

In Strictest Confidence

POLB(06)3rd
POLB 06/30 – 06/57

Post Office Limited

(company no. 2154540)

Minutes of the meeting of the Board
held at 148 Old Street, London
on April 20th 2006

Present:

Sir Michael Hodgkinson	Chairman, Post Office Limited
Ian Anderson	Human Resources Director
Alan Cook	Managing Director
Peter Corbett	Finance Director
Ric Francis	Operations Director
Graham Halliday	Banking & Financial Services Director
Allan Leighton	Chairman, Royal Mail Group
David Miller	Chief Operating Officer

In attendance:

Simon Carter	Head of Marketing
Adam Crozier	Chief Executive, Royal Mail Group
Jonathan Evans	Company Secretary (for POLB 06/30 – 06/38)
Richard Murray	Ernst & Young (for POLB 06/37 – 06/38)
Neil Owen	Notes
Will Rainey	Ernst & Young (for POLB 06/37 – 06/38)
Jeff Triggs	Lawyer, Slaughter & May (for POLB 06/13)
Sue Whally	Consultant, McKinsey
Keith Woollard	Head of Compliance (for POLB 06/53)

Apologies:

Brian Goggin	Non-Executive Director
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POLB06/30 MINUTES OF PREVIOUS MEETINGS POLB(06)2ND

- (a) The Board approved the minutes of the Board meeting of February 9th 2006.

POLB06/31 MINUTES OF JV AND ASSOCIATE COMPANIES

- (a) The Board noted the minutes of POFS Board meetings of 27th January and 22nd February;
- (b) the Board noted the minutes of the FRTS Board meeting of 15th December. The Board further noted that FRTS had changed its name to First Rate Exchange Services effective 26th March 2006;

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Action:
Jonathan
Evans

- (c) the Board noted the minutes of the Post Office Ltd Compliance Committee of 22nd March 2006. In view of the increasing volume of regulatory issues the Board considered that it would be beneficial for the Committee to recruit additional expertise. The Board agreed that Luke March, Compliance Director Royal Mail Group, should be asked to join the Compliance Committee.

POLB06/32

RESIGNATION AND APPOINTMENT OF DIRECTORS OF ASSOCIATE COMPANIES

- (a) The Chairman reported the resignation of Roy Keenan as a director of POFS, effective from 31st December 2005. The Bank of Ireland had nominated Des Crowley as his replacement and in accordance with the shareholders' agreement between POL and BOI, would also become Chairman of POFS;
- (b) it was further proposed that Alan Cook be appointed as Director (and Chairman) of First Rate Exchange Services Ltd and First Rate Exchange Services Holdings Ltd, subject to approval by the Group Nominations Committee.

POLB06/33

STATUS REPORT POLB(06)25

- (a) The Board noted the report, and that all actions had been completed. In addition the Board noted that:
- (b) the paper to outline potential online business opportunities for Post Office Ltd over the next 10 years, and the analysis of product and agent sales would be deferred until the formulation of the strategic plan, and may no longer be required;
- (c) Peter Corbett reported that the work to establish the consequences of the Company's insolvency under various long term contracts was almost complete, and in many cases insolvency would trigger termination rights;
- (d) this year sub-postmasters would benefit from the 'Share In Success' payments. The Board agreed that:
- (i) a letter informing the sub-postmasters would be provided on the day of the SIS payment;
 - (ii) a discussion with Colin Baker would take place concerning the share scheme that was being considered by Royal Mail Group;
 - (iii) sub-postmasters who refused to sell new products should not be able to benefit from the share scheme.

Action:
Dave Miller

POLB06/34

CHAIRMAN'S BUSINESS

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- (a) Sir Michael Hodgkinson reported on some preliminary discussions he had had with Brian Goggin about the future relationship arrangements between POL and BOI. A joint dinner was to be held the following week at which the issue would be considered further.

