
BIS (Postal Services Act 2011) Company Limited

Annual Report and Financial Statements 2021-22

(For the year ended 31 March 2022)

Company Number: 07941521

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Strategic report

The business, its objective and strategy

The principal activity of the company is to hold and dispose of the assets transferred in accordance with the 'Realisation Plan', as adopted by the shareholders in Part 2 of the company's Articles of Association.

The principal objective of the company is to realise the assets in a measured fashion within the context of protecting value for the taxpayer, while paying due regard to issues of transparency (where this would not prejudice the commercial interests of the company) and minimising market distortion. In general, the company seeks to convert liquid assets into cash and cash equivalents via sale as quickly as possible to minimise any significant exposure to financial risk.

Cash and cash equivalents realised by the company through the disposal of assets are ultimately transferred to the Department for Business, Energy and Industrial Strategy.

The company's residual investment activities are principally managed by Beach Point Capital Management LP, LaSalle Investment Management, Pathway Capital Management LP, Hamilton Lane COPTL LP, Pantheon Ventures (UK) LLP and Hermes GPE LLP (the "Investment Managers"), with the global custody arrangements delegated to JPMorgan Chase Bank N.A., London Branch.

The Board has complied with the requirements of Section 172 of the Companies Act 2006, through following the long-term strategy in the form of the 'Realisation Plan' and the internal controls as set out in the Governance Statement. The Board understands the importance of engaging with all its stakeholders. The management team continue to foster existing relationships with BEIS teams, investment managers and a small number of advisors providing services to the company. The management team acts with the high standards of business conduct and good governance as detailed under the section of the Governance Statement with the aim to support the Board in achieving the long-term strategy of the company. The Board's commitment to ensuring the realisation exercise is managed in accordance with the 'Realisation Plan', detailed under the "Board responsibilities" section of the Governance Statement.

Operating and financial review

At 31 March 2022, the company had net assets of £233.2 million as shown in the Statement of Financial Position (31 March 2021: £291.9 million).

The total cash inflows arising from operating activities in 2021-22 amounted to £71.1 million (2020-21: £81.0 million).

The net profit attributable to equity holders of the company in 2021-22 was £14.6 million, as shown in the Statement of Profit or Loss and Other Comprehensive Income (2020-21: £67.7 million).

The company will continue to keep the realisation strategy of the retained assets under review, with consideration given to holding the assets for an extended period where this is likely to deliver value for money for the taxpayer.

Principal risks and uncertainties

The principal risks and uncertainties of the company relate to the exposure to financial risks arising from holding financial assets. The company's overall risk management strategy seeks to minimise on-going exposure to financial risks by realising assets as promptly as is reasonably practicable, whilst achieving value for money for the taxpayer.

Further disclosure in respect of the company's exposure to financial risks, including market risk, credit risk and liquidity risk, is included in the notes to these financial statements.

Key performance indicators (KPIs)

BIS (Postal Services Act 2011) Company Limited is a wholly owned subsidiary of BEIS. As a result, both the management and reporting of risk and key performance indicators are undertaken at the Departmental level. However, in keeping with the company's realisation strategy, the directors monitor key metrics including the performance of each of the investment portfolios as part of an annual review.

Impact of COVID-19 and Russia's invasion of Ukraine

The Directors remain committed to the company's Realisation Plan and despite ongoing global disruption caused by COVID-19 and Russia's invasion of Ukraine, the Directors continue to engage with the company's fund managers to effectively deliver the Realisation Plan (to maximise value for money for the taxpayer on realisation of the company's investments) as originally designed.

Signed on behalf of the board by:



Carl Creswell
Accounting Officer and Director

14 December 2022

Directors' report

Introduction

On 8 February 2012, BIS (Postal Services Act 2011) Company Limited (the "**company**") was incorporated and registered as a private limited company in England and Wales under the Companies Act 2006.

With effect from 1 April 2012 and by way of the provisions of the Postal Services Act 2011 which received Royal Assent on 13 June 2011, the Government assumed responsibility for both the Royal Mail Pension Plan ("**RMPP**") deficit and the majority of the plan's assets. The Government removed RMPP's defined benefit pension deficit by transferring certain historic liabilities to a new unfunded statutory pension scheme – the Royal Mail Statutory Pension Scheme ("**RMSPS**"). In conjunction with this, certain assets were also transferred out of Royal Mail Pensions Trustees Limited ("**RMPP Trustees**") under the Postal Services Act 2011 (Transfer of Assets) Order 2012 (the "**Assets Transfer Order**"). The RMPP was left fully funded as at the transfer date.

