Jersey Post Annual Report and Accounts 2014

www.jerseypost.com

Jersey Post

R.82/2015

Contents


Jersey Post
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Directors, Officers and Advisors

DIRECTORS OF JERSEY POST INTERNATIONAL LIMITED*

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

Tim Brown FIoD FCILT CPFA
Non-Executive Deputy Chairman and Senior Independent Director (resigned 30 June 2014)
Chief Executive Officer (appointed with effect from 1 July 2014)

Kevin Keen MBA FCCA FCMA C.Dir
Chief Executive Officer (resigned 31 July 2014)

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

Clive Barton MBE FCA FIMgt TEP FInstD
Non-Executive Director and Senior Independent Director
(appointed 1 September 2014; resigned 24 April 2015)

Chris Evans
Non-Executive

Donal Duff BAAF FCA AMCT
Non-Executive

Gary Carroll Dip IoD
Commercial Director

COMPANY SECRETARY

Liz Vince BA (Hons) CPFA MICA Dip IoD

INDEPENDENT AUDITOR

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

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

*Directors during the financial year.

Board of Directors[1]

Jurat Mike Liston OBE FREng BSc CEng FIEE / Chairman

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

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

Tim Brown FIoD FCILT CPFA / Chief Executive Officer

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 joined the Board firstly as a Non-Executive Director on 1 September 2011 and he was the Senior Independent Director and Deputy Chairman until he took over as Chief Executive Officer from Kevin Keen on 1 July 2014.

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

Liz Vince joined Jersey Post in 2006. In January 2008 she took over the role of Company Secretary and in September 2011 she became the Finance Director when this was combined with the post of Company Secretary. Prior to joining Jersey Post, Liz was the Chief Internal Auditor for the States of Jersey for 10 years. Liz qualified as a Chartered Public Finance Accountant in 1992 with the National Audit Office in London. On 1 January 2015 Liz was appointed as a Non-Executive Director to the Board of Jersey Water where she chairs the Audit Committee.

Donal Duff BAAF FCA AMCT / Non-Executive Director

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

[1] Directors at the time the Board approved the financial statements.

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.

Gary Carroll Dip IoD / Commercial Director

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

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

Chairman's Statement

As it nears the end of its first decade as an incorporated company and my final year as Chairman, Jersey Post is entering a new era of opportunity as it seeks growth in overseas territories to rebuild revenues lost suddenly a couple of years ago when UK tax policy changes decimated the e-commerce fulfilment industry in Jersey.

With a painful period of deep cost-cutting behind it, the Company is able now to leverage its demonstrated logistics capabilities in the rapidly growing market for cross-border trade in consumer goods.

The Strategic Report, which follows my statement, highlights our performance in the past year and our aims for the future. Strategic planning has its limitations in a dynamic industry such as post, not least because of rapid developments in the technology of logistics in global e-commerce and so my focus here is on the more fundamental qualities of the Company, on which its prospects for the future may be better judged. That is, its corporate culture and competencies.

Liberated by incorporation in 2006, Jersey Post's journey from the cocoon of a trading department of the government, through the jungle of experimental regulation and onto the battlefield of the marketplace has changed it profoundly. Its experience may be relevant to future incorporations in Jersey, if not to the wider mission of reform in Jersey's public sector. Its transformation to an agile, adaptable and energetic company illustrates the merits of incorporation when married with responsible regulation and pragmatic competition policy. Above all it highlights the nuances between public sector and private enterprise cultures and the importance of both in any business if it is to be valued by the community it serves.

It is this Board's experience that sustainable change in an organisation can only begin when provoked by a real and tangible imperative and a clear picture of the consequences if change is not achieved. For Jersey Post this imperative began to emerge immediately upon incorporation, with the imposed Efficiency Review and Price Control regimes of the then new Jersey Competition and Regulatory Authority (JCRA). This in addition immediately opened 20% of the postal market to competition and soon afterwards the JCRA announced its intention to allow all-comers from the World's largest postal operators to compete in Jersey Post's entire market: most notably the booming fulfilment business, save for the loss-making Universal Service Obligation (USO), which compels Jersey Post to provide community-wide core services at uniform prices regardless of cost.

The imperative for change was intensified soon afterwards when, having equipped itself to manage the doubling of postal volumes in the first five years of dramatic growth in the Island's fulfilment industry, Jersey Post saw that industry collapse almost instantly as Low Value Consignment Relief (LVCR) was summarily withdrawn by the UK government in 2012.

Managers can be as ill-equipped to cope with cultural and organisational change as those whom they are expected to lead through it, and this can worsen the impact of such change. Many managers were amongst the victims of the cost-cutting program and, as it neared completion, the Board appointed Kevin Keen as Chief Executive on a three-year, results-based contract to repair the damage to some of the Company's vital business functions and its industrial and public relations, caused by the urgency with which the program had to be executed. His success delivered a transformed company which has maintained peer-comparable profitability despite a 50% fall in annual revenues, with no real-terms increase in prices to customers and the resumption of healthy dividends paid to the States of Jersey, its shareholder. Confidence in the sustainability of this performance is supported by the fundamentals of the culture now embedded throughout the business. It has the positive social values of a public sector organisation alongside the distinctive

attributes of a private sector enterprise – risk tolerance, speedy and devolved decision-making, personal accountability, pragmatism and adaptability.

Forward-looking once more, the Company is ready for the challenges of growth. In this digital age the problem of declining letter mail is compounded by the relentless pace of customer demands for innovation in the speed and variety of delivery and collection options in cross-border ecommerce. Despite the Island of Jersey being an enthusiastic adopter of online shopping, the packets and parcels market here is too small to support the high infrastructure costs of the Island-wide letters service which Jersey Post is required to provide and the imperative now is to find profitable opportunities beyond our shores. Good leadership for this next chapter of Jersey Post's life is as important as the last and the Board was delighted when Tim Brown agreed to succeed Kevin Keen as Chief Executive.

Tim brings wide experience of the global postal industry and proven abilities in strategic business development. His focus is to build a profitable role for Jersey Post in the booming cross-border e-commerce market. The Company's pre-crisis dependency on the UK parcels and packets market has been substantially reduced and now two-thirds of our logistics postings are to non-UK destinations. Direct relationships forged between our Logistics business and almost 200 other operators around the globe mean we can now deliver goods from anywhere, to anywhere. This will benefit not only the whole-chain, indigenous fulfilment businesses which remain in Jersey, but more so, Jersey Post's earnings overseas. Having achieved the coveted status of being recognised by the Universal Postal Union as the designated operator of Jersey, we now have access to the competitive trading terms shared between national postal champions and with this, opportunities to act as integrators for postal operators globally. A tiny share of the annual £2billion international parcel market would be transformational.

Alongside the opportunities there are threats. As in other utility industries, the special relationships between historically government-owned postal operators is being eroded by privatisation and our relationship with Royal Mail is changing following its move from public to private ownership. However, alternative partnership opportunities are emerging amongst their competitors.

One of the biggest threats we face arises from the increasing liabilities being accepted by PECRS, the States of Jersey's pension scheme, in which half of our employees retain rights to defined benefits, granted at incorporation. The escalating cost to Jersey Post now threatens to wipe out all its profits, and with them the capacity to pay dividends. Discussions continue with the States Treasury Department on mitigation of this uncontrollable cost, which remains for me the most worrying issue for the business.