POLB06/35 MANAGING DIRECTOR'S REPORT

- (a) Alan Cook reported that the strategic plan was progressing well and a presentation would be made later in the meeting to update the Board.

POLB06/36 FINANCE REPORT POLB(06)26a

- (a) Peter Corbett provided the Board with a presentation on the Period 12 business performance results:
- (b) sales stood at £1,164.7m, which was just £13.5m (1%) lower than budget;
- (c) operating profit (after allocations and pension funding) was a loss of £119.3m, £11.6m better than budget. However, Group postings had not yet been completed. The final result may be slightly different and would include an adjustment in the new Mails contract;
- (d) Year To Date cash outflow was £111m versus a budgeted outflow of £211m. This was £100m better than budget, and the budget included a £100m reduction in network cash;
- (e) the final results for the accounts were completed on March 30th. The external audit final phase would take place from April 3rd - 26th, and the results publicly announced on May 18th;
- (f) overall year end company performance had been good: the customer acquisition target had been beaten, headcount was 313 ahead of plan and customer satisfaction was 93.9%. However, the Have Your Say results were slightly below target and a presentation would be provided later in the meeting to outline the actions which were being taken to address this;
- (g) the impact programme was nearing completion and on track to deliver all planned financial benefits. The external auditors were auditing the new POLFS sub ledger for the first time which would require additional effort. Some issues had arisen from the migration of balances from the old (CLASS) system and these were currently being resolved with the auditors. Once the audit was complete the priority would be the post implementation task of upgrading the capability level in the Product and Branch Accounting team, in addition to progressing the next round of headcount

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reductions and leveraging the control and MI benefits of the new system.

POLB06/37**SOLVENCY AND FUNDING STATUS POLB(06)26b**

- (a) Peter Corbett outlined the Company's current financial position in further detail. It was clear that the Company was insolvent and that in the absence of support from its parent company and/or ultimate shareholder it would be unable to meet its debts as they fell due over the foreseeable future;
- (b) it was also reported to the Board that the Government had agreed in principle, with the support of Royal Mail Group plc (RMG), to write a letter to the Company (a draft of which had been circulated to the directors) under which the Government acknowledged the solvency issues facing the directors of the Company and that the directors were prepared to continue trading on a going concern basis only on the basis of the following support:
 - (i) short term funding to enable the Company to continue to meet its liabilities as they fell due over the next two years, made up of a contribution of £231m, either from RMG (to the debit of the Mails Reserve) or direct from Government; plus a loan facility of £150m from Royal Mail;
 - (ii) Government's stated intention to agree, by 31 December, 2006, a long term funding package such as to enable the Company to continue to trade as a going concern without putting the Company's creditors at risk of the Company going into insolvent liquidation in the then foreseeable future; and
 - (iii) Government's acknowledgement that if such a long term funding agreement were not put in place by 31 December (or subsequently failed to receive State Aid approval) then the Company would be obliged to consider rationalisation of the network to a commercially sustainable level on terms which would be affordable to the Company.
- (c) it was noted that such terms could be difficult in political and PR terms in the sense that they would be likely to involve the payment of redundancy and compensation amounts of substantially less than those which employees and sub-postmasters may have come to expect. It was proposed that this might be made clear to Government in reply to the letter once received;
- (d) it was noted that such a letter, though broadly agreed, had not been received from Government;
- (e) after some discussion it was agreed that, assuming that a letter were to be received from Government in the near future along the lines of the draft produced to the meeting,

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the Company should continue trading as a going concern. However, the Board should keep the position under regular review and in particular be prepared to take prompt action to minimise loss to the Company's creditors in the event that, contrary to the Board's expectation, the long term funding package from Government failed to materialise in line with the timetable to be set out in the letter;

- (f) it was also agreed that on the basis that such a letter were received, the Company should prepare its accounts for the year ended 31 March 2006 on a going concern basis. However, it would be necessary to agree on appropriate disclosure in the accounts as to the basis on which such a conclusion had been reached.

