

IN STRICTEST CONFIDENCE

National Federation of Subpostmasters Annual Conference 2015

Stratford upon Avon

11, 12 and 13 May 2015

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Overall Messages

- The change environment is here to stay – NT has delivered and continues at pace – but the investment will not last forever
- It is important that we grow revenue but this needs to be driven by increased sales which in turn will drive increased remuneration
- But growth cannot be assumed – therefore be prepared to reduce costs – all businesses need to do this, we have vigorously in the last 12 months and will continue to do so
- Competition is increasing and aggressive – we will do whatever is necessary to ensure our business remains viable
- Postmaster sales remuneration is not in decline - it is flat and in line with PO income trends – and given the reality of the markets we operate in, whilst this is challenging it is not devastating

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Relationship with the NFSP**Key Messages/Proactive lines**

- ***We are committed to the Network and to working with the postmasters and the NFSP.*** The Post Office network and postmasters are at the heart of our strategy. We acknowledge the forward looking approach of the NFSP and are keen to work together as our organisations develop into the future. An independent voice for postmasters is central to our desire to have effective engagement with our agents and the NFSP is clearly best placed to provide this – and that is at the heart of the reason why we worked on developing the MOU with you.
- ***We must be realistic and Entrepreneurial – we are businesses working together.*** Postmasters run businesses; our relationship will be one of professional engagement between businesses with common goals, mutual respect and harnessing the entrepreneurial spirit.
- ***We have worked hard to gain Government funding and support, we must now deliver on that, use it effectively.*** We cannot expect a repeat of the funding we've had. Collectively, we have helped create the current position – we must now make it work. There'll be no second chances.

Key Facts

- **Current status of NFSP**

We have a draft Grant Agreement with NFSP and they will hold a Special Conference around 17/18/19 June to ratify this. This is necessary as the EC promised members the opportunity to consider various options – PO, CWU, NFRN (National Federation of Retail Newsagents) – for its future organisational design. George expects an 80% vote in favour of the PO agreement – any alternative to this will mean they will not exist as an independent organisation.

This agreement will be the catalyst for NFSP to transition from a quasi-Trade Union to a Trade Association; it binds them formally to supporting the compulsory elements of NT and commits them to keeping any challenges between us internalised away from the public domain.

Our ambition is to now develop a relationship with NFSP that is driven by a common interest in sustaining the business, maximising sales and achieving high levels of engagement between Post Office and agents.

- **Number of NFSP members**

Currently est. around 5700, (6044 as at 31/12/14 in the annual report)

- **Number of meetings we've had with George**

Over the last 12 months, we have had over 70 meetings/conference calls to discuss development of the MOU.

- **Key people we've got here at the Conference – showing our commitment**

Paula Vennells
Neil Hayward
Kevin Gilliland
Al Cameron
Martin George
Henk Van Hulle

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David Hussey

Q&A

Q. Pay – the reduced rates on DVLA have hit us hard – will you commit to ensuring that a commercial rate of pay is included in any future contract negotiations for all products.

We are always committed to achieving the best financial return for the business, including postmasters, in any commercial negotiation we have with clients. This is of course against the backdrop of the reality of the market – whether that is dictating revenue rates because there are a range of (competitive) suppliers providing these services to customers or because we bid in a competitive tendering environment.

1. Top line growth is important but is driven by sales not price/pay increases
2. But growth cannot be assumed – therefore be prepared to reduce costs – all businesses need to do this, we have vigorously in the last 12 months and will continue to do so
3. Competition is increasing and aggressive – we will do whatever is necessary to ensure our business remains viable
4. Postmaster sales remuneration is not in decline - it is flat and in line with PO income trends – and given the reality of the markets we operate in, whilst this is challenging it is not devastating

Q Aren't you too close to the Federation – do they just do your bidding. Can the NFSP be independent if you are providing funding to it?

An independent voice for postmasters is central to our desire to have effective engagement with our agents and the NFSP is clearly best placed to provide this – and that is at the heart of the reason why we worked on developing the MOU with you.

Q Will you/why don't you recognise the CWU postmasters?

