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Liam Byrne MP  
Chair, Business and Trade Committee  
House of Commons  
London  
SW1A 0AA

(by email to [BROWNAI@parliament.uk](mailto:BROWNAI@parliament.uk))

19 January 2025

Dear Sir

### **Post Office Horizon: Justice for the sub-postmasters**

Thank you for your letter dated 12 January 2026.

We recognise the important work the Business and Trade Select Committee are undertaking in this area and have deep sympathy for the sub-postmasters and their families. We hope the answers provided below will be of assistance to the Committee.

#### ***1. Whether Ernst & Young advised Fujitsu that it was not required to make a provision in its accounts for Horizon redress payments;***

Fujitsu Services Limited (“**the Company**”) prepares its accounts using International Financial Reporting Standards (“**IFRS**”). In accordance with s393 and s394 of Companies Act 2006, it is the Directors’ responsibility to conclude on the appropriate assumptions and conclusions for presentation in the Company’s statutory accounts.

The auditors’ role is to challenge management during the audit process as to whether the financial statements are true and fair and have been prepared in line with the relevant accounting standards and the Companies Act. As part of this challenge process, an auditor considers all the facts and circumstances, assesses them against the requirements of the auditing and accounting standards and discusses its conclusions with the Directors, including where the auditor agrees or disagrees with the Directors’ conclusions.

As the external auditors of the Company’s financial statements, it is not our role to advise the Company as to whether a provision is required, and nor did we in this case.

However, in the context of Horizon redress payments, as auditors of the Company’s financial statements we held many discussions with management, Directors, and the Company’s internal and external legal advisers. This included reviewing relevant output from the Public Inquiry, key documents and correspondence, and considering that information in the context of the accounting standards.

It is important to note that under the applicable accounting standard (International Accounting Standard (IAS) 37: Provision, Contingent Liabilities and Contingent Assets (“IAS 37”)) a provision can only be recognised when:

- there is a legal or constructive present obligation;
- payment is probable; and
- the amount can be reliably estimated.

As further explained below, the Directors were of the view that until the full findings of the Public Inquiry are published and the Company can consider those findings, the amount cannot yet be reliably estimated.

We have outlined below our assessment of each requirement:

- Considering the first aspect as to whether there is a legal or constructive present obligation as a result of a past event at the balance sheet date - this was an unusual situation in that normally that is driven by a legal or contractual requirement. It was unclear whether a contractual or legal breach had occurred and therefore existed. We considered that Paul Patterson had made a statement to the Public Inquiry and the Select Committee that Fujitsu had a “moral obligation” to the UK Government’s compensation schemes. As such, we considered that this created a constructive obligation as the Company had created an expectation that they will contribute to the Horizon redress payments.
- The second aspect to consider is whether payment is probable. At the 2024 and 2025 yearend the quantum and method of contributing was uncertain. However, given the statements made by the Company that there was a moral obligation to contribute to the compensation schemes, it seemed likely that a cash outflow of some nature would occur.
- The third aspect is whether an amount was capable of being estimated with sufficient reliability in order to be accounted for as a provision. It was and remains clear as a result of the Company’s own work and the challenge that, as external financial statement auditors, we applied to it, that there was a very wide range of possible outcomes. The Directors believed that the range was unlikely to be narrowed until the findings of the Inquiry become public, even if only by seeing a draft report. Therefore, the Directors’ conclusion was that a reliable estimate as required by IAS 37 was not possible at the balance sheet date. As auditors we reached the same judgment. As a result, in accordance with IAS 37, no provision was recognised.

Where a provision is not recognised, the Directors are required to consider under IAS 37 whether to disclose a contingent liability. Contingent liabilities are disclosed when a reliable estimate cannot be made, unless the possibility of an outflow of economic resources is remote. Given the public commitment by the Company to contribute it was fair to assume that an outflow was more than remote.