POLB06/38

**FINANCING UPDATE AND THE CONSEQUENCES OF
POTENTIAL ADMINISTRATION POLB(06)26b**

- (a) Peter Corbett outlined to the Board the current status of negotiations with Government for the long term funding solutions for Post Office Limited;
- (b) in the event that a long term funding package was signed and agreed by December 2006, this would still require state aid clearance (estimated to be in March 2007). The POL directors had already agreed that on the basis of the short term funding referred to above the Company would continue to be a going concern and could continue to trade until state aid clearance had been approved. Funding assumed to be utilised in this period was SNP of £150m p.a. for 06/07 and 07/08, £145m per the 05/06 interim funding agreement and £230m per the 06/07 interim funding agreement. Provision of this funding would leave £160m plus interest in the Mails Reserve. As POL would spend the next year operating on a manage for cash basis and would not have committed to the required restructuring of the business this would have a consequential impact on the total funding package required to fund the POL transformation.
- (c) if the long term funding package was not agreed by December 2006 or was delayed sufficiently that the POL directors no longer had confidence that a longer term deal would be concluded, a third Interim Funding Agreement would be required sufficient to give the Directors confidence that they could continue to trade for 24 months from December 2006 and March 2007. It was estimated that this would as a minimum need to comprise the balance of the mails reserve £160m plus interest – more likely a total of £300m;
- (d) Peter Corbett clearly emphasised that if the long term funding package was not agreed by December 2006, and in the absence of a further source of interim funds, the options facing the directors would reduce considerably. Previously

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committed funding would be insufficient for the directors to consider the Company a going concern without radical action. The directors would need to immediately restructure the network within the cash envelope available in order to continue trading. This would result in a dramatic reduction in network size to a commercially robust maximum of 4,000 offices, together with severe measures to reduce DMB losses as quickly as possible. This would include the following politically sensitive actions:

- (i) 10,000 subpostmasters would have to be given immediate notice and payments of up to 12 months made to compensate for the closure;
- (ii) 50% of staff would be made compulsorily redundant and paid on terms substantially below those offered by RMG (a maximum of 12 months pay);
- (e) the Board agreed that once the comfort letter had been received from Government, a letter outlining the consequences of the scenarios above would be sent to Government to confirm understanding.

Action:
Peter Corbett

POLB06/39

FINALISATION OF THE STATUTORY ACCOUNTS

- (a) Peter Corbett reported that the draft annual accounts would be finalised shortly and would be available for signature on or before 17th May subject to the duly executed consent letter, as discussed earlier, having been received from Government and Royal Mail Group.

POLB06/40

RBS SECURITY FACILITY POLB(06)26c

- (a) Peter Corbett explained that POL was a member of the notes circulation scheme operated by the Bank of England where members were able to sell eligible notes in their cash centres back to the Bank of England overnight in order to avoid the finance charges for having these notes on the balance sheet. As part of this agreement the Company was required to pledge gilts with the Bank of England in order to protect them from any risk of loss in an insolvency situation. These gilts were currently being provided on behalf of POL by Royal Mail from the gilts holding which formed part of the Mails Reserve. Royal Mail was due to make a number of payments to POL to fund the business cashflows and rural network and therefore need to liquidate these gilts to release sufficient funds. The understanding reached with the DTI was that when these gilts were needed to provide funding for POL, that POL would arrange for a bank to provide the necessary gilts collateral on POL's behalf. The facility with RBS had now been arranged on a competitive basis at 0.2% of the outstanding value of the gilts. This was expected to cost £160k for the financial year to March 2007, which had been allowed for in the current budget;

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- (b) the Board authorised Peter Corbett to sign the Security Collateral Facility and any ancillary documentation on behalf of the Company.