Postmasters run small business and given the size and shape of our network we believe that it is important that we engage via an organisation that understands how small businesses run. The NFSP clearly have a large membership that extends across the entire network and across all types of Post Offices and with its history and tradition is the right organisation to work with.

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Network/Network Transformation

Key Messages/Proactive lines

- NT is working and is proceeding at pace
- The majority of Postmasters are now actively engaged and benefitting from the investment
- Customer satisfaction in modernised branches is very high
- Modernised branches have seen an increase in retail sales
- It offers a great opportunity for Postmasters to access investment

Key Facts

- **4,151** new main and local branches:
 - **1,757** Locals
 - **2,394** Mains
- **123,800** additional opening hours across the UK (which is the equivalent of **c2691** additional Post Offices working traditional core hours)
- Across our main and local estate there has been an average increase in opening hours of **73%** following conversion to the new model (**46%** increase for Mains and **108%** increase for locals on average)
- **2276** branches are open on a Sunday

Customer waiting times: (3 month average Jan-Mar15)

- Mains **1m 36s**
- Locals **52s**

Customer satisfaction levels: Feb 15

- Mains **97%**,
- Locals **98%**

Combined 98%

Retail increase: (Latest 12 month average):

- An average retail sales increase of **8%** is being reported, broken down as follows:
 - 5%** for Main branches
 - 12%** for Local branches

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Q&A**Q What bonus arrangements are the Network Transformation teams on – aren't they just forcing through changes to get their bonuses?**

There are of course performance management schemes in the Post Office but to be clear, any changes under NT goes through a full set of rigorous processes, including clearance of business plans by our finance team, before they are implemented.

Q. Do you have plans to withdraw the investment and incentives to convert to the main and local models and the compensation to leave the network?

The important thing here is that the investment money, the incentives and the leavers' payments are available now. That's why we have recently been in touch with postmasters who so far haven't taking part in NT, to encourage them to look again at their options. The money won't last forever and we don't want postmasters to miss out on the opportunities available to them. With over 4000 branches already successfully converted – and bringing benefits to customers and postmasters – we want to keep the momentum going to modernise the network. That means spending the money available now, while we can.

Q. So when will the investment and compensation money run out?

There are no dates set just now but we will give postmasters ample warning and opportunities to take advantage of the funding.

Q. As part of Network Transformation, do you have plans to remove fixed pay?

With the Network Subsidy Payment going down each year, reducing our reliance on public funding is extremely important, and operating branches on main and local contracts with fully variable pay, supports this aim.

In the case of designated Community branches, we recognise that an element of fixed pay is vital to support Post Office services in those areas.

But, for branches we believe could operate successfully as a main or local, on fully variable pay, we have always said it is likely to become increasingly challenging for them to remain in their traditional formats and on a traditional contract. That is why we are encouraging postmasters to consider the benefits of converting to a new model now.

If pressed:

There are no confirmed plans just now, but, as we have always said, it is something we may have to consider in cases where the Main or Local contract could work successfully in order to reduce our reliance on public funding and to deliver the customer benefits the main and local branches offer. If we did, we would ensure postmasters have ample time to consider options for their branches.

Q Is the Network Transformation Programme 'entirely voluntary' – as you stated to the Select Committee in 2012

- Under the Network Transformation Programme there are a range of scenarios and options that could apply depending on the specific circumstances for each

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individual Post Office branch.

- The Post Office's objective is to ensure the sustainable provision of Post Office services to the local community.
- We are committed to engaging with Postmasters and discussing options with them and to seeking to improve the performance at the existing branch. If it is unlikely it will reach sustainability as a transformed branch, POL can explore moving the Post Office within the local community if there are alternative premises nearby, and would hold a public consultation on any proposal. In such cases the current Postmaster would receive a leaver's payment.

If pressed along the lines of "You said in the Select Committee of 2012 that it was entirely voluntary"

- Yes and that was the case at that time. In late 2013 you will recall that there was a significant improvement in the terms and revised arrangements of the options available in different circumstances and we wrote out to Postmasters outlining their potential situation.