Jurat Mike Liston OBE
Chairman
29 April 2015

Strategic Report

Introduction

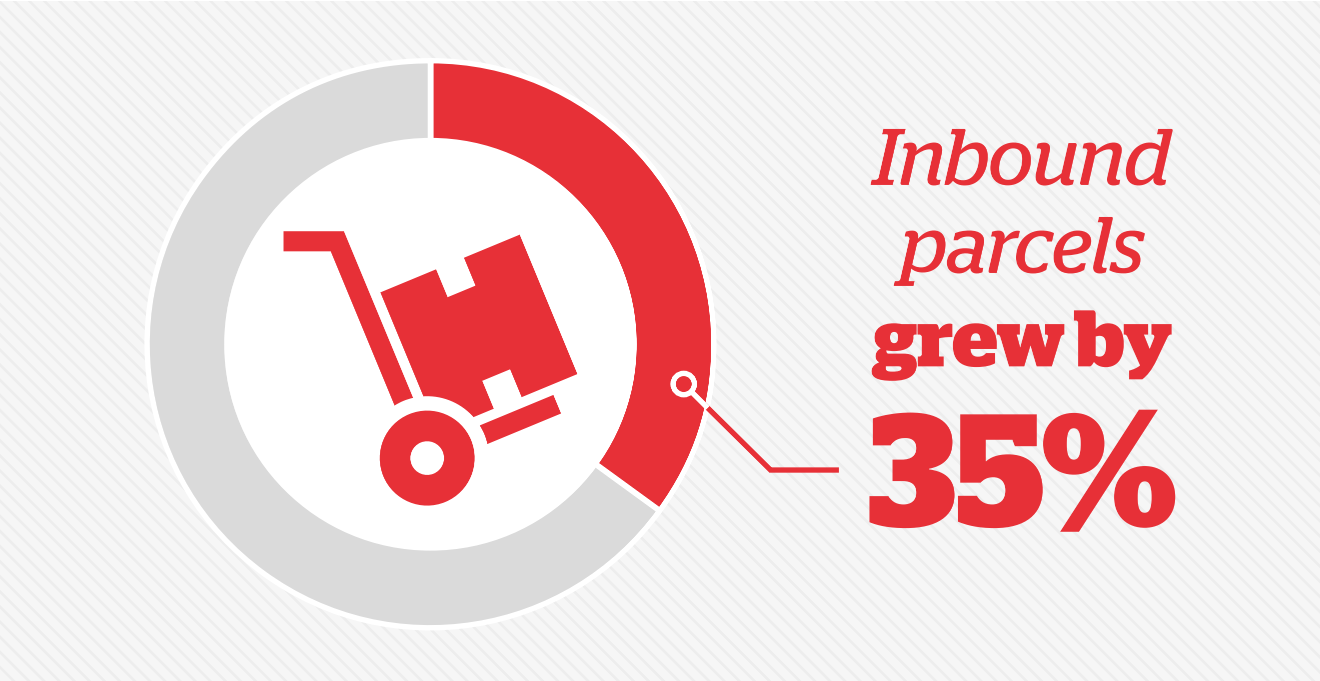
The last few years for Jersey Post have been a period of survival and stabilisation with the Company needing to respond to the introduction of competition, the decline of traditional mail and the loss of UK Low Value Consignment Relief (LVCR).

Much has been done to restore service and confidence in the business. 2014 has been a year of transition, capitalising on the growth in e-commerce and cross border trade, whilst at the same time beginning to re-invest in the service offered in Jersey.

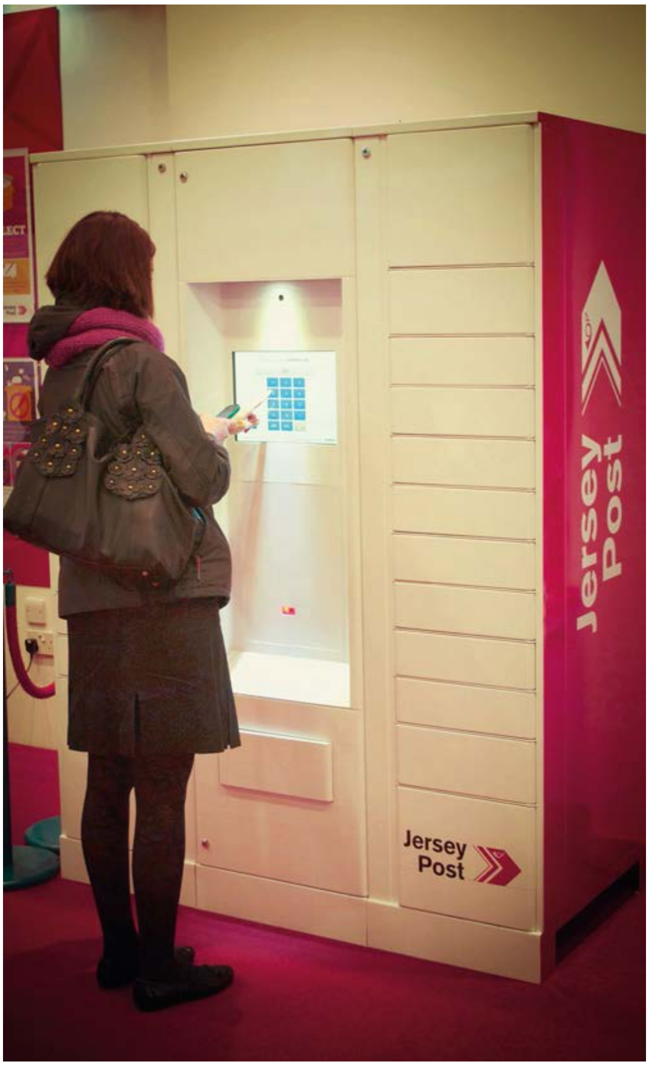
Trading results have remained strong for 2014, with revenue growth for the first time in a number of years, and an operating margin before the FRS 17 pension charge that compares well with many other postal authorities. This was all achieved despite continued decline in our traditional mail volumes and it is only the growth in our Direct2Home service that has helped to sustain overall volumes. Excluding Direct2Home, our local mail volumes were 11% lower in 2014 compared to 2013. Outbound mail showed a year on year decline of 7%, and inbound mail a decline of 4%. Inbound parcels grew by 35%, partly by winning local delivery for new UK-based parcel companies. However, Jersey Post has lost parcel volume following the announcement on 24 December 2014 that City Link had gone into administration. In our Logistics business over two thirds of revenue is now connected with international, non-UK, destinations.

It is not that long ago, at the height of mail volumes, that it was often quoted that the average number of mail pieces received each day by households was two and a half. Customers will have seen for themselves that today they do not even get mail every day. In the back of a typical delivery van today you will see three or four small trays of letters and a van full of parcels and packets. A survey by Island Analysis in March 2014 found:

- **2 out of 3 respondents indicated that their expenditure via online shopping had "increased" or "increased a lot" over the last year compared to the previous year.**
- **The average annual online household spend was just over £7,000.**
- **Around half of all household goods (furniture, furnishings etc.) are now bought online in Jersey. The UK figure is 43%.**
- **Around half of the overall clothing and footwear sales in Jersey are now carried out online. The figure in the UK stands at 47%.**



In terms of the impact on Jersey Post this is huge. We are fast becoming a parcel and distribution company that also happens to deliver letters. It is also why Jersey Post continues to look at improving the delivery experience for packets and parcels. In addition to SecureDrop and Text & Collect we installed our new parcel locker at Broad Street Post Office as the first step in an island-wide roll out of this new facility.



