Consolidated Annual Report

2023

and Financial Statements
for the year ended 31 March 2023

GUERNSEY POST

CONTENTS

GUERNSEY POST

Directors:	Richard Digard (Chairman) Boley Smillie (Chief Executive) Steve Sheridan (Chief Financial Officer) Peter Shaefer (Non-Executive) Mark Dunster (Non-Executive) Paula Williams (Non-Executive) Rick Denton (Non-Executive)
Auditor:	Deloitte LLP Regency Court Glategny Esplanade St Peter Port GUERNSEY GY1 3HW
Registered office:	Envoy House La Vrangue St Peter Port GUERNSEY GY1 1AA
Company Number:	38693

CHAIRMAN'S STATEMENT

THE YEAR IN REVIEW

The year ended 31 March 2023 has been a year of significant transition for Guernsey Post, during which time several major projects such as the procurement of parcel sorting equipment and the redesign of our postal headquarters have begun to take shape. These projects are part of a range of initiatives designed by the Board to mitigate the effect of significant commercial pressures which have developed following the global pandemic and during the reporting period.

Over the course of the year, the Company has seen significant increases in the cost of doing business, with substantial underlying increases to the charges for delivering mail to the UK and across the World. These price increases were compounded by the industrial unrest experienced by our key partner Royal Mail for most of the year, the consequence of which has been damage to consumer confidence and a notable negative impact on volume. These issues together with increases in transport costs and core letter volume decline have had an immediate impact on our performance for the year even with a strong focus on short term efficiency measures and increases to our own business and retail tariffs.

Whilst these financial headwinds were signposted in last year's annual report, the wider macroeconomic environment, with high inflation and the consequential cost pressures, has further impacted our costs and the Company suffered an operating loss of £1,373k (prior to the recognition of one-off voluntary redundancy costs), its first since 2011. When this operating loss is considered in the context of the performance of other operators in the industry the Board is confident that the Company is achieving the right balance between short term mitigation and the medium term initiatives that will transform the business.

Despite this "perfect storm" of adverse events in such a concentrated period, the Board and the team at Guernsey Post remain focused on its business transformation plan, which once completed is expected to return the Company back to a sustainable profit position for the 2024/25 financial year. The major components of that plan are on budget and on target in terms of the timescales and benefits realisation.

Our parcel processing and delivery area of the business remains fast evolving and highly competitive in nature, a key focus remains in identifying and driving further efficiency whilst seeking profitable and sustainable volume growth. Our ability in achieving this has this year been underpinned by an ongoing investment in our infrastructure.

The need for investment in technology to ensure we are processing the large volume of parcels in time for delivery in the most efficient way has led us to the installation of a Parcel Automation Machine. The machine is currently in the final stages of construction and is scheduled to go live in September 2023, allowing us to handle and sort up to 6,000 parcels per hour, which will create immediate operational efficiencies as well as capacity for expected future growth.

Over the past year, our postal headquarters, Envoy House, has also undergone a significant construction programme, redesigning the internal configuration to create space for the installation of the Parcel Automation Machine as well as creating space for further growth. I am pleased to report that building works are now substantively complete and on budget and have converted 50% of additional operational space, allowing us to also relinquish our secondary site located at Bulwer Avenue, and consolidate all activities back under one roof.

The year has also seen a planned re-structuring of the business to meet numerous challenges the Company is facing up to, with changes made to our management structure as well as a planned and successfully deployed reduction in our headcount numbers. On this point, our Board wish to extend our gratitude to all employees who opted to be part of the redundancy programme, and to all employees who are continuing to perform their role to such a high standard during a period of such significant change.

Our HR Air business continues to perform extremely well since the acquisition in 2021, with operating profits of £414k this financial year.

In addition to fulfilling its core postal service obligations, Guernsey Post also offers counter services for a variety of financial service transactions, which include Foreign Exchange, Cash and Cheque deposit and withdrawal services, and bill payments services for various Government and Non-Government entities.

More recently we have been actively working with the Guernsey Financial Services Commission following the introduction of the Lending, Credit and Finance (Bailiwick of Guernsey) Law, which has come into effect from 1st July 2023. This law supersedes and replaces the Registration of Non- Regulated Financial Services Businesses (Bailiwick of Guernsey) Law in which our financial service-related activities were registered. Whilst the Board recognises the importance of maintaining these services for the benefit of the wider community, it must also balance this against the increasing cost of compliance that the new law will undoubtedly demand and the low commercial value of these services at a time when our Board is fully focused on addressing its core strategic priorities.

DIVIDEND

In the context of the reported financial performance, and outlook for the next 12 months, the Board is proposing not to pay an ordinary dividend for the year ended 31 March 2023.

The Board keeps under constant review the health of the Company's Balance Sheet in the context of our Universal Service Obligations, the inherent commercial risks within our industry and the future investment demands of our strategy. Such factors require that the Board seeks to maintain a disciplined capital investment policy and an appropriate level of liquidity, which further supports the dividend decision this year, given the challenging operating environment and the ongoing demand on capital investment already referenced in this report.

> ***..., our efforts to continue to deliver on our strategic plan, to drive further efficiencies, identify further diversification opportunities and to increase profitable revenues, both new and organic will continue to be the focus over the next 12 to 18 months.***

ENVIRONMENTAL & COMMUNITY

As one of the largest employers in Guernsey we continue to take our environmental responsibility seriously and are working hard to find ways to minimise our impact on the environment. We recently teamed up with EVie, an on-demand, shared mobility platform, to support their vision of a more sustainable transport system for Guernsey, which is a low-risk commercial opportunity for us to fully utilise the investment in our electric fleet and performance is currently exceeding our expectations.

We are delighted to continue supporting local causes that benefit the whole community and this year we were pleased to fund a defibrillator for the Cardiac Action Group, which is now installed outside our postal headquarters at Envoy House and is accessible to members of the public 24 hours a day.

Nearly half of the public funds raised for The St Peter Port Christmas Lights Charity is through our Door2Door envelope drop service and we are pleased to be able to support them in this way and as cash donations migrate to online transactions, we are committed to maintain our support in this transition and their wider fundraising efforts, to ensure the local community can continue to enjoy the wonderful festive atmosphere in St Peter Port.

We have also continued to support Les Bourgs Hospice, St James' Concert Hall, The Guernsey Literary Festival and the Saffrey Rotary Round the Island Walk, in their respective fund raising and awareness initiatives, which have ranged from loaning out our delivery vans to assist with the logistics of large scale charity events to sending fundraising envelopes through our Door2Door leaflet delivery service.

OUTLOOK

The cost-of-living pressures impacting our core customer base are almost certainly going to prevail for the short term, which in turn forces further pressure on our core mail delivery volumes. This high inflationary environment continues to place cost pressures on our business, particularly on transport and logistics, which have been severely impacted by the volatile price of both fuel and freight.

These persistent rising costs continue to place significant pressure on our own retail and business tariffs, which despite the measures taken and those planned for the year ahead, ultimately results in a further squeeze on our own margins and subsequent net contribution.

As such, our efforts to continue to deliver on our strategic plan, to drive further efficiencies, identify further diversification opportunities and to increase profitable revenues, both new and organic will continue to be the focus over the next 12 to 18 months.

I would like to thank every one of our employees for their unwavering hard work and commitment over the past year and the way in which they are working together in a period of such change. With their continued support, the Company remains in a strong position to achieve its strategic aims.

Finally, as this report will represent my last as Chairman and Non-Executive Director, of Guernsey Post, I wish to express my personal gratitude to the Company and my fellow Directors. In the six years I have served as a Non-Executive Director for Guernsey Post, I have witnessed the Company face, and overcome, many defining challenges.