Q – Branches are being forced by Network Transformation to change – if they don't, the branch is being advertised and taken away from them. Is this fair, why are you compulsorily forcing loyal Postmasters out?

In all cases we talk to the Postmasters but in a small number of cases there may be a situation where the current branch is not sustainable looking forward and there is a potential alternative location in the community which would be. In these circumstances we need to seek to provide a sustainable service going forward to maintain Post Office services to the community. Therefore we would explore whether the alternative is feasible. Any change would subject to local consultation and if we proceeded the existing Postmaster would receive a leavers' payment. At all stages we would keep talking to the Postmaster concerned and if they wanted to develop their business on-site then we would look to support them with that.

Q: What about Postmasters who are trapped – they have been unsuccessful in selling their branch and cannot afford to convert? Can they receive a payment to go?

We have an absolute obligation to maintain services for customers. We understand that there may be some frustration in individual cases and we will work with Postmasters on the various scenarios open to them but this is not a closure programme.

Q. Can the NT compensation leavers arrangements be extended to include Outreach – where an outreach replaces the current service – in some cases this is the only option

Maintaining services for customers is our priority and is a requirement of the funding arrangements. I understand that this is being debated as part of this conference and we look forward to further discussions on this matter.

Q The local and mains models aren't working – branches that switch over to them are struggling and some have closed?

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The models are working, there are over 4000 in place, operator and customer satisfaction is high. As is always the case, in any large network there will be individual cases where the business concerned can have difficulties and we work with Agents in these circumstances but this is a very small minority.

Q Are you handing the network over to the multiples at the expense of the individual Postmaster?

Whilst the number of branches run by the multiples has increased a small amount due to our need to replace postmasters who wish to leave via NT, the vast majority of branches are run by independents and this is likely to remain the case.

Q – You said the Crowns would be at breakeven in 2015 – are they, and what are you going to do if they are not?

They are almost there and we believe that they will be getting into break even over the next year. Given that they were losing £46m 3 years ago this is an outstanding turnaround.

Q – Are you going to extend the network – thereby jeopardising the business of existing Postmasters who have invested in their business?

We have to explore whatever means we can in order to make the overall business, and our existing network, sustainable and given the competition and the challenges that brings it is imperative that we understand how to ensure that customers can access our services effectively. This will inevitably mean that in some locations we don't have that access right currently and will need to provide it. We are committed, as we have to date, to working with the NFSP in determining the right outcomes.

If pressed on how the current trial has gone:

We are continuing to evaluate this and as we have said we are committed to discussing this with the NFSP.

Q How many temporary closed Post Offices have you got – I've heard it is 600. How can you pretend the network is stable when this is happening?

We are committed to maintaining our nationwide network of branches and we are always very clear in all our reporting that we only ever report the trading network – therefore changes in the network can easily be tracked. We do have circumstances where branches close for reasons beyond our control and we work hard locally to try to restore services as soon as we can. Sometimes it is just not possible to re-open the service, perhaps there is no Postmaster or no premises available. If this is the case the branch moves onto our temporary closed list as we recognise that local circumstances are constantly changing and that there may be an opportunity to re-establish services going forward.

We have a trading network of over 11,600 Post Offices. These are the branches that are trading and are what we report when we talk about network numbers, they do not include any of these temporary closed branches.

When you talk about there being 600 branches that are temporary closed these are all the branches that have closed for reasons beyond our control over the last 7 or 8 years. These are kept on the books in this category in case there is an opportunity to re-open.

The trading network is generally stable, many of these temporary closed are historic cases that we keep on file in case local circumstances change.

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Products**Key Messages/Proactive lines**

- ***We must drive forward with a commercial approach to grow revenue in very competitive markets.*** The markets in which we operate are very competitive; we will have to drive revenue growth through a strong commercial and entrepreneurial mind-set. We have had the benefit of very significant Government funding – we need to use it effectively to build the future
- Let me remind you that tonight at 18:30 we have a session dedicated to growth, which Martin George, Kevin Gilliland and Henk Van Hulle will lead. This will cover both product and sales approaches.

