Jersey Post Annual Report and Accounts 2013

Jersey Post

www.jerseypost.com

Contents

Operating Profit **UP 5%** to £1.086m

(before exceptional items)

Despite turnover being down by 22% at £34m

Community Support

Headway
Our chosen charity for 2013

WE ARE PROUD TO HAVE RAISED A TOTAL OF **£20,000** FOR HEADWAY

Headway Jersey

DONATE AN HOUR'S SALARY

THE 'NAKED POSTIES' CALENDAR

CAKE SALES & DRESS DOWN DAYS

HATS FOR HEADWAY DAY

ROCK IN THE PARK

SPONSORSHIP OF CAMERON ARNELL'S GRANITE MAN TRIATHLON (HEADWAY PATIENT)

Other initiatives

SPONSORSHIP OF LOCAL PHOTOGRAPHY POSTCARD COMPETITION FOR LUXURY JERSEY.

PERCENTAGE CONTRIBUTION FROM STAMPS SALES TO

- DURRELL
- BRITISH RED CROSS
- HOLIDAYS FOR HEROES JERSEY
- ST BRELADE'S YOUTH CLUB (NIGEL MANSELL STAMPS)

CREATION OF A CHARITY COLLECTION BOX FOR SANCTUARY HOUSE/CARING HANDS USING AN UNUSED POSTBOX IN ST AUBIN.

DIRECT MARKETING HOUSEHOLD DROPS FOR CARING HANDS, AUTISM JERSEY, ALZHIEMER'S ASSOCIATION, JERSEY HOSPICE CARE AND JERSEY WOMEN'S REFUGE - AT NO COST TO THE CHARITIES.

Directors, Officers and Advisors

DIRECTORS OF JERSEY POST INTERNATIONAL LIMITED

Jurat Mike Liston OBE FREng BSc CEng FIEE
Non-Executive Chairman

Kevin Keen MBA FCCA FCMA C.Dir
Chief Executive Officer

Liz Vince BA (Hons) CPFA MICA Dip IoD
Finance Director

Tim Brown FIoD FCILT CPFA
Non-Executive Deputy Chairman and Senior Independent Director

Chris Evans
Non-Executive

Donal Duff BAAF FCA AMCT
Non-Executive

Gary Carroll Dip IoD
Business Development Director

COMPANY SECRETARY

Liz Vince BA (Hons) CPFA MICA Dip IoD

INDEPENDENT AUDITOR

PricewaterhouseCoopers CI LLP
37 Esplanade, St. Helier, Jersey, JE1 4XA

PENSION SCHEME ACTUARY

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

Board of Directors

Jurat Mike Liston OBE FREng BSc CEng FIEE / Chairman

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 Board positions internationally including 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.

Kevin Keen MBA FCCA FCMA C.Dir / Chief Executive

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 turn-around. 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 MICA Dip IoD / Finance Director

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. Liz is also the Money Laundering Compliance Officer for Jersey Post and holds the International Compliance Association's Diploma in Anti Money Laundering. Prior to joining Jersey Post, Liz was the Chief Internal Auditor for the States of Jersey for 10 years. Liz qualified as a Chartered Public Finance Accountant in 1992 with the National Audit Office in London.

Tim Brown FIoD FCILT CPFA / Non-Executive Deputy Chairman and Senior Independent Director

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 work includes providing board level advice, consultancy and interim management to post and parcel companies and their suppliers.

Donal Duff BAAF FCA AMCT / Non-Executive Director

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 Finance Officer of the Stanley Gibbons Group plc, an AIM-listed Jersey registered company.

Chris Evans / Non-Executive Director

Non-Executive, Chris Evans has worked in the information technology services sector for 30 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 digital business to a global customer base. Chris has served as a Non-Executive Director on a number of Boards and has been a member of States of Jersey committees specifically tasked with examining diversification opportunities for the Island.

Gary Carroll Dip IoD / Business Development Director

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.

Chairman's Statement

I reported in my last annual statement that the UK government's sudden decision to withdraw Low Value Consignment Relief (LVCR) part-way through that year had led to a £20 million fall in our revenues.

I warned that in the year ahead we would see a further fall in revenues as the loss of postings from the Island's decimated fulfilment industry would be felt for the full twelve months. However, I also expressed the Board's confidence that the timely action it had taken to cut costs across the entire company would mitigate much of the impact on profits, just as it had in the immediate aftermath of that external shock. In addition, the Board believed that Jersey Post's initiatives, in partnership with the few survivors in the local bulk mailing market, would help their further diversification into the online retail markets throughout Europe and accelerate the growth we were seeing in the overall packets and parcels volumes driven by internet shopping. I am pleased to report that this confidence was well-founded. This year's results complete the picture which was emerging last year, of an organisation which has adapted to dramatic and permanent change in its trading environment. Two years on, the full impact of the LVCR shock has been the loss of over 40 million mailings annually - reducing Jersey Post's mail volumes by more than half. Despite revenues being £30 million lower than before the LVCR crisis, the company's profit at £1.3M before tax was in line with 2012 profit. This was achieved without any stamp price rises.

A second year of sound financial performance in a savagely diminished local postal market is testimony to the achievements of the new executive team established in 2011 and led by Chief Executive Kevin Keen. Its first priority was to stabilise the business in the wake of disturbance not just from the collapse of the LVCR bulk mailing market, but also from the radical cost-cutting throughout the business which had impaired some key business functions, devastated workforce morale and impacted service quality standards. Independent analysis has recently confirmed not just great improvements in all these areas, but to a significant extent a move into excellence. Recognition by Investors in People through its Silver Award is among many indicators of team working throughout Jersey Post, which, applied to accredited programmes such as "World Host" in Customer Service delivery, is proving powerful in delivering the next priority for the now stabilised business - that of maximising the company's capability to grow within existing resources and markets. With progress evident here too, the third priority, to grow through moderate diversification into new, but parallel markets, is now being developed.

Future growth will come from using existing assets and know-how intelligently. In the short term this growth will mainly come from increased parcel deliveries which now account for over 40% of our total revenues. However, we have ambitions to provide in future a wider range of financial services through our retail network which currently makes a small loss. We also aim to leverage public trust in our staff through services such as Call & Check where our staff include within their delivery rounds, welfare calls to isolated or vulnerable islanders. The Call & Check initiative could generate substantial social benefits and savings for the Island whilst providing a source of marginal but new revenue for Jersey Post.

Although we are now very much focussed on delivering sustainable growth, we remain determined to secure improved efficiency wherever we can. Shortly after the year-end we made the decision reluctantly to close our Jerseymail service which has become expensive to operate securely, and increasingly irrelevant in the context of the many free email services now available from global internet service providers. We will manage the gradual winding down of this service in a manner which aims to minimise the impact on customers and staff. Jerseymail is a cost centre to Jersey Post, generating minimal income which is significantly less than its cost. The closure of this service will therefore have a beneficial impact on company profits.

Following the continuing decline of letter mail and the forthcoming expiry of the lease of the premises from which our Promail business is conducted, we have been actively reviewing the future space requirements for this area of the business. Our objective is to continue servicing our valued hybrid mail clients, but in a more economic and efficient way. We expect the review to be concluded in the early part of the summer so that any decisions can be implemented shortly after.

The deficit in the company's defined benefit pension scheme reduced slightly in the year but was still substantial at £5.3million. The Board welcomes the actions of the States of Jersey to address the long term affordability of the Public Employees Contributory Retirement Scheme, but it continues to explore other options given the size of the deficit in relation to Shareholder's funds.