The company was incorporated and established to hold certain assets transferred from the RMPP Trustees to the Government. The ultimate controlling party for the company is the Department for Business, Energy and Industrial Strategy ("**BEIS**").

Details of directors

Details of the board of directors, including information about the board's composition, its attendance records and coverage of its work, can be found in the governance statement on page 7. Directors are not remunerated by the company in any form.

Dividends and payments to the ultimate controlling party

In accordance with Article 14, '*Remittance of Cash Proceeds to the Consolidated Fund*', and Article 12, '*Retention of Cash*', of the company's Articles of Association, a total cash distribution of £73.3 million was made to BEIS during the reporting year (31 March 2021: £114.5 million). This amount has been recognised in the Statement of Changes in Equity for the year ended 31 March 2022.

Events after the reporting date

No material events have occurred since the end of the financial year that may significantly affect the financial performance or position of the reporting entity.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. The accounts have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. 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 the company and of the profit or loss of the company for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards ("**IFRS**") 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 company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. Under Section 454 of the Companies Act 2006, on a voluntary basis, the directors can subsequently amend these financial statements if they did not comply with the Companies Act 2006.

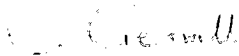
Directors' statement of disclosure of information to auditors

The directors in office at the date of this annual report and financial statements have each confirmed that, so far as they are aware, there is no relevant information (as defined by section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each of the directors has taken all the steps they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Auditor

In accordance with the company's articles, a resolution proposing that Azets Audit Services be reappointed as auditor of the company will be put at a General Meeting.

Signed on behalf of the board by:



Carl Creswell
Accounting Officer and Director

14 December 2022

Governance statement

Introduction

The principal objective of the company is to hold and dispose of assets in accordance with the 'Realisation Plan' adopted by the shareholders in Part 2 of the Articles of Association. The company is ultimately owned and controlled by the Department for Business, Energy and Industrial Strategy ("BEIS") and is operated by the directors.

This statement sets out the governance structure, risk management and internal control procedures that have been operated within the company during the year to 31 March 2022.

The Governance Structure

Board responsibilities

The board provides the general oversight of the realisation exercise and ensures that it is managed in accordance with the 'Realisation Plan'. Up to 31 March 2022 the board delegated the day-to-day operation of the business, in accordance with appropriate risk parameters, to UK Government Investments ("UKGI"), a company wholly owned by HM Treasury. The board monitors compliance with policy and achievement against objectives, by holding management accountable for its activities through regular updates. In addition, management is required to update the board on a regular basis, giving the board the opportunity to understand and explore issues in depth as appropriate.

During the year ended 31 March 2022, the board considered a wide range of issues, including:

- the progress of the asset realisation exercise;
- the financial position of the company;
- the long-term plan for the company;
- approving full-year results;
- considering opportunities for the realisation of assets; and
- discussing risk management and controls within the company.

Board structure from 1 April 2021 to 31 March 2022

Directors	Entity represented
Carl Creswell, Accounting Officer	BEIS
Martin Madsen	UKGI
James Steer	HMT

All directors are subject to retirement, and election or re-election, in accordance with the company's Articles of Association.

Following the year-end, on 17 May 2022, Martin Madsen resigned as the Director representing UKGI and James Coppin was appointed as the Director representing UKGI on 13 June 2022.

Board attendance

The board held 1 scheduled meeting in the year ended 31 March 2022. Directors are expected to attend scheduled board meetings, unless they are prevented from doing so by prior commitments. Where directors are unable to attend meetings, they receive the papers scheduled for discussion in the relevant meetings, giving them the opportunity to raise any issues and give any comments in advance of the meeting. Following the meeting any director not present is briefed on the discussions and any decisions taken at the meeting. Directors leave the meeting where matters relating to them, or which may constitute a conflict of interest for them, are being discussed.

The attendance of directors at board meetings held during the year ended 31 March 2022 was as follows:

Directors	Number of possible meetings attended	Actual meetings attended
Carl Creswell	1	1
Martin Madsen	1	1
James Steer	1	1

Responsibility of the principal accounting officer of BEIS

The principal accounting officer of BEIS is responsible for approving the 'Realisation Plan' of the company and provides the oversight, in addition to the board, to ensure that the realisation of the assets represents value for money to the taxpayer as a whole. Where the realisation exercise deviates from the 'Realisation Plan', or where it is considered necessary to amend the original plan, management will report to the board and the principal accounting officer as necessary. The directors and specifically the accounting officer of the company, who was designated by the principal accounting officer of BEIS, have certain responsibilities. The primary responsibilities (in addition to those defined in the Companies Act 2006) are:

- to adhere to chapter three of Managing Public Money;
- being responsible for safeguarding the public funds;
- for ensuring propriety and regularity in the handling of public funds; and
- for day to day operations and management of the company.

