Summary: Post Office Limited Annual Report and Financial Statements 2016/17

Overview

Post Office Limited published their Annual Report and Financial Statements for 2016/17 on 20 December 2017. Chief Executive Paula Vennells said that the results “show a significant improvement in our financial performance” and that the Post Office had retained its “position as the number one retailer of mails products in a fiercely competitive market.”

Revenues from continuing operations were largely flat at £957 million (2016: £964 million). As planned, the Network Subsidy Payment (NSP) from Government decreased by £50 million. Meanwhile, cost reductions of £38 million meant that trading operating profit from continuing operations decreased by just £19 million to £93 million.

By stripping out the NSP and looking solely at earnings before interest, taxes, depreciation and amortisation (EBITDAS), the Post Office moved from a loss of £17 million in 2015/16 to a profit of £13 million in 2016/17. The profitable EBITDAS position is referred to as “a crucial milestone in our path to commercial sustainability.”

For the 2017 financial year, Post Office delivered a profit of £243 million (2016: loss of £167 million), reflecting “the improvement in the underlying profitability of the business” and a £272 million impairment reversal (2016: impairment charge of £136 million).

Key performance indicators for 2017 compared with the previous financial year are as follows:

- Turnover was down £7m to £957m, whilst revenue (once the Network Subsidy Payment is included) dropped 5.2% to £1,037m.
- Total costs decreased by 3.7% (£38m) to £978m. People costs were down by £11m (5.2%) to £202m, reflecting efficiency-saving measures. It is notable that average headcount reduced from 6,667 in 2015/16 to 6,054 in 2016/17 reflecting discontinued supply chain operations and efficiency savings across Directly Managed Branches and the effect of the Network and DMB transformation programmes.
- Other operating costs were down £27m (to £776m) largely due to a reduction in postmaster remuneration costs resulting from Network Transformation programme, with fixed pay falling by £22 million.
- Operating profit from continuing operations before closure of activities and capital and investments fell by £19m (17%) to £93m.
- Operating losses before interest, taxes, depreciation and amortisation (EBITDAS) rose by 176.5% (£30m) to £13m.
• Cash and cash equivalents amounted to £680 million (2016: £712 million) at the year end. There was a net cash outflow during the year of £32 million (2016: £109 million).
• Net debt (excluding cash in the Post Office Network) increased by £141 million year on year as shown in the table below. As planned Government Grants, which are not expected to cover all of the costs of Transformation, were received ahead of the associated spend.

Mails and Retail

• Mails includes the sale of parcels and other Mails products provided by Royal Mail and Parcelforce. Trading revenue increased in the year by £4 million (1.2%), driven by growth in Home shopping returns and priority services. This was offset by a planned reduction in the fixed fee part of the contract with the Royal Mail Group of £1 million.
• Retail revenue was £559m down £19m against the previous year. This was derived as follows: mail £337 (up £3m); retail and lottery £40m (down £6m); government services £114m (down £14m); and payment services £68m (down £2m).

Financial services and Telecoms

• Financial services and telecoms revenue rose by £17m against the previous year. Financial services rose by £14m (6%) to £248m and telecoms rose by £3m (2.3%) to £133m.
• Financial Services products include mortgages, credit cards, insurance, savings, travel and banking. Turnover increased by £14 million to £248 million (2016: £234 million), a 6.0% rise.
• Banking showed “strong growth”, with an increase in turnover of £10 million driven by the launch of the Banking Framework, “securing Post Office’s position as the provider of a national infrastructure which meets community banking needs across the United Kingdom”.
• Insurance turnover also grew, the £7 million increase driven by a full financial year of insurance intermediation activities undertaken by Post Office Management Services Limited.
• Turnover from mortgages and savings declined due to market pressures and the discontinuance of NS&I premium bonds.