Reflecting confidence in the sustainability of the company's performance, the Board returned £1.9 million to shareholders in 2013 of which £1.5 million was the final instalment of the special dividend approved by the Board in 2011. In accordance with its commitment to a progressive dividend policy the Board is proposing a modest 2% increase in the final dividend, taking it to £390k, which is covered three times by earnings.

Jurat Mike Liston OBE
Chairman
2 May 2014

Proposed dividend increase

of 2%

to £390,000

Strategic Report

Our vision

"Delivering a postal service for Jersey that is still trusted and needed by our customers in 2033."

This vision gives a clear message to our customers, employees, shareholder and other stakeholders that, despite our challenging operating environment in which letter mail continues, and is expected to continue to decline, we believe that the company can still be relevant and valuable in 20 years' time, providing that we are prepared to embrace and find opportunity in change.

To achieve a sustainable Jersey Post, our mission is as simple as ABC or 123.

Our mission

MAXIMISE WHAT WE ALREADY DO BY:

- **A** Always focussing on the customer.
- **B** Being efficient with our use of time and assets.
- **C** Controlling our costs in the short and long term.

and

GROW SUSTAINABLY:

1. In Jersey by making the most of existing assets and capabilities - for example, by delivering new things to local residents and by offering new services through our post office network.
2. Out of Jersey by using our logistics expertise and status as an independent postal organisation to support e-commerce. For example, by opening new markets to the local fulfilment industry.
3. For Jersey by supporting and developing our Island's export industries and being a job creator.

Our values

We have a set of values which we intend to refresh with the involvement of our staff in 2014. The current values are:

- **RESPECT EACH OTHER**
- **WORKING TOGETHER TO ACHIEVE EXCELLENCE**
- **CUSTOMER FOCUS IN ALL WE DO**
- **SUSTAINABLE COMMERCIAL SUCCESS**

What do we do?

- **We deliver to every address in Jersey Monday - Friday. As at 31 December 2013 there were 43,369 delivery points.**
- **We despatch mail all over the world for the people and businesses of the Island.**
- **We provide a network of 21 sub Post Offices across the Island that offer a wide range of services.**
- **We collect from 135 post boxes.**
- **We provide bulk mailing solutions internationally via our Logistics business located at the Harbour.**
- **We design stamps, both for use by our customers who send letters and parcels, but also as collectable products via our Philatelic department.**
- **We provide hybrid mail solutions to local and international businesses from our Promail division.**

Overview of financial results for the year ending 31 December 2013

2013 was Jersey Post's first full year operating in a market place without UK Low Value Consignment Relief (LVCR). The Board is pleased, that despite this, the company has managed to generate a profit before tax of £1,265k, just 2% lower than 2012 in spite of a 22% fall in sales. The achievement is all the more credible given the Board's decision not to implement any stamp price increase to our customers in 2013. Modest price increases have been implemented in April 2014.

Gross profit in 2013 was £7.3m, a gross profit margin of 21% compared to 17% in 2012.

Operating profit before exceptional items was £1.1m which was 5% higher than in 2012.

Our core Postal Services business performed well in the year despite the continued decline in letter mail volumes (see the graph on page 12 for a comparison of mail volumes between 2012 and 2013). A 16% growth in packets and parcels arriving in the island for delivery, counteracted the effect of reduced letter volumes leaving revenues from this area of the business some 2% up on 2012.

In spite of substantially lower volumes, our Logistics division, which provides mailing solutions to bulk mailers, made a reasonable contribution to profits albeit at significantly lower levels than before the loss of UK LVCR. Logistics revenue in 2013 was 54% lower than in 2012 and some 78% lower than 2011. International postings now account for 73% of Logistics' total revenue compared to 36% in 2012, reflecting the successful efforts of our customers to move into new markets and our efforts to facilitate that move.

Our network of post offices continued to be loss making, albeit at a manageable level. One sub-postmaster retired in the year but was not replaced given that there was adequate provision in the St Helier area. Considerable efforts were made in the year under review to introduce new products and services to the network whilst identifying new opportunities to reduce operating costs. These efforts will continue in 2014.

Promail, our hybrid mail business, improved its performance in the year due to lower costs. However, the continued reduction in volumes has led us to spend a great deal of time evaluating the future options for this business with the objective being to continue supporting our clients and, wherever possible, facilitate future growth in hybrid mail.

Philatelic had a busy year producing the highly acclaimed Man of Steel series. In spite of the popularity of this issue, contribution was reduced from 2012 and below budget which was disappointing.

Administration costs (excluding the FRS 17 charge to our profit and loss account and the onerous lease provision) were £5.6m and broadly in line with 2012.

Net assets at the end of 2013 were £14.3m, £1.5m (12%) higher than as at 31 December 2012. Creditors were £2.3m lower than 2012 due to the change in our relationship with Royal Mail. In previous years volumes of mail sent off Island, (in respect of which we pay Royal Mail), were higher than those received into the Island for delivery (for which we receive payment from Royal Mail). In 2013, for the first time, Royal Mail became a net customer rather than net supplier. The company's liquidity remains strong with £11.8m held in cash and equity balances.

Key achievements in the year

INTERNATIONAL LOGISTICS ROUTES

The Board was concerned about the effect the first full year without UK LVCR would have on our Logistics business, but is pleased that area of the business remains profitable. This is despite Logistics losing almost 80% of its revenue compared to 2011 when UK LVCR was still in place. This has been achieved by us launching direct routes to Germany, Holland, Spain, Portugal and France to enable our customers to sell their products internationally. We are currently developing other direct routes to the Nordic countries, Italy and Eastern Europe, including Russia. In 2012, international mail accounted for less than 20% of items processed by our Logistics business, in 2013 it was 60%. We also continue to work with a Jersey consortium, including the States of Jersey's Economic Development Department, to attract potential e-retailers from the Far East to use Jersey as an access route into Europe.

OUR NEW LETTER SORTING MACHINE

Although letter mail has been declining for some years and is expected to continue to decline, we still process many millions of letters per year. Given the fast turnarounds necessary to meet customer demands, letter sorting technology is essential to our business. Since 1996 we had relied on an Alcatel Optical Character Recognition letter sorting machine which, over its life, had sorted around 400 million letters, but had become unreliable and unsupportable. Following an extensive search we identified Bowe Systec as a suitable partner and implemented their solution in the last quarter of the year. Our new letter sorting machine will:

- reduce the unit cost for the sortation of letters;
- increase sorting speed;
- automate manual processes;
- improve quality of service and reliability; and
- provide the capability for new products and services.

