Jersey Post International Limited

Business Review for the year ended 31 December 2018

Jersey Post

www.jerseypost.com

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Directors, Officers and Advisors

Directors of Jersey Post International Limited

Alan Merry
Non-Executive Chairman

Tim Brown FIoD, FCILT, CPFA
Chief Executive Officer

Tim Barnes, ACMA
Finance Director

Chris Evans
Non-Executive

Donal Duff BAAF, FCA, AMCT
Non-Executive

Sue Barton
Non-Executive

Aaron Chatterley
Non-Executive

Gavin Macrae
Non-Executive

Company Secretary

Tim Barnes, ACMA

Independent Auditor

Menzies LLP
Chartered Accountants & Statutory Auditor
3000a Parkway
Whiteley
HAMPSHIRE
PO15 7FX

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[1]

Alan Merry Non-Executive Director

Non-Executive, Alan Merry has extensive international senior executive and board-level experience gained across a range of business sectors, including financial services, retail, renewable energy and professional services.

Alan works with boards and executive teams supporting transformational change and focuses on the development of strategy, change management, strategic HR and improving board and organisational effectiveness. Alan worked closely with the board and executive team on the incorporation of the Ports of Jersey and is currently the Strategy and Development Director, with a remit focused on business improvement.

Prior to this, Alan was a Director of CPA Global for 8 years and, before coming to Jersey, held senior executive roles in the financial services and retail sectors.

Tim Brown Chief Executive Officer
FIoD, FCILT, CPFA

Tim Brown, a Chartered Director, 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. Tim first joined the Board as a Non-Executive Director on 1 September 2011 and was the Senior Independent Director and Deputy Chairman until he took over as Chief Executive Officer on 1 July 2014.

Tim Barnes Finance Director
ACMA

As a Chartered Global Management Accountant, Tim Barnes has a wealth of experience with 15 years in board-level commercial finance roles. Tim has a strong track record of introducing financial integrity into fast-growth commercial businesses and has significant experience with corporate transactions.

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. Until July 2014, Chris was 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.

[1]Directors listed have served on the board during the year.

Donal Duff Non-Executive Director
BAAF, FCA, AMCT

Non-Executive, Donal Duff is a qualified Chartered Accountant and an Associate Member of the Institute of Corporate Treasurers in the UK. He spent 8 years with Coopers & Lybrand working on a wide range of audit and corporate finance assignments before subsequently working in a variety of senior finance roles in Jersey listed companies over a 20-year period, the latter with significant exposure to M&A transactions. Donal is currently Chief Finance Officer at Calligo Limited, a Jersey based IT company specialising in IT managed services and data privacy services.

Susan Barton Non-Executive Director

Non-Executive, Sue Barton is a qualified Management Accountant and accredited mediator with over 20 years' experience of the postal and professional services industry having held leadership positions with PA Consulting, Accenture and the UK Post Office. During her career, Sue has worked with many postal operators providing them with strategic, commercial and operational advice. She is currently operating as an independent advisor to Accenture supporting their Global Postal industry team.

Aaron Chatterley Non-Executive Director

Non-Executive, Aaron Chatterley is a Co-Founder of Europe's largest online beauty retailer Feelunique, where he now remains a shareholder and member of the Board. Aaron is also an active investor in several tech and disruptive businesses and is a Non-Executive Director of Digital Jersey. He was voted one of the 50 most powerful people in Online Retail for 2014 by Retail Week, IoD Director of the Year for a Large Organisation 2013 and finalist in the UK Ernst & Young Entrepreneur of the Year 2012.

Gavin Macrae Non-Executive Director

Non-Executive, Gavin Macrae has an extensive track record over 30 years' of providing strategic and business development advice, interim management and non-executive directorships at board level to a wide range of clients and industry stakeholders, including Neopost, Postcomm (the UK's regulatory authority for postal services), Royal Mail and TNT. Most recently, Gavin is the Founder and Managing Partner of Pine Monkey Associates Ltd., a newly established specialist consultancy firm serving the postal and logistics industry.

Chairman's Statement

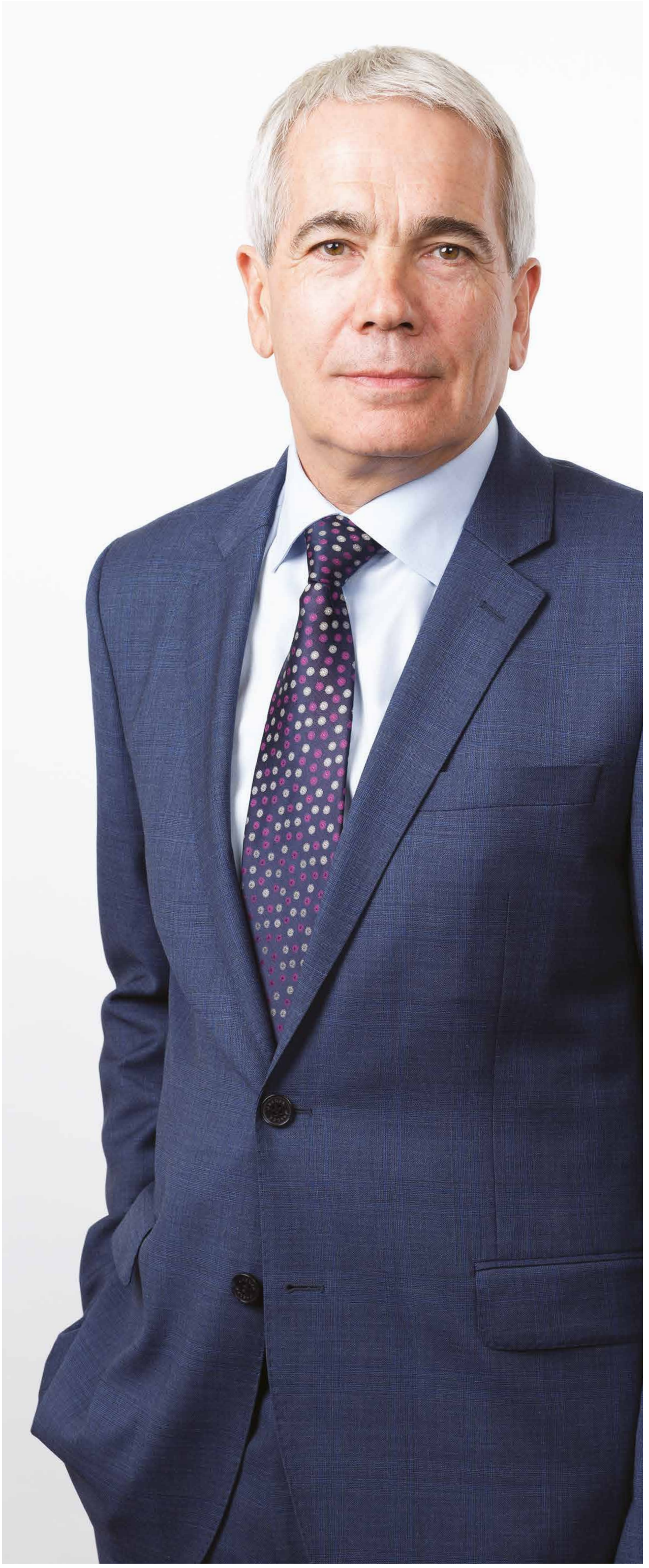
It has been a mixed year in terms of overall results. We have seen continued growth in turnover with an increase of just over 9% to £52.5m however, the core 'letter' market fell by 8% and this, along with increasing pressure on margins, led to a drop in gross profits to £9.07m.

The year highlighted the competitive nature of the market place with the income from Royal Mail business, which represents 52% of postal volumes, remaining static at 2016 prices whilst costs continue to rise. It is good to see our plans deliver a further 5% growth in parcels and, whilst we planned for greater volumes from Amazon than materialised, this relationship still represents a sound platform for future growth in what is a very competitive marketplace. Managing the growth in the parcels market alongside the continued decline in letters is a very difficult balance and one that it is almost impossible to predict with any confidence. It is therefore critical to be able to ensure that our resources and costs can be adjusted to meet the fluctuations in the flows of business. We are working closely with the delivery teams to design and implement improvements that work for both the business and our people.

In that context, we continue to work hard to meet the customer services measures agreed with CICRA. We met five out of the nine targets and although there are improvements that we can make, a number of the issues relate to working practices within Royal Mail which are difficult, if not impossible, to influence. Given the results of our Island-wide Customer Satisfaction Survey; we believe there could be value in proposing to CICRA that this more extensive survey may be a more appropriate barometer of performance than those currently used.

It is vital to continue to focus on this important area as it forms the basis of our plans to improve competitiveness and, most importantly, to provide enhanced, more modern, services to the people of Jersey.

To this end, we have continued to invest significantly in our digital services. This has resulted in an improved product offering and has produced 3% growth on the previous year. We are now positioned for future growth both locally, and to our international customers. In addition, the logistics business has shown growth of 11%, however, this income is still dependent on a number of key clients whose businesses could be negatively impacted by Brexit.



The challenges presented in the local market underline the importance of continuing to develop our international business. The strategy is focused on increasing our worldwide reach and securing access to the potential of higher margin business. We have added to our international network with strategic investments in two further logistics businesses, one serving the Australian market with the other serving South America. Whilst there have been the expected challenges with managing a developing international network of eight companies, these business are now being pulled together into an integrated unit that has the potential to drive significant benefit for Jersey Post into the future.