The directors and the accounting officer also ensure that it is run on the basis of the standards, in terms of governance, decision making and financial management, that are detailed in Chapter 3.1 of Managing Public Money.

Information received by the board and accounting officer

Written updates on the progress of the asset realisation exercise were provided by management to the board, including the chair who is the accounting officer, as part of the annual review in October 2022. The board considers that the written updates provided by the management team during the financial year were relevant, sufficient and timely to satisfy its purpose.

Review of board's effectiveness

The board is currently comprised of 3 directors all of whom are senior officials within Government Departments or other public sector bodies. One director is employed by BEIS, one by UKGI and one by HM Treasury. It is considered that the size and experience of the board is appropriate given the nature of the company's operations.

During the year ended 31 March 2022, no formal evaluation of the board's effectiveness has been carried out. The board met once during the year and believes that its structure and monitoring framework are functioning effectively to meet the company objectives.

Compliance with Corporate Governance Code

The UK Corporate Governance Code (the “code”) sets out the main principles and specific provisions on how companies should be directed and controlled to follow good governance practice. The rules of the Financial Conduct Authority (the “FCA”) require companies listed in the UK to disclose, in relation to the Code, how they have applied those principles and whether they have complied with the provisions throughout the financial year. Where the provisions have not been complied with, companies must provide an explanation for this.

BIS (Postal Services Act 2011) Company Limited is a private limited company that is ultimately owned by BEIS. As the company is not listed in the UK, compliance with the code is not required.

The directors follow and comply with the principles detailed in the “Corporate governance in central government departments” code in so far as they are applicable to a company limited by shares incorporated under the Companies Act 2006.


Risk management and internal control

The board attaches considerable importance to, and acknowledges its responsibility for, the company's systems of internal control and risk management. The board's policy is to have systems in place which optimise the company's ability to manage risk in an effective and appropriate manner. The board has delegated to UKGI the principal responsibilities for identifying, evaluating and monitoring risks facing the company and for deciding how these are to be managed.

These include on-going controls and review procedures in place to monitor the performance of the investment managers who continue to manage investments on behalf of the company.

Given the specific nature of the company, its principal risks and uncertainties reside with the exposure to financial risks arising from its holdings of financial assets.

Signed on behalf of the board by:



Carl Creswell
Accounting Officer and Director

14 December 2022

Independent auditor's report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BIS (POSTAL SERVICES ACT 2011) COMPANY LIMITED

Opinion

We have audited the financial statements of BIS (Postal Services Act 2011) Company Limited (the 'company') for the year ended 31 March 2022 which comprise the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies 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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, 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 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 company'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, except to the extent otherwise explicitly stated in our report, 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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 company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis Accounting unless the directors either intend to liquidate the company 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 Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our Report of the Auditors.

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 and on the Financial Reporting Council's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the entity, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the entity is

complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the entity that were contrary to applicable laws and regulations, including fraud. In response to the risk of irregularities and non-compliance with laws and regulations, including fraud, we designed procedures which included:

- Enquiry of management and those charged with governance around actual and potential litigation and claims as well as actual, suspected and alleged fraud;
- Reviewing minutes of meetings of those charged with governance;
- Assessing the extent of compliance with the laws and regulations considered to have a direct material effect on the financial statements or the operations of the Company through enquiry and inspection;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the risk of management bias and override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for indicators of potential bias.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company'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 company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Robin Haslam (Senior Statutory Auditor)
for and on behalf of Azets Audit Services**

Azets Audit Services

14 December 2022

Chartered Accountants and Statutory Auditor
2nd Floor
Regis House
45 King William Street
London
EC4R 9AN

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 March 2022

		For the year ended 31 March 2022	For the year ended 31 March 2021
	Note	£'000	£'000
Revenue			
Net changes in fair value on financial assets held at fair value through profit or loss	7	(47,786)	(17,689)
Net realised gains arising from the sale of financial assets	2	-	(10)
Finance income	3	64,750	88,468
Foreign exchange gains/(losses)	5	-	(1)
Expenses			
Operating expenses	4	(2,333)	(3,065)
Net profit for the year		14,631	67,703

The Company does not have any Other Comprehensive Income. Accordingly, the net profit on ordinary activities after taxation for the year is also the total Comprehensive Income for the year and no separate Statement of Other Comprehensive Income has been presented.