Mails

- We are the number 1 mails retailer – we work closely with an increasingly commercial Royal Mail.
- This is a rapidly changing marketplace with rapidly growing mails retail competition.
- We cannot be complacent and must ensure that we benefit from the growth and change in the market.
- We are working with Royal Mail on this as can be seen by the special parcels pricing offer that enabled customers to post more for less this Christmas.

Financial Services

- Post Office is one of the fastest growing providers of Financial Services – a challenger brand with 3 million customers (We handle over £16 billion of savings and £3billion in loans). (Recently launched Post Office Money)
- A range of award winning products and services from mortgages and credit cards to life insurance and Savings Accounts.
- We have achieved this growth in mortgages by:
 - Increasing the number of mortgage specialists in our network to 100
 - Re-entering the buy to let market, joining the Government's Help to Buy scheme and launching into the intermediary sector
- As well as being a challenger bank we are an important financial infrastructure, for example, virtually all UK debit cardholders can withdraw cash through their bank accounts at Post Offices.
- We offer the UK's largest fee free cash withdrawal network through our nationwide branch network and an additional 2,500 cash machines.
- We have the UK's largest contactless payments network with over 32,000 terminals.
- We are the No 1 provider of travel money in the UK with around a 25 per cent market share

Telecoms

- Post Office is a significant player in the very competitive Telecoms market – providing phone and broadband services
- We offer the largest network of mobile top-up terminals in the UK
- We have moved our Telecoms services to a managed service provided by Fujitsu and the new infrastructure enables us to offer more innovative and bespoke propositions

Government Services

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- Customers now have many choices in how they conduct their business with Government
- Our revenue from Government services is under pressure for a number of reasons (including the lower rate per transaction for the DVLA motoring work due to strong competition in retaining this work)
- Despite intense competition we have secured some important contracts including The Identity Assurance Framework with Government Digital Services (GDS) in the Cabinet Office (This supports the Digital by Default Agenda)
- The recent announcement on the future of the Post Office Card Account is an important development for Postmasters

Q&A**Mails****Q. Will postmasters be allowed to handle work for other mails carriers?**

Royal Mail remains by far and away the market leader and we are both committed to the 10 year deal that we agreed. We are working with Royal Mail to build the business

- Royal Mail remain our biggest customer and both Post Office Ltd and Royal Mail have committed to an almost unprecedented 10 year commercial agreement cementing the strong trading relationship between us,
- The separation of Post Office and Royal Mail has resulted in an historic long term commercial agreement between the two companies providing a greater focus on the customer and the development of services to meet the market needs.
- We are the No 1 Mails retailer in the UK

Financial Services**Q. I don't think we have competitive products and that is why I am unable to sell any financial services?**

We are monitoring the markets all the time to ensure our products are competitive. We are regularly in the best rate tables and adjust our offers and prices to reflect the markets.

Q. Why does the Post Office take work away from the network by offering better rates to customers online

Most on-line customers would not access post Office services through the branch network and therefore we have to be competitive on-line. In fact since many choose to collect their on-line order in a branch this is a great opportunity.

Q. Whatever happened to the Post Office current account? It was badged as the big saviour of the Post Office but this does not seem to have happened?

The current account pilot has now extended to 239 branches to issue accounts, these accounts are then serviceable across the network. It is important that we develop this product and our offer in the right way and that we are also mindful of other developments in this fast moving and competitive marketplace. We continue with the development and roll out of this product.

Q: Why don't you form a Post Bank?

- In its Policy Statement in November 2010, the Government concluded that it was not the right time and indicated that setting up and capitalising a new bank would be time-consuming and expensive.
- We already offered a wide range of financial services through our joint venture

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with the Bank of Ireland UK and we have continued to develop that relationship and invest in our branch network.

- 95% of all UK debit card holders can access their cash through Post Office branches

Q. Are you going to negotiate a fair and improved rate of remuneration for banking transactions, particularly in light of bank closures? We need to be paid for balance enquiries.

