

Isle of Man Post Office

Report and accounts

For the 52.5 weeks ended 30 March 2008

Isle of Man Post Office

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Isle of Man Post Office

Officers and Professional Advisers

Headquarters

Spring Valley Industrial Estate
Douglas
ISLE OF MAN
IM2 1AA

Board Members

Mr E A Crowe MLC – Chairman, appointed 17 June 2008
Mrs P M Crowe – Chairman, to 17 June 2008
Mr C G Corkish MBE MHK – Vice Chairman
Mr C D Pemberton
Mr M Bathgate
The Ven B Partington OBE

Chief Executive

Mr A W Chacksfield

Principal Bankers

Isle of Man Bank
2 Athol Street
Douglas
ISLE OF MAN
IM1 1JA

Principal Advocates

HM Attorney General
Attorney General's Chambers
3rd Floor, St Mary's Court
Douglas
ISLE OF MAN
IM1 1EU

Auditors

KPMG Audit LLC
Heritage Court
PO Box 93
Douglas
ISLE OF MAN
IM99 1HN

Isle of Man Post Office

Chairman's Statement

As the recently appointed Chairman it gives me great pleasure in reporting on the development of the business for the 52.5 weeks ended 30 March 2008. Although new to the position I am pleased to be part of a very enterprising and dynamic organisation, which makes a valuable contribution both financially, and in social terms, to our Community.

This year witnessed the first full year of implementation of the new strategic plan for the Isle of Man Post Office. The full year result is encouraging and reflects the hard work of all members and staff of the Isle of Man Post Office throughout the year.


This result is all the more pleasing when considered in the context of the overall postal market, where substantial change is already being driven by developments in technology and consumer demands. Our strategic plan recognises these changes and continues to stress the need for ongoing innovation in our products and increased customer responsiveness to enable us to succeed in this changing environment. The Board is confident it can meet these challenges.

Our focus for the coming year must be to continue to look for profitable new revenue opportunities which support and build upon our core services, whilst maintaining excellent customer service. The Board is pleased with progress across all areas of the business, Mails and Parcels, the Retail Network, Philatelic Bureau, Licensing and in particular Integrated Mailing Solutions which continues to introduce new and innovative services to handle and process our customers mailing, printing and document management requirements. It is interesting to note that all of the services we provide are complementary to each other.

We must continue to generate sufficient revenue to ensure long term sustainability and growth, and continue the process of building a commercial, innovative and customer responsive culture within the business.

This is also the first year we have published a statement of internal control. The Isle of Man Post Office has had an audit committee now for some five years and it is pleasing to be able to report the progress we have made to implement the principles of good corporate governance and risk management within the organisation.

The Board would like to thank all members and staff of the Post Office for their hard work and dedication during the year. The Board also wishes to record its appreciation for the work of the outgoing Chairman, Mrs P M Crowe, whose stewardship included this financial year.



Chairman

Isle of Man Post Office

Chief Executive's Report

Our results

The Isle of Man Post Office grew its revenues by 10% during the year lifting them from £20.9m to £23.1m. The resultant profit for the period grew by a very satisfactory 89% from £1.05m to £1.98m.

These results enabled the Business to increase its year on year contribution to the general revenue of the Island by 89% from £471k to £892k and to increase its transfer to reserves by the same percentage from £576k to £1.09m.

Much of the business improvement came from the introduction of a strategic plan that re-structured the business into six business units and gave it a clear sense of direction.

Our business

The Isle of Man Post Office operates under the Post Office Act 1993. It is a gateway to the world for all residents, businesses and visitors, providing mail, parcel, philatelic, retail and associated value added services.

In addition it is a conduit for agreed Government services to the Island's community.

To provide the above the Business is divided into six business units each focusing on different segments of the Market:

- Our *Mails Business Unit* meets our statutory obligation to provide a universal service for letter post for the Isle of Man. It has a very close and long standing relationship with Royal Mail who provide both our service to and from the UK, as well as our international services. Mails had an excellent year contributing significantly to the improved results shown above. Its flagship products are the courier "special delivery product" between the IOM and the UK with its superb service level and economic pricing and its bespoke same day delivery product.
- Our *Parcels Business Unit* meets our statutory obligation to provide a universal service for parcels for the Isle of Man. This service operates in competition with other parcel carriers. It has a good working relationship with Parcelforce who provide services to and from the UK, as well as our international service. It has number of large Home Shopping customers. The results from Parcels are disappointing given the growth of e-commerce.
- Our *Retail Business Unit* provides our network of Crown Post Offices and Sub-Post Offices. They had a promising year reducing their traditional losses through tight cost control and a substantial expansion in Foreign Exchange. Much work is currently being undertaken to introduce Postal Kiosks that will further improve efficiency as well as reduce queuing time.
- Our *Philatelic Business Unit*, The Philatelic Bureau, had an excellent year starting with a huge boost from sales of its memorabilia products during the 100th Anniversary of the TT. It produced 9 beautiful new stamp issues including one to commemorate the 90th Anniversary of the Royal Air Force. We received letters from both the Chief of The Defence Staff and the Chief of the Air Staff congratulating us on these beautiful stamps.

