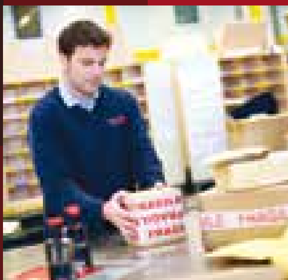
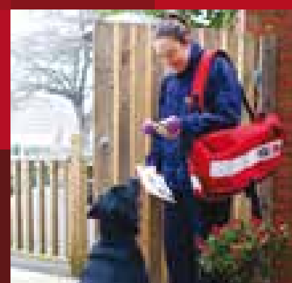
Jersey Post International
Annual Report 2011





Jersey Post Group

Directors, Officers and Advisors

Jurat Mike Liston OBE
Non-Executive Chairman

Paul Jackson
Non-Executive

Chris Evans
Non-Executive

Donal Duff BAAF FCA AMCT
Non-Executive

Tim Brown FIoD, FCILT, CPFA
Non-Executive
(Appointed 1 September 2011)

Kevin Keen MBA, FCCA, FCMA
Chief Executive Officer
(Appointed 24 June 2011)

Liz Vince BA (Hons), CPFA, CPD (cert.), MICA
Finance Director
(Appointed 23 February 2012)

Gary Carroll
Business Development Director
(Appointed 23 February 2012)

Company Secretary

Liz Vince BA (Hons), CPFA, CPD (cert.), MICA

Auditors

Deloitte LLP
PO Box 403
St. Helier
Jersey
JE4 8WA

Pension Advisors

Aon Hewitt Limited
Actuaries and Consultants
40 Queen Square
Bristol
BS1 4QP

Bankers

HSBC Bank plc
PO Box 14
St. Helier
Jersey
JE4 8NJ

Registered Office

Postal Headquarters
La Rue Grellier
La Rue des Pres Trading Estate
St. Saviour
Jersey
JE2 7QS

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Board of Directors

Jurat Mike Liston OBE

Non-Executive Chairman, Mike Liston has wide experience of the public and private sectors. Previously Chief Executive of Jersey Electricity PLC, he now holds a wide range of non-executive Chairmanships with public and private operating companies, private equity and venture capital houses, in the energy and fiduciary services sectors. He is a lay Judge in the Royal Court of Jersey.

Mike was founding Chairman of the Jersey Appointments Commission, which was established by government to ensure probity in public appointments. He served for many years on the governing Council and Audit Committees of Europe's largest professional engineering body, the Institution of Engineering and Technology. He is a Fellow of the Royal Academy of Engineering.

Paul Jackson

Non-Executive, Paul Jackson is a well-known expert in the mail, express, air freight and logistics industry, with extensive knowledge and experience of all aspects of the industry as a whole, and the postal world in particular.

He is the Non-Executive Chairman of Triangle Management Services Limited, which provides strategic consultancy, market research, mergers and acquisitions services, conferences and executive recruitment, mainly in the mail, express and logistics sectors. Under Paul's direction, the company has developed a pre-eminent position in the mail, express, logistics and global freight sectors.

Donal Duff BAAF FCA AMCT

Non-Executive, Donal Duff qualified as a Chartered Accountant with Coopers & Lybrand in Ireland in 1991 and subsequently transferred to its Jersey office in 1993 to work on a wide range of audit and corporate finance assignments. In 1996, he joined Le Riche Group Limited, a listed company, as Group Financial Controller, where he performed a variety of roles until such time as it was acquired by C.I Traders Limited, an AIM-listed company, in 2002. Donal was Director of Finance and Company Secretary of this company (the largest private sector employer in the Channel Islands) until its acquisition by a private equity consortium in 2007, and he continued to work with the new owners until 2008. Donal is Chief Operating Officer & Finance Director of The Stanley Gibbons Group plc, an AIM-listed Jersey registered company.

Chris Evans

Non-Executive, Chris Evans has worked in the information technology services sector for 26 years and has been involved in the formation and running of a number of IT businesses. He is currently the Chief Executive of Foreshore, an Internet services business, promoting Jersey-based e-commerce to a global customer base. Chris has served as a Non-Executive Director on a number of boards, most recently the Jersey Electricity Company, from which he retired in 2010 after 12 years. He understands how the disruptive nature of technology can be used to drive business change and diversification and has sat on a number of States of Jersey committees over the past 10 years, with the objective of finding new economic opportunities for the Island.

Tim Brown FIoD FCILT CPFA

Non-Executive, Tim Brown has over 20 years' experience in the post, parcel and distribution industry. He has worked in senior positions in Royal Mail and DHL Express, was CEO of Postcomm (the UK's postal regulator), provided advice to government and was Vice-Chair of the European Regulators' Group for Post. His current work includes providing board level advice, consultancy and interim management to post and parcel companies and their suppliers.

Kevin Keen MBA FCCA FCMA

Kevin Keen joined Jersey Post as Chief Executive in June 2011. He spent the majority of his previous career working for Le Riche Group where he was Group Finance Director for five years before being appointed as Managing Director of the group's core retail business in 2000. In 2003, Kevin joined Jersey Dairy as Managing Director where he led a successful turnaround. He is a past President of The Jersey Chamber of Commerce.

Kevin is also Non-Executive Chairman of Jersey Water, a Non-Executive Director of Voisins Department Store Limited, Le Gallais Real Estates Limited and is Honorary Financial Adviser to the Jersey Heritage Trust.

Liz Vince BA (Hons), CPFA, CPD (cert.), MICA

Liz Vince joined Jersey Post in 2006. In January 2008, she took over the role of Company Secretary and in September 2011 she became the Finance Director when this was combined with the post of Company Secretary. Prior to this, Liz was the Chief Internal Auditor for the States of Jersey for 10 years. Liz qualified as a Chartered Accountant in 1992 with the National Audit Office in London. Liz is Honorary Treasurer of Relate in Jersey.

Gary Carroll

Gary Carroll joined Jersey Post in October 2009 as the Service Delivery Director with responsibility for the logistics, postal and print business units of the Group. Prior to joining Jersey Post, Gary worked for 28 years with Royal Mail Group, with the last 11 years as a regional director for Royal Mail International, where he successfully negotiated bilateral agreements and financial settlements with the world's major postal organisations.

Gary spent 5 years working for Royal Mail's International consultancy business, leading on postal development programmes in the Middle East and Far East, the Americas and Caribbean. Prior to this, Gary worked for the parcels business in the Royal Mail Group, as part of the national sales team where Gary's responsibilities included the training and development of the sales and customer teams.

Forces for Change

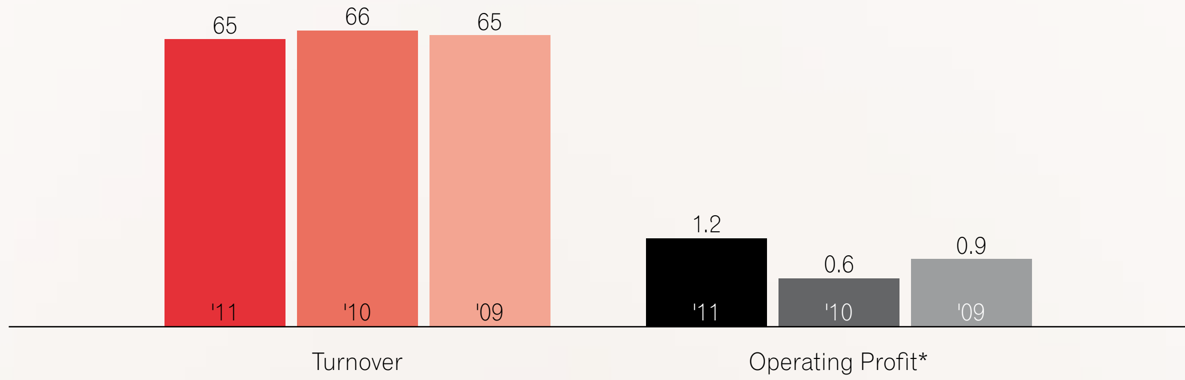
My report last year described a number of profound risks facing Jersey Post and highlighted the radical measures your Board was taking to mitigate them.

It focused in particular on the threat to the economic viability of the public postal service in Jersey arising from drastic proposals by the Jersey Competition Regulatory Authority (JCRA) to further open to global operators, the bulk mail market on which the Island's historically loss-making letters service has depended for subsidy.

In the event, the relevance of the JCRA's proposal was eclipsed near the end of 2011 by the UK government's sudden decision to withdraw tax relief on low value imports (LVCR) from the Channel Islands from April 2012. This will decimate the fulfilment industry, and the associated bulk mail market, which represents more than half of Jersey Post's revenues and most of its profits.

In mid-2011, the Economic Development Minister acknowledged our concerns about the unforeseen risks of further liberalising such a fragile postal market, and issued a Direction to the JCRA to undertake a strategic review of the sector, to include an assessment of the sustainability of the public postal service in light of existing and pending liberalisation; threats to the bulk mail market and the declining use of letter post. In the comprehensive report of its review, the JCRA recognised the significant uncertainties surrounding Jersey Post's future business and proposed a moratorium on the licensing of new operators, or further liberalisation of letter conveyance, until at least 2015. It did, however, state its intention to open to competition, bulk mailings to all overseas destinations other than the UK. This appears a risky policy adventure given the imminent demise of bulk mailings to the UK and the currently small demand for bulk mailings to other jurisdictions. →

"The relevance of the JCRA's proposal was eclipsed near the end of 2011 by the UK government's sudden decision to withdraw tax relief on low value imports (LVCR) from the Channel Islands."



