Annual Report and
Financial Statements 2025-26

International
Distribution
Services Ltd

Contents

Strategic Report

Introduction

The Directors present the Annual Report and Financial Statements of International Distribution Services Limited (the Group or IDS) for the year ended 29 March 2026.

IDS is a global logistics company, operating as Royal Mail and Parcelforce Worldwide in the UK (Royal Mail Group) and as GLS internationally (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. It currently operates the UK's largest out-of-home network, with c.30,000 locations. GLS is one of Europe's leading parcel delivery operators, offering comprehensive pan-European coverage through its own parcel network and a growing presence in North America. GLS serves customers in more than 50 countries and nation states, with an out-of-home network of over 110,000 locations.

IDS' purpose – connecting customers, companies and countries – reflects the Group's commitment to strong relationships and the positive role it aims to have in society. The Group's business model is built around several 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 tailored premium services. Further information about Royal Mail and GLS, including the businesses' values, is available at www.internationaldistributionservices.com/about-us/about-royal-mail-and-gls.

Group Results

IDS business performance

IDS continues to consolidate its position as a global logistics player, delivering for customers at scale whilst investing in transforming the business for future growth. Performance in the year was robust, with volume from e-commerce retail sales, particularly amongst marketplace sellers, helping to offset a broader backdrop of weaker consumer spending and a challenging macro-economic environment.

Group reported revenue[1] increased by £468 million year on year to £13,607 million, driven by parcels, with increases seen in both Royal Mail and GLS. Group reported operating profit reduced to £111 million (2024-25: £376 million), with the prior year benefiting from higher profit from property disposals. Adjusted operating profit[2] was £222 million (2024-25: £278 million) with Royal Mail profit broadly flat and a reduction in GLS profit. 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 6 to 14. The Group's Financial Statements for the financial year ended 29 March 2026 are included on pages 49 to 131.

Market environment

The UK parcel and courier market saw solid volume growth over the last year, driven by e-commerce retail sales. At the same time, consumer demand remained under pressure from inflation and weak GDP growth. Labour costs rose with the introduction of an increase in employer National Insurance contributions. GLS faced challenging conditions in two markets. Performance in Italy, GLS' second-largest market, was impacted by regulatory pressure, resulting in restructuring costs as well as sector-wide industrial action. In Canada, regulatory changes and a weakened economy due to US tariffs impacted performance.

This sits against a backdrop of significant geopolitical uncertainty. The business continues to monitor the situation in the Middle East, particularly the impact of fuel price increases and fuel availability; Royal Mail works closely with suppliers and has contingency plans in place. Despite headwinds, the parcel and logistics market continues to grow. A structural trend shaping the industry is the expansion of out-of-home delivery, with customers increasingly preferring flexible collection and drop-off options.

Strategy update and developments during the year

On 30 April 2025, it was confirmed that the offer by EP Distribution Services Limited[3] (formerly EP UK Bidco Limited) (EP DS) to acquire IDS became unconditional in accordance with the requirements of the Takeover Code. IDS then transferred into the private ownership of EP Group, a.s. (EP Group) and subsequently on 2 June 2025, IDS shares were de-listed from the London Stock Exchange. A special dividend of 8 pence per share was paid on 14 May 2025 to shareholders on the IDS shareholder register as at 30 April 2025.

Following the 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 was subsequently combined with a £500 million RCF that formed part of

---

[1] Reported results are prepared in accordance with UK-adopted international accounting standards (UK-adopted International Financial Reporting Standards (IFRS)).
[2] 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 137 to 143 and reconciliations to the closest measure prescribed under IFRS are provided where appropriate.
[3] With effect from 1 May 2026, the Company was renamed from EP UK Bidco Limited to EP Distribution Services Limited.

Strategic Report

EP DS' acquisition facilities; therefore, the overall level of liquidity available under RCFs at IDS remains unchanged. In October 2025, two new Euro bonds were issued – a €650 million 2029 Euro bond and a €750 million 2032 Euro bond – refinancing two bridging loan facilities that formed part of the acquisition financing which were fully repaid.

In 2025, IDS acquired a 49% stake in Collect+, a network of more than 14,000 parcel pick-up and drop-off sites across the UK.

Royal Mail

Royal Mail launched its Go-To 2030 strategic vision to be the nation's go-to delivery service. The vision focuses on providing unrivalled convenience, reliability, value, and a culture where its people can thrive. To achieve this, the business must focus on being the nearest and simplest choice for customers, and providing a future-ready service customers can trust.

Out-of-home expansion

Royal Mail expanded its out-of-home network, which has c.30,000 locations as at March 2026. This includes more than 3,300 lockers, around 8,500 Collect+ stores branded as Royal Mail Shops, c.4,100 'postboxes of the future', 11,500 Post Office branches, c.1,200 Royal Mail Customer Service Points and c.1,400 parcel postboxes. Its ambition is to reach 45,000 out-of-home parcel points by 2030.

New partnerships were agreed with Sainsbury's, Tesco (as a small-scale trial), Motor Fuel Group and Co-op to place lockers at stores across the UK. As at the end of March 2026, the business had rolled out upgrades to c.4,100 postboxes across the UK; the solar-powered 'postboxes of the future' enable customers to send parcels up to the size of a shoebox through a postbox. Royal Mail also experienced rapid growth, securing significant contracts with leading third-party marketplaces such as Vinted and eBay. This is set to remain a key driver of growth for the business.

Automation and transformation

Royal Mail upgraded technology at parcel hubs in Warrington and Daventry, supporting the business' capacity to process c.8 million parcels a day across the operation. Royal Mail introduced automated guided vehicles (AGVs) at its parcel hub in Daventry; and has manufactured almost 500 AGVs, which transport parcel-filled trolleys.

Universal Service Obligation (USO) reform

One of the most significant regulatory events of 2025 was Ofcom's July 2025 decision on Universal Service reform. The reforms include new delivery targets and changes to non-priority letter deliveries that will allow Royal Mail to reduce the frequency of such deliveries from six days a week to deliveries on alternate weekdays.

In April 2026, Royal Mail reached agreement with the Communication Workers Union (CWU) on the deployment of Universal Service reform. The agreement included a pay rise and enhanced terms and conditions for new entrants who joined Royal Mail on or after 1 December 2022, building on the three-year collective pay agreement confirmed in July 2025. The rollout of the new delivery model to Royal Mail's c.1,200 delivery offices is expected to be complete before Christmas peak 2026. Moving ahead with reform will support delivery of a reliable, efficient and more financially sustainable postal service for UK customers.

Improving reliability

In April 2026, Royal Mail published its Quality of Service Improvement Plan, with a commitment to invest £500 million over the next five years to improve service for customers. The plan sets out how Royal Mail will achieve a consistently higher standard of service following the rollout of the new delivery model. The business will provide updates against the plan at www.royalmail.com/receiving/the-future-of-letter-deliveries.

By the end of the financial year 2025-26, First Class performance reached 81.1% within one working day and Second Class reached 90.2% within three working days. First Class performance has continued to reach over 80% in the new financial year. For 2025-26 overall, 75.7% of First Class mail was delivered the next working day and 90.2% of Second Class mail within three working days. Reliability for the year was 96.4% of First Class mail delivered within three days and 98.2% of Second Class mail delivered within five days. More than 92% of letters arrived on time during the year and over 99% within seven working days.

Sustainability

Royal Mail maintained its position as the UK's greenest[4] delivery option. Average emissions per parcel delivered fell to 164 gCO_2e compared with 175 gCO_2e[5] in the prior year.

Outlook

In the near term, Royal Mail is focused on five key priority areas: expanding its out-of-home network; embedding commercial excellence to strengthen its customer propositions; winning in areas where it has a natural advantage, such as letter-boxable

[4] Based on publicly available reported gCO_2e per parcel from other UK parcel operators.
[5] 2024-25 CO_2e per parcel restated to include third-party road haulage emissions following identification of a historical omission.

Strategic Report

parcels; optimising the network; and strengthening employee engagement. These actions place the business in a strong position to respond to industry change, enhance the customer experience and secure sustainable growth for the future.

GLS

Launching CORE – GLS' new strategy

GLS launched its CORE strategy, which focuses on its core parcels business (B2B, B2C, International), investing in technology and Artificial Intelligence (AI), enhancing its out-of-home offering, expanding in freight and fulfilment, and delivering on its environment, social and governance (ESG) commitments.

In B2C, growth is driven by digital excellence and out-of-home convenience. In B2B, GLS aims to be the leader in quality, delivering the highest service levels in core markets, earning price premiums and scaling ancillary service revenues. In International, GLS is strengthening its position as Europe's cross-border leader.

Out-of-home expansion

GLS expanded its out-of-home network to over 110,000 locations (parcel lockers and parcel shops, including partner locations, excluding Royal Mail), representing growth of c.30% year on year. The parcel locker network expanded by over 40% to reach c.32,500 units over the same period. As at March 2026, c.29% of B2C parcels were delivered to or collected from out-of-home locations. During the 2025 peak season, out-of-home parcel volumes increased by 43% compared with the previous year.[6] GLS aims to operate 30,000 own parcel lockers across its network by 2030.

GLS progressed parcel locker network growth through own installations and strategic partnerships. Significant advances were achieved in Hungary, Czechia, Germany, Austria, Italy, Spain and Poland. GLS forged strategic partnerships with Żabka in Poland and ViaTim in the Netherlands, and expanded its parcel locker network sharing arrangement with DPD from Germany to also include Czechia and Hungary.

AI and technology

GLS continued to introduce AI-based innovations to improve delivery speed and reliability, including a new driver app that captures precise delivery locations. GLS is using AI and robotics to realise operational efficiencies in hubs and depots, for example, in parcel sortation to improve accuracy and reduce parcel losses.

Network investment

GLS Canada strengthened its network with the launch of a new flagship hub in Toronto, that is over four times the size of the previous facility. GLS Denmark expanded capacity with new depots in Randers and Ringsted, increasing capacity by 45% in Northern Jutland and 35% on Zealand. GLS Germany initiated its largest infrastructure project to date at the Neuenstein hub, with completion scheduled for October 2026, alongside pilot deployments of AGV technology at regional hubs in Dortmund and Bielefeld. Further infrastructure projects underway in Europe are expected to begin operations in the second half of 2026, including a new out-of-home super hub in Budapest and the Barcelona South hub.

Fulfilment expansion

GLS made significant progress in the expansion of fulfilment services across Germany, Hungary, Spain, Canada and Slovenia. Additional markets are preparing for rollout, recognising the value of fulfilment services alongside GLS' core parcel offering.

International expansion

At the end of 2025, GLS expanded its global service offering through the acquisition of a 35% stake in ePost Global, establishing a strategic partnership to enable seamless transatlantic shipping between North America and Europe. This cross-border market is a significant potential growth area, with higher-than-average margins per parcel. GLS strengthened its bilateral partnership with SF Express, enhancing global distribution across the Asia Pacific region.

Sustainability

GLS implemented upgrades across its network and invested in renewable energy solutions, including electric heat pumps and solar panels. GLS expanded its fleet of electric and low-emission vehicles, while piloting hydrogen and electric long-haul trucks.

Outlook

The ambition for GLS is to generate sustainable, profitable growth by prioritising margin improvement, yield management and commercial excellence. Efforts to strengthen GLS' B2B offering and scale its B2C out-of-home channels remain a strategic focus. Out-of-home priorities include product suite enhancement, upgrading the platform and increasing end-to-end locker ownership. Alongside this, GLS is accelerating international expansion, selectively developing freight and fulfilment capabilities, and investing in new automated hubs to support long-term growth.

---

[6] November and December 2025 versus 2024.

Strategic Report

Financial Review

Group and Royal Mail results are for the 52-week period to 29 March 2026. GLS' financial performance is presented for the 12 months to 31 March 2026.

During the year, the Group revised its segmental structure from two to three reportable segments: Royal Mail, GLS and Corporate Centre and Intragroup Eliminations (Corporate Centre). This is to better align with the internal management reporting and decision-making framework used by the Chief Operating Decision Maker (IDS Limited Board) in line with IFRS 8 'Operating Segments'. Activities previously included within Royal Mail have been separated to present Corporate Centre as a distinct segment. Comparative segmental information has been re-presented to reflect the revised segment structure.

Summary results (£m)	**Reported 52 weeks March 2026**	**Adjustments and specific items**	**Adjusted[7] 52 weeks March 2026**	Reported 52 weeks March 2025	Adjustments and specific items	Adjusted[7] 52 weeks March 2025
Revenue	**13,607**	**-**	**13,607**	13,139	-	13,139
Royal Mail	**8,443**	**-**	**8,443**	8,230	-	8,230
GLS	**5,186**	**-**	**5,186**	4,929	-	4,929
Corporate Centre and Intragroup Eliminations[8]	**(22)**	**-**	**(22)**	(20)	-	(20)
Operating costs	**(13,435)**	**(50)**	**(13,385)**	(12,806)	55	(12,861)
Royal Mail	**(8,488)**	**(50)**	**(8,438)**	(8,173)	55	(8,228)
GLS	**(4,949)**	**-**	**(4,949)**	(4,643)	-	(4,643)
Corporate Centre and Intragroup Eliminations[8]	**2**	**-**	**2**	10	-	10
Profit on disposal of property, plant and equipment	**9**	**9**	**-**	71	71	-
Operating profit before specific items	**181**	**(41)**	**222**	404	126	278
Operating specific items	**(70)**	**(70)**	**-**	(28)	(28)	-
Operating profit	**111**	**(111)**	**222**	376	98	278
Operating profit margin	**0.8%**		**1.6%**	2.9%	-	2.1%
Royal Mail	**96**	**91**	**5**	198	196	2
Royal Mail Operating profit/(loss) margin	**1.1%**		**0.1%**	2.4%		0.0%
GLS	**69**	**(168)**	**237**	257	(29)	286
GLS Operating profit margin	**1.3%**		**4.6%**	5.2%		5.8%
Corporate Centre and Intragroup Eliminations	**(54)**	**(34)**	**(20)**	(79)	(69)	(10)
Share of post-tax profit of associates	**4**	**-**	**4**			
Net finance costs	**(100)**	**-**	**(100)**	(66)	-	(66)
Net pension interest (non-operating specific item)	**126**	**126**	**-**	119	119	-
Profit before tax	**141**	**15**	**126**	429	217	212
Tax (charge)/credit	**(50)**	**8**	**(58)**	(62)	4	(66)
Profit after tax	**91**	**23**	**68**	367	221	146

Adjusted EBITDA[9]			**852**			904
In-year trading cash flow[9]			**384**			277
Royal Mail			**281**			73
GLS			**187**			227
Corporate Centre			**(84)**			(23)
Net debt			**(4,234)**			(1,939)

[7] Reported results are prepared in accordance with UK-adopted 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 137 to 143 and reconciliations to the closest measure prescribed under IFRS are provided where appropriate.
[8] Intragroup revenue and costs represent trading between Royal Mail and GLS, principally as a result of Parcelforce Worldwide operating as GLS' partner in the UK.
[9] 'Adjusted EBITDA', 'In-year trading cash flow' and 'Net Debt' are non-GAAP measures.

Strategic Report

Group results

Reported Group revenue increased by £468 million to £13,607 million (2024-25: £13,139 million), with growth achieved in both Royal Mail and GLS as a result of an increase in parcel volumes. Reported Group operating costs increased to £13,435 million (2024-25: £12,806 million) driven by an increase in people costs from higher wages and associated taxes.

Reported operating profit before specific items decreased by £223 million to £181 million (2024-25: £404 million) with lower profits in both Royal Mail and GLS and a reduction in the profit on disposal of property, plant and equipment of £62 million following the sale of the property at Royal College Street in the prior year.

Operating specific items were a charge of £70 million (2024-25: £28 million) and included regulatory and legal charges of £150 million (2024-25: £100 million), incremental bid costs associated with the takeover by EP Group of £57 million (2024-25: £28 million) and GLS Italy restructuring costs of £18 million (2024-25: £nil), partly offset by the reversal of impairment in relation to the Royal Mail excluding Parcelforce Worldwide cash generating unit (CGU) of £171 million (2024-25: £117 million). Further details of the impairment assessment are provided in Note 1 of the Consolidated Financial Statements.

Reported Group operating profit was £111 million (2024-25: £376 million), which comprised a £96 million profit in Royal Mail (2024-25: £198 million profit), a profit of £69 million in GLS (2024-25: £257 million) and a £54 million loss (2024-25: £79 million loss) in Corporate Centre and Intragroup Eliminations. The Group reported operating profit margin was 0.8% (2024-25: 2.9%).

Non-operating specific items comprised a credit of £126 million (2024-25: £119 million) and relate to net pension interest.

Reported profit before tax was £141 million (2024-25: £429 million).

Revenue (£m)	**52 weeks ended March 2026**	52 weeks ended March 2025	% change
Parcels	**9,654**	9,199	4.9%
Letters and other	**3,953**	3,940	0.3%
Total	**13,607**	13,139	3.6%

Adjusted Operating Costs (£m)[10]	**52 weeks ended March 2026**	52 weeks ended March 2025	% change
People costs	**(7,165)**	(6,781)	5.7%
Non-people costs	**(6,220)**	(6,080)	2.3%
Total	**(13,385)**	(12,861)	4.1%

Group revenue increased by 3.6% in the period, driven by parcel revenue growth of 4.9%, with parcel volumes across the Group increasing by 6%. Revenue from parcels now represents 70.9% (2024-25: 70.0%) of Group revenue. Letter revenue in Royal Mail was broadly flat, increasing by 0.3% in the period despite the continued structural decline in volumes and the prior year benefiting from a General Election in the UK.

Adjusted Group operating costs increased by 4.1%, with people costs growing by 5.7% and non-people costs by 2.3% compared with the prior year. The increase in people costs was driven by wage inflation across both businesses. In Royal Mail people costs increased by 5.5%, driven by the 4.2% pay award for frontline staff and the impact of increases to National Insurance contributions of £133 million. GLS people costs increased by 6.0%, partly as a result of the impact of exchange rates, with an underlying increase in Euros of 3.2%. Non-people costs increased by 2.3%, driven by an increase of 6.8% in GLS, with exchange rates again having an impact and where non-people costs are more variable, in particular subcontractor costs, which increase with volumes and inflation. Royal Mail non-people costs reduced by 3.8% in the year due to cost savings in a number of areas. Further detail is set out below.

Segment analysis

Royal Mail

Royal Mail reported operating profit was £96 million (2024-25: £198 million profit). The adjusted operating profit was £5 million (2024-25: £2 million), with an adjusted operating profit margin of 0.1% (2024-25: 0.0%).

[10] Reported results are prepared in accordance with UK-adopted 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 137 to 143 and reconciliations to the closest measure prescribed under IFRS are provided where appropriate.

Strategic Report

Volume (m units)	52 weeks ended March 2026	52 weeks ended March 2025	% change
Parcels	**1,440**	1,347	7%
Addressed letters (excluding election postings)	**5,724**	6,330	(10)%

Adjusted summary results (£m)[11]	52 weeks ended March 2026	52 weeks ended March 2025	% change
Parcels	**4,490**	4,290	4.7%
Letters and other	**3,953**	3,940	0.3%
Total Revenue	**8,443**	8,230	2.6%
People costs	**(5,943)**	(5,635)	5.5%
Non-people costs	**(2,495)**	(2,593)	(3.8)%
Adjusted operating profit	**5**	**2**	**150.0%**

Revenue

Revenue grew by £213 million, or 2.6% versus the prior period.

Total parcel revenue increased by 4.7% on the prior period, driven by volume growth of 7%. Parcel revenue represented 53.2% (2024-25: 52.1%) of total Royal Mail revenue.

Domestic parcels (excluding International) volume grew by 6% and revenue grew by 4.7% versus the prior period. Parcel volume growth was driven by strong commercial product propositions and significant acceleration in Royal Mail's out-of-home network. This enabled volume growth across key account customers of 4% and rapid growth within marketplace resellers. Tracked 24 and 48 products grew ahead of untracked products, and the trend of increasing parcel sizes continued, placing additional pressure on operational costs. Average revenue per unit fell slightly versus the previous period, driven by a changing customer mix.

International parcel volumes increased by 15% versus the prior period, driven by imports, particularly from China. These have a lower average revenue per item, meaning that revenue only increased by 4.5%. Export volumes declined by 14% due to the impact of foreign customs changes, in particular to the United States.

Total letter revenue saw an increase of 0.3% versus the prior period. Revenue grew by 2.8% once revenue associated with the General Election was excluded from the prior year.

Volumes for addressed letters excluding election postings fell by 10%, however, revenue grew 1.7%, driven by price increases. Business mail letter revenue grew 8.8%, whilst volumes declined by 8%. Business mail volumes were particularly resilient in the Financial Services sector, including additional postings linked to base rate changes, and revenue also benefited from price increases during the year. Advertising mail revenue grew by 2.9% despite a volume decline of 1%. Advertising mail performance was helped by price increases and volume growth in the Financial and Legal sectors. Consumer and small business letter revenue fell by 9.9%, as a volume reduction of 19% was only partly offset by price increases. The volume decline includes the impact of some large letter volume switching to Parcels during the year.

Operating costs

Total adjusted operating costs increased by £210 million or 2.6% year on year.

People costs increased by £308 million, or 5.5%, compared with the prior period, £133 million of which was driven by the impact of the changes to employer National Insurance contributions that took place in April 2025.

Operational people costs increased by £282 million year on year. The underlying increase in operational people costs was primarily driven by wage inflation, reflecting the 4.2% pay award for frontline employees and the National Insurance changes. The growth in parcel volumes and the trend towards larger parcels drove additional workload into the operation, but this was offset by efficiency improvements, including increased automation.

---

[11] Reported results are prepared in accordance with UK-adopted 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 137 to 143 and reconciliations to the closest measure prescribed under IFRS are provided where appropriate.

Strategic Report

Non-operational people costs increased by £26 million or 3.8% compared with the prior period. However, excluding releases from pension escrow, non-operational people costs increased by £59 million or 8.1% compared with the prior period. As well as impacts from pay awards and higher National Insurance contributions, the business invested more in transformation projects, including a new enterprise resource planning system.

Non-people costs decreased by £98 million or 3.8% versus the prior period. Property costs fell year on year due to lower utilities prices and efficiency savings, including the rollout of LED lighting. Conveyancing costs reduced due to declining international export volumes, in particular to the United States. Post Office commission also reduced as sales migrated to online channels, although in the second half of the year, this was partly offset by higher acceptance fees related to online marketplace reseller volume.

GLS

GLS reported operating profit was £69 million (2024-25: £257 million). Adjusted operating profit was £237 million (2024-25: £286 million). Adjusted operating margin declined by 120 basis points to 4.6% (2024-25: 5.8%). Foreign exchange movements favourably impacted revenue by £140 million and adversely impacted costs by £134 million, resulting in a net increase in operating profit of £6 million.

Adjusted operating profit in Euro terms decreased by 19.1% due to restructuring of the GLS Italy business and lower profits in Canada, partly offset by profit improvements in Germany, Hungary, Iberia, Austria and Romania. Losses were also reduced in the US following the sale of the freight business part way through the prior year. The out-of-home network in GLS continues to be enhanced, particularly in Eastern European markets, through the rollout of own parcel lockers, and collaboration with parcel shops and third-party locker providers.

Volume (m units)	**12 months to 31 March 2026**	12 months to 31 March 2025	% change
Parcels	**977**	926	6%
Adjusted summary results[12,13] (£m)			
Revenue	**5,186**	4,929	5.2%
People costs	**(1,205)**	(1,137)	6.0%
Non-people costs	**(3,744)**	(3,506)	6.8%
Adjusted operating profit	**237**	286	(17.1)%
(€m)			
Revenue	**5,996**	5,857	2.4%
People costs	**(1,393)**	(1,350)	3.2%
Non-people costs	**(4,328)**	(4,167)	3.9%
Adjusted operating profit	**275**	340	(19.1)%

Revenue

Revenue increased by 5.2% in Sterling terms (up 2.4% in Euro terms) driven by 6% higher volumes, partly offset by lower average parcel prices and lower freight revenues. Freight revenues were impacted by the sale of the US freight business in the prior year, and by lower revenues in Canada due to a combination of effects including a weak macro environment impacted by US tariffs, abolition of carbon tax and devaluation of the Canadian Dollar versus the Euro. Average parcel prices were impacted by a higher share of lower-weight B2C volume and an increasing share of deliveries to out-of-home attracting lower unit revenues. GLS' European markets represented 91.5% of total revenue (2024-25: 89.8%), with the North American market contributing 8.5% (2024-25: 10.2%).

Revenue growth was achieved in all markets except Italy, Canada, Belgium and the US. In Euro terms, revenue growth included increases in Spain (13.2%), France (6.9%), Germany (6.1%), Poland (5.6%), Denmark (4.1%), Romania (25.8%) and Czechia (13.8%). Revenues declined by 8.3% in Italy due to weak volume development resulting from disruption caused by sector-wide strikes. Whilst in Canada revenues were down 11.2% (4.8% decline in Canadian Dollar terms). In the US, revenues were down

[12] Reported results are prepared in accordance with UK-adopted 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 137 to 143 and reconciliations to the closest measure prescribed under IFRS are provided where appropriate.
[13] The results for 2025-26 include £nil (2024-25: £nil million) adjusted operating profit from acquisitions.

Strategic Report

19.5%, impacted by the divestment of the freight business on 1 September 2024. Underlying revenues in the US increased by 1.9% in US Dollar terms, with good volume growth partly offset by weaker pricing due to customer mix effects.

Volumes increased by 6%, with growth driven by a combination of increasing B2C domestic volumes and higher cross-border volumes. Domestic volume growth was achieved despite being weighed down by weak GDP growth across GLS markets and difficult trading conditions in Italy due to strike disruption. B2C now represents 62% of volumes, three percentage points above the prior year.

Operating costs

Total reported operating costs in Sterling terms increased by 6.6% (up 3.7% in Euro terms).

In Euro terms, people costs increased by 3.2% 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 3.9% in Euro terms. Distribution and conveyance costs were up 3.6%, driven by higher subcontractor rates due to wage inflation and the impact from regulatory changes in Italy, where a sector-wide transformation of supply chains is necessary to adapt to tightened rules around out-sourcing. Infrastructure costs increased by 4.7%, principally due to higher rent, utility, repairs, maintenance and IT costs, whilst other operating costs increased by 10.1%.

Other Group financial performance measures

Adjustments and specific items[14]

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

(£m)	**52 weeks ended March 2026**	52 weeks ended March 2025
Adjusted items – (charge)/credit:		
Pension charge adjustment	**(100)**	(66)
Depreciation/amortisation adjustment for impaired assets	**50**	121
Profit on disposal of property, plant and equipment	**9**	71
Total adjustments to operating profit	**(41)**	126
Operating specific items – (charge)/credit:		
Amortisation of intangible assets from acquisitions	**(15)**	(16)
Reversal of impairment of Royal Mail excluding Parcelforce Worldwide CGU	**171**	117
Regulatory and legal charges	**(150)**	(100)
Incremental bid costs	**(57)**	(28)
GLS Italy restructuring	**(18)**	-
Legacy/other items	**(1)**	(1)
Total operating specific items	**(70)**	(28)
Non-operating specific items:		
Net pension interest	**126**	119
Total specific items	**56**	91
Tax effect of adjustments and specific items	**8**	4

[14] Reported results are prepared in accordance with UK-adopted 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 137 to 143 and reconciliations to the closest measure prescribed under IFRS are provided where appropriate.

Strategic Report

Adjustments to reported operating profit/loss

The pension charge adjustment of £100 million (2024-25: £66 million) comprises a £104 million (2024-25: £70 million) refund of cash held in escrow by the Trustee of the Royal Mail Pension Plan (RMPP). This was partially offset by £4 million (2024-25: £4 million) 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. Further details are provided in Note 10.

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 infrastructure costs. An adjustment of £50 million (2024-25: £121 million) has been made 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 £9 million (2024-25: £71 million) reflects profits arising on the disposal of a number of properties during the year. The prior year profit mainly related to the sale and leaseback of the property at Royal College Street, London.

Specific items

Amortisation of intangible assets from acquisitions of £15 million (2024-25: £16 million) mainly relates to amortisation in GLS.

In the year, £171 million of the Royal Mail excluding Parcelforce Worldwide CGU impairment was reversed (2024-25: £117 million). This £171 million reversal represents the full amount of the remaining impairment previously recognised that could be reversed, reflecting the maximum uplift permitted under IAS 36. Further details of the calculations involved are provided in Note 1.

The regulatory and legal charges of £150 million (2024-25: £100 million) represents best estimates to settle present obligations in relation to regulated quality of service in the UK, legal claims and tax-related disputes in GLS Italy.

Incremental bid costs of £57 million (2024-25: £28 million) represent the one-off costs incurred by the Group in relation to the takeover by EP Group. These costs mainly relate to the provision of financial and legal advice.

GLS Italy restructuring of £18 million (2024-25: £nil) comprises costs incurred to redesign and implement new subcontractor arrangements and undertake related compliance actions.

Net finance costs

Reported net finance costs were £100 million (2024-25: £66 million). Interest on bonds (including the cross-currency swaps) was £80 million (2024-25: £56 million), with the increase in the year due to two new Euro bonds issued in October 2025. Interest on leases was £63 million (2024-25: £53 million). Interest and fees on the bank syndicate loans facilities was £22 million (2024-25: £3 million), including interest on new Facility A, novated from EP DS. Other net interest payable was £5 million (2024-25: £5 million). This was partly offset by interest income of £70 million (2024-25: £51 million), which included the interest income due on loans to EP DS in relation to the acquisition debt.

Taxation

The Group recognised a reported tax charge of £50 million for the year (2024-25: £62 million). This represents an effective tax rate of 35.5% (2024-25: 14.5%). On an adjusted profit of £126 million (2024-25: £212 million), the adjusted tax charge of £58 million (2024-25: £66 million) represents an effective tax rate of 46.0% (2024-25: 31.1%). The effective tax rates are higher than the expected headline 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.

Strategic Report

In-year trading cash flow[15]

(£m)	52 weeks ending March 2026 Royal Mail	GLS	Corp Centre & Group Elims	Group	52 weeks ending March 2025 Royal Mail	GLS	Corp Centre & Group Elims	Group
Adjusted operating profit/(loss)	**5**	**237**	**(20)**	**222**	2	286	(10)	278
Adjusted depreciation and amortisation	**436**	**196**	**(2)**	**630**	434	192	-	626
Adjusted EBITDA	**441**	**433**	**(22)**	**852**	436	478	(10)	904
Trading working capital movements	**90**	**38**	**1**	**129**	(44)	-	(14)	(58)
Share-based awards (LTIP and DSBP) charge	**6**	**-**	**-**	**6**	6	-	-	6
Gross capital expenditure	**(212)**	**(203)**	**(15)**	**(430)**	(281)	(169)		(450)
Dividends received from associates	**-**	**1**	**-**	**1**	-	-	-	-
Net finance costs paid	**(43)**	**(22)**	**(52)**	**(117)**	(53)	(23)	1	(75)
Income tax (paid)/received	**(1)**	**(60)**	**4**	**(57)**	9	(59)	-	(50)
In-year trading cash flow	**281**	**187**	**(84)**	**384**	73	227	(23)	277

Group in-year trading cash inflow was £384 million (2024-25: £277 million). The improvement from the prior year was predominantly driven by the improvement in trading working capital movements, partially offset by a reduction in operating profit and increased finance costs.

Royal Mail in-year trading cash flow improved by £208 million year on year. This was driven by favourable trading working capital movements of £134 million, driven by timing of payroll and year-end supplier payments, and lower capital expenditure of £69 million.

GLS in-year trading cash flow reduced by £40 million as a result of lower operating profit and increased capital expenditure, partly offset by an improvement in trading working capital movements.

Net debt[15]

The net debt of the Group as at 29 March 2026 was as follows:

(£m)	**2025-26 Royal Mail**	**2025-26 GLS**	**2025-26 Corporate Centre**	**2025-26 Group**
€550 million 2026 senior fixed rate notes	-	-	(477)	**(477)**
€500 million 2028 senior fixed rate notes	-	-	(432)	**(432)**
€650 million 2029 senior fixed rate notes	-	-	(561)	**(561)**
£250 million 2030 senior fixed rate notes	-	-	(249)	**(249)**
€750 million 2032 senior fixed rate notes	-	-	(648)	**(648)**
Bank syndicate Facility A loan	-	-	(1,136)	**(1,136)**
Asset finance	-	(37)	-	**(37)**
Lease creditors	(1,181)	(518)	-	**(1,699)**
Cash and cash equivalents[16]	272	265	416	**953**
Client cash	-	52	-	**52**
Inter-business loans	1	(171)	170	**-**
Net debt	**(908)**	**(409)**	**(2,917)**	**(4,234)**

[15] Reported results are prepared in accordance with UK-adopted 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 137 to 143 and reconciliations to the closest measure prescribed under IFRS are provided where appropriate.
[16] Cash and cash equivalents includes £2 million (2024-25: £4 million) of restricted cash that is not available for use by the Group. Cash and cash equivalents of operating segments includes cash held in a Corporate Centre cash pool.

