, convenient and sustainable deliveries that are competitively priced. In response, the Group is focused on becoming more agile and customer centric.

Headwinds created by the economic environment (see Risk 1) have impacted consumer confidence and spending, which places pressure on global revenue. However, there is continued demand for high-quality, convenient and sustainable deliveries that are competitively priced. At the same time, increased competition in the parcels market has impacted the Group's ability to fully offset increased costs with pricing changes. Quality of service has improved over the last year however further improvements are required to support revenue growth.

Changes to customer relationship management and sales strategies will target sales in growth markets such as online marketplaces with a simplified product offering. The business is rapidly improving its Next Day Delivery offering and implementing out-of-home delivery plans, including the rollout of parcel lockers in conjunction with partners and targeting large retail networks in the UK to expand its parcel shop offering.

Furthermore, Royal Mail takes a socially responsible approach to its workforce. The vast majority of its workforce are employees (with the rest being made up of a combination of agency staff or seasonal casual workers), benefitting from an above-market pension scheme and a number of other entitlements and allowances, as well as standard employee benefits including sick pay, paid holiday and protection against unfair dismissal. Most of Royal Mail's competitors in the parcel market, on the other hand, use a low-cost labour model, with a workforce composed predominantly of workers or self-employed personnel, while performing essentially the same work as Royal Mail's employees. This flexibility of the UK labour laws results in an uneven playing field for Royal Mail vis-à-vis its competitors, giving Royal Mail's competitors a significant cost advantage.

GLS will continue to expand its global out-of-home network and parcel locker strategy, grow its cross-border segment and explore new markets. The business will also continue to launch customer-focused digital solutions that enhance the customer service experience.

Current and planned mitigations

Royal Mail is focused on:
- Improving quality of service.
- Expanding channel mix and service offerings including out of home, parcel shops, Collect+ and locker banks.
- Improving Next Day Delivery products in line with market trends.
- Increasing tracked services and near-universal barcoding of products.
- Driving agility in new product development and simple digital services.
- Measures to improve operational productivity and performance.

GLS is focused on:
- Scaling out-of-home delivery offerings and locker banks.
- Driving digital services in the final mile.
- Securing strategic acquisitions and organic growth to scale the business.
- Expanding delivery network capacity.

6. Financial sustainability of the Universal Service (Royal Mail only) – Moderate risk
Decreasing risk

Risk

The continuing structural decline in addressed letter volumes and increased competition in the parcels market pose significant risks to the financial sustainability of the Universal Service. A modern and financially sustainable postal service is crucial for customers, colleagues and the Group. It is critical that the USO is kept under continual review and that operational changes are implemented to drive benefits from the agreed reforms.

Status

A consultation in relation to the proposed changes to the USO concluded in April 2025 and Ofcom published a decision on 10 July 2025.
Key changes to the USO include:

- From July 2025: All non-First Class mail deliveries, including Second Class, will be delivered every other weekday (Monday to Friday). Access standard mail will be delivered on a D+3 specification (moving from D+2). Ofcom will continue to regulate the existing D+2 access service for priority bulk mail.
- From 1 April 2026: Quality-of-service targets for First and Second Class mail will change to 90% and 95% respectively (reduced from 93% and 98.5%). New reliability targets have been introduced for First Class (D+3 99%) and Second Class (D+5 99%).

Delivery of First Class mail will continue daily Monday to Saturday.

These regulatory changes reduce the overall risk to Moderate. As the proposals require significant operational change to implement, there remains a risk that not all benefits are achieved, including quality of service and operational efficiencies.

Whilst the changes are welcomed, letter volumes have continued to decline since their peak in 2004-05. Ofcom has stated that a financially sustainable USO should be able to achieve an EBIT margin of 5-10%. Since privatisation in 2013 the Universal Service network has only achieved this twice. This continued structural decline in letter volumes and an increasingly competitive parcels market both impact the sustainability of the Universal Service, and ongoing monitoring of the Universal Service regulation is essential if Royal Mail is to have a sustainable future.

Current and planned mitigations

- Pilots of operational processes under the proposed changes commenced in February 2025 across a number of UK units and are being monitored to assess quality, productivity and impact on employee workload.
- Rollout of operational changes to implement the agreed reforms and ongoing monitoring of benefits and quality of service.
- Continued execution of the Royal Mail transformation plan to underpin the sustainability of the Universal Service.
- Ongoing engagement with Ofcom, the Government, colleagues, the unions and other stakeholders to monitor the sustainability of the USO and to ensure that timely action is taken as necessary.

7. Talent: workforce for the future – Moderate risk
Stable risk – no material change

Risk

The Group's performance, operating results and future growth depend on its ability to attract and retain talent with the appropriate skills and expertise.

In Royal Mail, transformation and structural market change are creating the need for new and different skills. There is a risk that the Group does not develop the capability of frontline managers or attract and retain senior leaders with the right capabilities and behaviours. In light of an ageing workforce, socio-economic factors and demographic change, there is also a risk that a strong talent pipeline to fulfil frontline roles is not maintained.

Delivery of GLS' strategic growth plans are at risk if high-quality talent with critical skills is not attracted and retained.

Status

During the year, the talent position has improved largely driven by an overall improving talent landscape and enhanced approach to talent management across both GLS and Royal Mail.

Through targeted recruitment strategies at Royal Mail, employment of staff under 30 is increasing, which is reducing the risk of an ageing frontline workforce. Year-on-year levels of new joiner attrition in the frontline workforce are also reducing.

GLS has made good progress in developing a hybrid HR organisation that includes a Group HR function and embedded HR resources across the business. Business-wide recruitment and people management and development initiatives are now being implemented to attract and retain key talent to drive the business' digital and innovation agenda.

Current and planned mitigations

Royal Mail:
- Launched an Employee Value Proposition and developed an employer brand.
- Operates a performance management framework.
- Offers a number of development initiatives including training for leadership capabilities at all levels.
- Introduced new onboarding training and supporting materials.
- Implemented 'Talking Talent' reviews across the manager population to improve succession planning.

GLS:
- Established mechanisms to share expertise and best practice across the business' operating countries.
- Rolled out a group-wide recruitment and onboarding tool.
- Introduced new GLS values to support the business' vision and mission.
- Developed a new Employer Value Proposition to be launched later this year.
- Reinforced dialogue and development driven leadership through active promotion and leadership development sessions, talent programmes for future managers and key role succession planning.
- Developing and tracking people-related metrics and key performance indicators to measure success.

8. Climate change and environmental management – Moderate risk
Stable risk – no material change

Risk

Climate change is a global threat and, in common with all major organisations, it poses a number of risks and opportunities. The Group has identified priority physical and transition risks that could impact its businesses.

Transition risks: As customers and stakeholders seek to adapt to climate change, demand is increasing for more sustainable products and services. The cost of operations could increase as the Group adapts to government and regulatory changes (including potential carbon taxes) to progress towards its Net-Zero emissions targets and air-quality targets for towns and cities.

Physical risks: An increase in the frequency of extreme weather events may result in disruption to operations and impact the ability to meet customer expectations, Royal Mail's obligations under the Universal Service or other contractual requirements. Cost inflation may also result due to resource scarcity, increased operational costs and required investment to protect the businesses and their people from extreme weather events.

The Group must also ensure compliance with an expanding framework of sustainability legislation and regulation, and prepare for emerging requirements to avert the risk of reputational damage, increased costs and potential fines. Increased requirements under the Corporate Sustainability Reporting Directive (CSRD) and Corporate Sustainability Due Diligence Directive require additional controls and will be subject to external assurance requirements. GLS, as an EU-based company, was originally expected to prepare its first CSRD report in 2026.
However based on the EU Omnibus proposal, which the European Parliament has approved, it is likely that these reporting obligations will be postponed by two years, which allows more time to prepare.
Following EP's takeover, IDS and Royal Mail are expected to be indirectly impacted by these requirements as subsidiaries of an EU-based company.

Status

Demonstrating leadership on environmental issues, including the impact of the Group's activities, is the right thing to do. It is also essential to achieve competitive advantage, create value and deliver the Group's strategy. The Group's environmental strategies are helping reduce its businesses' environmental footprints and play a part in the transition to a low-carbon future while offering greener solutions to customers.

The Group's climate-related financial disclosures are set out on pages 15 to 22).

Current and planned mitigations

- ESG ambitions and principles that are aligned to the ESG issues that matter most to the Group's businesses and stakeholders.
- Executing environmental strategies across Royal Mail and GLS, including accelerated ambitions for decarbonisation to reach Net-Zero emissions before 2050 in support of the Paris Agreement (see pages 7 to 9).
- Investing in low- and zero-emission vehicles, technology and equipment to support energy and fuel efficiency across the property estate.
- Improving network efficiency, including looking to rationalise Royal Mail's property estate, and continuing to implement sustainability and decarbonisation measures at GLS depots and hubs.
- Engaging colleagues and suppliers in initiatives to become more efficient and reduce the use of natural resources.
- Monitoring the impact of extreme weather events on operations and across the businesses' property estate to determine suitable preventive and precautionary measures.
- Reducing water consumption and reducing the amount of waste generated.
- Monitoring compliance with existing environmental legislation and preparing for future regulatory changes including the Corporate Sustainability Reporting Directive.

9. Actual or suspected breaches of material law and/or regulation – Moderate risk Stable risk – no material change

Risk

Failure to comply with relevant material laws and regulations that apply to the Group, including competition law, regulatory conditions imposed by Ofcom (including Quality of Service (QoS) targets), anti-bribery, trade sanctions, taxation, financial reporting and corporate governance. Actual or suspected breaches could result in financial loss, fines, regulatory enforcement action, criminal charges, debarment and/or reputational damage impacting the Group's ability to operate and grow.

Failure to comply with material laws and regulations related to the following matters are covered by the specified other risks GDPR (Risk 4), health and safety (Risk 11) and environmental legislation (Risk 8).

Status

There continues to be a focus on controls in relation to material laws and regulations with which the Group must comply. Royal Mail is focused on improving service levels and regularly engages with Ofcom on QoS.

Competition law:
In May 2024, Bulk Mail Claim Ltd (BMCL) applied to the Competition Appeal Tribunal to bring a proposed class action claim against IDS for damages it estimated at £878 million. This claim relates to Ofcom's decision of 14 August 2018, which found that Royal Mail had abused its dominant position in the market for bulk mail delivery services in the UK in January 2014. In March 2025 the Competition Appeal Tribunal made a Collective Proceedings Order authorising BMCL to bring collective proceedings against IDS. As at the date of this Annual Report, it is not possible to predict the ultimate outcome or potential financial effect on the Group and, consequently, no amounts have been provided in the Financial Statements. Royal Mail intends to defend the claim robustly. See Note 28 of the Financial Statements.

Other disputes:
GLS operates in multiple countries. GLS Italy is subject to certain legal claims and tax disputes which are being managed through the use of and advice from relevant legal counsel.

Regulatory conditions imposed by Ofcom:
In December 2024, following an investigation, Ofcom concluded that Royal Mail was in breach of its First and Second Class mail Universal Service QoS targets for the 2023-24 regulatory period. It fined Royal Mail £10.5 million.

Current year Universal Service QoS targets for First and Second Class mail were below the targets set by Ofcom. Ofcom has opened an investigation into Royal Mail's compliance with QoS performance targets during the year and the business is engaging with Ofcom in relation to its investigation.

See Notes 25 and 28 of the Financial Statements.

Current and planned mitigations

- Assess risks and obtain advice from specialist lawyers and compliance/regulatory professionals on a regular basis.
- Horizon scan to prepare for legislative changes and develop policies and processes to address them.
- Monitor compliance and assurance provision.
- Foster a culture where colleagues can speak up to ensure any issues are promptly addressed and not repeated.
- Engage with Ofcom in relation to the USO QoS monitoring and restoration activity.

10. Business continuity and operational resilience Moderate risk Stable risk – no material change

Risk

The Group 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 its businesses, customers and supply chain. This could also impact on the ability of Royal Mail to meet its regulatory obligations.

Key threats related to the following matters are covered by the specified other risks: cyber attacks (see Risk 4), employee relations (see Risk 3) and extreme weather (see Risk 8). Other key threats include utility interruption, IT outages and supply chain failures.

Status

Royal Mail is classified as a critical part of national infrastructure and also has a responsibility to provide sustained and continued postal services under the USO.

Royal Mail has experienced several disruptive events in recent years, including the COVID pandemic, national industrial action and a cyber attack, and its crisis management response process has been shown to be effective.

A strategic threat assessment identified increasing external risk pressures. In addition, new products and services that form part of Royal Mail's transformation programme have made the business more complex and technology dependent. While Royal Mail has a robust and tested crisis response framework, there is a need to continually focus on improving business resilience including continuity action plans and capability to mitigate current and future threats.

GLS has a large geographical footprint and has an interconnected international network across Europe and North America. Whilst there is commonality in the threats and risk the Royal Mail business faces, the multi-country nature of GLS means there is natural mitigation, which lowers the impact to the Group in the event of operational disruption in a specific market.

Current and planned mitigations

- Ongoing strategic threat assessment and horizon scanning to promptly identify and assess emerging and current risks and develop prompt remediation strategies.
- Regularly review crisis management governance including lessons learned following disruptive events.
- Delivered a refreshed training plan covering crisis and continuity planning.
- Deploy a cross-functional strategic crisis and resilience governance structure and response teams to ensure an integrated resilience approach.
- Develop business impact assessments to map systems and interdependencies of critical products and services and alignment of disaster-recovery plans.
- Develop and implement tactical arrangements and business continuity to support incident management.
- Regularly risk assess and undertake mitigation planning in relation to Royal Mail's legacy technology estate, including reviewing support, stability and disaster recovery status.
- Implementing a technology refresh programme to address higher-risk legacy systems and, where appropriate, migrate certain services to the cloud.

11. Health, safety and wellbeing – Moderate risk
Stable risk – no material change

Risk

A health and safety incident or global health crisis could result in the serious injury, ill health or death of employees, third parties (including contractors) or members of the public. An incident, near miss or health and safety breach may lead to criminal prosecution or fines by an enforcing authority or civil action by the injured party, resulting in large financial losses and/or reputational damage. Failure to manage employee health, safety and wellbeing could lead to reputational damage, loss of employee goodwill and financial losses through increased sickness absence, lower productivity, and failure to deliver the USO, civil action or criminal prosecution.

Status

The health, safety and wellbeing of colleagues, customers and members of the public is of paramount importance. Whilst health and safety risks can be assessed and controlled, the risk of harm to people cannot be eradicated.

Royal Mail has many employees, including seasonal staff and subcontracted/agency workers. It also operates one of the largest commercial fleets in the UK, manages a significant real estate footprint and interacts extensively with members of the public. A large proportion of colleagues spend most of their time working outdoors on foot or driving, where the environment is unpredictable and can be more difficult to control. Key health and safety risks include outdoor accidents such as road traffic, as well as other accidents (such as dog attacks) and indoor accidents in depots. Royal Mail has a large number of properties that are required to be maintained and kept in safe condition. In common with other businesses with a large property estate, Royal Mail surveys sites to ensure risk assessments are kept up to date, any new risks are understood and remedial work is undertaken as required.

GLS has a different operating model to Royal Mail, with a significant part of its business' operations subcontracted to third parties. Nonetheless, health and safety remains a key area of focus, with established health and safety standards and awareness work performed with subcontractors.

Current and planned mitigations

IDS :
- Implement policies, directives, procedures and systems, supported by tailored training and awareness to embed a compliance culture and improve employee engagement.
- Senior leaders promote safe behaviours and reinforce compliance to standards through participation in regular communications and campaigns.
- Board and ESG Committee oversee performance metrics.
- Operate Group-wide measures to protect and support employees in line with guidance and provision of wellbeing programmes.
- Monitor and review measures in place to assist in risk control and accident prevention, including undertaking appropriate investigation following incidents and near misses.

Royal Mail:
- Identify and manage existing and emerging risks through the business' Safety, Health and Environment Management System (SHEMS) and annually complete a programme of site audit activity to assess compliance with SHEMS.
- Train and coach managers as the first line of defence to ensure compliance and continue to streamline and simplify health and safety systems to enhance effectiveness.
- Undertake estate-wide fabric surveys to maintain building safety.
- Drive performance improvement through a rolling five-year plan to target key risk areas such as road safety and yard risk.

GLS:
- Expanded global health and safety training and awareness programmes.
- Operate health and safety audit programmes in all markets and undertake regular improvement visits with selected countries.
- Host annual health and safety focused conferences.

12. Failure to manage liquidity and capital structure – Low risk
Stable risk – no material change

Risk

There is a risk that the Group fails to secure ongoing access to finance.

Uncertainty in the macro-economic environment and a prolonged period of high inflation can have an adverse affect on business performance.

As a result, there is a risk that IDS fails to service and refinance debt as it falls due.

Status

Royal Mail and GLS manage their respective cash positions through working capital management and prioritising capital expenditure. IDS management has taken effective action to preserve Group liquidity.

Following change of control, the £925 million IDS revolving credit facility (RCF) was cancelled and replaced with a new IDS £425 million facility. This new £425 million facility is currently guaranteed by IDS and GLS and Bidco will accede as additional guarantor when IDS' registration as a private limited company is completed. Together with the £500 million RCF which forms part of Bidco's acquisition facilities, this will result in the overall level of liquidity available under the revolving credit facilities remaining unchanged. In addition IDS will also accede as borrower and guarantor of Bidco's £2,350 million acquisition financing facilities when IDS's registration as a private limited company is completed.

EP has provided an equity support letter, covering the six-month period from change of control, which guarantees the maintenance of a minimum level of liquidity in the Group. In addition, a Group-wide cash pool has been established to efficiently manage liquidity across the Group.

Following S&P's confirmation of a BBB- investment grade rating with stable outlook, the Group is confident of being able to refinance debt as it falls due. See Notes 1, 23, 24 and 30 of the Financial Statements for further information on financial risk management.

Current and planned mitigations

IDS:
- Ongoing monitoring of Royal Mail's and GLS' performance, liquidity and covenant headroom.
- Introduction of cash pooling across the Group to manage liquidity and short-term working capital requirements.
- Ongoing review of capital allocation, credit rating and priorities.

Royal Mail:
- Delivery of Royal Mail transformation plan and effective implementation of efficiency programmes.
- Measures to conserve cash and prioritisation of capital expenditure.
- Raising capital through asset-backed funding arrangements.
- Exploring alternative means of raising capital including asset disposals.

Financial Review

The Group and Royal Mail reported results are for the 52-week period to 30 March 2025, the comparative period is for the 53-week period to 31 March 2024. In order to provide a meaningful comparison of revenue and costs with the current year, the Group and Royal Mail prior period income statements to operating profit are also presented on an adjusted 52-week basis. The adjusted 52-week 2023-24 results are derived by removing an estimate of the 53rd week's revenue and incremental costs in relation to Royal Mail. All comparisons between 2024-25 and 2023-24 income statements to adjusted operating profit are on a 52-week basis unless otherwise stated. The GLS financial year is 12 months to 31 March 2025 (2023-24: 31 March 2024). Further details on the calculation of the 52-week adjusted results are set out on page 164.

Summary results (£m)	**Reported 52 weeks March 2025**	**Adjustments and specific items**	**Adjusted[1] 52 weeks March 2025**	Reported 53 weeks March 2024	Adjustments and specific items	Adjusted[1] 53 weeks March 2024
Revenue	**13,139**	**–**	**13,139**	12,679	–	12,679
Royal Mail	**8,230**	**–**	**8,230**	7,834	–	7,834
GLS	**4,929**	**–**	**4,929**	4,865	–	4,865
Intragroup revenue[2]	**(20)**	**–**	**(20)**	(20)	–	(20)
Operating costs	**(12,806)**	**55**	**(12,861)**	(12,545)	162	(12,707)
Royal Mail	**(8,183)**	**55**	**(8,238)**	(8,020)	162	(8,182)
GLS	**(4,643)**	**–**	**(4,643)**	(4,545)	–	(4,545)
Intragroup costs[2]	**20**	**–**	**20**	20	–	20
Profit on disposal of property, plant and equipment	**71**	**71**	**–**	15	15	–
Operating profit/(loss) before specific items	**404**	**126**	**278**	149	177	(28)
Operating specific items	**(28)**	**(28)**	**–**	(123)	(123)	–
Operating profit/(loss)	**376**	**98**	**278**	26	54	(28)
Operating profit/(loss) margin	**2.9%**	**–**	**2.1%**	0.2%	–	(0.2)%
Royal Mail	**119**	**127**	**(8)**	(254)	94	(348)
Royal Mail Operating profit/(loss) margin	**1.4%**		**(0.1)%**	(3.2)%		(4.4)%
GLS	**257**	**(29)**	**286**	280	(40)	320
GLS Operating profit margin	**5.2%**		**5.8%**	5.8%		6.6%
Net finance costs	**(66)**	**–**	**(66)**	(47)	–	(47)
Net pension interest (non-operating specific item)	**119**	**119**	**–**	135	135	–
Profit/(loss) before tax	**429**	**217**	**212**	114	189	(75)
Tax (charge)/credit	**(62)**	**4**	**(66)**	(60)	5	(65)
Profit/(loss) after tax	**367**	**221**	**146**	54	194	(140)
Earnings/(loss) per share (basic) – pence	**38.3**	**n/a**	**15.2**	5.6	n/a	(14.6)
In-year trading cash flow[3]			**277**			(73)
Royal Mail			**50**			(246)
GLS			**227**			173
Pre-IFRS 16 in-year trading cash flow[3]			**51**			(279)
Royal Mail			**(92)**			(371)
GLS			**143**			92
Net debt			**(1,939)**			(1,716)

1. Reported results are prepared in accordance with UK adopted International Financial Reporting Standards (IFRS). In addition, the Group's performance is explained through the use of alternative performance measures (APMs) that are not defined under IFRS. The APMs used are explained on pages 163 to 168 and reconciliations to the closest measure prescribed under IFRS are provided where appropriate.
2. Intragroup revenue and costs represent trading between Royal Mail and GLS, principally a result of Parcelforce Worldwide operating as GLS' partner in the UK.
3. In-year trading cash flow and Pre-IRFS 16 in-year trading cash flow are non-GAAP measures.

Group results

Group and Royal Mail results are for the 52-week period to 30 March 2025. GLS' financial performance is presented for the 12 months to 31 March 2025.

Reported Group revenue increased by £460 million to £13,139 million (2023-24: £12,679 million), with growth achieved in both Royal Mail and GLS. Reported Group operating costs were £12,806 million (2023-24: £12,545 million).

Reported operating profit before specific items improved by £255 million to £404 million (2023-24: £149 million) driven by a reversal of the losses in Royal Mail, partially offset by lower profit in GLS. Operating specific items were a cost of £28 million (2023-24: £123 million) made up mostly of regulatory and legal charges of £100 million (2023-24: £57 million) and incremental bid costs associated with the takeover bid by EP of £28 million (2023-24: £nil) which were largely offset by an impairment reversal in relation to the Royal Mail excluding Parcelforce Worldwide cash generating unit (CGU) of £117 million (2023-24: £48 million charge). Further details of the impairment assessment are provided in Note 1 of the Consolidated Financial Statements.

Reported Group operating profit was £376 million (2023-24: £26 million) which comprised a £119 million profit in Royal Mail (2023-24: £254 million loss) and a profit of £257 million in GLS (2023-24: £280 million profit). The Group reported operating profit margin was 2.9% (2023-24: 0.2%).

Non-operating specific items were a credit of £119 million (2023-24: credit of £135 million) and relate to net pension interest.

Reported profit before tax was £429 million (2023-24: £114 million).

Revenue (£m)[1,2]	**52 weeks ended March 2025**	53 weeks ended March 2024	52 weeks ended March 2024 ex. 53rd week in Royal Mail	% change 52 wks 2025 vs 52 wks 2024 ex. 53rd wk in Royal Mail
Royal Mail	**8,230**	7,834	7,694	7.0%
GLS	**4,929**	4,865	4,865	1.3%
Intragroup revenue	**(20)**	(20)	(20)	0.0%
Total	**13,139**	12,679	12,539	4.8%

Adjusted Operating Costs (£m)[1,2]	**52 weeks ended March 2025**	53 weeks ended March 2024	52 weeks ended March 2024 ex. 53rd week in Royal Mail	% change 52 wks 2025 vs 52 wks 2024 ex. 53rd wk in Royal Mail
People costs	**(6,781)**	(6,793)	(6,720)	0.9%
Non-people costs	**(6,080)**	(5,914)	(5,885)	3.3%
Total	**(12,861)**	(12,707)	(12,605)	2.0%

1. Reported results are prepared in accordance with UK adopted International Financial Reporting Standards (IFRS). In addition, the Group's performance is explained through the use of APMs that are not defined under IFRS. The APMs used are explained on pages 163 to 168 and reconciliations to the closest measure prescribed under IFRS are provided where appropriate.
2. Percentage changes are on a 52-week basis. The 52-week 2023-24 results are derived by removing the 53rd week revenue and incremental costs in relation to Royal Mail. The GLS financial year is 12 months to 31 March 2025 and 2024, so no adjustment is made for GLS' results.

Group revenue increased by 4.8% in the period, with parcel revenue growing by 3.5%. In Royal Mail letter revenue also grew, increasing by 7.8% in the period, aided by the General Election-related postings.

Adjusted Group operating costs increased by 2.0%, with people costs growing by 0.9% and non-people costs by 3.3% compared to the prior year. The increase in people costs was driven by wage inflation across both businesses, with an increase of 2.4% in GLS. Royal Mail people costs increased by 0.6% as the 2% pay award for frontline staff and the additional costs associated with the delivery of elections were largely offset by efficiency savings and £70 million released from pension escrow. Group non-people costs were impacted by inflationary pressures across both companies, in particular in GLS due to increased subcontractor rates and higher IT costs. Further detail is set out below.

Segment analysis

Royal Mail

Royal Mail reported operating profit was £119 million (2023-24: £254 million loss). The adjusted operating loss was £8 million (2023-24: £348 million loss) with an adjusted operating loss margin of 0.1% (2023-24: 4.4% operating loss margin).

Volume (m units)[1,2]	52 weeks ended March 2025	53 weeks ended March 2024	52 weeks ended March 2024 ex. 53rd week	% change 52 wks 2025 vs 52 wks 2024 ex. 53rd wk
Parcels	**1,347**	1,295	1,273	6%
Addressed letters (excluding election postings)	**6,330**	6,736	6,617	(4)%

Adjusted summary results (£m)[1,2]	52 weeks ended March 2025	53 weeks ended March 2024	52 weeks ended March 2024 ex. 53rd week	% change 52 wks 2025 vs 52 wks 2024 ex. 53rd wk
Parcels	**4,290**	4,108	4,040	6.2%
Letters and other	**3,940**	3,726	3,654	7.8%
Total Revenue	**8,230**	7,834	7,694	7.0%
People costs	**(5,644)**	(5,683)	(5,610)	0.6%
People costs excluding voluntary redundancy	**(5,624)**	(5,671)	(5,598)	0.5%
Voluntary redundancy costs	**(20)**	(12)	(12)	66.7%
Non-people costs	**(2,594)**	(2,499)	(2,470)	5.0%
Adjusted operating loss	**(8)**	(348)	–	–
Adjusted operating profit/(loss) (excluding voluntary redundancy)	**12**	(336)	–	–

1. Reported results are prepared in accordance with UK adopted International Financial Reporting Standards (IFRS). In addition, the Group's performance is explained through the use of APMs that are not defined under IFRS. The APMs used are explained on pages 163 to 168 and reconciliations to the closest measure prescribed under IFRS are provided where appropriate.
2. Percentage changes are on a 52-week basis. The 52-week 2023-24 results are derived by removing the 53rd week revenue and incremental costs.

Revenue

Revenue grew by £536 million, or 7.0% versus the prior period, of which £94 million was as a result of the General Election. Total parcel revenue increased by 6.2% on the prior period, driven by volume growth which was 6%. Parcel revenue represented 52.1% of total Royal Mail revenue or 52.7% excluding General Election revenue.

Domestic parcels (excluding International) volume grew by 3% and revenue grew by 5.6% versus the prior period. During the year volume growth in account traffic was 6%, driven by winning e-commerce and marketplace customers as a result of strong commercial product propositions. As well as higher volumes, revenue also benefited from price increases. Consumer volume saw a decline against the prior period of 3% due to a shift to account and marketplace channels but revenue remained flat due to price rises. International volumes increased by 23% versus the prior period driven by import, where we see a lower price point, which meant that revenues only increased by 9.6%.

Total letter revenue saw an increase of 7.8% versus the prior period, or 5.2% excluding revenue generated as a result of the General Election.

Volumes for addressed letters excluding election postings fell by 4%, an improvement on the prior year which saw a decline of 9%. Overall, addressed letters revenue grew 6.4% predominately driven by price increases. Business mail revenue grew 14.1%, whilst volumes were broadly flat. Advertising mail volumes were also broadly flat with revenue growth of 2.7%, whereas consumer and small business letter volumes fell by 14%, but the price increases led to revenue growth of 0.4%.

Operating costs

Total adjusted operating costs increased by £158 million or 2.0% year on year.

People costs increased by £34 million or 0.6% on the prior period. Excluding the cost of voluntary redundancy of £20 million (2023-24: £12 million) people costs increased by 0.5%. Operational people costs increased by £96 million compared to the same period last year; however, much of this increase was attributed to non-recurring election-related expenses. The underlying rise in people costs was primarily driven by wage inflation, largely due to the 2% pay award for frontline staff. This was partially offset by lower costs associated with sick absence and the full benefits of seasonal variation. Non-operational people costs increased by £8 million or 1% on the prior period as a result of pay awards and higher transformation costs, partly offset by efficiency savings.

Royal Mail also received £70 million released from the pension escrow, which was used to contribute to additional pension costs across all staff.

Non-people costs increased by £124 million or 5.0% versus the prior period. Despite Royal Mail investing in over 5,500 new vehicles during the year, the increasing average age of vehicles continued to drive higher maintenance and hire costs. Higher fleet costs were partially offset by lower conveyancing costs from lower international terminal dues. In addition, there were increases due to inflationary pressures and higher transformation costs as Royal Mail continues to invest in its transformation programmes.

GLS
GLS reported operating profit was £257 million (2023-24: £280 million). Adjusted operating profit was £286 million (2023-24: £320 million). Adjusted operating margin declined by 80 basis points to 5.8%. Foreign exchange movements adversely impacted revenue by £128 million and favourably impacted costs by £120 million resulting in a net decrease in operating profit of £8 million.

Adjusted operating profit in Euro terms decreased by 8.4% due to lower profits in Italy and Germany, despite profit increases in most other markets and particularly good performances in Spain and Poland. Losses were also significantly reduced in the US following the sale of the freight business. In our Eastern European markets, the rollout of strategic initiatives such as parcel lockers, two-person handling, and the greenfield start-up in Serbia, continue to impact short term profits, but are expected to be value enhancing over the longer term.

Volume (m units)	12 months to 31 March 2025	12 months to 31 March 2024	% change
Parcels	**926**	905	2%
Adjusted summary results[1,2] (£m)			
Revenue	**4,929**	4,865	1.3%
People costs	**(1,137)**	(1,110)	2.4%
Non people costs	**(3,506)**	(3,435)	2.1%
Adjusted operating profit	**286**	320	(10.6)%
(€m)			
Revenue	**5,857**	5,635	3.9%
People costs	**(1,350)**	(1,286)	5.0%
Non people costs	**(4,167)**	(3,978)	4.8%
Adjusted operating profit	**340**	371	(8.4)%

1. Reported results are prepared in accordance with UK adopted International Financial Reporting Standards (IFRS). In addition, the Group's performance is explained through the use of APMs that are not defined under IFRS. The APMs used are explained on pages 163 to 168 and reconciliations to the closest measure prescribed under IFRS are provided where appropriate.
2. The results for 2024-25 include £nil (2023-24: £1 million) adjusted operating profit from acquisitions.

Revenue
Revenue increased by 1.3% in Sterling terms (3.9% in Euro terms) driven by a combination of parcel volume growth and improved pricing. Revenue growth was achieved in almost all markets. GLS' European markets represented 89.8% of total revenue (2023-24: 88.7%), with the North American market contributing 10.2% (2023-24: 11.3%).

In Euro terms, growth included increases in Poland (15.8%), Spain (10.0%), Denmark (6.4%), Germany (5.4%), France (5.4%) and Canada (3.2%). Revenues declined by 0.5% in Italy due to weak volume development resulting from disruption caused by sector-wide strikes. In the US, revenues were down 19.9%, impacted by the divestment of the freight business on 1 September 2024. Underlying revenues in the US declined by 4.3% in US Dollar terms due to yield management activities.

Volumes increased by 2%, with growth driven by higher cross-border volumes. Domestic volumes also grew but were weighed down by weak GDP growth across GLS markets and difficult trading conditions in Italy, which was disrupted by the effect from strikes. B2C volume share at 59% was one percentage point above the prior period.

Operating costs
Total reported operating costs in Sterling terms increased by 2.2% (up 4.8% in Euro terms).

In Euro terms, people costs increased by 5.0% due to a combination of factors, including higher unit labour costs for hub and depot operations driven by wage inflation across GLS' markets and higher minimum wages in some jurisdictions.

Non-people costs increased by 4.8% in Euro terms. Distribution and conveyance costs were up 5.2%, driven by higher subcontractor rates due to wage inflation and the impact from new postal law regulatory changes in Germany and Italy, where a sector-wide transformation of supply chains is necessary to adapt to tightened rules around out-sourcing. Infrastructure costs increased by 5.6% principally due to higher depreciation and IT costs, whilst other operating costs were down by 9.5%.

Other Group financial performance measures

Adjustments and specific items[1]

In order to arrive at adjusted results, the following should be excluded from reported results:

(£m)	52 weeks ended March 2025	53 weeks ended March 2024
Adjusted items – (charge)/credit:		
Pension charge adjustment	**(66)**	41
Depreciation/amortisation adjustment for impaired assets	**121**	121
Profit on disposal of property, plant and equipment	**71**	15
Total adjustments to operating profit	**126**	177
Operating specific items – (charge)/credit:		
Amortisation of intangible assets from acquisitions	**(16)**	(21)
Impairment of Royal Mail excluding Parcelforce Worldwide CGU	**117**	(48)
Regulatory and legal charges	**(100)**	(57)
Incremental bid costs	**(28)**	–
Legacy/other items	**(1)**	3
Total operating specific items	**(28)**	(123)
Non-operating specific items:		
Net pension interest	**119**	135
Total specific items	**91**	12
Tax effect of adjustments and specific items	**4**	5

1. Reported results are prepared in accordance with UK adopted International Financial Reporting Standards (IFRS). In addition, the Group's performance is explained through the use of APMs that are not defined under IFRS. The APMs used are explained on pages 163 to 168 and reconciliations to the closest measure prescribed under IFRS are provided where appropriate.

Adjustments to reported operating profit/loss

The pension charge adjustment of £66 million (2023-24: £41 million credit) comprises a £70 million (2023-24: £130 million) refund of cash held in escrow by the Trustee of the Royal Mail Pension Plan (RMPP). The current year escrow cash was subsequently used to subsidise the additional costs of the Royal Mail Collective Pension Plan (RMCPP) compared to previous arrangements, as agreed in 2022. This was partially offset by a £4 million credit (2023-24: £1 million charge) in relation to the difference between the IAS 19 income statement pension charge for the Defined Benefit Cash Balance Section (DBCBS) and the Defined Benefit Lump Sum (DBLS) section of the RMCPP and the cash funding contribution rate agreed with the Trustees. The prior period also included £172 million relating to a change to the rate of annual increases applied to the DBCBS. Further details are provided in Notes 5 and 11 of the Consolidated Financial Statements.

In prior years impairment charges have been recognised to write down the value of the Royal Mail excluding Parcelforce Worldwide CGU. This resulted in a lower depreciation/amortisation charge in the current year in infrastructure costs. An adjustment of £121 million (2023-24: £121 million) has been made to the reported results to reflect the depreciation/amortisation on a pre-impairment basis in line with how management reviews the underlying performance of the business.

The profit on disposal of property, plant and equipment of £71 million (2023-24: £15 million) mainly relates to the sale and leaseback of the property at Royal College Street, London. The prior year mainly comprises £12 million relating to the sale of Plot C2 of the Nine Elms, London site.

Specific items

Amortisation of intangible assets from acquisitions of £16 million (2023-24: £21 million) mainly relates to amortisation in GLS.

In the year, £117 million of the Royal Mail excluding Parcelforce Worldwide CGU impairment was reversed (2023-24: £48 million impairment charge). In assessing whether the CGU was impaired, the carrying value of the CGU of £1,995 million (2023-24: £1,925 million) was compared to its recoverable amount, using the higher of a value in use (VIU) or fair value less cost to dispose (FVLCD) methodology. The FVLCD methodology resulted in an impairment reversal of £117 million. Further details of the calculations involved are provided in Note 1 of the Consolidated Financial Statements.

The regulatory and legal charges of £100 million (2023-24: £57 million) represent best estimates to settle present obligations for Royal Mail and GLS in relation to regulated quality of service in the UK, legal claims and tax related disputes in GLS Italy, as well as charges for settlement of legal cases, including the previously disclosed Whistl damages claim.

Incremental bid costs of £28 million (2023-24: £nil) represent the one-off costs incurred by the Group in relation to the takeover bid by EP. These costs mainly relate to the provision of financial and legal advice.

The legacy/other items charge of £1 million (2023-24: £3 million credit) mainly relates to a £6 million release (2023-24: £nil) of the industrial diseases provision offset by a £6 million charge (2023-24: £nil) due to movements in the fair value of the options relating to ACS Postal Services SMSA. The prior year credit of £3 million largely comprised a £10 million credit for court-awarded compensation, partly offset by £5 million specific intangible asset write-offs.

Net finance costs
Reported net finance costs of £66 million (2023-24: £47 million) comprise interest on bonds (including the cross-currency swaps) of £56 million (2023-24: £44 million), interest on leases of £53 million (2023-24: £43 million), interest/fees on the bank syndicate loan and the €500 million backstop facility of £3 million (2023-24: £6 million), and other net interest payable of £5 million (2023-24: £5 million). This was partially offset by interest income of £51 million (2023-24: £51 million).

Taxation
The Group recognised a reported tax charge of £62 million for the year (2023-24: £60 million). This represents an effective tax rate of 14.5% (2023-24: 52.7%). This is lower than the expected headline rate of 25% primarily due to operating in territories with lower effective tax rates and the non-recognition of deferred tax on temporary differences arising in the period.

On an adjusted profit of £212 million, the adjusted tax charge of £66 million represents an effective tax rate of 31.1% (2023-24: 86.6%). This is higher than the expected rate of 25% due to the non-recognition of deferred tax assets for losses and other temporary differences across the Group and other expenses incurred in the period for which no tax relief is available.

Earnings per share (EPS)
Reported basic EPS was 38.3 pence per share (2023-24: 5.6 pence per share) and adjusted basic EPS was 15.2 pence per share (2023-24: 14.6 pence loss per share).

In-year trading cash flow[1]

	52 weeks ending March 2025			53 weeks ending March 2024		
(£m)	Royal Mail	GLS	Group	Royal Mail	GLS	Group
Adjusted operating (loss)/profit	**(8)**	**286**	**278**	(348)	320	(28)
Adjusted depreciation and amortisation	**434**	**192**	**626**	417	185	602
Adjusted EBITDA	**426**	**478**	**904**	69	505	574
Trading working capital movements	**(58)**	**–**	**(58)**	(143)	(24)	(167)
Other non-cash adjustments[2]	**6**	**–**	**6**	4	–	4
Gross capital expenditure	**(281)**	**(169)**	**(450)**	(181)	(204)	(385)
Net finance costs paid	**(52)**	**(23)**	**(75)**	(8)	(24)	(32)
Income tax received/(paid)	**9**	**(59)**	**(50)**	13	(80)	(67)
In-year trading cash flow	**50**	**227**	**277**	(246)	173	(73)
Capital element of operating lease repayments[3]	**(142)**	**(84)**	**(226)**	(125)	(81)	(206)
Pre-IFRS 16 in-year trading cash flow	**(92)**	**143**	**51**	(371)	92	(279)

1. Reported results are prepared in accordance with UK adopted International Financial Reporting Standards (IFRS). In addition, the Group's performance is explained through the use of APMs that are not defined under IFRS. The APMs used are explained on pages 163 to 168 and reconciliations to the closest measure prescribed under IFRS are provided where appropriate.
2. Other non-cash adjustments consist of £6 million (2023-24: £4 million) relating to the share-based awards (LTIP and DSBP) charge.
3. The capital element of obligations under lease contracts of £234 million (2023-24: £216 million) shown in the statutory cash flow is made up of the capital element of operating lease payments of £226 million (2023-24: £206 million) and the capital element of finance lease payments of £8 million (2023-24: £10 million).

Group in-year trading cash inflow was £277 million (2023-24: £73 million outflow). This improvement was predominantly driven by the trading improvement and lower trading working capital movements in Royal Mail, partially offset by increased capital expenditure and higher finance costs.

Royal Mail in-year trading cash flow improved by £296 million year on year. This was driven by higher EBITDA and improved trading working capital movements, offset by higher capital expenditure and net finance costs. Trading working capital movements improved by £85 million year-on-year, primarily driven by the timing of payroll payments and the adverse impact of the 53rd week on the timing of payments in the comparative year. Capital expenditure increased as a result of ongoing transformation activities, higher maintenance expenditure and investment in new vehicles. Finance costs increased due to higher intercompany loan interest and a general increase in interest rates across other borrowings.

GLS in-year trading cash flow remains robust improving to £227 million, an increase of £54 million, as lower trading working capital movements and income tax payments and a reduction in capital expenditure more than offset lower operating profit.

Net debt[1]

A reconciliation of net debt is set out below.

(£m)	Reported 52 weeks ended March 2025	Reported 53 weeks ended March 2024
Net debt brought forward at 1 April 2024 and 27 March 2023	**(1,716)**	(1,500)
Free cash flow	**146**	(14)
In-year trading cash flow	**277**	(73)
Cash cost of operating specific items	**(131)**	(11)
Proceeds from disposal of property (excluding London Development Portfolio) plant and equipment	**31**	18
Acquisition of business interests, net of cash acquired	**(79)**	(35)
Proceeds from disposal of business interests	**15**	–
London Development Portfolio net proceeds	**33**	87
Sale of pension escrow investments	**–**	(16)
Recognition of pension escrow investments	**32**	–
Royal Mail Senior Executives Pension Plan refund of surplus	**6**	–
Reclassification to liabilities held for sale	**–**	18
Movement in GLS client cash[2]	**3**	12
New or increased lease obligations under IFRS 16 (non-cash)	**(414)**	(236)
New asset finance (non-cash)	**–**	(10)
Foreign currency exchange impact	**24**	31
Amortisation of bond discount (finance costs payable)	**(1)**	(1)
Dividends paid to equity holders of the Parent Company	**(19)**	–
Net debt carried forward	**(1,939)**	(1,716)
Operating leases[3]	**1,479**	1,388
Pre-IFRS 16 net debt[4]	**(460)**	(328)

1. Reported results are prepared in accordance with UK adopted International Financial Reporting Standards (IFRS). In addition, the Group's performance is explained through the use of APMs that are not defined under IFRS. The APMs used are explained on pages 163 to 168 and reconciliations to the closest measure prescribed under IFRS are provided where appropriate.
2. GLS client cash movements are presented as part of the working capital movements line in the statutory cash flow. The movement in the period excluding foreign currency exchange impacts is £3 million inflow (2023-24: £12 million). The foreign currency movement on GLS client cash in the period was a loss of £2 million (2023-24: £1 million loss) which is included in the £24 million inflow (2023-24: £31 million inflow) foreign currency exchange impact line in the table.
3. This amount represents leases that would not have been recognised on the balance sheet prior to the adoption of IFRS 16.
4. This measure is considered as the Group's banking covenants are calculated on a pre-IFRS 16 basis.

The cash cost of operating specific items was an outflow of £131 million (2023-24: £11 million) consisting mainly of £110 million in relation to regulatory and legal cases, and £21 million of incremental bid costs associated with the takeover bid by EP. The prior year consisted of an Ofcom regulatory fine payment of £6 million and industrial diseases claims of £6 million, offset by a £1 million receipt of court-awarded compensation.

Acquisition of business interests, net of cash acquired of £79 million (2023-24: £35 million), largely relates to the acquisition of 20% of ACS plus other smaller acquisitions in GLS, including deferred consideration on prior year acquisitions. The prior year outflow included the acquisition of Altimax in addition to others and also included deferred consideration.

Recognition of pension escrow investments of £32 million (2023-24: £nil) relates to current pension escrow investments on the balance sheet in respect of the RMPP pension scheme, which had been agreed to be released to Royal Mail and was subsequently received in May 2025 and therefore included within net debt.

An analysis of the net debt as at 30 March 2025 is set out below.

Net Debt (£m)

	2024-25 Royal Mail	2024-25 GLS	2024-25 Corporate Centre	2024-25 Group
Bonds	–	–	(1,124)	(1,124)
Asset finance	–	(26)	–	(26)
Financial leases	(116)	(7)	–	(123)
Cash and cash equivalents[1]	276	281	208	765
Client cash	–	48	–	48
Inter-business loans	(702)	(171)	873	–
Pre-IFRS 16 net debt[2]	**(542)**	**125**	**(43)**	**(460)**
Operating leases	(978)	(501)	–	(1,479)
Net debt	**(1,520)**	**(376)**	**(43)**	**(1,939)**

1. Cash and cash equivalents includes bank overdrafts of £53 million at 30 March 2025 that are part of a cash pool for the UK companies, which generally has a net £nil balance across the Group and forms an integral part of the Group's cash management. Royal Mail includes £32 million of pension escrow investments.
2. This measure is considered as the Group's banking covenants are calculated on a pre-IFRS 16 basis.

Pensions

From 1 April 2024 to 6 October 2024, Royal Mail made contributions to two main schemes in the UK: the Royal Mail Defined Contribution Plan (RMDCP) and the Defined Benefit Cash Balance (DBCBS) section of the Royal Mail Pension Plan (RMPP).

On 7 October 2024, DBCBS closed to accrual for all members. The RMDCP closed to accrual for the vast majority of members, but there are a small number who will continue to contribute to the RMDCP until they reach 12 months' service, so that scheme will not fully close to accrual until October 2025.

On 7 October 2024, Royal Mail introduced a new pension scheme, the Royal Mail Collective Pension Plan (RMCPP), which replaced the existing DBCBS and the RMDCP for future accrual and comprises a Defined Benefit Lump Sum (DBLS) section, similar to the existing DBCBS, and a Collective Defined Contribution (CDC) section.

Royal Mail is also using the National Employment Savings Trust (NEST) for employees with less than 12 months' service and for employees who choose to opt out of the RMCPP. NEST is a defined contribution scheme.

The CDC section of RMCPP is accounted for as a defined contribution scheme and the DBLS as a defined benefit scheme. The RMCPP has fixed employer contributions of 13.6%, plus an additional 1.0% for employees who choose to save for an additional lump sum payment. Standard employee contributions are 6.0%.

The Group also operates the legacy section of the RMPP, which is closed to accrual.

A summary of the plans operated by Royal Mail and the timelines in context of this Financial Review is as follows:

— 1 April 2012 to 31 March 2018: RMPP and RMDCP.
— 1 April 2018 to 6 October 2024: DBCBS and Enhanced RMDCP
— 7 October 2024 to present day: RMCPP and NEST.

The buy-out of the Royal Mail Senior Executives Pension Plan (RMSEPP) was completed in June 2022, when the bulk annuity policies held were exchanged for individual policies between the insurers and all remaining members. The Group's obligations under the RMSEPP have now been fully extinguished and the scheme was wound up in April 2024. The residual assets were returned to the Group after the remaining closure expenses and the deduction of withholding tax.

Cash pension costs

The Group's cash pension costs in respect of all UK pension schemes were £250 million (2023-24: £347 million) in the period, excluding Pension Salary Exchange. In addition, £146 million (2023-24: £19 million) of employer contributions were paid into an escrow in respect of accrual in the DBCBS until it closed.

Defined benefit schemes – balance sheet position

Based on appropriate assumptions under IAS 19, the liabilities in both the DBCBS and the DBLS section of the new RMCPP were lower than the assets in the respective schemes as at 30 March 2025. However, under the terms of both schemes, any surplus would be awarded to members and therefore, the liabilities have been increased to equal the assets, resulting in both schemes being fully funded, with neither a surplus nor a deficit, on an accounting basis as at 30 March 2025. The corresponding adjustment is included within the Other Comprehensive Income Statement as an actuarial loss.

The RMPP closed to future accrual in its previous form from 31 March 2018. The pre-withholding tax accounting surplus of the legacy section of the RMPP at 30 March 2025 was £2,180 million (2023-24: £2,462 million). The pre-withholding tax accounting surplus has decreased by £282 million in the period. The decrease in the surplus is due to a decrease in the assets of £954 million partially offset by a decrease in liabilities of £672 million.

Dividends

The final dividend of 2.0 pence per share in respect of the 2023-24 financial year was paid on 30 September 2024, following shareholder approval.

