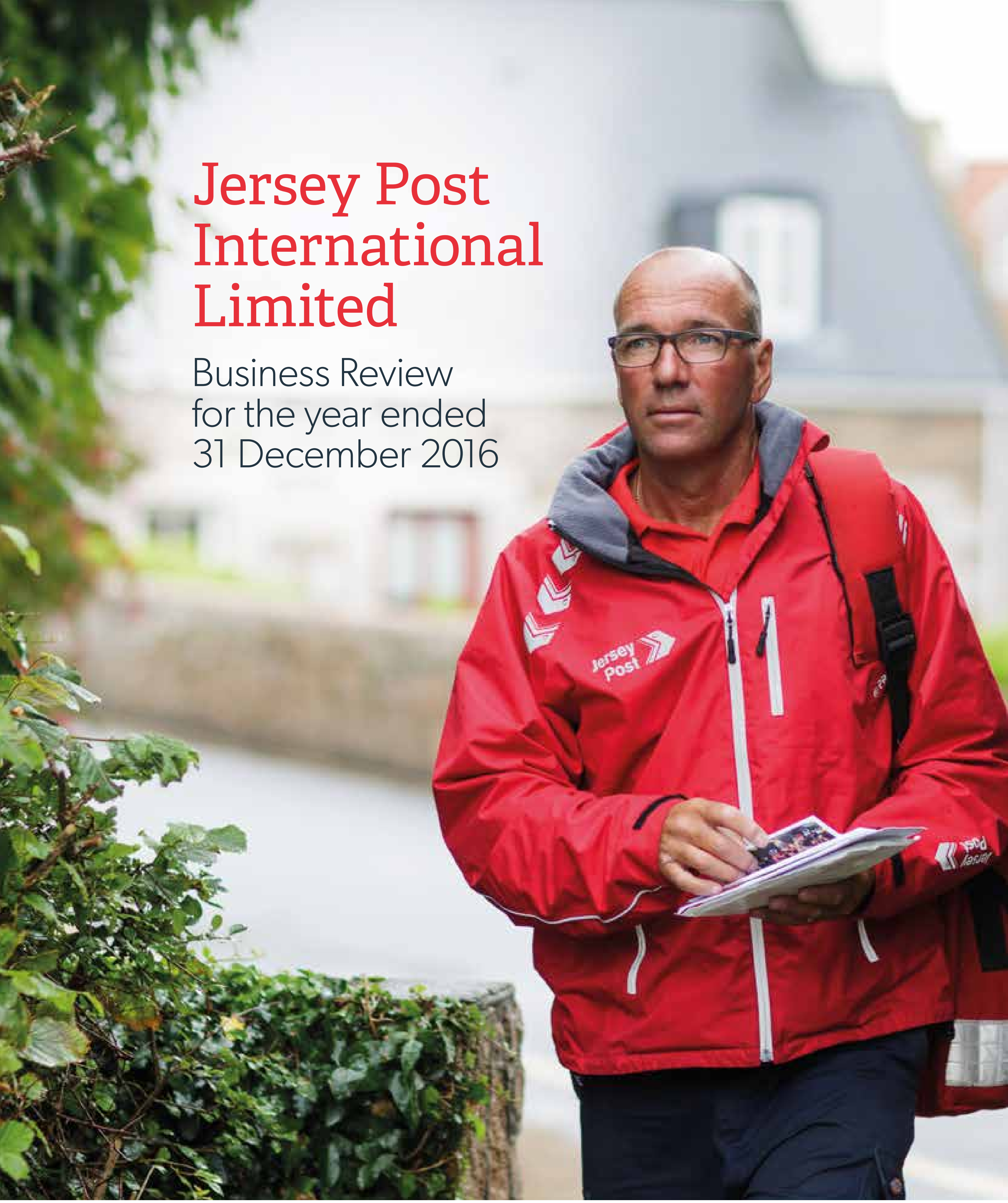
Jersey Post International Limited

Business Review for the year ended 31 December 2016



www.jerseypost.com

R.81/2017

Jersey Post

Contents

Directors, Officers and Advisors

Directors of Jersey Post International Limited

Jurat 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

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

Sue Barton
Non-Executive (appointed 1 April 2016)

Company Secretary

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

Tim Barnes ACMA
(appointed 3 March 2017)

Auditors of the full statutory annual report and financial statement

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

Board of Directors[1]

Jurat 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 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 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.

Donal Duff Non-Executive Director
BAAF, FCA, AMCT

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 CI Traders Limited, an AIM-listed company, in 2002. Donal was Director of Finance and Company Secretary of CI Traders, 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. He subsequently worked in a variety of roles in the Stanley Gibbons Group plc from 2009 to 2016 most notably as Chief Finance Officer until late 2016. Today, Donal is Director of Finance at Calligo Limited, a Jersey based IT company specialising in the provision of cloud services for infrastructure, applications and communications.

[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.

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.

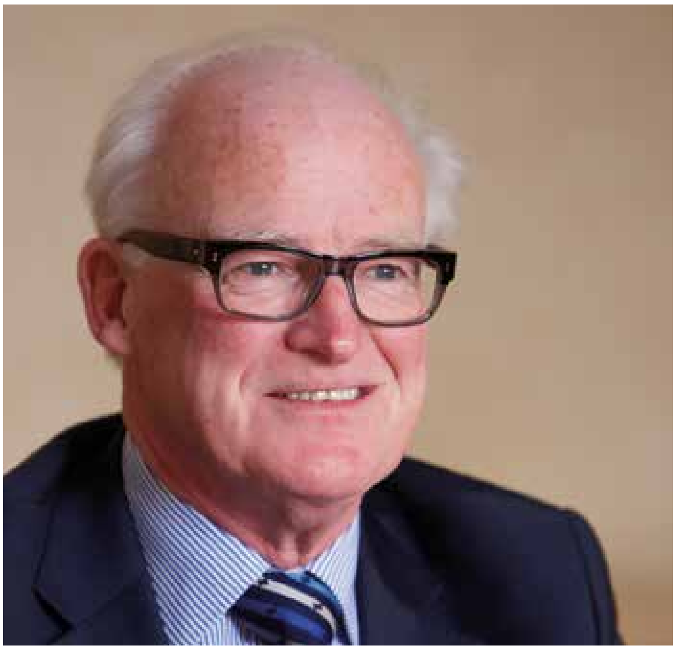
Now running his own consultancy, Alan works with businesses and executive teams supporting transformational change and focuses on the development of strategy, change management, strategic HR and improving board and organisational effectiveness. Most recently, Alan has worked closely with the board and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

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.

As a consultant, she worked with many of the leading international postal organisations providing support and advice across a broad spectrum of areas such as strategy development; quality of service; operational performance; and organisation design. She also conducted independent reviews of strategic business plans and supported the renegotiation/restructuring of commercial contracts. Most recently Sue was the Strategy Director at the UK Post Office where her portfolio included Strategy, IT, Mutualisation and the Strategic Programme Management Office.

Chairman's Statement



This was my eleventh and final year as Chairman of Jersey Post and it is gratifying to report not only on another 12 months of strong financial and operational performance, but also on the greatly encouraging results from our roll-out of the final phase of the business strategy which the Board of Directors defined soon after taking responsibility for the company upon its Incorporation in 2006. Revenues grew for the third consecutive year and pre-tax profits reached a five-year high at £2.4M, yielding a return on turnover of 6%, which ranks well within the postal industry. The recommended dividend of £0.7M is adequately covered to allow our continued investment in the business.

I have documented in my previous annual statements, how external events have created the imperatives for radical change at Jersey Post, which although often traumatic for its staff and occasionally disruptive for its customers, has been transformational in equipping the company for the future. My ability this year to report good prospects seen early in the "Growth" phase of our strategy for success, is only possible because of the sacrifices made by so many of our people in the previous two phases.