The Directors concluded that contingent liability disclosures were required and, in the March 2025 financial statements (similar disclosures were made in the 2024 financial statements), they made extensive disclosure of the following:

- The existence of a contingent liability, disclosing the background, the Company's moral obligation to contribute and rationale for no provision being recorded, is disclosed in note 27 (see [Appendix 1](#)).
- Management also recognised the impact on the business and the need for parental support financially from Fujitsu Limited and this was disclosed in the going concern section of note 1 (see [Appendix 2](#)).

Our audit opinion was modified (with an emphasis of matter) to draw the attention of users of the accounts to the above contingent liability disclosure and note on going concern, to ensure the attention of readers of the financial statements was specifically drawn to these matters (see [Appendix 3](#)). For convenience we include the key paragraphs below (extract from the March 2025 audit report):

***“Emphasis of Matter – Post Office Horizon IT Inquiry***

*We draw your attention to the following:*

*Note 27 describes the contingent liability relating to the Post Office Horizon IT Statutory Inquiry, of which the Company is a core participant. In January 2024, the Company made a commitment to contribute to the UK Government's compensation schemes. Due to the uncertainties set out in Note 27, as at the audit report date, the amount of compensation to be paid by the Company cannot be reliably estimated and therefore a contingent liability has been disclosed in accordance with IAS 37.*

*In considering this matter, we also draw your attention to Note 1 which confirms management's basis of going concern being dependent on parental support from the Company's ultimate parent, Fujitsu Limited. This support is provided for a period through to 30 September 2026 being the Company's going concern assessment period. This support will continue to be required by the Company subsequent to this going concern assessment period in order for the Company to continue to be able to meet all its liabilities as they fall due and the Company expects such support to be renewed annually.”*

**2. Whether you are aware of any provision Fujitsu has in fact made in its accounts in respect of this liability.**

Fujitsu has currently made no provision in its accounts in respect of a liability regarding Horizon redress payments. As explained above, the Company did not consider that the IAS 37 requirements for making a provision for Horizon redress payments were met. Accordingly, no provision was made but rather the matter was disclosed as a contingent liability under IAS 37. As auditors of the financial statements and as a result of our audit procedures we reached the same judgment under IAS 37.



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**3. *What advice you have rendered to Fujitsu about the obligations of directors in fulfilling their duties in relation to any provisions relating to the Post Office Horizon settlement.***

As auditors we are not allowed to give such advice from an independence perspective.

As noted above, in accordance with s393 and s394 of Companies Act 2006, it is the Directors' responsibility to conclude on the appropriate assumptions and conclusions for presentation in the Company's statutory accounts. The specific requirements on a Company's Directors in the context of provisioning are set out in IAS 37. As auditors of the financial statements we audit the conclusions reached by the Directors and whether they have been made in compliance with the requirements of IAS 37. Because the IAS 37 test for making a provision was not met, the Company was required to consider whether contingent liability disclosures were required. Such contingent liability disclosures were made in the financial statements as described above and as auditors we modified our audit opinion (with an emphasis of matter) to draw the attention of users of the accounts to these matters.

Yours sincerely

**Annie Graham**  
EY UK Head of Audit

Ernst & Young LLP  
United Kingdom

***Enc.***

***Appendix 1***

***Appendix 2***

***Appendix 3***

## Appendix 1 – Note 27 of 31 March 2025 FSL financial statements

### 27 Contingent Liabilities

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#### Post Office Horizon IT Inquiry

With effect from 1 June 2021, the Post Office Horizon IT Inquiry (the “Inquiry”) led by Sir Wyn Williams was put on a statutory footing. The Company was designated as a Core Participant, has been co-operating with this Inquiry since it began, and continues to support the Inquiry process until its conclusion.

Sir Wyn Williams is tasked with ensuring there is a public summary of the failings which occurred leading to the suspension, termination, prosecution and conviction of sub postmasters. The Company supplied the Horizon IT system software to Post Office Limited (POL).