Isle of Man Post Office

Chief Executive's Report (continued)

Our business (continued)

- Our *Integrated Mailing Solutions Business Unit* has also had a successful year. It has restructured in order to accommodate growth. It provides services to complement our other Business Units adding value to them. Its services include Mail Opening, Printing, Fulfilment, Scanning and Data Capture, Stationery and Franking. We are very excited with the potential of this Business Unit which has some very large customers in the pipeline.
- Our *Vehicle Licensing Business Unit* provides the Island's community with vehicle, driving and dog licences. It is tightly run in order to keep costs down but still provides an Island wide facility through our retail network.

Our Service Delivery

In order to provide clear direction to our service delivery during the year the Isle of Man Post Office developed a simple vision which is supported by a set of Corporate Social values.

Our vision

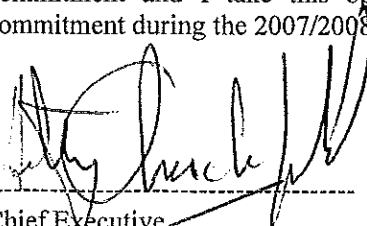
"The Isle of Man Post Office will be a successful, innovative and socially responsible Postal Services provider, achieving excellence in all that it does"

We will be mindful of our Corporate Social Responsibilities by:

- Treating our customers with respect by placing them at the centre of our decision making process
- Dealing with our customers in an open and honest manner, ensuring our tariffs are easy to understand
- Conducting our business with integrity to the highest ethical standards
- Ensuring all confidential data is protected in line with the highest international standards
- Being a good "corporate citizen" and ambassador for the Island
- Respecting the environment within which we operate, recognising the importance of the Island's traditions and heritage
- Treating each other with fairness and respect, providing equal opportunities for everybody and encouraging innovation and creativity.

Our Commitment

The Isle of Man Post Office is committed to playing its part in both supporting the development of Islands economy and its social well being. Our staff continue to play the key role in this commitment and I take this opportunity to express my gratitude for their hard work and commitment during the 2007/2008 financial year.



Chief Executive

Isle of Man Post Office

Statement of Internal Control

Introduction

The Isle of Man Post Office (“the Post Office”) is constituted as a Statutory Board of Tynwald under The Post Office Act 1993. This statement is made in accordance with the requirements of the Isle of Man Government’s Corporate Governance Principles and Code of Conduct (“the Code”).

Responsibilities of the Board and the Accounting Officer

The Board controls the strategy and policy within the Post Office. It is the Board’s responsibility to ensure that the work of the Accounting Officer and other senior officers supports the strategy and policy approved by the Board.

As Accounting Officer, the Chief Executive of the Post Office, is responsible for implementing and maintaining systems of Internal Control and Corporate Governance which:

- ensure compliance with legislation and other regulations;
- safeguard public money, ensure that it is properly accounted for and that it is used economically, efficiently and effectively; and
- support the achievement of the strategy and policies approved by the Board.

In discharging this responsibility, the Chief Executive works with senior officers to put in place arrangements for the governance of the Post Office’s affairs and the stewardship of resources, in accordance with the Code.

Internal Control and Corporate Governance environment

The system of Internal Control is based on an ongoing process designed to identify the principal risks to the achievement of the organisation’s policies, aims and objectives; to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

The system of Internal Control is designed to manage rather than eliminate the risk of failure to achieve the organisation’s policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness.

The following are considered to be the main aspects of the Internal Control and Corporate Governance framework.

- ***The Post Office’s Corporate Governance and Risk Management framework***
The Post Office has introduced a system of Corporate Governance and Risk Management which is designed to enable it to assess its performance in these areas and determine, where appropriate, actions to improve the control environment.

The Board of the Post Office has published a schedule of delegated authority to enable the day to day operation of the business.

The Board has also published a statement of powers which it has reserved solely to itself.