* Before exceptional costs

Mike Liston
Chairman, Jersey Post Group

Together We Work.

In Better Shape

Ironically, the JCRA's liberalisation proposals, which made the significant loss of our bulk mail business a possibility, has better-prepared us for the UK government's actions, which make that loss a certainty.

Anticipating the loss of some bulk mail business to new competitors, Jersey Post pressed ahead last year with a range of cost reduction measures which it had announced in 2010. Commensurate with the severity of the new competitive threats facing the business at that time, these measures included job redundancies and pay cuts affecting 41% of our staff and a reduction to five-days-per-week mail collections and deliveries. A pay freeze we had imposed on salaried staff was extended for a third year and this, together with job cuts among senior and middle management grades, has reduced our annual "white-collar" pay bill by £2M since 2008.

With the competitive threats now overtaken by the more extreme impacts of the confirmed withdrawal of LVCR, the measures already taken will absorb much of the shock to our business and our people, which otherwise might prove catastrophic. However, with the demise of the bulk mail market threatening to accelerate the loss of postal volumes to just one-third of their recent levels within the next two years, further measures will be needed to secure Jersey Post's future in very much harsher conditions than previously feared.

The business transformation programme set by your Board in 2010 aimed to eliminate over a four year period the intrinsic losses incurred in providing the public postal service (the Universal Service Obligation, or USO). In light of the new and immediate threats to the bulk mail market, the programme was accelerated in 2011 to achieve that objective in two years. Good progress has been made, as evidenced by an increase in operating profit to £1.2M from £0.6M in the previous year despite a 5% fall in mail volumes. However, the real challenge of change management lies in sustainability and the control of collateral effects across an organisation, and these considerations prompted further changes to the company's leadership during the year.

The public sector in Jersey, from which Jersey Post was transferred upon incorporation in 2006, is inexperienced in the management of rapid and radical change. The Island's strong economy and loose fiscal policy has, until recently, sheltered public sector managers from the task of coping with contraction, and their experience of implementing change has been confined mostly to the challenges of managing growth. Jersey Post's senior managers struggled to implement the Board's two-year accelerated cost reduction programme across the necessarily wide range of the company's activities. The complexities of business process re-engineering, information technology replacement, manpower productivity improvement, pay & conditions reform and organisational restructuring created substantial pressures and adversely impacted service quality, corporate reputation and staff morale.

> **"The real challenge of change management lies in sustainability and the control of collateral effects across an organisation"**

The Board concluded that successful implementation of the changes on which the company's future depended, could not be sufficiently assured without further changes to its senior management team, more than half of which had already been replaced since incorporation. In particular, the Board recognised the special challenge in overcoming specific obstacles to the achievement of change, not least the existence of cultural conservatism among so many of Jersey Post's stakeholders – its management, its staff, its customers and the States as its shareholder.

New Beginnings

During the year, the Chief Executive and the Finance Director left the business and the HR Director's role became redundant. Kevin Keen joined Jersey Post in August, as its third Chief Executive in five years.

He has a strong reputation for business transformation and has made good progress in stabilising the organisation. Together with Liz Vince, who was later appointed Finance Director from her previous role as Business Risk Manager and Company Secretary, he first conducted a fundamental review of all our business units' financial performance. That review identified some anomalies in the internal allocation of costs between the USO and the bulk mail businesses and it further concluded that the real cost reductions already achieved, together with those currently in progress, were such that Jersey Post could most probably survive the loss of most of the bulk mail market now threatened by the UK government's actions.

"The further changes needed to secure Jersey Post's financial viability are substantial, but they are within the realms of those underway elsewhere in the postal world."

The further changes needed to secure Jersey Post's financial viability are substantial, but they are within the realms of those underway elsewhere in the postal world. They will involve the further re-structuring of manpower costs, such that they are less fixed and more aligned to mail volumes and workload profiles. They will involve more flexibility in working practices and the reshaping of the network of mail collection boxes and sub-post offices to remove costly overlaps in access facilities for our customers. Such changes in our cost base, together with cost-reflective pricing to the extent permitted within the regulatory regime enforced by the JCRA, are the only means by which the public postal service can be made sustainable in the absence of the bulk mail market which has hitherto funded it.

Although cost reduction remains the most urgent and important priority as we adapt to dramatically changing trading conditions, we remain determined to develop new business opportunities to replace those being lost with the collapse of fulfilment mailings to the UK. We are constrained though by the small scale of the markets available to us in developing services to exploit e-commerce for example, and we are dismayed by the high cost of telecoms connectivity in Jersey which impedes the growth of digital industries. These industries in other jurisdictions have provided new openings for postal operators whose traditional markets are being eroded by technology.

With the closing of an era in which our retained earnings were generated largely from the bulk mail market, your Board believes that a special dividend is appropriate. However, given the suddenness of the new risks impacting the business, and the urgency of finding new growth opportunities, the Directors intend to defer their recommendations on a special distribution until later in 2012. In the meantime, it proposes an ordinary dividend of £375k (2012, £0) representing one-third of net profit.

Challenges Ahead

Whilst not uncommon in the outside world, the pace and scale of vital change throughout Jersey Post has been traumatic for its staff and perplexing for its customers.

The risks involved in completing our journey to financial sustainability are compounded by external factors beyond our control. Within the Island, the risk of regulatory ideology in competition policy appears to be moderating, but from outside the Island the ideology which has driven the Communications Workers Union in the UK to resist changes aimed at securing Royal Mail's future, has sometimes threatened to work against the interests of its members in Jersey Post, who recognise the imperative for new ways of working and a local approach.

As recent events have shown, the Island risks being entangled in struggles elsewhere as the priorities of those accountable for adapting to economic crisis clash with those favouring the status quo. Our success is best assured when we look inwards for the reconciliation of differences, and my hopes for the difficult year ahead are that all with a stake in the future of Jersey Post work together to secure it.

I am grateful for the endeavours of all those who have helped Jersey Post to adapt to its new circumstances. Our staff and their representatives, and my colleagues on the Board, have shown courage and pragmatism through difficult times. Since the year end, the Board has appointed two new executive directors in Gary Carroll and Liz Vince, both of which have extensive experience and knowledge of our industry, and Tim Brown was appointed as a Non-Executive Director during the year. Tim brings experience as diverse as Chief Executive of the UK postal regulator "PostCom" and senior commercial roles within the privatised postal industry. His appointment provides good continuity of insight into the global postal sector, which insight has been provided most valuably and passionately in the past seven years by Paul Jackson, who will retire by rotation at the next AGM. ■

"Our success is best assured when we look inwards for the reconciliation of differences, and my hopes for the difficult year ahead are that all with a stake in the future of Jersey Post work together to secure it."

Mike Liston OBE
Chairman
24 May 2012

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Another year of change

2011 was another year of change at Jersey Post as the company continued to grapple with the impacts of falling volumes in its traditional business and an ambitious change programme aimed at making the core operation sustainable with a much smaller logistics business.

The wisdom of the board's strategy became much clearer in the autumn when the UK government announced its intention to remove the benefit of LVCR for companies exporting from the Channel Islands, which we knew would have a dramatic impact on our bulk mail customers and, in turn, us.

Overall mail volumes reduced by almost 5% in 2011 to just less than 84 million items. Traditional mail volumes were down by 6% to 35 million items, which was worse than the decline in 2010 but at least better than we had budgeted. The decline in letter mail was mitigated by the growth in parcels and packets as more and more Islanders began shopping online. However, the major contributor to the decline in mail volumes continued to be outward mail, which has more than halved in the last 5 years. Bulk mail, the services provided to local e-retailers, totalled 49 million items and was 4% lower than in 2010. As in previous years, the bulk mail traffic stream was dominated by two customers.

Turnover reduced by just over 1% to £64.9 million as volume reductions were mitigated by some price increases. Gross profit of £8.8 million represented 13.5% of sales, which was favourably impacted by lower staffing costs. Administrative expenses increased by 10.0% to £7.5 million, principally due to one-off costs totalling £1.2 million. Staffing made up around one-third of administrative expenditure and consisted of support staff in finance, IT, human resources, sales, marketing, and customer services.

The financial benefits of the change programme implemented over the last couple of years meant that operating profits of £1.2 million were improved dramatically from the disappointing performance of 2010, although we continued to rely heavily on the contribution of our logistics division for this profitability, which we clearly will not be able to do in 2012 due to the removal of LVCR.