Profit Before Tax

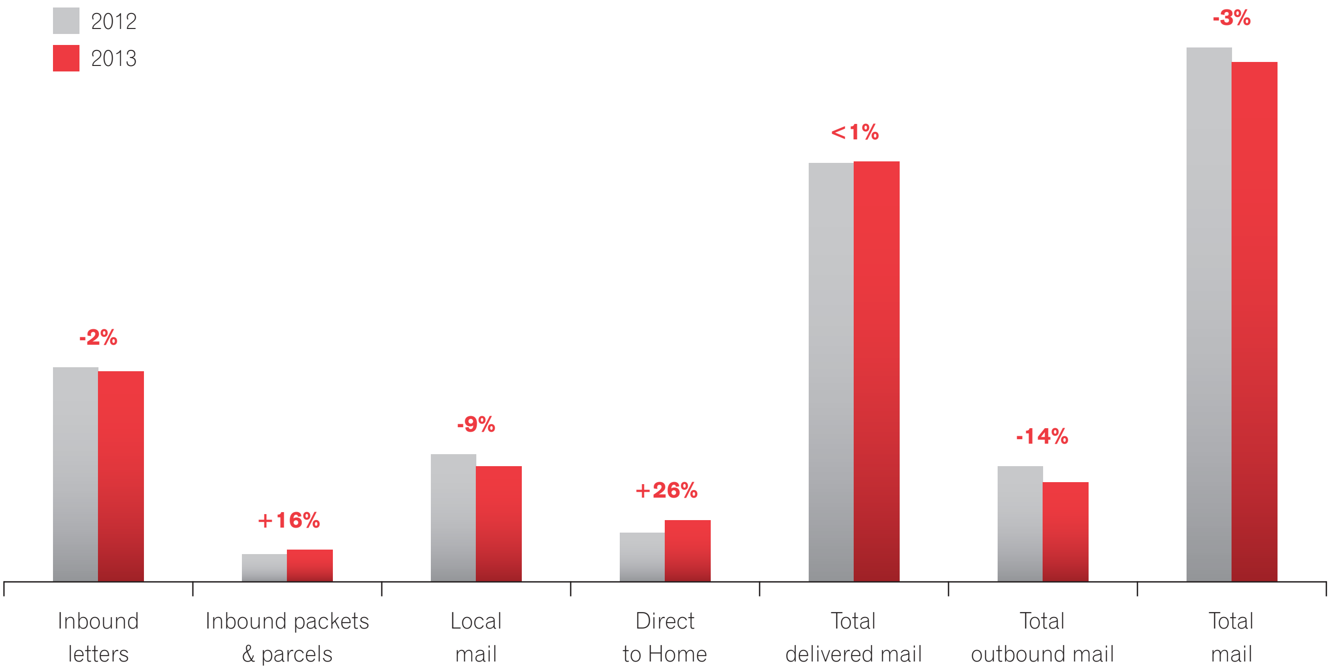
down by **just 2%** at £1.265m

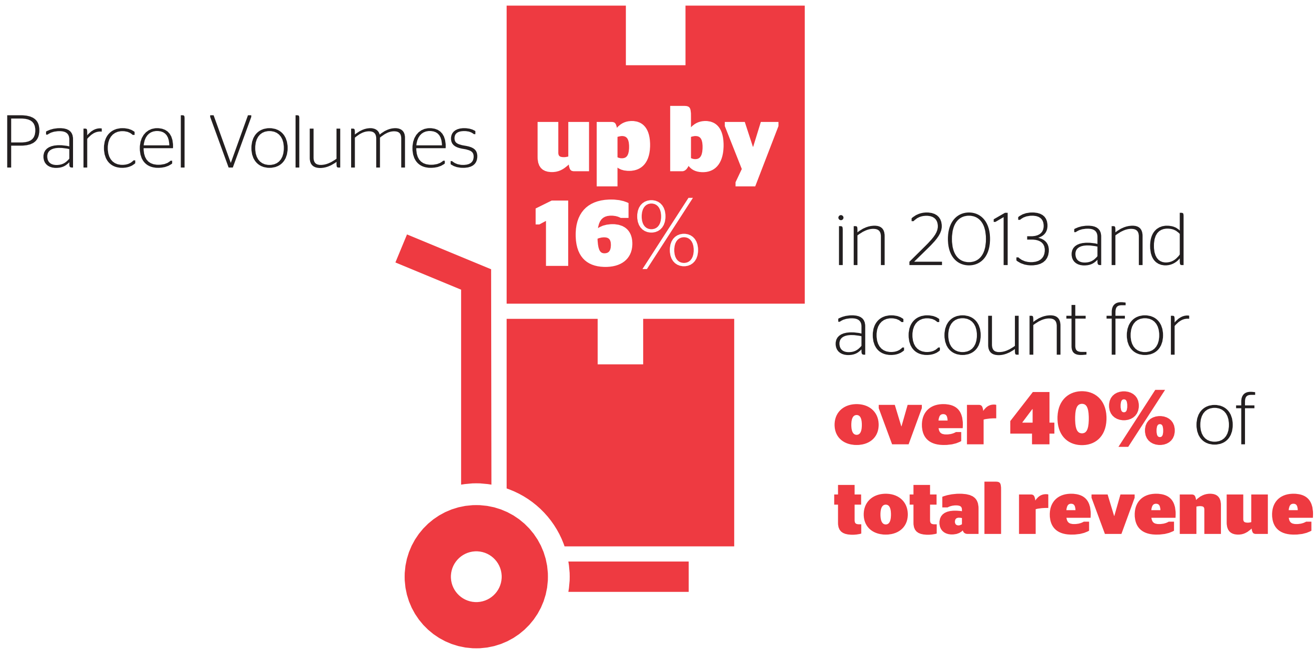
These results are particularly pleasing given there was no stamp price rise in 2013

MAIL VOLUMES

The decline in traditional letter mail continued, but we still processed 34.5m items at Postal Headquarters in 2013. This does not include bulk mail for our fulfilment customers which is processed by our Logistics business based at our site at the Harbour. The bar chart below shows that inbound parcels and packets increased by 16% which, with the 26% growth in our Direct to Home product, has kept the overall amount of mail we delivered in 2013 more or less in line with 2012. Outward mail continued to be a cause for concern reducing by 14% and is now around half what it was 5 years ago. The total mail volumes we handled were 3% lower in 2013 compared to 2012.

MAIL VOLUME CHANGES - 2013 COMPARED TO 2012





MAN OF STEEL

2013 was an exciting year for our Philatelic department as we had our Man of Steel stamp issue which promoted both Jersey Post and the Island due to Henry Cavill playing the title role in the movie.

This issue attracted world-wide interest, and not just from traditional stamp collectors.

Our future stamp programmes will be planned to combine traditional subjects which are of interest to our philatelist collectors, but also those which can appeal to a wider audience.

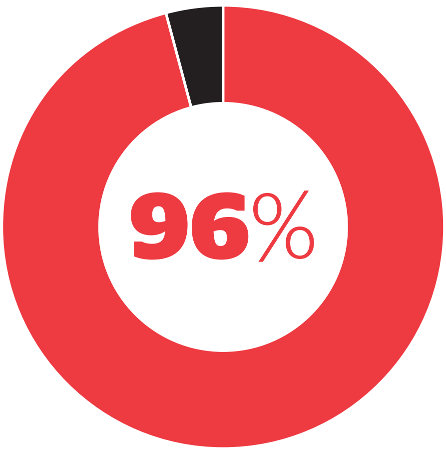
Customer Service

During 2013 we have continued to offer alternative delivery options for our customers who receive parcels through the post. This includes our Text and Collect service, extending our Secure Drop to a neighbour or the option to have parcels retained at Commercial Street or our Rue des Pres Headquarters for collection. These alternatives all avoid a non-delivery when the customer is not at home when our postie calls. In December 2012, 335 parcels were delivered to customers via Secure Drop; the equivalent figure in December 2013 was 1,810.

At the end of January 2014 we sent out our third all-island customer survey. The results of which were as follows:-

	Good or Very Good		
	2013/14	2012/13	2011/12
How do you rate your postman?	92%	86%	90%
How do you rate the overall delivery service?	80%	71%	69%
How do you rate the retail network?	81%	71%	80%

Once again the survey attracted a large response from the public of the Island, with 96% or higher of respondents answering the above questions as satisfactory or better.



of customers believe our **delivery service** is **satisfactory or better**

Quality of Service

The table below shows our Quality of Service against the targets set by the Jersey Competition Regulatory Authority (JCRA) and compares 2013 performance with that in the four previous years. Reported performance is based on independent checks of the days taken to receive sample items of mail. We are pleased that, with the exception of mail posted in the UK and internationally, our performance has improved compared to 2012. Mail items posted from and delivered in Guernsey are still slightly behind the target set by the JCRA. However, the result which still gives us concern is mail which comes to Jersey from the UK and internationally for which only 73% met the target, a 1% decline since 2012. Until the mail items arrive in Jersey, they are outside our control and are handled on our behalf by Royal Mail. The below target performance continues to frustrate us and we continue to seek to improve on this. Our commitment to delivering on time is shown by the 97% performance for mail posted and delivered locally which are the only items completely within our own control.