2014 also saw the start of our international growth. We became the designated operator of Jersey recognised by the Universal Postal Union, a body under the auspices of the United Nations. As a result we now have direct connections with approximately 200 postal authorities across the world that means we are able to move items for our customers from, and to, any worldwide destination. This enables Jersey Post to compete in the multi-billion pound cross border e-fulfilment market; the biggest growing area in retail and e-tail.

With these changes in the market and the move away from the traditional mail business, the market in which Jersey Post operates is more competitive and less easy to predict. Without embracing this by investing in the systems and technology to compete, Jersey Post runs the risk of being in managed decline with a smaller and smaller market, putting at threat the Universal Postal Service in Jersey.

Whilst trading results remain strong in 2014 despite declines in traditional mail, the “bottom line” result has been hit by the ongoing issues with the Company’s part of the Public Employees Contributory Retirement Scheme (PECRS). Since May 2010 new employees at Jersey Post have joined the Company’s defined contribution scheme, but over half of our staff still enjoy the benefits of the PECRS defined benefits final salary pension. In 2014 there has been a net charge of £1.2m to our Profit & Loss Account as a result of lengthening life expectancy, the restoration by the States of Jersey of pension increases in line with inflation and changes in investment valuations: all of these factors being completely outside the control of Jersey Post. The business continues to work with the States on addressing the pension issues, but such significant charges impact not just on Jersey Post’s reported profitability, but on our competitiveness and ability to continue to fund dividend payments to our shareholder, the States of Jersey. A sign of our improving trading position (prior to the pension cost) is illustrated by the fact that we will be paying corporation tax for the first time since we were incorporated as a company.

It is important to recognise that Jersey Post not only competes in the local market but is impacted by events in the UK and around the world. Decisions by the UK regulator Ofcom and changes in Royal Mail’s approach to the island could lead to a significant decline in mail coming to the Island, and a change in the traditional relationships between Jersey Post and Royal Mail.

Jersey itself operates in a competitive market as it becomes increasingly easy for companies to locate their operations throughout the world. Jersey Post therefore works hard to ensure the competitiveness of operating in and from Jersey, but also to be in a position where we can be the distribution partner of these companies wherever they are in the world.

Jersey Post continues to manage these challenges and seeks new opportunities to exploit and develop so it can continue to serve its customers in Jersey by:

Delivering a sustainable, thriving postal service for Jersey that is trusted by and relevant to our customers both now and in the future.

Customer service

Jersey Post is committed first and foremost to providing a service to the people and businesses of Jersey.

Therefore delivering a high quality service with high levels of customer satisfaction, together with looking to provide improved services, is an important part of what Jersey Post does.

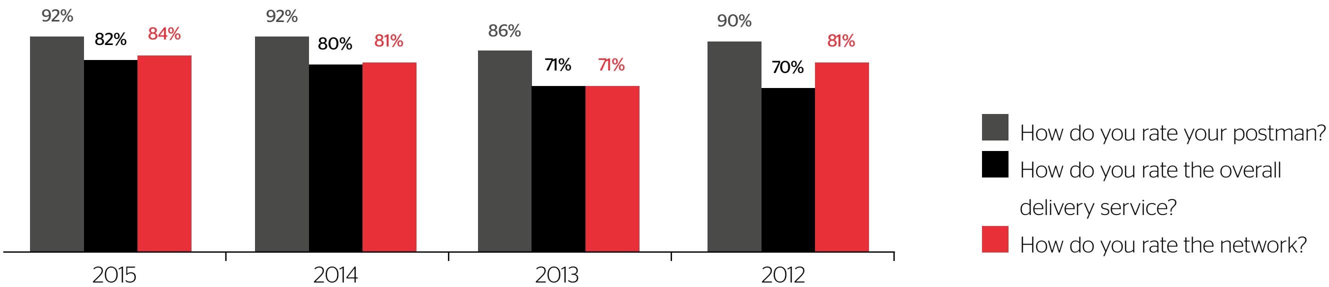
We are proud of the work carried out by our post men and women in delivering an excellent service, going the extra mile and, when things do go wrong, putting them right as quickly and easily as possible. We accept we are not perfect and are always keen to hear the views of customers.

We look at the service we provide in three ways:

WHAT OUR CUSTOMERS TELL US

At the end of February 2015 we sent out our fourth all-island customer survey. The table below shows the results and how these have improved over the last two years.

PERCENTAGE OF 2015 SURVEY RESPONDENTS THAT ANSWERED VERY GOOD OR GOOD

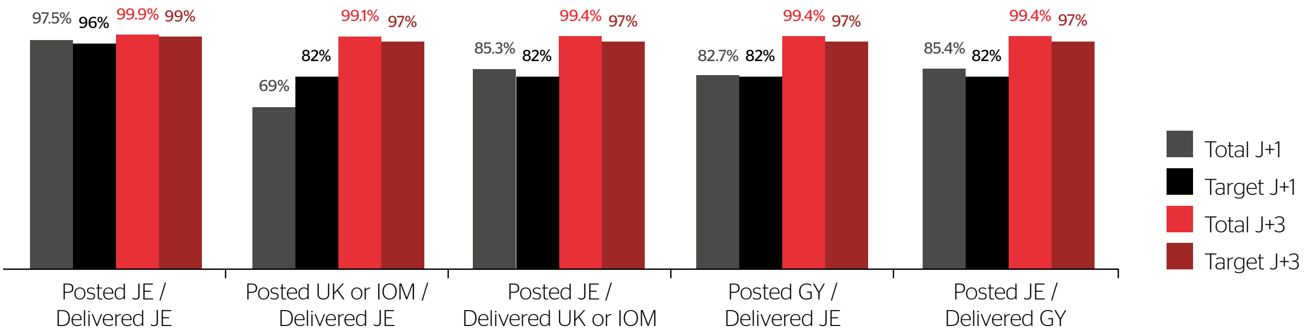


Once again the survey attracted a large response from the public of the Island, with 97% or higher of respondents answering the above questions as satisfactory or better. Whilst we take note of the scores, we are also keen to learn what our customers in Jersey want to see in the service we provide and do our best to incorporate feedback into our future plans.

WHAT OUR MEASUREMENT TELLS US

We measure the Quality of Service we provide i.e. the time it takes to get items of mail to and from certain destinations.

2014 QUALITY OF SERVICE - JERSEY, GUERNSEY, UK AND ISLE OF MAN



In nearly all cases we have beaten our target except for those items coming to us from the UK. This result of 69% delivered next day is very disappointing and worse than the 73.2% we achieved last year. The reason for the deterioration is due to flight delays/cancellations due to bad weather, technical failures or short loads[2] (which were 29 in 2013 but 57 in 2014). Until the mail arrives in Jersey, the items are outside our control and are handled by Royal Mail. Despite the poor performance of next day delivery from the UK, the tail of the mail performs strongly, above 99% in all cases. We continue to work with Royal Mail to improve our performance for mail coming from the UK.

