

Isle of Man Post Office

Report and financial statements

For the period ended 27 March 2022

Isle of Man Post Office

<i>Contents</i>	<i>Page</i>
Officers and Professional Advisers	2
Vice-Chair's Statement	3 and 4
Chief Executive Officer's Report	5 and 6
Statement of Internal Control	7 to 11
Statement of Responsibilities of the Board	12
Report of the Independent Auditor	13 to 15
Income Statement	16
Statement of Comprehensive Income	17
Statement of Financial Position	18
Statement of Changes in Equity	19
Statement of Cash Flows	20
Notes	21 to 34

Isle of Man Post Office

Officers and Professional Advisers

Headquarters

Spring Valley Industrial Estate
Douglas
Isle of Man
IM2 1AA

Board Members

Mr C Thomas MHK - Chairman (appointed Chairman on 16 November 2021, resigned 20 July 2022)
Mr S Peters MHK – Chairman (appointed 20 July 2022)
Mrs J Edge MHK - Chair (resigned on 19 October 2021)
Mrs D Kelsey MLC - Vice Chair (appointed Vice Chair on 18 January 2022)
Mr C Allen (appointed on 15 February 2022)
Mr J D Hollis (reappointed on 15 February 2022)
Mr C Mitchell (reappointed on 15 February 2022)
Mrs J O'Rourke (term expired on 21 February 2022)

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

Vice-Chair's Statement

Following the appointment of Chris Thomas MHK as Minister for Infrastructure and his consequential resignation as Chairman of Isle of Man Post Office, Tynwald approved the appointment of Stuart Peters MHK as our new Chairman on 20 July 2022. Due to the close proximity of this appointment to the date of approval of our Report and Financial Statements, it is my pleasure as Vice-Chair of Isle of Man Post Office to present this report.

The period ending 27 March 2022 has been busy for the business as we have continued the implementation of our strategic plan; refreshing and extending it beyond its original five-year span (2017-2022) to 2025. As we press on with our transformational journey, we continue to see the results of hard work and project planning come to fruition, ensuring the business remains in a solid financial position.

I am pleased to report that once again the business has returned a profit, which is testament to the efforts of all colleagues for their sterling commitment and diligence in what was another challenging year operationally. However, this is no time for the business to rest on its laurels. The challenges for those in the postal industry remain, with digitisation, volatile parcel volumes, letter traffic in irreversible decline, rising operational costs, and the changing expectations and needs of customers. Additionally, the unfettered 'gig economy' continues to have a detrimental effect on our business. IOMPO prides itself on offering respectable employee terms and conditions and dignified pensions. Meanwhile 'gig economy' competitors with no established infrastructure on Island continue to rely on a predominance of self-employed couriers paid 'per item', significantly lowering their costs at the expense of employment standards. In such circumstances, it is difficult for IOMPO to compete on a level footing.

During the pandemic, IOMPO was pleased to step in at short notice to support the Isle of Man Government's delivery of lateral flow tests to residential addresses Island-wide. Throughout the pandemic, IOMPO supported Government and local businesses reach their end users through our added value mail solutions services and our reliable and trusted delivery network. Whilst we have seen some recovery in retail network activity over the past year, the inherent trend of digitisation, accelerated by the pandemic, has continued. Meanwhile, uncertainty regarding the future of key revenue generating counter services provided on behalf of the Department of Infrastructure and the Social Security Division of Treasury continues. The Board firmly believe that our 2019 Tynwald approved demand-responsive retail modernisation strategy continues to be the right path for our business, being adaptive to the evolving habits of counter users and changing demands of Government and commercial agency partners. Subsequent to the year end the new Council of Ministers reviewed this strategy against alternative options. At the point of writing this statement there is an ongoing dialogue as to the potential implications for the implementation approach and costs to deliver the retail modernisation strategy.

2022/23 will see the introduction of new demand responsive services to customers including the ability to purchase postage online; print labels at home; and drop parcels into parcel boxes. This innovation will make it much easier and convenient to access postal services at a time that suits customers. Furthermore, cognisant of the direction of travel for counter agency services, and the demand for space in our retail partner outlets, we are developing a light footprint counter solution purely for postal services, thus future proofing the provision of community postal services, benefiting both retailers and customers.

One of the Board's key objectives is mitigating its environmental impact, aligned to the Government's climate change targets. The Board commissioned an external carbon emissions audit which identified a number of initiatives that have already been introduced across our estate, with further work in this regard underway, and more planned for 2022/23 to reduce our carbon footprint.