The "Survival" phase earlier in the current decade involved deep cost-cutting in response to the crisis caused when the impact of market opening policy of Jersey's Competition and Regulatory authority was compounded by the sudden withdrawal of Low Value Consignment Relief (LVCR) by the UK government. The immediate collapse of the Island's fulfilment industry wiped out half of Jersey Post's annual revenues, putting in peril its ability to fund its Universal Service Obligation – the core activity of collecting and delivering mail, which at that time was loss-making.

The "Stabilisation" phase which followed aimed to achieve sustainability in the performance of the company's people, business processes and technology, all of which had been adversely impacted by the explosive rate of change demanded in the Survival phase. With an overall focus on locking-in the reduced cost base for lasting competitiveness, stabilization involved the re-engineering of organizational structures; the enhancement of leadership capabilities at all levels, and the acceleration of investment in essential IT infrastructure, operational automation and smart technology, in readiness for the final, "Growth" phase of our business strategy, which is now underway.

The Growth phase of our strategy is no less an imperative for Jersey Post than the Survival and Stabilisation phases were, given the ongoing decline in our home market. Here, as elsewhere, we are seeing dramatic decline in the use of mail for communication. Letter volumes have fallen by two-thirds during the past decade as the digital revolution marches on. In Jersey as elsewhere, the battle among competitors for what business remains, risks a "race to the bottom". Jersey Post alone has a legal duty to provide a comprehensive postal service and as the fixed costs of operating an island-wide service confront falling mail volumes, economic unviability is inevitable. If nothing is done, then within the next three years Jersey post will be loss-making if substantial price rises and service cut-backs are to be avoided. It is against this scenario that our Growth strategy aims to turn the threat of the digital revolution into opportunity.

Rapid globalisation of the World's economy and accelerating growth in online retailing has seen the volume of cross-border packets and parcels doubling every five years. Jersey Post's capabilities equip it well to capture at the very least, the small slice of the opportunities in this global market which it needs to fund its obligations here in Jersey. One of the positive legacies of its experience during the "fulfilment era" in Jersey is its unique capability, relative to its size, in cross-border freight forwarding; air conveyance; commercial customs clearance; warehousing and even pick & pack.

Following three years of targeted research, market testing and trials, we "soft-launched" our International business during the year. Facilitated by our recent admission to the Universal Postal Union in recognition of our prized status as a National Postal Authority, we have established operations in the Far East, North America and the UK. Early signs from this initiative are encouraging, not just because of new multi-million dollar revenues but also because of the boost to our diversification away from dependency on mail business. Together with our long-established logistics, parcels, financial services and retailing businesses at home, this new International market has nudged us beyond a notable milestone – less than 30% of Jersey Post's revenues now come from mail. The new overseas dimension also means that one quarter of the carriage we perform never comes near Jersey.

The benefits we hope for from successful diversification reach beyond just the usual financial criteria. Our customers at home are already benefitting from the investments we've been making in the digital capabilities demanded by our Growth strategy. We are rapidly approaching the moment when customers can choose to interact with us entirely through digital means. We will soon know so much about the personal preferences of our customers and the precise location in-transit of everything being sent to or by them, that we will be able to serve them, whether they're at home, work or play. We are moving from collection and delivery to addresses, to collection and delivery to individuals.

Our International diversification is not without risk and uncertainty, not least the still unknown effects of the UK's impending exit from the European Union. The devaluation of Sterling since the UK's decision has adversely impacted the value of our foreign earnings and currency hedging offers only limited comfort for the future. Moreover, no clarity is emerging yet on such vital issues as trade tariffs and customs rules, post-exit. Our intention is to remain prudent in our search for growth overseas – forming few but deep trading partnerships with credible operators in our preferred territories and cementing them where strategically sensible, with equity investment.

Looking back from my own exit at Jersey Post, the prospects which I see for the company are more promising than ever. The strength of the Board and management team is higher than ever, having been refreshed with new talent throughout the many phases of the organisation's evolution from a department of government to a resilient and dynamic enterprise. Its success in responding to external shocks illustrates the merits of the Incorporation model which brought it under the leadership of professional, independent directors. The clarity of their absolute responsibilities for governing the company provided the courage, and the commensurate authority vested in them provided the means, to act decisively when needed.

The arrangements for oversight of States owned or controlled entities is under review. There are obvious reasons why

governments should want to exert authority at the strategic level of enterprises they own. Equally, there are understandable reasons why boards resist political interference in tactical or operational matters. The risks in changing the balance of responsibility and authority at the top of any business are profound, with confusion over accountability leading to paralysis, risk aversion and drift.

Observing over many years their mutual pursuit of the public good, I detect no conflict between the States of Jersey and the Boards of its utilities, which cannot be resolved by direct dialogue – or made worse by inserting a new supervisory body between them.

Jurat Mike Liston OBE Chairman
(Resigned 1 April 2017)

Mike Liston held the position of Chairman for the full financial year and resigned on 1 April 2017, at the end of a period of 11 years as Chairman of Jersey Post. As incoming Chairman, I am happy to sign the statement as reflecting not only Mike's views but also those of all of the other Directors.

Alan Merry Chairman
12 May 2017

Strategic Report

Judging a company's success is not always easy. 2016 has seen the third year in a row of revenue growth after the loss of business due to the ending of LVCR, and our highest profit before tax for over 5 years giving a return of 6%. As a result, our tax paid to the States of Jersey is £0.9m with a proposed dividend of £0.7m. Also our customer survey had over 1,200 more responses than last year with record equalling scores and 86% rating our delivery service overall as good or very good (higher than last year).

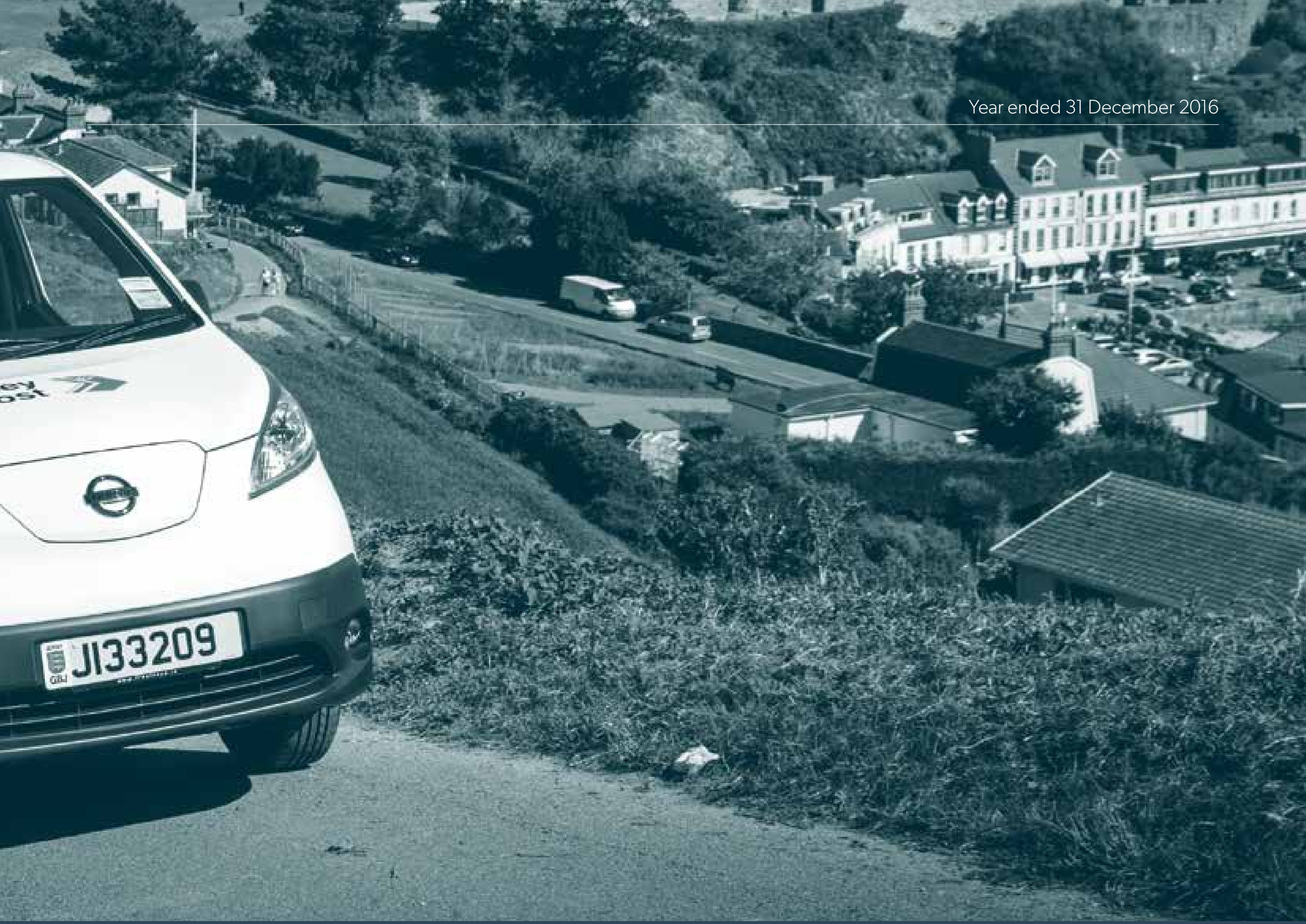
However against this, due to a number of issues, the quality of service dipped and our number of complaints per 50,000 items rose. We have already begun to address both of these issues in 2017.