The Post Office has introduced a system of risk registers at operational and strategic levels, issues arising out of these registers will form part of the standing agenda at operational and Board meetings.

Isle of Man Post Office

Statement of Internal Control (continued)

- ***Board meetings***

The Board Members are independent of the Post Office and their appointment is approved by Tynwald.

The Board meets regularly and consists of a Chairman and four other Board Members. Board meetings are also attended by the Chief Executive and Executive Directors. The Board receive reports from the Post Office Executives on operational matters and ensure that the work of the Accounting Officer and other senior Executives supports the strategy and policy approved by the Board. A detailed, consolidated report is submitted to the Board quarterly by each Business Unit Manager / Department Head.

- ***Audit Committee***

The Audit Committee is a committee of the Board and consists of two members of the Post Office's Board. It meets quarterly. The meetings are also normally attended by the Chief Executive, the Finance Director, the Risk and Systems Manager and the head of Isle of Man Government Internal Audit. A representative from the external auditors also attends meetings as appropriate.

The Committee ensures that the business maintains a systematic approach to Risk Management. It reports to the Board on issues concerning corporate governance, risk, internal control, financial reports and associated information issued by the Post Office. It is also the principal point of contact for the external auditors.

- ***Remuneration Committee***

The Remuneration Committee is a committee of the Board and consists of two members of the Post Office's Board. It meets at least once per year. The Committee makes recommendations to the Board on Executive Directors' (including Chief Executive's) pay and conditions.

- ***The Post Office's Internal Audit***

The Post Office maintains its own internal audit resource. The head of internal audit is charged with oversight of the risk management process within the organisation and reports directly to the Chief Executive, whilst maintaining a right of communication direct to the Chairman of the Board.

The internal audit division of Treasury supplements the internal audit function and performs audits of risk management systems within the Post Office.

- ***Monthly Management Review Meetings***

The Chief Executive and the Executive Directors meet with managers on a monthly basis to review aspects of their Business Unit financial and operational performance.

Review of internal control and corporate governance environment

The effectiveness of the Post Office's internal control and corporate governance arrangements is continuously assessed by the work of management and the Audit Committee. In addition, the Risk and Systems Manager works with management to assess compliance with the code of corporate governance, review items on the risk registers and to ensure action is being taken against outstanding issues.

Isle of Man Post Office

Statement of Internal Control (continued)

Each year, business unit and departmental managers complete an assessment of their compliance with the code of corporate governance and agree actions for the forthcoming period.

Further evidence as to the effectiveness of internal controls and corporate governance arrangements is provided by reports issued during the year by the Post Office's internal audit, Treasury internal audit, external audit and other external reviews. These reports are also reviewed by the Audit Committee.

Report on internal control and corporate governance environment

Attention is drawn to the fact that systems of Internal Control and Corporate Governance are designed to manage rather than eliminate the risk of failure to achieve objectives. They can therefore only provide reasonable and not absolute assurance. Accordingly, reasonable assurance is given that the Post Office's internal control and corporate governance arrangements are adequate and operated effectively during the period ended 30 March 2008.

Progress on Corporate Governance Implementation

The strategic plan for the five year period 2008-2013 was approved by the Board in November 2007. It defines the Post Office's vision, mission and values and includes a strategy statement. Key stakeholders have been identified and business objectives have been developed for the next 3-5 years.

Developments to help embed Risk Management practices and improve risk awareness across the business include the introduction of the Post Office's Risk Management policy and the scheduling of Audit Committee time to actively review departmental risk registers.

The Finance Director and the Risk and Systems Manager have successfully completed the Institute of Risk Management's certificate in risk management - the business benefiting from the improved risk management knowledge and skills.

The Post Office has introduced several new policies during 2007, with more drafted and currently awaiting introduction.

Following consultation with IOM Government's H&S Advisor and the H&S Communications group, a revised draft Health & Safety Policy has been prepared and submitted for Board approval. The Health and Safety and Properties Manager has received NEBOSH training.

The system of staff review and appraisal is to be reviewed and revised to improve its ability to support our strategic aims together with its overall effectiveness across the business. Staff and staff representatives will be consulted in order to agree a revised appraisal system for introduction by March 2009. In the meantime, a company-wide training plan is being drawn up for delivery throughout the year.



Chief Executive

Isle of Man Post Office

Statement of responsibilities of the Board

The Isle of Man Post Office is constituted under the Post Office Act 1993 as a Statutory Board of Tynwald. The Board is responsible for preparing the Chairman's Statement, the Chief Executive's Report and the accounts in accordance with applicable law and regulations.

