JERSEY POST INTERNATIONAL LIMITED

Business Review for the year ended 31 December 2019

Jersey Post

www.jerseypost.com

CONTENTS

DIRECTORS, OFFICERS AND ADVISORS

Directors of Jersey Post International Limited

Alan Merry
Non-Executive Chairman

Tim Brown CD, FCILT, CPFA
Chief Executive Officer

Tim Barnes, ACMA
Finance Director

Chris Evans
(resigned 3 May 2019)
Non-Executive

Donal Duff BAAF, FCA, AMCT
(resigned 29 November 2019)
Non-Executive

Sue Barton
Non-Executive

Aaron Chatterley
Non-Executive

Gavin Macrae
Senior Independent Non-Executive

Martin Magee
(appointed 1 November 2019)
Non-Executive

Company Secretary

Tim Barnes, ACMA

Independent Auditor

Menzies LLP
Chartered Accountants & Statutory Auditor
3000a Parkway
Whiteley
HANTS / 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
CD, 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 has a wealth of experience with 20 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 Government of Jersey committees specifically tasked with examining diversification opportunities for the Island.

Donal Duff Non-Executive Director
BAAF, FCA, AMCT

Non-Executive, Donal is a qualified Chartered Accountant and an Associate Member of the Institute of Corporate Treasurers in the UK. He spent eight 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 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 has most recently been operating as an independent advisor to Accenture supporting their Global Postal Industry team.

Gavin Macrae Non-Executive Director

Senior 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. These include organisations as diverse as Digital Europe, Quadient, the UK Ministry of Defence, Postcomm, Royal Mail, TNT and the Universal Postal Union. He is currently Chief Executive Officer of Postal & Logistics Consulting Worldwide (PLCWW), a specialist industry consultancy serving the postal and logistics industry, as well as the Founder and Managing Partner of Pine Monkey Associates Ltd., a newly established agency working in the e-commerce and technology arena.

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. He 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.

Martin Magee Non-Executive Director

Non-Executive, Martin qualified in the Institute of Charted Accountants of Scotland in 1984. He is currently Finance Director at Jersey Electricity plc which is listed on London Stock Exchange and is also Non-Executive Chairman of Aberdeen Standard Capital Offshore Strategy Fund Limited. Martin previously worked in senior finance roles in both the utilities and hotels sectors in listed plc's prior to coming to Jersey in 2002.

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

"We are optimistic about Vaiie's potential to add real value to both the business and our customers on and off the Island."

CHAIRMAN'S STATEMENT

When writing an annual statement, the aim is normally to keep the focus primarily on the year in question. However, this year I feel it is impossible to ignore the massive challenges we all face as we work our way through the COVID-19 pandemic, and the impact of this will unfold over the next few months. However, I have confidence in the team's ability to rise to the challenges that we will undoubtedly face.

In my 2018 statement, I ended by underlining the on-going issues we face as a business tempered with optimism over the establishment and growth of our international business, and these core messages continued into 2019. It has been another tough trading year with a faster than expected decline in our core letter business and lower volumes through increased competition impacting on what is a growing parcels business. Our international business continues to develop, which underlines the importance of our diversification strategy. However, what comes with this is exposure to a wide range of international competitive pressures, including Brexit, which have impacted on international trade and on our levels of planned growth. Turnover increased marginally to £53.6m and gross profit dropped to £8.2m however, with a relatively fixed cost base, mainly in the core business, the net result is that the business is reporting a net loss for the year.

Yet, it has also been a year in which we have seen significant progress in a number of key areas of the business. The team has been successful, working with the Trade Union, in developing new working practices that enable the business to allocate resources more flexibly to, what can be, rapidly changing workloads. This success underlines the value of truly collaborative working and bodes well for the future.

Our digital business, now rebranded as Vaiie, has established itself in the marketplace and its contribution to the business grew by 20%. We are optimistic about Vaiie's potential to add real value to both the business and our customers on and off the Island.

The traditional postal business now accounts for around 40% of our revenues whilst our international business has grown to nearly the same figure. One of our key strategies is to diversify internationally in order to fund the core services that we all enjoy on the Island. These figures show just how important taking that strategic decision was, as we see the core business continue to decline.

As referred to earlier, one of the hazards associated with international trade is that we are exposed to risks that are largely outside our control. The most obvious is Brexit but so too, has been the impact of the USA's sanctions on China and their commercial tactics in negotiations with the Universal Postal Union. The former had a negative impact on A2B, our network partner in Hong Kong, and the latter impacted on our local logistics customers with the imposition of significant price increases for parcel traffic. Our only option is to put in place measures to mitigate the impact. However, the sad reality is, that this will have a significant impact on our local logistics customers who currently account for about 20% of our revenues.

On a more positive note, our USA and Australia-based network partners are close to securing significant contracts in the USA for delivery into Latin America and Australia. This emphasises the importance of our ability to be agile in how we respond to the challenges whilst, at the same time, be in a position to take advantage of the significant opportunities that exist in the international marketplace. The Board's view is that we are well placed to do both.

It is also satisfying to see progress on a range of opportunities to work collaboratively with the Government of Jersey. The work done by the team in developing joint solutions is really important for the Island and, will be even more so, as we start the process of coming out of the current COVID-19 crisis.

In spite of the challenges faced in 2019, one big positive for the Board has been the way in which the team has continued to focus on delivering the core services to the Island, whilst managing the challenges faced in the development of our international network. In addition to thanking the team, it is also appropriate to note the retirement from the Board of Chris Evans and Donal Duff and to thank them for their valuable contribution to the business over many years.

We have now transformed into a truly international business but one that clearly understands and values the importance of our Jersey roots. Whilst we can be certain that we will continue to face significant challenges this year, we can also have confidence in the strategy we have adopted and in the team's ability to adapt to these.