I wish to express my sincere thanks to both Chris Thomas MHK and Julie Edge MHK for their leadership of the business during the course of the last six years, successfully navigating some challenging periods, and I wish them every success in their ministerial positions.

Isle of Man Post Office

Vice-Chair's Statement (continued)

More recently, an appointment process for the Board's lay members was undertaken which saw the reappointment of John Hollis and Christopher Mitchell, and we also welcomed Christopher Allen as a new member. I wish to put on record my thanks to Jane O'Rourke who left the Board having served with loyalty, commitment and providing sound advice during her five year term. In January, Tynwald approved my appointment as the new Vice-Chair, and I look forward to working with the new Chair and the full Board in continuing to progress our strategy to modernise and ensure the sustainability of the business.

I would like to acknowledge Treasury's decision to continue with no levy for the financial period, illustrating their support for our strategy. Notwithstanding our results for the period, it is paramount that IOMPO is able to retain its reserves to fund the transformation programme, continue to subsidise the retail network, and to provide a cushion against the volatility of its defined benefit pension plan.

As IOMPO continues with its transformational journey, I wish to take a moment to reflect on the significant achievements already accomplished and say thank you to all IOMPO colleagues for their input in achieving this years' excellent results. We remain steadfast in striving to achieve the very best for this long established trusted Manx business, delivering a quality and trusted service to our valued customers and stakeholders.

Diane Kelsey MLC
Vice-Chair
5 August 2022

Isle of Man Post Office

Chief Executive Officer's Report

As our Vice-Chair observes, this has been a busy year for the Isle of Man Post Office (IOMPO); our financial results reflect the success of the whole team which makes up our business.

This year we report a profit of £1.53m, broadly comparable with the prior period profit of £1.61m. Turnover increased marginally from £23.4m to £23.5m, whilst net asset value was £27.1m (2021: £20m) at the period end.

The circa £7m increase in net assets is due in part to our profitability for the period, but is predominantly attributable to the £5.6m favourable re-measurement of our pension scheme. On the "accounting basis" the Statement of Financial Position reports the scheme in a £3.8m surplus (2021: £0.9m deficit) at the period end. Whilst it is reassuring that the scheme is reporting a surplus, it should be noted that on the actuarially determined "funding basis" the scheme reported a deficit of £2.4m (2021: 2.7m surplus) at the period end.

Our Mails division reported a 3% fall in revenue. Letter volumes were 4% down while parcel volumes decreased by 6%. The letter trend is inherent and unsurprising, but the trend in parcels is for the most part due to the partial reversal of buoyant online shopping trends prevalent during the pandemic. Inbound parcel volumes remain volatile and it is challenging to understand with certainty, how these trends will develop as we look to the future. Notwithstanding customer habits, competition for doorstep parcel delivery remains fierce. Online retailers have the propensity to switch their delivery partners at short notice, providing no certainty for forecasting this key revenue stream which is paramount in under-pinning our ability to deliver our universal service obligations.

In October we concluded protracted commercial discussions with our main logistics partner which hitherto had resulted in a delay in the announcement of price increases for 2021/22. Whilst customers benefited from this, we were cognisant that our pricing announcement for 2022/23 necessarily followed in close proximity and we sought to mitigate the impact as far as practicable. Although price increases are never welcome, in this time of high inflation we are proud that we have been able to maintain the lowest priced first class letter service in the British Isles.

During the year we undertook a tender exercise to procure a parcel sorting machine. The machine, scheduled for delivery and commissioning in 2022/23, forms a key part of our strategy and is a significant investment in our infrastructure. The machine will allow for the introduction of streamlined processes and for the development of new ways of working through the use of the technology. The machine is expected to process inward and outward packets and parcels, being able to sort locally destined items into postal routes for delivery around the Island and will be the first machine of its kind on the Isle of Man. As our letter sorting machine was key to the efficiency of letter sortation when first introduced ten years ago, so we expect our parcel sorting machine to be so too.

During the year the retail network, including its head office support requirement, continued to be loss making at a broadly similar level to the prior year. In line with expectations, transactions at sub-post office counters continued to decline, reporting a fall of 12% over the year, reflecting consumers' evolving preference to transact their business online. Pleasingly our previously popular foreign currency service began its recovery from the pandemic, with net revenue increasing to the year end and into the new financial year.

