

**GD 2023/0110**

**Isle of Man Post Office**

**Report and financial statements**

**For the period ended 26 March 2023**

# Isle of Man Post Office

<i>Contents</i>	<i>Page</i>
Officers and Professional Advisers	2
Chairman's Statement	3
Chief Executive Officer's Report	4 and 5
Statement of Internal Control	6 to 10
Statement of Responsibilities of the Board	11
Report of the Independent Auditor	12 to 14
Income Statement	15
Statement of Comprehensive Income	16
Statement of Financial Position	17
Statement of Changes in Equity	18
Statement of Cash Flows	19
Notes	20 to 33

# Isle of Man Post Office

## Officers and Professional Advisers

### Headquarters

Spring Valley Industrial Estate  
Douglas  
Isle of Man  
IM2 1AA

### Board Members

Mr S Peters MHK – Chairman (appointed 20 July 2022)  
Mrs D Kelsey MLC – Vice Chair (resigned 28 February 2023, reappointed 14 March 2023)\*  
Mr C Thomas MHK - Chairman (resigned 20 July 2022)  
Mr C Allen  
Mr J D Hollis  
Mr C Mitchell

*\* Mrs Kelsey MLC resigned when her term of office as MLC ended, and was re-appointed upon re-election*

### Chief Executive Officer

Mr S Kneen

### Principal Bankers

Isle of Man Bank  
East Region  
2 Athol Street  
Douglas  
Isle of Man  
IMI IJA

### Principal Advocates

HM Attorney General  
Attorney General's Chambers  
Ground Floor, Belgravia House  
Circular Road  
Douglas  
IMI IAE

### Auditor

Grant Thornton Limited  
3rd Floor  
Exchange House  
54-62 Athol Street  
Douglas  
Isle of Man  
IMI IJD

# Isle of Man Post Office

## Chairman's Statement

Having been appointed Chairman of Isle of Man Post Office (IOMPO) in July 2022, I am grateful to my political colleague Diane Kelsey MLC for presenting the previous year's accounts for the business. I would also like to place on record my congratulations to her on her successful re-election to the Legislative Council in March 2022, and her subsequent appointment to continue as Vice Chairman of IOMPO.

The period ending 26 March 2023 has been a progressive one for the business as we have continued our transformational journey and evolving purpose with the introduction of our first parcel automation machine, just one part of our increasingly parcel focused strategy, recently refreshed and extended to 2026/27. I was pleased to present our Island Plan to Tynwald in 2022, which highlighted IOMPO's achievements, as well demonstrating some of our future strategic plans.

I have great pleasure in reporting a profit for the third consecutive year, which is a result of the work being done on the modernisation strategy by our hardworking team, and a great result given the cessation of a peak in volumes seen during the pandemic, and the severe economic headwinds we continue to face. Notwithstanding, I must caution that maintaining profitable trading is not without its challenges as the postal industry continues to see inherent letter volume decline, highly unpredictable commercial parcel volumes, and sharply rising operating costs.

In 22/23, the Board acknowledged the political preference with regards to sustaining the current network of sub-Post Offices, aligned to the two to three year period that the Department of Infrastructure and the Social Security Division of Treasury expect to continue to require face to face counter services. In turn, this has provided the independent retailers who provide sub-Post Office services with the certainty they have been seeking for some time. This certainty also allows IOMPO to plan more definitively for the future retail offering for postal only services, and we expect to trial the introduction of 'Postlite', a light footprint counter solution using a handheld device, as well as 'Online Postage' during this transition period. These new initiatives will see a move towards making postal services more accessible and convenient for our customers.

We have continued to make progress improving our green credentials with the introduction of further small changes, as well as preparing and submitting a funding application to the Climate Change Transformation Board to support the installation of solar panels at Postal Headquarters. The Board were disappointed that their application was unsuccessful given the demonstrable benefits case appeared to align well to the Island's 'net zero' objectives. Notwithstanding, the Board are committed to the green agenda and plan to undertake an investment appraisal to determine if there is a cost benefit case for funding the solar infrastructure from internal resources.

July will see IOMPO reach a significant milestone, 50 years since independence from the UK postal service. We plan to celebrate this historic anniversary with a series of events including an exhibition at the Manx Museum, which will highlight key moments from our history and our future vision, as well as other corporate social responsibility initiatives, and events for staff, customers, and suppliers, to acknowledge their indispensable contribution to the organisation.

Finally, I wish to express my sincere thanks to the Board and Executive Team for making me so welcome, and I look forward to working with them further over the coming year, as we remain steadfast on our transformational journey to ensure IOMPO remains fit for purpose in the ever-changing postal industry.

Stu Peters MHK  
Chairman  
Isle of Man Post Office

# Isle of Man Post Office

## Chief Executive Officer's Report

This year Isle of Man Post Office (IOMPO) reports a profit of £0.54m, down on the prior period profit of £1.53m, notwithstanding headline turnover marginally increasing from £23.5m to £24.2m. The increased turnover for the year relates largely to a £2.7m increase in gross foreign exchange sales as customers resumed travelling post pandemic, which masks a £1.9m reduction in turnover from core operations. Whilst our results are better than we had anticipated, the reduction in operational turnover and profitability was in line with expectations.

Compared to prior year, our Mails division reported an 11% decrease in turnover, with letter volumes down by 13% and parcel volumes down 18%. The letter volume decline is inherent, but the significant negative variance and seasonal volatility in parcels is contrary to trend, even after acknowledging the Covid 'bubble' experiences in 20/21 and 21/22. Whilst contrary to trend, it was expected in view of the impact of the cost of living crisis on consumer propensity toward discretionary spend, coupled with the detrimental effect of sustained industrial action by Royal Mail employees during the critical Christmas period. Given our high fixed cost base necessary to service our universal service obligation, it does not always follow that costs can be readily reduced in line with revenue decline; however it is pleasing to note that we were able to react quickly to reduce operational costs (excluding foreign exchange activity) by £0.9m.

The Mails division commenced the installation of its parcel automation machine in the autumn, which went live just ahead the year-end. This is a key investment in our infrastructure and the culmination of a major project on our transformation journey, creating material efficiencies in parcel handling, and in operational and financial data collection. The investment also facilitated a revision of postal delivery duties that will see a reduction in our carbon footprint on the journey to 'net zero'. I am grateful for the support from our hardworking staff right across the organisation in delivering this critical project.

The 'gig economy' continues to negatively impact our business, as we are unable to compete on a level footing, with competitors in this space having no established infrastructure on the Island, and a reliance on self-employed parcel couriers paid 'per item', significantly lowering their costs. The erosion of market share to such operators remains a risk to IOMPO's ability to continue to service its universal service obligation whilst retaining respectable employment standards and remaining compliant with its statutory obligation to trade profitably.

We continue to adapt to evidence based trends in customer needs, as was seen with the changes we introduced to post box collection times during the year. As we see reduced use of boxes for letter mail, the volume and level of collections will inevitably reduce, but parcel boxes and service points will increase to reflect this expanding market. Likewise, our online postage service, and ambitions for a residential doorstep collection service will create greater convenience for our customers.