Whilst our industry is facing unprecedented challenges, coupled with the wider macroeconomic environment we are all living in, I have every confidence that the Company is well placed to successfully overcome this difficult period and I feel comforted by the strength and calibre of the Board in their ability to continue to deliver on our strategic plan and return Guernsey Post back to profit in the near future.

R Digard, ***Chairman***
07 August 2023

Business Review for the Year

OUR RESULTS

Guernsey Post Limited reported an operating loss of £2.3m (of which £0.9m relates to one off voluntary redundancy costs) for the year ended 31 March 2023 (which compares to a prior year operating profit performance of £1.6m) equating to a deterioration of £1.4m excluding redundancy costs.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Turnover for the year was £37.3m, a decrease of £5.4m (13%) in the year. The decline in revenue is attributable to significant pricing changes to our contract rates with Royal Mail; a continued decline in letter volumes and reduced volumes from some of Guernsey Post's bulk customers.

Expenditure for the year was £39.6m, a decrease of £1.6m (4%) on the prior year.

Direct costs of £19.0m, associated with servicing revenues decreased by £1.9m (9%) in the year, the decrease being primarily attributable to contractual and conveyance costs as a result of reduced letter and parcel volumes.

Total staff related expenditure for the year was £16.4m, an increase of £0.3m (2%). The number of reported full-time equivalent employees being at 279. The staff related expenditure for the year is inclusive of the voluntary redundancy costs of £0.9m. Excluding the voluntary redundancy expenses total staff expenditure would have been £15.5m, a reduction by £0.6m (4%).

Depreciation costs at £0.8m decreased slightly in the year. Amortisation of goodwill in the year of £0.3m related to Shoal Bay Holdings Limited and its underlying subsidiary HR Air Ltd.

Loss on ordinary activities before Taxation for the year was £2.8m, which compares to a prior year profit before tax of £2.0m.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Whilst the Group experienced a loss this year, it continues to operate with a strong Balance Sheet and a healthy liquidity position. Shareholders' funds were £24.0m, a decrease of £3.2m in the year.

At the year end, the Group reported a cash balance of £6.1m (2022: £3.6m), alongside separate short-term investment balances held with States Treasury of £2.7m (2022: £7.8m) and £14.5m (2022: £16.5m) of current assets, supported by a £15.5m (2022: £14.2m) fixed assets base.

Reported current liabilities and provisions were £5.9m (2022: £3.4m) which is primarily due to the amount owed to Royal Mail being £1.8m (2022: £0.3m).

CONSOLIDATED STATEMENT OF CASH FLOWS

The Group had net outward cash movements of £2.6m during the year (2022: cash inflow of £0.2m), with net cash generated from operations contributing £0.9m (2022: £2.2m) in the year.

The primary cash flow adjustments related to £0.5m paid out in dividends during the year (2022: £1.3m) and £0.5m investment losses (2022: £0.3m investment return).

Capital spend in the year was £2.5m (2022: £1.0m), the primary investment being £0.7m in postal machinery, relating to the part payment of the parcel automation machine.

OPERATIONAL SUMMARY

The total number of mail items handled during the year was approximately 38.5m, a decrease of 5.9m items (13%) on the prior year. Notwithstanding this overall decline, inward parcel volumes continued to grow with an increase of 1% compared to prior year, whilst inward letters were down 8%.

Total outward mail was down 17% on prior year, primarily due to a decrease in outward bulk mail volumes.

Except for mail posted in the UK but delivered in Guernsey, and mail delivered from Guernsey to Jersey via UK, elements of which were outside of our control, quality of service performance results for the year have exceeded the set targets and continue to be a demonstration of our commitment in ensuring a timely delivery of mail across our network.

"*Whilst the Group experienced a loss this year, it continues to operate with a strong Balance Sheet and a healthy liquidity position. Shareholders' funds were £24.0m, a decrease of £3.2m in the year.*"

Notwithstanding this overall decline, inward parcel volumes continued to grow with an increase of 1% compared to prior year

BOARD PROFILE

Richard Digard
CHAIRMAN

Richard Digard is a career journalist, editor and newspaper management specialist who has extensive experience at director level of running the Channel Islands' two daily newspapers plus other titles and digital publications.

Locally born and educated at Elizabeth College and Coventry University, Richard became the first news editor of the Guernsey Press and Star in 1987. He was appointed Marketing Manager at Sun Alliance International Life in 1994, where he ran its marketing division, serving teams in the UK, Europe, Africa, and the Far East.

He returned to the Guernsey Press and Star in 1997 and was appointed Editor in 2000. He subsequently joined the Board of the Guernsey Press Co. Ltd and then Guiton Publishing, a group board committee responsible for the strategic direction and performance of its two Channel Islands newspapers.

These experiences include a strong trading background with a hands-on approach to the challenges and opportunities created for established industries by new technology.

Since retirement in 2014, he has been a member of the Independent Review Panel appointed by the States to consider States Members' remuneration and served as a Member of the States Scrutiny Management Committee until early 2017. Richard is also a Non-Executive Director of a company acting as trustees of a Guernsey-based pension scheme and with delegated responsibilities for a Jersey-based scheme. He has also been a Douzenier of the Vale Parish since 2016.

Boley Smillie
CHIEF EXECUTIVE

Born and raised in Guernsey, Boley Smillie joined Guernsey Post Limited in 1991 from his secondary education at La Mare de Carteret School. The subsequent years saw him gain a wide range of experience in different roles, rising through the ranks of the Company. Boley became Operations Director in 2007 and was appointed as an Executive Director in April 2010. In September 2010, Boley was promoted to the role of Chief Executive.

During his time as Chief Executive, Boley has successfully led the Company though a number of significant challenges, ranging from the consequential impact of the abolition of low value consignment relief, to the restructuring of the business designed to maximise the growth opportunities in e-commerce. Boley has added to his hands-on experience by undertaking a number of professional qualifications in marketing, business and finance.

In 2021, Boley led negotiations on the acquisition of the freight and logistics business, HR Air Ltd, a significant milestone in Guernsey Post Limited's diversification strategy. Boley was subsequently appointed as a Director of the Company.

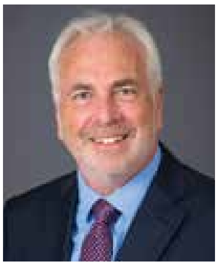
Boley is also the Non-Executive Chairman of Guernsey Mind, an advisor on the Guernsey Ports Board and is Deputy Industrial Disputes Officer.

Steve Sheridan
CHIEF FINANCIAL OFFICER

Steve Sheridan was born and educated in Nottingham, before moving to Guernsey in 1993. Steve qualified as an accountant in 2004 and has over 25 years' experience in accountancy, having held several senior positions within the insurance, fiduciary, banking, and commercial sector. Steve's skills and experience extend to statutory and management reporting, financial control, project management, and business rationalisation and restructuring.

Steve joined the Board of GPL in 2014 and during this time has supported the company with several significant strategic change initiatives, ranging from reform of the company pension scheme, the electrification of the postal delivery fleet and more recently, the acquisition of the freight and logistics business, HR Air Ltd.

As CFO, Steve oversees the Finance, IT, Commercial, Facilities and Garage functions of company, as well as holding the position of Company Secretary and Data Protection Officer. Steve is also a Director of HR Air and Shoal Bay Holdings and a member of the Institute of Directors in which he holds the Diploma in Company Direction.