International now represents 34% of our revenues and this has grown from 7% in 2015. We are on track with the development of the international network and 2019 will be a critical year in embedding the structure and ways of working in order to capitalise on our investment.

Looking ahead, the challenges and volatility of the local market continue to cause concern. These are exacerbated by the continuing delays to finalising the contractual relationship with Royal Mail. This represents such a significant percentage of our volumes that it has the potential to have a material and negative impact on income and on our ability to continue to provide the current level of local services.

In order to support the needs of Islanders, it is important to build on the excellent working relationship with the Shareholder and other key departments in government. We feel that there is significant potential for us to work together in the delivery of services across the Island and we look forward to this relationship developing in the future.

Whilst the drop in profits is disappointing, it serves to underline the challenges facing the business. The decline in the traditional letter market is accelerating and the growth in the parcel market is slower than expected. This is a difficult 'equation' to manage, as much of our fixed costs are necessary to meet the needs of these volatile business streams. However, there is a more positive outlook on our international business. The growth across the international network that we have developed is encouraging and, although it will require careful management, its success is critical to the future long-term viability of the business.

Ultimately, the success of the business depends on the quality and dedication of its people. We added two new non-executive Directors in 2017, which introduced new skills and experience to the Board and we plan to appoint two new non-executive Directors in 2019. In addition, the Executive team has been restructured to ensure that there is both the capability and capacity in place to meet the developing needs of the business. This is part of the continued evolution of the organisation, to ensure that we are able to deliver our objectives into the future.

Alan Merry Chairman
3 May 2019

"The challenges presented in the local market underline the importance of continuing to develop our international business. The strategy is focused on increasing our worldwide reach and securing access to the potential of higher margin business."

Alan Merry Chairman

Strategic Report

Our business

We have yet again, seen continued revenue growth principally driven by our new international business. Falling letter volumes and a competitive parcels market has resulted in a challenging time for our postal business in Jersey, which once again, saw below par performance. This confirms our dual strategy of transforming our postal business and diversifying by building on our core capabilities. During the year, we extended our international capability into Australia and Latin America, and launched our new digital business.

Whilst the year was challenging, the business remains profitable and continues to be cash generative.

Over the coming two years, we will continue to face challenging times as we seek to transform our traditional but declining business whilst new business streams grow in profitability.

We operate in a truly global market

The postal world is going through huge disruption. Our own example shows the significant shift in the nature of our business; we have seen mail volumes fall by c70% in the last eight years whilst parcel volumes have grown by c70% (but from a much lower base). The parcel market is much more competitive, with seven alternatives to Jersey Post in Jersey alone. Whilst the letter volume fall is driven by the growth of social media and the digitising of everyday communication, this very technological transformation is also providing opportunities in cross border e-commerce. This is something the people of Jersey have welcomed, with e-commerce penetration higher than mainland UK. The changes we are seeing here at home are replicated across the world.

The second issue is that the postal world is going through its own form of "Brexit". This time it is the United States Postal Service that has announced it is leaving the Universal Postal Union, a sub-body of the United Nations with 192 country members that has governed the postal world since 1874. The cause of its action is that USPS loses over a billion dollars every year due to regulatory and legal impositions, inefficiencies and a massive healthcare bill, and wants to increase what other postal authorities pay it to deliver their mail in the USA.

Other postal authorities, mainly those that are inefficient, have jumped on the bandwagon. The preferred option by this group would allow countries to declare their own rates. Indications are that international rates in some cases could be in excess of 500%. This would have a significant impact on the cost to Jersey residents and businesses sending packets and parcels around the world. Unfortunately, if successful, and we are working with the British government and Royal Mail to oppose this change, it would make postal services less competitive. Hence our strategy, through our international business, to seek alternative non-postal solutions.

What is clear is that Jersey and Jersey Post cannot stand by, King Canute like, and ignore the changes across the world. Indeed, Jersey has a proud history of trading around the globe as is illustrated today by its finance industry and of course, digital in the future. All have required Jersey to punch above its weight and it is a credit to Jersey that it has done so successfully. The challenge is no different for Jersey Post.

Jersey Post has already begun to respond

Over the last few years, Jersey Post has responded and now operates across three business streams:

- Postal and logistics focussing on our Jersey-based residential and business customers, providing relevant and innovative services;
- Global logistics offering Jersey businesses, and businesses around the world, a truly global cross-border solution for e-commerce including postal, commercial, fulfilment and freight services; and
- Jersey Post's dedicated Digital Services team is at the forefront of customer communications management, using our electronic skills to take raw data and convert this into meaningful customer information, combining digital dispatch and storage technologies for customers both on and off-Island.

The market for our Jersey based business is very challenging

Our biggest challenge is in our business in Jersey. The revenue and profit lost by the continued decline in mail is only partly offset by the growth in parcel revenue. What is a matter of fact is that there is little, if any, additional letter volume to win: the market is in decline. The only growth available to Jersey Post is in parcels and providing logistics services. We are taking active steps to work more closely with worldwide retailers and etailers, to have direct relationships and to bring new products and services to the people of Jersey. In 2017, we were pleased to begin working with Amazon, although most of its parcels are delivered by a competitor on the island. We have also begun working with Hellofresh and more opportunities present themselves for 2019. As stated many times, we are up against other parcel carriers and we will only win this business by offering a better service and greater transparency, at a competitive cost. We need to remember, as many businesses already do, our clients have a choice.

The processing and delivery of parcels is significantly different to that of letters. During 2018, we began a process of changing the emphasis of our operations from a letters business that happens to deliver parcels, to a parcels business that also delivers letters. Many postal authorities around the world have created separate parcel businesses. Our preferred approach is to take our colleagues with us, trying to guarantee them a job though not being able to guarantee that it is the same job that they have been used to. So, whilst this is a challenging time for the business, it is equally a challenging time for our staff.

On a brighter side, we see great opportunities to work more closely with the States, being its preferred logistics and digital partner. We can also offer services across the island through our post office network.

We are confident of a bright future for our on-island business but the coming few years will be ones of great change. Increasingly, we are buffeted by the global market, the actions of key customers and suppliers such as Royal Mail and our ability to introduce a transformation of the business itself.

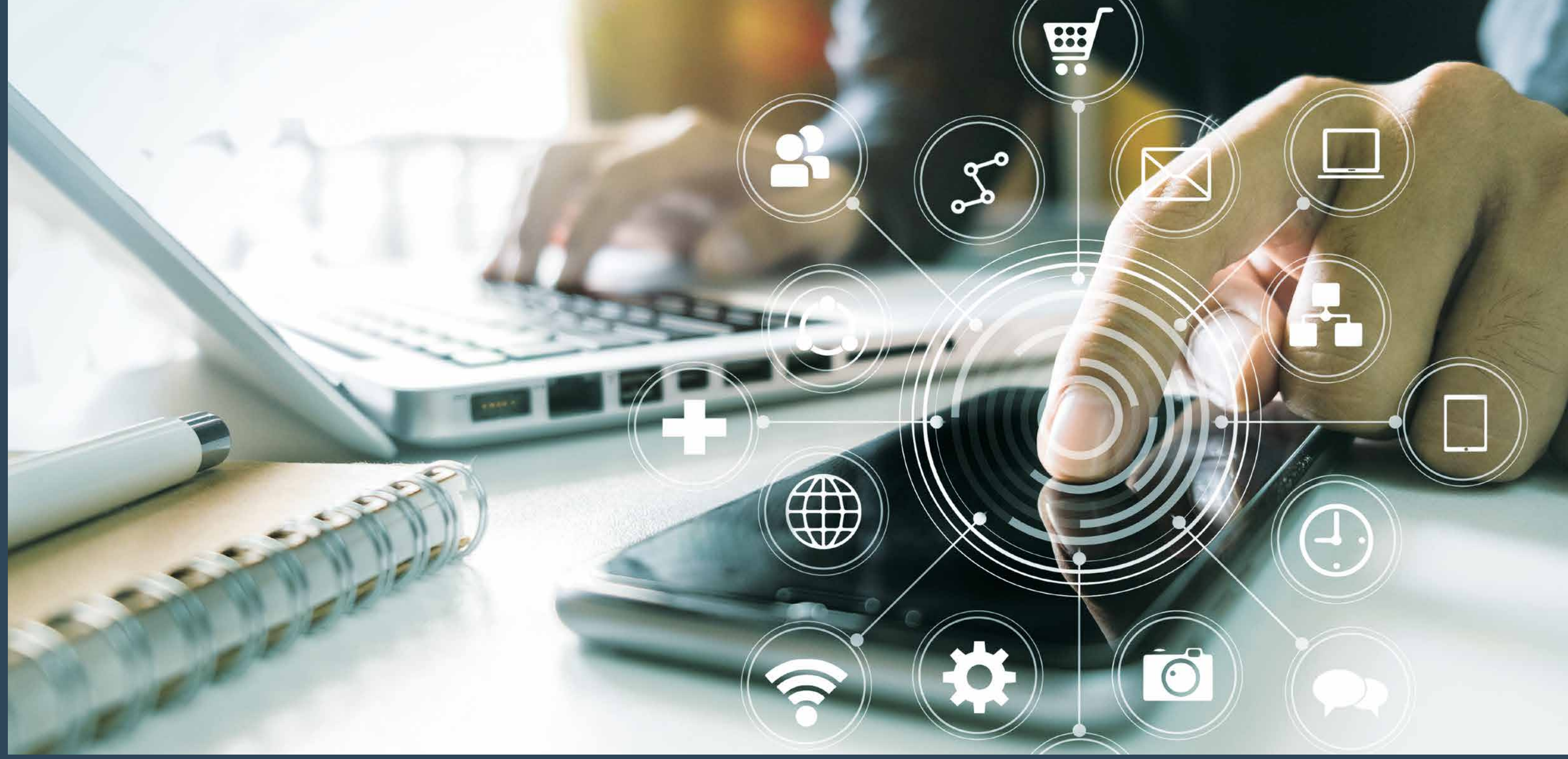
Our expansion across the world to take advantage of cross border e-commerce is beginning to bear fruit

