Submission - Jersey Post

Dear Chair,

We read with great interest the JEP article on gender pay gap in Jersey. In response, I quote below from this year's annual review for Jersey Post. This is the second year we have published this information.

"Out of its total employees in Jersey Post (excluding acquisitions) 20.5% (19.5% in 2016) 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 1.95% more than female employees (in 2016 female employees were paid 0.4% more than male employees). However, at management levels male employees are paid 7.84% more than female employees (no comparisons for 2016). These figures include the salaries of the Executive Directors. Jersey Post continually reviews how it recruits, what contractual terms it offers and is committed to seeing a balanced workforce." Extract from Jersey Post's 2017 Business Review (https://www.jerseypost.com/media/1508/2017_annual_report_final-web.pdf).

Regards

Tim Brown
Chief Executive Officer
Jersey Post

Jersey Post International Limited

Financial Statements for the year ended 31 December 2017

Jersey Post

www.jerseypost.com

Contents

Directors, Officers and Advisors

Directors of Jersey Post International Limited

Alan Merry
Non-Executive Chairman (appointed Chairman 1 April 2017)

Mike Liston OBE, FREng, BSc, CEng, FIEE
Non-Executive Chairman (resigned 1 April 2017)

Tim Brown FIoD, FCILT, CPFA
Chief Executive Officer

Tim Barnes, ACMA
Finance Director (appointed 3 March 2017)

Chris Evans
Non-Executive

Donal Duff BAAF, FCA, AMCT
Non-Executive

Sue Barton
Non-Executive

Aaron Chatterley
Non-Executive (appointed 1 July 2017)

Gavin Macrae
Non-Executive (appointed 28 July 2017)

Company Secretary

Tim Brown FIoD, FCILT, CPFA
(appointed 1 April 2016, resigned 3 March 2017)

Tim Barnes, ACMA
(appointed 3 March 2017)

Independent Auditor

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

Bankers

HSBC Bank plc
PO Box 14
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]

Mike Liston Chairman (resigned 1 April 2017)
OBE, FREng, BSc, CEng, FIEE

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

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

Alan Merry (appointed Chairman 1 April 2017)
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. As a Director of CPA Global, the world's leading provider of intellectual property and legal support services, he played a key role in the international growth and development of the business.

Now running his own consultancy, Alan works with businesses and executive teams supporting transformational change and focuses on the development of strategy, change management, strategic HR and improving board and organisational effectiveness. Most recently, Alan has worked closely with the Board and executive team on the incorporation of the Ports of Jersey.

Tim Brown Chief Executive Officer
FIoD, FCILT, CPFA

Tim Brown has over 20 years' experience in the post, parcel and distribution industry. He has worked in senior positions in Royal Mail and DHL Express, was CEO of Postcomm (the UK's postal regulator), provided advice to government and was vice-chair of the European Regulators' Group for Post. 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 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.

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

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 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 the provision of cloud services for infrastructure, applications and communications.

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.

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.
Sue has worked with many of the leading international postal organisations providing support and advice. She also conducted independent reviews of strategic business plans and supported the renegotiation/restructuring of commercial contracts.
More recently, Sue was the Strategy Director at the UK Post Office where her portfolio included strategy, IT, mutualisation and the Strategic Programme Management Office.

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.

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, KYC Global Technologies and Thefoodmarket.com as well as a member of the Board of Governors of Rouge Bouillon School. 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.

Chairman's Statement

In my first year as Chairman, I am very pleased to see the continued improvement in results based on the strategy that was developed in 2016. Turnover continues to grow since the demise of LVCR in 2011 and gross profits have risen by 25% to the highest level since 2009, as a result, Jersey Post will pay a dividend of £691k to the States of Jersey.

Whilst traditional mail volumes continue to decrease, Jersey Post has been successful in securing market share in the rapidly growing parcel market, growing in excess of 5% per annum (against a decline in traditional mail at 5%). Our new relationship with Amazon is testament to this, and agreements with a number of other high-profile retailers are in the process of being finalised.

These successes, combined with the growth of our international business, mean that we now view ourselves as a 'global logistics business that delivers mail' rather than the other way around. However, this change of perspective does not mean that there is a reduced focus on the importance of meeting our obligations to the Island. We continue to make significant investments in systems and processes in Jersey in order to improve competitiveness and, most importantly, to provide enhanced, more modern, services to the people of Jersey.

Jersey Post operates in an increasingly competitive, international marketplace in which the deployment of new technology is playing a fundamental role. In addition, the major 'postal' operators across the world are now recognising the need to be more agile, and that raises even more challenges to smaller operators such as ourselves.

During the year, the team has had to respond to a number of changes in policy by Royal Mail, the combination of which has the potential to have a significant negative impact on income and on our ability to continue to provide the current level of local services. Our excellent working relationship with the Shareholder and other key departments in government has, so far, enabled us to achieve successful outcomes on these threats. However, we need to be alert to the fact that there will be more challenges in the future as Royal Mail and other national postal operators strive to increase their own profitability.

Our international strategy is focused on increasing our worldwide reach and securing access to the potential of higher margin business. We are achieving this through the creation of an international network that provides cross-border solutions to both local and international customers.

Over the past 18 months, we have acquired two UK businesses and made strategic investments including a web-based 'parcel marketplace' company and logistics businesses in the US and Hong Kong, which has created an international network that is unique in the marketplace.

In 2017, 30% of revenues were generated internationally, and this is anticipated to grow by a further 20% in 2018. We are, therefore, excited by the potential of this new international network that has Jersey Post at its centre; although it is still early days, the plans are in place to develop the network into a financial success for all concerned.