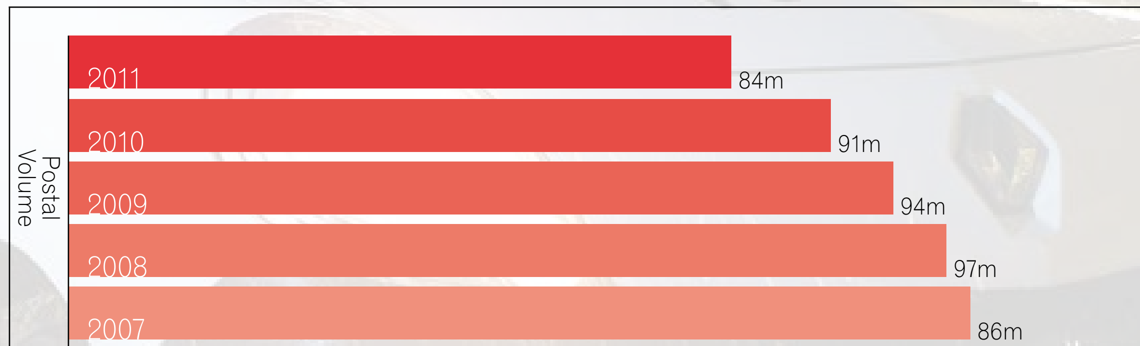
After taking account of non-trading income and restructuring costs, the company produced a profit before tax of £1.2 million, which was also a very substantial improvement on the very disappointing £111,000 achieved last year.

In spite of the improvement in profits, net assets were reduced by 36% to just over £11 million. This was wholly due to a £7.6 million increase in the defined benefit pension deficit as reported under FRS17, caused by poor investment performance and a review of actuarial assumptions. The deficit, which now stands at £9.4 million, is clearly extremely concerning and was a very unpleasant surprise to the Board, but at least the PECRS scheme is now closed to new members and with a full actuarial review up to 31st December 2010 due soon we will be in a position to decide, in consultation with members, if any further changes are required to ensure the sustainability of the scheme.

Although the increased pension deficit was very unwelcome news, the company remains relatively strong with cash balances of almost £18 million and two valuable freehold properties carried at a book value of £6.4 million. In the coming year, increased focus will be made on cash generation and ensuring that all of our assets are made to "sweat". One key asset which we know is very underutilised is our Broad Street freehold, which, due to its age and design, uses a valuable site in a very inefficient way. Although this problem will not be solved in 2012, we are hopeful that significant progress will be made.

Cash flow of £6.2 million was flattered by a £4.9 million increase in creditors due to a change in the timing of a payment to a major creditor. Capital expenditure in the year totalled £0.7 million; this included a partial replacement of our ageing vehicle fleet and some further investment in equipment for our Promail business, which provides hybrid mail solutions for many leading Island organisations. →

Volume of Mail Overview



Customer Service

During December, the company launched its first Island-wide survey.

After a period of change in some of the services we provide which had negatively impacted on customers, it was appropriate to seek feedback from Islanders. We had a very large response for a survey of this type, generating almost 6,000 replies, which just goes to show how passionate Islanders are about the service. The key findings of the survey were as follows:

	Very Good	Good	Average	Poor	Very Poor
How do you rate your postman?	54.8%	35.1%	8.2%	1.5%	0.4%
How do you rate the overall delivery service?	21.8%	47.5%	15.4%	12.0%	3.3%
How do you rate the retail network?	27.7%	52.7%	13.0%	5.3%	1.3%

We were pleased with the results and plan to repeat the survey on an annual basis. We believe this gives Islanders an opportunity to have their say about the service and provides much valuable feedback both qualitative and quantitive to management. On the basis of information provided by the survey, we decided to end the two tier local service, which had proved to be difficult to administer and was deeply unpopular with Islanders. There are a number of other actions arising from the survey which we hope will lead to an improved service and lower costs.

In late 2011, we reintroduced the quality of service measurement operated by Research International, which showed the following results:

	2008	2009	2010	2011*	2012 1st Quarter	JCRA Target
Locally posted mail						
Delivered locally	96%	97%	92%	99%	97%	95%
Delivered in Guernsey	81%	84%	81%	51%	58%	84%
Delivered in the UK	85%	80%	80%	60%	71%	82%
Mail posted outside of Jersey but delivered in Jersey						
Posted in Guernsey	86%	86%	79%	61%	63%	84%
Posted UK and elsewhere	77%	86%	81%	65%	75%	82%

** Only November and December results were available*

Notwithstanding the poor weather in December 2011 and the fact that the survey was only operated for two months, we were bitterly disappointed by the results for non-local mail, although at least the local-to-local service (where we are in total control of our quality) was extremely good and well ahead of target. The results for the first quarter of 2012 are included for completeness and at least show some improvement, but we will be working hard during the rest of 2012 to at least meet the targets set by our regulator.

Our People

Given the pace and extent of change that has taken place at Jersey Post over the last few years, it was not surprising that morale had been negatively impacted, but the extent of the decline was a source of great concern to management.

Responding to criticisms expressed by staff about aspects of the change programme, we spent considerable time in the final months of 2011 seeking a solution that would provide the same level of savings whilst improving flexibility of manpower. A final proposal was made in March 2012 and overwhelmingly supported by members of the CWU.

As an organisation heavily dependent on the skills and dedication of its people to provide our key services, we will be working hard with them all to maximise their motivation and skills whilst being realistic about the challenges we face.

It is a testament to our people though, that in spite of all the disruption and uncertainty, they remained highly professional throughout 2011 – putting the customers at the heart of what they do, which is as it should be. Without them, it is quite clear the much improved financial performance could not have been achieved and management are extremely grateful to all staff for their support during what has been a difficult year.

Regulatory Matters

In response to the reductions in mail volumes, and after a comprehensive consultation process, the JCRA approved a reduction in the USO to a five-day delivery service.

This change was implemented in May 2011 and although no service reduction is ever welcome with customers, most understood the reasons why and accepted the need for the change.

In the face of concerns about the sustainability of the USO, the Minister for Economic Development instructed the JCRA to carry out a review of the Jersey postal service. The conclusions were largely supportive of our present strategy and confirmed that there would be no further liberalisation of the markets for post in the Island and UK in the near future.

We welcome the new approach of the JCRA, particularly their stated intention to move to a lighter touch regime. The reality is that we already face fierce competition from digital means of communication, no better evidenced than by the very small amount consumers now spend on postal services, just £1 per week, per household.

Strategic Review

I joined the business full-time at the beginning of August and undertook a high level review which was submitted to the Board in September.

Whilst the need to diversify in response to falling mail volumes is undeniable, the Board accepted that the immediate priority was to stabilise the business after a period of dramatic change. In the second half of the year we made a number of changes including:

- Reorganising the senior management team to further reduce costs and to provide for flatter organisation structure.
- Bringing our IT back in house. Although we will continue to outsource certain aspects, the management of this function is far too important to be outsourced.
- Returning to accounting by profit centre for 2012 to improve control over the business.

As we reach the end of the stabilisation phase of our plan, increasing amounts of time are being dedicated to making sure each profit centre is performing to its maximum potential. In truth, this is a stage that is never finished, but we do hope to make significant progress in 2012. Following that, we will be in a much better position to devote time and resources to diversification efforts. We will always do this within our competence and capacity whilst learning the lessons of other postal authorities around the world who are trying to tackle the same problem.

Looking forward

Clearly the loss of LVCR for Channel Island companies is a major blow to them, Jersey Post and the whole community.

For us it means that we can no longer use the profits of this activity to subsidise our traditional services, which just reinforces the importance of action taken in previous years. Cost reduction cannot be the sole answer to the loss of LVCR, so as well as developing new income streams, such as direct mail, we have had to increase prices in 2012 more than we would have liked. With these measures we believe that we will still be able to operate profitably in 2012, although clearly this will not be easy.

Looking further forward, the new management team is optimistic that in spite of the problem of falling volumes there is still much we can do with our existing operations, all of which have capacity to improve. Creating new and profitable income streams, especially in the digital space, is clearly a bigger challenge, but with the talent we have in the business it is something we have a good chance of delivering. ■

Kevin Keen
Chief Executive Officer
24 May 2012

Together We Work.

NO PARKING
POSTAL
EMPLOYEES
ONLY

Statement of Corporate Governance

Jersey Post International Limited has a Memorandum of Understanding with the Treasury & Resources Minister.

The Memorandum requires the Group to produce Financial Statements which include disclosures in accordance with The UK Corporate Governance Code issued by the Financial Reporting Council ("the Code"). This requirement does not require the Group to apply other standards relevant to listed entities. The Directors are committed to maintaining a high standard of Corporate Governance in accordance with the principles laid down in the Code. The Board considers that it has complied with all appropriate provisions of the Code during the financial year ended 31 December 2011, except as explained below. ➔

The Board

The Board is chaired by Mike Liston, who was appointed as Chairman on 12 June 2006 and reappointed for a further three-year term at the Company's AGM held on 25 June 2009.

The other Non-Executive Directors are:

Paul Jackson, who was originally appointed on 12 June 2006 and reappointed for a further three-year term at the company's AGM held on 12 May 2010.

Chris Evans was originally appointed on 25 June 2009 and reappointed for a further three-year term at the company's AGM held on 24 June 2011.

Donal Duff was appointed at the Board meeting on 27 November 2009 with his appointment commencing on 1 January 2010. Mr Duff's appointment was confirmed at the AGM held on 12 May 2010.

Tim Brown was appointed at the Board meeting on 8 July 2011 with his appointment commencing on 1 September 2011.

Non-Executive Directors are appointed to the Board on the recommendation of the Nomination Committee.