Peter Shaefer

NON-EXECUTIVE

Born and raised in the North West of England, Peter has worked and lived in many jurisdictions including Holland, Switzerland, France and Guernsey. He is a Member of the Chartered Institute of Public Finance and Accountancy and the Institute of Directors and holds a degree in Geology with Industrial Management from the University of Liverpool. He currently holds a number of executive and non-executive positions, CEO of La Perla Beauty UK Ltd (global fashion and beauty business) and is Chair of Guernsey Electricity Limited.

Peter has had enjoyed a varied career, including:

* The global beauty company, Coty Inc, which he joined in 2000 and culminated in his appointment as Senior Vice President of Business Transformation in 2014 with responsibility for overseeing a company-wide reorganisation and restructuring programme. His previous roles with Coty Inc included CFO Europe and Asia and Senior Vice President, Business Development, with responsibility for Mergers & Acquisitions and accelerating international development.
* Japan Tobacco International, undertaking a number of roles across the globe, including General Auditor and Senior Finance Director;
* The oil industry, working in a variety of finance and audit roles;
* The Audit Commission, where he qualified as a Chartered Accountant.

Peter's skills include managing strategic change and international development, project management, corporate governance, risk management, developing business and financial strategy and financial planning and analysis.

Mark Dunster

NON-EXECUTIVE

Advocate Dunster is a partner at Carey Olsen specialising in litigation, compliance and financial regulatory matters. He undertakes a wide variety of commercial and civil litigation work and advises institutions on regulatory matters, including anti-money laundering, data protection, employment law, e-Gambling and renewable energy.

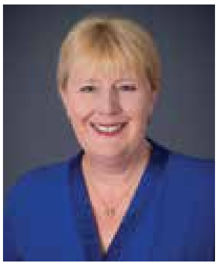
In 1994, Mark was called as a barrister and practised in London before returning to his native Guernsey, where he qualified as an advocate in 1997. He has been a partner at Carey Olsen since 2001 and became a Notary Public in 2006.

Mark acts as both an executive and non-executive director on a number of Guernsey (and non- Guernsey) companies in sectors as wide as trust and fiduciary services, electronic gaming, credit card payment processing, commercial real estate and investment holding.

Mark is the past Chairman of the Guernsey Association of Compliance Officers and the former Chairman of the Guernsey Bar Association.

Between 2004 and 2008, Mark was a member of Guernsey's Health and Social Services Department. He was formally Connétable of St Pierre du Bois and is now a Douzenier for that Parish.

Mark has a breadth of commercial experience with some very large and complex organisations. This experience includes reviews of corporate governance structures, developing strategy and evaluating the deployment of capital and resources between competing opportunities. He holds the Institute of Directors Chartered Director status.



Paula Williams

NON-EXECUTIVE

Originally from New Zealand, Paula and her family moved to Guernsey in 2012. As an experienced Management Consultant, Paula has over 20 years of experience in business transformation in London, Australia, New Zealand and Guernsey. Paula has an MBA in Strategic Management from Henley Business School, the Institute of Directors Diploma in Company Direction and experience working with businesses to improve company performance.

Paula has been a Non-Executive Director for 6 years for the Channel Islands Co-operative Society and President for 30 months. As Managing Director for Island Consortium, Paula is actively involved in working with other businesses to meet their regulatory training requirements. In her spare time, Paula is also Chair of the Bailiwick of Guernsey Scout Association, which won the Queens Award for Voluntary Service in 2019.

Rick Denton

NON-EXECUTIVE

Rick has over 30 years' experience of leading UK and International subsidiaries of four major banking groups. Subsequently, he became CEO of a specialist family office business, managing property developments and acquiring companies. Rick now leads his own consultancy and has a range of International Non-Executive Director positions.

Locally he chairs the Guernsey Banking Deposit Compensation Scheme and is a Non-Executive Director of Guernsey Electricity. He is a National Council Member for the Institute of Directors, representing the international branches.

Rick holds an MBA with distinction from Warwick University; is an Associate of the Chartered Institute of Bankers; a Chartered Member of the Institute of Securities and Investments and a Member of the Society of Trust and Estate Practitioners. He has also recently achieved the Henley Certificate in Executive Coaching and the Institute of Directors' Diploma in Company Direction.

Corporate Governance Report

COMPLIANCE

Guernsey Post Limited's corporate governance arrangements are based on the proportionate application of good practice principles in corporate governance, predominantly those contained within the UK Corporate Governance Code published in July 2018 ('the Code'), where relevant. Guernsey Post Limited is committed to the development of a sustainable and profitable business that benefits all stakeholders, which includes achieving the highest standards of corporate governance for our Shareholder, the States of Guernsey.

Guernsey Post Limited has signed a Memorandum of Understanding with the States' Trading Supervisory Board that sets out the rights, expectations and duties of both parties and includes the requirement to comply with best practice on corporate governance. Guernsey Post Limited has continued to work on its corporate governance programme during the financial year ended 31 March 2023, and the achievements are summarised in this report.

THE BOARD

DIRECTORS

The Board's role is to provide entrepreneurial leadership of the Group within a prudent and effective framework of risk management and internal control. The Board is responsible for setting and implementing strategy, allocating the necessary human and financial resources to meet the Group's objectives and monitoring the performance of management against those objectives. The Board is collectively accountable for the success of the Group, sets its values and standards and takes decisions objectively in the interests of the Group, its Shareholder and other stakeholders.

Non-Executive Directors help to develop and challenge the Group's strategy. They evaluate the performance of management and monitor the reporting of performance. They consider the integrity of financial information and the strength of financial controls and risk management systems. They oversee executive remuneration and play the main role in the appointment, removal and succession planning for Executive Directors.

Matters referred to the Board are governed by a scheme of delegated authorities that provides the framework for the decisions to be taken by the Board, those which must be referred to our Shareholder and those which can be delegated to Committees of the Board, or senior management.

There were seven board meetings held during 2022/23. If a Board member cannot attend a meeting, he or she receives a copy of the agenda and the accompanying papers in advance of the meeting and is invited to comment on the matters to be discussed.

The names of the members of the Board Committees are set out on pages 8-9 (8-11*), together with details of their background. The Board Committees have authority to make decisions according to their terms of reference.

CHAIRMAN AND CHIEF EXECUTIVE

Guernsey Post Limited has a Non-Executive Chairman and a Chief Executive. There is a clear division of responsibility between these two positions. Richard Digard, the Non-Executive Chairman, is responsible for the running of the Board and Boley Smillie, the Chief Executive, is responsible for the running of the Group's business.

Richard Digard spends, on average, one day per week in his role as Chairman. He holds a number of other external Directorships, but the Board considers that his external Directorships do not make conflicting demands on his time as Chairman.

Peter Shaefer is the Senior Independent Director and is also available to talk to our Shareholder, if it has any issues or concerns.

BOARD BALANCE AND INDEPENDENCE

Throughout the year, the Group has had a balance of independent Non-Executive Directors on the Board, who ensure that no one person has disproportionate influence. All the Non-Executive Directors bring with them significant commercial experience from different industries, which ensures that there is an appropriate balance of skills on the Board.

There are currently five Non-Executive Directors and two Executive Directors on the Board.

APPOINTMENTS TO THE BOARD

Recommendations for appointments to the Board are the responsibility of the Nominations Committee. The appointment of Non-Executive Directors must be ratified by the States of Guernsey.

The Nominations Committee meets 1-3 times a year to consider the balance of the Board, job descriptions and objective criteria for Board appointments and succession planning.