QUALITY OF SERVICE 2009-2013 COMPARED TO THE REGULATORY TARGET

	2009	2010	2011*	2012	2013	JCRA target
Locally posted mail						
Delivered locally	97%	92%	99%	96%	97%	95%
Delivered in Guernsey	84%	81%	51%	69%	81%	82%
Delivered in UK	80%	80%	60%	76%	82%	82%
Mail Posted outside of Jersey but delivered in Jersey						
Posted in Guernsey	86%	79%	61%	71%	80%	82%
Posted UK and elsewhere	86%	81%	65%	74%	73%	82%

* Only November and December results were produced in 2011.

of **local to local mail** reaches its destination **the next day**

The community

Over the last few years, Jersey Post has asked its workforce to select a charity with whom we partner for a year. In 2013 we continued our relationship with Headway Jersey for a second year and managed to raise a total of over £20,000.

In addition, as a business owned by the people of Jersey, we aim to support our community wherever we can.

A list of the charities and community activities we have assisted in 2013 are shown on page 2, along with details of how we helped.

We also work with other public authorities and agencies to help improve the quality of Islanders' lives. Perhaps the best example of this is our pilot "Call & Check" service which we have been delivering in St Brelade as a trial since November 2013. The service has been well received by the people who have taken part in the pilot and in 2014 we hope to extend the service with the support of the States of Jersey and by working closely with other key stakeholders, so that it can become an important part of the States of Jersey's Care in the Community initiative. The pilot has received international interest, including from the UK Cabinet Office, Harvard Business School and the Joseph Rowntree Foundation.

The environment

Jersey Post has demonstrated its commitment to becoming an environmentally friendly business by joining forces with several other local companies, including the other local utilities and a number of financial institutions, to adopt the Chamber of Commerce supported "Eco Active" programme.

Jersey Post will strive to have a positive impact on the environment and community by developing practices that go beyond regulation and demonstrate a real commitment to a healthy and sustainable future. We will be a green business that adopts principles, policies, and practices that improve the quality of life for our customers and employees, which in turn will enhance our public image and community relations.

To date, our Eco Active strategy has already demonstrated benefits by reducing our carbon footprint at Postal Headquarters via effective savings in energy usage of 30%, when compared to 2011. Our recycling and procurement strategies have started to identify environmentally friendly products that are less expensive than those we have used in the past.

During 2013 we have trialled two electric vans and have set targets for each of the next three years for an increasing proportion of our fleet to comprise of electric vans, subject to this being economically viable.

Jersey Post aims to be recognised as an Eco Active business leader by the end of 2014.

Our employees

During 2013 Jersey Post has enabled its employees to take part in an extensive level of training and development, both on the job and in more formalised programmes, including the Institute of Directors' prestigious Diploma in Company Direction now held by six of our most senior managers.

Our investment in our workforce has been recognised by the results of our annual inspection from Investors in People (IIP) in February 2014 when we were accredited as a silver status employer. We are very proud to have demonstrated such an improvement, and we recognise that by investing in our people we will maximise their performance and in so doing, the long term performance of the company as a whole.

We continue to encourage employees at all levels to contribute to improving Jersey Post, both as a place for them to work but also as an organisation which delivers quality customer service. During 2013 we carried out an employee morale survey and received 234 replies (60% response rate). We have carried out this survey for the last three years and the results continue to show improvement. However, we are not complacent, and recognise there is still more to be done to improve communication and performance management in the company:

RESULTS FROM THE 2013 EMPLOYEE MORALE SURVEY

2013	2012	
100%	50%	understand how their job affects service to our customers
99%	99%	are committed to help Jersey Post succeed
98%	97%	understand what is required of them in their job
96%	92%	have a good understanding of the company's values
95%	94%	understand the aims and objectives of the company
94%	89%	believe the company works hard at delivering customer service
91%	84%	would recommend working for the company

(a sample of metrics only)

Jersey Post recognises the importance of a positive work/life balance and the impact stress can have in the workplace.

Our Health & Safety Committee set up a small sub-Group in 2013 to discuss the subject of stress and we have just committed to a new Stress at Work Policy. In 2014 we are raising awareness of how to recognise and deal with stress through a Health and Wellbeing programme.

We also continued our "back to the floor initiative" in 2013 where managers, including the Chief Executive and other members of the senior management team, spend time with our operational colleagues throughout the business to gain a better understanding of their work and associated pressures. This also provides a valuable opportunity to identify how we can continue to improve the working day for our employees and also the experience for our customers.

Our key risks

Risk Type	Risk	Description	How we manage it
Strategic	Electronic substitution	Traditional mail volumes will continue to decline due to the increased move to email and electronic methods of payment.	We are working hard to retain and attract new parcels business as this is a growth area due to online shopping. We have a three year strategic plan which includes objectives for strategic investment and diversification, in areas which have a natural synergy with our core business.
Operational	Industrial action	This could be from our own staff but also due to strikes by Royal Mail staff which are outside of our direct control.	We have a good working relationship with the local CWU branch and involve them in important decisions we take. Royal Mail advise us in the event of any threatened or planned industrial action and we are confident that we have alternative plans which could be put into place.
Operational	Loss of our premises and/or key equipment	This could be a complete loss of a building due to fire or an evacuation due to an event which lasted more than just a few hours. Alternatively a power outage or other event which affected our letter sorting machine, vehicles or other key equipment could have a significant impact on our ability to process, deliver and despatch mail.	We have disaster recovery plans in place which include the option to relocate in the event we lost our Postal Headquarters. In 2013, we purchased a new Letter Sorting Machine to replace our old one (which was 16 years old). In the event of failure we can resort to manual sortation of mail.
Operational	Health & Safety	Due to the nature of our business our staff are exposed to a number of Health & Safety risks.	We have a Health & Safety policy which is overseen by a Health & Safety Committee comprising a senior manager from each area of the business. Our Health & Safety policy and procedures are subject to an external audit every year and we take any remedial action identified by this.

Risk Type	Risk	Description	How we manage it
Financial	Deficit on our sub fund of the Public Employees Contributory Retirement Scheme (PECRS)	The current deficit valued under FRS 17 as at 31 December 2013 is £5.3m. The deficit is extremely volatile to change and we have no control over this, as decisions about contribution rates, investment policy and benefits are all taken by the main PECRS fund.	We closed PECRS to new employees with effect from 1 May 2010 and set up our own Defined Contribution Pension Scheme. We are liaising with the Treasury regarding our future options for the sub fund.
Financial	Credit risk	We grant credit to our business customers for the products and services we provide to them. We are therefore exposed to a risk that these amounts are not paid to us.	We assess the credit risk in relation to each customer and have rigorous procedures in place to follow up late payment and an internal escalation process to deal with this.

Kevin Keen
Chief Executive
2 May 2014

Statement of Corporate Governance

Introduction

Jersey Post International Limited is committed to maintaining a high standard of Corporate Governance and follows the best practise principles of the UK Corporate Governance Code issued by the Financial Reporting Council ("the Code") where it is appropriate and practical to do so.

The Board

The Board currently comprises four Non-Executive and three Executive directors. Mike Liston is the Chairman and Tim Brown is the Senior Independent Director.