Our Vice-Chair's statement mentioned the report to the Council of Ministers and I would reiterate that we are grateful for the opportunity for this to go before for Council. While the Board and Executive feel strongly that it has the most appropriate retail strategy in place, we hope the outcome will provide some much anticipated clarity for both the business and the independent retailers of postal services on the future direction of the retail network.

The topic of Isle of Man Post Office offering banking services remains in the background. We welcomed the Department of Enterprise's Access to Cash Report published in February, however there continues to be mixed opinions in Tynwald on the future of cash as many high street banks choose to reduce their retail offering on the Island.

Isle of Man Post Office

Chief Executive Officer's Report (continued)

In the last 12 months our IMS division saw its revenue fall by 12% compared to the prior period. This was primarily attributable to a 17% fall in sales of corporate postage associated with the division's 'added value' mails services; reflective of the continued trend of digitisation in customer communications. In 2022/23 the division will relocate to our Barleyfields premises in the Isle of Man Business Park to create additional space in the mails hall to accommodate the new parcel machine.

Our Stamps and Coins division produced a varied programme with the Sir Barry Gibb issue, celebrating the Manxman's peerless musical career and tireless charitable work; the 100th anniversary of the Royal British Legion; and of course our stamp marking Her Majesty The Queen's Platinum Jubilee being notable highlights. The division reported revenues down 6% on the prior period. Our regular collector base continues to decline but the impact of this is mitigated by the imagination and innovation of our committed team attracting new customers. Disappointingly, the division no longer has access to loose coin 'collectables' issued by Isle of Man Treasury, removing a commercial opportunity to market with associated stamp products. These collaborations were previously very popular with our collectors and has negatively impacted the results of the division.

As a business with royal connections we were proud to support the celebration of the Platinum Jubilee with our valued colleagues and customers. We were also pleased to support, through the sale of our Platinum Jubilee range, the Queen's Green Canopy, a tree planting initiative created to mark Her Majesty's 70 years on the throne, which encouraged people to "Plant a Tree for the Jubilee."

At IOMPO we always value the feedback we receive from our customers and stakeholders and in 22/23 we will look to launch a customer needs survey. Liaising with our customers on our service, quality and reliability is vitally important to us as we strive to improve our services, as well as introduce new products and services to meet their changing needs.

Returning a strong profit again this year is a tremendous result for the whole team at IOMPO and I wish to express my thanks to them all, each and every one has played their part in achieving this result. Building on this position will be challenging, but we must continue to reposition the business so it remains fit for the future.

Simon Kneen
Chief Executive Officer
5 August 2022

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, and 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. The other Executive Directors include the Finance Director and the Chief Operating Officer.

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.

Isle of Man Post Office

Statement of Internal Control (continued)

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.

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 quarterly 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: i) a heat map depicting the risks in pictorial format, and ii) a schedule of top risks that details the risks, the existing mitigation or controls, and any proposed improvement actions, together with assigned responsibilities and expected implementation dates. The current status (Red-Amber-Green) is evaluated for each key risk.

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 (2021 – 22)	
Improvement	Details of Improvement
ICT Development	Introduce and embed new software development life cycle process to: <ul style="list-style-type: none">• Reduce key man dependencies• Improve peer reviews and reduce iterations• Improve retirement of deprecated code and processes Introduce and embed new Cyber Incident Response Plan: <ul style="list-style-type: none">• Implement Cyber Response framework• Streamline response• Reduce risk / exposure to the business
Customer Services	Eliminating avoidable paper based processes to improve customer experience and create efficiencies and enhance controls within the business.
ICT Support	Manage the migration of the existing infrastructure to new platforms and 3 rd party providers. To introduce greater flexibility, agility and enhanced security.
Compliance	Enhance supplier management framework, including monitoring and audits of key areas handling sensitive personal data.
Project Management	Portfolio Board now in place and project management system and tools implemented.

Isle of Man Post Office

Statement of Internal Control (continued)

Risk Management - Improvements Planned For The Forthcoming Period (2022 – 23)	
Improvement	Details of Improvement
Finance	Implement an automated purchase payables system including digital scanning and processing of invoices. Digital payment authorisation and archiving.
Human Resources	Identify and introduce online learning system across business.
IMS	Implementation of management information system to automate the flow of information from customer work to invoicing.
Project Management	Following the implementation of the project management system in 2021/22, agree KPI and design reports to improve communications.
ICT Support	Analyse incidents on call-logging system to eliminate repeat issues and identify training gaps to improve the ICT support service.
Mails	Introduce parcel automation machine into the Mails operation: <ul style="list-style-type: none">• Reduce health & safety risks / exposure to the business• Improve throughput of packets/parcels and reduce costs• Capture real-time information for billing and management purposes.
Mails	Building on the Mails Information dashboard project including: <ul style="list-style-type: none">• analysis and improvement of current systems and controls within mails• Designing bespoke reports and outputs to improve management control