INFORMATION AND PROFESSIONAL DEVELOPMENT

For each scheduled Board meeting, the Chairman and the Company Secretary ensure that, during the week before the meeting, the Directors receive a copy of the agenda for the meeting, financial, strategic, and operating information and information on any other matter which is to be referred to the Board for consideration. The Directors also have access to the Company Secretary for any further information they require. In the months where there is no scheduled Board meeting, the Directors receive the prior month and cumulative Group financial and operating information.

The Company Secretary gives guidance on Board procedures and corporate governance.

The Company Secretary, who is appointed by the Board and is also the Finance Director and an Executive Director, is responsible for ensuring compliance with Board procedures. This includes recording any concerns relating to the running of the Group, or proposed actions arising therefrom, that are expressed by a Director in a Board meeting. The Company Secretary is also Secretary to the Remuneration and Nomination Committees. The Company Secretary is available to give ongoing advice to all Directors on Board procedures, corporate governance, and regulatory compliance.

*These page numbers refer to the annual financial statements document approved by the auditors.

ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS

Attendance during the year for all Board and Board Committee meetings is given in the table below:

ATTENDANCE AT BOARD COMMITTEE MEETINGS (A)				
	Board	Audit & Risk Management Committee	Nominations Committee	Remuneration Committee
Boley Smillie	7/7			
Steve Sheridan	7/7			
Richard Digard	7/7			
Peter Shaefer	7/7	4/4		
Mark Dunster	6/7		1/1	1/1
Paula Williams	7/7		1/1	1/1
Rick Denton (Appointed 16/12/2021)	7/7	4/4		

(A) The first figure represents attendance and the second figure the possible number of meetings e.g., 9/10 represents attendance at 9 out of a possible 10 meetings. Where a Director stepped down from the Board, or a Board Committee, during the year, or was appointed during the year, only meetings before stepping down, or after the date of appointment, are shown.

During the transitional period from Non-Executive Directors retiring from the Board and their successors being appointed, if any sub-committee of the Board found itself inquorate, any decisions proposed by such sub-committees would be referred to the main Board meeting for ratification.

PERFORMANCE EVALUATION

The Board undergoes a regular evaluation of its performance. The evaluation consists of a confidential questionnaire, which is assessed by the Board, followed by an open discussion facilitated by the Chairman.

ELECTION AND RE-ELECTION OF DIRECTORS

Guernsey Post Limited's Articles of Association state that a Non-Executive Director should be proposed for re-election if he, or she, has been appointed to the Board since the date of the last Annual General Meeting ('AGM'), or proposed for re-election, if he or she has held office for more than three years at the date of the notice convening the next AGM. The Board ensures that each Non-Executive Director submits himself, or herself, for re-election by the Shareholder at least every three years.

Non-Executive Directors serve the Group under letters of appointment, which are generally for an initial three-year term. Their appointment is also ratified by the States of Guernsey.

REMUNERATION

The Board recognises the importance of Executive Directors' remuneration in recruiting, retaining, and motivating the individuals concerned. Executive Directors' remuneration consists of basic salary, benefits in kind, retirement benefits and bonus subject to the Company first generating an agreed operating profit target and second, achieving a range of key performance indicators in areas such as quality of service, efficiency and business development. Fees for the Chairman and Non-Executive Directors are determined by the States' Trading Supervisory Board.

The Remuneration Committee, which is chaired by Mark Dunster, consists of two Non-Executive Directors, and determines remuneration levels and specific packages appropriate for each Executive Director, taking into account the Group's annual salary negotiations. No Director is permitted to be present when his, or her, own remuneration is being discussed, or to vote on his, or her, own remuneration. The Remuneration Committee considers that the procedures in place provide a level of remuneration for the Directors, which is both appropriate for the individuals concerned and in the best interests of the Shareholder.

The remuneration of the Non-Executive Directors of Guernsey Post Limited, exclusive of travel and expenses, for the financial year ended 31 March 2023 is set out below and in Note 2:

	2022/23
R Digard, Chairman	£15,217
R Denton	£11,709
P Schaefer	£11,709
P Williams	£11,709
M Dunster	£11,709
	£62,053

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

The intention of the Consolidated Annual Report is to provide a clear assessment of the performance and financial position of Guernsey Post Limited. The Group has a comprehensive system for reporting financial results to the Board. An annual budget is prepared and presented to the Board for approval. During the year, monthly management accounts, including the Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows and capital expenditure reporting, are prepared with a comparison against budget and prior year. Forecasts are revised half yearly considering this comparison and are also reviewed by the Board.

INTERNAL CONTROL AND RISK MANAGEMENT

All Directors are responsible for establishing and maintaining an effective system of internal control. Whilst all elements of risk cannot be eliminated, the system aims to identify, assess, prioritise and, where possible, mitigate the Group's risks. Although no system of internal control can provide absolute assurance against material misstatement or loss, the Group's systems are designed to provide the Board with reasonable assurance that assets are safeguarded, transactions are properly authorised and recorded and that material errors and irregularities are either prevented, or detected, within a timely period.

The Audit & Risk Management Committee has previously considered the need for an internal audit function and concluded that the financial position, size, and complexity of the Group could not justify the expense, which the Board ratified. The Board is happy to continue relying on the strength of the internal control environment through updates on risk management and internal control, health and safety reports, AML and CFT compliance, monthly management information and representations from the Executive Team, supported by the engagement of third-party compliance consultants. This approach is further complimented by external third-party assurance reviews where and when appropriate.

AUDIT & RISK MANAGEMENT COMMITTEE AND AUDITOR

The Audit & Risk Management Committee assists Guernsey Post Group in the effective discharging of the Board's responsibilities. Operating under a Board approved terms of reference and risk management policy, the Committee has delegated authority for risk management, financial reporting, and internal controls to ensure good corporate governance. The Committee support the Board in evaluating the business risks on a rolling basis throughout the year, meeting with the Executive before each board meeting. The Committee also meet at least annually with the external auditor, with the Board Chairman and Executive also providing quarterly risk management updates to the States' Trading and Supervisory Board.

The Committee members comprise independent Non-Executive Directors. Peter Shaefer, who is a qualified accountant, is the Chairman of the Audit & Risk Management Committee, and the Board is satisfied that Peter has recent and relevant financial experience to enable the duties of the Committee to be fully discharged. Rick Denton is the other member of the Audit and Risk Management Committee.

AUDIT & RISK MANAGEMENT COMMITTEE REPORT

The Committee considers that it has acted in accordance with its term of reference, ensuring:

- The independence, objectivity, and effectiveness of external auditors.
- The Group has appropriate controls and measures in place to mitigate against material risks to its business.
- The integrity of the financial statements. Reviewing significant financial reporting issues and judgements they contain.
- Whistle blowing arrangements are in place.
- Going concern of the Group.
- Recommended distribution of profits appropriately reflects the solvency of the Group.

The Committee recommends that the Board approve the Group's financial statements for the year ended 31 March 2023, including the independent auditors report and unqualified opinion of Deloitte LLP to these financial statements.

SHAREHOLDER RELATIONS

The Board believes that good communication with the Shareholder is a priority. There have been regular quarterly meetings between the Chairman, Chief Executive and Chief Financial Officer of Guernsey Post Limited, and senior staff of the States' Trading Supervisory Board. The Group presents its strategic plan to our Shareholder for approval every year.

The Chairman and Senior Independent Director are available to meet with our Shareholder should there be unresolved matters that our Shareholder believes should be brought to its attention. The Executive Team and the Non-Executive Directors meet with our Shareholder at the Annual General Meeting ('AGM').

