Jersey Post Annual Report and Accounts 2015

www.jerseypost.com

Jersey Post

R.67/2016

Contents


Jersey Post Group
Headquarters
Jersey Post Group
Headquarters
Jersey Post Group
Headquarters
OPENING HOURS
Jersey Post Customer Services
Monday, Tuesday, Thursday, Friday 08.30 to 17.00
Wednesday 09.00 to 17.00
Rue des Pres Post Office
Monday - Friday 08.30 to 17.30
Saturday 09.00 to 12.00

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
Chief Executive Officer

Liz Vince BA (Hons) CPFA MICA Dip IoD
Finance Director (resigned 31 March 2016)

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

Chris Evans
Non-Executive

Donal Duff BAAF FCA AMCT
Non-Executive

Gary Carroll Dip IoD
Commercial Director (resigned 31 May 2015)

Alan Merry
Senior Independent Non-Executive (appointed 1 September 2015)

Susan Barton
Non-Executive (appointed 1 April 2016)

COMPANY SECRETARY

Liz Vince BA (Hons) CPFA MICA Dip IoD (resigned 31 March 2016)

Tim Brown FIoD FCILT CPFA (appointed 1st March 2016)

INDEPENDENT AUDITOR

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

PENSION SCHEME ACTUARY

Aon Hewitt Limited
Actuaries and Consultants, 40 Queen Square, Bristol, BS1 4QP

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 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 committee 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), providing 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.

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. He continued to work with the new owners until 2008. Donal is Chief Finance Officer of 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.

Alan Merry / Non-Executive Director

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

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 IT, mutualisation and strategic management.

Sue is a regular presenter at international postal conferences and events speaking on subjects such as liberalisation, innovation and future world scenarios. She is also an active member of the judging panels for World Mail Awards.

Chairman's Statement

This year's trading results confirm the robustness of Jersey Post's rapid recovery from the UK government's sudden withdrawal of Low Value Consignment Relief (LVCR) in 2012 and the consequent loss of £30m annual revenues. Operating profits rose modestly in the year by 5.5% on turnover which at £38m, was just over half that we had at the peak of the LVCR era.

The company's continued delivery of profits undiminished by the LVCR shock reinforces the board's confidence in the company's future. The radical cost-cutting of the "survival" phase of our strategy has given way to the less disruptive pursuit of operational efficiencies, and with independent surveys consistently confirming the recovery of high standards of customer service and employee morale which were damaged during the survival effort, the "sustainability" phase is underway, focusing on growth.

The Board's strategy for sustainability recognises that although the company has recovered from the collapse of Jersey's fulfilment industry, it faces a more pernicious threat to its longer-term survival. This arises from the decline in their core letters service, which postal operators everywhere are suffering, as the rise of the internet and use of smart mobile devices changes the way the world communicates. The volume decline in Jersey Post's letters business of some 60% in the past decade is similar to that seen across the globe. Unmitigated, this trend would put at risk our achievement of the shareholder objectives set for us by the States of Jersey, not least the "Universal Service Obligation" (USO) through which the States, like other governments, require national postal authorities to provide baseline levels of affordable postal services to every citizen regardless of cost.

The USO funding burden has become a key driver for the diversification of postal operators beyond their traditional home markets. The same diversification imperative faces Jersey Post, given that without the fulfilment industry the island's postal market is too small to provide contestable business from which we can continue to fund the losses inherent in the USO. However, the flip side of new technology replacing letter mail is the explosive growth in parcels and packets generated globally by the internet shopping and e-commerce revolution. The organisational capabilities which we developed for the fulfilment industry in Jersey equip us well to be part of this revolution.

We made encouraging progress during the year to exploit our recent admission to the Universal Postal Union as a national postal authority in its own right. This prized status has been an essential enabler in securing partnerships with almost 200 global carriers on attractive commercial terms, enabling us profitably to provide carriage from anywhere, to anywhere, of goods which we never touch and without the need for us to establish permanent footprints overseas. Whereas our international business will involve us more in brokerage than physical activity, there are strategic benefits to owning some of the facilities involved in the logistics chain. In those few situations we intend to acquire rather than build those facilities, and fund them internally without recourse to borrowing.