Following the completion of the transaction with EP on 30 April 2025, a special dividend of 8 pence per share was paid on 14 May 2025 to shareholders on the register as at 30 April 2025.

This Strategic Report was approved by the Board on 29 August 2025 and signed on its behalf by:

Martin Seidenberg
Group Chief Executive Officer

Michael Snape
Group Chief Financial Officer

Corporate Governance

Governance across the Group

To deliver long-term success and generate value for all stakeholders, the Board seeks to uphold strong governance standards.

The Board
The Board of Directors during the financial year ended 30 March 2025, until the Company's shares were delisted on 2 June 2025, were:

— Keith Williams, Independent Non-Executive Chair.
— Baroness Hogg, Senior Independent Non-Executive Director.
— Michael Findlay, Independent Non-Executive Director.
— Maria da Cunha, Independent Non-Executive Director.
— Lynne Peacock, Independent Non-Executive Director.
— Shashi Verma, Independent Non-Executive Director.
— Jourik Hooghe, Independent Non-Executive Director.
— Ingrid Ebner, Independent Non-Executive Director.
— Martin Seidenberg, Group Chief Executive Officer.
— Michael Snape, Group Chief Financial Officer.

Following the completion of the sale to EP and the delisting of the Company's shares on 2 June 2025, all of the above Directors, other than Martin Seidenberg and Michael Snape, resigned from the Board. On 9 June 2025, the following representatives of EP were appointed to the Board:

— Daniel Křetínský (Chair)
— Roman Silha
— Marek Janča
— Daniel Mareš
— Jan Bílek

Jiri Zrust and Dwain McDonald were appointed to the Board as independent Non-Executive Directors on 25 June 2025 and 1 August 2025 respectively.

Board activities
Details of the scheduled Board and Committee meetings held during the period covered by this Annual Report and each Director's attendance are detailed in the table below. In addition, during this period, seven unscheduled Board meetings and one unscheduled Remuneration Committee meeting took place in relation to takeover matters.

Role	Director	Board	Nomination Committee	Audit and Risk Committee	ESG Committee	Remuneration Committee
Board Chair Nomination Committee Chair	Keith Williams (Resigned 2 June 2025)	9/9	2/2	–	–	2/2
Group Chief Executive Officer	Martin Seidenberg	9/9	–	–	–	–
Group Chief Financial Officer	Michael Snape	9/9	–	–	–	–
Senior Independent Non-Executive Director	Baroness Hogg (Resigned 2 June 2025)	9/9	2/2	4/4	2/4[1]	–
Independent Non-Executive Director Audit and Risk Committee Chair	Michael Findlay (Resigned 2 June 2025)	9/9	2/2	4/4	–	2/2
Independent Non-Executive Director Remuneration Committee Chair	Maria da Cunha (Resigned 2 June 2025)	9/9	2/2	–	4/4	2/2
Independent Non-Executive Director ESG Committee Chair	Lynne Peacock (Resigned 2 June 2025)	9/9	2/2	4/4	4/4	2/2
Independent Non-Executive Director	Shashi Verma (Resigned 2 June 2025)	9/9	2/2	–	4/4	–
Independent Non-Executive Director	Jourik Hooghe (Resigned 2 June 2025)	9/9	2/2	4/4	–	–
Independent Non-Executive Director	Ingrid Ebner (Resigned 2 June 2025)	9/9	2/2	–	3/3	–

1. Baroness Hogg was unable to attend one meeting due to being unwell and another due to technical difficulties.

UK Corporate Governance Code 2018 (the Code)
The Board confirms that for the year ended 30 March 2025, the Company complied with all relevant Provisions in the Code other than:

- Provision 18: As the Company is no longer listed, there is no requirement for the annual re-election of the Directors. The Directors for the period of this Annual Report are detailed on the previous page. Where relevant, the dates they stood down from the Board are also included.
- Provision 21 and Provision 23 (in part): The Code recommends that there should be a formal and rigorous annual evaluation of the performance of the Board, its Committees, the Chair and individual Directors, and that the method and results of said evaluation should be described. In light of the expected transaction timetable, the Board decided to defer the 2024-25 evaluation. The purpose of the evaluation exercise is to inform the functioning of the Board in the following financial year; as such, the Board decided it would be of limited benefit given the Non-Executive Directors' expected departure around the start of the new financial year.
- Provision 31: Following the change of control and the Company's delisting, a longer-term viability assessment was not undertaken for the financial year ended 30 March 2025. As set out in the going concern statement on pages 90 and 91, the Directors have concluded at the time of approving the Financial Statements that it is their expectation that the Company and the Group as a whole have adequate financial resources to continue in operational existence over the going concern assessment period (the period to 28 December 2026).

A copy of the Code is available at www.frc.org.uk.

In the future, the Board expects to adopt a corporate governance code which will be reported on in next year's Annual Report.

Governance framework
The Board has overall responsibility for governance but delegates certain responsibilities to its Committees. During the financial year ended 30 March 2025, the Group operated a governance framework that allocated responsibilities as follows:

- Board: To promote the long-term success of the Company and generate value for all stakeholders.
- Nomination Committee: To review the structure, size and composition of the Board and its Committees, taking into consideration the balance of skills, knowledge, experience, independence and diversity of the Board. Also to support the development of a diverse executive pipeline and ensure appropriate succession planning at Board and senior management levels.
- Audit and Risk Committee: To oversee the Group's financial reporting and the relationship with the external auditor, including monitoring the effectiveness of the external audit process and the independence and objectivity of the auditor. Also to oversee the Group's risk management and internal control processes, and receive regular reports on internal audit work carried out and assess the effectiveness of internal audit.
- Remuneration Committee: To set the Remuneration Policy and, within the terms of the agreed Policy, determine and approve remuneration and incentive arrangements for the Chair, the Executive Directors, the members of the Royal Mail and GLS Executive Boards and the Group Company Secretary.
- Environmental, Social and Governance Committee: To oversee Royal Mail's and GLS' environmental strategies and targets. Also to monitor health and safety performance and wellbeing initiatives, to oversee diversity, equity and inclusion strategies and culture, and to ensure support for community projects.

Upon the resignation of the Non-Executive Directors on 2 June 2025 (see above), the Nomination Committee, the Remuneration Committee and the ESG Committee were dissolved. The Audit and Risk Committee was reconstituted with Jan Bílek joining as a member on 9 June 2025, and Václav Moll and Jiri Zrust joining as members on 25 June 2025 (see page 45).

Roles and responsibilities
The role of each Director during the financial year ended 30 March 2025, which is summarised in the table below, ensured a clear division of responsibility between Executive and Non-Executive Board members, which supported the integrity of the Board's operations.

Independent Non-Executive Chair
— Responsible for the leadership and effectiveness of the Board and for promoting high ethical and governance standards, taking into account the interests of the shareholders and other stakeholders. — With the support of the Group Chief Executive Officer, considers the appropriateness of risk management across the Group. — With support from the Group Company Secretary, ensures that the Board receives high-quality information, that Board effectiveness is considered and that all new Directors are provided with a thorough and tailored induction programme. — Ensures an effective and complementary Board and fosters relationships between all Directors, driving a culture that supports constructive discussion, challenge and debate. — Maintains effective communications with shareholders and other stakeholders, ensuring that their views are understood and considered appropriately during Board discussions.
Senior Independent Non–Executive Director
— Acts as a sounding board for the Chair. — Serves as a trusted intermediary for the other Directors. — Oversees the annual appraisal of the Chair's performance. — Available to meet with shareholders, should they have issues or concerns.
Independent Non-Executive Directors
— Responsible for contributing sound judgement and objectivity to the Board's deliberations and overall decision-making process. — Provide constructive challenge and monitor the Executive Directors' delivery of the strategy within the Group's risk and governance structure. — Provide independent insight and support based on relevant experience. — Satisfy themselves of the integrity of the Group's financial information and of the effectiveness of financial controls and risk management systems. — Determine the appropriate level of remuneration for Executive Directors and ensure that there is appropriate succession planning in place at both Executive and Board level. — Engage with internal and external stakeholders and feed back insights as to their views in relation to Royal Mail's and GLS' cultures.

Designated Non-Executive Director for engagement with the workforce

- Represents the Board in engagement with the workforce.
- Develops a thorough understanding of the workforce's views and Royal Mail's and GLS' cultures.
- Develops, implements and feeds back on employee engagement initiatives in conjunction with management.
- Provides an employee voice in the Boardroom by raising relevant matters on issues raised.
- Communicates to the workforce the outcomes and developments made by the Board on specific matters.

Group Chief Executive Officer

- Executive responsibility for the Group's strategy and, together with the Board, oversees its implementation.
- Executive responsibility for the Group's management, subject to matters that are reserved to the Board.
- Leads the Royal Mail and GLS Executive Boards in the day-to-day running of the businesses, consistent with the strategy and commercial objectives agreed by the Board.
- Considers the appropriateness of risk management across the Group.
- Ensures due consideration is given to environmental and ESG matters, as well as the Group's culture and values.
- Together with the Chair, represents the Group to its customers, suppliers, shareholders and other stakeholders.

Group Chief Financial Officer

- Provides strategic financial leadership.
- Responsible for the day-to-day management of the Group finance function.
- Oversees and monitors the Group's internal control systems and the accurate reporting of its financial results.
- Ensures commercial focus across all business activities.
- Oversees the Group's treasury, investor relations, tax, insurance and pension arrangements, and monitors regulation.

Purpose and culture

Fostering a trusting and inclusive culture across the Group is integral to the Company's long-term success. The Board sets the tone from the top, demonstrating and encouraging values-driven behaviour. To ensure alignment with purpose and each business' respective strategy, during the year, the Board monitored culture across Royal Mail and GLS using a number of mechanisms including:

- Considering employee survey feedback.
- Reviewing whistleblowing reports and processes.
- Participating in site visits.
- Considering feedback from the Designated Non-Executive Director for engagement with the workforce.
- Considering sickness absence, lost time accident frequency rate, gender diversity and ethnic minority representation.

Feedback gathered via the mechanisms detailed above, included a need to restore company pride and reinforce a culture of recognition in Royal Mail. In response to this, Royal Mail introduced the 'Heart of Royal Mail Awards' to recognise and celebrate colleagues and, based on a colleague idea, launched 'Kits 4 Kids' which supports grass roots sports clubs.

Shareholder engagement

During the year, the Board, supported by the Group's investor relations team, engaged regularly with shareholders and factored their views into its decision-making process. Contact during the year focused on the expected EP transaction timeline, Universal Service reform and ongoing operational performance.

The Group's investor relations programme included regular investor contact. Monthly investor relations reports and in-person updates from the Group's Investor Relations Director were submitted to the Board.

The 2024 AGM was held on 25 September 2024. The hybrid format provided an opportunity for the Group's retail shareholders to ask questions to the Board in person, via an online platform and via telephone. In addition, shareholders attending in person had the opportunity to meet the Directors after the AGM.

Workforce engagement

Ingrid Ebner was the Designated Non-Executive Director for engagement with the workforce throughout the year and until she resigned from the Board on 2 June 2025. During this time, she regularly updated the Board about valuable feedback provided by colleagues.

In the year, Ingrid participated in nine Royal Mail Employee Voice Forums with frontline and managerial colleagues across delivery offices and mail centres. She also participated in three GLS Employee Voice Forums in Germany, Austria and Denmark.

Information on how the Board fulfilled its duties to stakeholders under section 172 of the Companies Act 2006 is set out on pages 5 and 6.

Nomination Committee Report

Committee members and meetings
The Committee was in place during the financial year ended 30 March 2025 and its members were Keith Williams (Chair), Baroness Hogg, Maria da Cunha, Michael Findlay, Lynne Peacock, Shashi Verma, Jourik Hooghe and Ingrid Ebner. The Committee met twice during the year and members' attendance at these meetings is set out on page 41.

Following the completion of the sale to EP and the delisting of the Company's shares, on 2 June 2025, all Committee members stood down and the Committee was dissolved. See page 42. The last re-appointment was September 2024.

The Committee's role and responsibilities during the financial year ended 30 March 2025 are summarised on page 42. This report sets out the work of the Committee prior to its dissolution.

Committee activity
During the year, the Committee continued to review and assess Board and Committee composition, taking into consideration the balance of skills, experience, knowledge, independence and diversity. The Committee also monitored the tenure and time commitments of each of the Non-Executive Directors.

During the year, a significant proportion of the Committee's time was spent considering talent capability and development, and succession planning within senior levels of Royal Mail and GLS.

Key activities in 2024-25
— Recommended the re-appointment of Shashi Verma for a second three-year term.

— Considered Board-level skills, experience and independence.

— Considered Committee composition.

— Reviewed the newly formed IDS Executive Management Committee and its role going forward.

— Reviewed talent capability and development, and succession planning within Royal Mail and GLS.

Recruitment process
In relation to any new appointments, the Committee followed a process that included agreeing a candidate specification, engaging an external search agency, creating candidate longlists and shortlists, interviewing candidates and undertaking background checks on preferred candidates.

Diversity, equity and inclusion
To fulfil its purpose and support the delivery of Royal Mail's and GLS' growth strategies, it is essential that the Group's workforce reflects the broad diversity of the customers and communities it serves. The Group must also foster an inclusive, fair and accessible workplace where all people can grow, develop and succeed. See pages 11 and 12 for further information.

The adjacent table sets out the objectives of the Board Diversity Policy, how the Committee implemented them prior to the Committee's dissolution and the outcomes as at 30 March 2025.

Group Leadership Team diversity
As at 30 March 2025, the gender balance of the Group Leadership Team[1] was 35% female and 65% male.

Board Diversity Policy objectives	Implementation and results
Endeavour to achieve 40% female representation on the Board.	Female representation on the Board as at 30 March 2025 was 40%. See page 12.
Endeavour to have at least one woman in a senior Board role (Chair, Senior Independent Director, Chief Executive or Chief Financial Officer).	Baroness Hogg was the Senior Independent Director.
Endeavour to achieve 40% women's representation and have at least one member from an ethnic minority background across its Board Committees (including the Audit and Risk, Remuneration and Nomination Committees).	Female representation across the Board Committees as at 30 March 2025 was 57%. Ethnic minority representation across the Board Committees as at 30 March 2025 was one.
Encourage management to achieve (by the end of 2025) 40% women's representation in the Group Leadership Team.[1,2]	Female representation in the Group Leadership Team as at 30 March 2025 was 35%.
Encourage management to achieve (by the end of 2027) 10% ethnic minority representation in the Group Leadership Team.[3]	Ethnic minority representation in the Group Leadership Team as at 30 March 2025 was 7%.
Place emphasis on development of diversity within the Group and commit to further pursuing diversity, as appropriate and on merit, within the senior leaders of the Group.	See pages 11 and 12.
Endeavour to have at least one Director on the Board from an ethnic minority background.	Shashi Verma is Asian/British.

The Group only engaged executive search firms that are signatories of the Voluntary Code of Conduct for Executive Search Firms. None of the firms had any other connection to the Group or any of its Directors. When recruiting Non-Executive Directors, the Committee ensured that the Board's Diversity Policy's commitments, as well as personal strengths, were considered. The Committee also considered candidates for appointment as Non-Executive Directors from a wider pool.

1. The Group Leadership Team includes the IDS Executive Management Committee members and their direct reports. This cohort aligns with the Code definition of 'senior management'.
2. In line with the FTSE Women Leaders Review target.
3. In line with the Parker Review recommendation to set a target for ethnic minority representation for 'senior management'.

Audit and Risk Committee Report

Role of the Committee
The Committee's role and responsibilities are summarised on page 42.

Committee membership, meetings and attendance until 2 June 2025
The members of the Committee during the financial year ended 30 March 2025, and up until 2 June 2025, were Michael Findlay (Chair), Baroness Hogg, Lynne Peacock and Jourik Hooghe. The Committee met four times during the year and members' attendance at these meetings is set out on page 41. While the Committee's Terms of Reference provide for five meetings to be convened during the year, in light of the transaction timetable and the fact that a number of matters would need to be considered by the re-constituted Committee under the Group's new ownership, a fifth meeting was not convened.

Committee meetings were routinely attended by the Non-Executive Chair, the Group CEO, the Group CFO, the Global Director of Risk & Audit, the Group Finance Director, the Group General Counsel and Company Secretary, and representatives from the external auditor, KPMG. Other non-members attended certain meetings by invitation as appropriate. The Committee also met regularly with the external auditor, independent of the Executive Directors, to ensure that financial reporting was subject to rigorous review. Michael Findlay also met regularly with the Global Director of Risk & Audit, independent of the Executive Directors, to discuss risk assurance matters.

Committee activities until 2 June 2025
A summary of the key matters the Committee considered and approved during the financial year ended 30 March 2025 until 2 June 2025 are set out on this page and pages 45 to 48.

Committee membership, meetings, attendance and activities from 9 June 2025
Following the completion of the sale to EP and the delisting of the Company's shares, on 2 June 2025, the aforementioned Committee members stepped down from the Committee and the Board. On 9 June 2025, Jan Bílek was appointed as a member of the Committee. On 25 June 2025, Václav Moll was appointed as an independent member and Chair of the Committee and Jiri Zrust was appointed as an independent member of the Committee. As part of an initial onboarding exercise, members of the Committee met informally prior to the date of this Annual Report. On 4 August 2025, the Committee considered the matters set out on pages 48 to 52 and, where appropriate, made recommendations to the Board for its approval on 29 August 2025.

New Terms of Reference
With effect from 9 June 2025, the Committee adopted new Terms of Reference which include assisting the Board to discharge its responsibilities by providing independent non-executive oversight and, where appropriate, make recommendations to the Board on matters relating to: external financial reporting; non-financial reporting disclosures; external audit; internal controls and risk management; internal audit; whistleblowing, compliance and fraud; finance, treasury and taxation; cyber security; and pensions.

Committee competence
Throughout the financial year ended 30 March 2025, the Committee was chaired by Michael Findlay who has recent and relevant financial experience, having spent over 30 years in investment banking. He was also previously a Non-Executive Director of UK Mail Group plc and a member of its audit committee. On 2 June 2025, Michael Findlay stepped down from the Board and from his role as the Committee's Chair and, on 25 June 2025, Václav Moll succeeded Michael as Chair of the Committee. Václav has recent and relevant financial experience, having worked in the accounting and finance sector for over 25 years. The Board considers that the Committee throughout the financial year ended 30 March 2025 and to the date of this Annual Report, as a whole, had the competence relevant to the Group's businesses.

Committee activity up until 2 June 2025
Set out in the table below and on the next page is a summary of the key matters considered and approved by the Committee before 2 June 2025.

Matter considered	Activity
Financial Reporting	
Half-year results	— Reviewed and satisfied itself on the integrity of the half-year results, including consideration of the significant accounting estimates and judgements, legal claims, contingent liabilities, impairment assessments, alternative performance measures, the policies being applied, the statutory audit findings, covenant compliance and pension assumptions.
Alternative performance measures (APMs)	— Reviewed the Group's APMs used in the half-year results to ensure that they remain relevant, are given no more than equal prominence to Generally Accepted Accounting Principles (GAAP) measures, have a reasonable materiality threshold and have good-quality reconciliations between the APM and the closest GAAP measure.
Regulatory accounts	— Reviewed and approved the regulatory financial statements 2023-24.

Matter considered	Activity
External Auditor	
Re-appointment	— Approved the Group's application to the Financial Reporting Council (FRC) to extend the requirement to perform an external audit tender every ten years, in light of the impending change of ownership. — Recommended to the Board the re-appointment of KPMG as external auditor for financial year 2024-25. — Reviewed and approved the external auditor's engagement letter. — Reviewed and recommended to the Board the approval of the external auditor's letter of representation in relation to the half-year results.
KPMG reports	— Reviewed KPMG's control and audit findings for the half-year results, including its appraisal of significant accounting judgements and its audit opinion. — Reviewed and approved KPMG's audit plan and strategy.
Audit cycle and non-audit services and fees	— Reviewed and approved the external audit fee, as well as the review and pre-approval of fees in relation to non-audit services.
Risk Management and Internal Controls	
Controls and effectiveness	— Received regular updates on financial reporting controls and the Group's programme of activity to enhance the financial reporting control environment. — Received updates on pilots performed over internal controls in non-financial reporting risk areas.
Principal and emerging risks	— Reviewed at the half year, the Group's risk profile and the principal risks that might impact the achievement of the Group's strategy, any changes in the size and nature of these risks, and progress towards target on a regular basis. — Reviewed new and emerging risks, their impact and timeframe, and response strategy. — Participated in risk spotlight discussions coordinated by the Global Director of Risk & Audit and presented by relevant members of the management team. These covered cost management, revenue growth, competition, margin erosion, cyber security, health and safety, GLS subcontractor risks, talent: workforce for the future, business continuity and operational resilience, economic and political environment, and the Universal Service.
Fraud risks	— Received updates on fraud risks across the Group and activities to formalise the fraud risk management framework and monitoring, with a particular focus on requirements relating to the Economic Crime and Corporate Transparency Act, which is scheduled to come into effect in September 2025.
Internal Audit	— Reviewed and approved the 2024-25 Annual Internal Audit plan and amendments during the year. — Received updates on audit reports issued in the period and the status of audit actions. — Reviewed and approved changes to the Risk Assurance Charter.
Other Matters	
Whistleblowing	— Reviewed regular whistleblowing reports. — Reviewed and recommended to the Board the Royal Mail Speak Up (Reporting) Policy in relation to whistleblowing.
Ethics and business conduct	— Reviewed and approved the Royal Mail Ethical Business Conduct Policy (Prevention of Bribery, Corruption, Conflicts of Interest, Money Laundering, Terrorist Financing and the Facilitation of Tax Evasion).
Treasury and taxation	— Reviewed the Group's tax risks.
Royal Mail Defined Benefit Lump Sum (DBLS) section of the Royal Mail Collective Pension Plan	— Reviewed the assessment undertaken by the Group's actuary in relation to the impact that an initial assumption of an accounting constructive obligation of CPI plus 1% will have on the DBLS liabilities, and concluded that the initially determined accounting constructive obligation, and the manner in which it will be determined in future years, was reasonable and appropriate.
Governance	— Regularly considered updates from the Royal Mail and GLS Audit and Risk Committees and the Pensions Committee, together with updates on compliance across the Group. — Approved changes to the Terms of Reference for the Royal Mail ARC and the Pensions Committee. — Received an update on duty to report payment practices and performance for the half year. — Reviewed and considered the implications of the FRC's Annual Review of Corporate Reporting, issued in September 2024. — Approved revised policies in relation to Risk Management, Non-Audit Services, Ex-Auditor Employment, Acceptable Use of IT, Data Privacy, Ethical Business Conduct and Royal Mail Speak Up (Reporting).

Other matters considered by the Committee during the financial year and until 2 June 2025

External Auditor

KPMG was appointed by shareholders as the Group's statutory auditor at the 2015 AGM following a formal tender process undertaken in 2014. The current lead audit partner is David Neale, who was appointed in November 2024. Considering the impending change of ownership, in November 2024 an application was made to and approved by the FRC for a two-year extension to the ten-year tender requirement.

As a result of the acquisition of IDS by EP in April 2025, the group auditors of EP, Deloitte, will be appointed statutory auditors of IDS for the period to 29 March 2026.

Non-Audit Services Policy

The Group's Non-Audit Services Policy governs the process for approving certain non-audit services provided by the external auditor. The purpose of the Policy is to ensure that the level of fees earned from non-audit services and the type of services provided do not impair the external auditor's independence and objectivity. The Policy was overseen and was reviewed by the Committee during the year to ensure that it remained fit for purpose.

In general, the external auditor is not approached to perform non-audit work. The Committee did permit the external auditor to provide non-audit-related services, insofar as permitted by auditor independence rules, and the external auditor may be engaged to perform such non-audit services if it is uniquely placed to undertake them, or if the performance of the non-audit services will support a future statutory audit (including the provision of buyer assist due diligence) and would not compromise the auditor's independence. The engagement may follow a competitive tender process. The Committee delegated authority to the Group CFO to pre-approve assignments up to £25,000, with an annual limit of £500,000.

During both the current and prior years, the Committee permitted the auditor to provide non-audit services in relation to the half-year review, regulatory audit required by Ofcom and non-audit related assurance services, as the auditor was uniquely placed to complete them and the Committee was comfortable that these services did not compromise its independence.

External auditor fees

The Committee kept under review the services and fees incurred by the external auditor. Total fees for audit and audit-related work during the year amounted to £4,532,000 and total fees for non-audit services during the year amounted to £780,000, which represented around 17% of the external audit fee. Audit services primarily related to the audit of the Group and subsidiary Financial Statements. Non-audit services related to the half-year review, regulatory reporting and other non-audit related assurance services.

The Committee was satisfied that the non-audit work was best handled by the external auditor because of its knowledge of the Group, and that undertaking the work did not put under threat the independence of the external auditor. All non-audit services were approved in accordance with the Non-Audit Services Policy.

In addition to the fees earned from the Company, KPMG has been engaged by the respective Pension Trustee as external auditor of the Royal Mail Pension Plan, the Royal Mail Defined Contribution Plan, the Royal Mail Collective Pension Plan and RMCPP Trustees Limited, the fees for which were £280,000 in 2024-25.

Risk management and internal control

The Group has a risk management framework that seeks to identify, assess and manage risks that could impact the Group's businesses (see pages 23 and 24) and reviews the effectiveness of this framework annually. The Committee supported the Board through its ongoing review of the Group's principal and emerging risks (see pages 25 to 30) and by advising the Board on the effectiveness of risk management and internal control systems.

In relation to the Group's financial reporting process, the Committee relied on a number of specific internal control mechanisms to ensure that the Group provides accurate and timely financial results and implements accounting standards and judgements effectively, including in relation to going concern. The Committee received:

- Regular updates on the evolving regulatory environment, including FRC best practice guidance, the requirements of the Code and the Disclosure Guidance and Transparency Rules. The Committee also received reports on proposed changes to legislation and regulatory reviews and the potential impacts.
- Management reports, including analysis of results and comparisons against last year's results.
- Reports from the external auditor, including management letters on controls.

Internal audit

Internal Audit provided independent assurance to the Committee through its Internal Audit projects. This assurance was used as input to the Committee's and Board's monitoring of the effectiveness of risk management and internal control systems. Internal Audit sits within the Risk Assurance function, which is led by the Global Director of Risk & Audit, who had direct access to the ARC and the Board Chair, which ensures the independence of the function.

At each Committee meeting, an update on Internal Audit activity was provided, including an overview of audits completed in the period, with a focus on unsatisfactory audits; progress made against the Internal Audit plan; and the status of actions arising from completed audits. An Internal Audit plan aligned to the Group's principal risks is developed annually and updated for changes in risks and priorities with the Committee's approval.

During the year, the Committee also oversaw progress against Risk Assurance's transformation strategy. The Committee noted that good progress had been made in relation to several strategic pillars, which are noted below under the section on effectiveness of risk assurance.

Committee activity post 9 June 2025
Set out in the table below is a summary of the key matters considered and approved by the Committee from 9 June 2025.

Matter considered	Activity
Financial Reporting	
Full-year results Significant matters and judgements	— Reviewed and satisfied itself on the integrity of the full-year results for the year to 30 March 2025, including consideration of the significant accounting estimates and judgements, legal claims, contingent liabilities, impairment assessments, alternative performance measures, the policies being applied, the statutory audit findings, covenant compliance and pension assumptions.
Alternative performance measures	— Reviewed the Group's APMs used in the full-year results to ensure that they remain relevant, are given no more than equal prominence to GAAP measures, have a reasonable materiality threshold and have good-quality reconciliations between the APM and the closest GAAP measure.
Fair, balanced and understandable	— Reviewed and assessed the Annual Report and Financial Statements to be fair, balanced and understandable (see page 51).
Going concern statement	— Considered the going concern basis of preparation of the Financial Statements (see pages 90 and 91).
External Auditor	
KPMG reports	— Reviewed KPMG's control and audit findings, including its appraisal of significant accounting judgements and its audit opinion for the full-year results.
Effectiveness	— Conducted a review of the effectiveness of the external audit process (see page 51).
Independence and objectivity	— Reviewed the independence and objectivity of the external auditor (see page 51).
Audit cycle and non-audit services and fees	— Reviewed the external audit cycle.
Risk Management and Internal Controls	
Controls and effectiveness	— Received an update on financial reporting controls and the Group's programme of activity to enhance the financial reporting control environment. — Reviewed the effectiveness of the Group's risk management and internal control systems (see pages 51 and 52).
Principal and emerging risks	— Reviewed the Group's risk profile and the principal risks that might impact the achievement of the Group's strategy, any changes in the size and nature of these risks, and progress towards target. — Reviewed the principal risks and uncertainties statement for inclusion in this Annual Report. — Reviewed a spotlight on the 'Climate change and environmental management risk' and the Climate-related financial disclosures.
Fraud risks	— Reviewed and approved the new Fraud Risk Management Policy.
Internal audit	— Reviewed and approved the 2025-26 Annual Internal Audit plan and received an update on internal audit reports issued since the last Committee meeting. — Reviewed the effectiveness and independence of the Risk Assurance function.
Other Matters	
Governance	— Received an update on duty to report payment practices and performance for the full year. — Approved the Committee's report for the Annual Report and Financial Statements 2024-25.

Significant matters and application of judgements

Post 9 June 2025, the Committee considered and discussed a number of significant matters and/or judgements made by management. The table below details the key issues discussed and the actions taken.

Matter	Action taken by the Committee
Going concern assessment The going concern assessment of the Group is a significant judgement in preparing the Financial Statements. The financial performance and position of the Group, its cash flow projections and its approach to capital management were considered as part of the going concern assessment. The business plan, taking account of the Group's principal risks (see pages 25 to 30), capital structure and the severe but plausible downside scenario (see page 91) were also considered. In addition, following the completion of the sale to EP, consideration was given to the impact on the Group's funding and liquidity arising from change of control provisions in the Group's unsecured fixed rate notes, and other contractual arrangements and acquisition financing.	The Committee reviewed the appropriateness of the going concern assessment period (the period to 28 December 2026) as well as the scenarios modelled, the mitigating factors and the effects of the macro-economic uncertainties faced by the Group. The Committee also considered the funding and liquidity impact arising as a result of the change in control and additional acquisition financing. The Committee concluded that the Group has sufficient liquidity to continue in operational existence over the assessment period and recommended to the Board that the Group continue to adopt the going concern basis in preparing the Financial Statements. The external auditor reviewed the conclusions and recommendation to the Board in relation to the going concern assessment. The Committee also reviewed the detailed disclosures and concluded that they were appropriate.
Deferred revenue – advance customer payments The Group recognises advance customer payments on its balance sheet, predominantly relating to stamps and meter credits purchased by customers but not used at the balance sheet date. The majority of this balance is made up of stamps sold to the general public, referred to as Stamps in the hands of the Public (SITHOP). One of the primary data inputs for the methodology used to calculate the deferred revenue balance is the use of barcoded stamp scan data to build a profile of how long stamps are held by customers before being used for postage. These 'usage curves' are then applied to historic sales to derive a deferred revenue balance. Management uses estimates and judgements in applying the SITHOP methodology. Areas of estimates and judgements include: products removed from both the scan and sales data to reflect the fact that certain stamps are not typically purchased for use, e.g. collector stamps; non-scan percentage; method of extrapolating usage for periods where barcoding information is not available; bucket size; retail stamp stock days; level of breakage; breakage period; and adjustments to reflect posting patterns around key events close to the reporting year end, e.g. tariff increases. For further details see Note 1 to the Financial Statements on pages 93 to 94. These estimates and judgements impact revenue, profit and net assets. At 30 March 2025, the Group recognised £116 million (March 2024: £138 million) of deferred revenue in respect of stamps sold to the general public but not used at the balance sheet date.	The Committee examined a report from management summarising the deferred revenue calculation and the estimates and judgements applied, including sensitivity analysis, to understand the range of possible outcomes. The Committee considered the controls and additional procedures performed by management in relation to the integrity of the data and the calculation model. Separately, the external auditor reviewed the methodology and calculation, and assessed the assumptions made. The Committee concluded that the level of deferred revenue remained appropriate.

Matter	Action taken by the Committee
Pensions – Defined benefit obligations The valuation of the defined benefit pension plan obligations relies on the estimation of long-term assumptions, i.e. discount rate, inflation, mortality and pension increases. Small movements in these assumptions can lead to material impacts on the balance sheet. The valuation of certain unquoted pension scheme assets also includes a high degree of estimation uncertainty. In view of the complexity of accounting for pension schemes, significant focus is required on the associated disclosure to ensure that it is fair, balanced and understandable.	Key long-term assumptions were prepared by the Group's actuary, Willis Towers Watson Limited, and benchmarked against prevailing economic indicators and other large pension schemes. All of these assumptions are disclosed in Note 11 (pages 115 to 125) to the Financial Statements. Changes in the assumptions were summarised for the Committee, and explanations were provided for the movements in returns on scheme assets, particularly as a result of the liability hedging strategy. The results of the assumption benchmarking were also reviewed. The external auditor used its own independent actuarial experts to confirm that the assumptions used were reasonable and appropriate. The Committee was also satisfied with the approach taken to verify third-party valuations for unquoted scheme assets and the associated disclosures.
Impairment testing As a result of the poor trading performance of the Royal Mail UK business, management identified an indicator of impairment and, as a result, performed an impairment assessment in 2022-23, leading to the recognition of a partial impairment of the CGU. At the year-end date, an impairment test was carried out in respect of the Royal Mail excluding Parcelforce Worldwide cash generating unit (CGU). Royal Mail UK has significant non-current assets, both tangible and intangible, which form part of the Royal Mail UK excluding Parcelforce Worldwide CGU. Judgement is exercised in reviewing the carrying value in respect of possible impairment. In assessing whether the CGU remained impaired in 2024-25, and whether a further impairment charge or reversal was required, the carrying value of the CGU was compared to its recoverable amount. Management assessed the recoverability of the CGU using the higher of a value in use (VIU) or fair value less cost to dispose (FVLCD). The FVLCD methodology resulted in a higher recoverable amount. The FVLCD considers a discounted cash flow model from the perspective of a 'market participant'. The model includes a number of assumptions in relation to trading expectations, execution risk associated with realising the transformational benefits in the business plan, the cash flows assumed in relation to Universal Service reform, long-term growth rate and discount rate.	The Committee reviewed the methodology and results of the impairment review, including the appropriateness of key assumptions and data points used. This included review of the growth rates, risk associated with the transformational benefits and the discount rate used. Particular focus was given to the risk and opportunities associated with the cash flows, including the cash flows in relation to property disposals, the level of benefit assumed in relation to Universal Service reform and the wider economic environment. The Committee also considered the sensitivity of the impairment calculation and the wide range of possible outcomes, including the likely impact of Universal Service reform. The Committee satisfied itself that the assumptions used within the CGU impairment model, together with the resulting impairment reversal, were reasonable. The Committee also reviewed the allocation of the impairment reversal and the associated disclosure for inclusion within the Financial Statements.
Parent Company, IDS plc (see pages 159 to 161) The carrying amount of the Parent Company's investments in, and amounts due from, subsidiaries represents 72% (2023-24: 72%) and 28% (2023-24: 28%) of the Parent Company's total assets respectively. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to the materiality in the context of the Parent Company Financial Statements, this is considered to be the area that has the greatest effect on the Parent Company balance sheet.	The Committee received confirmation from management that it had adequately assessed the recoverability of investments in subsidiaries and intercompany indebtedness, by assessing and confirming that the net assets of the relevant subsidiaries (being an approximation of their minimum recoverable amount) were in excess of their carrying value at the balance sheet date.

Matter	Action taken by the Committee
Provisions for liabilities The Group has significant provisions totalling £164 million, including: £32 million in relation to industrial diseases claims; £34 million in relation to regulatory and legal obligations; £55 million in relation to litigation claims; £23 million in relation to property decommissioning costs and £20 million of other cost provisions. Judgement is exercised in making these assumptions that form the basis of the provision calculations (see Note 25 to the Financial Statements on pages 149 and 150).	The Committee reviewed the methodology and key assumptions used in determining significant provisions, including the basis for any release of provisions. The Committee considered the past utilisation of each provision, when reviewing the appropriateness of the provision. The Committee concluded that the amounts recorded in respect of provisions were appropriate and represented the current best estimate of each liability, and that associated disclosures were appropriate.

Going concern
The Committee considered the basis of preparation of the Financial Statements as a going concern (see page 49). Information about the going concern assessment undertaken by the Directors and the Going Concern Statement are detailed in Note 1 of the Financial Statements on pages 90 and 91.

Fair, balanced and understandable
At the request of the Board, the Committee assessed whether the Annual Report and Financial Statements 2024-25, taken as a whole, were fair, balanced and understandable, and provide the information necessary for stakeholders to assess the Group's position, performance, business model and strategy. The Committee's assessment took into account the disclosures, as well as the processes and controls underlying its production, including:

— Internal verification of factual content.
— Comprehensive reviews undertaken by the Group's legal team and key members of the senior management team.
— Consistency checks against the Group's market disclosures and strategy.
— External reviews undertaken by advisers and the external auditor.

The Committee concluded that the Annual Report and Financial Statements 2024-25 were fair, balanced and understandable, and the Board confirmed this view. The Board's statement is contained on page 66.

Effectiveness of the external audit process
The Committee is responsible for the relationship with the external auditor, including examining the effectiveness of the audit process. The Committee carried out its annual review of the external auditor's performance and the effectiveness of the external audit process, taking into account:

— The terms and scope of the external auditor's engagement, as set out in its engagement letter.
— The audit work plan for the financial year 2024-25.
— The effectiveness of the working relationship and interactions with the Committee.
— The quality of the audit, the handling of significant judgements by the external auditor and responses to questions from the Committee.
— A report from KPMG on its own internal quality procedures.
— Feedback from the external auditor effectiveness survey, which was completed by key management involved in the external audit process and confirmed that the KPMG audit team had sufficient experience and technical knowledge, and displayed adequate professional scepticism.

Based on its review, the Committee concluded that the external audit process had been completed effectively.

Assessment and safeguarding the independence and objectivity of the external auditor
The Committee considered the independence and objectivity of the external auditor through:

— Assurances provided by the external auditor on the safeguards in place to maintain independence.
— Oversight of the Non-Audit Services Policy (see below).
— Reviewing the external auditor's non-audit services and fees (see below).
— Oversight of the Ex-Auditor Employment Policy.

Review of risk management and internal control systems
The Committee reviewed the effectiveness of the Group's risk management and internal control systems. An annual paper was reported to the Committee and Board providing a summary of risk and assurance activity to support their annual assessment.
The assessment included consideration of the following:

— Status of principal risks and the assurance activity undertaken in relation to them in accordance with the Group's risk management framework (see pages 23 and 24).
— Assurance map for the Royal Mail and GLS principal risks, assessing the second-line controls and actions required to improve them.
— Progress made against the Internal Audit plan and the conclusions provided by the internal audit reports issued in the year.
— Timeliness of implementation of actions agreed to mitigate any risk and control gaps identified during internal audits.
— Year-end finance letters to the Group CFO to confirm completeness of key risks impacting the Group, compliance with relevant legislation, any known fraud instances, financial reporting and controls requirements.
— Testing of key controls over the higher-risk processes and balances in the preparation of the Financial Statements.
— Reports from the Internal Control team on the progress and status of the financial reporting control programme.
— The opinion and reports of the external auditor.

Whilst the Committee considered the system of risk management and internal control across the Group to be generally effective in the year, in light of the risks facing the Group, there is a recognition of the continued need to improve its effectiveness.

Key activities underway include:

- Continuing to formalise, systemise and remediate financial reporting controls, with a particular focus on IT general controls.
- Further improving cyber security controls to address identified control weaknesses in response to increasing external threats and regulations.
- Running internal control pilots to more formally define the Group's controls framework, including material controls, and developing an assurance plan across the principal risks and external financial and non-financial reporting.
- Continuing to enhance risk management across the Group, particularly in relation to principal operational risks including the ability to grow revenue, operational cost base reductions and fraud management.

Internal audit
The Committee reviewed and approved the Internal Audit plan for financial year 2025-26, which incorporates risk-based audits that encompass both the Royal Mail and GLS businesses.

Effectiveness of risk assurance
During 2021-22, in accordance with the Chartered Institute of Internal Auditors Standards (CIIA Standards), Deloitte, on behalf of the Committee, conducted an independent external quality assessment (EQA) on the effectiveness of Royal Mail's and GLS' respective Internal Audit functions. The CIIA's Standards recommend that an external assessment must be conducted at least once every five years by a qualified, independent external assessor or assessment team. The next EQA will be conducted no later than the 2026-27 reporting year.

The Committee reviewed the effectiveness of risk assurance. In particular, the following matters were noted:

- Continued progress in the development of skills and performance of audits over the technology environment at Royal Mail and GLS, and use of data analytic audit techniques in the UK business.
- Continued progress in the implementation of risk-based audits, alongside periodic audits, across GLS.
- Improved audit action tracking and reporting processes over open and overdue actions.
- Broader coverage of principal risk spotlights and formalisation of fraud risk and incident reporting across the Group.
- Implementation into audit methodology of new Global Internal Audit Standards that came into effect in January 2025.
- Development and implementation of the Risk Assurance purpose statement and values across the global team.

Václav Moll
Chair of the Audit and Risk Committee
29 August 2025

Directors' Remuneration Report

Remuneration Committee members and meetings

The Committee was in place during the financial year ended 30 March 2025 and its members were Maria da Cunha (Chair), Lynne Peacock, Michael Findlay and Keith Williams. The Committee met three times during the year and members' attendance at these meetings is set out on page 41.

Following the completion of the sale to EP and the delisting of the Company's shares, on 2 June 2025, all Committee members stood down and the Committee was dissolved. See page 42. This report sets out the work of the Committee prior to its dissolution and details of the remuneration paid and awarded to the Directors during the financial year ended 30 March 2025. The Board has authorised Michael Snape to sign this report on its behalf.

2024-25 remuneration outcomes

Salaries

As reported in last year's Remuneration Report, Martin Seidenberg's salary was increased by 2% to £714,000 with effect from 1 April 2024. This increase was aligned to that awarded to those in CWU represented grades and was less than the uplift applicable to those represented by Unite. Michael Snape's salary was set at £487,000 on joining IDS and this remained unchanged during the year ended 30 March 2025.

Short-Term Incentive Plan (STIP)

In line with the agreement relating to the proposed acquisition of International Distribution Services plc between EP UK Bidco Limited and EP Corporate Group, A.S. and International Distribution Services plc dated 29 May 2024 (the Cooperation Agreement), in April 2025, the Committee considered the outcomes of the STIP based on the latest information available at that time, noting that final outcomes had not yet been audited.

75% of the STIP is based on the financial performance of GLS and Royal Mail, with the remaining 25% comprising non-financial measures (ESG and strategic priorities). The Committee assessed the overall outcome of the STIP to be 93.3% of maximum for both Executive Directors and concluded that this formulaic outcome appropriately reflected performance over the year ended 30 March 2025 and no discretionary adjustment was required. Further detail is set out on pages 56 and 57.

Long-Term Incentive Plan (LTIP)

An LTIP award was granted to Martin Seidenberg on 1 September 2022. The performance period ended at the end of March 2025. Under the terms of the Cooperation Agreement, in April 2025, the Committee considered the outcome of the performance conditions associated with this award, based on the latest available information available at that time. The Committee concluded that the performance conditions had not been satisfied and so this award would lapse in full. Further detail is set out on page 57.

Total remuneration

Each Executive Director's remuneration for 2024-25 is set out on page 56.

The Committee was comfortable that the respective single figures of total remuneration are appropriate in the context of the wider stakeholder experience.

2024 LTIP grants

The Committee granted LTIP awards of 200% of salary and 150% of salary to Martin Seidenberg and Michael Snape respectively on 4 June 2024. Further detail is set out on pages 57 and 58.

2025-26 executive remuneration

No decisions were made in relation to the implementation of the Directors' Remuneration Policy in the financial year 2025-26 due to the completion of the sale to EP and the delisting of the Group's shares on 2 June 2025. Decisions on future remuneration will be taken by members of the Board which, as explained on page 41, was reconstituted on 9 June 2025.

Consideration of the wider workforce views

During the financial year ended 30 March 2025, the Committee and the wider Board met and spent time with employees at all levels across the Group. This invaluable engagement provided vital insights into the culture and workings of the Group, and helped inform all aspects of remuneration decisions, including the alignment between executive compensation and the pay of the wider workforce. Further information on such workforce engagement is included on pages 11 and 43.

Directors’ Remuneration Policy

The Company’s Directors’ Remuneration Policy (the Policy) was approved by 98.3% of shareholders at the AGM held on 25 September 2024. At the same time, the Directors’ Remuneration Report, published in the 2023-24 Annual Report and Financial Statements (Annual Report), was also approved by 97.95% of shareholders.

The Policy is set out in full in last year’s Annual Report, which is available at www.internationaldistributionservices.com/en/about-us/finances/reports/annual-reports.

How did the Directors’ Remuneration Policy address the key features set out in the UK Corporate Governance Code?

The table below details how the Committee addressed Provision 40 of the Code in respect of Directors’ remuneration:

Provision	Approach
Clarity	— The Committee consulted with shareholders to seek their views on the operation of the Policy. — Information on how remuneration is structured for all employees and how it is aligned to Directors’ remuneration has been included in the Directors’ Remuneration Report.
Simplicity	— The Policy consisted of a) fixed remuneration and b) variable remuneration comprising one short-term incentive and one long-term incentive only. Included in the Policy are the objective of each element, as well as how they operate.
Risk	— The combination of reward for short-term business performance, paid partly in cash and partly in deferred shares, and long-term performance, with incentive measures covering shareholder returns, financial and non-financial elements, ensured that the incentives drive the right behaviours for the Group and its stakeholders. — Incentive plans included non-financial risks such as health and safety and environmental protection, and were subject to malus and clawback provisions.
Predictability	— Threshold, target and maximum pay scenarios were set out in the Remuneration Policy. — Maximum variable remuneration award levels were capped, with overall vesting levels driven by performance outcomes. — The only source of variation in final payouts was the fact that part of the variable remuneration was awarded in shares and so was linked to the share price.
Proportionality	— There was a clear and direct link between business performance and individual rewards through the Group’s incentive plans. — The Committee retained a discretion to adjust formulaic outcomes of incentive plans if they were not reflective of the underlying performance of the Group.
Alignment with culture	— The Remuneration Policy was designed to support the Group’s strategic priorities and align the Directors and wider management to these outcomes. — Incentive plans included both financial measures and ESG measures. These ESG measures focused on environmental protection. — All Royal Mail managers’ individual performance was considered against Royal Mail’s values: be positive, be brilliant, be part of it. Therefore, managers were assessed against not only what they have achieved, but also how they did things.

As highlighted on the previous page, the Committee made no decisions in relation to the implementation of the Policy in the financial year 2025-26, and no engagement in relation to the Policy was undertaken.

CEO pay ratio

The CEO pay ratio is set out below, as required under the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (Regulations), with the required explanation, and further contextual information in relation to methodology and assumptions used. The CEO pay ratio for 2020 is based on the remuneration of the former Group CEO. The CEO pay ratio for 2021 to 2023 is based on the remuneration of the CEO Royal Mail. The CEO pay ratio for 2024 and 2025 is based on the remuneration of the Group CEO.

Year	Method	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
2025	Option A	67:1	59:1	50:1
2024	Option A	48:1	42:1	36:1
2023	Option A	21:1	19:1	16:1
2022	Option A	26:1	23:1	20:1
2021	Option A	22:1	20:1	17:1
2020	Option A	31:1	28:1	24:1

The table below sets out the salary, full pay and benefits value received by UK employees identified at the 25th, 50th and 75th percentiles, during 2024-25. There are more than 66,000 operational colleagues on the salary of £26,339 on a full-time equivalent basis across the business. The difference in total pay and benefits is due to the different allowances, overtime, shift payments and pension arrangements received by these employees during 2024-25.

2024-25	25th percentile	50th percentile	75th percentile
Salary	£26,164	£26,339	£26,408
Total pay and benefits	£31,056	£35,064	£41,584

It is important to note that a high proportion of the Group CEO pay is based on performance against the Short- and Long-Term Incentive Plans, and that payouts can significantly vary year on year, affecting the ratio.

The increase in the pay ratio between 2024-25 and 2023-24 is predominantly because the CEO received a higher STIP payment in respect of 2024-25 than in the prior year and, as set out on page 56, he received a relocation payment in 2024-25.

The Committee is satisfied that the individuals identified within each relevant percentile appropriately reflect the employee pay profiles at those quartiles and that the overall picture presented by the ratios is consistent with our pay, reward and progression policies.

How we have calculated our pay ratios

Under the Regulations, companies are required to identify the employees with pay and benefits at the 25th, 50th and 75th percentiles of all UK employees for the relevant financial year and compare these with the total remuneration of the CEO as set out in the single figure of total remuneration table.