The date of the AGM is agreed with our Shareholder and notice of ten working days is given. The AGM is chaired by Guernsey Post Limited, with presentations made by the Executive Team to facilitate awareness of the Group's activities and its financial performance. Our Shareholder is given the opportunity to ask questions of the Board and the Chairman of each Board committee during the AGM.

COMMITTEES OF THE BOARD AND MAIN TERMS OF REFERENCE

In addition to regular scheduled Board meetings, the Group operates through various Board Committees, of which the membership and main terms of reference are set out below (except the Audit & Risk Management Committee, which is outlined above).

Mark Dunster is the Chairman of the Nominations Committee, supported by Paula Williams. The main terms of reference of this Committee are to regularly review the structure, size, and composition of the Board and to make recommendations on the role and nomination of Directors for appointment to the Board, Board Committees and as holders of any executive office, as well as ensuring that appropriate succession plans are in place for the Board and the Executive Team. When considering future Board appointments, the Nominations Committee pays due regard to issues of diversity, including gender. The Committee met once in 2022/23.

Mark Dunster is also the Chairman of the Remuneration Committee, supported by Paula Williams. The main terms of reference of this Committee are to determine and agree with the Board the remuneration policy for the Group's Executive Team, to approve the design of, and determine targets for, any performance related pay schemes operated by the Group and to determine the policy for, and scope of, pension arrangements for each Executive Director. The Committee met once in 2022/23.

DIRECTORS' REPORT

The Directors present their Consolidated annual report, together with the financial statements, for the year ended 31 March 2023.

PRINCIPAL ACTIVITIES

The Group's principal activities are the provision of a postal service for the Bailiwick of Guernsey through a postal network and retail counter operation in accordance with the license awarded to it by the Guernsey Competition and Regulatory Authority ('GCRA') and the marketing of its postage stamps and other philatelic products to stamp collectors worldwide.

Through the Company's subsidiaries Shoal Bay Holdings Limited and HR Air Ltd, the Group also provides freight and courier services between Guernsey, Jersey and the UK, as well as warehousing and distribution services.

SIGNIFICANT EVENTS

Core mail volumes continue to decline in line with prior year movements. In addition, Bulk Mail volumes have declined 16% on prior year, partly due to one of the Company's key customers ceasing trading in Guernsey within the financial year.

Significant pricing changes to our contract rates with Royal Mail have substantially increased the cost of sending mail to the UK and beyond. In addition, the cost to transport mail to and from Guernsey rose significantly in the financial year, despite declining mail volumes.

Due to market volatility, there were significant investment losses achieved on funds invested by the States Treasury on the Company's behalf.

These issues have contributed to the financial loss for the year ended 31 March 2023.

The Board of Guernsey Post is taking steps to ensure the Company can return to profit in the short to medium term, through a combination of operational efficiency measures, tariff changes and new business opportunities.

One such efficiency measure is a reduction in headcount via a voluntary redundancy programme which will complete by the end of 2023, the cost of which has been recognised in these financial statements (Note 2).

RESULTS

The results for the year are shown in the Consolidated Statement of Comprehensive Income on page 16 (25*).

DIVIDEND

The Directors recommend no dividend based upon the losses for the year ended 31 March 2023 (2022: £0.5m).

FIXED ASSETS

Fixed asset movements for the year are disclosed in note 6 to the financial statements.

DIRECTORS

The Directors of the Group, who served throughout the year and at the date of this report, were as follows:

Boley Smillie
Richard Digard
Steve Sheridan
Peter Shaefer
Rick Denton
Mark Dunster
Paula Williams

No Director has an interest, either beneficially or non-beneficially, in any shares of the Group (2022: no interest beneficially, or non-beneficially).

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

The Companies (Guernsey) Law, 2008 requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company Law, the Directors 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 Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Group's transactions and disclose, with reasonable accuracy at any time, the financial position of the Group and enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DISCLOSURE OF INFORMATION TO AUDITORS

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant information of which the Group's auditors are unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself, or herself, aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

AUDITORS

Deloitte have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

B Smillie	R Digard
Chief Executive	Chairman

*These page numbers refer to the annual financial statements document approved by the auditors.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GUERNSEY POST LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

In our opinion the consolidated financial statements of Guernsey Post Limited and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's affairs as at 31 March 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

We have audited the consolidated financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated statement of financial position;
- the consolidated statement of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 16.

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).

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 group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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 directors' 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 group'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 directors with respect to going concern are described in the relevant sections of this report.

OTHER INFORMATION

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 DIRECTORS

As explained more fully in the directors' responsibilities statement, the directors 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 directors 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 directors are responsible for assessing the group'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 directors either intend to liquidate the group or 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: *www.frc.org.uk/auditorsresponsibilities*. This description forms part of our auditor's report.

EXTENT TO WHICH 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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the group's business sector.

We obtained an understanding of the legal and regulatory framework that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Companies (Guernsey) Law, 2008 and relevant tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the revenue recognition of Bulk and Southbound customers, and our specific procedures performed to address it included are described below:

- assessing the design and implementation of key controls identified around the bulk revenue and southbound revenue process;
- obtaining independent third-party confirmations from Royal Mail (with respect to southbound revenue) and a sample of the largest bulk customers;
- agreeing revenue to supporting evidence and bank statements where appropriate on a sample basis for the remaining bulk population; and
- obtaining a month-on-month breakdown of southbound revenue streams and undertaking graphical analysis to analyse the trends to ensure it is in line with our expectations and understanding of the business.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under the Companies (Guernsey) Law, 2008 we are required to report in respect of the following matters if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

USE OF OUR REPORT

This report is made solely to the group's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the group's 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 group and the group's members as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte LLP,

St Peter Port, Guernsey

09 August 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2023

	Notes	31 March 2023 Consolidated **£'000**	31 March 2022 Consolidated £'000
Turnover	1	**37,339**	42,782
Expenses	2	**(39,599)**	(41,191)
Operating (Loss)/Profit		**(2,260)**	1,591
Other (Losses)/Income			
Investment returns		**(542)**	307
Rental income		**79**	78
Revaluation of Investment Property	7	**(30)**	20
(Loss)/Profit on ordinary activities before taxation		**(2,753)**	1,996
Tax (charge) on profit on ordinary activities	3	**-**	(240)
(Loss)/Profit for the financial year		**(2,753)**	1,756

All activities are derived from continuing operations.

The notes on pages 20 to 29 (*29 - 45) form an integral part of these financial statements.

**These page numbers refer to the original Financial Statements document approved by the auditors.*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	Notes	**31 March 2023 Consolidated £'000**	31 March 2022 Consolidated £'000
Non-current assets			
Tangible fixed assets	6	**11,958**	10,287
Goodwill	5	**2,711**	3,054
Investment property	7	**850**	880
		15,519	14,221
Current assets			
Cash at bank and in hand	1	**6,131**	3,647
Balances with States Treasury	10, 14	**2,678**	7,746
Debtors	8	**5,206**	4,753
Stock		**439**	308
		14,454	16,454
Creditors: Amounts falling due within one year	11	**(5,908)**	(3,357)
Net current assets		**8,546**	13,097
Total assets less current liabilities		**24,065**	27,318
Net assets		**24,065**	27,318
Capital and reserves			
Shareholders' capital	12	**7,886**	7,886
Retained earnings		**16,179**	19,432
		24,065	27,318

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 07 August 2023.
They were signed on its behalf by:

B Smillie
Chief Executive

R Digard
Chairman

The notes on pages 20 to 29 (*29 - 45) form an integral part of these financial statements.