Strategic Report

A reconciliation of the movements in net debt is set out below.

(£m)	**Reported 52 weeks ended March 2026**	Reported 52 weeks ended March 2025
Net debt brought forward at 31 March 2025 and 1 April 2024	**(1,939)**	(1,716)
Free cash flow	**240**	146
In-year trading cash flow	**384**	277
Cash cost of operating specific items	**(104)**	(131)
Proceeds from disposal of property, plant and equipment	**25**	64
Acquisition of business interests, net of cash acquired	**(65)**	(79)
Proceeds from disposal of business interests	**-**	15
(Release)/recognition of pension escrow investments	**(32)**	32
Royal Mail Senior Executives Pension Plan refund of surplus	**-**	6
Movement in GLS client cash[17]	**2**	3
New or increased lease obligations under IFRS 16 (non-cash)	**(366)**	(414)
New asset finance (non-cash)	**(4)**	-
Foreign currency exchange impact	**(16)**	24
Amortisation of bond discount (finance costs payable)	**(2)**	(1)
Dividends paid to equity holders	**(77)**	(19)
Dividends paid to the Parent Company[18]	**(102)**	-
Loans provided to the Parent Company	**(1,216)**	-
Loans novated from the Parent Company	**(1,155)**	-
Repayment of loans from Parent Company	**433**	-
Net debt carried forward	**(4,234)**	(1,939)

The cash cost of operating specific items was an outflow of £104 million (2024-25: £131 million), comprising principally £54 million of incremental bid costs associated with the takeover by EP Group, £32 million of regulatory and legal costs, and £18 million relating to the restructuring of GLS Italy. The prior year consisted of £110 million in relation to regulatory and legal cases, and £21 million of incremental bid costs associated with the takeover by EP Group.

Acquisition of business interests, net of cash acquired of £65 million (2024-25: £79 million), largely relates to the acquisition of a 49% share of Collect+ and a 35% share of ePost in addition to other smaller acquisitions in GLS, including deferred consideration on prior year acquisitions. The prior year outflow included the investment in ACS in addition to others and also included deferred consideration.

(Release)/recognition of pension escrow investments relates to the release of pension escrow investments of £32 million received in May 2025, which was included in net debt in the prior year.

In October 2025, the Group issued two new Euro Bonds, a 4-year €650 million bond and a 7-year €750 million bond. The proceeds of both bonds were used as part of loans totalling £1,216 million (2024-25: £nil) to EP DS and were ultimately used to repay the acquisition bridging loans. In addition, the €1,309 million (£1,155 million) Facility A term loan was novated to IDS from EP DS in exchange for a loan. In March 2026, EP DS repaid £433 million of the loan from IDS.

[17] 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 was £2 million inflow (2024-25: £3 million). The foreign currency movement on GLS client cash in the period was a gain of £2 million (2024-25: £2 million loss), which is included in the £16 million outflow (2024-25: £24 million inflow) foreign currency exchange impact line in the table.

[18] Total dividends declared to Parent Company of £114 million (2024-25: £nil), of which £12 million (2024-25: £nil) was non-cash settled.

Strategic Report

Pensions

Royal Mail made contributions to one main scheme in the UK – the Royal Mail Collective Pension Plan (RMCPP). In addition, Royal Mail also uses 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.

On 7 October 2024, the RMCPP replaced the previous Royal Mail Defined Contribution Plan (RMDCP) and the Defined Benefit Cash Balance Section (DBCBS) of the Royal Mail Pension Plan (RMPP). Whilst the DBCBS closed to accrual for all members on that date, the RMDCP closed to accrual for the vast majority of members, but there were a small number who continued to contribute to the RMDCP until they reached 12 months' service, such that the scheme fully closed to accrual in October 2025.

The Collective Defined Contribution (CDC) section of RMCPP is accounted for as a defined contribution scheme and the Defined Benefit Lump Sum (DBLS) as a defined benefit scheme. The RMCPP has fixed employer contributions of 13.6%, plus an additional 1.0% for employees who opted in for the Lump Sum Booster (LSB) payment. Standard employee contributions are 6.0%.

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

Cash pension costs

The Group's cash pension costs in respect of pension schemes were £470 million (2024-25: £261 million) in the period, excluding Pension Salary Exchange. In addition, in the prior year, £146 million of employer contributions were paid into an escrow in respect of accrual in the DBCBS before 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 29 March 2026. 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 29 March 2026. The corresponding adjustment is included within the Consolidated Statement of Comprehensive Income as a remeasurement loss.

The RMPP closed to future accrual in its previous form on 31 March 2018. The pre-withholding tax accounting surplus of the legacy section of the RMPP at 29 March 2026 was £2,159 million (2024-25: £2,180 million). The pre-withholding tax accounting surplus decreased by £21 million in the period. The decrease in the surplus is due to a decrease in the assets of £105 million offset by a decrease in liabilities of £84 million.

Dividends

A special dividend of 8.0 pence per share was paid on 14 May 2025 to shareholders on the register as at 30 April 2025, totalling £77 million. In addition, a total of £114 million was declared to the Parent Company EP DS throughout the year relating to interest payable on acquisition debt.

Section 172 Statement

The Group's stakeholders are integral to its success, and the Board therefore take their interests into account when making decisions to promote sustainable long-term value.

In doing so, the Board is often required to balance competing priorities. Relevant stakeholder interests are carefully considered, and decisions are taken in good faith with a view to promoting the success of the Company for the benefit of its members as a whole. Outcomes may not always be positive for all stakeholders.

For the financial year ended 29 March 2026, the Directors consider, both individually and together, that they have acted in accordance with their duties under Section 172 of the Companies Act 2006.

Examples of principal decisions taken during the year and how stakeholder interests and Section 172 matters were considered are set out below. The Group defines 'principal decisions' as those that are material or strategic to the Group and/or significant to any of its stakeholders.

Universal Service reform

During the year, the Board approved phased investment to support the delivery of Universal Service reform following Ofcom's regulatory decision, reflecting the scale and complexity of the programme and the need for continued oversight. In making these decisions, the Board had regard to:

— **Long-term success:** Securing a modern, affordable and sustainable Universal Service aligned to evolving customer needs.

— **Employees:** Managing significant operational change with a focus on engagement, training and continuity.

— **Customers:** Maintaining service stability and reliability during transition, and improving long-term service alignment.

— **Communities and environment:** Supporting Royal Mail's role as a national service provider and maintaining social and economic connectivity.

— **Reputation and regulatory engagement:** Delivering reform in line with Ofcom's framework and maintaining constructive engagement with regulators and government.

Group financing, refinancing and debt servicing arrangements

During the year, the Board approved a series of financing, refinancing and debt servicing arrangements, including the establishment and use of a Euro Medium Term Note programme, the refinancing of acquisition and existing Group debt, and the maintenance of appropriate liquidity facilities. In approving these arrangements, the Board had regard to:

— **Long-term success:** Maintaining financial resilience, liquidity and flexibility to support operations and investment.

— **Creditors and capital markets:** Meeting obligations to lenders and bondholders in a prudent and timely manner.

— **Employees and customers:** Supporting reliable service delivery and continued investment in the business.

— **Reputation and compliance:** Maintaining strong governance, transparency and compliance with legal, regulatory and covenant requirements.

— **Fairness between stakeholders:** Balancing near-term cash requirements with the protection of long-term value.

Strategic Report

Sustainability

Non-financial and sustainability information statement (NFSIS)

The table below outlines where relevant disclosures are in this report. The Royal Mail and GLS Sustainability Reports are published mid-year on the IDS website and expand on the mandatory disclosures provided in this report.

Requirement	Disclosures
Climate-related financial disclosures Environmental matters	Environment, pages 16 and 17 Climate-related financial disclosures, pages 18 to 23
Social matters, Human rights	Social, page 17
Anti-corruption and anti-bribery	Governance, page 18
Description of business model	Introduction, page 3
Policies, due diligence and outcomes	Links to policies provided throughout this report Principal Risks and Uncertainties, pages 25 to 30
Description of principal risks and impact on business activity	Principal Risks and Uncertainties, pages 25 to 30
Non-financial KPIs	Sustainability, pages 16 to 18

Environment

This section discloses carbon emissions, energy consumption and energy efficiency initiatives, in line with Streamlined Energy and Carbon Reporting (SECR) requirements.

Carbon emissions performance CO_2e ('000 tonnes)[19,20]

	2025-26			2024-25		
	Total	**Royal Mail**	**GLS**[21]	Total[22]	Royal Mail[22]	GLS[21]
Scope 1	**406.7**	**344.3**	**62.4**	427.2	353.3	73.9
Scope 2 (location-based)	**70.6**	**43.8**	**26.8**	79.9	52.4	27.5
Scope 3 (location-based)	**1,872.1**	**748.6**	**1,123.5**	1,983.0	825.7	1,157.3
Total	**2,349.4**	**1,136.7**	**1,212.7**	2,490.1	1,231.4	1,258.7
Tonnes CO_2e per £1m revenue[23]	**35.1**	**46.0**	**17.2**	38.6	49.3	20.6
Scope 2 (market-based)	**5.8**	**0.4**	**5.4**	4.8	0.2	4.6
Energy consumption kWh ('000)	**2,482,206**	**2,068,668**	**413,538**	2,522,947	2,105,077	417,870

In 2025-26, the Group's total (location-based) emissions decreased by 6%, compared with the prior year. Royal Mail's total (market-based) emissions were 1,085 $KtCO_2e$ in the year, a decrease of 31% against the 2020-21 base year and 7% since last year. This was achieved through delivery van fleet electrification, deployment of hydrotreated vegetable oil (HVO) in its fleet of large trucks, the removal of a further two flight routes from April 2025 and reduced emissions from international mail volumes. GLS' total (market-based) emissions were 1,167 $KtCO_2e$, representing a decrease of 4% since last year. The reduction was primarily due to the implementation of decarbonisation measures across buildings and the subcontracted transport fleet.

Energy efficiency action taken in 2025-26 included:

— Royal Mail continued to improve the energy efficiency of its estate through lighting upgrades and improved heating controls.

— Royal Mail purchased and generated 100% renewable electricity,[24] the majority achieved through a 100% renewable electricity tariff backed by Renewable Energy Guarantees of Origin certificates.

— In 2025, 97% of GLS-operated sites in Europe used renewable electricity and 83% of the business' global electricity consumption was renewable. While self-generated renewable electricity increased by 36% and purchased green electricity increased by 14% year on year, GLS' Scope 2 (market-based) emissions increased, primarily due to a methodology

---

[19] Carbon emissions are reported in accordance with the GHG Protocol Corporate Standard. 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 Scope 3 market-based performance; and 'Outside of Scopes' emissions in its 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. Royal Mail's reporting criteria and GLS' basis of reporting outline the reporting approach and what is in scope for each metric, including Scope 3 categories. These are available at www.internationaldistributionservices.com/sustainability/reporting-and-performance.
[20] The data presented contains disclosures in relation to SECR requirements. Carbon (Scope 1 and 2) and energy data for Royal Mail is UK; and includes mandatory energy sources (electricity, gas, transport fuels). All carbon and energy data reported for GLS is considered non-UK.
[21] GLS' emissions data reflects the calendar year rather than the financial year.
[22] 2024-25 data (all rows) have been restated following the provision of data for Royal Mail that was previously estimated. This restatement is in accordance with IDS and Royal Mail's reporting criteria and the GHG Protocol.
[23] The tonnes of CO_2e per £1m revenue ratio comprises Scope 1 and Scope 2 (location-based) emissions only.
[24] The reported figure of 100% renewable electricity purchased or generated has been rounded from a calculated value of 99.993%.

change to include electricity consumption of GLS-owned parcel lockers. GLS considers energy efficiency measures and environmental requirements, including regenerative heating systems and solar panels, for all new build sites.

— As at March 2026, Royal Mail had deployed more than 8,500 electric vans. 31% of the business' delivery routes are zero-emission (2024-25: 27%), undertaken by an electric van or purely on foot.

— Royal Mail deployed over 31 million litres of HVO in its line-haul fleet of large trucks, resulting in an estimated 82,000 tCO_2e emissions saving compared to diesel.

— As at December 2025, GLS had more than 8,200 electric- and low-emission vehicles[25] in operation, a 24% increase compared with the end of 2024. For GLS, electric trucks are now operating on line hauls in several European markets and Canada; and vehicles using HVO are in operation in six European markets.

Social

Health and safety

Royal Mail's Health and Safety Policy[26] is implemented through its Safety, Health and Environment management system and GLS' Occupational Health and Safety (OHS) Policy via its OHS Programme.

Health and safety performance

		2025-26			2024-25		
		Total	**Royal Mail**	**GLS**	Total	Royal Mail	GLS
Fatalities[27]	Employees	**1**	**1**	**0**	1	1	0
	Third parties[28]	**10**	**3**	**7**	18	5	13
LTAFR (per 100,000 hours worked)		**0.92**	**0.79**	**1.79**	0.88	0.76	1.72
Sickness absence (%)		**5.84**	**5.98**	**5.07**	5.62	5.71	5.12

In 2025-26, regrettably one employee and three members of the public lost their lives in accidents that involved Royal Mail vehicles. Royal Mail's Lost Time Accident Frequency Rate (LTAFR) increased by 4% and sickness absence increased to 5.98% (2024-25: 5.71%). In 2025-26, GLS' total number of fatal accidents decreased from 13 in the prior year to seven. No GLS employee had a fatal accident and all fatalities related to road traffic accidents involving GLS' transport partner companies. GLS' employee LTAFR increased to 1.79%. GLS' sickness absence level decreased to 5.07%.

Employee engagement and inclusion

Colleague listening mechanisms, such as regular surveys and colleague roadshows, provide feedback on a range of issues. Royal Mail conducted its annual colleague survey in March 2025, followed by a September 2025 'check-in' survey to monitor sentiment and progress against actions from the annual survey. While completion was 18% lower, the engagement score improved from 6.4 to 6.7. In 2025, GLS conducted colleague engagement surveys across all countries in the Eastern Europe region. GLS observed a consolidated increase in overall satisfaction across the region compared to the previous year.

Royal Mail's Diversity, Equity and Inclusion Statement and GLS' Diversity Statement outline the businesses' respective commitments to diversity and inclusion. 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 a Workplace Adjustment toolkit that supports managers through the Reasonable Adjustments process 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.

Human rights

The IDS ESG Policy Statement outlines the Group's commitment to playing its part to uphold and protect human rights in its businesses and across its supply chain globally. The Group's Modern Slavery Act Statement is available at www.internationaldistributionservices.com/sustainability/reporting-and-performance.

---

[25] 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 and CNG). This includes parcel deliveries on foot (as of 2025-26, only applicable for GLS Spain).
[26] Policy available at: www.internationaldistributionservices.com/sustainability/governance/policies.
[27] The total number of fatalities due to accidents that have occurred as a result of our activities.
[28] Third parties include contractors, third-party drivers and members of the public.

Strategic Report

Governance

Ethical standards

Policies that set out the Group's approach to responsible business conduct include the IDS 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 procedure. These are available at www.internationaldistributionservices.com/sustainability/governance/policies and www.gls-group.com/GROUP/en/governance.

Royal Mail colleagues are required to undertake training relevant to their role and managers complete annual compliance refresher training, which includes an attestation of the Royal Mail Business Standards. For Royal Mail, the overall manager compliance refresher completion rate in 2025-26 was 99.7%. GLS' approach consists of compliance training for all office-based colleagues, including those with purchasing or depot supervisory functions. For GLS, the completion rate for assigned compliance training at the close of 2025-26 was 96.4%. Royal Mail and GLS operate confidential whistleblowing processes for reporting and investigating breaches of policy and allegations of criminal acts or similar serious offences. Colleagues, business partners and third parties are encouraged to report, in confidence, any concerns they have.

Assurance

IDS engaged Bureau Veritas to provide limited assurance on reported key non-financial performance indicators and related assertions for 2025-26. Its assurance covers environmental indicators and metrics used to monitor culture, such as health and safety. Assurance in relation to IDS was performed in accordance with the ISAE 3000 (Revised) and 3410 for Greenhouse Gas Statements. The assurance statement is available at www.internationaldistributionservices.com/sustainability/reporting-and-performance.

Climate-related Financial Disclosures

Statement of compliance

The climate-related financial disclosures outlined below comply with the requirements of the UK Companies Act 2006, as amended by the Companies (Strategic Report) (Climate-Related Financial Disclosure) Regulations 2022 (CFD).

Governance

Governance arrangements in relation to assessing and managing climate-related risks and opportunities

The Board has formal oversight of the Group's climate-related risks and opportunities, progress against environmental strategies and associated targets. The Audit and Risk Committee (ARC) provides oversight of the Group's 'Climate change and environmental management' principal risk and the progress made against targets for addressing climate-related issues. The ARC reported to the Board two times during the year. In 2025-26, the Board received two updates on the performance of Royal Mail and GLS against key environmental targets and approved investment for the 2026-27 Royal Mail vehicle replacement plan, considering the transition to lower-emission vehicles. The ARC was updated via the regular cadence of risk reviews on the Group's risk profile.

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

— **Royal Mail and GLS Audit and Risk Committees:** Responsible for overseeing the identification of and progress against environmental and climate-related risks and remediation plans. In 2025-26, spotlight papers were presented to the Royal Mail and GLS Audit and Risk Committees and included an update on climate-related metrics, risk indicators, remediation activities and targets. 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 risks and opportunities, and the delivery of each business' environmental strategy. On a quarterly basis, goals, targets and other updates relating to decarbonisation being undertaken by each business were reported to each Executive Board via dedicated workstream sponsors, respective ESG functions and country managers. In 2025-26, each Executive Board regularly reported to its respective Audit and Risk Committee.

— **Royal Mail and GLS ESG functions:** Lead on the day-to-day implementation of environmental strategy and responsible for identification of climate-related risks and opportunities (see Risk management, page 22).

Strategy

Principal climate-related risks and opportunities

The climate-related risks and opportunities identified, and their potential impact under different scenarios, are summarised on pages 19 to 21. Under the scenarios considered, transition risks were identified as potentially more material to the business in the short term, with physical risks more material in the medium to long term.

Strategic Report

Scenario analysis refresh and identification of risks and opportunities

The Group undertook scenario analyses in 2021 and 2023 to identify the climate-related risks and opportunities facing the Group over the short, medium and long term. In March 2026, the Group carried out a workshop to refresh the qualitative risk and opportunity analysis, to reflect the latest five-year plan and strategy, and to align the assessment framework used with the Group's risk scoring matrices. Representatives from Group Risk, Royal Mail and GLS participated in the workshop, to provide a cross-section of views from the businesses. The approach and qualitative scenarios used are described below.

The climate scenario analyses used information and data from the Network for Greening the Financial System (NGFS) long-term scenarios, which are widely recognised and comparable. Qualitative assumptions for each scenario (see scenario overview below) were defined with reference to four NGFS scenarios.

The time horizons considered were short term (<2030), medium term (2030-2040) and long term (>2040) (see time horizons below). The perceived materiality of the risks and opportunities were qualitatively assessed against the scenarios. The qualitative scoring was considered pre-mitigation, and the frameworks for likelihood (risks) or effort (opportunities) and impact are summarised below. The Group considers materiality to correspond to the risks and opportunities it deems to be of sufficient importance to its stakeholders and in line with the Group's risk scoring matrices.

As both Royal Mail and GLS operate in the same sector, no sector variations were applied. The Group considered differences across geographies at a high level (UK for Royal Mail, Europe and North America for GLS). The risk and opportunity summary is presented at a Group level and combines geographic considerations into a single assessment of the Group's exposure.

Scenario overview[29]

- **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.
- **2°C steady transition (orderly):** Climate action policies are introduced early and become gradually more stringent, though not as rapid or as drastic as in the 1.5°C scenario.
- **Delayed 2°C transition leading to notable physical impacts (disorderly):** Global annual emissions do not decrease until 2030. Strong policies are then needed to limit warming to below 2°C.
- **4°C business as usual emissions, extreme warming (disorderly):** Only currently implemented policies are preserved, leading to high physical risks.

Transition risks and opportunities

The transition risks and opportunities identified that could lead to a material financial impact are listed below.

Time horizon
Short term (< 2030): Aligned with business strategy and planning periods. **Medium term (2030-2040):** To capture transition risks and opportunities; aligned with Royal Mail Net-Zero[30] by 2040 target. **Long term (> 2040):** To capture physical risks and opportunities; and GLS Net-Zero[30] by 2045 target.

Inherent risk assessment key

Likelihood	Impact
Probability of occurring (during given time horizon):	
High: High	**High:** Significant/repeated financial loss, damaging media coverage; high-profile litigation resulting in restrictions to freedom to operate.
High-Medium: More likely to happen than not	**High-Medium:** Considerable financial cost/loss; external stakeholder awareness; considerable regulatory breach restricting some freedom to operate.
Low-Medium: Possible but not expected, or occurs infrequently	**Low-Medium:** Moderate financial costs/loss; limited external stakeholder awareness; moderate regulatory breach with limited operational impact.
Low: Unlikely	**Low:** Limited or no direct/indirect financial cost/loss; reputation intact; regulatory body issues verbal warning.

Opportunities assessment key

Effort	Impact
Ease/difficulty for the business to implement this action, based on current available resources and investment:	
High: Difficult	**High:** Significant reputational, financial and regulatory benefit.
High-Medium: More difficult than easy	**High-Medium:** Considerable reputational, financial and regulatory benefit.
Low-Medium: More easy than difficult	**Low-Medium:** Moderate reputational, financial and regulatory benefit.
Low: Easy	**Low:** Little reputational, financial and regulatory benefit.

[29] Qualitative updates to the scenarios were drawn from Version 5 of the following NGFS Scenarios: Net-Zero 2050 (1.5°C) (orderly); Below 2°C (orderly); Delayed Transition (disorderly); and Current Policies (hot house world).
[30] Refer to page 23 for Net-Zero target details.

Category	Trend and impact	Scenario assessed	Time horizon	Likelihood (risks) or effort (opportunity)	Financial or non-financial impact	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.	Primary: 1.5°C	Short term	High-Medium	High-Medium	Transitioning last- and middle-mile fleets to low- or zero-emission alternatives. Reducing reliance on air freight where feasible. *Main metrics: number of electric vans, lower- and zero-emission larger trucks deployed, and number of flights ceased.*
		Secondary: 2°C orderly	Medium term	High-Medium	Low-Medium	
Energy source	**Opportunity 1:** Use of lower-emission transport in the commercial fleet has the potential to reduce maintenance and fuel costs over the life cycle of a vehicle.	1.5°C	Short term	High	High-Medium	Internal analysis conducted by Royal Mail found fleet electrification delivers significant savings in fuel, servicing and maintenance 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.
Energy source	**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.	1.5°C	Short term	Low-Medium	High-Medium	Utilise these incentives where they are available. For example, Royal Mail is participating in the UK Government’s zero-emission road freight demonstrator 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:** Failure to act in response to increased stakeholder pressure to address climate-related risks and opportunities, which causes reputational damage and misses the opportunity to gain market share, which in turn could result in a loss of revenues.	1.5°C	Short term	High	High	Regularly engage customers and prospects to provide updates and details on decarbonisation actions and plans, and broader management of climate-related risks. Continue advancing fleet electrification and identifying further opportunities to shift to a low-carbon delivery model. *Main metrics: 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.	Primary: 1.5°C	Short term	High-Medium	High-Medium	Transitioning last- and middle-mile fleets to low- or zero-emission alternatives, such as electric vans, micro electric vehicles, low- and zero-emission trucks, to mitigate this risk. *Main metrics: number of electric or low-emission vehicles (see page 17), micro electric vehicles, and low- and zero-emission trucks deployed.*
		Secondary: 2°C orderly	Medium term	High-Medium	High-Medium	
Products & services	**Opportunity 3:** Changing consumer demands leading to new products and services, and gains in market share.	1.5°C	Short term	High-Medium	High-Medium	Continuously making products and services more environmentally friendly and appealing to consumers. *Main metrics: GHG emissions Scopes 1, 2 and 3, and emissions per parcel delivered.*
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.	Primary: 1.5°C	Short term	Low-Medium	High	Adhere to all regulations and applicable advertising and marketing guidance with regard to environmental claims made. Seek independent assurance over key sustainability data.
		Secondary: 2°C orderly		Low-Medium	High	

Category	Trend and impact	Scenario assessed	Time horizon	Likelihood (risks) or effort (opportunity)	Financial or non-financial impact	Response and resilience
Market	**Opportunity 4:** Partnerships with other companies (manufacturers, energy providers) in relation to electric vehicles or renewable energy procurement could help reduce costs and increase revenues.	2°C orderly	Short term	High-Medium	High-Medium	Consider partnerships that can facilitate the transition of fleets to electric vehicles or provide renewable energy supply stability.
Market	**Risk 5:** Market risk arising from volatility in grid electricity prices, bottlenecks in future grid capacity, connection delays and upgrade costs, alternative fuel price uncertainty, and indirect cost impact from EU and UK Sustainable Aviation Fuel mandates, which could increase operating costs.	Primary: 2°C disorderly	Short term	High	Low-Medium	Managing costs through structured hedging for long-term price certainty, and proactive government engagement to improve regulation, cost transparency and funding for grid connections.
		Secondary: 1.5°C		High-Medium	Low-Medium	

Physical risks

The physical risks identified that could lead to a material financial impact are listed in the table below.

Category	Trend and impact	Time horizon	Scenario	Likelihood	Impact	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.	Medium term mainly, but with potential impacts in the short and long term too	Primary: 4°C	Low	High	As part of the management of operational sites, consider a range of physical risks, including flooding and storms, and take steps to mitigate the impact of these risks where possible. Royal Mail business continuity planning encompasses key threats, including IT outages.
			Secondary: 2°C disorderly	Low	High	
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 (impacted by resource scarcity), which could result in increased costs.	Long term	4°C	High-Medium	High-Medium	Work with a diverse pool of suppliers and deepening engagement with supply chain.
Acute	**Risk 3:** Extreme weather events impacting employee safety and wellbeing could lead to an increase in costs and liabilities, and loss of revenues.	Medium term	Primary: 4°C	High-Medium	Low-Medium	Monitor and respond to the impact of changing weather on employees' wellbeing as part of ongoing health and safety programmes.
			Secondary: 2°C disorderly	High-Medium	Low	
Acute	**Risk 4:** Extreme weather events such as storms or flooding could impact access to sites or transport routes, running of logistics operations and facilities/equipment, resulting in a loss of revenues and an increase in costs.	Medium term	Primary: 4°C	High-Medium	Low-Medium	As part of the management of operational sites, consider a range of physical risks such as flooding and storms, and take steps to mitigate the impact of these risks where possible.
			Secondary: 2°C disorderly	High-Medium	Low	

Impacts of principal climate-related risks and opportunities on business model and strategy

As part of the Group's strategic development, business and financial planning processes, it takes account of the climate-related risks and opportunities detailed in the tables above. This has led to the development of strategies and investment plans to transition its businesses to a low-carbon economy.

Climate transition strategies

Royal Mail and GLS have developed decarbonisation strategies that are tailored to their respective business models and markets. These strategies include pathways, targets (see page 23) and mitigating actions to achieve the ambition to become a low-carbon business, while offering more sustainable solutions to customers, such as low- and zero-emission delivery routes;

Strategic Report

the Royal Mail carbon calculator for account customers, which estimates emissions of parcels and letters sent; and collection services that encourage more recycling.

In line with the wider transport and logistics sector, the Group recognises that technological advances are required to deliver its decarbonisation strategies. Key developments under review include the availability of low-emission Heavy Goods Vehicles (HGVs) at commercial scale and competitive price points; increased deployment of electric vehicle charging infrastructure in markets; and the availability of biofuels for air freight in the supply chain.

Where scalable, long-term solutions are not yet available, the Group is using interim measures – for example, deploying alternative fuels, such as HVO, which does not require any engine or fuelling infrastructure modifications. The Group is mindful that this remains a transitional technology, with prices and availability uncertain and variable across markets. Recognising these constraints, Royal Mail has continued to deploy HVO in its fleet of large trucks, while beginning to trial electric HGVs. GLS has added more electric vehicles and alternative-fuel vehicles to its delivery network (see page 17). In Canada, for example, where availability allows, GLS is exploring a ramp-up of renewable diesel deployment to 2030. The Group will continue to monitor developments and support public-private partnerships driving progress.

Financial planning

The Group 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 uses a shadow Internal Carbon Price (ICP) in transformation business cases assessed as having a potentially material carbon impact. The ICP assigns a theoretical financial value to each tonne of CO_2e emitted or saved, enabling the climate impacts of investment proposals to be assessed alongside financial and operational factors. This supports more informed decision making by highlighting both decarbonisation benefits and potential risk exposure associated with decisions that could increase emissions.

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.

Assessment of resilience

Responses and resilience are further described within the transition and physical risk tables on pages 20 and 21 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.

Risk management

Risk identification, assessment and management

Group-level climate scenario analyses were performed in 2021 and 2023, and refreshed in March 2026 (process described on page 19), to identify and assess the Group's climate-related physical and transition risks and opportunities. The outputs inform updates to the 'Climate change and environmental management' principal risk, as appropriate.

During 2025-26, the 'Climate change and environmental management' principal risk was managed through the Group's risk management framework, with respective executive leaders and their functions overseeing its day-to-day management. The process to make decisions to mitigate, transfer, accept or control those risks is detailed on page 24.

Integration into the overall risk management process

The Group's most significant climate-related risks 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-related risks, including those highlighted, and to ensure ownership by the businesses. The outcomes of this assessment are presented to the ARC.

Metrics and targets

Key performance indicators used to assess progress against climate-related targets

The Group measures and discloses its Scope 1, 2 and 3 GHG emissions, calculated in line with the GHG Protocol methodology (see page 16). In addition, Royal Mail and GLS use other metrics, including emissions intensity, to gauge the effectiveness and progress of their respective environmental strategies to become low-carbon businesses.

The Group discloses key cross-industry metrics that are in line with its strategy, which include absolute GHG emissions (see page 16). These are included within the assessment of the 'Climate change and environmental management' principal risk. The climate-related risks within the Group risk management framework are managed via a standard methodology to identify, assess and rank key climate risks and associated targets/metrics (see above).

Strategic Report

In 2025-26, the Royal Mail Short-term Incentive Plan (STIP) included functional objectives with an overall weighting of 15%. The Chief Corporate Affairs Officer's and Corporate Affairs function's objectives included, among others, a qualitative assessment of the delivery of carbon emissions reduction. For GLS senior management, the STIP measures included an assessment of the proportion of low- and zero-emission vehicles for its transport fleet.

Targets

The businesses' targets are below and environmental performance is described on pages 16 and 17. Royal Mail's Net-Zero[31] by 2040 and interim carbon targets have been validated by the Science Based Targets initiative (SBTi) and are aligned to a 1.5°C decarbonisation pathway across all scopes of greenhouse gas (GHG) emissions.[32]

— **GHG emissions (SBTs):** 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:**[33] 100% by 2035

— **Company cars:** 100% zero-emission by 2030

GLS Net-Zero[34] by 2045, across Scopes 1, 2 and 3,[35] and interim targets have been validated by the SBTi.

— **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 by 2030; 31.7% gCO_2e per ton-km reduction in Scope 3 for heavy freight trucks by 2030

— **Renewable electricity:** 100% renewable electricity consumed by 2030

— **Fleet:** 50% electric- and low-emission[36] by 2030; 100% of new vehicles will be electric and low-emission by 2035

— **Company cars:** 100% electric vehicles by 2030

---

[31] 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 $KtCO_2e$ emissions.

[32] Royal Mail reports its carbon emissions in line with the GHG Protocol Corporate Standard. 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. Further details about the Royal Mail reporting criteria are available at www.internationaldistributionservices.com/sustainability/reporting-and-performance.

[33] 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.

[34] GLS B.V. is committed to reducing 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 that 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. The SBTi commitment of GLS B.V. encompasses all affiliated companies of GLS B.V. operating under the GLS trademark.

[35] GLS reports its carbon emissions according to the GHG Protocol Corporate Standard. Further details about the GLS basis of reporting are available at www.internationaldistributionservices.com/sustainability/reporting-and-performance.

[36] 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 and CNG). This includes parcel deliveries on foot (as of 2025-26, only applicable for GLS Spain).

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 comprises the business functions that own and manage the risks, and have primary accountability for identifying, assessing and managing risks and controls. Monitoring of the primary controls, including regular reviews by 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. 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 for 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 monitor, 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.

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.

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, senior leadership teams across Royal Mail and GLS review the risk profiles covering their 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. The outcomes of these assessments are considered by the Royal Mail and GLS Audit and Risk Committees, and then by the ARC.