Our new International strategy leverages many of our existing competencies, but also demands new infrastructure, new business processes and new attitudes to innovation and risk in response to the needs of online and traditional businesses and their customers for speedy, reliable, traceable and convenient delivery of goods across Continents regardless of the complexities of Customs procedures, air freight security, dangerous goods regulations and the challenges of integrating the countless Information Technology platforms and payments processes typically involved in every cross-border consignment. Importantly these initiatives, whilst prompted by our international ambitions, are also providing meaningful benefits to our customers at home.

The demands of online shopping consumers are stimulating new strategies to improve both on-time and first-time delivery success. We have introduced new delivery options that are more convenient for customers, and invested in new infrastructure to allow for successful delivery when customers are not at home such as standalone personal or community parcel lockers, and are looking at collection points at local post offices or nearby retail locations such as convenience stores. Such initiatives are key to ensuring customer satisfaction and confidence in delivery services, as well as improving efficiency by eliminating costs associated with the "last mile" of the operation.

During the year we accelerated our investment in our IT infrastructure and business processes both to improve cost efficiencies and in readiness to revolutionise the power of our customers to determine how, when and where they want our services. New packet automation systems introduced during the year are providing faster, cheaper handling of parcels in the same way that our new automated letter sortation systems have with letter post since their upgrade last year. Our introduction of hand-held and in-vehicle technologies will provide more than the increasingly popular track and trace facilities, anticipating that online shopping services such as payment on delivery and security assurance for high value goods will soon become commonplace. Whilst our innovation plans do not yet feature parcel deliveries by drones piloted elsewhere, we do anticipate the impact on daily life of "the internet of things" when for example, refrigerators which automatically compile and order the shopping online, become commonplace.

Jersey Post is conscious of the unique position it has where its people interact face-to-face with its customers daily, at home and increasingly at work. Our parcels and packets service puts us at the heart of the relationship between retailers, their customers, financial institutions and mobile phone companies, as we provide the ultimate interface between the digital service and the physical customer. We're harnessing this relationship for both commercial and social responsibility motives. Offering financial services such as loans and insurance whilst seeking States support for our widely acclaimed "call and check" service to the Islands healthcare and social services agencies caring for those in our community made vulnerable by infirmity or isolation.

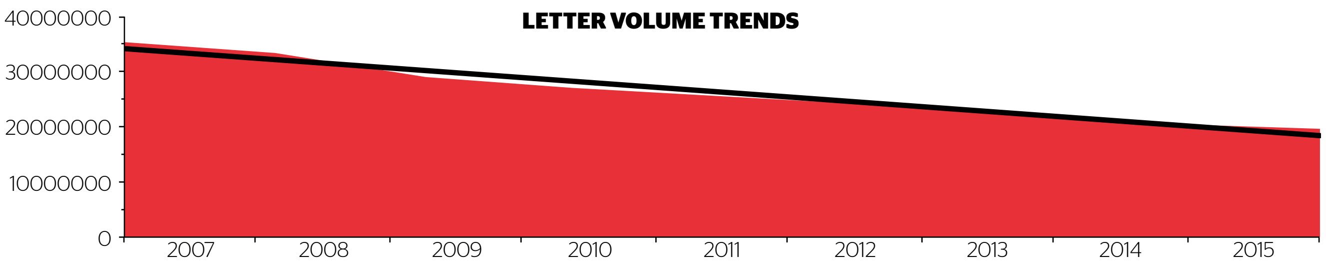
Change at Jersey Post is now embraced for its potential, not feared for its consequences. I enter my tenth and final year as Chairman with confidence that it will thrive in the transformation of the postal industry now underway.

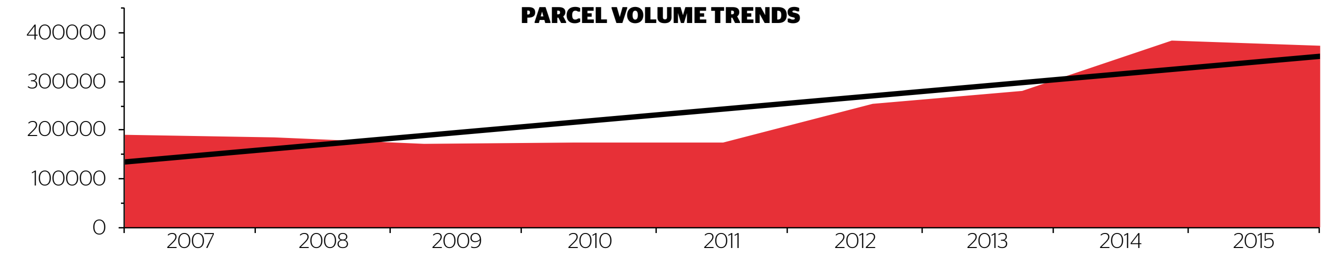
Jurat Mike Liston OBE
Chairman
29 April 2016