The Board has not elected one of the Non-Executive Directors to be the Senior Independent Non-Executive Director. The shareholder has immediate access to the Chairman, and in his absence, the Chief Executive Officer, and therefore the appointment of a Senior Independent Non-Executive Director is not considered an immediate priority by the Board. This matter will be kept under review but we note that this is a requirement of Provision A4.1 of the Code.

As at 31 December 2011, the Chief Executive Officer, Kevin Keen, was the only executive member of the Board. Kevin Keen was appointed to the Board at the AGM held on 24 June 2011. In accordance with Principle B7.1 of the Code, Mr Keen and Mr Brown will both be considered for election by the shareholder at the AGM on 15 June 2012. The appointments of Liz Vince and Gary Carroll to the Board will also be put forward as resolutions at the 2012 AGM.

In accordance with the Company's Articles of Association, two Non-Executive Directors are required to retire by rotation. The Articles state that the directors to retire by rotation shall be they who have been the longest in office since their last appointment or reappointment. Of the existing five Non-Executive Directors, Mike Liston, Paul Jackson and Donal Duff have been the longest in office since their last appointment and will retire by rotation at the AGM on 15 June 2012. The Board considered this matter at its meeting on 24 May 2012 and agreed to recommend the reappointment of Mr Liston and Mr Duff to the shareholder at the AGM.

The main role of the Board is to:

- Set the overall strategy of the Group;
- Approve the annual business plan, budget and annual report and financial statements;
- Monitor performance against plans;
- Ensure the maintenance of a sound system of internal control and risk management;
- Oversee the activities of the Executive Directors;
- Ensure obligations to the shareholder (the States of Jersey) are understood and met; and
- Ensure compliance with the Postal Services (Jersey) Law 2004.

The Board has delegated the day-to-day operation of the activities of the Group to the Executive Directors. There is a clear division of responsibility between the Chairman and the Chief Executive which is set out in writing as well as a Schedule of Matters Reserved for the Board. Both documents are reviewed by the Company Secretary annually and updated and reapproved by the Board if necessary. There have been no updates made to these documents in 2011.

The Chairman is responsible for leadership of the Board and monitoring its effectiveness. He ensures effective communication with the shareholder and that the shareholder's views and interests are considered when making key decisions. He also facilitates the contribution of the Non-Executive Directors and promotes a constructive relationship between Executive and Non-Executive Directors. The Chief Executive is responsible for formulating strategy and for its delivery once agreed by the Board. The Chief Executive, together with the other Executive Directors, creates the framework of strategy, values, organisation and objectives which ensures the successful delivery of key targets, and allocates decision making and responsibilities to senior managers accordingly.

The Board held seven formal meetings during the financial year ended 31 December 2011. Agendas and supporting papers are circulated to Board members one week in advance of the meeting date. Records of meetings and the decisions of the Board are maintained by the Company Secretary and are approved by the Board at the following meeting.

The Company also has a Nomination Committee which meets when required to consider appointments to the Board. The Nomination Committee is chaired by Mike Liston and has Donal Duff and Chris Evans as members. The committee meets informally without the Company Secretary or her assistant in attendance, therefore the meetings are not minuted. The Nomination Committee met during 2011 to agree the appointments of Kevin Keen and Tim Brown. Appointments are recommended to and approved by the Board and all decisions are formally minuted.

Number of Meetings Attended

	Main Board	Audit Committee	Remuneration Committee
	7 meetings	5 meetings	3 meetings
M Liston	7/7 (Chairman)	4/5	3/3
P Jackson	7/7	–	–
C Evans	6/7	–	3/3 (Chairman)
D Duff	6/7	5/5 (Chairman)	3/3
T Brown (appointed wef 1 September 2011)	2/2	2/2	–
K Keen (appointed wef 24 June 2011)	4/4	–	–
I Carr (resigned wef 31 May 2011)	4/4	–	–
I Ridgway (resigned wef 31 August 2011)	5/5	–	–
J Crabtree (resigned wef 24 November 2011)	6/6	–	–

Director Independence, Performance Evaluation and Training

The Board considered that all the Non-Executive Directors were independent during the financial year ended 31 December 2011.

Performance Evaluation The Board did not consider it either necessary or cost effective to undertake an externally facilitated review of its performance. Instead, in January 2012, on behalf of the Chairman, the Company Secretary circulated a Board evaluation questionnaire to all Board members for completion. The results of this questionnaire were summarised in a written report which was reviewed by the Board at its meeting held on 23 February 2012.

The Chairman and the Non-Executive Directors hold informal meetings without the Executive Directors being present. The performance of the Executive Directors is reviewed by the Remuneration Committee. During 2011, the Non-Executive Directors did not meet without the Chairman present to appraise his performance as this was addressed via the Board self-assessment questionnaire.

Director Training All Directors are asked to review if they have any specific training requirements as part of the Board's annual self-assessment questionnaire. The Chairman would discuss any training and development requirements with individual Directors. Specific training for Audit and Remuneration Committee members is considered annually. Training and development requirements of the Executive Directors are addressed via their annual Performance and Development Plans. New Directors receive an induction from the Company Secretary.

Audit Committee

The Audit Committee is appointed by the Board from the Non-Executive Directors.

The Audit Committee is chaired by Donal Duff, who is a qualified Chartered Accountant. The other members of the Audit Committee are Mike Liston and, with effect from 1 September 2011, Tim Brown.[1]

The external auditors, the Finance Director and the Chief Executive Officer attend the meetings by invitation. During the financial year ended 31 December 2011, the Audit Committee met five times.

The Audit Committee's agenda is linked to events in the Company's financial calendar. The agenda for each Audit Committee meeting is agreed with the Chairman at least four weeks prior to the meeting.

New Audit Committee members are provided with induction training and all Committee members receive ongoing training on an annual basis as necessary. Training can comprise of attendance at formal conferences or courses but more likely internal company seminars and briefings by the external auditors.

The Audit Committee reviewed its performance via a self-assessment questionnaire which was discussed at its meeting on 22 February 2012. In addition, the Committee has an Action Plan which records the tasks it needs to complete during the year, including those to ensure compliance with the Code. Progress against the Action Plan is reviewed at each Committee meeting.

The Committee is charged by the Board with responsibility for reviewing the strategic processes for risk, control and governance throughout the Group. The Audit Committee has terms of reference which include all matters indicated by the Code and which are subject to annual review. The terms of reference were reviewed and updated by the Committee at its meeting on 24 November 2011 and approved by the Board at its meeting on 25 November 2011.

[1] The Code allows for smaller companies to have Audit Committees comprising two members.

Financial Reporting

The Committee monitors the integrity of the financial statements of the Company, including its annual and half-yearly reports and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain.

The Committee reviews and challenges where necessary:

- The consistency of, and any changes to, accounting policies both on a year-on-year basis and across the Group;
- The methods used to account for significant or unusual transactions where different approaches are possible;
- Whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- The clarity of disclosure in the company's financial reports and the context in which statements are made; and
- All material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to audit and risk management).

Internal Controls and Risk Management Systems

The Committee:

- Keeps under review the effectiveness of the Group's internal controls and risk management systems;
- Reviews and approves the statements to be included in the annual report concerning internal controls and risk management; and
- Undertakes an annual review of the Group's risk management policy and, in particular, the financial thresholds used to evaluate the impact of risks to ensure these remain appropriate.

Whistleblowing and Fraud

The Committee:

- Reviews the Group's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters;
- Ensures that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action; and
- Reviews the Group's procedures for detecting fraud.

Internal Audit

Until September 2011, the Group's internal audit was provided by the Business Risk Assurance Manager. With effect from 1 September 2011, the Company Secretary's role (who was also the Business Risk Assurance Manager) was combined with the role of Finance Director. As a result of this, the Group no longer has an internal audit function. However, the Audit Committee considers the need for internal audit at each of its meetings and will buy in external resources as and when the need arises to undertake individual internal audit/risk assurance reviews.

External Audit

The Committee:

- Considers and makes recommendations to the Board, to be put to the shareholder for approval at the AGM, in relation to the appointment, reappointment and removal of the Company's external auditors. The Committee oversees the selection process for new auditors, and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;
- Makes recommendations annually to the Board on the external audit fee;
- Oversees the relationship with the external auditors including (but not limited to):
    - Ensuring that the level of fees is appropriate to enable an adequate audit to be conducted;
    - Approving their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
    - Assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
    - Satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business); ➔

- > Monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements;
- > Assessing annually their qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures;
- > Seeking to ensure co-ordination with the activities of any internal audit; and
- > Considering the risk of the withdrawal of the Company's present auditor from the market.

- Meets regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee also meets the external auditor at least once a year, without management being present, to discuss their remit and issues arising from the audit;
- Reviews and approves the annual audit plan and ensures that it is consistent with the scope of the audit engagement;
- Reviews the findings of the audit with the external auditor. This includes but is not limited to the following:
    - > A discussion of any major issues which arose during the audit;
    - > Any accounting and audit judgements; and
    - > The levels of errors identified during the audit.
- Reviews the effectiveness of the audit;
- Reviews any representation letter requested by the external auditor before it is signed by management;
- Reviews the management letter and management's response to the auditor's findings and recommendations;
- Develops and implements a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter.