We are well placed to gain extra business by having a network through which the banks customers can transact. Ultimately the outcome of this will be determined by the commercial negotiations that we have with the banks.

Q. Are you going to allow Post Office Locals to do banking transactions in light of bank closures; the upper limit for deposits is an issue.

We are constantly reviewing the way that we conduct business with customers in light of changing demands and markets. If there is a local need, and the Postmaster is able to deliver it, we will look to add additional services to specific Post Office Local branches as appropriate. We understand that this is a motion for the conference and we look forward to further discussions.

Government Services

Q – What is your ask of the new Government – as the previous Government didn't deliver on the 'Front Office' work that they promised?

It would have been good to have seen more business but we cannot expect this on a plate. Government is going increasingly digital and we have to provide the service that they need. We are well placed to continue to provide face to face and digital services and we will continue to push hard for this work.

- Customers now have many choices in how they conduct their business with Government
- Our revenue from Government services is under pressure for a number of reasons (including the lower rate per transaction for the DVLA motoring work due to strong competition in retaining this work)
- Despite intense competition we have secured some important contracts including The Identity Assurance Framework with Government Digital Services (GDS) in the Cabinet Office (This supports the Digital by Default Agenda)
- The recent announcement on the future of the Post Office Card Account is an important development for our Postmasters

General

Q: It has been a difficult year in terms of Post Office revenue and it is hard for us to make money in these circumstances.

We know that conditions on the high street have been tough and are grateful for all the hard work that our Postmasters put in to support Post Office revenue streams which has been under pressure this year in a number of areas including mails, telecoms and government services. We have put in place the fundamentals which will allow us to build and open up new revenue streams in the future.

There are a number of positives to be taken from this past year. We are fast becoming the 'challenger' brand in the financial services market with a widening product portfolio

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that now, critically, includes current account and mortgage offers.

Q – You are still stopping postmasters doing work that the Post Office doesn't want us to (Restrictions). Isn't this anti-competitive, why can't you set us free to make money?

The restrictions policy benefits the network as a whole and is to avoid competitors cherry picking our better locations to the detriment of the wider network.

Q Postmaster pay is just declining year on year – there is no future for our businesses

Postmaster sales remuneration is not in decline - it is flat and in line with PO income trends – and given the reality of the markets we operate in, whilst this is challenging it is not devastating

If pressed on specifics:

I would expect your negotiating committee to discuss this with my team through the normal channels.

Q. What percentage of sales are done online versus at the counter?

The vast majority of our income is through our branch network but of course digital and online is a growing market and it is important that we access this additional business to the benefit of the Post Office and its overall sustainability.

Q. As more and more business moves online how am I going to make a living?

We are absolutely committed to our network and to offering our customers a range of channels in order to grow our overall business and digital is increasingly important. The online world can drive a lot of footfall into branches and vice versa. A great example is Travel Money Click and Collect.

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Sparrow/Horizon

Key Messages/Proactive lines

- Horizon is operating as it should – this has been confirmed by investigations over the past three years.
- Both we and the independent forensic accountants Second Sight found that the majority of losses in the cases investigated were, in fact, caused by errors at the counter.
- The number of complaints was small but the allegations made – that our systems are flawed – were very serious indeed and we've gone to great lengths to get to the bottom of them.
- In doing so, we've learned a lot and made further improvements to our training and support for our postmasters, involving them more closely as we have done so. Our Branch Support Programme is one result of this.
- This has been a difficult process and it is regrettable that there has been misleading and inaccurate information put into the public domain and carried in some media from time to time. We have continued to provide facts and answers, but unfortunately these are not always properly reflected.
- It is welcome news that postmasters, employees and customers can have confidence in the system they are using to process six million transactions every day.

Key Facts

- Horizon has 78,000 users and processes six million transactions for our customers every day.
- Since its introduction in 2001, there have been nearly 500,000 users.
- We instigated an independent review of Horizon in 2012. This provided continued confidence in Horizon for us - but it did point to areas where we could have done more, in some cases, in areas such as training and support.
- Therefore the Complaint Review and Mediation Scheme was established in 2013 to provide an avenue for postmasters to raise their specific, individual concerns.
- There were 150 applications to the scheme, a number of which were resolved at an early stage. 136 cases entered the scheme.
- In March 2015 we announced we would put forward all remaining cases in the scheme for mediation (with the exception of those subject to previous court rulings, which continue to be considered individually, on a case-by-case basis)
- We are continuing to mediate cases and expect to complete the process later this year.