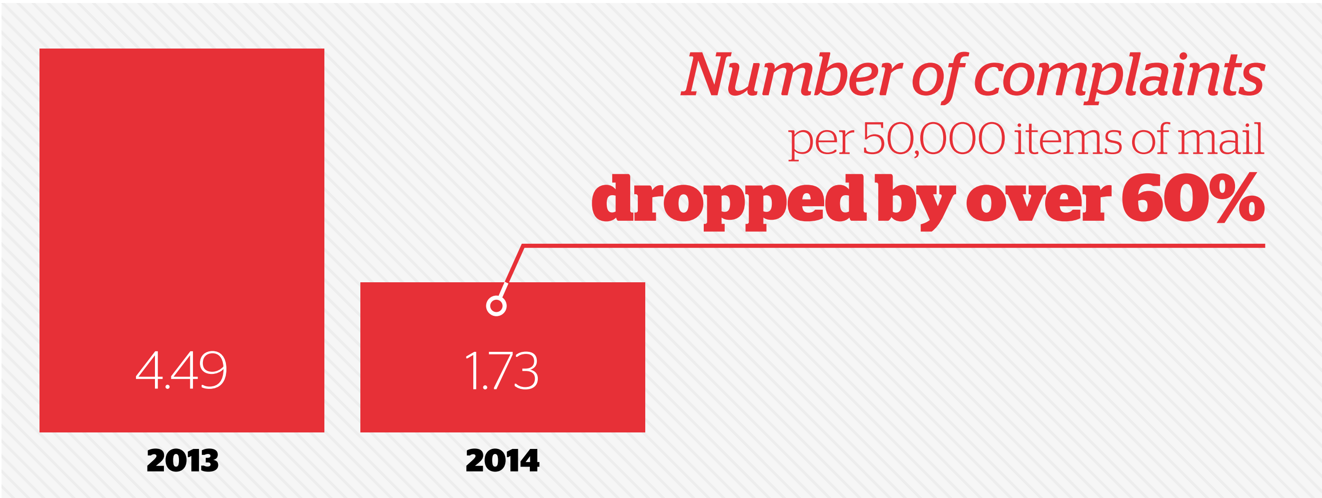
WHAT ISSUES OUR CUSTOMERS HAVE HAD DURING THE YEAR

We are proud of our high quality standards and whilst every effort is made to safeguard our customers' mail, occasionally things can go wrong. All enquiries and complaints are treated as time critical and the overriding principle is to resolve them as quickly as possible. All feedback whether good or bad, is reviewed by management and communicated to the staff on an individual basis. In addition, we have created feedback boards so that our customers' comments, both positive and negative, can be displayed.

We measure the number of complaints per 50,000 items of mail. In 2014 the figure was 1.73, compared to 4.49 in 2013, an improvement of over 60%. The top five areas of complaints were:

- Issues with delivery procedures;
- Securedrop failures;
- Misdelivery of mail;
- Loss of a customer item;
- Redirection failures.

Therefore our focus in 2015 is to address these areas to further improve our performance.



[2] Short loads are where Royal Mail has sent more mail than the aircraft has capacity for.

The community

Over the last few years, Jersey Post has asked its workforce to select a charity with whom we partner for a year. For 2014 we selected Macmillan and managed to generate a fundraising total in excess of £20,000.

If this is added to the money raised by the Venice to Genoa Cycle Challenge, where we contributed to the running costs and provided a vehicle for transport, our contribution increases to almost £100,000.

In addition, as a business owned by the people of Jersey, we aim to support our community wherever we can and select a charity each month for a free Direct2Home mailing. Over the course of 2014 we helped seven organisations in this way.

In November 2014 we announced our sponsorship of Team Jersey for the next two Island Games; 2015 here in Jersey and 2017 in Gotland.

We see this as a long term commitment and relationship with the Island Games Association of Jersey, their participants and supporters. Like the post, sport plays a very important part in Island life and we hope that our partnership with Team Jersey will deliver for both parties.

In recognition of our continued work in the community, the public of Jersey voted for Jersey Post as winner of the inaugural Community Enterprise Award at the 2014 Jersey Awards for Enterprise.

Our employees

Our post men and women are Jersey Post's biggest asset. Our business is based on trust and integrity and our people display this every day.

During 2014 we put all our staff through World Host customer service training. The same training that the Games Makers at the 2012 London Olympics went through, and that the Waitrose Games Makers at this year's Island Games are also following.

As reported last year, our investment in our workforce has been recognised by the results of our annual inspection from Investors in People (IIP) in February 2014 when we were accredited as a silver status employer. For 2015 we are looking to improve this even further. We were also recognised for our work by CIPD Jersey, winning the Most Successful Change Management Programme; recognition for the changes made by the business in recent years.

We also continue to look at how we reward and recognise our staff as well as ways we can add value for our employees through our employee benefits scheme.

Towards the end of 2014 we were able to launch a Pay Advance scheme whereby our staff can borrow up to one month's pay for up to a year at a low interest rate, with no upfront fees and no penalty for early repayment. For 2015 we are looking at health and saving schemes.

We continue to encourage employees at all levels to contribute to improving Jersey Post, both as a place for them to work but also as an organisation which delivers quality customer service. In 2013 Joe Dickinson, one of our employees within our Logistics business, came up with the idea for Call & Check and has led its development. In 2014 we rolled out a pilot scheme to three parishes, and thanks to Joe's work, Jersey Post won the 2014 World Mail Award - Corporate Social Responsibility which is voted for by World Postal Operators.

Jersey Post was selected from a short list which included United States Postal Services and DHL. Joe himself was selected as the Winner of The Sunday Times 'Change Maker Award - UK Social Innovator of the Year 2014' for his work on Call & Check. Joe's story was profiled in The Sunday Times, as well as in 40 other major newspapers around the world.

One significant change during 2014 was the stepping down by Kevin Keen as CEO and my appointment. Jersey Post owes a lot to Kevin's leadership over the previous three years which has restored Jersey Post as a stable and successful company.

Tim Brown
CEO
29 April 2015

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 comprised of three Non-Executive and three Executive Directors. Mike Liston is the Chairman and the Board currently has not appointed a Non-Executive to carry out the role of Senior Independent Director (this role being carried out by Clive Barton up to his resignation on 24 April 2015).

In accordance with the Company's Articles of Association, one Non-Executive Director is required to retire by rotation. Mike Liston has served on the Board for a period of nine years, since the Company was incorporated in 2006, and will retire by rotation at the AGM on 9 June 2015. A resolution will be made at the AGM to re-appoint Mike Liston as Chairman for a further one year term. Due to the length of his service, a successor to take over from Mr Liston as Chairman from the 2016 AGM will now be sought. It is likely that this individual will be appointed as the Senior Independent Director prior to their appointment as Chairman.

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

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

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

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

NUMBER OF MEETINGS ATTENDED

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings held during 2014	5	4	2	1
Mike Liston	5 (Chairman)	4	2	1
Tim Brown	5	2/2	-	-
Clive Barton	2/2	1/1	-	-
Donal Duff	5	4 (Chairman)	2	1
Chris Evans	5	-	2 (Chairman)	0
Kevin Keen	2/2	-	-	-
Liz Vince	4	-	-	-
Gary Carroll	5	-	-	-

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 27 February 2015.