On 16 January 2024, the Company’s Director and CEO of Fujitsu Europe, Paul Patterson, attended a Parliamentary Business and Trade Select Committee hearing addressing compensation arrangements to deliver full, fair and fast compensation for victims. In response to a question, Mr Patterson stated his view that there was a moral obligation to contribute towards the UK Government’s compensation schemes, after the Inquiry’s conclusion. On 19 January 2024, Mr Patterson gave evidence to the Inquiry and confirmed the Company’s intention to engage with the UK Government with regards to such a contribution once the Inquiry has concluded.

In March 2025, the Rt. Hon. Jonathan Reynolds MP (UK Secretary of State, Business and Trade), Takahito Tokita (CEO, Fujitsu Limited) and Paul Patterson, (Director, the Company) released a joint statement following ‘a positive and constructive meeting in Japan’. The UK Government welcomed the Company’s ‘repeated commitment to its moral obligation to contribute to the Government’s compensation for the victims of the Post Office scandal’ and all parties ‘agreed to progress discussions regarding Fujitsu’s contribution’.

On 8 July 2025, Volume 1 of the Inquiry’s report was published, focusing on the human impact on the lives of sub-postmasters. The Inquiry continues its work, with further volumes expected to be published, examining other aspects and the roles of various parties involved. Volume 1 of the Inquiry’s report contains 19 recommendations, two of which refer to the Company. Recommendation 1 requires UK Government Investment and/or the Department to reply to the rest of the 19 recommendations by 10 October 2025. Recommendation 1 also provides that, where appropriate, POL and the Company shall respond to the recommendations by 10 October 2025. Recommendation 19 also refers to the Company and requires the Department, POL and the Company to publish, either separately or together, a report by 31 October 2025 outlining any agreed programme of restorative justice and/or any actions taken by that date to produce such a programme.

The UK Government has established a number of compensation schemes, an estimated amount for which was announced in the Autumn Budget of 2024. The final cost of the schemes is not yet known, but it is likely to be significant. The Company is engaging in discussions with UK Government regarding an appropriate and proportionate contribution towards these schemes. However, due to the scope and complexity of the Inquiry, and with further volumes of its report still pending, it is not possible to predict the Inquiry’s final findings, nor the outcome of any future discussions between the Company and UK Government. It is therefore not possible to estimate the amount of a future financial contribution to compensation schemes and therefore no provision for a financial obligation has been recognised at 31 March 2025.

Since 31 March 2025, a claim has been made by a former postmaster against the Post Office Limited and the Company for which the Claimant has pleaded the value of approximately £4m in connection with their roles in former proceedings brought against him.

This claim was served on 10 July 2025 and is currently being considered by the Company and its legal advisors. The claim is at an early stage of legal review, with the details of the claim to be assessed, and multiple parties involved. Therefore, it is not yet possible to predict the outcome of this matter or possible to reliably estimate the probability and amount of a successful claim against individual parties. On this basis, it is the Company’s view that a legal obligation has not been confirmed and a provision for a financial obligation has not been recognised at 31 March 2025.

#### Notes to the Financial Statements continued

### 27 Contingent Liabilities continued

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Regarding the Company’s contract with Post Office Limited, the Company continues to deliver the contracted services for the Horizon IT system.

## Appendix 2 – Extract from Note 1 of 31 March 2025 FSL financial statements

### **Basis of Preparation – Going concern**

The Financial Statements are also prepared on a going concern basis, which the Directors have assessed to be appropriate. The Directors' going concern assessment period is through to 30 September 2026. The Company utilises credit facilities provided by its ultimate parent company, Fujitsu Limited, in line with its group-wide Treasury and Cash Management policy operated through its European financial services subsidiary, Fujitsu EMEA PLC (FEP). These facilities are the primary source of liquidity for the Company, in addition to its own cash resources, and enables it to meet its financial obligations as they fall due.