We have conducted customer needs surveys during the year, covering residential and commercial postal customers, and our philatelic subscribers, and will use the results when planning future products and services. We have also participated in a number of Universal Postal Union climate change initiatives, and we plan to submit our statutory reporting to the Climate Change Transformation Board in September. Our environmental actions and aspirations remain a top priority in our strategic planning.

Royal Mail have recently concluded a consultation on proposed changes to their 'Postal Schemes' that determine the parameters of regulation under their Universal Service Obligations. Included in the consultation was a proposed change to the due date for the delivery of mail to and from the Isle of Man, which will see an additional day added to the service level, and will be a likely precursor to the removal of the dedicated aircraft in favour of sea freight. This will provide the opportunity to jointly reduce costs and the impact of our operations on the environment.

During the year, we rebranded 'IMS' to 'Business Solutions', creating a more relatable identity, and one which now encompasses the broad range of commercial services provided by IOMPO. We were pleased to maintain our ISO accreditations, which are imperative to attracting and retaining work from commercial customers.

# Isle of Man Post Office

## Chief Executive Officer's Report (continued)

The renewed contracts for counter services with the Social Security Division of Treasury (for pension and benefit payments in cash), and the Department of Infrastructure (for driving and vehicle licenses) to 31 March 2025, with the option to extend thereafter for one further year, provide welcome certainty for IOMPO and the independent sub-Post Office network. In tandem with this, IOMPO are liaising with the retailers acting as sub-Post Masters and the recognised trade body, with the aim of agreeing a new contract for service that aligns to these dates.

The Stamps and Coins division produced an eclectic mix of issues, including: marking 100 years of the BBC; a tribute to HM Queen Elizabeth II; Isle of Man Shipwrecks; David Bowie; the 50<sup>th</sup> anniversary of the Manx Wildlife Trust; and latterly the Coronation of HM King Charles III and Queen Camilla. The new royal cypher on postage stamps marks a milestone in postal history. The division is working collaboratively with the Department of Enterprise Digital Agency, which could see the Island's first Non-Fungible Token (NFT) stamps destined for the moon. This is naturally a very exciting project for us to be involved in and we are grateful for this unique opportunity.

We were honoured to be asked by the Cabinet Office for support in hand delivering a bespoke gift made for HM King Charles III and Queen Camilla, to Buckingham Palace, on behalf of the people of the Isle of Man. The delivery was a collaborative effort between IOMPO, the Cabinet Office, Isle of Man Airport, Loganair and London City Airport. The gift was a handcrafted wooden bowl, inlaid with peregrine falcons made from recycled silver, designed and made by Manx artists.

There's no doubt it's been another challenging and busy year for IOMPO, and I wish to place on record my appreciation for the dedication and loyalty of our entire team. Our mission at IOMPO is to ensure the business remains fit for the future; continues to provide a high standard of service that meets the evolving requirements of both our personal and commercial customers; and maintains our trusted status as a respected employer and material contributor to the Island's economy.

Simon Kneen  
Chief Executive  
Isle of Man Post Office

# Isle of Man Post Office

## Statement of Internal Control

### Introduction

The Isle of Man Post Office is constituted as a Statutory Board of Tynwald under The Post Office Act 1993. This report is made by the Isle of Man Post Office to Isle of Man Government Treasury 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 consists of a Chairman, a Vice Chairman, and three other Board members. The Board controls the strategy, policies, and key financial and operational matters within the Isle of Man Post Office. It is the Board's responsibility to ensure that the work of the Accounting Officer and the other Executive Directors supports the strategy and policies approved by the Board.

As Accounting Officer, the Chief Executive of the Isle of Man Post Office is responsible for implementing and maintaining systems of corporate governance, internal control and risk management, that:

- ensure compliance with legislation and other regulations;
- safeguard 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 the other Executive Directors to put in place arrangements for the governance of the Isle of Man Post Office's affairs and the stewardship of resources, in accordance with the Code.

### Corporate Governance

There are two key elements of the corporate governance framework: firstly, the workings of the Board, and its sub-committees; and secondly, the corporate governance environment itself. These are described below.

#### Board

The Chairman and other members of the Board are appointed by the Council of Ministers, subject to approval by the Court of Tynwald; the Chairman and Vice Chairman are either a Member of the House of Keys or a Member of the Legislative Council.

The Board has a schedule of powers reserved for its approval, which includes non-delegated and delegated powers to be exercised by the Board itself, members of the Board sub-committees and the Chief Executive. The Board of the Isle of Man Post Office approves its "Schedule of Reserved and Delegated Responsibilities" within its own corporate governance documentation to enable the day to day operations of the business.

Board meetings are held routinely throughout the year with other meetings taking place as and when necessary, and the Chief Executive, Executive Directors and the Personal Assistant to the Chief Executive (acting as "Secretary to the Board") attend such meetings. The Board receives, and can request, reports from the Chief Executive, Executive Directors and Senior Managers on financial and operational matters, and the Secretary to the Board captures any actions and maintains minutes of proceedings on behalf of the Board that are approved at the next meeting.

#### Board sub-committees

##### Audit and Risk Committee ("ARC")

The ARC generally meets quarterly and consists of two members of the Isle of Man Post Office Board. The meetings are normally attended by the Chief Executive, the Finance Director, the Head of Procurement and Compliance, the Senior Risk and Compliance Officer, and the Secretary to the Board. As a provider of internal audit services, Isle of Man Government Treasury's Director of Audit Advisory (or their delegate), and a representative of the external auditor, are also invited to attend meetings.

The ARC 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 Isle of Man Post Office. It is also the principal point of contact for the internal and external auditors.

# Isle of Man Post Office

## Statement of Internal Control (continued)

The ARC is active in embedding risk management practices through regular comprehensive reviews of each individual department's approach to risk management. These reviews have helped to develop a wider understanding of the nature and criticality of risks affecting the Isle of Man Post Office.

The ARC is responsible for reviewing the current top risks faced by the business and reporting them to the Board, and where appropriate Senior Managers are invited to attend meetings to assist the members in their deliberations.

### **Remuneration Committee**

The Remuneration Committee is a sub-committee of the Board and consists of two members of the Isle of Man Post Office Board. The Committee makes recommendations to the Board on Executive Directors' (including Chief Executive's) pay and conditions, and to act as an appellate body for Executive appraisals and to address any matters directed by the Board.

### **Corporate Governance environment**

Corporate governance at the Isle of Man Post Office revolves around an effective environment of attitudes, behaviours and processes that aim to support the delivery of the long-term strategy, goals and objectives established by the Board.

A corporate governance framework has been developed which contains a number of documents detailing Board policies and operational procedures in relation to financial and operational management; internal control and risk management (including information risk); organisational capability and capacity; people management and standards of conduct, and management of health, safety and the environment.

The management framework provides a structure for documenting policies, procedures, delegated duties, roles and responsibilities, activities, standards and guidelines. This is additional to divisional and department structures, authorities and organisational arrangements, activities, processes and records maintained within each service area, which when taken together with the framework, create the environment of good corporate governance, risk management and internal control.