Beginning in 2014, we have now seen revenue grow to £17.9m with a 16% increase in 2018. During 2018, we continued to complete our global network adding partners covering Australia, Singapore and Latin America. These are exciting times and we now sell in the Americas, United Kingdom, Europe, China and Australasia, and we despatch across the world:

Source of revenue by:	Origin %	Destination %
Jersey	40	40
UK	52	17
Europe	3	25
North America	4	7
Far East	1	5
Rest of World	0	6

From Jersey logistics' clients alone we sent 4.2 million items into Europe with an estimated goods value in excess of £75m.

The challenges for 2019 are to bring our international network closer together, improving cooperation, delivering economies of scale from shared services and synergies through building global solutions for customers.



The launch of our Digital business in 2018 was a natural extension of successful work with the finance industry in Jersey

Over the last few years, we have transformed our capability in managing communication both physically and digitally. We handle about 70% of all physical communication from the finance industry in Jersey. We have done this through managing data, design, printing and distribution. During 2018, working with industry leading partners, we demonstrated our capability in harmonising both digital and physical communication, managing data, responses, online signatures, returns and more. Given our traditions, we are probably the only digital business in the Channel Islands that can offer this combined service. We are proud to "do business differently". 2019 holds out greater opportunities as we begin to launch our services beyond these shores.

We see great opportunities working with the States of Jersey

During 2018, we have had several meetings with the States from which a number of opportunities present themselves through our logistics, distribution and digital capabilities. We recognise that the public sector is going through a period of transformation and consider that we can play our part in it.

We have a good open working relationship with our Shareholder and with the External Affairs team who have provided support in dealing with issues in the UK and Europe.

Brexit is the great unknown and could devastate businesses operating in Jersey and selling into Europe, but it could also be an opportunity!

In many ways, Jersey is Brexit-ready as businesses in Jersey are used to the processes of importing and exporting goods through both postal and commercial customs clearance. Indeed, Jersey Post is well placed being the only provider of postal customs clearance, but also in the fact that we own a customs broker in the UK.

However, the key challenge is the disruption that is likely to be caused at the ports in the UK; 100% of our European business goes that way. We have, therefore, successfully trialled routes into Europe via St Malo to provide contingency for our customers on the island. Jersey could also offer trouble free routes into Europe that might encourage some UK businesses to locate some of their business in Jersey.

Also of concern is the fact that the UK will, post-Brexit, have similar tax and other advantages to Jersey. If so, Jersey businesses with European markets may move their business to the UK or even Europe. With our international business, we are in an ideal position to provide Jersey businesses with services in the UK and Europe and to help them with new markets in the USA, Latin America, Australia, Russia and China.

European businesses that currently serve the UK from Europe are also looking for third-party logistics providers in the UK to serve their customers there, whilst they assess what the long-term impact of Brexit will be. Our two businesses in the UK could be well placed to take advantage of this if it materialises.

Brexit is something we cannot ignore and whilst we have plans in place to manage risk and take advantage of opportunities, the uncertainty makes it difficult to plan and invest with confidence.

Our customers

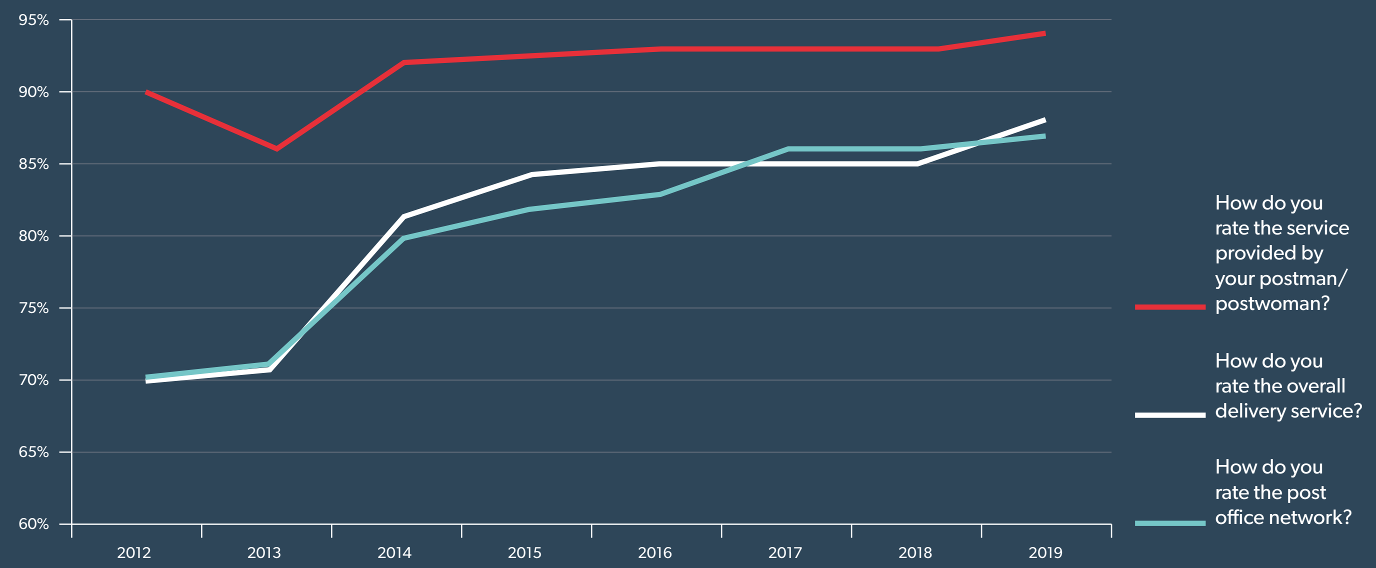
In an increasingly competitive world, we recognise our success lies with providing our customers with what they want

Whilst we continue to diversify, in addition to investing in our core business, our local customer base and our services to them remain important. In 2018, as it will be in 2019 and 2020, we went through significant changes in how we operate, the services we offer and technology underpinning both. We need to do this to stay relevant and to be able to provide a universal service to the people and businesses of Jersey without subsidy. This is a challenge when we see continued decline in our core letter volumes.

However, it is important to monitor how we are doing, and we do this in three ways:

1. What you tell us
This year is our eighth all Island customer survey and despite the issues we faced during the year, we are humbled by the responses from our customers.

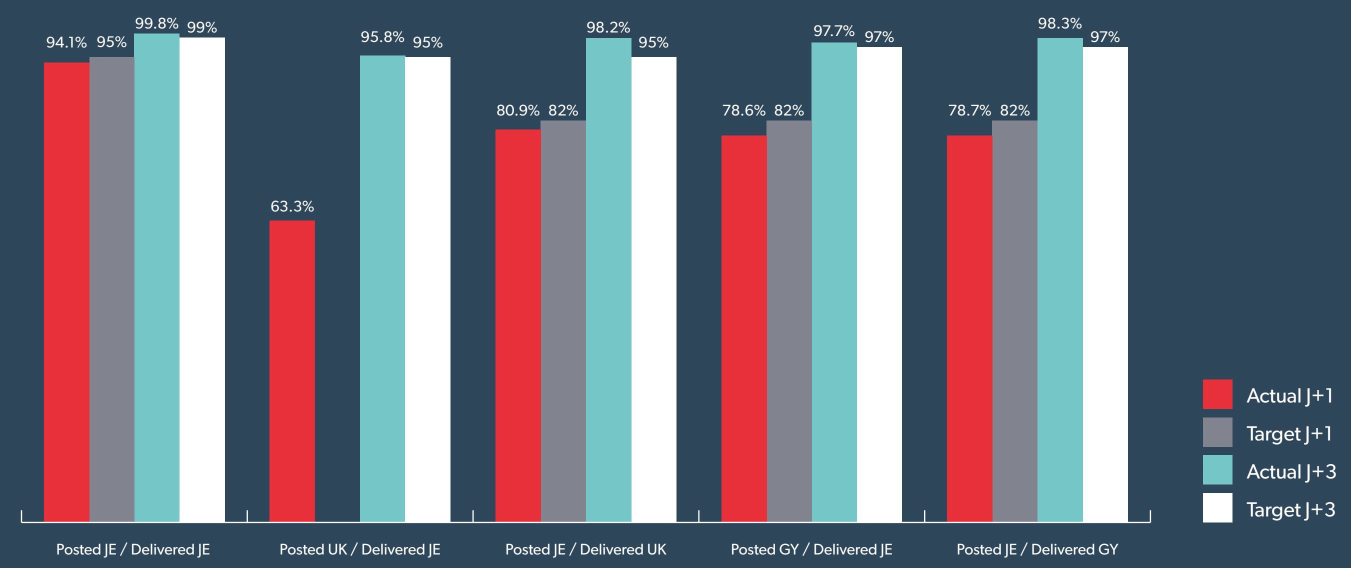
Percentage of 2019 survey respondents that answered good or very good



"Whilst we continue to diversify, in addition to investing in our core business, our local customer base and our services to them remain important."

