

Chief Executive Statement

The Post Office is at the heart of UK life. Millions of people and businesses rely on our services. A commercial business powered by a social purpose, the Post Office is there with essential social and economic services – parcels, payments, pensions, banking and cash, for customers and communities wherever they need us.

Over the course of the financial year we have started to see the benefits of a sustained focus on our cost base, as well as the re-structure of our central services and improvements in our information technology infrastructure. For the second year running, Post Office Limited is reporting a strong performance, with a trading profit of £35 million, exceeding the challenging target of £30 million we set ourselves at the beginning of the period and double the profit we made in the prior year. This achievement takes place against a backdrop of continued uncertainty on the high street and I would like to thank all Post Office colleagues for their commitment and determination to deliver it.

Our results are good; they are not yet good enough. We have set ourselves a target of £100m trading profit in three years. We need to be able to invest in the future and respond effectively to the challenges which remain. Managing the risk of delays to and, indeed, accelerating the process of building more reliable IT infrastructure, will require relentless focus and investment at scale: not easy, but within our grasp.

If we are to achieve £100 million target, we have urgent priorities: simplifying and automating running a post office; expanding our network of branches for our customer; building flexible and secure IT systems. The world is increasingly digital and we have important work to do to streamline and digitise the way we do business. Lengthy and overly complex legacy processes slow us down, acting as a drag on profitability.

We have already begun this work, building a digital innovation team, bringing highly skilled developers and programmers in-house, to give us end-to-end control over the design and development of our own applications – responding in real time to customer led improvements. A dedicated Digital Identity Business Unit enables key clients in Government and the wider public sector to meet their identity verification requirements more securely and more efficiently.

Our traditional products and services stay centre stage. Our mails business drives a large proportion of our revenue – with our partner Royal Mail, we remain market leader in this area, a major achievement in the face of ever-growing competition. While volumes in the letters market continue to reduce year-on-year, we have extended our offering in parcels, returns, and express services, reflecting the changing preferences and habits of our customers.

Through our Network Transformation Programme which is drawing to a close, we have modernised over 7,500 branches across the country, becoming the largest Sunday retailer in the United Kingdom, and adding over 200,000 additional opening hours a week in the process. To bring further convenience to our customers, we are now opening entirely new branches where there is unmet demand for our services, including a 24 hour branch in London's busy Oxford Street.

We continue to lead the market in Travel Money and to have a close and productive relationship with the Bank of Ireland - a partnership that will need to carry on evolving in step with the needs of our customers and our ambitions in the highly dynamic and changing Financial Services marketplace. Our insurance business is enjoying revenue growth of 12%, by providing our customers with important peace of mind in respect of

unpredictable events.

Our telecoms business has performed well despite regulatory challenges and, through our acquisition of New Call, we welcomed 51,000 new broadband subscribers. Our customer-centric approach has seen us roll out fibre networks for faster and more reliable speeds, including home visits for more vulnerable customers.

We are well placed to understand that public perceptions of business mean that it is not enough simply to be profitable, we also need to demonstrate our value to communities. In this regard, our banking services are a great example of our social purpose in action. Easy access to cash and basic banking services is vital for both private customers and businesses. As banks continue to close branches, we have an important role to play in addressing some of the challenges of financial inclusion.

Cash withdrawals in our branches grew by approximately 6% over the year but cash deposits, driven largely by small businesses, grew by an impressive 28% in the same period. Our Automatic Teller Machine (ATM) business performed well, supporting over 140 million transactions. The innovation and convenience we are bringing to day to day banking is resonating with our customers: the Post Office, with its effective and efficient supply chain, is rapidly becoming a cash utility for the UK. Through our business banking services, we are rightly proud of the contribution we are making to supporting small businesses, and thereby to the working and resilience of UK local economies.

Our Government Shareholder has expressed its confidence in our strategic priorities through investment funding of £370 million over a three year period. Investment is critical at this point in our journey, enabling us to make further progress in a significant programme of IT infrastructure upgrades, to develop our digital capability, and to contribute to the sustainability of our Community Branches.

As well as normal trading challenges, businesses of all shapes and sizes also face risks, and the Post Office is no exception. Many will be aware of a group litigation being brought by a number of mostly former postmasters, alleging defects in the Horizon system and Post Office's internal processes. The resolution of these claims is now a matter for the Courts so that these allegations can be objectively assessed.

Every year, I am reminded of the dedication and sheer hard work of our postmasters and colleagues, serving our customers day in, day out. Their contribution to the continued turnaround of the Post Office cannot be overstated. They have witnessed an exceptional level of change, from adapting to new products and services, new ways of working, accommodating the roll out of new branch technology, to supporting our drive to improve customer waiting time, especially at Christmas.

These colleagues continue to reflect the best of our values. Last year showed the Post Office can be counted on, when customers and communities need us most. Within hours we were able to offer practical help to the people affected by the fire at Grenfell Tower, providing those who had lost absolutely everything with emergency access to cash, removing at least one immediate worry for them. We were there for the communities at London Bridge, Manchester, Finsbury Park: as well as providing practical help, we took the time to listen to stories from the local community and people affected, prompting Wendy, one of our colleagues, to open a book of condolence at our Manchester Spring Gardens branch, an initiative then adopted by other branches. Events such as these bring the unique role that Post Offices play into sharp focus.

The turnaround of the Post Office is a demanding and ongoing task - delivered by talented and dedicated colleagues. As a workforce, we are multicultural, diverse,

inclusive and all the stronger for it. Our diversity and inclusion agenda has been a significant focus for us over the past year. We aspire to provide a positive work environment. This means that regardless of our differences, we can work without fear of discrimination, harassment or victimisation. Employment decisions – whether related to recruitment, promotions, transfers or terminations – are based on merit and fairness.

We are proud to have been recognised as a Disability Confident Leader this year, to have scooped the prize of Diversity and Inclusion at the Employee Engagement Awards, and to have won a Times Top 50 Employer for Women Award - for the third time. Thanks to the passion of our colleagues, we have thriving networks for LGBTQ+ and BAME colleagues, as well as Women in Leadership. We have taken important steps in all these areas and much remains to be done. In common with many companies, we published our Gender Pay Gap and whilst we performed better than many, with a median pay gap of 13.1%, I am determined that we will make progress to further reduce this figure.

I am grateful to the Post Office Board led by Tim Parker and to my Group Executive colleagues for their inspiration, challenge and support. We will continue to accelerate the pace of change from a position of strength and confidence, ensuring the Post Office matters even more to the customers of tomorrow than it does today.

Paula Vennells

Chief Executive

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