### **Internal Control and Risk Management**

The Isle of Man Post Office has a system of internal control and risk management that is designed to enable it to assess its performance in these areas and determine, where appropriate, relevant actions to improve the control environment.

The system of internal control is based on ongoing processes designed to:

- Identify the principal risks to the achievement of the organisation's strategic aims and objectives
- Identify the principal risks associated with the organisation's operational activities
- Consistently evaluate the nature and extent of the above risks and agree appropriate mitigating controls
- Provide assurance that key risks are being managed efficiently, effectively and economically and that existing controls are robust
- Ensure adherence throughout the organisation to Isle of Man Post Office policies and relevant legislation.

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.



# Isle of Man Post Office

## Statement of Internal Control (continued)

The Isle of Man Post Office is committed to an effective risk management approach that protects business operations and stakeholders affected by its operations. The risk management process ensures consistency to the assessment, monitoring and reporting of risks, and the appetite to risk is set out in Board approved policies.

The Isle of Man Post Office has established risk registers at operational and strategic levels; issues arising out of these registers form part of the standing agenda at operational and certain Board meetings. The identification, evaluation and management of risk is a line management responsibility, with Board guidance as appropriate.

The Chief Executive and Executive Directors identify, evaluate and monitor corporate and strategic risks, and monitor risks at an operational level via divisional and departmental managers. Each divisional and departmental manager has the appropriate delegated authority and resources to manage risks to a reasonable level. The Senior Risk and Compliance Officer meets regularly with the divisional and departmental managers to update the risk registers. The risk management process is an important part of the internal control environment.

The management of the organisation's most significant current and emerging risks is subject to Board oversight. A high-level summary of the current top risks faced by the business is presented quarterly to the Board, with any newly identified risks being brought to the Board's attention at the earliest opportunity. This summary includes comprises a heat map depicting the risks in pictorial format, and accompanying narrative detailing the risks, the existing mitigation or controls, and any proposed improvement actions, together with assigned responsibilities and expected implementation dates.

### Improvements made to the system of Internal Control during the period

In accordance with best practice, the systems of internal control across the Isle of Man Post Office are subject to continuous review and improvement. Some of the most significant improvements made to the Isle of Man Post Office management of risk over this period have been:

Risk Management - Improvements Made During The Period (2022 – 23)	
Improvement	Details of Improvement
Human Resources	<ul style="list-style-type: none"><li>• Implemented records management solution to reduce physical paperwork, and improve accessibility for line managers.</li><li>• Introduced Superannuation Scheme portal to reduce administration, scope for error, and improve accessibility.</li></ul>
Change Delivery	<ul style="list-style-type: none"><li>• Combined Project and IT Development departments to create a single Change Delivery team of project managers and ICT developers, harmonising priorities, workflow and creating efficiencies.</li></ul>
Mails	<ul style="list-style-type: none"><li>• Procured and implemented parcel automation:<ul style="list-style-type: none"><li>○ reducing health &amp; safety risks / risk exposure</li><li>○ improve throughput of packets/parcels creating efficiencies</li><li>○ capture real-time data for billing and management purposes.</li></ul></li></ul>
Finance	<ul style="list-style-type: none"><li>• Implemented an automated purchase payables system, including digital scanning, processing, approval, and archiving of invoices.</li></ul>

# Isle of Man Post Office

## Statement of Internal Control (continued)

Risk Management - Improvements Planned For The Forthcoming Period (2023 – 24)	
Improvement	Details of Improvement
Procurement and Compliance	<ul style="list-style-type: none"><li>Implement automated anti-money laundering checks linked to the sale of foreign currency around the counters/website.</li></ul>
Retail	<ul style="list-style-type: none"><li>Restructure of Retail division to improve controls and introduce management and operational efficiencies.</li></ul>
Stamps and Coins/Marketing	<ul style="list-style-type: none"><li>Procure and implement ecommerce solution to remove bespoke coding/interface complexities and improve business efficiencies.</li></ul>
IOMPO	<ul style="list-style-type: none"><li>Procurement of accounting, customer relationship, and HR systems, to modernise business processes, improve access to data, enhance records management controls, and generate efficiencies.</li></ul>
Mails	<ul style="list-style-type: none"><li>Build on the Mails information dashboard project, including:<ul style="list-style-type: none"><li>analysis and improvement of current systems and controls within Mails</li><li>designing bespoke reports and outputs to improve management controls</li></ul></li></ul>

### Internal Audit

The Isle of Man Post Office outsources certain of its internal audit activities to the Audit Advisory Division of Treasury. The ARC is responsible for the approval of the annual Audit and Compliance Plan, which includes the internal audit work outsourced to Audit Advisory Division. A service level agreement is in place to ensure effective delivery of the service. The Isle of Man Post Office Senior Risk and Compliance Officer works closely with the Audit Advisory Division and is responsible for reporting the audit findings to the ARC and for ensuring any follow up actions are executed. The Senior Risk and Compliance Officer is also charged with oversight of the business's risk management processes.

The internal audit plan is structured against an agreed assurance framework (see below) that is designed to provide enhanced assurance over the effectiveness of the controls and processes used to ensure the organisation's strategic plan objectives are progressed and achieved.

### Assurance Framework

As part of the continuous assessment process, the Isle of Man Post Office has developed an annual review procedure that involves Executive Directors and Senior Managers completing self-assessment questionnaires on internal control, risk management and corporate governance arrangements within the business. A formal assurance framework for the business was established following a co-ordinated assessment of all forms of assurance available to the Board and its ARC. This framework continues to be revised and updated. The assurance framework is designed to a systematic mechanism to ensure the adequacy and operation of existing key controls and systems to manage the major risks.

The Isle of Man Post Office's annual Audit and Compliance Plan is an integral part of the above framework, providing appropriately focused supplementary or independent assurance. Audit needs are determined according to the strength, independence and criticality of each of the current assurances.

# Isle of Man Post Office

## Statement of Internal Control (continued)

In undertaking their review, managers have considered each of the following operating risks within their business unit:

- Business Continuity
- Performance Management
- Financial Management and Compliance
- Procurement
- Information Management
- Value for Money
- Human Resources
- Change Management
- Health & Safety
- Environment
- Corporate Governance

The Executive Directors submit an assurance certificate to the Chief Executive on the adequacy of the control environment for the areas of the business for which they are responsible. The Chief Executive reviews the results of these assessments before being presented to the ARC.

### External Assurances of Effectiveness

Further independent assurance is gained from a number of external reviews as below:

Division	Name of Review Organisation	Review Undertaken	Date Completed
Business Solutions	Lloyd's Register Quality Assurance	Surveillance Audit ISO 27001:2013 / ISO 9001:2015	January 2023
All	Thirteen commercial clients	Detailed assurance activities and audits on our range of services	Thirty completed during the reporting period of 2022-2023

### Management Review Meetings

The Chief Executive and the Executive Directors meet with divisional and departmental managers either monthly or quarterly to formally review their business unit and departmental financial and operational performance.