**These page numbers refer to the original Financial Statements document approved by the auditors.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2023

	Shareholder's Capital	Retained Earnings	Total Equity
	£,000	£'000	**£'000**
Balance as at 1 April 2021	7,886	18,976	**26,862**
Profit for the financial year	-	1,756	**1,756**
Dividends	-	(1,300)	**(1,300)**
Total contributions by and distributions to owners	**-**	(1,300)	**(1,300)**
Balance as at 31 March 2022	7,886	19,432	**27,318**
Balance as at 1 April 2022	7,886	19,432	**27,318**
Loss for the financial year	-	(2,753)	**(2,753)**
Dividends	-	(500)	**(500)**
Total contributions by and distributions to owners	**-**	(500)	**(500)**
Balance as at 31 March 2023	7,886	16,179	**24,065**

The notes on pages 20 to 29 (*29 - 45) form an integral part of these financial statements.

**These page numbers refer to the original Financial Statements document approved by the auditors.*

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2023

	Notes		**2023 Consolidated £'000**		2022 Consolidated £'000
Operating activities					
(Loss)/Profit for the financial year			**(2,753)**		1,756
Adjustments for:					
Depreciation and amortisation	5&6		**1,159**		1,290
Profit on sale of tangible fixed assets			**(9)**		(105)
Rental income			**(79)**		(78)
Revaluation of investment property	7		**30**		(20)
(Increase) in stocks			**(131)**		(45)
(increase)/Decrease in debtors	8		**(453)**		394
increase/(Decrease) in creditors			**2,551**		(736)
Net cash generated from operations			**315**		2,456
Rent received		**79**		78	
Net cash inflow from operating activities			**394**		2,534
Investing activities					
Purchase of tangible fixed assets	5&6	**(2,512)**		(1,008)	
Acquisition of Subsidiary	1	**-**		(250)	
Proceeds from sale of tangible fixed assets		**34**		236	
Net cash outflow from investing activities			**(2,478)**		(715)
Cash flows from financing activities					
Dividend paid	4	**(500)**		(1,300)	
Net cash outflow from financing activities			**(500)**		(1,300)
Net (decrease)/increase in cash and cash equivalents			**(2,584)**		212
(Decrease)/Increase in cash balances			**(2,584)**		212
Cash and cash equivalents at 1 April			**11,393**		11,181
Cash at bank and investments held as at 31 March			**8,809**		11,393
Represented by:					
Balances with States Treasury			**2,678**		7,746
Cash			**6,131**		3,647
			8,809		11,393

The notes on pages 20 to 29 (*29 - 45) form an integral part of these financial statements.

**These page numbers refer to the original Financial Statements document approved by the auditors.*

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2023

1. Significant accounting policies

Reporting entity

Guernsey Post Limited (the "Company") commenced trading on 1 October 2001 and is registered in Guernsey. The Company's registered address is Envoy House, La Vrangue, St Peter Port, Guernsey, GY1 1AA. The Company is governed by the provision of the Companies (Guernsey) Law, 2008. The principal activity of the Company is the provision of Postal Services throughout the Bailiwick.

Basis of consolidation

On 19 March 2021, Guernsey Post Limited acquired 100% of the ordinary share capital of Shoal Bay Holdings Limited and its subsidiary HR Air Ltd. ("the Subsidiaries" and all together "the Group").

These Group financial statements consolidate the financial statements of the Company and the Subsidiaries up to 31 March 2023. The results of the Subsidaries acquired are consolidated for the periods from, or to the date, on which control passed to Guernsey Post Limited.

Where necessary adjustments are made to the financial statements of the Subsidiaries to bring them in line with the policies used by Guernsey Post Limited, all intra-group transactions, balances, income and expenses are eliminated on consolidation.

Basis of accounting

The financial statements give a true and fair view, comply with the Companies (Guernsey) Law, 2008 and were prepared in compliance with the UK Accounting Standards, including FRS 102 - The Financial Reporting Standard applicable in the UK and Ireland. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000 unless otherwise stated.

Going concern

These financial statements are prepared on a going concern basis.

After making enquiries and reviewing the Group's forecasts and projections, including forecasts for the next twelve months following the date of signing of these Financial Statements, taking account of reasonably possible changes in trading performance in light of current economic conditions which may have an impact on the volume of mail handled by the Group, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

The Group, therefore, continues to adopt the going concern basis in preparing its financial statements.

Use of judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

a. Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:-

- Note 1 - Business combinations - Basis for determining the value and recoverability of goodwill, amortisation period and the basis for consolidation
- Note 3 – Taxation - Basis for determining classification of regulated and non-regulated profits

b. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to amounts reported in the financial statements for the year ended 31 March 2023 is included in the following notes:-

- Note 1 - Tangible Fixed Assets - determination of useful economic life of fixed assets
- Note 6 - Goodwill - determination of future cashflows and discount rates to calculate the net present value of the subsidiary
- Note 7 - Investment Property - determination of fair value of investment property
- Note 9 – Deferred Tax – recognition of deferred tax assets: availability of future taxable profit against which tax losses carried forward can be used

Basis of measurement

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain assets.

The Group has consistently applied the following accounting policies to all periods presented in these financial statements.

Turnover

Sales of stamps are accounted for on a receipt of funds basis and no provision is made for postal services expected to be provided for stamps in circulation, as the Directors deem this to be immaterial. All other income from goods and services supplied are accounted for on an accruals basis.

Other income

Rental income is recognised on a straight line basis over the term of the lease. Interest and investment income is recognised in the Consolidated Statement of Comprehensive Income on an accruals basis.

Expenses

Postal operations expenses are charged as incurred. No provision is made for any charges which may be incurred in handling, or delivering, mail in respect of stamps sold but unused at the Balance Sheet date.

Taxation

Income tax expense computations are based on the jurisdictions in which profits were earned at the prevailing rates of tax in the respective jurisdictions. The majority of the Group's profits are reported by Guernsey Post Limited (the "Company").

The Company, as a Guernsey Utility Company regulated by the Guernsey Competition and Regulatory Authority ('GCRA'), is subject to the higher rate of income tax of 20% on its regulated income and 0% on its non-regulated income. The basis of assessment to Guernsey tax continues to be on an actual current year basis. Income from Guernsey land is also subject to the higher rate of income tax of 20%.

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2023

1. Significant accounting policies - continued

Deferred Taxation
Provision for deferred taxation is made in full on timing differences which result in an obligation at the Balance Sheet date to pay tax at a future date, at rates expected to apply when they crystallise based on current tax rates and laws. Deferred tax assets are only recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Dividends
Dividends paid are recognised when the obligation to pay has been established and once approved by the Board.

De-recognition of assets
Non-financial assets are removed from the Balance Sheet, either on disposal, or when they are withdrawn from use and no future economic benefits are expected from their use. In this event, any carrying amount is written off to the Consolidated Statement of Comprehensive Income.

Provisions
Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, where it is more likely than not that an outflow of resources will be required to settle the obligations and the amount has been readily estimated. Changes in the estimated timing or amount of the expenditure are recognised in the Consolidated Statement of Comprehensive Income when the changes arise.

Impairment of non-financial assets
At each reporting date, non-financial assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. In the event that there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in the Consolidated Statement of Comprehensive Income.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the Consolidated Statement of Comprehensive Income.

Stock
The cost of definitive stamps, including the non-value indicator self-stick range, is written off over the expected sales life of each type of stamp, which is unlikely to exceed three years. The costs of commemorative stamps, which are only available for one year, are fully written off in the year of issue.