Finally, as a Board, we are all massively proud of the way the entire 'JP Team' has responded to the issues posed by COVID-19. They continue to provide a high-quality service to the Island (including handling the massive increase in online shopping that we are all contributing to!) and also, in these difficult times, for their personal initiatives and activities which are providing highly valued support to the community as a whole.

Alan Merry Chairman
3 July 2020

STRATEGIC REPORT

This report is being written and produced at a time when the world faces challenges from the COVID-19 pandemic that has affected individuals and businesses across the world.

Over the last few years, Jersey Post has transformed itself from a local post office providing mail-based services in a rapidly declining market, into a truly international business, servicing the needs of the cross-border e-commerce markets not only in Jersey but around the world. We have also established a separate digital business that serves the online communication and regulatory space of businesses in Jersey and in Europe. This transformation has provided greater opportunity and helps fund the universal service obligation in Jersey.

However, a global business means that in 2019 we were subject to worldwide challenges such as trade disagreements, the UK's exit from the EU, challenges in Hong Kong, and now the 2020 pandemic. In the long run, we see that the difficulties brought on by self-isolation, working from home and threats to old fashioned bricks and mortar businesses will mean that our focus on international trade and digital business streams will set us in good stead for a sustainable future, enabling us to invest in the heart of the business and meeting the needs of Jersey.

However, in 2019 we faced a faster than expected decline in our core letters business and slower than budgeted increase in our new streams, primarily caused by the uncertainties around Brexit and challenges in China and Hong Kong.

2019 was the fiftieth anniversary of Jersey Post, created in 1969. As we leave our fiftieth year and start our next fifty, the immediate and long-term future contains significant challenges made more stark by the first few months of 2020. 2019 was also the tenth continuous year of core volume decline, which in recent years has been offset by our international and digital businesses. The need to diversify has never been more important, but the business world is becoming ever more volatile.

Our businesses were under pressure in 2019
The year was a challenging and disappointing year overall with core volumes declining faster than anticipated and new business growing but not as fast as anticipated. Whilst the strategic direction being taken continues to be the right one for Jersey Post, we see the full benefits taking longer, especially given the vagaries of the global markets.

We run our business across three streams: on Island Postal and Logistics; international (Global Logistics); and digital. Performance varied across and within these streams:

- **Postal** now represents less than 40%, a fall on 2018. Postal volumes fell by a net 8%, with the biggest falls in volume leaving the island. Surprisingly, we also saw a significant fall in inbound parcels which was a sign of the fierce competition on the island in this space including from lifestyle courier-based firms. In the longer term we consider that maintaining a professional delivery force and providing flexible delivery solutions will see this reverse;
- On-Island **Logistics**, almost ten years after the ending of LVCR, continues to grow with volume increasing by over 14%. This stream now represents almost a fifth of our total business and is a sign of the strength of this industry in Jersey. Some 95% of this traffic goes to non-UK destinations. However, increases in the amount Jersey Post pays for the final mile delivery, caused by decisions taken by the Universal Postal Union in September last year, introduces real challenges for our customers and threatens this business. We continue to work with this industry to seek alternative solutions;
- **Global Logistics** operates across the world including the UK, US and Latin America, Hong Kong and China and Australia through a network of partners. It now represents over a third of revenue (marginally up on 2018). We saw good performance across the board with our international investments increasing their contribution by over 300%. In the UK we saw a dip in profits, as we invested in an additional 80,000 square feet of warehousing space in Fareham Reach for fulfilment and storage (giving us a total of 120,000 square feet in the region). This space serves both UK and European customers including British Aerospace, Airbus and Taylor Made Golf.
- The year was one of consolidation for our digital business seeing a 20% growth in revenue. During the year, we invested heavily in our digital services in Regtech, Enterprise Portals and communications. Our digital business is working on opportunities here in Jersey, Guernsey and Europe. It is also partnering with technology partners here and from Italy.

Our business continues to be an increasingly international business:

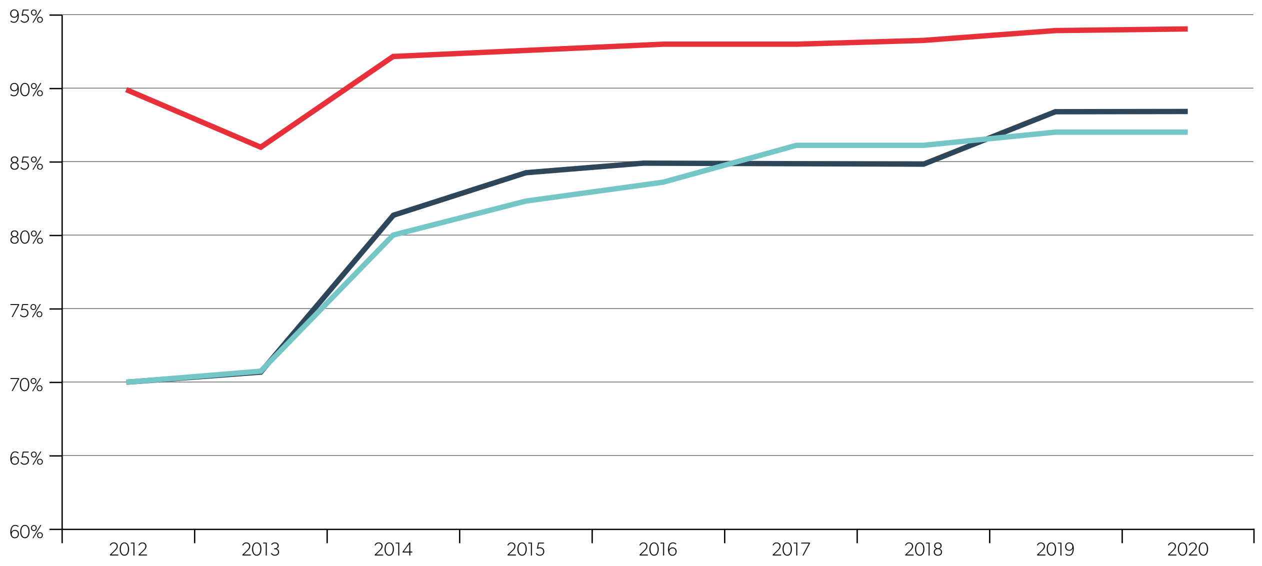
Source of revenue by:	Origin % 2019 (2018)	Destination % 2019 (2018)
Jersey	40 (40)	41 (40)
UK	53 (52)	20 (17)
Europe	2 (3)	24 (25)
North America	4 (4)	6 (7)
Far East	0 (1)	2 (5)
Rest of World	0 (0)	7 (6)