2. What our measurement tells us:
We use an independent research company to measure our quality of service against targets agreed with CICRA, the independent regulator. 2018 was a challenging year for Jersey Post. Whilst we exceeded five of our targets, we missed, marginally, the remaining four. We have taken steps to address the issues raised and, weather and technical issues aside, we are in a much better position for 2019.

2018 Quality of service - Jersey, Guernsey and the UK



We submit a report to CICRA each year detailing our quality of service performance. Our performance was impacted by three factors:

- the amount and management of change in 2018 in the operation as highlighted above;
- our challenges in recruiting staff as we see employment grow in Jersey, coupled with higher than normal absence levels in Jersey Post; and
- operational issues by Royal Mail who are responsible for loading and unloading the aircraft in the UK and the contract with the aircraft supplier.

It should be noted that mail to and from Guernsey goes via Royal Mail's hub at East Midlands Airport and, whilst Jersey Post has a target for mail to and from the UK and to Guernsey, Royal Mail does not.

Where things are within our control, we have already put corrective action into place and are confident that we will meet all our targets in 2019. We continue to report progress to CICRA.

3. What issues our customers have raised during the year:

In 2018, we received 4.1 complaints for every 50,000 items delivered. This was an increase on 2017 caused in the main by our tightening up of unofficial arrangements for leaving parcels safe. We now have official alternative delivery arrangements for over a third of addresses. We also offer the following services at no cost to the customer:

- SecureDrop: this free service allows customers to select a safe, weather-proof location within their home grounds as an alternative to the letterbox, so they can receive larger items and those requiring a signature, even when they are not home. We are also able to leave items with a neighbour of the customer's choice;
- Lockers: following last year's survey we made this a free service. This 24/7 service is ideal for customers who need a convenient and easy location to collect their items. Any item, even those that usually require a signature, can be delivered straight into a secure 24/7 locker for them to collect at their leisure. These can be found at six locations across the island;
- Collection from Rue des Pres: this is open for twelve hours a day, 8am to 8pm, Monday to Friday and for five hours on Saturday:

Whilst we strive not to make mistakes, we recognise that these do happen. Apart from contacting our customer services team by email or telephone, customers are able to meet them face to face in our Broad Street Post Office or at Rue des Pres.

We use the feedback from all our reporting but, in particular, the customer survey and customer complaints to focus our customer improvement plans for 2019.

The community

Jersey Post has an important role to play in the local community. Not only are we proud to be the postal operator for the Island, but we recognise that what we do and how we do it has an impact here in Jersey.

Jersey Post is an important part of the community and we are proud of the role we play

Our staff chose Les Amis as our charity for 2018, and we raised over £20,000 for this cause.

We continue to sponsor Team Jersey for the Island Games into 2019 in Gibraltar and continued with our support of Jersey Cricket.

Whilst offering regulated money service products, Jersey Post works closely with both the Police and Jersey Financial Services Commission to prevent fraud and scams and we sit on the Jersey Fraud Prevention Forum. As part of our work in monitoring patterns of transactions, we are often able to prevent or stop scams and in some cases, recover monies paid, depending on the method used.

Jersey Post is proud of the part it plays in reducing its carbon footprint

With a 115-strong vehicle fleet delivering around 80,000 parcels every month, Jersey Post is conscious of its carbon footprint and our subsequent environmental responsibility. We recognise the importance of a positive ecological contribution, and a need to invest in sustainability and a strategy for reducing greenhouse gas emissions.

With the largest vehicle fleet in the Channel Islands, delivering to over 40,000 households and 3,000 business addresses via 105 optimised delivery routes, we knew this had to be the first area we addressed. We first began to implement our plans for a Green Fleet in 2013, when we ran a 6-month trial using two electric vehicles to see if they were a viable option for the future of the fleet. In 2016, we purchased 15 Nissan ENV200 models and, with the help of Jersey Electricity, installed the necessary infrastructure for these high-use vehicles at our Rue des Pres Head Office.

The vans have made a significant contribution in our ambition to lower the environmental impact of our fleet both in terms of carbon emissions, with a reduction of around 95% per vehicle, and noise levels – and they are also ideal for the short distance, stop/start driving, that the job involves.

At the 2016 Green Fleet Awards, Jersey Post took home the award for the Private Sector Fleet of the Year (Small to Medium), an award which recognises organisations with less than 300 vehicles, which can demonstrate a reduction in CO2 and other pollutants.

Over the last three years, we have continued our efforts towards carbon neutrality, replacing our outgoing vans with electric vehicles at the end of their warranties, doubling the count in the first year, with a current total of 59 electric vans on the road.

We are continually looking for innovative ways to improve efficiency and service. Switching to electric vehicles to complement the postal workers who cover their rounds by bicycle or on foot, provides a complete eco-friendly solution for our collection and delivery operations, and we look forward to the fleet being 100% electric in due course.

"For us, a low carbon footprint is a reflection of efficient fleet management"

It is not just the vans that have gone electric; we also have over 20 electric bikes, with another 15 currently on order. These also help improve our fleet efficiency, allowing our delivery officers to move heavier loads more quickly.

Beyond our fleet, we are continuously looking at other areas where we can reduce our emissions, including in-house recycling, lighting, heating and plastic reduction.

We recycle our cardboard and segregate cans and plastic bottles for proper recycling and disposal. We use biodegradable rubber bands in the sorting office so they are not a threat to the environment, and our confidential waste paper is shredded on the island, baled and exported to the UK for recycling. We continue to look at other eco-friendly switches we can make throughout all areas of the business.

Our six, conveniently located parcel locker banks also have a green benefit, which is perhaps less evident to the consumer. As well as providing a convenient collection service, the parcel lockers help reduce transport emissions two-fold, both from our consolidated deliveries and by negating the need for customers to drive to our Headquarters to collect their parcels, if they can travel to a locker bank nearer to their home or work.

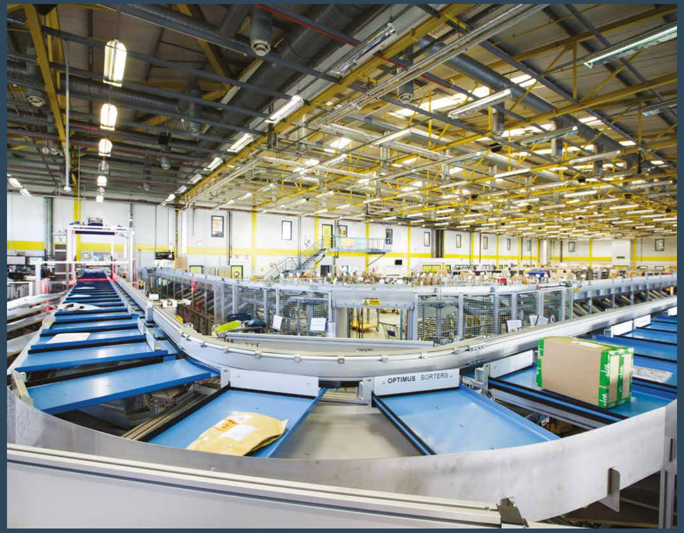
From a business viewpoint, investing in sustainability is a no-brainer. Not only does this contribute positive action for our environment, it is also cost-effective. For us, a low carbon footprint is a reflection of efficient fleet management, as carbon emissions go hand in hand with fuel consumption, miles travelled and fleet size.

Our people

We are proud of our professional people and recognise the role they play in making us a success.

We have a dedicated and professional team of people at Jersey Post, not just in Jersey but also in the UK and around the globe. We all strive to deliver the right service to our customers wherever they are. In Jersey, we are recognised by the men and women who deliver and collect letters and parcels, or who work in our network of post offices. However, they would not be successful without the teams most people never see in customer service, finance, marketing, sales, IT, human resources, philatelic (designing our stamps) and of course our chefs. Together these people make up Jersey Post.

For the last three years, we have published a breakdown of staff by gender. Whilst we have a policy of equal opportunity and strive for a more diverse workforce, the business continues to have just over 20% of its employees being women. We recognise that this is not only not good enough, but also means we miss out on talented people that would add considerable expertise, skills and knowledge to our business. As such, we are committed to seeing practical changes in what we do and how we do it, in order to encourage a more diverse range of people to join our business.



Outlook

The outlook, whilst challenging, is also exciting.

Long gone are the days when we could rely on a steady stream of mail underpinning our performance, or we could ignore what is going on in the world. Jersey is part of the disruption happening across the globe, but is ideally placed to try and capitalise on it. This applies to Jersey Post. There is no option where Jersey Post "hunkers down", focuses on letters, and runs a network of post offices. Both these areas have seen and are continuing to see significant decline and change, and this will continue. This means we need to change not just what we do, but how we do it. As we are all aware, change impacts people and therefore we must not underestimate the impact of what we need to do.