It is also very pleasing to see the development of our digital services. Just a short time ago, we were considering the future of this business but, through the dedication and skills of the team, we have witnessed it transform from a cost centre into a profitable business. It is now a key element of the product and service offering to local businesses, and we now see the opportunity of expanding these services to our international customers.

This brings me onto recognising the quality of the Jersey Post team. The executive team has been restructured to reflect our strategic direction and the Board is pleased to see the positive impact that this is already having on the performance of the organisation. Equally, we have added new skills to the Board to ensure that we have the right mix of experience, enabling us to continue to provide high levels of governance and support to the business. These changes have been achieved through a planned approach of targeted external recruitment and internal succession planning which has had the full support of the Shareholder. This blended approach underpinned Jersey Post's success in managing the stresses and turbulence of the early years immediately after incorporation, and I am confident that it will stand us in good stead in meeting the challenges and opportunities that the business will face in the coming years.

Alan Merry Chairman
2 May 2018


FRASER FREIGHT
FAST & FLEXIBLE
EUROPEAN LOGISTICS
ENGLAND
RENAULT
RENAULT
FF01

> "Over the past 18 months, we have acquired two UK businesses and made strategic investments including a web-based 'parcel marketplace' company and logistics businesses in the US and Hong Kong which has created an international network that is unique in the marketplace."
>
> **Alan Merry** Chairman

Strategic Report

Our business

Jersey Post continues its diversification strategy so that it is able to deliver a service to the people and businesses of Jersey as its traditional business declines by 5% a year, and to do this without subsidy. This strategy has seen Jersey Post expand in 2017 in the US, Estonia and China (alongside our businesses in the UK), and to invest in the technology that provides online marketplace delivery solutions around the world.

By doing this, we have seen turnover increase by 20% to the highest level since the last full year of LVCR to the UK (2011), and gross profit rise by 25% to the highest level for nine years (2008). This has enabled us to invest in the business here in Jersey, updating systems, providing improved customer service, and still deliver a 24% increase in operating profit.

What was pleasing to see towards the end of the year was a significant upturn in our parcel business that, in revenue terms, begins to offset the continued decline in traditional mail in Jersey. We are also working with businesses in Jersey to provide logistics solutions using our capabilities in a skilled and professional workforce, vehicles, storage and automation capability, and are seeing a stronger future for our important business in Jersey. This change in emphasis is illustrated by us winning the collection and delivery of blood samples. It is perhaps somewhat surprising to many that it was also Jersey Post's digital capabilities that provided the platform on which the recent public-sector contract changes were managed and distributed. We consider that with our capabilities, we can enable businesses in Jersey to be more efficient and

effective, improve their customer service and we can now do that wherever they operate in the world.

Jersey Post 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;
- 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.

During 2018, we plan to continue to invest in Jersey, extending our capabilities and offering solutions. We consider that we are ideally placed to provide logistics services to all businesses, but especially to the public sector where we can provide economies of scale, take on non-core activities and help improve outcomes to the Island. We will also complete the development of our international network and set out our digital agenda and services.

Whilst remaining positive about our future, this is not without risk. Existing and new business streams are more competitive than our business in the past, with greater pressure on margins and therefore less certainty. We also continue to be reliant on Royal Mail and how it decides to work with Jersey Post. Whilst we have been successful in managing threats in 2017, what Royal Mail does is outside of our control, and challenges to our longer term finances remain. We continue to seek to mitigate this risk area.

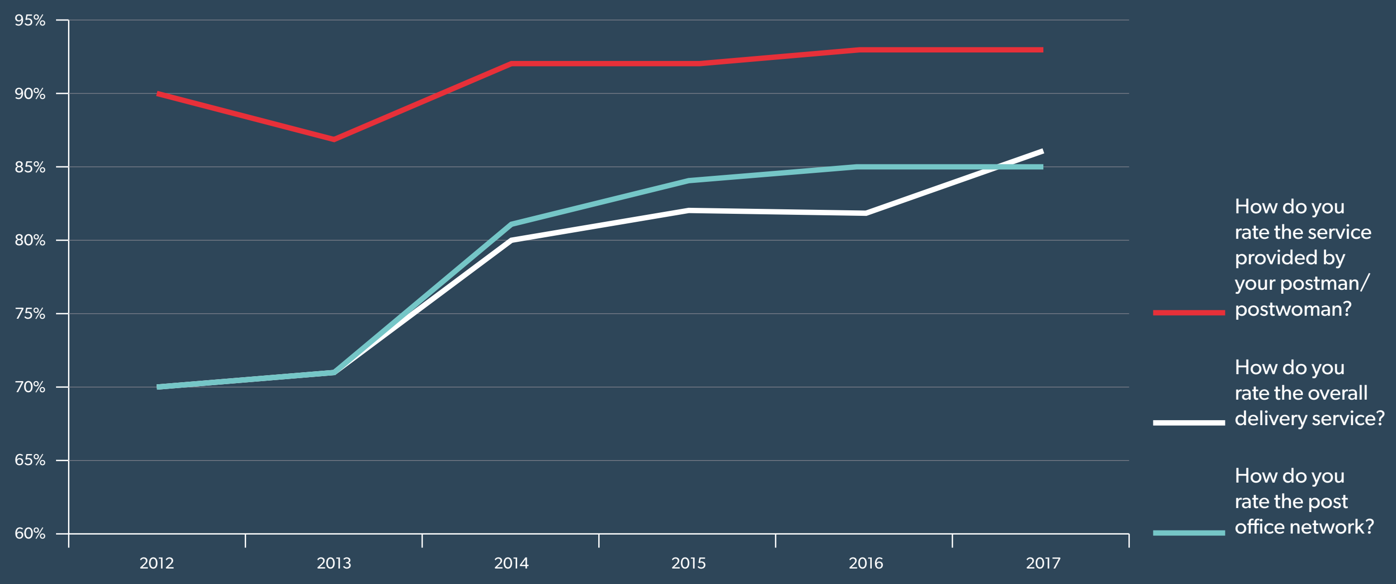
We have a good open working relationship with our Shareholder and with the External Affairs team who have provided support in dealing with issues in the UK and Europe. We also express our gratitude to Customs and Trading Standards for their continuing support. It is a welcome difference that here in Jersey we have public departments who seek to help resolve issues and provide solutions in such a constructive manner, focussing on what is right for the Island of Jersey and its people.