POLB06/41

STRATEGIC PLANNING PROCESS

- (a) Alan Cook and Sue Whally provided the Board with a presentation on the strategic planning process. The Board noted the presentation, and in particular that:
 - (b) nine strategic initiatives and a new organisational model would underpin the development of the Company's five year strategy. These were divided into the 'product pillars' of Mails, Financial Services, Telephony and Government Services, together with the 'delivery pillars' of network and channel strategy and operational efficiency and the enablers of people and strategy, IR strategy and the relationship with Group. A programme management structure would be used to pull all of the activities together;
- (c) Adam Crozier pointed out that the product 'pillar' of retail could be added to the analysis. Allan Leighton explained that the most successful sub-postmasters also had a convenience store offering. He also asked the Board to note the successful alliance between FedEx and Kinko in America, but acknowledged that these two approaches were mutually exclusive. Mike Hodgkinson suggested that there was an opportunity for Royal Mail to provide much more in the way of branded postal stationery to sub-postmasters who primarily sourced these products from third parties. The Board agreed that:
 - (i) the analysis would be refined by defining the retail activities which should be excluded;
 - (ii) further options would be explored which would consider franchising a minority of DMBs whilst leaving the remainder commercially viable;
 - (iii) the branding issue would be re-examined, particularly the use of the colour green on Post Office fascias and mobile Post Offices.

Action:
Alan Cook

POLB06/42

CARD ACCOUNT UPDATE POLB(06)27

- (a) Analysis of the existing card account customer base showed that of the 4.3m active account holders, approximately 1m were customers who could be retained given the cross sell opportunity they represented. The Board agreed that retention of these cross-selling should be a priority to demonstrate that it could be done successfully;
- (b) of the remaining card account customer base, the Government had accepted that there would always be a

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number of customers who could not open a bank account. This was estimated to be 1.25m – 2.5m customers (including current cheque customers). Post Office Limited would develop a new account for these customers;

- (c) a meeting had taken place with the minister, James Plaskitt on 28th March to outline the proposals. He was keen to be kept updated on developments and was questioned as to whether the DWP would need to go through a formal tendering process for the new service. It had been agreed that the DWP would not progress any further migration for three months to allow time for solutions to be developed. Two further update meetings were proposed. Allan Leighton requested clarification concerning the potential upside of this delay, and this was estimated at between £10m and £20m with some upside having already been taken to budget;
- (d) Government had since confirmed the following timetable:
 - (i) issue OJU notice mid – late summer;
 - (ii) issue ITT no earlier than September 06;
 - (iii) Go live Autumn 07.
- (e) the DWP had indicated on 10 April that they would consider splitting the service, stipulating that any service provider would have to offer ATM access and allow access to services in POL branches. The DWP would also have a separate distribution agreement with POL;
- (f) there was a significant risk that DWP were acting solely in self interest and had made no consideration of wider POL implications.

EXECUTIVE REPORTS

POLB06/43

SALES & SERVICE REPORT POLB(06)28**Action:
Dave Miller**

- (a) The Board noted the report, and also noted that:
- (b) Franchised Offices: there had been a suggestion that Barry Gardiner's office had attempted to obtain certain information in relation to non-customer services. Dave Miller would contact Jonathan Evans with a view to reminding the minister of the 'agreed way of working' process agreed with the shareholder;
- (c) Instant Saver: the Instant Saver product had been launched and a positive reaction had been received. In the first ten days £50 million had been deposited, including a single deposit for £1 million;
- (d) Agent Remuneration 2005/06: the end of year figures for the agency pay budget were below the £525m in the plan. Final figures would depend upon what was being accrued for the following year. Efforts were being focused on keeping fixed

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remuneration increases to a minimum. The annual Core Tier Review would be implemented from 1st April and was a good gauge of branch sales performance throughout the year. Of the 8320 branches affected by PRAG:

- (i) 3% (275) were demoted out of commercial status;
- (ii) 20% (1629) saw a decrease in pay;
- (iii) 19% (1535) stayed the same;
- (iv) 57% (4750) saw an increase in pay;
- (v) 2% (131) were promoted to commercial.