The Audit Act 2006 requires the Board to prepare accounts for each financial year, which meet the requirements of the Accounts and Audit Regulations 2007 to 2008 and the Audit Directions 2008, made under the Audit Act 2006. The regulations require the Board to prepare the accounts in accordance with UK Accounting Standards, as modified by the Audit Directions 2008.

The accounts are required by law to give a true and fair view of the financial affairs of the Isle of Man Post Office for that period.

In preparing these accounts, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, as modified by the Audit Directions 2008, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Isle of Man Post Office will continue in operation.

The Board is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial affairs of the Isle of Man Post Office and to enable them to ensure that the accounts comply with the Accounts and Audit Regulations 2007 to 2008 and the Audit Directions 2008, made under the Audit Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Isle of Man Post Office and to prevent and detect fraud and other irregularities.



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Report of the Independent Auditors, KPMG Audit LLC, to the Isle of Man Post Office

We have audited the accounts of the Isle of Man Post Office for the 52.5 weeks ended 30 March 2008 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Note of Historical Cost Profits and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. These accounts have been prepared under the accounting policies set out therein.

This report is made solely to the Isle of Man Post Office, as a body, in accordance with section 6 of the Audit Act 2006. Our audit work has been undertaken so that we might state to the Post Office 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 Post Office, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Post Office and Auditors

The Board's responsibilities for preparing the accounts in accordance with applicable laws and regulations and UK Accounting Standards (UK Generally Accepted Accounting Practice), as modified by the Audit Directions 2008, are set out in the Statement of Responsibilities of the Board on page 8.

The Audit Directions 2008 modify UK Generally Accepted Accounting Practice by:

- defining who is a related party, which transactions require disclosure and which transactions are exempt from disclosure requirements, and removing the requirement to comply with FRS 8 (Related Party Disclosures).

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Accounts and Audit Regulations 2007 to 2008 and the Audit Directions 2008, made under the Audit Act 2006.

In addition we report to you if, in our opinion, the Post Office has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding related party transactions with the Post Office is not disclosed.

We read the Chief Executive's Report and any other information accompanying the accounts and consider the implications for our report if we become aware of any apparent misstatements or inconsistencies within it. Our responsibilities do not extend to any other information.



Report of the Independent Auditors, KPMG Audit LLC, to the Isle of Man Post Office (continued)

Respective responsibilities of Post Office and Auditors (continued)

We review whether the Statement of Internal Control prepared by the Post Office reflects compliance with the Accounts and Audit Regulations 2007 to 2008 and the Audit Directions 2008, made under the Audit Act 2006. We report if the statement is misleading or inconsistent with other information we are aware of from our audit of the accounts. We are not required to consider, nor have we considered, whether the Statement on Internal Controls covers all risks and controls.

Basis of opinion

We conducted our audit in accordance with the Accounts and Audit Regulations 2007 to 2008 and the Audit Directions 2008, made under the Audit Act 2006 and International Standards on Auditing (UK and Ireland) issued by the UK Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgments made by the Board in the preparation of the accounts, and of whether the accounting policies are appropriate to the Post Office's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion:

- the accounts give a true and fair view, in accordance with UK Generally Accepted Accounting Practice as modified by the Audit Directions 2008, of the Isle of Man Post Office's affairs as at 30 March 2008 and of its profit for the 52.5 weeks then ended;
- the accounts have been properly prepared in accordance with the Accounts and Audit Regulations 2007 to 2008 and the Audit Directions 2008, made under the Audit Act 2006; and
- the information given in the Chief Executive's Report is consistent with the accounts.

KPMG Audit LLC

1 August 2008

Chartered Accountants

Isle of Man Post Office

Profit and Loss account

for the 52.5 weeks ended 30 March 2008

	<i>Notes</i>	52.5 weeks ended 30 March 2008	52 weeks ended 28 March 2007
		£	£
Total income	<i>1(b)</i>	23,050,415	20,943,105
Cost of sales	<i>1(c)</i>	(17,357,738)	(16,307,318)
Gross profit		5,692,677	4,635,787
Other operating expenditure	<i>1(c)</i>	(4,759,756)	(4,394,708)
Operating profit		932,921	241,079
Interest income		1,049,221	805,634
Total profit for the period	2	1,982,142	1,046,713
Unappropriated profit brought forward		-	-
Profit available for appropriation		1,982,142	1,046,713
Contribution to Isle of Man Government Treasury	6	(891,964)	(471,021)
Profit after contribution		1,090,178	575,692
Transfer to reserves		(1,090,178)	(575,692)
Unappropriated profit carried forward		-	-

The notes on pages 15 to 24 form part of these financial statements.