The Company has chosen to use Option A to identify the employees at the 25th, 50th and 75th percentiles and their respective pay and benefits, as it is recognised that this is the most accurate approach. All UK employees as at year end have been included in the reporting, with employees ranked based on their 2024-25 remuneration. The data assumptions included in our reporting are set out below:

Element	Description
Base salary	The Regulations require that full-time equivalent salaries are used to identify the 25th, 50th and 75th percentiles in order to ensure comparability across Royal Mail. At Royal Mail, more than 47,000 colleagues work part-time, primarily in operational roles, and may have working hour changes through the year. We have, therefore, used the full-time equivalent salary, as at year end, as the salary figure to rank our employees.
Allowances and overtime	This includes a range of functional, shift, location, role-based allowances and overtime, included on an actual basis (not pro-rated for part-time colleagues, or annualised for new starters).
Taxable benefits	Taxable benefits included are car allowance and healthcare.
Employer pension contributions	Actual employer pension contributions have been included (not pro-rated for part-time colleagues or annualised for new starters).
Incentives	The Regulations require that incentives relating to the relevant financial year are included. In some cases, the decision on the level of bonuses and LTIP vesting is not made until after the publication of this report.

Annual Report on Directors' Remuneration

This part of the Directors' Remuneration Report sets out how the Policy has been applied for 2024-25. This detailed information, set out below, has been audited by the Company's independent auditor, KPMG LLP.

Single figure table – Executive Directors and former Executive Directors (audited)
The figure for Martin Seidenberg's 2024 STIP has been restated, see footnote 6 to the table below for details.

	Salary[2]		Benefits[3]		Pension[4]		Total fixed		Short-term incentive[5]		Long-term incentive[7]		Total variable		Total	
£'000	**2025**	2024	**2025**	2024	**2025**	2024	**2025**	2024	**2025**	2024	**2025**	2024	**2025**	2024	**2025**	2024
Martin Seidenberg[1,6]	**714**	655	**274**	35	**97**	82	**1,085**	772	**999**	780	**–**	–	**999**	780	**2,084**	1,552
Michael Snape	**487**	99	**16**	3	**66**	14	**569**	116	**682**	111	**n/a**	n/a	**682**	111	**1,251**	227

1. Martin Seidenberg's remuneration for his previous role as CEO GLS was set in Euro. Relevant values have been converted to British Pounds using an exchange rate of £1: €1.1583.
2. As disclosed in last year's report, Martin Seidenberg's salary from 1 April 2024 increased by 2%. Michael Snape's salary of £487,000 was set on his appointment in January 2024.
3. Benefits for Executive Directors include healthcare provision and a car allowance of £13,160. In addition, the benefits figure for Martin Seidenberg includes a one-off payment of £250,000 in respect of the relocation of him and his family to the UK.
4. Executive Directors can choose to participate in the pension plan on the same basis as other employees or opt to take a cash allowance. The figure shown is the cash allowance received by both Executive Directors. These cash allowances are paid at a rate consistent with Company contributions to the pension plan applicable to all eligible employees.
5. Details of the 2024-25 STIP outturn are set out on pages 56 and 57.
6. The figure shown above for Martin Seidenberg's STIP in 2024 has been updated to £780,000 from that shown in last year's report (£762,000). A minor error in the calculation was identified after publication of the 2023-24 Annual Report.
7. Details of the 2022 LTIP outturn are set out on page 57. The only Executive Director participating in this award was Martin Seidenberg.

2024-25 Short-Term Incentive Plan (STIP) outcome
The STIP payment for the year was made in accordance with the terms of the plan. No portion of the STIP was deferred due to the completion of the sale to EP shortly following the year end.

Measure[1]	Weighting	Targets	Outcome
Royal Mail Operating profit / loss (£m)	25%	Threshold: -50 Target: 0 Maximum: 10	25.0%
Royal Mail Free cash flow (£m)	12.5%	Threshold: 37 Target: 87 Maximum: 97	12.5%
GLS EBITA (€m)	25%	Threshold: 329.5 Target: 346 Maximum: 362.5	18.3%
GLS Free cash flow (€m)	12.5%	Threshold: 200 Target: 210 Maximum: 220	12.5%
Royal Mail Environmental: Reduction in Scope 1 & 2 emissions vs prior year (%)	5%	Threshold: 0 Target: 6 Maximum: 7	5.0%
GLS Sustainability: Proportion of vehicles that are low or zero emission by year end (%)	5%	Threshold: 12 Target: 13 Maximum: 14	5.0%
Strategic Priorities[2]			
Martin Seidenberg	15%	The deployment of the Royal Mail Network Plan; and The deployment of the Out-of-Home strategy	15.0%
Michael Snape	15%	The deployment of the Royal Mail property strategy; and The deployment of the Royal Mail pensions strategy	

1. The Group's performance is explained through the use of APMs that are not defined under IFRS. A full list of the APMs is set out on pages 163 to 168 and reconciliations to the closest measure prescribed under IFRS are provided where appropriate.
2. The Committee was comfortable that significant progress had been made in all the areas, that both Executive Directors had performed strongly during the year and that the level of payout shown was an appropriate reflection of this performance.

Based on performance under the scorecard detailed above, the STIP outcomes for the Executive Directors for the year ended 30 March 2025 are set out below.

	M Seidenberg	M Snape
Maximum award (% of salary)	150%	150%
Salary on which bonus is based	£714,000	£487,000
Committee assessment on performance under the relevant scorecard	93.3%	93.3%
Discretion applied (+/- % pts)	0.0%	0.0%
Final outcome for 2024-25		
– as a % of maximum	93.3%	93.3%
– as a % of salary	140%	140%
– as an amount	£999,243	£681,556

2022 LTIP outcomes

Only Martin Seidenberg was a participant in the 2022 LTIP, Michael Snape having joined the Group in 2024. Under the terms of the Cooperation Agreement, in April 2025, the Committee determined the outturn for the 2022 LTIP. This determination, which is detailed in the table below, was made based on best data and information available to the Committee at that time.

Measure	Weighting	Threshold	Maximum	Achievement
Relative Total Shareholder Return (TSR)	40%	Median	Upper Quartile	0%
GLS EBITA (in 2024-25) (€m)	40%	420	500	0%
GLS Free Cash Flow (in 2024-25) (€m)	20%	283	343	0%
Total vesting				0%

2024 LTIP awards

The 2024 LTIP awards outstanding for the Executive Directors, as at 30 March 2025, are shown in the following table.

Award	Max value of award at grant (% of salary)	Max value of award at grant (£'000)	% vesting at threshold performance (% of salary)	Final year of performance period	Number of shares at grant
Martin Seidenberg					
2024 LTIP[1]	200%	1,428	50%	2026-27	426,103
Michael Snape					
2024 LTIP[1]	150%	730	37.5%	2026-27	217,975

1. The 2024 LTIP awards were granted as conditional share awards on 4 June 2024 at a share price of £3.351 (three-day average closing price prior to grant) per share. The measures and targets that apply to the awards are set out on the next page.

Measure	Weighting	Threshold		Maximum	
		Performance	Vesting (% of element)	Performance	Vesting (% of element)
2024 LTIP					
TSR vs FTSE 51-150 (excluding mining and financials) comparator group[1]	40%	Median	10%	Upper Quartile	40%
Adjusted Royal Mail UK Operating Profit	20%	£184m	5%	£216m	20%
UK Cash Flow	10%	£228m	2.5%	£338m	10%
Adjusted GLS EBITA	20%	£324m	5%	£373m	20%
GLS Cash Flow	10%	£187m	2.5%	£215m	10%
Total	100%				

1. TSR measured using three-month averaging at the start and end of the performance period.

Directors' shareholdings

The table below sets out details of the shareholdings of the Directors as at 30 March 2025. During the financial year ended 30 March 2025, Executive Directors were required to retain any share-based awards until they had achieved a holding of 200% of salary.

	Number of shares owned on 30/03/25[1]	Number of shares owned on 29/03/24	Policy shareholding requirement	Current shareholding (as a % of salary)[2]	Share awards not subject to performance[3]	Share awards subject to performance (LTIP 2022, 2023, 2024)[4]
Chair of the Board						
Keith Williams	56,800	56,800	–	–	–	–
Executive Directors						
Martin Seidenberg	71,437	71,437	200%	27%	238,997	1,493,431
Michael Snape	–	–	200%	–	11,035	417,783
Non-Executive Directors						
Maria da Cunha	15,000	15,000	–	–	–	–
Michael Findlay	16,690	16,690	–	–	–	–
Sarah Hogg	12,000	12,000	–	–	–	–
Lynne Peacock	11,309	11,309	–	–	–	–
Shashi Verma	–	–	–	–	–	–
Jourik Hooghe	–	–	–	–	–	–
Ingrid Ebner	–	–	–	–	–	–

1. The number of shares is based on beneficial shareholdings, excludes any unvested share awards and includes (if appropriate) any shares held by persons closely associated with the Directors.
2. Value of beneficial shareholding based on the average closing share price during 2024-25 (336.51 pence). Values include any vested LTIP shares subject to a holding period but exclude any unvested DSBP awards. Martin Seidenberg and Michael Snape were expected to build their shareholding over time. As at 30 March 2025, they had not met their shareholding requirement.
3. Deferred bonus awards were granted as conditional share awards that would normally vest after three years subject only to continued service.
4. LTIP awards were granted as conditional share awards that would normally vest after three years. Prior to completion of the sale to EP, a two-year holding period applied after vesting. Shares may be retained in a nominee account after this period if a participant has not yet satisfied their shareholding guideline requirement of 200% of salary for an Executive Director.

Executive Director fees from external positions

The Executive Directors are entitled to retain fees from external appointments.

Martin Seidenberg and Michael Snape did not hold any external appointments at other listed companies during the year ended 30 March 2025.

Relative importance of spend on pay

The table below shows overall expenditure on people compared with the previous financial year. The Company considers overall expenditure on colleague remuneration in the context of its general finances. Revenue has been included in the table below because this measure provides a clear illustration of the ratio of people costs to income.

	2024-25	2023-24	% change
Ordinary dividend per share (DPS) – paid in the year	**£0.02**	–	100%
People costs (£m)	**6,781**	6,793	-0.2%
Group revenue (£m)	**13,139**	12,679	3.6%

Comparison of change in Directors' remuneration versus employee remuneration

We monitor year-on-year changes between the movement in remuneration for executives between performance years compared with the wider workforce. The relevant disclosure requirement is for this comparison to be made against the employees of the Parent Company. On the basis that International Distribution Services plc (the Parent Company) does not employee any staff, we have voluntarily disclosed the comparisons against a UK managerial population as the Committee considers this provides a representative comparison (with remuneration that is structured similarly, e.g. all managers are eligible for annual bonuses). The table below sets out the year-on-year percentage change in salary, benefits and annual incentives for the Directors against an average full-time equivalent UK manager.

	Salary/fee % change				Benefits % change				STIP % change			
	24-25 vs 23-24	23-24 vs 22-23	22-23 vs 21-22	21-22 vs 20-21	24-25 vs 23-24	23-24 vs 22-23	22-23 vs 21-22	21-22 vs 20-21	24-25 vs 23-24	23-24 vs 22-23	22-23 vs 21-22	21-22 vs 20-21
Executive Directors												
Martin Seidenberg	9.0	24.1	7.1	n/a	682.9	105.9	8.5	n/a	28.1	15.0[1]	-3.6	n/a
Michael Snape	391.9	n/a	n/a	n/a	433.3	n/a	n/a	n/a	514.4	n/a	n/a	n/a
Chair and Non-Executive Directors												
Keith Williams	1.6	0.3	3.7	0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Maria da Cunha	-10.2	15.8	0	16.9	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Michael Findlay	1.3	4.0	0	0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ingrid Ebner	69.8	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Sarah Hogg	1.3	3.9	0	6.9	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Jourik Hooghe	1.6	19.2	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Lynne Peacock	2.4	1.2	10.7	1.3	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Shashi Verma	1.6	0.0	106.7	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Royal Mail managers	1.8	3.8	5.9	4.6	2.8	-1.0	0.7	-6.2	3.5	200.4	8.8	-22.9

1. This figure reflects the restatement of the 2024 STIP as explained in footnote 6 on page 56.

Executive and Non-Executive Directors

Percentage change figures are calculated using the respective figures in the single total figure of remuneration.

Non-Executive Directors

With effect from 1 January 2024, all Non-Executive Director fees (including fees for the Senior Independent Director, Committee Chair, Committee members and the Designated Non-Executive Director for engagement with the workforce) increased by 2%, this being aligned to the effective increases for the majority of the workforce. As a result, the base fee for Non-Executive Directors increased from £51,800 to £52,836, with all other fees increasing by the same percentage (2%).

Royal Mail managers

Employee data is based on full-time equivalent Royal Mail managers as at the relevant March year end, with calculations on a mean basis. As the manager population will change yearly and the mean average (as opposed to median) considers the full range of data, it is expected that this will provide a more consistent year-on-year comparison.

The salary percentage change calculation considers the full-time equivalent mean employee annual salary at March year end plus allowances, such as for temporary promotions, paid during the respective years.

Employee benefits are calculated on a per capita basis covering the car allowance or a cash equivalent and value of the medical cover. Changes in the percentage will primarily be caused by two factors: changes in population and changes in employee benefit choices (including more electric company cars being selected, which have a lower taxable benefit value).

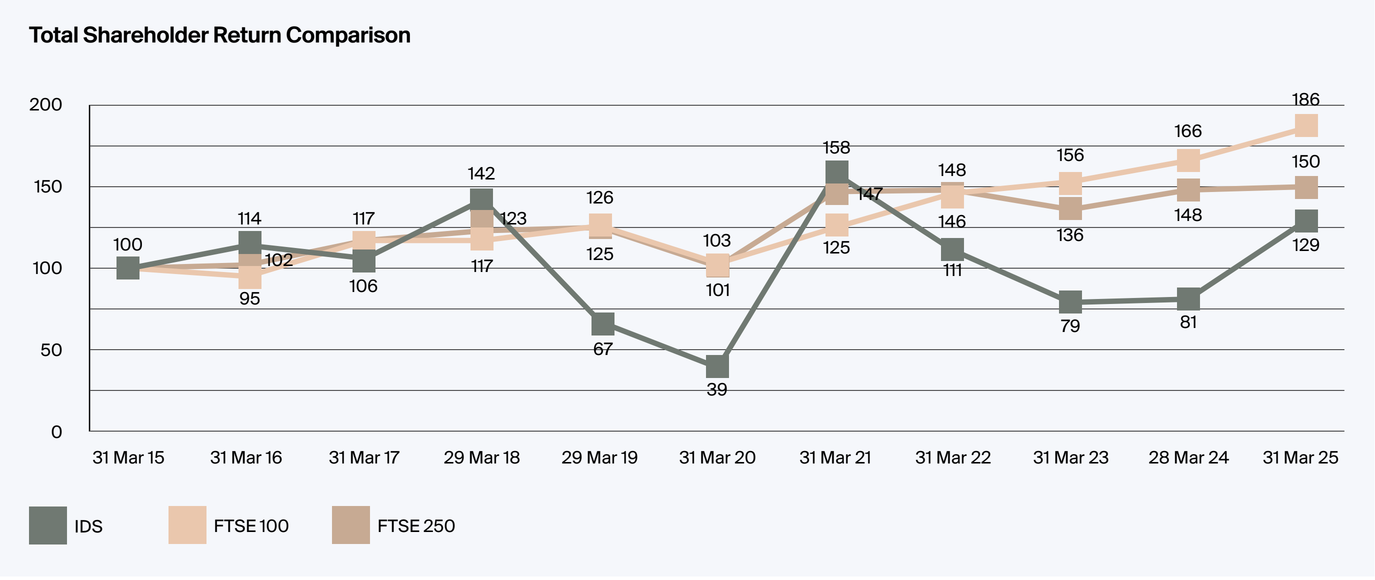
CEO pay over the last ten years

The total remuneration figure for the Group CEO and/or CEO Royal Mail over the last ten years is shown in the table below. The STIP payout and the LTIP vesting level as a percentage of the maximum opportunity are also shown. The 2023-2024 figure has been restated in line with the adjustment to the STIP payment as set out in the single figure table on page 56.

Chief Executive Officer	Financial year	Single figure of total remuneration (£'000)	STIP awarded as % of maximum	LTIP vesting as % of maximum
Martin Seidenberg	2024-25	2,084	93.3%	0%
	2023-24	1,552	79.4%	0%
Simon Thompson	2022-23	634	0%	n/a
	2021-22	753	18%	n/a
Rico Back	2020-21	94	n/a	n/a
Stuart Simpson		462	0%	0%
Simon Thompson		136	n/a	n/a
Rico Back	2019-20	868	0%	n/a
Moya Greene	2018-19	647	n/a	0%
Rico Back		235	0%	0%
Moya Greene	2017-18	1,790	71%	43%
	2016-17	1,901	80%	46%
	2015-16	1,529	82%	59%

TSR comparison

TSR is the measure of the returns that a company has generated for its shareholders, reflecting both movement in the share price and dividends, which are assumed to be reinvested over a period of time. The graph below shows the Company's TSR, since March 2015. During this time, the Company has been a constituent of both the FTSE 100 Index and the FTSE 250 Index; therefore, both indices are shown for comparison.



Single figure table – Non-Executive Directors (audited)

£'000	Fees 2025	Fees 2024	Other 2025	Other 2024	Total 2025	Total 2024
Keith Williams	**317**	312	–	–	**317**	312
Maria da Cunha	**79**	88	–	–	**79**	88
Michael Findlay	**79**	78	–	–	**79**	78
Sarah Hogg	**80**	79	–	–	**80**	79
Jourik Hooghe	**63**	62	–	–	**63**	62
Lynne Peacock	**86**	84	–	–	**86**	84
Shashi Verma	**63**	62	–	–	**63**	62
Ingrid Ebner[1]	**73**	43	–	–	**73**	43

1. Ingrid Ebner was appointed a Non-Executive Director from 28 June 2023 and the figure for 2024 reflects fees paid from that date.

Non-Executive Director fee levels (unaudited)

Non-Executive Directors are paid an annual fee and additional fees for being Chair or a member of Board Committees and, if appropriate, other additional time commitments. During 2024-25, the Chair of the Board did not receive any additional fees for membership of Board Committees. With effect from 1 January 2024, all Non-Executive Director fees (including fees for the Senior Independent Director, Committee Chair, Committee members and the Designated Non-Executive Director for engagement with the workforce) increased by 2%, this being aligned to the effective increases for the majority of the workforce.

Non-Executive Director fees	**Effective 1 January 2024**	Effective since 1 April 2022
Chair of the Board	**£317,016**	£310,800
Base fee	**£52,836**	£51,800
Senior Independent Director	**£10,567**	£10,360
Designated Non-Executive Director for engagement with the workforce	**£10,567**	£10,360

Committee fees			
Audit and Risk Committee	Chair	£15,851	£15,540
	Membership	£6,340	£6,216
Remuneration Committee	Chair	£15,851	£15,540
	Membership	£6,340	£6,216
Nomination Committee	Chair	£0	£0
	Membership	£4,227	£4,144
Environmental, Social and Governance Committee	Chair	£15,851	£15,540
	Membership	£6,340	£6,216

Role and focus of the Remuneration Committee

The Committee was responsible for recommending to the Board the Remuneration Policy for Executive Directors and senior management, and for setting the remuneration packages for Executive Directors and members of the respective GLS and Royal Mail Executive Boards. The table below summarises items discussed by the Committee during the year ended 30 March 2025.

Committee activities in the year	May	Oct	Feb[1]
Directors' remuneration			
Review of the Directors' Remuneration Policy and implementation	✓		
Review of fixed and variable remuneration	✓		✓
Senior management remuneration			
Review of fixed and variable remuneration	✓	✓	✓
All employee remuneration			
Incentive performance measures, targets and outcomes	✓	✓	✓
Reward governance			
Review regulatory, investor and market developments		✓	
Remuneration disclosures (such as DRR and gender pay gap)	✓		

1. The February 2025 meeting was unscheduled. See page 41.

Advice to the Remuneration Committee

The Committee received information and advice from inside and outside the Group. Internal support was provided by the Group HR Director, the Director of Reward, the Group General Counsel and Company Secretary, and other senior leaders as appropriate. No individual was present when matters relating to their own remuneration were discussed.

The Committee sought advice from independent external advisers as appropriate. Deloitte provided information to the Committee regarding external market trends and other Committee matters up to February 2025. The total fees paid to Deloitte in respect of this advice were £41,160 (2023-24: £58,000). Deloitte also provided tax, technology, internal audit, strategy and business consulting services to the Group during the financial year.

Deloitte is a signatory to the Remuneration Consultants Group Code of Conduct, was appointed by the Committee and reported directly to the Committee Chair. The Committee Chair was able to meet with advisers without management present. The Committee was satisfied that the advice it received was objective and independent. There are no connections between Deloitte and individual Directors to be disclosed.

Recent votes on the Directors' Remuneration Report and Directors' Remuneration Policy

Directors' Remuneration Report (2024 AGM)

	Number of votes	% of votes
Votes for	567,676,871	97.95%
Votes against	11,881,146	2.05%
Votes withheld	335,565	

Directors' Remuneration Policy (2024 AGM)

	Number of votes	% of votes
Votes for	569,649,931	98.30%
Votes against	9,864,850	1.70%
Votes withheld	346,241	

This report was approved by the Board on 29 August 2025 and signed on its behalf by:

Michael Snape
Group Chief Financial Officer

Directors' Report

The Directors present their Report, together with the audited Financial Statements, for the year ended 30 March 2025.

Information incorporated by reference
The following information is incorporated in the Directors' Report by reference and can be found on the pages of this Annual Report as indicated in the table below:

Capital

Purchase of own shares by the Company
At the 2024 AGM, the Company was authorised by its shareholders to purchase up to a maximum of 10% of its ordinary shares. This authority was valid at the end of the Company's financial year. During 2024-25, the Company did not utilise this authority to purchase any of its own shares.

Share capital
As at 30 March 2025, the Company's issued share capital comprised 958,293,475 ordinary shares of one penny each as set out in Note 26 to the Financial Statements on page 151.

Ordinary shareholders have the right to receive notice of, attend, vote and speak at general meetings (whether in person or by proxy). A holder of ordinary shares is entitled to one vote per ordinary share held when a vote is taken on a poll. Shareholders also have the right to receive a dividend, if recommended and declared. Shareholders may transfer all or any of their certificated or uncertificated shares in the Company. All such rights are subject to certain exceptions and restrictions provided in the Company's Articles of Association (the Articles) and in any applicable legislation. These include where rights are suspended for non-disclosure of an interest in shares, where share transfers do not comply with specific requirements, and where any amounts on shares owing by a shareholder to the Company are overdue.

The rights and obligations of members, and restrictions on transfer, are set out in full in the Articles, which can be found on the Company's website. The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and/or voting rights.

Substantial shareholding
As at 30 March 2025, the Company had been notified, in accordance with DTR 5, of the following interests in the Company's issued share capital. The information provided below was correct at the date of notification; however, these shareholdings will have changed since the date of notification due to events that occurred after the balance sheet date.

Shareholder	Number of voting rights	% voting rights disclosed at time of notification
Vesa Equity Investment	263,675,507	27.58
Morgan Stanley	69,930,928	7.29
RWC Partners	47,341,718	4.94
Columbia Threadneedle Investments	47,878,796	4.99
BlackRock Inc.	47,826,774	5.00[1]
Schroder Investment Management	47,520,972	4.95
Aberdeen Asset Investments	42,965,756	4.3[2]
Nortrust Noms	38,953,213	3.9[3]
Norges Bank	30,407,381	3.17

1. Disclosed on 3 March 2023. A further disclosure was received on 16 March 2023 notifying the Company that BlackRock's holding had decreased below the 5% notifiable threshold, which did not state the new position.
2. Disclosed on 2 October 2019, prior to 2021-22 share buy-back programme and increase to the Company's share capital in 2023-24. The number of voting rights and percentage of voting rights is displayed as it was stated on the TR-1 form submitted to the Company.
3. Disclosed on 23 October 2020, prior to 2021-22 share buy-back programme and increase to the Company's share capital in 2023-24. The number of voting rights and percentage of voting rights is displayed as it was stated on the TR-1 form submitted to the Company. A further disclosure was received on 30 November 2020 notifying the Company that Nortrust Noms' holding had decreased below the 3% notifiable threshold, which did not state the new position.

During the period between 30 March 2025 and 29 August 2025, being the latest practicable date prior to publication of this Annual Report, the Company received the below notifications in accordance with DTR 5. Further information on the current ownership structure can be found in Note 30 on page 153.

Shareholder	Number of voting rights	% voting rights disclosed at time of notification
EP UK Bidco Limited	891,343,080	92.40
Morgan Stanley	0	0
UBS Group AG	0	0
Vesa Equity Investment	0	0

Directors
The Directors of the Group who served during the financial year ended 30 March 2025 to the date of this report are listed on page 41.

Appointment and replacement of Directors
The Articles provide that the Company may by ordinary resolution at a general meeting elect any person to act as a Director, provided that, if he or she has not been recommended by the Board, written notice of the proposed appointment is given to the Company in accordance with the Articles and that the Company receives written confirmation of that person's willingness to act as a Director. The Articles also provide that the Board may at any time appoint as a Director any person who is willing to act as such. Unless the Company decides otherwise, the maximum number of Directors permitted is 15.

In addition to any power of removal conferred by the Companies Act 2006, the Company may by special resolution remove any Director before the expiration of his or her period of office and may (subject to the Articles) by ordinary resolution appoint another person who is willing to act as a Director in his or her place. The Articles also set out the circumstances in which a Director shall vacate office.

Directors' powers
The business of the Company is managed by the Board, which may exercise all the powers of the Company, subject to the provisions of the Articles, the Companies Act 2006 and any resolution of the Company.

Directors' and officers' insurance and indemnity provisions
The Company maintains directors' and officers' liability insurance, which provides appropriate cover for legal action brought against its Directors. This is reviewed annually. Qualifying pension scheme indemnity provisions were in force during the course of the financial year ended 30 March 2025 for the benefit of the Trustees of Royal Mail UK's pension schemes, and such indemnity provisions are in force at the date of approval of this report.

Special rights
On 27 June 2025, in compliance with the terms of the legally binding undertakings entered into by Bidco and EP in favour of the Secretary of State for Business and Trade of the United Kingdom of Great Britain and Northern Ireland (the Secretary of State), Royal Mail's principal trading entity, Royal Mail Group Limited, allotted and issued a new non-transferable share of £1.00 (the HMG Share) to the Secretary of State which has no voting or economic rights, but has certain reserved matters attached to it that require the prior written consent of the holder of the HMG Share.

There are no other persons holding securities that carry special rights with regard to the control of the Group.

Employee Benefit Trust (EBT)
As at 30 March 2025, a total of 680,815 shares (2023-24: 1,206,638 shares) were held by the EBT on behalf of the Company. The EBT will not receive any dividends payable on shares which it holds at the relevant time.

Change of control
The following material agreements contain provisions permitting exercise of termination or other rights on change of control of the Company:

— The Mails Distribution Agreement with Post Office Limited provides for the supply of certain services to the Group and allows for a request for renegotiation of terms in the event of a change of control of either party where such change of control is likely to have a material adverse effect on the party not undergoing the change of control.
— The bank syndicate loan facility with various financial institutions provides the Group with a revolving credit facility for general corporate and working capital purposes. The agreement contains provision on a change of control of the Group for negotiation of the continuation of the agreement or cancellation by a lender.
— The €500 million bond issued by the Company in July 2014 contains provisions such that, on a change of control that is combined with a credit rating downgrade in certain circumstances, the noteholders may require the Company to redeem or, at the Company's option, purchase the notes for their principal amount, together with interest accrued to (but excluding) the date of redemption or repurchase.
— The €550 million bond issued by the Company in October 2019 contains provisions such that, on a change of control that is combined with a credit rating downgrade in certain circumstances, the noteholders may require the Company to redeem or, at the Company's option, purchase the notes for their principal amount, together with interest accrued to (but excluding) the date of redemption or repurchase.
— The €500 million bond issued by the Company in September 2023 contains provisions such that, on a change of control that is combined with a credit rating downgrade in certain circumstances, the noteholders may require the Company to redeem or, at the Company's option, purchase the notes for their principal amount, together with interest accrued to (but excluding) the date of redemption or repurchase.
— The £250 million bond issued by the Company in September 2023 contains provisions such that, on a change of control that is combined with a credit rating downgrade in certain circumstances, the noteholders may require the Company to redeem or, at the Company's option, purchase the notes for their principal amount, together with interest accrued to (but excluding) the date of redemption or repurchase.

Change of control of the Company took effect on 30 April 2025. Where relevant, Note 30 to the Financial Statements on page 153 summarises the impact of this event on the above agreements.

The Company does not have agreements with any Director or employee that would provide compensation for loss of office or employment resulting from a takeover except that provisions of the Company's share schemes and plans may cause options and awards granted to employees under such schemes and plans to vest on a takeover.

Stakeholders
Engagement with UK employees, suppliers and customers
Disclosure on how the Company communicates with its employees, encourages their involvement and achieves a common awareness on the part of all employees of the financial and economic factors affecting the performance of the Company is included on page 11.

Information on how the Company engages with its employees, customers and suppliers, how the Directors have regard to their interests and the effect of that regard is set out on pages 11, 13, 14 and 27, and pages 5 and 6.

ESG
Greenhouse gas emissions and energy reporting
Information regarding the Group's greenhouse gas emissions, energy consumption and energy efficiency action required to be disclosed in this Directors' Report can be found on pages 7 to 9.

Climate-related disclosures

The Group's climate-related disclosures are set out on pages 15 to 22.

Other disclosures

Company's Articles

Any amendments to the Articles may be made in accordance with the Companies Act 2006 by way of a special resolution. Our current Articles are available at www.internationaldistributionservices.com/en/sustainability/governance.

Branches

As a global group, our interests and activities are held or operated through subsidiaries, branches, joint arrangements or associates and are subject to the laws and regulations of the relevant jurisdictions in which they operate. Further information is included in Note 31 to the Financial Statements on pages 154 to 158.

Political donations and expenditure

In so far as the Company is aware, no form of political donation, or expenditure, was made during the year in the UK. The Company intends to continue this policy for the foreseeable future. For the FY 2024-25 period, GLS BV's German subsidiary, GLS Germany GmbH & Co. OHG, reported political contributions totalling EUR 45k to the Christian Democratic Union party in Germany. All contributions were made in accordance with applicable laws and publicly reported accordingly in Germany.

Financial instruments

The Group's financial risk management objectives and policies in relation to its financial instruments are summarised in Note 24 to the Financial Statements on pages 139 to 149.

Post balance sheet events

Post balance sheet events are summarised in Note 30 on page 153.

Audit information

The Directors confirm that, so far as they are aware, there is no relevant audit information (as defined in section 418 of the Companies Act 2006) of which the auditor is unaware and that each Director has taken all reasonable steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

By Order of the Board

Matthew Newman
Group General Counsel and Company Secretary
29 August 2025

Statement of Directors' Responsibilities in respect of the Annual Report and Financial Statements

The Directors are responsible for preparing the Annual Report and the Group and Parent Company Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company Financial Statements for each financial year. Under that law they are required to prepare the Group Financial Statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the Parent Company Financial Statements in accordance with UK accounting standards and applicable law, 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 Group and Parent Company and of the Group's profit or loss for that period. In preparing each of the Group and Parent Company Financial Statements, the Directors are required to:

— select suitable accounting policies and then apply them consistently;
— make judgements and estimates that are reasonable, relevant, and reliable and, in respect of the Parent Company Financial Statements only, prudent;
— for the Group Financial Statements, state whether they have been prepared in accordance with UK-adopted international accounting standards;
— for the Parent Company Financial Statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Parent Company Financial Statements;
— assess the Group and Parent 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 Group or the Parent 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 Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its 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 Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

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

In accordance with Disclosure Guidance and Transparency Rule (DTR) 4.1.16R, the Financial Statements will form part of the annual financial report prepared under DTR 4.1.17R and 4.1.18R. The auditor's report on these Financial Statements provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

Responsibility statement of the Directors in respect of the annual financial report
We confirm that to the best of our knowledge:

— the Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
— the Strategic Report and Directors' Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

The responsibility statement was approved by the Board of Directors on 29 August 2025 and signed on its behalf by:

Martin Seidenberg
Group Chief Executive Officer

Michael Snape
Group Chief Financial Officer

Financial Statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERNATIONAL DISTRIBUTION SERVICES PLC

1 OUR OPINION IS UNMODIFIED

We have audited the financial statements of International Distribution Services Plc ("the Company") for the period ended 30 March 2025 which comprise the Group and Parent Company financial statements and the 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 Group's and of the Parent Company's affairs as at 30 March 2025 and of the Group's profit for the 52-week period then ended;
— the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
— the Parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework;* and
— the financial statements 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 believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the shareholders for the 52-week period ended 27 March 2016. The period of total uninterrupted engagement is for the ten financial periods ended 30 March 2025. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to public interest entities. No non-audit services prohibited by that standard were provided.

2 KEY AUDIT MATTERS: OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters (unchanged from FY 2023-24), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

2.1 Recoverability of the carrying amount of the Royal Mail excluding Parcelforce Worldwide CGU (Group)

Refer to page 50 (Audit Committee Report), and pages 94 and 95 (Note 1 – Basis of preparation and accounting policies).

Financial statements elements	FY 2024-25	FY 2023-24
Carrying amount of the Royal Mail excluding Parcelforce Worldwide CGU	**£1,995m**	£1,925m
Impairment (reversal)/charge	**(£117m)**	£48m

Risk	Response
Forecast-based assessment The carrying amount of the CGU is significant with respect to the total assets of the Group and its sensitivity to key assumptions, particularly as the CGU was impaired in the prior period, meaning that there was no headroom at the start of the period, and that the CGU could be subject to further impairment or reversal of impairment. The estimated recoverable amount is subjective due to the inherent uncertainty of forecasting fair value less costs of disposal from a market participant perspective. The key assumptions underlying the recoverable amount of the CGU included the following: — revenue and volume growth assumptions; — operating costs assumptions; — property disposals assumptions; — the discount rate; and — the quantum of the benefit from the universal service obligation reforms. The effect of these matters is that, as part of our risk assessment, we determined that the recoverable amount of the CGU has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole and possibly many times that amount. We also identified a fraud risk related to the estimation of the recoverable amount of the CGU in response to possible pressures on the Group to demonstrate an increase in carrying value.	Our procedures to address the risk included: — **Valuation expertise**: Using our own valuation specialists, we challenged the appropriateness of the discount rate. We also benchmarked the recoverable amount of the CGU using implied earnings multiples to comparative companies and historic transactions within the industry, as well as considering the latest market conditions. — **Benchmarking assumptions**: Using our own economic specialists we evaluated the revenue and volume growth assumptions, against externally derived publicly available data. — **Benchmarking assumptions**: We used external data to evaluate the assumptions used in respect of property disposals. — **Benchmarking assumptions**: We compared the operating profit margins with comparable companies with similar universal service obligations and quality of service targets to assess the reasonableness of the business plan. — **Test of detail**: We tested the principles and integrity of the Group's discounted cash flow model. We compared the cash flows used in the impairment model to the output of the Group's budgeting process and against the understanding we obtained about the business through our audit and assessed if these cash flows were reasonable. — **Historical Comparisons**: We performed a retrospective review, comparing historical budgets to actual performance to assess historical forecasting accuracy. — **Sensitivity analysis**: We considered the sensitivity of the carrying value to reasonably possible changes in assumptions and focused our attention on those assumptions which we considered the most critical to the valuation. — **Assessing transparency**: We assessed whether the Group's disclosures in Note 1 of the sensitivity of the outcome of the recoverable amount assessment to changes in key assumptions reflected the risks inherent in the fair value less costs of disposal of the CGU. We also assessed whether the disclosure of key assumptions was complete and consistent with the assumptions used. — **Regulatory Inquiry**: We evaluated the outcomes of our discussions with Ofcom against the quantified benefits derived from the Universal Service Obligation reforms to determine the appropriateness of their inclusion in the business plan. We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

We found the carrying value of the CGU and the related impairment reversal to be acceptable (FY 2023-24: Acceptable).

2.2 Going Concern of the Group and International Distribution Services plc (Group)

Refer to page 49 (Audit Committee Report), and pages 90 and 91 (Note 1 – Basis of preparation and accounting policies).

Risk	Response
The Group's financial statements have been prepared on a going concern basis, this assessment involved significant judgement in evaluating Group's ability to continue as a going concern for at least 12 months from the date of approval of the financial statements. The assessment considered the impact of the post balance sheet acquisition by EP Group, potential refinancing of debt facilities, expected changes to credit ratings, covenant compliance, and forecast cashflows under base and plausible downside scenario. Given the level of judgement involved, the materiality of the balances affected and inherent uncertainties over future cash flows, we considered the appropriateness of the going concern basis to be a key audit matter.	Our procedures to address the risk included: — **Forecast assessment**: we inspected Group's cash flow forecast, tested consistency with Board approved budgets and assessed the methodology and period covered against IAS 1 requirements. — **Historical Comparisons**: We performed a retrospective review, comparing historical budgets and volumes to actual performance to assess historical forecasting accuracy. — **Assumption assessment**: we critically assessed assumptions in the Directors' base case and severe but plausible downside scenarios relevant to liquidity and covenant metrics, considering the forecasted operating levels and how these relate to historic performance. — **Acquisition and funding assessment**: we critically assessed the impact of the takeover on the debt structure of the Group and the availability of an appropriate level of financing available to the Group through the going concern period. We have assessed the availability and terms of committed financing facilities, including the refinancing arrangements and any new funding introduced by the post year end acquisition by EP Group. We have also evaluated the Directors' assumption around the timing and drawdown of the available liquidity and assessed the sufficiency of forecast headroom under base and plausible downside scenario. — **Credit Rating**: We inspected the Group's current credit rating and monitored communications with rating agencies and evaluated the extent to which plausible downside scenario includes the potential impact of the downgrade on liquidity and covenant. — **Test of detail**: We tested the principles and integrity of the Group's model. We compared the cash flows used in the going concern model to the output of the Group's budgeting process and against the understanding we obtained about the business through our audit and assessed if these cash flows were reasonable. — **Evaluating directors' intent**: we evaluated the achievability of the actions the directors consider they would take to improve the position should the risks materialise, taking into account the extent to which the directors can control the timing and outcome of these. — **Assessing transparency**: We assessed whether the disclosures in the financial statements and the annual report are adequate with regard to the effect of post balance sheet acquisition by EP Group and identified risks to the entity's financial position, performance, business model and strategy. We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

We found the conclusions on the Going Concern assessment to be acceptable (FY 2023-24: Acceptable).

2.3 Deferred revenue associated with advance customer payments arising from stamps sold (Group)

See the Audit and Risk Committee Report on page 49 for details on how the Audit Committee considered Deferred revenue associated with advance customer payments arising from stamps sold as an area of significant attention, pages 93 and 94 for the accounting policy on Deferred revenue associated with advance customer payments arising from stamps sold, and Note 1 for the financial disclosures.

Financial statements elements

	FY 2024-25	FY 2023-24
Deferred revenue associated with advance customer payments arising from stamps sold	**£116m**	£138m

The risk

Subjective estimate

Revenue is recognised on delivery of letters, not at the point stamps are sold to customers, as the performance obligation with the customer is only settled upon delivery of the letter. There can be a considerable delay because stamps held by customers remain valid indefinitely. Therefore, the Group estimates the value of advance customer payments and defers revenue to reflect the value of services still to be performed.

Following the introduction of barcoded stamps in FY 2021-22, the Group is able to track stamp usage at a more granular level. Following collation of a substantial dataset the Group have developed a 'usage curve' methodology to estimate the deferred revenue. The calculation is derived from sales data and scan data.

There are limitations in the methodology due to:

- barcodes not being scanned at the point of sale. The Group has addressed this by applying a bucketing approach in the methodology to estimate the month of sale for batches of stamps;
- not all stamps are scanned in the delivery phase. Therefore, a non-scan assumption has been applied by the Group to incorporate the stamps which are sorted manually or unable to be scanned by sorting machines.

Assumptions are applied to the data to create usage curves. The usage curves determine which stamps sold have been used and therefore calculates deferred revenue. These assumptions and/or any manual adjustment to the output of the 'usage curve' methodology require judgement, and these are more susceptible to management bias in the early years of adoption.

As a part of our risk assessment, we determined that the stamps in the hands of the public balance has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole due to the assumptions made by the Group. As a result, we have identified a fraud risk related to estimation uncertainty noted on the deferred revenue associated with advance customer payments arising from stamps sold as per section 5.1.

The methodology continues to carry risk of error associated with integrity of data elements used therein.

Our response

Our procedures to address the risk included:

- **Methodology choice**: We challenged the Group on the appropriateness of the methodology in place for performing the calculation, including benchmarking the approach against that taken by other global postal service providers. An alternative method considered, was the previous methodology used in FY 2022-23, which was based on a historical statistical method.
- **Methodology implementation**: We assessed whether the methodology had been correctly applied and we challenged the need for any adjustments through consideration of possible alternatives, such as the inclusion of a buy forward adjustment on the estimated deferral.
- **Test of details**: We tested the integrity of the model by testing the individual data points and assumptions input to the model used in the Group's calculation to check the accuracy of the balance. Further, we independently circulated a sample of letters and large letters through the network ahead of period end and traced these through to the scan database.
- **Information Technology expertise**: We engaged our Information Technology specialists to confirm that there were no changes to the design of the usage curve calculator within the methodology from prior period and whether the underlying code written and implemented for the calculation of the usage curve was consistent with prior period.
- **Challenge of the outcome**: We challenged the Group's estimate by considering a range of plausible outcomes using alternative assumptions, and alternative methods of calculating the estimate.
- **Sensitivity analysis**: We considered the sensitivity of the deferred revenue balance to reasonably possible changes in assumptions and focused our attention on those assumptions which we considered the most critical to the estimate.
- **Assessing transparency**: We considered the adequacy of the Group's disclosures in respect of deferred revenue associated with advance customer payments arising from stamps sold, particularly in relation to the degree of estimation uncertainty.

We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

We found the estimate of deferred revenue to be acceptable (FY 2023-24: Acceptable).

2.4 Valuation of pension scheme obligations (Group)

Refer to page 50 (Audit Committee Report), pages 92 and 93 (Note 1 – Basis of preparation and accounting policies) and pages 115 to 125 (Note 11 – Retirement benefit plans).

Financial statements elements		
	FY 2024-25	FY 2023-24
Royal Mail Pension Plan (RMPP) Defined Benefit Obligation	**£3,849m**	£4,521m
Cash Balance Scheme (DBCBS) Defined Benefit Obligation	**£1,948m**	£1,963m

Risk	Response
Subjective valuation Significant estimates are made in valuing the Group's post-retirement defined benefit plan obligations including in particular, the discount rate, the inflation rate, pre-retirement pension increases and mortality assumptions. Small changes in the assumptions and estimates used to value the Group's pension obligations would have a significant effect on the financial position of the Group. As part of our risk assessment, we determined that the valuation of the Group's pension scheme obligations include a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (Note 11) disclose the sensitivity of the liabilities to key assumptions estimated by the Group.	Our procedures to address the risk included: — **Benchmarking assumptions**: We challenged the key assumptions applied in the calculation of the obligation, including the discount rate, inflation rate, pre-retirement pension increases and mortality with the support of our own actuarial specialists to compare key assumptions against market data. — **Actuary's credentials**: We assessed the competence, independence and integrity of the Group's actuarial expert. — **Assessing transparency**: We considered the adequacy of the Group's disclosures in respect of the sensitivity of the obligation to key assumptions. We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

We found the valuation of defined benefit obligations to be acceptable (FY 2023-24: Acceptable).

2.5 Valuation of pension scheme obligations (Group)

Refer to page 50 (Audit Committee Report), pages 92 and 93 (Note 1 – Basis of preparation and accounting policies) and pages 115 to 125 (Note 11 – Retirement benefit plans).

Financial statements elements		
	FY 2024-25	FY 2023-24
Unquoted pension assets	**£1,379m**	£1,778m

Risk	Response
Subjective valuation Significant estimates are made in valuing certain unquoted pension schemes assets (which comprise properties, equity funds, mutual funds and private fixed income bonds), which are hard to value and make up a significant portion of unquoted pension scheme assets. Small changes in the estimates used to value these assets would have a significant effect on the financial position of the Group. As part of our risk assessment, we determined that the valuation of certain unquoted pension scheme assets include a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.	Our procedures to address the risk included: — **Tests of details**: We obtained third party valuation confirmations directly from fund managers. We compared those confirmations with unaudited net asset value statements and tested the reliability of them by performing a retrospective review comparing a sample of the net asset value statements to historical audited financial statements. — **Our property valuation expertise**: We obtained third party valuations and used our internal valuation specialists to assess the valuation methodology and challenge key assumptions. — **Assessing transparency**: We considered the adequacy of the Group's unquoted plan assets disclosures in respect of valuation techniques and accuracy of the asset split by category. We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

We found the valuation of the unquoted pensions scheme assets to be acceptable (FY 2023-24: Acceptable).

2.6 Recoverability of parent company's investment in subsidiary (Parent Company)

Refer to page 50 (Audit Committee Report), page 160 (Note 1 – Parent company accounting policies) and page 161 (Note 6 – Investment in subsidiaries).

Financial statements elements		
	FY 2024-25	FY 2023-24
Investments	**£2,925m**	£2,919m

Risk	Response
Low risk, high value The carrying amount of the Parent Company's investments in subsidiaries represent 72% (FY 2023-24: 72%) of the Company's total assets, with the remainder being intergroup receivables. The recoverability of the investment in subsidiary is not at a high risk of significant misstatement. However, due to its materiality in the context of the Parent Company's financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.	Our procedures to address the risk included: — **Comparing valuations**: For the investment where the carrying amount exceed the net asset value, comparing the carrying amount of the investment with the expected value of business, based on the recoverable amounts determined by the Group for the Royal Mail excluding Parcelforce Worldwide CGU and GLS CGUs — **Recoverable amount assessment**: We noted that the relevant subsidiary's balance sheet position was below the underlying investment held by the entity. We performed an assessment of the recoverable amounts determined by the Group on the underlying investment as a consequence as described in 2.1. — **Comparing valuations**: We compared the carrying amount of the Parent Company's investment to the Group's market capitalisation. We performed the tests above rather than seeking to rely on any of the Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

We found the recoverability of the Parent Company's investment in subsidiary to be acceptable (FY 2023-24: Acceptable).

3 OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT

3.1 Materiality for the Group financial statements as a whole

Materiality for the Group financial statement as a whole was set at £25m (FY 2023-24: £25m). This was determined with reference to a benchmark of Group total revenues.

Consistent with FY 2023-24, we determined that Group revenue remains the main benchmark for the Group as it provides a more stable measure period on period than Group profit before tax. This is because of the significant fluctuations noted in profit levels in the current and prior period.

Materiality for the Parent Company's financial statements as a whole was set at £12.4m (FY 2023-24: £12.6m), which is the component materiality for the parent company determined by the Group audit engagement team. This is lower than the materiality we would otherwise have determined with reference to the Parent Company's total assets, of which it represents 0.33% (FY 2023-24: 0.36%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 64.8% (FY 2023-24: 75%) of materiality for the financial statements as a whole, which equates to £16.2m (FY2023-24: £18.7m) for the Group.

The Parent Company's performance materiality was set at 75% (FY 2023-24: 75%) of materiality for the parent company's financial statements as a whole. This equates to £9.3m (FY 2023-24: £9.45m). We applied this percentage in our determination of performance materiality because we didn't not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £1.25m (FY 2023-24: £1.25m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

3.2 Overview of the scope of our audit

This year, we applied the revised group auditing standard in our audit of the consolidated financial statements. The revised standard changes how an auditor approaches the identification of components, and how the audit procedures are planned and executed across components.

In particular, the definition of a component has changed, shifting the focus from how the entity prepares financial information to how we, as the Group auditor, plan to perform audit procedures to address Group risks of material misstatement ("RMMs"). Similarly, the Group auditor has an increased role in designing the audit procedures as well as making decisions on where these procedures are performed (centrally and/or at component level) and how these procedures are executed and supervised. As a result, we assess scoping and coverage in a different way and comparisons to prior period coverage figures are not meaningful. In this report we provide an indication of scope coverage on the new basis.

We performed risk assessment procedures to determine which of the Group's components are likely to include risks of material misstatement to the Group financial statements and which procedures to perform at these components to address those risks.

In total, we identified 15 components, having considered our evaluation of the Group's operational structure, legal structure and geographical locations and our ability to perform audit procedures centrally.

Of those, we identified 2 quantitatively significant components which contained the largest percentages of either total revenue or total assets of the Group, for which we performed audit procedures.

Additionally, having considered qualitative and quantitative factors, we selected 1 component with accounts contributing to the specific RMMs of the Group financial statements.

Accordingly, we performed audit procedures on 3 components, of which we involved component auditors in performing the audit work on 1 component. We performed the audit of the parent Company.

We set the component materialities, ranging from £12,400,000 to £20,000,000, having regard to the mix of size and risk profile of the Group across the components.

Our audit procedures covered 96% of Group revenue.