### 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. As previously stated, they can therefore only provide reasonable and not absolute assurance. Accordingly, reasonable assurance is given that the Isle of Man Post Office's Internal Control and Corporate Governance arrangements are adequate and operated effectively during the period ended 26 March 2023.

Simon Kneen  
Chief Executive Officer

Date:

# 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 Chairman and Chief Executive Officer are responsible for preparing their Statement and Report, respectively. The Board is responsible for approving the Chairman's Statement and the Chief Executive Officer's Report, the Statement of Internal Control and preparing the financial statements, in accordance with applicable law and regulations.

The Audit Act 2006 requires the Board to prepare financial statements for each financial period, which meet the requirements of the Accounts and Audit Regulations 2018, made under the Audit Act 2006. The regulations require the Board to prepare the financial statements in accordance with UK Accounting Standards including FRS 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland, as applicable to an Isle of Man entity.

The Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Entity and of the profit or loss of the Entity for that period. In preparing these financial statements, the Board are 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, subject to any material departures disclosed and explained in the financial statements;
- assess the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Entity or to cease operations, or have no realistic alternative but to do so.

The Board are responsible for keeping adequate accounting records that are sufficient to show and explain the Entity's transactions and disclose with reasonable accuracy at any time the financial position of the Entity and enable them to ensure that the financial statements comply with the Accounts and Audit Regulations 2018 made under the Audit Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Entity and to prevent and detect fraud and other irregularities.

The Board are responsible for the maintenance and integrity of the corporate and financial information included on the Entity's website.

# Isle of Man Post Office

## Report of the Independent Auditor, Grant Thornton Limited, to the Board Members of Isle of Man Post Office

### Opinion

We have audited the financial statements of Isle of Man Post Office for the period ended 26 March 2023 which comprise the Income Statement, Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice), as modified by the Accounts and Audit regulations 2018 made under the Audit Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the state of the Isle of Man Post Office's affairs as at 26 March 2023 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Accounts and Audit Regulations 2018 made under the Audit Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Isle of Man Post Office in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Isle of Man, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Isle of Man Post Office Board Members use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Isle of Man Post Office's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Isle of Man Post Office Board Members with respect to going concern are described in the relevant sections of this report.

### Other information

Other information comprises information included in the annual report, other than the financial statements and our auditor's report thereon, including the Chairman's Statement, Chief Executive Officer's report and the Statement of Internal Control set out on pages 3 to 10. The Isle of Man Post Office Board Members are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

# Isle of Man Post Office

## **Report of the Independent Auditor, Grant Thornton Limited, to the Board Members of Isle of Man Post Office (continued)**

### **Matters on which we are required to report by exception**

In accordance with section 6(2) of the Audit Act 2006, we are required to include a statement in our audit report providing particulars where in relation to the accounts we:

- are not satisfied as to any of the matters specified in section 4(1) of the Audit Act 2006; or
- consider that any matter specified in section 4(2) of the Audit Act is contrary to law; or
- consider that the relevant body has failed in any respect mentioned in section 4(3) of the Audit Act 2006.

With regard to section 4(3) of the Audit Act 2006, recommendations in respect of internal controls matters identified during the course of our audit are reported to the Isle of Man Post Office in a separate Controls Report.

Except as noted above, we have nothing to report in respect of the matters we are required to report by exception.

### **Responsibilities of the Board for the financial statements**

As explained more fully in the statement of responsibilities of the Board set out on page 11, the Isle of Man Post Office Board Members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Isle of Man Post Office Board Members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Isle of Man Post Office Board Members are responsible for assessing the Post Office's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intend to cease operations, or have no realistic alternative but to do so.

The Isle of Man Post Office Board Members are responsible for overseeing the Board's financial reporting process.

### **Auditor's responsibilities for the audit of the financial statements**

The objectives of an auditor are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes their opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

# Isle of Man Post Office

## Report of the Independent Auditor, Grant Thornton Limited, to the Board Members of Isle of Man Post Office (continued)

### Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)

Based on our understanding of the Isle of Man Post Office and industry, we identified that the principal risks of non-compliance with laws and regulations related to compliance with the Financial Reporting Standard 102, the Post Office Act 1993, the Accounts and Audit Regulations 2018 made under the Audit Act 2006, and taxation laws, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Financial Reporting Standard 102, the Post Office Act 1993, the Accounts and Audit Regulations 2018 made under the Audit Act 2006. The Audit engagement partner considered the experience and expertise of the engagement team to ensure that the team had appropriate competence and capabilities to identify or recognise non-compliance with the laws and regulation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial performance and management bias through judgements and assumptions in significant accounting estimates, in particular in relation to significant one-off or unusual transactions. We apply professional scepticism through the audit to consider potential deliberate omission or concealment of significant transactions, or incomplete/inaccurate disclosures in the financial statements.

In response to these principal risks, our audit procedures included but were not limited to:

- enquiries of management and those charged with governance on the policies and procedures in place regarding compliance with laws and regulations, including consideration of known or suspected instances of non-compliance and whether they have knowledge of any actual, suspected or alleged fraud;
- inspection of the Isle of Man Post Office's regulatory and legal correspondence and review of minutes of board meetings during the period to corroborate inquiries made;
- gaining an understanding of the entity's current activities, the scope of authorisation and the effectiveness of its control environment to mitigate risks related to fraud;
- discussion amongst the engagement team in relation to the identified laws and regulations and regarding the risk of fraud, and remaining alert to any indications of non-compliance or opportunities for fraudulent manipulation of financial statements throughout the audit;
- identifying and testing journal entries to address the risk of inappropriate journals and management override of controls
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing
- challenging assumptions and judgements made by management in their significant accounting estimates, including retirement benefit assets and the fair value of property
- review of the financial statement disclosures to underlying supporting documentation and inquiries of management.

### Use of our report

This report is made solely to the Isle of Man Post Office Board Members as a body. Our audit work has been undertaken so that we might state to the Isle of Man Post Office Board Members' 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 Isle of Man Post Office and the Isle of Man Post Office Board Members as a body, for our audit work, for this report, or for the opinions we have formed.

### Grant Thornton Limited

Douglas  
Isle of Man

Date:

# Isle of Man Post Office

## Income Statement

for the period ended 26 March 2023

	Note	Period ended 26 March 2023 £	Period ended 27 March 2022 £
<b>Turnover</b>	<i>1(b), 2</i>	<b>24,236,192</b>	23,452,883
<b>Cost of sales</b>	<i>1(c)</i>	<b>(17,837,639)</b>	(16,051,164)
<b>Gross profit</b>		<b>6,398,553</b>	7,401,719
Other operating expenditure	<i>1(c)</i>	<b>(6,233,417)</b>	(5,890,209)
<b>Operating Profit</b>		<b>165,136</b>	1,511,510
Interest receivable		<b>248,651</b>	23,772
Net interest on net defined benefit pension asset/(liability)		<b>128,260</b>	(4,571)
<b>Profit for the period</b>	<i>3</i>	<b>542,047</b>	1,530,711

The notes on pages 20 to 33 form part of these financial statements.

The Board considers that all results derive from continuing activities.