Strategic Report

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
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 geopolitical outlook remains highly uncertain, with weak growth forecast in the UK and core European markets. UK inflation remains above the Bank of England target with conflict in the Middle East raising energy costs in the inflation outlook. Mixed consumer and business confidence is expected to constrain discretionary spend through 2026-27, alongside low 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. Ongoing global conflicts could disrupt international transport routes crucial to the Group's business. The business continues to monitor the situation in the Middle East and maintains contingency plans in place to mitigate identified risks. The Iran conflict has increased fuel prices globally, which could impact on supply costs and inflation.

Uncertainty around US tariffs may dampen US consumer demand and reduce export volumes, although this could create opportunities for increased European trade. From 1 July 2026, the introduction of the EU Low-Value Parcel Duty will increase processing costs and operational complexity, particularly in meeting enhanced data requirements such as Import Control System 2. While this introduces compliance risks, it also presents an opportunity to differentiate through compliance-enabled digital solutions.

The use and tax treatment of subcontractors remains under scrutiny in Europe, particularly in Italy. Ongoing investment in the GLS operating model to address this may place additional pressure on margins.

Current and planned mitigations

- Ongoing monitoring of economic and external conditions across all markets.
- Continued operation of commodity hedging programme at Royal Mail for gas, electricity, diesel and jet fuel.
- 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, with regular engagement with politicians and policymakers, as appropriate.
- Monitoring government policy on subcontractor treatment in GLS markets. GLS have implemented appropriate compliance measures and digital tools, adapting to local requirements.

2. Failure to reduce our operational cost base
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 reduce its operational cost base and manage wider cost pressures to protect and achieve margin targets 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 and high operational gearing. Its delivery network provides a competitive position, particularly in the combined delivery of letters and small parcels, but is not optimised for a growing demand for flexible acceptance times and larger parcels. Despite significant variable spend reductions, the fixed labour model limits cost flexibility, particularly in the final mile.

Progress has been made through increased automation, network integration with Parcelforce Worldwide and piloting new ways of working following the regulatory reform announced in July 2025. However, costs remain elevated, reflecting continued investment to improve quality of service.

Universal Service reform is critical to improving efficiency and managing the cost base. In April 2026, agreement was reached with the CWU on implementation and terms for new entrants. Full roll-out of a new delivery model is expected before Christmas peak 2026.

Royal Mail maintains a socially responsible workforce model, with 98% of employees on permanent contracts and the remainder agency and seasonal workers. Employees benefit from an above-market pension scheme and standard benefits including sick pay, paid holiday and unfair dismissal protection. In contrast, many parcel competitors rely on lower-cost, flexible models using self-employed workers, creating a structural cost disadvantage.

While GLS benefits from a more flexible cost base, continued optimisation of networks and processes is required to manage inflationary pressures and regulatory change, and support sustainable growth, particularly in key markets such as Italy.

Current and planned mitigations

Royal Mail:
- Improving productivity, and right-sizing operations to align with volumes.
- Improved automation in parcel hubs and mail centres to increase throughput and reduce manual sorting costs.
- Trialling frameworks to accelerate operational improvements, such as letter sortation methods in delivery offices.
- Using digital tools to align scheduled and actual hours with workload, including scan-in scan-out technology.
- Improving network design, including a single parcels network and integration with Parcelforce Worldwide for larger parcels.
- Day-to-day management of headcount costs focusing on agency spend, overtime and recruitment.
- Implementing operational changes under Universal Service reform.
- Investing in modern, cloud-based platforms and digital tools, including AI agents.

GLS:
- Productivity and efficiency improvements to optimise operations and control costs.
- Increased automation in hubs and depots, final mile digitisation, and application of AI.
- Targeted in-country actions in key markets (e.g. Italy) and increased cross-border synergies across the Group.

3. Employee and industrial relations Stable risk – no material change

Risk

The Group is dependent on effective relations with its employees, employee representatives and trade unions. This is required to implement the transformation of Royal Mail's business and manage the risk of localised or national industrial action, and other disputes across IDS.

Status

The Business Recovery, Transformation and Growth Agreement (2023) with the CWU underpins much of the required transformation. A number of initiatives, including changes to the operational workplan, have been successfully implemented, enabling a three-year pay deal, agreed in 2025.

In April 2026, Royal Mail reached agreement with the CWU on the deployment of Universal Service reform. The agreement, approved by CWU members in May 2026, includes a pay rise and enhanced terms and conditions for new entrants joining after 1 December 2022. Wider discussions with the CWU on further operational and transformational changes continue, alongside ongoing engagement to fully deploy the framework agreement between EP Group and the CWU made as part of the change of ownership.

Relationships with Unite CMA remain constructive, supported by a three-year pay deal in 2025 and the Agreement with EP Group.

In GLS Italy, industrial strike action following changes to the subcontractor base has caused operational disruption. A turnaround plan is in place, and disputes are being managed as part of this.

Current and planned mitigations

Royal Mail:
- Annual surveys to assess employee engagement followed by local action plans to address any issues identified.
- Training for Operational Managers to support their teams' performance and development through the 'Meaningful Conversations' programme.
- Joint working with the CWU on a code of conduct that sets a baseline for behavioural standards and a cultural foundation.
- Deploy the relationship reset programme of work with the CWU to improve industrial relations over the longer term.

GLS:
- Continue plans to manage the business turnaround in GLS Italy.

4. Major breach of information security, data protection regulation and/or cyber-attack 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 increasing reliance on technology and data, this continues to be a principal risk. In a Group with more than 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 numerous third parties to secure data and provide critical services. This, together with a large legacy technology estate across both Royal Mail and GLS, impacts the Group's cyber security risk.

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

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 threat detection and response to prevent incidents, including ransomware.
- Improving assurance of organisational and technical controls, including access management, disaster recovery and third-party risk.
- Strengthening security operations, including incident management, threat monitoring and vulnerability management.
- Delivering a technology refresh to address high-risk legacy systems, including cloud migration and embedding security by design.
- Promoting secure behaviours and vigilance through regular communication, training and awareness.
- Encouraging open and prompt reporting to enable timely remediation of issues.
- Operating data privacy and protection frameworks, including privacy by design, and assessment and monitoring of data risks.

5. Failure to grow profitable revenue in a highly competitive marketplace
Stable risk – no material change

Risk

Competition in the marketplace could restrict the ability of the Group to manage prices. In addition, achievement of profitable margins is dependent on the control of costs and delivery of high quality of service. Successfully scaling and growing product offerings is dependent on identifying profitable and sustainable areas of growth and embedding appropriate operational structures to support transformation.

Status

Societal expectations continue to change rapidly, with growing demand for high-quality, convenient and sustainable deliveries at competitive prices. In response, the Group is becoming more agile and customer-focused. However, increased competition in the parcels market has limited the ability to fully offset rising costs through pricing. Royal Mail's quality of service has improved over the year, compared to March 2025, but further progress is required to support revenue growth.

In the letters market, structural decline continues to pressure profitability while maintaining sustainable service quality (see Risk 6). 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 also simplifying and improving its Next Day and Later than Next Day Delivery offering, expanding out-of-home delivery through parcel lockers, and targeting large UK retail networks to expand its parcel shop offering.

GLS continues to expand its global out-of-home network and parcel locker strategy, grow its cross-border segment and explore new markets. It is also launching customer-focused digital solutions to enhance the customer service experience.

Current and planned mitigations

Royal Mail:
— Improving quality of service.
— Expanding channel mix and out-of-home offerings including parcel shops, Collect+ and locker banks.
— Improving Next Day and Later than Next Day Delivery products in line with market trends.
— Simplifying product offerings and pricing structures.
— Improving systems and strategies for customer relationship management.
— Introducing measures to improve operational productivity and performance.

GLS:
— 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)
Stable risk – no material change

Risk

The continuing structural decline in addressed letter volumes poses a significant risk 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 Universal Service is kept under continual review and that operational changes are implemented to drive benefits from the agreed reforms.

Status

Whilst the reforms announced by Ofcom in July 2025 enabling Royal Mail to deliver non-First Class mail every other weekday are welcomed, letter volumes have continued to decline since their peak in 2004-05.

Ofcom has stated that a financially sustainable Universal Service should be able to achieve an EBIT margin of 5% to 10%. Since privatisation in 2013 the Universal Service network has only achieved this twice. The continued structural decline in letter volumes impacts the sustainability of the Universal Service, and ongoing monitoring of the Universal Service and evolution of the regulatory framework is essential if Royal Mail is to have a sustainable future.

Under Ofcom's current regulatory approach there is a price cap for Second Class standard and large letters. This cap is set until March 2027. Ofcom is currently undertaking a pricing and affordability review. The first phase of this review was Ofcom's call for input (CFI) which closed on 5 December 2025. In our response to Ofcom's CFI, we called for a more targeted approach to pricing and affordability, through a stamp discount scheme and removal of the Second Class cap, which would ensure that postal services remain affordable for everyone, help those who need it most, and support a more sustainable future for the Universal Service.

Current and planned mitigations

Ongoing engagement with Ofcom, the Government, colleagues, unions and other stakeholders on:

— Second Class Price Cap.
— Stamp Discount Scheme Proposals.
— Broader Universal Service sustainability and the need for further regulatory changes, including through the Universal Service reform Customer Engagement Forum.

7. Talent: workforce for the future
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 is at risk if high-quality talent with critical skills is not attracted and retained.

Status

Talent remains a key focus, with an enhanced approach to talent management across Royal Mail and GLS. Targeted recruitment strategies at Royal Mail, including external hires and workers under 30, are helping to mitigate the risk of an ageing frontline workforce.

Improved succession planning over the past 18 months has increased the proportion of roles with identified potential successors, particularly at senior levels, strengthening resilience and improving career pathways for existing colleagues. The proportion of employees deemed at high risk of leaving within 12 months has also decreased.

GLS has developed a hybrid HR organisation that includes a Group HR function and embedded HR resources across the business. Business-wide recruitment, people management and development initiatives are being implemented to attract and retain key talent, supporting the business' digital and innovation agenda.

Current and planned mitigations

- Operating a performance management framework.
- Offering development initiatives including leadership training at all levels, and future manager development programmes, to build frontline pipelines.
- Managing internal talent pipelines from early careers to senior leadership.
- Operating robust recruitment quality controls.
- Strong DEI focus, proactively ensuring talent and succession strategies improve gender and ethnicity representation.

8. Climate change and environmental management
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 transition and physical risks that could impact its businesses.

Transition risks: Customer demand is increasing for more sustainable products and services (both an opportunity and a risk). The cost of operations could increase as the Group adapts to regulatory changes and to market conditions surrounding the availability of low- and zero-emission technologies, as it progresses towards its Net-Zero targets.

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 Universal Service obligations or other contractual requirements. Cost inflation may 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 and readiness with expanding sustainability legislation, regulations, and disclosure requirements to avert the risk of reputational damage, increased costs and potential fines.

Status

The Group's environmental strategies create long-term value and competitive advantage, while reducing the businesses' environmental footprint and supporting the transition to a low-carbon future. The Group's climate-related financial disclosures are on pages 18 to 23.

Current and planned mitigations

- Defining ESG ambitions and principles aligned to the Group's priority issues and stakeholder expectations.
- Executing environmental strategies across Royal Mail and GLS, including accelerated decarbonisation ambitions to reach Net-Zero emissions before 2050 (Royal Mail 2040; GLS 2045).
- Investing in low- and zero-emission vehicles, technology and equipment to support energy and fuel efficiency.
- Improving network efficiency, including optimising Royal Mail's property estate, driving the out-of-home strategy and implementing sustainability measures at GLS depots and hubs.
- Engaging colleagues and suppliers in initiatives to improve efficiency and reduce natural resource use.
- Reducing water consumption and waste generation.
- Monitoring compliance with environmental legislation and preparing for future regulation.

9. Compliance with material laws and/or regulations 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 in the UK by Ofcom (including quality of service 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 is covered by the following specified risks: data privacy (Risk 4), environmental legislation (Risk 8) and health and safety (Risk 11).

Status

There continues to be a focus by the Group on controls in relation to compliance with material laws and regulations. Royal Mail is focused on improving service levels and regularly engages with Ofcom on quality of service.

Competition law:

In May 2024, Bulk Mail Claim Ltd (BMCL) filed a proposed class action against IDS in the Competition Appeal Tribunal for damages estimated by BMCL at c.£1 billion. The claim relates to Ofcom's August 2018 decision finding that Royal Mail had abused its dominant position in the market for UK bulk mail delivery services in January 2014. The claim was certified in March 2025 to proceed to substantive trial in April 2028. The outcome and financial impact cannot currently be estimated, and no provision has been recognised. IDS intends to defend the claim robustly. See Note 27 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 with support from relevant legal counsel. See Notes 6 and 24 of the Financial Statements.

Regulatory conditions imposed by Ofcom:

In October 2025, Ofcom fined Royal Mail £21 million for failing to meet First and Second Class Universal Service quality of service targets for the 2024-25 regulatory period. Performance in the current year remains below target and Ofcom has launched an investigation into Royal Mail's compliance with targets in 2025-26. From 1 April 2026, revised targets of 90% (First Class) and 95% (Second Class) apply, alongside new reliability measures (99% within three and five days respectively).

Following agreement with the CWU in April 2026 on Universal Service reform, Royal Mail has published a Quality of Service Improvement Plan targeting full compliance within 12 months of deployment, supported by a £500 million investment programme over five years.

Current and planned mitigations

— Assess risks and obtain advice from specialist lawyers and compliance/regulatory professionals on a regular basis.
— Horizon scan for legislative changes and develop policies and processes to address impacts.
— Maintain control frameworks, monitor compliance with laws and regulations, and perform assurance activities.
— Foster a culture where colleagues can speak up to ensure any issues are promptly addressed and not repeated.
— Engage with Ofcom on Universal Service quality of service monitoring and restoration.
— Implement Universal Service reform enabling Royal Mail to deliver non-First Class mail every other weekday.

10. Business continuity and operational resilience 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: employee and industrial relations (see Risk 3), cyber-attacks (see Risk 4) and extreme weather (see Risk 8). Other key threats include utility interruption, IT outages, supply chain failures and terrorism.

Status

Royal Mail is classified as critical national infrastructure and has a responsibility to provide sustained and continued postal services under the Universal Service. It has experienced several disruptive events in recent years, including the COVID-19 pandemic, national industrial action and a cyber-attack, with its crisis management response processes proving effective. A strategic threat assessment identified increasing external risk pressures, reinforcing the need to further strengthen business resilience, including continuity planning and threat mitigation capabilities.

GLS has a large geographical footprint and an interconnected international network across Europe and North America. It is in scope for the EU Network and Information Security Directive 2 (NIS2) and is improving controls to meet new standards as they are adopted across Europe. Whilst threats are shared with Royal Mail, the multi-country nature of GLS means there is natural mitigation, lowering the impact to the Group in the event of operational disruption in a specific market.

Current and planned mitigations

Royal Mail:

— Ongoing strategic threat assessment and horizon scanning to identify emerging threats, and develop remediation strategies.
— Regularly review crisis management governance including lessons learnt following disruptive events.
— Delivery of refreshed training 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.
— Regularly risk assess and undertake mitigation planning in relation to Royal Mail's legacy technology estate, including reviewing support, stability and disaster recovery status.

Royal Mail and GLS:

— Implement a technology refresh programme to address high-risk legacy systems, including cloud migration.
— Develop and implement tactical arrangements and business continuity to support incident management.

11. Health, safety and wellbeing
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, failure to deliver the Universal Service, 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 and subcontracted/agency workers, operates one of the UK's largest commercial fleets, manages a significant real estate footprint and interacts extensively with the public. Many colleagues work outdoors on foot or driving, in less controllable environments. Key risks include road traffic and other outdoor accidents, 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.

GLS operates a different model, with a significant part of operations subcontracted to third parties. Health and safety remains a key focus, supported by established health and safety standards and awareness work performed jointly with subcontractors.

Current and planned mitigations

IDS:
— Implement policies, procedures and systems, supported by targeted 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.
— Operate Group-wide measures to protect and support employees in line with guidance and provision of wellbeing programmes.
— Monitor and review controls to support risk control and accident prevention, including investigation of incidents and near misses.

Royal Mail:
— Identify and manage existing and emerging risks through the Safety, Health and Environment Management System (SHEMS) and supported by site audits.
— 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.
— Consult with union representatives on any changes that substantially affect workplace health and safety.
— Assess and maintain building safety.
— Improve driver performance through a rolling five-year plan targeting key risks, including road and yard safety.

GLS:
— Expand 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 efficiently manage liquidity, financing costs and capital structure
Stable risk – no material change

Risk

There is a risk that the Group fails to secure cost efficient access to credit facilities. Failure to meet business performance targets could impact IDS' credit rating. As a result, there is a risk that refinancing costs increase, impacting the profitability of the business.

Status

Royal Mail and GLS manage their respective cash positions through working capital management and prioritising capital expenditure. Group liquidity is centrally managed via a cash pool. Following change of control, the £925 million IDS revolving credit facility (RCF) was cancelled and replaced with a new IDS £425 million facility, which was subsequently combined with a £500 million RCF from EP DS acquisition facilities, maintaining overall RCF liquidity.

The two bridging loan facilities that formed part of the acquisition financing were refinanced through two Eurobond issuances of €650 million and €750 million. The remaining €1,309 million Facility A term loan was novated to IDS from EP DS in exchange for a loan. The Group has established a Euro Medium Term Notes (EMTN) programme to allow faster and more efficient access to bond markets. In addition, other markets and instruments that offer diversity may be considered to refinance the debt. Liquidity was further strengthened following the repayment to IDS of a €500 million loan by EP DS in March 2026. Following S&P's confirmation on 11 June 2026 of a BBB investment grade rating, the Group is confident of being able to refinance debt as it falls due. See Notes 1, 22 and 23 of the Financial Statements for further information on financial risk management.

Two-thirds of financing (excluding leasing) is at fixed rates, limiting exposure to interest rates increases. For financing on variable interest rate arrangements, increases in borrowing costs will be partially offset by the increase in interest received on any cash on deposit.

The refinancing of the €550 million 2026 bond in October 2026 is expected to be at a higher rate of interest than the current instruments (2.7%). This anticipated increase in financing is included within financial plans.

Current and planned mitigations

IDS:
— Ongoing monitoring of Royal Mail's and GLS' performance and liquidity.
— Ongoing management of the EMTN programme.
— Group-wide cash pooling to manage liquidity and short-term working capital.
— Ongoing review of capital allocation, credit rating and priorities.
— Exploring alternative means of raising capital, including asset disposals.

Royal Mail:
— Delivery of the transformation plan and efficiency programmes.
— Measures to conserve cash and prioritisation of capital expenditure.
— Raising capital through alternative funding arrangements.

GLS:
— Delivery of the CORE strategy and operational efficiency programmes.
— Expansion of the intragroup cash pooling arrangement across further countries.
— Raising capital through alternative funding arrangements.

This Strategic Report was approved by the Board on 22 June 2026 and signed on its behalf by:

Martin Seidenberg

Group Chief Executive Officer

Paul Ablin

Group Chief Financial Officer

Corporate Governance Report

The Board is committed to maintaining robust standards of corporate governance across the Group and has adopted the Wates Corporate Governance Principles for Large Private Companies (the Wates Principles) as the basis for its governance framework and reporting. The overview below summarises how the Group has applied the Wates Principles and indicates where further information can be found in this Annual Report.

Principle One: Purpose and Leadership

The Board ensures that the Group's purpose and values are reflected in the Group's strategy and are embedded in decision making. See pages 3 to 5 for further information.

The Board monitors culture and how the Group's purpose and values are reflected in day-to-day operations through regular reporting on culture-related indicators, including employee engagement, safety and wellbeing, and whistleblowing activity. These indicators enable the Board to identify trends and areas of strength, and inform priorities for management action or further focus. See pages 17 and 18 for further information.

The Group CEO ensures that the Royal Mail and GLS leadership teams clearly communicate the Group's purpose, values and strategy to the workforce, helping colleagues understand how their work contributes to the Group's purpose, aligns to its values and contributes to its strategy.

Principle Two: Board Composition

The Board consists of nine Directors, comprising a shareholder-appointed Non-Executive Chair, the Group CEO, the Group CFO, four shareholder-appointed Non-Executive Directors, and two Board-appointed Independent Non-Executive Directors. The Board considers its size and structure appropriate for the scale and complexity of the Group.

The composition of the Board is governed by the Board's Terms of Reference, which are reviewed annually and provide for majority shareholder representation, reflecting the Company's ownership by EP Group and ensuring alignment between shareholder expectations and Board decision making.

There is a clear division of responsibilities between the Chair, Executive Directors, Non-Executive Directors and Independent Non-Executive Directors. The Chair leads the Board and ensures its effective operation, including the quality of information and appropriate challenge. The Group Company Secretary supports the Chair by providing guidance on Directors' duties and maintaining strong governance processes and information flows. The Group CEO is responsible for the day-to-day management of the Group and the delivery of its strategy, supported by the Group CFO in relation to financial management. Non-Executive Directors provide oversight and strategic guidance, while Independent Non-Executive Directors provide external perspectives, independent judgement and constructive challenge.

The Board maintains a broad and complementary mix of skills, experience and knowledge relevant to the Group's strategy and operating environment, supported by a Board skills matrix, which captures and reflects its collective capabilities.

The Board is satisfied that its composition remains appropriate and supports effective decision making and the delivery of the Group's strategy, and keeps this under review.

The Directors who served during the financial year ended 29 March 2026 and to the date of this Annual Report are listed on page 36.

Principle Three: Director Responsibilities

The Board's responsibilities, including the matters reserved for its decision, are defined in its Terms of Reference. The Board retains overall accountability for the long-term success of the Group and is responsible for setting the strategy, approving annual business plans and budgets, overseeing financial, operational and ESG performance, monitoring culture, and ensuring a sound system of risk management and internal control. The Group Company Secretary maintains a forward planner of matters for Board consideration, supporting well-structured agendas and ensuring that Directors receive timely, high-quality information to support effective decision making and challenge.

Oversight of the Group's financial reporting, risk management and internal control processes is delegated to the ARC. The Board reviews the Committee's Terms of Reference annually and receives regular updates on its work. Key matters are escalated to the Board, enabling the Board's oversight. The Audit and Risk Committee Report is set out on pages 33 to 35.

The responsibilities of individual Directors are defined through the division of responsibilities, supporting accountability and effective decision making.

The Board delegates responsibility for day-to-day management to the Group CEO and the Group CFO, who in turn delegate operational management of Royal Mail and GLS to each business' CEO and CFO. Regular reporting ensures the Board maintains visibility over performance, emerging risks and matters requiring escalation. Documented reserved matters and delegated authorities provide a clear framework for decision making and escalation.

Corporate Governance Report

Principle Four: Opportunity and Risk

The Board considers both opportunity and risk in setting and overseeing the delivery of the Group's strategy. The Group's strategic priorities are reviewed by the Board, enabling it to assess near-term priorities and longer-term opportunities for value creation.

In parallel, the Board considers the risks associated with the strategy, including operational, financial, regulatory and strategic risks. The most significant risks are captured on the principal risk register, together with mitigation activities aligned to the risk appetite set by the Board. The Board reviews the principal risks and risk appetite, and considers their implications for strategic and investment decisions.

Oversight of the Group's risk management and internal control framework is delegated to the ARC, which monitors the principal and emerging risks and reports regularly to the Board. This supports the Board's ongoing oversight of risk and the actions being taken to manage it.

The Group's risk management framework is set out on page 24, and the principal risks and uncertainties are disclosed on pages 25 to 30.

Principle Five: Remuneration

The Group operates a governance framework that defines responsibility for remuneration decisions for Executive Directors and senior management.

Remuneration comprises fixed pay and variable incentive arrangements. Fixed pay is subject to annual review, taking account of business performance, individual contribution, market context, and pay and conditions across the wider workforce. Pay reviews for the Executive Directors are approved by the Chair. Pay reviews for IDS, Royal Mail and GLS executive management are approved by the Group CEO and Group CFO, while pay reviews for the remainder of senior management are approved by the Royal Mail or GLS CEO and CFO, as applicable.

The Group operates a short-term incentive plan, incorporating a combination of financial performance measures and personal and strategic objectives. Incentives linked to longer-term strategic priorities are also in place.

Proposals for incentive structures are developed by management, informed by market considerations and aligned with strategic priorities. The design of these structures, the targets and the performance outturns are reviewed by the Board and approved by the Chair.

The fees of the Non-Executive Directors are set by the Chair. Non-Executive Directors do not participate in any bonus or incentive arrangements.

Principle Six: Stakeholder Relationships and Engagement

The Board considers the interests of stakeholders as part of its decision making, consistent with its duties under Section 172 of the Companies Act 2006.

The Board receives regular updates on stakeholder matters, including employee engagement, customer satisfaction, regulatory developments and community initiatives, enabling it to understand stakeholders' views and the potential impact of its decisions.

Following the acquisition of IDS by EP Group and the appointment of several new Directors, there has been a particular focus on direct engagement with stakeholders across the business. During the year, Directors met with colleagues and union representatives to build their understanding of the Group's activities, culture and operating environment, supporting the Board's consideration of stakeholder impacts in its decision making.

Further detail on how the Directors have had regard to stakeholder interests can be found in the Section 172 Statement on page 15. Further information on employee engagement is set out on page 17.

Corporate Governance Report

Audit and Risk Committee Report

Membership and competence

The members of the Committee up until 2 June 2025 were Michael Findlay (Chair), Baroness Hogg, Lynne Peacock and Jourik Hooghe. During that period, Michael Findlay had recent and relevant financial experience, having spent over 30 years in investment banking.

Following the acquisition of the Company by EP Group and the delisting of the Company's shares, on 2 June 2025, these 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, and Jiri Zrust was appointed as an independent member. Václav has competence in accounting and auditing, having worked in accounting and finance for over 25 years.

The Board considers that the Committee throughout the financial year ended 29 March 2026 and up to the date of this Annual Report had, as a whole, competence relevant to the Group's businesses.

The Committee held two scheduled meetings during the year ended 29 March 2026. All members attended both meetings. Committee meetings were also attended by the Group CFO, the Global Director of Risk & Audit, the Director of Group Finance and representatives from the external auditor, Deloitte. In addition, following the appointment of new Committee members, several introductory and briefing sessions were held with relevant members of management to support their induction.

Role and responsibilities

The Committee's role and responsibilities are set out in its Terms of Reference, which are reviewed annually by the Committee and approved by the Board. The Committee oversees and, where appropriate, makes recommendations to the Board on matters relating to: financial reporting; external audit; risk management and internal control; internal audit; whistleblowing; compliance and fraud; treasury and taxation; cyber security; and pensions.

Key activities in 2025-26

Financial reporting

— Reviewed and satisfied itself on the integrity of the results for the period from date of acquisition to 31 December 2025 for EP Group reporting purposes including significant accounting estimates and judgements, and audit findings.

— Reviewed and satisfied itself on the integrity of this Annual Report, including significant accounting estimates and judgements, legal claims and contingent liabilities, impairment assessments, APMs, accounting policies applied, statutory audit findings, covenant compliance and pension assumptions.

— Reviewed APMs to ensure relevance, no greater prominence than GAAP, appropriate materiality and clear reconciliations to the closest GAAP measures.

— Considered the appropriateness of the going concern basis of preparation of the Financial Statements. See page 35.

External audit

— In light of the acquisition by EP Group and EP Group's existing appointment of Deloitte as its Group auditor, recommended the appointment of Deloitte as statutory auditor of IDS for the year ended 29 March 2026.

— Reviewed the external auditor's audit strategy and reports on control and audit findings, including the auditor's opinion on the Annual Report and Financial Statements 2025-26.

— Reviewed the independence and objectivity of the external auditor, including through consideration of the auditor's safeguards, oversight of non-audit services, review of fees and application of the Ex-Auditor Employment Policy.

— Reviewed the effectiveness of the external audit process and concluded that it had been effective.

— Reviewed and approved the Non-Audit Services Policy. The external auditor is generally not engaged to perform non-audit services; however, the Committee may permit such services where they are permissible under auditor independence rules, where the auditor is uniquely placed to perform them, or where they support the statutory audit and do not impair independence. Authority is delegated to the Group CFO to pre-approve non-audit services costing up to £25,000 per engagement, with an annual aggregate limit of £500,000.

— Monitored the level of fees paid to the external auditor. During the year, the Committee approved non-audit services in relation to support for the compliance certificate submitted to the Department for Business and Trade in relation to compliance with the Government undertakings, the regulatory audit and subscription to Deloitte's accounting research tool, in accordance with the Policy. Total audit and audit-related fees were £5,241,000 and non-audit fees were £197,000, representing approximately 4% of the audit fee.

Corporate Governance Report

Risk management and internal control

- Received updates on internal controls over financial reporting and the programme to enhance the control environment.
- Reviewed the effectiveness of the Group's risk management and internal control systems, taking into account assurance over principal risks, internal audit findings, progress against remediation actions, year-end finance confirmations, testing of key controls, reports on financial reporting controls and the views of the external auditor.
- Reviewed the Group principal and emerging risks and the principal risks and uncertainties statement for inclusion in this Annual Report.
- Reviewed the Fraud Policy, risk register and fraud risk management framework.

The Group's risk management framework can be found on page 24 and the principal risks and uncertainties statement can be found on pages 25 to 30.

Internal audit

- Approved and reviewed delivery against the 2025-26 internal audit plan and approved the 2026-27 internal audit plan.
- Reviewed reports arising from completed internal audits and management's progress in implementing agreed actions.
- Reviewed the effectiveness and independence of the risk assurance function.

Other matters

- Received updates on the Group's payment practices.
- Reviewed and approved the Group's tax strategy and considered tax matters.
- Reviewed and approved several policies, including the AI Policy, Treasury Policy, Enterprise and Fraud Risk Management Policy, and Risk Assurance Charter.
- Reviewed and approved the Terms of Reference for the Pensions Committee, UK ARC and GLS ARC.
- Received updates on reports arising from the Group's whistleblowing arrangements.
- Approved this report for inclusion in the Annual Report and Financial Statements 2025-26.

Corporate Governance Report

Significant matters and application of judgements

Material issues considered by the Committee in relation to significant matters and application of judgement in relation to the Financial Statements (and as also reported on by the external auditor in its external audit report (see pages 40 to 48) were as follows.

Going concern	The financial performance and position of the Group, its cash flow projections and its approach to capital management were reviewed by the Committee, along with the appropriateness of the assessment period (the period to 27 June 2027); the scenarios modelled; mitigating factors; and the effects of the macro-economic uncertainties faced by the Group.
Pensions	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. The Committee reviewed these assumptions along with the approach taken to verify third-party valuations for unquoted scheme assets and the associated disclosures.
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 Committee reviewed the calculation and the estimates and judgements applied, including sensitivity analysis and the controls in relation to the integrity of the data.
Royal Mail excluding Parcelforce Worldwide CGU impairment	The carrying amount of the CGU is significant with respect to the total assets of the Group and its sensitivity to key assumptions. The Committee reviewed the methodology and results of the impairment review, including the appropriateness of key assumptions, data points and the impairment reversal in the year.

A more detailed assessment of the estimates and judgements above can be seen within the 'Key sources of estimation uncertainty and critical accounting judgements' section of Note 1 to the Financial Statements.

The Committee also undertook reviews of the following areas.

Parent Company IDS Limited (Separate Financial Statements on page 132)	The Committee reviewed management's attestation that it had adequately assessed the recoverability of the carrying amount of the Parent Company's investments in, and amounts due from, subsidiaries and its intercompany indebtedness.
Provisions for liabilities (Note 24 to the Financial Statements on page 123)	The Committee reviewed the methodology and key assumptions used in determining the 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.

Václav Moll

Chair of the Audit and Risk Committee

22 June 2026

Corporate Governance Report

Directors' Report

The Directors present their Report, together with the audited Financial Statements, for the year ended 29 March 2026.

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:

Directors

The Directors of the Group who served during the financial year ended 29 March 2026 are outlined below.

The following Directors resigned as Directors on 2 June 2025, when the Company's shares were delisted.

Keith Williams	Independent Non-Executive Chair
Michael Findlay	Independent Non-Executive Director
Lynne Peacock	Independent Non-Executive Director
Ingrid Ebner	Independent Non-Executive Director
Jourik Hooghe	Independent Non-Executive Director
Maria da Cunha	Independent Non-Executive Director
Baroness Hogg	Independent Non-Executive Director
Shashi Verma	Independent Non-Executive Director

Details of the current Board of Directors are outlined below.

Daniel Křetínský	Shareholder-appointed Non-Executive Chair	Appointed 9 June 2025
Roman Silha	Shareholder-appointed Non-Executive Director	Appointed 9 June 2025
Marek Janča	Shareholder-appointed Non-Executive Director	Appointed 9 June 2025
Daniel Mareš	Shareholder-appointed Non-Executive Director	Appointed 9 June 2025
Jan Bílek	Shareholder-appointed Non-Executive Director	Appointed 9 June 2025
Jiri Zrust	Board-appointed Independent Non-Executive Director	Appointed 25 June 2025
Dwain McDonald	Board-appointed Independent Non-Executive Director	Appointed 1 August 2025
Martin Seidenberg	Group Chief Executive Officer	Appointed 1 April 2021
Paul Ablin	Group Chief Financial Officer	Appointed 21 January 2026

Michael Snape (Group Chief Financial Officer) resigned as a Director on 30 January 2026.