Other stocks are valued at the lower of cost and net realisable value.

Tangible fixed assets
Tangible fixed assets are stated at cost less accumulated depreciation and any impairment losses. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful economic life. A full year's depreciation is charged in the year of acquisition, whilst none is charged in the year of disposal.

There are periodic reviews of fixed assets and any adjustments required will be recognised in the Consolidated Statement of Comprehensive Income, as and when identified.

	Estimated useful life in years	Depreciation %per annum
Freehold land	N/A	Nil
Buildings	18 - 50	2 - 12.5
Plant and equipment	15	6.67
Furniture & Fittings	3 -13	7.7 - 33.3
Postal Machinery	8 -15	6.67 - 12.5
Motor Vehicles	5 - 15	6.67 - 20

Goodwill
Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the Company's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

Goodwill is amortised over its expected useful life. Where the Company is unable to make a reliable estimate of useful life, goodwill is amortised over a period not exceeding 10 years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is recognised in impairment of intangible fixed assets in the Consolidated Statement of Comprehensive Income.

Amortisation
Goodwill was acquired as part of the acquisition of Shoal Bay Holdings Limited on the 19 March 2021 (see Note 1 - Business Combinations for more information). Amortisation is being applied on a straight line basis of 10 years.

Basic Financial Instruments
Cash at banks and investment comprises of cash balances, call deposits and short term investments held with the States of Guernsey Treasury.

Debtors are initially recognised at transaction price less attributable transaction costs. Doubtful debts are recognised when collection of the full amount is no longer probable, with the amount of the expected loss recognised in the Consolidated Statement of Comprehensive Income. These are monitored on an ongoing basis.

Creditors are initially recognised at transaction price. Debtors and creditors due within one year continue to be measured after their initial recognition at the undiscounted amount of cash or other consideration expected to be paid or received.

Foreign currency
Foreign currency held in any bank account is translated at the exchange rate prevailing at the Balance Sheet date. In the event of any gains or losses arising, these are taken to the Consolidated Statement of Comprehensive Income at the time of translation. All foreign trading transactions are translated into sterling using the prevailing rate on the date of the transaction.

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2023

1. Significant accounting policies - continued

Pension costs

Guernsey Post Limited has an established defined contribution pension scheme, for which all eligible staff are required to join. Both Guernsey Post Limited and its employees pay contributions into this independently administered fund. The cost of providing these benefits is recognised within the Consolidated Statement of Comprehensive Income, and comprise both the amount of contributions payable to the scheme and associated scheme administration costs for the year.

Investment properties

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in the Consolidated Statement of Comprehensive Income.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree plus costs directly attributable to the business combination.

Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets and liabilities is recognised as goodwill. If the net fair value of the identifiable assets and liabilities exceeds the cost of the business combination, the excess is recognised separately on the face of the consolidated statement of comprehensive income.

On 19 March 2021, Guernsey Post Limited acquired 100% of the ordinary share capital of Shoal Bay Holdings Limited for a total consideration of £4.9m paid in cash.

Shoal Bay Holdings Limited (Incorporated in Jersey) acts as a holding Company to HR Air Ltd (incorporated in Jersey), owning 100% of the ordinary share capital of HR Air Ltd.

The principal activity of HR Air Ltd is to provide courier, freight, warehousing and distribution services from sites in Guernsey, Jersey and the UK.

HR Air Ltd. provides complimentary services to Guernsey Post Limited and is a well established business with strong customer relations, an experienced workforce and the acquisition provides the opportunity to establish synergies and economies of scale through the business combination.

Termination Benefits

Termination benefits are recognised in the Consolidated Statement of Comprehensive Income when the Group is demonstrably committed to terminate the employment of an employee or to provide termination benefits as a result of an offer made in order to encourage voluntary redundancy. The Group is demonstrably committed to a termination only when there is a detailed formal plan from which there is no realistic possibility of withdrawal. Termination benefits are measured at the best estimate that would be required to settle the obligation at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2023

2. Expenses

	31 March 2023 £'000	31 March 2022 £'000
Direct costs	**19,003**	20,878
Staff costs	**14,444**	14,508
Directors' remuneration	**394**	649
Other staff expenditure	**1,517**	926
Support costs	**2,764**	2,670
Operating Lease payments	**318**	270
Depreciation	**816**	948
Amortisation of goodwill	**343**	342
Total	**39,599**	41,191

Pension scheme payments made into the defined contribution scheme, included within the staff costs heading, were £1,377k (2022: £1,351k).

Voluntary Redundancy

Included within the staff costs of £14,444k are the voluntary redundancy costs of £887k (2022: nil).

During March 2023, voluntary redundancy was agreed with a number of staff with the plan to rightsize the operational frontline. The benefits will result in a cash payment at the agreed date of the employee leaving the company. All voluntary redundancy benefits were agreed during March 2023 and therefore, given the certainty of the benefits, these were accrued as at 31 March 2023.

Average full time equivalent employee numbers for the period were as follows:

	31 March 2023	31 March 2022
Operational staff, including postal workers, post office counter staff and philatelic production staff	**202**	201
All other staff	**77**	87
Total	**279**	288

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2023

3. Taxation

	Note	**31 March 2023 £'000**	31 March 2022 £'000
Current year tax		**-**	-
Prior year tax		**-**	-
Deferred tax credit in relation to capital allowances	9	**-**	-
De-recognised deferred tax assets	9	**-**	(240)
		-	-

Guernsey Post Limited, as a Guernsey Utility Company regulated by the Guernsey Competition and Regulatory Authority ('GCRA'), is subject to the higher rate of income tax of 20% on its regulated income and 0% on its non-regulated income. The basis of assessment to Guernsey tax continues to be on an actual current year basis.

Income from Guernsey land is also subject to the higher rate of income tax of 20%.

The actual tax credit differs from the expected tax charge computed by applying the higher rate of Guernsey income tax of 20% as follows:

	31 March 2023 £'000	31 March 2022 £'000
(Loss)/Profit on ordinary activities before taxation	**(2,753)**	1,996
Tax at 20%	**(551)**	399
Effects of adjusting items:		
Timing differences	**(2)**	33
Disallowed items	**73**	43
Rate differences on current tax	**(799)**	(1,013)
Non-utilised losses	**1,279**	538
Current tax credit	**-**	-
Deferred tax - timing adjustments	-	(240)
Profit and loss taxation adjustments	-	(240)

4. Dividends on equity shares

Amounts recognised as distribution to equity holders in the period.

	31 March 2023 £'000	31 March 2022 £'000
Final dividend of 6.3p (2021: 16.5p per share) per share paid in this financial year in respect of the year ended 31 March 2022	**500**	1,300

The Board is proposing no dividend in respect of the year ended 31 March 2023 (2022: £0.5m).

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2023

5. Goodwill

	Total Goodwill
	£'000
As at 1 April 2022	**3,425**
Acquisitions through business combinations	**-**
As at 31 March 2023	**3,425**
Accumulated amortisation and impairment	
As at 1 April 2022	**(371)**
Amortisation charge for the year	**(343)**
As at 31 March 2023	**(714)**
Carrying amount	
As at 31 March 2022	**3,054**
As at 31 March 2023	**2,711**

The goodwill was recognized as part of the acquisition of Shoal Bay Holdings Limited on 19 March 2021.