The Board considers that all results derive from continuing activities.

Isle of Man Post Office

Statement of total recognised gains and losses for the 52.5 weeks ended 30 March 2008

	52.5 weeks ended 30 March 2008 £	52 weeks ended 28 March 2007 £
Profit for the year	1,090,178	575,692
Actuarial (loss)/gain on superannuation scheme	(375,507)	2,216,648
Unrealised surplus on revaluation of fixed assets	-	707,979
Total recognised gains and losses for the year	<u>714,671</u>	<u>3,500,319</u>

Note of historical cost profits and losses for the 52.5 weeks ended 30 March 2008

	52.5 weeks ended 30 March 2008 £	52 weeks ended 28 March 2007 £
Reported profit available for appropriation	1,982,142	1,046,713
Difference between historical cost depreciation charge and the actual depreciation charge for the period calculated on the revalued amount	74,736	39,702
Historical cost profit available for appropriation	<u>2,056,878</u>	<u>1,086,415</u>
Historical cost profit for the period retained after contribution to the Isle of Man Government Treasury	<u>1,164,914</u>	<u>615,394</u>

The notes on pages 15 to 24 form part of these financial statements.

Isle of Man Post Office

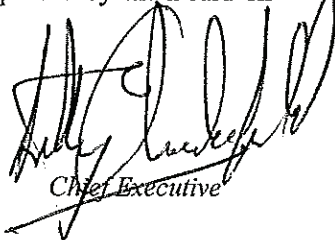
Balance Sheet as at 30 March 2008

	Notes	2008		2007
		£	£	£
Fixed assets	1(d), 3		8,198,860	8,884,916
Current assets				
Stocks	1(e)	146,218	86,756	
Debtors	4	3,313,267	3,562,048	
Amounts due from Isle of Man Government	6	37,733	57,102	
Short term deposit		3,303,452	3,478,676	
Cash at bank and in hand		11,402,430	8,442,479	
		<u>18,203,100</u>	<u>15,627,061</u>	
Creditors: amounts falling due within one year				
Other creditors	5	2,924,102	3,190,343	
Amounts due to Isle of Man Government	6	5,057,866	3,910,957	
		<u>7,981,968</u>	<u>7,101,300</u>	
Net current assets			10,221,132	8,525,761
Pension scheme liability	8		(785,291)	(490,647)
Net assets			17,634,701	16,920,030
Represented by:				
Reserves	1(h), 7		17,634,701	16,920,030

The notes on pages 15 to 24 form part of the financial statements.

These financial statements were approved by the Board on 30th July 2008 and were signed on their behalf by:

Alan Greve
Chairman


Chief Executive


Finance Director

Isle of Man Post Office

Cash flow statement

for the 52.5 weeks ended 30 March 2008

	<i>Notes</i>	52.5 weeks ended 30 March 2008	52 weeks ended 28 March 2007
		£	£
Net cash flow from operating activities	<i>10</i>	2,968,757	1,278,664
Returns on investments and servicing of finance			
Interest received		570,488	378,068
Contribution to IOM Government		<u>(471,021)</u>	<u>(642,120)</u>
Net cash flow from returns on investments and servicing of finance		99,467	(264,052)
Capital expenditure			
Payments to acquire fixed assets		(295,200)	(625,686)
Receipts from sales of fixed assets		<u>11,703</u>	<u>28,996</u>
Net cash flow from capital expenditure		(283,497)	(596,690)
Increase in cash	<i>11</i>	<u>2,784,727</u>	<u>417,922</u>

The notes on pages 15 to 24 form part of this cash flow statement.

Isle of Man Post Office

Notes

(forming part of the financial statements for the 52.5 weeks ended 30 March 2008)

1 Accounting policies

a) Basis of accounting

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments as at the balance sheet date and the revaluation of land and buildings as at 28 March 2007, and in accordance with United Kingdom generally accepted accounting principles as modified by the Audit Directions 2008. They have been prepared in accordance with the Accounts and Audit Regulations 2007 to 2008 and the Audit Directions 2008, made under the Audit Act 2006. They have also been prepared in accordance with the Isle of Man Statement of Recommended Practice 2007 on accounting for entities subject to the Audit Act 2006 ("the SORP"), to the extent applicable to the Post Office.

b) Turnover

Turnover is the value of services provided and goods sold excluding VAT.

c) Expenses

Expenses are accounted for on an accruals basis. The general policy is that no provision is made for any charges which may be incurred in respect of stamps sold, but unused at the balance sheet date. However where specific circumstances allow the amount and type of stamps to be clearly identified and an estimate of the likely liability to be made, then a provision is made in accordance with FRS12.

d) Tangible fixed assets

Tangible fixed assets are stated at cost or revalued amount.