Action:
Ian Anderson

The Board agreed that the covering letter circulated for the Share in Success payments should mention points (ii) – (iv) to illustrate that the majority of sub-postmasters were better off despite the real difficulties being faced by the Group.

- (e) NFSP: the NFSP had expressed considerable concern following discussions about the future of bill payment and the need to take up to £12m out of remuneration this year. The problem would be compounded by the withdrawal of TV Licence business which would result in a further £3m annual reduction. These two areas alone could wipe out any pay rise for sub-postmasters.

POLB06/44

MARKETING & DIRECT SALES POLB(06)29

- (a) The Board noted the report and in addition that:
- (b) Telephony: 98% of the annual target for Post Office@ HomePhone had been achieved at the end of the financial year. Of the 680,000 customers, 300,000 were 'live' and making calls. It was explained that the difference in the number of 'live' customers should not be a matter for concern, as a 40% 'switch' rate was one of the best in this very competitive market. Discussions continued with Cable & Wireless, NTL, Pipex and Tiscali to support further growth – principally via the launch of a "Broadband" product. BT had withdrawn, claiming regulatory issues limited their ability to offer a credible deal. KPMG had been engaged to help with the due diligence on these respective bids;
- (c) Sorted: The launch of the 'Sorted' magazine had been successful, and was providing many of the anticipated business benefits. However, it had been agreed that the name of the publication would change for the next edition due to the unfortunate possible associations with the imminent BBC television programme of the same name;
- (d) the Board briefly discussed the branding strategy of the Post Office and Royal Mail websites. The Board agreed that Simon Carter would provide Adam Crozier with suggestions as to which Post Office Ltd products should be advertised on the Royal Mail website.

Action:
Simon Carter

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POLB06/45

BANKING & FINANCIAL SERVICES POLB(06)30

- (a) The Board noted the report and in particular that:
- (b) Horizon: the development of PIN change functionality on Horizon was being taken forward. Initially this would be used to support the Post Office Financial Services Instant Saver Account and National Savings and Investments' Easy Access Savings Account. Post Office Financial Services had agreed to contribute £100K to the development cost of £300K, and a similar contribution was being sought from NS&I. It was anticipated that this service would be available towards the end of 2006;
- (c) LINK: an initial meeting had been held with LINK to progress a separate scheme for 'over the counter' withdrawals. The target date for establishment was 13th July, but a full business case would be developed before any commitment was made.

POLB06/46

OPERATIONS REPORT POLB(06)31

- (a) The Board noted the report, and in particular that:
- (b) Horizon S90 Release: This release would:
 - (i) transfer Bureau debit/ credit card transactions to the counter from the stand alone device;
 - (ii) introduce controls to ensure debit/credit cards are applied to the correct transactions;
 - (iii) introduce a generic out payments product that will in the first instance be used to re-engineer the Postal Order product, with enhanced processes for the control of stocks of foreign currency;
 - (iv) provide for a plethora of change requests across a variety of existing capabilities.

The release continued to make good progress. There had been a number of issues in the pilot but these had been quickly diagnosed and resolved. The Bureau debit/credit card solution was now live in all on demand branches. Postal Orders would be fully piloted next week having had a successful private pilot (employees and family);

- (c) Network Resilience: the software necessary to deploy an ISDN secondary network for 2000 larger branches and the GSM solution to limit the period of downtime for smaller branches was now ready for implementation.