# Isle of Man Post Office

## Statement of Comprehensive Income

for the period ended 26 March 2023

	Note	Period ended 26 March 2023 £	Period ended 27 March 2022 £
<b>Profit for the period</b>	3	<b>542,047</b>	1,530,711
<b>Other comprehensive income</b>			
Remeasurement of net defined benefit pension asset	9	<b>(523,937)</b>	5,630,848
Revaluation of freehold land & buildings	4	<b>412,323</b>	-
Total other comprehensive income for the period		<b>(111,614)</b>	5,630,848
Total comprehensive income for the period		<b>430,433</b>	7,161,559

The notes on pages 20 to 33 form part of these financial statements.

The Board considers that all results derive from continuing activities.

# Isle of Man Post Office

## Statement of Financial Position

as at 26 March 2023

	Note	26 March		27 March	
		2023		2022	
		£	£	£	£
<b>Non-current assets</b>					
Fixed assets	1(d), 4		<b>8,652,810</b>		7,042,438
Investments	1(e), 5		<b>40</b>		40
			<hr/>		<hr/>
			<b>8,652,850</b>		<b>7,042,478</b>
<b>Current assets</b>					
Stocks	1(g)	<b>205,299</b>		189,719	
Trade and other debtors	6	<b>3,403,391</b>		6,139,371	
Amounts due from Isle of Man Government	8	<b>18,820</b>		7,150	
Short term cash deposit	1(f)	<b>10,010,002</b>		9,542,072	
Cash at bank and in hand	1(f)	<b>6,042,160</b>		3,756,452	
			<hr/>	<hr/>	
			<b>19,679,672</b>	<b>19,634,764</b>	
<b>Creditors: amounts falling due within one year</b>					
Trade and other creditors	7	<b>(2,234,066)</b>		(2,258,861)	
Amounts due to Isle of Man Government	8	<b>(1,263,698)</b>		(1,113,899)	
			<hr/>	<hr/>	
			<b>(3,497,764)</b>	<b>(3,372,760)</b>	
<b>Net current assets</b>			<b>16,181,908</b>		16,262,004
<b>Pension scheme asset</b>	9		<b>2,699,685</b>		3,799,528
			<hr/>	<hr/>	
<b>Net assets</b>			<b>27,534,443</b>		<b>27,104,010</b>
<b>Represented by:</b>					
<b>Reserves</b>	1(k)		<b>27,534,443</b>		<b>27,104,010</b>
			<hr/> <hr/>	<hr/> <hr/>	

The notes on pages 20 to 33 form part of these financial statements.

These financial statements were approved by the Board on

and were signed on their behalf by:

Chairman

Chief Executive Officer

Finance Director

# Isle of Man Post Office

## Statement of Changes in Equity

for the period ended 26 March 2023

	Note	Period ended 26 March 2023		Period ended 27 March 2022	
		Profit and loss reserve £	Total equity £	Profit and loss reserve £	Total equity £
<b>Balance at start of year</b>		<b>27,104,010</b>	<b>27,104,010</b>	<b>19,942,451</b>	<b>19,942,451</b>
<b>Total comprehensive income for the period</b>					
Profit for the period		542,047	542,047	1,530,711	1,530,711
Remeasurement of net defined pension asset	9	(523,937)	(523,937)	5,630,848	5,630,848
Remeasurement of freehold land and buildings	4	412,323	412,323	-	-
Total comprehensive income for the period		430,433	430,433	7,161,559	7,161,559
<b>Balance at end of period</b>		<b>27,534,443</b>	<b>27,534,443</b>	<b>27,104,010</b>	<b>27,104,010</b>
<b>The Profit &amp; Loss Reserve is analysed as follows :</b>					
Property revaluation surplus		3,551,090	3,551,090	3,138,766	3,138,766
Net defined benefit pension scheme asset		2,699,685	2,699,685	3,799,528	3,799,528
Retained profit		21,283,668	21,283,668	20,165,716	20,165,716
<b>Total Reserves</b>		<b>27,534,443</b>	<b>27,534,443</b>	<b>27,104,010</b>	<b>27,104,010</b>

The notes on pages 20 to 33 form part of these financial statements.

# Isle of Man Post Office

## Statement of Cash Flows

for the period ended 26 March 2023

	Note	Period ended 26 March 2023 £	Period ended 27 March 2022 £
<b>Net cash flow from operating activities</b>	11	<b>4,427,166</b>	2,932,692
<b>Cash flows from investing activities</b>			
Payments to acquire fixed assets		(1,985,079)	(583,397)
Receipts from sales of fixed assets		62,900	13,825
<b>Net cash flow from investing activities</b>		<b>(1,922,179)</b>	(569,572)
<b>Cash flows from financing activities</b>			
Interest received		248,651	23,772
<b>Net cash used in financing activities</b>		<b>248,651</b>	23,772
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>2,753,638</b>	2,386,892
Cash and cash equivalents at start of year		13,298,524	10,911,632
<b>Cash and cash equivalents at end of period</b>		<b>16,052,162</b>	13,298,524

The Isle of Man Post Office does not have any debt; therefore, a reconciliation of net debt has not been presented.

The notes on pages 20 to 33 form part of these financial statements.

# Isle of Man Post Office

## Notes

(forming part of the financial statements for period ended 26 March 2023)

### I Accounting policies

#### a) Basis of accounting

These financial statements have been prepared in accordance with UK Accounting Standards including Financial Reporting Standard 102: the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as applicable to an Isle of Man entity. The presentation currency of these financial statements is Sterling rounded to the nearest £. They have been prepared in accordance with the Accounts and Audit Regulations 2018 made under the Audit Act 2006 as modified by any Direction issued by Treasury under Section 13 of the Audit Act 2006. These financial statements have been prepared under the historical cost convention, with the exception of land and buildings, which are measured at fair value.

Management are satisfied that the going concern basis for preparation of the financial statements is appropriate.

#### b) Turnover

Turnover has been accounted for on an accruals basis net of discounts and has been recorded in the Income Statement. Turnover is the value of services provided and goods sold excluding VAT.

Foreign currency sales are included in revenue based on the transaction values of monies exchanged at advertised rates, net of any promotional discounts, on the date of the transactions.

*Stage of completion of rendering of services*

Amounts earned and not invoiced are included within accrued income, in line with time based costs as and when services are provided, forming the basis of the stage of completion.

#### 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 statement of financial position 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 FRS102.

# Isle of Man Post Office

## Notes (continued)

(forming part of the financial statements for the period ended 26 March 2023)

### I Accounting policies (continued)

#### d) Tangible fixed assets

Tangible fixed assets (other than land and buildings) are stated at cost less accumulated depreciation and accumulated impairment losses. Land and buildings are stated at fair value less any subsequent accumulated depreciation and impairment losses.

A full valuation of land and buildings is undertaken every five years. An interim valuation is undertaken at least every three years at the midpoint of the cycle, but more frequently if necessary. The last full valuation was carried out on 26 March 2023. The last mid-point valuation was carried out on 29 March 2020.