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Reactive position

- Regrettably, there has been misleading and inaccurate information put into the public domain.
- When we established the scheme, we assured people they could come forward in confidence, so we cannot respond publicly about the cases involved and mediation itself is, necessarily, a confidential process.
- We have nevertheless been as open as we can throughout.

Current main issues (resulting from Second Sight's report):

- **Fit for purpose:** A tiny fraction of the overall 500,000 people who have used Horizon since it was introduced have put forward complaints. That does not constitute evidence that the IT system is flawed or not fit for purpose; indeed if anything, it demonstrates the system is highly reliable. There is broad consensus, including from Second Sight that Horizon generally works well.
- **Malware and external fraud:** We have processes in place to continually review and improve Horizon. There's no evidence that suggests any postmasters, properly carrying out procedures, have been held liable for external fraud.
- **'Remote access' to Horizon:** Neither we nor Fujitsu can edit or delete transactions recorded by a branch. We are confident of our data integrity and our security - there has been nothing put forward that suggests any malicious 'tampering'.
- **Miscarriages of justice allegations:** We naturally take any allegation of miscarriages of justice extremely seriously. In none of the Post Office's own work, nor through any of Second Sight's work, has any information emerged to suggest a conviction is unsafe. We have a continuing duty to disclose immediately any such information.

If asked for a copy of Second Sight's report/why we have not published:

- The report and the Post Office response to it concern individual complaints made to the mediation scheme, which closed for applications in November 2013. They are, therefore, confidential to protect the privacy of the individual applicants and we are not publishing them.
- But we are trying to be as open as we possibly can. We have shared them with the NFSP and other parties with an interest, on the basis that confidentiality is preserved, they should not be reproduced and individual privacy should be respected.

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General Q&A areas

Q We understand that you are making a TV documentary about the Post Office – why not let them come here and we'll tell them what it's really like to be a Postmaster?

Yes there is some filming for a documentary to be shown later in the year which is about the people working in this business and will include Postmasters. This reflects the interest that the British people have in the Post Office.

Q We hear a lot about £2bn funding to the Post Office – we're not seeing it – where is it going?

The £2bn is a combination of Network Transformation, funding for investment and on-going subsidy. All of this is about making this a sustainable business and maintaining and developing our network.

Q: Why are you awarding bonuses in head office when those of us who are at the coal-face of the business are struggling?

Bonus structures are a recognised approach across businesses so that people are incentivised for their performance wherever they work in the organisation. They are only paid when objectives that assist the business financially or strategically are achieved. There is a full system of governance in place through the remuneration committee on the Post Office Board and full reporting via the Report and Accounts.

Q How can you justify fancy Head Office buildings in London – and high pay rates and bonuses for you and your Directors when the ordinary postmasters are struggling to survive?

What we have is a building that is £2m cheaper, is smaller than the old building, and is geared for efficient working. It also reflects us as a modern forward looking business which is what we are all trying to build.

Q The Post Office pays badly and demands more from retailers – other operators – Paypoint, My Hermes are a better bet for the retailer. Aren't you just letting the Post Office network wither?

The Post Office is a good franchise offer for retailers, it involves a strong portfolio of products with a strong customer base and a trusted brand, and it is an organisation that is investing in its network, is working with its Postmasters and is committed to growth.

Q. What are you doing about central costs?

Our Strategy will firmly drive central cost reduction – it includes central business transformation in the same way that there has been network transformation. We are looking at the ways we fulfil our necessary central functions to ensure we are as efficient as the best retail companies. Our strategy is about the central functions enhancing our front line – not being a drain on resources.