Overall results also hide the dynamics of the business; those parts that were successful and those that saw serious challenges. Our core postal business saw contribution fall by almost £1m 2016 on 2015. In 2016 the postal business declined from being 60% of total revenue to 45%, and it continues to decline. Despite growth in packets and parcels overall postal volumes fell by a 9%. The impact of the vote on Brexit saw a weaker Sterling and cost the business over £1m as most of our invoices are directly affected by exchange rate movements.

Against this we saw strong performance from all other parts of our business including our retail network, international, digital services, logistics and philatelic.

What 2016 did highlight was the need to seek new profitable streams of business that would help us continue to provide a non-subsidised and relevant service to the people and businesses of Jersey. To that end, our international business operating in the UK, USA and China saw a fivefold increase in revenue to more than £5m in 2016. We also invested in two companies that provide services that strengthen our proposition to businesses and consumers: Fraser Freight, a premium European freight company; and Heathrow Import Clearance Services, a customs broker. Our investment continued in 2017 with an initial stake in our US partner, Global Express Parcels Services. We also continued to invest in our core businesses including our digital services business that has seen considerable profit growth over the last few years.

A key challenge of our new business streams is that they are less predictable, with greater competition and no certainty of success. Therefore, it is imperative that Jersey Post is able to operate commercially with the freedom and flexibility to succeed, whilst continuing to meet the terms of our Licence, renewed in 2016 for 5 years and monitored by CICRA, and respect the requirements of our customers and shareholder.



During 2016 we continued our investment programme begun in 2015 including:

- The parcel sorter (installed in November 2015) processed over 3 million items in 2016 with 95% of all inbound parcels sorted correctly first time. It now sorts Royal Mail, UK Mail, Special Delivery, Yodel and Parcelforce items;
- The roll-out of hand held terminals to all delivery staff enabling us to track more parcels and, as a result, we have seen a reduction in the number of calls asking "Where is my parcel?";
- Improvements to our website including the ability to apply for services online including Parcel Delivery Plus, Redelivery, SecureDrop, Redirection and Mail Retention;
- As part of our investment in alternative delivery services we launched SecureDrop Signature giving Jersey Post the ability to leave items requiring a signature. We now have delivery preferences for 25% of the 45,000 addresses on the island including lockers, SecureDrop and Text & Collect. We also introduced the ability to have your parcels redelivered to Maufant, Don Street and St Aubin post offices;
- New technology and service capability in our digital services business with the implementation of Harmonie software enabling clients to outsource everything from data management to print and despatch;
- Introduced 15 electric vans (and 18 electric bicycles) to our fleet and in the first few months we have seen a dramatic decrease in the cost per mile to maintain and run these vehicles over the existing fleet. In November 2016 we won a Green Fleet award for this work.

This investment is part of our twin approach to invest in new profitable streams of business that enhance the services we can offer, as well as continuing to invest in the service in Jersey to sustain the universal service obligation and make it relevant for the 21st century.

Customer survey and quality of service

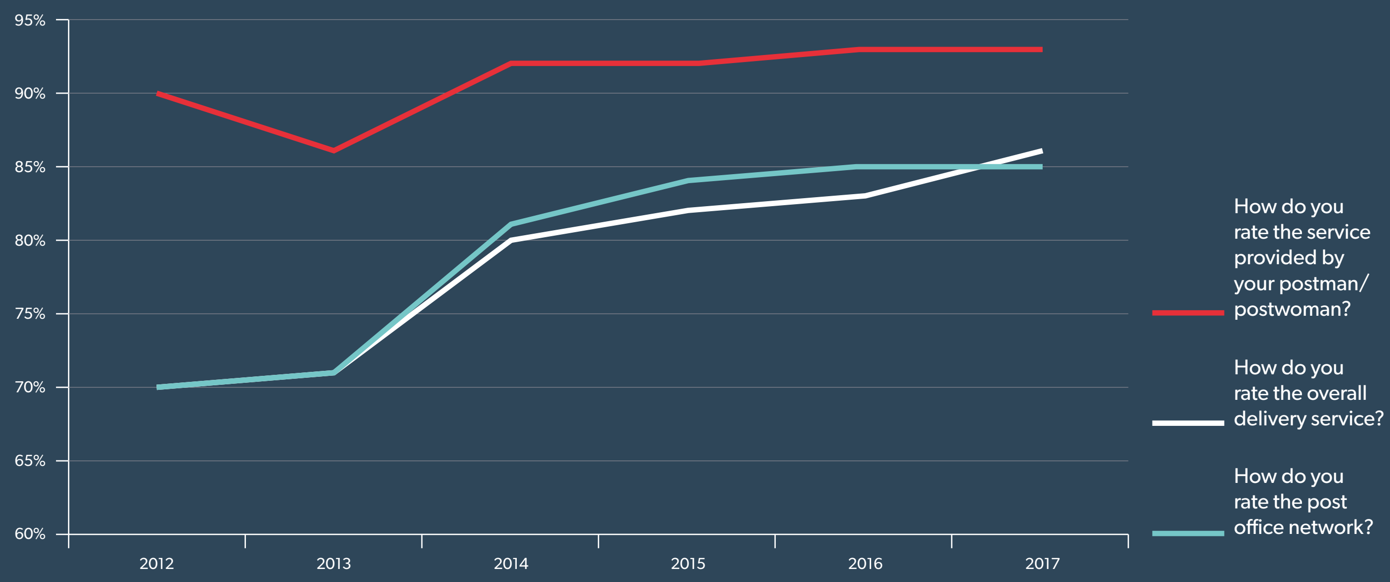
The outlook for 2017 and beyond continues to be mixed. Postal services continue to decline and we face significant competition in the parcels market. New rules are due to come into force in 2017 set by the Universal Postal Union that will have a big impact on what we pay and are paid, and as we are a net importer this could have a significant detrimental impact on us. Against this our new business streams are expected to continue to grow as we look to invest in improving our service offer during the year.

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

1. What you tell us
This year was our sixth all-island customer survey and the number of responses was up by more than 1,200 to over 6,700. We recognise that we have made a number of changes to reflect feedback from our customers: some that work and some that don't. Therefore it is pleasing that our customers continue to rate highly the people that work for Jersey Post and the service we provide.

+1,200
Increase in survey respondents

Percentage of 2016 survey respondents that answered good or very good



When looking at those who rated our services poor or very poor the results were 3% (2% last year) for post office network, 1% (1%) for our postmen and women and 3% (4%) for our delivery service overall.

The key areas customers identified as a priority were:
Keeping costs low **48%**
Consistency of delivery time **39%**
Early morning delivery **13%**

2. What our measurement tells us:
2016 has been a challenging year in terms quality of service for our mail services i.e. the time it takes to get mail items to and from certain destinations. For local to local mail, where we have end-to-end control, our overall service level was 96.4% delivered on time against a target of 96%. Indeed, for our parcels and logistics services that tend to be shipped via the UK, quality remains high.