No operations were acquired or discontinued in the year and all items in the above statement derive from continuing operations.

The notes on pages 17 to 28 form part of these financial statements.

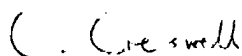
Statement of Financial Position

as at 31 March 2022

		31 March 2022	31 March 2021
	Note	£'000	£'000
Assets			
Non-current assets			
Financial assets:			
Assets held at fair value through profit or loss	7	138,635	191,396
Total Non-current assets		138,635	191,396
Current assets			
Trade and other receivables	6	1,514	5,048
Cash and cash equivalents	8	93,777	96,012
Total current assets		95,291	101,060
Total assets		233,926	292,456
Current liabilities			
Trade and other payables	9	(706)	(532)
Total current liabilities		(706)	(532)
Net assets		233,220	291,924
Capital and reserves			
Ordinary share capital	11	-	-
Retained earnings		233,220	291,924
Total equity		233,220	291,924

The notes on pages 17 to 28 form part of these financial statements.

The financial statements were approved by the board of directors and signed on its behalf by:



Carl Creswell
Accounting Officer and Director

14 December 2022

Company number: 07941521

Statement of Changes in Equity

for the year ended 31 March 2022

		Ordinary Share capital	Profit or Loss account	Total
	Note	£'000	£'000	£'000
Balance at 1 April 2020		-	338,756	338,756
Net profit	SPLOCI	-	67,703	67,703
Payment made to BEIS		-	(114,535)	(114,535)
Balance at 31 March 2021		-	291,924	291,924
Net profit	SPLOCI	-	14,631	14,631
Payment made to BEIS		-	(73,335)	(73,335)
Balance at 31 March 2022		-	233,220	233,220

In accordance with Article 14, 'Remittance of Cash Proceeds to the Consolidated Fund', and Article 12, 'Retention of Cash', of the company's Articles of Association, a total cash payment of £73.3 million (2020-21: £114.5 million) was made to BEIS during the reporting year.

The notes on pages 17 to 28 form part of these financial statements.

Statement of Cash Flows

for the year ended 31 March 2022

		For the year ended 31 March 2022	For the year ended 31 March 2021
	Note	£'000	£'000
Cash flows from operating activities			
Net profit	SPLOCI	14,631	67,703
Net changes in fair value on financial assets at fair value through profit or loss	7	47,786	17,689
Net gain arising from the sale of financial assets	2	-	10
(Increase)/decrease in trade and other receivables before bad debt provision	6	3,534	(4,746)
Increase/(decrease) in trade and other payables	9	174	114
Proceeds from the sale of financial assets	2, 7	4,975	211
Net cash flows from operating activities		71,100	80,981
Cash flows from financing activities			
Payment made to BEIS		(73,335)	(114,535)
Net cash used in financing activities		(73,335)	(114,535)
Net increase/(decrease) in cash and cash equivalents		(2,235)	(33,554)
Cash and cash equivalents at the beginning of the year	8	96,012	129,566
Cash and cash equivalents at the end of the year	8	93,777	96,012

The notes on pages 17 to 28 form part of these financial statements.

Notes to the financial statements

Entity information

On 8 February 2012, BIS (Postal Services Act 2011) Company Limited (the “**company**”) was incorporated as a private limited company in England and Wales under the Companies Act 2006 (company Number: 07941521).

With effect from 1 April 2012, a provision was made under the Postal Services Act 2011 (Transfer of Assets) Order 2012 (the “**Assets Transfer Order**”) to transfer certain assets previously held by the Royal Mail Pensions Trustees Limited (the “**RMPP Trustees**”) into the company.

The principal activity of the company is to hold and realise assets in accordance with the Realisation Plan adopted by the shareholders in Part 2 of the company’s Articles of Association. The company’s residual investment activities are principally managed by Beach Point Capital Management LP, LaSalle Investment Management, Pathway Capital Management LP, Hamilton Lane COPTL LP and Pantheon Ventures (UK) LLP (the “**Investment Managers**”), with the global custody arrangements delegated to JPMorgan Chase Bank N.A., London Branch.

The company is ultimately owned and controlled by the Department for Business, Energy and Industrial Strategy (“**BEIS**”).

Statement of accounting policies

Basis of preparation

The financial statements of BIS (Postal Services Act 2011) Company Limited have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Interpretation Committee (“**IFRIC**”) Interpretations. The financial statements are prepared in accordance with the disclosure and accounting requirements contained in the Financial Reporting Manual (“**FRM**”) where these do not conflict with the Companies Act and the requirements of IFRS. The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in applying the company’s accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 1.