In accordance with the Company's Articles of Association, one Non-Executive Director is required to retire by rotation. It has been agreed that Donal Duff will retire by rotation at the AGM on 26 June 2014. The Board considered this matter at its meeting on 2 May 2014 and agreed to recommend the re-appointment of Donal Duff to the shareholder at the AGM.

The Executive Directors are not subject to retirement by rotation but they are subject to periods of notice of termination of employment, as are other members of the Company's senior management.

The Board is responsible to the company's shareholder, the States of Jersey Investments Limited, for the proper management of the Company. It meets regularly, normally five to six times per year, to agree and monitor strategy, review trading performance, the management of key risks and business plans which include revenue and capital budgets for the next three years. Board papers are circulated prior to each meeting in order to facilitate informed discussion.

The Chairman and Chief Executive meet with the shareholder representative, the Treasury & Resources Minister, at least twice each year.

The following table sets out the number of meetings (including Committee meetings) held during the year under review and the number of meetings attended by each director:

NUMBER OF MEETINGS ATTENDED

	Board	Audit Committee	Remuneration Committee
Number of meetings held during 2013	5	3	2
Mike Liston	5 (Chairman)	2	2
Tim Brown	5	3	-
Donal Duff	4	3 (Chairman)	1
Chris Evans	4	-	2 (Chairman)
Kevin Keen	4	-	-
Liz Vince	5	-	-
Gary Carroll	5	-	-

In addition to the formal meetings, a strategy day was held for the Board on 21 June 2013 at which the vision and mission for the Company were debated and agreed, as well as key objectives which should underlie the 2014-2016 Strategic Plan and associated budgets.

Performance Evaluation

The effectiveness of the Board is vital to the success of the Company. A self-assessment of the Board and its Committees was undertaken at the Board meeting held on 5 March 2014.

Audit Committee

The Audit Committee is charged by the Board with responsibility for reviewing the annual report and financial statements and the strategic processes for risk, control and governance throughout the company. The Committee also advises the Board on the appointment of the external auditor and on the auditor's remuneration and monitors auditor independence. The company does not currently have an internal audit function but at each meeting of the Audit Committee the need for internal audit is considered and individual reviews are commissioned from time to time.

The Audit Committee is chaired by Donal Duff with Tim Brown and Mike Liston as members. The meetings are attended by invitation by the external auditor, the Finance Director, the Financial Controller and, from time to time, the Chief Executive.

At its meeting on 28 April 2014 the Committee received and reviewed the company's 2013 annual report and financial statements. At this meeting the Committee also received a report from the external auditors summarising the results of their audit of the financial statements.

The Committee reviewed, in particular, the material accounting and audit judgements which had been made in the financial statements. These were:

- The disclosure of, and accounting for, the Public Employees Contributory Retirement Scheme (PECRS) sub-fund, including the assumptions used for the valuation of the deficit under FRS 17;
- Taxation disclosures and the non-recognition of deferred tax assets;
- The inclusion of an onerous lease provision in relation to a leased warehouse which is currently vacant;
- Provisions in relation to building dilapidations;
- Recoverability of loans to third parties;
- Stamps in circulation; and
- The Going Concern principle.

The Audit Committee considered whether the 2013 annual report was fair, balanced and understandable and whether it provided the necessary information for the shareholder to access the company's performance, business model and strategy. The Committee was satisfied that, taken as a whole, the Annual Report is fair, balanced and understandable.

The Audit Committee recommended the annual report and financial statements to the Board for approval at its meeting on 2 May 2014.

Nomination Committee

The Nomination Committee is responsible for overseeing the selection and appointment process of Directors to the Board and making recommendations to the Board thereon. When considering future Board appointments the Nomination Committee pays due regard to issues of diversity, including gender.

Remuneration Committee

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 members of the Executive Management Team of the company.

The remuneration of the Directors of the Group for the financial year ended 31 December 2013 is set out below, together with comparatives for 2012:

	Salary/Fees £'000	Bonuses £'000	Benefit in Kind[1] £'000	2013 Total £'000	2012 Total £'000
Executive Directors					
Kevin Keen	137	-	-	137	139
Liz Vince	108	28	10	146	144
Gary Carroll	125	24	14	163	171
Total	**370**	**52**	**24**	**446**	**454**
Non-Executive Directors					
Mike Liston	40	-	-	40	40
Tim Brown	22	-	-	22	17
Donal Duff	20	-	-	20	20
Chris Evans	15	-	-	15	15
Paul Jackson*	-	-	-	-	10
Total	**97**			**97**	**102**

*Retired 15 June 2012

[1] The benefit in kind received by the Executive Directors comprises the contribution payable into the PECRS pension scheme and health insurance.

Kevin Keen, Chief Executive, is not entitled to an annual bonus but could earn a terminal bonus on leaving the company of up to one third of his annual salary for each year of service. The payment of such a bonus will be at the absolute discretion of the Board and will be based on an assessment as to whether the Chief Executive has outperformed the Board's expectations for the business as a whole throughout his tenure.

Internal Control

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 key procedures which the Board has established to provide effective control are:

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. There are specific matters reserved for decision by the Board and these have been formally documented.

RISK MANAGEMENT

The company has a Risk Register which details and assesses all the significant risks facing the company. 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 company's Risk Management Policy. Senior managers are invited to attend the Audit Committee's meetings to provide presentations on the key risks within their area of the business and how these are managed.

BUDGETARY CONTROL

Detailed phased budgets are prepared at profit centre level and the Board receives monthly management accounts showing actual performance against these budgets, with explanations of any material variances.

HUMAN RESOURCES

The company 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, including performance appraisal.

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 2013.

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 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 effect of the deficit on the company's sub fund of the Public Employees Contributory Retirement Scheme (PECRS).

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 Jersey Competition Regulatory 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 27. 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 Strategic Review on pages 6-19.

Shareholdings

The 5 million £1 ordinary shares of JPIL are 100% owned by the States of Jersey who is the ultimate controlling party of the Company.

Dividends

An ordinary dividend of £390,000 will be recommended by the Directors for 2013 at the AGM to be held on 26 June 2014 (2012: £382,000).

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.

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 22.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

The Companies (Jersey) Law 1991 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 and the Group 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 confirm that they have complied with the above requirements in preparing the financial statements.

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 the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Annual General Meeting

The AGM will be held at the States Treasury, Cyril le Marquand House, St Helier on 26 June 2014.

Directors

The Directors of the Company are listed on page 4.

Auditors

PricewaterhouseCoopers CI LLP were appointed and acted as auditors for the year ended 31 December 2013. A resolution to appoint PricewaterhouseCoopers CI LLP as auditors for the year ending 31 December 2014 will be proposed at the AGM on 26 June 2014.

This statement was approved by the Board of Directors of Jersey Post International Limited on 2 May 2014, and was signed on their behalf by:

Liz Vince
Company Secretary
2 May 2014

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

Report on the financial statements

We have audited the accompanying consolidated financial statements (the "financial statements") of Jersey Post International Limited ('the Group') which comprise the consolidated balance sheet as of 31 December 2013 and the consolidated profit and loss account, consolidated statement of total recognised gains and losses and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with United Kingdom Accounting Standards and with the requirements of Jersey law. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group as of 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with United Kingdom Accounting Standards and have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Report on other legal and regulatory requirements

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises the Directors, Officers and Advisors, Board of Directors, Chairman's Statement, Strategic Report, Statement of Corporate Governance, Directors' Report and Five Year Summary.

In our opinion, the information given in the Directors' Report is consistent with the financial statements.

This report, including the opinion, has been prepared for and only for the Group's members as a body in accordance with Article 113A of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown, or into whose hands it may come save, where expressly agreed by our prior consent in writing.