We performed audit procedures in relation to components that accounted for 67% of Group profit before tax and 92% of Group total assets. In addition, at the Group level, we performed audit procedures over goodwill and deferred tax assets that together accounted for a further 0.1% of the total Group assets.

For the remaining components for which we performed no audit procedures, no component represented more than 1% of Group total revenue, 4% of Group profit before tax or 2% of Group total assets. We performed analysis at an aggregated Group level to re-examine our assessment that there is not a reasonable possibility of a material misstatement in these components.

Impact of controls on our Group audit
The scope of the audit work performed was fully substantive as we did not rely upon the Group's internal control over financial reporting.

3.3 Group auditor oversight
As part of establishing the overall Group audit strategy and plan, we conducted the risk assessment and planning discussion meeting with component auditors to discuss Group audit risks relevant to the components.

We visited 1 component auditor in Netherlands and 3 sub-component auditors in Spain, France and Italy to assess the audit risks and strategy. Video and telephone conference meetings were also held with these component auditors and others that were not physically visited. At these visits and meetings, the results of the planning procedures and further audit procedures communicated to us were discussed in more detail, and any further work required by us was then performed by the component auditors.

We inspected the work performed by the component auditors for the purpose of the Group audit and evaluated the appropriateness of conclusions drawn from the audit evidence obtained and consistencies between communicated findings and work performed.

4 GOING CONCERN

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and 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 their 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").

An explanation of how we evaluated the Group's assessment of going concern is set out in the related key audit matter in section 2 of this report.

Our conclusions based on this work:

— we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
— we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period; and
— we have nothing material to add or draw attention to in relation to the directors' statement in Note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for the going concern period.

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 above conclusions are not a guarantee that the Group or the Company will continue in operation.

5 FRAUD AND BREACHES OF LAWS AND REGULATIONS – ABILITY TO DETECT

5.1 Identifying and responding to risks of material misstatement due to fraud

FRAUD RISK ASSESSMENT	To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included: — Enquiring of Directors, the Audit and Risk Committee, Internal Audit and Risk Management, and inspection of policy documentation as to the Group's policies and procedures to prevent and detect fraud, including the Group's 'whistleblowing' hotline, as well as whether they have knowledge of any actual, suspected or alleged fraud. — Reading Board, Audit and Risk Committee, Nomination Committee, Remuneration Committee and ESG Committee minutes. — Considering remuneration incentive schemes and performance targets for management and directors. — Using analytical procedures to identify any unusual or unexpected accounting relationships.
RISK COMMUNICATIONS	We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group audit team to full scope component audit teams of relevant fraud risks identified at the Group level and request to full scope component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at the Group level.
FRAUD RISKS	As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls, in particular the risk that Group management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements. We determined that these risks would most likely manifest themselves in three key areas being: — Deferred revenue in relation to advance customer payments; and — Management bias in the recoverability of the carrying value of the Royal Mail excluding Parcelforce Worldwide CGU arising from possible external pressures to realise value. — Fraudulent revenue recognition over uncollected revenue across GLS due to increased pressure on the Directors' to meet targets in light of the challenging market and macro-economic factors prevalent across the GLS sub-group.
LINK TO KAM's	Further detail in respect of the above fraud risks is set out in the key audit matter disclosures in section 2 of this report. These are: — KAM 2.1 – Recoverability of the carrying amount of the Royal Mail excluding Parcelforce Worldwide CGU. — KAM 2.3 – Deferred revenue associated with advance customer payments arising from stamps sold.
PROCEDURES TO ADDRESS FRAUD RISKS	We performed procedures including: — Identifying journal entries and other adjustments to test for all full scope components, based on risk criteria and comparing the identified entries to supporting documentation. These included unexpected user postings, descriptions relating to key management personnel or instructions by them, round sum journals posted in period 12, post close journals and unusual journals posted to revenue, cash and borrowing, impairment and deferred revenue accounts. — Evaluated the business purpose of significant unusual transactions. — Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

5.2 Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

LAWS AND REGULATIONS RISK ASSESSMENT	We identified areas of laws and regulations that could reasonably be expected to have a material effect on the Financial Statements from our general commercial and sector experience. We held discussion with the Directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations. As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements and inquiry of the UK business' regulator, Ofcom.
RISK COMMUNICATIONS	We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group audit team to full-scope component audit teams of relevant laws and regulations identified at the Group level, and a request for full scope component auditors to report to the Group audit team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at the Group level.
DIRECT LAWS CONTEXT AND LINK TO AUDIT	The potential effect of these laws and regulations on the financial statements varies considerably. Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies' legislation), distributable profits legislation, taxation legislation, and pensions legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.
MOST SIGNIFICANT INDIRECT LAW/REGULATION AREAS	Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines, litigation or the loss of the Group's license to operate. We identified the following areas as those most likely to have such an effect: GDPR compliance, health and safety, anti-bribery and corruption, employment law, PCI compliance, money laundering, foreign corrupt practices, environmental protection, export control, consumer rights act, misrepresentation act, contract law, distance selling regulations, competition legislation and price fixing, and the Postal Services Act as enforced by Ofcom, in recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.
KNOWN ACTUAL OR SUSPECTED MATTERS	For the Quality of Service fine for 2023-24 and the potential fine for 2024-25 and tax-related disputes in GLS Italy discussed in Note 25, we compared disclosures against our understanding from legal correspondence and understanding from correspondence with the regulator.

5.3 Context of the ability of the audit to detect fraud or breaches of law or regulation
Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6 WE HAVE NOTHING TO REPORT ON THE OTHER INFORMATION IN THE ANNUAL REPORT
The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information 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 other information.

Strategic report and directors' report
Based solely on our work on the other information:

- 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.

Directors' remuneration report
In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of principal and emerging risks and longer-term viability
We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of principal and emerging risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the principal and emerging risks disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated.
- the directors' explanation on page 42 that they have not performed an assessment of the prospects of the Group and why they considered that to be appropriate.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit.

Corporate governance disclosures
We are required to perform procedures to identify whether there is a material inconsistency between the directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

— the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
— the section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and
— the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

In addition to our audit of the financial statements, the directors have engaged us to review their Corporate Governance Statement as if the Company were required to comply with the UK Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority in relation to those matters. Under the terms of our engagement we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.
We have nothing to report in this respect.

7 WE HAVE NOTHING TO REPORT ON THE OTHER 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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

8 RESPECTIVE RESPONSIBILITIES

Directors' responsibilities

As explained more fully in their statement set out on page *66*, the directors are responsible for: the preparation of the financial statements including 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 Group and Parent 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 Group or the Parent 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.

9 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 and the terms of our engagement by the Company. 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 the further matters we are required to state to them in accordance with the terms agreed with the Company, 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.

David Neale (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

29 August 2025

Consolidated Income Statement

For the 52 weeks ended 30 March 2025 and 53 weeks ended 31 March 2024

	Notes	Reported 52 weeks 2025 £m	Reported 53 weeks 2024 £m
Continuing operations			
Revenue	3	**13,139**	12,679
Operating costs[1,2]	4/5	**(12,806)**	(12,545)
People costs		**(6,847)**	(6,752)
Distribution and conveyance costs		**(3,960)**	(3,890)
Infrastructure costs		**(1,183)**	(1,087)
Other operating costs		**(816)**	(816)
Profit on disposal of property, plant and equipment[2]	6	**71**	15
Operating profit before specific items[2]	2	**404**	149
Operating specific items[2]	6	**(28)**	(123)
Operating profit	2	**376**	26
Finance costs	7	**(117)**	(98)
Finance income	7	**51**	51
Net pension interest (non-operating specific item)[2]	6/11	**119**	135
Profit before tax		**429**	114
Tax charge	8	**(62)**	(60)
Profit for the year		**367**	54
Earnings per share			
Basic	9	**38.3p**	5.6p
Diluted	9	**38.0p**	5.6p

1. Operating costs are stated before operating specific items.
2. Details of APMs are provided in the section entitled 'Glossary of alternative performance measures'.

Consolidated Statement of Comprehensive Income

For the 52 weeks ended 30 March 2025 and 53 weeks ended 31 March 2024

	Notes	**Reported 52 weeks 2025 £m**	Reported 53 weeks 2024 £m
Profit for the year		**367**	54
Other comprehensive expense for the year from continuing operations:			
Items that will not be subsequently reclassified to profit or loss:			
Amounts relating to retirement benefit plans		**(150)**	(280)
Decrease in withholding tax payable on distribution of RMPP and RMSEPP surplus	11	**71**	436
Remeasurement losses of the defined benefit surplus in RMPP and RMSEPP	11(c/d)	**(243)**	(657)
Remeasurement gains/(losses) of the defined benefit deficit in DBCBS	11(e)	**19**	(59)
Remeasurement gains of the defined benefit deficit in DBLS	11(f)	**3**	–
Items that may be subsequently reclassified to profit or loss:			
Foreign exchange translation differences		**(49)**	(29)
Exchange differences on translation of foreign operations (GLS)		**(58)**	(41)
Net gain on hedge of a net investment (€500 million bond)		**9**	12
Designated cash flow hedges		**6**	(7)
(Losses)/gains on cash flow hedges deferred into equity		**(11)**	2
Losses/(gains) on cash flow hedges released from equity to income		**12**	(15)
Losses released from equity to the carrying value of non-financial assets		**1**	1
Loss on cross-currency swap cash flow hedge deferred into equity		**(5)**	(7)
Loss on cross-currency swap cash flow hedge released from equity to income – interest payable		**10**	13
Gain on cost of hedging released from equity to income – interest payable		**(1)**	(1)
Total other comprehensive expense for the year		**(193)**	(316)
Total comprehensive income/(expense) for the year		**174**	(262)

Consolidated Balance Sheet

At 30 March 2025 and 31 March 2024

	Notes	Reported at 30 March 2025 £m	Reported at 31 March 2024 £m
Non-current assets			
Property, plant and equipment	13	**3,630**	3,307
Goodwill	15	**442**	458
Intangible assets	16	**361**	304
Investments in associates	17	**46**	1
Financial assets			
Pension escrow investments	24	**156**	102
Derivatives options	17/24	**13**	–
Derivatives	24	**–**	2
RMPP/RMSEPP retirement benefit surplus – net of withholding tax payable	11	**1,635**	1,851
DBCBS retirement benefit restricted surplus	11	**–**	–
DBLS retirement benefit restricted surplus	11	**–**	–
Other receivables	20	**60**	15
Deferred tax assets	8	**–**	7
		6,343	6,047
Current assets			
Inventories		**30**	32
Trade and other receivables	20	**1,668**	1,595
Income tax receivable		**21**	23
Financial assets			
Investments	24	**–**	216
Pension escrow investments	24	**32**	–
Derivatives	24	**2**	6
Cash and cash equivalents	21/24	**834**	1,030
Assets held for sale	19	**–**	42
		2,587	2,944
Total assets		**8,930**	8,991
Current liabilities			
Trade and other payables	22	**(2,142)**	(2,106)
Financial liabilities			
Interest-bearing loans and borrowings	23/24	**(4)**	(315)
Lease liabilities	14/24	**(283)**	(241)
Derivatives	24	**(12)**	(16)
Income tax payable		**(11)**	(3)
Provisions	25	**(83)**	(95)
Bank overdrafts	21/24	**(53)**	(56)
Liabilities held for sale	19	**–**	(24)
		(2,588)	(2,856)

Consolidated Balance Sheet continued

At 30 March 2025 and 31 March 2024

	Notes	Reported at 30 March 2025 £m	Reported at 31 March 2024 £m
Non-current liabilities			
Financial liabilities			
Interest-bearing loans and borrowings	23/24	**(1,146)**	(1,168)
Lease liabilities	14/24	**(1,319)**	(1,182)
Derivatives	24	**(31)**	(24)
DBCBS retirement benefit deficit	11	**–**	(60)
Provisions	25	**(81)**	(89)
Other payables		**(16)**	(16)
Deferred tax liabilities	8	**(43)**	(51)
		(2,636)	(2,590)
Total liabilities		**(5,224)**	(5,446)
Net assets		**3,706**	3,545
Equity			
Share capital	26	**10**	10
Retained earnings		**3,744**	3,540
Other reserves		**(48)**	(5)
Total equity		**3,706**	3,545

The Financial Statements were approved and authorised for issue by the Board of Directors on 29 August 2025 and were signed on its behalf by:

Martin Seidenberg
Group Chief Executive Officer

Michael Snape
Group Chief Financial Officer

Consolidated Statement of Changes in Equity

For the 52 weeks ended 30 March 2025 and 53 weeks ended 31 March 2024

	Share capital £m	Retained earnings £m	Foreign currency translation reserve £m	Hedging reserve £m	Total equity £m
Reported at 26 March 2023	10	3,761	32	(1)	3,802
Profit for the year	–	54	–	–	54
Other comprehensive expense for the year	–	(280)	(29)	(7)	(316)
Total comprehensive expense for the year	–	(226)	(29)	(7)	(262)
Transactions with owners of the Company, recognised directly in equity					
Share-based payments (see Note 18)					
Employee Free Shares issue	–	1	–	–	1
Long-Term Incentive Plan (LTIP)	–	3	–	–	3
Deferred Share Bonus Plan (DSBP)	–	1	–	–	1
Reported at 31 March 2024	**10**	**3,540**	**3**	**(8)**	**3,545**
Profit for the year	**–**	**367**	**–**	**–**	**367**
Other comprehensive (expense)/income for the year	**–**	**(150)**	**(49)**	**6**	**(193)**
Total comprehensive income/(expense) for the year	**–**	**217**	**(49)**	**6**	**174**
Transactions with owners of the Company, recognised directly in equity					
Dividend paid to shareholders (see Note 10)	**–**	**(19)**	**–**	**–**	**(19)**
Share-based payments (see Note 18)					
Employee Free Shares issue	**–**	**1**	**–**	**–**	**1**
Long-Term Incentive Plan (LTIP)	**–**	**3**	**–**	**–**	**3**
Deferred Share Bonus Plan (DSBP)	**–**	**2**	**–**	**–**	**2**
Reported at 30 March 2025	**10**	**3,744**	**(46)**	**(2)**	**3,706**

A description of the reserves in the above table is included in Note 26.

Consolidated Statement of Cash Flows

For the 52 weeks ended 30 March 2025 and 53 weeks ended 31 March 2024

	Notes	Reported 52 weeks 2025 £m	Reported 53 weeks 2024 £m
Cash flow from operating activities			
Profit before tax		**429**	114
Adjustment for:			
Net pension interest (non-operating specific item)	6	**(119)**	(135)
Net finance costs	7	**66**	47
Profit on disposal of property, plant and equipment	6	**(71)**	(15)
Operating specific items	6	**28**	123
Operating profit before profit on disposal of property, plant and equipment and specific items[1]		**333**	134
Adjustment for:			
Depreciation and amortisation		**505**	481
EBITDA before specific items and profit on disposal of property, plant and equipment[1]		**838**	615
Working capital movements		**(55)**	(155)
Decrease in inventories		**–**	11
Increase in receivables		**(132)**	(62)
Increase/(decrease) in payables		**68**	(36)
Net decrease in derivatives		**4**	3
Increase/(decrease) in provisions (non-specific items)		**5**	(71)
Pension charge adjustment[2]	6/11	**(4)**	(171)
Other non-cash adjustments[3]		**6**	4
RMSEPP refund of surplus		**6**	–
Cash cost of operating specific items	6	**(131)**	(11)
Cash inflow from operations		**660**	282
Income tax paid		**(50)**	(67)
Net cash inflow from operating activities		**610**	215
Cash flow from investing activities			
Finance income received		**43**	47
Proceeds from disposal of property (excluding London Development Portfolio), plant and equipment		**31**	10
Proceeds from disposal of business interests		**15**	–
Cash received on sale and leasebacks – rights to assets transferred	14	**36**	8
London Development Portfolio net (costs)/proceeds		**(3)**	87
Purchase of property, plant and equipment[4]		**(336)**	(272)
Acquisition of business interests, net of cash acquired		**(79)**	(35)
Purchase of intangible assets (software)[4]		**(114)**	(113)
Sale of pension escrow investments	6	**70**	130
Purchase of pension escrow investments		**–**	(16)
Sale/(purchase) of financial asset investments (current)		**216**	(216)
Net cash outflow from investing activities		**(121)**	(370)
Net cash inflow/(outflow) before financing activities		**489**	(155)

	Notes	Reported 52 weeks 2025 £m	Reported 53 weeks 2024 £m
Cash flow from financing activities			
Finance costs paid	24	**(118)**	(79)
Payment of capital element of obligations under lease contracts	24	**(234)**	(216)
Cash received on sale and leasebacks – rights to assets retained	14/24	**14**	71
Proceeds from loans and borrowings	24	**–**	674
Repayment of loans and borrowings	24	**(307)**	(122)
Payment of capital element of asset finance	24	**(3)**	–
Dividends paid to equity holders of the Parent Company	10	**(19)**	–
Net cash (outflow)/inflow from financing activities		**(667)**	328
Net (decrease)/increase in cash and cash equivalents		**(178)**	173
Effect of foreign currency exchange rates on cash and cash equivalents		**(15)**	(8)
Cash and cash equivalents at the beginning of the year		**974**	809
Cash and cash equivalents at the end of the year	21	**781**	974

1. Details of APMs are provided in the section entitled 'Presentation of results and alternative performance measures'.
2. Excludes £70 million (2023-24: £130 million) adjustment in relation to the release of pension escrow (see Note 6 for further details).
3. Other non-cash adjustments include £6 million (2023-24: £4 million) relating to the share-based awards charge.
4. Items comprise total gross capital expenditure within 'in-year trading cash flow' measure (see Financial Review).

Notes to the Consolidated Financial Statements

1. Basis of preparation and accounting policies

General information

International Distribution Services plc (the Company) is incorporated in the United Kingdom (UK). The Consolidated Financial Statements have been produced in accordance with UK-adopted international accounting standards (UK-adopted International Financial Reporting Standards (IFRS)).

The Consolidated Financial Statements of the Company for the 52 weeks ended 30 March 2025 (2023-24: 53 weeks ended 31 March 2024) comprise the Company and its subsidiaries (together referred to as 'the Group') and the Group's interest in its associate undertakings.

The Consolidated Financial Statements for the 52 weeks ended 30 March 2025 were authorised for issue by the Board on 29 August 2025.

Basis of preparation and accounting

The Consolidated Financial Statements are presented in Sterling (£) as that is the currency of the primary economic environment in which the Group operates. All values are rounded to the nearest whole £ million except where otherwise indicated. The Consolidated Financial Statements have been prepared on an historic cost basis, except for pension assets, certain financial instruments, share-based payments, and the assets and liabilities relating to the acquisition of businesses, which are measured at fair value. The assets within the partially impaired Royal Mail excluding Parcelforce Worldwide CGU are measured at fair value less costs of disposal.

The Group's financial reporting year ends on the last Sunday in March and, accordingly, these Financial Statements are prepared for the 52 weeks ended 30 March 2025 (2023-24: 53 weeks ended 31 March 2024). GLS' reporting period is the 12 months ending 31 March each year. There were no significant transactions in GLS between the Group's 52-week reporting period end date and the GLS reporting period end date.

Presentation of results and accounting policies

The Consolidated Financial Statements have been produced in accordance with UK-adopted IFRS, i.e. on a 'reported' basis. In some instances, APMs are used by the Group to provide 'adjusted' results. This is because management is of the view that these APMs provide a useful basis on which to analyse underlying business performance and is consistent with the way that financial performance is measured by management and reported to the Board. Details of the APMs used by the Group are explained in the section entitled 'Glossary of alternative performance measures'.

In the current year, a new operating specific item in relation to incremental bid costs has been added, which falls within the existing policy for operating specific items.

Incremental bid costs

These costs relate to the incremental one-off costs arising from the bid from EP. These costs have been separately identified as management does not consider these costs to be directly related to the trading performance of the Group. These costs have been allocated against the Royal Mail segment on the basis that this is where Corporate Centre costs are included.

Going concern

In assessing the going concern status of the Group, 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 reviewed business activities, together with factors likely to affect the Group's future development and performance, as well as the Group's principal risks and uncertainties. They have also undertaken a rigorous assessment of the financial forecasts, with specific consideration of the trading position of the Group in the context of the current global economic environment.

The Board has concluded that it is appropriate to adopt the going concern basis for the reasons as set out below.

At 30 March 2025 (the reporting date), the Group had net assets of £1.9 billion (excluding defined benefit scheme balances and pension escrow investments). Liquidity available as at the reporting date was £1.7 billion (excluding GLS client cash), made up of cash and cash equivalents of £733 million (excluding £32 million pension escrow investments) and a committed and undrawn bank syndicate loan facility of £925 million.

Following the Offer becoming unconditional on 30 April 2025 and change of control, all change of control provisions on any outstanding debt or derivatives, other than the £925 million syndicate loan facility, were waived by counterparties or lapsed. The £925 million syndicate loan facility was voluntarily cancelled and immediately replaced with a £425 million facility held by IDS.

As a result of the repayment of the remaining outstanding balance on the 2024 €500 million bond in July 2024, the Group now has three bonds outstanding, including the €550 million Euro bond, which falls due for repayment in October 2026, within the assessment period.

As part of the acquisition by EP, through Bidco, the Group has additional debt facilities consisting of a £500 million revolving loan facility, £750 million Bridging Loan 1, £500 million Bridging Loan 2 and £1,100 million Facility A, an amortising five-year term loan. The initial maturity dates on Bridging Loan 1 and 2 are February 2026 and August 2026 respectively. Both facilities are extendable at borrower's option, up to February 2027 in the case of Bridging Loan 1 and up to February 2028 in the case of Bridging Loan 2. IDS will accede as borrower and guarantor on the Bidco facilities when its registration as a private limited company is completed. As this is expected to occur within the first few months of the assessment period this has been assumed to occur as part of this going concern assessment. Therefore, with the new £425 million facility, together with the £500 million facility held by Bidco, the overall level of liquidity available under revolving credit facilities remains unchanged at £925 million. Whilst the maturity of both bridging loan facilities, when considering the available extension options, falls outside the assessment period, in both the Base Case and Downside Case scenarios, it is assumed that both Bridging Loans are fully refinanced within the financial year 2025-26. The first repayment due on Facility A is in February 2027, which is outside the assessment period.

On 12 June 2025, Standard & Poor confirmed IDS' BBB- with a stable outlook investment grade credit rating. Provisions within the Group's unsecured senior fixed rate notes which entitle holders to redeem the notes on a change of control combined with of a credit rating downgrade have not been triggered (see Note 30 for further information).

In their assessment of going concern, which has been reviewed over the period to 28 December 2026 (the assessment period) to take into consideration debt maturity dates, the Directors have considered two scenarios, the Base Case and the Downside Case, which are described below.

Base Case

The key inputs and assumptions underlying the Base Case include:

- Investment grade credit rating is retained and therefore further financial covenants will not be tested.
- Operational savings as a result of changes to the scope of the Universal Service Obligation (USO) as announced by Ofcom on 10 July 2025. No further regulation changes have been assumed.
- Economic impact driven by the ongoing macro-economic headwinds in both Royal Mail and GLS.
- No industrial action taking place in Royal Mail.
- For Royal Mail: mid-single digit revenue growth in parcels in 2025-26, supported by continued market growth and strategic initiatives including an expanded locker network. The structural decline in letters will continue, as well as the reversal of the benefit seen from the General Election, but the volume decline will be largely offset by pricing actions. Efficiency and productivity improvements from projects, including those enabled by the changes to the USO, together with a continued focus on cost control, will help mitigate cost pressures including pay inflation, the increased cost from additional National Insurance contributions, and the impact of increased workload from higher parcel volumes.
- For GLS: mid-single digit revenue growth and some margin dilution linked to ongoing inflationary cost pressures and the changing regulatory environment in Italy.
- An increased cost of debt following the additional borrowing associated with EP's acquisition.

Downside Case

The Downside Case scenario applied further stress to the Base Case to model deteriorating economic and market conditions impacting both Royal Mail and GLS. The details of the scenario modelled as part of the Downside Case are as follows:

Scenario:	Deteriorating economic and political market conditions.
Assumptions:	Revenue growth in the Business Plan is not achieved.
Scenario:	Failure to reduce operational cost base, including in relation to changes to Universal Service.
Assumptions:	Delays in budgeted cost efficiencies being realised.
Scenario:	Costs to avoid industrial action in Royal Mail.
Assumptions:	Lower operating profit as a result of incurring costs to avoid industrial action.
Scenario:	Major breach of information security, data protection regulation and/or cyber attack.
Assumptions:	Cyber breach impacting revenue/costs to rectify.
Scenario:	Failure to grow revenue and effectively compete within a market that uses a predominantly low-cost labour model.
Assumptions:	Lower parcel revenues and failure to deliver new product offerings.
Scenario:	Loss of investment grade credit rating
Assumptions:	Inability to refinance 2026 Euro bond.

The likelihood of simultaneous crystallisation of the above risks is considered by the Directors to be low. Nevertheless, in the event that simultaneous crystallisation were to occur, the Group would need to take mitigating actions to preserve cash and maintain covenant compliance. The Directors have identified several mitigations, all within management's control, to reduce costs and optimise the Group's cash flow, liquidity and covenant headroom (with financial covenants required to be tested if the Group is downgraded to below investment grade credit rating). The gross liquidity impact of the Downside Case to 28 December 2026 is approximately £1.1 billion.

The mitigating actions include:

- Reducing capital and investment expenditure through postponing or pausing projects.
- Deferring or cancelling discretionary spend (including management bonus).
- Potential additional price increases in letters.

The Directors have assessed the Group's financial commitments and consider that in the Downside Case, after taking into account mitigations and cash generated from operations and existing facilities, the Group is forecast to have sufficient cash and liquidity. In the Downside Case it is assumed that the investment grade credit rating is not maintained beyond March 2026. Financial covenants would therefore be required to be tested under its committed credit facilities; however the Group is not projected to breach the financial covenants. In the Downside Case, the Group would draw on the combined £925 million syndicate loan facilities and would have sufficient liquidity to continue to operate and to discharge its liabilities as they fall due over the assessment period.

Having reviewed the Base Case and Downside Case, the Directors have a reasonable expectation that the Group has sufficient liquidity to continue in operational existence over the assessment period and hence continue to adopt the going concern basis in preparing the Financial Statements.

Basis of consolidation

The Consolidated Financial Statements comprise the Financial Statements of the Company and its subsidiary undertakings. The Financial Statements of the major subsidiaries are for the periods as explained in the 'Basis of preparation and accounting' section, using consistent accounting policies.

All intragroup balances and transactions, including unrealised profits arising from intragroup transactions, have been eliminated in full. Transfer prices between business segments are set at arm's length/ fair value on the basis of charges reached through negotiation with the respective businesses.

Subsidiaries are consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is no longer held by the Group. Where the Group ceases to hold control of a subsidiary, the Consolidated Financial Statements include the results for the part of the reporting year during which the Group held control.

Changes in accounting policy and disclosures

The accounting policies applied in the preparation of these Consolidated Financial Statements are consistent with those in the Annual Report and Financial Statements for the 53 weeks ended 31 March 2024, along with the adoption of new and amended accounting standards with effect from 1 April 2024 as detailed below:

1. Basis of preparation and accounting policies continued

New and amended accounting standards adopted in 2024-25

None of the following new and amended standards have a material impact on the financial performance or position of the Group.

Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

This amendment introduces additional disclosures in relation to supplier finance arrangements, the aim of which is to enhance the current requirements and provide users of the accounts with improved information on the effect of supplier finance arrangements on an entity's liabilities and exposure to liquidity risk.
This amendment has had no impact on Group accounting but has led to further disclosures on supplier finance arrangements, which are included in Note 22.

Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants – Amendments to IAS 1

These amendments clarify the requirements for presenting liabilities as either current or non-current where the reporting entity must comply with covenants either before or after the reporting date.
The amendment also clarifies that the classification of liabilities is independent of whether management expects to exercise its right to defer settlement.

Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

These amendments provide guidance on the measurement requirements for a seller-lessee in a sale and leaseback transaction where the future lease payments involve a variable element.

Accounting standards issued but not yet applied

The following new and amended accounting standards are relevant to the Group and are in issue but were not effective at the balance sheet date:

- Lack of exchangeability – Amendments to IAS 21
- Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7
- Annual Improvements to IFRS Accounting Standards – Volume 11
- Power Purchase Agreements – Amendments to IFRS 9 and IFRS 7
- IFRS 18 'Presentation and Disclosure in Financial Statements'
- IFRS 19 'Subsidiaries without Public Accountability: Disclosures'
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28

The Directors do not expect that the adoption of the amendments and new standard listed above (which the Group does not expect to early adopt) will have a material impact on the financial performance or position of the Group in future periods. The adoption of IFRS 18 is expected to have an impact on the presentation of the accounts.

Key sources of estimation uncertainty

The preparation of Consolidated Financial Statements necessarily requires management to make certain estimates and judgements that can have a significant impact on the Financial Statements. These estimates and judgements 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.

Significant accounting estimates

Pensions – defined benefit obligation

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 changes in assumptions will be reflected in the Group's consolidated statement of comprehensive income.

The Group exercises its judgement in determining the recoverability of any surplus and 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, DBCBS and RMCPP pension plans are included within Note 11.

Defined benefit pension plan assets are measured at fair value. Where these assets cannot be valued directly from quoted market prices, the Group 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 the 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 with assumptions made 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 .
- Properties are valued on the basis of open market value as at the year-end date, in accordance with the Royal Institute of Chartered Surveyors (RICS) Valuations Standards (under 'Red Book' guidelines) adjusted for any capital expenditure and impairments since that valuation.
- 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.
- Interest rate 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 the year end.

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 11.

Pensions – DBCBS constructive obligation

The Defined Benefit Cash Balance Section (DBCBS) was introduced in the Group's reporting year 2018-19. In addition to recognising its legal obligations under the DBCBS rules, the Group also recognises any constructive obligation arising from the entity's informal practices. Although there is no legal obligation on the Group or DBCBS Trustees to award increases to the DBCBS lump sum benefits to members in future years, since its inception, the Group has included an accounting constructive obligation in relation to annual increases on the basis of scheme members' reasonable expectations.

As a result of past experience of actual increases awarded, the Directors agreed that, commencing in 2023-24, the constructive obligation should be treated as a non-specific constructive obligation, calculated based on the average of the previous five years of increases, but reserving the right to adjust the percentage addition to CPI if future increase expectations are significantly different to the calculated figure. The assumed future increases at 30 March 2025 are CPI plus 1.2% for accounting purposes. Any future changes will be recognised through other Other Comprehensive Income (OCI) to the extent that the methodology for calculating the assumption remains the same.

Pensions – DBLS constructive obligation

The Defined Benefit Lump Sum (DBLS) section of the RMCPP was introduced in the Group's reporting year 2024-25. In addition to recognising its legal obligations under the RMCPP rules, the Group also recognises any constructive obligation arising from the entity's informal practices. Although there is no legal obligation on the Group or RMCPP Trustees to award increases to the DBLS lump sum benefits to members in future years, the Group has included an accounting constructive obligation in relation to annual increases on the basis of scheme members' reasonable expectations.

The Directors have agreed that the constructive obligation should be treated as a non-specific constructive obligation, calculated based on the average of the previous five years of increases, but reserving the right to adjust the percentage addition to CPI if future increase expectations are significantly different to the calculated figure. Management concluded that, prior to the first actual increase being awarded, the assumed future increases at 30 March 2025 would be CPI plus 1.0% for accounting purposes, based on actuarial modelling and an assessment of member expectations. Thereafter, this starting position will be unwound by recognising each known increase given to members in the following year's non-specific constructive obligation. Any future changes will be recognised through OCI to the extent that the methodology for calculating the assumption remains the same.

Deferred revenue

The Group recognises advance customer payments on its balance sheet, predominantly relating to stamps and meter credits purchased by customers but not used at the balance sheet date.

The majority of this balance is made up of stamps sold to the general public, referred to as Stamps in the hands of the Public (SITHOP). Management must assess the value of deferred revenue in relation to SITHOP, and this requires a degree of estimation. These estimates require assumptions over various factors as set out below and were there to be significant changes in these estimates, the amount recognised in respect of SITHOP could materially impact the carrying value of the liability. Management utilises a number of different data sources to calculate the estimated SITHOP liability, given that stamps can be held and used for varying time periods. Royal Mail introduced barcoded stamps in February 2022 to replace non-barcoded stamps. A Stamp Swap Out scheme (where customers could swap out their existing unbarcoded stamps for barcoded stamps) was launched on 31 March 2022. Unbarcoded stamps became invalid for postage in August 2023.

Since the official introduction of barcoded stamps, Royal Mail has developed a new methodology to calculate the SITHOP balance by using the barcode scan data. The methodology uses barcode scan data to build a profile of how long stamps are held by customers before being used for postage; this profile is referred to as the 'usage curve'. In building this profile, it is necessary to estimate the month in which stamps are sold as there is no unique scan of individual stamps at the time of sale. This is estimated through 'bucketing', which makes the assumption that small groups of sequential barcodes ('buckets') are sold at a similar time and that the first stamp scanned in the bucket indicates the month of sale for all stamps in that bucket. The methodology is reliant on having sufficient scan data history to develop the usage curves over a sufficient length of time and was therefore used to calculate the SITHOP balance for the first time in 2023-24, since sufficient scan data was available. The methodology is based on actual scan data which seeks to estimate when the performance obligation in relation to stamp sales has been fulfilled and, as such, is more data-driven and less reliant on historic trends and judgements to reflect posting patterns of customers, as was necessary with the previous methodology.

At 30 March 2025, the Group recognised a £116 million (2023-24: £138 million) SITHOP liability in respect of stamps sold to the general public but not used at the balance sheet date.

The usage curves in conjunction with a number of assumptions are applied to historic sales to derive the deferred revenue liability.

Management must exercise a degree of estimation in deriving the SITHOP balance in relation to the following:

- Products removed from both scan data and sales data (to reflect that certain stamps are not typically purchased to be used, e.g. collector stamps).
- Non-scan percentage (which refers to the estimate of stamps that are not scanned as they are manually sorted and therefore need to be reflected in the usage curve).
- Bucket size – referring to the number of stamps grouped together as part of estimating the month of sale.
- Method of extrapolating the usage curve beyond the months for which actual scan data is not currently available, the usage curve is extrapolated out to 36 months.
- Level of breakage (which refers to the value of stamps sold that management estimates will not be used, and therefore the likelihood of a performance obligation being required is remote).
- Breakage period – the number of months after which management considers it a remote possibility that any remaining stamps will be utilised. This is estimated to be after 36 months.
- Buy forward of stamps (refers to an adjustment required to reflect the change in customer behaviour in relation to purchasing stamps in advance of price increases).
- Retail stamp stock days – stamps sold direct to retailers for onwards sale to the public are included in the model but this assumes a stock holding period by retailers before being included in the usage curve.

The Group has performed sensitivity analysis of reasonably possible changes in significant assumptions as follows:

- Increasing the bucket size for stamps from three sheets or books to four increases SITHOP by £6 million, whilst decreasing it from three sheets or books to two would reduce the estimate by £11 million.

1. Basis of preparation and accounting policies continued

- A +5% or -5% change in non-scan percentage changes the SITHOP estimate by +£10 million and -£6 million respectively.
- Increasing the breakage period from 36 to 48 months increases the SITHOP estimate by £12 million, whilst reducing the breakage period to 24 months reduces the SITHOP estimate by £20 million.

Although the impact of the assumptions are individually not material, in combination, they could have a significant impact on the SITHOP balance.

Royal Mail excluding Parcelforce Worldwide CGU impairment test

In accordance with IAS 36, management is required to perform an impairment assessment of the CGU whenever events or circumstances indicate that the value of the balance sheet may not be recoverable or a reversal of impairment may be required. An assessment was performed as at 30 March 2025 and this has resulted in an impairment reversal of £117 million (2023-24: £48 million charge) in relation to property, plant and equipment (see Note 13) and intangible assets (see Note 16).

In assessing whether the CGU remains impaired, the carrying value of the CGU of £1,995 million (2023-24: £1,925 million) was compared to its recoverable amount. The recoverable amount is the higher of its value in use (VIU) and its fair value less cost to dispose (FVLCD).

As required by IAS 36, under the VIU calculation, estimates of future cash flows shall not include cash inflows or outflows that are expected to arise from a future restructuring or improving or enhancing the assets to which an entity is not yet committed, at the balance sheet date. The VIU approach, after adjusting for the restructuring and transformational cash flows, would therefore result in a lower valuation than the FVLCD calculation.

Royal Mail's strategy to transform the business into a more efficient operation that meets customers' changing needs and the future cash flows considered within the impairment assessment, reflects both the costs and benefits associated with this transformation as well as the expected impact of the proposed USO reform, published by Ofcom in January 2025.

Royal Mail has a robust process for tracking and managing environmental policy and legislation in the UK and is aiming to meet changing customer expectations for lower-carbon alternatives. As such, management has considered the implications for the forecast cash flows, and the assumptions in the Business Plan reflect management's current climate strategy.

Management therefore assessed the recoverability of the Royal Mail CGU using the alternative FVLCD methodology. The FVLCD considers the valuation from a 'market participant' perspective. Management has calculated a valuation using a discounted cash flow model from the perspective of a market participant, i.e. a buyer transacting in the principal market for an asset of this type.

Management has used the management-approved 2025 five-year Business Plan that was in place at the balance sheet date as the basis of the discounted cash flows in the FVLCD model (Level 3 fair value inputs), with this extended to cover a period of seven years, to reflect the timeframe required to incorporate the effects of USO reform and for the benefits thereof to reach a steady state. The extension to years six and seven has been carried out by applying a standard growth rate of 0.5% to the year five revenue and costs, other than where these relate to USO reform, given the assumption that there will continue to be reducing benefits to reflect continued letter decline. Stabilisation from year seven is assumed on the basis that either further operational efficiency would be implemented to offset the decline or further USO reform would be required. Management has then considered the appropriateness of its assumptions in the context of information that would be available to a market participant.

Key assumptions in the impairment assessment

Expected revenue and operating margin performance: Forecast cash flows are based on the March 2025 five-year management approved Business Plan. The key inputs and assumptions underlying the Business Plan include the economic impact of USO reform, as outlined in the Ofcom consultation published in January 2025 which was ongoing as at 30 March 2025, as well as ongoing macro-economic headwinds. The Business Plan as at the balance sheet date assumes that USO reform becomes effective in summer 2025 and that the changes to the USO are consistent with those consulted on by Ofcom in January 2025. The Ofcom consultation concluded in July 2025 (see Note 30 for further information). Following agreement with the CWU of the Business Recovery, Transformation and Growth Agreement in July 2023, it does not assume any further industrial action taking place. The plan assumes growth in parcel volume but a reduction in letter volume.

To reflect a market participant's view, a risk adjustment has been applied to the plan cash flows to reflect the benefits expected to arise from the USO reform consulted on by Ofcom in January 2025. Specifically, an adjustment has been made to include additional costs associated with achieving the Quality of Service targets outlined in the proposed USO reform, which differ materially to the proposal, and associated benefit, that the Group put forward.

Discount rates: The discount rate is based on the UK-specific post tax discount rate of 10.2% (2023-24: 10.5%), which reflects a risk premium that a market participant would apply in order to reflect uncertainty in terms of ability to deliver revenue growth and improve operating margin through transformation and USO reform. In deriving the risk premium, a market participant would consider past performance in terms of delivering transformational change, and the significant change and efficiency programme to be delivered.

Property proceeds: The plan includes property proceeds expected from the disposal of sites currently being used in the operation. Adjustments have been made to the timing of real estate proceeds assumed in the Business Plan to reflect current market conditions and to better represent a market participant's view of the timing of realisable sales proceeds.

Terminal growth rate: A terminal growth rate of 0.5% has been applied to the year into perpetuity. This long-term growth rate is considered by management to be the best estimate towards the lower end of the range when benchmarked against comparative industry peers.

Recoverable amount

In accordance with the financial reporting standards, the recoverable amount is the higher of the VIU and FVLCD. The FVLCD approach resulted in a recoverable amount that was above the carrying value at the year end, and therefore an impairment reversal of £117 million (2023-24: impairment charge of £48 million) has been recognised. The impairment reversal in the year is mainly as a result of the inclusion of the impact of the proposed USO reform which was under consultation by Ofcom as at 30 March 2025.

Sensitivity to changes in assumptions

The valuation of the Royal Mail excluding Parcelforce Worldwide CGU is dependent upon a number of estimates used in arriving at revenue growth, operating margin, terminal growth rates and the discount rate. An evaluation of sensitivities to the FVLCD calculation illustrates that there are both risks and opportunities. The ongoing operational changes and improvements in Royal Mail have been key to the improved performance seen since the time of the original impairment, although significant changes remain to be delivered. Given past performance of delivering transformational change, and the significant change and efficiency programme delivered, there is significant opportunity and, with due regard to the risks involved in transforming the business and evolution of the letters and parcels markets, there is a reasonable possibility in the future for the business to be restored to its full carrying value.

The following represent key areas of sensitivity in the model:

- *Regulation:* The plan assumes that regulatory reform will be in line with the Ofcom proposals under consultation as at March 2025. Specifically, the plan therefore assumes that the benefits realised will be materially lower than those in the original proposal put forward by the Group. If the reform that is ultimately implemented is more closely aligned to that put forward by the Group, it would be expected to lead to a full impairment reversal of £338 million. If regulatory reform benefits were not included in the plan, this would result in an impairment for the year of £429 million.
- *Contribution from market movements:* If parcel growth rates are 1% per annum more positive, this would increase the valuation by £1.7bn leading to a full reversal of £0.3 billion. However, if parcel growth reduced by 1%, it would reduce the valuation by £1.7bn, leading to an impairment for the year of £1.6bn. If letter growth rates are 1% more positive, this would increase the valuation by £1.3bn, leading to a full reversal of £0.3 billion. However, if letter growth reduced by 1%, it would reduce the valuation by £1.3bn, leading to an impairment for the year of £1.2bn.
- *Discount rate:* An increase in the discount rate by a further 100 bps reflecting increased uncertainty would result in a valuation of £2,107 million and an implied impairment of £22 million for the year (2023-24: valuation of £1,736 million and further impairment of £140 million). A decrease in the discount rate of 100 bps would result in a valuation of £2,412 million and an implied impairment reversal of £283 million for the year (2023-24: valuation of £2,039 million and implied reversal of £138 million).
- *Property proceeds:* Current property proceeds are included at Alternative Use Value in the cash flow forecasts. Using the current 'red book' valuations would result in a valuation of £2,242 million and an implied reduction in the impairment reversal for the year of c.£4 million.
- *Terminal growth rate:* An increase in the terminal growth rate of 0.5% would result in a valuation of £2,323 million and an implied impairment reversal of £194 million for the year (2023-24: valuation of £1,934 million and implied reversal of £13 million).
- *Combined sensitivities:* An 11% discount rate and 1% terminal growth rate would result in a valuation of £2,202 million. In order for there to be a full reversal of the impairment, the discount rate would need to reduce by 130 bps or the terminal growth rate would need to increase to 1.8% (2023-24: discount rate reduction of 240 bps and terminal growth rate increase to 3.4 %).

Other estimates

Derivatives options

As part of the agreement to purchase 20% of the shares of ACS, the Group also obtained a call option to purchase the remaining 80% to be exercisable on 31 October 2025 or 30 October 2026. Should this call option not be exercised by 30 October 2026, put and call options are in place with the Group and ACS respectively for the 20% stake to be repurchased by ACS (if neither are exercised then the Group's call option can also be deferred by one more year to 29 October 2027).

These options are considered to be a contractually linked transaction with the 20% share purchase. Hence the purchase price was allocated between the options and the investment in associate at initial recognition.

Options are initially stated at fair value. Under IFRS 9, derivatives are classified as fair value through profit and loss (FVTPL) and any gains or losses arising from changes in fair value are taken directly to the income statement. The day one valuation was not recognised as a gain to the income statement as it was a contractually linked transaction with the share purchase as above.

The options values disclosed in the balance sheet are determined at the reporting period end based on the latest available information. Movements in the year are recognised through the Income Statement. This is treated as an operating specific item because management does not consider these costs to be reflective of operating performance and, in management's opinion, they require separate identification.

The options are recognised based on the Level 3 fair value hierarchy under IFRS 13. This is because there are inputs for the asset or liability that are not based on observable market data (unobservable inputs). The fair values are determined on the basis of the Monte Carlo option pricing model. Where possible, parameters observable on the market or derived from market data are used to determine the value. A volatility of 19.1% is taken into account for the options based on the volatilities of a comparable group of companies. No major fluctuations in equity value are expected with regard to the options in the future (see Note 17 for further details).

Other accounting policies

Climate change

When preparing the Financial Statements, the Directors consider the impact of climate change, particularly in the context of risks identified in the climate-related financial disclosures on pages 15 to 22. No material impact on the financial reporting judgements and estimates has been identified. The Directors consider the impact of climate change with regards to:

- Going concern assessment.
- Cash flow forecasts used in the impairment assessments of non-current assets including goodwill and infrastructure investment assets.
- Carrying value and useful economic lives of property, plant and equipment.
- The valuation of assets held with the Group's pension scheme.

The Directors are aware of the ever-changing risks attached to climate change and will regularly assess these risks against judgements and estimates made in preparation of the Group's Financial Statements.

1. Basis of preparation and accounting policies continued

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.

Parcels and letters 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.

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 Group, 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).

Further details of the major revenue streams in each operating segment are provided below:

Royal Mail

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 Group 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.

GLS

Revenue is derived from specific parcel contracts and is recognised when the delivery of an item is complete.

Costs

The following costs are recognised in the Financial Statements on an accruals basis of accounting.

People costs

These are costs incurred in respect of the Group's employees and comprise wages and salaries, pensions and social security costs. These costs are disclosed separately on the face of the income statement.

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, Parcelforce Worldwide delivery operators and GLS subcontractor costs. These costs are disclosed separately on the face of the income statement.

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. These costs are disclosed separately on the face of the income statement.

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 and consumables. Non-people costs relating to projects are also included. Other operating costs exclude operating specific items and are disclosed separately on the face of the income statement.

The following are explanations of other cost measures:

Pension charge adjustment

This adjustment represents the difference between the IAS 19 income statement pension charge and the funding cost of accrual as specified in the DBCBS and DBLS Schedule of Contributions, plus any payments into, or out of, RMPP pension escrow investments and any scheme deficit payments. Management reviews the performance of the business based on the cash cost of the pension plans in the adjusted operating profit/loss of the Group (see Note 6 and 'Glossary of alternative performance measures').

Depreciation/amortisation adjustment for impaired assets

This adjustment represents the reinstatement of the amounts for depreciation and amortisation that would have been charged to the income statement had the partial impairment of the Royal Mail excluding Parcelforce Worldwide CGU impairment in prior years not taken place. The reported depreciation and amortisation are in accordance with UK-adopted IFRS; however, when reviewing these balances, management excludes the impact of impairments and the related impact on depreciation and amortisation. Due to the unpredictability of impairments and the resulting impact on depreciation, this measure is used to provide a consistent basis for operating profit.

Profit/loss on disposal of property, plant and equipment

Management separately identifies recurring profit/loss on disposal of property, plant and equipment as these disposals are not part of the Group's trading activity and are driven primarily by business strategy.

Operating specific items

These are items that management considers significant by nature or value and that, in management's opinion, require separate identification. Management does not consider them to be reflective of year-on-year operating performance.

Amortisation of intangible assets in acquisitions

These charges, which arise as a direct consequence of the application of IFRS business combination accounting requirements, are separately identified as management does not consider these costs to be directly related to the trading performance of the Group.

Impairment of Royal Mail excluding Parcelforce Worldwide CGU
These costs represent the impairment reversal/charge arising from the impairment assessment of the CGU. The reported impairment reversal/charge is in accordance with UK-adopted IFRS; however, when reviewing performance, management excludes the impact of impairments. Due to the unpredictability of impairments, this measure is used to provide a consistent basis for operating profit.

Regulatory and legal charges
These costs relate to incremental one-off costs arising from various ongoing legal and regulatory matters across the Group. These costs have been separately identified as management does not consider these costs to be directly related to the trading performance of the Group.

Incremental bid costs
These costs relate to the incremental one-off costs arising from the bid from EP. These costs have been separately identified as management does not consider these costs to be directly related to the trading performance of the Group. These costs have been allocated against the Royal Mail segment on the basis that this is where Corporate Centre costs are included.

Legacy/other items
These relate to unavoidable ongoing costs or credits arising from historical events, e.g. industrial diseases provision movements.

Non-operating specific items
These are recurring or non-recurring items of income or expense of a particular size and/or nature which do not form part of the Group's trading activity and, in management's opinion, require separate identification.

Net pension interest
The net pension interest (credit)/charge is a non-cash item recognised under the requirements of IAS 19. It is calculated based on the pension surplus/deficit multiplied by the discount rate at the beginning of the reporting period. It is not considered to form part of the Group's trading activity and, in management's opinion, requires separate identification.

Adjusted tax (charge)/credit
The adjusted tax (charge)/credit is the total reported tax (charge)/credit excluding the tax (charge)/credit in relation to specific items, the depreciation/amortisation adjustment for impaired assets, profit/(loss) on disposal of property, plant and equipment, and the pension charge adjustment.