Audit Committee

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

The Audit Committee is chaired by Donal Duff. Members are Mike Liston, Tim Brown (until his appointment as Chief Executive on 1 July 2014) and Clive Barton, who replaced Tim Brown with effect from 1 September 2014 up until Mr Barton's resignation from the Board on 24 April 2015. The meetings are attended by invitation by the external auditor, the Finance Director, the Financial Controller and, from time to time, other senior executives.

At its meeting on 23 April 2015 the Committee received and reviewed the Company's 2014 annual report and financial statements. At this meeting the Committee also received a report from the external auditors summarising the results of their audit of the financial statements.

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

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

The Audit Committee considered whether the 2014 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 its meeting on 29 April 2015.

Nomination Committee

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

Remuneration Committee

The Remuneration Committee has responsibility for setting remuneration for the Executive Directors of the Company which is sufficient to attract, retain and motivate people of the quality required. No Director plays any role in the determination of his/her own remuneration. The Memorandum of Understanding with the Treasury and Resources Minister requires any changes to the level of remuneration paid to Non-Executive Directors to be agreed, in advance, by the Minister. The Committee also monitors the levels of remuneration for members of the Executive Management Team of the Company.

The remuneration of the Directors of the Group for the financial year ended 31 December 2014 is set out below, together with comparatives for 2013:

	Salary/Fees £'000	Bonuses £'000	Benefit in Kind[3] £'000	2014 Total £'000	2013 Total £'000
Executive Directors					
Kevin Keen (resigned w.e.f. 31.07.14)	87	125*	-	212	137
Tim Brown (appointed 01.07.14)	97	21	7	125	n/a
Liz Vince	110	32	6	148	146
Gary Carroll	126	19	15	160	163
Total	**420**	**197**	**28**	**645**	**446**
Non-Executive Directors					
Mike Liston	40	-	-	40	40
Tim Brown (resigned w.e.f. 30.06.14)	12	-	-	12	22
Donal Duff	20	-	-	20	20
Chris Evans	15	-	-	15	15
Clive Barton (appointed 01.09.14; resigned 24.04.15)	7	-	-	7	-
Total	**94**	**-**	**-**	**94**	**97**

*As reported in previous years' annual reports, Chief Executive Kevin Keen was appointed under a three year contract which featured a reduced real terms salary compared with his predecessors, but with the potential to earn up to an additional one-third as bonus each year, subject to the achievement of "business turn-around" objectives. Any bonuses were not payable until the end of tenure, when the sustainability of business performance improvements could be better assessed. Following his completion of the contract, the Remuneration Committee assessed that he had fully met all the bonus award criteria in each of his three years and duly approved a terminal bonus equivalent to a full year salary of £150k to Mr Keen. He donated £25k of his terminal bonus to a fund to provide financial assistance to staff in the Company who wished to pursue a business course or qualification outside of their normal area of work in Jersey Post. The fund is called 'Keen to Develop' and to date three staff have been approved to receive funding totalling £2,566. As the bonus related to a three year period, amounts had been accrued in our 2012 and 2013 accounts. The amount charged to the 2014 Profit and Loss Account in respect to Kevin Keen's total bonus is £90k.

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

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 (including the three Executive Directors in the above table);
- All other staff.

The total amount paid out in bonuses relating to 2014 for the above three schemes was £693,481.

During 2014 the Company provided £25k to the Sports and Social Club who organise events for staff and the Company also funded the CWU's local branch secretary post at a total cost of £41,509.

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.

Liz Vince
Company Secretary
29 April 2015

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 2014.

Principal Activity

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

Going Concern

The Directors have produced forecasts for the next 12 months following the date of signing these financial statements which have satisfied them that the Group will continue to be a going concern and be able to meet its liabilities as they fall due. In making this assessment the Directors have considered the effect of the deficit on the Company's sub fund of the Public Employees Contributory Retirement Scheme (PECRS).

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

Results

Details of the results for the year are set out in the Group consolidated profit and loss account on page 23. 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 £177,000 will be recommended by the Directors for 2014 at the AGM to be held on 9 June 2015 (2013: £390,000).

Employee Involvement

During the year, the policy of providing employees with information about the Group was continued using a variety of media through which employees were encouraged to present their suggestions and views on the Group's performance.

Disabled Employees

The Group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the Group's policy, wherever practicable, to provide continuing employment under normal terms and conditions and to provide training, career development and promotion to disabled employees wherever appropriate.

Board Remuneration

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

Statement of Directors' Responsibilities

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

The Companies (Jersey) Law 1991 requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Group as at the end of the year and of the profit or loss of the Group for the year. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the 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.

Annual General Meeting

The AGM will be held at the States Treasury, Cyril le Marquand House, St. Helier on 9 June 2015.

Directors

The Directors of the Company are listed on page 3.

Auditors

PricewaterhouseCoopers CI LLP were appointed and acted as auditors for the year ended 31 December 2014. A resolution to appoint PricewaterhouseCoopers CI LLP as auditors for the year ending 31 December 2015 will be proposed at the AGM on 9 June 2015.

This statement was approved by the Board of Directors of Jersey Post International Limited on 29 April 2015 and was signed on their behalf by:

Liz Vince
Company Secretary
29 April 2015

Independent Auditors' Report

to the members of Jersey Post International Limited

Report on the financial statements

We have audited the accompanying consolidated financial statements (the "financial statements") of Jersey Post International Limited ("the Group") which comprise the consolidated balance sheet as of 31 December 2014 and the consolidated profit and loss account, consolidated statement of total recognised gains and losses and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group as of 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with United Kingdom Accounting Standards and have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Report on other legal and regulatory requirements

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

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

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

Mark James
For and on behalf of PricewaterhouseCoopers CI LLP
Chartered Accountants
Jersey, Channel Islands
29 April 2015

Consolidated Profit and Loss Account

Year Ended 31 December 2014

	Note	2014 £'000	2013 £'000
Turnover		35,425	34,297
Cost of Sales		(27,745)	(26,957)
Gross Profit		**7,680**	**7,340**
Other Income		58	133
Administrative Expenses			
Overhead expenses		(6,112)	(5,555)
Operating Profit before pension charge and exceptional items	2	**1,626**	**1,918**
Defined benefit pension service costs (excluding employers pension contributions)		(1,544)	(832)
Operating Profit after pension charge and before exceptional items	2	**82**	**1,086**
Exceptional Items	4		
Onerous Contract Provision		-	(493)
Restructuring costs		(137)	(65)
Gain on sale of assets		35	38
Total Exceptional Items		**(102)**	**(520)**
Operating (Loss)/Profit after pension charge and exceptional items		**(20)**	**566**
Interest and Dividends Receivable	5	268	250
Net (loss)/gain on investments	6	(6)	80
Net finance income	7	348	369
Profit before taxation		**590**	**1,265**
Taxation	8	(371)	-
Profit after taxation		**219**	**1,265**

The basis of preparation of these financial statements is set out on page 27, and the notes on page 27-39 form part of these financial statements.

The above results are derived from continuing activities.