Whilst we leave 2019 with many opportunities and are optimistic about the future, there are a few key issues that the business needs to address. Fixed costs with declining volumes are a threat to profitability and sustainability in some parts of our core business. Ensuring the longer-term sustainability of our Universal Service Obligation for 2020 and beyond will require significant changes to our infrastructure and some hard decisions.

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

1. What you tell us:
This year is our ninth Island-wide customer survey and we are proud and honoured with the results. Yet again we saw high ratings, especially for postmen and women; a truly professional group of people delivering an essential service.

Percentage of 2019 survey respondents that answered good or very good



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 had been a challenging year and we saw year-on-year improvement in 2019, meeting or exceeding seven targets (five in 2018). We continue to take steps to improve quality of service including the recruitment of additional permanent staff.

2019		JE-JE	UK-JE	JE-UK	GY-JE	JE-GY
J + 1/D + O	Actual	**93.2%**	36.3%	**85.0%**	**81.8%**	**85.7%**
	Target	95.0%	n/a	82.0%	82.0%	82.0%
J + 3/D + 2	Actual	**99.7%**	**91.6%**	**98.8%**	**99.4%**	**99.2%**
	Target	99.0%	95.0%	95.0%	97.0%	97.0%

3. What issues our customers have raised during the year:
In 2019 we received 5.2 enquiries for every 50,000 items delivered. The two biggest areas of complaint were around failures in our SecureDrop service and misdelivery.

From our survey, the three key themes from the free text element were:

- **Delivery staff:** praise for the staff, their efficiency, manners, smile and good humour in spite of one of the wettest winters in a long time. The postal workers are seen as an integral part of the community and are really loved by the public. They are such an integral element of the brand and company position within the community;
- **General praise and thanks:** comments thanking Jersey Post and recognising that there has been hard work and steady service improvement over the last few years. There were a fair number of positive comparisons drawn, and customers highlighted the great job that has been done to mitigate the challenges that face Jersey Post;
- **Saturday deliveries:** despite being stopped over 10 years ago this still appears to be a bone of contention for customers. The main concern is that items from the UK may not arrive on time for birthdays, Easter, weddings etc, and if there are bank holidays it adds to the delay.

We use the feedback from all our reporting but in particular the customer survey and customer complaints to focus our customer improvement plans for 2020.

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

Our staff chose JSPCA as our charity for 2019, and we raised over £20,000.

We congratulate Team Jersey at the Gibraltar Island Games where they came first. A great result for the team and the individual athletes.

We also continued with our support of Jersey Cricket.

We are proud of our professional people and recognise the role they play in making us a success
Any business is made up of its people, be it here in Jersey or in the UK or the USA. We are proud of their dedication and professionalism. It is in Jersey that we employ the most, principally as postmen and women. However, it is from Jersey that we lead and support our worldwide network with operations not only in the UK and USA but also in Hong Kong, Australia, Singapore and Latin America. We are truly a global and cosmopolitan business.

This is the fourth year of reporting a breakdown of staff by gender. We have a policy of equal opportunity and strive for a more diverse workforce. 2019 saw an increase greater than we have seen for a long time with the business having 23.51% (20.9% in 2018) of its employees being women. Whilst an improvement, we recognise that this is not good enough as we will miss out on talented people that would add considerable expertise, skills and knowledge to our business. As such we continue to be committed to seeing practical changes in what we do, and how we do it, to encourage a more diverse range of people to join our business.

The outlook is challenging and somewhat unknown, but we believe we are in a good place to come out of the current situation stronger.
The next six to twelve months are crucial to our long-term viability. The duration of the pandemic and the speed of economic recovery will determine our short-term financial position. Our strategy which sees diversification in Jersey, continuing to build our cross-border e-commerce network and diversifying evermore into offering digital solutions, is what will see us creating a sustainable business able to provide a service to the people of Jersey and ultimately a return to our shareholder. However, the short-term challenges we are facing will mean we will need to examine more radical, and implement more quickly, solutions to some of our core underlying challenges where we may still have high fixed costs and uneconomic activity.

Tim Brown CEO
3 July 2020

"Global Logistics operates across the world including the UK, US and Latin America, Hong Kong and China and Australia through a network of partners."

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. All Non-Executive Directors have all been appointed or reappointed within the last three 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 Ltd, 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 2019	4	4	2	1
Alan Merry	4	-	2	1
Tim Brown	4	-	-	-
Tim Barnes	4	-	-	-
Donal Duff*	4	4	2	1
Chris Evans*	3	-	1	-
Susan Barton	4	4	-	1
Aaron Chatterley	3	-	-	1
Gavin Macrae	4	4	-	1
Martin Magee	1	1	-	1

*Chris Evans resigned from Remuneration Committee on 3 May 2019
Donal Duff resigned from Audit, Remuneration and Nomination Committees on 29 November 2019

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 3 July 2020.

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.

The Audit Committee was chaired by Donal Duff during 2019. Donal retired by rotation at the end of 2019 and has been replaced by Martin Magee. Other members during the year were Susan Barton, Gavin Macrae and Martin Magee. The meetings are attended by invitation by the external auditor, the Finance Director and, from time to time, other senior executives.