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 planned audit programme whilst Audit Advisory division are responsible for delivery of the programme. 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 Internal Audit 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 given specific consideration to 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
IMS	Lloyd's Register Quality Assurance	Re-certification of ISO 27001:2013 /ISO 9001:2015	April 2021
All	Seven commercial clients performed detailed assurance on our range of services	Assurance activities and audits	Seventeen during the reporting period of 2021-2022

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 27 March 2022.

Simon Kneen
Chief Executive Officer
5 August 2022

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

Independent auditor's report to the Board Members of Isle of Man Post Office

Our Opinion

Our Opinion on the financial statements is unmodified

We have audited the financial statements of Isle of Man Post Office for the period ended 27 March 2022 which comprise the Income Statement, the 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 27 March 2022 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, 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.

However, as we cannot predict with certainty all future events or conditions and as any subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report cannot be viewed as a guarantee as to the entity's ability to continue as a going concern.

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.

Isle of Man Post Office

Independent auditor's report to the Board Members of Isle of Man Post Office (continued)

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

Other information

The Isle of Man Post Office Board Members are responsible for the other information. The other information comprises the information included in the Vice-Chair's Statement, Chief Executive Officer's report and the Statement of Internal Control set out on pages 3 to 11, other than the financial statements and our auditor's report thereon. 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.

Responsibilities of the Board

As explained more fully in the statement of responsibilities of the Board set out on page 12, 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.

Auditor's responsibilities for the audit of the financial statements

Our objectives 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 our 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.

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

The objectives of our audit are to identify and assess the risks of material misstatement of the financial statements due to fraud or error; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud or error; and to respond appropriately to those risks. 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).

Isle of Man Post Office

Independent auditor's report to the Board Members of Isle of Man Post Office (continued)

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

– The Isle of Man Post Office is subject to laws and regulations that directly affect the financial statements including financial reporting legislation. We determined that the following laws and regulations were most significant including Financial Reporting Standard 102, the Post Office Act 1993, the Accounts and Audit Regulations 2018 made under the Audit Act 2006, and taxation laws. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

– We understood how the Isle of Man Post Office is complying with those legal and regulatory frameworks by, making inquiries to management and those responsible for legal and compliance procedures. We corroborated our inquiries through our review of minutes and documents provided to the board.

– We assessed the susceptibility of the Isle of Man Post Office's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included:

- identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud;
- understanding how those charged with governance considered and addressed the potential for override of controls or other inappropriate influence over the financial reporting process;
- challenging assumptions and judgements made by management in its significant accounting estimates; and
- identifying and testing journal entries, in particular any unusual journal entry postings.

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. This description forms part of our auditor's report.

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

5 August 2022

Isle of Man Post Office

Income Statement

for the period ended 27 March 2022

	Note	Period ended 27 March 2022 £	Period ended 28 March 2021 £
Turnover	<i>1(b), 2</i>	23,452,883	23,373,827
Cost of sales	<i>1(c)</i>	(16,051,164)	(15,845,385)
Gross profit		7,401,719	7,528,442
Other operating expenditure	<i>1(c)</i>	(5,890,209)	(5,853,497)
Operating Profit		1,511,510	1,674,945
Interest receivable		23,772	22,140
Interest payable and similar charges		(4,571)	(88,600)
Profit for the period	3	1,530,711	1,608,485

The notes on pages 21 to 34 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 27 March 2022

	Note	Period ended 27 March 2022 £	Period ended 28 March 2021 £
Profit for the period	3	1,530,711	1,608,485
Other comprehensive income			
Remeasurement of net defined benefit pension obligation	9	5,630,848	3,746,887
Total other comprehensive income for the period		5,630,848	3,746,887
Total comprehensive income for the period		7,161,559	5,355,372

The notes on pages 21 to 34 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 27 March 2022