However, for other destinations and origins where items are flown, we rely heavily on Royal Mail. Towards the end of 2015 the aircraft moved from Bournemouth to Stanstead. In 2016 there were 269 operational days and in that time there were 145 network failures (54%). On 120 of those occasions the aircraft bulked out i.e. there was insufficient room on the aircraft to get all the first class mail on the morning flight to Jersey and the overspill was either put on a trailer, or delayed until the following day. This resulted in over 3,000 cages of mail not received on time. This is on top of delays due to weather or technical issues with the aircraft. Royal Mail does not have a quality of service target for its traffic to Jersey and it has been difficult to get Royal Mail to engage. However, following recent discussions with Royal Mail, it has now put on a larger flight which should ensure there are no more bulk outs and we have agreed other measures to tackle these issues. The new aircraft started on 28th March 2017.

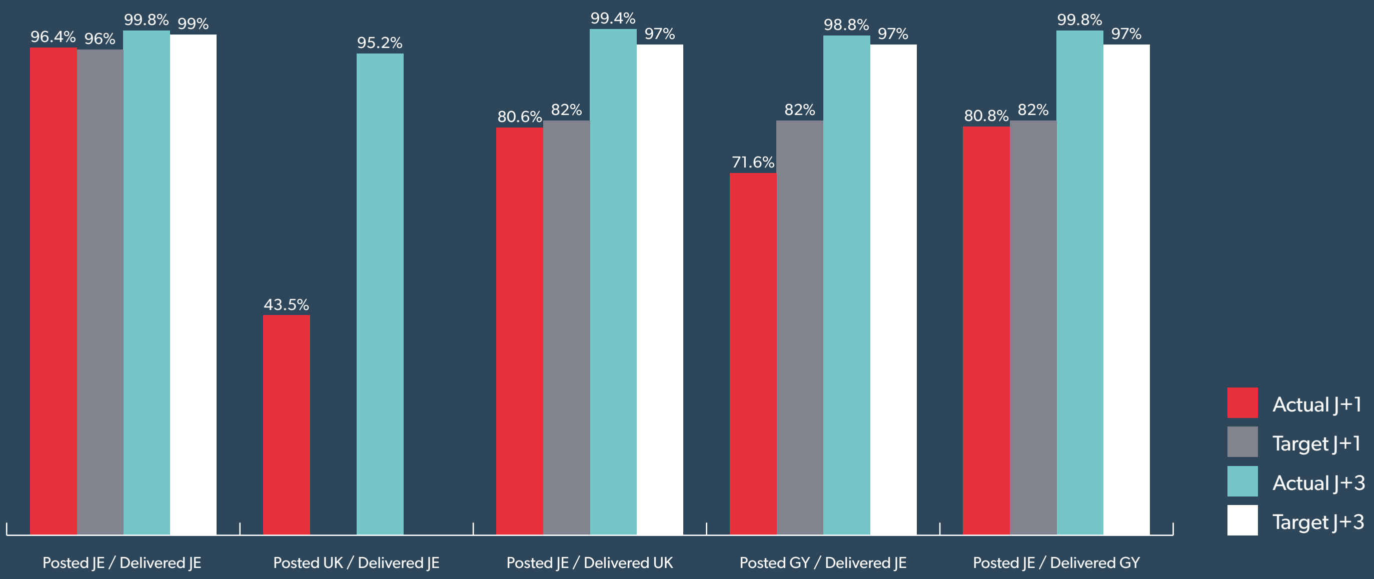
The quality of service numbers in the table have not been adjusted for force majeure and events outside Jersey Post's control. Therefore they reflect more fully the service as seen from our customers, irrespective of whether the failure was due to weather, technical issues with the aircraft, problems within the Royal Mail network or issues within Jersey Post.

We take the quality of service received by our customers very seriously and during 2017 we are taking a range of measures that should see a substantial improvement.

During 2016 we introduced daily service updates to keep customers abreast of any issues that may impact on deliveries.

http://www.jerseypost.com/service-updates/

2016 Quality of service - Jersey, Guernsey and the UK



3. What issues our customers have raised during the year:
Up until 2016 we had seen a steady improvement in the number of complaints and contacts per 50,000 items. In 2013 it was up at 4.49 per 50,000 and in 2015 had fallen to 1.2. In 2016, it rose to 2.1 complaints per 50,000.

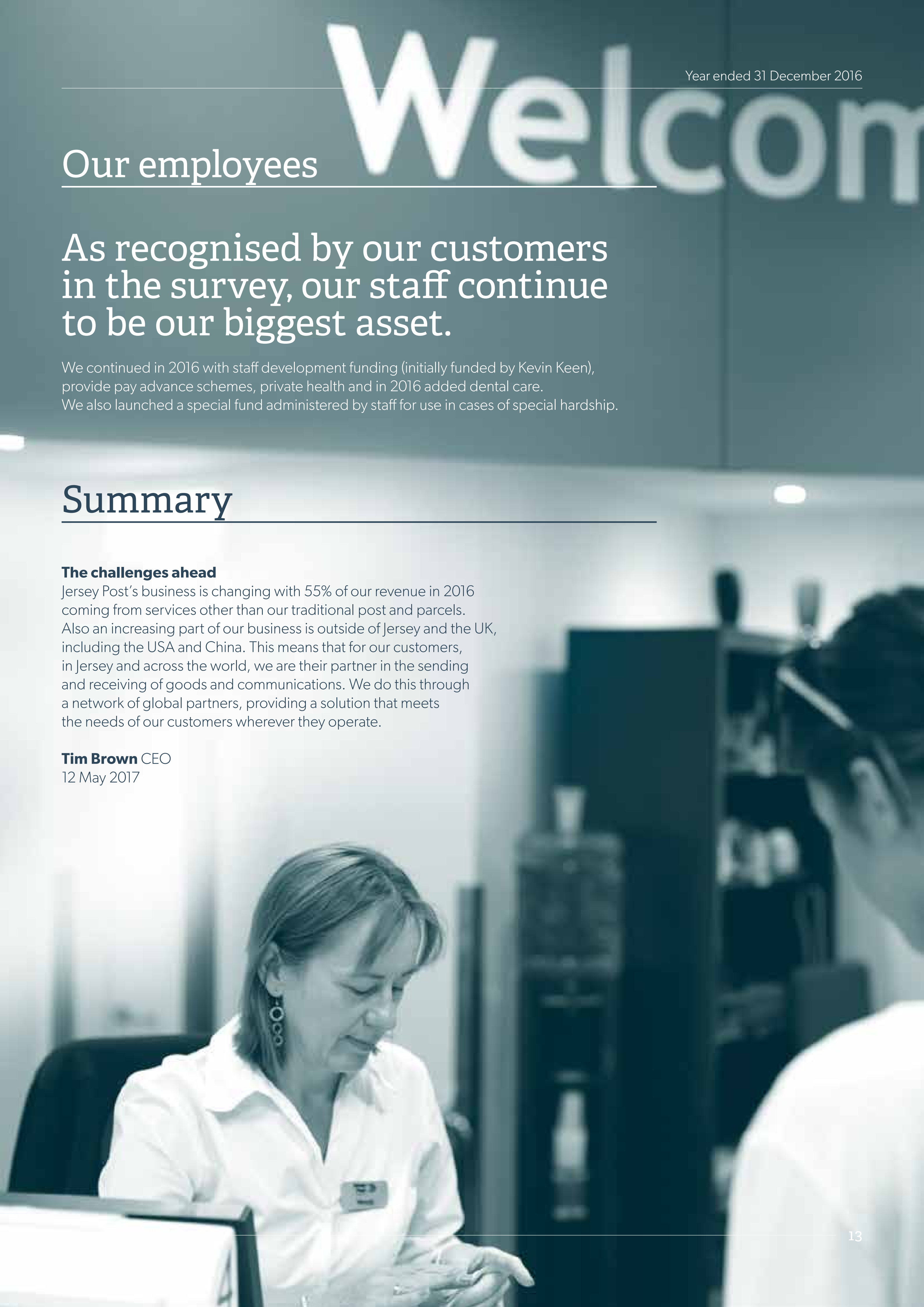
The key areas of concern to customers continued to be:
Delivery procedures
SecureDrop failures
Redirection failures

The community

Jersey Post recognises it plays an important part in the life of Jersey, beyond that of just being its postal authority. To that end, it supports a local charity chosen by its staff. In 2016 that charity was Jersey Alzheimer's Association, and we exceeded £20,000 of support. We continue to support Team Jersey for the Island Games and wish it luck for the 2017 games in Gotland. We have also extended our support of Jersey representative sport by sponsoring Jersey Cricket at the recent World Cricket League Division 4 tournament in Los Angeles in October 2016. Our sponsorship enabled the team to participate in a training camp in Houston prior to the tournament. Subsequently we have given a grant to Jersey Cricket to support its longer term development.