Nomination Committee

The nomination Committee is chaired by Mike Liston. The other members are Chris Evans and Donal Duff. The Nomination Committee met twice during 2011 to consider the appointments of a new Chief Executive and Non-Executive Director. The two UK-based Non-Executive Directors attend meetings if necessary.

The terms of reference of the Nomination Committee are approved by the Board and reviewed annually by the Company Secretary. No changes to the Committee's terms of reference were made during 2011. Formal minutes of the Nomination Committee are not kept but recommendations on Board appointments are made to the Board and decisions recorded in the Board minutes. The Nomination Committee has not carried out a performance evaluation for 2011 as this was not considered necessary. The performance evaluation questionnaire for the Board addressed issues of Board skills, experience and future requirements.

Remuneration Committee

The Remuneration Committee is chaired by Chris Evans with Mike Liston and Donal Duff as members. During the financial year ended 31 December 2011, the Remuneration Committee met three times. The Remuneration Committee has responsibility for setting remuneration for the Executive Directors of the Company which is sufficient to attract, retain and motivate people of the quality required. No Director plays any role in the determination of his/her own remuneration. The Memorandum of Understanding with the Treasury and Resources Minister requires any changes to the level of remuneration paid to Non-Executive Directors to be agreed, in advance, by the Minister. The Committee also monitors the levels of remuneration for senior management.

The Committee has an Action Plan which records the tasks it needs to complete during the year, including those to ensure compliance with the Code. Progress against the Action Plan is reviewed at each Committee meeting. The Committee's terms of reference are reviewed annually by the Company Secretary. No changes to the Terms of Reference were made in 2011. The Remuneration Committee undertook a self-assessment exercise via the use of a questionnaire which was reviewed at its meeting on 9 February 2012.

The remuneration of the Directors for the JPIL Group of companies for the financial year ended 31 December 2011 is set out below:

Salaried Directors' Remuneration 2011

	Salary/Fees £'000	Bonuses £'000	Other[1] £'000	Benefit in Kind[2] £'000	2011 Total £'000	2010 Total £'000
	Executive Directors[3]					
Kevin Keen (from 24 June 2011)	66	–	–	–	66	0
Ian Carr (to 31 May 2011)	64	–	198	11	273	179
Ian Ridgway (to 31 August 2011)	87	–	139	15	241	150
Julie Crabtree (to 24 November 2011)	126	–	165	20	311	143
TOTAL	**343**	**–**	**502**	**46**	**891**	**472**

	Non-Executives				
Mike Liston	40	–	–	40	40
Paul Jackson	20	–	–	20	20
Chris Evans	15	–	–	15	15
Donal Duff	20	–	–	20	20
Tim Brown (from 1 September 2011)	4	–	–	4	0
TOTAL	**99**	**–**	**–**	**99**	**95**

[1] Payments relate to Compromise Agreements for Executive Directors who left the business.
[2] The benefit in kind received by the Executive Directors comprises the contribution payable into the PECRS pension scheme and health insurance.
[3] Liz Vince and Gary Carroll were appointed as Directors of JPIL after the year end and as such their remuneration details are not included in the above table.

Internal Controls

The Board is responsible for ensuring that there are effective systems of internal control in place to reduce the risk of misstatement or loss and to ensure that business objectives are met. These systems are designed to manage, rather than to eliminate, the risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The Board has conducted a review of the effectiveness of the Group's system of internal control in 2011 via the following key procedures:

- **Risk Management**
  The Group has a risk register which details and assesses all the significant risks facing the Group. Management is responsible for identifying the key risks to achieving their business objectives and ensuring that there are adequate controls in place to manage these, in line with the risk appetite set by the Board and contained in the Group's Risk Management Policy, which is reviewed annually by both the Audit Committee and the Board. There is also a Risk Management Group chaired by the Finance Director and comprising senior managers from each area of the business. This group meets quarterly and the minutes of the meetings are reviewed by the Audit Committee.

- **Board Reports**
  Key strategic decisions are taken at Board meetings following due debate and with the benefit of Board papers circulated in advance. The risks associated with decisions are a primary consideration in the information presented and discussed by the Board. The Board discusses and approves the Group's strategic direction, plans, objectives, annual budgets and financial forecasts and the associated risks to achieving these.

- **Management Structure**
  Responsibility for operating the systems of internal control is delegated to management and directed and overseen by the Executive Team chaired by the Chief Executive. This team meets weekly.

- **Human Resources**
  The Group endeavours to ensure that its employees are able to carry out their duties in a competent and professional manner through its commitment to staff training and development. ■

24 May 2012

Jersey Post
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Directors' Report

The Board of Directors of Jersey Post International Limited ('JPIL' or 'the Company') present their report on the affairs of JPIL and its subsidiaries ('the Group'), together with the audited consolidated financial statements for the year ended 31 December 2011.

Principal Activity

The principal activity of the Group is that of providing postal services to the Island of Jersey.

Going Concern

The Directors have produced forecasts for the next twelve months following the date of signing of these financial statements which have satisfied them that the Group will continue to be a going concern, and be able to meet its liabilities as they fall due. In making this assessment, the Directors' have considered the impact of the UK government's decision to withdraw Low Value Consignment Relief from all Channel Island exports with effect from 1 April 2012.

The Directors are also mindful of Article 8(2)(e) of the Postal Services (Jersey) Law 2004 which states "in so far as it is consistent with paragraph (1), the Economic Development Minister and the Authority [JCRA] shall each have a duty in performing its functions under the Law, to have regard to the need to ensure that persons engaged in commercial activities connected with postal services in Jersey, have sufficient financial and other resources to conduct those activities". Accordingly, the Directors have adopted the going concern basis in preparing the financial statements.

Results

Details of the results for the year are set out in the Group consolidated profit and loss account on page 30. A review of the Group's business during the year and an indication of the likely future development of the business are provided in the Chairman's Statement and the Business Review on pages 4-14.

Shareholdings

The 5 million £1 ordinary shares of JPIL are fully paid up and 100% owned by the States of Jersey.

Dividends

An ordinary dividend of £375,000 will be recommended at the AGM (2010: no dividend).

Directors Serving During the Year

The following directors served on the Board during 2011:

Jurat Mike Liston OBE
Non-Executive Chairman

Paul Jackson
Non-Executive

Chris Evans
Non-Executive

Donal Duff BAAF FCA AMCT
Non-Executive

Tim Brown FIoD, FCILT, CPFA
Non-Executive
(Appointed 1 September 2011)

Kevin Keen MBA, FCCA, FCMA
Chief Executive Officer
(Appointed 24 June 2011)

Ian Carr
Chief Executive Officer
(Resigned 31 May 2011)

Ian Ridgway BSc MBA FCA MICA
Finance Director
(Resigned 31 August 2011)

Julie Crabtree BA MSc FCIPD
Human Resource Development Director
(Resigned 24 November 2011)

Employee Involvement

During the year, the policy of providing employees with information about the Group was continued using a variety of media through which employees were encouraged to present their suggestions and views on the Group's performance. Jersey Post adopts a partnership working approach with the Communication Workers Union who are consulted and involved in all major policies, changes and initiatives.

Disabled Employees

The Group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the Group's policy, wherever practicable, to provide continuing employment under normal terms and conditions and to provide training, career development and promotion to disabled employees wherever appropriate.

Board Remuneration

Details of Directors' remuneration are set out in the Remuneration Committee Report on page 23.

Statement of Directors' Responsibilities

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

Company Law 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). The financial statements are required by law to give a true and fair view of the state of affairs of the Company as at the end of the year and of the profit or loss of the Company for the year. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed; 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 proper accounting records that 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 (Jersey) Law 1991. 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in Jersey governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

Annual General Meeting

The AGM will be held at the States Treasury, Cyril le Marquand House, St Helier on 15 June 2012.

Auditors

Deloitte LLP were appointed and acted as auditors for the year ended 31 December 2011.

A resolution to appoint PWC as auditors for the year ending 31 December 2012, following a competitive tendering exercise, will be proposed at the AGM on 15 June 2012.

This statement was approved by the Board of Directors of Jersey Post International Limited on 24 May 2012 and was signed on their behalf by:

Liz Vince
BBA (Hons), CPFA, CPD(cert.), MICA
Company Secretary
24 May 2012

Independent Auditors' Report

Independent Auditors' Report to the Shareholder of Jersey Post International Limited

We have audited the group financial statements (the "financial statements") of Jersey Post International Limited for the year ended 31 December 2011 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. 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.

Respective Responsibilities of Directors and Auditors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on Financial Statements

In our opinion, the financial statements:

- Give a true and fair view of the state of the Group's affairs as at 31 December 2011 and of the Group's profit for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been properly prepared in accordance with the Companies (Jersey) Law 1991.

Matters on Which We Are Required to Report by Exception

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- Proper accounting records have not been kept by the parent company; or
- The financial statements are not in agreement with the accounting records and returns; or
- We have not received all the information and explanations we require for our audit.

Andrew Isham BA FCA
For and on behalf of

Deloitte LLP
Chartered Accountants
St Helier, Jersey
24 May 2012

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

Together We Work.