Consolidated Statement of Total Recognised Gains and Losses

Year Ended 31 December 2014

	Note	2014 £'000	2013 £'000
Profit for the year		219	1,265
Actuarial gain in respect of the pension scheme	14	898	632
Total recognised gains for the year		**1,117**	**1,897**

The basis of preparation of these financial statements is set out on page 27, and the notes on page 27-39 form part of these financial statements.

Consolidated Balance Sheet
Year Ended 31 December 2014

	Note	2014 £'000	2013 £'000
Non Current Assets			
Fixed Assets	9	8,051	8,445
Current Assets			
Stock		206	185
Debtors	10	5,515	4,876
Short-term investments			
Cash Deposits		9,142	6,204
Equity Investments	11	4,432	3,269
Cash at bank and in hand		1,753	2,294
Total Current Assets		**21,048**	**16,828**
Creditors			
Amount falling due within one year	12	(8,541)	(5,740)
Net Current Assets		**12,507**	**11,088**
Total assets less current liabilities		20,558	19,533
Deficit on defined benefit pension scheme	14	(5,565)	(5,267)
Net Assets		**14,993**	**14,266**
Ordinary Share Capital	16	5,000	5,000
Profit and loss reserve	21	9,993	9,266
Shareholder's funds		**14,993**	**14,266**

The financial statements were approved by the Board of Directors of Jersey Post International Limited on 29 April 2015 and were signed on their behalf by:

Tim Brown
Chief Executive Officer

Liz Vince
Finance Director

The basis of preparation of these financial statements is set out on page 27, and the notes on pages 27-39 form part of these financial statements.

Consolidated Cash Flow Statement

Year Ended 31 December 2014

	Note	2014 £'000	2013 £'000
Net cash inflow from operating activities	24	**4,314**	**506**
Returns on investments and servicing of finance			
Interest Received		78	229
Dividends Received		189	125
Net (loss)/gain on investments		(6)	80
Net cash inflow from returns on investments and servicing of finance		**261**	**434**
Capital Expenditure			
Purchase of tangible fixed assets		(949)	(1,264)
Sale of tangible fixed assets		161	57
Net cash outflow from capital expenditure		**(788)**	**(1,207)**
Net cash inflow /(outflow) before management of liquid resources and financing		**3,787**	**(267)**
Management of liquid resources	24	**(2,938)**	**1,377**
Financing			
Purchase of investments		(1,000)	(1,000)
Dividends paid		(390)	(1,882)
(Decrease) in cash in the year	24	**(541)**	**(1,772)**

The basis of preparation of these financial statements is set out on page 27, and the notes on pages 27-39 form part of these financial statements.

Notes to the Financial Statements

1. ACCOUNTING POLICIES

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

1.1 BASIS OF PREPARATION

The financial statements are prepared under the historical cost convention and in accordance with United Kingdom Accounting Standards (UK GAAP).

1.2 GOING CONCERN

The Directors have produced forecasts for the next 12 months following the date of signing of these financial statements which have satisfied them that the Group will continue to be a going concern and be able to meet its liabilities as they fall due. In making this assessment the Directors have considered the effect of the deficit on the Company's sub fund of the Public Employees Contributory Retirement Scheme (PECRS).

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

1.3 BASIS OF CONSOLIDATION

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

1.4 TANGIBLE FIXED ASSETS

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

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

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

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

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

Land
Not depreciated

Freehold buildings
15 - 30 years

Computer hardware and software
1 - 5 years

Plant, vehicles and equipment
3 - 10 years

Improvements to leasehold property
Remaining length of the lease

The carrying value of tangible fixed assets is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

1.5 INTANGIBLE ASSETS

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

The carrying value of intangible fixed assets is reviewed for impairment when events or circumstances indicate that the carrying value may not be recoverable.

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

1.6 CASH AT BANK AND IN HAND AND CASH DEPOSITS

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

1.7 DEBTORS

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

1.8 STOCKS

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

1.9 INVESTMENTS

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

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

1.10 CREDITORS

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

1.11 PROVISION FOR LIABILITIES

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

1.12 FOREIGN CURRENCIES

Transactions in foreign currencies are translated into sterling at the exchange rate ruling when the transaction was entered into. Monetary assets and liabilities expressed in foreign currencies are translated to sterling at the exchange rates ruling at the balance sheet date. Foreign currency gains and losses are taken to the profit and loss account.

1.13 TURNOVER

Turnover represents the invoiced value of goods and services supplied less post office boxes and business reply licences invoiced in advance and unexpended credit on franking meters. The sale of stamps is based on the cash received and no provision is made for services to be provided in respect of stamps in circulation as the Directors consider this to be immaterial. Included within Turnover and Cost of Sales are customs clearance charges incurred and recharged to customers of Jersey Post.

1.14 OTHER INCOME

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

1.15 ADMINISTRATIVE EXPENSES

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

1.16 TAXATION

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

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

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

1.17 PENSION COSTS

The Group operates both defined benefit and defined contribution schemes.

Defined Benefit

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

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

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

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

Defined Contribution

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

1.18 OPERATING LEASES

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

1.19 RESEARCH AND DEVELOPMENT

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

1.20 RELATED PARTIES

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

2. OPERATING PROFIT FOR THE YEAR

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

	2014 £'000	2013 £'000
Auditor's remuneration		
Audit	80	75
Non-audit	6	-

3. STAFF COSTS

	2014 £'000	2013 £'000
Wages and Salaries	12,683	12,040
Employer Social Security costs	757	744
Employer Pension Contributions	727	597
Defined benefit pension service costs	1,544	832
Total	**15,711**	**14,213**

4. EXCEPTIONAL ITEMS

Operating exceptional costs relate to non-recurring redundancy costs of £137,000 (2013: £65,000), the gain on the sale of assets during the year of £35,000 (2013: £38,000) and an onerous lease provision in relation to a leased warehouse unit which is now vacant £0k (2013: £493,000).

5. INTEREST AND DIVIDENDS RECEIVABLE

	2014 £'000	2013 £'000
Bank Interest Receivable	79	125
Dividends Receivable	189	125
Total	**268**	**250**

6. NET (LOSS)/GAIN ON INVESTMENTS

The net (loss)/gain on investments disposed of during the year comprises:

	2014 £'000	2013 £'000
Proceeds from sales of investments made during the year	622	527
Original cost of investments sold during the year	(628)	(447)
(Loss)/Gain realised on investments sold during the year	**(6)**	**80**

7. NET FINANCE INCOME

	2014 £'000	2013 £'000
Expected return on pension scheme assets	1,690	1,506
Interest on pension liabilities	(1,342)	(1,137)
Net finance income	**348**	**369**

8. TAXATION

	2014 £'000	2013 £'000
Jersey income tax		
Current charge	328	-
(Credit)/Charge in respect of prior years	-	-
Total current tax charge for the year	**328**	**-**
Deferred Taxation		
Charge for the year taken to profit and loss	43	-
Charged/(Credited) to the profit and loss in respect of prior period	-	-
Total deferred tax charge for the year	**43**	**-**
Charge/(Credit) for the year taken to the Statement of Total Recognised Gains and Losses	-	-
Total tax charge/(credit) for the year	**371**	**-**
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	**590**	**1,265**
Tax on profit on ordinary activities at 20%	**118**	**253**

Factors affecting tax charge for the year	2014 £'000	2013 £'000
Fixed Asset timing differences	17	(22)
Profit on sale of investments	-	(16)
Timing differences on pensions	239	93
Expenses not deductible for tax purposes	56	36
Income taxed at 0%	(1)	(5)
Losses brought forward from prior year	(101)	(339)
Total current income tax charge for the year	**328**	**-**

Deferred Taxation	2014 £'000	2013 £'000
Total deferred taxation balance at 1 January	-	-
Charged to profit and loss	43	-
(Charge)/Credit to the STRGL	-	-
(Charge)/Credit to the profit and loss in respect of prior periods	-	-
Total deferred tax balance at 31 December	**43**	**-**

Jersey Post International Limited is subject to Jersey income tax at the standard rate of 0% (2013: 0%). Jersey Post Limited, a subsidiary of Jersey Post International Limited, is subject to Jersey income tax at the rate of 20% (2013: 20%). All other companies in the Group are subject to Jersey income tax at the standard rate of 0% (2013: 0%).