Corporate Governance Report

Directors' and Officers' insurance and indemnity provisions

To the extent permitted by the Companies Act 2006, the Company may indemnify any Director or former Director of the Company or any associated company against any liability. The Company holds a Directors' and Officers' liability insurance policy covering the Directors and Officers or former Directors of its subsidiary undertakings against any liability. This is reviewed annually.

Qualifying pension scheme indemnity provisions were in force during the course of the financial year ended 29 March 2026 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.

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 17.

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 15, 17, 18 and 27.

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 16 and 17.

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 30 to the Financial Statements on pages 127 to 131.

Political donations and expenditure

In so far as the Company is aware, no form of political donation, or expenditure, was made during the year. The Company intends to continue this policy for the foreseeable future.

Financial instruments

The Group's financial risk management objectives and policies in relation to its financial instruments are summarised in Note 23 to the Financial Statements on pages 111 to 122.

Post balance sheet events

Post balance sheet events are summarised in Note 29 on page 126.

Acquisition of own shares

The Company did not acquire any of its own shares during the financial year and did not hold any shares in treasury at the year end.

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

22 June 2026

Corporate Governance Report

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

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

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Group Financial Statements in accordance with United Kingdom-adopted international accounting standards. The Directors have also chosen to prepare the Parent Company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom 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 Company and of the profit or loss of the Company for that period.

In preparing the Parent Company Financial Statements, the Directors are required to:

— select suitable accounting policies and then apply them consistently;

— make judgements and accounting estimates that are reasonable and prudent;

— state whether applicable UK Accounting Standards have been followed; and

— prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

In preparing the Group Financial Statements, International Accounting Standard 1 requires that Directors:

— properly select and apply accounting policies;

— present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

— provide additional disclosures when compliance with the specific requirements of the financial reporting framework are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and

— make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Responsibility statement

We confirm that to the best of our knowledge:

— the Financial Statements, prepared in accordance with the relevant financial reporting framework, 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 includes a fair review of the development and performance of the business and the position of the Company, and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

This responsibility statement was approved by the Board of Directors on 22 June 2026 and is signed on its behalf by:

Martin Seidenberg

Group Chief Executive Officer

Paul Ablin

Group Chief Financial Officer

Financial Statements

Contents

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

Report on the audit of the financial statements

1. **Opinion**

In our opinion:

— the financial statements of International Distribution Services Limited (the 'parent company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the parent company's affairs as at 29 March 2026 and of the Group's profit for the 52-week period then ended;

— the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;

— the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 Reduced Disclosure Framework; and

— the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

— the consolidated income statement;

— the consolidated statement of comprehensive income;

— the consolidated balance sheet;

— the consolidated statement of changes in equity;

— the consolidated statement of cash flows;

— the related Notes 1 to 30 to the consolidated financial statements;

— the parent company balance sheet;

— the parent company statement of changes in equity; and

— the related Notes 1 to 13 to the parent company financial statements.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and United Kingdom adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and the parent company for the period are disclosed in Note 4 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Financial Statements

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current period were: — Recoverability of the carrying amount of the Royal Mail excluding Parcelforce Worldwide CGU (Group) — Deferred revenue associated with advance customer payments arising from stamps sold (Group) Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the Group financial statements was £31.70 million which was determined on the basis of 4% of adjusted EBITDA (EBITDA before specific items with the pension charge adjustment added back).
Scoping	Our Group audit scoping resulted in 79% of revenue, 87% of profit before tax and 84% of net assets being subject to audit procedures. We engaged three component audit teams, in addition to performing procedures on certain in scope balances centrally.
Significant changes in our approach	In addition to the key audit matters we identified above, the predecessor auditor identified three additional key audit matters in the prior year; — Going concern of the Group and International Distribution Services Limited (Group); — Valuation of pension scheme obligations; and — Recoverability of parent company's investment in subsidiary (parent company). We do not consider these to be key audit matters in the current year, as although these were all areas that involved judgement, they did not have the greatest effect on the allocation of resources or the direction of efforts of the engagement team.

4. Conclusions relating to going concern

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

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

— Obtaining an understanding of the relevant controls over the directors' process for evaluating the Group's and parent company's ability to continue as a going concern;

— Assessing the historical accuracy of the forecasts prepared for the directors;

— Challenging the underlying data and key assumptions forming the basis of the going concern forecasts – with a particular focus on understanding the expected impact of changes to the scope of the Universal Service Obligation (as discussed on page 4);

— Assessing the financing facilities in place during the going concern period, including understanding the terms and covenants associated with the new facilities taken out during the period;

— Considering the extent of the downside scenarios and sensitivities modelled by management as part of the going concern assessment, and evaluating whether these scenarios are sufficiently robust to challenge the going concern assumption under adverse conditions;

— Understanding the potential mitigating actions which management has suggested, including assessing their likely financial impact and the extent to which they are within management's control;

— Testing the mechanical accuracy of the underlying forecasts within the going concern assessment; and

— Assessing the appropriateness of the going concern disclosures in the financial statements.

Financial Statements

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

5. Key audit matters

The key audit matters communicated below are matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and included the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included 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.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Key audit matter description	The carrying amount of the Royal Mail excluding Parcelforce Worldwide Cash Generating Unit (CGU) is significant with respect to the total assets of the Group. The carrying amount totalled £2,229 million at 28 December 2025, being the point at which management performed the impairment assessment (30 March 2025: £1,995 million), with an impairment reversal of £171 million (30 March 2025: impairment reversal of £117 million) recognised in the period. Management concluded that there were no events and circumstances between this date and the balance sheet date (29 March 2026) that would materially change the outcome of this assessment. This is a key audit matter due to the significant judgement required in management's assessment of the CGU's recoverable amount. The recoverable amount is the higher of its value in use (VIU) and its fair value less cost to dispose (FVLCD). Management estimates the FVLCD using a market participant perspective. Their assessment involves complex forecasts of future cash flows, particularly concerning the impact of the changes to the Universal Service Obligation (USO), and the selection of appropriate discount rates and long-term growth rates. The forecasts assume a continuing decline in letter volumes, the impact of which is counteracted by continued strong growth in parcel volumes, as well as the impact of USO reform. The forecasts also assume (following existing agreements with the Communication Workers Union) that the business will not be impacted by industrial action. The inherent subjectivity in these assumptions, coupled with the magnitude of the carrying amount and the significant sensitivity, increases the risk of material misstatement. This matter is further detailed in the Audit and Risk Committee Report on page 35 and the section on Key Sources of Estimation Uncertainty in Note 1 (including details on sensitivities).
How the scope of our audit responded to the key audit matter	Our procedures to address this risk included: — **Review process:** Obtaining an understanding of the relevant controls over the review of the impairment model, including the budget and forecast. — **Forecast-based assessment:** We challenged management's forecast of future cash flows, including the underlying assumptions for revenue growth and cost efficiencies as a result of USO reform. We compared these to historical performance, external market data, and the Group's approved strategic targets. We assessed whether the impact of the current geopolitical environment and ongoing discussions with trade union representatives were fully reflected within the forecasts. — **USO reform impact:** We assessed management's quantification of the benefits derived from the USO reform against the Group's strategic targets and regulatory obligations to determine the appropriateness of their inclusion in the CGU's cash flow forecasts. — **Valuation expertise:** We involved our valuation specialists in evaluating the appropriateness of the discount rates and long-term growth rates used by management. We compared these to market benchmarks and industry-specific data. — **Evaluation of impairment reversal:** We obtained an understanding of the changes that have occurred since the prior year (particularly around the impact of USO reform and when this was agreed) to support the need for the impairment reversal and assessed whether this should occur in the current period. We also evaluated the trigger event leading to the reversal of the impairment recognised in prior year. — **Model considerations:** We considered both management's estimation of the FVLCD and our view of VIU, taking into account the acquisition of the Group by EP Investment S.à r.l. as a data point supporting the FVLCD. We assessed the mathematical accuracy of the model. Further, we considered the compliance of the model with IAS 36 Impairment of Assets. — **Sensitivity analysis:** We performed additional sensitivity analyses on key assumptions, such as

	growth rates and discount rates, to understand the potential impact of changes on the recoverable amount and to identify scenarios that could lead to impairment. — **Disclosure evaluation:** We evaluated the related disclosures in the financial statements against the requirements of the accounting standards.
Key observations	Based on the work performed, we concluded that the carrying value of the Royal Mail excluding Parcelforce Worldwide CGU and the related impairment reversal were appropriate.

5.2. Deferred revenue associated with advance customer payments arising from stamps sold

Key audit matter description	Deferred revenue associated with advance customer payments arising from stamps sold to members of the public amounted to £120 million as at 29 March 2026 (30 March 2025: £116 million). This is a key audit matter due to the subjective nature of estimating the timing of revenue recognition and the value of deferred revenue. Revenue is recognised when stamps are used and the associated letter or parcel is delivered, which is not always immediately upon sale, and there is therefore a need to estimate the value of deferred revenue in relation to stamps sold to members of the public and not yet used (known as Stamps in the Hands of the Public (SITHOP)). Assessing the value of the deferred revenue in relation to SITHOP requires a number of assumptions and estimates to be made by management. Following the introduction of barcoded stamps in 2022, management has adopted a methodology based upon barcode scan data to estimate how long customers typically hold stamps before they are used (a 'usage curve'). Several key assumptions are applied in the process, including: — Estimation of the month of sale, since there is no unique scan of the individual stamps at the time of sale: Management uses a bucketing approach to allocate groups of sequentially barcoded stamps to specific months of sale, based on the timing of the first scan within each bucket. — Assumptions for unscanned stamps during processing: Management incorporates a non-scan assumption to account for stamps that are manually sorted or not scanned by sorting machines. — Estimating the breakage period: Management estimates the number of months after which it is considered a remote possibility that any remaining stamps will be utilised. The methodology involves significant judgement, particularly in determining the timing and extent of stamp usage, and any manual adjustments to the usage curves. This introduces inherent risk to the estimate, and the reliance on management judgement in the calculation may indicate a potential fraud risk. This matter is further detailed in the Audit and Risk Committee Report on page 35, and the section on Key Sources of Estimation Uncertainty within Note 1 of the financial statements.
How the scope of our audit responded to the key audit matter	Our procedures to address this risk included: — **Review process:** We obtained an understanding of the relevant controls over management's review of the deferred revenue model including its underlying calculations and assumptions. — **Methodology challenge:** We assessed the Group's methodology for estimating deferred revenue. — **Data integrity and inputs:** We tested the integrity of the data used in the model, including sales and scan data, and assessed the clerical accuracy of the calculations. We involved our analytics and modelling specialists to evaluate the coding and makeup of the model. — **Assumptions assessment:** We evaluated the reasonableness of key assumptions, such as stamp usage patterns, bucket sizes, and breakage periods, by comparing them to historical trends. — **Sensitivity analysis:** We performed sensitivity analysis on the key assumptions to understand the potential range of outcomes and the impact of changes in key assumptions on the deferred revenue balance. — **Management bias:** We assessed whether the judgements were indicative of potential management bias in performing our procedures above by considering any contradictory evidence.
Key observations	Based on our work, we concluded that the deferred revenue associated with advance customer payments arising from stamps sold was appropriate.

Financial Statements

6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£31.70 million (2024/25 predecessor auditor: £25.00 million)	£24.40 million (2024/25 predecessor auditor: £12.40 million)
Basis for determining materiality	4% of adjusted EBITDA (EBITDA before specific items with the pension charge adjustment added back – see page 140 for details)	1% of net assets
Rationale for the benchmark applied	Adjusted EBITDA has been used as the benchmark because it is a key performance measure for users of the financial statements. This represents a change from the predecessor auditor, who used revenue as the benchmark, reflecting the entity's status as a listed company at that time and the focus of financial statement users in the prior year.	The parent company continues to operate primarily as a holding company. It remains predominantly balance-sheet driven, with net assets reflecting the key area of user focus. This represents a change from the predecessor auditor, who used total assets as the benchmark.

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	70% (2024/25 predecessor auditor: 64.8%) of Group materiality	70% (2024/25 predecessor auditor: 75%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: — Our understanding of the entity and its environment including its internal controls; — The history of misstatements and findings by the predecessor auditor; and — The level of complexity and estimation present in the business.	

6.3. Error reporting threshold

We agreed with the Audit and Risk Committee that we would report to them all audit differences in excess of £1.58m (2024/25 predecessor auditor: £1.25m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identify when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

The IDS Group operates through two principal divisions: Royal Mail and GLS. The Group comprises over 100 legal entities across more than 20 countries. We structured our approach to align with the Group's local monitoring and risk assessment processes, which are conducted at the business unit level for Royal Mail and at the regional level for GLS.

Our Group audit was scoped by developing an audit plan for each significant account through discussion with internal audit, the Group’s IT team, the Group and component finance teams. We also obtained an understanding of the Group-wide controls, and assessed the risk of material misstatement based on the qualitative and quantitative characteristics of each financial statement line item and considered the relative contribution of each component to these line items.

Financial Statements

Based on this assessment, we scoped in components for audit procedures on one or more classes of transactions and account balances that together represent 79% of revenue, 87% of profit before tax and 84% of net assets.

These audit procedures were performed at performance materiality levels applicable to each component, which was lower than the Group performance materiality level and ranged from £9.0 million to £16.8 million.

We engaged component audit teams to perform work on specific balances for:

— Royal Mail Group Limited

— GLS Germany

— GLS Italy.

In addition, we carried out reviews at a Group level to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit.

7.2. Our consideration of the control environment

In the current year, our controls approach was primarily designed to inform our risk assessment. We involved our IT specialists to obtain an understanding of the relevant general IT controls. We adopted a fully substantive approach in our audit.

7.3. Our consideration of climate-related risks

As set out in the 'Climate Change' section of Note 1 to the financial statements, the directors have considered the impact of climate change and the associated risks in the preparation of the financial statements. Additional details are given in the climate-related financial disclosures on pages 18 to 23.

Through discussions with both the central finance team and the sustainability team of the Group, we assessed the process undertaken to identify and quantify the Group's climate-related risks. This included involving our sustainability specialists to understand broader industry and market practice.

We read the climate-related disclosures included in the annual report and considered whether they are materially consistent with the financial statements and our knowledge obtained in the audit.

7.4. Working with other auditors

The Group engagement team sent detailed referral instructions to the component audit teams regarding: the procedures to be performed on in-scope balances, journal entry testing on transactions impacting the current period, as well as work on litigation and claims, compliance with laws and regulations and subsequent events.

The Group engagement team had regular communication with component audit teams as part of the oversight of components. This included regular video and telephone conference meetings, as well as site visits during the planning, interim and concluding phases of the audit.

In addition to the discussions with the component audit teams and our review of their deliverables, we performed detailed reviews of their work papers to evaluate the appropriateness of conclusions drawn from the audit evidence obtained and the consistency between communicated findings and work performed.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

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

Financial Statements

In preparing the financial statements, the directors are responsible for assessing the Group's and the 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 the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

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

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

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

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

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- the Group's own assessment of the risks that irregularities may occur either as a result of fraud or error that was approved by the board on 1 June 2026;
- the results of our enquiries of management, internal audit, the Head of Legal, external legal counsel, the directors and the Audit and Risk Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the Group's sector;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
    - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance, including their assessment of tax-related disputes in GLS Italy as disclosed in Note 24 to the financial statements;
    - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
    - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team including component audit teams and relevant internal specialists, including tax, valuations, pensions, and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in deferred revenue associated with advance customer payments arising from stamps sold.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, pensions legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the Group's operating licence and environmental regulations.

Financial Statements

11.2. Audit response to risks identified

As a result of performing the above, we identified deferred revenue associated with advance customer payments arising from stamps sold as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and describes the specific procedures in response to that key audit matter.

Our procedures to respond to risks identified included the following:

— reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;

— enquiring of management, the Audit and Risk Committee and in-house and external legal counsel concerning actual and potential litigation and claims;

— performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;

— reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC;

— in addressing the risk of potential non-compliance with regulations in respect of tax-related disputes in GLS Italy, evaluating the Group’s correspondence with local legal advisors and the local tax authorities, as well as the report provided by management’s expert, and working with tax specialists to assess the provision calculations; and

— in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

— the information given in the strategic report and the directors’ report for the financial period for which the financial statements are prepared is consistent with the financial statements; and

— the strategic report and the directors’ report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors’ report.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

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

— we have not received all the information and explanations we require for our audit; or

— 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.

We have nothing to report in respect of these matters.

13.2. Directors’ remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors’ remuneration have not been made.

We have nothing to report in respect of this matter.

Financial Statements

14. Other matters which we are required to address

14.1. Auditor tenure

Following the recommendation of the Audit and Risk Committee, we were appointed by the Audit and Risk Committee on 24 September 2025 to audit the financial statements for the 52-week period ended 29 March 2026 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is one year, covering the period ended 29 March 2026.

14.2. Consistency of the audit report with the additional report to the Audit and Risk Committee

Our audit opinion is consistent with the additional report to the Audit and Risk Committee we are required to provide in accordance with ISAs (UK).

15. Use of our report

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

Simon P Manning, FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

22 June 2026

Financial Statements

Consolidated Income Statement

For the 52 weeks ended 29 March 2026 and 52 weeks ended 30 March 2025

	Notes	**Reported 52 weeks 2026 £m**	Reported 52 weeks 2025 £m
Continuing operations			
Revenue	3	**13,607**	13,139
Operating costs[37,38]	4/5	**(13,435)**	(12,806)
People costs		**(7,265)**	(6,847)
Distribution and conveyance costs		**(4,128)**	(3,960)
Infrastructure costs		**(1,234)**	(1,183)
Other operating costs		**(808)**	(816)
Profit on disposal of property, plant and equipment[38]	6	**9**	71
Operating profit before specific items[38]	2	**181**	404
Operating specific items[38]	6	**(70)**	(28)
Operating profit	2	**111**	376
Share of post-tax profit of associates	16	**4**	–
Finance costs	7	**(170)**	(117)
Finance income	7	**70**	51
Net pension interest (non-operating specific item)[38]	6/10	**126**	119
Profit before tax		**141**	429
Tax charge	8	**(50)**	(62)
Profit for the year		**91**	367

[37] Operating costs are stated before operating specific items.
[38] Details of APMs are provided in the section entitled ‘Presentation of results’.

Financial Statements

Consolidated Statement of Comprehensive Income

For the 52 weeks ended 29 March 2026 and 52 weeks ended 30 March 2025

	Notes	**Reported 52 weeks 2026 £m**	Reported 52 weeks 2025 £m
Profit for the year		**91**	367
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		**(144)**	(150)
Decrease in withholding tax payable on distribution of RMPP surplus	10	**5**	71
Remeasurement losses of the defined benefit surplus in RMPP	10(c)	**(134)**	(243)
Remeasurement gains of the defined benefit deficit in DBCBS	10(d)	**4**	19
Remeasurement (losses)/gains of the defined benefit deficit in DBLS	10(e)	**(19)**	3
Items that may be subsequently reclassified to profit or loss:			
Foreign exchange translation differences		**37**	(49)
Exchange differences on translation of foreign operations (GLS)		**52**	(58)
Net (loss)/gain on hedge of a net investment (€500 million bond)		**(15)**	9
Designated cash flow hedges		**41**	6
Gains/(losses) on cash flow hedges deferred into equity		**41**	(11)
Losses on cash flow hedges released from equity to income		**4**	12
Losses released from equity to the carrying value of non-financial assets		**–**	1
Gain/(loss) on cross-currency swap cash flow hedge deferred into equity		**13**	(5)
(Gain)/loss on cross-currency swap cash flow hedge released from equity to income – interest payable		**(17)**	10
Gain on cost of hedging deferred into equity		**1**	–
Gain on cost of hedging released from equity to income – interest payable		**(1)**	(1)
Total other comprehensive expense for the year		**(66)**	(193)
Total comprehensive income for the year		**25**	174

Financial Statements

Consolidated Balance Sheet

At 29 March 2026 and 30 March 2025

	Notes	**Reported at 29 March 2026 £m**	Reported at 30 March 2025 £m
Non-current assets			
Property, plant and equipment	12	**3,962**	3,630
Goodwill	14	**456**	442
Intangible assets	15	**434**	361
Investments in associates	16	**112**	46
Financial assets			
Pension escrow investments	23	**91**	156
Derivatives options	16/23	**–**	13
Derivatives	23	**10**	–
Loan to Parent Undertaking	23	**1,914**	–
RMPP retirement benefit surplus – net of withholding tax payable	10	**1,619**	1,635
DBCBS retirement benefit restricted surplus	10	**–**	–
DBLS retirement benefit restricted surplus	10	**–**	–
Other receivables	19	**51**	60
		8,649	6,343
Current assets			
Inventories		**27**	30
Trade and other receivables	19	**1,774**	1,668
Income tax receivable		**34**	21
Financial assets			
Pension escrow investments	23	**–**	32
Derivatives options	16/23	**14**	–
Derivatives	23	**32**	2
Loan to Parent Undertaking	23	**27**	–
Cash and cash equivalents	20/23	**1,005**	834
Assets held for sale	18	**1**	–
		2,914	2,587
Total assets		**11,563**	8,930
Current liabilities			
Trade and other payables	21	**(2,402)**	(2,142)
Financial liabilities			
Interest-bearing loans and borrowings	22/23	**(650)**	(4)
Lease liabilities	13/23	**(319)**	(283)
Derivatives	23	**(16)**	(12)
Income tax payable		**(26)**	(11)
Provisions	24	**(197)**	(83)
Bank overdrafts	20/23	**–**	(53)
		(3,610)	(2,588)

Financial Statements

Consolidated Balance Sheet (continued)

At 29 March 2026 and 30 March 2025

	Notes	**Reported at 29 March 2026 £m**	Reported at 30 March 2025 £m
Non-current liabilities			
Financial liabilities			
Interest-bearing loans and borrowings	22/23	**(2,890)**	(1,146)
Lease liabilities	13/23	**(1,380)**	(1,319)
Derivatives	23	**–**	(31)
Provisions	24	**(94)**	(81)
Other payables		**(8)**	(16)
Deferred tax liabilities	8	**(35)**	(43)
		(4,407)	(2,636)
Total liabilities		**(8,017)**	(5,224)
Net assets		**3,546**	3,706
Equity			
Share capital	25	**10**	10
Retained earnings		**3,506**	3,744
Other reserves		**30**	(48)
Total equity		**3,546**	3,706

The Financial Statements were approved and authorised for issue by the Board of Directors on 22 June 2026 and were signed on its behalf by:

Martin Seidenberg
Group Chief Executive Officer

Paul Ablin
Group Chief Financial Officer

Financial Statements

Consolidated Statement of Changes in Equity

For the 52 weeks ended 29 March 2026 and 52 weeks ended 30 March 2025

	Share capital £m	Retained earnings £m	Foreign currency translation reserve £m	Hedging reserve £m	Total equity £m
Reported at 31 March 2024	10	3,540	3	(8)	3,545
Profit for the year	–	367	–	–	367
Other comprehensive expense for the year	–	(150)	(49)	6	(193)
Total comprehensive expense for the year	–	217	(49)	6	174
Transactions with owners of the Company, recognised directly in equity					
Dividend paid to shareholders (see Note 9)	–	(19)	–	–	(19)
Share-based payments (see Note 17)					
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**
Profit for the year	**–**	**91**	**–**	**–**	**91**
Other comprehensive (expense)/income for the year	**–**	**(144)**	**37**	**41**	**(66)**
Total comprehensive income for the year	**–**	**(53)**	**37**	**41**	**25**
Transactions with owners of the Company, recognised directly in equity					
Dividend declared to shareholders (see Note 9)	**–**	**(191)**	**–**	**–**	**(191)**
Share-based payments (see Note 17)					
Employee Free Shares issue	**–**	**1**	**–**	**–**	**1**
Long-Term Incentive Plan (LTIP)	**–**	**4**	**–**	**–**	**4**
Deferred Share Bonus Plan (DSBP)	**–**	**1**	**–**	**–**	**1**
Reported at 29 March 2026	**10**	**3,506**	**(9)**	**39**	**3,546**

A description of the reserves in the above table is included in Note 25.

Financial Statements

Consolidated Statement of Cash Flows

For the 52 weeks ended 29 March 2026 and 52 weeks ended 30 March 2025

	Notes	**Reported 52 weeks 2026 £m**	Reported 52 weeks 2025 £m
Cash flow from operating activities			
Profit before tax		**141**	429
Adjustment for:			
Net pension interest (non-operating specific item)	6	**(126)**	(119)
Net finance costs	7	**100**	66
Profit on disposal of property, plant and equipment	6	**(9)**	(71)
Operating specific items	6	**70**	28
Operating profit before profit on disposal of property, plant and equipment and specific items[39]		**176**	333
Adjustment for:			
Depreciation and amortisation		**580**	505
Share of post-tax profit of associates		**(4)**	–
EBITDA before specific items and profit on disposal of property, plant and equipment[39]		**752**	838
Working capital movements		**131**	(55)
Decrease in inventories		**4**	–
Increase in receivables		**(65)**	(132)
Increase in payables		**218**	68
Net (increase)/decrease in derivatives		**(19)**	4
(Decrease)/increase in provisions (non-specific items)		**(7)**	5
Pension charge adjustment[39,40]	6/10	**(4)**	(4)
Share-based awards (LTIP and DSBP) charge		**6**	6
Royal Mail Senior Executives Pension Plan (RMSEPP) refund of surplus		**–**	6
Cash cost of operating specific items	6	**(104)**	(131)
Dividends received from associates		**1**	–
Cash inflow from operations		**782**	660
Income tax paid		**(57)**	(50)
Net cash inflow from operating activities		**725**	610
Cash flow from investing activities			
Finance income received		**23**	43
Proceeds from disposal of property (excluding London Development Portfolio), plant and equipment		**18**	31
Proceeds from disposal of business interests		**–**	15
Cash received on sale and leasebacks – rights to assets transferred	13	**7**	36
London Development Portfolio net costs		**–**	(3)
Purchase of property, plant and equipment[41]		**(300)**	(336)
Acquisition of business interests, net of cash acquired		**(65)**	(79)
Purchase of intangible assets (software)[41]		**(130)**	(114)
Sale of pension escrow investments	6	**104**	70
Sale of financial asset investments (current)		**–**	216
Loan to Parent Undertaking		**(1,216)**	–
Repayments of Loan to Parent Undertaking		**433**	–
Net cash outflow from investing activities		**(1,126)**	(121)
Net cash (outflow)/inflow before financing activities		**(401)**	489

[39] Details of APMs are provided in the section entitled ‘EBITDA before specific items and adjusted EBITDA’.
[40] Excludes £104 million (2024-25: £70 million) adjustment in relation to the release of pension escrow (see Note 6 for further details).
[41] Items comprise total gross capital expenditure within ‘In-year trading cash flow’ measure (see Financial Review).

Consolidated Statement of Cash Flows (continued)

For the 52 weeks ended 29 March 2026 and 52 weeks ended 30 March 2025

	Notes	**Reported 52 weeks 2026 £m**	Reported 52 weeks 2025 £m
Cash flow from financing activities			
Finance costs paid	23	**(140)**	(118)
Payment of capital element of obligations under lease contracts	23	**(284)**	(234)
Cash received on sale and leasebacks – rights to assets retained	13/23	**–**	14
Proceeds from loans and borrowings	23	**1,220**	–
Repayment of loans and borrowings	23	**–**	(307)
Payment of capital element of asset finance	23	**(3)**	(3)
Dividend paid to equity holders of the Parent Company[42]	9	**(179)**	(19)
Net cash Inflow/(outflow) from financing activities		**614**	(667)
Net Increase/(decrease) in cash and cash equivalents		**213**	(178)
Effect of foreign currency exchange rates on cash and cash equivalents		**11**	(15)
Cash and cash equivalents at the beginning of the year		**781**	974
Cash and cash equivalents at the end of the year	20	**1,005**	781

[42] Total dividend declared to equity holders of the Parent Company of £191 million (2024-25: £nil), included £12 million (2024-25: £nil) which was non-cash settled.

Notes to the Consolidated Financial Statements

1. Basis of preparation and accounting policies

General information

International Distribution Services Limited (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 29 March 2026 (2024-25: 52 weeks ended 30 March 2025) relate to 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 29 March 2026 were authorised for issue by the Board on 22 June 2026.

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 Group's financial reporting year ends on the last Sunday in March and, accordingly, these Financial Statements are prepared for the 52 weeks ended 29 March 2026 (2024-25: 52 weeks ended 30 March 2025). 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, alternative performance measures (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 their use 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'.

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.

Following the acquisition by EP Group, the Group has additional debt facilities which include the €1,309 million amortising five-year Facility A term loan. In addition, during the year, two new Euro bonds were issued, a four-year €650 million bond and a €750 million seven-year bond, the proceeds of which were used to repay the two bridging loans that formed part of the acquisition financing. The Group also has a £925 million revolving credit facility.

At 29 March 2026 (the reporting date), the Group had net assets of £1.8 billion (excluding defined benefit scheme balances and pension escrow investments). Liquidity available as at the reporting date was £1.9 billion (excluding GLS client cash), made up of cash and cash equivalents of £953 million and the committed and undrawn revolving credit facility of £925 million.

The Group now has five bonds outstanding, including the €550 million Euro bond, which falls due for repayment in October 2026, within the assessment period. In addition, the first repayment of £173 million on the Facility A term loan is due in February 2027, also within the assessment period. In both the Base Case and Downside Case scenarios, it is assumed that both facilities are fully refinanced before maturity.

On 11 June 2026, Standard & Poor's confirmed IDS' investment grade credit rating with an upgrade to BBB.

In their assessment of going concern, which has been reviewed over the period to 27 June 2027 (the assessment period), the Directors have considered two scenarios, the Base Case and the Downside Case, which are described below.

Financial Statements

1. Basis of preparation and accounting policies (continued)

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 in Royal Mail, with annualised run rate benefits of £250 million, as a result of changes to the scope of the Universal Service Obligation (USO) as announced by Ofcom on 10 July 2025.
- 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 2026-27, enabled by continued market growth in addition to strategic initiatives including an expanded out-of-home network. The structural decline in letters will continue, with pricing actions mitigating some of the impact of the volume decline. 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 some of the cost pressures including pay inflation and the impact of increased workload from higher parcel volumes. Increased investment in transformation projects, including the changes to the USO will be required.
- For GLS: mid-single-digit revenue growth with a broadly similar increase in costs, given the more variable nature of the cost base.
- An increased cost of debt due to a full-year impact of the additional debt associated with EP Group'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:

- Deteriorating economic and political market conditions resulting in the revenue growth in the Downside case being lower than assumed in the Base case.
- A failure to reduce the operational cost base, including a significant reduction in savings achieved from budgeted cost initiatives, including the deployment of changes to Universal Service.
- Increased costs due to higher inflation-linked pay in order to maintain employee relations in Royal Mail.
- Increased costs due to a major breach of information security, data protection regulation and/or cyber-attack.
- Parcel revenue growth being reduced as a result of an increasingly competitive environment.

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 liquidity. The Directors have identified several mitigations, all within management's control, to reduce costs and optimise the Group's cash flow and liquidity.

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.
- Additional cost saving measures

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. The Directors have also taken into account the undrawn letters of credit totalling £133 million, and in the event that they should be withdrawn the ability to replace them through utilisation of the existing £925 million committed bank syndicate loan facility. In addition, under the Downside Case, the Group would need to further draw down on the remaining syndicate loan facilities but 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 to continue to adopt the going concern basis in preparing the Financial Statements.

Financial Statements

1. Basis of preparation and accounting policies (continued)

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 defined 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.

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 52 weeks ended 30 March 2025, along with the adoption of new and amended accounting standards with effect from 31 March 2025 as detailed below:

New and amended accounting standards adopted in 2025-26

The following amended standard does not have a material impact on the financial performance or position of the Group.

Lack of Exchangeability – Amendments to IAS 21

In rare cases, it is possible that one currency cannot be exchanged into another. Under the amendments, companies will need to provide new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements.

Accounting standards issued but not yet effective

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:

- Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7
- Annual Improvements to IFRS Accounting Standards – Volume 11
- Contracts Referencing Nature-dependent Electricity – 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 standards 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 and critical accounting judgements

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 RMPP (Royal Mail Pension Plan), DBCBS (Defined Benefit Cash Balance Section) and RMCPP (Royal Mail Collective Pension Plan) are included within Note 10.

Financial Statements

1. Basis of preparation and accounting policies (continued)

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 the 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 10.

Pensions – DBCBS constructive obligation

The 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 29 March 2026 are CPI plus 1.5% for accounting purposes. Any future changes will be recognised through Other Comprehensive Income (OCI) to the extent that the methodology for calculating the assumption remains the same.