Our customers

We continue to listen to customer feedback and look at it in three ways:

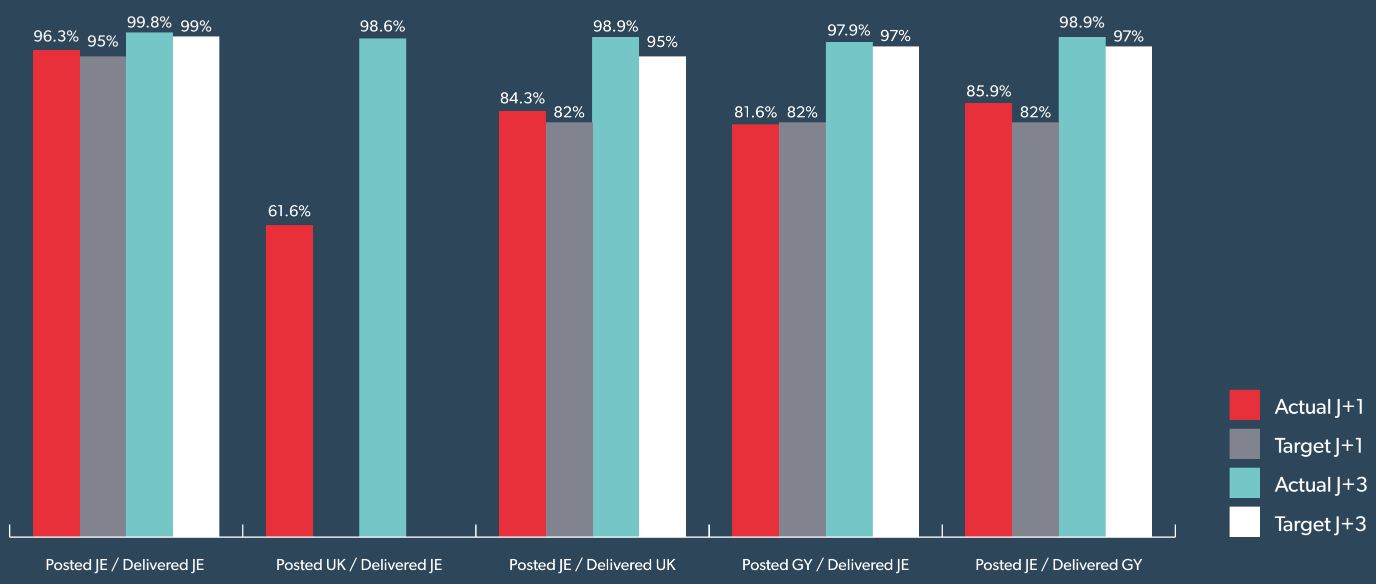
1. What you tell us
This year is our seventh all Island customer survey and our highest results since the survey was first launched in 2012. We are very pleased that an average of 88% of our customers rated our employees and services, very good or good.

Percentage of 2017 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. Based on these results, Jersey Post met all targets and in most cases, saw significant improvement year on year. Following work with Royal Mail, we saw significant improvement in the next-day quality of service for items being sent from the UK.

2017 Quality of service - Jersey, Guernsey and the UK



3. What issues our customers have raised during the year:
In 2017 we received 2.75 complaints for every 50,000 items delivered.

The key areas of concern to customers were:
Delivery procedures; and SecureDrop failures

We use the feedback from all our reporting but in particular the customer survey and customer complaints to focus our customer improvement plans for 2018.

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.

As part of our commitment to the environment, we continue to extend our electric fleet and we thank Jersey Electricity for its support. We have also reduced our carbon footprint by converting to LED lighting. In addition, nearly all of our vehicles are fitted with trackers that provide feedback on driving styles, helping our employees drive more economically.

Our staff chose Jersey Cheshire Home as our charity for 2017, and we raised and provided services to the amount of £18,187.

We also sponsored Team Jersey at the NatWest Island Games in Gotland and continued with our support of Jersey Cricket.

Whilst offering regulated money service products, Jersey Post works closely with both the States of Jersey Police and Jersey Financial Services Commission to prevent fraud and scams. 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.

Our people

We pride ourselves on the professionalism and dedication of our people.

Our business, especially here in Jersey, is founded on their continued commitment. As a business, we are committed to an employed, professional workforce. We are also committed to equality of opportunity and pay. Whilst we strive to ensure that those who have a permanent role have one as long as they want to and perform, we are only too aware that the nature of their role is continually developing. We are moving from a mail business that happens to deliver parcels, to a parcel business that happens to deliver letters, and, increasingly, to a logistics business that provides solutions.

Outlook

The future for Jersey Post, and the postal service for the Island, looks strong and we are confident that with the investments we are making, we will be able to continue to provide a service to residential and business customers on the Island; provide a return and valuable strategic asset to our Shareholder; play a full and constructive part of the community and give our people secure and rewarding careers. However, this is dependent on us continuing to be competitive in the market, growing other streams of business and allowing Jersey Post the freedom to deliver.