The financial statements are prepared in accordance with IFRS and Interpretations in force at the reporting date. The company has adopted all of the new and revised Standards or Interpretations issued by the IASB that are relevant to its operations and effective for accounting periods beginning 1 April 2021. The adoption of these new and revised Standards and Interpretations had no material effect on the profit or loss or financial position of the company. The company has not adopted any Standards or Interpretations in advance of the required implementation dates. It is not expected that adoption of Standards or Interpretations which have been issued by the IASB but have not been adopted will have a material impact on the financial statements.

These financial statements have been prepared for the year ended 31 March 2022.

Accounting convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities.

Going concern

These financial statements have been prepared on a going-concern basis, as the directors are confident that the returns and distributions from realising the investments held by the company will be sufficient to cover the operating costs of the businesses which are primarily fund manager fees, for at least the next 12 months from the date of issue of these financial statements. The company meets its day-to-day working capital requirements through free cash flow. Based on cash flow projections the company considers the existing financing facilities to be adequate to meet short-term commitments.

Presentational currency

The financial statements are presented in pounds sterling and all values are rounded to the nearest thousand pounds. The functional currency of the company is pounds sterling.

1 Accounting policies

1.1 Revenue recognition

Revenue comprises the realised gains on the disposal of investments generated in the ordinary course of the company's activities. Revenue is shown net of value-added tax.

The company recognises revenue when the amount of revenue can be reliably measured, and it is probable that future economic benefits will flow to the entity.

1.2 Financial instruments

The company recognises and measures financial instruments in accordance with IFRS 9 Financial Instruments as adopted on 1 April 2018.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised in the Statement of Financial Position when the company becomes a party to the contractual provisions of an instrument.

The fair value of financial instruments is reported to us by our fund managers – this value is determined by reference to quoted market prices where an active market exists for the trade of these instruments. The fair value of financial instruments which are not traded in an active market is determined using generally accepted valuation techniques. Because of the inherent uncertainty in valuing investments in investment partnerships for which no active, public market exists, or where the net realisable value may be significantly affected by a lack of liquidity or other market conditions, the fair values reported to us by our fund managers are estimates and could differ significantly from the value that could be ultimately realised. Sensitivity analysis is disclosed in note 10.1 for changes in key assumptions and drivers used in the valuations.

Financial assets are derecognised when the rights to receive future cash flows have expired or are transferred and the company has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised when the obligation is discharged, cancelled or expires.

Financial assets

Classification and measurement of financial assets:

IFRS 9 contains three principal classification categories for financial assets: amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is based on the business model under which each financial asset is managed and its contractual cash flow characteristics:

- *Amortised cost* are financial assets whose cash flows are solely payments of principal and interests where the related business model is to hold them for collecting contractual cash flows only. They are initially recognised at fair value and thereafter at amortised cost using the effective interest method less any impairment. The effective interest rate method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period.

The only amortised cost assets the company holds are receivables, principally comprised of accrued income and short-term trade receivables. Given the short-term nature of these assets, they are carried at invoice price.

- *Fair value through Other Comprehensive Income (FVOCI)* are either:
 - (i) debt instruments whose cash flows are solely payments of principal and interests where the related business model is to hold for both collecting contractual cash flows and selling.
 - (ii) equity instruments that are neither held for trading nor contingent consideration recognised in a business combination, and where the option to irrevocably designate as FVOCI has been taken

After initial recognition, these assets are subsequently carried at fair value. Gains and losses in fair value are recognised directly in equity. On de-recognition, the cumulative gain or loss previously recognised in equity is recognised in Net expenditure for the year for debt instruments and transferred to General Fund for equity instruments.

The company does not hold any FVOCI assets.

- *Fair value through profit or loss (FVTPL)* are any financial assets that are not measured at amortised cost or FVOCI. Transaction costs and any subsequent movements in the valuation of the asset are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

The majority of the company's assets are financial assets in the form of holdings in Limited Partnerships (investment funds) who themselves hold private equity and investment property fund assets. None of the cash flows to the company from these holdings are solely payments of principal and interest on amounts outstanding, and therefore it is inappropriate for them to be classified as amortised cost.

The company has not irrevocably designated any assets as FVOCI under IFRS 9, therefore all of its financial assets other than those held at amortised cost are held as FVTPL assets. Fair value is based on the net asset value of the investment funds, adjusted only if the directors do not consider the net asset value to reflect fair value.