	Note	27 March 2022	28 March 2021
		£	£
Non-current assets			
Fixed assets	1(d), 4	7,042,438	7,154,700
Investments	1(e), 5	40	40
		7,042,478	7,154,740
Current assets			
Stocks	1(g)	189,719	169,885
Trade and other debtors	6	6,139,371	6,333,856
Amounts due from Isle of Man Government	8	7,150	1,999
Short term cash deposit	1(f)	9,542,072	8,100,109
Cash at bank and in hand	1(f)	3,756,452	2,811,523
		19,634,764	17,417,372
Creditors: amounts falling due within one year			
Trade and other creditors	7	(2,258,861)	(2,121,174)
Amounts due to Isle of Man Government	8	(1,113,899)	(1,583,975)
		(3,372,760)	(3,705,149)
Net current assets		16,262,004	13,712,223
Pension scheme asset / (liability)	9	3,799,528	(924,512)
Net assets		27,104,010	19,942,451
Represented by:			
Reserves	1(k)	27,104,010	19,942,451

The notes on pages 21 to 34 form part of these financial statements.

These financial statements were approved by the Board on 5 August 2022 and were signed on their behalf by:

Vice-Chair

Chief Executive Officer

Finance Director

Isle of Man Post Office

Statement of Changes in Equity

for the period ended 27 March 2022

	Note	Period ended 27 March 2022		Period ended 28 March 2021	
		Profit and loss reserve £	Total equity £	Profit and loss reserve £	Total equity £
Balance at start of year		19,942,451	19,942,451	14,587,079	14,587,079
Total comprehensive income for the period					
Profit for the period		1,530,711	1,530,711	1,608,485	1,608,485
Remeasurement of net defined pension obligation	9	5,630,848	5,630,848	3,746,887	3,746,887
Total comprehensive income for the period		7,161,559	7,161,559	5,355,372	5,355,372
Balance at end of period		27,104,010	27,104,010	19,942,451	19,942,451
The Profit & Loss Reserve is analysed as follows :					
Property revaluation surplus		3,138,766	3,138,766	3,138,766	3,138,766
Defined benefit pension scheme asset / (liability)		3,799,528	3,799,528	(924,512)	(924,512)
Retained profit		20,165,716	20,165,716	17,728,197	17,728,197
Total Reserves		27,104,010	27,104,010	19,942,451	19,942,451

The notes on pages 21 to 34 form part of these financial statements.

Isle of Man Post Office

Statement of Cash Flows

for the period ended 27 March 2022

	Note	Period ended 27 March 2022 £	Period ended 28 March 2021 £
Net cash flow from operating activities	11	2,932,692	(621,312)
Cash flows from investing activities			
Payments to acquire fixed assets		(583,397)	(397,416)
Receipts from sales of fixed assets		13,825	47,870
Net cash flow from investing activities		(569,572)	(349,546)
Cash flows from financing activities			
Interest received		23,772	22,140
Net cash used in financing activities		23,772	22,140
Net increase / (decrease) in cash and cash equivalents		2,386,892	(948,718)
Cash and cash equivalents at start of year		10,911,632	11,860,350
Cash and cash equivalents at end of period		13,298,524	10,911,632

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 21 to 34 form part of these financial statements.

Isle of Man Post Office

Notes

(forming part of the financial statements for period ended 27 March 2022)

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. 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 and investment property, which are measured at fair value.

On 11 March 2020, the World Health Organisation officially declared COVID-19, the disease caused by novel coronavirus, a pandemic, which remained prevalent throughout 2021. Through its business continuity planning, management continued to closely monitor the evolution of the pandemic, including how it affected the Isle of Man Post Office operations. Throughout the pandemic Isle of Man Post Office was able to maintain substantially all of its core services, and as part of its response plan, management created a COVID-19 risk register, including a review of potential supply chain vulnerabilities.

The consequences of the COVID-19 outbreak have continued to materially affect demand for certain Isle of Man Post Office products and services, some favourably and others adversely. Letter mail volumes and revenues declined, however maintenance of buoyant packet and parcel volumes and revenues fully mitigated the financial impact. Societal restrictions resulted a material decline in footfall through the Isle of Man Post Office 'retail network', which adversely impacted divisional results (particularly foreign exchange business) albeit mitigated to an extent by the variable nature of sub-postmaster remuneration. Workforce reductions resulting from illnesses and quarantines have not resulted in critical or material interruptions to normal service levels. On the 31 March 2022 COVID-19 was declared endemic by the Isle of Man Government.

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 Statement of Comprehensive Income. 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.

Isle of Man Post Office

Notes (continued)

(forming part of the financial statements for the period ended 27 March 2022)

I Accounting policies (continued)

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.

d) Tangible fixed assets

Tangible fixed assets (except 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.