Consolidated Profit and Loss Account

Year Ended 31 December 2011

	Note	2011 £'000	2010 £'000
Turnover		**64,868**	65,648
Cost of sales		**(56,094)**	(58,207)
Gross profit		**8,774**	7,441
Administrative expenses		**(7,545)**	(6,846)
Operating profit before exceptional costs	2	**1,229**	595
Operating Exceptional Costs	4		
• Restructure costs		**(633)**	(2,601)
• Pension adjustment		**–**	1,906
Operating profit/(loss)		**596**	(100)
Interest receivable	5	**217**	119
Net finance income	6	**438**	92
Profit before taxation		**1,251**	111
Taxation	7	**–**	–
Profit after taxation		**1,251**	111

The basis of preparation of these financial statements is set out on page 33, and the notes on pages 33-48 form part of these financial statements.

The above results are derived from continuing activities.

Consolidated Statement of Total Recognised Gains and Losses

Year Ended 31 December 2011

	Note	2011 £'000	2010 £'000
Profit for the year		**1,251**	111
Actuarial (loss)/gain in respect of the pension scheme	13(d)	**(7,748)**	401
Total recognised gains and losses for the year		**(6,497)**	512

The basis of preparation of these financial statements is set out on page 33, and the notes on pages 33-48 form part of these financial statements.

Consolidated Balance Sheet

Year Ended 31 December 2011

	Note	2011 £'000	2010 £'000
Fixed assets			
Tangible assets	8	**8,011**	8,395
Current assets			
Stock	9	**221**	182
Debtors – due within one year	10	**9,263**	9,131
Cash		**2,632**	2,674
Short-term investments - cash deposits		**15,276**	8,996
		27,392	20,983
Creditors			
Amounts falling due within one year	11	**(14,501)**	(9,599)
Net current assets		**12,891**	11,384
Total assets less current liabilities		**20,902**	19,779
Pension Deficit	13	**(9,392)**	(1,772)
Net assets		**11,510**	18,007
Represented by:			
Ordinary share capital	15	**5,000**	5,000
Profit and loss account reserve		**6,510**	13,007
Shareholder's funds	19	**11,510**	18,007

The financial statements were approved by the Board of Directors of Jersey Post International Limited on 24 May 2012 and were signed on their behalf by:

Kevin Keen
Chief Executive Officer

Liz Vince
Finance Director

The basis of preparation of these financial statements is set out on page 33, and the notes on pages 33-48 form part of these financial statements.

Consolidated Cash Flow Statement

Year Ended 31 December 2011

	Note	2011 £'000	2010 £'000
Net cash inflow/(outflow) from operating activities	22	**6,674**	(11,077)
Returns on investments and servicing of finance			
Interest received		**262**	149
Net cash inflow from returns on investments and servicing of finance		**262**	149
Capital expenditure			
Net purchase of tangible fixed assets		**(698)**	(621)
Net cash outflow from capital expenditure		**(698)**	(624)
Net cash inflow/(outflow) before management of liquid resources and financing		**6,238**	(11,549)
Management of liquid resources	22	**(6,280)**	10,567
Financing			
Dividends paid		**–**	(500)
Decrease in cash in the year	22	**(42)**	(1,482)

The basis of preparation of these Financial Statements is set out on page 33, and the notes on pages 33-48 form part of these Financial Statements.

Notes to the Financial Statements

1. Accounting Policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and preceding year.

1.1 Basis of Preparation

The financial statements are prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practise). The financial statements are prepared under UK GAAP using the historical cost convention. Our Memorandum of Understanding with the Treasury and Resources Minister does not require us to adopt all UK Listing Rules. In particular, the Group implements and maintains a sound system of internal controls to safeguard the Shareholder's investment and assets.

Following a review of the allocation of centralised overheads in 2011, the comparative Cost of Sales figure for 2010 has decreased by £2,376k with a corresponding increase within Administrative expenses of the same amount.

1.2 Going Concern

The Directors have produced forecasts for the next 12 months following the date of signing of these financial statements which have satisfied them that the Group will continue to be a going concern and be able to meet its liabilities as they fall due. In making this assessment the Directors have considered the impact of the UK government's decision to withdraw LVCR from 1 April 2012. The Directors believe this will not have a material impact on the Group's ability to continue as a going concern over the coming year, however, it could have a significant impact in future years.

The Directors are also mindful of Article 8(2)(e) of the Postal Services (Jersey) Law 2004 which states "in so far as it is consistent with paragraph (1), the Economic Development Minister and the Authority [JCRA] shall each have a duty in performing its functions under the Law, to have regard to the need to ensure that persons engaged in commercial activities connected with postal services in Jersey, have sufficient financial and other resources to conduct those activities". Accordingly the Directors have adopted the going concern basis in preparing the financial statements.

1.3 Basis of Consolidation

The consolidated financial statements include Jersey Post International Limited and its subsidiaries ("the Group") drawn up to 31 December each year. Intra-Group sales and profits are eliminated on consolidation and all sales and profit figures relate to external transactions only.

1.4 Tangible Fixed Assets

On a continuing use basis within the business, tangible fixed assets are stated at cost less depreciation.

In accordance with the Postal Services (Transfer) (Jersey) Regulations 2006 which regulated the transfer of the assets, liabilities and rights of Jersey Post to Jersey Post International at 30 June 2006, the freehold land and buildings were re-valued on an existing use basis prior to their purchase by the Group.

The cost of all other tangible fixed assets is their purchase cost, together with any incidental costs on acquisition. Tangible fixed assets with a cost of less than £1,000 are not capitalised.

Depreciation is calculated so as to write off the cost of tangible fixed assets on a straight-line basis over the expected useful economic lives of the assets concerned. Tangible fixed assets are not depreciated until they are available for use.

The lives assigned to major categories of tangible fixed assets are:

Land	Not depreciated
Freehold buildings	15 – 30 years
Plant, vehicles and equipment	1 – 10 years
Improvements to leasehold property	Remaining length of the lease

Notes to the Financial Statements (continued)

1.4 Tangible Fixed Assets (continued)
The carrying value of tangible fixed assets is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Website development costs are capitalised when they meet the criteria set out in UITF 29 “Website Development Costs” and are capitalised along with the Computer hardware and software with which they are associated.

1.5 Stocks
Stocks are stated at the lower of cost and net realisable value. Provisions are made where necessary for obsolete, slow-moving and defective stocks.

1.6 Foreign Currencies
Transactions in foreign currencies are translated into sterling at the exchange rate ruling when the transaction was entered into. Monetary assets and liabilities expressed in foreign currencies are translated to sterling at the exchange rates ruling at the balance sheet date. Foreign currency gains and losses are taken to the profit and loss account. All foreign currency transactions were entered into in accordance with the Group’s Foreign Exchange policy.

1.7 Turnover
Turnover represents the invoiced value of goods and services supplied less post office boxes and business reply licences invoiced in advance, unexpended credit on franking meters and prepayments on mobile telephones. The sale of stamps is based on the cash received and no provision is made for services to be provided in respect of stamps in circulation as the Directors consider this to be immaterial.

1.8 Taxation
Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group’s taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

1.9 Pension Costs
The Group operates both defined benefit and defined contribution schemes.

Defined Benefit
Prior to incorporation the Group operated two defined benefit schemes, the Jersey Post Office Pension Fund (JPOPF), a closed occupational scheme, and the Public Employees Contributory Retirement Scheme (PECRS), an open multi-employer scheme, both of which required contributions to be made to separately administered funds. Upon incorporation the States of Jersey retained responsibility for the fully funded JPOPF. For the purpose of the Group JPOPF is treated as a defined contribution scheme.

Operating profit is charged with the cost of providing pension benefits earned during the year. The expected return on pension scheme assets less the interest on pension scheme liabilities is shown as a finance cost within the profit and loss account.

Actuarial gains and losses arising in the year from the difference between the actual and expected returns on pension scheme assets, experienced gains and losses on pension scheme liabilities and the effects of changes in demographics and financial assumptions are included in the consolidated statement of total recognised gains and losses (“STRGL”).

Pension scheme liabilities are measured using the projected unit credit method, discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Recoverable pension scheme surpluses and pension scheme deficits are recognised in the balance sheet.

Notes to the Financial Statements (continued)

Defined Contribution
Both the Group and employees pay contributions into an independently administered fund. The cost of providing these benefits, recognised in the profit and loss account, comprises the amount of contributions payable to the scheme in respect of the year.

1.10 Operating Leases
Rentals receivable and payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

1.11 Related Parties
The Group has taken advantage of the exemption in Financial Reporting Standard 8 'Related Party Disclosures' from disclosing transactions with related parties that are members of the Group on the basis that all subsidiaries are wholly owned.

2. Operating Profit for the Year

	2011 £'000	2010 £'000
Operating profit for the year is stated after charging the following:		
Regulatory fees paid to the JCRA	**250**	310
Operating lease rentals – land and buildings	**238**	223
– others	**–**	42
Depreciation	**988**	1,156
Auditor's remuneration – audit	**65**	63
– non-audit	**18**	26

Operating lease rentals in relation to land and buildings are shown net. Existing leased property is sub-let on similar terms to the head lease resulting in the income offsetting the expense.

3. Employees Costs

	2011 £'000	2010 £'000
Wages and salaries	**12,743**	13,816
Social security contributions	**729**	812
Employer pension contributions	**1,161**	1,501
	14,633	16,179

Notes to the Financial Statements (continued)

4. Operating Exceptional Costs

Operating exceptional costs relate to non-recurring redundancy costs of £323k (2010:£2,000k), asset impairment of £150k (2010:£Nil) and IT transitional costs of £160k (2010: £600k).