Strategic Report

Introduction

2015 has been the year of consolidating our performance and making considerable investment in Jersey Post's services and infrastructure.





We have continued to see decline in our core business and now over 45% of our revenue comes from parcels, yet it only accounts for 10% of our volume. Looking back over the last 10 years it is evident that there has been a huge shift in our business.

Whilst the growth in parcels has been significant, for the revenue earned from parcels to replace that from letters then the price of an up to 30kg parcel to the UK would need to be nearly 3 times what we charge now.

This growth in parcels and the growing use of tracked services means items cannot be delivered through the letterbox and, as a result, we have postmen and women's round becoming longer but with less traffic. We are also seeing an increasing number of addresses with new apartments, houses and offices being built. In essence, with our core business we are delivering less and less to more and more places. Obviously this is not sustainable and we continue to look to do things smarter and more efficiently.

On top of this we have continued see the decline in our fulfilment business with both Feelunique and Daysoft moving distribution to the UK.

We are also aware of the changing expectations of our customers who are looking for more convenient options to both send and receive parcels. In some cases we are unable to meet these expectations as our clients in the UK and around the world specify the service we must provide. Again this is why we continually look for better and innovative solutions for customers.

It is no secret that on-line shopping continues to boom with people ordering from across the world. During Christmas we saw a 20% increase in parcels year on year, whilst mail declined by 1%. Providing accessible, value-for-money services for parcel recipients is key. Indeed, value for money is a key requirement expressed by the nearly 5,000 customers who responded to our survey.

FOR US THE CHALLENGES ARE:

- **TO PROVIDE CUSTOMERS WITH A GREAT SERVICE AT A REASONABLE PRICE**
- **TO FLEX OUR SERVICES TO THE CHANGING DEMANDS AND REQUIREMENTS OF CUSTOMERS**
- **TO IMPROVE OUR EFFICIENCY TO COPE WITH THE CHANGING MIX OF TRAFFIC**
- **TO INVEST IN NEW PROFIT STREAMS TO COUNTER THE DECLINE IN OUR CORE BUSINESS**

Jersey Post delivered increased revenue for the second successive year and a small increase on overall operating profit year on year. This was despite the loss of key logistics customers who relocated their fulfilment operation to the UK, and continued decline in overall mail volumes. The performance has been underpinned by revenue growth from our new international business that now operates with partners in the USA and UK and we also have an agent operating out of China. Additionally, we continue to focus on efficiency within the business. To this end we have relocated our logistics operation from the harbour to our headquarters and during the year we have reduced overall staff numbers.

Last year Jersey Post also embarked upon an ambitious investment programme to deliver lasting changes that affect how our business operates. The business invested over £3m during 2015 to ensure Jersey Post remains at the top of its game and profitable for many years to come.

- Our public facing and retail areas including counters at Postal HQ and Broad Street have been transformed and further complimented through the launch of a range of complimentary financial services.
- The new unloading bay and packet automation is complete and handles up to 4,500 items an hour sorting by destination and size.
- During the year we introduced a new time and attendance system using biometric data to log operational staff on and off site. The project is being rolled out across the rest of the group during 2016.
- We launched a new track and trace system and began deploying new hand held terminals to all delivery staff.
- Four 24/7 locker banks are fully operational around the island with a fifth on the way. On the back of this we introduced parcel delivery plus and alternative business delivery options. A new website for customer registration and payments was also launched.
- For our vehicle fleet we implemented “Routeplanner” to optimise our delivery routes and installed telematics into all vehicles helping our drivers drive more safely and efficiently.