Over the coming year and beyond, we will continue to seek to transform Jersey Post; this is essential for it to survive, to provide a service to people and businesses of Jersey, and also to provide job security to all those working for Jersey Post.

By the nature of change, not everything will go to plan but we need to ensure that in the long-term we offer a sustainable and profitable service to the people of Jersey. The Board, management and team at Jersey Post are committed to making it a success.

Tim Brown CEO
3 May 2019

Statement of Corporate Governance

Introduction
Jersey Post International Limited is committed to maintaining a high standard of Corporate Governance and follows the best practice 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
At the time of signing the Financial Statements, the Board comprises five Non-Executive and two Executive Directors, with Alan Merry as the Chairman.

In accordance with the Company's Articles of Association, one-third of the numbers of Non-Executive Directors are required to retire by rotation annually. Susan Barton was re-appointed at the AGM on 25th May 2018. The other Non-Executive Directors have all been appointed or reappointed within the last 3 years.

The Executive Directors are not subject to retirement by rotation, but are subject to a period 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, and manage 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, Chief Executive and Finance Director meet with the Shareholder representative, the Treasury and 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	Nomination Committee
Number of meetings held during 2018	6	4	2	1
Alan Merry	6	-	2	1
Tim Brown	6	-	-	-
Tim Barnes	6	-	-	-
Donal Duff	6	4	2	-
Chris Evans	6	-	2	1
Susan Barton	5	3	-	-
Aaron Chatterley	5	-	-	1
Gavin Macrae	6	4	-	-

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 2 May 2018.

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 the need for internal audit is considered and individual reviews are commissioned.

Donal Duff chairs the Audit Committee. Members during the year were Susan Barton and Gavin Macrae. The meetings are attended by invitation by the external auditor, the Finance Director and, from time to time, other senior executives.

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

- The Going Concern principle;
- Taxation disclosures including accounting for deferred taxation;
- UPU SDR accrual;
- Holding Value of Fraser Freight and HICS;
- Holding value of Investments in GePS, A2B,Parcel Monkey, DAI and APG; and
- Holiday pay.

The Audit Committee considered whether the 2018 Annual Report was fair, balanced and understandable, and whether it provided the necessary information for the Shareholder to assess 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 the Board meeting on 3 May 2019.

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. A review of the skill requirement of the Board was completed during 2017 with two new appointments made. There were no further changes made during 2018.

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 & 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 2018 is set out below, together with comparatives for 2017:

	Salary/Fees £'000	Bonuses £'000	Benefit in Kind[1] £'000	2018 Total £'000	2017 Total £'000
Executive Directors					
Tim Brown	200[2]	-	23	223	270
Tim Barnes	138	-	21	159	195
Total	338	-	44	382	465
Non-Executive Directors					
Alan Merry	40			40	36
Susan Barton	15			15	15
Aaron Chatterley	15			15	8*
Donal Duff	20			20	20
Chris Evans	15			15	15
Mike Liston	-			-	10*
Gavin Macrae	20			20	6*
Total	125	-	-	125	110

*Part year

The Company encourages Executive Directors to diversify their experience by accepting non-executive appointments to companies or other organisations outside the Group. Such appointments are subject to the approval by the Board. At the balance sheet date, the external appointments held by Executive Directors, excluding those directly connected with their employment by the Company, were as follows:

Tim Brown
Jersey Heritage - Trustee

Tim Barnes
Latitude Consultancy Limited – Non-Executive Director
Caesarean Tennis Club - Treasurer

[1] The benefit in kind received by the Executive Directors comprises the contribution payable into the pension schemes and health insurance.
[2] Includes £25,000 accommodation allowance.

The Company offers an annual bonus scheme to all staff. There are three schemes:

- Staff who are covered under Collective Bargaining;
- Members of the Executive Team (excluding the Executive Directors in the above table);
- All other staff.

The total amount of bonuses earned relating to 2018 for the above three schemes was £362,811 (2017: £605,873). During 2018, the Company provided £20,165 (2017: £22,417) to the Sports and Social Club which organises events for staff, and the Company also funded the CWU's local branch secretary post at a total cost of £17,258 (2017: £18,701). Out of its total employees in Jersey Post (excluding acquisitions), 20.9% (20.5% in 2017) are women.

Whilst Jersey Post offers set salaries and wages for certain types of jobs, the mix of jobs means that on average male employees are paid 3.16% more than female employees (2017: 1.95%). However, at management levels male employees are paid 12.82% more than female employees (2017: 7.84%). These figures include the salaries of the Executive Directors. Jersey Post is actively addressing this position and continues to review how it recruits, what contractual terms it offers and is committed to seeing a balanced workforce.

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

Risk Management
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. Key strategic risks are identified as part of the annual budget process and reported to the Board and the Shareholder.

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.

Tim Barnes
Company Secretary
3 May 2019

"We all strive to deliver the right service to our customers wherever they are."

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 Consolidated Financial Statements for the year ended 31 December 2018.

Principal Activity
The principal activities of the Group are those of providing postal services to the Island of Jersey, cross-border ecommerce logistics services and digital communication services.

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.

The Directors are 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 Income Statement 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 Strategic Report on pages 6-19.

Shareholdings
The 5 million £1 ordinary shares of JPIL are 100% owned by the States of Jersey Investments Limited, which is the ultimate controlling party of the Company.

Dividends
An ordinary dividend of £49,500 will be recommended by the Directors for 2018 at the AGM to be held on 4 June 2019 (2017: £690,900).

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 people with a disability where the requirements of the job can be adequately fulfilled by someone with a disability. 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 appropriate training, career development and promotion to employees with a disability.

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 Directors' Report and the Consolidated Financial Statements in accordance with applicable law and regulations.

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, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ("FRS 102").

Under Company law, the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm they have complied with all the above requirements in preparing the Consolidated Financial Statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose, with reasonable accuracy at any time, the financial position of the Group, and to 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 Group and hence for taking reasonable steps for the prevention and detection of fraud, error and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in 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 Group'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 Group's auditors are aware of that information.

Viability Statement
The Code requires that the Directors of Jersey Post International Limited should explain how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and in so doing, express a view about the long-term viability of the Company.

Jersey Post conducts a rigorous strategy and budget setting process. Whilst each board meeting reviews the wider market, strategic risks and opportunities, it dedicates at least one day a year to review where the business is, what challenges it is facing, what new opportunities and risks present themselves, and identify potential key areas of concern. From this, it reviews its existing strategy, amends where necessary and confirms the direction of the business for the next three to five years. From this, a Business Plan is developed looking three years out with detailed planning for the first year. This plan includes a review of strategic risks and opportunities.

The Plan also provides indicative forecasts for years four and five. The Board presents the outcomes of this process to its Shareholder and provides half-yearly updates. Given the dynamics of the market Jersey Post operates in, the Board considers that the timescale is appropriate for the business.

The Strategic Report outlines the main areas of risk, the key one being the decline in its core letters market over the last ten years and the forecast that this will continue in the foreseeable future. Therefore, the Board has approved a strategy that provides for the development of new profitable revenue streams at the same time investing in its core to ensure it continues to deliver a quality service at a profit. Without these new revenue streams, Jersey Post would be in a period of managed decline that could ultimately lead to an unsustainable Universal Service Obligation in Jersey.

The Board considers that the strategy it has approved, coupled with the track record of the business in dealing with the historic 70% loss of letter volume including the loss of fulfilment business, gives it a reasonable expectation that the Company will be able to continue in operation and meet its liabilities, including its Universal Service Obligation, over the three-year period ending 31 December 2021.

Annual General Meeting
The AGM will be held at Broad Street Post Office, St Helier on 4 June 2019.

Directors
The Directors of the Company are listed on page 3.

Independent Auditors
Menzies LLP were appointed and acted as independent auditors for the year ended 31 December 2018. A resolution to appoint Menzies LLP as independent auditors for the year ending 31 December 2019 will be proposed at the AGM on 4 June 2019.

This statement was approved by the Board of Directors of Jersey Post International Limited on 3 May 2019 and was signed on their behalf by:

Tim Barnes
Company Secretary
3 May 2019

Independent Auditor's Report to the members of Jersey Post International

Auditor's Statement
To the Directors of Jersey Post International Limited – We have examined the summary financial statements set out on pages 30-52.

Responsibilities
The Directors are responsible for preparing the summary financial statements in accordance with applicable Jersey law.

Our responsibility is to report to you our opinion on the consistency of the summary financial statements with the full annual financial statements and the Directors' Report.

We conducted our work in accordance with Bulletin 2008/3 issued by the Auditing Practices Board. Our report on the company's full annual financial statements describes the basis of our opinion on those financial statements and on the Directors' Report.

Opinion
In our opinion the summary financial statements are consistent with the full annual financial statements and the Directors' Report of Jersey Post International Limited for the year ended 31 December 2018.