At its meeting on 3 April 2020, the Committee received and reviewed the Company's 2019 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 Going Concern principle;
- Taxation disclosures including accounting for deferred taxation;
- UPU SDR accrual;
- Holding value of Fraser Freight and HICS and
- Holding value of Investments in GePS, A2B, Parcel Monkey, DAI and APG.

The Audit Committee considered whether the 2019 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 July 2020.

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 2019 with one new appointment made and one further vacancy is pending.

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 2019 is set out below, together with comparatives for 2018:

	Salary/Fees £'000	Bonuses[3] £'000	Benefit in Kind[1] £'000	2019 Total £'000	2018 Total £'000
Executive Directors					
Tim Brown	214[2]	40	15	269	223
Tim Barnes	142	21	21	184	159
Total	356	61	36	453	382
Non-Executive Directors					
Alan Merry	40	-	-	40	40
Susan Barton	15	-	-	15	15
Aaron Chatterley	15	-	-	15	15
Donal Duff	20	-	-	20	20
Chris Evans	5	-	-	5*	15
Martin Magee	3	-	-	3*	-
Gavin Macrae	25	-	-	25	20
Total	123	-	-	123	125

*Part year

External Appointments
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
None

[1] The benefit in kind received by the Executive Directors comprises the contribution payable into the pension schemes and health insurance.
[2] Includes accommodation and pension allowances.
[3] In 2018, the directors elected to waive all bonus payments due to them. For 2019 the directors bonuses exclude any amounts relating to the financial performance of the business.

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
- All other staff.

The total amount of bonuses earned relating to 2019 for the above three schemes was £608,790 (2018: £362,811).

During 2019, the Company provided £20,036 (2018: £20,165) 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 £17,498 (2018: £17,258). Out of its total employees in Jersey Post (excluding acquisitions) 23.51% (20.9% in 2018) 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 5.02% more than female employees (2018: 3.16%). However, at management levels male employees are paid 16.82% more than female employees (2018: 12.82%). 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. Clearly with the current COVID-19 virus, our usual commercial risks are heightened and are considered, however, the underlying impact of the current situation is taking precedent to ensure the safety and well-being of our staff and customers.

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 July 2020

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 2019.

Principal Activity
The principal activities of the Group are that 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 24. 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 10-13.

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

Dividends
An ordinary dividend will not be recommended by the Directors for 2019 at the AGM to be held on 9 July 2020 (2018: £49,500).

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 18 and 19.

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 continued the 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 current COVID-19 pandemic is not factored into these plans as the long-term impact at this time is unknown. However, based on recent trading observations and taking account of worst-case projections, the business believes it has a sufficiently strong balance sheet and reserves to support itself through this difficult time. Furthermore, the Government of Jersey, the shareholder, has declared the post office as an essential service and given its support to the group securing funding and bank facilities should they be required. 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 2022.

Annual General Meeting
The AGM will be held at the Post Office, Broad Street, St Helier on 9 July 2020.

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 2019. A resolution to appoint Menzies LLP as independent auditors for the year ending 31 December 2020 will be proposed at the AGM on 9 July 2020.

This statement was approved by the Board of Directors of Jersey Post International Limited on 3 July 2020 and was signed on their behalf by:

Tim Barnes
Company Secretary
3 July 2020

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 24-48.

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

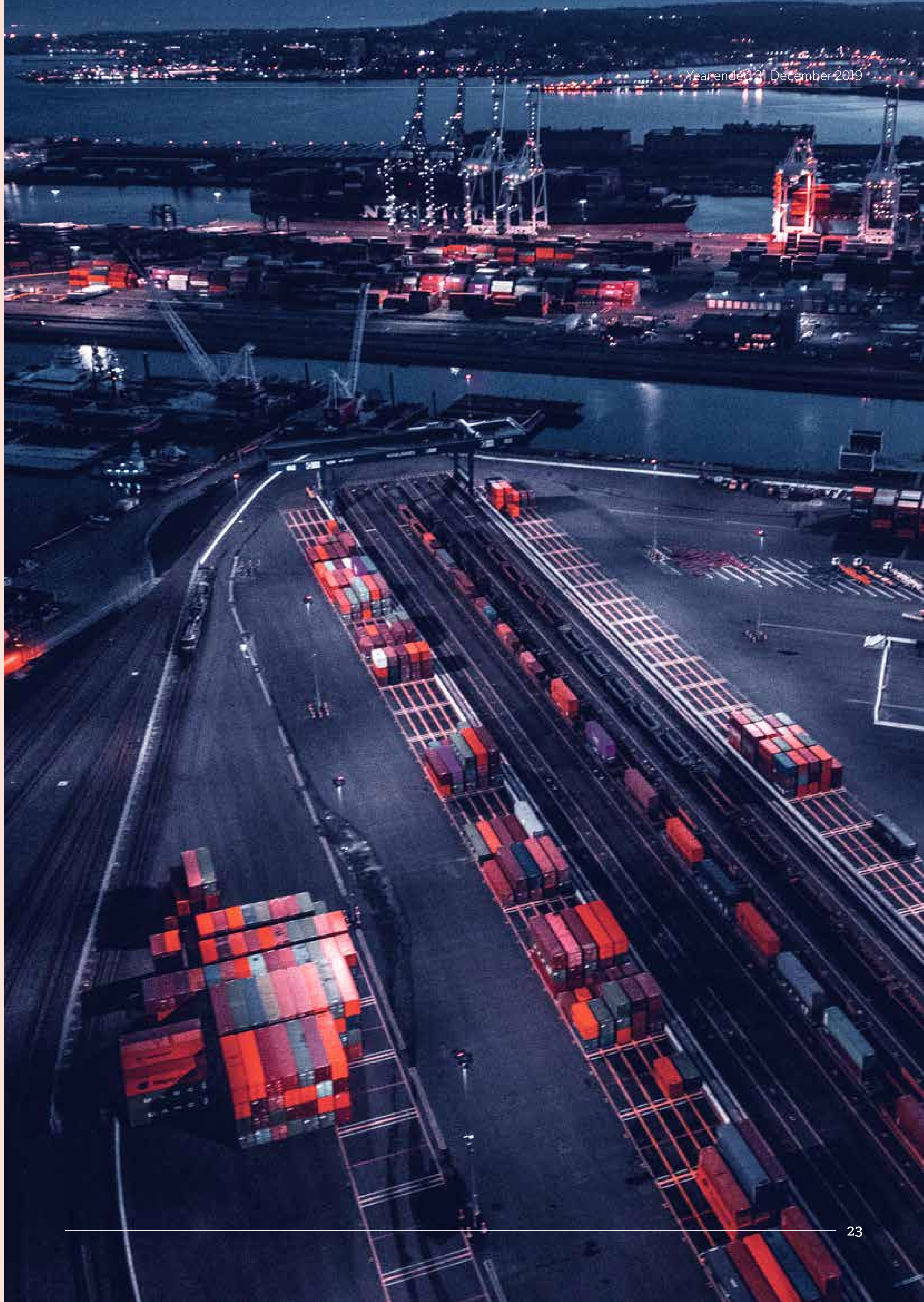
Our responsibility is to report to you our opinion on the consistency of the summary financial statements with the full annual financial statements and the Director's Report.