Share-based payments
The Group operates a number of equity-settled, share-based compensation schemes under which the Group receives services from employees as consideration for equity instruments (shares) of the Company. These include the HMRC-approved (Employee Free Shares) Share Incentive Plan. The scheme is based on non-market conditions and does not vest until the employee completes a specific period of service.

Share-based payments awarded as part of Long-Term Incentive Plans vest based on a combination of non-market and market conditions. The fair value of the employee services received in exchange for the award is recognised as an expense in the income statement, with a corresponding credit entry in equity, as per the requirements of IFRS 2 'Share-based Payment'.

Share-based payments awarded as part of the Deferred Share Bonus Plan are a deferred share award, granted to Executive Directors at the end of the annual performance period, the grant being of equal value to the annual bonus and subject to continued employment over a three-year vesting period. The fair value of the employee services received in exchange for the grant of the shares is recognised as an expense in the income statement, with a corresponding credit entry in equity, as per the requirements of IFRS 2 'Share-based Payment'. The total amount expensed is determined by reference to the fair value of the equity instruments at the date on which they are granted. The fair value of each award is measured with reference to the share price upon issue and using the Monte-Carlo simulation model where appropriate.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. No expense is recognised for awards that do not ultimately vest. At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of service conditions and of the number of equity instruments that will ultimately vest.

The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity. The social security contributions payable in connection with the grant of shares is considered an integral part of the grant itself, and the charge is treated as a cash-settled transaction.

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 the following:

- Initial recognition of goodwill.
- 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 and, at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.
- Taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.
- Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which they can be utilised.

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.

The Group has applied the exception to the requirements of IAS 12 and has not recognised nor has it disclosed any information about deferred tax assets and liabilities related to the OECD Pillar Two income taxes.

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

1. Basis of preparation and accounting policies continued

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 it relates 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.

Earnings per share

Basic EPS from continuing operations is calculated by dividing the profit/loss from continuing operations by the weighted average number of ordinary shares in issue.

Diluted EPS is calculated by adjusting the weighted average number of ordinary shares in issue on the assumption of conversion of all potentially dilutive ordinary shares arising from share-based payment schemes. These potential shares are treated as dilutive only when their conversion to ordinary shares would decrease EPS from continuing operations.

Cash Generating Units (CGUs) of the Group

The Group consists of a number of CGUs, each possessing largely independent cash inflows. The UK network, through which millions of letters and parcels pass each day, is considered by management to comprise two separate CGUs due to their distinct, individually identifiable cash flows. These CGUs for impairment testing purposes are Royal Mail excluding Parcelforce Worldwide and Parcelforce Worldwide. Certain other non-core entities are considered to be separate CGUs, albeit these are not material at a Group level.

In GLS, management considers each country's operations to represent a separate CGU. In relation to the testing of goodwill for impairment, however, the operating and financial synergies arising on new business combinations within GLS are felt by management to primarily benefit contiguous parts of the GLS network. For this reason, goodwill arising on new business acquisitions has typically been allocated to one of the major networks designated as CGUs, i.e. mainland Europe, US and Canada.

In the current year, the operations of the Rosenau business, acquired in 2021-22, are now considered to be sufficiently integrated with the existing Dicom Canada business to be considered as a single CGU. This assessment is also consistent with how GLS group management now monitors the performance of the Canadian operations.

Impairment test for goodwill and CGUs

In assessing whether there has been an impairment of goodwill, 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's or asset's fair value less costs of disposal (realisable value) and value in use. The value in use of the CGU/asset is calculated based on its discounted cash flows.

GLS CGUs

Details of the impairment review of the GLS CGUs are included in Note 15.

Royal Mail excluding Parcelforce Worldwide CGU

An impairment review of Royal Mail excluding Parcelforce Worldwide CGU was undertaken in the current reporting year. Further details can be found in the 'Key sources of estimation uncertainty' section.

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 in the 2019-20 reporting year. This review identified that the carrying value of the CGU was in excess of its recoverable amount, which resulted in all non-monetary assets being written off and a £91 million impairment charge being reported as a specific item in the income statement within the Royal Mail segment. For this reporting year, management considers that it is not appropriate to reverse the impairment charge, as the business has still to establish a sustainable financial performance.

Segment information

The Group's operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing an operating unit that offers different products and serves largely different markets.

The Board monitors the operating results of its main operating units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on the 'operating profit/(loss) before specific items' measure.

The reportable operating segments are made up of business units based in the UK (the Royal Mail segment) and business units based in other parts of Continental Europe, the US and Canada, which are the constituent parts of the GLS segment. There is no aggregation of operating segments.

Segment revenues have been attributed to the respective countries based on the primary location of the service performed. Transfer prices between segments are set at arm's length/fair value on the basis of charges reached through negotiation between the relevant business units that form part of the segments.

There are no differences in the measurement of the respective segments' reported profit/loss and the Consolidated Financial Statements prepared under IFRS.

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	2 to 12 years
Fixtures and equipment	2 to 15 years

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, is expensed in the income statement as incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. 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 recognised 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.

Business combinations and goodwill
Business combinations are accounted for under IFRS 3 'Business Combinations' using the purchase method. Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities at the date of acquisition is recognised in the balance sheet as goodwill and is not amortised.

After initial recognition, goodwill is stated at cost less any accumulated impairment losses. Goodwill arising from business combinations is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of such impairment reviews, goodwill is allocated to the relevant CGUs, or groups of CGUs, which are expected to benefit from synergies of the combination.

A goodwill impairment loss is recognised in the income statement for the amount by which the carrying value of the related CGU, or group of CGUs, exceeds the recoverable amount, which is the higher of a CGU's fair value less costs of disposal and its value in use. Goodwill arising on the acquisition of equity-accounted entities is included in the cost of those entities and therefore not reported on the balance sheet as goodwill.

Intangible assets
Intangible assets acquired as part of a business combination are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition. Intangible assets acquired separately or development costs that meet the criteria to be capitalised are initially recognised at cost and are assessed to have a finite useful life, with key strategic assets generally having the longest lives. Those assets with a finite life are amortised over their useful life but 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 fair value less costs of disposal and its value in use. Development costs capitalised and included as an asset within the Financial Statements have not been treated as a realised loss for the purpose of determining distributable reserves.

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

Customer listings	3 to 10 years
Software	3 to 10 years
Brands	1 to 10 years

Investments in associates
The Group's investments in its associate companies are accounted for under the equity method of accounting. Under the equity method, an investment is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in value. The income statement reflects the Group's share of annual post-tax profits from the associates (currently netted off other operating costs as the values are not material enough for separate disclosure).

Any goodwill arising on acquisition of an associate, representing the excess of the cost of the investment compared with the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities acquired, is included in the carrying amount and not amortised.

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 reporting year in which they are incurred.

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 (including those in a disposal group) cease to be depreciated.

Leases
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 IFRS 16, the Group 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, at 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

1. Basis of preparation and accounting policies continued

payments made. Lease interest is shown within finance costs in the statement of cash flows. The lease liability is remeasured as a result of market rent reviews and for changes in the assessment of future extensions or terminations which result in a significant change of circumstances in respect of the lease and are within the Group's control.

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

Where possible, the Group allocates the consideration in each contract between any lease and non-lease components; however, where this is not possible, the Group 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.

The Group has lease break options in place for a majority of its property lease agreements. These options provide the Group with greater flexibility in managing the UK estate. These break options have in the main, historically, not been exercised due to ongoing operational requirements. Management has 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. In only exceptional cases, when it is reasonably certain that the break will be enacted, are leases recognised to the break date. The unrecognised non-discounted cash flows in relation to these leases are £7 million (2023-24: £17 million).

The Group adopts a practice of largely not including extension options in its leases. Where such clauses exist, only where management assesses it is reasonably certain the extension option will be exercised will the leases be recognised to the extension date.

IFRS 16 – incremental borrowing rates (IBR)

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.

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.

In considering the appropriate IBR to apply, the Group has adopted 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 has concluded that, for the Royal Mail business, 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 to Royal Mail are judged to be the current credit rating of the Group (BBB) and the length of the borrowing term required.

On the basis of the work performed, Royal Mail 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. Royal Mail has based IBR rates on UK BBB corporate bond yields, adjusted to reflect the different payment profile between a bond and a lease.

The GLS business has followed a similar methodology and grouping by lease length to that used in Royal Mail. However, instead of basing the yields on corporate bond yield curves, which are not readily obtainable for all GLS currencies, a sovereign bond yield curve for the relevant country has been used as the starting point and an appropriate margin applied to this based upon consideration of consolidated GLS quantitative and qualitative information.

Sale and leaseback transactions

A sale and leaseback transaction is where the Group sells an asset and immediately reacquires the use of the asset by entering into a lease with the buyer. A sale occurs when control of the underlying asset passes to the buyer. Upon sale, a lease liability is recognised, the associated property, plant and equipment asset is derecognised, and a right of use asset is recognised for the proportion of the carrying value relating to the rights retained. Any gain or loss arising relates to the rights transferred to the buyer. In the Group cash flow statement, sale and leaseback proceeds received are classified as financing cash flows to the extent that rights to the assets are retained. Where the proceeds relate to rights transferred, these are classified as investing cash flows.

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 and prior year, consideration of the prevailing macro-economic conditions have resulted in ECL rates applied above the standard provisioning rates.

The rates below have been applied to the Royal Mail debt. In GLS, rates are country specific to reflect the economic conditions of individual countries; the rates disclosed are a GLS weighted average.

Royal Mail	2024-25 %	2023-24 %
Not yet overdue	**0.23**	0.22
Past due not more than one month	**1.30**	1.43
Past due more than one month and not more than two months	**6.90**	8.22
Past due more than two months	**33.27**	40.13

GLS	2024-25 %	2023-24 %
Not yet overdue	**0.15**	0.14
Past due not more than one month	**5.29**	4.40
Past due more than one month and not more than two months	**15.65**	16.61
Past due more than two months	**41.95**	42.37

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.

Based on the normal operating cycle for international debtors and creditors, settlement can take up to 12 months from the end of the calendar year in which they relate to. These receivables and payables are covered by the Universal Postal Union (UPU) Convention and bilateral agreements, and are presented as current assets and liabilities on the assumption they are expected to be realised in their normal operating cycles in line with IAS 1. See Notes 20 and 22 for further details.

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

As the scheme has not led to a substantial modification in the terms of the financial liability, the Group 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 Group. There is no impact on net debt, as amounts owed continue to be reported within trade payables.

Financial instruments
Financial assets within the scope of IFRS 9 'Financial Instruments' are classified as financial assets at: fair value through profit and loss (FVTPL) if they are not part of an effective hedge designation (held for trading); or 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 Group 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 Group only has financial assets and liabilities measured at amortised cost or measured at FVTPL along with 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
These are non-derivative financial assets which are held for the purpose of collecting contractual cash flows (held to collect), including interest. 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 Group invests surplus cash in money market funds which hold baskets of cash, cash equivalent and high-credit-rating debt-based securities with short-term maturity. These funds are highly liquid and investments can be redeemed either the same day or within a week, so are categorised as cash equivalents on the basis they are a readily available source of cash. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of bank overdrafts. Money market funds are designated as FVTPL, and all other cash equivalents are classified as financial assets at amortised cost.

Bank overdrafts (in a cash pool)
Bank overdrafts represent the gross overdrawn balances within the Group that generally form part of a net £nil cash pool. These form an integral part of the Group's cash management. They are included within cash and cash equivalents in the statement of cash flows along with the offsetting equivalent balances of cash at bank in the cash pool that are in credit and that are included within cash and cash equivalents.

Financial assets – pension escrow investments
Pension escrow investments comprise a Royal Mail Collective Pension Plan money market fund investment and a Royal Mail Pension Plan money market fund investment.

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

Financial liabilities – interest-bearing loans and borrowings
All loans and borrowings are classified as financial liabilities measured at amortised cost. The Euro-denominated bonds are measured at amortised cost in Euro and converted to Sterling at the closing spot Sterling/Euro exchange rate.

Derivative financial instruments and hedging programmes
The Group uses derivative instruments such as foreign currency contracts in order to manage the risk profile of any underlying risk exposure of the Group, in line with the Group'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

1. Basis of preparation and accounting policies continued

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.

The group also designates the €500 million 2028 bond (2023-24: €500 million 2028 bond and the Euro-denominated leases) as a hedge of the net investment in GLS. Foreign currency exchange differences arising from translation of these Euro-denominated balances to closing Sterling/Euro exchange rates are deferred to the foreign currency translation reserve in equity, to the extent that the hedge is effective. These differences are reported within profit or loss to the extent that the hedge is ineffective. These exchange differences would be released from equity to the income statement as part of the gain or loss, only if GLS was sold.

Derivatives that do not qualify for hedge accounting are classified as FVTPL 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' (see details of the fair value hierarchy below).

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 in 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.

For the Group's bonds, the disclosed fair values are calculated as the closing market bond prices converted to Sterling (for the Euro-denominated bonds) using the closing spot Sterling/Euro exchange rate.

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 Group 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 Euro-denominated bonds, the disclosed fair values are calculated as the closing market bond prices converted to Sterling using the closing spot Sterling/Euro exchange rate.

For the purposes of comparing carrying amounts with 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.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at an appropriate pre-tax rate.

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.

Contingent assets

Contingent assets are possible assets whose existence will be confirmed by the occurrence or non-occurrence of uncertain future events that are not wholly within the control of the entity. Contingent assets are not recognised, but they are disclosed when it is more likely than not that an inflow of benefits will occur.

However, when the inflow of benefits is virtually certain, an asset is recognised on the balance sheet, because the asset is no longer considered to be contingent.

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 year end. Interim dividends are recognised as a distribution when paid.

Pensions and other post-retirement benefits

Defined benefit pension plan assets are measured at fair value. Listed securities are valued at bid price or the last traded price, depending on the convention of the stock exchange on which they are quoted. 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 on the basis of open market value at the year-end date, in accordance with the RICS Valuation Standards. Further details on the measurement of pension assets are included within the 'Key sources of estimation uncertainty' section. 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, i.e. 'withholding 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 Trustee 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 recognised immediately in the statement of comprehensive income. The Group recognises a constructive obligation to provide future increases to benefits under the lump sum DBCBS and DBLS section of the RMCPP. This is charged to current service costs in the income statement. Further details on the constructive obligation are included within Note 11 to the Financial Statements.

For defined contribution plans, the Group's contributions are charged to operating profit (within people costs) in the year to which the contributions relate. Overseas subsidiaries make separate arrangements for the provision of pensions and other post-retirement benefits.

Foreign currencies

The functional and presentational currency of International Distribution Services plc is Sterling (£). The functional currency of the overseas subsidiaries in Europe is mainly the Euro (€), in the US it is the Dollar (US$) and in Canada it is the Canadian Dollar (C$).

The assets and liabilities of foreign operations are translated at the rate of exchange ruling at the balance sheet date. The trading results of foreign operations are translated at the average rates of exchange for the reporting year, being a reasonable approximation to the actual transaction rate. The exchange rate differences arising on the translation, since the date of transition to IFRS, are taken directly to the foreign currency translation reserve in equity.

Foreign currency exchange differences arising from translation of the €500 million 2028 bond (2023-24: €500 million 2028 bond and the Euro-denominated leases) (designated as hedges of the net investment in GLS) to closing Sterling/Euro exchange rates are deferred to the foreign currency translation reserve in equity. These exchange differences would be released from equity to the income statement as part of the gain or loss, only if GLS was sold.

Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate effective during the month of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange effective at the balance sheet date. Hedge accounting is claimed for the €550 million 2026 bond and the €500 million 2028 bond (2023-24: €550 million 2026 bond, the €500 million 2028 bond and the Euro-denominated leases). Exchange rate differences on these monetary liabilities are taken to equity (to the extent the hedges are effective) until the disposal of the hedge instrument or hedge item occurs, at which time they are recognised in profit or loss. Exchange rate differences on monetary assets and other monetary liabilities are taken to the income statement.

Non-monetary items that are measured in terms of their 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.

2. Segment information

The Group's operating segments are based on geographic business units whose primary services and products relate to the delivery of parcels and letters. These segments are evaluated regularly by the International Distribution Services plc Board – the Chief Operating Decision Maker (CODM) as defined by IFRS 8 'Operating Segments' – in deciding how to allocate resources and assess performance.

A key measure of segment performance is operating profit before specific items. This measure of performance is disclosed on an 'adjusted' basis, a non-IFRS measure, excluding specific items and other adjustments (see Note 6). This is consistent with how financial performance is measured internally and reported to the CODM.

Transfer prices between segments are set at an arm's length/fair value on the basis of charges reached through negotiation between the relevant business units that form part of the segments.

2. Segment information continued

52 weeks 2025	Adjusted				Specific items and other adjustments[2]		Reported
Continuing operations	**Royal Mail (UK operations) £m**	**GLS (Non-UK operations) £m**	**Eliminations[1] £m**	**Adjusted Group £m**	**Royal Mail (UK operations) £m**	**GLS (Non-UK operations) £m**	**Group £m**
Revenue	8,230	4,929	(20)	13,139	–	–	13,139
People costs	(5,644)	(1,137)	–	(6,781)	(66)	–	(6,847)
Non-people costs	(2,594)	(3,506)	20	(6,080)	121	–	(5,959)
Profit on disposal of property, plant and equipment	–	–	–	–	71	–	71
Operating (loss)/profit before specific items	(8)	286	–	278	126	–	404
Operating specific items	–	–	–	–	1	(29)	(28)
Operating (loss)/profit	(8)	286	–	278	127	(29)	376
Finance costs	(97)	(33)	13	(117)	–	–	(117)
Finance income	53	11	(13)	51	–	–	51
Net pension interest (non-operating specific item)	–	–	–	–	119	–	119
(Loss)/profit before tax	(52)	264	–	212	246	(29)	429
Tax credit/(charge)	1	(67)	–	(66)	–	4	(62)
(Loss)/profit after tax	(51)	197	–	146	246	(25)	367

53 weeks 2024	Adjusted				Specific items and other adjustments[2]		Reported
Continuing operations	Royal Mail (UK operations) £m	GLS (Non-UK operations) £m	Eliminations[1] £m	Adjusted Group £m	Royal Mail (UK operations) £m	GLS (Non-UK operations) £m	Group £m
Revenue	7,834	4,865	(20)	12,679	–	–	12,679
People costs	(5,683)	(1,110)	–	(6,793)	41	–	(6,752)
Non-people costs	(2,499)	(3,435)	20	(5,914)	121	–	(5,793)
Profit on disposal of property, plant and equipment	–	–	–	–	14	1	15
Operating (loss)/profit before specific items	(348)	320	–	(28)	176	1	149
Operating specific items	–	–	–	–	(82)	(41)	(123)
Operating (loss)/profit	(348)	320	–	(28)	94	(40)	26
Finance costs	(81)	(32)	15	(98)	–	–	(98)
Finance income	57	9	(15)	51	–	–	51
Net pension interest (non-operating specific item)	–	–	–	–	135	–	135
(Loss)/profit before tax	(372)	297	–	(75)	229	(40)	114
Tax (charge)/credit	8	(73)	–	(65)	–	5	(60)
(Loss)/profit after tax	(364)	224	–	(140)	229	(35)	54

1. Revenue and non-people costs eliminations relate to intragroup trading between Royal Mail and GLS, due to Parcelforce Worldwide being GLS' partner in the UK. Finance costs/income eliminations relate to intragroup loans between Royal Mail and GLS.
2. See Note 6 for details of specific items and other adjustments.

The depreciation and amortisation costs shown below are included within 'operating profit/(loss) before specific items' in the income statement.

The non-current assets below exclude financial assets, retirement benefit surplus and deferred tax, and are included within 'non-current assets' on the balance sheet.

52 weeks 2025	Royal Mail (UK operations) £m	GLS (Non-UK operations) £m	Eliminations[3] £m	Total £m
Depreciation	**(263)**	**(181)**	**–**	**(444)**
Amortisation of intangible assets (mainly software)[4]	**(51)**	**(10)**	**–**	**(61)**
Non-current assets	**2,462**	**2,077**	**–**	**4,539**
Total assets	**5,959**	**3,142**	**(171)**	**8,930**
Total liabilities	**(3,777)**	**(1,618)**	**171**	**(5,224)**

53 weeks 2024	Royal Mail (UK operations) £m	GLS (Non-UK operations) £m	Eliminations[3] £m	Total £m
Depreciation	(246)	(174)	–	(420)
Amortisation of intangible assets (mainly software)[4]	(50)	(11)	–	(61)
Non-current assets	2,058	2,027	–	4,085
Total assets	5,989	3,189	(187)	8,991
Total liabilities	(3,983)	(1,650)	187	(5,446)

3. Eliminations in respect of total assets relate to intragroup balances between Royal Mail and GLS.
4. Excludes £16 million (2023-24: £21 million) amortisation of intangible assets in acquisitions, presented as an operating specific item in the income statement.

The Company is domiciled in the UK. The split of revenue from external customers and non-current assets (excluding financial assets, retirement benefit surplus and deferred tax) between the UK and GLS' presence in Continental Europe and North America is shown below.

52 weeks 2025	UK £m	Continental Europe £m	North America £m	Eliminations[5] £m	Total £m
Revenue	**8,230**	**4,427**	**502**	**(20)**	**13,139**
Non-current assets	**2,462**	**1,643**	**434**	**–**	**4,539**

53 weeks 2024	UK £m	Continental Europe £m	North America £m	Eliminations[5] £m	Total £m
Revenue	7,834	4,315	550	(20)	12,679
Non-current assets	2,058	1,551	476	–	4,085

5. Eliminations in respect of revenue relate to intragroup trading between Royal Mail and GLS.

3. Revenue

52 weeks 2025	Royal Mail £m	GLS £m	Intragroup revenue[1] £m	Group £m
Parcels	**4,290**	**4,929**	**(20)**	**9,199**
Letters	**3,940**	**–**	**–**	**3,940**
Total	**8,230**	**4,929**	**(20)**	**13,139**

53 weeks 2024	Royal Mail £m	GLS £m	Intragroup revenue[1] £m	Group £m
Parcels	4,108	4,865	(20)	8,953
Letters	3,726	–	–	3,726
Total	7,834	4,865	(20)	12,679

1. Intragroup revenue from trading between Royal Mail and GLS. This is due to Parcelforce Worldwide being GLS' partner in the UK.

3. Revenue continued

During the year, c.£205 million (2023-24: £230 million) of revenue was recognised which was previously held as a deferred revenue balance at 31 March 2024 (2023-24: 26 March 2023). This balance largely 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 22).

4. Operating costs

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

	52 weeks 2025 £m	53 weeks 2024 £m
People costs (see Note 5)	**(6,847)**	(6,752)
Distribution and conveyance costs		
Charges from overseas postal administrations	**(194)**	(242)
Fuel costs	**(144)**	(146)
Infrastructure costs		
Depreciation and amortisation	**(505)**	(481)
Charge for property, plant and equipment (see Note 13)	**(444)**	(420)
Charge for intangible assets (see Note 16)[1]	**(61)**	(61)
Other operating costs		
Post Office Limited charges	**(294)**	(313)
Inventory expensed	**(38)**	(40)

1. Excludes £16 million (2023-24: £21 million) amortisation of intangible assets in acquisitions, presented as an operating specific item in the income statement.

Regulatory body costs

The following disclosure is relevant in understanding the extent of ongoing compliance costs in relation to the regulation of the Group:

	52 weeks 2025 £m	53 weeks 2024 £m
Ofcom administrative charge	**(3)**	(5)
Citizens Advice/Citizens Advice Scotland/Consumer Council for Northern Ireland	**(1)**	(1)
Total	**(4)**	(6)

Auditor's fees

	52 weeks 2025 £'000	53 weeks 2024 £'000
Audit of Group statutory Financial Statements	**(2,405)**	(1,851)
Other fees to auditor:		
Audit of the accounts of subsidiaries	**(2,127)**	(2,033)
Review of the interim financial information	**(526)**	(422)
Regulatory audit	**(186)**	(169)
Other assurance	**(68)**	(56)
Other non-audit services	**–**	(150)
Total	**(5,312)**	(4,681)

In addition to the fees earned from the Group, KPMG has been engaged by the respective Pension Trustee as external auditor of the Royal Mail Pension Plan, the Royal Mail Defined Contribution Plan, the Royal Mail Collective Pension Plan, RMCPP Trustees Limited and Royal Mail Pension Trustees Limited, the fees for which were £280,000 (2023-24: £225,000).

5. People information

	52 weeks 2025 £m	53 weeks 2024 £m
Wages and salaries	**(5,658)**	(5,770)
Royal Mail[1]	**(4,651)**	(4,785)
GLS	**(1,007)**	(985)
Pensions (see Note 11)	**(619)**	(416)
UK defined benefit plans (including administration costs)	**(164)**	(82)
UK defined contribution plan	**(242)**	(135)
UK defined benefit and defined contribution plans' Pension Salary Exchange employer contributions	**(202)**	(188)
GLS pension costs accounted for on a defined contribution basis	**(11)**	(11)
Social security	**(570)**	(566)
Royal Mail	**(451)**	(452)
GLS	**(119)**	(114)
Total people costs	**(6,847)**	(6,752)

1. People costs include £20 million (2023-24: £12 million) charged in respect of voluntary redundancies in Royal Mail.

Defined benefit pension plan rates:		
Income statement – DBCBS	**13.2%**	14.8%
Cash flow – DBCBS	**15.6%**	15.6%
Income statement – DBLS	**3.1%**	n/a
Cash flow – DBLS	**3.4%**	n/a
Defined contribution pension plan average rate:		
Income statement and cash flow – RMDCP[2]	**4.0%**	9.2%
Income statement and cash flow – CDC section of RMCPP[2]	**11.2%**	n/a

2. Employer contribution rates are 4% for employees in the entry level category and 10% for the majority of those employees in the standard level category.

People numbers

The number of people employed (including Directors), expressed as both full-time equivalents and headcount, during the reporting year was as follows:

	Full-time equivalents[3]				Headcount[4]			
	Year end		Average		Year end		Average	
	52 weeks 2025	53 weeks 2024	52 weeks 2025	53 weeks 2024	52 weeks 2025	53 weeks 2024	52 weeks 2025	53 weeks 2024
Royal Mail	**137,884**	138,905	**143,027**	143,848	**129,554**	130,031	**131,318**	128,316
GLS	**22,019**	22,075	**22,321**	22,355	**23,276**	23,521	**23,182**	23,336
Total	**159,903**	160,980	**165,348**	166,203	**152,830**	153,552	**154,500**	151,652

3. These people numbers relate to the total number of paid hours (including part-time, full-time and agency hours) divided by the number of standard full-time working hours in the same year.
4. These people numbers represent permanent employees.

Directors' remuneration

	52 weeks 2025 £m	53 weeks 2024 £m
Directors' remuneration[5]	**(4.2)**	(3.5)

5. These amounts include any cash supplements received in lieu of pension. Details of the pension contributions and highest-paid Director are included in the single figure table of the Directors' Remuneration Report on page 56.

During the period, amounts earned under Long-Term Incentive Plans were £nil (2023-24: £nil).

During the period, benefits were accruing to no Directors (2023-24: none) under defined contribution or defined benefit plans.

6. Adjustments and specific items

The following adjustments and specific items are relevant in explaining the difference between reported and adjusted operating profit/(loss).

Adjustments to reported operating profit: (charge)/credit	52 weeks 2025 £m	53 weeks 2024 £m
Pension charge adjustment	(66)	41
Depreciation/amortisation adjustment for impaired assets	121	121
Profit on disposal of property, plant and equipment	71	15
Total adjustments to operating profit	**126**	**177**
Operating specific items: (charge)/credit		
Amortisation of intangible assets from acquisitions	(16)	(21)
Impairment of Royal Mail excluding Parcelforce Worldwide CGU	117	(48)
Regulatory and legal charges	(100)	(57)
Incremental bid costs	(28)	–
Legacy/other items	(1)	3
Total operating specific items	**(28)**	**(123)**
Non-operating specific items: (charge)/credit		
Net pension interest	119	135
Total specific items	**91**	**12**
Tax credit on adjustments and specific items	**4**	**5**

Adjustments to reported operating profit

The pension charge adjustment of £66 million (2023-24: £41 million credit) comprises £70 million (2023-24: £130 million) refund of cash held in escrow by the Trustee of the Royal Mail Pension Plan (RMPP). The current year escrow cash was subsequently used to subsidise the additional costs of the RMCPP scheme compared to previous arrangements, as agreed in 2022. This was partially offset by a £4 million credit (2023-24: £1 million charge) in relation to the difference between the IAS 19 income statement pension charge for the Defined Benefit Cash Balance Section (DBCBS) and the Defined Benefit Lump Sum (DBLS) section of the Royal Mail Collective Pension Plan (RMCPP) and the cash funding contribution rate agreed with the Trustees. The prior period also included £172 million relating to a change to the rate of annual increases applied to the DBCBS. Further details are provided in Notes 5 and 11.

In prior years, impairment charges have been recognised to write down the value of the Royal Mail excluding Parcelforce Worldwide CGU. This resulted in a lower depreciation/amortisation charge in the current year in infrastructure costs. An adjustment of £121 million (2023-24: £121 million) has been made to the reported results to reflect the depreciation/amortisation on a pre-impairment basis in line with how management reviews the underlying performance of the business.

The profit on disposal of property, plant and equipment of £71 million (2023-24: £15 million) mainly comprises the sale and leaseback of the property at Royal College Street, London. The prior year mainly comprises £12 million relating to the sale of Plot C2 of the Nine Elms, London site.

Specific items

Amortisation of intangible assets from acquisitions of £16 million (2023-24: £21 million) mainly relates to amortisation in GLS.

In the year, £117 million of the Royal Mail excluding Parcelforce Worldwide CGU impairment was reversed (2023-24: £48 million impairment charge). In assessing whether the CGU was impaired, the carrying value of the CGU of £1,995 million (2023-24: £1,925 million) was compared to its recoverable amount, using the higher of a value in use (VIU) or fair value less cost to dispose (FVLCD) methodology. The FVLCD methodology resulted in an impairment reversal of £117 million. Further details of the calculations involved are provided in Note 1.

The regulatory and legal charges of £100 million (2023-24: £57 million) represents best estimates to settle present obligations for Royal Mail and GLS in relation to regulated quality of service in the UK, legal claims and tax-related disputes in GLS Italy, as well as charges for settlement of legal cases, including the previously disclosed Whistl damages claim.

Incremental bid costs of £28 million (2023-24: £nil) represent the one-off costs incurred by the Group in relation to the takeover bid by EP. These costs mainly relate to the provision of financial and legal advice.

The legacy/other items charge of £1 million (2023-24: £3 million credit) mainly relates to a £6 million release (2023-24: £nil) of the industrial diseases provision offset by a £6 million charge (2023-24: £nil) due to movements in the fair value of the options relating to ACS Postal Services SMSA (see Note 17). The prior year credit of £3 million largely comprised a £10 million credit for court-awarded compensation, partly offset by £5 million of specific intangible asset write-offs.

The cash cost of operating specific items was an outflow of £131 million (2023-24: £11 million) consisting mainly of £110 million in relation to regulatory and legal cases, as well as £21 million of incremental bid costs associated with the takeover bid by EP. The prior year consisted of an Ofcom regulatory fine payment of £6 million and industrial diseases claims of £6 million, offset by a £1 million receipt of court-awarded compensation.

7. Net finance costs

	52 weeks 2025 £m	53 weeks 2024 £m
Unwinding of discount relating to industrial diseases claims provision	**(1)**	(1)
Other interest payable	**(116)**	(97)
Bank syndicate loan facility		
Unused facility fees	**(2)**	(2)
Arrangement fees	**(1)**	(4)
Bond interest	**(49)**	(38)
Cross-currency swap costs on €550 million bond	**(7)**	(6)
Leases	**(53)**	(43)
Capitalisation of borrowing costs on specific qualifying assets	**–**	2
Other finance costs	**(4)**	(6)
Total finance costs	**(117)**	(98)
Total finance income – interest receivable on financial assets	**51**	51
Total net finance costs	**(66)**	(47)

8. Taxation

	52 weeks 2025 £m	53 weeks 2024 £m
Tax charged in the income statement		
Current income tax:		
Current UK income tax charge	(1)	–
Foreign tax	(63)	(71)
Current income tax charge	(64)	(71)
Amounts over-provided in previous years	2	8
Total current income tax charge	(62)	(63)
Deferred income tax:		
Derecognition of deferred tax asset	–	(1)
Relating to origination and reversal of temporary differences	1	3
Amounts (under)/over-provided in previous years	(1)	1
Total deferred income tax credit	–	3
Tax charge in the consolidated income statement	(62)	(60)
Tax credited to other comprehensive income		
Deferred tax:		
Tax credit in relation to remeasurement gains of the defined benefit pension schemes	–	–
Tax charge on revaluation of cash flow hedges	–	–
Total deferred income tax charge	–	–
Total tax charge in the consolidated statement of other comprehensive income	–	–

Tax recognised directly in equity:
In addition to the amount (charged)/credited to the income statement and other comprehensive income, the following amount relating to tax has been recognised directly in equity:

	52 weeks 2025 £m	53 weeks 2024 £m
Deferred tax:		
Change in estimated excess tax deductions related to share-based payments	–	–
Total deferred income tax charge recognised directly in equity	–	–

Reconciliation of the total tax charge

A reconciliation of the tax charge in the income statement and the UK rate of corporation tax applied to accounting profit for the 52 weeks ended 30 March 2025 and for the 53 weeks ended 31 March 2024 is shown below. The reconciliation is prepared using the UK corporation tax rate, as the Group is listed on the UK stock exchange and the UK is the main country in which the Group trades.

	52 weeks 2025 £m	53 weeks 2024 £m
Profit before tax	**429**	114
At UK statutory rate of corporation tax of 25% (2023-24: 25%)	**(107)**	(29)
Effect of different tax rates on non-UK profits and losses	**8**	9
Tax over-provided in previous years	**1**	9
Non-deductible expenses	**(9)**	(7)
Regulatory and legal charges	**(10)**	(11)
Tax reliefs and incentives	**–**	9
Tax effect of property disposals	**19**	3
Tax effect of closure of RMPP to future accrual	**(5)**	(2)
Net pension interest credit	**30**	36
Derecognition of brought forward deferred tax assets	**–**	(1)
Net increase in tax charge resulting from non-recognition of certain deferred tax assets and liabilities	**11**	(76)
Tax charge in the consolidated income statement	**(62)**	(60)

Deferred tax

Deferred tax by balance sheet category 52 weeks 2025	At 1 April 2024 £m	Credited/ (charged) to income statement £m	Acquisition of subsidiaries £m	Exchange rate movement £m	Jurisdictional right of offset £m	At 30 March 2025 £m
Liabilities						
Accelerated capital allowances	**(28)**	**12**	**–**	**1**	**–**	**(15)**
Right of use assets	**(131)**	**(3)**	**–**	**2**	**–**	**(132)**
Provisions and other	**–**	**(1)**	**–**	**–**	**–**	**(1)**
Intangible assets	**(53)**	**2**	**–**	**2**	**–**	**(49)**
	(212)	**10**	**–**	**5**	**–**	**(197)**
Jurisdictional right of offset	**161**	**–**	**–**	**–**	**(7)**	**154**
Deferred tax liabilities	**(51)**	**10**	**–**	**5**	**(7)**	**(43)**
Assets						
Deferred capital allowances	**1**	**1**	**–**	**–**	**–**	**2**
Lease liabilities	**134**	**4**	**–**	**(4)**	**–**	**134**
Provisions and other	**16**	**(2)**	**–**	**–**	**–**	**14**
Losses available for offset against future taxable income	**17**	**(13)**	**–**	**–**	**–**	**4**
	168	**(10)**	**–**	**(4)**	**–**	**154**
Jurisdictional right of offset	**(161)**	**–**	**–**	**–**	**7**	**(154)**
Deferred tax assets	**7**	**(10)**	**–**	**(4)**	**7**	**–**
Net deferred tax (liability)/asset	**(44)**	**–**	**–**	**1**	**–**	**(43)**

8. Taxation continued

Deferred tax by balance sheet category 53 weeks 2024	At 27 March 2023 £m	Credited/ (charged) to income statement £m	Acquisition of subsidiaries £m	Exchange rate movement £m	Jurisdictional right of offset £m	At 31 March 2024 £m
Liabilities						
Accelerated capital allowances	(29)	1	–	–	–	(28)
Right of use assets	(113)	(22)	–	4	–	(131)
Intangible assets	(55)	4	(4)	2	–	(53)
	(197)	(17)	(4)	6	–	(212)
Jurisdictional right of offset	142	–	–	–	19	161
Deferred tax liabilities	(55)	(17)	(4)	6	19	(51)
Assets						
Deferred capital allowances	1	–	–	–	–	1
Lease liabilities	116	22	–	(4)	–	134
Provisions and other	15	1	–	–	–	16
Losses available for offset against future taxable income	20	(3)	–	–	–	17
	152	20	–	(4)	–	168
Jurisdictional right of offset	(142)	–	–	–	(19)	(161)
Deferred tax assets	10	20	–	(4)	(19)	7
Net deferred tax (liability)/asset	(45)	3	(4)	2	–	(44)

Deferred tax assets and liabilities are offset within the same jurisdiction where the Group has a legally enforceable right to do so. Below is an analysis of the deferred tax balances (after offset) for balance sheet presentation purposes.

Deferred tax – balance sheet presentation	**At 30 March 2025 £m**	At 31 March 2024 £m
Liabilities		
GLS group	**(43)**	(51)
Deferred tax liabilities	**(43)**	(51)
Assets		
GLS group	**–**	7
Deferred tax assets	**–**	7
Net deferred tax liability	**(43)**	(44)

GLS has deferred tax assets and liabilities in various jurisdictions which cannot be offset against one another. The main elements of the liability relate to goodwill and intangible assets in GLS Germany, for which the Group has already taken tax deductions, and fixed assets and intangible assets in relation to acquisitions in Canada.

Unrecognised temporary differences

The Group assesses the recoverability of deferred tax assets at each reporting date. In order to recognise a deferred tax asset, it must be probable that future taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilised. IAS 12 does not define a time period over which an assessment of expected taxable profits should be made, although it is acknowledged that reliability decreases the further out into the future the forecast extends. Whilst the management-approved Business Plan covers five years, the normal planning cycle for Royal Mail is three years. Taxable profits have been calculated based on the management-approved Business Plan and whilst for the next three years this shows taxable profits, there are negligible taxable profits in the early years. Therefore, there remains sufficient uncertainty that future taxable profits will be generated. As a result, management continues to not recognise any deferred tax asset in respect of the Royal Mail tax losses or other temporary differences.

At 30 March 2025, the Group had the following unrecognised tax losses and temporary differences:

	At 30 March 2025 £m		At 31 March 2024 £m	
	Unused losses and deductible temporary differences	Tax value	Unused losses and deductible temporary differences	Tax value
Royal Mail				
Losses available for offset against future taxable income	**1,168**	**292**	1,178	294
Deferred capital allowances	**–**	**–**	198	49
Pensions temporary differences	**–**	**–**	76	19
Provisions and other	**56**	**14**	35	9
GLS				
Losses available for offset against future taxable income	**273**	**66**	238	56
Provisions and other	**30**	**8**	65	18
	1,527	**380**	1,790	445

The Group has not recognised these deferred tax assets on the basis that there is not sufficient certainty of its capacity to utilise them in the future. The Royal Mail and GLS losses available for offset against future taxable income have no expiry date.

The Group also has temporary differences of £170 million (2023-24: £188 million) in respect of capital losses, the tax effect of which is £42 million (2023-24: £47 million) in respect of assets previously qualifying for industrial buildings allowances, that would arise if the assets were sold at net book value. These losses have no expiry date. Further temporary differences exist in relation to £470 million (2023-24: £420 million) of gains for which rollover relief has been claimed, the tax effect of which is £118 million (2023-24: £105 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.

Unremitted earnings

There are also temporary differences of £1,530 million (2023-24: £1,538 million) in relation to unremitted earnings of subsidiaries. No deferred tax liability has been recognised as the Group is able to control the timing and reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Tax developments

The Group has been monitoring developments in relation to the OECD's work on the Pillar Two (Global Minimum Tax) rules. Finance (No.2) Act 2023 was substantively enacted in the UK during the prior year, which introduced the global minimum tax rules for accounting periods beginning on or after 31 December 2023. The Group expects to be subject to the Pillar Two rules. However, based on analysis, it expects that most jurisdictions in which it operates will benefit from a transitional safe harbour. For those jurisdictions that do not meet the conditions of the safe harbour, we have calculated the top-up tax exposure to be £1 million.

9. Earnings per share

	52 weeks 2025			53 weeks 2024		
	Reported	**Specific items and other adjustments[1]**	**Adjusted**	Reported	Specific items and other adjustments[1]	Adjusted
Profit/(loss) for the year (£ million)	**367**	**221**	**146**	54	194	(140)
Weighted average number of shares issued (million)	**958**	**n/a**	**958**	957	n/a	957
Basic earnings per share (pence)	**38.3**	**n/a**	**15.2**	5.6	n/a	(14.6)
Diluted earnings per share (pence)	**38.0**	**n/a**	**15.1**	5.6	n/a	(14.6)

1. Further details of specific items and other adjustments can be seen in Note 6.

The diluted EPS for the year ended 30 March 2025 was based on a weighted average number of shares of 965,276,566 to take account of the potential issue of 537,525 ordinary shares resulting from the Deferred Share Bonus Plans and 7,237,069 ordinary shares resulting from the Long-Term Incentive Plans. These plans are for certain senior management and are disclosed in more detail in Note 18.

The 680,815 (2023-24: 1,206,638) shares held in an Employee Benefit Trust for the settlement of options and awards to current and former employees are treated as treasury shares for accounting purposes (see Note 26). The Company, however, does not hold any shares in treasury.

10. Dividends

Dividends on ordinary shares	**52 weeks 2025 pence per share**	53 weeks 2024 pence per share	**52 weeks 2025 £m**	53 weeks 2024 £m
Final dividend paid	**2.0**	–	**19**	–
Total dividends paid	**2.0**	–	**19**	–

As previously indicated in the Group's 2023-24 full-year results, the Board proposed a final dividend payment of 2 pence per share in respect of 2023-24, funded by GLS. The dividend was paid on 30 September 2024 to shareholders on the register as at 23 August 2024.

Following the completion of the transaction with EP on 30 April 2025, a special dividend of 8 pence per share was paid on 14 May 2025 to shareholders on the register as at 30 April 2025.

Some shares are held by the Trustee of the Royal Mail Share Incentive Plan on behalf of the Company to satisfy future share awards. The Trustee does not receive any dividends on the shares it holds; hence the value of dividends paid is lower than the number of shares in issue multiplied by the pence per share.

11. Retirement benefit plans

Summary pension information

	52 weeks ended 30 March 2025 £m	53 weeks ended 31 March 2024 £m
Ongoing UK pension service costs		
UK defined benefit plans (including administration costs)[1]	**(164)**	(254)
Past Service Credit	**–**	172
UK defined contribution plans	**(242)**	(135)
UK defined benefit and defined contribution plans' Pension Salary Exchange (PSE) employer contributions[2]	**(202)**	(188)
Total UK ongoing pension service costs	**(608)**	(405)
GLS pension costs accounted for on a defined contribution basis	**(11)**	(11)
Total Group ongoing pension service costs	**(619)**	(416)
Cash pension service costs[3]		
UK defined benefit plans' employer contributions[4]	**(37)**	(212)
Defined contribution plans' employer contributions	**(253)**	(146)
UK defined benefit and defined contribution plans' PSE employer contributions	**(202)**	(180)
Total Group cash flows relating to ongoing pension service costs	**(492)**	(538)
Pension-related accruals/escrow payments (timing difference)[5]	**(131)**	(49)
Total funding cost of accrual	**(623)**	(587)
Pension charge adjustment excluding pension escrow release[6]	**4**	171

	At 30 March 2025 '000	At 31 March 2024 '000
UK pension plans – active members		
UK defined benefit plan	**159**	59
UK defined contribution plan	**120**	57
Total	**279**	116

1. These pension service costs are charged to the income statement. They represent the cost (as a percentage of pensionable payroll – the DBCBS 13.2% (2023-24: 14.8%) and the DBLS 3.1%) of the increase in the defined benefit obligation due to members earning additional pension benefits for the period each scheme was open for accrual. 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 for the DBCBS and at date of inception for the DBLS. Also included are pensions administration costs for the RMPP of £14 million (2023-24: £9 million), the DBCBS of £4 million (2023-24: £4 million) and the DBLS of £1 million (2023-24: £nil million).
2. Eligible employees who are enrolled into PSE opt out of making employee contributions to their pension and the Group makes additional contributions in return for a reduction in basic pay.
3. These values exclude the impact of any timing differences in pension payments and represent the equivalent cash costs of the amounts charged to the income statement in the period.
4. The employer contribution cash flow rate of 15.6% was paid in respect of the DBCBS until it closed in October 2024 (2023-24: 15.6%). Employer contribution cash flow rate of 2.4% in respect of the DBLS section (plus 1% for employees who chose the Lump Sum Booster) has been payable since inception. These contribution rates are fixed, with actuarial funding valuations carried out every three years to determine whether additional deficit contributions are required. These actuarial valuations are required to be carried out on assumptions determined by the Trustee and agreed by Royal Mail. The most recent DBCBS triennial valuation at 31 March 2024 was completed in June 2025 and no additional contributions were required.
5. This relates to DBCBS contributions of £125 million (2023-24 £19 million) that were made into the RMPP pensions escrow account. The RMPP timing differences of £nil million (2023-24: £22 million in respect of regular employer contributions and £8 million in respect of employee PSE contributions); and the DBLS timing differences of £6 million employer contributions relate to March 2025 and were paid in April 2025.
6. Excludes £70 million (2023-24: £130 million) adjustment in relation to the release of the RMPP pension escrow (see Note 6 for further details).

In the year, the Group operated the following plans:

UK defined contribution plans

Royal Mail Group Limited, the Group's main UK operating subsidiary, operates the Royal Mail Defined Contribution Plan (RMDCP) and the National Employment Savings Trust (NEST). It also operates the Collective Defined Contribution section (CDC) of the Royal Mail Collective Pension Plan (RMCPP), which is accounted for as a defined contribution plan. The CDC section went live on 7 October 2024 with the introduction of the RMCPP and is open to all employees with over 12 months' service.

UK defined benefit plans

The Royal Mail Pension Plan (RMPP)[7], Defined Benefit Cash Balance Section (DBCBS) and Defined Benefit Lump Sum (DBLS)

The legacy section of the RMPP closed to future accrual in its previous form from 31 March 2018 and was replaced in 2018 by a new section of the scheme, the DBCBS.

11. Retirement benefit plans continued

The legacy RMPP includes sections A, B and C, each with different terms and conditions.

	Section A	Section B	Section C
Joining date for members (or beneficiaries of members)	Before 1 December 1971	On or after 1 December 1971 and before 1 April 1987 or for members of Section A who chose to receive Section B benefits.	On or after 1 April 1987 and before 1 April 2008
Terms	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.		Pension of 1/60th of pensionable salary for each year of pensionable service, until 31 March 2018. Members wishing to take a tax-free lump sum on retirement do so in exchange for a reduced pension.

7. Any references to the RMPP relate to the scheme's defined pension liabilities built up to 31 March 2018. From 1 April 2018, members began building up DBCBS benefits.

Defined Benefit Cash Balance Section (DBCBS)

The DBCBS had been in place since 1 April 2018, when the RMPP closed. This was a transitional arrangement and closed to further accrual when the Royal Mail Collective Pension Plan (RMCPP) commenced on 7 October 2024.

DBCBS members built 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 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 the asset values had recovered. The Group would be obligated to make the necessary contributions to ensure that members received at least the guaranteed lump sum amount. Management is of the view that there is a requirement to recognise a constructive obligation to provide an increase to the lump sum for accounting purposes. The liabilities of the scheme have been calculated assuming future increases of CPI plus 1.2%, although the nature of the scheme means that actual increases could be lower or higher than this amount.

The Group signed an updated Schedule of Contributions on 2 June 2025 to reflect the fact that the scheme closed to accrual so ongoing contributions stopped from 7 October 2024. This covers a period of five years from the date of certification of the schedule, i.e. until June 2030.

Under a previous schedule, signed on 3 March 2024, the Group was required to make payments totalling 15.6% of pensionable payroll in respect of the DBCBS. In the period between 1 February and the scheme closing to accrual, employer contributions were paid into the RMPP Escrow per an agreement with the Pension Trustee. 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 assets. See Note 24 to the Financial Statements for further details.

Defined Benefit Lump Sum (DBLS) section

The DBLS section of the Royal Mail Collective Pension Plan (RMCPP) launched on 7 October 2024 and applies a similar accounting approach to the DBCBS. DBLS section members are provided with a guaranteed minimum lump sum upon retirement. A guaranteed minimum amount will be based on a set salary accrual rate and uplifted for any increases that have already been awarded. Increases are not fixed and depend upon investment returns and demographic factors. They become guaranteed once they have been awarded. The Group's contribution to this section of the RMCPP scheme is 2.4% of pensionable pay. A further 1% contribution is made for individuals that have opted in for the lump sum booster (LSB). In addition, the Group is obligated to pay deficit contributions as necessary.