As in previous years, we provide free Direct2Home door drops to chosen charities and continue to provide help to Jersey Overseas Aid teams. Charities registered in Jersey are able to benefit from a 5% discount on certain stamp prices (www.jerseypost.com/charitypostage).

We are also aware of our impact on the environment and apart from our purchase of 15 electric vehicles we have changed all our lighting at Rue de Pres to LED, and provide incentives for our staff to cycle to work.



Our employees

As recognised by our customers in the survey, our staff continue to be our biggest asset.

We continued in 2016 with staff development funding (initially funded by Kevin Keen), provide pay advance schemes, private health and in 2016 added dental care. We also launched a special fund administered by staff for use in cases of special hardship.

Summary

The challenges ahead
Jersey Post's business is changing with 55% of our revenue in 2016 coming from services other than our traditional post and parcels. Also an increasing part of our business is outside of Jersey and the UK, including the USA and China. This means that for our customers, in Jersey and across the world, we are their partner in the sending and receiving of goods and communications. We do this through a network of global partners, providing a solution that meets the needs of our customers wherever they operate.

Tim Brown CEO
12 May 2017

Statement of Corporate Governance

Introduction

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

The Board

At the time of signing the financial statements the Board comprised of four Non-Executive and two Executive Directors and Alan Merry is 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. Mike Liston permanently retired from the Board with effect from 1 April 2017. Alan Merry will retire by rotation at the AGM on 26 May 2017. Alan will be seeking reappointment and a board resolution will be made at the AGM to re-appoint him to the Board as Chairman.

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, 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 2016	4	3	2	1
Mike Liston	4	3	2	1 (Chairman)
Tim Brown	4	-	-	-
Donal Duff	4	3 (Chairman)	2	1
Chris Evans	3	-	2 (Chairman)	1
Alan Merry	4	3	-	-
Sue Barton	2/2	-	-	-

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 auditors' 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 during the year were Mike Liston (resigned on 31 March 2017) and Alan Merry. 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 28 April 2017, the Committee received and reviewed the company's 2016 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;
- Provisions release in relation to building dilapidations;
- Stamps in circulation;
- UPU SDR accrual;
- Acquisitions of Fraser Freight and HICS; and
- Holiday pay.

The Audit Committee considered whether the 2016 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 12 May 2017.

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 2016 is set out on the next page, together with comparatives for 2015:

The remuneration of the Directors of the Group for the financial year ended 31 December 2016 is set out below, together with comparatives for 2015:

	Salary/Fees £'000	Bonuses £'000	Benefit in Kind[1] £'000	2016 Total £'000	2015 Total £'000
Executive Directors					
Tim Brown (appointed 01.07.14)	195[2]	47	20	262	258*
Liz Vince (resigned 31.03.16)	28	26	3	57	150
Gary Carroll (resigned 31.05.15)	-	-	-	-	55*
Total	223	73	23	319	463
Non-Executive Directors					
Mike Liston	40	-	-	40	40
Donal Duff	20	-	-	20	20
Chris Evans	15	-	-	15	15
Alan Merry	19	-	-	19	5
Sue Barton (appointed 01.04.16)	11*	-	-	11*	-
Total	105	-	-	105	80

*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 relating to 2016 for the above three schemes was **£625,000** (2015: £668,000).

During 2016, the company provided **£23,447** (2015: £24,000) to the Sports and Social Club which organises events for staff, and the company also funded the CWU's local branch secretary post at a total cost of **£17,560** (2015: £19,000).

[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 for Jersey Post (excluding recent acquisitions) 19.5% are women. Jersey Post continually reviews how it recruits, what contractual terms it offers and is committed to seeing a more balanced workforce. Whilst Jersey Post offers set salaries and wages for certain types of jobs (e.g. a Postal Operative is paid the same irrespective of gender) the mix of jobs means that on average, female employees are paid 0.4% more than male employees. This includes the salaries of the Executive Directors.

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
12 May 2017

Directors' Report

The Board of Directors of Jersey Post International Limited ('JPIL' or 'the Company') present their report on the affairs of JPIL and its subsidiaries ('the Group'), together with the consolidated financial statements for the year ended 31 December 2016.

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

Going Concern
The Directors have produced forecasts for the next 12 months following the date of signing of these financial statements which have satisfied them that the Group will continue to be a going concern and be able to meet its liabilities as they fall due.

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 20. 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 8-13.

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 £721,800 will be recommended by the Directors for 2016 at the AGM to be held on 26 May 2017 (2015: £278,000). There was no special dividend paid in 2016 (2015: £2,000,000).

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 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 16.

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 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

This business review includes extracts from the audited financial statements which contains an unqualified audit report.

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 identifying 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 10 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 60% 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 2019.

Annual General Meeting

The AGM will be held at the States Treasury, Cyril le Marquand House, St Helier on 26 May 2017.

Directors

The Directors of the Company are listed on pages 4-5.

This statement was approved by the Board of Directors of Jersey Post International Limited on 12 May 2017 and was signed on their behalf by:

Tim Barnes
Company Secretary
12 May 2017

Consolidated Income Statement

Year Ended 31 December	Note	2016 £'000	2015 £'000
Turnover		42,356	37,717
Cost of Sales		(34,870)	(29,636)
Gross Profit		**7,486**	**8,081**
Administrative Expenses		(7,135)	(6,805)
Release of provision	14	967	-
Operating Profit before pension charge	**2**	**1,318**	**1,276**
Defined benefit pension service costs (excluding employers pension contributions)		-	(755)
Operating Profit after pension charge	**2**	**1,318**	**521**
Other non-operating income		193	335
Foreign exchange gain/(loss)		277	2
Interest and Dividends Receivable	4	268	263
Net movement on investments	5	348	(57)
Other finance costs	6	-	(137)
Profit on ordinary activities before taxation	**2**	**2,404**	**927**
Taxation	7	(916)	(682)
Profit for the year		**1,488**	**245**

The basis of preparation of these financial statements is set out on page 24, and the notes on page 24-45 form an integral part of these financial statements.

The above results are derived from continuing activities, including business acquisitions made in the year.

Consolidated Statement of Comprehensive Income

Year Ended 31 December	Note	2016 £'000	2015 £'000
Profit for the year		1,488	245
Other comprehensive income			
Actuarial gain in respect of the pension scheme	20	-	1,257
Total comprehensive income for the year		**1,488**	**1,502**

Consolidated Statement of Financial Position

Year Ended 31 December	Note	2016 £'000	2015 £'000
Fixed Assets			
Tangible Assets	8	10,504	10,090
Intangible Assets	9	1,207	69
Goodwill	10	2,241	-
Current Assets			
Inventories	11	263	216
Debtors	12	8,664	6,972
Equity Investments	5	2,311	4,826
Cash and cash equivalents		14,468	8,362
Total Current Assets		**25,706**	**20,376**
Creditors			
Amounts falling due within one year	13	(18,056)	(9,379)
Provisions for liabilities	14	-	(1,301)
Net Current Assets		**7,650**	**9,696**
Total assets less current liabilities		**21,602**	**19,855**
Creditors: Amounts falling due after one year	15	(207)	-
Deferred Tax	16	(405)	(75)
Net Assets		**20,990**	**19,780**
Capital and reserves			
Ordinary Share Capital	22	5,000	5,000
Retained earnings		15,990	14,780
Total Equity		**20,990**	**19,780**

The basis of preparation of these financial statements is set out on page 24, and the notes on pages 24-45 form an integral part of these financial statements.