Pensions – DBLS constructive obligation

The 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 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.

Based on actuarial modelling and an assessment of member expectations, management concluded that prior to the first actual increase being awarded, the non-specific constructive obligation should be set at CPI plus 1% and that this starting position would be unwound by recognising each increase given to members in the following year's non-specific constructive obligation calculation. This approach is designed to lead to a relatively stable unwinding of the initial position and ultimately ensure consistency in accounting treatment with the DBCBS. The first annual increase was award on 1 April 2026 at a rate of CPI plus 3.8%. Under this methodology, using the first increase of CPI plus 3.8%, the liabilities of the scheme have been calculated assuming future increases of CPI plus 1.6%, although the nature of the scheme means that actual increases could be lower or higher than this amount.

Financial Statements

1. Basis of preparation and accounting policies (continued)

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.

Since the official introduction of barcoded stamps, Royal Mail has embedded a 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, which is based on actual scan data, seeks to estimate when the performance obligation (delivery) in relation to stamp sales has been fulfilled. As such, it is more data-driven and less reliant on historic trends and judgements to reflect the posting patterns of customers, as was necessary with the previous methodology.

At 29 March 2026, the Group recognised a £120 million (2024-25: £116 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. Note that there are a limited number of usage curves which do not yet have a full 36 months of data.
- 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 £12 million.
- A +5% or -5% change in the non-scan percentage changes the SITHOP estimate by +£7 million and -£4 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.

Financial Statements

1. Basis of preparation and accounting policies (continued)

Royal Mail excluding Parcelforce Worldwide CGU impairment test

The Royal Mail excluding Parcelforce Worldwide CGU impairment test is considered a significant accounting estimate. Note that this is not the case for other CGUs, such as GLS Europe and GLS Canada (see Note 14 for further details).

In accordance with IAS 36, management is required to perform an impairment assessment of the CGU whenever events or circumstances indicate that its carrying value may not be recoverable or a reversal of impairment may be required. The impairment review for the Royal Mail excluding Parcelforce Worldwide CGU was performed as at 28 December 2025 to align with EP Group's December year end. Management has considered events and circumstances between this date and the balance sheet date (29 March 2026) and concluded that there were no matters that would materially change the outcome of the assessment.

The assessment performed resulted in an impairment reversal of £171 million (2024-25: £117 million reversal) in relation to property, plant and equipment (see Note 12) and intangible assets (see Note 15). The £171 million reversal represents the maximum amount available for reversal of the original impairment recognised in prior periods, as the carrying amount of the relevant assets cannot be increased above the level at which those assets would have been held had no impairment been recognised.

In assessing whether the CGU remains impaired as at 28 December 2025 the carrying value of the CGU of £2,229 million (30 March 2025: £1,995 million) at that date was compared to its recoverable amount. The recoverable amount is the higher of its value in use (VIU) and its fair value less costs of disposal (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 from 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 USO reform as determined by Ofcom in its July 2025 statement.

In view of the above, management has 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 Strategic Targets that were in place as at 28 December 2025 as the basis of the discounted cash flows in the FVLCD model (Level 3 fair value inputs). These Strategic Targets were still considered to be appropriate as at 29 March 2026. Management has then considered the appropriateness of its assumptions in the context of information that would be available to a market participant.

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 management-approved five-year Strategic Targets reflect management's current climate strategy.

Key assumptions in the impairment assessment

Expected revenue and operating margin performance: Forecast cash flows are based on the latest five-year management-approved Strategic Targets. The key inputs and assumptions underlying these targets include the expected economic impact of USO reform as finalised by Ofcom in its July 2025 statement, together with ongoing macro-economic headwinds. The Strategic Targets assume that the operational changes required to implement the updated USO framework are introduced progressively from 2026-27, with benefits dependent on effective delivery and execution. The Targets assume growth in parcel volumes and a continued decline in letter volumes. Following existing agreements with the CWU, the Targets do not assume further industrial action.

To reflect a market participant's view, management has incorporated prudence within the Strategic Targets underpinning the forecast cash flows, reflecting uncertainty over the timing, costs and delivery of transformation benefits, including those associated with USO reform. This prudence is reflected through conservative assumptions on the level of USO reform benefits, the inclusion of contingency within the Targets and additional conservatism applied through the discount rate to reflect residual execution and forecasting risk.

Financial Statements

1. Basis of preparation and accounting policies (continued)

Discount rate: The discount rate is based on the UK-specific post-tax discount rate of 9.4% (2024-25: 10.2%). This reflects the risk premium that a market participant would apply to reflect uncertainty in Royal Mail's ability to deliver revenue growth and improve operating margin through transformation, and the operational implementation of USO reform. In deriving the risk premium, a market participant would consider Royal Mail's track record of delivering transformational change, the scale of the efficiency programme required and the ongoing regulatory environment, including Ofcom's continuing work on pricing and affordability.

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

Recoverable amount

The FVLCD approach resulted in a recoverable amount that was above the carrying value and, therefore an impairment reversal of £171 million has been recognised, representing the remaining impairment balance. The impairment reversal recognised follows regulatory approval of USO reform in July 2025, leading to an improved outlook for forecast cash flows, driven by the associated significant (although still estimated) cost savings. Shortly after year end (April 2026), an agreement was reached with the CWU supporting national deployment of USO reform (see Note 29).

Sensitivity to changes in assumptions

The valuation of the Royal Mail excluding Parcelforce Worldwide CGU is dependent on a number of key assumptions, including parcel and letter volume trajectories, operating margin delivery, the discount rate and the terminal growth rate. As a full impairment reversal has been recognised in the year (being the maximum available for reversal of the original impairment), favourable movements in key assumptions would not result in any further reversal being recognised. However, adverse movements could reduce valuation headroom and, in certain circumstances, could result in either a reduction to the reversal or an impairment charge.

Sensitivity analysis performed indicates that the recoverable amount remains sensitive to the following key variables:

— *Operational savings from USO reform:* If the annualised run-rate benefit in the Strategic Targets resulting from the full implementation of USO reform, was £50 million lower than assumed, this would reduce valuation headroom by approximately £0.39 billion. This would not be sufficient to eliminate headroom and, therefore, would result in no change to the impairment reversal recognised.

— *Contribution from market movements:* A one percentage point per annum increase in parcel growth rates (on a compounded basis) would increase valuation headroom by approximately £1.68 billion, whereas a one percentage point per annum decrease would reduce headroom by approximately £1.68 billion and would, on a standalone basis, be sufficient to eliminate headroom and give rise to an impairment charge of approximately £0.25 billion. A one percentage point per annum decrease in letter volume growth rates (on a compounded basis) would reduce valuation headroom by approximately £1.28 billion; this change would eliminate headroom and reduce the impairment reversal that could be recognised, although a net reversal of £161 million would still be recognised.

— *Discount rate:* A 100 basis point increase in the post-tax discount rate (to 10.4%) would reduce the valuation by approximately £0.37 billion. A 100 basis point decrease (to 8.4%) would increase the valuation by £0.46 billion; however, no further impairment reversal would be recognised.

— *Terminal growth rate:* An increase of 50 basis points in the terminal growth rate (to 1.0%) would increase the valuation by approximately £0.16 billion; however, no further impairment reversal would be recognised.

— *Combined sensitivities:* A simultaneous 100 basis point increase in the discount rate and a 50 basis point increase in the terminal growth rate would reduce valuation headroom by approximately £0.24 billion; however, no further impairment charge/reversal would be recognised.

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 18 to 23. No material impact on the financial reporting judgements and estimates has been identified. The Directors consider the impact of climate change with regards to the:

— 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.

— Valuation of assets held with the Group's pension scheme.

Financial Statements

1. Basis of preparation and accounting policies (continued)

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.

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 and critical accounting judgements' 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, which 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 subcontractors. 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 that 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.

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.

Financial Statements

1. Basis of preparation and accounting policies (continued)

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, 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.

On 30 April 2025, EP Group announced that the takeover offer had become unconditional in accordance with the requirements of the Takeover Code, therefore triggering the early vesting of all equity-settled schemes.

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 provisions are included within the relevant current and deferred tax carrying amount.

Financial Statements

1. Basis of preparation and accounting policies (continued)

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.

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.

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 14.

Royal Mail excluding Parcelforce Worldwide CGU

An impairment review of the 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 and critical accounting judgements' 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 offering different products and services, serving largely different markets/customers.

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.

Effective from 31 March 2025, the Group has three reportable operating segments: Royal Mail, GLS, and Corporate Centre and Intragroup Eliminations (Corporate Centre). Royal Mail and Corporate Centre operate in the UK, while GLS comprises business units based in Continental Europe, the US and Canada.

During the year, the Group revised its segmental structure from two to three reportable segments to better align with the internal management reporting and decision-making framework used by the Chief Operating Decision Maker (International Distribution Services Limited Board) in line with IFRS 8 'Operating Segments'. In particular, activities previously included within Royal Mail have been separated to present Corporate Centre as a distinct segment.

As a result of this change, Corporate Centre is presented as a new reportable operating segment. Comparative segmental information has been re-presented to reflect the revised segment structure.

Financial Statements

1. Basis of preparation and accounting policies (continued)

Royal Mail and GLS are the main trading entities, whilst Corporate Centre includes Group level entities and activities associated with managing the Group, along with consolidation adjustments.

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 group of CGUs, that 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.

Financial Statements

1. Basis of preparation and accounting policies (continued)

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	3 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.

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 all leases where an exemption does not apply.

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 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 that 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 £14 million (2024-25: £7 million).

The Group adopts a practice of largely not including extension options in its leases. Where such clauses exist, only where management assesses that it is reasonably certain the extension option will be exercised will the leases be recognised to the extension date.

Financial Statements

1. Basis of preparation and accounting policies (continued)

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. Royal Mail applies a credit spread adjustment to the rates to reflect Royal Mail specific conditions.

Corporate Centre follows a similar methodology and grouping by lease length to that used in Royal Mail. However, it does not make any credit spread adjustment to the rates.

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. No credit spread adjustment is made.

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 being 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	**2025-26 %**	2024-25 %
Not yet overdue	**0.21**	0.23
Past due not more than one month	**1.18**	1.30
Past due more than one month and not more than two months	**6.67**	6.90
Past due more than two months	**30.33**	33.27

GLS	**2025-26 %**	2024-25 %
Not yet overdue	**0.34**	0.15
Past due not more than one month	**4.73**	5.29
Past due more than one month and not more than two months	**15.78**	15.65
Past due more than two months	**45.06**	41.95

Financial Statements

1. Basis of preparation and accounting policies (continued)

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 to which they relate. 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 19 and 21 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 are 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); 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 that 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.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank, 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 that 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 classified as FVTPL, and all other cash equivalents are classified as financial assets at amortised cost.

Financial Statements

1. Basis of preparation and accounting policies (continued)

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 formed an integral part of the Group's cash management. Until the current year, they were 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 were in credit and that were included within cash and cash equivalents.

During the year, the offset pool was replaced by a physical cash pool, which does not result in reported bank overdrafts.

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 – Loan to Parent Undertaking

The Loan to Parent Undertaking is a financial asset measured at amortised cost. This Euro-denominated loan is measured at amortised cost in Euro and converted to Sterling at the closing spot Sterling/Euro exchange rate. The Parent Undertakings is IDS' immediate Parent Company EP Distribution Services Limited.[43]

Impairment of financial assets

Financial assets are assessed for impairment at each reporting date. Where such assets are considered to have low credit risk, the Group applies the low credit risk exemption in accordance with IFRS 9.

Other than trade and other receivables, none of the financial assets is either past due or considered to be impaired. Please see policy on 'Trade receivables' for details on impairment of trade and other receivables.

The Loan to Parent Undertaking is not repayable on demand. After consideration of the financial position and future prospects of the counterparty, management has determined they are not in default and that any expected credit losses are not significant, and therefore no provision has been recognised.

Financial liabilities – interest-bearing loans and borrowings

All loans and borrowings are classified as financial liabilities measured at amortised cost. The Euro-denominated loans and borrowings are measured at amortised cost in Euro and converted to Sterling at the closing spot Sterling/Euro exchange rate.

Derivatives options

These options are considered to be a contractually linked transaction with the 20% share purchase of ACS Postal Services SMSA; hence, the purchase price was allocated between the options and the investment in associate at initial recognition. See Note 16 for further information on the investment in ACS Postal Services SMSA and the Derivatives options.

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.

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 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.

[43] With effect from 1 May 2026, the Company was renamed from EP UK Bidco Limited to EP Distribution Services Limited.

Financial Statements

1. Basis of preparation and accounting policies (continued)

The Group also designates the €500 million 2028 bond (2024-25: €500 million 2028 bond) 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 quoted 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 that 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.

Financial Statements

1. Basis of preparation and accounting policies (continued)

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 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 and critical accounting judgement' 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 10 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 Limited 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 (2024-25: €500 million 2028 bond) (designated as a hedge 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 (2024-25: €550 million 2026 bond and the €500 million 2028 bond). 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.

The two new bonds (2029 and 2032) and the Facility A term loan are naturally offset for foreign exchange risk by the Loan to Parent Undertaking and Euro-denominated Short-term deposits.

Financial Statements

1. Basis of preparation and accounting policies (continued)

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

Effective from 31 March 2025, the Group has three reportable operating segments: Royal Mail, GLS, and Corporate Centre and Intragroup Eliminations (Corporate Centre). Royal Mail and Corporate Centre operate in the UK, while GLS comprises business units based in Continental Europe, the US and Canada.

During the year, the Group revised its segmental structure from two to three reportable segments to better align with the internal management reporting and decision-making framework used by the Chief Operating Decision Maker (CODM - International Distribution Services Limited Board) in line with IFRS 8 ‘Operating Segments’. In particular, activities previously included within Royal Mail have been separated to present Corporate Centre as a distinct segment.

As a result of this change, Corporate Centre is presented as a new reportable operating segment. Comparative segmental information has been re-presented to reflect the revised segment structure.

Royal Mail and GLS are the main trading entities, whilst Corporate Centre includes Group-level entities and activities associated with managing the Group, along with consolidation adjustments.

These segments are evaluated regularly by the International Distribution Services Limited Board – the CODM as defined by IFRS 8 ‘Operating Segments’ – in deciding how to allocate resources and assess performance.

A key measure of segment performance for Royal Mail, GLS and Corporate Centre 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.

Financial Statements

2. Segment information (continued)

52 weeks 2026	Adjusted				Specific items and other adjustments[44]			Reported
Continuing operations	**Royal Mail £m**	**Corporate Centre & Intragroup Eliminations £m**	**GLS £m**	**Adjusted Group £m**	**Royal Mail £m**	**Corporate Centre & Intragroup Eliminations £m**	**GLS £m**	**Group £m**
Revenue	8,443	(22)	5,186	13,607	–	–	–	13,607
People costs	(5,943)	(17)	(1,205)	(7,165)	(100)	–	–	(7,265)
Non-people costs	(2,495)	19	(3,744)	(6,220)	50	–	–	(6,170)
Profit on disposal of property, plant and equipment	–	–	–	–	10	–	(1)	9
Operating profit/(loss) before specific items	5	(20)	237	222	(40)	–	(1)	181
Operating specific items	–	–	–	–	131	(34)	(167)	(70)
Operating profit/(loss)	5	(20)	237	222	91	(34)	(168)	111
Share of post-tax profit of associates	–	2	2	4	–	–	–	4
Finance costs	(61)	(79)	(30)	(170)	–	–	–	(170)
Finance income	16	45	9	70	–	–	–	70
Net pension interest (non-operating specific item)	–	–	–	–	126	–	–	126
(Loss)/profit before tax	(40)	(52)	218	126	217	(34)	(168)	141
Tax (charge)/credit	(2)	4	(60)	(58)	–	–	8	(50)
(Loss)/profit after tax	(42)	(48)	158	68	217	(34)	(160)	91

[44] See Note 6 for details of specific items and other adjustments.

Financial Statements

2. Segment information (continued)

The depreciation and amortisation costs shown below are included within 'operating profit/(loss) before specific items' in the income statement.

52 weeks 2025	Adjusted				Specific items and other adjustments[45]			Reported
Continuing operations	Royal Mail £m	Corporate Centre & Intragroup Eliminations £m	GLS £m	Adjusted Group £m	Royal Mail £m	Corporate Centre & Intragroup Eliminations £m	GLS £m	Group £m
Revenue	8,230	(20)	4,929	13,139	–	–	–	13,139
People costs	(5,635)	(9)	(1,137)	(6,781)	(66)	–	–	(6,847)
Non-people costs	(2,593)	19	(3,506)	(6,080)	121	–	–	(5,959)
Profit on disposal of property, plant and equipment	–	–	–	–	112	(41)	–	71
Operating profit/(loss) before specific items	2	(10)	286	278	167	(41)	–	404
Operating specific items	–	–	–	–	29	(28)	(29)	(28)
Operating profit/(loss)	2	(10)	286	278	196	(69)	(29)	376
Finance costs	(74)	(10)	(33)	(117)	–	–	–	(117)
Finance income	25	15	11	51	–	–	–	51
Net pensions interest (non-operating specific item)	–	–	–	–	119	–	–	119
(Loss)/profit before tax	(47)	(5)	264	212	315	(69)	(29)	429
Tax (charge)/credit	(2)	3	(67)	(66)	–	–	4	(62)
(Loss)/profit after tax	(49)	(2)	197	146	315	(69)	(25)	367

[45] See Note 6 for details of specific items and other adjustments.

Financial Statements

2. Segment information (continued)

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 2026	**Royal Mail £m**	**GLS £m**	**Corporate Centre & Intragroup Eliminations[46] £m**	**Total £m**
Depreciation	**(313)**	**(183)**	**2**	**(494)**
Amortisation of intangible assets (mainly software)[47]	**(73)**	**(13)**	**–**	**(86)**
Non-current assets	**577**	**2,242**	**2,196**	**5,015**
Total assets	**3,357**	**3,385**	**4,821**	**11,563**
Total liabilities	**(3,971)**	**(1,790)**	**(2,256)**	**(8,017)**

52 weeks 2025	Royal Mail £m	GLS £m	Corporate Centre & Intragroup Eliminations[46] £m	Total £m
Depreciation	(263)	(181)	–	(444)
Amortisation of intangible assets (mainly software)[47]	(51)	(10)	–	(61)
Non-current assets	318	2,077	2,144	4,539
Total assets	3,601	3,142	2,187	8,930
Total liabilities	(2,581)	(1,618)	(1,025)	(5,224)

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 2026	**UK £m**	**Continental Europe £m**	**North America £m**	**Eliminations[48] £m**	**Total £m**
Revenue	**8,443**	**4,743**	**443**	**(22)**	**13,607**
Non-current assets	**2,773**	**1,790**	**452**	**–**	**5,015**

52 weeks 2025	UK £m	Continental Europe £m	North America £m	Eliminations[48] £m	Total £m
Revenue	8,230	4,427	502	(20)	13,139
Non-current assets	2,462	1,643	434	–	4,539

---

[46] Eliminations in respect of total assets relate to intragroup balances between Royal Mail, Corporate Centre and GLS.
[47] Excludes £15 million (2024-25: £16 million) amortisation of intangible assets in acquisitions, presented as an operating specific item in the income statement.
[48] Eliminations in respect of revenue relate to intragroup trading between Royal Mail and GLS.

Financial Statements

3. Revenue

52 weeks 2026	Royal Mail £m	GLS £m	Intragroup revenue[49] £m	Group £m
Parcels	**4,490**	**5,186**	**(22)**	**9,654**
Letters	**3,953**	**–**	**–**	**3,953**
Total	**8,443**	**5,186**	**(22)**	**13,607**

52 weeks 2025	Royal Mail £m	GLS £m	Intragroup revenue[49] £m	Group £m
Parcels	4,290	4,929	(20)	9,199
Letters	3,940	–	–	3,940
Total	8,230	4,929	(20)	13,139

During the year, £172 million (2024-25: £205 million) of revenue was recognised that was previously held as a deferred revenue balance at 30 March 2025 (2024-25: 31 March 2024). 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 21).

4. Operating costs

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

	52 weeks 2026 £m	52 weeks 2025 £m
People costs (see Note 5)	**(7,265)**	(6,847)
Distribution and conveyance costs		
Charges from overseas postal administrations	**(157)**	(194)
Fuel costs	**(143)**	(144)
Infrastructure costs		
Depreciation and amortisation	**(580)**	(505)
Charge for property, plant and equipment (see Note 12)	**(494)**	(444)
Charge for intangible assets (see Note 15)[50]	**(86)**	(61)
Other operating costs		
Post Office Limited charges	**(283)**	(294)
Inventory expensed	**(38)**	(38)

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 2026 £m	52 weeks 2025 £m
Ofcom administrative charge	**(3)**	(3)
Citizens Advice/Citizens Advice Scotland/Consumer Council for Northern Ireland	**(1)**	(1)
Total	**(4)**	(4)

[49] Intragroup revenue from trading between Royal Mail and GLS. This is mainly due to Parcelforce Worldwide being GLS' partner in the UK.
[50] Excludes £15 million (2024-25: £16 million) amortisation of intangible assets in acquisitions, presented as an operating specific item in the income statement.

Financial Statements

4. Operating costs (continued)

Auditor's fees

	52 weeks 2026 £'000	52 weeks 2025 £'000
Audit of Group statutory Financial Statements	**(961)**	(2,405)
Other fees to auditor:		
Audit of Parent's Group statutory Financial Statements	**(698)**	–
Audit of the accounts of subsidiaries	**(3,385)**	(2,127)
Review of the interim financial information	**–**	(526)
Regulatory audit	**(160)**	(186)
Other assurance	**(36)**	(68)
Other non-audit services	**(1)**	–
Total	**(5,241)**	(5,312)

5. People information

	52 weeks 2026 £m	52 weeks 2025 £m
Wages and salaries	**(5,847)**	(5,658)
Royal Mail	**(4,768)**	(4,644)
GLS	**(1,064)**	(1,007)
Corporate Centre	**(15)**	(7)
Pensions (see Note 10)	**(703)**	(619)
UK defined benefit plans (including administration costs)	**(85)**	(164)
UK defined contribution plan	**(375)**	(242)
UK defined benefit and defined contribution plans' Pension Salary Exchange employer contributions	**(231)**	(202)
GLS pension costs accounted for on a defined contribution basis	**(12)**	(11)
Social security	**(715)**	(570)
Royal Mail	**(585)**	(450)
GLS	**(129)**	(119)
Corporate Centre	**(1)**	(1)
Total people costs	**(7,265)**	(6,847)

Defined benefit pension plan rates:		
Income statement – DBCBS	**n/a**	13.2%
Cash flow – DBCBS	**n/a**	15.6%
Income statement – DBLS and LSB	**2.4%**	3.1%
Cash flow – DBLS and LSB	**3.4%**	3.4%
Defined contribution pension plan average rate:		
Income statement and cash flow – RMDCP	**4.0%**	4.0%
Income statement and cash flow – CDC section of RMCPP	**11.2%**	11.2%

Financial Statements

5. People information (continued)

People numbers

The number of people employed (including Directors) during the reporting year was as follows:

	Headcount[51]			
	Year end		Average	
	52 weeks 2026	52 weeks 2025	**52 weeks 2026**	52 weeks 2025
Royal Mail	**132,185**	129,554	**130,325**	131,318
GLS	**24,324**	23,276	**23,725**	23,182
Total	**156,509**	152,830	**154,050**	154,500

Directors' remuneration

	52 weeks 2026 £m	52 weeks 2025 £m
Aggregate emoluments, excluding pension contributions and LTIP[52]	**(5.1)**	**(4.2)**
Aggregate amounts receivable under LTIP[53]	**(4.7)**	**(0.0)**
Total	**(9.8)**	**(4.2)**

One Director is accruing retirement benefits under a defined contribution pension plan (30 March 2025: nil). Payments in lieu of pension plan contributions have been received by three Directors. This includes one Director who is also participating in a defined contribution pension plan, i.e. they receive part of their Company contribution into their pension plan and part in cash. (30 March 2025: 2). No Directors exercised share options during the year (30 March 2025: nil). Two Directors received shares under the IDS Long-term Incentive Plan (30 March 2025: nil).

Highest-paid Director

The highest-paid Director emoluments, attributable to the same Director, in both periods presented below were as follows:

	52 weeks 2026 £m	52 weeks 2025 £m
Total amount of emoluments and amounts receivable under long-term incentive schemes	**(6.9)**	(2.1)

The highest-paid Director received shares that vested under the IDS Long-term Incentive Plan. The vesting of awards was accelerated at the point of takeover. No Long-term Incentive Plan awards vested in 2024-25. This, along with the accelerated vesting that occurred in 2025-26, explains the increase in emoluments of the highest-paid Director. The highest-paid Director did not exercise any share options during the year.

[51] These people numbers represent permanent employees.
[52] These amounts include any cash supplements received in lieu of pension.
[53] Payments under the Long-Term Incentive Plans (LTIP) were accelerated at the point of takeover.

Financial Statements

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 2026 £m**	52 weeks 2025 £m
Pension charge adjustment	**(100)**	(66)
Depreciation/amortisation adjustment for impaired assets	**50**	121
Profit on disposal of property, plant and equipment	**9**	71
Total adjustments to operating profit	**(41)**	126
Operating specific items: (charge)/credit		
Amortisation of intangible assets from acquisitions	**(15)**	(16)
Reversal of impairment of Royal Mail excluding Parcelforce Worldwide CGU	**171**	117
Regulatory and legal charges	**(150)**	(100)
Incremental bid costs	**(57)**	(28)
GLS Italy restructuring	**(18)**	–
Legacy/other items	**(1)**	(1)
Total operating specific items	**(70)**	(28)
Non-operating specific items: (charge)/credit		
Net pension interest	**126**	119
Total specific items	**56**	91
Tax credit on adjustments and specific items	**8**	4

Adjustments to reported operating profit

The pension charge adjustment of £100 million (2024-25: £66 million) comprises a £104 million (2024-25: £70 million) refund of cash held in escrow by the Trustee of the Royal Mail Pension Plan (RMPP). This was partially offset by £4 million (2024-25: £4 million) 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 (see Note 10).

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 infrastructure costs. An adjustment of £50 million (2024-25: £121 million) has been made 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 £9 million (2024-25: £71 million) reflects profits arising on the disposal of a number of properties during the year. The prior year mainly related to the sale and leaseback of the property at Royal College Street, London.

Specific items

Amortisation of intangible assets from acquisitions of £15 million (2024-25: £16 million) mainly relates to amortisation in GLS.

In the year, £171 million of the Royal Mail excluding Parcelforce Worldwide CGU impairment was reversed (2024-25: £117 million). This £171 million reversal represents the full amount of the remaining impairment previously recognised that could be reversed, reflecting the maximum uplift permitted under IAS 36. The CGU was assessed for impairment as at 28 December 2025, and the carrying value of the CGU of £2,229 million (30 March 2025: £1,995 million) at that date 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 £171 million. Further details of the calculations involved are provided in Note 1.

The regulatory and legal charges of £150 million (2024-25: £100 million) represents best estimates to settle present obligations in relation to regulated quality of service in the UK, legal claims and tax-related disputes in GLS Italy.

Incremental bid costs of £57 million (2024-25: £28 million) represent the one-off costs incurred by the Group in relation to the takeover by EP Group. These costs mainly relate to the provision of financial and legal advice.

GLS Italy restructuring of £18 million (2024-25: £nil) comprises costs incurred to redesign and implement new subcontractor arrangements and undertake related compliance actions.

The cash cost of operating specific items was an outflow of £104 million (2024-25: £131 million), comprising principally £54 million of incremental bid costs associated with the takeover by EP Group, £32 million of regulatory and legal costs, and £18 million relating to the restructuring of GLS Italy. The prior year consisted of £110 million in relation to regulatory and legal cases, as well as £21 million of incremental bid costs associated with the takeover by EP Group.

Financial Statements

7. Net finance costs

	52 weeks 2026 £m	52 weeks 2025 £m
Unwinding of discount relating to industrial diseases claims provision	**(1)**	(1)
Other interest payable	**(169)**	(116)
Bank syndicate loan facility		
Interest on Facility A term loan	**(17)**	–
Unused facility fees	**(4)**	(2)
Arrangement fees	**(1)**	(1)
Bond interest	**(73)**	(49)
Cross-currency swap costs on €550 million bond	**(7)**	(7)
Leases	**(63)**	(53)
Other finance costs	**(4)**	(4)
Total finance costs	**(170)**	(117)
Interest income on Loan to Parent Undertaking	**39**	–
Other interest income	**31**	51
Total finance income	**70**	51
Total net finance costs	**(100)**	(66)

8. Taxation

	52 weeks 2026 £m	52 weeks 2025 £m
Tax charged in the income statement		
Current income tax:		
Current UK income tax charge	**–**	(1)
Foreign tax	**(61)**	(63)
Current income tax charge	**(61)**	(64)
Amounts over-provided in previous years	**–**	2
Total current income tax credit/(charge)	**(61)**	(62)
Deferred income tax:		
Relating to origination and reversal of temporary differences	**9**	1
Amounts (under)/over-provided in previous years	**2**	(1)
Total deferred income tax credit/(charge)	**11**	–
Tax credit/(charge) in the income statement	**(50)**	(62)

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 29 March 2026 and accounting profit for the 52 weeks ended 30 March 2025 is shown below. The reconciliation is prepared using the UK corporation tax rate, as the UK is the main country in which the Group trades.

	52 weeks 2026 £m	52 weeks 2025 £m
Profit before tax	**141**	429
At UK statutory rate of corporation tax of 25% (2024-25: 25%)	**(35)**	(107)
Effect of different tax rates on non-UK profits and losses	**5**	8
Tax over/(under)-provided in previous years	**2**	1
Non-deductible expenses/Non-taxable income	**(31)**	(9)
Regulatory and legal charges	**(15)**	(10)
Tax effect of property disposals	**–**	19
Tax effect of closure of RMPP to future accrual	**(3)**	(5)
Net pension interest credit	**32**	30
Impact on deferred tax due to tax rate changes	**5**	–
Net increase in tax charge resulting from non-recognition of certain deferred tax assets and liabilities	**(10)**	11
Tax charge in the income statement	**(50)**	(62)

Financial Statements

8. Taxation (continued)

The Act for a Tax-Based Immediate Investment Programme to Strengthen Germany as a Business Location was substantively enacted on 14 July 2025 in Germany to bring into law the staggered reduction of the corporate income tax rate from 15% to 10% (excluding solidarity surcharge), starting on 1 January 2028 and concluding in 2032. Trade tax rates remain unchanged. Therefore, the overall effective tax rate will fall from an average of 30.24% in 2025-26 to an estimated average of 24.96% in 2031-32, assuming there are no further changes to tax legislation. The deferred tax has therefore been reflected at the rate at which the expected temporary differences will reverse, resulting in a reduction to the jurisdiction's deferred tax liability of £5 million.

Additionally, Law number 64/2025 was substantively enacted on 7 November 2025 in Portugal to bring into law the staggered reduction of the corporation tax rate from 20% to 17% for tax periods starting in 2025-26 and concluding in 2028. This rate change has no material impact on the companies in the jurisdiction.

Deferred tax

Deferred tax by balance sheet category 52 weeks 2026	At 30 March 2025 £m	Credited/ (charged) to income statement £m	Exchange rate movement £m	Jurisdictional right of offset £m	At 29 March 2026 £m
Liabilities					
Accelerated capital allowances	(15)	–	(1)	–	(16)
Right of use assets	(132)	4	(5)	–	(133)
Provisions and other	(1)	–	–	–	(1)
Intangible assets	(49)	7	(2)	–	(44)
	(197)	11	(8)	–	(194)
Jurisdictional right of offset	154	–	–	5	159
Deferred tax liabilities	(43)	11	(8)	5	(35)
Assets					
Deferred capital allowances	2	(1)	–	–	1
Lease liabilities	134	(4)	3	–	133
Provisions and other	14	(7)	2	–	9
Losses available for offset against future taxable income	4	12	–	–	16
	154	–	5	–	159
Jurisdictional right of offset	(154)	–	–	(5)	(159)
Deferred tax assets	–	–	5	(5)	–
Net deferred tax (liability)/asset	(43)	11	(3)	–	(35)

8. Taxation (continued)

Deferred tax by balance sheet category 52 weeks 2025	At 1 April 2024 £m	Credited/ (charged) to income statement £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)

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 29 March 2026 £m**	At 30 March 2025 £m
Liabilities		
GLS Group	**(35)**	(43)
Deferred tax liabilities	**(35)**	(43)
Assets		
GLS Group	**–**	–
Deferred tax assets	**–**	–
Net deferred tax liability	**(35)**	(43)

GLS has entities across various jurisdictions. Where there are deferred taxes in these entities, it is only possible to offset deferred tax assets and liabilities within an individual jurisdiction, not between different jurisdictions.

The main elements of the net deferred tax 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 Italy and 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. Taxable profits have been calculated based on the management-approved five-year Strategic Targets. While the Group is expected to generate taxable profits in years three, four and five, taxable losses are anticipated in the earlier 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.