A deferred tax asset has not been recognised in respect of the defined benefit pension scheme deficit. The estimated value of the net deferred tax asset not recognised, measured at the standard rate of 20% is £1,113,000 (2013: £1,053,000).

9. FIXED ASSETS

	Freehold land & buildings £'000	Improvements to leasehold property £'000	Plant, vehicles, equipment £'000	Intangible £'000	Total £'000
Cost					
At 1 January 2014	7,735	570	6,573	132	15,010
Additions			592		592
Disposals			(768)		(768)
Assets Written Off			(52)		(52)
At 31 December 2014	**7,735**	**570**	**6,345**	**132**	**14,782**
Depreciation					
At 1 January 2014	1,791	570	4,142	63	6,565
Annual Charge	238		573		811
Disposals			(646)		(645)
At 31 December 2014	**2,029**	**570**	**4,069**	**63**	**6,731**
Net book value					
At 31 December 2014	**5,706**	**-**	**2,276**	**69**	**8,051**
At 31 December 2013	5,944	-	2,431	69	8,445

10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014 £'000	2013 £'000
Net trade debtors	3,125	2,881
Other debtors	793	780
Agency debtors	207	195
Prepayments and accrued income	1,390	1,020
	5,515	**4,876**

11. EQUITY INVESTMENTS

	2014 £'000	2013 £'000
Opening balance	3,269	2,078
Additions	1,791	1,638
Disposals	(628)	(447)
Closing balance	**4,432**	**3,269**

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

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014 £'000	2013 £'000
Trade Creditors	356	1,050
Other Creditors	1,462	1,053
Accruals and Deferred income	6,723	3,637
	8,541	**5,740**

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

Included within 2014 Other Creditors is £669,481 (2013: £317,178) of VAT due to HMRC as a result of customer postings above the HMRC 'de minimis' level. The customers pay the amounts due to Jersey Post who then pay these to HMRC. The amounts received from customers but not paid over to HMRC at the Balance Sheet date are recorded within cash.

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

	2014 £'000	2013 £'000
Opening balance	758	806
Movement in the year	542	(48)
Closing balance	**1,300**	**758**

13. OPERATING LEASE COMMITMENTS

	Land & Buildings	
	2014 £'000	2013 £'000
Non-cancellable annual commitments in respect of operating leases which expire:		
Less than one year	74	228
Between two and five years	441	441
After five years	-	-
	515	**669**

At 31 December 2014, the group has lease agreements in respect of properties for which the payments extend over a number of years.

14. PENSION COSTS - DEFINED BENEFIT

The Group had one defined benefit pension scheme at 31 December 2014, which is open to certain employees of Jersey Post - the Public Employees Contributory Retirement Scheme (PECRS) ('the scheme'). Prior to incorporation Jersey Post had a second defined pension scheme (JPOPF). The responsibility for JPOPF remains with the States of Jersey as from 30 June 2006.

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

Salaries and emoluments include pension contributions of £494,000 for the year ended 31 December 2014 (2013: £495,000) for staff who are members of PECRS. The current employer contribution rate is 8.27% of members' salaries as set by the Scheme Actuary.

The latest full actuarial valuation of PECRS was carried out by the PECRS's independent actuary as at 31 December 2013. The valuation of PECRS has been updated by the actuary to 31 December 2014 in accordance with FRS 17.

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

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

Main financial assumptions	**31 December 2014 (% p.a)**	**31 December 2013 (% p.a)**	**31 December 2012 (% p.a)**
Before Retirement			
Jersey Price Inflation	2.95%	3.60%	3.05%
Rate of general long-term increase in salaries*	3.95%	4.60%	4.05%
Rate of increase to pensions in deferment	2.95%	3.45%	2.90%
Discount rate for scheme liabilities	3.40%	4.30%	4.10%
After Retirement			
Jersey Price Inflation	3.05%	3.70%	3.15%
Rate of increase to pensions in payment	3.05%	3.55%	3.00%
Discount rate for scheme liabilities	4.55%	5.45%	5.20%

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

Expected Return on Assets	**31 December 2014**		**31 December 2013**		**31 December 2012**		**31 December 2011**		**31 December 2010**	
	Long-term expected rate of return*	**£'000**	**Long-term expected rate of return***	**£'000**	**Long-term expected rate of return***	**£'000**	**Long-term expected rate of return***	**£'000**	**Long-term expected rate of return***	**£'000**
Fixed Income Bonds	2.4%	-	3.6%	-	2.7%	-	2.8%	-	4.2%	-
Equities	6.8%	20,536	7.5%	20,696	8.0%	18,061	8.0%	17,742	8.0%	25,021
Index-linked Gilts	2.1%	-	3.4%	-	2.5%	-	2.6%	-	4.0%	-
Property	6.3%	2,835	7.0%	1,778	7.5%	1,508	7.5%	-	7.5%	-
Corporate Bonds	3.0%	2,949	4.1%	1,823	3.1%	2,421	3.9%	5,657	5.0%	7,010
Cash	1.0%	1,684	0.9%	1,341	1.0%	561	1.8%	493	1.4%	422
Total fair value of assets		**28,004**		**25,638**		**22,551**		**23,892**		**32,453**

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

Reconciliation of funded status to balance sheet	31 December 2014 £'000	31 December 2013 £'000	31 December 2012 £'000
Fair value of scheme assets	28,004	25,638	22,551
Present value of funded defined benefit obligations	(33,569)	(30,905)	(27,987)
(Liability) recognised on the balance sheet	**(5,565)**	**(5,267)**	**(5,436)**

Changes to the present value of the defined benefit obligation during the year	Year ending 31 December 2014 £'000	Year ending 31 December 2013 £'000
Opening defined benefit obligation	**30,905**	**27,987**
Current service cost	1,347	1,327
Interest cost	1,342	1,137
Contributions by scheme participants	330	330
Actuarial (gains)/losses on scheme liabilities	(360)	1,520
Net benefits paid out	(686)	(1,396)
Past service cost	691	-
Net increase in liabilities from disposals/acquisitions	-	-
Curtailments	-	-
Settlements	-	-
Closing defined benefit obligations	**33,569**	**30,905**