Land & buildings are independently valued every 5 years. The board value the portfolio every 3 years at the midpoint of the external valuation cycle. The last independent valuation was carried out on 30 March 2018. The last mid-point valuation was carried out on 29 March 2020.

The fair value was assessed by a qualified valuer on the basis of the comparison and investment methods of valuation using notional rents where applicable, in accordance with RICS Valuation – Global Standards 2017 (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. Land is not depreciated.

Isle of Man Post Office

Notes (continued)

(forming part of the financial statements for the period ended 27 March 2022)

I Accounting policies (continued)

d) Tangible fixed assets (continued)

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	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

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.

Investment property is carried at fair value, determined by an independent valuer, and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in profit or loss.

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

Isle of Man Post Office

Notes (continued)

(forming part of the financial statements for the period ended 27 March 2022)

I Accounting policies (continued)

f) Basic financial instruments (continued)

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.

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

Isle of Man Post Office

Notes (continued)

(forming part of the financial statements for period ended 27 March 2022)

I Accounting policies (continued)

k) Reserves (continued)

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 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 arising from employee service rendered during the period and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in the profit or loss as a component of operating profit. Net interest on net defined benefit liability is recognised in interest payable. 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 liability'.

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 external specialists are used to determine the most appropriate estimate (see note 4 & 9).

Isle of Man Post Office

Notes (continued)

(forming part of the financial statements for period ended 27 March 2022)

o) Critical accounting judgements and estimation uncertainty (continued)

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

2 Turnover

	Period ended 27 March 2022	Period ended 28 March 2021 Restated
	£	£
Mails	17,497,534	18,101,892
Retail Counters *	2,743,091	1,674,803
Stamps & Coins	1,050,312	1,123,643
Integrated Mailing Solutions	2,161,946	2,473,489
	23,452,883	23,373,827

* Retail Counters turnover includes gross foreign exchange sales of £1,298,634 (2021: £264,374).

To more fairly represent divisional performance, the Board determined that postage revenue (and associated costs) from IMS activities should be reported within IMS rather than Mails. The comparative figures (previously reported as £19.7m for Mails and £0.9m for IMS) for the period ended 28 March 2021 have been restated on a consistent basis, with no impact on profit or reserves.

3 Total profit for the period

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

	Period ended 27 March 2022	Period ended 28 March 2021
	£	£
Auditor's remuneration	16,000	16,000
Depreciation (note 4)	690,002	795,630
Pension - current service cost (note 9)	1,932,123	1,828,849
Pension - interest on scheme liabilities (note 9)	4,571	88,600
Employee Remuneration (excl Pension)	11,077,697	11,441,660
Rentals payable under operating leases (note 10)	82,025	133,058
Accommodation (excl depreciation & rentals under op leases)	306,099	267,000
Retail network support payments	458,000	448,072
Retail network - other direct costs	505,080	539,568
Foreign exchange currency purchases	1,201,937	236,290
Logistics costs	3,447,569	3,756,118
Stamps & Coins - other direct costs	234,355	274,157
Integrated Mailing Solutions - other direct costs	151,016	172,776
Irrecoverable VAT	288,237	279,030
Information & Communication Technology Costs	366,316	312,215
Bank Charges	121,685	123,790
Plant & Machinery (excl depreciation)	513,911	549,443

Isle of Man Post Office

Notes (continued)

(forming part of the financial statements for period ended 27 March 2022)

4 Fixed assets

	Land & Buildings	Investment Property	Motor Vehicles	Office Equipment & Machines	Total
	£	£	£	£	£
Cost or valuation:					
At 28 March 2021	6,148,220	383,000	1,919,149	5,642,176	14,092,545
Additions	13,121	-	28,540	541,736	583,397
Disposals	-	-	(43,461)	(76,471)	(119,932)
Transfers	383,000	(383,000)	-	-	-
At 27 March 2022	6,544,341	-	1,904,228	6,107,441	14,556,010
Accumulated depreciation:					
At 28 March 2021	(627,696)	-	(1,382,512)	(4,927,637)	(6,937,845)
Charge for the year	(147,770)	-	(193,330)	(348,902)	(690,002)
Disposals	-	-	43,461	70,814	114,275
At 27 March 2022	(775,466)	-	(1,532,381)	(5,205,725)	(7,513,572)
Net book value:					
At 27 March 2022	5,768,875	-	371,847	901,716	7,042,438
At 28 March 2021	5,520,524	383,000	536,637	714,539	7,154,700

As at 28 March 2021 unit 3 at Barleyfields was reported as 'Investment Property' as it was vacant and being marketed for let. During the period ended 27 March 2022 the property was transferred out of 'Investment Property' and into 'Land & Buildings' following the decision by the Board to use the property for operational purposes.