2015 comparatives have been restated to disclose the deferred tax due after one year, see note 16.

The financial statements on pages 20 to 45 were authorised and approved for issue by the Board of Directors on 12 May 2017 and were signed on its behalf by:-

Tim Brown
Chief Executive Officer

Consolidated Statement of Changes in Equity

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	23	-	(278)	(278)
Balance as at 31 December 2016		**5,000**	**15,990**	**20,990**

Year Ended 31 December	Note	Share Capital £'000	Retained Earnings £'000	Total £'000
Balance as at 1 January 2015		5,000	10,255	15,255
Total comprehensive income for the year		**-**	**1,502**	**1,502**
Transfer deficit on defined benefit scheme	20	-	5,200	5,200
Dividends	23	-	(2,177)	(2,177)
Balance as at 31 December 2015		**5,000**	**14,780**	**19,780**

Consolidated Statement of Cash Flows

Year Ended 31 December	Note	2016 £'000	2015 £'000
Net cash generated from operating activities before tax	**31**	**8,412**	**2,226**
Taxation paid		**(652)**	**(346)**
Net cash generated from operating activities after tax		**7,760**	**1,880**
Cash flows from investing activities			
Purchase of subsidiaries	10	(2,384)	-
Purchases of tangible assets		(1,318)	(2,867)
Purchases of intangible assets		(1,062)	-
Proceeds from disposals of tangible assets		20	-
Purchases of investments		(352)	(935)
Proceeds from disposals of investments		3,215	878
Interest received		31	73
Other non-operating income		-	442
Dividends received on investments		237	213
Net cash used in investing activities		**(1,613)**	**(2,196)**
Cash flows from financing activities			
Dividends paid		(278)	(2,177)
Net cash used in financing activities		**(278)**	**(2,177)**
Net increase/(decrease) in cash and cash equivalents		**5,869**	**(2,493)**
Cash and cash equivalents at beginning of year		8,362	10,895
Foreign exchange gain/(loss) on cash and cash equivalents		237	(40)
Cash and cash equivalents at end of year		**14,468**	**8,362**
Cash and cash equivalents comprise:			
Cash at bank and in hand		8,568	4,261
Short-term deposits		5,900	4,101
Cash and cash equivalents		**14,468**	**8,362**

2015 comparatives have been restated to disclose tax paid and the purchase and disposal of investments separately on the face of the consolidated statement of cash flows.

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 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.

1.3 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 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.

1.4 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.

The group adds to the carrying amount of an item of tangible assets the cost of replacing part of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the group. The carrying amount of the replaced part is derecognised. 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 lengthof the lease

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted at the end of each accounting period if appropriate, if there is an 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.

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

1.6 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.

1.7 Cash and Cash Equivalents

Cash and cash equivalents 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.

1.8 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. Such assets are subsequently carried at amortised cost using the effective interest method and assessed for impairment at each reporting date.

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. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

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.

Notes to the Financial Statements Continued

1. Accounting Policies (continued)

Hedge Accounting

From time to time the Group enters into forward foreign currency contracts to manage its exposure to foreign exchange currency fluctuations. The cash flow hedged derivatives are measured at fair value at each reporting date. To the extent the hedge is effective, movements in fair value are recognised in other comprehensive income and any ineffective portions of those movements are recognised in the profit or loss for the period. At the year end the Group had no outstanding forward contracts.

Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statement 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.

1.9 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.

1.10 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.

1.11 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)'.

1.12 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, 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.

1.13 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.

1.14 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.

1.15 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.

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

1.16 Pension Costs

The Group operates only defined contribution schemes, though up to the 30 September 2015 it did operate a defined benefit scheme. Please refer to note 20 for further details.

Defined Benefit

The Group was party to a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration.

Operating profit was 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 income statement.

Actuarial gains and losses arising 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 were included in the consolidated statement of comprehensive income

Pension scheme liabilities were 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 were recognised in the statement of financial position.

Defined Contribution

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.

1.17 Operating Leases

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

1.18 Research and Development

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

1.19 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.

1.20 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.

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 10 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 2 calendar years after the year the provision was made, unless the Company is in negotiations.

Notes to the Financial Statements Continued

1. Accounting Policies (continued)

Deferred Tax
This has been recognised as a taxation expense in our Income Statement in relation to fixed asset timing differences.

Provisions
The Group maintained creditor balances at the prior year end regarding an onerous lease held and dilapidation provisions as financial liabilities. There is no such provision in 2016.

2. Operating Profit for the year

	2016 £'000	2015 £'000
Operating profit for the year is stated after charging the following: Auditors' remuneration: - Audit	134	83
- Non Audit	13	6
Depreciation of tangible assets	1,192	820
Amortisation of intangible assets	277	35
Amortisation of goodwill	120	-
Defined contribution pension cost [1]	825	464
Defined benefit pension cost (see note 20)	-	1,122
Expired UPU liability (see note 1.22)	(344)	-
Foreign exchange (gain)/loss included in Cost of Sales (see note 1.13)	987	(62)

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

3. Staff costs

	2016 £'000	2015 £'000
Wages and Salaries	12,422	12,337
Employer Social Security costs	737	754
Employer Pension Contributions	825	773
Defined benefit pension service costs	-	892
Total	**13,984**	**14,756**

Employees

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

	2016 No.	2015 No.
Operations	285	292
Administration and central functions	52	49
Total	**337**	**341**

2015 has been restated to disclose FTE, as this is deemed more appropriate.

Employees

The Directors' emoluments were as follows:

	2016 £'000	2015 £'000
Total salaries	295	431
Total post-employment benefits	24	32
Total	**319**	**463**

Highest paid director

The highest paid director's emoluments were as follows:

	2016 £'000	2015 £'000
Total amount [1]	242	240
Total post-employment benefits	20	18
Total	**262**	**258**

[1] Prior year now includes all benefits.

Notes to the Financial Statements Continued

3. Staff costs (continued)

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:

	2016 £'000	2015 £'000
Salaries and other short-term benefits	646	770
Post-employment benefits	56	51
Total	**702**	**821**

4. Interest and Dividends Receivable

	2016 £'000	2015 £'000
Bank and loan interest receivable	31	50
Dividends receivable	237	213
Total	**268**	**263**

5. Net movement on Investments

	2016 £'000	2015 £'000
Net realised gain	302	42
Unrealised gain/(loss)	46	(99)
Net movement on Investments	**348**	**(57)**

	2016 £'000	2015 £'000
Proceeds from sales of investments made during the year	3,215	746
Original cost of investments sold during the year	(2,913)	(704)
Gain realised on investments sold during the year	**302**	**42**

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

5. Net movement on Investments (continued)

	2016 £'000	2015 £'000
Opening balance	4,826	4,694
Additions	352	935
Disposals	(2,913)	(704)
Gain/(loss)on re-measurement to fair value	46	(99)
Market value	**2,311**	**4,826**

6. Other finance costs

	2016 £'000	2015 £'000
Net interest on defined benefit pension liability	-	137
	-	**137**

7. Taxation

	2016 £'000	2015 £'000
Jersey/UK income tax		
Current charge	711	592
(Credit)/Charge in respect of prior years	(17)	15
Total current tax charge for the year	**694**	**607**
Deferred Taxation		
Charge for the year taken to the income statement	130	75
Charged to the income statement in respect of prior period	92	-
Total deferred tax charge for the year	**222**	**75**
Total tax charge for the year	**916**	**682**
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	**2,404**	**927**
Tax on profit on ordinary activities at 20%	**481**	**185**

Notes to the Financial Statements Continued

7. Taxation (continued)

	2016 £'000	2015 £'000
Factors affecting tax charge for the year		
Fixed Asset timing differences	-	(22)
Difference on unrecognised deferred tax asset	-	178
Expenses not deductible for tax purposes	174	161
(Profit)/losses taxed at 0%	256	165
Losses utilised in the year	-	-
Gains not taxable	(70)	-
Adjustment in respect of prior years	75	15
	435	497
Total current income tax charge for the year	**916**	**682**

Deferred Taxation	2016 £'000	2015 £'000
Total deferred taxation balance at 1 January	(75)	-
Charged to income statement	(130)	(75)
Deferred Tax on acquisitions	(108)	-
(Charge)/Credit to the income statement in respect of prior periods	(92)	-
Total deferred tax balance at 31 December	**(405)**	**(75)**

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% (2015: 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% (2015: 20%).