Mark James
For and on behalf of PricewaterhouseCoopers CI LLP
Chartered Accountants
Jersey, Channel Islands
2 May 2014

Consolidated Profit and Loss Account
Year Ended 31 December 2013

	Note	2013 £'000	2012 £'000
Turnover		34,297	44,213
Cost of Sales		(26,957)	(36,672)
Gross Profit		**7,340**	**7,541**
Other Income		133	34
Administrative Expenses			
Defined benefit pension service costs (excluding employers pension contributions)		(832)	(1,027)
Overhead expenses		(5,555)	(5,518)
Total Administrative Expenses		**(6,387)**	**(6,545)**
Operating Profit before exceptional items	2	**1,086**	**1,030**
Exceptional Items	4		
Onerous Contract Provision		(493)	-
Restructuring costs		(65)	(239)
Gain on sale of assets		38	-
Total Exceptional Items		**(520)**	**(239)**
Operating Profit		**566**	**791**
Interest and Dividends Receivable	5	250	297
Net gain on investments	6	80	45
Net finance income	7	369	161
Profit before taxation		**1,265**	**1,294**
Taxation	8	-	-
Profit after taxation		**1,265**	**1,294**

The basis of preparation of these financial statements is set out on page 31, and notes on page 31-44 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 2013

	Note	2013 £'000	2012 £'000
Profit for the year		1,265	1,294
Actuarial gain in respect of the pension scheme	14	632	1,090
Total recognised gains for the year		**1,897**	**2,384**

The basis of preparation of these financial statements is set out on page 31, and the notes on page 31-44 form part of these financial statements.

Consolidated Balance Sheet
Year Ended 31 December 2013

	Note	2013 £'000s	2012 £'000s
Non Current assets			
Fixed Assets	9	8,445	7,875
Current Assets			
Stock		185	215
Debtors	10	4,876	4,413
Short-term investments			
Cash Deposits		6,204	7,581
Equity Investments	11	3,269	2,078
Cash at bank and in hand		2,294	4,066
Total Current Assets		16,828	18,353
Creditors			
Amount falling due within one year	12	(5,740)	(8,041)
Net Current Assets		**11,088**	**10,312**
Total assets less current liabilities		**19,533**	**18,187**
Deficit on defined benefit pension scheme	14	(5,267)	(5,436)
Net Assets		**14,266**	**12,751**
Ordinary Share Capital	16	5,000	5,000
Profit and loss reserve	20	9,266	7,751
Shareholder's funds		**14,266**	**12,751**

The financial statements were approved by the Board of Directors of Jersey Post International Limited on 2 May 2014 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 31, and the notes on pages 31-44 form part of these financial statements.

Consolidated Cash Flow Statement

Year Ended 31 December 2013

	Note	2013 £'000s	2012 £'000s
Net cash inflow/(outflow) from operating activities	23	**506**	**(1,402)**
Returns on investments and servicing of finance			
Interest Received		229	317
Dividends Received		125	33
Net gain on investments		80	42
Net cash inflow from returns on investments and servicing of finance		**434**	**392**
Capital Expenditure			
Purchase of tangible fixed assets		(1,264)	(870)
Sale of tangible fixed assets		57	-
Net cash outflow from capital expenditure		**(1,207)**	**(870)**
Net cash (outflow)/inflow before management of liquid resources and financing		**(267)**	**(1,880)**
Management of liquid resources	23	**1,377**	**7,695**
Financing			
Purchase of investments		(1,000)	(2,000)
Dividends paid		(1,882)	(3,375)
(Decrease)/Increase in cash in the year	23	**(1,772)**	**440**

The basis of preparation of these financial statements is set out on page 31, and the notes on pages 31-44 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 under the historical cost convention and in accordance with United Kingdom Accounting Standards (UK GAAP).

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 effect of the deficit on the company's sub fund of the Public Employees Contributory Retirement Scheme (PECRS).

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 Jersey Competition Regulatory 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.

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 Limited 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

Computer hardware and software
1 - 5 years

Plant, vehicles and equipment
3 - 10 years

Improvements to leasehold property
Remaining length of the lease

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.

1.5 INTANGIBLE ASSETS

Intangible assets acquired separately from the business are capitalised at cost. Assets are amortised on a straight line basis over their estimated useful life.

The carrying value of intangible fixed assets is reviewed for impairment when events or 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.

1.6 CASH AT BANK AND IN HAND AND CASH DEPOSITS

Cash at bank and cash deposits include cash, deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

1.7 DEBTORS

Debtors are measured at cost which is deemed to be approximate fair value.

1.8 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.

1.9 INVESTMENTS

Investments are held at the lower of cost and market value. Dividends received are reinvested back into the cost of the investment.

Realised gains and losses arising on disposal of investments are calculated by reference to the proceeds received on disposal and the cost attributable to those investments, and are recognised in the Profit and Loss Account.

1.10 CREDITORS

Creditors are measured at cost which is deemed to be approximate fair value.

1.11 PROVISION FOR LIABILITIES

Provisions are recognised when the Group has an obligation (legal or constructive) arising from a past event and the costs to settle the obligation are both probable and able to be reliably measured.

1.12 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.

1.13 TURNOVER

Turnover represents the invoiced value of goods and services supplied less post office boxes and business reply licences invoiced in advance and unexpended credit on franking meters. 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.

1.14 OTHER INCOME

Other income represents the value of rental income received and receivable from the lease of a property and other income received from insurance claims.

1.15 ADMINISTRATIVE EXPENSES

Included within overhead expenses are, amongst other costs, the GST expense, support services staff costs and marketing and distribution costs.

1.16 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.

1.17 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.

Defined Contribution

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

1.18 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.

1.19 RESEARCH AND DEVELOPMENT

Expenditure on research and development is written off in the period in which it is incurred.

1.20 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.

1.21 RESTATEMENT OF ADMINISTRATIVE EXPENSES

Following an analysis of GST costs an allocation of irrecoverable GST has been transferred from administrative expenses to cost of sales in the profit and loss account for the year ending 31 December 2012. Previously a total of £144k in relation to irrecoverable GST was included in administrative expenses; administrative expenses have been reduced by £122k and cost of sales have increased by £122k to more accurately reflect the nature of our GST expense. There is no effect on operating profit.

2. OPERATING PROFIT FOR THE YEAR

Operating profit for the year is stated after charging the following:

	2013 £'000	2012 £'000
Auditor's remuneration		
Audit	75	65
Non-audit	-	20

3. STAFF COSTS

	2013 £'000	2012 £'000
Wages and Salaries	12,040	11,999
Employer Social Security costs	744	709
Employer Pension Contributions	597	827
Defined benefit pension service costs	832	1,027
Total	**14,213**	**14,562**

4. EXCEPTIONAL ITEMS

Operating exceptional costs relate to non-recurring redundancy costs of £65,000 (2012: £239,000), the gain on the sale of assets during the year of £38,000 (2012: £0) and an onerous lease provision in relation to a leased warehouse unit which is now vacant (2012:0).