Land & Buildings are reported at the most recent interim valuation undertaken by the Isle of Man Government Valuer as at 29 March 2020 (adjusted for subsequent additions, disposals and depreciation where applicable). The most recent independent valuation was conducted by Chrystals Estate Agents & Valuers as at 30 March 2018.

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

	Period ended 27 March 2022 £	Period ended 28 March 2021 £
Land	1,375,000	1,375,000
Freehold Buildings	4,393,875	4,528,459
Leasehold Buildings	-	65
	5,768,875	5,903,524

Isle of Man Post Office

Notes (continued)

(forming part of the financial statements for period ended 27 March 2022)

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 27 March 2022	Period ended 28 March 2021
	£	£
Trade debtors (gross)	5,319,123	5,423,619
Less provision for doubtful debts	(12,050)	(11,764)
Trade debtors (net)	5,307,073	5,411,855
Other debtors	633,172	717,607
Prepayments and accrued income	199,126	204,394
	<u>6,139,371</u>	<u>6,333,856</u>

7 Trade and other creditors

	Period ended 27 March 2022	Period ended 28 March 2021
	£	£
Trade creditors, other creditors and accruals	1,772,351	1,693,129
Agency creditors	257,519	205,625
VAT	78,160	65,750
Philatelic subscriber balances	150,831	156,670
	<u>2,258,861</u>	<u>2,121,174</u>

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

	Period ended 27 March 2022	Period ended 28 March 2021
	£	£
<i>Due from Isle of Man Government comprises:</i>		
Treasury department	7,151	1,999
<i>Due to Isle of Man Government comprises:</i>		
Agency creditors	<u>1,113,899</u>	<u>1,583,975</u>

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 27 March 2022)

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.

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

	Period ended 27 March 2022	Period ended 28 March 2021
	%	%
Discount rate	2.95%	2.15%
Salary increase rate	3.20%	2.90%
Pension increases:		
- CPI linked	2.95%	2.65%
- CPI min 0%, max 3%	2.40%	2.30%
- CPI min 0%, max 2.5%	2.10%	2.05%
RPI Price inflation rate	3.45%	3.15%
CPI Price inflation rate	2.95%	2.65%

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:

	MALE		FEMALE	
	27-Mar 2022	28-Mar 2021	27-Mar 2022	28-Mar 2021
Current pensioners aged 65	22.2	22.1	24.5	24.4
Future pensioners now aged 45	23.5	23.5	26.0	25.9

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 27 March 2022)

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:

	Period ended 27 March 2022	Period ended 28 March 2021
	£'000	£'000
Equities	37,184	42,150
Property	12,197	16,565
Other*	53,486	47,949
	<hr/>	<hr/>
Fair value of scheme assets	102,867	106,664
Present value of funded liabilities	(99,067)	(107,589)
	<hr/>	<hr/>
Net defined benefit asset/(liability)	3,800	(925)
	<hr/>	<hr/>

* "Other" assets at 27 March 2022 comprised Diversified Growth Funds of £12,548,244 (£5,957,755 at 28 March 2021), and liability driven investments of £23,081,685 (£21,817,409 at 28 March 2021), Direct Lending at £8,092,529 (£5,645,167 at 28 March 2021) and net current assets of £9,763,595 (£14,528,989 at 28 March 2021).

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:

	Period ended 27 March 2022	Period ended 28 March 2021
	£'000	£'000
At beginning of period	107,589	88,432
Current employer service cost	1,765	1,577
Employee contributions	568	637
Interest cost	2,278	2,082
Actuarial movements	(9,813)	18,234
Benefits paid (including expenses)	(3,320)	(3,373)
	<hr/>	<hr/>
At end of period	99,067	107,589
	<hr/>	<hr/>

Isle of Man Post Office

Notes (continued)

(forming part of the financial statements for period ended 27 March 2022)

9 Pension scheme (continued)

Changes in fair value of the scheme assets:

	Period ended 27 March 2022 £'000	Period ended 28 March 2021 £'000
At beginning of period	106,665	83,432
Interest income on scheme assets	2,273	1,994
Employer contributions	1,030	2,245
Employee contributions	568	637
Return on scheme assets in excess of interest income	(4,182)	21,981
Benefits paid (including expenses)	(3,487)	(3,624)
	<hr/>	<hr/>
At end of period	102,867	106,665