6. Tangible fixed assets

	Motor Vehicles	Land & Buildings	Plant & Equipment	Postal Machinery	Furniture & Fittings	Total
	£'000	£'000	£'000	£'000	£'000	**£'000**
Opening cost as at 1 April 2022	3,026	11,575	2,662	2,395	2,668	**22,326**
Opening accumulated depreciation as at 1 April 2022	(1,768)	(3,446)	(2,662)	(2,014)	(2,148)	**(12,039)**
Opening Carrying amount as at 1 April 2022	1,258	8,129	-	381	520	**10,288**
Additions	205	1,395	-	729	183	**2,512**
Depreciation	(251)	(245)	-	(183)	(137)	**(816)**
Disposals - Cost	(81)	-	-	-	(1)	**(82)**
Disposals - Accumulated Depreciation	55	-	-	-	1	**56**
Closing carrying amount as at 31 March 2023	1,186	9,279	-	927	566	**11,958**
Represented by: Closing cost as at 31 March 2023	3,149	12,968	2,662	3,124	2,848	**24,751**
Closing accumulated depreciation as at 31 March 2023	(1,963)	(3,689)	(2,662)	(2,197)	(2,282)	**(12,793)**
	1,186	9,279	-	927	566	**11,958**

Freehold land with a cost of £2,505,000 (2021: £2,505,000) is not depreciated.

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2023

7. Investment property

Reconciliation of carrying amount	**Market Value 31 March 2023 £'000**	Market Value 31 March 2022 £'000
Balance at 1 April	**880**	860
Change in fair value	**(30)**	20
Balance at 31 March	**850**	880

Investment property comprises a single property, which is leased to tenants, comprising part residential and part commercial occupancy. Leases for the residential tenants are reviewed annually, whereas the commercial tenant is subject to a 20 year lease with triennial reviews.

Changes in fair value are recognised as either a gain or a loss in the Consolidated Statement of Comprehensive Income within 'Other Income / (Losses)'. All gains or losses are unrealised.

The Group uses external professional valuers with recognised professional qualifications and recent experience in the location and category of the property being valued to determine the fair market value of its investment property.

The market value was determined by Wing Lai, MRICS, and Joanna Watts, MRICS, from Watts Property Consultants Limited in accordance with the Market Value methodology as defined by the Royal Institution of Chartered Surveyors Valuation – Global Standards effective 31 January 2022, in compliance with UK Accounting Standards, including FRS 102 - The Financial Reporting Standard applicable in the UK and Ireland.

The primary source of evidence for the property valuation is recent, comparable market transactions on an arm's length basis as well as other factors such as the tenure of the property and tenancy details. However, the valuation of property is inherently subjective, as it is also based upon valuer assumptions and estimations that form part of the key unobservable inputs of the valuation, which may prove to be inaccurate, including market observations and ground and structural conditions of the property.

8. Debtors

	31 March 2023 £'000	31 March 2022 £'000
Trade debtors	**4,394**	4,096
Less: Provision for bad debt	**-**	(7)
Other debtors	**283**	215
Prepayment and accrued income	**393**	313
Tax debtors	**136**	136
Total	**5,206**	4,753

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2023

9. Deferred Tax

	Deferred taxation - Accelerated Capital Allowances	Total
	£'000	£'000
At 1 April 2022	-	-
Deferred tax credit in relation to capital allowances	-	-
De-recognised deferred tax assets	-	-
At 31 March 2023	-	-

Deferred tax in the financial statements is measured at the actual tax rates that are expected to apply to the income in the periods in which the timing differences are expected to reverse. As a Guernsey Utility Company regulated by GCRA, Guernsey Post Limited is subject to tax at 20% on its regulated income and 0% on its non-regulated income. Income from Guernsey land is also subject to the higher rate of income tax of 20%.

De-recognised deferred tax assets
Deferred tax assets have not been recognised as it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom.

10. Balances with States Treasury

The Treasury Department of the States of Guernsey is engaged to invest the Group's liquid funds in excess of its daily requirements and uses a broad range of investments in which to do so. The investment fund retains a proportion of liquid assets which are made available on call to meet the Group's short term commitments. Variable returns are allocated to the fund dependent upon investment performance.

11. Creditors

	31 March 2023	31 March 2022
	£'000	£'000
Amounts falling due within one year		
Trade creditors	**3,295**	973
Other creditors	**967**	1,045
Accruals and deferred income	**1,663**	1,325
Rental income paid in advance	**13**	14
Total	**5,908**	3,357

Of the £3.3m of Trade Creditors, £1.8m is owed to Royal Mail as part of our ongoing contractual arrangements with them (2022: £260k).

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2023

12. Shareholder's capital

	31 March 2023 £'000	31 March 2022 £'000
Authorised		
40,000,000 ordinary shares of £1 each	**40,000**	40,000

	No of shares	£'000
Allotted and fully-paid	7,886,258	7,886
Opening share capital at 01 April 2022	7,886,258	7,886
As at 31 March 2023	7,886,258	7,886

100% of the shares of the Company are owned beneficially by the States of Guernsey.

Shareholder's capital - represents the nominal value of shares that have been issued.

13. Operating Leases

Non-cancellable operating lease rentals are payable as follows:

	Land and buildings 31 March 2023 £'000	Land and buildings 31 March 2022 £'000
Less than one year	**196**	257
Between one and five years	**463**	534
More than five years	**1,394**	1,506
	2,053	2,297

Leases of land and buildings are subject to rent reviews at specified intervals, typically annually, and provide for the lessee to pay all insurance, maintenance and repair costs.

The Group leases one property in St Peter Port; 'North Plantation' to run its Business Hub. The Group took out a new lease last year at Bulwer Avenue starting on 12 January 2022 to assist with its operations. In addition, the Group leases property to fulfil its postal operation in Alderney and warehouse spaces in Jersey and Guernsey for the use of HR Air Ltd.

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2023

14. Related party transactions

The Group is wholly owned and ultimately controlled by the States of Guernsey.

Through the normal course of its business activity, the Group makes both purchases from and provides services to its Shareholder, or entities, under the controlling influence of the Shareholder body. These entities include States Trading Companies, companies whose equity is wholly owned by the States, States Departments and Committees operated by the States. All such transactions have been on an arm's length basis. The total value of the sales for the year ended 31 March 2023 amount to £878,947, or 2.4% of total turnover (2022: £1,064,463, or 2.5%). The total value of purchases for the year amounted to £3,433,098, or 8.7% of total expenses (2022: £3,334,932, or 8.1%).

The States also provides, through its Policy & Resources Department, management of the Group's liquid funds to meet the Group's short term commitments. At 31 March 2023, the balance held was £2,678,406 (2021: £7,745,611). The investment loss for the financial year ending 31 March 2023 was £542,166 (an investment return £307,495 in 2022).

Director's remuneration is shown in note 2.

15. Contingent obligations - Financial Guarantee Contracts

Contingent obligations - Financial Guarantee Contracts

Guernsey Post Limited has financial guarantee contracts in place with the States of Guernsey Customs and Excise and HM Revenue and Customs for £20,000 and £100,000, respectively. In addition, HR Air Ltd has financial guarantee contracts in place with HM Revenue and Customs for £30,000 and Customs and Immigration Services for £1,000. These contingent obligations are in place to provide security in the event that import and export duties paid to Guernsey Post Limited and HR Air Ltd from their customers are not subsequently paid on to the respective authorities. The Group does not carry any liability to either the States of Guernsey Customs and Excise, HM Revenue and Customs or Customs and Immigration, in the event that customers directly withhold payment of import and export duties to Guernsey Post Limited.

16. Subsequent events

There have been no significant events between the year-end and the date of approval of these financial statements, which would require a change to, or disclosure in, the financial statements.

GUERNSEY
POST

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