8. Tangible Assets

	Freehold land & buildings £'000	Improvements to leasehold property £'000	Plants, vehicles & equipment £'000	Total £'000
Cost				
At 1 January 2016	7,735	570	7,486	15,791
Reclassification of asset class	558	-	(558)	-
Reclassification to intangible	-		(1,508)	(1,508)
At 1 January 2016 reclassified	**8,293**	**570**	**5,420**	**14,283**
Additions	457	-	861	1,318
Acquisitions	14	3	643	660
Disposals	-	-	(633)	(633)
At 31 December 2016	**8,764**	**573**	**6,291**	**15,628**
Accumulated Depreciation				
At 1 January 2016	2,267	570	2,864	5,701
Reclassification of asset class	7	-	(7)	-
Reclassification to intangible	-	-	(1,155)	(1,155)
At 1 January 2016 reclassified	**2,274**	**570**	**1,702**	**4,546**
Annual Charge	321	-	871	1,192
Disposals	-	-	(614)	(614)
At 31 December 2016	**2,595**	**570**	**1,959**	**5,124**
Net book value				
At 31 December 2016	**6,169**	**3**	**4,332**	**10,504**
At 31 December 2015	5,468	-	4,622	10,090

All software has been reclassified from tangible to intangible assets from the start of the year.

Notes to the Financial Statements Continued

9. Intangible Assets

	Software £'000	Total £'000
Cost		
At 1 January 2016	195	195
Reclassification from tangible	1,508	1,508
At 1 January 2016 reclassified	**1,703**	**1,703**
Additions	1,062	1,062
At 31 December 2016	**2,765**	**2,765**
Accumulated amortisation		
At 1 January 2016	126	126
Reclassification from tangible	1,155	1,155
At 1 January 2016 reclassified	**1,281**	**1,281**
Annual Charge	277	277
At 31 December 2016	**1,558**	**1,558**
Net book value		
At 31 December 2016	**1,207**	**1,207**
At 31 December 2015	69	69

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

All software has been reclassified from tangible to intangible assets from the start of the year.

10. Goodwill

	Goodwill £'000	Total £'000
Cost		
At 1 January 2016	-	-
Additions	2,361	2,361
At 31 December 2016	**2,361**	**2,361**
Accumulated amortisation		
At 1 January 2016	-	-
Annual Charge	120	120
At 31 December 2016	**120**	**120**
Net book value		
At 31 December 2016	**2,241**	**2,241**
At 31 December 2015	-	-

11. Inventories

Deferred Taxation	2016 £'000	2015 £'000
Philatelic Stamp Inventory	220	166
Shop Inventory	16	19
Operational Stamp Inventory	27	31
Total	**263**	**216**

Notes to the Financial Statements Continued

12. Debtors

Deferred Taxation	2016 £'000	2015 £'000
Net trade debtors	7,179	4,129
Other debtors	570	849
Agency debtors	146	187
Prepayments and accrued income	769	1,807
	8,664	**6,972**

13. Creditors: Amounts falling due within one year

	2016 £'000	2015 £'000
Trade creditors	2,159	829
Other creditors	1,092	1,146
Obligations under finance leases and hire purchase contracts	80	-
Other tax and social security	177	245
GST and VAT	218	508
Corporation tax	829	650
Accruals and deferred income	13,045	6,001
Deferred consideration on acquisition	456	-
	18,056	**9,379**

The prior year figures have been analysed further to bring in line with the additional detail provided in 2016 disclosure.

In the year the Group received £21,000 (2015: £Nil) from Jersey Electricity as a donation towards the costs of the electric bicycles that the business purchased during 2016. This income is being released to the profit and loss in line with the charge of depreciation. In the current year £1,400 (2015: £Nil) 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 £19,600 (2015: £Nil).

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

Included within other creditors is £107,374 (2015: £508,075) of VAT due to HMRC as a result of customer postings above the HMRC 'de minimis' level. Customers pay the amounts due to Jersey Post who then pay these on to HMRC. The amounts received from customers but not paid over to HMRC at the the reporting date are recorded within cash.

14. Provisions for liabilities

	Property £'000	Onerous lease £'000	Total £'000
At 1 January 2016	1,200	101	1,301
Income received in the year	120	-	120
Utilised in the year	(353)	(101)	(454)
Released in the year	(967)	-	(967)
At 31 December 2016	**-**	**-**	**-**

Following negotiations with the landlord, the dilapidations costs to exit the lease were £353,000.
This was lower than the independent valuation used for the opening provision.
The surplus has been released and disclosed separately on the face of the consolidated income statement.

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

	2016 £'000	2015 £'000
Obligation under finance lease and hire purchase	43	-
Deferred consideration on acquisition (see note 10)	164	-
	207	**-**

16. Deferred Tax

	2016 £'000	2015 £'000
The provision for deferred tax consists of the following deferred tax liabilities		
Capital Allowances	405	75
	405	**75**

Deferred tax has been disclosed separately this year as a long term liability.
In the prior year this was disclosed within creditors falling due within one year.

Notes to the Financial Statements Continued

17. Finance Lease Obligations

The future minimum finance lease payments are as follows:

	2016 £'000	2015 £'000
Not later than one year	80	-
Later than one year and not later than five years	43	-
Later than five years	-	-
	123	**-**

18. Operating Lease Commitments

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

	Land & Buildings 2016 £'000	Land & Buildings 2015 £'000
Not later than one year	248	225
Later than one year and not later than five years	521	-
Later than five years	-	-
	768	**225**

19. Financial Instruments

	2016 £'000	2015 Restated £'000
Financial assets measured at amortised cost		
- Debtors	7,906	6,075
Financial assets through profit or loss		
- Investments	2,311	4,826
- Cash	14,468	8,362
	16,779	13,190
Derivatives		
- Forward foreign currency contracts	-	2
Financial liabilities measured at amortised cost		
- Creditors	(16,617)	(7,550)

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.

The forward foreign currency contracts are measured at fair value which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the forward foreign currency contracts are the forward exchange rates for GBP:USD. There were no forward foreign currency contracts as at 31 December 2016. The 2015 comparatives have been amended to show financial instruments only.

20. Pension Costs - Defined Benefit

The Group is party to one defined benefit pension scheme at 31 December 2016, which is open to certain employees of Jersey Post Limited, the Public Employees Contributory Retirement Scheme ("PECRS")('the scheme'). Prior to incorporation Jersey Post had a second defined pension scheme, the Jersey Post Office Pension Fund ("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 Group participates in the PECRS as an Admitted Body under a Terms of Admission Document which sets out how the contributions to and assets of the Group's notional sub-fund are determined.

The assets of the fund were held separately from those of the States of Jersey until 1 October 2015 when the requirement for a ring fenced sub-fund was removed and all assets and contributions treated as held within the Group's sub-fund were amalgamated with other funds of the scheme.

Until 30 September 2015 the PECRS was accounted for as a defined benefit scheme under FRS 102. Actuarial gains and losses have been recognised in the period in which they occur, (but outside the income statement), through the Statement of Comprehensive Income (SOCI).

A valuation of the Scheme was carried out on 30 September 2015 by the PECR's independent actuary prior to the ring fenced sub-fund being amalgamated with other funds of the scheme. The outstanding deficit as at 30 September 2015 was measured using a roll-forward approach based on the latest actuarial valuation of the PECRS at 31 December 2013.