This huge investment in Jersey Post is part of our strategy to modernise our business, to make us relevant for our customers and therefore help provide Jersey Post with a sustainable future, which is good for jobs. We will be a leaner, fitter more relevant business going into 2016. The coming year is therefore one of exploiting this investment, fine tuning what we do and how we do it, but it is also one of developing new and better services and to develop new business and to explore alternative revenue streams. Our core business continues to decline and our challenge now is to strive for growth and build on the tremendous progress made in 2015.

This time last year we were concerned with decisions by the UK regulator Ofcom and changes in Royal Mail’s approach to the island. Following changes in the UK, OFCOM will be reviewing its approach to postal regulation and issuing a consultation document during the coming year. The impact on us is still unknown. In terms of Royal Mail, its change in approach has seen some increases in rates for delivery in the UK in 2015 with much larger increases in 2016. Improvements in efficiency and working with new partners in the UK means we will be able to minimise the impact on customers but there will still remain an above RPI price increase.

up to **4,500 items an hour** handled by the **new unloading bay**

Outlook for 2016

The outlook for 2016 is challenging as traditional letter volumes are forecast to continue the decline by between 3-5%, and the long term future of our logistics business in the island remains uncertain as fulfilment providers migrate their operations from the island. This is likely to be hastened if EU countries remove their Low Value Consignment Relief[2] as has been trailed by EU authorities in 2015. It is unlikely that any business of significant size will move their fulfilment to Jersey, although we work with a number of growing world class fulfilment partners that are still based in Jersey. We continue to focus on offering relevant and affordable services to customers in the island and look to ways to improve efficiency to maintain profit levels.

The business continues to invest in new revenue streams and 2016 showed early promise, particularly in respect of international business. We expect to see substantial growth in this area although, whilst margins are strong, decision lead times are long and the market is competitive. Jersey Post is focussing on a few key strategic partners in this area. Another area where we continue to invest is in southbound from the UK, looking at consolidation of traffic to improve efficiencies, but also to offer new services to Jersey based customers and those UK businesses wishing to ship to the Channel Islands. Trials in 2015 proved the concept is viable and 2016 should see implementation with a number of customers.

To support these developments Jersey Post will look to invest in new capability to strengthen our position in these markets.

[2] A De Minimis level below which authorities deem the cost of collecting duty to be greater than the duty collected.

Customer service

Jersey Post continues to be committed to providing a service to the people and businesses of Jersey that is relevant to their changing requirements and demands.

During 2015 we introduced new services aimed at improving customer experience. These included:

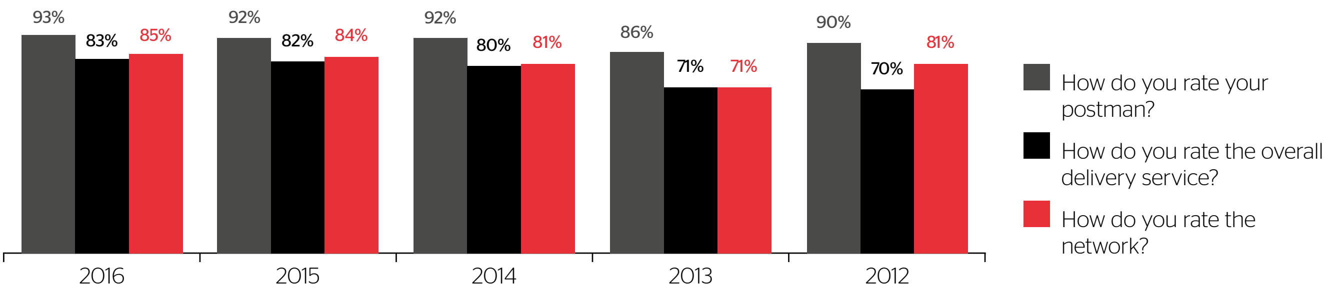
- Remodelling of the Broad Street customer area with new services such as loans, a better range and display of retail products and a customer service desk so customers can talk to someone face to face if they have an issue.
- The roll out of lockers at Broad Street, Rue des Pres and The Powerhouse as part of our investment so that customers can access their packages and parcels 24 hours a day, seven days a week at their convenience and not just ours.
- We have also introduced new 24/7 post and pay automation at Broad Street so that you can now send a letter or parcel without queuing.
- We have also remodelled the retail area at Rue des Pres, introducing a revamped parcel collection point and extended opening hours (8am to 8pm, Monday to Friday and 8am to 3pm on a Saturday), our Post and Pay machines are available from 7am and customer parking facilities have been extended.
- We continue to offer the service that items dropped into the post box at Rue des Pres by 6am will be delivered on the island same day.