Tim Brown CEO
2 May 2018

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. Alan Merry was re-appointed at the AGM on 26th May 2017. The other 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 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 2017	6	4	2	2
Mike Liston*	1	1	-	1
Alan Merry	6	3	2	1
Tim Brown	6	-	-	-
Tim Barnes **	6	1	-	-
Donal Duff	5	3	1	1
Chris Evans	3	-	2	2
Susan Barton***	6	1	-	-
Aaron Chatterley*****	3	-	-	-
Gavin Macrae ******	3	1	-	-

Mike Liston* retired during 2017: no meetings attended after 03/03/17.
Tim Barnes** appointed to JPIL Board 03/03/17.
Susan Barton*** appointed to Audit Committee 21/09/17.
Aaron Chatterley**** appointed to JPIL Board 01/07/17.
Gavin Macrae***** appointed to JPIL Board 28/07/17, appointed to Audit Committee 21/09/17.

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 March 2017.

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 is chaired by Donal Duff. Members during the year were Alan Merry (resigned on 21.09.2017) Sue Barton (appointed on 21.09.2017) and Gavin Macrae (appointed on 21.09.2017). 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 20 April 2018, the Committee received and reviewed the Company's 2017 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;
- Investments in GePS, A2B and Parcel Monkey; and
- Holiday pay.

The Audit Committee considered whether the 2017 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 2 May 2018.

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 the year. This resulted in the posts of two Non-Executive Directors being advertised for which 17 applicants were received. Following shortlisting and interviewing, two Non-Executive Directors were appointed.

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 2017 is set out on the following page, together with comparatives for 2016:

The remuneration of the Directors of the Group for the financial year ended 31 December 2017 is set out below, together with comparatives for 2016:

	Salary/Fees £'000	Bonuses £'000	Benefit in Kind[1] £'000	2017 Total £'000	2016 Total £'000
Executive Directors					
Tim Brown	196[2]	53	21	270	262
Tim Barnes	135	41	19	195	58*
Liz Vince*	-	-	-	-	57
Total	331	94	40	465	377
Non-Executive Directors					
Mike Liston*	10	-	-	10	40
Donal Duff	20	-	-	20	20
Chris Evans	15	-	-	15	15
Alan Merry	36	-	-	36	19
Sue Barton	15	-	-	15	11
Aaron Chatterley*	8	-	-	8	-
Gavin Macrae*	6	-	-	6	-
Total	110	-	-	110	105

*Part year

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 paid out in bonuses during 2017 for the above three schemes was **£544,089** (2016: £625,000).

During 2017, the Company provided **£22,417** (2016: £23,447) 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 **£18,701** (2016: £17,560).

[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.

Out of its total employees in Jersey Post (excluding acquisitions) 20.5% (19.5% in 2016) 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 1.95% more than female employees (in 2016 female employees were paid 0.4% more than male employees). However, at management levels male employees are paid 7.84% more than female employees (no comparisons for 2016). These figures include the salaries of the Executive Directors. Jersey Post continually reviews 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.

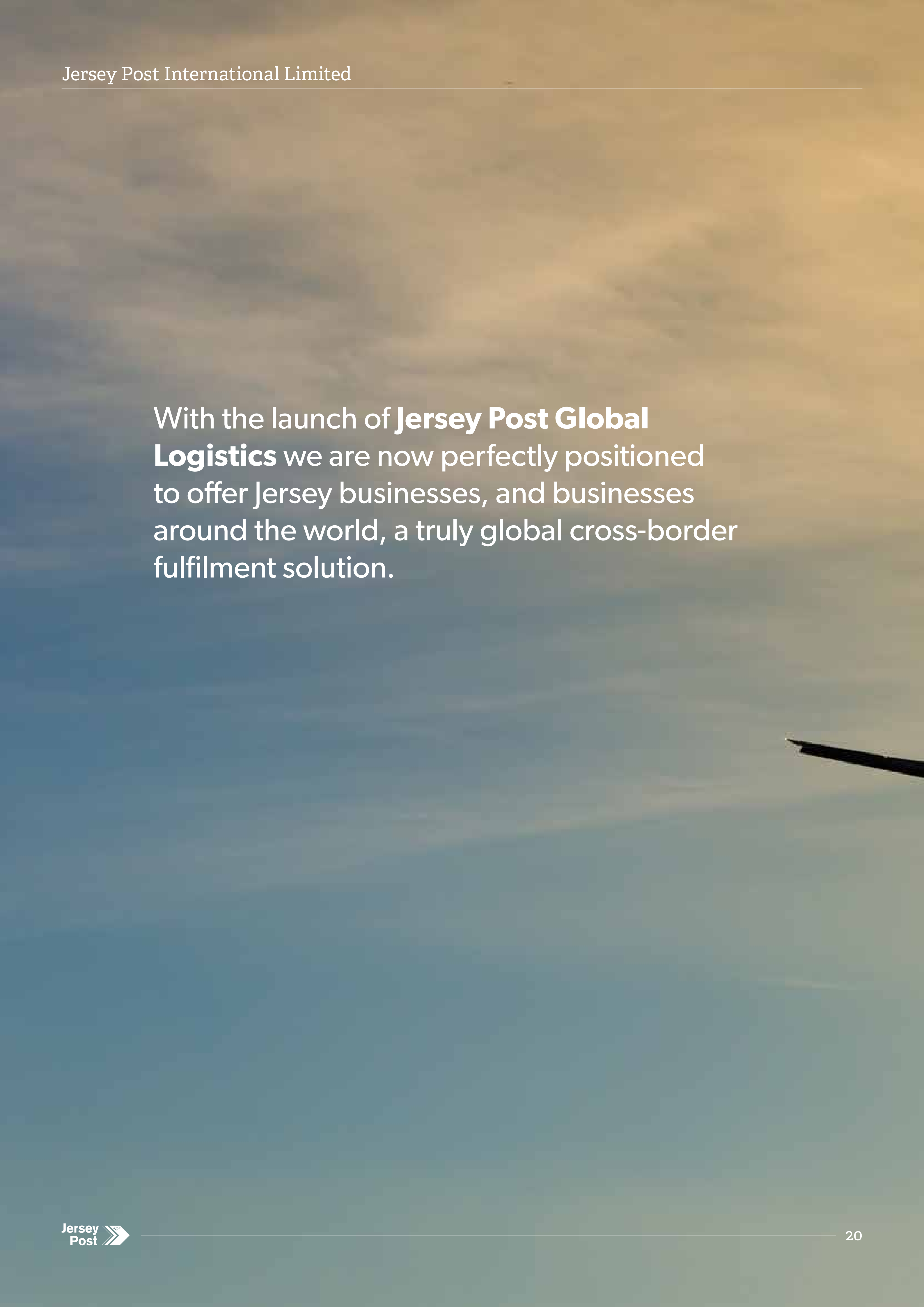
Management Structure
Responsibility for operating the systems of internal control is delegated to management and directed and overseen by the Executive Team, chaired by the Chief Executive. This team meets weekly. There are specific matters reserved for decision by the Board and these have been formally 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
2 May 2018