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Q. Why are you changing communications/pay slips to digital

We are committed to reducing costs and delivery communications digitally is cost effective, rapid, modern and delivers communications fast and effectively and this is about being an organisation that is quick off the mark and is about ensuring that its customers get the best service possible.

General facts/messages

- Over 11,600 Post Office Branches (around 6300 rural and 5300 urban)
- UK wide network with branches in communities from remote rural to urban towns and inner cities
- 99.7% of the UK population are within 3 miles of a Post Office
- 17m customers per week
- A third of all small businesses use the Post office each week
- Post Office is an independent business with a turnover of c.1bn (Key business is Mails (40%), Financial Services (30%), Government Services (15%), Telecoms (13%).
- Post Office is one of the fastest growing providers of Financial Services – a challenger brand with 3 million customers (We handle over £16 billion of savings and £3billion in loans).
- We are the No 1 provider of travel money in the UK with around a 25 per cent market share
- We are the No 1 Mails retailer

Latest Financial Numbers

Interims published on 21 November;

- **Profit** before exceptionals £23m (2013 - £53m) – but impacted by £20m year on year network subsidy payment
- **Turnover** - £475m (2013 - £483m). Down 1.7%. Challenging markets and competition
- **Mails** down 0.5%. Illustrative of the rapidly changing markets and competitive pressures as evident in RMG results recently
- **Financial Services** up 5.8% (within this - Personal Financial Services up 11%). Strong performance
- **Government Services** down 9.3% (POCA numbers down, Govt depts. Going digital)
- **Telecoms** down 9.2% (strong competition, shift in platform, reduction in value per customer)

(Note: We will be issuing our full year Report and Accounts in the early summer. There was a strong performance in the second half. Our overall strategy is on track).

Overall Business Strategy

- We are changing to meet customer demand and competitor pressure
- We are committed to maintaining, investing in and developing our network
- We are growing the business to become more commercially sustainable and less reliant on public money in the future
- We are a commercial business with a unique public purpose.

Social Purpose position / Mutualisation

- We recognise the social role that Post Offices play and we are committed to maintaining the UK nationwide network

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- Our branches are in the heart of communities – even the most remotest - in rural areas over 99% of people are within 3 miles of a Post Office
- We are providing an alternative to banks as they reduce their branch networks
- We are committed to building the foundations for mutual ways of working by;
 - Securing our commercial sustainability
 - Safeguarding and modernising our network
 - Delivering sustainable revenue growth

Public Funding and Subsidy support

- We are committed to making the business commercially sustainable and to reducing reliance on Government/taxpayer subsidy.
- The Government have committed significant investment to 2018 and we are transforming the business with this investment to enable us to deliver an improved service and competitive products for customers and at the same time reduce the burden on the taxpayer

Crown

- Number of branches modernised – 287 (all done for 2014 now)
- Number of colleagues trained – 3,207 (all courses complete now)
- Self-service kiosks installed – 508 in 181 branches
- Customer satisfaction in transformed branches is 82%, which is higher than it was before transformation started (before modernisation, automation installed, staff savings and training).
- 31 Franchise branches live

Relations with CWU/Unite

- We are committed to working with the Unions – as we move through such extensive Business Transformation it is critical that we engage with our people, and their representatives
- Agreements with the Unions need to move the business forward towards its goals of sustainability and reduced subsidy
- We have recently reached agreement in our Crown network and in our Admin and Supply Chain area – tough decisions and negotiations but agreements, that move us forward, have been secured

Relationship with BIS/Governance arrangements

- Government have made it clear that the Post Office will remain in the public sector
- As a result of the reforms in the Postal Services Act 2011 the Post Office separated from Royal Mail Group to become an independent company on 1 April 2012
- Post Office has its own Chairman and full Board including non-Executive Directors
- The responsibilities of the board include setting the business strategic aims, putting in place the leadership to deliver them, supervising the management of the business and reporting to the Shareholder.
- The Post Office is a commercial company which operates with Government as Shareholder. The relationship with Government is an arms-length position and the Government Shareholder responsibilities are delivered by the Shareholder Executive within BIS (as opposed to a Government Department/Agency position)

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