Depreciation is not provided on freehold land, but is provided on other assets based on cost or revalued amounts in equal annual instalments over the estimated useful lives of the assets. The estimated useful lives are as follows:

Buildings

- Freehold (based on the estimated useful remaining life) 10 to 40 years
- Leasehold over period of lease

Motor vehicles, according to type

5 years
(2007: 5 to 7 years)

Office equipment and machines

- Letter boxes 5 to 30 years
- Other postal equipment 5 to 10 years
- Office furniture and equipment 5 to 10 years
- Office machines 5 to 10 years
- Safes in sub-offices 20 years
- Computers 3 years

Isle of Man Post Office

Notes (continued)

(forming part of the financial statements for the 52.5 weeks ended 30 March 2008)

1 Accounting policies (continued)

e) *Stocks*

The cost of definitive stamps is written off over the expected life of each type of stamp to a maximum of 5 years. Commemorative stamp costs are fully written off in the year of issue.

Other stock is stated at the lower of cost and net realisable value.

f) *Operating leases*

Operating lease payments are charged directly to the profit and loss account on a straight line basis over the term of the lease.

g) *Foreign exchange*

Transactions in foreign currencies are translated at the rate of exchange ruling when the transaction occurs. Monetary assets and liabilities in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Differences on exchange are taken to the profit and loss account.

h) *Reserves*

The reserves are managed by agreement of Treasury under Section 6(1) of the Post Office Act 1993.

i) *Pension costs*

The Isle of Man Post Office operates a defined benefit pension scheme. In accordance with Financial Reporting Standard 17 "Retirement benefits", the full service cost for the period, adjusted for any changes to the scheme, is charged to the profit and loss account. A charge equal to the expected increase in the present value of the scheme liabilities as a result of the scheme liabilities being one year closer to settlement and a credit reflecting the long-term expected return on assets based on the market value of the scheme assets at the beginning of the period, is included in the profit and loss account.

The balance sheet records as an asset or liability (as appropriate) the difference between the market value of the scheme assets and the present value of the accrued scheme liabilities, net of deferred tax. The differences between the expected return on assets and that actually achieved in the period is recognised in the statement of total recognised gains and losses.

Isle of Man Post Office

Notes (continued)

(forming part of the financial statements for the 52.5 weeks ended 30 March 2008)

2 Total profit for the period

Total profit for the period is arrived at after charging:

	52.5 weeks ended 30 March 2008 £	52 weeks ended 28 March 2007 £
Auditors' remuneration	7,122	6,142
Depreciation	888,087	989,812
Pension costs	1,062,224	1,259,422
Irrecoverable VAT	278,969	253,087
Loss on disposal of fixed assets	48,601	15,357
Rentals payable under operating leases	181,250	166,450
	<u> </u>	<u> </u>

3 Fixed assets

	Land £	Buildings £	Motor Vehicles £	Office equipment & machines £	Total £
<i>Cost or valuation</i>					
At 28 March 2007	1,875,000	5,319,095	1,129,003	5,699,848	14,022,946
Additions	-	32,599	131,218	103,534	267,351
Disposals	-	(15,183)	(194,652)	(9,931)	(219,766)
Revaluation	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 30 March 2008	1,875,000	5,336,511	1,065,569	5,793,451	14,070,531
<i>Accumulated depreciation</i>					
At 28 March 2007	-	745,572	435,736	3,956,722	5,138,030
Charge for the period	-	159,823	197,187	531,077	888,087
Disposal	-	(12,313)	(132,202)	(9,931)	(154,446)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 30 March 2008	-	893,082	500,721	4,477,868	5,871,671
<i>Net book value</i>					
At 30 March 2008	1,875,000	4,443,429	564,848	1,315,583	8,198,860
At 28 March 2007	1,875,000	4,573,523	693,267	1,743,126	8,884,916
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The freehold land and properties at Spring Valley Industrial Estate and at Regent Street were revalued on 28 March 2007, by qualified independent professional valuers working for Black Grace Cowley, in accordance with Royal Institute of Chartered Surveyors Appraisal and Valuation Standards. The properties were valued on the basis of existing use value. The surpluses that arose were credited to the Fixed Asset Reserve. Depreciation is being charged based upon the revalued amounts and revised estimated useful economic life of the buildings.