Under IFRS 12 *Disclosure of Interest in Other Entities*, the holdings in investment funds qualify as structured entities as the company does not have substantive voting or similar rights.

Financial liabilities

The company's financial liabilities comprise trade and other payables and accrued expenses – they are not held for trading, derivatives or otherwise designated, so do not meet the criteria to be classified as FVTPL. They are therefore classified as amortised cost and since these balances are expected to be settled within twelve months of the reporting date, there is no material difference between amortised cost and historical cost.

1.3 Foreign exchange

Transactions that are denominated in a foreign currency are translated into sterling at the rate of exchange ruling on the date of each transaction, except where rates do not fluctuate significantly, in which case an average rate for a year is used. Monetary assets and liabilities denominated in foreign currencies at the reporting date are

retranslated at the rates of exchange ruling at that date. These translation differences are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

1.4 Corporation tax

BIS (Postal Services Act 2011) Company Limited, with a registered number of 07941521, is exempt from UK corporation tax for any accounting year in which it is wholly owned by the Crown, by virtue of The Postal Services Act 2011 (Taxation) (Amendment) Regulations 2016.

1.5 Significant accounting estimates and judgements

The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amount of assets within the next financial year are those used to determine the fair value of investments.

The majority of the company's investments are holdings in limited partnerships where the underlying private equity investments are managed by fund managers. The company determines the fair value of its investments in those partnerships according to its share of adjusted net assets of those partnerships; the majority of those net assets are made up of underlying private equity investments. Where audited valuations of the underlying investments at 31 March are not available, valuations are produced by the fund managers using the audited valuations as at 31 December of the reporting year rolled forward, adjusting for cash movements and reporting received to date.

1.6 Cash and cash equivalents and cash distributions

Cash and cash equivalents comprise current balances with banks and other financial institutions, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. The carrying amount of these assets approximates their fair value.

Cash distributions are accounted for in the company's financial statements in the year in which they are approved by the company's directors.

2 Net realised gains arising from the sale of financial assets

The table below sets out the realised gains or losses arising from the sale of financial assets by category under IFRS 9.

	For the year ended 31 March 2022	For the year ended 31 March 2021
	£'000	£'000
Realised gains/(losses) arising from:		
- the sale of financial assets at fair value through profit or loss	-	(10)
Total net realised gains/(losses)	-	(10)

3 Finance income

The income below relates to receipts arising from the company's holdings in investments funds and interest income arising from bank deposits.

	For the year ended 31 March 2022	For the year ended 31 March 2021
	£'000	£'000
Distributions from investment funds and dividend income	64,750	88,468
Total finance income	64,750	88,468

4 Operating expenses

	For the year ended 31 March 2022	For the year ended 31 March 2021
	£'000	£'000
Investment management fees and custodian fees	2,192	2,930
Other expenses – See note 4.1	141	135
Total operating expenditure	2,333	3,065

Other expenses are predominantly made up of fund manager consultancy fees, audit fees and foreign tax.

4.1 Audit fees

The "Other expenses" figure of £0.1 million (2020-21: £0.1 million) within note 4 includes auditor's remuneration as detailed in the following table. During the year to 31 March 2022 the company obtained the following services from the company's auditor:

	For the year ended 31 March 2022	For the year ended 31 March 2021
	£'000	£'000
Audit fees in respect of the audit of the company's financial statements	38	38
Total auditors' remuneration	38	38

4.2 Employees and directors

The directors do not receive remuneration for their services to the company. The company has no employees and does not incur any expenses in respect of the services of its directors.

5 Foreign exchange gains/(losses)

The foreign exchange gains/(losses) charged to the Statement of Profit or Loss and Other Comprehensive Income are included as follows:

	For the year ended 31 March 2022	For the year ended 31 March 2021
	£'000	£'000
Realised foreign exchange gains/(losses)	-	(1)
Other income	-	(1)

6 Trade and other receivables

	31 March 2022	31 March 2021
	£'000	£'000
Amounts falling due within one year		
Trade receivables	1,514	5,045
VAT receivable	-	3
Total	1,514	5,048

7 Financial assets at fair value through profit or loss

The financial assets held at fair value through profit or loss include equity shares and are classified in accordance with IFRS 9.