5. INTEREST AND DIVIDENDS RECEIVABLE

	2013 £'000	2012 £'000
Bank Interest Receivable	125	259
Dividends Receivable	125	38
Total	**250**	**297**

6. NET GAIN ON INVESTMENTS

The net gain on investments disposed of during the period comprises:

	2013 £'000	2012 £'000
Proceeds from sales of investments made during the year	527	367
Original cost of investments sold during the year	(447)	(322)
Gain realised on investments sold during the year	**80**	**45**

7. NET FINANCE INCOME

	2013 £'000	2012 £'000
Expected return on pension scheme assets	1,506	1,394
Interest on pension liabilities	(1,137)	(1,233)
Net finance income	**369**	**161**

8. TAXATION

	2013 £'000	2012 £'000
Jersey income tax		
Current charge	-	-
(Credit)/Charge in respect of prior years	-	-
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 period	-	-
Total charge to profit and loss	**-**	**-**
Charge/(credit) for the year taken to the Statement of Total Recognised Gains and Losses	-	-
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:

	2013 £'000	2012 £'000
Profit on ordinary activities before taxation	**1,265**	**1,294**
Tax on profit on ordinary activities at 20%	**253**	**259**

Factors affecting tax charge for the year	2013 £'000	2012 £'000
Fixed Asset timing differences	(22)	18
Profit on sale of investments	(16)	-
Timing differences on pensions	93	173
Expenses not deductible for tax purposes	36	56
Income taxed at 0%	(5)	(15)
Losses brought forward from prior year	(339)	(491)
Total current income tax charge/(credit) for the year	**-**	**-**

Deferred Taxation	2013 £'000	2012 £'000
Total deferred taxation 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 International Limited is subject to Jersey income tax at the standard rate of 0% (2012:0%). Jersey Post Limited, a subsidiary of Jersey Post International Limited, is subject to Jersey income tax at the rate of 20% (2012:20%). All other companies in the Group are subject to Jersey income tax at the standard rate of 0% (2012:0%).

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 £176,000 (2012: £334,000). 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 £1,053,000 (2012: £1,087,000).

9. FIXED ASSETS

	Freehold land & Buildings £'000	Improvements to leasehold property £'000	Plant, vehicles, equipment £'000	Intangible £'000	Total £'000
Cost					
At 1 January 2013	7,735	669	8,760	162	17,326
Additions	-	-	1,374	-	1,374
Disposals	-	-	(133)	-	(133)
Assets written off*	-	(99)	(3,428)	(30)	(3,557)
At 31 December 2013	**7,735**	**570**	**6,573**	**132**	**15,010**
Depreciation					
At 1 January 2013	1,553	661	7,144	93	9,451
Annual Charge	238	7	539	-	784
Disposals	-	-	(113)	-	(113)
Assets written off*	-	(99)	(3,428)	(30)	(3,557)
At 31 December 2013	**1,791**	**570**	**4,142**	**63**	**6,565**
Net book value					
At 31 December 2013	**5,944**	**-**	**2,431**	**69**	**8,445**
At 31 December 2012	6,182	8	1,616	69	7,875

*The assets written off relate to the removal of assets from the fixed asset register with a net book value of zero which are not in use.

10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013 £'000	2012 £'000
Net trade debtors	2,881	2,693
Other debtors	780	781
Agency debtors	195	236
Prepayments and accrued income	1,020	703
	4,876	**4,413**

11. EQUITY INVESTMENTS

	2013 £'000	2012 £'000
Opening balance	2,078	-
Additions	1,638	2,400
Disposals	(447)	(322)
Closing balance	**3,269**	**2,078**

At the balance sheet date the market value of investments was in excess of cost.

12. CREDITORS: FALLING DUE WITHIN ONE YEAR

	2013 £'000	2012 £'000
Trade Creditors	1,050	949
Other Creditors	1,053	4,465
Accruals and Deferred income	3,637	2,627
	5,740	**8,041**

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

Included within 2013 Other Creditors is £317,178 (2012:£2.1m) of VAT due to HMRC as a result of customer postings above the HMRC 'de minimis' level. The customers pay the amounts due to Jersey Post who then pay these to HMRC. The amounts received from customers but not paid over to HMRC at the Balance Sheet date are recorded within cash.

Included within Accruals and Deferred income is a provision against property related matters.

	2013 £'000	2012 £'000
Opening balance	806	753
Movement in the year	(48)	53
Closing Balance	**758**	**806**

13. OPERATING LEASE COMMITMENTS

	Land & Buildings	
	2013 £'000	2012 £'000
Non-cancellable annual commitments in respect of operating leases which expire:		
Less than one year	228	16
Between two and five years	441	529
After five years	-	-
	669	**545**

At 31 December 2013, the group has lease agreements in respect of properties for which the payments extend over a number of years.

14. PENSION COSTS - DEFINED BENEFIT

The Group had one defined benefit pension scheme at 31 December 2013, which is open to certain employees of Jersey Post - Public Employees Contributory Retirement Scheme (PECRS). 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.

PECRS is a multi-employer defined benefit scheme operated by the States of Jersey, funded in accordance with the recommendations of an actuary, which currently provides benefits based on final pensionable pay. The assets of the fund are held separately from those of the States of Jersey.

Salaries and emoluments include pension contributions of £495,000 for the year ended 31 December 2013 (2012: £751,000) for staff who are members of PECRS. The current employer contribution rate is 8.14% of members' salaries as set by the Scheme Actuary.

The latest full actuarial valuation of PECRS was carried out by the PECRS's independent actuary as at 31 December 2010. The valuation of PECRS has been updated by the actuary to 31 December 2013 in accordance with FRS17.

Actuarial gains and losses have been recognised in the period in which they occur, (but outside the profit and loss account), through the Statement of Recognised Gains and Losses (STRGL).

The principal assumptions used by the independent qualified actuaries to calculate the liabilities under FRS 17 are set out below:

Main financial assumptions	31 December 2013 (% p.a)	31 December 2012 (% p.a)	31 December 2011 (% p.a)
Before Retirement			
Jersey Price Inflation	3.60%	3.05%	3.15%
Rate of general long-term increase in salaries*	4.60%	4.05%	4.15%
Rate of increase to pensions in deferment	3.45%	2.90%	2.85%
Discount rate for scheme liabilities	4.30%	4.10%	4.55%
After Retirement			
Jersey Price Inflation	3.70%	3.15%	3.30%
Rate of increase to pensions in payment	3.55%	3.00%	3.00%
Discount rate for scheme liabilities	5.45%	5.20%	5.20%

* In addition, allowance has been made for the same age related promotional salary scales as used at the previous actuarial valuation of the scheme.

Expected Return on Assets	31 December 2013		31 December 2012		31 December 2011		31 December 2010		31 December 2009	
	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	3.6%	-	2.7%	-	2.8%	-	4.2%	-	4.5%	-
Equities	7.5%	20,696	8.0%	18,061	8.0%	17,742	8.0%	25,021	8.3%	22,025
Index-linked gilts	3.4%	-	2.5%	-	2.6%	-	4.0%	-	4.3%	-
Property	7.0%	1,778	7.5%	1,508	7.5%	-	7.5%	-	8.8%	311
Corporate Bonds	4.1%	1,823	3.1%	2,421	3.9%	5,657	5.0%	7,010	5.5%	7,678
Cash	0.9%	1,341	1.0%	561	1.8%	493	1.4%	422	0.7%	2,857
Total fair value of assets		**25,638**		**22,551**		**23,892**		**32,453**		**32,871**

* JPIL employs a building block approach in determining the long-term rate of return on scheme 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 on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the scheme.

Reconciliation of funded status to balance sheet	31 December 2013 £'000	31 December 2012 £'000	31 December 2011 £'000
Fair value of scheme assets	25,638	22,551	23,892
Present value of funded defined benefit obligations	30,905	27,987	29,552
(Liability) recognised on the balance sheet	**(5,267)**	**(5,436)**	**(5,660)**

Changes to the present value of the defined benefit obligation during the year	Year ending 31 December 2013 £'000	Year ending 31 December 2012 £'000
Opening defined benefit obligation	**27,987**	**29,552**
Current service cost	1,327	1,333
Interest cost	1,137	1,233
Contributions by scheme participants	330	340
Actuarial losses /(gains) on scheme liabilities*	1,520	(102)
Net benefits paid out	(1,396)	(124)
Past service cost	-	545
Net increase in liabilities from disposals/acquisitions	-	-
Curtailments	-	-
Settlements	-	(4,790)
Closing defined benefit obligations	**30,905**	**27,987**

*2012 Includes changes to the actuarial assumptions.