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 Director's Report.

Opinion
In our opinion, the summary financial statements are consistent with the full annual financial statements and the Director's Report of Jersey Post International Limited for the year ended 31 December 2019.

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

Date 3 July 2020



CONSOLIDATED INCOME STATEMENT

Year Ended 31 December	Note	2019 £'000	2018 £'000
Turnover	2	53,607	52,510
Cost of Sales		(45,393)	(43,436)
Gross Profit		**8,214**	**9,074**
Administrative Expenses		(9,663)	(8,607)
Release of provision		-	-
Operating (Loss)/Profit	3	**(1,449)**	**467**
Other non-operating income		95	64
Foreign exchange (loss)/gain		26	(171)
Interest and Dividends Receivable	5	207	167
Net movement on investments	6	263	(362)
(Loss)/Profit on ordinary activities before taxation		**(858)**	**165**
Taxation	7	(75)	(432)
Loss for the year		**(933)**	**(267)**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year Ended 31 December	Note	2019 £'000	2018 £'000
Loss for the year		(933)	(267)
Total comprehensive income for the year		**(933)**	**(267)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Year Ended 31 December	Note	2019 £'000	2018 £'000
Fixed Assets			
Tangible Assets	8	9,913	10,479
Intangible Assets	9	1,011	888
Goodwill	10	817	1,291
Investments	11	5,339	6,238
Total Fixed Assets		**17,080**	**18,896**
Current Assets			
Inventories	12	146	348
Debtors	13	11,156	10,419
Equity Investments	6	2,747	2,346
Cash and cash equivalents		13,781	15,260
Total Current Assets		**27,830**	**28,373**
Creditors			
Amounts falling due within one year	14	(24,372)	(25,727)
Net Current Assets		**3,458**	**2,646**
Total assets less current liabilities		**20,538**	**21,542**
Creditors: Amounts falling due after one year	15	(172)	(162)
Deferred Tax	16	(317)	(348)
Net Assets		**20,049**	**21,032**
Capital and reserves			
Ordinary Share Capital	20	5,000	5,000
Retained earnings		15,049	16,032
Total Equity		**20,049**	**21,032**

The basis of preparation of these Financial Statements is set out on page 30, and the notes on pages 30-48 form an integral part of these Financial Statements.

The Financial Statements were authorised and approved for issue by the Board of Directors on 3 July 2020 and were signed on its behalf by:

Tim Brown
Chief Executive Officer
3 July 2020

Tim Barnes
Finance Director
3 July 2020

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year Ended 31 December 2019	Note	Share Capital £'000	Retained Earnings £'000	Total £'000
Balance as at 1 January 2019		**5,000**	**16,032**	**21,032**
Total comprehensive income for the year		-	(933)	(933)
Dividends	22	-	(50)	(50)
Balance as at 31 December 2019		**5,000**	**15,049**	**20,049**

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**

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended 31 December 2019	Note	2019 £'000	2018 £'000
Net cash generated from operating activities before tax	**28**	**611**	**5,405**
Taxation paid		**(488)**	**(540)**
Net cash generated from operating activities after tax		**123**	**4,865**
Cash flows from investing activities			
Purchases of tangible assets	8	(1,065)	(2,031)
Purchases of intangible assets	9	(495)	(285)
Proceeds from disposals of tangible assets		44	59
Purchase of subsidiaries		-	-
Purchases of current asset investments		(221)	(324)
Purchase of unquoted equity investments	11	(131)	(3,611)
Proceeds from disposals of current assets investments	6	83	200
Interest received	5	57	17
Other non-operating income		-	-
Dividends received on investments	5	150	150
Net cash used in investing activities		**(1,578)**	**(5,825)**
Cash flows from financing activities			
Dividends paid	22	(50)	(691)
Net cash used in financing activities		**(50)**	**(691)**
Net increase/(decrease) in cash and cash equivalents		**(1,505)**	**(1,651)**
Cash and cash equivalents at beginning of year		15,260	17,082
Foreign exchange gain/(loss) on cash and cash equivalents		26	(171)
Cash and cash equivalents at end of year		**13,781**	**15,260**
Cash and cash equivalents comprise:			
Cash at bank and in hand		4,409	10,564
Short-term deposits		9,372	4,696
Cash and cash equivalents		**13,781**	**15,260**

"The postal workers are seen as an integral part of the community and are really loved by the public."