Isle of Man Post Office

Notes (continued)

(forming part of the financial statements for the 52.5 weeks ended 30 March 2008)

4	Debtors	2008 £	2007 £
	Trade debtors	973,840	1,908,098
	Other debtors	1,126,466	1,149,226
	Prepayments and accrued income	1,212,961	504,724
		<u>3,313,267</u>	<u>3,562,048</u>
5	Other creditors	2008 £	2007 £
	Trade creditors and accruals	2,111,442	2,342,267
	Agency creditors	611,376	659,500
	Philatelic subscriber balances	201,284	188,576
		<u>2,924,102</u>	<u>3,190,343</u>
6	Amounts due from and amounts due to Isle of Man Government	2008 £	2006 £
	<i>Due from Isle of Man Government comprises:</i>		
	Treasurer of the Isle of Man	<u>37,733</u>	<u>57,102</u>
	<i>Due to Isle of Man Government comprises:</i>		
	Agency creditors	4,165,902	3,439,936
	Contribution to Treasury	891,964	471,021
		<u>5,057,866</u>	<u>3,910,957</u>

Isle of Man Post Office

Notes (continued)

(forming part of the financial statements for the 52.5 weeks ended 30 March 2008)

7 Reserves

	Fixed asset reserve £	Revenue and general reserve £	Development reserve £	Total £
Balance brought forward	8,884,916	1,000,000	7,035,114	16,920,030
Revaluation of property	-	-	-	-
Transfer from profit and loss account	(686,056)	-	1,776,234	1,090,178
Actuarial gain on pension scheme	-	-	(375,507)	(375,507)
Balance carried forward	8,198,860	1,000,000	8,435,841	17,634,701

Revenue and general reserve

The reserve was established for the purpose of providing working capital for the funding of the day to day activities of the Isle of Man Post Office.

Development reserve

The reserve was established to help finance major capital expenditure.

Fixed asset reserve

Each year a transfer is made to the fixed asset reserve to ensure that its value equals the net book value of fixed assets at the period end.

Isle of Man Post Office

Notes (continued)

(forming part of the financial statements for the 52.5 weeks ended 30 March 2008)

8 Superannuation scheme

The Isle of Man Post Office operates a funded defined benefit pension scheme, The Isle of Man Post Office Superannuation Scheme ("the Scheme"), providing benefits based on final pensionable pay. Contributions to the Scheme are determined by a firm of independent Actuaries employed by the Trustees.

The financial assumptions used to calculate scheme liabilities under FRS 17 are as follows:

	2008	2007	2006
Rate of increase in salaries	4.37%	4.05%	4.30%
Rate of increase in pensions in payment	3.37%	3.05%	2.80%
Discount rate applied to scheme liabilities	6.20%	5.35%	4.95%
Inflation assumption	3.37%	3.05%	2.80%

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Effect of FRS17 on profit

	2008		2007	
	£	£	£	£
Total income as reported		23,050,415		20,943,105
Total expenditure as reported	(22,117,494)		(20,702,026)	
Less FRS17 charge	381,229		532,027	
Restated expenditure pre FRS17		(21,736,265)		(20,169,999)
Restated operating profit pre FRS17		1,314,150		773,106
Interest earned	1,049,221		805,634	
Less FRS17 adjustment	(462,093)		(412,285)	
Restated interest income pre FRS17		587,128		393,349
Restated profit available for appropriation pre FRS17		1,901,278		1,166,455

Isle of Man Post Office

Notes (continued)

(forming part of the financial statements for the 52.5 weeks ended 30 March 2008)

8 Superannuation scheme (continued)

Scheme assets

The fair value of the Scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the Scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were as follows:

	Long term rate of return 30 March 2008	Value at 30 March 2008 £'000	Long term rate of return 28 March 2007	Value at 28 March 2007 £'000	Long term rate of return 29 March 2006	Value at 29 March 2006 £'000
Equities	8.13%	26,930	7.40%	28,130	7.25%	26,033
Property	6.54%	3,118	6.85%	3,619	7.25%	3,215
Bonds	4.54%	14,520	4.85%	11,973	4.36%	11,012
Other	5.40%	187	5.45%	33	4.50%	940
		<u>44,755</u>		<u>43,755</u>		<u>41,200</u>
Present value of scheme liabilities		<u>(45,540)</u>		<u>(44,246)</u>		<u>(43,787)</u>
Net pension assets/ (liability)		<u>(785)</u>		<u>(491)</u>		<u>(2,587)</u>