Financial Statements

8. Taxation (continued)

At 29 March 2026, the Group had the following unrecognised tax losses and temporary differences:

	At 29 March 2026 £m		At 30 March 2025 £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	**1,075**	**269**	1,168	292
Deferred capital allowances	**–**	**–**	–	–
Pensions temporary differences	**–**	**–**	–	–
Provisions and other	**12**	**3**	56	14
GLS				
Losses available for offset against future taxable income	**314**	**79**	273	66
Provisions and other	**76**	**18**	30	8
	1,477	**369**	1,527	380

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 (2024-25: £170 million) in respect of capital losses, the tax effect of which is £42 million (2024-25: £42 million) in respect of assets previously qualifying for industrial buildings allowances, which would arise if the assets were sold at net book value. These losses have no expiry date. Further temporary differences exist in relation to £337 million (2024-25: £470 million) of gains for which rollover relief has been claimed, the tax effect of which is £84 million (2024-25: £118 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 £1,600 million (2024-25: £1,530 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

Following the acquisition of IDS by EP Distribution Services Limited (formerly EP UK Bidco Limited) on 30 April 2025, the IDS Group is now part of a larger multinational group of companies and remains subject to the 15% minimum taxation rules introduced based on the Pillar Two rules of the BEPS 2.0 initiative for accounting periods beginning on or after 31 December 2023.

The Group continues monitoring developments in relation to the OECD's work on the Pillar two (Global Minimum Tax) rules. However, 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, a calculation of the top up tax exposure is expected to be £0.2 million (2024-25 £1.1 million).

9. Dividends

Dividends on ordinary shares	**52 weeks 2026 pence per share**	52 weeks 2025 pence per share	**52 weeks 2026 £m**	52 weeks 2025 £m
Final dividend	**–**	2.0	**–**	19
Special dividend	**8.0**	–	**77**	–
Interim dividends	**11.8**	–	**114**	–
Total dividends	**19.8**	2.0	**191**	19

On 30 April 2025, it was confirmed that the offer by EP Distribution Services Limited to acquire IDS became unconditional in accordance with the Takeover Code. IDS then transferred into private ownership of EP Group and, subsequently, on 2 June 2025, IDS shares were de-listed from the London Stock Exchange. A special dividend of 8 pence per share was paid on 14 May 2025 to shareholders on the IDS shareholder register as at 30 April 2025.

Interim dividends totalling £114 million were also declared to EP Distribution Services Limited, relating to interest payable on acquisition debt.

Financial Statements

9. Dividends (continued)

Some shares were held by the Trustee of the Royal Mail Share Incentive Plan on behalf of the Company to satisfy future share awards. The Trustee did not receive any dividends on the shares it held; hence, the value of dividends paid is lower than the number of shares in issue multiplied by the pence per share.

10. Retirement benefit plans

Summary pension information

	52 weeks ended 29 March 2026 £m	52 weeks ended 30 March 2025 £m
Ongoing UK pension service costs		
UK defined benefit plans (including administration costs)[54]	**(85)**	(164)
UK defined contribution plans	**(375)**	(242)
UK defined benefit and defined contribution plans' Pension Salary Exchange (PSE) employer contributions[55]	**(231)**	(202)
Total UK ongoing pension service costs	**(691)**	(608)
GLS pension costs accounted for on a defined contribution basis	**(12)**	(11)
Total Group ongoing pension service costs	**(703)**	(619)
Cash pension service costs[56]		
UK defined benefit plans' employer contributions[57]	**(83)**	(37)
Defined contribution plans' employer contributions	**(387)**	(253)
UK defined benefit and defined contribution plans' PSE employer contributions	**(231)**	(202)
Total Group cash flows relating to ongoing pension service costs	**(701)**	(492)
Pension-related accruals/escrow payments (timing difference)[58]	**(6)**	(131)
Total funding cost of accrual	**(707)**	(623)
Pension charge adjustment excluding pension escrow release[59]	**4**	4

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). The RMDCP closed to new contributions during the period. Royal Mail Group Limited also contributes to the National Employment Savings Trust (NEST). It also operates the Collective Defined Contribution (CDC) section 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

Royal Mail Group Limited operates the Royal Mail Pension Plan (RMPP),[60] Defined Benefit Cash Balance Section (DBCBS) and the Defined Benefit Lump Sum (DBLS) section of RMCPP. 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. This closed to accrual on 6 October 2024 and was replaced by RMCPP.

---

[54] These pension service costs are charged to the income statement. They represent the cost (as a percentage of pensionable payroll – the DBCBS nil% (2024-25: 13.2%), DBLS 1.8% (2024-25: 2.2%) and LSB 0.6% (2024-25: 0.9%) 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. Also included are pensions administration costs for the RMPP of £13 million (2024-25: £14 million), the DBCBS of £4 million (2024-25: £4 million) and the DBLS of £5 million (2024-25: £1 million).

[55] 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.

[56] 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.

[57] The employer contribution cash flow rate of 2.4% is in respect of the DBLS section (plus 1% for employees who chose the Lump Sum Booster). This contribution rate is 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.

[58] This relates to DBLS employer contribution timing differences of £6 million (2024-25: £6 million). These contributions were paid in April 2026 but relate to March 2026.

[59] Excludes £104 million (2024-25: £70 million) adjustment in relation to the release of the RMPP pension escrow (see Note 6).

[60] Any references to the RMPP relate to the scheme's defined pension liabilities built up to 31 March 2018. From 1 April 2018 to 6 October 2024, members built up DBCBS benefits.

Financial Statements

10. 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.

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 Company 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 1.5%, although the nature of the scheme means that actual increases could be lower or higher than this amount.

The Company signed an updated Schedule of Contributions on 2 June 2025 to reflect the fact that the scheme had closed to accrual, so ongoing contributions had 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.

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. Before retirement, increases are not fixed and depend upon investment returns and demographic factors. They become guaranteed once they have been awarded. The Company's contribution to this section of the RMCPP scheme is 2.4% of pensionable pay. A further 1% contribution is made for individuals who have opted in for the Lump Sum Booster (LSB). In addition, the Company 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 the guaranteed amounts. 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 change significantly.

Based on actuarial modelling and an assessment of member expectations, management concluded that prior to the first actual increase being awarded, the non-specific constructive obligation should be set at CPI plus 1% and that this starting position would be unwound by recognising each increase given to members in the following year's non-specific constructive obligation calculation. This approach is designed to lead to a relatively stable unwinding of the initial position and ultimately ensure consistency in accounting treatment with the DBCBS. The first annual increase was awarded on 1 April 2026 at a rate of CPI plus 3.8%. Under this methodology, using the first increase of CPI plus 3.8%, the liabilities of the scheme have been calculated assuming future increases of CPI plus 1.6%, although the nature of the scheme means that actual increases could be lower or higher than this amount.

Financial Statements

10. Retirement benefit plans (continued)

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 DBCB sections). 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 Collective Defined Contribution (CDC) Sections. There are nine Trustee Directors who sit on the Trustee Board which is supported by a separate 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.

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 annual benefit illustrations together with other information about the Plans.
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 Deed and Rules.
Authorisation	The RMCPP Trustee ensures the CDC section is authorised and maintaining that authorisation.

Unfunded pension

A liability of £1 million (2024-25: £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.

Part of 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 Company recognises a constructive obligation in respect of future increases to benefits until retirement, currently CPI plus 1.5%, for accounting purposes; however, for funding purposes, the increases are set based on the level of the available assets. The remaining difference can be explained by the approach taken within the accounting disclosures to increase the liabilities to the asset value, as an IAS19 surplus cannot be recognised within the scheme (given the expectation that any surplus would be used to award benefit increases to members). As at 29 March 2026, the combination of these differences results in the accounting liabilities for the DBCBS being higher than the funding liabilities.

Financial Statements

10. Retirement benefit plans (continued)

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 was performed at 31 March 2025. The estimated funding positions for the RMPP, DBCBS and DBLS 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 was at 31 March 2025 (agreed on 30 January 2026)
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 that form the basis for the March 2024 valuation and then rolled forward, the actuarial surplus at 31 March 2026 was estimated to be around £883 million.	An estimated funding position at 31 March 2026 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 £61 million at 31 March 2026.	An estimated funding position at 31 March 2026 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 £14 million at 31 March 2026.

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

	RMPP		DBCBS		DBLS	
	At 29 March 2026 £m	At 30 March 2025 £m	**At 29 March 2026 £m**	At 30 March 2025 £m	**At 29 March 2026 £m**	At 30 March 2025 £m
Fair value of plans' assets (11(b) below)	**5,924**	6,029	**1,916**	1,948	**219**	67
Present value of plans' liabilities	**(3,765)**	(3,849)	**(1,916)**	(1,948)	**(219)**	(67)
Surplus in plans (pre-withholding tax payable)	**2,159**	2,180	**–**	–	**–**	–
Withholding tax payable[61]	**(540)**	(545)	**n/a**	n/a	**n/a**	n/a
Surplus in plans	**1,619**	1,635	**–**	–	**–**	–

Having taken legal advice with regard to the rights of the Company under the Trust deeds and rules, the Directors believe it is appropriate 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 £540 million (30 March 2025: £545 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 Company does not have an unconditional right to a 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 DBCBS and DBLS were lower than the assets in the respective schemes as at 29 March 2026. As the Company cannot recognise any surplus, the liabilities have been increased to equal the assets by £45 million (30 March 2025: £19 million) for DBLS and £43 million (30 March 2025: £59 million) for DBCBS, resulting in both schemes being fully funded, with neither a surplus nor a deficit, on an accounting basis as at 29 March 2026. The other side of this adjustment flows through other comprehensive income as an actuarial loss.

[61] Any reference to a withholding tax adjustment relates to withholding tax payable on distribution of a pension surplus.

Financial Statements

10. Retirement benefit plans (continued)

If any deficit contributions are agreed to be paid into either the DBCBS or the DBLS section in the future (due to poorer than expected investment returns, for example), since we do not expect that the Company will have an unconditional right to a 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.

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.

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 RMPP, DBCBS and DBLS, in particular taking into account the different weighted durations of the future benefit payments. For DBCBS and DBLS, these assumptions have been derived prior to any surplus adjustment, as described in the combined plans' assets and liabilities table.

Financial Statements

10. Retirement benefit plans (continued)

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

	At 29 March 2026	At 30 March 2025
Retail Price Index (RPI) – RMPP	**3.3%**	3.2%
Retail Price Index (RPI) – DBCBS	**3.3%**	3.2%
Retail Price Index (RPI) – DBLS	**3.3%**	3.2%
Consumer Price Index (CPI) – RMPP	**3.0%**	2.9%
Consumer Price Index (CPI) – DBCBS	**2.9%**	2.8%
Consumer Price Index (CPI) – DBLS	**3.0%**	2.9%
Discount rate – RMPP[62]		
– nominal	**6.3%**	5.8%
– real (nominal less RPI)	**3.0%**	2.6%
Discount rate – DBCBS[63]		
– nominal	**6.0%**	5.6%
– real (nominal less RPI)	**2.7%**	2.4%
Discount rate – DBLS[64]		
– nominal	**6.2%**	5.8%
– real (nominal less RPI)	**2.9%**	2.6%
Rate of increase in pensionable salaries[65]	**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[65]	**RPI – 0.1%**	RPI – 0.1%
Rate of pension increases – DBCBS benefits	**CPI + 1.5%**	CPI + 1.2%
Rate of pension increases – DBLS benefits	**CPI + 1.6%**	CPI + 1%
Life expectancy from age 60 – for a current 40/60 year old male RMPP member	**28/26 years**	27/25 years
Life expectancy from age 60 – for a current 40/60 year old female RMPP member	**31/29 years**	30/28 years

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 version 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 use the parameters identified from that analysis, but for the period end have been based on the CMI 2025 core projections (smoothing factor 7.0 with a long-term trend of 1.5% per annum, and other parameters set as the default including a half-life of one year).

Sensitivity analysis for RMPP, DBCBS and DBLS liabilities

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

[62] The discount rate reflects the average duration of the RMPP benefits of around 16 years (2024-25: 17 years).
[63] The discount rate reflects the average duration of the DBCBS benefits of 9 years (2024-25: 10 years).
[64] The discount rate reflects the average duration of the DBLS benefits of 15 years (2024-25: 17 years). The pension service cost applicable from 31 March 2025 is based on 30 March 2025 assumptions.
[65] 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.

Financial Statements

10. Retirement benefit plans (continued)

Key assumption change	Potential increase in RMPP liabilities £m	Potential increase in DBCBS liabilities £m	Potential increase in DBLS liabilities £m	Potential increase in RMPP liabilities £m	Potential increase in DBCBS liabilities £m	Potential increase in DBLS liabilities £m
Additional one year of life expectancy	**100**	**–**	**–**	110	–	–
Increase in inflation rate (both RPI and CPI simultaneously) of 0.1% per annum	**60**	**20**	**–**	70	20	–
Decrease in discount rate of 0.1% per annum	**60**	**20**	**–**	60	20	–
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	**320**	**90**	**10**	350	100	–
Decrease in discount rate of 0.5% per annum	**270**	**80**	**10**	300	90	–
Increase in CPI assumption (assuming RPI remains constant)	**80**	**90**	**10**	90	100	–
Increase in constructive obligation of 0.5% per annum	**–**	**90**	**10**	–	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 period. 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 DBLS, but for legacy RMPP and DBCBS, the liabilities as at 29 March 2026 are considered to derive an accurate impact in percentage terms. This percentage is then applied to the liabilities at March 2026. 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 the discount rate) would have the opposite approximate effect on liabilities.

b) RMPP, DBCBS and DBLS assets

	At 29 March 2026			At 30 March 2025		
	Quoted £m	**Unquoted £m**	**Total £m**	Quoted £m	Unquoted £m	Total £m
Equities						
UK	**17**	**-**	**17**	–	1	1
Overseas	**67**	**1**	**68**	1	17	18
Bonds						
Fixed interest – UK	**125**	**34**	**159**	127	30	157
– Overseas	**258**	**70**	**328**	507	77	584
Pooled investments						
Absolute return	**-**	**220**	**220**	–	132	132
Equity	**520**	**4**	**524**	497	–	497
Private equity	**-**	**281**	**281**	–	257	257
Fixed interest	**358**	**-**	**358**	361	20	381
Private debt	**-**	**273**	**273**	–	359	359
Property	**-**	**62**	**62**	–	69	69
Liability-driven investments[66]	**5,230**	**(29)**	**5,201**	4,893	(32)	4,861
Property (UK)	**-**	**349**	**349**	–	397	397
Cash and cash equivalents	**241**	**-**	**241**	279	–	279
Other	**-**	**(19)**	**(19)**	–	31	31
Derivatives[67]	**6**	**(9)**	**(3)**	–	21	21
Total plans' assets	**6,822**	**1,237**	**8,059**	6,665	1,379	8,044

[66] This portfolio is designed to hedge the majority of the interest rate and inflation risk associated with the plans' obligations. At 29 March 2026, it included £5,294 million (2024-25: £5,502 million) of gilts, money market funds of £231 million (2024-25: £265 million) and £336 million (2024-25: £10 million) of corporate bonds. This is offset by negative fair value investments of £563 million (2024-25: £810 million) in gilt repurchase agreements, £29 million (2024-25: £31 million) of interest rate and inflation swaps, and cash of £68 million (2024-25: £75 million).
[67] At 29 March 2026, the derivatives comprised £6 million equity and bond index futures, which were offset by negative investments of £9 million in FX forwards.

Financial Statements

10. Retirement benefit plans (continued)

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 gilts, index-linked gilts, gilt repurchase agreements, interest rate swaps and inflation swaps. The nature of the risks and their mitigation are similar for 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 £1 million for RMPP, £1 million for DBCBS and £83 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 and critical accounting judgements' relating to pension assets can be found in Note 1, including details of how the assets have been valued.

10. 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	
	2026 £m	2025 £m	**2026 £m**	2025 £m	**2026 £m**	2025 £m
Retirement benefit surplus (before withholding tax payable) brought forward	**6,029**	6,983	**(3,849)**	(4,521)	**2,180**	2,462
Amounts included in the income statement:						
Ongoing UK defined benefit pension plan and administration costs (included in people costs)	**(13)**	(14)	**–**	–	**(13)**	(14)
Pension interest income/(cost)[68]	**346**	340	**(220)**	(219)	**126**	121
Total included in profit before tax	**333**	326	**(220)**	(219)	**113**	107
Amounts included in other comprehensive income – remeasurement (losses)/gains						
Actuarial (loss)/gain arising from:						
Financial assumptions	**–**	–	**242**	645	**242**	645
Demographic assumptions	**–**	–	**(38)**	63	**(38)**	63
Experience	**–**	–	**(20)**	73	**(20)**	73
Return on plans' assets (excluding interest income)	**(318)**	(1,024)	**–**	–	**(318)**	(1,024)
Total remeasurement (losses)/gains of the defined benefit surplus	**(318)**	(1,024)	**184**	781	**(134)**	(243)
Other						
Benefits paid	**(120)**	(110)	**120**	110	**–**	–
Transfer between sections	**–**	(146)	**–**	–	**–**	(146)
Total other movements	**(120)**	(256)	**120**	110	**–**	(146)
Retirement benefit surplus (before withholding tax payable) carried forward	**5,924**	6,029	**(3,765)**	(3,849)	**2,159**	2,180
Withholding tax payable	**n/a**	n/a	**n/a**	n/a	**(540)**	(545)
Retirement benefit surplus (net of withholding tax payable) carried forward	**n/a**	n/a	**n/a**	n/a	**1,619**	1,635

[68] Pension interest income for the current year results from applying the plans' discount rate at 30 March 2025 to the plans' assets at that date. Similarly, the pension interest cost results from applying the plans' discount rate as at 30 March 2025 to the plans' liabilities at that date.

Financial Statements

10. Retirement benefit plans (continued)

d) 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 surplus	
	2026 £m	2025 £m	**2026 £m**	2025 £m	**2026 £m**	2025 £m
Retirement benefit deficit brought forward	**1,948**	1,903	**(1,948)**	(1,963)	**–**	(60)
Amounts included in the income statement:						
Ongoing UK defined benefit pension plan service cost including administration costs (included in people costs)	**(4)**	(4)	**–**	(153)	**(4)**	(157)
Pension interest income/(cost)[69]	**105**	94	**(105)**	(96)	**–**	(2)
Total included in profit before tax	**101**	90	**(105)**	(249)	**(4)**	(159)
Amounts included in other comprehensive income – remeasurement gains/(losses)						
Actuarial gain/(loss) arising from:						
Financial assumptions[70]	**–**	–	**18**	120	**18**	120
Experience	**–**	–	**(42)**	–	**(42)**	–
Return on plan assets	**28**	(103)	**–**	–	**28**	(103)
Total remeasurement gains/(losses) of the defined benefit deficit	**28**	(103)	**(24)**	120	**4**	17
Other						
Employer contributions[71]	**–**	56	**–**	–	**–**	56
Employee contributions	**–**	4	**–**	(4)	**–**	–
Benefits paid	**(161)**	(148)	**161**	148	**–**	–
Transfer between sections	**–**	146	**–**	–	**–**	146
Total other movements	**(161)**	58	**161**	144	**–**	202
Retirement benefit deficit carried forward	**1,916**	1,948	**(1,916)**	(1,948)	**–**	–

[69] Pension interest income for the current year results from applying the plans' discount rate at 30 March 2025 to the plans' assets at that date. Similarly, the pension interest cost results from applying the plans' discount rate as at 30 March 2025 to the plans' liabilities at that date.
[70] 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 29 March 2026. As the surplus would be used to augment benefits to members, the liabilities have been increased to equal the assets by £43 million (2023-24: £59 million), resulting in the scheme being fully funded, with neither a surplus nor a deficit, on an accounting basis as at 29 March 2026. The other side of this adjustment flows through other comprehensive income as an actuarial loss.
[71] Includes PSE contributions of £nil (2024-25: £47 million).

Financial Statements

10. Retirement benefit plans (continued)

e) 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	
	2026 £m	2025 £m	**2026 £m**	2025 £m	**2026 £m**	2025 £m
Retirement benefit deficit brought forward	**67**	–	**(67)**	–	**–**	–
Amounts included in the income statement:						
Ongoing UK defined benefit pension plan service cost including administration costs (included in people costs)	**(5)**	(1)	**(129)**	(65)	**(134)**	(66)
Pension interest income/(cost)[72]	**8**	–	**(8)**	–	**–**	–
Total included in profit before tax	**3**	(1)	**(137)**	(65)	**(134)**	(66)
Amounts included in other comprehensive income – remeasurement gains/(losses)						
Actuarial gain/(loss) arising from:						
Financial assumptions[73]	**–**	–	**(32)**	(11)	**(32)**	(11)
Experience	**–**	–	**12**	10	**12**	10
Return on plan assets	**1**	4	**–**	–	**1**	4
Total remeasurement gains/(losses) of the defined benefit deficit	**1**	4	**(20)**	(1)	**(19)**	3
Other						
Employer contributions[74]	**153**	63	**–**	–	**153**	63
Employee contributions	**3**	1	**(3)**	(1)	**–**	–
Benefits paid	**(8)**	–	**8**	–	**–**	–
Total other movements	**148**	64	**5**	(1)	**153**	63
Retirement benefit deficit carried forward	**219**	67	**(219)**	(67)	**–**	–

11. Acquisition of businesses

During the year, GLS Italy completed the acquisition of two small franchise operations for total consideration of £5 million. The combined fair value of the identifiable net assets acquired was £3 million, excluding goodwill.

Goodwill of £2 million has therefore been recognised, which is tax deductible. The goodwill primarily relates to expected synergies arising from the integration of the acquired businesses into GLS' existing network in Italy.

[72] Pension interest income for the current year results from applying the plans' discount rate at 30 March 2025 to the plans' assets at that date. Similarly, the pension interest cost results from applying the plans' discount rate as at 30 March 2025 to the plans' liabilities at that date.
[73] 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 29 March 2026. As the surplus would be used to augment benefits to members, the liabilities have been increased to equal the assets by £45 million (2023-24: £19 million), resulting in the scheme being fully funded, with neither a surplus nor a deficit, on an accounting basis as at 29 March 2026. The other side of this adjustment flows through other comprehensive income as an actuarial loss.
[74] Includes PSE contributions of £74 million (2024-25: £33 million).

Financial Statements

12. Property, plant and equipment[75]

	Land and Buildings £m	Plant and machinery £m	Motor vehicles £m	Fixtures and equipment £m	Total £m
Cost					
At 31 March 2025	**5,356**	**1,805**	**1,107**	**537**	**8,805**
Exchange rate movements	**45**	**27**	**4**	**6**	**82**
Reclassification[76]	**(3)**	**(3)**	**–**	**(2)**	**(8)**
Modifications[77]	**114**	**–**	**–**	**–**	**114**
Additions	**202**	**146**	**142**	**57**	**547**
Disposals	**(130)**	**(33)**	**(114)**	**(11)**	**(288)**
Acquisition of subsidiaries	**–**	**–**	**–**	**–**	**–**
Reclassification to assets held for sale	**(10)**	**–**	**–**	**–**	**(10)**
At 29 March 2026	**5,574**	**1,942**	**1,139**	**587**	**9,242**
Depreciation and impairment					
At 31 March 2025	**2,939**	**1,166**	**675**	**395**	**5,175**
Exchange rate movements	**15**	**12**	**2**	**4**	**33**
Reclassification	**(4)**	**(4)**	**–**	**(2)**	**(10)**
Impairment charge/(reversal) (see Note 1)	**2**	**(52)**	**(65)**	**(14)**	**(129)**
Charge for the year	**278**	**81**	**97**	**38**	**494**
Disposals	**(128)**	**(33)**	**(103)**	**(11)**	**(275)**
Reclassification to assets held for sale	**(8)**	**–**	**–**	**–**	**(8)**
At 29 March 2026	**3,094**	**1,170**	**606**	**410**	**5,280**
Net book value:					
At 29 March 2026	**2,480**	**772**	**533**	**177**	**3,962**
At 30 March 2025	2,417	639	432	142	3,630

[75] This note includes details of both owned and right of use (ROU) assets. Further details on ROU assets are included in Note 13.
[76] Reclassification between asset classes includes reclassifications between fixed and intangible assets.
[77] Modifications mainly relate to IFRS 16 lease modifications.

Financial Statements

12. Property, plant and equipment (continued)

	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[78]	(2)	(1)	2	2	1
Modifications[79]	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

Depreciation rates are disclosed within Note 1. No depreciation is provided on land, which represents £281 million (2024-25: £277 million) of the total cost of property assets.

Details of the impairment assessment performed in regard to these assets can be found within Note 1.

The net book value of the Group's property, plant and equipment includes £128 million (2024-25: £141 million) in respect of assets in the course of construction. The net book value of the Group's land and buildings includes £310 million (2024-25: £314 million) in respect of building fit-out.

[78] Reclassification between asset classes includes reclassifications between fixed and intangible assets.
[79] Modifications mainly relate to IFRS 16 lease modifications.

Financial Statements

13. Leases

The Group primarily leases office buildings and letter and parcel processing facilities. 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 29 March 2026** **Present value of lease payments** **£m**	At 30 March 2025 Present value of lease payments £m
Current liabilities		
Lease liabilities due within one year	**(319)**	(283)
Non-current liabilities		
Lease liabilities due between one and five years	**(913)**	(869)
Lease liabilities due beyond five years	**(467)**	(450)

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 29 March 2026					
Cost	**2,042**	**209**	**715**	**29**	**2,995**
of which additions	111	10	130	–	251
Accumulated depreciation and impairment	**(865)**	**(157)**	**(336)**	**(15)**	**(1,373)**
Depreciation charge	(180)	(14)	(66)	(4)	(264)
Impairment reversal (see Note 1)	–	3	45	3	51
Total	**1,177**	**52**	**379**	**14**	**1,622**

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 reversal/(charge) (see Note 1)	–	1	(1)	–	–
Total	1,119	52	275	16	1,462

Leases in the income statement

Leases are recognised in the income statement as detailed below:

	52 weeks 2026 £m	52 weeks 2025 £m
Other operating income		
Sublease income	**5**	5
Operating expenses		
Expenses from short-term/low-value leases	**(55)**	(53)
Variable lease payments	**(3)**	–
Depreciation		
Depreciation of right of use assets	**(264)**	(230)
Net finance costs		
Interest expense on lease liabilities	**(63)**	(53)

Financial Statements

13. Leases (continued)

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 £7 million (2024-25: £50 million) with a further £50 million to be received in 2027-28. Gains of £6 million (2024-25: £66 million) 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. Cash proceeds received in the year have been separately classified as £7 million investing cash flows (2024-25: £36 million), to reflect the proportion of rights transferring to the buyer-lessor, with the remaining £nil treated as financing cash flows (2024-25: £14 million).

Details of the impairment assessment performed regarding these assets can be found within Note 1.

14. Goodwill

	2026 £m	2025 £m
Cost		
At the beginning of the period	**869**	895
Exchange rate movements	**27**	(30)
Acquisition of business (see Note 11)	**2**	4
Reclassification to assets held for sale	**–**	–
At the end of the period	**898**	869
Impairment		
At the beginning of the period	**427**	437
Exchange rate movements	**15**	(10)
At the end of the period	**442**	427
Net book value:		
At the end of the period	**456**	442
At the beginning of the period	**442**	458

The carrying value of GLS goodwill at the balance sheet date includes £296 million (2024-25: £282 million) in relation to GLS’ European network (GLS Europe CGU). The value of goodwill in relation to GLS Canada is £152 million (2024-25: £151 million). The remaining £8 million (2024-25: £9 million) relates to UK subsidiaries.

GLS Europe

The overall carrying value of the GLS European network (including goodwill) is £1,170 million (2024-25: £1,070 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 2.0% (2024-25: 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 7.0% (2024-25: 7.1%), 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 9.3% (2024-25: 9.5%). 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

An impairment review has been performed comparing the overall carrying amount (including goodwill) of the GLS Canada CGU, of £334 million (2024-25: £345 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 2.0% (2024-25: 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 8.5% (2024-25: 9.2%), 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 11.6% (2024-25: 12.5%). 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.

15. Intangible assets

	2026					2025				
	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	**22**	**165**	**1,457**	**37**	**1,681**	23	174	1,359	38	1,594
Exchange rate movements	**1**	**1**	**6**	**–**	**8**	(1)	(10)	(4)	(2)	(17)
Additions	**–**	**2**	**134**	**–**	**136**	–	–	111	–	111
Disposals	**–**	**–**	**(3)**	**–**	**(3)**	–	–	(8)	–	(8)
Reclassification[80]	**–**	**–**	**(2)**	**–**	**(2)**	–	–	(1)	–	(1)
Acquisition of business	**–**	**–**	**1**	**–**	**1**	–	1	–	1	2
At the end of the period	**23**	**168**	**1,593**	**37**	**1,821**	22	165	1,457	37	1,681
Amortisation and Impairment										
At the beginning of the period	**22**	**106**	**1,162**	**30**	**1,320**	23	96	1,141	30	1,290
Exchange rate movements	**1**	**–**	**6**	**1**	**8**	(1)	(5)	(3)	(1)	(10)
Impairment reversal	**–**	**–**	**(39)**	**–**	**(39)**	–	–	(29)	–	(29)
Amortisation charge[81] (see Note 1)	**–**	**14**	**86**	**1**	**101**	–	15	61	1	77
Disposals	**–**	**–**	**(3)**	**–**	**(3)**	–	–	(8)	–	(8)
At the end of the period	**23**	**120**	**1,212**	**32**	**1,387**	22	106	1,162	30	1,320
Net book value:										
At the end of the period	**–**	**48**	**381**	**5**	**434**	–	59	295	7	361
At the beginning of the period	**–**	**59**	**295**	**7**	**361**	–	78	218	8	304

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 £86 million (2024-25: £76 million) in respect of assets in the course of construction.

The Group holds individually material intangible assets totalling £110 million (2024-25: £55 million). These assets relate to various IT initiatives taking place across the Group and customer listings from acquisitions by GLS, they are tested annually for impairment. They have an average remaining useful life of four years (2024-25: four years).

[80] Reclassification between asset classes includes reclassifications between fixed and intangible assets.
[81] Includes £15 million (2024-2025: £16 million) amortisation of intangible assets in acquisitions, presented as an operating specific item in the income statement.

Financial Statements

16. Investments in associates

The Group has the following investments in associates:

Company	Principal activities	Country of incorporation	Reporting date	**% ownership 2026**	% ownership 2025	**Carrying amount £m 2026**	Carrying amount £m 2025
ACS Postal Services SMSA	Parcel delivery services	Greece	31 December	**20.0**	20.0	**47**	46
General Postal Services Monoprosopi I.K.E.	Parcel delivery services	Greece	31 December	**20.0**	20.0	**–**	–
ePost Global LLC	Logistics company	US	31 December	**35.0**	0.0	**18**	–
Collect+ Brand Limited	Parcel collection and drop-off services	UK	31 March	**49.0**	0.0	**46**	–
JICMAIL Limited	Market research	UK	31 March	**20.0**	20.0	**–**	–
Charac Limited	Digital pharmacy prescription services	UK	31 March	**25.2**	26.8	**–**	–

The Group gained significant influence over ePost Global LLC and Collect+ Brand Limited during the year. The Group gained significant influence over ACS Postal Services SMSA during 2024-25. All Associate investments are accounted for using the equity method.

ACS Postal Services SMSA and Collect+ Brand Limited are considered material associate investments.

The investment in Charac Limited was diluted during the year, due to further shares being allotted during the year.

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

	2026 £m	2025 £m
Carrying amount		
At the beginning of the period	**46**	1
Share of post-tax profit of associates	**4**	–
Dividends	**(1)**	–
Exchange movements	**1**	–
Additions	**62**	46
Impairment	**–**	(1)
At the end of the period	**112**	46

Financial Statements

16. Investments in associates (continued)

Collect+ Brand Limited ('Collect+')

The summarised financial information below reflects the amounts presented in the Financial Statements of Collect+, and not the Group's share of those amounts. The information for 2026 includes the results from 18 July 2025, because this was the date the Group gained significant influence over Collect+. These amounts have been adjusted to conform to the Group's accounting policies where required.

	2026 £m
Summarised balance sheet	
Current assets	**2**
Non-current assets	**3**
Current liabilities	**(1)**
Non-current liabilities	**–**
Net assets	**4**
Summarised income statement	
Revenue	**10**
Profit before tax	**6**
Profit after tax	**5**
OCI	**–**
Total comprehensive income	**5**

	2026 £m
Reconciliation to the carrying amount recognised in the Consolidated Financial Statements	
Group share of net assets above[82]	**2**
Goodwill	**44**
Included in the balance sheet	**46**

ACS Postal Services SMSA (ACS)

The Group has a call option to purchase the remaining 80% of the shares in ACS on 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 30 October 2026, which would be after the reporting date.

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 included 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.