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 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
10 – 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 the 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)

1.10 Financial Instruments (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. Philatelic stock is measured as the cost of production (design and print) and amortised over the life of each stamp issue (two years).

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

	2019 Revenue	2018 Revenue
Postal & Logistics	32,590	32,815
Global Logistics	18,841	17,887
Digital	2,176	1,808
Turnover Total	**53,607**	**52,510**

3. OPERATING PROFIT FOR THE YEAR

	2019 £'000	2018 £'000
Operating profit for the year is stated after charging the following: Auditor's remuneration: - Audit	68	65
- Non-Audit	1	9
Depreciation of tangible assets	1,590	1,425
Amortisation of intangible assets	372	599
Amortisation of goodwill	1,480	996
Pension cost	1,204	1,229
Foreign exchange (gain)/loss included in Cost of Sales (see note 1.13)	-	(1)

4. STAFF COSTS

	2019 £'000	2018 £'000
Wages and Salaries	14,575	13,539
Employer Social Security costs	778	774
Employer Pension Contributions	1,204	1,229
Total	**16,557**	**15,542**

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:

	2019 No.	2018 No.
Operations	312	301
Administration and central functions	54	56
Total	**366**	**357**

Directors

The Directors' emoluments were as follows:

	2019 £'000	2018 £'000
Total salaries and short-term benefits	430	350
Total post-employment benefits	23	32
Total	**453**	**382**

Highest paid Director

The highest paid Director's emoluments were as follows:

	2019 £'000	2018 £'000
Total salaries and short-term benefits	260	206
Total post-employment benefits	9	17
Total	**269**	**223**

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:

	2019 £'000	2018 £'000
Salaries and other short-term benefits	1,114	934
Post-employment benefits	107	70
Total	**1,221**	**1,004**

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. INTEREST AND DIVIDENDS RECEIVABLE

	2019 £'000	2018 £'000
Bank and loan interest receivable	57	17
Dividends receivable	150	150
Total	**207**	**167**

6. NET MOVEMENT ON INVESTMENTS

	2019 £'000	2018 £'000
Net realised (loss)/gain	(38)	(55)
Unrealised (loss)/gain	301	(307)
Net movement on Investments	**263**	**(362)**

	2019 £'000	2018 £'000
Proceeds from sales of investments made during the year	83	200
Original cost of investments sold during the year	(121)	(255)
(Loss)/gain realised on investments sold during the year	**(38)**	**(55)**

	2019 £'000	2018 £'000
Opening balance	2,346	2,584
Additions	221	324
Disposals	(121)	(255)
(Loss)/gain on re-measurement to fair value	301	(307)
Market value	**2,747**	**2,346**

7. TAXATION

	2019 £'000	2018 £'000
Jersey/UK income tax		
Current charge	99	454
(Credit)/Charge in respect of prior years	7	-
Total current tax charge for the year	**106**	**454**
Deferred Taxation		
Charge for the year taken to the income statement	(7)	(22)
Charged to the income statement in respect of prior period	(24)	-
Total deferred tax charge for the year	**(31)**	**(22)**
Total tax charge for the year	**75**	**432**
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:		
Profit on ordinary activities before taxation	**(858)**	**165**
Tax on profit on ordinary activities at 20%	**(172)**	**33**
Factors affecting tax charge for the year		
Fixed Asset timing differences	-	-
Difference on unrecognised deferred tax asset	-	-
Expenses not deductible for tax purposes	412	424
(Profit)/losses taxed at 0%	(259)	(96)
Losses utilised in the year	-	-
(Gains)/losses not taxable	101	71
Adjustment in respect of prior years	(7)	-
	247	399
Total current income tax charge for the year	**75**	**432**

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. TAXATION (continued)

Deferred Taxation	2019 £'000	2018 £'000
Total deferred taxation balance at 1 January	(348)	(370)
Credited/(charged) to income statement	7	22
Deferred Tax on acquisitions	-	-
(Charge)/Credit to the income statement in respect of prior periods	24	-
Total deferred tax balance at 31 December	**(317)**	**(348)**

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% (2018: 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% (2018: 20%).

8. TANGIBLE ASSETS

	Freehold land & buildings £'000	Improvements to leasehold property £'000	Plants, vehicles & equipment £'000	Total £'000
Cost				
At 1 January 2019	10,064	101	8,031	18,196
Reclassify b/f Cost			32	32
At 1 January 2019	10,064	101	8,063	18,228
Reclassify Assets	-		25	25
Additions	4	101	960	1,065
Disposals	-	-	(413)	(413)
At 31 December 2019	**10,068**	**202**	**8,635**	**18,905**
Accumulated Depreciation				
At 1 January 2019	3,360	31	4,358	7,749
Reclassify Assets	-			-
Annual Charge	484	33	1,073	1,590
Disposals	-	-	(347)	(347)
At 31 December 2019	**3,844**	**64**	**5,084**	**8,992**
Net book value				
At 31 December 2019	**6,224**	**138**	**3,551**	**9,913**
At 31 December 2018	6,704	70	3,705	10,479

Included within the total net book value of £9,913,000 are assets held under hire purchase arrangements totalling £267,405 (2018: £264,973).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. INTANGIBLE ASSETS

	Software £'000	Total £'000
Cost		
At 1 January 2019	3,301	3,301
Additions	495	495
Disposals	(128)	(128)
At 31 December 2019	**3,668**	**3,668**
Accumulated amortisation		
At 1 January 2019	2,413	2,413
Annual Charge	372	372
Disposals	(128)	(128)
At 31 December 2019	**2,657**	**2,657**
Net book value		
At 31 December 2019	**1,011**	**1,011**
At 31 December 2018	888	888