MENZIES LLP
Chartered Accountants & Statutory Auditor
3000a Parkway
Whiteley
HAMPSHIRE

Date 3 May 2019

Consolidated Income Statement

Year Ended 31 December	Note	2018 £'000	2017 £'000
Turnover	2	52,510	48,056
Cost of Sales		(43,436)	(38,691)
Gross Profit		**9,074**	**9,365**
Administrative Expenses		(8,607)	(7,726)
Release of provision		-	-
Operating Profit	**3**	**467**	**1,639**
Other non-operating income		64	78
Foreign exchange gain		(171)	288
Interest and Dividends Receivable	5	167	143
Net movement on investments	6	(362)	154
Profit on ordinary activities before taxation		**165**	**2,302**
Taxation	7	(432)	(580)
Profit for the year		**(267)**	**1,722**

Consolidated Statement of Comprehensive Income

Year Ended 31 December	Note	2018 £'000	2017 £'000
Profit for the year		(267)	1,722
Total comprehensive income for the year		**(267)**	**1,722**

Consolidated Statement of Financial Position

Year Ended 31 December	Note	2018 £'000	2017 £'000
Fixed Assets			
Tangible Assets	8	10,479	9,918
Intangible Assets	9	888	1,202
Goodwill	10	1,291	1,766
Investments	11	6,238	3,160
Total Fixed Assets		**18,896**	**16,046**
Current Assets			
Inventories	12	348	285
Debtors	13	10,419	9,259
Equity Investments	6	2,346	2,584
Cash and cash equivalents		15,260	17,082
Total Current Assets		**28,373**	**29,210**
Creditors			
Amounts falling due within one year	14	(25,727)	(22,773)
Net Current Assets		**2,646**	**6,437**
Total assets less current liabilities		**21,542**	**22,483**
Creditors: Amounts falling due after one year	15	(162)	(123)
Deferred Tax	16	(348)	(370)
Net Assets		**21,032**	**21,990**
Capital and reserves			
Ordinary Share Capital	20	5,000	5,000
Retained earnings		16,032	16,990
Total Equity		**21,032**	**21,990**

The basis of preparation of these Financial Statements is set out on page 34, and the notes on pages 34-52 form an integral part of these Financial Statements.

The Financial Statements were authorised and approved for issue by the Board of Directors on 3 May 2019 and were signed on its behalf by:

Tim Brown
Chief Executive Officer
3 May 2019

Tim Barnes
Finance Director
3 May 2019

Consolidated Statement of Changes in Equity

Year Ended 31 December 2018	Note	Share Capital £'000	Retained Earnings £'000	Total £'000
Balance as at 1 January 2018		**5,000**	**16,990**	**21,990**
Total comprehensive income for the year		-	(267)	(267)
Dividends	22	-	(691)	(691)
Balance as at 31 December 2018		**5,000**	**16,032**	**21,032**

Year Ended 31 December 2017	Note	Share Capital £'000	Retained Earnings £'000	Total £'000
Balance as at 1 January 2017		**5,000**	**15,990**	**20,990**
Total comprehensive income for the year		-	1,722	1,722
Dividends	22	-	(722)	(722)
Balance as at 31 December 2017		**5,000**	**16,990**	**21,990**

Consolidated Statement of Cash Flows

Year Ended 31 December	Note	2018 £'000	2017 £'000
Net cash generated from operating activities before tax	**28**	**5,405**	**8,281**
Taxation paid		**(540)**	**(889)**
Net cash generated from operating activities after tax		**4,865**	**7,392**
Cash flows from investing activities			
Purchases of tangible assets	8	(2,031)	(862)
Purchases of intangible assets	9	(285)	(433)
Proceeds from disposals of tangible assets		59	87
Purchase of subsidiaries		-	-
Purchases of current asset investments		(324)	(276)
Purchase of unquoted equity investments	11	(3,611)	(3,160)
Proceeds from disposals of current assets investments	6	200	157
Interest received	5	17	12
Other non-operating income		-	
Dividends received on investments	5	150	131
Net cash used in investing activities		**(5,825)**	**(4,344)**
Cash flows from financing activities			
Dividends paid	22	(691)	(722)
Net cash used in financing activities		**(691)**	**(722)**
Net increase/(decrease) in cash and cash equivalents		**(1,651)**	**2,326**
Cash and cash equivalents at beginning of year		17,082	14,468
Foreign exchange gain/(loss) on cash and cash equivalents		(171)	288
Cash and cash equivalents at end of year		**15,260**	**17,082**
Cash and cash equivalents comprise:			
Cash at bank and in hand		10,564	11,769
Short-term deposits		4,696	5,313
Cash and cash equivalents		**15,260**	**17,082**

Notes to the Financial Statements

1. Accounting Policies

1.1 General Information
Jersey Post International Limited provides a postal service both on the Island of Jersey and through an international network worldwide.

The Company is incorporated and domiciled in Jersey. The address of its registered office is Postal Headquarters, La Rue Grellier, La Rue des Pres Trading Estate, St Saviour, JERSEY, JE2 7QS.

1.2 Statement of Compliance
The Consolidated Financial Statements of Jersey Post International Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS 102) and the Companies (Jersey) Law 1991.

1.3 Basis of Preparation
The Consolidated Financial Statements have been prepared on a going concern basis, under the historic cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value, in accordance with FRS 102.

The preparation of Financial Statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Group's accounting policies as per note 1.21.

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

1.4 Basis of Consolidation
The Consolidated Financial Statements present the results of Jersey Post International Limited and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

1.5 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 and when they fall due.

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.

1.6 Tangible Assets
On a continuing use basis within the business, tangible assets are stated at cost, less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price and expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

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 assets' residual values and useful lives are reviewed and adjusted at the end of each reporting period, where there is indication of a significant change since the last reporting date. 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. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'administrative expenses' in the income statement.

1.7 Intangible Assets
Intangible assets are stated at cost, less accumulated amortisation and accumulated impairment losses.

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 lives assigned to categories of intangible fixed assets are:

Computer software
3 – 10 years

Amortisation is charged to administrative expenses.

The carrying value of intangible assets is reviewed for impairment when events or circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where websites are expected to generate future revenues in excess of the costs of developing those websites, expenditure on the functionality of the website is capitalised and treated as an intangible fixed asset. Expenditure incurred on maintaining websites and expenditure incurred on developing websites used only for advertising and promotional purposes are written off as incurred.

1.8 Goodwill
Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value over the net identifiable assets and liabilities acquired. Section 19 of FRS 102 states that goodwill is considered to have a finite useful life and that management needs to make an estimate of the useful life of goodwill. See note 10 for details of the assumptions made by management on goodwill.

1.9 Cash and Cash Equivalents
Cash and cash equivalents includes cash and short-term deposits which are highly liquid, readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

1.10 Financial Instruments
The Group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial Assets
Basic financial assets, including trade and other receivables, cash and bank balances are initially recognised at the transaction price. Financial assets that have no stated interest rate and are classified as receivable within one year, are initially and subsequently measured at the undiscounted transaction price, in-line with the provisions of section 11.14(a) of FRS 102.

Other financial assets, including investments in equity instruments where not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in income statement.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restriction.

Financial Liabilities
Basic financial liabilities, including trade and other payables, are initially recognised at transaction price.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. Financial liabilities that have no stated interest rate and are classified as payable within one year are initially and subsequently measured at the undiscounted transaction price, in-line with the provisions of section 11.14(a) of FRS 102.

Notes to the Financial Statements Continued

1. Accounting Policies (continued)

Derivatives, including forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Hedge Accounting
From time to time the Group enters into forward foreign currency contracts to manage its exposure to foreign exchange currency fluctuations. The fair value hedged derivatives are measured at fair value at each reporting date. To the extent the hedge is effective, movements in the fair value of hedged items and instruments are offset within the profit or loss for the period.

Offsetting
Financial assets and liabilities are offset and the net amounts presented in the financial statement only when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle to liability simultaneously.

1.11 Inventories
Inventories are stated at the lower of cost and net realisable value. Provisions are made where necessary for obsolete, slow-moving and defective inventories. Costs are measured on purchase price with the expense being recognised in the income statement when the inventory item is sold.

1.12 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.

1.13 Foreign Currencies
Items included in the Financial Statements are measured using the currency of the primary economic environment in which the Group operates ('the functional currency'). The Financial Statements are therefore presented in pound sterling which is the Group's functional and presentation currency.

Transactions in foreign currencies are translated into pound 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 reporting date. Foreign currency gains and losses are taken to the income statement.

Foreign exchange gains and losses resulting from the settlement of trading transactions in foreign currencies are recognised in 'Cost of sales' in the Consolidated Income Statement. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are shown on the face of the Consolidated Income Statement as 'Foreign exchange gain/(loss)'.

1.14 Turnover
Group turnover is measured at the fair value of the consideration received or receivable for goods and services supplied for all Group companies, net of value added and sales taxes, post office boxes, business reply licences invoiced in advance and unexpended credit on franking meters. International revenue is recognised at the point of mail despatch. 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.

Where the Group operates as an agent, only the amounts receivable for the services provided by the Group are recognised within Turnover in the Income Statement. Where the term "Gross Revenues" is used within these financial statements, this refers to the Turnover figures including customs clearance charges which are incurred then recharged to customers of the Jersey Post Group.

1.15 Other Non-Operating Income
Other non-operating income represents the value of rental income received and receivable from the lease of a property recognised over the life of the rental agreement.

1.16 Administrative Expenses
Included within administrative expenses is, amongst other costs, the GST expense, support services staff costs and marketing and distribution costs. Administrative expenses are recognised on an accruals basis.