	2026 £m	2025 £m
Summarised balance sheet		
Current assets	**57**	48
Non-current assets	**111**	124
Current liabilities	**(30)**	(28)
Non-current liabilities	**(6)**	(19)
Net assets	**132**	125
Summarised income statement		
Revenue	**145**	54
Profit before tax	**7**	2
Profit after tax	**5**	–
OCI	**–**	–
Total comprehensive income	**5**	–

[82] The Group's ownership percentage of Collect+ is 49%.

Financial Statements

16. Investments in associates (continued)

	2026 £m	2025 £m
Reconciliation to the carrying amount recognised in the Consolidated Financial Statements		
Group share of net assets above[83]	**26**	25
Goodwill	**21**	21
Included in the balance sheet	**47**	46

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 the share of profit and other comprehensive income of these associates:

	2026 £m	2025 £m
Carrying amount of interest in associates	**18**	–
Share of:		
-Profit from continuing operations	**1**	–
-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. The call option was not exercised on 31 October 2025. 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 that the economic characteristics and risks are closely related. It should also be noted that the three valuations are not fully independent of one another. 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 dates

	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 30 March 2025				
Fair value	**19**	**3**	**(9)**	**13**

As at 29 March 2026, there was no material change in the valuation of the Derivatives options and, therefore, no movement recognised in the income statement.

[83] The Group's ownership percentage of ACS is 20%.

Financial Statements

17. Share-based payments

The Group operated a number of equity-settled, share-based compensation schemes under which the Group received services from employees as consideration for equity instruments (shares) of the Company. On 30 April 2025, EP Group announced that the takeover offer had become unconditional in accordance with the requirements of the Takeover Code, therefore triggering the early vesting of all equity-settled schemes at 370.0 pence per share, with the associated accelerated costs recognised as part of specific items (see Note 6).

Employee Free Shares

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

The shares were held in a Trust administered by Equiniti Share Plan Trustees Limited (Equiniti) and could only be distributed to, or for the benefit of, eligible employees. The Trust was funded by the Company and was therefore consolidated within these Financial Statements. Given IDS was acquired by EP Group and IDS de-listing from the London Stock Exchange, the EBT holds no shares and is in the process of being formally closed.

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 could elect to purchase a limited number of International Distribution Services plc (subsequently renamed to International Distribution Services Limited) shares through monthly payroll deductions at the current market price (Partnership Shares). For every five Partnership Shares purchased, the employee received one unallocated SIP share (Matching Shares), up to a maximum of two Matching Shares per month, free of charge.

At 29 March 2026, there had been 79 (2024-25: 78) such monthly awards and a total of 2,415,775 (2024-25: 2,391,804) Matching Shares had been awarded to eligible staff members at a weighted average market price of 297.5 pence (2024-25: 296.8 pence). The vesting period for each award was three years from the award date, with all allocated shares to be equity-settled.

A charge to operating profit of £nil (including £nil National Insurance) has been made for the year ended 29 March 2026 (2024-25: £1 million, including £nil National Insurance) for all SIP allocations. As part of the early vesting, accelerated costs of £1 million (including £nil National Insurance) were charged to specific items in the income statement (see Note 6).

A reconciliation of the ordinary shares held in the SIP at 29 March 2026 and 30 March 2025 is shown below.

	At 29 March 2026	**At 30 March 2025**
Total shares remaining in SIP at the beginning of the period	**27,243,187**	32,838,222
Shares sold/transferred out of SIP during the reporting year (fully vested)	**(838)**	(719,661)
Shares transferred out of SIP during the reporting year (good leavers)[84]	**(27,242,349)**	(4,875,374)
Total shares remaining in SIP at the end of the period	**–**	27,243,187

There are no shares remaining in the scheme (2024-25: 26,177,179 had been allocated to current employees, the remaining 1,066,008 shares were unallocated and had arisen as a result of forfeitures).

Award of shares under the Long-Term Incentive Plan

	Outstanding shares at 30 March 2025	Lapsed during the period	Vested during the period	Modified to cash-settled scheme	Outstanding shares at 29 March 2026
LTIP 2022	1,020,823	(1,020,823)	–	–	–
LTIP 2023	4,497,754	–	(4,497,754)	–	–
LTIP 2024 Group	1,056,660	–	(845,328)	(211,332)	–
LTIP 2024 UK	3,444,356	–	(3,086,143)	(358,213)	–

The LTIP schemes vested on 30 April 2025, as follows: LTIP 2022 scheme fully lapsed, LTIP 2023 scheme fully vested, LTIP 2024 partially paid out with the remainder converting into a cash-settled scheme. The cash-settled scheme will be assessed for payout at the end of the normal performance period (31 March 2027).

A charge to operating profit of £nil (including £nil National Insurance) has been made for the year ended 29 March 2026 in relation to all LTIP schemes (2024-25: £4 million, including £1 million National Insurance). As part of the early vesting, accelerated costs of £9 million (including £3 million in National Insurance) were charged to specific items in the income statement (see Note 6).

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

Financial Statements

17. Share-based payments (continued)

Award of shares under the Deferred Share Bonus Plan

Award year	Grant date	Outstanding shares at 30 March 2025	Vested during the period	Outstanding shares at 29 March 2026
2022	28/07/2022	181,935	(181,935)	–
2023	02/03/2023	29,061	(29,061)	–
2023	31/07/2023	30,867	(30,867)	–
2023	31/07/2023	136,582	(136,582)	–
2023	30/11/2023	5,449	(5,449)	–
2024	04/06/2024	93,365	(93,365)	–
2024	04/06/2024	96,323	(96,323)	–
2024	04/06/2024	86,151	(86,151)	–
2024	04/06/2024	59,216	(59,216)	–
2024	04/06/2024	50,367	(50,367)	–
2024	04/06/2024	122,748	(122,748)	–
2024	23/09/2024	57,350	(57,350)	–
2024	23/09/2024	29,822	(29,822)	–

The DSBP schemes fully vested on 30 April 2025, as follows. A charge to the operating profit of £nil (including £nil National Insurance) has been recognised for the year ended 29 March 2026 in relation to all DSBP schemes (2024-25: £2 million, including £nil National Insurance). As part of the early vesting, accelerated costs of £1 million (including £nil National Insurance) were charged to specific items in the income statement.

18. Assets held for sale

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

	At 29 March 2026 £m	At 30 March 2025 £m
Property assets held for sale	**1**	–
Total	**1**	–

UK property assets with a carrying value of £2 million (2024-25: £2 million) were reclassified as held for sale in the year. Of these, assets with a carrying value of £1 million were sold before the balance sheet date. The closing balance comprises mainly the Camden Delivery Office.

Financial Statements

19. Trade and other receivables

Current	At 29 March 2026 £m	At 30 March 2025 £m
Trade receivables	**1,607**	1,509
Accrued income	**24**	30
Prepayments	**143**	129
Total	**1,774**	1,668

Of the total amount recognised in trade receivables, £24 million (2024-25: £32 million) is expected to be received in more than 12 months but within the normal operating cycle of international postal settlement.

Non-current	At 29 March 2026 £m	At 30 March 2025 £m
Capital debtors	**46**	44
Other	**10**	16
Total	**56**	60

The non-current capital debtors balance of £46 million (2024-25: £44 million) relates to deferred payments due from the sale of property. Movements in the loss allowance for bad and doubtful debts are shown below.

	2026 £m	2025 £m
At the beginning of the period	**(47)**	(43)
Receivables provided for during the year	**(19)**	(21)
Release of allowance	**10**	9
Utilisation of allowance	**10**	8
Exchange differences	**(5)**	–
At the end of the period	**(51)**	(47)

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 29 March 2026 £m	At 30 March 2025 £m
Not yet overdue	**1,446**	1,318
Past due not more than one month	**96**	126
Past due more than one month and not more than two months	**25**	12
Past due more than two months	**40**	53
Total	**1,607**	1,509

Financial Statements

20. Cash and cash equivalents

	At 29 March 2026 £m	At 30 March 2025 £m
Cash at bank	**211**	242
Cash equivalent investments: Short-term bank deposits and money market fund investments	**742**	544
Client cash	**52**	48
Total cash and cash equivalents in the balance sheet	**1,005**	834
Bank overdrafts (part of a cash pool)	**–**	(53)
Total cash and cash equivalents in the statement of cash flows	**1,005**	781

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.

Included within 'Cash at bank' is £2 million (2024-25: £4 million) of restricted cash that is not available for use by the Group.

Client cash is cash collected from consignees by GLS on behalf of its sending 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. During the year, the offset pool was replaced by a physical cash pool, which does not result in reported bank overdrafts.

21. Current trade and other payables

	At 29 March 2026 £m	At 30 March 2025 £m
Trade payables and accruals	**(1,917)**	(1,718)
Advance customer payments (including stamps held, not yet used by customers)	**(204)**	(195)
Social security	**(142)**	(124)
Client creditors	**(65)**	(57)
Capital expenditure payables	**(20)**	(23)
Other	**(54)**	(25)
Total	**(2,402)**	(2,142)

Of the total amount recognised in trade payables, £25 million (2024-25: £55 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 43 days (2024-25: 44 days).

Client creditors represent amounts collected from consignees by GLS on behalf of its sending customers that are payable to those customers. These balances are recognised as a liability until settlement.

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 and GLS 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 29 March 2026 was £64 million (30 March 2025: £35 million).

Financial Statements

21. Current trade and other payables (continued)

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 29 March 2026 £m	At 30 March 2025 £m
Presented within trade and other payables	**64**	35
– of which suppliers have received payment from finance provider	**64**	35

Range of payment due dates are shown below.

	At 29 March 2026	At 30 March 2025
Liabilities that are part of the arrangement	**30-180** days after invoice date	30-90 days after invoice date
Trade payables that are not part of an arrangement	**30-180** days after invoice date	30-90 days after invoice date

Financial Statements

22. Loans and borrowings

	At 29 March 2026						
	Loans and borrowings £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 + 2.2%**	**2030**	**2030**
Bank syndicate Facility A term loan	**1,136**	**–**	**1,136**	**4.0**	**EURIBOR + 2%**	**2029**	**2030**
€550 million 2026 senior fixed rate notes	**477**	**–**	**477**	**2.7**	**Fixed at 2.7%**	**2026**	**2026**
€500 million 2028 senior fixed rate notes	**432**	**–**	**432**	**5.5**	**Fixed at 5.5%**	**2028**	**2028**
€650 million 2029 senior fixed rate notes	**561**	**–**	**561**	**3.5**	**Fixed at 3.5%**	**2029**	**2029**
£250 million 2030 senior fixed rate notes	**249**	**–**	**249**	**7.5**	**Fixed at 7.5%**	**2030**	**2030**
€750 million 2032 senior fixed rate notes	**648**	**–**	**648**	**4.1**	**Fixed at 4.1%**	**2032**	**2032**
Asset finance[85]	**37**	**–**	**37**	**3.1**	**Fixed at 3.1%**	**2030**	**2030**
Total	**3,540**	**925**	**4,465**	**4.2**		**2029**	**2030**

	At 30 March 2025						
	Loans and borrowings £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%[86]	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[85]	26	–	26	3.0	Fixed at 3.0%	2028	2028
Total	1,150	925	2,075	4.8		2028	2027

The Company set up a financing subsidiary (IDS Financing plc), which issued two new bonds in October 2025 - the 2029 and 2032 bonds. The proceeds from these bond issues were loaned to EP Distribution Services Limited and used to repay the bridging loans taken out by EP Distribution Services Limited as part of the acquisition funding. Additionally, the Facility A term loan from the acquisition funding were novated in November 2025 from EP Distribution Services Limited (in exchange for a loan from the Company to EP Distribution Services Limited).

Upon completion of the acquisition, the Company's original £925 million bank syndicate loan facility was replaced by a new £425 million bank syndicate loan facility guaranteed by the Company and GLS, supplemented by a £500 million bank syndicate loan facility under EP Distribution Services Limited's acquisition financing. This was subsequently combined into a single £925 million bank syndicate loan facility held at the Company, therefore total available the liquidity of the Group was maintained.

In addition, the Group has various undrawn letters of credit totalling £133 million, of which £99 million have financial covenants. If these letters of credit were withdrawn the Group has the ability to instead utilise the existing £925 million committed bank syndicate loan facility as a replacement.

[85] Asset finance of £37 million (2024-25: £26 million) is non-current (2024-25: £4 million current and £22 million non-current). Other loans and borrowings of £3,503 million consist of £650 million current and £2,853 million non-current (2024-25: £1,124 million non-current).
[86] The total margin over Sterling Overnight Indexed Average (SONIA) consisted of a 0.5% margin, 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 the fixing date (5 March 2021).

Financial Statements

22. Loans and borrowings (continued)

The 2028 bond is designated as a hedge of the net investment in GLS. During the year, total losses of £15 million (2024-25: £9 million gain) on the retranslation of these borrowings were taken to other comprehensive income, which offsets the gains 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, IDS 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% (2024-25: 2.7%). The €550 million bond is shown net of issue discount and fees, and at a closing spot rate of £1/€1.152 (2024-25: £1/€1.196). The effective interest rate on the bond plus the cross-currency swap (2.7%) consists of the interest coupon of 1.25% (2024-25: 1.25%) plus the effects of the cross-currency swap of 1.00% (2024-25: 1.00%) and the unwinding of the discount and fees on issuing the bond of 0.4% (2024-25: 0.4%). The revaluation of the bond is hedged by the cross-currency swap. During the year, the effective hedge reserve was transferred from other comprehensive income to profit and loss for £17 million gain (2024-25: £10 million loss) to match the equivalent loss (2024-25: gain) on retranslation of this borrowing. There was no hedge ineffectiveness in the current or comparative reporting years.

The two new bonds (2029 and 2032) and the Facility A term loan are naturally offset for foreign exchange risk by the Loan to Parent Undertaking and Euro-denominated Short-term deposits.

The bank syndicate loan facility can be cancelled and any loans drawn under the facility can become repayable immediately on the occurrence of a change of control or an event of default under the loan agreements. Such events of default include non-payment, insolvency and breach of covenants. However, there is a cure option under the facility that allows an equity injection to be used to remove the potential financial covenant breach. It is not anticipated that the Group is at risk of breaching any of these covenants.

The bank syndicate loan facility and the Facility A term loan are subject to financial covenants, however these covenants are not tested if the Group maintains an investment grade credit rating (at least BBB-) which it currently does so there is no covenant testing at 29 March 2026.

The financial covenants (which are not required to be tested as at the reporting date) require the Group to maintain a certain (leverage) ratio defined by the covenant's agreement.

The margin element (currently 2.2%) of the interest rate chargeable on the bank syndicate loan facility is fixed until September 2026. After this date, the interest rate chargeable would change if the Group's leverage ratio changed. Under the loan agreement, the maximum interest rate chargeable would be SONIA plus 3.2%.

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. All the bonds also 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.

The undrawn committed facilities, in respect of which all conditions precedent had been met at the balance sheet date, were £925 million maturing in February 2030 (2024-25: £925 million maturing in September 2026).

There is no security in place under the bank syndicate loan facility or the bonds.

GLS uses asset finance to fund the purchase of tangible fixed assets.

Financial Statements

23. 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) Capital management – How management addresses the risk that the Group does not maintain an appropriate capital structure to support its strategic objectives and financial resilience.
h) 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.
i) 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.
j) 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 29 March 2026 Carrying amount £m**	**At 29 March 2026 Fair value £m**	At 30 March 2025 Carrying amount £m	At 30 March 2025 Fair value £m
Financial assets						
Cash[87]	1		**263**	**263**	290	290
Cash held within cash pool			**–**	**–**	53	53
Client cash			**52**	**52**	48	48
All other cash			**211**	**211**	189	189
Cash equivalent investments	1		**742**	**742**	544	544
Money market funds		FVTPL	**308**	**308**	494	494
Short-term deposits – bank		Amortised cost	**434**	**434**	50	50
Cash and cash equivalents	1		**1,005**	**1,005**	834	834
Loan to Parent Undertaking (current)	2	Amortised cost	**27**	**27**	–	–
Loan to Parent Undertaking (non-current)	2	Amortised cost	**1,914**	**1,879**	–	–
Pension escrow investments (current)	1	FVTPL	**–**	**–**	32	32
Pension escrow investments (non-current)	1	FVTPL	**91**	**91**	156	156
Trade and other receivables[88]	2	Amortised cost	**1,631**	**1,631**	1,539	1,539
Derivatives options	3	FVTPL	**14**	**14**	13	13
Derivative assets (current)	2	FVTPL	**32**	**32**	2	2
Derivative assets (non-current)	2	FVTPL	**10**	**10**	–	–
Total financial assets			**4,724**	**4,689**	2,576	2,576

[87] 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. During the year, the offset pool was replaced by a physical cash pool, which does not result in reported bank overdrafts.
[88] Trade and other receivables excludes prepayments of £143 million (2024-25: £129 million).

Financial Statements

23. 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:

Financial liabilities	Level	Classification	**At 29 March 2026 Carrying amount £m**	**At 29 March 2026 Fair value £m**	At 30 March 2025 Carrying amount £m	At 30 March 2025 Fair value £m
Bank overdrafts (in a cash pool)[89]	1		**–**	**–**	(53)	(53)
Obligations under leases (current)	2	Amortised cost	**(319)**	**(319)**	(283)	(283)
Interest-bearing loans and borrowings (current)			**(650)**	**(647)**	(4)	(4)
Asset finance	2	Amortised cost	**–**	**–**	(4)	(4)
€550 million 2026 bond (current)	2	Amortised cost	**(477)**	**(474)**	–	–
Syndicated bank loans – Facility A term loan (current)	2	Amortised cost	**(173)**	**(173)**	–	–
Trade and other payables[90]	2	Amortised cost	**(2,198)**	**(2,198)**	(1,947)	(1,947)
Derivative liabilities (current)	2	FVTPL	**(16)**	**(16)**	(12)	(12)
Interest-bearing loans and borrowings (non-current)			**(2,890)**	**(2,892)**	(1,146)	(1,173)
€550 million 2026 bond (non-current)	2	Amortised cost	**–**	**–**	(459)	(449)
€500 million 2028 bond	2	Amortised cost	**(432)**	**(447)**	(416)	(443)
€650 million 2029 bond	2	Amortised cost	**(561)**	**(561)**	–	–
£250 million 2030 bond	2	Amortised cost	**(249)**	**(260)**	(249)	(259)
€750 million 2032 bond	2	Amortised cost	**(648)**	**(627)**	–	–
Syndicated bank loans – Facility A term loan (non-current)	2	Amortised cost	**(963)**	**(961)**	–	–
Asset finance	2	Amortised cost	**(37)**	**(36)**	(22)	(22)
Obligations under leases (non-current)	2	Amortised cost	**(1,380)**	**(1,291)**	(1,319)	(1,252)
Derivative liabilities (non-current)	2	FVTPL	**–**	**–**	(31)	(31)
Total financial liabilities			**(7,453)**	**(7,363)**	(4,795)	(4,755)
Net total financial liabilities			**(2,729)**	**(2,674)**	(2,219)	(2,179)

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 16 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.

89 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. During the year, the offset pool was replaced by a physical cash pool, which does not result in reported bank overdrafts.
90 Trade and other payables excludes advance customer payments of £204 million (2024-25: £195 million). Trade and other payables includes a balance of £10 million (2024-25 £1 million) measured at fair value Level 3 relating to deferred consideration on acquisitions.

Financial Statements

23. Financial assets and liabilities and risk management (continued)

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[91] (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 30 March 2025	**(53)**	**(4)**	**(1,146)**	**(283)**	**(1,319)**	**(2,805)**
Movements through income statement:						
Interest payable on financial liabilities	**–**	**–**	**(62)**	**–**	**(63)**	**(125)**
Movements through cash flow:						
Finance costs paid[92]	**–**	**–**	**60**	**–**	**63**	**123**
Proceeds from bond issues[93] and new asset finance	**–**	**–**	**(1,220)**	**–**	**–**	**(1,220)**
Repayments of bonds and loans[94]	**–**	**3**	**–**	**–**	**–**	**3**
Payment of capital element of lease contracts	**–**	**–**	**–**	**284**	**–**	**284**
Other movements:						
Reclassification between categories	**–**	**(476)**	**476**	**(320)**	**320**	**–**
Decrease in gross cash pool overdraft	**53**	**–**	**–**	**–**	**–**	**53**
Increase in lease obligations	**–**	**–**	**–**	**–**	**(366)**	**(366)**
New asset finance	**–**	**–**	**(4)**	**–**	**–**	**(4)**
Debt novated from EP Distribution Services Limited	**–**	**(173)**	**(982)**	**–**	**–**	**(1,155)**
Effect of foreign currency exchange rates	**–**	**–**	**(12)**	**–**	**(15)**	**(27)**
At 29 March 2026	**–**	**(650)**	**(2,890)**	**(319)**	**(1,380)**	**(5,239)**

	Bank overdrafts[91] (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[92]	–	–	49	–	53	102
Repayments of bonds and loans[94]	–	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)

[91] Cash and cash equivalents at 30 March 2025 included bank overdrafts that were part of a cash pool for the UK companies, which generally had a net £nil balance across the Group, and forms an integral part of the Group's cash management. During the year, the offset pool was replaced by a physical cash pool, which does not result in reported bank overdrafts.
[92] Finance costs paid of £140 million (2024-25: £118 million) in the statement of cash flows also includes £7 million (2024-25: £7 million) interest on cross-currency swaps and £10 million (2024-25: £9 million) of other finance costs.
[93] Proceeds from bond issues and new asset finance of £1,220 million (2024-25: nil) consists of £1,211 million in proceeds from bond issues and £9 million in proceeds from new asset finance.
[94] Repayment of bonds and loans of £3 million (2024-25: £310 million) includes a £3 million (2024-25: £3 million) payment of the capital element of asset finance.

Financial Statements

23. Financial assets and liabilities and risk management (continued)

c) Foreign currency risk management

Foreign currency transaction risk

IDS is exposed to foreign currency risk due to interest payments on the four Euro-denominated bonds and the Facility A term loan. Royal Mail is exposed to 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 or netted against the loans to EP Distribution Services Limited. 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). IDS applies a hedge ratio of 1:1 for such foreign currency hedges.

IDS 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 the underlying exposure
- Credit risk of the derivative counterparty or IDS 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 29 March 2026**	At 30 March 2025
Capital programmes	€/£ exchange rate movements	**n/a**	80%
Overseas postal administrations	SDR/£ exchange rate movements	**6%**	55%
Other non-GBP purchase contracts	€/£ exchange rate movements	**81%**	n/a

Royal Mail's obligation to settle with overseas postal administrations is denominated in Special Drawing Rights (SDR) – a basket of currencies that comprises 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 (2024-25: €500 million 2028). The remaining net assets of GLS in excess of the €500 million bond are not hedged. Foreign currency exchange differences arising from the translation of the net assets of GLS and the €500 million bond, 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. IDS applies a hedge ratio of 1:1 for this hedge. IDS 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 IDS 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.

Financial Statements

23. Financial assets and liabilities and risk management (continued)

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 asset finance) are held within cash or derivatives.

	Sterling £m	US$ £m	Euro £m	Other £m	Total £m
Net total financial liabilities at 29 March 2026	**(1,401)**	**4**	**(1,336)**	**4**	**(2,729)**
Net total financial liabilities at 30 March 2025	(912)	1	(1,301)	(7)	(2,219)

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. Note in the current and prior year Royal Mail only used Sterling contracts.

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.

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 29 March 2026, there was no external hedge of interest rate risk (2024-25: 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.

Financial Statements

23. Financial assets and liabilities and risk management (continued)

The analysis below sets out the carrying amount of the Group's financial instruments and their exposure to interest rate risk.

	At 29 March 2026					
	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	2.2	434	–	–	–	434
Loan to Parent Undertaking	3.7	22	–	562	650	1,234
€550 million 2026 bond	2.7	(477)	–	–	–	(477)
€500 million 2028 bond	5.5	–	–	(432)	–	(432)
€650 million 2029 bond	3.5	–	–	(561)	–	(561)
£250 million 2030 bond	7.5	–	–	(249)	–	(249)
€750 million 2032 bond	4.1	–	–	–	(648)	(648)
Asset finance	3.1	–	(6)	(18)	(13)	(37)
Lease obligations	4.0	(319)	(312)	(601)	(467)	(1,699)
Total		(340)	(318)	(1,299)	(478)	(2,435)
Floating rate						
Cash at bank	1.6	171	–	–	–	171
Cash equivalent investments – money market funds	3.5	308	–	–	–	308
Loan to Parent Undertaking	4.0	5	–	152	550	707
Financial assets – pension escrow investments (non-current)	4.4	–	–	91	–	91
Syndicated Bank loans – Facility A term loan	4.0	(173)	(206)	(757)	–	(1,136)
Total		311	(206)	(514)	550	141
Non-interest bearing						
Cash at bank		92	–	–	–	92
Trade and other receivables		1,631	–	–	–	1,631
Trade and other payables		(2,198)	–	–	–	(2,198)
Derivatives options		14	–	–	–	14
Derivative assets		32	10	–	–	42
Derivative liabilities		(16)	–	–	–	(16)
Total		(445)	10	–	–	(435)
Total financial assets		2,709	10	805	1,200	4,724
Total financial liabilities		(3,183)	(524)	(2,618)	(1,128)	(7,453)
Net total financial assets/(liabilities)		(474)	(514)	(1,813)	72	(2,729)

Financial Statements

23. Financial assets and liabilities and risk management (continued)

	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		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)

Drawings under the bank syndicate loan facility are at fixed rate to maturity (which must be six months or less). At 29 March 2026, there were no drawings (2024-25: £nil). The total interest-bearing financial assets of the Group (excluding the RMPP and RMCPP pension escrow investments and the loan to parent undertaking) of £913 million (2024-25: £762 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 11 days (2024-25: an average maturity of 2 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 4.0% (2024-25: 3.6%). The average maturity date is five years (2024-25: between four to five years).

2024-25 net debt included £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 £91 million (2024-25: £156 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 £76 million (2024-25: £174 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, £104 million was released from the RMPP pension escrow to Royal Mail (2024-25: £70 million). The funds are not generally available to management for corporate purposes (outside of pension arrangements) and so the RMPP escrow is excluded from net debt. It is treated as maturing in between two and five years.

Financial Statements

23. Financial assets and liabilities and risk management (continued)

The RMCPP pension escrow investment of £15 million (2024-25: £14 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 between two and 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. The unused committed facilities of the Group of £925 million expire in 2030 (2024-25: £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) that have been converted to Sterling at 29 March 2026 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 29 March 2026						
	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)	**(796)**	**(334)**	**(2,198)**	**(3,328)**	**(507)**	**–**	**(3,835)**
More than one year (non-current)	**(3,508)**	**(1,837)**	**–**	**(5,345)**	**–**	**–**	**(5,345)**
More than one year but not more than two years	**(347)**	**(320)**	**–**	**(667)**	**–**	**–**	**(667)**
More than two years but not more than five years	**(2,374)**	**(728)**	**–**	**(3,102)**	**–**	**–**	**(3,102)**
More than five years	**(787)**	**(789)**	**–**	**(1,576)**	**–**	**–**	**(1,576)**
Total	**(4,304)**	**(2,171)**	**(2,198)**	**(8,673)**	**(507)**	**–**	**(9,180)**
Less interest	**451**	**436**	**–**	**887**	**n/a**	**n/a**	**n/a**
Less exchange rate adjustment	**313**	**36**	**–**	**349**	**n/a**	**n/a**	**n/a**
Net total	**(3,540)**	**(1,699)**	**(2,198)**	**(7,437)**	**n/a**	**n/a**	**n/a**

	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

Financial Statements

23. Financial assets and liabilities and risk management (continued)

g) Capital management

The Group's primary objective in managing capital is to maintain a prudent and sustainable capital structure that supports the delivery of its long-term strategic objectives, while ensuring continued access to diversified sources of funding on commercially acceptable terms.

The Group is aiming to maintain an investment grade credit rating. Senior management engages in regular dialogue with the rating agencies and monitors the Group's financial profile against their published guidance. We believe the rating agencies recognise the transitional nature of the Group's current leverage position, together with management's defined deleveraging strategy.

During the year, the Group's leverage metrics were above targeted levels, primarily due to additional indebtedness arising from acquisition-related financing. Management expects these metrics to improve over the medium term as operational performance strengthens and deleveraging actions are executed.

Actions being undertaken by management to restore leverage to within the target range include:

- delivery of earnings growth and margin improvement initiatives to support deleveraging through increased cash generation.
- restriction of shareholder distributions, with no discretionary dividends declared other than those to support the Group's financing arrangements.
- maintenance of a disciplined approach to capital expenditure, ensuring alignment with cash flow generation and funding capacity; and
- active management and optimisation of the Group's property portfolio. Plus, potential release of the pension surplus.

For the purposes of capital management, the Group defines capital as net debt plus total equity. Net debt comprises borrowings and lease liabilities, net of cash and cash equivalents, and equity comprises share capital, retained earnings and other reserves.

	At 29 March 2026 £m	At 30 March 2025 £m
Net debt	**(4,234)**	(1,939)
Equity	**(3,546)**	(3,706)
Capital	**(7,780)**	(5,645)

The Board regularly reviews the Group's capital structure and related policies, including monitoring compliance with internal leverage targets and consideration of the prevailing economic and funding environment.

The Group is not subject to externally imposed capital requirements.

The Group maintains a strong liquidity position, with cash and cash equivalents of £1,005 million and an undrawn revolving credit facility of £925 million at the balance sheet date. This provides sufficient headroom to meet the Group's operational requirements and financial obligations as they fall due.

Financial Statements

23. Financial assets and liabilities and risk management (continued)

h) 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 19.

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 29 March 2026, 46% (2024-25: 93%) 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 19, none of the financial assets is either past due or considered to be impaired.

The Loan to Parent Undertaking is not repayable on demand. After consideration of the financial position and future prospects of the counterparty, management has determined that it is not in default and that any expected credit losses are not significant, and therefore no provision has been recognised.

i) 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 £nil material exposure to 2025-26 profit from interest rate risk or commodity price risk (2024-25: £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, and Royal Mail Euro-denominated leases. The impact of a 10% strengthening of Sterling across all currencies on forecast profits/trade during 2025-26 would be to reduce the Group operating profit by £12 million (2024-25: £12 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 €500 million bond and Euro-denominated leases into Sterling at each balance sheet date. The impact of a 10% strengthening of Sterling against all currencies at 29 March 2026 would have been to reduce the Group net assets by £99 million (2024-25: £92 million).

j) Additional derivative and hedge analysis

The following tables provide further detail on the derivative balances and hedge movements.

Cash flow hedges – derivatives

	At 29 March 2026					
	Nominal amount	Nominal value £m	Derivative non-current assets £m	Derivative current assets £m	Derivative current liabilities £m	Derivative non-current liabilities £m
Diesel	**201m litres**	**90**	**7**	**19**	**–**	**–**
Jet	**11m litres**	**4**	**–**	**3**	**–**	**–**
Gas	**14m therms**	**11**	**1**	**5**	**–**	**–**
Power	**346Gwh**	**25**	**2**	**5**	**–**	**–**
Purchase contracts	**39m US$**	**29**	**–**	**–**	**–**	**–**
€550m bond cross-currency swap	**550m Euro**	**491**	**–**	**–**	**(16)**	**–**
Total			**10**	**32**	**(16)**	**–**

Financial Statements

23. Financial assets and liabilities and risk management (continued)

	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	8m litres	3	–	–	–	–
Gas	21m therms	21	–	1	(3)	–
Power	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)

Cash flow hedges – changes in fair value

	52 weeks 2026					
	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**
Diesel	**29**	**–**	**1**	**(2)**	**–**	**–**
Jet	**3**	**–**	**–**	**–**	**–**	**–**
Gas	**4**	**–**	**–**	**–**	**(1)**	**–**
Power	**5**	**–**	**–**	**–**	**(1)**	**–**
Purchase contracts	**–**	**–**	**–**	**–**	**–**	**–**
€550m bond cross-currency swap	**13**	**1**	**–**	**–**	**–**	**18**
Total	**54**	**1**	**1**	**(2)**	**(2)**	**18**

	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)

Financial Statements

23. Financial assets and liabilities and risk management (continued)

Net Investment hedges

At 29 March 2026	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**	**432**	**–**	**(15)**	**15**	**–**
Total				**(15)**	**15**	**–**

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)	–

Reserves reconciliation

	Cash flow hedge reserve 2026 £m	Cost of hedging reserve 2026 £m	Total hedging reserve 2026 £m	Cash flow hedge reserve 2025 £m	Cost of hedging reserve 2025 £m	Total hedging reserve 2025 £m
Opening Balance	**(2)**	**–**	**(2)**	(9)	1	(8)
Changes in fair value – cash flow hedges		**–**				
Diesel	**29**	**–**	**29**	(15)	–	(15)
Jet fuel	**3**	**–**	**3**	(1)	–	(1)
Gas	**4**	**–**	**4**	4	–	4
Power	**5**	**–**	**5**	1	–	1
Purchase contracts	**–**	**–**	**–**	–	–	–
€550m bond cross-currency swap	**13**	**1**	**14**	(5)	–	(5)
Amounts reclassified to income statement						
Diesel	**2**	**–**	**2**	5	–	5
Jet fuel	**–**	**–**	**–**	–	–	–
Gas	**1**	**–**	**1**	7	–	7
Conveyance costs	**1**	**–**	**1**	–	–	–
Purchase contracts	**–**	**–**	**–**	–	–	–
€550m bond cross-currency swap	**(17)**	**(1)**	**(18)**	10	(1)	9
Amounts reclassified to non-financial assets						
Capex	**–**	**–**	**–**	1	–	1
Tax on movements on reserves in the year	**–**	**–**	**–**	–	–	–
Closing balance	**39**	**–**	**39**	(2)	–	(2)

There are no balances in cash flow hedge reserves or foreign currency translation reserve relating to hedging relationships for which hedge accounting is no longer applied (2024-25: none).