As with the DBCBS, from an assessment of communications made to date, management is of the view that scheme members would have an expectation of returns in excess of those legally required to be provided. As such, there is a requirement to recognise a non-specific constructive obligation for the DBLS section. This is to be calculated using the rolling average of the last five years of increases, whilst reserving the right to adjust this if future increase expectations have changed significantly.

An initial expectation of this non-specific constructive obligation has been recognised in the current year while calculating the defined benefit obligation of the DBLS section before there are five years of actual increases available to set the rolling average. Based on actuarial modelling and an assessment of member expectations, management has concluded that prior to the first actual increase being awarded, the non-specific constructive obligation should be set at CPI plus 1%. This starting position will be unwound by recognising each increase given to members in the following year's non-specific constructive obligation calculation. This approach will lead to a relatively stable unwinding of the initial position and ultimately ensure consistency in accounting treatment with the DBCBS.

Pensions governance and management

Royal Mail Pensions Trustees Limited acts as the corporate Trustee to the Royal Mail Pension Plan (comprising the legacy RMPP and DBCBS). There are currently eight Trustee Directors who sit on the Trustee Board. There is one vacancy for an employer-nominated Trustee Director.

The Trustee Board is supported by an executive team of pension management professionals. They provide day-to-day Plan management, advise the Trustee Board on its responsibilities and ensure that decisions are fully implemented.

RMCPP Trustees Limited acts as the corporate Trustee to the Royal Mail Collective Pension Plan (comprising the DBLS and CDC sections). There are currently eight Trustee Directors who sit on the Trustee Board. There is one vacancy for a member-nominated Trustee Director. As the RMCPP launched on 7 October 2024, the Trustee Board is looking for Member Nominated Directors to be appointed.

The Trustee Boards are responsible for:

Monitoring the covenant of the participating employers	To help protect benefits, the Trustee Boards monitor the financial strength of the participating employers.
Investing contributions	The Trustee Boards invest the member and employer contributions in a mix of equities, bonds, property and other investments including derivatives. They hold the contributions and investments on behalf of the members.
Keeping members informed	The Trustee Boards send active members an annual benefit illustration together with a summary of the pension plan's annual report and accounts.
Acting in the best interests of all RMPP and RMCPP beneficiaries	The Trustee Boards must pay all benefits as they fall due under the Trust Deeds and Rules.
Authorisation	Ensuring the CDC section is authorised and maintaining that authorisation.

Royal Mail Senior Executives Pension Plan (RMSEPP)
This scheme for executives closed in December 2012 to future accrual, and a buy-out of this scheme was completed in June 2022.

The Group's obligations under the RMSEPP have now been fully extinguished and the Plan was wound up in April 2024. The residual assets were returned to the Group after the remaining closure expenses and the deduction of withholding tax.

Unfunded pension
A liability of £1 million (2023-24: £1 million) has been recognised for future payment of pension benefits to a past Director.

Accounting and actuarial funding surplus position (RMPP, DBCBS and DBLS)
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 the Trustee for the purposes of calculating contributions and funding requirements. For the RMPP, 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 difference between the funding and accounting valuations for the DBCBS arises from the different financial assumptions used for the calculations of each, in particular the discount rates used and the assumptions for discretionary increases to the lump sum benefits. The discount rate used for funding purposes is higher than that used for accounting purposes. In addition, as described above, under IAS 19, the Group recognises a constructive obligation in respect of future increases to benefits until retirement, currently CPI plus 1.2%, for accounting purposes; however, for funding purposes, the increases are set based on the level of the available assets. As at 30 March 2025, this results in the accounting liabilities for the DBCBS being lower than the funding liabilities.

The most recent triennial valuation for the RMPP and DBCBS at 31 March 2024 was approved in June 2025. The first valuation of the DBLS is yet to be performed but will take place as at 31 March 2025. The estimated funding positions for the RMPP and DBCBS are shown below.

	RMPP	DBCBS	DBLS
Date of valuation	31 March 2024 (agreed on 3 June 2025)	31 March 2024 (agreed on 3 June 2025)	The first valuation will be as at 31 March 2025
Valuation	The triennial valuation was calculated on a prudent funding basis. The surplus calculated for the purposes of the March 2024 triennial valuation was £1,206 million. Based on a set of assumptions which form the basis for the March 2024 valuation and then rolled forward, the actuarial surplus at 31 March 2025 was estimated to be around £916 million.	An estimated funding position at 31 March 2025 has 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 £49 million at 31 March 2025.	An estimated funding position at 31 March 2025 has 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 DBLS actuarial surplus was estimated to be around £4 million at 31 March 2025.

11. Retirement benefit plans continued

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

	DBCBS		RMPP		RMSEPP		DBLS	
	At 30 March 2025 £m	At 31 March 2024 £m	**At 30 March 2025 £m**	At 31 March 2024 £m	**At 30 March 2025 £m**	At 31 March 2024 £m	**At 30 March 2025 £m**	At 31 March 2024 £m
Fair value of plans' assets (11(b) below)	**1,948**	1,903	**6,029**	6,983	–	7	**67**	n/a
Present value of plans' liabilities	**(1,948)**	(1,963)	**(3,849)**	(4,521)	–	–	**(67)**	n/a
(Deficit)/surplus in plans (pre-withholding tax payable)	**–**	(60)	**2,180**	2,462	–	7	**–**	n/a
Withholding tax payable[8]	**n/a**	n/a	**(545)**	(616)	–	(2)	**n/a**	n/a
(Deficit)/surplus in plans	**–**	(60)	**1,635**	1,846	–	5	**–**	n/a

8. Any reference to a withholding tax adjustment relates to withholding tax payable on distribution of a pension surplus.

Having taken legal advice with regard to the rights of the Group under the Trust Deeds and Rules, the Directors believe there is an obligation to recognise a pension surplus for the RMPP on an accounting basis. The surplus on an accounting basis will be different to the scheme's funding position. 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 at some point in the future, using current long-term accounting assumptions at the reporting date. This is a technical adjustment made on an accounting basis only.

This surplus is presented on the balance sheet net of a withholding tax adjustment of £545 million (at 31 March 2024: £616 million) in respect of the RMPP, which represents the tax that would be withheld on the surplus amount. Any actuarial surplus will remain in the RMPP for the benefit of members until the point at which all benefits have been paid out or secured.

Under the scheme rules of the DBCBS and the DBLS section of the RMCPP, any surplus would be used to provide additional discretionary increases to members. As a result, the Group does not have an unconditional right to refund of any accounting surplus and is unable to recognise any such surplus under IAS 19. Based on appropriate assumptions under IAS 19, the liabilities in both the DBCBS and DBLS were lower than the assets in the respective schemes as at 30 March 2025. As the surplus would be used to augment benefits to members, the liabilities have been increased to equal the assets by £19 million (2023-24: £nil) for the DBLS and £59 million (2023-24: £nil) for the DBCBS, resulting in both schemes being fully funded, with neither a surplus nor a deficit, on an accounting basis as at 30 March 2025. The other side of this adjustment flows through Other Comprehensive Income (OCI) as an actuarial loss.

If any deficit contributions are agreed to be paid into the DBLS section in the future (due to poorer than expected investment returns, for example), since we do not expect that the Group will have an unconditional right to refund of any surplus once these are paid, this may result in an additional liability being recognised on the balance sheet in respect of these, under IFRIC 14.

The Group's obligations under the RMSEPP have now been fully extinguished and the Plan was wound up in April 2024. The residual assets were returned to the Group after the remaining closure expenses and the deduction of withholding tax.

Guaranteed Minimum Pensions

Pension schemes are now under an obligation to address the issue of unequal Guaranteed Minimum Pensions (GMPs). The transfer of RMPP's historical pension liabilities to the UK Government in 2012, in accordance with the Postal Services Act 2011, included all of the RMPP's accrued GMP liabilities for members. The requirement to remove the inequality in former RMPP benefits deriving from GMPs for those members therefore rests with the UK Government. Following the decision by the High Court in Lloyds Banking Group Pensions Trustees Limited versus Lloyds Bank plc (2020), however, which determined that schemes are also obliged to equalise GMPs by topping up payments for any past members who have transferred out of a scheme since May 1990, the Trustee sought legal advice as to whether this decision also applies in the case when liabilities were transferred to another scheme before April 2012. The Trustee considers that the Lloyds judgment is likely to give rise to a residual liability for statutory transfers-out which included GMP benefits between May 1990 and March 2012, and expects that this will require top-up payments to be made for affected former members. The Trustee is still reviewing historic data to calculate the exact expected impact, which will take some time to complete, but the Group's corporate actuary provisionally estimated the cost to be c.£6 million, based on historic values of transfers out of the scheme. This was charged to the income statement in the year ended 27 March 2022 as a past service cost. This cost will be funded from the RMPP assets and no additional employer contributions are expected to be required.

All GMP liabilities relating to RMSEPP members (both past and present) have now been settled and, following the transfer of the liabilities under this scheme to insurers, its liabilities have been extinguished.

Virgin Media Case

The Group is aware of the 2023 High Court case that considered the validity of deeds where no section 37 certificate (confirming that the minimum level of benefits had not been breached) was attached to the deed. Group Legal carried out a review of all the RMPP deeds of amendment over the period when the requirements were in force at the time that the initial Virgin Media judgment was published.

The conclusion was that all the necessary section 37 certificates were in place until contracting out ceased to apply in 2016. The Group's view is that there is no impact on the RMPP benefits or on the Group's accounting position; the appeal judgment does not change this view.

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

a) Major long-term assumptions used for accounting (IAS 19) purposes – RMPP, DBCBS and DBLS

IAS 19 assumptions will be derived separately for the RMPP, DBCBS and DBLS, in particular taking into account the different weighted durations of the future benefit payments. No assumptions have been derived for the RMSEPP at 31 March 2024 and 30 March 2025 since the scheme has now been fully bought out and the liabilities extinguished. For the DBCBS and DBLS, these assumptions have been derived prior to any surplus adjustment as described earlier in the note.

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

	At 30 March 2025	At 31 March 2024
Retail Price Index (RPI) – RMPP[9]	**3.2%**	3.2%
Retail Price Index (RPI) – DBCBS[9]	**3.2%**	3.3%
Retail Price Index (RPI) – DBLS[9]	**3.2%**	3.2%
Consumer Price Index (CPI) – RMPP[9]	**2.9%**	2.9%
Consumer Price Index (CPI) – DBCBS[9]	**2.8%**	2.9%
Consumer Price Index (CPI) – DBLS[9]	**2.9%**	2.9%
Discount rate – RMPP[9,10]		
– nominal	**5.8%**	4.9%
– real (nominal less RPI)	**2.6%**	1.7%
Discount rate – DBCBS[11]		
– nominal	**5.6%**	4.8%
– real (nominal less RPI)	**2.4%**	1.5%
Discount rate – DBLS[9, 12]		
– nominal	**5.8%**	4.8%
– real (nominal less RPI)	**2.6%**	1.6
Rate of increase in pensionable salaries[13]	**RPI – 0.1%**	RPI – 0.1%
Rate of increase for deferred pensions – RMPP	**CPI**	CPI
Rate of pension increases – RMPP Sections A/B	**CPI**	CPI
Rate of pension increases – RMPP Section C[13]	**RPI – 0.1%**	RPI – 0.1%
Rate of pension increases – DBCBS benefits	**CPI + 1.2%**	CPI + 1.2%
Rate of pension increases – DBLS benefits	**CPI + 1%**	n/a
Life expectancy from age 60 – for a current 40/60 year old male RMPP member	**27/25 years**	27/25 years
Life expectancy from age 60 – for a current 40/60 year old female RMPP member	**30/28 years**	29/27 years

9. 31 March 2024 assumptions are derived for the RMPP and DBCBS. 31 March 2024 assumptions for the DBLS have been used to calculate the service cost from launch on 7 October 2024 to 30 March 2025.
10. The discount rate reflects the average duration of the RMPP benefits of around 17 years (2023-24: 19 years). The reduction in duration is due to the increase in the liability discount rate and rounding.
11. The discount rate reflects the average duration of the DBCBS benefits of 10 years (2023-24: 11 years). The pension service cost applicable from 1 April 2024 is based on 31 March 2024 assumptions. The reduction in duration is due to the increase in the liability discount rate and rounding.
12. The discount rate reflects the average duration of the DBLS benefits of 17 years. The pension service cost applicable from 7 October 2024 is based on 31 March 2024 assumptions. These benefits are estimated as having a similar average duration to the legacy benefits within RMPP (due to the younger average age of the DBLS members than DBCBS members).
13. The rate of increase in salaries, and the rate of pension increase for Section C members (who joined the RMPP on or after April 1987), is capped at 5.0%, which results in the average long-term pension increase assumption being 10 basis points lower than the RPI long-term assumption.

Mortality

As part of the actuarial valuation as at 31 March 2024, the scheme actuary carried out an updated mortality experience analysis in respect of the legacy RMPP. As a result of that analysis, the RMPP assumptions are based on the heavy and 'all-group 2' versions (for males and females respectively) of the latest Self-Administered Pension Scheme (SAPS) S4 mortality tables with appropriate scaling factors (90% for male pensioners and 94% for female pensioners). Future improvements for accounting purposes are the same as those used for the actuarial valuation as at 31 March 2024 and are based on the Continuous Mortality Investigation (CMI) 2023 core projections with a smoothing factor 7.0, a long-term trend of 1.5% per annum, and default weightings to experience in 2020, 2021, 2022 and 2023 of 0%, 0%, 15% and 15% respectively.

11. Retirement benefit plans continued

Sensitivity analysis for RMPP, DBCBS and DBLS liabilities

The RMPP, DBCBS and DBLS liabilities are sensitive to changes in key assumptions. For the DBLS, given the size of the section, small changes in the assumptions do not materially impact the liability. For the DBCBS and DBLS, these assumptions have been derived prior to any surplus adjustment as described earlier in the note. The potential impact of the largest sensitivities on the RMPP and DBCBS liabilities is as follows:

	At 30 March 2025		At 31 March 2024	
Key assumption change	Potential increase in DBCBS liabilities £m	Potential increase in RMPP liabilities £m	Potential increase in DBCBS liabilities £m	Potential increase in RMPP liabilities £m
Additional one year of life expectancy	–	110	–	150
Increase in inflation rate (both RPI and CPI simultaneously) of 0.1% per annum	20	70	20	90
Decrease in discount rate of 0.1% per annum	20	60	20	90
Increase in CPI assumption (assuming RPI remains constant) of 0.1% per annum	20	20	20	20
Increase in constructive obligation of 0.1% per annum	20	–	20	–
Increase in inflation rate (both RPI and CPI simultaneously) of 0.5% per annum	100	350	100	470
Decrease in discount rate of 0.5% per annum	90	300	100	470
Increase in CPI assumption (assuming RPI remains constant) of 0.5% per annum	100	90	100	110
Increase in constructive obligation of 0.5% per annum	100	–	100	–

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% and 0.5% change in assumption. For the RPI/CPI gap, the approach is the same for the DBLS, but for the legacy RMPP and DBCBS, the liabilities as at 30 March 2025 are considered to derive an accurate impact in percentage terms. This percentage is then applied to the liabilities at March 2025. 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 approximate effect on liabilities.

b) RMPP, DBCBS and DBLS assets

	At 30 March 2025			At 31 March 2024		
	Quoted £m	Unquoted £m	Total £m	Quoted £m	Unquoted £m	Total £m
Equities						
UK	–	1	1	9	1	10
Overseas	1	17	18	60	8	68
Bonds						
Fixed interest – UK	127	30	157	107	49	156
– Overseas	507	77	584	581	141	722
Pooled investments						
Absolute return	–	132	132	–	233	233
Equity	497	–	497	60	–	60
Private equity	–	257	257	–	261	261
Fixed interest	361	20	381	–	35	35
Private debt	–	359	359	–	443	443
Property	–	69	69	–	79	79
Liability-driven investments[14]	4,893	(32)	4,861	5,561	21	5,582
Property (UK)	–	397	397	–	468	468
Cash and cash equivalents	279	–	279	737	124	861
Other[15]	–	31	31	–	93	93
Derivatives	–	21	21	–	(178)	(178)
Total plans' assets	6,665	1,379	8,044	7,115	1,778	8,893

14. This portfolio comprises gilt and swap contracts that are designed to hedge the majority of the interest rate and inflation risk associated with the plans' obligations. At 30 March 2025, it included £5,502 million (31 March 2024: £6,066 million) of index-linked gilts and £265 million (31 March 2024: £214 million) in short-term money market funds, offset by negative fair value investments of £810 million (31 March 2024: £641 million) in repurchase agreements, £31 million (31 March 2024: £nil million) of swaps, £nil million (31 March 2024: negative £26 million) of bonds and £75 million (31 March 2024: £31 million asset) in cash and similar instruments.
15. At 30 March 2025, funds amounting to £2 million (31 March 2024: £92 million) had been redeemed, but the cash had not yet been received and reinvested. These funds have therefore been classified as other assets.

Included within the Group's defined benefit pension scheme assets are assets with a fair value estimated to be £238 million that are based on non-observable inputs at 30 March 2025. Estimates of the fair value of these assets have been performed using the latest available statements of each of the funds that make up this balance, updated for any subsequent cash movements between the statement date and the year-end reporting date.

There were no open equity futures or options derivatives within this portfolio at 30 March 2025 (2023-24: £nil). £5.5 billion (2023-24: £6.1 billion) of UK Government bonds are primarily included in the liability-driven investments balance above. The plans' assets do not include property or other assets used by the Group or shares of International Distribution Services plc at 30 March 2025 (2023-24: £nil).

Risk exposure and investment strategy

The Group's defined benefit schemes face similar risks to other UK defined benefit schemes. Some of the key financial risks and mitigating actions are set out in the table below.

Investment market movements	The risks inherent in the investment markets are partially mitigated by pursuing a widely diversified approach across asset classes and investment managers. The RMPP, DBCBS and DBLS occasionally use derivatives (such as swaps, forwards and options) to manage risks whilst maintaining expected investment returns.
Interest rates and inflation changes	The legacy RMPP 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 liabilities. It has done this predominantly through investment in index-linked gilts and derivatives. The nature of the risks and their mitigation are similar for the DBCBS and DBLS, although the level of hedging is less than the RMPP. In the RMPP section, many of the inflation-linked increases that apply are restricted to a maximum increase of 5% in any year. The scheme's rules therefore give some protection from the risk of significantly high levels of inflation.
Equity exposure	Equity holdings totalling £8 million (2023-24: £6 million) for RMPP, £11 million (2023-24: £95 million) for DBCBS and £nil million for DBLS were held at the discretion of the relevant investment managers under the terms of their mandates.
Changes in life expectancy	The RMPP's liabilities could be 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. DBCBS and DBLS both pay a lump sum at retirement, so are not exposed to changes in life expectancy after retirement.
Changes in corporate and Government bond yields	An increase in yields on AA-rated corporate bonds, used to set the IAS 19 discount rates, has led to a decrease in the IAS 19 liabilities. The legacy RMPP's assets include corporate bonds, UK Government bonds and interest rate derivatives to partly offset the impact of movements in the discount rate. The RMPP section is hedged against gilt movements to limit the impact on funding (and therefore cash) but, to the extent that gilts move differently to corporate bonds, the accounting liability is more exposed.

Further details on 'key sources of estimation uncertainty' relating to pension assets can be found in Note 1, including details of how the assets have been valued.

11. Retirement benefit plans continued

c) Movement in RMPP assets, liabilities and net position

Changes in the value of the defined benefit pension liabilities, the 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	
	2025 £m	2024 £m	**2025 £m**	2024 £m	**2025 £m**	2024 £m
Retirement benefit surplus (before withholding tax payable) brought forward	**6,983**	7,604	**(4,521)**	(4,601)	**2,462**	3,003
Amounts included in the income statement:						
Ongoing UK defined benefit pension plan and administration costs (included in people costs)	**(14)**	(9)	**–**	–	**(14)**	(9)
Pension interest income/(cost)[16]	**340**	356	**(219)**	(214)	**121**	142
Total included in profit before tax	**326**	347	**(219)**	(214)	**107**	133
Amounts included in other comprehensive income – remeasurement (losses)/gains						
Actuarial (loss)/gain arising from:						
Financial assumptions	**–**	–	**645**	178	**645**	178
Demographic assumptions	**–**	–	**63**	103	**63**	103
Experience assumptions	**–**	–	**73**	(81)	**73**	(81)
Return on plans' assets (excluding interest income)	**(1,024)**	(856)	**–**	–	**(1,024)**	(856)
Total remeasurement (losses)/gains of the defined benefit surplus	**(1,024)**	(856)	**781**	200	**(243)**	(656)
Other						
Benefits paid	**(110)**	(94)	**110**	94	**–**	–
Transfer between sections	**(146)**	(18)	**–**	–	**(146)**	(18)
Total other movements	**(256)**	(112)	**110**	94	**(146)**	(18)
Retirement benefit surplus (before withholding tax payable) carried forward	**6,029**	6,983	**(3,849)**	(4,521)	**2,180**	2,462
Withholding tax payable	**n/a**	n/a	**n/a**	n/a	**(545)**	(616)
Retirement benefit surplus (net of withholding tax payable) carried forward	**n/a**	n/a	**n/a**	n/a	**1,635**	1,846

16. Pension interest income for the current year results from applying the plans' discount rate at 31 March 2024 to the plans' assets at that date. Similarly, the pension interest cost results from applying the plans' discount rate as at 31 March 2024 to the plans' liabilities at that date.

d) Movement in RMSEPP assets, liabilities and net position

Changes in the value of the defined benefit pension liabilities, the 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	
	2025 £m	2024 £m	**2025 £m**	2024 £m	**2025 £m**	2024 £m
Retirement benefit surplus (before withholding tax payable) brought forward	**7**	8	**–**	–	**7**	8
Amounts included in the income statement:						
Pension interest income/(cost)	**–**	–	**–**	–	**–**	–
Total included in profit before tax	**–**	–	**–**	–	**–**	–
Amounts included in other comprehensive income – remeasurement (losses)/gains						
Actuarial (loss)/gain arising from:						
Financial assumptions	**–**	–	**–**	–	**–**	–
Return on plans' assets (excluding interest income)	**–**	(1)	**–**	–	**–**	(1)
Total remeasurement (losses)/gains of the defined benefit surplus	**–**	(1)	**–**	–	**–**	(1)
Other						
Employer Contributions	**(7)**	–	**–**	–	**(7)**	–
Benefits paid	**–**	–	**–**	–	**–**	–
Total other movements	**(7)**	–	**–**	–	**(7)**	–
Retirement benefit surplus (before withholding tax payable) carried forward	**–**	7	**–**	–	**–**	7
Withholding tax payable	**n/a**	n/a	**n/a**	n/a	**–**	(2)
Retirement benefit surplus (net of withholding tax payable) carried forward	**n/a**	n/a	**n/a**	n/a	**–**	5

11. Retirement benefit plans continued

e) Movement in DBCBS assets, liabilities and net position

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

	Defined benefit asset		Defined benefit liability		Net defined benefit deficit	
	2025 £m	2024 £m	**2025 £m**	2024 £m	**2025 £m**	2024 £m
Retirement benefit deficit brought forward	**1,903**	1,652	**(1,963)**	(1,797)	**(60)**	(145)
Amounts included in the income statement:						
Ongoing UK defined benefit pension plan service cost including administration costs (included in people costs)	**(4)**	(4)	**(153)**	(329)	**(157)**	(333)
Past service credit	**–**	–	**–**	172	**–**	172
Pension interest income/(cost)[16]	**94**	84	**(96)**	(91)	**(2)**	(7)
Total included in profit before tax	**90**	80	**(249)**	(248)	**(159)**	(168)
Amounts included in other comprehensive income – remeasurement gains/(losses)						
Actuarial gain/(loss) arising from:						
Financial assumptions[17]	**–**	–	**120**	4	**120**	4
Experience assumptions	**–**	–	**–**	(32)	**–**	(32)
Return on plan assets	**(103)**	(31)	**–**	–	**(103)**	(31)
Total remeasurement gains/(losses) of the defined benefit deficit	**(103)**	(31)	**120**	(28)	**17**	(59)
Other						
Employer contributions[18]	**56**	294	**–**	–	**56**	294
Employee contributions	**4**	7	**(4)**	(7)	**–**	–
Benefits paid	**(148)**	(117)	**148**	117	**–**	–
Transfer between sections	**146**	18	**–**	–	**146**	18
Total other movements	**58**	202	**144**	110	**202**	312
Retirement benefit deficit carried forward	**1,948**	1,903	**(1,948)**	(1,963)	**–**	(60)

16. Pension interest income for the current year results from applying the plans' discount rate at 31 March 2024 to the plans' assets at that date. Similarly, the pension interest cost results from applying the plans' discount rate as at 31 March 2024 to the plans' liabilities at that date.
17. The Group does not have an unconditional right to refund of any accounting surplus and is unable to recognise any such surplus under IAS 19. Based on appropriate assumptions under IAS 19, the liabilities were lower than the assets as at 30 March 2025. As the surplus would be used to augment benefits to members, the liabilities have been increased to equal the assets by £59 million (2023-24: £nil), resulting in the scheme being fully funded, with neither a surplus nor a deficit, on an accounting basis as at 30 March 2025. The other side of this adjustment flows through OCI as an actuarial loss.
18. Includes PSE contributions of £47 million (2023-24: £94 million).

f) Movement in DBLS assets, liabilities and net position

Changes in the value of the defined benefit lump sum liabilities, the fair value of the plans' assets and the net defined benefit deficit during the reporting year are analysed as follows:

	Defined benefit lump sum asset		Defined benefit lump sum liability		Net defined benefit lump sum deficit	
	2025 £m	2024 £m	**2025 £m**	2024 £m	**2025 £m**	2024 £m
Retirement benefit deficit brought forward	**–**	n/a	**–**	n/a	**–**	n/a
Amounts included in the income statement:						
Ongoing UK defined benefit pension plan service cost including administration costs (included in people costs)	**(1)**	n/a	**(65)**	n/a	**(66)**	n/a
Pension interest income/(cost)[16]	**–**	n/a	**–**	n/a	**–**	n/a
Total included in profit before tax	**(1)**	n/a	**(65)**	n/a	**(66)**	n/a
Amounts included in other comprehensive income – remeasurement gains/(losses)						
Actuarial gain/(loss) arising from:						
Financial assumptions[19]	**–**	n/a	**(11)**	n/a	**(11)**	n/a
Experience assumptions	**–**	n/a	**10**	n/a	**10**	n/a
Return on plan assets	**4**	n/a	**–**	n/a	**4**	n/a
Total remeasurement gains/(losses) of the defined benefit deficit	**4**	n/a	**(1)**	n/a	**3**	n/a
Other						
Employer contributions[20]	**63**	n/a	**–**	n/a	**63**	n/a
Employee contributions	**1**	n/a	**(1)**	n/a	**–**	n/a
Benefits paid	**–**	n/a	**–**	n/a	**–**	n/a
Total other movements	**64**	n/a	**(1)**	n/a	**63**	n/a
Retirement benefit deficit carried forward	**67**	n/a	**(67)**	n/a	**–**	n/a

16. Pension interest income for the current year results from applying the plans' discount rate at 31 March 2024 to the plans' assets at that date. Similarly, the pension interest cost results from applying the plans' discount rate as at 31 March 2024 to the plans' liabilities at that date.
19. The Group does not have an unconditional right to refund of any accounting surplus and is unable to recognise any such surplus under IAS 19. Based on appropriate assumptions under IAS 19, the liabilities were lower than the assets as at 30 March 2025. As the surplus would be used to augment benefits to members, the liabilities have been increased to equal the assets by £19 million (2023-24: £nil), resulting in the scheme being fully funded, with neither a surplus nor a deficit, on an accounting basis as at 30 March 2025. The other side of this adjustment flows through OCI as an actuarial loss.
20. Includes PSE contributions of £33 million (2023-24: £nil million).

12. Acquisition of businesses

During the year, three small acquisitions, iLogistic, E-Log Logistica Insular and Rovigo were completed by GLS in Hungary, Spain and Italy respectively. Their combined net asset value was £8 million. This included £4 million of goodwill, which is tax deductible, and which represents the fact that these acquisitions will complement the existing networks in their respective countries, adding value through improved service offering and quality, thereby supporting the retention of existing and winning of new customers.

13. Property, plant and equipment[1]

	Land and buildings £m	Plant and machinery £m	Motor vehicles £m	Fixtures and equipment £m	Total £m
Cost					
At 1 April 2024	5,104	1,721	1,047	496	8,368
Exchange rate movements	(40)	(15)	(8)	(4)	(67)
Reclassification[2]	(2)	(1)	2	2	1
Modifications[3]	38	1	–	–	39
Additions	290	147	199	58	694
Disposals	(34)	(49)	(133)	(15)	(231)
Acquisition of subsidiaries	3	1	–	–	4
Reclassification to assets held for sale	(3)	–	–	–	(3)
At 30 March 2025	**5,356**	**1,805**	**1,107**	**537**	**8,805**
Depreciation and impairment					
At 1 April 2024	2,710	1,193	772	386	5,061
Exchange rate movements	(14)	(6)	(3)	(2)	(25)
Reclassification	–	2	(1)	(1)	–
Impairment charge/(reversal) (see Note 1)	2	(49)	(31)	(8)	(86)
Charge for the year	275	75	59	35	444
Disposals	(33)	(49)	(121)	(15)	(218)
Reclassification to assets held for sale	(1)	–	–	–	(1)
At 30 March 2025	**2,939**	**1,166**	**675**	**395**	**5,175**
Net book value:					
At 30 March 2025	**2,417**	**639**	**432**	**142**	**3,630**
At 31 March 2024	2,394	528	275	110	3,307

1. This note includes details of both owned and Right of Use (ROU) assets. Further details on ROU assets are included in Note 14.
2. Reclassification between asset classes includes reclassifications between fixed and intangible assets.
3. Modifications mainly relate to IFRS 16 lease modifications.

	Land and buildings £m	Plant and machinery £m	Motor vehicles £m	Fixtures and equipment £m	Total £m
Cost					
At 27 March 2023	4,894	1,609	1,149	487	8,139
Exchange rate movements	(32)	(17)	(5)	(4)	(58)
Reclassification[2]	(1)	–	–	(2)	(3)
Modifications[3]	28	–	(14)	–	14
Additions	264	151	120	43	578
Disposals	(38)	(20)	(172)	(28)	(258)
Acquisition of subsidiaries	2	–	2	–	4
Reclassification to assets held for sale	(13)	(2)	(33)	–	(48)
At 31 March 2024	5,104	1,721	1,047	496	8,368
Depreciation and impairment					
At 27 March 2023	2,500	1,146	816	379	4,841
Exchange rate movements	(10)	(8)	(1)	(3)	(22)
Impairment charge/(reversal)	1	11	(3)	6	15
Modifications[3]	2	–	–	–	2
Charge for the year	262	65	62	31	420
Disposals	(39)	(20)	(86)	(27)	(172)
Reclassification to assets held for sale	(6)	(1)	(16)	–	(23)
At 31 March 2024	2,710	1,193	772	386	5,061
Net book value:					
At 31 March 2024	2,394	528	275	110	3,307
At 26 March 2023	2,394	463	333	108	3,298

2. Reclassification between asset classes includes reclassifications between fixed and intangible assets.
3. Modifications mainly relate to IFRS 16 lease modifications.

Depreciation rates are disclosed within Note 1. No depreciation is provided on land, which represents £277 million (2023-24: £296 million) of the total cost of property assets.

Details of the impairment assessment performed in regards to these assets can be found within Note 1.

The net book value of the Group's property, plant and equipment includes £141 million (2023-24: £137 million) in respect of assets in the course of construction. The net book value of the Group's land and buildings includes £314 million (2023-24: £310 million) in respect of building fit-out.

The £694 million (2023-24: £578 million) additions include £nil million borrowing costs capitalised in relation to specific qualifying assets (2023-24: £1 million at a rate of 3.52%).

14. Leases

The Group primarily leases office buildings and letter and parcel processing facilities. At 30 March 2025, the Group held approximately 6,250 land and building leases (2023-24: 4,500). The Group also has leases for some of its vehicle fleet and plant and equipment used in operations. 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:

Lease liabilities	At 30 March 2025 Present value of lease payments £m	At 31 March 2024 Present value of lease payments £m
Current liabilities		
Lease liabilities due within one year	**(283)**	(241)
Non-current liabilities		
Lease liabilities due between one and five years	**(869)**	(738)
Lease liabilities due beyond five years	**(450)**	(444)

The right of use 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
At 30 March 2025					
Cost	**1,909**	**210**	**652**	**31**	**2,802**
of which additions	**146**	**28**	**180**	**11**	**365**
Accumulated depreciation and impairment	**(790)**	**(158)**	**(377)**	**(15)**	**(1,340)**
Depreciation charge	**(178)**	**(12)**	**(37)**	**(3)**	**(230)**
Impairment (charge)/reversal (see Note 1)	**–**	**1**	**(1)**	**–**	**–**
Total	**1,119**	**52**	**275**	**16**	**1,462**

Right of use assets	Land and buildings £m	Plant and machinery £m	Motor vehicles £m	Fixtures and equipment £m	Total £m
At 31 March 2024					
Cost	1,780	183	584	20	2,567
of which additions	172	8	102	13	295
Accumulated depreciation and impairment	(648)	(149)	(429)	(12)	(1,238)
Depreciation charge	(167)	(9)	(34)	(3)	(213)
Impairment charge	–	(1)	(23)	(5)	(29)
Total	1,132	34	155	8	1,329

Leases in the income statement

Leases are recognised in the income statement as detailed below:

	52 weeks 2025 £m	53 weeks 2024 £m
Other operating income		
Sublease income	**5**	5
Operating expenses		
Expenses from short-term/low-value leases	**(53)**	(46)
Depreciation		
Depreciation of right of use assets	**(230)**	(213)
Net finance costs		
Interest expense on lease liabilities	**(53)**	(43)

The Group enters into sale and leaseback transactions for vehicles and property. In accordance with IFRS 15, it was determined that the transfer of these assets constitutes sales. Cash received from these transactions in the year was £50 million (2023-24: £79 million) with a further £50 million to be received in 2027-28 (see Note 20). Gains of £66 million (2023-24: £nil) arising from sale and leaseback arrangements are recognised within 'profit on disposal of property, plant and equipment' in the income statement with the remaining gains deferred as a reduction in the right of use assets relating to the leaseback (see Note 6). Cash proceeds received in the year have been separately classified as £36 million investing cash flows (2023-24: £8 million), to reflect the proportion of rights transferring to the buyer-lessor, with the remaining £14 million treated as financing cash flows (2023-24: £71 million).

Details of the impairment assessment performed in regards to these assets can be found within Note 1.

15. Goodwill

	2025 £m	2024 £m
Cost		
At the beginning of the period	895	895
Exchange rate movements	(30)	(24)
Acquisition of business (see Note 12)	4	25
Reclassification to assets held for sale	–	(1)
At the end of the period	869	895
Impairment		
At the beginning of the period	437	450
Exchange rate movements	(10)	(13)
At the end of the period	427	437
Net book value:		
At the end of the period	442	458
At the beginning of the period	458	445

GLS Europe

The carrying value of goodwill of £442 million (2023-24: £458 million) at the balance sheet date includes £282 million (2023-24: £285 million) in relation to GLS' European network (GLS Europe CGU). The carrying value of the GLS European network is £1,070 million (2023-24: £1,037 million). The CGU has been assessed for impairment by comparing the carrying value of the CGU with its recoverable amount, being the CGU's value in use. The value in use has been calculated by discounting cash flows for a five-year period, with the period beyond five years assumed to have a terminal growth rate of 1.5% (2023-24: 1.5%). All post-tax cash flows of the CGU have been discounted to present value at the CGU's post-tax discount rate of 7.1% (2023-24: 7.8%) which reflects current market assessments of the time value of money and the risks specific to the asset or CGU. The pre-tax discount rate is 9.5% (2023-24: 10.1%). The recoverable amount was deemed to be significantly in excess of the carrying value of the CGU. Sensitivity analysis has been performed on each of the key assumptions, which did not identify any plausible outcomes that would require the CGU to be impaired.

GLS Canada (Previously separate GLS Dicom Canada and GLS Rosenau Transport Canada CGUs)

The value of goodwill in relation to GLS Canada is £151 million (2023-24: £164 million). An impairment review has been performed comparing the carrying amount of the GLS Canada CGU, of £345 million (2023-24: £390 million), with its recoverable amount. The recoverable amount has been calculated by discounting cash flows for a five-year period, with the period beyond five years assumed to have a terminal growth rate of 1.7% (2023-24: 1.7%). All post-tax cash flows of the CGU have been discounted to present value at the CGU's post-tax discount rate of 9.2% (2023-24: 9.3%), which reflects current market assessments of the time value of money and the risks specific to the asset or CGU. The pre-tax discount rate is 12.5% (2023-24: 11.8%). Based on these assumptions, the value in use was deemed to be significantly in excess of the carrying value. Sensitivity analysis has been performed on each of the key assumptions, which did not identify any plausible outcomes that would require the CGU to be impaired.

Royal Mail, excluding Parcelforce Worldwide, CGU

The Royal Mail, excluding Parcelforce Worldwide, CGU does not include any recognised goodwill as all goodwill allocated to this CGU has been impaired in previous periods.

16. Intangible assets

	2025					2024				
	Master franchise licences £m	**Customer listings £m**	**Software £m**	**Brands £m**	**Total £m**	Master franchise licences £m	Customer listings £m	Software £m	Brands £m	Total £m
Cost										
At the beginning of the period	**23**	**174**	**1,359**	**38**	**1,594**	23	172	1,261	38	1,494
Exchange rate movements	**(1)**	**(10)**	**(4)**	**(2)**	**(17)**	–	(3)	(5)	(1)	(9)
Additions	**–**	**–**	**111**	**–**	**111**	–	–	112	–	112
Disposals	**–**	**–**	**(8)**	**–**	**(8)**	–	–	(13)	–	(13)
Reclassification[1]	**–**	**–**	**(1)**	**–**	**(1)**	–	–	3	–	3
Acquisition of business	**–**	**1**	**–**	**1**	**2**	–	11	1	2	14
Reclassification to assets held for sale	**–**	**–**	**–**	**–**	**–**	–	(6)	–	(1)	(7)
At the end of the period	**22**	**165**	**1,457**	**37**	**1,681**	23	174	1,359	38	1,594
Amortisation and impairment										
At the beginning of the period	**23**	**96**	**1,141**	**30**	**1,290**	23	84	1,057	26	1,190
Exchange rate movements	**(1)**	**(5)**	**(3)**	**(1)**	**(10)**	–	(2)	(4)	–	(6)
Amortisation charge[2]	**–**	**15**	**61**	**1**	**77**	–	16	61	5	82
Impairment charge/(reversal) (see Note 1)	**–**	**–**	**(29)**	**–**	**(29)**	–	–	40	–	40
Disposals	**–**	**–**	**(8)**	**–**	**(8)**	–	–	(13)	–	(13)
Reclassification to assets held for sale	**–**	**–**	**–**	**–**	**–**	–	(2)	–	(1)	(3)
At the end of the period	**22**	**106**	**1,162**	**30**	**1,320**	23	96	1,141	30	1,290
Net book value:										
At the end of the period	**–**	**59**	**295**	**7**	**361**	–	78	218	8	304
At the beginning of the period	**–**	**78**	**218**	**8**	**304**	–	88	204	12	304

1. Reclassification between asset classes includes reclassifications between fixed and intangible assets.
2. Includes £16 million (2023-2024: £21 million) amortisation of intangible assets in acquisitions, presented as an operating specific item in the Income Statement.

The intangible assets detailed above have finite lives and are being written down on a straight-line basis. The net book value of the Group's software assets includes £76 million (2023-24: £85 million) in respect of assets in the course of construction. The £111 million (2023-24: £112 million) additions include £nil million of borrowing costs capitalised in relation to specific qualifying assets (2023-24: £1 million at a rate of 3.52%).

The Group holds individually material intangible assets totalling £55 million (2023-24: 42 million). These assets relate to various IT initiatives taking place across the business and are tested annually for impairment. They have an average remaining useful life of four years (2023-24: three years).

17. Investments in associates

Details of the associates of the Group are listed below.

Company	Principal activities	Country of incorporation	Reporting date	**% ownership 2025**	% ownership 2024
ACS Postal Services SMSA	Parcel delivery services	Greece	31 December	**20.0**	0.0
JICMAIL Limited	Market research	UK	31 March	**20.0**	20.0
Charac Limited	Digital pharmacy prescription services	UK	31 March	**26.8**	29.6

The investment in Charac Limited was diluted during the year, due to the Group not participating in the latest funding round.

There are no significant restrictions on the ability of the associates to transfer funds to the Group in the form of cash dividends or repayment of loans and advances.

Movements in interests in associates

	2025 £m	2024 £m
Cost		
At the beginning of the period	**1**	1
Additions	**46**	–
Impairment	**(1)**	–
At the end of the period	**46**	1

At 30 March 2025, the Group owned 20% of the shares in ACS Postal Services SMSA (ACS), a Greek postal company incorporated in Greece.

The Group concluded that it gained significant influence over ACS on 21 October 2024 and, from that date, the Group interest in ACS has been accounted for using the equity method.

The Group has a call option to purchase the remaining 80% of the shares in ACS on two specific future dates (31 October 2025 and 30 October 2026). The Group has not recognised control, because the call option is not substantive in the intervening period as it cannot be exercised until 31 October 2025 at the earliest, which would be after the reporting date.

The fair value of ACS' identifiable assets and liabilities on 21 October 2024 were:

	Fair value 21 October 2024 £m
Property, plant and equipment	**51**
Intangible assets	**75**
Right of use assets	**1**
Inventories	**1**
Trade and other receivables	**16**
Cash and cash equivalents	**20**
Total assets	**164**
Trade and other payables	**(20)**
Lease liability	**(1)**
Deferred tax liabilities	**(17)**
Provisions	**(2)**
Total liabilities	**(40)**
Net assets acquired	**124**

On classification as an associate, the Group has recognised the difference between the deemed consideration and the Group's share of the net fair value of ACS' identifiable assets and liabilities as goodwill, calculated as shown below:

	£m
Total identifiable net assets of ACS	**124**
The Group's share of net assets on 21 October 2024	**25**
Consideration	**46**
Goodwill	**21**

17. Investments in associates continued

Summarised information for material associates

The only material associate in the current year was ACS. The summarised financial information below reflects the amounts presented in the Financial Statements of ACS, and not the Group's share of those amounts. The information for 2025 includes the results from 21 October 2024, because this was the date the Group gained significant influence over ACS. These amounts have been adjusted to conform to the Group's accounting policies where required.

	2025 £m
Summarised balance sheet – ACS	
Current assets	**48**
Non-current assets	**124**
Current liabilities	**(28)**
Non-current liabilities	**(19)**
Net assets	**125**
Summarised income statement – ACS	
Revenue	**54**
Profit before tax	**2**
Profit after tax	**–**
OCI	**–**
Total comprehensive income	**–**

	2025 £m
Reconciliation to the carrying amount recognised in the Consolidated Financial Statements – ACS	
Group share of net assets above[1]	**25**
Goodwill	**21**
Included in the balance sheet	**46**

1. The Group's ownership percentage of ACS is 20%

Other immaterial associates

The Group also has interest in a number of individually immaterial associates.

The following table analyses, in aggregate, the carrying amount and share of profit and OCI of these associates:

	2025 £m	2024 £m
Carrying amount of interest in associates	**–**	1
Share of:		
-Profit from continuing operations	**–**	–
-OCI	**–**	–
	–	–

Derivatives options

As part of the agreement to purchase 20% of ACS, the Group also obtained a call option to purchase the remaining 80% to be exercisable on 31 October 2025 or 30 October 2026. Should this call option not be exercised by 30 October 2026, put and call options are in place with the Group and ACS respectively for the 20% stake to be purchased back by ACS (if neither are exercised then this call option can also be deferred by one more year to 29 October 2027). Together, these options are referred to as 'Derivatives options'.

The Derivatives options value disclosed in the balance sheet includes the valuation of these three elements (shown in the table below). They are netted given the economic characteristics and risks are closely related. It should also be noted that the three valuations are not fully independent of one another. Please see the accounting policy in Note 1 for further details.

Valuation techniques and Assumptions

The Derivatives options are recognised based on the Level 3 fair value hierarchy under IFRS 13. This is because there are inputs for the asset or liability that are not based on observable market data (unobservable inputs). The fair values are determined on the basis of the Monte Carlo option pricing model. Where possible, parameters observable on the market or derived from market data are used to determine the value. A volatility of 19.1% is taken into account for the Derivatives options. The volatilities are based on the volatilities of a comparable group of companies. No major fluctuations in equity value are to be expected with regard to the Derivatives options in the future.

Derivatives options at Transaction date and Balance Sheet Date

	Call Option £m	Break Put Option £m	Break Call Option £m	Total £m
As at Transaction Date (21 October 2024)				
Fair value	22	4	(7)	19
Movement through income statement (shown in Operating specific items, see Note 6):				
Fair value loss on the Derivatives options	(3)	(1)	(2)	(6)
As at the end of the period (30 March 2025)				
Fair value	**19**	**3**	**(9)**	**13**

Sensitivity analysis for the Derivatives options

Key assumption change	At 30 March 2025 £m Potential increase in the Derivatives options
Volatility +1%	**2**
Volatility -1%	**(2)**
Equity valuation +5%	**8**
Equity valuation -5%	**(6)**

18. 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.

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 International Distribution Services 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 30 March 2025, there had been 78 (2023-24: 66) such monthly awards and a total of 2,391,804 (2023-24: 2,073,822) Matching Shares had been awarded to eligible staff members at a weighted average market price of 296.8 pence (2023-24: 291.0 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 £1 million (including £nil National Insurance) has been made for the year ended 30 March 2025 (2023-24: £1 million, including £nil National Insurance) for all SIP allocations.

A reconciliation of the ordinary shares held in the SIP at 30 March 2025 and 31 March 2024 is shown below.

	At 30 March 2025	At 31 March 2024
Total shares remaining in SIP at the beginning of the period	32,838,222	37,600,824
Shares sold/transferred out of SIP during the reporting year (fully vested)	(719,661)	(1,236,159)
Shares transferred out of SIP during the reporting year (good leavers)[1]	(4,875,374)	(3,526,443)
Total shares remaining in SIP at the end of the period	27,243,187	32,838,222

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, 26,177,179 (2023-24: 31,587,436) have been allocated to current employees. The remaining 1,066,008 (2023-24: 1,250,786) shares are unallocated and have arisen as a result of forfeitures.

18. Share-based payments continued

Award of shares under the Long-Term Incentive Plan

			Fair value/share (pence) Monte-Carlo simulation		
Award year	Grant date	Shares vest from	Market-based conditions	Non-market-based conditions	Maximum number of potential shares to vest
2022	01/09/2022	01/09/2025	100.1	272.6	1,020,823
2023	31/07/2023	31/07/2026	179.0	269.8	4,497,754
2024	04/06/2024	04/06/2027	235.5	322.7	4,084,106
2024	27/11/2024	04/06/2027	235.5	322.7	416,910

A charge to the income statement of £4 million (including £1 million National Insurance) has been made for the year ended 30 March 2025 in relation to all LTIP schemes (2023-24: £3 million, including £nil National Insurance).

Award of shares under the Deferred Share Bonus Plan

Award year	Grant date	Shares vest from	Fair value/share (pence)	Maximum number of potential shares to vest
2022	28/07/2022	28/07/2025	290.2	181,935
2023	02/03/2023	02/03/2025	232.3	29,061
2023	31/07/2023	31/07/2025	269.8	30,867
2023	31/07/2023	31/07/2026	269.8	136,582
2023	30/11/2023	31/07/2025	269.8	5,449
2024	04/06/2024	01/03/2025	251.7	93,365
2024	04/06/2024	31/08/2025	272.0	96,323
2024	04/06/2024	31/01/2026	226.6	86,151
2024	04/06/2024	04/06/2026	335.1	59,216
2024	04/06/2024	31/08/2026	272.0	50,367
2024	04/06/2024	04/06/2027	335.1	122,748
2024	23/09/2024	29/08/2025	342.1	57,350
2024	23/09/2024	31/08/2026	342.1	29,822

A charge to the income statement of £2 million (including £nil National Insurance) has been recognised for the year ended 30 March 2025 in relation to all DSBP schemes (2023-24: £1 million, including £nil National Insurance).

19. Assets and liabilities held for sale

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

	At 30 March 2025 £m	At 31 March 2024 £m
Property and other assets held for sale	–	42
Liabilities held for sale	–	(24)
Total	–	18

During the year, assets and liabilities of the GLS US freight business with a carrying value of £15 million, which were recognised as held for sale at 31 March 2024, were sold for £15 million.

UK property assets with a carrying value of £2 million (2023-24: £nil million) were reclassified as held for sale in the year. These, plus the assets constituting the remainder of the opening balance of £18 million (mainly £3 million in respect of the building at Royal College Street, Camden, London and £15 million of GLS business assets) were sold before the balance sheet date.