Customer feedback

We continually monitor customer feedback to look at ways to improve service. We look at the service we provide in three ways:

WHAT OUR CUSTOMERS TELL US:
In March we sent out our fifth 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



We are pleased with the large response again to our customer survey. Whilst it was good to see our best ever levels of satisfaction, we continue to look at where we can further improve. When looking at those who rated our services Poor or Very Poor the results were 2% for Post Office network, 1% for our postmen and women and 4% for our delivery service overall.

THE KEY AREAS CUSTOMERS IDENTIFIED AS A PRIORITY WERE:

EARLY MORNING DELIVERY

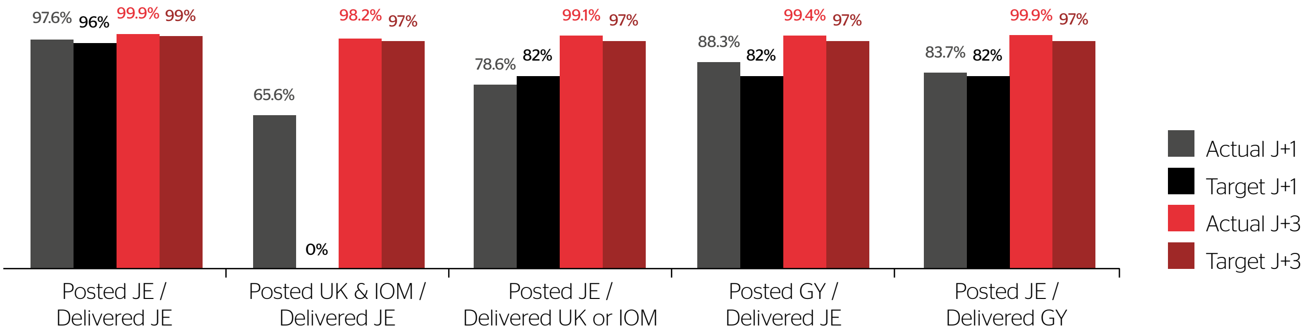
KEEPING COSTS LOW

CONSISTENCY OF DELIVERY TIME

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.

2015 QUALITY OF SERVICE - JERSEY, GUERNSEY, UK AND ISLE OF MAN



Whilst we are pleased that on Island quality and that to Guernsey exceeds the set targets, we remain frustrated by the failures with the aircraft and its loading in the UK that have resulted in us missing our targets to the UK. After explaining that the control of the flight and its connections to Royal Mail's network are outside of our control, and that Royal Mail has no target for quality of service to the Channel Islands, CICRA agreed to remove this as a target although we continue to report it. We have recently been able to agree with Royal Mail that the two businesses will review quality end to end and implement a plan to improve it.

WHAT ISSUES OUR CUSTOMERS HAVE HAD DURING THE YEAR

We continue to review every complaint and comment and strive to improve performance. As the percentage of our business that is tracked increases the number of enquiries is likely to grow. During 2016 we will be looking to provide customers with better access to this information via the web and mobile phone apps, as well as by telephone.

We measure the number of complaints per 50,000 items of mail. In 2015 the figure was 1.2 compared to 1.73 in 2014 and 4.49 in 2013. The top areas of complaints were:

- **Delivery procedures**
- **Secure Drop failure**
- **Redirection failure**

Therefore our focus in 2016 will be to concentrate on these areas to further improve our performance.

Number of complaints
dropped to just 1.2
per 50,000 items of mail

The community

Jersey Post takes its place in the community very seriously and participates in a number of ways. Each year the staff chooses a charity to support. In 2015 we continued with Macmillan and the staff held various events to raise money. For 2016 our staff selected The Jersey Alzheimer's Association. Our aim is to raise £20,000 for this worthy cause during 2016.

In 2014 we announced our sponsorship for Team Jersey for the 2015 and 2017 Island Games. As part of that support we put the team logo on one of our vans and all staff wore red t-shirts for the week of the games. It was good to see Team Jersey do so well and we look forward to working with the team in Gotland in 2017.