The fair value was assessed by a qualified valuer from Isle of Man Government (Treasury), a related party (see note 13), on the basis of the comparison and investment methods of valuation using notional rents where applicable, in accordance with RICS Valuation – Global Standards 2022 (the Red Book).

Gains on revaluation are recognised in Other Comprehensive Income and accumulate in the profit and loss reserve. However, any increase is recognised in the Income Statement to the extent that it reverses a revaluation decrease previously recognised in the Income Statement.

Losses arising on revaluation are recognised in Other Comprehensive Income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Any excess is recognised in the Income Statement.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the Post Office assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases and accounted for in tangible fixed assets. All other leases are classified as operating leases.

The Post Office assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. The estimated useful lives are as follows:

Land	No Depreciation
Buildings:	
- Freehold (based on the estimated useful remaining life)	10-40 years
- Leasehold	Over period of lease
Motor vehicles	5 years
Office equipment and machines:	
- Letter boxes & safes	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
- Computer equipment	3 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the Post Office expects to consume an asset's future economic benefits.

# Isle of Man Post Office

## Notes (continued)

(forming part of the financial statements for the period ended 26 March 2023)

### I Accounting policies (continued)

#### e) *Investment in associates*

The measurement basis for investment in associates is cost. The Post Office's share of profits or losses of associates that would ordinarily be included in the Income Statement and its interest in the net of any associate is not material.

#### f) *Basic financial instruments*

*Trade and other debtors:*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument. Doubtful debt provisions are raised on long outstanding debts or in the event recoverability is otherwise doubtful, and measured at management's best estimate of the recoverable amount.

*Trade and other creditors*

Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

*Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits.

#### g) *Stocks*

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.

#### h) *Operating leases*

Payments (excluding costs for services and insurance) made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in the income statement over the term of the lease as an integral part of the total lease expense.

# Isle of Man Post Office

## Notes (continued)

(forming part of the financial statements for the period ended 26 March 2023)

### I Accounting policies (continued)

#### i) Research and Development expenditure

Expenditure on research activities is recognised in the Income Statement as an expense as incurred.

Expenditure on development activities may be capitalised if the product or process is technically and commercially feasible and the Post Office intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if it can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve design for, construction or testing of the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the Income Statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

#### j) Foreign exchange

Transactions in foreign currencies are translated to the Business's functional currency at the foreign exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are retranslated to the functional currency at the foreign exchange rate ruling at that date.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the Income Statement.

#### k) Reserves

Reserves comprise the Profit & Loss Reserve only, which includes all items of 'Comprehensive Income' net of levies paid and payable to Isle of Man Government Treasury (reserves are managed by agreement of Treasury under Section 6(1) of the Post Office Act 1993). Reserves include unrealised gains and losses in respect of property and pension scheme revaluations which are taken into account in the determination of any levies paid and payable.

#### l) Pension costs

The Isle of Man Post Office operates a defined benefit pension scheme. A defined benefit scheme is a post-employment benefit plan other than a defined contribution plan. The Post Office's net obligation or asset in respect of its defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Post Office determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability (asset) taking account of changes arising as a result of contributions and benefit payments. The discount rate is the yield at the Statement of Financial Position date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the Post Office's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The Post Office recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan. Changes in the net defined benefit liability or asset arising from employee service rendered during the period and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised as a component of operating profit. Net interest on net defined benefit liability or asset is recognised in



# Isle of Man Post Office

## 2 Accounting policies (continued)

### ***l) Pension costs (continued)***

the Income Statement. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to Other Comprehensive Income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Re-measurement of net defined benefit asset'.

The Isle of Man Post Office also operates a defined contribution pension scheme. Contributions payable are charged to the Income Statement.

### ***m) Heritage assets***

Heritage assets are not recorded at value in the Statement of Financial Position, unless the Board believes that there is sufficient ongoing business benefit accruing to justify the cost of revaluing assets.

### ***n) Provisions for liabilities***

Provisions are recognised when Isle of Man Post Office has a material present obligation (legal or constructive) as a result of a past event, it is probable that the Post Office will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

The Post Office recognises a provision for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable for the period of absence.

### ***o) Critical accounting judgements and estimation uncertainty***

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The most significant accounting estimates relate to the pension liability and property valuation, whereby specialists are used to determine the most appropriate estimate (notes 4 & 9).

The accounting policies set out in this note, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

# Isle of Man Post Office

## Notes (continued)

(forming part of the financial statements for period ended 26 March 2023)

### 2 Turnover

	Period ended 26 March 2023	Period ended 27 March 2022
	£	£
Mails	15,528,888	17,497,534
Retail Counters *	5,445,260	2,743,091
Stamps & Coins	1,031,596	1,050,312
Business Solutions (previously Integrated Mailing Solutions)	2,230,448	2,161,946
	<b>24,236,192</b>	<b>23,452,883</b>

\* Retail Counters turnover includes gross foreign exchange sales of £3,973,304 (2022: £1,298,634).

### 3 Total profit for the period

Total profit for the period is arrived at after charging/(crediting):

	Period ended 26 March 2023	Period ended 27 March 2022
	£	£
Auditor's remuneration	17,600	16,000
Depreciation (note 4)	757,102	690,002
Loss on revaluation land & buildings	29,929	-
Pension - defined benefit current service cost (note 9)	1,649,507	1,932,123
Pension - defined benefit interest on scheme liabilities (note 9)	(128,260)	4,571
Employee Remuneration (excl Pension)	10,423,773	11,077,697
Rentals payable under operating leases (note 10)	141,630	82,025
Accommodation (excl depreciation & rentals under op leases)	384,867	306,099
Retail network support payments	456,191	458,000
Retail network - other direct costs	468,273	505,080
Foreign exchange currency purchases	3,659,865	1,201,937
Logistics costs	3,678,771	3,447,569
Stamps & Coins - other direct costs	303,664	234,355
Business Solutions (previously Integrated Mailing Solutions) - other direct costs	162,857	151,016
Irrecoverable VAT	305,109	288,237
Information & Communication Technology Costs	395,015	366,316
Bank Charges	139,234	121,685
Plant & Machinery (excl depreciation)	553,962	513,911

# Isle of Man Post Office

## Notes (continued)

(forming part of the financial statements for period ended 26 March 2023)

### 4 Fixed assets

	Land & Buildings	Motor Vehicles	Office Equipment & Machines	Total
	£	£	£	£
<b>Cost or valuation:</b>				
At 27 March 2022	6,544,341	1,904,228	6,107,441	14,556,010
Additions	138,746	857,368	988,966	1,985,080
Disposals	-	(337,403)	(633,055)	(970,458)
Transfers	44,525	-	(44,525)	-
Revaluation	(72,350)	-	-	(72,350)
<b>At 26 March 2023</b>	<b>6,655,262</b>	<b>2,424,193</b>	<b>6,418,827</b>	<b>15,498,282</b>
<b>Accumulated depreciation:</b>				
At 27 March 2022	(775,466)	(1,532,381)	(5,205,725)	(7,513,572)
Charge for the year	(151,069)	(294,365)	(311,668)	(757,102)
Disposals	-	337,403	633,055	970,458
Transfers	(8,471)	-	8,471	-
Revaluation	454,744	-	-	454,744
<b>At 26 March 2023</b>	<b>(480,262)</b>	<b>(1,489,343)</b>	<b>(4,875,867)</b>	<b>(6,845,472)</b>
<b>Net book value:</b>				
<b>At 26 March 2023</b>	<b>6,175,000</b>	<b>934,850</b>	<b>1,542,960</b>	<b>8,652,810</b>
At 27 March 2022	5,768,875	371,847	901,716	7,042,438