	31 March 2022	31 March 2021
	£'000	£'000
Financial assets		
Opening balance	191,396	209,306
Disposals	(4,975)	(221)
Fair value adjustments	(47,786)	(17,689)
Total financial assets	138,635	191,396

8 Cash and cash equivalents

	31 March 2022	31 March 2021
	£'000	£'000
Cash and cash equivalents held by the Government Banking Service (GBS)	89,972	95,304
Cash and cash equivalents held at commercial banks	3,805	708
Total	93,777	96,012

At 31 March 2022 the majority of cash held by the company is denominated and transacted in GBP and therefore its cash exposure to foreign currency exchange rate movements is not significant.

9 Trade and other payables

	31 March 2022	31 March 2021
	£'000	£'000
Amounts falling due within one year		
Trade payables	-	48
Accrued expenses and deferred income	706	484
Total	706	532

10 Financial instruments

10.1 Financial risk factors

Financial risk management

The company's activities expose it to a variety of financial risks. The company's overall risk management programme seeks to minimise on-going exposure to financial risks by disposing of assets as promptly as reasonably practicable whilst achieving value for money for the taxpayer.

The day-to-day management of financial risks is carried out by the investment managers under policies approved by the company's management team. The management team provides written principles for overall risk management, as well as specific instructions covering the way different classes of assets should be realised to meet its objectives.

Market risk

The company is exposed to market risk, primarily related to foreign currency exchange rates, interest rates and price risks. To manage the exposure to market risk, the company actively seeks to dispose of any liquid and volatile assets as promptly as reasonably practicable whilst achieving value for money for the taxpayer.

i. Foreign exchange risk

The company uses GBP as its reporting currency - the primary foreign exchange risks are USD and EUR due to its holdings in foreign currency denominated investment funds. As a result, the sterling value of the company's Statement of Financial Position can be affected by movements in exchange rates.

The table below summarises the sensitivity of the company's monetary assets to changes in foreign exchange movements at 31 March 2022. The analysis assumes that the relevant foreign exchange rate increased/decreased against GBP by the percentage disclosed in the table below with all other variables held constant. Management estimates that a movement in the foreign exchange rates of +/- 5% would not be unreasonable, having regards to the historical volatility of those rates. Due to unprecedented changes in exchange rates over the preceding years, management have also provided a +/- 25% estimation as a benchmark for the largest movements experienced in recent times. The increase or decrease in the net assets arises primarily from a change in the fair value of USD and EUR denominated investment funds that are classified as assets held at fair value through profit or loss.

	Movement in rate	Impact on net assets	Impact on net assets
		31 March 2022	31 March 2021
Currency	%	£'000	£'000
US dollar denominated monetary assets	+/- 5%	+/- 2,224	+/- 3,575
US dollar denominated monetary assets	+/- 25%	+/- 11,119	+/- 17,877

ii. Price risk

Price risk is principally managed by disposing of assets as promptly as possible whilst realising value for money for the taxpayer. During the financial year, fund managers continued to actively dispose of investments, where practicable, to minimise the company's on-going exposure to price risk. The company's investments at 31 March 2022 were predominantly comprised of holdings in investment funds which held illiquid and highly diversified investments, mainly investments in private equity investment vehicles and property funds.

The sensitivity analysis below has been determined based on the exposure to each material price risk at the reporting date.

The company has holdings in investment funds which in turn hold private equity portfolios which are primarily composed of investments in European and North American unquoted shares. During the year the company recognised a fair value decrease on its holding in these partnerships of £47.8 million (2020-21: £13.1 million decrease). This reflects the continued realisation of the underlying assets of the partnerships as well as changes in the valuation of the remaining assets. See note 3 for further information on the distributions and income received during the year.

If the valuation had been 5% higher/lower, the total value would have decreased by a further £2.4 million (2020-21: £0.7 million decrease), with the movement being recognised in the Statement of Profit or Loss and Other Comprehensive Income.

The fair value movement of debt securities disposed of in year was driven by fluctuations in market interest rates. The fair value interest risk is further discussed below. The price risk on investment funds invested in property funds is not expected to be material.

The performance of the investment funds and directly owned equity investments held by the company are monitored by management on a monthly basis.

iii. Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets held within some of the investment funds. The company's exposure to this risk is not considered significant.

Credit risk

The company is not party to any significant credit instruments (assets or liabilities) and is therefore not directly exposed to significant credit risk.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its obligations associated with financial liabilities. The liquidity risk is monitored on an on-going basis to ensure that there are sufficient resources available to meet any on-going liabilities. The company is a Government-backed entity. In addition, the board of directors are satisfied that it has sufficient certainty over future cash inflows from the investments held and that the company was not therefore exposed to any significant liquidity risk.

In addition, cash flow is monitored on an on-going basis to ensure there are sufficient cash balances to pay any on-going operational costs or commitments in respect of uncalled capital amounts payable to relevant investment managers, as and when they fall due.