5. Interest Receivable

	2011 £'000	2010 £'000
Bank interest receivable	**217**	119

6. Net Finance Income

	2011 £'000	2010 £'000
Expected return on pension scheme assets	**2,108**	2,058
Interest on pension liabilities	**(1,670)**	(1,966)
		–
Net finance income	**438**	92

Notes to the Financial Statements (continued)

7. Taxation

	2011 £'000	2010 £'000
Jersey income tax		
Current charge	–	–
(Credit)/Charge in respect of prior year	–	–
Total current tax (credit)/charge for the year	–	–
Deferred taxation		
Charge for the year taken to profit and loss	–	–
Charged/(credited) to the profit and loss in respect of prior periods	–	–
Total charge to profit and loss	–	–
Charge/(credit) for the year taken to the STRGL	–	–
Total tax charge/(credit) for the year	–	–

The differences between the total current tax shown above and the amount calculated by applying the standard rate of Jersey corporation tax to the profit before tax is as follows:

	2011 £'000	2010 £'000
Profit on ordinary activities before taxation	1,251	111
Tax on profit on ordinary activities at 20%	250	22
Factors affecting tax charge for the year		
Rate differences	(9)	354
Non-qualifying depreciation	69	163
Fixed asset timing differences	(46)	(156)
Timing differences on pensions	(597)	(949)
Expenses not deductible for tax purposes	2	–
Adjustments in respect of prior years	–	–
Losses not utilised in the year	331	566
Total current income tax charge/(credit) for the year	–	–

Notes to the Financial Statements (continued)

7. Taxation (continued)

Deferred Taxation

	2011 £'000	2010 £'000
Total deferred tax balance at 1 January	–	–
Charged to profit and loss	–	–
(Charge)/credit to the STRGL	–	–
(Charge)/credit to the profit and loss in respect of prior periods	–	–
Total deferred tax balance at 31 December	–	–

Jersey Post Limited is subject to Jersey income tax at the rate of 20% (2010:20%). All other companies in the Group are subject to Jersey income tax at the standard rate of 0% (2010:0%).

A net deferred tax asset has not been recognised in respect of timing differences relating to taxable losses carried forward and fixed asset timing differences as there is uncertainty in relation to the availability of future taxable profits arising in the immediate future. The estimated value of the net deferred tax asset not recognised, measured at the standard rate of 20% is £920,000 (2010: £1,524,000).

In addition, a deferred tax asset has not been recognised in respect of the defined benefit pension scheme deficit. The estimated value of the net deferred tax asset not recognised, measured at the standard rate of 20% is £1,878,400 (2010: £354,000).

Notes to the Financial Statements (continued)

8. Tangible Fixed Assets

	Freehold land & buildings £'000	Improvements to leasehold property £'000	Plant vehicles & equipment £'000	Total £'000
Cost				
At 1 January 2011	7,735	719	10,854	19,308
Additions	–	–	697	697
Assets written-off	–	(8)	(166)	(174)
Disposals	–	–	(134)	(134)
At 31 December 2011	**7,735**	**711**	**11,251**	**19,697**
Depreciation				
At 1 January 2011	1,123	573	9,217	10,913
Charge for the year	191	83	714	988
Assets written-off	–	(11)	(71)	(82)
Disposals	–		(133)	(133)
At 31 December 2011	**1,314**	**645**	**9,727**	**11,686**
Net book value				
At 31 December 2011	**6,421**	**66**	**1,524**	**8,011**
At 31 December 2010	6,612	146	1,637	8,395

9. Stock

	2011 £'000	2010 £'000
Stamps and philatelic products	**162**	108
Post Office shop	**19**	18
Promail paper	**40**	33
Mobile phones & accessories	**–**	23
	221	182

Notes to the Financial Statements (continued)

10. Debtors: Amounts Falling Due Within One Year

	2011 £'000	2011 £'000	2010 £'000	2010 £'000
Trade debtors	**8,101**		8,248	
Provision for bad and doubtful debts	**(42)**	**8,059**	(71)	8,177
Other debtors		**195**		86
Taxation		**–**		10
Agency debtors		**236**		314
Prepayments and accrued income		**773**		544
		9,263		9,131

A specific bad debt provision was created in 2010 as a result of the trade cessation of Corebits Services Limited. A further specific provision was created in 2011 for £42k in respect of uncertainty over the collection of a number of outstanding debts.

Provisions

	2011 £'000	2010 £'000
Provision for bad and doubtful debts		
As at 1 January	**71**	–
Provided for in year	**42**	71
Amounts recovered previously written off	**(33)**	–
Provisions utilised	**(38)**	–
As at 31 December	**42**	71

11. Creditors: Amounts Falling Due Within One Year

	2011 £'000	2010 £'000
Trade creditors	**10,768**	4,386
Accruals and other creditors	**3,197**	4,527
Agency creditors	**131**	326
Deferred income	**405**	360
	14,501	9,599

Notes to the Financial Statements (continued)

Included within trade creditors is the net amount due to Royal Mail of £9,324,320 (2010: £4,214,100) for the delivery of mail on and off the Island. The movement in this balance from prior year is due to changes in the timing of settlements with Royal Mail.

Deferred income relates to prepaid post office boxes, business reply licences, and unexpended credit on franking meters.

Included with accruals and other creditors is a provision in relation to leased properties following a review by property surveyors during 2012.

	2011 £'000	2010 £'000
Opening balance	**500**	500
Movement in the year	**253**	–
Closing balance	**753**	500

12. Operating Lease Commitments

	Land and Buildings	
	2011 £'000	2010 £'000
The Group		
Non-cancellable annual commitments in respect of operating leases which expire:		
Less than one year	**116**	116
Between two and five years	**95**	82
After five years	**409**	409
	620	607

The Group has an existing annual lease commitment of £409k in relation to a leased property. It further sublets this property for a rental income which offsets this expense.

Notes to the Financial Statements (continued)

13. Pension Costs – Defined Benefit

The Group had one defined benefit pension scheme at 31 December 2011, which is open to certain employees of Jersey Post - Public Employees Contributory Retirement Scheme (PECRS)('the scheme'). Prior to incorporation, Jersey Post had a second defined pension scheme (JPOPF). The responsibility for JPOPF remains with the States of Jersey as from 30 June 2006.

The Public Employees Contributory Retirement Scheme (PECRS) is a multi-employer defined benefit scheme operated by the States of Jersey, funded in accordance with the recommendations of an actuary, which provides benefits based on final pensionable pay. The pension fund is open to new members. The assets of the fund are held separately from those of the States of Jersey.

Salaries and emoluments include pension contributions of £1,161k for the year ended 31 December 2011 (2010: £1,501k) for staff who are members of PECRS. There are unpaid contributions of £98k outstanding at the year end (31 December 2010: £nil). The current employer contribution rate is 15.35% of members' salaries.

The latest full actuarial valuation of PECRS was carried out by the PECRS's independent actuary as at 31 December 2007. The valuation of PECRS has been updated by the actuary to 31 December 2010 in accordance with FRS17.

a) The major assumptions used by the actuary for this purpose were:

	Year Ended 2011 % p.a.	Year Ended 2010 % p.a.	Year Ended 2009 % p.a.	Year Ended 2008 % p.a.	Year Ended 2007 % p.a.
Discount rate	**4.8**	5.2	5.6	6.0	5.8
Rate of increase in salaries	**4.4**	3.9	3.9	4.4	4.7
Rate of increase of pensions in payment	**3.1**	3.5	3.9	3.1	3.4
Inflation assumption	**3.4**	3.8	3.9	3.1	3.4

Notes to the Financial Statements (continued)

b) On the FRS17 basis, the assets and liabilities of the scheme attributable to the employees of the Group who are active members of PECRS were:

	At 31 December 2011		At 31 December 2010		At 31 December 2009		At 31 December 2008		At 31 December 2007	
	Long-term expected rate of return*	£'000	Long-term expected rate of return*	£'000	Long-term expected rate of return	£'000	Long-term expected rate of return	£'000	Long-term expected rate of return	£'000
Fixed–income bonds	**2.8%**	**–**	4.2%	–	4.5%	–	3.8%	–	4.7%	–
Equities	**8.0%**	**21,657**	8.0%	23,814	8.3%	22,025	7.6%	17,673	7.6%	30,717
Index–linked gilts	**2.6%**	**–**	4.0%	–	4.3%	–	3.6%	–	4.3%	–
Property	**7.5%**	**–**	7.5%	–	8.8%	311	6.6%	483	6.6%	395
Corporate bonds	**3.9%**	**6,904**	5.0%	6,668	5.5%	7,678	5.5%	7,822	4.7%	–
Other	**1.8%**	**602**	1.4%	417	0.7%	2,857	2.5%	856	5.9%	267
Total fair value of assets		**29,163**		30,899		32,871		26,834		31,379
Present value of scheme liabilities		**(38,555)**		(32,671)		(36,928)		(31,050)		(30,655)
(Deficit)/surplus		**(9,392)**		(1,772)		(4,057)		(4,216)		724
Deferred tax asset/(liability)		**–**		–		–		843		(145)
Net (deficit)/surplus		**(9,392)**		(1,772)		(4,057)		(3,373)		579