In other areas, we continue to offer a limited number of free Direct2Home door drops to charities who have applied. In 2015 we helped St John Ambulance, the British Red Cross, Jersey Brain Tumour, Family Nursing and Jersey Cheshire Homes. We also supported the Luxury Jersey postcards initiative to support tourism and provide help to Jersey Overseas Aid teams with postage of items to project countries.

Charities registered in Jersey are able to benefit from a 5% discount on certain stamp prices (www.jerseypost.com/charitypostage).

Our employees

Our post men and women are Jersey Post's biggest asset and our customers recognise it.

It is important to Jersey Post that we invest in our staff. As stated before, during 2014 we put all our staff through World Host customer service training. We continue to provide this training to new staff. We also offer all staff access to a Keen to Develop Fund set up by Kevin Keen and topped up annually. The fund is aimed at staff wishing to learn new skills and has included training in human resources, accountancy and book-keeping, meditation, sign language, offshore administration and first-line management.

Following on from our Pay Advance scheme in 2014, in 2015 we launched an employee health scheme which has been taken up by over 100 of our staff.

Jersey Post continues to face a very challenging market place with its traditional business continuing to decline, and needs to continue to provide an affordable and relevant service to the people and businesses of Jersey without subsidy, whilst looking to develop new business streams in Jersey, UK and across the world to support the business.

Statement of Corporate Governance

Introduction

Jersey Post International Limited is committed to maintaining the highest standards 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 four Non-Executive Directors including one Senior Independent Non-Executive Director, one Executive Director and Mike Liston as Chairman.

In accordance with the Company's Articles of Association, one-third of the number of Non-Executive Directors is required to retire by rotation annually. Chris Evans and Donal Duff are currently the longest serving directors and will retire by rotation at the AGM on 27 May 2016. Both Chris and Donal will be seeking reappointment and a resolution will be made at the AGM to re-appoint them both to the Board.

The Executive Director, Tim Brown who is the company's CEO, is not subject to retirement by rotation but he is 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 and Chief Executive 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 2015	5	4	2	1
Mike Liston	4 (Chairman)	4	2	1
Tim Brown	5	-	-	-
Clive Barton	1/1	2/2	-	-
Donal Duff	5	4 (Chairman)	2	1
Chris Evans	5	-	2 (Chairman)	1
Alan Merry	2/2	2/2	-	-
Liz Vince	5	-	-	-
Gary Carroll	1/1	-	-	-

Performance Evaluation

The effectiveness of the Board is vital to the success of the Company. A self-assessment of the board and its Committees was undertaken at the board meeting held on 2 March 2016.

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 during the year were Mike Liston, Clive Barton (until his resignation on 24 April 2015) and, from 1 September 2015, Alan Merry. 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 21 April 2016 the Committee received and reviewed the company's 2015 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 prior to its amalgamation into the main PECRS fund from 1 October 2015.
- Taxation disclosures including accounting for deferred taxation;
- Provisions in relation to building dilapidations and an onerous lease;
- Stamps in circulation;
- UPU accrual; and
- The Going Concern principle.

The Audit Committee considered whether the 2015 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 29 April 2016.

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 2015 is set out below, together with comparatives for 2014:

	Salary/Fees £'000	Bonuses £'000	Benefit in Kind[3] £'000	2015 Total £'000	2014 Total £'000
Executive Directors					
Tim Brown (appointed 01.07.14)	194[4]	46	18	258	125*
Liz Vince (resigned 31.03.16)	112	26	12	150	148
Gary Carroll (resigned 31.05.15)	53[5]	-	2	55*	160
Kevin Keen	-	-	-	-	212
Total	**359**	**72**	**32**	**463**	**645**
Non-Executive Directors					
Mike Liston	40	-	-	40	40
Tim Brown (resigned 30.06.14)	0	-	-	0	12*
Donal Duff	20	-	-	20	20
Chris Evans	15	-	-	15	15
Clive Barton (resigned 24.04.15)	0	-	-	0	7*
Alan Merry (appointed 01.09.15)	5	-	-	5*	0
Total	**94**	**-**	**-**	**80**	**94**

* 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 three Executive Directors in the above table); and
- All other staff.

The total amount paid out in bonuses relating to 2015 for the above three schemes as £668,000(2014: £693,000).