POLB06/47

HUMAN RESOURCES REPORT POLB(06)32

- (a) The Board noted the report and in addition that:

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- (b) Industrial Relations: the CWU had indicated that further conversion and closure announcements for London during April would result in a ballot for industrial action. This would probably be confined to London, but there would be a small risk of nationwide support. A mandate for pay discussions had now been obtained from RMG. Unfortunately the CWU had decided to write to all their members criticising the business for the lack of progress. A joint vision statement had been produced for the cash business and further talks continued to identify how this area could move into profit. It was anticipated that an agreed solution could be achieved;
- (c) Health & Safety: all accident performance measures achieved their target and performance compared to both the rest of Group and external measures remained strong. Royal Mail (excluding POL) was currently running at 32.2 absence accidents per 1000 employees against a POL year-end rate of 7.4 absence accidents per 1000. Absence 'resulting from accidents' per 1000 employees was on target with a 10% reduction on last year. Latest HYS H&S performance showed a further decline to 58.3%, and this would be discussed later in the meeting. Health & Safety audit results show a 92.7% compliance rate with results ranging from 73% to 100% compliance. Personal Injury (PI) Claims remained steady with an estimated liability of £1.3m and Legal costs of £0.7m. Absence related to psychological trauma following attacks in Cash Services was down 36.4% on last year at 1889 days, which mirrored the reduction in the number of attacks. Reports of firearms being carried during attacks are down from 37 to 21. Discharging of firearms was down from 4% to 3%. Absence related to mental health had increased against last year by 7.3% from 42,632 to 45,750 days.

POLB06/48

SALES REVIEW POLB(06)33

Simon Carter provided a sales review to the Board. The Board noted the presentation and in particular that:

- (a) The key findings of the review were that:
- (i) there was no geographical trend as to where branches were more effective at selling;
 - (ii) retail (i.e. PostShop) sales were flat through the year, and down year-on-year;
 - (iii) a small percentage of branches were responsible for the majority of sales – especially DMBs;
 - (iv) franchising a DMB had an adverse impact on sales;
 - (v) branches who score highly for “+1 service” and Retail Standards conformance sold more products;
 - (vi) bonus incentives for colleagues could help them start selling products that they had previously felt difficult to sell;

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- (vii) older & lower socio-demographic groups were increasingly more inclined to buy new products;
- (viii) web sales were growing rapidly, and had attracted a younger, more affluent customer to the product range;
- (ix) The "£50 customer incentive" proved an enticing incentive for customers but the £25 incentive had failed;
- (x) Brand reputation was in decline, which indicated that hard sales push (or poor technique) was having an adverse effect.

- (b) after some discussion it was apparent to the Board that solving the problem of loss-making DMB offices should remain a high priority. The Board agreed that two large meetings would take place at which 250 DMB manager attendees would be invited. These would be run along the same lines to those of Royal Mail, for communicating with its Delivery Office Managers.

Action:
Alan Cook

POLB06/49

OD REVIEW

- (a) Ian Anderson provided a presentation to the Board. The Board noted the presentation.

POLB06/50

PAY NEGOTIATIONS UPDATE

Ian Anderson provided an oral update of the pay negotiations:

- (a) the current pay increase mandate of 2.4% would be challenging for the union to accept as it would be the lowest pay rise in the Group;
- (b) after some discussion of the various strategies that could be employed to help ensure a successful outcome, the Board agreed that Alan Cook and Ian Anderson would progress within the agreed mandate.

Action:
Alan Cook
Ian Anderson

POLB06/51

HAVE YOUR SAY POLB(06)36

Ian Anderson provided a presentation on the Have Your Say results. The Board noted the presentation and in particular:

- (a) the 'I enjoy working here' for the year closed at 58% which was down 4% on the previous year. The drop was entirely attributable to the results of the DMBs, as the scores in Cash Centres, CiT and administration were all improving;
- (b) in order to address the issue at the DMBs, the following actions were being taken forward:

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- (i) HYS guidance packs for low scoring branches;
- (ii) upgraded Work Time Learning intranet site;
- (iii) Firstline Fix pack ready for distribution;
- (iv) activities would be put in place to mirror the successful work instigated in Cash Services, (e.g. adopting HYS champions);
- (v) a more structured approach to supporting 'safety net offices' would be provided;
- (vi) engagement strategy around conversion programme;
- (vii) supplementary, targeted root cause analysis (via Fusco);
- (viii) a review would take place of the entire WTL offer.