With the launch of **Jersey Post Global Logistics** we are now perfectly positioned to offer Jersey businesses, and businesses around the world, a truly global cross-border fulfilment solution.

Directors' Report

The Board of Directors of Jersey Post International Limited ('JPIL' or 'the Company') present their report on the affairs of JPIL and its subsidiaries ('the Group'), together with the audited Consolidated Financial Statements for the year ended 31 December 2017.

Principal Activity
The principal activity of the Group is that of providing postal services to the Island of Jersey and cross-border ecommerce logistics 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 26. 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 6-15.

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

Dividends
An ordinary dividend of £690,900 will be recommended by the Directors for 2017 at the AGM to be held on 25 May 2018 (2016: £721,800).

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 handicap or 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 training, career development and promotion to employees with a disability wherever appropriate.

Board Remuneration
Details of Directors' remuneration are set out in the Remuneration Committee Report on page 17 and 18.

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"), including Section 1A Small Entities.

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 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 65% loss of letter volume and 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 2020.

Annual General Meeting

The AGM will be held at the Postal Headquarters, JERSEY on 25 May 2018.

Directors

The Directors of the Company are listed on pages 3.

Independent Auditors

Menzies LLP were appointed and acted as independent auditors for the year ended 31 December 2017. A resolution to appoint Menzies LLP as independent auditors for the year ending 31 December 2018 will be proposed at the AGM on 25 May 2018.

This statement was approved by the Board of Directors of Jersey Post International Limited on 2 May 2018 and was signed on their behalf by:

Tim Barnes
Company Secretary
2 May 2018

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

Opinion

We have audited the Financial Statements of Jersey Post International Limited (the 'Group') for the year ended 31 December 2017, which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the Financial Statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2017 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is not appropriate; or
- the Directors have not disclosed in the Financial Statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the Financial Statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the Chairman's Statement, Directors Report, Strategic Report, Statement of Corporate Governance and the Five Year Summary (but does not include the Consolidated Financial Statements and our auditors' report thereon). Our opinion on the Consolidated Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Consolidated Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Consolidated Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Consolidated Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Directors
As explained more fully in the Statement of Directors' Responsibilities on page 22, the Directors are responsible for the preparation of the Consolidated Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, the Directors are responsible for assessing the Groups ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

Report on other legal and regulatory requirements
Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit;
- proper accounting records have not been kept; or
- the Consolidated Financial Statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

Use of our report
This report is made solely to the Group's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Group's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Group's members, as a body, for our audit work, for this report, or for the opinions we have formed.

James Hadfield FCA (Senior Statutory Auditor)

for and on behalf of
Menzies LLP
Chartered Accountants
Statutory Auditor
3000a Parkway
Whiteley
Hampshire

2 May 2018

Consolidated Income Statement

Year Ended 31 December	Note	2017 £'000	2016 £'000
Turnover	27	48,056	39,940
Cost of Sales	27	(38,691)	(32,454)
Gross Profit		**9,365**	**7,486**
Administrative Expenses		(7,726)	(7,135)
Release of provision		-	967
Operating Profit	**2**	**1,639**	**1,318**
Other non-operating income		78	193
Foreign exchange gain		288	277
Interest and Dividends Receivable	4	143	268
Net movement on investments	5	154	348
Profit on ordinary activities before taxation		**2,302**	**2,404**
Taxation	6	(580)	(916)
Profit for the year		**1,722**	**1,488**

Consolidated Statement of Comprehensive Income

Year Ended 31 December	Note	2017 £'000	2016 £'000
Profit for the year		1,722	1,488
Total comprehensive income for the year		**1,722**	**1,488**

Consolidated Statement of Financial Position

Year Ended 31 December	Note	2017 £'000	2016 £'000
Fixed Assets			
Tangible Assets	7	9,918	10,504
Intangible Assets	8	1,202	1,207
Goodwill	9	1,766	2,241
Investments	10	3,160	-
Total Fixed Assets		**16,046**	**13,952**
Current Assets			
Inventories	11	285	263
Debtors	12	9,259	8,664
Equity Investments	5	2,584	2,311
Cash and cash equivalents		17,082	14,468
Total Current Assets		**29,210**	**25,706**
Creditors			
Amounts falling due within one year	13	(22,773)	(18,056)
Net Current Assets		**6,437**	**7,650**
Total assets less current liabilities		**22,483**	**21,602**
Creditors: Amounts falling due after one year	14	(123)	(207)
Deferred Tax	15	(370)	(405)
Net Assets		**21,990**	**20,990**
Capital and reserves			
Ordinary Share Capital	19	5,000	5,000
Retained earnings		16,990	15,990
Total Equity		**21,990**	**20,990**

The basis of preparation of these Financial Statements is set out on page 30, and the notes on pages 30-49 form an integral part of these Financial Statements.