Following the amalgamation of the sub-fund there has not been sufficient information to apply defined benefit accounting as there is no basis for allocating any portion of the PECRS deficit to the Group and hence an actuarial valuation is no longer possible as at year end. In accordance with FRS 102 as of the 1 October 2015 the scheme has been accounted for as a defined contribution scheme. The outstanding deficit as at 30 September 2015 was eliminated by way of a capital contribution accounted for directly to equity, as disclosed in the consolidated statement of changes in equity, with no impact on the consolidated income statement or consolidated statement of comprehensive income.

Reconciliation of funded status to balance sheet	**31 December 2016** £'000	**31 December 2015** £'000
Fair value of scheme assets	-	-
Present value of funded defined benefit obligations	-	-
(Liability) recognised on the balance sheet	**-**	**-**

Notes to the Financial Statements Continued

20. Pension Costs - Defined Benefit (continued)

Changes to the present value of the defined benefit obligation during the year

	Year ending 31 December 2016 £'000	Year ending 31 December 2015 £'000
Opening defined benefit obligation	**-**	**33,569**
Current service cost	-	1,122
Interest cost	-	853
Contributions by scheme participants	-	242
Actuarial losses on scheme liabilities*	-	(1,411)
Net benefits paid out	-	(94)
Transfer of sub-fund to States of Jersey	-	(34,281)
Closing defined benefit obligations	**-**	**-**

* Includes changes to the actuarial assumptions

Changes to the fair value of scheme assets during the year

	Year ending 31 December 2016 £'000	Year ending 31 December 2015 £'000
Opening fair value of scheme assets	**-**	**28,004**
Interest on the scheme assets	-	716
Actuarial (losses)/gains on scheme assets	-	(154)
Contributions by the employer	-	367
Contributions by scheme participants	-	242
Net benefits paid out	-	(94)
Transfer of sub-fund to States of Jersey	-	(29,081)
Closing fair value of scheme assets	**-**	**-**

The deficit transferred was equal to the net liability and asset amounts shown above, £34,281,000 and £29,081,000 respectively.

20. Pension Costs - Defined Benefit (continued)

Actual return on scheme assets

	Year ending 31 December 2016 £'000	Year ending 31 December 2015 £'000
Expected return on scheme assets	-	716
Actuarial loss on scheme assets	-	(154)
Actual return on scheme assets	**-**	**562**

Analysis of income statement charge

	Year ending 31 December 2016 £'000	Year ending 31 December 2015 £'000
Current service cost (including employer contributions)	-	1,122
Past service cost	-	-
Net Interest cost	-	137
Curtailment cost	-	-
Settlement cost	-	-
Expense recognised in the income statement	**-**	**1,259**

Analysis of amounts recognised in Other Comprehensive Income (OCI)

	Year ending 31 December 2016 £'000	Year ending 31 December 2015 £'000
Total actuarial gains	-	1,257
Total gain recognised in OCI	**-**	**1,257**

Notes to the Financial Statements Continued

20. Pension Costs - Defined Benefit (continued)

History of experience gains and losses

	31 Dec. 2016 £'000	31 Dec. 2015 £'000	31 Dec. 2014 £'000	31 Dec. 2013 £'000	31 Dec. 2012 £'000
Experience gains / (losses) on scheme assets					
-Amount	-	(154)	1,198	2,152	988
-Percentage	-	-	1.9%	8.4%	4.3%
Experience gains on scheme					
-Amount	-	726	1,643	620	662
-Percentage	-	2.1%	4.9%	2.0%	2.4%
Total gains/(losses) recognised in other comprehensive income					
-Amount	-	1,257	1,558	632	1,090

21. Pension - Defined Contribution

The pension cost represents contributions payable by the Group to the defined contribution scheme and amounted to £491,028 (2015: £464,483). Contributions of £39,384 (2015: £0) were payable to the scheme at 31 December 2016.

These balances include the PECRS contributions from 1 October 2015, which is now accounted for as a defined contribution scheme since the transfer on 1 October 2015.

22. Ordinary Share Capital

Reconciliation of funded status to balance sheet	2016 £'000	2015 £'000
Authorised, issued, allotted and fully paid		
5 million £1 ordinary shares	**5,000**	**5,000**

There is a single class of ordinary shares.

23. Dividends Paid and payable

During the year dividends of £278,000 (2015: £2,177,000) were paid to the shareholder.

	2016 £'000	2015 £'000
Declared and paid during the year:		
Final Dividend	278	177
Special Dividend	-	2,000
	278	**2,177**
Proposed for approval by the shareholder at the AGM:		
Final Dividend	**722**	**278**

24. 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.

25. Contingent Liabilities

Upon the acquisition, the group introduced a Long Term Incentive Plan for the Directors of Fraser Freight. As the target parameters have not been met at the year end, there is no liability for this scheme.

26. 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 £971,173 (2015: £1,145,000) and purchases of £2,499,007 (2015: £4,747,000) were made to departments in 2016. As at 31 December 2016, the amount owing to the States of Jersey was £145,203 and the amount owed from the States of Jersey was £57,766 (31 December 2015: £333,000 and £164,000 respectively). All services provided by the Group to the States of Jersey are provided on an arm's length basis. There are no related party transactions with the Directors.

Notes to the Financial Statements Continued

27. Subsidiary Undertakings

As at 31 December 2016 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.

28. Board Remuneration and Fees

Details of remuneration paid to Directors and related party transactions therewith are disclosed in the Remuneration Committee Report on page 14 and in notes 3 and 26.

29. 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.

30. Events after the Reporting Period

In line with its continuing International strategy, on 1 March the group made a 40% investment in the US based postal and commercial solutions business Global eParcel Solutions (GePS) for a purchase consideration of £679,000.

31. Cashflow workings

	2016 £'000	2015 Restated £'000
Profit after tax	**1,488**	**245**
Taxation	916	682
Other finance costs	-	137
Net movement on investment	(348)	57
Other non-operating income	(193)	(335)
Interest and dividend receivable	(268)	(263)
Foreign Exchange gain	(277)	(2)
Operating Profit	**1,318**	**521**
FRS 17 charge	-	755
Depreciation charge	1,192	820
Amortisation charge	397	35
Other non-operating income	193	-
Foreign exchange gain	-	1
Foreign exchange movement on cash	-	40
Release of provision	(967)	-
(Increase)/Decrease in Inventory	(47)	(10)
(Increase)/Decrease in Debtors	(609)	(1,542)
Increase/(Decrease) in Creditors	7,269	1,907
Increase/(Decrease) in Provisions	(334)	(301)
Net cash in from operating activities	**8,412**	**2,226**

Tax paid has been identified on the face of the cashflow, therefore the prior year figures have been updated to reflect this.

2015 comparatives have been updated to disclose the depreciation and amortisation charges separately.

Five Year Summary

	Units	2016	2015	2014**	2013***	2012***
Balance Sheet						
Shareholder's funds	£'000	**20,990**	19,780	15,255	14,266	12,751
Profit & Loss Account						
Turnover	£'000	**42,356**	37,717	35,425	34,297	44,213
Operating profit before pension charge	£'000	**1,318**	1,276	1,209	1,918	2,057
Gross margin	%	**17.7**	21.0	21.0	21.4	17.4
Operating profit %	%	**3.1**	3.4	3.4	5.6	4.7
Profit before tax	£'000	**2,404**	927	192	1,265	1,294
Dividend payable to share-holder on the basis of the year's financial performance	£'000	**722**	278	177	390	382
Operational statistics						
Mail volumes	million	**34**	38	39	40	56
Number of post offices	number	**21**	21	21	21	22
Cost of a local stamp	pence	**48**	47	46	45	45
Cost of a UK stamp	pence	**60**	57	56	55	55
Number of staff (FTEs)	number	**337**	341	351	343	345
Staff costs*	£million	**14.0**	14.7	14.2	13.4	13.5
Average cost of employee	£000's	**40**	46	41	39	40

* excludes the Defined Benefit pension service costs
** Restated for accounting standard change to FRS 102
*** Presented under previous UK GAAP

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