Financial Statements

24. Provisions

	Charged as specific items			Charged in operating costs				
	Industrial diseases £m	Regulatory and legal £m	Other £m	Voluntary redundancy £m	Property decommissioning £m	Litigation claims £m	Other £m	Total £m
At 31 March 2025	**(32)**	**(34)**	**(3)**	**(1)**	**(23)**	**(55)**	**(16)**	**(164)**
(Charged)/released	**–**	**(155)**	**2**	**(7)**	**1**	**(41)**	**(4)**	**(204)**
Utilised	**1**	**19**	**–**	**7**	**1**	**54**	**4**	**86**
Reclassifications	**–**	**–**	**–**	**–**	**–**	**(9)**	**2**	**(7)**
Forex adjustment	**–**	**–**	**–**	**–**	**–**	**(1)**	**–**	**(1)**
Unwinding of discount	**(1)**	**–**	**–**	**–**	**–**	**–**	**–**	**(1)**
At 29 March 2026	**(32)**	**(170)**	**(1)**	**(1)**	**(21)**	**(52)**	**(14)**	**(291)**
Disclosed as:								
Current	**(4)**	**(140)**	**–**	**(1)**	**(5)**	**(45)**	**(2)**	**(197)**
Non-current	**(28)**	**(30)**	**(1)**	**–**	**(16)**	**(7)**	**(12)**	**(94)**
At 29 March 2026	**(32)**	**(170)**	**(1)**	**(1)**	**(21)**	**(52)**	**(14)**	**(291)**
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)

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 basis points decrease to the 5.51% discount rate used at 29 March 2026 would result in a £1 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

Property decommissioning obligations primarily 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.

Financial Statements

24. Provisions (continued)

Below is a summary of the ageing profile of the provisions.

	At 29 March 2026					At 30 March 2025				
	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)**	**(7)**	**(19)**	**(32)**	(4)	(2)	(6)	(20)	(32)
Regulatory and legal	**(140)**	**(22)**	**(8)**	**–**	**(170)**	(18)	(16)	–	–	(34)
Other	**–**	**–**	**–**	**(1)**	**(1)**	–	–	–	(3)	(3)
Total	**(144)**	**(24)**	**(15)**	**(20)**	**(203)**	(22)	(18)	(6)	(23)	(69)
Operating costs										
Voluntary redundancy	**(1)**	**–**	**–**	**–**	**(1)**	(1)	–	–	–	(1)
Property decommissioning	**(5)**	**(6)**	**–**	**(10)**	**(21)**	(6)	(2)	(6)	(9)	(23)
Litigation claims	**(45)**	**(6)**	**(1)**	**–**	**(52)**	(49)	(5)	(1)	–	(55)
Other	**(2)**	**(2)**	**(3)**	**(7)**	**(14)**	(5)	(2)	(2)	(7)	(16)
Total	**(53)**	**(14)**	**(4)**	**(17)**	**(88)**	(61)	(9)	(9)	(16)	(95)

25. Share capital and reserves

Authorised and issued	**At 29 March 2026 £m**	At 30 March 2025 £m
964,638,412 (2024-25: 958,293,475) ordinary shares of £0.01 each	**10**	10
Total	**10**	10

During the year, 6,344,937 shares were allotted in pursuance of employee share schemes.

Of the issued ordinary shares, nil (2024-25: 680,815) shares were held by an Employee Benefit Trust (EBT) administered by Apex Group Fiduciary Services Limited. These shares were 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 was consolidated within these Financial Statements. Given that IDS was acquired by EP Group and IDS was de-listed from the London Stock Exchange, the EBT holds no shares and is in the process of being formally closed.

On 26 June 2025, in compliance with the terms of the legally binding undertakings entered into by EP Distribution Services Limited and EP Group 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.

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.

26. Commitments

Capital commitments

The Group has commitments of £30 million (2024-25: £52 million) for property, plant and equipment, £155 million (2024-25: £158 million) for vehicles and £21 million (2024-25: £10 million) for intangible assets, which are contracted for but not provided for in the Financial Statements.

Financial Statements

26. Commitments (continued)

Lease commitments

The Group has £8 million of lease commitments (2024-25: £37 million) relating to leases that have been signed but had not yet commenced at the year-end date. These commitments have not been provided for in the Financial Statements.

27. 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 estimated by BMCL at c.£1 billion 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 in April 2028 on an opt-out basis (class members are automatically included in the claim unless they choose to opt out). 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. IDS intends to defend the claim robustly.

28. Related party information

Related party transactions

Transactions

During the reporting year, the Group entered into transactions with related parties as follows:

	52 weeks 2026 Sales and recharges by the Group £m	**52 weeks 2026 Purchases and recharges by the Group £m**	52 weeks 2025 Sales and recharges by the Group £m	52 weeks 2025 Purchases and recharges by the Group £m
Associates	**4**	**6**	–	1
RMCPP – Defined benefit pension plan	**2**	**–**	1	–
RMPP – Defined benefit pension plan	**10**	**–**	8	–
Companies controlled by ultimate Parent Company	**2**	**1**	–	–

Interest income on Loan to Parent Undertaking, EP Distribution Services Limited, was £39 million.

Interim dividends paid to the Parent Undertaking, EP Distribution Services Limited, amounted to £114 million in the year related to interest payable on acquisition debt. In addition, special dividends paid to VESA EQUITY INVESTMENT S.à r.l. (company controlled by ultimate Parent Company) on 14 May 2025 amounted to £21 million (see Note 9 for further details).

Outstanding balances

The following amounts were owed to the Group from related entities and owed to related entities by the Group at the balance sheet date:

	52 weeks 2026 Amounts owed to the Group £m	**52 weeks 2026 Amounts owed by the Group £m**	52 weeks 2025 Amounts owed to the Group £m	52 weeks 2025 Amounts owed by the Group £m
Associates	**1**	**–**	–	–
RMPP – Defined benefit pension plan	**1**	**–**	1	–
Companies controlled by ultimate Parent Company	**1**	**1**	–	–

The outstanding balance on Loan to Parent Undertaking, EP Distribution Services Limited, is £1,942 million.

Balances outstanding at the reporting date are unsecured and no guarantees have been given or received.

Financial Statements

28. Related party information (continued)

Key management compensation

	52 weeks 2026 £m	52 weeks 2025 £m
Short-term employee benefits	**(5.0)**	(4.4)
Post-employment benefits	**–**	(0.2)
Terminations benefits	**(0.1)**	(0.3)
Share-based payments	**(1.3)**	(1.6)
Total	**(6.4)**	(6.5)

Key management is considered to comprise the Executive and Non-Executive Directors of International Distribution Services Limited, plus a specific population of Persons Discharging Managerial Responsibilities. Remuneration relates to the period for which they are considered key management.

The immediate and ultimate Parent Company

At 29 March 2026, EP Distribution Services Limited is the immediate Parent Company and EP Investment S.à r.l. is the ultimate Parent Company.

The largest group at which consolidated Financial Statements are prepared is EP Investment S.à r.l. The publicly available accounts of EP Investment S.à r.l. can be obtained from 2, Place de Paris, L-2314, Luxembourg.

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 30).

29. Events after the balance sheet date

USO Reform Agreement

In April 2026, Royal Mail reached agreement with the CWU on the deployment of Universal Service reform. The agreement, which was approved by CWU members via a ballot in May 2026, also included a pay rise and enhanced terms and conditions for new entrants who joined Royal Mail on or after 1 December 2022. Wider discussions with the CWU on a variety of other operational and transformational changes continue to progress, as do the broader set of discussions required to fully deploy the framework agreement between EP Group and the CWU that was concluded as part of the change of ownership.

Quality of Service Improvement Plan

Also in April 2026, Royal Mail published its Quality of Service Improvement Plan, with a commitment to invest £500 million over the next five years to improve service for customers. The plan sets out how Royal Mail will achieve a consistently higher standard of service following the rollout of the new delivery model.

Financial Statements

30. Related undertakings of International Distribution Services Limited

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 29 March 2026, is disclosed below. Unless otherwise stated, the share capital disclosed comprises ordinary or common shares, which are held by subsidiaries of International Distribution Services Limited.

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	Common shares Class A Preferred 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 Road, Chao Yang District, Beijing		
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 CZK30,000.00 Ordinary shares	100.000 100.000
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 0y	€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

Financial Statements

Company name	Share class	% held by Group
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
Obere Stahlindustrie 4, 44793 Bochum, Germany (Branch office at: Sinterstraße 9, 44795 Bochum)		
Versandmanufaktur GmbH	€12,800.00 Ordinary shares €256.00 Ordinary shares €12,544.00 Ordinary shares	100.000
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		
Verebély László utca 2, 2051 Biatorbágy, 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
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	€1,021,000.00 Ordinary shares	100.000
General Logistics Systems Italy S.p.A.	€0.52 Ordinary shares	100.000
Gruppo Executive Società Consortile a.r.l	€0.51 Ordinary shares	83.610
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[95]	–	–
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		

[95] Branch of GLS Belgium. No shares are issued or held.

Financial Statements

Company name	Share class	% held by Group
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 z o.o.	PLN1,721.00 Ordinary shares	100.000
Portugal		
Rua da Bica, No. 10, 2669-608 Venda do Pinheiro, Portugal		
General Logistics Systems Portugal Lda	€102,000.00 quota €97,900.00 quota €100.00 quota	100.000
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	€98,604.00 Ordinary shares €996.00 Ordinary shares	100.000 100.000
Slovenia		
Cesta v Prod 84, 1000 Ljubljana, Slovenia		
General Logistics Systems, logisticne storitve, d.o.o.	€751,127.00 Ordinary shares	100.000
Spain		
Calle de la Alcarria 8, 28823 Coslada, Madrid, Spain		
Distribuidora de Electrodomésticos Aceval, S.A.	€0.42 Ordinary shares	100.000
Calle del Ingeniero Torres Quevedo 1, 28022 Madrid, Spain		
General Logistics Systems Spain, S.A	€60.10 Ordinary shares	100.000
Calle Leonardo da Vinci 5, Nave D, Módulo D-4, 28850 Torrejón de Ardoz, Madrid, Spain		
GLS Fulfilment Spain, 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 Financing plc	£1.00 Ordinary shares	100.000
IDS Group Limited	£1.00 Ordinary shares C$1.00 Ordinary shares	100.000 100.000
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

Financial Statements

Company name	Share class	% held by Group
Intersoft Systems & Programming Limited	£1.00 Ordinary shares	100.000
Nine Elms Parkside Estate Management Company Limited	£1.00 Ordinary shares	84.75
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
RMDCP Trustees (2050) 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	£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[96]	£1.00 Ordinary shares £1.00 Redeemable preference shares	100.000 0.000
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 £1.00 B shares £1.00 C shares	100.000 100.000 100.000
6th Floor, 1 George Yard, London, EC3V 9DF		
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
1138 N. Alma School Rd., Suite 206, Mesa, AZ 85201, 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
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

[96] The Group owns 100% of the voting rights. One HMG redeemable preference share is held by the Secretary of State for Business and Trade of the United Kingdom of Great Britain and Northern Ireland; this share carries no voting or economic rights. See Note 25 for further information.

Financial Statements

Associate undertakings

Company name	Share class	% held by Group
Associates		
Greece		
36-38 Petrou Ralli Street, Municipality of Aigaleo, 12241 Attica, Greece		
ACS Postal Services S.A.	€1.00 Ordinary shares	20.000
119, Kifisou Ave., Agios Ioannis Rentis		
General Postal Services Monoprosopi I.KE.	€10.00 Ordinary shares	20.000
United Kingdom		
6 Mendip Way, Corby, Northamptonshire, NN18 8GJ		
Charac Limited	B Ordinary shares	25.220
1 The Boulevard, Shire Park, Welwyn Garden City, AL7 1EL		
Collect+ Brand Limited	£0.01 Ordinary A shares £0.01 Ordinary B shares	49.00
1st Floor Rapier House, 40-46 Lamb's Conduit Street, London, WC1N 3LJ		
JICMAIL Limited[97]	–	20.000
US		
11137 Warland Drive, Cypress, CA 9630, US		
ePost Global, LLC.3[97]		35.000

Investments

Company name	Share class	% held by Group
Investments		
Germany		
Karl-Liebknecht-Straße 14, 10178 Berlin		
Hive Technologies GmbH	€1.00 Ordinary shares	0.980
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	£1.00 Ordinary shares	5.500

[97] Limited by guarantee.

International Distribution Services Limited

Parent Company Financial Statements

Balance sheet

At 29 March 2026 and 30 March 2025

Registered number: 08680755

	Notes	**At 29 March 2026 £m**	At 30 March 2025 £m
Non-current assets			
Investment in subsidiaries	6	**2,931**	2,925
Loan to Parent Undertaking	7	**1,914**	–
Intragroup and other receivables	8	**684**	1,150
		5,529	4,075
Current assets			
Intragroup and other receivables	8	**515**	10
Loan to Parent Undertaking	7	**27**	–
Cash and cash equivalents	12	**434**	–
		976	10
Current liabilities			
Interest bearing loans and borrowings	10	**(650)**	–
Intragroup and other payables	9	**(54)**	(24)
		(704)	(24)
Net current assets/(liabilities)		**272**	(14)
Non-current liabilities			
Intragroup and other payables	9	**(1,702)**	(410)
Interest-bearing loans and borrowings	11	**(1,644)**	(1,124)
		(3,346)	(1,534)
Net assets		**2,455**	2,527
Equity			
Share capital	13	**10**	10
Retained earnings		**2,445**	2,517
Total equity		**2,455**	2,527

The Company has not presented its own income statement, as permitted by section 408 of the Companies Act 2006. The Company reported a profit for the year of £113 million (2024-25: loss of £35 million) (see Note 4 to these Financial Statements).

The balance sheet was approved and authorised for issue by the Board of Directors on 22 June 2026 and signed on its behalf by:

Paul Ablin

Chief Financial Officer

Statement of changes in equity

For the 52 weeks ended 29 March 2026 and 52 weeks ended 30 March 2025

	Share capital £m	Retained earnings £m	Total equity £m
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
Profit for the year	**–**	**113**	**113**
Dividend paid to shareholders	**–**	**(191)**	**(191)**
Share-based payments	**–**	**6**	**6**
At 29 March 2026	**10**	**2,445**	**2,455**

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 29 March 2026 (2024-25: 52 weeks ended 30 March 2025).

Authorisation of Financial Statements and statement of compliance with FRS 101

The Financial Statements of the Company for the year ended 29 March 2026 were authorised for issue by the Board of Directors on 22 June 2026. 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 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'.[98]
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).[98]
c) 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).
d) 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'.
e) The requirements of IAS 7 'Statement of Cash Flows'.
f) The requirements of paragraphs 17 and 18(a) of IAS 24 'Related Party Disclosures' (details of key management compensation and related party transaction amounts).
g) 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.
h) The requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

[98] Exemption taken as equivalent disclosures are included within the Consolidated Financial Statements of International Distribution Services Limited.

Financial Statements

1. Parent Company accounting policies (continued)

Accounting policies

The accounting policies are consistent with those applied in the previous year.

Key sources of estimation uncertainty and critical accounting judgements

Due to the nature of the Company and its activities, management does not consider there to be any significant judgements or key sources of estimation uncertainty in preparing these Financial Statements.

Investment in subsidiaries

The investment in subsidiaries is stated at cost, including deemed capital contributions arising from share-based payment transactions, less any accumulated impairment losses. An impairment assessment is performed when events or changes in circumstances indicate that the carrying amount may not be recoverable. When assessing recoverability, the Company considers the value of amounts receivable from Group undertakings where relevant. No impairment indicators were identified in the current year.

Recoverability has also been assessed by reference to the net assets of the relevant subsidiary (as an approximation of the minimum recoverable amount). Management concluded that net assets exceeded the carrying value of the Company's investment in that subsidiary at 29 March 2026.

Loan to Parent Undertaking

The Loan to Parent Undertaking is a financial asset measured at amortised cost. This Euro-denominated loan is measured at amortised cost in Euro and converted to Sterling at the closing spot Sterling/Euro exchange rate. The Parent Undertaking is IDS' immediate Parent Company EP Distribution Services Limited.

The Loan to Parent Undertaking is not repayable on demand. After consideration of the financial position and future prospects of the counterparty, management has determined it is not in default and that any expected credit losses are not significant and therefore no provision has been recognised.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise short-term deposits (cash equivalents) with an original maturity date of three months or less.

Intragroup receivables

Interest-bearing intragroup loans are contractually repayable on demand. However, they are presented as non-current where the Company does not expect settlement by IDS Holdco Limited within the next 12 months, with the exception of amounts associated with the 2026 bond.

Management has assessed expected credit losses based on the financial position and prospects of the counterparties and has concluded that credit risk is low; therefore, no loss allowance has been recognised.

Interest-bearing loans and borrowings

All loans and borrowings are classified as financial liabilities measured at amortised cost. The Euro-denominated loans and borrowings are measured at amortised cost in Euro and converted to Sterling at the closing spot Sterling/Euro exchange rate.

Intragroup payables

Interest-bearing intragroup loans are contractually repayable on demand. However, they are presented as non-current where the Company does not expect settlement to IDS Holdco Limited or IDS Financing plc within the next 12 months.

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).

3. Auditor remuneration

Auditor remuneration is disclosed in the Group Consolidated Financial Statements (see Note 4).

4. Income statement

The Company is a non-trading company. The profit for the year of £113 million (2024-25: loss of £35 million) is the net sum of: a £193 million dividend received from IDS Holdco Limited (2024-25: £18 million); net £20 million (2024-25: £10 million) management charges from IDS Holdco Limited; £33 million (2024-25: £28 million) of incremental bid costs; £117 million (2024-25: £73 million) of finance costs on external bonds and on intragroup loans from IDS Holdco Limited and IDS Financing plc; £88 million (2024-25: £49 million) of finance income on loans to EP Distribution Services Limited and on intragroup loans to IDS Holdco Limited; and a £2 million (2024-25: £9 million) income tax credit.

A loss of £33 million (2024-25: gain of £24 million) on retranslation of the bond liabilities and a gain of £33 million (2024-25: loss of £24 million) on the retranslation of intercompany balances with IDS Holdco Limited have also been recognised in the year. Additionally, a gain of £22 million (2024-25: £nil) on retranslation of the bond and Facility A term loan-related intercompany

Financial Statements

balances with IDS Financing plc and a loss of £22 million (2024-25: £nil) on retranslation of the bond and Facility A term loan-related intercompany balances with EP Distribution Services Limited have also been recognised in the year.

5. Taxation

The tax credit of £2 million (2024-25: £9 million) comprises a current tax credit in respect of tax losses surrendered to other Group companies.

6. Investment in subsidiaries

	At 29 March 2026 £m	At 30 March 2025 £m
Investment in IDS Holdco Limited at 31 March 2025 and 1 April 2024	**2,925**	2,919
Charge for Employee Free Shares/LTIP/DSBP	**6**	6
Investment in IDS Holdco Limited at 29 March 2026 and 30 March 2025	**2,931**	2,925

7. Loan to Parent Undertaking

Non-current assets

The balance consists of loans of £1,914 million (2024-25: £nil) due from EP Distribution Services Limited. The loans include amounts lent onwards to EP Distribution Services Limited funded from the proceeds of the Euro-denominated 2029 and 2032 bonds issued by IDS Financing plc in October 2025 (principal amounts: €650 million and €750 million; translated to £561 million and £648 million respectively at 29 March 2026). The balance also includes Facility A term loan acquisition funding novated in November 2025 from EP Distribution Services Limited (in exchange for a loan from the Company to EP Distribution Services Limited).

Current assets

This balance consists of £27 million (2024-25: £nil) of interest due from EP Distribution Services Limited in respect of the 2029 and 2032 bonds, and the Facility A term loan.

8. Intragroup and other receivables

Non-current assets

This balance consists of intragroup loans of £681 million (2024-25: £1,149 million) to IDS Holdco Limited advanced from the proceeds of the Company's 2028 and 2030 bond issuances (see Note 11). Other receivables of £3 million (2024-25: £1 million) are also included.

Current assets

This balance comprises an intragroup loan of £477 million (2024-25: £nil) to IDS Holdco Limited advanced from the proceeds of the Company's 2026 bond issuance (see Note 10); £25 million (2024-25: £nil) of accrued interest receivable; £8 million (2024-25: £9 million) income tax receivable in respect of group tax loss relief; and other receivables of £5 million (2024-25: £1 million).

9. Intragroup and other payables

Current liabilities

This balance comprises £22 million (2024-25: £nil) of interest payable on intragroup loans to IDS Financing plc related to the 2029 and 2032 bonds; £30 million (2024-25: £24 million) of external interest payable; and other payables of £2 million (2024-25: £nil).

Non-current liabilities

This balance comprises intragroup loans of £1,702 million (2024-25: £410 million), including £494 million (2024-25: £410 million) advanced by IDS Holdco Limited to fund historic dividends and general charges incurred by the Company; and £1,208 million (2024-25: £nil) in loans from IDS Financing plc.

10. Current interest-bearing loans and borrowings

This balance comprises the £477 million (2024-25: £nil) 2026 bond due for repayment in October 2026, reclassified from non-current in the year, the proceeds of which were lent on to IDS Holdco Limited and are included within intragroup receivables (see Note 8); and a £173 million (2024-25: £nil) repayment due on the Facility A term loan.

11. Non-current interest-bearing loans and borrowings

This balance comprises the £432 million (2024-25: £416 million) bond repayable in 2028; the £249 million (2024-25: £249 million) bond repayable in 2030; and the £963 million (2024-25: £nil) Facility A term loan, of which £206 million is repayable in one to two years and £757 million is repayable in two to five years. Proceeds from the 2028 and 2030 bonds were lent on to IDS Holdco Limited and are included within intragroup receivables (see Note 8). The 2026 bond of £459 million at 30 March 2025 was reclassified to current in the current year.

Financial Statements

12. Cash and cash equivalents

At the reporting date, cash and cash equivalents included £434 million (2024-25: £nil) held in short-term deposits, representing proceeds from EP Distribution Services' partial repayment of the Loan to Parent Undertaking.

13. Share capital

	At 29 March 2026 £m	At 30 March 2025 £m
Authorised and issued		
964,638,412 (2024-25: 958,293,475) ordinary shares of £0.01 each	**10**	10
Total	**10**	10

During the year, 6,344,937 shares were allotted in pursuance of employee share schemes.

Of the issued ordinary shares, a total of nil (2024-25: 680,815) shares are being held by an Employee Benefit Trustee (EBT), administered by Apex Group Fiduciary Services Limited. These shares were previously 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. Given that IDS was acquired by EP Group and IDS was de-listed from the London Stock Exchange, the EBT holds no shares and is in the process of being formally closed.

Glossary of Alternative Performance Measures (Unaudited)

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 consider 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 138 to 143.

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.

Additional Information

Glossary of Alternative Performance Measures (Unaudited) (continued)

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 2026			52 weeks March 2025		
	Reported	**Specific items and other adjustments[99]**	**Adjusted**	Reported	Specific items and other adjustments[99]	Adjusted
Revenue	**13,607**	**–**	**13,607**	13,139	–	13,139
Operating costs	**(13,435)**	**(50)**	**(13,385)**	(12,806)	55	(12,861)
People costs	**(7,265)**	**(100)**	**(7,165)**	(6,847)	(66)	(6,781)
Non-people costs	**(6,170)**	**50**	**(6,220)**	(5,959)	121	(6,080)
Distribution and conveyance costs	**(4,128)**	**–**	**(4,128)**	(3,960)	–	(3,960)
Infrastructure costs	**(1,234)**	**50**	**(1,284)**	(1,183)	121	(1,304)
Other operating costs	**(808)**	**–**	**(808)**	(816)	–	(816)
Profit on disposal of property, plant and equipment	**9**	**9**	**–**	71	71	–
Operating profit/(loss) before specific items	**181**	**(41)**	**222**	404	126	278
Operating specific items:[99]						
Regulatory and legal charges	**(150)**	**(150)**	**–**	(100)	(100)	–
Amortisation of intangible assets from acquisitions	**(15)**	**(15)**	**–**	(16)	(16)	–
Reversal of impairment of Royal Mail excluding Parcelforce Worldwide CGU	**171**	**171**	**–**	117	117	–
Incremental bid costs	**(57)**	**(57)**	**–**	(28)	(28)	–
GLS Italy restructuring	**(18)**	**(18)**	**–**	–	–	–
Legacy/other items	**(1)**	**(1)**	**–**	(1)	(1)	–
Operating profit/(loss)	**111**	**(111)**	**222**	376	98	278
Share of post-tax profit of associates	**4**	**–**	**4**	–	–	–
Finance costs	**(170)**	**–**	**(170)**	(117)	–	(117)
Finance income	**70**	**–**	**70**	51	–	51
Net pension interest (non-operating specific item)[99]	**126**	**126**	**–**	119	119	–
Profit before tax	**141**	**15**	**126**	429	217	212
Tax (charge)/credit	**(50)**	**8**	**(58)**	(62)	4	(66)
Profit for the year	**91**	**23**	**68**	367	221	146

[99] Details of specific items and other adjustments can be found under 'Adjustment and specific items' in the Financial Review.

Additional Information

Glossary of Alternative Performance Measures (Unaudited) (continued)

Segmental reported results

The following table presents the segmental reported results, prepared in accordance with IFRS:

	52 weeks March 2026				52 weeks March 2025			
Group (£m)	**Royal Mail**	**GLS**	**Corporate Centre and Intragroup Eliminations**	**Group**	Royal Mail	GLS	Corporate Centre and Intragroup Eliminations	Group
Revenue	**8,443**	**5,186**	**(22)**	**13,607**	8,230	4,929	(20)	13,139
People costs	**(6,043)**	**(1,205)**	**(17)**	**(7,265)**	(5,701)	(1,137)	(9)	(6,847)
Non-people costs	**(2,445)**	**(3,744)**	**19**	**(6,170)**	(2,472)	(3,506)	19	(5,959)
Profit on disposal of property, plant and equipment	**10**	**(1)**	**–**	**9**	112	–	(41)	71
Operating (loss)/profit before specific items	**(35)**	**236**	**(20)**	**181**	169	286	(51)	404
Operating specific items[100]	**131**	**(167)**	**(34)**	**(70)**	29	(29)	(28)	(28)
Operating profit/(loss)	**96**	**69**	**(54)**	**111**	198	257	(79)	376
Share of post-tax profit of associates	**–**	**2**	**2**	**4**	–	–	–	–
Net finance costs	**(45)**	**(21)**	**(34)**	**(100)**	(49)	(22)	5	(66)
Net pension interest (non-operating specific item)[100]	**126**	**–**	**–**	**126**	119	–	–	119
Profit/(loss) before tax	**177**	**50**	**(86)**	**141**	268	235	(74)	429
Tax (charge)/credit	**(2)**	**(52)**	**4**	**(50)**	(2)	(63)	3	(62)
Profit/(loss) for the period	**175**	**(2)**	**(82)**	**91**	266	172	(71)	367

This section lists the definitions of the various APMs disclosed throughout the Annual Report and Financial Statements. They are used by management, who consider 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.

[100] Details of specific items and other adjustments can be found under ‘Adjustment and specific items’ in the Financial Review.

Additional Information

Glossary of Alternative Performance Measures (Unaudited) (continued)

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 2026**	52 weeks ended March 2025
Reported operating profit before specific items	**181**	404
Adjustment for profit on disposal of property, plant and equipment	**(9)**	(71)
Reported operating profit before profit on disposal of property, plant and equipment and specific items	**172**	333
Reported depreciation and amortisation	**580**	505
EBITDA before profit on disposal of property, plant and equipment and specific items	**752**	838
Pension charge adjustment	**100**	66
Adjusted EBITDA	**852**	904

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 2026**	52 weeks ended March 2025
Reported people costs	**(7,265)**	(6,847)
Pension charge adjustment	**100**	66
Adjusted people costs	**(7,165)**	(6,781)

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 within infrastructure costs, in establishing adjusted non-people costs.

(£m)	**52 weeks ended March 2026**	52 weeks ended March 2025
Reported non-people costs	**(6,170)**	(5,959)
Depreciation/amortisation adjustment for impaired assets	**(50)**	(121)
Adjusted non-people costs	**(6,220)**	(6,080)

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 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.

Additional Information

Glossary of Alternative Performance Measures (Unaudited) (continued)

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.

Reversal of impairment of Royal Mail excluding Parcelforce Worldwide CGU
These credits represent the impairment reversal arising from the impairment assessment of the Royal Mail excluding Parcelforce Worldwide CGU. The reported impairment reversal 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 takeover 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 Corporate Centre segment.

GLS Italy restructuring costs
These are costs incurred to redesign and implement new subcontractor arrangements and undertake related compliance actions.

Legacy/other items
These relate to unavoidable ongoing costs or credits arising from historic 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 that 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.

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 the profit/(loss) on disposal of property, plant and equipment.

Additional Information

Glossary of Alternative Performance Measures (Unaudited) (continued)

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.

The following table reconciles free cash flow to the nearest IFRS measure 'net cash inflow before financing activities':

(£m)	**Reported 52 weeks March 2026**	Reported 52 weeks March 2025
Net cash inflow before financing activities	**(401)**	489
Adjustments for:		
Finance costs paid	**(140)**	(118)
Movement in GLS client cash[101]	**(2)**	(3)
Sale of financial asset investments	**–**	(216)
RMSEPP refund of surplus	**–**	(6)
Loan to Parent Undertaking	**1,216**	–
Repayments of Loan to Parent Undertaking	**(433)**	–
Free cash flow	**240**	146

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.

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 2026**	Reported 52 weeks ended March 2025
Net cash inflow from operating activities	**725**	610
Adjustments for:		
Movement in GLS client cash[101]	**(2)**	(3)
RMSEPP refund of surplus	**–**	(6)
Cash cost of operating specific items	**104**	131
Purchase of property, plant and equipment	**(300)**	(336)
Purchase of intangible assets	**(130)**	(114)
Receipts from pension escrow investments	**104**	70
Net finance costs paid	**(117)**	(75)
In-year trading cash flow	**384**	277

[101] The movement in GLS client cash is shown excluding foreign currency exchange loss of £2 million (2024-25: £2 million loss).

Additional Information

Glossary of Alternative Performance Measures (Unaudited) (continued)

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 excludes £91 million (2024-25: £156 million) related to the RMPP and RMCPP pension escrow investments (non-current) on the balance sheet, which are not considered to fall within the definition of net debt.

(£m)	At 29 March 2026	At 30 March 2025
Bonds	**(2,367)**	(1,124)
Loans	**(1,136)**	
Asset finance	**(37)**	(26)
Leases	**(1,699)**	(1,602)
Cash and cash equivalents[102]	**953**	765
Investments	**–**	–
GLS client cash	**52**	48
Net debt	**(4,234)**	(1,939)

GLS performance presented in Euro

The International Distribution Services Limited Financial Statements are presented in Sterling. However, given GLS Strategic Targets are set using Euro, GLS' financial performance is presented in Euro and Sterling to aid transparency.

The reconciliation between the Group presentation currency of Sterling and Euro is set out below:

	52 weeks 2025-26		52 weeks 2024-25	
	GLS performance in Sterling	**GLS performance in Euro**	GLS performance in Sterling	GLS performance in Euro
Revenue	**5,186**	**5,996**	4,929	5,857
People costs	**(1,205)**	**(1,393)**	(1,137)	(1,350)
Non-people costs	**(3,744)**	**(4,328)**	(3,506)	(4,167)
Operating profit before specific items	**237**	**275**	286	340

GLS performance has been translated using an average exchange rate between Sterling and Euro of £1:€1.16 (2024-25: £1:€1.19). This has resulted in a net positive £4 million impact in GLS reported operating profit before tax in 2025-26 (2024-25: net negative £8 million).

[102] Cash and cash equivalents includes bank overdrafts of £nil (2024-25: £53 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 £nil (2024-25: £32 million) current pension escrow investments.

Additional Information

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 Ltd
185 Farringdon Road
London
EC1A 1AA

Registered in England and Wales

Company number 08680755