The Financial Statements were authorised and approved for issue by the Board of Directors on 2 May 2018 and were signed on its behalf by:

Tim Brown
Chief Executive Officer
2 May 2018

Tim Barnes
Finance Director
2 May 2018

Consolidated Statement of Changes in Equity

Year Ended 31 December	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	21	-	(722)	(722)
Balance as at 31 December 2017		**5,000**	**16,990**	**21,990**

Year Ended 31 December	Note	Share Capital £'000	Retained Earnings £'000	Total £'000
Balance as at 1 January 2016		5,000	14,780	19,780
Total comprehensive income for the year		**-**	**1,488**	**1,488**
Dividends	21	-	(278)	(278)
Balance as at 31 December 2016		**5,000**	**15,990**	**20,990**

Consolidated Statement of Cash Flows

Year Ended 31 December	Note	2017 £'000	2016 £'000
Net cash generated from operating activities before tax	**28**	**8,281**	**8,412**
Taxation paid		**(889)**	**(652)**
Net cash generated from operating activities after tax		**7,392**	**7,760**
Cash flows from investing activities			
Purchases of tangible assets	7	(862)	(1,318)
Purchases of intangible assets	8	(433)	(1,062)
Proceeds from disposals of tangible assets		87	20
Purchase of subsidiaries		-	(2,384)
Purchases of current asset investments		(276)	(352)
Purchase of unquoted equity investments	10	(3,160)	-
Proceeds from disposals of current assets investments	5	157	3,215
Interest received	4	12	31
Dividends received on investments	4	131	237
Net cash used in investing activities		**(4,344)**	**(1,613)**
Cash flows from financing activities			
Dividends paid	21	(722)	(278)
Net cash used in financing activities		**(722)**	**(278)**
Net increase/(decrease) in cash and cash equivalents		**2,326**	**5,869**
Cash and cash equivalents at beginning of year		14,468	8,362
Foreign exchange gain/(loss) on cash and cash equivalents		288	237
Cash and cash equivalents at end of year		**17,082**	**14,468**
Cash and cash equivalents comprise:			
Cash at bank and in hand		11,769	8,568
Short-term deposits		5,313	5,900
Cash and cash equivalents		**17,082**	**14,468**

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 9 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

Notes to the Financial Statements Continued

1. Accounting Policies (continued)

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.

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.

Defined Benefit

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, it does not feel the need to change the basis of its valuation from the investment cost in the initial year. The carrying value of the investments is therefore unchanged from the initial cost with no impairment made. Our policy for equity accounting is to amortise the goodwill arising on these investments over five years following the initial year of investment.

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 that have not been invoiced two calendar years after the year the provision was made, unless the Group is in negotiations.

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. Operating Profit for the year

	2017 £'000	2016 £'000
Operating profit for the year is stated after charging the following: Auditors' remuneration: - Audit	65	134
- Non Audit	8	13
Depreciation of tangible assets	1,415	1,192
Amortisation of intangible assets	438	277
Amortisation of goodwill	475	120
Defined contribution pension cost	1,021	825
Expired UPU liability (see note 1.21)	(177)	(344)
Foreign exchange (gain)/loss included in Cost of Sales (see note 1.13)	58	987

[1] For 2016 this includes amounts paid into the States of Jersey PECR scheme, see note 20.

3. Staff costs

	2017 £'000	2016 £'000
Wages and Salaries	13,156	12,422
Employer Social Security costs	757	737
Employer Pension Contributions	1,022	825
Total	**14,935**	**13,984**

Employees

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

	2017 No.	2016 No.
Operations	301	285
Administration and central functions	56	52
Total	**357**	**337**

3. Staff costs (continued)

Directors

The Directors' emoluments were as follows:

	2017 £'000	2016 £'000
Total salaries	425	351
Total post-employment benefits	40	26
Total	**465**	**377**

Highest paid director

The highest paid director's emoluments were as follows:

	2017 £'000	2016 £'000
Total amount [1]	249	242
Total post-employment benefits	21	20
Total	**270**	**262**

[1] Prior year now includes all benefits.

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:

	2017 £'000	*2016 £'000
Salaries and other short-term benefits	830	701
Post-employment benefits	67	59
Total	**896**	**760**

* Two Directors were not included within 2016 due to the late acquisitions of these companies.