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 2019	2,361	2,361
Additions	-	-
At 31 December 2019	**2,361**	**2,361**
Accumulated Depreciation		
At 1 January 2019	1,070	1,070
Annual Charge	474	474
At 31 December 2019	**1,544**	**1,544**
Net book value		
At 31 December 2019	**817**	**817**
At 31 December 2018	1,291	1,291

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. INVESTMENTS

	Cost b/f £'000	Additions £'000	Impairment £'000	Cost b/f £'000	Amortisation £'000	Group's share of Profit and Loss £'000	C/f Book Value £'000
Associates	6,733	116	-	6,849	(1,942)	417	5,324
Joint Ventures	26	15	(26)	15	-	-	15
Total	**6,759**	**131**	**(26)**	**6,864**	**(1,942)**	**417**	**5,339**

12. INVENTORIES

	2019 £'000	2018 £'000
Philatelic Stamp Inventory	105	274
Shop Inventory	19	19
Operational Stamp Inventory	22	55
Total	**146**	**348**

13. DEBTORS

	2019 £'000	2018 £'000
Net trade debtors	8,286	7,811
Other debtors	1,865	1,685
Agency debtors	159	129
Fair Value of derivative instruments	-	107
Prepayments and accrued income	846	687
	11,156	**10,419**

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £'000	2018 £'000
Trade creditors	1,703	3,337
Other creditors	575	918
Obligations under finance leases and hire purchase contracts	59	43
Other tax and social security	194	173
GST and VAT	190	290
Corporation tax	75	453
Accruals and deferred income	20,719	20,169
Fair Value of derivative instruments	503	-
Deferred consideration on acquisition	354	344
	24,372	**25,727**

Included within accruals and deferred income are grants provided by The Government of Jersey and Jersey Electricity plc 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 £7,200 (2018: £8,450) 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 £14,750 (2018: £21,950).

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2019 £'000	2018 £'000
Obligation under finance lease and hire purchase	130	78
Deferred consideration on acquisition	42	84
	172	**162**

16. DEFERRED TAX

	2019 £'000	2018 £'000
The provision for deferred tax consists of the following deferred tax liabilities		
Accelerated capital allowances	317	348
	317	**348**

17. FINANCE LEASE OBLIGATIONS

The future minimum finance lease payments are as follows:

	2019 £'000	2018 £'000
Not later than one year	75	43
Later than one year and not later than five years	114	78
Later than five years	-	-
	189	**121**

18. OPERATING LEASE COMMITMENTS

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

	2019			2018		
	Land & Buildings £'000	Other £'000	Total £'000	Land & Buildings £'000	Other £'000	Total £'000
Not later than 1 year	1,426	11	1,437	1,066	55	1,121
2-5 years	698	25	723	861	79	940
Over 5 years	63	-	63	-	36	36
Total	**2,187**	**36**	**2,223**	**1,927**	**170**	**2,097**

The total operating lease expense to the Group in the year was £1,131,124 (2018: £517,995)

19. FINANCIAL INSTRUMENTS

	2019 £'000	2018 £'000
Derivatives		
- Forward foreign currency contracts	(503)	107

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.

20. ORDINARY SHARE CAPITAL

Reconciliation of funded status to balance sheet	2019 £'000	2018 £'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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

22. DIVIDENDS PAID AND PAYABLE

During the year dividends of £49,500 (2018: £690,600) were paid to the Shareholder.

	2019 £'000	2018 £'000
Declared and paid during the year:		
Final Dividend	50	691
Special Dividend	-	-
	50	**691**
Proposed for approval by the shareholder at the AGM:		
Final Dividend	**-**	**50**

23. ULTIMATE AND IMMEDIATE CONTROLLING PARTY

The ultimate and immediate controlling party is the States of Jersey Investments Ltd, 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 Government of Jersey. Sales of £1,136,327 (2018: £1,061,384) and purchases of £1,962,763 (2018: £2,010,571) were made to departments in 2019. As at 31 December 2019, the amount owing to the Government of Jersey was £nil and the amount owed from the Government of Jersey was £206,180 (31 December 2018: £161,785 and £148,952 respectively). All services provided by the Group to the Government 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 £201,282 (2018: £401,296), Global e-Parcel Solutions LLC £2,327,801 (2018: £1,729,343), GTS £1,220,101 (2018: £2,144) and DAI £177,965 (2018: £123,008). As at 31 December 2019 the amount owed by Associates is A2B Limited £16,101 (2018: £192,246), Global e-Parcel Solutions LLC £836,309 (2018: £690,861), GTS £196,640 (2018: £2,144) and DAI £64,160 (2018: £94,414). During the year, the Group made no loans to Associates. Loans made in prior years are £395,000 (non-interest bearing and payable on demand). These amounts remained outstanding at 31 December 2019.

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 2019, 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.

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 18 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

28. CASHFLOW WORKINGS

	2019 £'000	2018 £'000
Loss after tax	**(933)**	**(267)**
Taxation	75	432
Net movement on investment	(263)	362
Other non-operating income	(95)	(64)
Interest and dividend receivable	(207)	(167)
Foreign Exchange (loss)/gain	(26)	171
Operating (Loss)/Profit	**(1,449)**	**467**
Depreciation charge	1,590	1,425
Gain/(Loss) on disposal of fixed assets	(3)	(14)
Amortisation charge	1,878	1,607
Other non-operating income	95	64
Release of provision	-	-
(Increase)/Decrease in Inventory	202	(63)
(Increase)/Decrease in Debtors	(737)	(1,160)
Increase/(Decrease) in Creditors	(965)	3,079
Increase/(Decrease) in Provisions	-	-
Net cash in from operating activities	**611**	**5,405**

Analysis of Net Cash /(Debt)	**At 1 January 2019**	**Cash Flows**	**Other non-cash changes**	**At 31 December 2019**
Cash at bank and in hand	15,260	(1,479)	-	13,781
Bank overdrafts	-	-	-	-
Debt due after one year	-	-	-	-
Debt due within one year	-	-	-	-
Related derivatives	-	-	-	-
Finance leases	(121)	40	(108)	(189)
Liquid Investments	6,238	131	(1,030)	5,339
Net Cash / (Debt)	**21,377**	**(1,308)**	**(1,138)**	**18,931**