The borrowing facilities provide cash resources to meet short-term cash flow volatility, support the working capital cycle, and ensure adequate funds are available for pension scheme funding, approved capital investment and restructuring projects, and ensure adequate funding is also available for exceptional items when they fall due. Fujitsu Limited has also confirmed availability of these financial facilities for the Company in a Letter of Support issued to the Board of Fujitsu Services Limited dated 25 September 2025. This Letter covers the period through to 30 September 2026 and the Directors expect that this support will continue beyond this date. The Letter is renewed annually by Fujitsu Limited.

As part of Fujitsu's Global Business Management activities, the financial performance of the Company is regularly monitored against its short-term goals and longer-term strategic objectives. The borrowing facilities provided by Fujitsu Limited will ensure that the Company is able to adapt to any adverse effects and ensure liquidity is maintained. The Company regularly prepares financial forecasts of profitability and cash flows, in line with its mid-term business plans and strategy.

In January 2024, the Company issued statements reiterating its commitment to cooperation with the ongoing Post Office Horizon IT Inquiry and indicating its intention to work with the UK government on appropriate actions, including contribution to compensation, dependent upon the Inquiry's findings. As agreed with the UK Government, the Company has also paused bidding for work with new UK Government customers, until the Inquiry has reported its findings in full. Where the Company has existing relationships with Government customers, or is asked to supply skills and capabilities, it will continue to engage in line with public procurement processes. It is also keeping its involvement in live procurement activities under review. The UK Government acknowledged the Company's voluntary actions whilst the Inquiry continues. The Company remains committed to delivery of its public sector contracts, including critical national infrastructure, as well as commitments to its private sector customers, and continues to monitor the funding requirements of its ongoing operating activities in line with its business management processes, in light of these changes in bidding. The downside of the changes in bidding has been factored into the mid-term business plan of the Company. Special requests for additional funding, including any future amounts payable in connection with the Horizon Inquiry, will be raised in line with the funding arrangements described above. The Letter of Support issued to the Board of Fujitsu Services Limited provides for financial support by Fujitsu Limited, to assist the Company in meeting financial liabilities as and when they fall due, including any future potential impact flowing from the outcome of the Statutory Public Inquiry relating to the UK Post Office Horizon IT system, whether that is legal costs or any resultant settlement that may occur, to the extent that funds are not otherwise available to meet such liabilities.

During the current year, Fujitsu Limited demonstrated its support for the Company by approving the investment of additional equity capital of £80m by its parent, Fujitsu Services Holdings PLC, requested to strengthen the Company's Balance Sheet to meet its ongoing operational funding and capital requirements.

In their assessment of whether the going concern basis remains appropriate for the preparation of financial statements for the Company, the Directors have considered all available forward-looking information, including assessing the ability of Fujitsu Limited to provide parental support, and the importance of the Company to the mid-term, strategic objectives of the Fujitsu Group and concluded that sufficient funds will be available to meet all liabilities as they fall due during the going concern period.

## **Notes to the Financial Statements**

### **1 Accounting Policies**

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#### **Basis of Preparation – Going concern continued**

Further information regarding the Company's business activities, together with the factors likely to affect its future development, performance and position is set out within the Strategic and Directors' Reports on pages 4 to 21. In addition, Notes 23 and 24 to the Financial Statements includes the Company's objectives, policies and processes for financial risk management.

## Appendix 3 – Independent Auditor’s report for 31 March 2025 FSL financial statements

### Independent Auditor’s Report

#### Opinion

We have audited the financial statements of Fujitsu Services Limited for the year ended 31 March 2025 which comprise the Statement of Profit or Loss, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 33, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the company’s affairs as at 31 March 2025 and of its profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities 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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard as applied to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

#### Emphasis of Matter – Post Office Horizon IT Inquiry

We draw your attention to the following:

Note 27 describes the contingent liability relating to the Post Office Horizon IT Statutory Inquiry, of which the Company is a core participant. In January 2024, the Company made a commitment to contribute to the UK Government’s compensation schemes. Due to the uncertainties set out in Note 27, as at the audit report date, the amount of compensation to be paid by the Company cannot be reliably estimated and therefore a contingent liability has been disclosed in accordance with IAS 37.