Amounts recognised in the profit for the period

	Period ended 27 March 2022 £'000	Period ended 28 March 2021 £'000
Current service cost (including expenses)	1,932	1,829
Net interest on net defined benefit liabilities	5	88
	<hr/>	<hr/>
Total expense recognised in income statement	1,937	1,917

Amounts recognised in other comprehensive income (OCI)

	Period ended 27 March 2022 £'000	Period ended 28 March 2021 £'000
Return on scheme assets in excess of interest income	(4,182)	21,981
Experience gains and (losses) on liabilities	5	(63)
Changes in assumptions	9,808	(18,171)
	<hr/>	<hr/>
Total gains recognised in OCI	5,631	3,747

Actual return on scheme assets

	Period ended 27 March 2022 £'000	Period ended 28 March 2021 £'000
Actual return on assets	(1,909)	23,974

Defined contribution scheme

Employer contributions of £14,231 (2021: £4,242) were payable to defined contribution pension schemes during the period. The creditor with respect to these contributions at the period end was £nil (2021: £nil).

Isle of Man Post Office

Notes (continued)

(forming part of the financial statements for period ended 27 March 2022)

10 Capital and lease commitments

a) There are capital commitments as at 27 March 2022 of £1,812,672 (2021: £26,598).

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

	Period ended 27 March 2022	Period ended 28 March 2021
	£	£
Total payable:		Restated
Within one year	125,221	124,768
In the second to fifth years inclusive	61,680	102,078
Over five years	-	-
	186,901	226,846

The disclosure of commitments under operating leases for the period ended 28 March 2021 has been restated to disclose commitments to the next break clauses, rather than to the end of the lease terms as previously reported. Further, during the period ended 27 March 2022 it was identified that an operating lease, previously reported as a commitment through to 2025/26, had been varied in 2017/18 to be terminable on 12 months notice. Accordingly the future operating lease commitments disclosure has been adjusted to reflect the extant terms. As a further consequence, an incentive provision connected to this lease has been reversed. Accordingly the operating lease expense disclosed in note 10(c) for the period ended 27 March 2022 has been reduced by £56,000. As the impact on the profit and loss account, reserves, and the quantum of the disclosure adjustment are not considered material to the financial statements, no prior year adjustment has been processed.

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

	Period ended 27 March 2022	Period ended 28 March 2021
	£	£
Total	82,025	133,058

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

	Period ended 27 March 2022	Period ended 28 March 2021
	£	£
Total receivable:		Restated
Within one year	19,375	19,375
In the second to fifth years inclusive	19,052	38,427
Over five years	-	-
	38,427	57,802

The disclosure of receivables under operating leases for the period ended 28 March 2021 has been restated to disclose receivables to the next break clause, rather than to the end of the lease term as previously reported.

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

	Period ended 27 March 2022	Period ended 28 March 2021
	£	£
Total	19,375	18,891

Isle of Man Post Office

Notes (continued)

(forming part of the financial statements for period ended 27 March 2022)

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

	Period ended 27 March 2022	Period ended 28 March 2021
	£	£
Operating Profit	1,511,510	1,674,945
Depreciation charges	690,002	795,630
Net gain on sale of tangible fixed assets	(8,144)	(37,701)
Defined benefit scheme-current service cost in excess/(deficit) of contributions	902,237	(416,299)
(Increase) / decrease in stocks	(19,857)	17,076
Decrease / (increase) in debtors	194,485	(2,385,610)
Net (decrease) in amounts owed to Isle of Man Government	(475,228)	(423,129)
Increase in creditors	137,687	153,776
	<hr/>	<hr/>
Net cash flow from operating activities	2,932,692	(621,312)

* Current Service cost £1,932k (2021: £1,829k) less £1,030k (2021: £1,145k) regular contributions and nil (2021 : £1,100,000) additional funding contributions paid in the period.

12 Salaries

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

	Period ended 27 March 2022	Period ended 28 March 2021
	Number	Number
£50,000 - £74,999	11	12
£75,000 - £99,999	2*	1
£100,000 - £124,999	1	2
£125,000 - £149,999	1	-

* includes one limited term appointment

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 27 March 2022 are disclosed in note 8).

Isle of Man Post Office

Notes (continued)

(forming part of the financial statements for period ended 27 March 2022)

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 27 March 2022	Period ended 28 March 2021
	£	£
Board Members and Executive Directors	<u>453,233</u>	<u>445,165</u>

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 27 March 2022 or 28 March 2021. 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.