1.17 Taxation
Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

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 reporting date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the reporting 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 reporting 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.

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 reporting date. Deferred tax is measured on a non-discounted basis.

1.18 Pension Costs
The Group operates only defined contribution schemes, though up to the 30 September 2015 it did operate a defined benefit scheme.

Both the Group and employees pay contributions into independently administered funds. The cost of providing these benefits, recognised in the income statement, comprises the amount of contributions payable to the scheme in respect of the year.

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 discloses transactions with related parties which are not wholly owned within the same Group. Where appropriate, transactions of a similar nature are aggregated unless, separate disclosure is necessary to understand the effect of the transactions on the Group Financial Statements.

1.21 Critical Judgements
The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, differ from the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Goodwill and Acquisition Costs
The fair value of assets acquired of subsidiaries is shown as net book value at acquisition. The calculation of the deferred consideration involved an estimation of future profits to be generated over a number of years.

Investment in Associates
Where the Group invests in an associate, as part of its global network, the Investment is initially recognised at cost. These investments are subject to equity accounting and therefore, their carrying value is adjusted for the Group's share of profit or loss (following the first year of investment), amortisation of the goodwill over five years and any impairments.

Impairment of Assets
On at least an annual basis and when indicators of impairment are present, a review of impairment is conducted on property, plant and equipment, intangible assets as well as any debt owed to the Group. When considering whether impairment is required, reference is made to the current value of the asset, useful life of the asset and age of the debt.

International Accruals
Within the creditor figure, the Group maintains an accrual in relation to its international trade for amounts owed to other administrations within the Universal Postal Union (UPU). This accrual is calculated in accordance with the Letter Post Article 29 for Terminal Dues. The UPU guidelines specifically states "…The debtor designated operator will not be obliged to accept CN61 detailed accounts that are not sent to it within ten months of the end of the year concerned (RL 239.5)".

Jersey Post has a policy to release provisions for charges once an agreed settlement is made with each administration.

Deferred Tax
In accordance with FRS 102 this has been recognised as a taxation expense in our Income Statement in relation to fixed asset timing differences.

Notes to the Financial Statements Continued

2. Turnover Analysis

	2018 Revenue	2017 Revenue
Postal & Logistics	32,815	30,852
Global Logistics	17,887	15,460
Digital	1,808	1,744
Turnover Total	**52,510**	**48,056**

3. Operating Profit for the year

	2018 £'000	2017 £'000
Operating profit for the year is stated after charging the following: Auditors' remuneration: - Audit	65	65
- Non Audit	9	8
Depreciation of tangible assets	1,425	1,415
Amortisation of intangible assets	599	438
Amortisation of goodwill	996	475
Defined contribution pension cost [1]	1,221	1,021
Expired UPU liability (see note 1.21)	-	(177)
Foreign exchange (gain)/loss included in Cost of Sales (see note 1.13)	(1)	58

[1] This includes amounts paid into the States of Jersey PECR scheme..

4. Staff costs

	2018 £'000	2017 £'000
Wages and Salaries	13,539	13,156
Employer Social Security costs	774	757
Employer Pension Contributions	1,229	1,022
Total	**15,542**	**14,935**

4. Staff costs (continued)

Employees

The average number of full time equivalent staff (FTE) (including executive Directors) employed by the Group during the year was:

	2018 No.	2017 No.
Operations	301	301
Administration and central functions	56	56
Total	**357**	**357**

Directors

The Directors' emoluments were as follows:

	2018 £'000	2017 £'000
Total salaries and short term benefits	350	436
Total post-employment benefits	32	29
Total	**382**	**465**

Highest paid director

The highest paid director's emoluments were as follows:

	2018 £'000	2017 £'000
Total salaries and short term benefits	205	253
Total post-employment benefits	17	17
Total	**223**	**270**

Key Management Compensation

Key management includes the Directors and members of senior management.
The compensation paid or payable to key management for employee's services is shown below:

	2018 £'000	2017 £'000
Salaries and other short-term benefits	934	830
Post-employment benefits	70	67
Total	**1,004**	**897**

Notes to the Financial Statements Continued

5. Interest and Dividends Receivable

	2018 £'000	2017 £'000
Bank and loan interest receivable	17	12
Dividends receivable	150	131
Total	**167**	**143**

6. Net movement on Investments

	2018 £'000	2017 £'000
Net realised (loss)/gain	(55)	12
Unrealised (loss)/gain	(307)	142
Net movement on Investments	**(362)**	**154**

	2018 £'000	2017 £'000
Proceeds from sales of investments made during the year	200	157
Original cost of investments sold during the year	(255)	(145)
(Loss)/gain realised on investments sold during the year	**(55)**	**12**

	2018 £'000	2017 £'000
Opening balance	2,584	2,311
Additions	324	276
Disposals	(255)	(145)
(Loss)/gain on re-measurement to fair value	(307)	142
Market value	**2,346**	**2,584**

7. Taxation

	2018 £'000	2017 £'000
Jersey/UK income tax		
Current charge	454	583
(Credit)/Charge in respect of prior years	-	32
Total current tax charge for the year	**454**	**615**
Deferred Taxation		
Charge for the year taken to the income statement	(22)	97
Charged to the income statement in respect of prior period	-	(132)
Total deferred tax charge for the year	**(22)**	**(35)**
Total tax charge for the year	**432**	**580**

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:

	2018 £'000	2017 £'000
Profit on ordinary activities before taxation	**165**	**2,302**
Tax on profit on ordinary activities at 20%	**33**	**460**

	2018 £'000	2017 £'000
Factors affecting tax charge for the year		
Fixed Asset timing differences	-	-
Difference on unrecognised deferred tax asset	-	-
Expenses not deductible for tax purposes	424	238
(Profit)/losses taxed at 0%	(96)	13
Losses utilised in the year	-	-
(Gains)/losses not taxable	71	(31)
Adjustment in respect of prior years	-	(100)
	399	120
Total current income tax charge for the year	**432**	**580**

Notes to the Financial Statements Continued

7. Taxation (continued)

Deferred Taxation	2018 £'000	2017 £'000
Total deferred taxation balance at 1 January	(370)	(405)
Credited/(charged) to income statement	22	(97)
Deferred Tax on acquisitions	-	-
(Charge)/Credit to the income statement in respect of prior periods	-	132
Total deferred tax balance at 31 December	**(348)**	**(370)**

Income tax expense computations are based on the jurisdictions in which profits were earned at the prevailing rates of tax in the respective jurisdictions. Jersey Post International Limited is subject to Jersey income tax at the standard rate of 0% (2017: 0%). The majority of the Group's profits are reported by Jersey Post Limited, a subsidiary of Jersey Post International Limited. Jersey Post Limited is subject to Jersey income tax at the rate of 20% (2017: 20%).

8. Tangible Assets

	Freehold land & buildings £'000	Improvements to leasehold property £'000	Plants, vehicles & equipment £'000	Total £'000
Cost				
At 1 January 2018	8,867	573	6,584	16,024
Reclassify b/f Cost	(15)	36	856	877
At 1 January 2018	8,852	609	7,440	16,901
Reclassify Assets	-	(569)	569	-
Additions	1,212	61	728	2,031
Disposals	-	-	(706)	(706)
At 31 December 2018	**10,064**	**101**	**8,031**	**18,226**
Accumulated Depreciation				
At 1 January 2018	2,953	571	2,582	6,106
Reclassify b/f Depreciation	(10)	25	862	877
At 1 January 2018	2,943	596	3,444	6,983
Reclassify Assets	-	(569)	569	-
Annual Charge	417	4	1,006	1,425
Disposals	-	-	(661)	(661)
At 31 December 2018	**3,360**	**31**	**4,358**	**7,747**
Net book value				
At 31 December 2018	**6,704**	**70**	**3,673**	**10,479**
At 31 December 2017	5,909	13	3,995	9,918

Included within the total net book value of £10,479,000 are assets held under hire purchase arrangements totalling £264,973 (2017:£198,510).

Notes to the Financial Statements Continued

9. Intangible Assets

	Software £'000	Total £'000
Cost		
At 1 January 2018	3,077	3,077
Additions	285	285
Disposals	(61)	(61)
At 31 December 2018	**3,301**	**3,301**
Accumulated amortisation		
At 1 January 2018	1,875	1,875
Annual Charge	599	599
Disposals	(61)	(61)
At 31 December 2018	**2,413**	**2,413**
Net book value		
At 31 December 2018	**888**	**888**
At 31 December 2017	1,202	1,202

The useful life of the software is based on its expected utilisation by the Group.

10. Goodwill

	Goodwill £'000	Total £'000
Cost		
At 1 January 2018	2,361	2,361
Additions	-	-
At 31 December 2018	**2,361**	**2,361**
Accumulated Depreciation		
At 1 January 2018	595	595
Annual Charge	475	475
At 31 December 2018	**1,070**	**1,070**
Net book value		
At 31 December 2018	**1,291**	**1,291**
At 31 December 2017	1,766	1,766

Notes to the Financial Statements Continued

11. Investments

	Cost b/f £'000	Additions £'000	Cost b/f £'000	Amortisation /Impairment £'000	Group's share of Profit and Loss £'000	C/f Book Value £'000
Associates	3,127	3,606	6,733	(605)	89	6,217
Joint Ventures	33	5	38	(17)	-	21
Total	**3,160**	**3,611**	**6,771**	**(622)**	**89**	**6,238**

12. Inventories

	2018 £'000	2017 £'000
Philatelic Stamp Inventory	274	245
Shop Inventory	19	19
Operational Stamp Inventory	55	21
Total	**348**	**285**

The total stock expense in the year is £344,083 (2017 £322,813).