Movement in deficit during the period

	30 March 2008 £'000	28 March 2007 £'000
Deficit in scheme at beginning of period	(491)	(2,587)
Current service cost	(1,524)	(1,672)
Contributions paid	1,143	1,140
Other finance income	462	412
Actuarial gain/loss	(375)	2,216
Deficit in the scheme at end of period	<u>(785)</u>	<u>(491)</u>

Isle of Man Post Office

Notes (continued)

(forming part of the financial statements for the 52.2 weeks ended 30 March 2008)

8 Superannuation scheme (continued)

Analysis of amount charged to operating profit

	2008 £'000	2007 £'000
Current service cost	<u>1,524</u>	<u>1,672</u>

Analysis of amounts included in other finance income

	2008 £'000	2007 £'000
Expected return on pension scheme assets	2,893	2,641
Interest on pension scheme liabilities	<u>(2,431)</u>	<u>(2,229)</u>
Other finance income	<u>462</u>	<u>412</u>

Analysis of amount recognised in statement of total recognised gains and losses and history of experience gains and losses

	2008 %	2008 £'000	2007 %	2007 £'000	2006 %	2006 £'000	2005 %	2005 £'000
Actual return less expected return on scheme assets		(2,068)		(36)		5,727		977
As a percentage of year end scheme assets	(4.6)%		(0.1)%		13.9%		3.0%	
Experience gains and losses arising on scheme liabilities		719		506		95		(1,759)
As a percentage of the present value of year end scheme liabilities	1.6%		1.2%		0.2%		4.6%	
Changes in assumptions underlying the present value of scheme liabilities		<u>973</u>		<u>1,746</u>		<u>(3,149)</u>		<u>986</u>
Actuarial return recognised in statement of total recognised gains and losses		(376)		2,216		2,673		204
As a percentage of the present value of year end scheme liabilities	<u>(0.8)%</u>		<u>5.0%</u>		<u>6.1%</u>		<u>0.5%</u>	

Isle of Man Post Office

Notes (continued)

(forming part of the financial statements for the 52.5 weeks ended 30 March 2008)

9 Capital commitments

- a) Capital commitments at the end of the financial period for which no provision has been made, are as follows:

	2008 £	2007 £
Authorised but not yet contracted for	<u>23,709</u>	<u>-</u>
Contracted for but not yet provided	<u>107,714</u>	<u>192,000</u>

- b) Annual commitments under non-cancellable operating leases are as follows:

	2008		2007	
	Land and Buildings £	Other £	Land and Buildings £	Other £
Operating leases which expire:				
Within one year	-	13,354	-	13,354
In the second to fifth years inclusive	-	-	60,218	-
Over five years	<u>106,920</u>	-	<u>102,000</u>	-
	<u>106,920</u>	<u>13,354</u>	<u>162,218</u>	<u>13,354</u>

10 Reconciliation of operating profit to net cash flow from operating activities

	52.5 weeks ended 30 March 2008 £	52 weeks ended 28 March 2007 £
Operating profit	932,921	241,079
Depreciation charges	888,087	989,812
Loss on sale of tangible fixed assets	48,601	15,357
Defined benefit scheme - current service cost in excess of contributions	381,231	532,027
Increase in stocks	(59,462)	(7,129)
Decrease/(increase) in debtors	270,436	(936,150)
Increase in amounts owed to Isle of Man Government	745,335	1,394,098
Decrease in creditors	<u>(238,392)</u>	<u>(950,430)</u>
Net cash flow from operating activities	<u><u>2,968,757</u></u>	<u><u>1,278,664</u></u>

Isle of Man Post Office

Notes (continued)

(forming part of the financial statements for the 52.5 weeks ended 30 March 2008)

11 Analysis of changes in cash (representing net funds)

	As at 30 March 2008 £	Cash flows £	As at 28 March 2007 £
Cash at bank and in hand	11,402,430	2,959,951	8,442,479
Short term deposit	3,303,452	(175,224)	3,478,676
	<u>14,705,882</u>	<u>2,784,727</u>	<u>11,921,155</u>

12 Salaries

Remuneration of members, officers (including non-corporate sub-postmasters) and employees of the Post Office are payable within the following bands:

	2008 Number	2007 Number
£50,000 - £74,999	5	8
£75,000 - £99,999	5	2

13 Related party transactions

There were no related party transactions requiring disclosure in the accounts.