Notes to the Financial Statements Continued

4. Interest and Dividends Receivable

	2017 £'000	2016 £'000
Bank and loan interest receivable	12	31
Dividends receivable	131	237
Total	**143**	**268**

5. Net movement on Investments

	2017 £'000	2016 £'000
Net realised gain	12	302
Unrealised gain	142	46
Net movement on Investments	**154**	**348**

	2017 £'000	2016 £'000
Proceeds from sales of investments made during the year	157	3,215
Original cost of investments sold during the year	(145)	(2,913)
Gain realised on investments sold during the year	**12**	**302**

	2017 £'000	2016 £'000
Opening balance	2,311	4,826
Additions	276	352
Disposals	(145)	(2,913)
Gain on re-measurement to fair value	142	46
Market value	**2,584**	**2,311**

6. Taxation

	2017 £'000	2016 £'000
Jersey/UK income tax		
Current charge	583	711
(Credit)/Charge in respect of prior years	32	(17)
Total current tax charge for the year	**615**	**694**
Deferred Taxation		
Charge for the year taken to the income statement	97	130
Charged to the income statement in respect of prior period	(132)	92
Total deferred tax charge for the year	**(35)**	**222**
Total tax charge for the year	**580**	**916**
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	**2,302**	**2,404**
Tax on profit on ordinary activities at 20%	**460**	**481**

	2017 £'000	2016 £'000
Factors affecting tax charge for the year		
Expenses not deductible for tax purposes	238	174
(Profit)/losses taxed at 0%	13	256
Gains not taxable	(31)	(70)
Adjustment in respect of prior years	(100)	75
	120	435
Total current income tax charge for the year	**580**	**916**

Notes to the Financial Statements Continued

6. Taxation (continued)

Deferred Taxation	2017 £'000	2016 £'000
Total deferred taxation balance at 1 January	(405)	(75)
Charged to income statement	(97)	(130)
Deferred Tax on acquisitions	-	(108)
(Charge)/Credit to the income statement in respect of prior periods	132	(92)
Total deferred tax balance at 31 December	**(370)**	**(405)**

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% (2016: 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% (2016: 20%).

7. Tangible Assets

	Freehold land & buildings £'000	Improvements to leasehold property £'000	Plants, vehicles & equipment £'000	Total £'000
Cost				
At 1 January 2017	8,764	573	6,291	15,628
Additions	103	-	759	862
Disposals	-	-	(466)	(466)
At 31 December 2017	**8,867**	**573**	**6,584**	**16,024**
Accumulated Depreciation				
At 1 January 2017	2,595	570	1,959	5,124
Annual Charge	358	1	1,056	1,415
Disposals	-	-	(433)	(433)
At 31 December 2017	**2,953**	**571**	**2,582**	**6,106**
Net book value				
At 31 December 2017	**5,914**	**2**	**4,002**	**9,918**
At 31 December 2016	6,169	3	4,332	10,504

Included within the total net book value of £9,918,000 are assets held under hire purchase arrangements totalling £195,510 (2016:£275,310).

Notes to the Financial Statements Continued

8. Intangible Assets

	Software £'000	Total £'000
Cost		
At 1 January 2017	2,765	2,765
Additions	433	433
Disposals	(121)	(121)
At 31 December 2017	**3,077**	**3,077**
Accumulated amortisation		
At 1 January 2017	1,558	1,558
Annual Charge	438	438
Disposals	(121)	(121)
At 31 December 2017	**1,875**	**1,875**
Net book value		
At 31 December 2017	**1,202**	**1,202**
At 31 December 2016	1,207	1,207

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

9. Goodwill

	Goodwill £'000	Total £'000
Cost		
At 1 January 2017	2,361	2,361
Additions	-	-
At 31 December 2017	**2,361**	**2,361**
Accumulated Depreciation		
At 1 January 2017	120	120
Annual Charge	475	475
At 31 December 2017	**595**	**595**
Net book value		
At 31 December 2017	**1,766**	**1,766**
At 31 December 2016	2,241	2,241

Notes to the Financial Statements Continued

10. Investments

	Costs £'000	Amortisation £'000	Group's share of Profit and Loss £'000
Associates			
A2B Limited	286	-	-
Global e-Parcel Solutions LLC	680	-	-
Parcel Monkey Holdings Limited	2,133	-	-
Planned Investments	28	-	-
Total Associates	**3,127**	**-**	**-**
Joint Ventures			
GTS Post OU	21	-	-
Homecall Limited	12	-	-
Total Joint Ventures	**33**	**-**	**-**
Total	**3,160**	**-**	**-**

11. Inventories

Deferred Taxation	2017 £'000	2016 £'000
Philatelic Stamp Inventory	245	220
Shop Inventory	19	16
Operational Stamp Inventory	21	27
Total	**285**	**263**

The total stock expense in the year is £322,813 (2016 £324,748).

12. Debtors

	2017 £'000	2016 £'000
Net trade debtors	6,462	7,179
Other debtors	1,228	579
Agency debtors	108	136
Prepayments and accrued income	1,461	770
	9,259	**8,664**

13. Creditors: Amounts falling due within one year

	2017 £'000	2016 £'000
Trade creditors	3,899	2,159
Other creditors	241	468
Obligations under finance leases and hire purchase contracts	43	80
Other tax and social security	174	177
GST and VAT	541	218
Corporation tax	540	829
Accruals and deferred income	17,015	13,669
Fair Value of derivative instruments	238	-
Deferred consideration on acquisition	82	456
	22,773	**18,056**

The current year £4,217 (2016: £1,400) 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 £15,400 (2016: £19,600). Deferred income relates to prepaid post office boxes, business reply licences, grant income and unexpended credit on franking meters.