POLB06/52**HORIZON NEXT GENERATION POLB(06)37**

- (a) Ric Francis presented a paper which would be taken by the Royal Mail Holdings Board on April 27th 2006. The paper requested approval in principle for the replacement of Post Office Ltd's Horizon Electronic Point of Sale system, subject to securing long term funding. Approval of £25m interim funding was required in order to enable the programme to be continued. Any delay in this programme would result in £44m of irrecoverable benefits being foregone over the course of the existing agreement;
- (b) after some discussion the Board agreed the paper subject to further investigation to determine whether:
 - (i) the business case could be split into 2 parts to approve £13m now and £12m later;
 - (ii) activity could be further de-risked.

**Action:
Ric Francis****POLB06/53****REGULATION AND TREATING CUSTOMERS FAIRLY
POLB(06)38**

Graham Halliday introduced Keith Woollard to the meeting who provided a Regulation presentation to the Board. The Board noted the presentation and in particular that:

- (a) the Financial Services Authority had shown increased interest in the Bank of Ireland's joint venture and in Post Office Limited. For the first time FSA supervisors had asked to meet Post Office Limited's Head of Compliance, and this could be followed by requests to meet directors with accountability for regulated activity. A likely area on which questioning would focus was the FSA's on-going theme of 'Treating Customers Fairly'. The FSA had stated that this principle must be 'adopted and supported by the leadership of financial firms and embedded throughout a firm's operations and within its culture';
- (b) the main risks for Post Office Ltd had been identified as:

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- (i) areas of concern in respect of general insurance, sales practices and PPI in particular which the FSA had indicated they would follow up;
 - (ii) there is an inherent risk in the size and nature of the network that poor sales practices would persist and lead to damage to our reputation and direct costs from an intervention by FSA or by the Bank of Ireland;
 - (iii) an investigation by or for the FSA could damage individual director's reputations and in an extreme lead to financial penalties
- (c) Post Office Ltd had set in motion the following actions to help offset these risks:
- (i) to focus on raising standards of compliant sales practices, competence in the Sales Line and across the network;
 - (ii) to treat customers fairly would be integral to the vision centred on delivering for customers;
 - (iii) to promote standards of operational excellence in the Network that would meet the business need to reduce operational risks whilst also matching customers' expectations of being treated fairly.

POLB06/54**ATM LICENSING AGREEMENTS POLB(06)39**

- (a) Post Office Ltd and Bank of Ireland recently signed a contract to install at least 1,500 ATMs over the next five years. As part of the contractual requirements to install these ATMs, it would be necessary to complete and sign an individual licence agreement for each ATM that was deployed. The licence agreement will normally be for eight years;
- (b) currently, any legal document / licence that was signed on behalf of Post Office Ltd must be signed at director level or by the Company Secretary. Given the significant volume of licence agreements to be signed it would be prudent, for practical reasons, to delegate the signing of these ATM licence agreements to a maximum of four senior managers within the Product team of the Banking & Financial Services directorate. The senior management team had the requisite knowledge and experience to be able to sign the individual ATM agreements on behalf of Post Office Ltd, and would receive a specific letter of delegated authority;
- (c) the Board agreed to delegate authority in respect of the signing of individual ATM licence agreements to the senior management within the Product team (part of the Banking and Financial Services directorate).

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POLB06/55

SEALINGS POLB(06)40

- (a) The directors approved the affixing of the common seal of the Company to the documents set out against item number 48/06 and 76/06 inclusive in the seal register.

POLB06/56

ITEMS FOR NOTING

The Board also noted the following papers:

- (i) Achievement of 845k Sales Target;
- (ii) POL Environmental Strategy and Performance;
- (iii) POFS Operating Plan;
- (iv) PR Update.

POLB06/57

CLOSE

- (a) There being no further business, the meeting was closed.