Changes to the fair value of scheme assets during the year	Year ending 31 December 2014 £'000	Year ending 31 December 2013 £'000
Opening fair value of scheme assets	**25,638**	**22,551**
Expected return on scheme assets	1,690	1,506
Actuarial gains on scheme assets	538	2,152
Contributions by the employer	494	495
Contributions by scheme participants	330	330
Net benefits paid out	(686)	(1,396)
Net increase in assets from disposals/acquisitions	-	-
Settlements	-	-
Closing fair value of scheme assets	**28,004**	**25,638**

Actual return on scheme assets	**Year ending 31 December 2014 £'000**	**Year ending 31 December 2013 £'000**
Expected return on scheme assets	1,690	1,506
Actuarial gain on scheme assets	538	2,152
Actual return on scheme assets	**2,228**	**3,658**

Analysis of profit and loss charge	**Year ending 31 December 2014 £'000**	**Year ending 31 December 2013 £'000**
Current service cost	1,347	1,327
Past service cost	691	-
Interest cost	1,342	1,137
Expected return on scheme assets	(1,690)	(1,506)
Curtailment cost	-	-
Settlement cost	-	-
Expenses recognised in profit and loss	**1,690**	**958**

Analysis of amounts recognised in STRGL	**Year ending 31 December 2014 £'000**	**Year ending 31 December 2013 £'000**
Difference between actual and expected return on pension scheme assets	538	2,152
Experience gains arising on the scheme liabilities	1,643	620
Effect of changes in assumptions underlying the present value of scheme liabilities	(1,283)	(2,140)
Total gains recognised in the Statement of Total Recognised Gains and Losses	**898**	**632**

History of experience gains and losses	**31 December 2014 £'000**	**31 December 2013 £'000**	**31 December 2012 £'000**	**31 December 2011 £'000**	**31 December 2010 £'000**
Experience gains/(losses) on scheme assets					
Amount	538	2,152	988	(3,787)	655
Percentage	1.9%	8.4%	4.3%	15.8%	2.9%
Experience gains on scheme liabilities					
Amount	1,643	620	662	544	5,995
Percentage	4.9%	2.0%	2.4%	1.8%	20.3%
Total gains/(losses) recognised in statements of total recognised gains and losses					
Amount	898	632	1,090	(9,447)	(4,312)

15. PENSIONS - DEFINED CONTRIBUTION

The pension cost represents contributions payable by the Group to the defined contribution scheme and amounted to £391,385 (2013: £138,064). No contributions (2013: £0) were payable to the scheme at 31 December 2014.

16. ORDINARY SHARE CAPITAL

	2014 £'000	2013 £'000
Authorised, issued, allotted and fully paid		
5 million £1 ordinary shares	**5,000**	**5,000**

17. DIVIDENDS PAID AND PAYABLE

During the year, £390,000 (2013: £1,882,000) dividends were paid to the shareholder.

	2014 £'000	2013 £'000
Declared and paid during the year:		
Final for 2013/2012	390	382
Special Dividend	-	1,500
	390	**1,882**
Proposed for approval by the shareholders at the AGM		
Final Dividend for 2014 (2013)	**177**	**390**

18. ULTIMATE AND IMMEDIATE CONTROLLING PARTY

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

19. DERIVATIVES

The Group purchases forward foreign currency contracts to hedge currency exposure on firm future commitments. The fair values of the derivatives held at the balance sheet date, determined by reference to their market values, are as follows:

	2014 £'000	2013 £'000
Forward foreign currency contracts	(5)	-
Forward foreign currency contracts	**(5)**	**-**

20. RELATED PARTY TRANSACTIONS

The Group provides multi-channel services to a number of different departments of the States of Jersey. Sales of £1,152,000 (2013: £1,106,000) and purchases of £427,000 (2013: £177,000) were made to departments in 2014. As at 31 December 2014, the amount owing to the States of Jersey was £20,000 and the amount owed from the States of Jersey was £113,129 (31 December 2013: £399,000 and £117,000 respectively). All services provided by the Group to the States of Jersey are provided on an arm's length basis.

						31 December 2014	
Director	**Relationship**	**Interest**	**Service**	**Purchases**	**Sales/Income**	**Debtor**	**Creditor**
Gary Carroll	Director	St Lo Ltd	Loan		£10,950 (2013: £10,950)	£734,562 (2013: £734,562)	
Chris Evans*	Director	Foreshore Limited	IT	£276,855 (2013: £201,103)	£101 (2013: £348)	£Nil (2013: £Nil)	£2,724 (2013: £37,667)

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

*From July 2014, Chris Evans was no longer a Director of Foreshore.

21. PROFIT & LOSS RESERVE

	2014 £'000	2013 £'000
Balance brought forward	9,266	7,751
Profit attributable to shareholder	219	1,265
Ordinary Dividend	(390)	(382)
Actuarial gain in respect of the pension schemes	898	632
Balance at 31 December	**9,993**	**9,266**

A shareholder's funds reconciliation is not disclosed as there is considered to be sufficient information in note 21.

22. SUBSIDIARY UNDERTAKINGS

As at 31 December 2014 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 - dormant
Jersey Post (Broad Street) Limited	Property Holdings
Jersey Post (Rue des Pres) Limited	Property Holdings
Jersey Post (Parishes) Limited	Lease 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 as consolidated accounts have been prepared.

23. 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 20.

24. NOTES TO THE CASH FLOW STATEMENT

A) Reconciliation of Operating Profit to Net Cash (outflow)/inflow from Operating Activities	2014 £'000	2013 £'000
Operating (loss)/profit	(20)	566
FRS 17 charge	1,544	832
Depreciation charge	812	784
(Increase)/Decrease in stock	(21)	30
(Increase) in debtors	(639)	(463)
Increase/(Decrease) in creditors due	2,801	(1,151)
Other tax accruals	(163)	(92)
Net cash inflow from operating activities	**4,314**	**506**

B) Analysis of Changes in Net Funds	1 January 2014 £'000	Cash Flow £'000	31 December 2014 £'000
Cash	2,294	(541)	1,753
Short-term deposits	6,204	2,938	9,142
	8,498	**2,397**	**10,895**

Monies held on seven day and month deposit meet the definition within FRS 1 "Cash flow statements" of liquid resources and are disclosed above as short-term deposits.

Five Year Summary

	Units	2014	2013	2012	2011	2010
Balance Sheet						
Shareholder's funds	£'000	**14,993**	14,266	12,751	15,242	18,007
Profit & Loss Account						
Turnover	£'000	**35,425**	34,297	44,213	64,868	65,648
Operating profit before pension charge and exceptional items	£'000	**1,626**	1,918	2,057	1,791	595
Gross margin	%	**22**	21.4	17.4	13.5	11.3
Operating profit %	%	**4.6**	5.6	4.7	2.8	0.9
Profit before tax	£'000	**590**	1,265	1,294	2,771	111
Dividend payable to shareholder on the basis of the year's financial performance	£'000	**177**	390	382	375	-
Operational statistics						
Mail volumes	million	**39**	40	56	84	91
Number of post offices	number	**21**	21	22	23	23
Cost of a local stamp	pence	**46**	45	45	37 and 42	36 and 39
Cost of a UK stamp	pence	**56**	55	55	50	45
Number of staff (FTEs)	number	**349**	348	336	357	370
Staff costs*	£million	**14.2**	13.4	13.5	14.6	16.3
Average cost of employee	£'000s	**41**	39	40	41	44

*Excludes the Defined Benefit pension service costs.

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