Notes to the Financial Statements Continued

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

	2017 £'000	2016 £'000
Obligation under finance lease and hire purchase	-	43
Deferred consideration on acquisition	123	164
	123	**207**

15. Deferred Tax

	2017 £'000	2016 £'000
The provision for deferred tax consists of the following deferred tax liabilities		
Capital Allowances	370	405
	370	**405**

16. Finance Lease Obligations

The future minimum finance lease payments are as follows:

	2017 £'000	2016 £'000
Not later than one year	43	80
Later than one year and not later than five years	-	43
Later than five years	-	-
	43	**123**

17. Operating Lease Commitments

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

	Land & Buildings 2017 £'000	Land & Buildings 2016 £'000
Not later than one year	251	296
Later than one year and not later than five years	280	655
Later than five years	-	-

The total operating lease expense to the Group in the year was £254,912 (2016:£148,106)

18. Financial Instruments

	2017 £'000	2016 £'000
Financial assets measured at amortised cost		
- Debtors	7,798	7,906
Financial assets through profit or loss		
- Investments	2,584	2,311
- Cash	17,082	14,468
Derivatives		
- Forward foreign currency contracts	(237)	-
Financial liabilities measured at amortised cost		
- Creditors	(21,403)	(16,617)

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

19. Ordinary Share Capital

Reconciliation of funded status to balance sheet	2017 £'000	2016 £'000
Authorised, issued, allotted and fully paid		
5 million £1 ordinary shares	**5,000**	**5,000**

There is a single class of ordinary shares.

20. Reserves

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

21. Dividends Paid and payable

During the year dividends of £721,800 (2016: £278,000) were paid to the Shareholder.

	2017 £'000	2016 £'000
Declared and paid during the year:		
Final Dividend	722	278
Special Dividend	-	-
	722	**278**

Proposed for approval by the shareholder at the AGM:		
Final Dividend	**691**	**722**

22. 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.

23. 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 £685,286 (2016: £971,173) and purchases of £2,677,830 (2016: £2,499,007) were made to departments in 2017. As at 31 December 2017, the amount owing to the States of Jersey was £178,512 and the amount owed from the States of Jersey was £149,789 (31 December 2016: £145,203 and £57,766 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 £388,891(2016: Nil) and Global e-Parcel Solutions LLC £2,109,966 (2016: Nil). As at the 31 December 2017 the amount owed by Associates is A2B Limited £100,047(2016: Nil) and Global e-Parcel Solutions LLC £559,758 (2016: Nil). During the year, the Group made loans totaling £330,000 to Associates. These amounts remained outstanding at 31 December 2017.

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.

24. Subsidiary Undertakings

As at 31 December 2017, 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

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

All the above subsidiaries are included in the consolidation.

Notes to the Financial Statements Continued

25. Board Remuneration and Fees

Details of remuneration paid to Directors and related party transactions therewith are disclosed in the Remuneration Committee Report on page 17-18 and in notes 3.

26. Other Financial Commitments

Heathrow Imports Clearance Services Limited, a subsidiary undertaking, has a counter indemnity given to its bank of £60,000 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.

27. Prior Year Adjustment

Included within Turnover and Cost of Sales, in prior years, were amounts relating to customs clearance charges incurred and recharged to our customers. It has been the groups' custom and practice to Gross these up and treat this income stream as Revenue and Cost of Sales. The Financial Statements of the group have consistently reported it in this way for many years. Following the change of Auditors, we have reviewed the Accounting Standard and have adjusted the treatment to reflect Jersey Post as the Agent in the transactions and not the Principle. This has resulted in a restatement of 2016 Turnover and Cost of Sales within these Financial Statements.

Financial Statements

The areas which are affected in the Financial Statements are:-

	Reported 2017 £'000	Restated 2016 £'000
Turnover	42,356	39,940
Cost of Sales	34,870	32,454
Gross Profit	7,486	7,486

The below tables provide a reconciliation between recognition of amounts as a principal or agent.

Turnover

	2017 £'000	2016 £'000
As Principal	53,132	42,356
Custom Clearance Income	5,076	2,416
As Agent	48,056	39,940

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

Cost of Sales

	2017 £'000	2016 £'000
As Principal	43,767	34,870
Custom Clearance Cost	5,076	2,416
As Agent	38,691	32,454

28. Cashflow workings

	2017 £'000	2016 £'000
Profit after tax	**1,722**	**1,488**
Taxation	580	916
Net movement on investment	(154)	(348)
Other non-operating income	(78)	(193)
Interest and dividend receivable	(143)	(268)
Foreign Exchange gain	(288)	(277)
Operating Profit	**1,639**	**1,318**
Depreciation charge	1,414	1,192
Gain/(Loss) on disposal of fixed assets	(54)	-
Amortisation charge	913	397
Other non-operating income	78	193
Release of provision	-	(967)
(Increase)/Decrease in Inventory	(22)	(47)
(Increase)/Decrease in Debtors	(595)	(609)
Increase/(Decrease) in Creditors	4,908	7,269
Increase/(Decrease) in Provisions	-	(334)
Net cash in from operating activities	**8,281**	**8,412**

Five Year Summary

	Units	2017	2016	2015	2014	2013
Balance Sheet						
Shareholder's funds	£'000	**21,990**	20,990	19,780	15,255	14,266
Profit & Loss Account						
Gross Turnover*	£000	**53,132**	42,356	37,717	35,425	34,297
Net Turnover*	£000	**48,056**	39,940	35,109	34,294	33,537
Operating profit before pension charge	£000	**1,639**	1,318	1,276	1,209	1,918
Gross margin	%	**17.6%**	17.7%	21.0%	21.0%	21.4%
Operating profit	%	**3.1%**	3.1%	3.4%	3.4%	5.6%
Profit before tax	£000	**2,302**	2,404	927	192	1,265
Dividend payable to Shareholder on the basis of the year's financial performance	£000	**690**	722	278	177	390
Operational statistics						
Mail volumes	million	**33**	34	38	39	40
Number of post offices	number	**21**	21	21	21	21
Cost of a local stamp	pence	**49**	48	47	46	45
Cost of a UK stamp	pence	**63**	60	57	56	55
Number of staff (FTEs)	number	**357**	337	341	351	343
Staff costs	£million	**14.9**	14.0	14.7	14.2	13.4
Average cost of employee	£000	**41**	40	46	41	39

* 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.

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