20. Trade and other receivables

Current	At 30 March 2025 £m	At 31 March 2024 £m
Trade receivables	1,509	1,462
Accrued income	30	31
Prepayments	129	102
Total	**1,668**	1,595

Of the total amount recognised in trade receivables, £32 million (2023-24: £47 million) is expected to be received in more than 12 months but within the normal operating cycle of international postal settlement.

Non-current	At 30 March 2025 £m	At 31 March 2024 £m
Capital debtors	44	–
Other	16	15
Total	**60**	15

The non-current capital debtors balance of £44 million (2023-24: £nil) relates to deferred payments due from the sale of property.

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

	2025 £m	2024 £m
At the beginning of the period	(43)	(43)
Receivables provided for during the year	(21)	(28)
Release of allowance	9	16
Utilisation of allowance	8	11
Exchange differences	–	1
At the end of the period	**(47)**	(43)

The Group's approach to loss allowance for bad and doubtful debts is explained in the accounting policies in Note 1.

The age profile of the trade receivables balance is shown below.

	At 30 March 2025 £m	At 31 March 2024 £m
Not yet overdue	1,318	1,285
Past due not more than one month	126	141
Past due more than one month and not more than two months	12	12
Past due more than two months	53	24
Total	**1,509**	1,462

21. Cash and cash equivalents

	At 30 March 2025 £m	At 31 March 2024 £m
Cash at bank and in hand	242	410
Client cash	48	47
Cash equivalent investments: Short-term bank deposits and money market fund investments	544	573
Total cash and cash equivalents in the balance sheet	**834**	1,030
Bank overdrafts (part of a cash pool)	(53)	(56)
Total cash and cash equivalents in the statement of cash flows	**781**	974

21. Cash and cash equivalents continued

Cash and cash equivalents comprise amounts held physically in cash, bank balances available on demand and deposits for three months or less, dependent on the immediate cash requirements of the Group. Where interest is earned, this is either at floating or short-term fixed rates based upon bank deposit rates.

Client cash is cash collected from consignees by GLS on behalf of its posting customers. It is maintained in separate bank accounts to the cash of the business and allocated to a separate payables account in the balance sheet so it can be tracked and reconciled.

Bank overdrafts are included within the statement of cash flows net, alongside equivalent offsetting balances of cash at bank in the cash pool. The overdraft balances, which are part of a cash pool for the UK companies within the Group, are an integral part of the Group's cash management and are presented net within cash and cash equivalents at the beginning and end of the year in the statement of cash flows.

22. Current trade and other payables

	At 30 March 2025 £m	At 31 March 2024 £m
Trade payables and accruals	**(1,718)**	(1,648)
Advance customer payments (including stamps held, not yet used by customers)	**(195)**	(227)
Social security	**(124)**	(125)
Client creditors	**(57)**	(57)
Capital expenditure payables	**(23)**	(19)
Other	**(25)**	(30)
Total	**(2,142)**	(2,106)

Of the total amount recognised in trade payables, £55 million (2023-24: £42 million) is expected to be paid in more than 12 months but within the normal operating cycle of international postal settlement.

The fair value of trade and other payables is not materially different from the carrying value. The average credit period taken for trade purchases is 44 days (2023-24: 42 days).

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

As the scheme has not led to a substantial modification in the terms of the financial liability, the Group 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 Group. There is no impact on net debt, as amounts owed continue to be reported within trade payables.

The balance owed on the facility at 30 March 2025 was £35 million (31 March 2024: £45 million).

There were no material business combinations or foreign exchange differences or other non-cash transfers relating to the carrying amount of liabilities subject to supplier finance arrangements.

The carrying amount of liabilities that are part of supplier financing arrangements are shown below.

	At 30 March 2025 £m
Presented within trade and other payables	35
– of which suppliers have received payment from finance provider	35

Range of payment due dates are shown below.

	At 30 March 2025
Liabilities that are part of the arrangement	30-90 days after invoice date
Trade payables that are not part of an arrangement	30-90 days after invoice date

23. Loans and borrowings

At 30 March 2025	Loans and borrowings[1] £m	Further committed facility £m	Total facility £m	Average interest rate of loan drawn down %	Basis of interest rate chargeable	Average maturity date of loan drawn down Year	Average maturity date of loan facility Year
Bank syndicate loan facility	–	925	925	n/a	SONIA+CAS +0.575%[2]	n/a	2026
€550 million 2026 senior fixed rate notes	459	–	459	2.7	Fixed at 2.7%	2026	2026
€500 million 2028 senior fixed rate notes	416	–	416	5.5	Fixed at 5.5%	2028	2028
£250 million 2030 senior fixed rate notes	249	–	249	7.5	Fixed at 7.5%	2030	2030
Asset finance[1]	26	–	26	3.0	Fixed at 3.0%	2028	2028
Total	**1,150**	**925**	**2,075**	**4.8**		**2028**	**2027**

At 31 March 2024	Loans and borrowings[1] £m	Further committed facility £m	Total facility £m	Average interest rate of loan drawn down %	Basis of interest rate chargeable	Average maturity date of loan drawn down Year	Average maturity date of loan facility Year
Bank syndicate loan facility	–	925	925	n/a	SONIA+CAS +0.575%[2]	n/a	2026
€364.5 million 2024 senior fixed rate notes	312	–	312	2.5	Fixed at 2.5%	2024	2024
€550 million 2026 senior fixed rate notes	469	–	469	2.7	Fixed at 2.7%	2026	2026
€500 million 2028 senior fixed rate notes	425	–	425	5.5	Fixed at 5.5%	2028	2028
£250 million 2030 senior fixed rate notes	248	–	248	7.5	Fixed at 7.5%	2030	2030
Asset finance[1]	29	–	29	2.9	Fixed at 2.9%	2027	2027
Total	1,483	925	2,408	4.2		2027	2027

1. Asset finance of £26 million (2023-24: £29 million) consists of £4 million current and £22 million non-current (2023-24: £3 million current and £26 million non-current). Other loans and borrowings of £1,124 million are non-current (2023-24: £312 million current and £1,142 million non-current).
2. The total margin over Sterling Overnight Indexed Average (SONIA) consists of a 0.50% margin (2023-24: 0.50%), a credit adjustment spread (CAS) and a utilisation fee of 0.075% (for drawings less than one-third of the total facility). Interest is compounded daily and a CAS of between 0.0% and 0.3% is added using the International Swaps and Derivatives Association (ISDA) published five-year historical mean on fixing date (5 March 2021).

The 2024 bond was repaid on maturity in July 2024. Until 14 September 2023 (when the 2028 bond was issued), the 2024 bond was designated as a hedge of the net investment in GLS, which has a very significant balance of Euro-denominated assets. From 14 September 2023 onwards, the new 2028 bond is designated as a hedge of the net investment in GLS. During the year, total gains of £9 million (2023-24: £12 million gain) on the retranslation of these borrowings were taken to other comprehensive income, which offset the losses on translation of an equivalent amount of the Euro-denominated assets in GLS. There was no hedge ineffectiveness in the current or comparative reporting years.

The €550 million 2026 bond has a coupon of 1.25% and maturity date of 8 October 2026. To hedge the foreign exchange risk, Royal Mail chose to take out a cross-currency swap perfectly mirroring the terms of the bond. The combined interest rate of the coupon and the cross-currency swap is 2.7% (2023-24: 2.7%). The €550 million bond is shown net of issue discount and fees, and at a closing spot rate of £1/€1.196 (2023-24: £1/€1.169). The effective interest rate on the bond plus the cross-currency swap (2.7%) consists of the interest coupon of 1.25% (2023-24: 1.25%) plus the effects of the cross-currency swap of 1.00% (2023-24: 1.00%) and the unwinding of the discount and fees on issuing the bond of 0.4% (2023-24: 0.4%). The revaluation of the bond is hedged by the cross-currency swap. During the year, a £10 million loss (2023-24: £13 million loss) was transferred from other comprehensive income to the income statement to match the equivalent gain on retranslation of this borrowing. There was no hedge ineffectiveness in the current or comparative reporting years.

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.

Such events of default include non-payment, insolvency and breach of covenants. On 24 March 2023, a covenant amendment was agreed that amended the financial covenants to use GLS EBITDA instead of Group EBITDA in the covenant calculations until September 2024, at which point, the facility reverted to the previous covenants.

23. Loans and borrowings continued

The financial covenants require the Group to maintain the (leverage) ratio of adjusted net debt to EBITDA below 3.5:1 and EBITDA to interest above 3.5:1. For the measurement periods of March 2023, September 2023 and March 2024, GLS EBITDA was used in these calculations; after this date, it reverted back to Group EBITDA. The covenant ratios are calculated on an IAS 17 basis for leases. Adjusted net debt consists of net debt less operating leases capitalised under IFRS 16, plus Letters of Credit (contingent liabilities in respect of the Royal Mail insurance programme, where the possibility of an outflow of economic benefits is considered remote), plus bank guarantees provided to HMRC (in order to facilitate the movement of parcels from Europe efficiently through to our network, where the possibility of an outflow of economic benefits is considered remote) and is adjusted for exchange rate movements during the year. EBITDA is adjusted to deduct operating lease expense on leases capitalised under IFRS 16 (£275 million for 2024-25, (2023-24: £94 million for GLS)) and to remove transformation costs and certain specific items. Interest is adjusted to remove interest on operating leases capitalised under IFRS 16.

The Group's leverage ratio at 30 March 2025 using Group EBITDA at 30 March 2025 is 0.8: 1 (2023-24: 1.1: 1). The Group's ratio of EBITDA to interest at 30 March 2025 is 41.9: 1 (2023-24: 72.0: 1). Accordingly, the Group comfortably meets the covenants tests within its bank syndicate loan facility agreement.

The interest rate chargeable on the bank syndicate loan facility would increase if more than one-third of the facility was drawn and also if the Group's leverage ratio changed. Under the loan agreement, the maximum interest rate chargeable would be compounding SONIA plus 2.35%.

The issued bonds become repayable immediately on the occurrence of an event of default under the bond agreements. These events of default include non-payment and insolvency. It is not anticipated that the Group is at risk of breaching any of these obligations.

The undrawn committed facilities, in respect of which all conditions precedent had been met at the balance sheet date, were £925 million maturing in September 2026 (2023-24: £925 million maturing in September 2026).

There is no security in place under the bank syndicate loan facility or the bonds.

The bank syndicate loan facility contains a provision that, following a change of control of the Group, the lenders may cancel the facility (assuming a required period of negotiation fails to agree to continuing or amending the facility). The four bonds all contain provisions such that, on a change of control that is combined with a credit rating downgrade in certain circumstances, the noteholders may require the Company to redeem or, at the Company's option, purchase the notes for their principal amount, together with interest accrued to (but excluding) the date of redemption or repurchase.

GLS uses asset finance to fund the purchase of tangible fixed assets.

24. Financial assets and liabilities and risk management

The following disclosures are included in this Note:

a) Classification, carrying amount and fair value of financial assets and liabilities – Carrying amounts and fair value of each category of financial assets and liabilities.
b) Movement in liabilities arising from financing activities – A reconciliation of the opening and closing balances of liabilities arising from financing activities.
c) Foreign currency risk management – How management addresses the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.
d) Commodity price risk management – How management addresses the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.
e) Interest rate risk management – How management addresses the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
f) Liquidity risk management – How management addresses the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.
g) Credit risk management – How management addresses the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
h) Sensitivity analysis – How the income statement and balance sheet would have been affected by changes in commodity prices and exchange rates in the reporting year.
i) Additional derivative and hedge analysis – A detailed breakdown of derivative balances and hedge movements.

a) Classification, carrying amount and fair value of financial assets and liabilities

The following table shows the classification, carrying amount and fair value of the Group's financial assets:

	Level	Classification	At 30 March 2025 Carrying amount £m	At 30 March 2025 Fair value £m	At 31 March 2024 Carrying amount £m	At 31 March 2024 Fair value £m
Financial assets						
Cash[1]	1		**290**	**290**	457	457
Cash held within cash pool			**53**	**53**	56	56
Client cash			**48**	**48**	47	47
All other cash			**189**	**189**	354	354
Cash equivalent investments	1		**544**	**544**	573	573
Money market funds		FVTPL	**494**	**494**	428	428
Short-term deposits – bank		Amortised cost	**50**	**50**	145	145
Cash and cash equivalents	1		**834**	**834**	1,030	1,030
Current asset investments	1	Amortised cost	**–**	**–**	216	216
Pension escrow investments – short term	1	FVTPL	**32**	**32**	–	–
Pension escrow investments – long term	1	FVTPL	**156**	**156**	102	102
Trade and other receivables[2]	2	Amortised cost	**1,539**	**1,539**	1,493	1,493
Derivatives options	3	FVTPL	**13**	**13**	–	–
Derivative assets (current)	2	FVTPL	**2**	**2**	6	6
Derivative assets (non-current)	2	FVTPL	**–**	**–**	2	2
Total financial assets			**2,576**	**2,576**	2,849	2,849

1. Cash and cash equivalents includes bank overdrafts that are part of a cash pool for the UK companies, which generally has a net £nil balance across the Group and forms an integral part of the Group's cash management.
2. Trade and other receivables excludes prepayments of £129 million (2023-24: £102 million).

24. Financial assets and liabilities and risk management continued

The following table shows the classification, carrying amount and fair value of the Group's financial liabilities:

	Level	Classification	At 30 March 2025 Carrying Amount £m	At 30 March 2025 Fair Value £m	At 31 March 2024 Carrying amount £m	At 31 March 2024 Fair value £m
Financial liabilities						
Bank overdrafts (in a cash pool)[1]	1		**(53)**	**(53)**	(56)	(56)
Obligations under leases (current)	2	Amortised cost	**(283)**	**(283)**	(241)	(241)
Interest-bearing loans and borrowings (current)			**(4)**	**(4)**	(315)	(313)
Asset finance	2	Amortised cost	**(4)**	**(4)**	(3)	(3)
€364.5 million 2024 bond	1	Amortised cost	**–**	**–**	(312)	(310)
Trade and other payables[3]	2	Amortised cost	**(1,947)**	**(1,947)**	(1,879)	(1,879)
Derivative liabilities (current)	2	FVTPL	**(12)**	**(12)**	(16)	(16)
Interest-bearing loans and borrowings (non-current)			**(1,146)**	**(1,173)**	(1,168)	(1,175)
€550 million 2026 bond	1	Amortised cost	**(459)**	**(449)**	(469)	(440)
€500 million 2028 bond	1	Amortised cost	**(416)**	**(443)**	(425)	(445)
£250 million 2030 bond	1	Amortised cost	**(249)**	**(259)**	(248)	(264)
Asset finance	2	Amortised cost	**(22)**	**(22)**	(26)	(26)
Obligations under leases (non-current)	2	Amortised cost	**(1,319)**	**(1,252)**	(1,182)	(1,097)
Derivative liabilities (non-current)	2	FVTPL	**(31)**	**(31)**	(24)	(24)
Total financial liabilities			**(4,795)**	**(4,755)**	(4,881)	(4,801)
Net total financial liabilities			**(2,219)**	**(2,179)**	(2,032)	(1,952)

1. Cash and cash equivalents includes bank overdrafts that are part of a cash pool for the UK companies, which generally has a net £nil balance across the Group and forms an integral part of the Group's cash management.
3. Trade and other payables excludes advance customer payments of £195 million (2023-24: £227 million). Trade and other payables includes a balance of £1 million (2023-24: £11 million) measured at fair value level 3 relating to deferred consideration on acquisitions.

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. The 'Level' classification in the above table is explained in the 'Fair value measurement of financial instruments' section of Note 1. See Note 17 for further details on the Derivatives options, relating to the proposed acquisition of ACS.

The main purpose of these financial instruments is to raise finance and manage the liquidity needs of the business' operations.

No speculative trading in financial instruments has been undertaken during the current or comparative reporting years, in line with Group policy.

b) Movement in liabilities arising from financing activities

The following table reconciles the opening and closing balances of liabilities arising from financing activities:

	Bank overdrafts[1] (in a cash pool) £m	Interest-bearing loans and borrowings (current) £m	Interest-bearing loans and borrowings (non-current) £m	Obligations under leases (current) £m	Obligations under leases (non-current) £m	Total £m
At 1 April 2024	**(56)**	**(315)**	**(1,168)**	**(241)**	**(1,182)**	**(2,962)**
Movements through income statement:						
Interest payable on financial liabilities	**–**	**–**	**(50)**	**–**	**(53)**	**(103)**
Movements through cash flow:						
Finance costs paid[4]	**–**	**–**	**49**	**–**	**53**	**102**
Repayments of bonds and loans[5]	**–**	**310**	**–**	**–**	**–**	**310**
Proceeds from sale and leaseback	**–**	**–**	**–**	**–**	**(14)**	**(14)**
Payment of capital element of lease contracts	**–**	**–**	**–**	**234**	**–**	**234**
Other movements:						
Reclassification between categories	**–**	**1**	**(1)**	**(276)**	**276**	**–**
Decrease in gross cash pool overdraft	**3**	**–**	**–**	**–**	**–**	**3**
Increase in lease obligations	**–**	**–**	**–**	**–**	**(411)**	**(411)**
Acquisitions	**–**	**–**	**–**	**–**	**(3)**	**(3)**
Effect of foreign currency exchange rates	**–**	**–**	**24**	**–**	**15**	**39**
At 30 March 2025	**(53)**	**(4)**	**(1,146)**	**(283)**	**(1,319)**	**(2,805)**

4. Finance costs paid of £118 million in the statement of cash flows also includes £7 million interest on cross-currency swaps and £9 million other finance costs.
5. Repayment of bonds and loans of £310 million includes £3 million payment of capital element of asset finance.

	Bank overdrafts[1] (in a cash pool) £m	Interest-bearing loans and borrowings (current) £m	Interest-bearing loans and borrowings (non-current) £m	Obligations under leases (current) £m	Obligations under leases (non-current) £m	Total £m
At 27 March 2023	(89)	(3)	(944)	(220)	(1,142)	(2,398)
Movements through income statement:						
Interest payable on financial liabilities	–	–	(39)	–	(43)	(82)
Movements through cash flow:						
Finance costs paid[6]	–	–	38	–	43	81
Proceeds from bond issues	–	–	(674)	–	–	(674)
Repayments of bonds and loans	–	5	117	–	–	122
Proceeds from sale and leaseback	–	–	–	–	(71)	(71)
Payment of capital element of lease contracts	–	–	–	216	–	216
Other movements:						
Reclassification between categories	–	(318)	318	(243)	243	–
Reclassification to liabilities held for sale	–	–	–	6	12	18
Decrease in gross cash pool overdraft	33	–	–	–	–	33
Increase in lease obligations	–	–	–	–	(232)	(232)
Acquisitions	–	–	–	–	(4)	(4)
New asset finance	–	–	(10)	–	–	(10)
Effect of foreign currency exchange rates	–	1	26	–	12	39
At 31 March 2024	(56)	(315)	(1,168)	(241)	(1,182)	(2,962)

1. Cash and cash equivalents includes bank overdrafts that are part of a cash pool for the UK companies, which generally has a net £nil balance across the Group and forms an integral part of the Group's cash management.
6. Finance costs paid of £79 million in the statement of cash flows also includes £6 million interest on cross-currency swaps and £11 million other finance costs, offset by £19 million accrued interest on the new bonds issued in September 2023.

24. Financial assets and liabilities and risk management continued

c) Foreign currency risk management

Foreign currency transaction risk

Royal Mail is exposed to foreign currency risk due to interest payments on the two Euro-denominated bonds, trading with overseas postal administrations and various purchase contracts denominated in foreign currency. GLS' main currency exposure is the Euro. It also has some exposure to non-Euro currencies, principally in emerging European markets, to the US Dollar and the Canadian Dollar.

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% of the forecast exposure, where forecast cash flows are highly probable. But it will be increased to 100% in certain circumstances where there is more certainty (e.g. for capital programmes where there is contractual liability). Royal Mail applies a hedge ratio of 1:1 for such foreign currency hedges.

Royal Mail determines the existence of an economic relationship between the hedging instrument and hedged item by comparing changes in the Sterling cost of forecasted currency settlements and the related fixed price on the derivative forward contracts.

In these hedge relationships, the main sources of ineffectiveness are:

— Hedged currency settlements could be lower than forecast and hence hedged volumes could be greater than underlying exposure
— Credit risk of the derivative counterparty or Royal Mail could change over time – creating a change in the derivative value that it is not related to or replicated by a change in the exposure.

The following table shows, for each hedge programme, the risk and the percentage hedged of the next 12 months' exposure:

		Percentage of next 12 months' exposure that has been hedged	
Hedge programme	Risk	**At 30 March 2025**	At 31 March 2024
Capital programmes	€/£ exchange rate movements	**80%**	98%
Overseas postal administrations	SDR/£ exchange rate movements	**55%**	41%

Royal Mail's obligation to settle with overseas postal administrations is denominated in Special Drawing Rights (SDR) – a basket of currencies which comprise US Dollar, Japanese Yen, Chinese Renminbi, Sterling and Euro. The next 12 months' exposure is calculated as the combination of the cost of settling liabilities during the next 12 months and the cost of revaluing unsettled liabilities at the end of 12 months.

Foreign currency translational risk

The Group's presentational currency is Sterling (£). GLS profits in Euro, US Dollar, Canadian Dollars and other currencies are converted to Sterling at the average exchange rate for the year, which can result in reported growth or decline that does not relate to underlying performance. GLS' balance sheet is converted at year-end exchange rates and movements related to foreign currency translation are taken to equity.

The €500 million 2028 bond issued in September 2023 acts as a hedge of part of the translation exposure created by the net assets of GLS (2023-24: €500 million 2028 bond and €3 million of Euro-denominated lease payables). The remaining net assets of GLS in excess of the €500 million bond (2023-24: €500 million bond and Euro-denominated lease payables) are not hedged. Foreign currency exchange differences arising from the translation of the net assets of GLS and the €500 million bond (2023-24: the net assets of GLS, the €500 million bond and Euro-denominated lease payables), at closing Sterling/Euro exchange rates, are recognised in the statement of comprehensive income. These exchange differences would be released to the income statement as part of the gain or loss if GLS was sold.

To assess hedge effectiveness, the Group determines the economic relationship between the hedging instrument and the hedged item by comparing changes in the carrying amount of the debt that is attributable to a change in the spot rate with changes in the investment in foreign operation due to movements in the spot rate (the offset method). The Group's policy is to hedge the net investment only to the extent of the debt principal.

The €550 million bond issued in October 2019 is perfectly hedged for foreign currency risk by a cross-currency swap. Royal Mail applies a hedge ratio of 1:1 for this hedge. Royal Mail determines the existence of an economic relationship between the hedging instrument and the hedged item as the currency payment amounts due under the bond are exactly equal to the currency amounts receivable under the cross-currency swap. The only source of hedge ineffectiveness in this hedge would be if the credit risk of the derivative or Royal Mail change materially over time – creating a change in the derivative value that it is not related to or replicated by a change in the exposure.

The net total financial liabilities are held in various different currencies as summarised in the table below. The majority of the non-Sterling financial assets and liabilities (other than the Euro-denominated bonds and €441 million of leases and asset finance) are held within cash or derivatives.

	Sterling £m	US$ £m	Euro £m	Other £m	Total £m
Net total financial liabilities at 30 March 2025	**(912)**	**1**	**(1,301)**	**(7)**	**(2,219)**
Net total financial liabilities at 31 March 2024	(724)	(6)	(1,214)	(88)	(2,032)

d) Commodity price risk management

Royal Mail is exposed to fuel price risk arising from operating one of the largest vehicle fleets in Europe – which consumes around 140 million litres of fuel per year – and a jet fuel price risk arising from purchasing air freight services. Royal Mail'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 to mitigate this risk by entering into a combination of US Dollar and forward currency purchase or Sterling contracts to manage these exposures, as it sees fit.

In addition, Royal Mail is exposed to commodity price risk via its requirement to purchase electricity and gas. Royal Mail's risk management strategy aims to reduce uncertainty created by the movements in the electricity and gas markets. These exposures are managed by locking into fixed price contracts with suppliers and using forward commodity price swaps in Sterling.

Royal Mail adopts a policy of ensuring that no more than 90% of its diesel and jet fuel price risk exposure and no more than 80% of its gas price risk exposure is hedged. Royal Mail applies a hedge ratio of 1:1 for such commodity price hedges.

Royal Mail determines the existence of an economic relationship between the hedging instrument and hedged item by comparing changes in the commodity price of forecasted usage to be purchased and the related fixed price per litre swap contracts for diesel/jet fuel and related fixed price per therm swap contracts for gas.

In these hedge relationships, the main sources of ineffectiveness are:

— Purchase volumes could be lower than forecast and hence hedged volumes could be greater than underlying exposure
— Credit risk of the derivative counterparty or Royal Mail could change over time – creating a change in the derivative value that it is not related to or replicated by a change in the exposure.

GLS generally out-sources its collection, delivery and line-haul activities to subcontractors, and therefore is not significantly directly exposed to higher fuel costs. Nevertheless, there is an indirect exposure, as increasing fuel costs for subcontractors lead to higher rates for their services as they seek to pass on the higher fuel costs incurred. This indirect exposure is mitigated to a degree by fuel surcharges paid by customers in a number of GLS markets. GLS has very limited direct exposure to diesel costs; and also does not hedge exposure to energy costs, therefore a further 10% increase in energy costs would increase energy costs by £4 million.

24. Financial assets and liabilities and risk management continued

e) Interest rate risk management

The Group'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 30 March 2025, there was no external hedge of interest rate risk (2023-24: 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.

The analysis below sets out the carrying amount of the Group's financial instruments that are exposed to interest rate risk.

	At 30 March 2025					
	Average effective interest rate %	Within one year £m	One to two years £m	Two to five years £m	More than five years £m	Total £m
Fixed rate						
€550 million 2026 bond	2.7	–	(459)	–	–	(459)
€500 million 2028 bond	5.5	–	–	(416)	–	(416)
£250 million 2030 bond	7.5	–	–	–	(249)	(249)
Asset finance	3.0	(4)	(4)	(10)	(8)	(26)
Lease obligations	3.6	(283)	(266)	(603)	(450)	(1,602)
Total		(287)	(729)	(1,029)	(707)	(2,752)
Floating rate						
Cash at bank	2.8	218	–	–	–	218
Cash equivalent investments – money market funds	3.8	494	–	–	–	494
Cash equivalent investments – bank deposits	4.6	50	–	–	–	50
Financial assets – pension escrow investments (current)	5.2	32	–	–	–	32
Financial assets – pension escrow investments (non-current)	5.2	–	–	–	156	156
Total		794	–	–	156	950
Non-interest bearing						
Cash at bank or in hand		72	–	–	–	72
Bank overdrafts (in a cash pool)		(53)	–	–	–	(53)
Trade and other receivables		1,539	–	–	–	1,539
Trade and other payables		(1,947)	–	–	–	(1,947)
Derivatives options		–	13	–	–	13
Derivative assets		2	–	–	–	2
Derivative liabilities		(12)	(31)	–	–	(43)
Total		(399)	(18)	–	–	(417)
Total financial assets		2,407	13	–	156	2,576
Total financial liabilities		(2,299)	(760)	(1,029)	(707)	(4,795)
Net total financial assets/(liabilities)		108	(747)	(1,029)	(551)	(2,219)

	At 31 March 2024					
	Average effective interest rate %	Within one year £m	One to two years £m	Two to five years £m	More than five years £m	Total £m
Fixed rate						
Cash equivalent investments – bank deposits	3.8	96	–	–	–	96
Current asset investments	3.9	216	–	–	–	216
€364.5 million 2024 bond	2.5	(312)	–	–	–	(312)
€550 million 2026 bond	2.7	–	–	(469)	–	(469)
€500 million 2028 bond	5.4	–	–	(425)	–	(425)
£250 million 2030 bond	7.5	–	–	–	(248)	(248)
Asset finance	2.9	(3)	(4)	(15)	(7)	(29)
Lease obligations	3.4	(241)	(224)	(514)	(444)	(1,423)
Total		(244)	(228)	(1,423)	(699)	(2,594)
Floating rate						
Cash at bank	2.8	305	–	–	–	305
Cash equivalent investments – money market funds	5.2	428	–	–	–	428
Cash equivalent investments – bank deposits	5.3	49	–	–	–	49
Financial assets – pension escrow investments (non-current)	5.2	–	–	–	102	102
Total		782	–	–	102	884
Non-interest bearing						
Cash at bank or in hand		152	–	–	–	152
Bank overdrafts (in a cash pool)		(56)	–	–	–	(56)
Trade and other receivables		1,493	–	–	–	1,493
Trade and other payables		(1,879)	–	–	–	(1,879)
Derivative assets		6	2	–	–	8
Derivative liabilities		(16)	(7)	(17)	–	(40)
Total		(300)	(5)	(17)	–	(322)
Total financial assets		2,745	2	–	102	2,849
Total financial liabilities		(2,507)	(235)	(1,440)	(699)	(4,881)
Net total financial assets/(liabilities)		238	(233)	(1,440)	(597)	(2,032)

Drawings under the bank syndicate loan facility are at fixed rate to maturity (which must be six months or less). At 30 March 2025, there were no drawings (2023-24: £nil). The total interest-bearing financial assets of the Group (excluding the RMPP and RMCPP/RMSEPP pension escrow investments) of £762 million (2023-24: £1,094 million), which consist of the fixed and floating rate cash and cash equivalent investments, plus current financial asset investments, are at short-dated fixed or variable interest rates with an average maturity of two days (2023-24: an average maturity of 25 days). These short-dated financial instruments are primarily used for liquidity but within that they are maturity-managed to obtain the best value out of the interest yield curve.

Obligations under leases are either unsecured or secured on the leased assets. The average interest rate is 3.6% (2023-24: 3.4%). The average maturity date is between four to five years (2023-24: more than five years).

Net debt includes £32 million of (current) pension escrow investments on the balance sheet in respect of the RMPP, which had been agreed to be released to Royal Mail in 2025-26. Net debt excludes £156 million (2023-24: £102 million) of (non-current) pension escrow investments on the balance sheet in respect of the RMPP and RMCPP pension, which are not considered to fall within the definition of net debt.

The RMPP pension escrow investment of £174 million (2023-24: £89 million) represents a money market fund investment, established with the agreement of the Pension Trustee for the benefit of members. The RMPP escrow agreement specifies that the funds must be used for the benefit of members, on a basis to be agreed between the Plan Trustee and the Company. During the year, an amount of £70 million was released from the RMPP pension escrow to Royal Mail. This escrow cash was subsequently used to subsidise the additional costs of the RMCPP compared to previous arrangements, as agreed in 2022. During 2023-24, £130 million was released from the RMPP pension escrow and used on 30 September 2023 to pay Royal Mail employees a one-off payment following ratification of the Business Recovery,

24. Financial assets and liabilities and risk management continued

Transformation and Growth Agreement. Between March and November 2024, a further £162 million was invested into the fund. The funds are not generally available to management for corporate purposes (outside of pension arrangements) and so, except for the £32 million referred to above, the RMPP escrow is excluded from net debt and treated as maturing in more than five years.

The RMCPP pension escrow investment of £14 million (2023-24: £13 million) was established during the previous year to provide security to the RMCPP. Whilst the funds may be returned to Royal Mail at some point in the future, the timing of this is uncertain and, as a result, the investments are excluded from net debt and treated as maturing in more than five years.

f) Liquidity risk management

The Group'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. In October 2021, the bank syndicate loan facility was extended by one year to September 2026. There are no further extension options in the agreement. The unused committed facilities of the Group of £925 million expire in 2026 (2023-24: £925 million expiring in 2026).

Below is a summary of the gross (undiscounted) contractual cash flows of the Group's financial liabilities. The cash flows for the Euro-denominated bonds and non-Sterling-denominated leases represent the undiscounted total amounts payable (interest and nominal repayment) which have been converted to Sterling at 30 March 2025 market forward exchange rates. For derivatives that are settled gross (including the cross-currency swap), these cash flows represent the undiscounted gross payment due and do not reflect the accompanying cash inflow. For derivatives that are settled net, these cash flows represent the undiscounted forecast cash outflow.

	At 30 March 2025							
	Bank overdrafts (in a cash pool) £m	Gross loans and borrowings commitments £m	Gross lease instalments £m	Gross trade and other payables £m	Sub-total £m	Gross payments on derivatives settled gross £m	Gross payments on derivatives settled net £m	Total £m
Amounts falling due in:								
One year or less or on demand (current)	(53)	(50)	(296)	(1,947)	(2,346)	(56)	(8)	(2,410)
More than one year (non-current)	–	(1,364)	(1,674)	–	(3,038)	(504)	(5)	(3,547)
More than one year but not more than two years	–	(526)	(281)	–	(807)	(504)	(5)	(1,316)
More than two years but not more than five years	–	(560)	(664)	–	(1,224)	–	–	(1,224)
More than five years	–	(278)	(729)	–	(1,007)	–	–	(1,007)
Total	(53)	(1,414)	(1,970)	(1,947)	(5,384)	(560)	(13)	(5,957)
Less interest	–	218	368	–	586	n/a	n/a	n/a
Less exchange rate adjustment	–	46	–	–	46	n/a	n/a	n/a
Net total	(53)	(1,150)	(1,602)	(1,947)	(4,752)	n/a	n/a	n/a

	At 31 March 2024							
	Bank overdrafts (in a cash pool) £m	Gross loans and borrowings commitments £m	Gross lease instalments £m	Gross trade and other payables £m	Sub-total £m	Gross payments on derivatives settled gross £m	Gross payments on derivatives settled net £m	Total £m
Amounts falling due in:								
One year or less or on demand (current)	(56)	(371)	(256)	(1,879)	(2,562)	(91)	(13)	(2,666)
More than one year (non-current)	–	(1,437)	(1,529)	–	(2,966)	(517)	(4)	(3,487)
More than one year but not more than two years	–	(52)	(238)	–	(290)	(13)	(4)	(307)
More than two years but not more than five years	–	(1,088)	(569)	–	(1,657)	(504)	–	(2,161)
More than five years	–	(297)	(722)	–	(1,019)	–	–	(1,019)
Total	(56)	(1,808)	(1,785)	(1,879)	(5,528)	(608)	(17)	(6,153)
Less interest	–	277	362	–	639	n/a	n/a	n/a
Less exchange rate adjustment	–	48	–	–	48	n/a	n/a	n/a
Net total	(56)	(1,483)	(1,423)	(1,879)	(4,841)	n/a	n/a	n/a

g) Credit risk management

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 Royal Mail is not in breach of compliance legislation. Assessment of credit for non-regulated products is based on commercial factors, commensurate with the Group's appetite for risk. An analysis of aged debt is included within Note 20.

The Group'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 30 March 2025, 93% (2023-24: 59%) of financial assets were held with AA or above rated counterparties.

GLS operates a decentralised credit management model, with each country responsible for managing the credit risk associated with its customers. Where appropriate, external credit checks are performed for new and existing customers, taking into account the customer profile, expected volume of business and consequent risk to the respective GLS companies.

Other than trade and other receivables, which are disclosed within Note 20, none of the financial assets is either past due or considered to be impaired.

h) Sensitivity analysis

As a result of the mix of fixed and variable rate financial instruments and the currency and commodity hedge programmes in place, the Group has no material exposure to 2024-25 profit from interest rate risk or commodity price risk (2023-24: £nil risk). Further details of the Group's exposure to commodity price risk can be found in the Financial Review.

The Group has an exposure to the exchange rate risk on translating GLS profits; on trading with overseas postal administrations; on various purchase contracts; and on the interest on the 2028 bond (2023-24: 2024 and 2028 bonds and Royal Mail Euro-denominated leases). The impact of a 10% strengthening of Sterling across all currencies on forecast profits/trade during 2024-25 would be to reduce the Group operating profit by £12 million (2023-24: £14 million). However, changes in exchange rates could also cause other impacts on operating profit, including a change in import/export volumes.

The Group has an exposure to the exchange rate risk on translating GLS net assets into Sterling on consolidation. This is partially offset by an exposure on translating the 2028 bond (2028 bond and Euro-denominated leases) into Sterling at each balance sheet date. The impact of a 10% strengthening of Sterling against all currencies at 30 March 2025 would have been to reduce the Group net assets by £92 million (2023-24: £91 million).

i) Additional derivative and hedge analysis

Royal Mail operates a three-year layered rolling hedging strategy for fuel and energy (including HVO diesel since 2024-25). Royal Mail has hedges in place for 86% of total underlying commodity costs for 2025-26; as a result, a further 10% increase in underlying commodity costs would reduce operating profit by just £2 million. The following tables provide further detail on the derivative balances and hedge movements.

Cash flow hedges – derivatives

	At 30 March 2025					
	Nominal amount	Nominal value £m	Derivative non-current assets £m	Derivative current assets £m	Derivative current liabilities £m	Derivative non-current liabilities £m
Diesel	**239m litres**	**113**	**–**	**–**	**(6)**	**(5)**
Jet fuel	**8m litres**	**3**	**–**	**–**	**–**	**–**
Gas	**21m therms**	**21**	**–**	**1**	**(3)**	**–**
Electricity	**285Gwh**	**22**	**–**	**1**	**–**	**–**
Conveyance costs	**12m US$**	**9**	**–**	**–**	**–**	**–**
Capex	**1m Euro**	**1**	**–**	**–**	**–**	**–**
€550m bond cross-currency swap	**550m Euro**	**491**	**–**	**–**	**(3)**	**(26)**
Total			**–**	**2**	**(12)**	**(31)**

	At 31 March 2024					
	Nominal amount	Nominal value £m	Derivative non-current assets £m	Derivative current assets £m	Derivative current liabilities £m	Derivative non-current liabilities £m
Diesel	168m litres	85	2	5	(2)	(1)
Jet fuel	11m litres	5	–	1	–	–
Gas	16m therms	27	–	–	(11)	(3)
Conveyance costs	15m US$	12	–	–	–	–
Capex	17m Euro	15	–	–	–	–
€550m bond cross-currency swap	550m Euro	491	–	–	(3)	(20)
Total			2	6	(16)	(24)

24. Financial assets and liabilities and risk management continued

Cash flow hedges – changes in fair value

	52 weeks 2025						
	Change in fair value during year – gain/(loss)			Gains/(losses) reclassified during year			
	Cash flow hedges deferred to reserves £m	Cost of hedging deferred to reserves £m	Ineffectiveness taken to other operating costs £m	Distribution and conveyance costs £m	Infrastructure costs £m	Finance costs £m	Initial carrying value of fixed asset £m
Diesel	(15)	–	(1)	(5)	–	–	–
Jet	(1)	–	–	–	–	–	–
Gas	4	–	–	–	(7)	–	–
Electricity	1	–	–	–	–	–	–
Conveyance costs	–	–	–	–	–	–	–
Capex	–	–	–	–	–	–	(1)
€550m bond cross-currency swap	(5)	–	–	–	–	(9)	–
Total	**(16)**	**–**	**(1)**	**(5)**	**(7)**	**(9)**	**(1)**

	53 weeks 2024						
	Change in fair value during year – gain/(loss)			Gains/(losses) reclassified during year			
	Cash flow hedges deferred to reserves £m	Cost of hedging deferred to reserves £m	Ineffectiveness taken to other operating costs £m	Distribution and conveyance costs £m	Infrastructure costs £m	Finance costs £m	Initial carrying value of fixed asset £m
Diesel	13	–	–	16	–	–	–
Jet	2	–	–	3	–	–	–
Gas	(12)	–	(1)	–	(4)	–	–
Conveyance costs	–	–	–	–	–	–	–
Capex	(1)	–	–	–	–	–	(1)
€550m bond cross-currency swap	(7)	–	–	–	–	(12)	–
Total	(5)	–	(1)	19	(4)	(12)	(1)

Net Investment hedges

	At 30 March 2025					
	Nominal amount	Carrying value £m	Line item in the statement of financial position where the hedging instrument is included	Change in fair value of hedge instrument during year – gains/(losses) in OCI £m	Change in fair value of hedged item during year – gains/(losses) in OCI £m	Ineffectiveness – gains/(losses) recognised in other operating income £m
€500m bond	500m Euro	416	Interest-bearing loans and borrowings – non-current	10	(10)	–
Total				**10**	**(10)**	**–**

	At 31 March 2024					
	Nominal amount	Carrying value £m	Line item in the statement of financial position where the hedging instrument is included	Change in fair value of hedge instrument during year – gains/(losses) in OCI £m	Change in fair value of hedged item during year – gains/(losses) in OCI £m	Ineffectiveness – gains/(losses) recognised in other operating income £m
€500m bond	500m Euro	425	Interest-bearing loans and borrowings – non-current	12	(12)	–
Euro-denominated lease payables	3m Euro	3	Lease liabilities	–	–	–
Total				12	(12)	–

Reserves reconciliation

	Cash flow hedge reserve 2025 £m	Cost of hedging reserve 2025 £m	Total hedging reserve 2025 £m	Cash flow hedge reserve 2024 £m	Cost of hedging reserve 2024 £m	Total hedging reserve 2024 £m
Opening Balance	**(9)**	**1**	**(8)**	(3)	2	(1)
Changes in fair value – cash flow hedges						
Diesel	**(15)**	**–**	**(15)**	13	–	13
Jet fuel	**(1)**	**–**	**(1)**	2	–	2
Gas	**4**	**–**	**4**	(12)	–	(12)
Electricity	**1**	**–**	**1**	–	–	–
Capex	**–**	**–**	**–**	(1)	–	(1)
€550m bond cross-currency swap	**(5)**	**–**	**(5)**	(7)	–	(7)
Amounts reclassified to Income Statement						
Diesel	**5**	**–**	**5**	(16)	–	(16)
Jet fuel	**–**	**–**	**–**	(3)	–	(3)
Gas	**7**	**–**	**7**	4	–	4
€550m bond cross-currency swap	**10**	**(1)**	**9**	13	(1)	12
Amounts reclassified to non-financial assets						
Capex	**1**	**–**	**1**	1	–	1
Tax on movements on reserves in the year	**–**	**–**	**–**	–	–	–
Closing Balance	**(2)**	**–**	**(2)**	(9)	1	(8)

25. Provisions

	Charged as specific items			Charged in operating costs				
	Industrial diseases £m	Regulatory and legal £m	Other £m	Voluntary redundancy £m	Property decommi-ssioning £m	Litigation claims £m	Other £m	Total £m
At 1 April 2024	**(39)**	**(52)**	**(3)**	**(3)**	**(22)**	**(52)**	**(13)**	**(184)**
(Charged)/released	**6**	**(4)**	**–**	**(17)**	**(4)**	**(51)**	**(8)**	**(78)**
Utilised	**2**	**4**	**–**	**16**	**3**	**46**	**4**	**75**
Reclassifications	**–**	**17**	**–**	**3**	**–**	**2**	**1**	**23**
Forex adjustment	**–**	**1**	**–**	**–**	**–**	**–**	**–**	**1**
Unwinding of discount	**(1)**	**–**	**–**	**–**	**–**	**–**	**–**	**(1)**
At 30 March 2025	**(32)**	**(34)**	**(3)**	**(1)**	**(23)**	**(55)**	**(16)**	**(164)**
Disclosed as:								
Current	**(4)**	**(18)**	**–**	**(1)**	**(6)**	**(49)**	**(5)**	**(83)**
Non-current	**(28)**	**(16)**	**(3)**	**–**	**(17)**	**(6)**	**(11)**	**(81)**
At 30 March 2025	**(32)**	**(34)**	**(3)**	**(1)**	**(23)**	**(55)**	**(16)**	**(164)**
Disclosed as:								
Current	(7)	(37)	–	(3)	(4)	(42)	(2)	(95)
Non-current	(32)	(15)	(3)	–	(18)	(10)	(11)	(89)
At 31 March 2024	(39)	(52)	(3)	(3)	(22)	(52)	(13)	(184)

25. Provisions continued

Specific items provisions

Industrial diseases

The Group has a potential liability for industrial diseases claims relating to individuals who were employed in the General Post Office Telecommunications division and whose employment ceased prior to October 1981. The provision is derived using estimates and ranges calculated by its external actuarial consultant, 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 35 years.

There is considerable uncertainty associated with estimating the future reporting of latent disease claims, over future decades. Consistent with the approach last year, the Group's adviser has leveraged the updated scenarios provided by the Asbestos Working Party (AWP). The AWP model was released in late 2021. A 50 bps decrease to the 5.24% discount rate used at 30 March 2025 would result in a £2 million increase in the overall provision.

Regulatory and legal

The regulatory and legal provisions pertain to obligations for Royal Mail and GLS, in relation to regulated quality of service, legal claims and tax-related disputes in GLS Italy. These provisions have been assessed based on prior experience of quality of service performance penalties and the advice of relevant legal counsel.

Operating costs provisions

During the year, settlements for the remaining voluntary redundancies relating to the right-sizing of the operational frontline were made, along with a number of current year, small ad-hoc voluntary redundancy schemes.

Property decommissioning obligations relate to properties where the Group has made a decision to exit the site and represent an estimate of the costs of removing fixtures and fittings and restoring the leased property to its original condition.

Provisions for litigation claims, based on best estimates as advised by external legal experts, mainly comprise outstanding liabilities in relation to road traffic accident and personal injury claims incurred in the normal course of business. The Group has standard procedures in place to handle these claims as they arise and a track record of accurately estimating the likely outcomes.

Below is a summary of the ageing profile of the provisions.

	At 30 March 2025					At 31 March 2024				
	Expected period of settlement					Expected period of settlement				
	Within one year £m	**One to two years £m**	**Two to five years £m**	**After five years £m**	**Total £m**	Within one year £m	One to two years £m	Two to five years £m	After five years £m	Total £m
Specific items										
Industrial diseases claims	**(4)**	**(2)**	**(6)**	**(20)**	**(32)**	(7)	(2)	(6)	(24)	(39)
Regulatory and legal	**(18)**	**(16)**	**–**	**–**	**(34)**	(37)	(15)	–	–	(52)
Other	**–**	**–**	**–**	**(3)**	**(3)**	–	–	–	(3)	(3)
Total	**(22)**	**(18)**	**(6)**	**(23)**	**(69)**	(44)	(17)	(6)	(27)	(94)
Operating costs										
Voluntary redundancy	**(1)**	**–**	**–**	**–**	**(1)**	(3)	–	–	–	(3)
Property decommissioning	**(6)**	**(2)**	**(6)**	**(9)**	**(23)**	(4)	(1)	(9)	(8)	(22)
Litigation claims	**(49)**	**(5)**	**(1)**	**–**	**(55)**	(42)	(8)	(2)	–	(52)
Other	**(5)**	**(2)**	**(2)**	**(7)**	**(16)**	(2)	(2)	(2)	(7)	(13)
Total	**(61)**	**(9)**	**(9)**	**(16)**	**(95)**	(51)	(11)	(13)	(15)	(90)

26. Share capital and reserves

Authorised and issued	At 30 March 2025 £m	At 31 March 2024 £m
958,293,475 (2023-24: 958,293,475) ordinary shares of £0.01 each	10	10
Total	**10**	**10**

Of the issued ordinary shares, a total of 680,815 (2023-24: 1,206,638) shares are held by an Employee Benefit Trust (EBT) administered by Apex Group Fiduciary Services Limited. These shares are treated as treasury shares for accounting purposes in accordance with IAS 32 'Financial Instruments: Presentation'. The Company, however, does not hold any shares in treasury. The EBT is funded by the Company and has been consolidated within these Financial Statements.

Reserves included in the consolidated statement of changes in equity

Foreign currency translation reserve

The foreign currency translation reserve is used to record the gains and losses arising on translation of assets and liabilities of subsidiaries denominated in currencies other than the reporting currency.

Hedging reserve

The hedging reserve is used to record gains and losses arising from cash flow hedges.

27. Commitments

Capital commitments

The Group has commitments of £52 million (2023-24: £41 million) for property, plant and equipment, £158 million (2023-24: £nil million) for vehicles and £10 million (2023-24: £6 million) for intangible assets, which are contracted for but not provided for in the Financial Statements.

Lease commitments

The Group has £37 million of lease commitments (2023-24: £39 million) relating to leases that have been signed but not yet commenced at the year-end date. These commitments have not been provided for in the Financial Statements.

28. Contingent liabilities and contingent assets

The probability of the following contingent liabilities resulting in an outflow of benefits and their financial impact cannot be estimated reliably due to the nature of the cases and respective legal processes. The outcomes are not, however, expected to fundamentally impact the operations or financial performance of the Group.

Contingent liabilities

Class action claim

In May 2024, Bulk Mail Claim Ltd (BMCL), represented by law firm Lewis Silkin LLP, applied to the Competition Appeal Tribunal to bring a proposed class action claim for damages BMCL estimated at £878 million against IDS. This claim relates to Ofcom's decision of 14 August 2018, which found that Royal Mail had abused its dominant position in the market for bulk mail delivery services in the UK in January 2014.
BMCL alleges that, but for Royal Mail's conduct, there would have been increased competition in the bulk mail market and this would have led to lower prices. The claim was certified to proceed in March 2025 to a substantive trial on an opt-out basis (class members are automatically included in the claim unless they choose to opt out) and a case management conference is scheduled for September 2025. At the reporting date, it is not possible to predict the ultimate outcome or potential financial effect on the Group and, consequently, no amounts have been provided in the Financial Statements. Royal Mail intends to defend the claim robustly.