* JPIL employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long-term rate of return of assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the scheme.

c) Analysis of Amount Charged to Profit and Loss Account

	2011 £'000	2010 £'000
Service cost	**1,471**	1,615
Total operating charge	**1,471**	1,615
Analysis of the amount (credited)/charged to net finance income:		
Expected return on assets	**(2,108)**	(2,058)
Interest on liabilities	**1,670**	1,966
Net return	**(438)**	(92)
Past service cost	**–**	(1,266)
Settlement cost	**–**	(640)
Net charge/(credit) to the profit and loss account	**1,033**	(383)

Notes to the Financial Statements (continued)

13. Pension Costs – Defined Benefit (continued)

d) Analysis of Amount Recognised in the STRGL

	2011 £'000	2010 £'000
Difference between actual and expected return on pension scheme assets	**(2,430)**	(890)
Experience gains arising on the scheme liabilities	**(1,560)**	3,639
Effect of changes in assumptions underlying the present value of scheme liabilities	**(3,758)**	(2,348)
Total (losses)/gains recognised in the Statement of Total Recognised Gains and Losses	**(7,748)**	401

e) Movement in the Scheme's Deficit During the Year

	2011 £'000	2010 £'000
Deficit in the scheme at 1 January	**(1,772)**	(4,057)
Current service cost	**(1,471)**	(1,615)
Contributions – normal	**1,161**	1,501
Other finance income	**438**	92
Actuarial (loss)/gain	**(7,748)**	401
Past service cost	**–**	1,266
Settlement cost	**–**	640
		–
Deficit in the scheme at 31 December	**(9,392)**	(1,772)
Deferred tax asset (note 7)	**–**	–
Deficit in the scheme at 31 December net of deferred tax	**(9,392)**	(1,772)

Notes to the Financial Statements (continued)

f) History of Experience Gains and Losses

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Difference between expected and actual return on scheme assets:					
– amount	**(2,430)**	(890)	3,232	(7,649)	(694)
– percentage of scheme assets	**8.3%**	2.9%	9.8%	2.9%	2.2%
Experience (losses)/gains on scheme liabilities:					
– amount	**(1,560)**	3,638	1,829	562	(326)
– percentage of the present value of the scheme liabilities	**4.0%**	1.1%	4.9%	1.8%	1.1%
Total (losses)/gains recognised in statement of total recognised gains and losses					
– amount	**(7,748)**	401	421	(4,703)	(12)
– percentage of the present value of the scheme liabilities	**2.0%**	0.1%	1.1%	15.1%	0.0%

14. Pensions – Defined Contribution

The pension cost represents contributions payable by the Group to the defined contribution scheme and amounted to £38k (2010: £13k). Contributions totalling £8k (2010: £3k) were payable to the scheme at 31 December 2011 and are included within "accruals and other creditors".

15. Ordinary Share Capital

	2010 £'000	2009 £'000
Authorised, issued, allotted and fully paid		
5 million £1 ordinary shares	**5,000**	5,000

No shares were issued during the year ended 31 December 2011.

16. Commitments and Contingent Liabilities

As at 31 December 2011 there were no commitments (31 December 2010: £Nil).

The valuation of Jersey Post Limited's "ring-fenced fund" within the Public Employers Contributory Retirement Scheme (PECRS) is subject to a tri-annual valuation. The last valuation performed at 31 December 2007 showed a surplus of £2.6m. The next formal valuation, performed at 31 December 2010, will be published during 2012. This may result in additional employer contribution costs.

Notes to the Financial Statements (continued)

17. Ultimate and Immediate Controlling Party

The ultimate and immediate controlling party is the States of Jersey, which owns 100% of the ordinary share capital.

18. Related Party Transactions

The Group provides multi-channel services to a number of different departments of the States of Jersey. Sales of £998,000 were made to departments in 2011 (2010:£990,000). As at 31 December 2011, the amount owing to the States of Jersey was £350,000 and the amount owed from the States of Jersey was £71,000 (31 December 2010: £190,000 and £182,000 respectively). All services provided by the Group to the States of Jersey are provided on an arms length basis.

The following transactions have taken place on an arm's-length basis with the below companies connected with directors of JPIL:

Director	Relationship	Interest	Purchases	Sales	Balance @ 31/12/11	
			£'000	£'000	Creditor £'000	Debtor £'000
Mike Liston	Non-Executive Director	Jersey Electricity plc	£144k (2010: £145k)	£147k (2010: £145k)	£12k (2010: £Nil)	£4k (2010: £3k)
Chris Evans	Director	Foreshore Limited	£102k (2010: £69k)	£1k (2010: £2k)	£2k (2010: £Nil)	£1k (2010: £1k)

19. Consolidated Reconciliation of the Movements in Shareholder's Funds

	Note	2011 £'000	2010 £'000
Shareholder's funds at 1 January		**18,007**	17,995
Profit attributable to the shareholder		**1,251**	111
Dividend paid			(500)
Movement in deferred tax	7	**–**	–
Actuarial gain in respect of the pension schemes	13	**(7,748)**	401
Shareholder's funds at 31 December		**11,510**	18,007

Notes to the Financial Statements (continued)

20. Subsidiary Undertakings

JPIL is the 100% owner of the equity share capital, either through itself or through its subsidiary undertakings, of the following companies:

Name	Nature of Business
Jersey Post Limited	Postal Operator
Offshore Solutions Limited (Dormant)	Mail Consolidation & Logistics Services
Jersey Post (Broad Street) Limited	Property Holdings
Jersey Post (Rue des Pres) Limited	Property Holdings
Jersey Post (Parishes) Limited	Lease Holdings
Jersey Post International Development Limited (Dormant)	Business Development
Ship2me Limited	E-commerce Logistics
Postfone Limited (Dormant)	Telecommunications
CI Courier Limited (Dormant)	Courier

In accordance with Article 105(11) of the Companies (Jersey) Law 1991, the Company is no longer required to prepare separate company only accounts as consolidated accounts have been prepared.

21. Board Remuneration and Fees

Details of remuneration paid to Directors and related party transactions therewith are disclosed in the Remuneration Committee Report on page 23 and in note 18.

22. Notes to the Cash Flow Statement

a) Reconciliation of Operating Profit/(Loss) to Net Cash Inflow/(Outflow) from Operating Activities

	2011 £'000	2010 £'000
Operating profit/(loss)	**596**	(100)
FRS17 operating charge less normal contributions paid	**314**	(1,795)
Add depreciation charge	**988**	1,156
(Increase)/decrease in stock	**(39)**	78
Increase in debtors	**(132)**	(62)
Increase/(decrease) in creditors due within one year	**4,876**	(10,354)
Loss on write-off of fixed assets	**71**	–
Net cash inflow/(outflow) from operating activities	**6,674**	(11,077)

Notes to the Financial Statements (continued)

22. Notes to the Cash Flow Statement (continued)

b) Analysis of Changes in Net Funds

	1 January 2011 £'000	Cash Flow £'000	31 Dec 2011 £'000
Cash	2,674	(42)	2,632
Debt due within one year	–	–	–
Debt due after one year	–	–	–
Short-term deposits*	8,996	6,280	15,276
	11,670	6,238	17,908

*Short-term deposits are included within cash at bank and in hand in the balance sheet.

Monies held on seven day and month deposit meet the definition within FRS1 "Cash flow statements" of liquid resources and are disclosed above as short-term deposits.

c) Reconciliation of Net Cash Flow to Movement in Net Funds

	2011 £'000	2010 £'000
(Decrease) in cash in the year	**(42)**	(1,482)
Cash inflow/(outflow) from the management of short-term investments - cash deposits	**6,280**	(10,567)
Change in net funds	**6,238**	(12,049)
Net funds at 1 January	**11,670**	23,719
Net funds at 31 December	**17,908**	11,670

Five-year group summary

	Units	2011	2010	2009	2008	2007
Balance Sheet						
Shareholder's funds	£'000	**11,510**	18,007	17,996	20,592	18,954
Net cash balances	£'000	**17,908**	11,670	23,719	13,099	17,591
Profit & Loss Account						
Turnover	£'000	**64,868**	65,648	64,930	63,753	53,814
Operating profit/(loss)	£'000	**596**	(100)	930	4,337	4,482
Gross margin	%	**13.5**	11.3	8.8	14.8	17.3
Operating profit %	%	**0.9**	(0.1)	1.4	6.8	8.3
Profit before tax	£'000	**1,251**	111	951	5,963	5,678
Retained Profit for the financial year	£'000	**1,251**	111	231	5,440	5,016
Dividend paid to shareholder on the basis of the year's financial performance	£'000	**375**	0	500	1,780	0
Operational statistics						
Mail volumes	million	**84**	91	94	97	86
Number of post offices	number	**21**	21	22	22	22
Cost of a local stamp	pence	**37 & 42**	36 & 39	37	35	35
Cost of a UK stamp	pence	**50**	45	42	39	39
Number of staff (FTEs)	number	**357**	370	407	389	376
Staff costs	£million	**14.6**	16.3	16.6	16.6	16.3
Average cost of employee	£'000's	**41**	44	41	43	43

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