Land and buildings were revalued to fair value on the 26 March 2023, by a qualified professional valuer from Isle of Man Government (Treasury), a related party (see note 13), in accordance with the Royal Institute of Chartered Surveyors Professional Standards and Guidance, Global Standards 2022 (the Red Book). Post Office Headquarters was revalued upwards by £412,323 and reported entirely in the Statement of Other Comprehensive Income given there was a revaluation surplus over historic cost prior to the revaluation. This was not the case for the Barleyfields property, where a downward revaluation of £29,929 is recognised in the Income Statement.

The carrying amount of land & buildings reported at valuation, that would have been recognised had these assets been carried under the cost model is £2,623,910 (2022: £2,630,109).

The net book value of land and buildings is detailed below:

	Period ended 26 March 2023	Period ended 27 March 2022
	£	£
Land	1,612,000	1,375,000
Freehold Buildings	4,563,000	4,393,875
	<b>6,175,000</b>	<b>5,768,875</b>

# Isle of Man Post Office

## Notes (continued)

(forming part of the financial statements for period ended 26 March 2023)

### 5 Investment in associates

As part of the acquisition of property at Barleyfields, Isle of Man Business Park, the Post Office acquired 40 shares of Isle of Man Business Park (No 4) Management Company Limited, a company incorporated in the Isle of Man, representing 40% of the issued capital of the company. The principal activity of the company is the management of the shared element of the property acquired. The Board has taken the decision not to include the Post Office's share of profits or losses of associates or its interest in their net assets in these accounts, as in its view the results would be immaterial.

### 6 Trade and other debtors

	Period ended 26 March 2023	Period ended 27 March 2022
	£	£
Trade debtors (gross)	2,607,579	5,319,123
Less provision for doubtful debts	(1,644)	(12,050)
Trade debtors (net)	2,605,935	5,307,073
Other debtors	584,997	633,172
Prepayments and accrued income	212,459	199,126
	<b>3,403,391</b>	<b>6,139,371</b>

### 7 Trade and other creditors

	Period ended 26 March 2023	Period ended 27 March 2022
	£	£
Trade creditors, other creditors and accruals	1,774,594	1,772,351
Agency creditors	223,818	257,519
VAT	81,135	78,160
Philatelic subscriber balances	154,519	150,831
	<b>2,234,066</b>	<b>2,258,861</b>

### 8 Amounts due from and amounts due to Isle of Man Government (excluding trade debtors and creditors)

	Period ended 26 March 2023	Period ended 27 March 2022
	£	£
<i>Due from Isle of Man Government comprises:</i>		
Treasury department	18,820	7,151
<i>Due to Isle of Man Government comprises:</i>		
Agency creditors	1,263,698	1,113,899

All balances are interest free, unsecured and payable/repayable on demand.

# Isle of Man Post Office

## Notes (continued)

(forming part of the financial statements for period ended 26 March 2023)

### 9 Pension 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. A full actuarial valuation of the Scheme is being undertaken as at 31 March 2023 by a qualified independent actuary.

The actuarial assumptions used to calculate scheme liabilities under FRS102 are as follows:

	<b>Period ended 26 March 2023</b>	Period ended 27 March 2022
	%	%
Discount rate	<b>4.75%</b>	2.95%
Salary increase rate	<b>2.75%</b>	3.20%
Pension increases:		
- CPI linked	<b>2.50%</b>	2.95%
- CPI min 0%, max 3%	<b>2.20%</b>	2.40%
- CPI min 0%, max 2.5%	<b>2.00%</b>	2.10%
RPI Price inflation rate	<b>3.00%</b>	3.45%
CPI Price inflation rate	<b>2.50%</b>	2.95%

Assumptions regarding life expectancy of members are based on published statistics and mortality tables. The life expectancies at age 65 utilised in the actuarial assumptions are as follows:

	<b>MALE</b>		<b>FEMALE</b>	
	<b>26-Mar 2023</b>	<b>27-Mar 2022</b>	<b>26-Mar 2023</b>	<b>27-Mar 2022</b>
Current pensioners aged 65	<b>22.2</b>	<b>22.2</b>	<b>24.6</b>	<b>24.5</b>
Future pensioners now aged 45	<b>23.5</b>	<b>23.5</b>	<b>26.0</b>	<b>26.0</b>

The expected return on scheme assets is the best estimate of returns expected over the period from dividends, interest and capital gains, taking into account the expected returns for individual asset categories.

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.

# Isle of Man Post Office

## Notes (continued)

(forming part of the financial statements for period ended 26 March 2023)

### 9 Pension scheme (continued)

#### Amounts recognised in the Statement of Financial Position

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:

	<b>Period ended 28 March 2023</b>	Period ended 27 March 2022
	<b>£'000</b>	£'000
Equities	<b>32,233</b>	37,184
Property	<b>10,456</b>	12,197
Other*	<b>30,642</b>	53,486
	<hr/>	<hr/>
Fair value of scheme assets	<b>73,331</b>	102,867
Present value of funded liabilities	<b>(70,631)</b>	(99,067)
	<hr/>	<hr/>
Net defined benefit asset	<b>2,700</b>	3,800
	<hr/> <hr/>	<hr/> <hr/>

\* "Other" assets at 26 March 2023 comprised Diversified Growth Funds of £0 (£12,548,244 at 27 March 2022), and liability driven investments of £14,886,404 (£23,081,685 at 27 March 2022), Direct Lending at £10,215,273 (£8,092,529 at 27 March 2022) and net current assets of £5,540,317 (£9,763,595 at 27 March 2022).

The scheme does not invest in the employer's own financial instruments, including property or other assets owned by the employer.