In considering this matter, we also draw your attention to Note 1 which confirms management’s basis of going concern being dependent on parental support from the Company’s ultimate parent, Fujitsu Limited. This support is provided for a period through to 30 September 2026 being the Company’s going concern assessment period. This support will continue to be required by the Company subsequent to this going concern assessment period in order for the Company to continue to be able to meet all its liabilities as they fall due and the Company expects such support to be renewed annually.

Our opinion is not modified in respect of this matter.

#### 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 company’s ability to continue to adopt the going concern basis of accounting was underpinned by a letter of support from the ultimate parent company, Fujitsu Limited, for a period through to 30 September 2026. In evaluating the willingness and ability of Fujitsu Limited to provide such support to the Company, we:

- Evaluated management’s rationale for adopting the going concern basis of accounting;
- Challenged management’s assessment of the likelihood of renewal of parental support beyond the terms of the current letter by performing enquiries of the Board of Directors and evidencing the continuance of support from Fujitsu Limited over the previous 5 years;
- Reviewed the support letter received by management from Fujitsu Limited and ensured that the support includes any future potential impact flowing from the outcome of the Statutory Public Inquiry relating to the UK Post Office Horizon IT system, whether that is legal costs or any resultant settlement that may occur, to the extent that funds are not otherwise available to meet such liabilities;
- Obtained from the Fujitsu Limited Group auditor the going concern assessment and forecast cashflows for the wider Fujitsu Limited group, covering the period through to 30 September 2026;
- Reviewed the work performed by Fujitsu Limited Group Auditor in respect of the borrowing facilities available to the Fujitsu Limited group to assess their continued availability through the going concern period;
- We critically evaluated management’s forecasts for the Fujitsu Limited Group. This included an assessment of the Group’s funding capacity and headroom available to support any future potential impact flowing from the outcome of the Statutory Public Inquiry relating to the UK Post Office Horizon IT system, whether that is legal costs or any resultant settlement that may occur, to the extent that funds are not otherwise available to meet such liabilities; and
- Challenged sufficiency of the going concern disclosures in the financial statements.

## **Independent Auditor's Report continued**

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 company's ability to continue as a going concern for a period through to 30 September 2026.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

### **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 this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

### **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 year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

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

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 21, 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.

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

### **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.

## **Independent Auditor's Report continued**

### **Explanation as to what extent 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 irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (IFRS and the Companies Act 2006) and the relevant tax compliance regulations in the United Kingdom.
- We understood how Fujitsu Services Limited is complying with those frameworks by making enquiries of management, legal counsel and those charged with governance. We corroborated our enquiries through our review of Board minutes.
- Regarding the Post Office Horizon IT Inquiry, as appropriate throughout the period and up to the date of our opinion, we reviewed relevant correspondence between the Company and third parties and made enquiries with the Company's in-house and external legal counsel to corroborate management's accounting conclusions and our understanding of the Company's legal position on this matter. We have corroborated and challenged this position through review of key evidence presented to the Statutory Public Inquiry.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur through discussion with management across various parts of the business to understand where they considered there was susceptibility to fraud. We considered the controls that the Company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those controls. Where this risk was higher, which we determined to be within revenue recognition, we performed incremental audit procedures to address the identified fraud risk.
- These procedures included using data analytics to identify and test manual journals, detailed testing around the year end to obtain assurance over appropriateness of cut-off of product revenue, and detailed margin analytics in conjunction with the audit of significant contract arrangements to test the appropriateness of revenue recognition across services revenue, including completeness of provisions for onerous customer contracts.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved a review of board minutes to identify any non-compliance with laws and regulations, enquiries of legal counsel, assessment of financial statement disclosures to ensure compliance with relevant standards, the involvement of tax specialists to assess compliance with tax regulations and enquiries of management and those charged with governance.

A further description of our responsibilities for the audit of the financial statements is located on the

Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### **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.