29. EVENTS AFTER THE REPORTING PERIOD

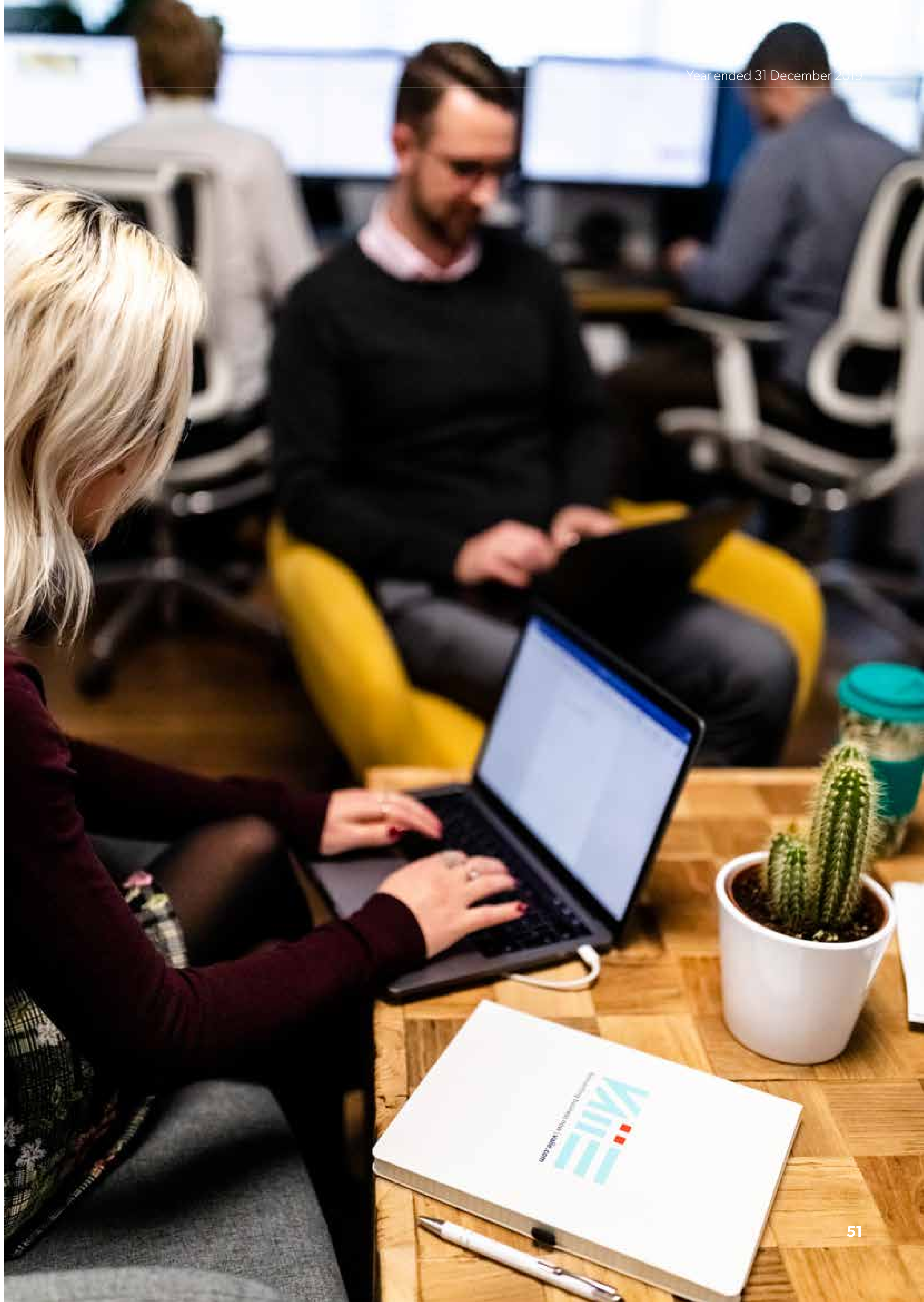
In-line with its continuing international strategy, on 1st May 2020 the group completed the purchase of the remaining 60% of US based postal and commercial solutions business Global eParcel Solutions (GePS) for a purchase consideration of £803,000.

FIVE YEAR SUMMARY

	Units	2019	2018	2017	2016	2015
Balance Sheet						
Shareholder's funds	£'000	**20,049**	**21,032**	21,990	20,990	19,780
Profit & Loss Account						
Gross Turnover*	£000	**57,159**	**55,462**	53,132	42,356	37,717
Net Turnover*	£000	**53,607**	**52,510**	48,056	39,940	35,109
Operating (loss)/profit before pension charge	£000	**(1,449)**	**467**	1,639	1,318	1,276
Gross margin	%	**15.3%**	**17.2%**	17.6%	17.7%	21.0%
Operating (loss)/profit	%	**(2.7)%**	**0.5%**	3.1%	3.1%	3.4%
(Loss)/Profit before tax	£000	**(858)**	**165**	2,302	2,404	927
Dividend payable to Shareholder on the basis of the year's financial performance	£000	**-**	**50**	691	722	278
Operational statistics						
Mail volumes	million	**29**	**31**	33	34	38
Number of post offices	number	**21**	**21**	21	21	21
Cost of a local stamp	pence	**52**	**50**	49	48	47
Cost of a UK stamp	pence	**67**	**65**	63	60	57
Number of staff (FTEs)	number	**366**	**357**	357	337	341
Staff costs	£million	**16.6**	**15.6**	14.9	14.0	14.7
Average cost of employee	£000	**45**	**44**	42	42	43

*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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