13. Debtors

	2018 £'000	2017 £'000
Net trade debtors	7,811	6,462
Other debtors	1,685	1,228
Agency debtors	129	108
Fair Value of derivative instruments	107	-
Prepayments and accrued income	687	1,461
	10,419	**9,259**

14. Creditors: Amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	3,337	3,899
Other creditors	918	241
Obligations under finance leases and hire purchase contracts	43	43
Other tax and social security	173	174
GST and VAT	290	541
Corporation tax	453	540
Accruals and deferred income	20,169	17,015
Fair Value of derivative instruments	-	238
Deferred consideration on acquisition	344	82
	25,727	**22,773**

Included within accruals and deferred income are grants provided by The States of Jersey and Jersey Electricity Company Limited which have been received relating to electric vehicles and are being amortised to the Income Statement over the useful life of the assets to which they relate. In the current year, £8,450 (2017: £4,217) of this income has been recognised in the Consolidated Income Statement and the balance, at the year end, included within accruals and deferred income is £21,950 (2017: £15,400).

Notes to the Financial Statements Continued

15. Creditors: Amounts falling due after more than one year

	2018 £'000	2017 £'000
Obligation under finance lease and hire purchase	78	-
Deferred consideration on acquisition	84	123
	162	**123**

16. Deferred Tax

	2018 £'000	2017 £'000
The provision for deferred tax consists of the following deferred tax liabilities		
Accelerated capital Allowances	348	370
	348	**370**

17. Finance Lease Obligations

The future minimum finance lease payments are as follows:

	2018 £'000	2017 £'000
Not later than one year	43	43
Later than one year and not later than five years	78	-
Later than five years	-	-
	121	**43**

18. Operating Lease Commitments

The Group had future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2018			2017		
	Land & Buildings £'000	Other £'000	Total £'000	Land & Buildings £'000	Other £'000	Total £'000
Not later than 1 year	1,066	55	1,121	333	3	336
2-5 years	861	79	940	595	3	598
Over 5 years		36	36			0
Total	**1,927**	**170**	**2,097**	**928**	**6**	**934**

The total operating lease expense to the Group in the year was £517,995 (2017:£324,781)

19. Financial Instruments

	2018 £'000	2017 £'000
Financial assets measured at amortised cost		
- Debtors	10,312	7,798
Financial assets through profit or loss		
- Investments	2,346	2,584
- Cash	15,260	17,082
Derivatives		
- Forward foreign currency contracts	107	(237)
Financial liabilities measured at amortised cost		
- Creditors	(25,698)	(21,403)

The Group purchases forward foreign currency contracts to hedge currency exposure on liabilities to be settled in foreign currencies. The fair values of the derivatives held at the balance sheet date are determined by reference to their market values.

Notes to the Financial Statements Continued

20. Ordinary Share Capital

Reconciliation of funded status to balance sheet	2018 £'000	2017 £'000
Authorised, issued, allotted and fully paid		
5 million £1 ordinary shares	**5,000**	**5,000**

There is a single class of ordinary shares.

21. Reserves

Retained Earnings - This reserve records accumulated profits and realised losses.

22. Dividends Paid and payable

During the year dividends of £690,600 (2017: £721,800) were paid to the Shareholder.

	2018 £'000	2017 £'000
Declared and paid during the year:		
Final Dividend	691	722
Special Dividend	-	-
	691	**722**
Proposed for approval by the shareholder at the AGM:		
Final Dividend	**50**	**691**

23. Ultimate and Immediate Controlling Party

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

24. Related Party Transactions

Transactions with subsidiaries and associates
The Group provides multi-channel services to a number of different departments of the States of Jersey. Sales of £1,061,384 (2017: £685,286) and purchases of £2,010,571 (2017: £2,677,830) were made to departments in 2018. As at 31 December 2018, the amount owing to the States of Jersey was £161,785 and the amount owed from the States of Jersey was £148,952 (31 December 2017: £178,512 and £149,789 respectively). All services provided by the Group to the States of Jersey are provided on an arm's length basis. These included the Ports of Jersey transactions where Alan Merry, Chairman, is a Consultant.

Sales to Associates include A2B Limited £401,296 (2017: £388,891), Global e-Parcel Solutions LLC £1,729,343 (2017: £2,109,966), GTS £2,144 (2017: nil) and DAI £123,008 (2017: nil). As at 31 December 2018 the amount owed by Associates is A2B Limited £192,246 (2017: £100,047), Global e-Parcel Solutions LLC £690,861 (2017: £559,758), GTS £2,144 (2017: nil) and DAI £94,414 (2017: nil). During the year, the Group made loans totalling £65,000 to Associates additional to loans made in 2017 £330,000 (non-interest bearing and payable on demand). These amounts remained outstanding at 31 December 2018.

During the year, a rental agreement was signed with Latitude Consultancy Limited regarding space in our Broad Street Offices. Tim Barnes, Financial Director of Jersey Post International Limited, is Non-Executive Director of Latitude Consultancy Limited.

Total rent paid during the year was £739.

Under Section 33 FRS 102 the Group have applied the exemption from disclosing related party transactions and balances with companies within the mutual wholly owned Group.

25. Subsidiary Undertakings

As at 31 December 2018, JPIL was 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
Jersey Post (Broad Street) Limited	Property Holdings
Jersey Post (Rue des Pres) Limited	Property Holdings
Jersey Post (Parishes) Limited	Lease Holdings
Jersey Post Global Limited	Postal Operator
Jersey Post Global UK Limited	Postal Operator
Jersey Post International Development	Postal Operator
Ship2me Limited	Postal Operator
Fraser Freight Limited	Logistics Services
Heathrow Import Clearance Services Limited	Customs Import Broker
Jersey Post Global Logistics Pty ltd	Investment Holdings
Jersey Post Global Logistics Inc	Investment Holdings

In accordance with Article 105(11) of the Companies (Jersey) Law 1991, the Company is no longer required to prepare separate company only accounts for the Jersey based entities, as consolidated accounts have been prepared. All the above subsidiaries are included in the consolidation.

Notes to the Financial Statements Continued

26. 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 4.

27. Other Financial Commitments

Heathrow Imports Clearance Services Limited, a subsidiary undertaking, has a counter indemnity given to its bank of £20,000 in respect of bonds in favour of HM Revenue & Customs for deferred duty and VAT. The Group has committed to loan Parcel Monkey Holdings Limited, an Associate, up to £500,000 of which £300,000 has already been advanced.

28. Cashflow workings

	2018 £'000	2017 £'000
(Loss)/profit after tax	**(267)**	**1,722**
Taxation	432	580
Net movement on investment	362	(154)
Other non-operating income	(64)	(78)
Interest and dividend receivable	(167)	(143)
Foreign Exchange (loss)/gain	171	(288)
Operating Profit	**467**	**1,639**
Depreciation charge	1,425	1,414
Gain/(Loss) on disposal of fixed assets	14	(54)
Amortisation charge	1,595	913
Other non-operating income	64	78
Release of provision	-	-
(Increase)/Decrease in Inventory	(63)	(22)
(Increase)/Decrease in Debtors	(113)	(595)
Increase/(Decrease) in Creditors	2,016	4,908
Increase/(Decrease) in Provisions	-	-
Net cash in from operating activities	**5,405**	**8,281**

*There is no impact on the Gross or Net profit.

Five Year Summary

	Units	2018	2017	2016	2015	2014
Balance Sheet						
Shareholder's funds	£'000	**21,032**	**21,990**	20,990	19,780	15,255
Profit & Loss Account						
Gross Turnover*	£000	**55,462**	**53,132**	42,356	37,717	35,425
Net Turnover*	£000	**52,510**	**48,056**	39,940	35,109	34,294
Operating profit before pension charge	£000	**467**	**1,639**	1,318	1,276	1,209
Gross margin	%	**17.2%**	**17.6%**	17.7%	21.0%	21.0%
Operating profit	%	**0.5%**	**3.1%**	3.1%	3.4%	3.4%
Profit before tax	£000	**165**	**2,302**	2,404	927	192
Dividend payable to Shareholder on the basis of the year's financial performance	£000	**50**	**691**	722	278	177
Operational statistics						
Mail volumes	million	**31**	**33**	34	38	39
Number of post offices	number	**21**	**21**	21	21	21
Cost of a local stamp	pence	**50**	**49**	48	47	46
Cost of a UK stamp	pence	**65**	**63**	60	57	56
Number of staff (FTEs)	number	**357**	**357**	337	341	351
Staff costs	£million	**15.6**	**14.9**	14.0	14.7	14.2
Average cost of employee	£000	**44**	**41**	40	46	41

* Included within Gross Turnover are amounts relating to customs clearance charges incurred and recharged to our customers. Within the Financial Statements these transactions have been reclassified to reflect that the Group is acting as an agent and not the principal.

Notes

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