#### Changes in present value of the funded liabilities:

	<b>Period ended 26 March 2023</b>	Period ended 27 March 2022
	<b>£'000</b>	£'000
At beginning of period	<b>99,067</b>	107,589
Current employer service cost	<b>1,280</b>	1,765
Employee contributions	<b>529</b>	568
Interest cost	<b>2,864</b>	2,278
Actuarial movements	<b>(29,129)</b>	(9,813)
Benefits paid (including expenses)	<b>(3,980)</b>	(3,320)
	<hr/>	<hr/>
At end of period	<b>70,631</b>	99,067
	<hr/> <hr/>	<hr/> <hr/>

# Isle of Man Post Office

## Notes (continued)

(forming part of the financial statements for period ended 26 March 2023)

### 9 Pension scheme (continued)

#### Changes in fair value of the scheme assets:

	Period ended 26 March 2023 £'000	Period ended 27 March 2022 £'000
At beginning of period	102,867	106,665
Interest income on scheme assets	2,993	2,273
Employer contributions	945	1,030
Employee contributions	529	568
Return on scheme assets in excess of interest income	(29,653)	(4,182)
Benefits paid (including expenses)	(4,350)	(3,487)
	<hr/>	<hr/>
At end of period	<b>73,331</b>	<b>102,867</b>

#### Amounts recognised in the profit for the period

	Period ended 26 March 2023 £'000	Period ended 27 March 2022 £'000
Current service cost (including expenses)	1,649	1,932
Net interest on net defined benefit liabilities	(128)	5
	<hr/>	<hr/>
Total expense recognised in income statement	<b>1,521</b>	<b>1,937</b>

#### Amounts recognised in other comprehensive income (OCI)

	Period ended 26 March 2023 £'000	Period ended 27 March 2022 £'000
Return on scheme assets in excess of interest income	(29,653)	(4,182)
Experience gains and (losses) on liabilities	(3,226)	5
Changes in assumptions	32,355	9,808
	<hr/>	<hr/>
Total (losses)/gains recognised in OCI	<b>(524)</b>	<b>5,631</b>

#### Actual return on scheme assets

	Period ended 26 March 2023 £'000	Period ended 27 March 2022 £'000
Actual return on assets	<b>(26,661)</b>	<b>(1,909)</b>

#### Defined contribution scheme

Employer contributions of £28,010 (2022: £14,231) were payable to defined contribution pension schemes during the period. The creditor with respect to these contributions at the period end was £nil (2022: £nil).

# Isle of Man Post Office

## Notes (continued)

(forming part of the financial statements for period ended 26 March 2023)

### 10 Capital and lease commitments

a) There are capital commitments as at 26 March 2023 of £136,539 (2022: £1,812,672).

b) Future commitments under non-cancellable operating leases as lessee (all relating to Land and Buildings) are as follows:

	<b>Period ended 26 March 2023</b>	Period ended 27 March 2022
	£	£
Total payable:		
Within one year	<b>147,808</b>	125,221
In the second to fifth years inclusive	<b>103,218</b>	61,680
Over five years	-	-
	<hr/> <b>251,026</b> <hr/>	<hr/> <b>186,901</b> <hr/>

c) The operating lease expense for the period (all relating to Land and Buildings) was as follows:

	<b>Period ended 26 March 2023</b>	Period ended 27 March 2022
	£	£
Total	<b>141,630</b>	82,025

As a consequence of a prior period adjustment, an incentive provision connected to a lease was reversed in the financial statements for the period ended 27 March 2022, and accordingly the operating lease expense for that period was reduced by £56,000.

d) Future receivables under non-cancellable operating leases as lessor (all relating to Land and Buildings) are as follows:

	<b>Period ended 26 March 2023</b>	Period ended 27 March 2022
	£	£
Total receivable:		
Within one year	<b>19,052</b>	19,375
In the second to fifth years inclusive	-	19,052
Over five years	-	-
	<hr/> <b>19,052</b> <hr/>	<hr/> <b>38,427</b> <hr/>

e) The operating lease income for the year (all relating to Land and Buildings) was as follows:

	<b>Period ended 26 March 2023</b>	Period ended 27 March 2022
	£	£
Total	<b>19,375</b>	19,375



# Isle of Man Post Office

## Notes (continued)

(forming part of the financial statements for period ended 26 March 2023)

### 11 Reconciliation of operating profit to net cash flow from operating activities

	Period ended 26 March 2023	Period ended 27 March 2022
	£	£
Operating Profit	165,136	1,511,510
Depreciation charges	757,101	690,002
Loss on revaluation	29,930	-
Net gain on sale of tangible fixed assets	(62,900)	(8,144)
Defined benefit scheme - current service cost in excess of contributions	704,165	902,237
(Increase) in stocks	(15,580)	(19,857)
Decrease in debtors	2,735,980	194,485
Net increase/(decrease) in amounts owed to Isle of Man Government	138,129	(475,228)
(Decrease)/increase in creditors	(24,795)	137,687
	<hr/>	<hr/>
Net cash flow from operating activities	4,427,166	2,932,692

\* Current Service cost £1,649k (2022: £1,932k) less £945k (2022: £1,030k) regular contributions.

### 12 Salaries

Remuneration of members, officers and employees of the Post Office has been paid within the following bands:

	Period ended 26 March 2023	Period ended 27 March 2022
	Number	Number
£50,000 - £74,999	13	11
£75,000 - £99,999	2*	2*
£100,000 - £124,999	2	1
£125,000 - £149,999	1	1

\* includes one limited term appointment

Changes to the number of members, officers and employees in the above bands occurred as a consequence of incremental adjustments to remuneration. The overall senior management team headcount reduced by one.

### 13 Related party transactions

The Isle of Man Post Office is required to disclose material transactions with related parties, that is bodies or individuals that have the potential to control or influence it, or to be controlled or influenced by the same. Disclosure of these transactions allows the readers to assess the extent to which the Post Office might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with it.

The Board considers that the main related parties are the Isle of Man Post Office Superannuation Scheme ("the Scheme"), Employer pension contributions and expenses met by IOMPO and recharged to the Scheme are disclosed in Note 9, Members of the Board and Senior Management of the Isle of Man Post Office. In accordance with FRS102 Section 33 as the Isle of Man Post Office is wholly owned by the Isle of Man Government and is included in the consolidated Government accounts, transactions between the Isle of Man Post Office and its beneficial owner, the Isle of Man Government are not disclosed in this note (non trade debtor and creditor balances at 26 March 2023 are disclosed in note 8).

# Isle of Man Post Office

## Notes (continued)

(forming part of the financial statements for period ended 26 March 2023)

### 13 Related party transactions (continued)

Remuneration of key management personnel (Remuneration includes contributions to the defined benefit pension scheme and employers National insurance payments) in the year was:

	Period ended 26 March 2023	Period ended 27 March 2022
	£	£
Board Members and Executive Directors	<b>467,754</b>	453,233

### 14 Contingent liabilities

The Isle of Man Post Office may have contingent liabilities to pay recharges for policy excesses in respect of insurance arranged on its behalf by the Department of Treasury. These policy excesses may be up to £150,000 although, to the best of its knowledge as at the date of this report, the Board believes that should a recharge be made, the total of these liabilities would be significantly below this figure.

### 15 Heritage assets

The Isle of Man Post Office owns a number of heritage assets that are not included in the statement of financial position at 26 March 2023 or 27 March 2022. The assets comprise:-

- 1) A collection of paintings, representing the original artwork for stamps produced during the 1970s and 1980s.
- 2) A memorial World War 1 plaque designed by Archibald Knox
- 3) A memorial World War 2 plaque

These assets were purchased historically. It is the view of the Board that the costs incurred to reliably value these assets on an on-going basis, even if such values could be obtained, would be disproportionate to any additional benefits derived by the Post Office and users of the accounts.

### 16 Post balance sheet events

The Board are not aware of any material post balance sheet events requiring disclosure in the financial statements.