Contingent asset

Court-awarded compensation

In 2016 and 2017, Royal Mail investigated a group of companies and individuals suspected of a long-running under-declaration fraud.
A number of individuals were charged for conspiracy to commit (statutory) fraud and a further charge of conspiracy to commit false accounting.

Work is ongoing regarding the recovery of certain identified assets as at the balance sheet date. In the current year, assets with a value of £2 million have been recognised as a specific item (see Note 6) in the income statement (2023-24: £10 million). As at 30 March 2025, £3 million has been received and a further £9 million is held on the balance sheet for which management considers the recovery of assets of this value to be virtually certain. In addition, management also considers that further assets with a value of up to £3 million could potentially be recovered over the next two to three years, although there is not sufficient certainty at the balance sheet date for these to be recognised.

29. Related party information

Related party transactions

During the reporting year, the Group entered into transactions with related parties as follows:

	52 weeks 2025 £m	53 weeks 2024 £m
(Charges from)/Recharges to:		
ACS Postal Services SMSA – Associate entity	(1)	–
RMCPP – Defined benefit pension plan (administration and investment service recharge)	1	–
RMPP – Defined benefit pension plan (administration and investment service recharge)	8	7

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

Key management compensation

	52 weeks 2025 £m	53 weeks 2024 £m
Short-term employee benefits	(4.4)	(4.4)
Post-employment benefits	(0.2)	–
Other long-term benefits	–	–
Terminations benefits	(0.3)	(0.0)
Share-based payments	(1.6)	(1.2)
Total	**(6.5)**	(5.6)

Key management is considered to comprise the Executive and Non-Executive Directors of International Distribution Services plc, plus a specific population of Persons Discharging Managerial Responsibilities. Remuneration relates to the period for which they are considered key management.

The ultimate Parent Company and principal subsidiaries

International Distribution Services plc is the ultimate Parent Company of the Group as at the reporting date. The Consolidated Financial Statements include the financial results of Royal Mail Group Limited and the other principal subsidiaries listed below. The reporting year end for these entities is 30 March 2025 unless otherwise indicated.

Company	Principal activities	Country of incorporation	% equity interest 2025	% equity interest 2024
General Logistics Systems B.V.[1]	Parcel services holding company	Netherlands	100	100
Royal Mail Estates Limited	Property holdings	UK	100	100
IDS Holdco Limited	Holding company	UK	100	100
RM Property and Facilities Solutions Limited	Facilities management	UK	100	100

1. GLS' reporting year-end date is 31 March each year. No adjustment is made in the Financial Statements in this regard on the basis that, irrespective of the Group's reporting year-end date (last Sunday in March) a full year of GLS results is consolidated into the Group Financial Statements.

The Company has complied with section 409 of the Companies Act 2006 by including, in these Financial Statements, a schedule of interests in all undertakings (see Note 31).

30. Events after the balance sheet date

EP acquisition

On 29 May 2024, the Board announced that it had reached agreement with EP for the acquisition of the entire issued and to be issued ordinary share capital of IDS, to be implemented by means of a takeover offer under Part 28 of the Companies Act 2006 (the Offer).
On 30 April 2025, EP announced that the Offer had become unconditional in accordance with the requirements of the Takeover Code and that IDS would apply to the FCA to cancel the listing of IDS's ordinary shares of 1p each in the capital of IDS (IDS Shares) on the Official List and apply to the London Stock Exchange to cancel the trading in IDS Shares on its Main Market. On 2 June 2025, the listing of IDS on the Official List and the admission to trading of IDS Shares on the London Stock Exchange's Main Market were cancelled, and IDS was de-listed from the London Stock Exchange.

Ownership structure

Following the acquisition, the immediate Parent Company of IDS is EP UK Bidco Limited (Bidco), which is registered in the UK. The ultimate and controlling company is EP Investment S.à r.l., which is registered in Luxembourg.

As at the date of this Annual Report, EP UK Bidco Limited owned 97.55% of the ordinary share capital of the Company. EP UK Bidco Limited has exercised its rights pursuant to the statutory squeeze-out provisions of Chapter 3 of Part 28 of the Companies Act 2006 to acquire compulsorily, on the same terms as the Offer, the remaining issued ordinary share capital of the Company to which the Offer relates in respect of which the Offer had not been accepted.

HMG Share

On 26 June 2025, a new non-transferable share of £1.00 (the 'HMG Share') was issued and allotted to the Secretary of State by Royal Mail. The HMG Share has no voting or economic rights, but has certain reserved matters attached to it that require the prior written consent of the holder of the HMG Share, including, subject to certain exceptions stated in the Agreed Undertakings: (i) any change to the location of the headquarters or centre of operations of Royal Mail or any of its subsidiaries that are involved in meeting the Royal Mail's obligations as the Universal Service Provider; (ii) any change to the corporate structure or business activities of such entities with the intention or contemplated consequence of changing the jurisdiction of tax residence of any such entities, in each case away from the UK; and (iii) any change to the articles of association or other constitutional documents of Royal Mail that would amend the terms of the HMG Share or the rights of the holder of the HMG Share.

Material agreements containing change of control provisions

The Group had a number of material agreements that contain provisions permitting exercise of termination or other rights on change of control of the Company. These include:

- Unsecured senior fixed rate notes including notes maturing in October 2026, September 2028 and September 2030, which had a carrying value of £1,124 million at 30 March 2025. These fixed rate notes provide that within 120 days of a change of control that is combined with a credit rating downgrade to non-investment grade, the noteholders may require the Company to redeem or, at the Company's option, purchase the notes for their principal amount, together with interest accrued to (but excluding) the date of redemption or repurchase. Prior to the EP acquisition, the Group had a credit rating of BBB with Standard & Poor. On 12 June 2025, Standard & Poor updated its long-term credit rating and the issue rating on the IDS unsecured notes to BBB- with a stable outlook. As IDS remains investment grade post acquisition, the change in control provisions is not expected to become exercisable within the 120 days.
- A bank syndicate loan facility of £925 million. In anticipation of the change of control, the Group negotiated a replacement £425 million revolving credit facility (RCF) at IDS level. On 1 June 2025, the £925 million bank syndicate loan facility was cancelled and on 2 June 2025, the new IDS £425 million RCF became available. This new £425 million facility is currently guaranteed by IDS and GLS; Bidco will accede as additional guarantor when IDS' registration as a private limited company is completed. Covenants will only be tested on loss of investment grade. IDS will also accede as a borrower to the Bidco facilities when its registration as a private limited company is completed, which will result in the liquidity available under the revolving credit facilities remaining unchanged at £925 million (see below).
- A number of leasing and guarantee/letter of credit arrangements whereby either waivers have been successfully sought or the change of control provisions have lapsed.
- The Mails Distribution Agreement with Post Office Limited. The change of control of the Company has not had a material adverse impact on this agreement.

30. Events after the balance sheet date continued

Bidco acquisition finance

The Bidco £2,350 million of acquisition financing facilities includes a £1,100 million amortising term loan maturing in 2030, and £1,250 million of bridging facilities (£750 million maturing in February 2026 with two six-month extensions at borrowers' option and £500 million maturing in August 2026 with three six-month extensions at borrowers' option). These acquisition financing facilities and the £500 million RCF are guaranteed by Bidco; GLS and IDS will accede as additional guarantors and IDS as borrower when IDS' registration as a private limited company is completed. The facility contains financial covenants which will only be tested on loss of investment grade.

LTIP awards

In accordance with the Cooperation Agreement, outstanding LTIP awards that had not vested in the ordinary course before the change of control date vested on change of control in accordance with the terms as set out in that agreement.

Dividend

Following the completion of the transaction with EP on 30 April 2025, a special dividend of 8 pence per share was paid on 14 May 2025 to shareholders on the register as at 30 April 2025.

Universal Service Obligation reform

In July 2025 Ofcom announced changes to the Universal Service following an extensive consultation with thousands of people and businesses to ensure that the postal service better reflects their needs and the realities of how customers send and receive mail today. The reforms include changes to Second Class letter deliveries and new delivery targets.

Further information about the reforms, and what they mean for customers, are available at www.internationaldistributionservices.com/en/about-us/regulation/universal-service-obligation/the-future-of-letter-deliveries.

Communication Workers Union pay deal

In July 2025 Royal Mail and the CWU agreed an industry leading three-year pay deal, that offers greater job security. The agreement was endorsed by the CWU's Postal Executive Committee, and accepted by CWU members following a ballot in August 2025.

31. Related undertakings of International Distribution Services plc

In accordance with section 409 of the Companies Act 2006, a full list of the related undertakings, country of incorporation, registered office address and the effective percentage of equity owned, as at 30 March 2025, is disclosed below. Unless otherwise stated, the share capital disclosed comprises ordinary or common shares which are held by subsidiaries of International Distribution Services plc.

Subsidiary undertakings included in the consolidation

Company name	Share class	% held by Group
Austria		
Traunuferstrasse 105a, 4052 Ansfelden, Austria		
General Logistics Systems Austria GmbH	€1,090,092.51 Ordinary shares	100.000
Belgium		
Humaniteitslaan 233, 1620 Drogenbos, Belgium		
General Logistics Systems Belgium N.V.	Ordinary shares, no par value	100.000
GLS Belgium Distribution S.A/N.V.	Ordinary shares, no par value	100.000
Canada		
274 Dieppe Blvd, Dieppe, NB E1A 6P8, Canada		
Altimax Courier (2006) Limited	Class A Common shares	100.000
1055, Hastings Street West, Suite 1700, Vancouver (British Columbia), V6E 2E9, Canada		
GLS Logistics Systems Canada Ltd.	Class A Common shares	100.000
3400 7th Avenue SW, #350, Edmonton, Alberta, T2P 3N9, Canada		
A-Crop-Olis Warehousing Inc	Class A Common shares	100.000
Medicine Hat Express Inc	Class A Common shares	100.000
Mid-Nite Sun Transportation Ltd	Class A Common shares	100.000
Rosenau Transport Ltd	Class A Common shares	100.000
Wheels Transport Ltd	Class A Common shares	100.000
China		
Room 690, Floor 5, in 101 of Floor 1-14, Building 4, Yard 59, Huagong RoadChao Yang District, Beijing		

Company name	Share class	% held by Group
EBP Consultancy (Beijing) Co. Ltd	–	100.000
Croatia		
Stupničke Šipkovine 22, 10255 Donji Stupnik, Croatia		
General Logistics Systems Croatia d.o.o	€100,860.33 Ordinary shares	100.000
Czech Republic		
Průmyslová 5619/1, 58601 Jihlava, Czech Republic		
General Logistics Systems Czech Republic s.r.o	CZK2,970,000.00 Ordinary shares	100.000
	CZK30,000.00 Ordinary shares	100.000
Denmark		
Kokmose 3, 6000 Kolding, Denmark		
General Logistics Systems Denmark A/S	DKK100.00 Ordinary shares	100.000
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	€12.71 Ordinary shares	100.000
6 Rue des Bateliers, 92110 Clichy, France		
Tousfacteurs S.A.S	€1.00 Ordinary shares	100.000
Germany		
Dörrwiese 2, 36286 Neuenstein, Germany		
Der Kurier Beteiligungsgesellschaft GmbH	€25,000.00 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	€127,822.97 Ordinary shares	100.000
GLS Beteiligungs GmbH	€7,720,507.41 Ordinary shares	100.000
GLS Verwaltungs-und Service GmbH	€153,387.56 Ordinary shares	100.000
GLS eCom Lab GmbH	€100,000.00 Ordinary shares	100.000
GLS Mobility Solutions GmbH	€100,000.00 Ordinary shares	100.000
Wendenstraße 349, 20537 Hamburg, Germany		
OverNight Express & Logistics GmbH	€25,565.00 Ordinary shares	100.000
Siepenhöhe 5e, 44803 Bochum, Germany		
Versandmanufaktur GmbH	€12,800.00 Ordinary shares	100.000
	€256.00 Ordinary shares	
	€12,544.00 Ordinary shares	
Guernsey		
No 1 The Plaza, Elizabeth Avenue, Admiral Park, St Peter Port, Guernsey, GY1 2HU		
Postcap (Guernsey) Limited	£1.00 Ordinary shares	100.000
Hungary		
2051 Biatorbágy, Verebély László utca 2, Hungary		
iLOGISTIC LOGISZTIKAI ÉS SZOLGÁLTATÓ Kft.	HUF3,500,000.00 Ordinary Shares	100.000
GLS Európa utca 2, 2351 Alsónémedi, Hungary		
GLS General Logistics Systems Hungary Csomag-Logisztikai Kft.	HUF30,000,000.00 Ordinary shares	100.000

31. Related undertakings of International Distribution Services plc continued

Company name	Share class	% held by Group
Ireland		
Unit P1, Horizon Logistics Park, Swords, Dublin, K67 P2Y8, Ireland		
General Logistics Systems Ireland Limited	€1.269738 Ordinary shares	100.000
RM Financing Operations Limited	€1.00 Ordinary shares	100.000
	€1.00 Redeemable preference shares	100.000
Italy		
Via Basento No. 19, 20098 San Giuliano Milanese, Italy		
Agone S.r.L	€10,400.00 Ordinary shares	100.000
General Logistics Systems Enterprise S.r.L	€1,019,000.00 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	83.050
S.I.T. & Management s.r.l.	€35,000.00 Ordinary shares	100.000
Luxembourg		
Zae Op Zaemer 24, 4950 Bascharage, Luxembourg		
General Logistics Systems Belgium S.A. Succursale de Luxembourg[1]	–	–
Morocco		
Chellah Office Center – Bureau No. 34, 31 rue Allal Ben Abdella, 90000 Tangier, Morocco		
Tousfacteurs MA S.A.R.L.A.U.	MAD1,000.00 Ordinary shares	100.000
The Netherlands		
Spaklerweg 50-52, 1114 AE Amsterdam, The Netherlands		
General Logistics Systems B.V.	€100.00 Common shares	100.000
Proostwetering 40, 3543 AG Utrecht, The Netherlands		
General Logistics Systems Netherlands B.V.	€50.00 Ordinary shares	100.000
GLS Netherlands Holding B.V.	€50.00 Ordinary shares	100.000
GLS Netherlands Services B.V.	€50.00 Ordinary shares	100.000
Poland		
Ul. Tęczowa 10, Gluchowo, 62-052 Komorniki, Poland		
General Logistics Systems Poland Spolka zo.o	PLN1,721.00	100.000
Portugal		
Rua da Bica, No. 10, 2669-608 Venda do Pinheiro, Portugal		
General Logistics Systems Portugal Lda	€102,000.00 quota	100.000
	€97,900.00 quota	
	€100.00 quota	
Romania		
3, Str. Stefan cel Mare, Parcul Industrial Selimbar, 557260 Selimbar, Romania		
GLS General Logistics Systems Srl	RON100.00 Ordinary shares	100.000
Serbia		
Pančevački put 152R, Beograd – Palilula 11060, Beograd, Serbia		
General Logistics Systems Beograd d.o.o.	RSD11,738,000.00 Ordinary shares	100.000
Slovakia		
Budča 1039, 962 33 Budča, Slovakia		
GLS General Logistics Systems Slovakia s.r.o	SK98,604.00 Ordinary shares	100.000
	SK996.00 Ordinary shares	100.000
Slovenia		

Company name	Share class	% held by Group
Cesta v Prod 84, 1000 Ljubljana, Slovenia		
General Logistics Systems, logisticne storitve, d.o.o.	€751,127.00 Ordinary shares	100.000
Spain		
Calle del Ingeniero Torres Quevedo 1, 28022 Madrid, Spain		
Distribuidora de Electrodomésticos Aceval, S.A.	€0.42 Ordinary shares	100.000
General Logistics Systems Spain S.A	€60.10 Ordinary shares	100.000
Calle de las Coberteras 2, 28823 Coslada, Madrid, Spain		
E-Log Logistics Insular, S.L.	€1.00 Ordinary shares	100.000
Calle Villanueva 43, Local 3, Madrid, Spain		
Viadiversidad, S.L.	€1.00 Ordinary shares	100.000
United Kingdom		
185 Farringdon Road, London, EC1A 1AA		
Angard Staffing Solutions Limited	£1.00 Ordinary shares	100.000
IDS Group Limited	£1.00 Ordinary shares	100.000
	C$1.00 Ordinary shares	
IDS Holdco Leasing Limited	£1.00 Ordinary shares	100.000
IDS Holdco Limited	£1.00 Ordinary shares	100.000
IDS Propco 1 Limited	£1.00 Ordinary shares	100.000
IDS Propco 2 Limited	£1.00 Ordinary shares	100.000
International Distributions Services Limited	£1.00 Ordinary shares	100.000
Intersoft Systems & Programming Limited	£1.00 Ordinary shares	100.000
Nine Elms Parkside Estate Management Company Limited	£1.00 Ordinary shares	87.719
Parcel Locker Company Limited	£1.00 Ordinary shares	100.000
Parcelforce Limited	£1.00 Ordinary shares	100.000
Revisecatch Limited	£0.01 Ordinary shares	100.000
RMCPP Trustees Limited	£1.00 Ordinary shares	100.000
RM (International) Limited	£1.00 Ordinary shares	100.000
RMSEPP Pensions Trustees (2050) Limited	£1.00 Ordinary shares	100.000
Royal Mail Limited (previously RM 2022 Limited)	£1.00 Ordinary shares	100.000
Royal Mail Courier Services Ltd	£1.00 Ordinary shares	100.000
Royal Mail Enterprises Limited	£1.00 Ordinary shares	100.000
Royal Mail Estates Limited	£1.00 Ordinary shares	100.000
Royal Mail Group Limited	£1.00 Ordinary shares	100.000
Royal Mail Innovations Limited	£1.00 Ordinary shares	100.000
Storefeeder Ltd	£1.00 Ordinary shares	100.000
Highbank House, Exchange Street, Stockport, Cheshire, SK3 0ET		
RM Property and Facilities Solutions Limited	£1.00 Ordinary shares	98.040
	£1.00 B shares	0.980
	£1.00 C shares	0.980
11 Ironmonger Lane, London, EC2V 8EY		
Royal Mail Pensions Trustees Limited	£1.00 Ordinary shares	100.000
US		
Registered Agent Solutions Inc. 838 Walker Road, Suite 21-2 Dover, Delaware 19904, US		
General Logistics Systems North America Inc.	US$ 0.001 Common stock	100.000
6750 South Longe Street, Suite 100 Stockton, CA 95206, US		
General Logistics Systems US Interim, Inc	US$ 1.00 Common stock	100.000
General Logistics Systems US, Inc	Common stock, no par value	100.000

31. Related undertakings of International Distribution Services plc continued

Company name	Share class	% held by Group
Postal Express, Inc.	Common stock, no par value	100.000
9 East Loockerman Street, Suite 311, Dover, Delaware 19901, US		
Dicom JD, LLC.	100 Shares, no par value	100.000

Associate undertakings

Company name	Share class	% held by Group
Associates		
Greece		
Petrou Ralli 36-38, Egaleo 122 41, Greece		
General Postal Services Monoprosopi I.KE.	€10.00 Ordinary shares	20.000
ACS Postal Services S.M.S.A.	€1.00 Ordinary shares	20.000
United Kingdom		
6 Mendip Way, Corby, Northamptonshire, NN18 8GJ		
Charac Limited	B Ordinary shares	26.81
1st Floor Rapier House, 40-46 Lamb's Conduit Street, London, WC1N 3LJ		
JICMAIL Limited[2]	–	20.000

Investments

Company name	Share class	% held by Group
Investments		
Germany		
Rosenstraße 16, 10178 Berlin		
Hive Technologies GmbH	€1.00 Ordinary shares	1.150
Cyprus		
10 Giannou Kranidioti Street, Nice Day House, 6th Floor, Off. 602, 1065 Nicosia, Cyprus		
ACS Air Courier Services (Cyprus) Ltd.	€1.00 Ordinary shares	4.000
United Kingdom		
Aviva, Wellington Row, York, North Yorkshire, YO90 1WR		
Voyager Park South Management Company Limited	Ordinary shares	5.500

1. Branch of GLS Belgium. No shares are issued or held.
2. Limited by guarantee.

International Distribution Services plc
Parent Company Financial Statements

Balance sheet

At 30 March 2025 and 31 March 2024
Registered number: 08680755

	Notes	At 30 March 2025 £m	At 31 March 2024 £m
Non-current assets			
Investment in subsidiaries	6	**2,925**	2,919
Intragroup and other receivables	7	**1,150**	1,169
Total non-current assets		**4,075**	4,088
Current assets			
Intragroup and other receivables	7	**10**	327
Current liabilities			
Interest bearing loans and borrowings	8	**–**	(312)
Interest and other payables	8	**(24)**	(30)
Net current liabilities		**(14)**	(15)
Non-current liabilities			
Intragroup and other payables	7	**(410)**	(356)
Interest-bearing loans and borrowings	9	**(1,124)**	(1,142)
Net assets		**2,527**	2,575
Equity			
Share capital	10	**10**	10
Retained earnings		**2,517**	2,565
Total equity		**2,527**	2,575

The Company has not presented its own income statement, as permitted by section 408 of the Companies Act 2006. The Company reported a loss for the year of £35 million (2023-24: loss of £25 million) (see Note 4 to these Financial Statements).

The balance sheet was approved and authorised for issue by the Board of Directors on 29 August 2025 and signed on its behalf by:

Michael Snape
Chief Financial Officer

Statement of changes in equity

For the 52 weeks ended 30 March 2025 and 53 weeks ended 31 March 2024

	Share capital £m	Retained earnings £m	Total equity £m
At 26 March 2023	10	2,585	2,595
Loss for the year	–	(25)	(25)
Share-based payments	–	5	5
At 31 March 2024	10	2,565	2,575
Loss for the year	**–**	**(35)**	**(35)**
Dividend paid to shareholders	**-**	**(19)**	**(19)**
Share-based payments	**–**	**6**	**6**
At 30 March 2025	**10**	**2,517**	**2,527**

1. Parent Company accounting policies

Accounting reference date

The financial reporting year ends on the last Sunday in March and, accordingly, these Financial Statements are prepared for the 52 weeks ended 30 March 2025 (2023-24: 53 weeks ended 31 March 2024).

Authorisation of Financial Statements and statement of compliance with FRS 101

The Financial Statements of the Company for the year ended 30 March 2025 were authorised for issue by the Board of Directors on 29 August 2025. 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.

Basis of preparation

The Financial Statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). In preparing these Financial Statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards (UK-adopted IFRS) in conformity with the requirements of the Companies Act 2006, but makes amendments where necessary in order to comply with Companies Act 2006, and has set out below where advantage of the FRS 101 disclosure exemptions has been taken:

(a) The requirements of IFRS 7 'Financial Instruments: Disclosures'[1].
(b) The requirements of paragraphs 91-99 of IFRS 13 'Fair Value Measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)[1].
(c) 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'.
(d) 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).
(e) 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'.
(f) The requirements of IAS 7 'Statement of Cash Flows'.
(g) The requirements of paragraphs 17 and 18(a) of IAS 24 'Related Party Disclosures' (details of key management compensation and related party transaction amounts).
(h) 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.
(i) The requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

Accounting policies

The accounting policies are consistent with those of the previous year except for an additional policy statement regarding intragroup receivables (see below).

1. Exemption taken as equivalent disclosures are included within the Consolidated Financial Statements of International Distribution Services plc.

Key sources of estimation uncertainty and critical accounting judgements

Due to the relatively straightforward nature of the Company and its operations, there are not believed to be any significant estimates or accounting judgements applied in the preparation of these Financial Statements.

Investment in subsidiaries

The investment in subsidiaries is stated at cost, and includes deemed capital contributions arising from share-based payment transactions, less any accumulated impairment losses. Management performs an impairment assessment whenever events or circumstances indicate that the value on the balance sheet may not be recoverable. When considering the carrying value, the value of receivables from group companies is included. In the current year, no impairment trigger has been identified.

The recoverability of the investments has been further considered by management by reviewing the net assets of the relevant subsidiary (being an approximation of their minimum recoverable amount) and confirmed that they were in excess of the carrying value of the Parent Company's investment in that subsidiary at 30 March 2025.

Intragroup receivables

Whilst they are repayable on demand, the interest-bearing intragroup loans are generally deemed to be non-current assets for the year ended 30 March 2025, as the Company's intention at the balance sheet date is that the loans will not be settled by Royal Mail Group Limited or IDS Holdco Limited within the next 12 months.

After consideration of the financial position and future prospects of the counterparties, management has determined they are not in default and that any expected credit loss is not significant and therefore no provision has been recognised.

2. Directors' remuneration

The Directors of the Company are not paid any fees by the Company for their services as Directors of the Company. The Directors are paid fees by other companies of the Group. This remuneration is disclosed in the Group Consolidated Financial Statements (see Note 5) and in the Directors' Remuneration Report on pages 53 to 62.

3. Auditor's remuneration

This remuneration is disclosed in the Group Consolidated Financial Statements (see Note 4).

4. Income statement

The Company is a non-trading company. The loss for the year of £35 million (2023-24: loss of £25 million) is the net sum of: a £18 million dividend received from IDS Holdco Limited (2023-24: £nil); net £10 million (2023-24: £13 million) management charges from Royal Mail Group Limited; £28 million (2023-24: £nil) of incremental bid costs; net £21 million (2023-24: £16 million) interest payable on the bonds and on intercompany balances with IDS Holdco Limited and Royal Mail Group Limited; £3 million (2023-24: £4 million) fees on RCF and bonds, and £9 million (2023-24: £8 million) income tax credit. A gain of £24 million (2023-24: gain of £26 million) on retranslation of the bond liabilities and a loss of £24 million (2023-24: loss of £26 million) on the retranslation of intercompany balances with Royal Mail Group Limited has also been recognised in the year.

5. Taxation

The tax credit of £9 million (2023-24: £8 million) consists entirely of a current tax credit in relation to tax losses surrendered to other group companies.

6. Investment in subsidiaries

	At 30 March 2025 £m	At 31 March 2024 £m
Investment in IDS Holdco Limited at 1 April 2024 and 27 March 2023	2,919	2,914
Charge for Employee Free Shares/LTIP/DSBP	6	5
Investment in IDS Holdco Limited at 30 March 2025 and 31 March 2024	**2,925**	2,919

7. Intragroup and other receivables

Non-current assets

This balance consists of intragroup loans, including accrued interest, of £1,149 million to IDS Holdco Limited amounting to the proceeds from the issue of the 2026, 2028 and 2030 bonds (2023-24: £1,168 million from the issue of the 2026, 2028 and 2030 bonds (see Notes 8 and 9)). An additional £1 million (2023-24: £1 million) relates to other receivables.

Current assets

This balance consists of an intragroup loan, including accrued interest, of £nil million (2023-24: £317 million) to IDS Holdco Limited amounting to the net proceeds (after partial repayment in September 2023) from the issue of the 2024 bond, £nil million (2023-24: £2 million) of prepaid fees and £9 million (2023-24: £8 million) income tax receivable owed by group companies for group tax loss relief. An additional £1 million (2023-24: £nil million) relates to other receivables.

Non-current liabilities

This balance consists of intragroup loans, including accrued interest, of £410 million (2023-24: £356 million), with IDS Holdco Limited funding the historic dividends and the share buy-back programme in excess of dividends received by International Distribution Services plc.

8. Current interest-bearing loans and borrowings and other payables

This balance comprises £nil (2023-24: £312 million) bond repaid in July 2024, £24 million (2023-24: £30 million) external interest payable and £nil (2023-24: £nil) other payables.

9. Non-current interest-bearing loans and borrowings

This balance comprises £459 million (2023-24: £469 million) bond repayable in 2026, £416 million (2023-24: £425 million) bond repayable in 2028 and £249 million (2023-24: £248 million) bond repayable in 2030.

10. Share capital

	At 30 March 2025 £m	At 31 March 2024 £m
Authorised and issued		
958,293,475 (2023-24: 958,293,475) ordinary shares of £0.01 each	10	10
Total	**10**	10

Of the issued ordinary shares, a total of 680,815 (2023-24: 1,206,638) shares are held by an Employee Benefit Trustee (EBT) administered by Apex Group Fiduciary Services Limited. These shares are treated as treasury shares for accounting purposes in accordance with IAS 32 'Financial Instruments: Presentation'. The Company, however, does not hold any shares in treasury.

The EBT is funded by the Company and has been treated as an extension of the Company for accounting purposes within these Financial Statements.

Additional Information

Glossary of Alternative Performance Measures

Presentation of results and alternative performance measures (APMs)
The Group uses certain APMs in its financial reporting that are not defined under IFRS, the Generally Accepted Accounting Principles (GAAP) under which the Group produces its statutory financial information.

These APMs are not a substitute for, or superior to, any IFRS measures of performance. They are used by management, who considers them to be an important means of comparing performance period on period, and are key measures used within the business for assessing performance.

APMs should not be considered in isolation from, or as a substitute for, financial information presented in compliance with GAAP. Where appropriate, reconciliations to the nearest GAAP measure have been provided. The APMs used may not be directly comparable with similarly titled APMs used by other companies. A full list is set out on pages 163 to 168.

Reported to adjusted results
The Group makes adjustments to results reported under IFRS to exclude specific items, depreciation/amortisation adjustment for impaired assets, profit/(loss) on disposal of property, plant and equipment, and the pension charge adjustment. Management believes this is a useful basis upon which to analyse the business' underlying performance (in particular, given the volatile nature of the IAS 19 charge) and is consistent with the way financial performance is reported to the Board.

Further details on specific items excluded from adjusted operating profit are included in the paragraph 'Adjustments and specific items' in the Financial Review. A reconciliation showing the adjustments made between reported and adjusted Group results can be found in the section headed 'Consolidated reported and adjusted results' below.

Presentation of results
Consolidated reported and adjusted results
The following table reconciles the consolidated reported results, prepared in accordance with IFRS, to the consolidated 52 week adjusted results:

	52 weeks March 2025			53 weeks March 2024		
Group (£m)	Reported	Specific items and other adjustments[1]	Adjusted	Reported	Specific items and other adjustments[1]	Adjusted
Revenue	13,139	–	13,139	12,679	–	12,679
Operating costs	(12,806)	55	(12,861)	(12,545)	162	(12,707)
People costs	(6,847)	(66)	(6,781)	(6,752)	41	(6,793)
Non-people costs	(5,959)	121	(6,080)	(5,793)	121	(5,914)
Distribution and conveyance costs	(3,960)	–	(3,960)	(3,890)	–	(3,890)
Infrastructure costs	(1,183)	121	(1,304)	(1,087)	121	(1,208)
Other operating costs	(816)	–	(816)	(816)	–	(816)
Profit on disposal of property, plant and equipment	71	71	–	15	15	–
Operating profit/(loss) before specific items	404	126	278	149	177	(28)
Operating specific items:[1]						
Regulatory and legal charges	(100)	(100)	–	(57)	(57)	–
Amortisation of intangible assets from acquisitions	(16)	(16)	–	(21)	(21)	–
Impairment of Royal Mail excluding Parcelforce Worldwide CGU	117	117	–	(48)	(48)	–
Incremental bid costs	(28)	(28)	–	–	–	–
Legacy/other items	(1)	(1)	–	3	3	–
Operating profit/(loss)	376	98	278	26	54	(28)
Finance costs	(117)	–	(117)	(98)	–	(98)
Finance income	51	–	51	51	–	51
Net pension interest (non-operating specific item)[1]	119	119	–	135	135	–
Profit/(loss) before tax	429	217	212	114	189	(75)
Tax (charge)/credit	(62)	4	(66)	(60)	5	(65)
Profit/(loss) for the year	367	221	146	54	184	(140)
Earnings/(loss) per share (pence)						
Basic	38.3	–	15.2	5.6	–	(14.6)
Diluted	38.0	–	15.1	5.6	–	(14.6)

1. Details of specific items and other adjustments can be found under 'Adjustment and specific items' in the Financial Review.

Alternative Performance Measures

Royal Mail 52-week results

The 52-week 2023-24 (prior year) adjusted results are derived by removing the 53rd week revenue and incremental costs in relation to Royal Mail, based on working days and only incremental costs for frontline staff, distribution and conveyance, property rates and utilities, and Post Office commissions. The allocation of only incremental costs reflects the high fixed cost base of the Royal Mail business and should therefore not be taken as representative of an exit run rate for the year. The 52-week adjusted results are in line with how the Chief Operating Decision Maker as defined by IFRS 8 reviews performance.

The following table reconciles the Royal Mail 53-week adjusted results to the Royal Mail 52-week 2023-24 adjusted results.

(£m)	Adjusted 53 weeks March 2024	53rd week revenue and costs	Adjusted 52 weeks March 2024
Revenue	7,834	(140)	7,694
Operating costs			
People costs	(5,683)	73	(5,610)
Non-people costs	(2,499)	29	(2,470)
Distribution and conveyance costs	(922)	16	(906)
Infrastructure costs	(874)	5	(869)
Other operating costs	(703)	8	(695)
Operating profit	(348)	(38)	(386)

Segmental reported results

The following table presents the segmental reported results, prepared in accordance with IFRS:

	52 weeks March 2025				53 weeks March 2024			
Group (£m)	Royal Mail	GLS	Intragroup eliminations	Group	Royal Mail	GLS	Intragroup eliminations	Group
Revenue	8,230	4,929	(20)	13,139	7,834	4,865	(20)	12,679
People costs	(5,710)	(1,137)	–	(6,847)	(5,642)	(1,110)	–	(6,752)
Non-people costs	(2,473)	(3,506)	20	(5,959)	(2,378)	(3,435)	20	(5,793)
Profit on disposal of property, plant and equipment	71	–	–	71	14	1	–	15
Operating profit/(loss) before specific items	118	286	–	404	(172)	321	–	149
Operating specific items[1]	1	(29)	–	(28)	(82)	(41)	–	(123)
Operating Profit/(loss)	119	257	–	376	(254)	280	–	26
Net finance costs	(44)	(22)	–	(66)	(24)	(23)	–	(47)
Net pension interest (non-operating specific item)[1]	119	–	–	119	135	–	–	135
Profit/(loss) before tax	194	235	–	429	(143)	257	–	114
Tax credit/(charge)	1	(63)	–	(62)	8	(68)	–	(60)
Profit/(loss) for the period	195	172	–	367	(135)	189	–	54

1. Details of specific items and other adjustments can be found under 'Adjustment and specific items' in the Financial Review.

This section lists the definitions of the various APMs disclosed throughout the Annual Report and Financial Statements. They are used by management, who considers them to be an important means of comparing performance year on year and are key measures used within the business for assessing performance

Adjusted operating profit/(loss)
This measure is based on reported operating profit excluding the pension charge adjustment, the depreciation/amortisation adjustment for impaired assets, profit/(loss) on disposal of property, plant and equipment, and operating specific items, which management considers to be key adjustments in understanding the underlying result of the Group at this level. These adjusted measures are reconciled to the reported results in the table in the 'Presentation of results' section within 'Consolidated reported and adjusted results'. Definitions of the pension charge adjustment, the depreciation/amortisation adjustment for impaired assets, profit/(loss) on disposal of property, plant and equipment, and operating specific items are provided below.

Adjusted operating profit/(loss) margin
This is a measure of performance that management uses to understand the efficiency of the business in generating profit. It calculates 'adjusted operating profit' as a proportion of revenue in percentage terms.

Adjusted operating profit/(loss) (excluding voluntary redundancy)
This measure is based on the adjusted operating profit excluding the cost of voluntary redundancy, which management uses to assess the underlying profitability, excluding the one-off costs of voluntary redundancy, of the Royal Mail business.

Earnings before interest, tax, depreciation and amortisation (EBITDA) before specific items and adjusted EBITDA
EBITDA is reported operating profit before specific items with depreciation and amortisation added back. Adjusted EBITDA is EBITDA before specific items with the pension charge adjustment added back.

(£m)	52 weeks ended March 2025	53 weeks ended March 2024
Reported operating profit before specific items	**404**	149
Adjustment for profit on disposal of property, plant and equipment	**(71)**	(15)
Reported operating profit before profit on disposal of property, plant and equipment and specific items	**333**	134
Reported depreciation and amortisation	**505**	481
EBITDA before profit on disposal of property, plant and equipment and specific items	**838**	615
Pension charge adjustment	**66**	(41)
Adjusted EBITDA	**904**	574

Adjusted earnings per share
Adjusted earnings per share is reported basic earnings per share, excluding operating and non-operating specific items, the pension charge adjustment, the depreciation/amortisation adjustment for impaired assets, and profit/(loss) on disposal of property, plant and equipment. A reconciliation of this number to reported basic earnings per share is included in the 'Presentation of results' section in the paragraph 'Consolidated reported and adjusted results'.

Adjusted people costs
People costs are incurred in respect of the Group's employees and comprise wages and salaries, temporary resource, pensions, bonus and social security costs. People costs relating to projects and voluntary redundancy costs are also included. The pension charge adjustment is excluded from reported people costs in establishing adjusted people costs.

(£m)	52 weeks ended March 2025	53 weeks ended March 2024
Reported people costs	**(6,847)**	(6,752)
Pension charge adjustment	**66**	(41)
Adjusted people costs	**(6,781)**	(6,793)

Adjusted non-people costs
These are costs incurred in respect of the operations of the Company and comprise distribution and conveyance costs, infrastructure costs (e.g. depreciation/amortisation, property and IT) and other operating costs (e.g. Post Office Ltd charges, transformation costs, consumables). The depreciation/amortisation adjustment for impaired assets is excluded from reported non-people costs, specifically infrastructure costs, in establishing adjusted non-people costs.

(£m)	52 weeks ended March 2025	53 weeks ended March 2024
Reported non-people costs	**(5,959)**	(5,793)
Depreciation/amortisation adjustment for impaired assets	**(121)**	(121)
Adjusted non-people costs	**(6,080)**	(5,914)

Pension charge adjustment
This adjustment represents the difference between the IAS 19 income statement pension charge and the funding cost of accrual as specified in the DBCBS and DBLS Schedule of Contributions, plus any payments into, or out of, the RMPP pension escrow investments and any scheme deficit payments. Management reviews the performance of the business based on the cash cost of the pension plans in the adjusted operating profit/(loss) of the Group.

Depreciation/amortisation adjustment for impaired assets
This adjustment represents the reinstatement of the amounts for depreciation and amortisation that would have been charged to the income statement, had the partial impairment of the Royal Mail excluding Parcelforce Worldwide CGU impairment in prior years not taken place. The reported depreciation and amortisation is in accordance with UK-adopted IFRS; however when reviewing these balances, management excludes the impact of impairments and the related impact on depreciation and amortisation. Due to the unpredictability of impairments and the resulting impact on depreciation, this measure is used to provide a consistent basis for operating profit.

Profit/(loss) on disposal of property, plant and equipment
Management separately identifies the profit/(loss) on disposal of property, plant and equipment as these disposals are not part of the Group's trading activity and are driven primarily by business strategy.

Operating specific items
These are items that management considers significant by nature or value and that, in management's opinion, require separate identification. Management does not consider them to be reflective of year-on-year operating performance.

Amortisation of intangible assets from acquisitions
These charges, which arise as a direct consequence of IFRS business combination accounting requirements, are separately identified as management does not consider these costs to be directly related to the trading performance of the Group.

Impairment of Royal Mail excluding Parcelforce Worldwide CGU
These costs represent the impairment reversal/charge arising from the impairment assessment of the Royal Mail excluding Parcelforce Worldwide CGU. The reported impairment reversal/charge is in accordance with UK-adopted IFRS; however when reviewing performance, management excludes the impact of impairments. Due to the unpredictability of impairments, this measure is used to provide a consistent basis for operating profit.

Regulatory and legal charges
These costs relate to incremental one-off costs arising from various ongoing legal and regulatory matters across the Group. These costs have been separately identified as management does not consider these costs to be directly related to the trading performance of the Group.

Incremental bid costs
These costs relate to the incremental one-off costs arising from the bid from EP Group. These costs have been separately identified as management does not consider these costs to be directly related to the trading performance of the Group. These costs have been allocated against the Royal Mail segment on the basis that this is where Corporate Centre costs are included.

Legacy/other items
These relate to unavoidable ongoing costs or credits arising from historic events, e.g. industrial diseases provisions movements.

Non-operating specific items
These are recurring or non-recurring items of income or expense of a particular size and/or nature which do not form part of the Group's trading activity and, in management's opinion, require separate identification.

Net pension interest
The net pension interest (credit)/charge is a non-cash item recognised under the requirements of IAS 19. It is calculated based on the pension surplus/deficit multiplied by the discount rate at the beginning of the reporting period. It is not considered to form part of the Group's trading activity and, in management's opinion, requires separate identification.

Adjusted tax (charge)/credit
The adjusted tax (charge)/credit is the total reported tax (charge)/credit excluding the tax (charge)/credit in relation to specific items, the depreciation/amortisation adjustment for impaired assets, profit/(loss) on disposal of property, plant and equipment, and the pension charge adjustment.

Weighted average tax rate
This rate is calculated by taking the weighted average sum of the expected tax charge of each territory. The expected tax charge in a territory is calculated by taking the profits multiplied by the standard rate of tax in that territory. The weighted average tax rate is sometimes considered as a useful alternative to the parent company standard rate of tax when reconciling the effective tax rate.

Adjusted effective tax rate
The adjusted effective tax rate is the adjusted tax charge or credit for the year expressed as a proportion of adjusted profit before tax. The adjusted effective tax rate is considered by management to be a useful measure of the tax impact for the period. It approximates to the tax rate on the underlying trading business through the exclusion of specific items, the pension charge adjustment, the depreciation/amortisation adjustment for impaired assets and profit/(loss) on disposal of property, plant and equipment.

Free cash flow
Free cash flow (FCF) is calculated as statutory (reported) net cash flow before financing activities, adjusted to include finance costs paid and to exclude net cash from the purchase/sale of financial asset investments and GLS client cash movements. FCF represents the cash that the Group generates after spending the money required to maintain or expand its asset base; thus it is useful for management in assessing liquidity. FCF is also shown on a pre-IFRS 16 basis as it is used to support dividend cover analysis, taking into account all cash flows related to the operating businesses.

The following table reconciles free cash flow to the nearest IFRS measure 'net cash inflow before financing activities'.

(£m)	**Reported 52 weeks March 2025**	Reported 53 weeks March 2024
Net cash inflow before financing activities	**489**	(155)
Adjustments for:		
Finance costs paid	**(118)**	(79)
Movement in GLS client cash[1]	**(3)**	(12)
(Sale)/purchase of pension escrow investments	**–**	16
(Sale)/purchase of financial asset investments	**(216)**	216
RMSEPP refund of surplus	**(6)**	–
Free cash flow	**146**	(14)
Capital element of operating lease repayments[2]	**(226)**	(206)
Pre-IFRS 16 free cash flow	**(80)**	(220)

1. The movement in GLS client cash is shown excluding foreign currency exchange loss of £2 million (2023-24: £1 million loss).
2. The capital element of lease payments of £234 million (2023-24: £216 million) shown in the statutory cash flow is made up of the capital element of operating lease payments of £226 million (2023-24: £206 million) and the capital element of finance lease payments of £8 million (2023-24: £10 million).

In-year trading cash flow
In-year trading cash flow reflects the cash generated from the trading activities of the Group. It is based on reported net cash inflow from operating activities, adjusted to exclude movements in GLS client cash and the cash cost of operating specific items, and to include the cash cost of property, plant and equipment and intangible asset acquisitions, net finance payments and dividends received from associates. In-year trading cash flow is also shown on a pre-IFRS 16 basis as it is used to support dividend cover analysis, taking into account all cash flows related to the operating businesses.

The following table reconciles in-year trading cash flow to the nearest IFRS measure 'net cash inflow from operating activities'.

(£m)	**Reported 52 weeks ended March 2025**	Reported 53 weeks ended March 2024
Net cash inflow from operating activities	**610**	215
Adjustments for:		
Movement in GLS client cash[1]	**(3)**	(12)
RMSEPP refund of surplus	**(6)**	–
Cash cost of operating specific items	**131**	11
Purchase of property, plant and equipment	**(336)**	(272)
Purchase of intangible assets	**(114)**	(113)
Receipts from pension escrow investments	**70**	130
Net finance costs paid	**(75)**	(32)
In-year trading cash flow	**277**	(73)
Capital element of operating lease repayments[2]	**(226)**	(206)
Pre-IFRS 16 in-year trading cash flow	**51**	(279)

1. The movement in GLS client cash is shown excluding foreign currency exchange loss of £2 million (2023-24: £1 million loss).
2. The capital element of lease payments of £234 million (2023-24: £216 million) shown in the statutory cash flow is made up of the capital element of operating lease payments of £226 million (2023-24: £206 million) and the capital element of finance lease payments of £8 million (2023-24: £10 million).

Net debt

Net debt is calculated by netting the value of financial liabilities (excluding derivatives) against cash and other liquid assets. Management considers this APM to be useful as it is a measure of the Group's net indebtedness which provides an indicator of the overall balance sheet strength. It is also a single measure that can be used to assess the combined impact of the Group's indebtedness and its cash position. The use of the term net debt does not necessarily mean that the cash included in the net debt calculation is available to settle the liabilities included in this measure. Net debt is also shown on a pre-IFRS 16 basis as the banking covenants are calculated on a pre-IFRS 16 basis.

Net debt excludes £156 million (2023-24: £102 million) related to the RMPP and RMCPP, and pension escrow investments (non-current) on the balance sheet, which are not considered to fall within the definition of net debt.

(£m)	At 30 March 2025	At 31 March 2024
Bonds	(1,124)	(1,454)
Asset finance	(26)	(29)
Leases	(1,602)	(1,423)
Cash and cash equivalents[1]	765	927
Investments	–	216
GLS client cash	48	47
Net debt	(1,939)	(1,716)
Operating leases[2]	1,479	1,388
Pre-IFRS 16 net (debt)	(460)	(328)

1. Cash and cash equivalents includes bank overdrafts of £53 million (2023-24: £56 million) that are part of a cash pool for the UK companies, which generally has a net £nil balance across the Group and forms an integral part of the Group's cash management, and £32 million (2023-24: £nil) current pension escrow investments.
2. This amount represents leases that would not have been recognised on the balance sheet prior to the adoption of IFRS 16.

GLS performance presented in Euro

IDS plc Financial Statements are presented in Sterling, being the Group functional currency. However, given GLS strategic targets are set using Euro, GLS financial performance is presented in Euro as well as Sterling in order to aid transparency.

The reconciliation between the Group functional currency of Sterling and Euro is set out below:

	52 weeks 2024-25		52 weeks 2023-24	
	GLS performance in Sterling	GLS performance in Euro	GLS performance in Sterling	GLS performance in Euro
Revenue	4,929	5,857	4,865	5,635
People costs	(1,137)	(1,350)	(1,110)	(1,286)
Non-people costs	(3,506)	(4,167)	(3,435)	(3,978)
Operating profit before specific items	286	340	320	371

GLS performance has been translated using an average exchange rate between Sterling and Euro of £1:€1.19 (2023-24: £1:€1.16). This has resulted in a net negative £8 million impact in GLS reported operating profit before tax in 2024-25 (2023-24: nil).

Forward-Looking Statements

Disclaimers

This document contains certain forward-looking statements concerning the Group's business, financial condition, results of operations and certain of the Group's plans, objectives, assumptions, projections, expectations or beliefs with respect to these items. Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as 'anticipates', 'aims', 'due', 'could', 'may', 'will', 'should', 'expects', 'believes', 'intends', 'plans', 'potential', 'targets', 'goal' or 'estimates'.

Forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the Group's actual financial condition, performance and results to differ materially from the plans, goals, objectives and expectations set out in the forward-looking statements included in this document. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements.

By their nature, forward-looking statements relate to events and depend on circumstances that will occur in the future and are inherently unpredictable. Such forward-looking statements should, therefore, be considered in light of various important factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, among other things: changes in the economies and markets in which the Group operates; changes in the regulatory regime within which the Group operates; changes in interest and exchange rates; the impact of competitive products and pricing; the occurrence of major operational problems; the loss of major customers; undertakings and guarantees relating to pension funds; contingent liabilities; the impact of legal or other proceedings against, or which otherwise affect, the Group; and risks associated with the Group's overseas operations.

All written or verbal forward-looking statements, made in this document or made subsequently, which are attributable to the Group or any persons acting on its behalf are expressly qualified in their entirety by the factors referred to above. No assurance can be given that the forward-looking statements in this document will be realised; actual events or results may differ materially as a result of risks and uncertainties facing the Group. Subject to compliance with applicable law and regulation, the Company does not intend to update the forward-looking statements in this document to reflect events or circumstances after the date of this document, and does not undertake any obligation to do so.

Registered Office and Company Head Office
International Distribution Services plc
185 Farringdon Road
London
EC1A 1AA

Registered in England and Wales

Company number 08680755

Design and production
www.luminous.co.uk

International
Distribution
Services plc