10.2 Fair value estimation

The following table analyses financial instruments carried at fair value by valuation method, in accordance with IFRS 13. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3)

The following table presents the group's financial instruments that are measured at fair value at 31 March 2022.

	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Assets				
Financial assets at fair value through profit or loss				
Private equity and trading securities	-	-	138,636	138,636
Investment property funds	-	-	-	-
Total assets	-	-	138,636	138,636

The following table presents the group's financial instruments that are measured at fair value at 31 March 2021.

	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Assets				
Financial assets at fair value through profit or loss				
Private equity and trading securities	-	-	184,282	184,282
Investment property funds	-	-	7,114	7,114
Total assets	-	-	191,396	191,396

The following table presents the movement in Level 3 financial instruments for the year ended 31 March 2022 by class of financial instrument:

	Private equity and trading securities	Investment property funds	Total
	£'000	£'000	£'000
Opening balance	184,282	7,114	191,396
Additions	-	-	-
Disposals	2,139	(7,114)	(4,975)
Net changes in fair value	(47,786)	-	(47,786)
Total Level 3 instruments	138,635	-	138,635

The following table presents the movement in Level 3 financial instruments for the year ended 31 March 2021 by class of financial instrument:

	Private equity and trading securities	Investment property funds	Total
	£'000	£'000	£'000
Opening balance	197,418	11,888	209,306
Additions	-	-	-
Disposals	-	(221)	(221)
Net changes in fair value	(13,136)	(4,553)	(17,689)
Total Level 3 instruments	184,282	7,114	191,396

10.3 Financial instruments by category

	31 March 2022		
	Amortised cost	Assets held at fair value through profit or loss	Total
	£'000	£'000	£'000
Assets as per balance sheet			
Private equity, investment property funds & trading securities	-	138,635	138,635
Trade and other receivables excluding prepayments	1,513	-	1,513
Cash and cash equivalents	93,777	-	93,777
Total financial instruments	95,290	138,635	233,925

			31 March 2021
	Amortised cost	Assets held at fair value through profit or loss	Total
	£'000	£'000	£'000
Assets as per balance sheet			
Private equity, investment property funds & trading securities	-	191,396	191,396
Trade and other receivables excluding prepayments	5,048	-	5,048
Cash and cash equivalents	96,012	-	96,012
Total financial instruments	101,060	191,396	292,456

11 Share capital

	31 March 2022		31 March 2021	
	Number of shares	Ordinary shares	Number of shares	Ordinary shares
		£'000		£'000
Allotted				
1 allotted, called up and unpaid share of £1	1	-	1	-
Total	1	-	1	-

At the date of incorporation, one share was issued at par with a nominal value of £1. The £1 remains unpaid at 31 March 2022.

12 Contingent liabilities

At 31 March 2022 there were no contingent liabilities.

13 Commitments

The company is required to fulfil capital contributions in respect of the investment fund holdings classified within the fair value through profit or loss financial instruments. At 31 March 2022, the total unfunded commitment was £74.5 million (31 March 2021: £75.5 million) which is payable on demand.

14 Ultimate controlling party

The ultimate controlling party for the company is the Department for Business, Energy and Industrial Strategy ("BEIS"). These company financial statements are consolidated within the Department for Business, Energy and Industrial Strategy financial statements.

15 Related-party transactions

Under Article 14, 'Remittance of Cash Proceeds to the Consolidated Fund', and Article 12, 'Retention of Cash', of the company's Articles of Association, the company has an obligation to reimburse 'excess cash' to its immediate

parent BEIS. A total cash remittance of £73.3 million was paid to BEIS during the reporting year (2020-21: £114.5 million).

16 Events after the reporting period

There were no significant events identified after the reporting period that are required to be disclosed.

17 Disclosure of structured entities

Under IFRS 12 *Disclosure of Interest in Other Entities*, the company is required to make additional disclosures as the investment funds meet the definition of 'structured entities'.

	31 March 2022	31 March 2021
	£'000	£'000
Type of fund		
Private equity	136,558	183,084
Investment property	565	7,114
Total	137,123	190,198

The nature, purpose, activity and how the investment funds are financed is detailed in the Strategic report on pages 3 to 4 and in notes 7 and 10.

The investment funds are shown as investments at fair value through profit or loss in the Statement of Financial Position. Future financial support that the company is committed to provide to the investment funds at the year-end date is shown in note 13. The maximum exposure at the year-end date is considered to be amounts advanced to the investment funds as at the year end.