Changes to the fair value of scheme assets during the year	Year ending 31 December 2013 £'000	Year ending 31 December 2012 £'000
Opening fair value of scheme assets	**22,551**	**23,892**
Expected return on scheme assets	1,506	1,394
Actuarial gains on scheme assets	2,152	988
Contributions by the employer	495	751
Contributions by scheme participants	330	340
Net benefits paid out	(1,396)	(124)
Net increase in assets from disposals/acquisitions	-	-
Settlements	-	(4,690)
Closing fair value of scheme assets	**25,638**	**22,551**

Actual return on scheme assets	Year ending 31 December 2013 £'000	Year ending 31 December 2012 £'000
Expected return on scheme assets	1,506	1,394
Actuarial gain on scheme assets	2,152	988
Actual return on scheme assets	**3,658**	**2,382**

Analysis of profit and loss charge	Year ending 31 December 2013 £'000	Year ending 31 December 2012 £'000
Current service cost	1,327	1,333
Past service cost	-	545
Interest cost	1,137	1,233
Expected return on scheme assets	(1,506)	(1,394)
Curtailment cost	-	-
Settlement cost	-	(100)
Expenses recognised in profit and loss	**958**	**1,617**

Analysis of amounts recognised in STRGL	Year ending 31 December 2013 £'000	Year ending 31 December 2012 £'000
Difference between actual and expected return on pension scheme assets	2,152	988
Experience gains arising on the scheme liabilities	620	662
Effect of changes in assumptions underlying the present value of scheme liabilities	(2,140)	(560)
Total gains/(losses) recognised in the Statement of Total Recognised Gains and Losses	**632**	**1,090**

History of experience gains and losses	31 December 2013 £'000	31 December 2012 £'000	31 December 2011 £'000	31 December 2010 £'000	31 December 2009 £'000
Experience gains / (losses) on scheme assets					
-Amount	2,152	988	(3,787)	655	3,232
-Percentage	8.4%	4.3%	15.8%	2.9%	9.8%
Experience gains on scheme liabilities					
-Amount	620	662	544	5,995	1,829
-Percentage	2.0%	2.4%	1.8%	20.3%	4.9%
Total gains/(losses) recognised in statements of total recognised gains and losses					
-Amount	632	1,090	(9,447)	(4,312)	421

15. PENSIONS – DEFINED CONTRIBUTION

The pension cost represents contributions payable by the Group to the defined contribution scheme and amounted to £138,064 (2012: £77,000). No contributions (2012: £2,000) were payable to the scheme at 31 December 2013.

16. ORDINARY SHARE CAPITAL

	2013 £'000	2012 £'000
Authorised, issued, allotted and fully paid		
5 million £1 ordinary shares	**5,000**	**5,000**

17. DIVIDENDS PAID AND PAYABLE

	2013 £'000	2012 £'000
Declared and paid during the year		
Final for 2012/2011	382	375
Special Dividend	1,500	3,000
	1,882	**3,375**
Balance of Special Dividend provided for at year end	-	1,500
Proposed for approval by the shareholders at the AGM		
Final Dividend for 2013 (2012)	**390**	**382**

18. ULTIMATE AND IMMEDIATE CONTROLLING PARTY

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

19. RELATED PARTY TRANSACTIONS

The Group provides multi-channel services to a number of different departments of the States of Jersey. Sales of £1,106,000 (2012:£863,000) and purchases of £177,000 (2012:£194,000) were transacted with departments in 2013. As at 31 December 2013, the amount owing to the States of Jersey was £399,000 and the amount owed from the States of Jersey was £117,000 (31 December 2012:£376,000 and £179,000 respectively). All services provided by the Group to the States of Jersey are provided on an arm's length basis.

						31 December 2013	
Director	**Relationship**	**Interest**	**Service**	**Purchases**	**Sales/Income**	**Debtor**	**Creditor**
Chris Evans	Director	Foreshore Limited	IT	£201,103 (2012: £180,272)	£348 (2012: £1,134)	£Nil (2012: £Nil)	£37,667 (2012: £22,790)
Gary Carroll	Director	St Lo Ltd	Loan		£10,950 (2012: £4,562)	£734,562 (2012: £734,683)	

(The loan has a repayment term over a period of 10 years and the accrual of interest at the HSBC base rate plus 1%.)

20. PROFIT & LOSS RESERVE

	2013 £'000	2012 £'000
Balance brought forward	7,751	10,242
Profit attributable to shareholder	1,265	1,294
Ordinary Dividend	(382)	(375)
Special Dividend	-	(4,500)
Actuarial gain/(loss) in respect of the pension schemes	632	1,090
Balance at 31 December	**9,266**	**7,751**

A shareholder's funds reconciliation is not disclosed as there is considered to be sufficient information in note 20.

21. 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	Mail Consolidation & Logistics Services – dormant
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	Business Development - dormant
Ship2Me Limited	E-commerce Logistics - dormant
CI Courier Limited	Courier - dormant

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.

22. BOARD REMUNERATION AND FEES

Details of remuneration paid to Directors and related party transactions therewith are disclosed in the Remuneration Committee Report on page 22 and in note 19.

23. NOTES TO THE CASH FLOW STATEMENT

A) Reconciliation of Operating Profit to Net Cash (outflow)/inflow from Operating Activities	2013 £'000	2012 £'000
Operating profit	566	791
FRS17 charge	832	1,027
Depreciation charge	784	880
Decrease/(increase) in stock	30	6
(Increase)/decrease in debtors	(463)	4,849
(Decrease)/increase in creditors due within one year	(1,151)	(8,955)
Recoverable tax receivable	(92)	-
Net cash inflow/ (outflow) from operating activities	**506**	**(1,402)**

B) Analysis of Changes in Net Funds	1 January 2013 £'000	Cash Flow £'000	31 December 2013 £'000
Cash	4,066	(1,772)	2,294
Short-term deposits	7,581	(1,377)	6,204
	11,647	**(3,149)**	**8,498**

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.

Five Year Summary

	Units	2013	2012	2011	2010	2009
Balance Sheet						
Shareholder's funds	£'000	**14,266**	12,751	15,242	18,007	17,996
Profit & Loss Account						
Turnover	£'000	**34,297**	44,213	64,868	65,648	64,930
Operating profit/(loss)	£'000	**566**	791	1,920	(100)	930
Gross margin	%	**21.4**	17.1	13.5	11.3	8.8
Operating profit %	%	**1.7**	1.8	3.0	(0.1)	1.4
Profit before tax	£'000	**1,265**	1,294	2,771	111	951
Dividend payable to shareholder on the basis of the year's financial performance	£'000	**390**	382	375	-	500
Operational statistics						
Mail volumes	million	**40**	56	84	91	94
Number of post offices	number	**21**	22	23	23	23
Cost of a local stamp	pence	**45**	45	37 and 42	36 and 39	37
Cost of a UK stamp	pence	**55**	55	50	45	42
Number of staff (FTEs)	number	**348**	336	357	370	407
Staff costs*	£million	**13.4**	13.5	14.6	16.3	16.6
Average cost of employee	£'000s	**39**	40	41	44	41

* excludes the Defined Benefit pension service costs

The above table is presented for informational purposes and does not form part of the Notes to the Financial Statements.

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