During 2015 the company provided £24,000 (2014: £25,000) 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 £19,000 (2014 : £42,000).

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

[4]Includes £27,500 accommodation allowance.

[5]Gary Carroll left on 31st May 2015.

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 Brown
Company Secretary
29 April 2016

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 2015.

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 24. A review of the Group’s business during the year and an indication of the likely future development of the business are provided in the Chairman’s Statement and the Strategic Report on pages 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 £278,000 will be recommended by the Directors for 2015 at the AGM to be held on 27 May 2016 (2014: £177,000). Also a special dividend of £2,000,000 was paid during the year.

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 17.

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 Accounting Standards, including Financial Reporting Standard FRS102, The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland (“FRS102”) 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.

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 have 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 2018.

Annual General Meeting

The AGM will be held at the States Treasury, Cyril le Marquand House, St Helier on 27 May 2016.

Directors

The Directors of the Company are listed on page 3.

Independent Auditors

PricewaterhouseCoopers CI LLP were appointed and acted as independent auditors for the year ended 31 December 2015. A resolution to appoint PricewaterhouseCoopers CI LLP as independent auditors for the year ending 31 December 2016 will be proposed at the AGM on 27 May 2016.

This statement was approved by the Board of Directors of Jersey Post International Limited on 29 April 2016 and was signed on their behalf by:

Tim Brown Company Secretary
29 April 2016

Independent Auditor's Report

to the members of Jersey Post International Limited

Report on the financial statements

We have audited the accompanying financial statements of Jersey Post International Limited ("the Group") which comprise the Consolidated Statement of Financial Position as of 31 December 2015 and the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows 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, including Financial Reporting Standard 102, "The Financial Reporting Standards applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") 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 2015, and of its financial performance and its cash flows for the year then ended in accordance with United Kingdom Accounting Standards, including FRS 102 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 2016

Consolidated Income Statement

Year Ended 31 December 2015

	Note	2015 £'000	2014 £'000
Turnover		37,717	35,425
Cost of Sales		(29,636)	(27,842)
Gross profit		**8,081**	**7,583**
Administrative expenses		(6,805)	(6,374)
Operating profit before pension charge	2	**1,276**	**1,209**
Defined benefit pension service costs (excluding employers pension contributions)	16	(755)	(1,640)
Operating profit/(loss) after pension charge	2	**521**	**(431)**
Other non-operating income		335	320
Foreign exchange gain/(loss)		2	(5)
Interest and Dividends Receivable	4	263	268
Net movement on investments	5	(57)	256
Other finance costs	6	(137)	(216)
Profit on ordinary activities before taxation		**927**	**192**
Taxation	7	(682)	(371)
Profit/(loss) after taxation		**245**	**(179)**

The basis of preparation of these financial statements is set out on page 27, and notes on page 27-43 form an integral part of these financial statements.

The above results are derived from continuing activities.

Consolidated Statement of Comprehensive Income

Year Ended 31 December 2015

	Note	2015 £'000	2014 £'000
Profit/(loss) for the year		219	1,265
Other comprehensive income			
Actuarial gain in respect of the pension scheme	16	1,257	1,558
Total comprehensive income for the year		**1,502**	**1,379**

The basis of preparation of these financial statements is set out on page 27, and the notes on page 27-43 form an integral part of these financial statements.

Consolidated Statement of Financial Position

Year Ended 31 December 2015

	Note	2015 £'000	2014 £'000
Fixed Assets			
Tangible Assets	8	10,090	7,929
Intangible Assets	9	69	122
Current Assets			
Stock	10	216	206
Debtors	11	6,972	5,515
Equity Investments	5	4,826	4,694
Cash and cash equivalents		8,362	10,895
Total Current Assets		**20,376**	**21,310**
Creditors			
Amount falling due within one year	12	(9,454)	(6,939)
Provisions for liabilities	13	(1,301)	(1,602)
Net Current Assets		**9,621**	**12,769**
Total assets less current liabilities		19,780	20,820
Deficit on defined benefit pension scheme	16	-	(5,565)
Net Assets		**19,780**	**15,255**
Capital and reserves			
Ordinary Share Capital	18	5,000	5,000
Retained earnings		14,780	10,255
Total Equity		**19,780**	**15,255**

The basis of preparation of these financial statements is set out on page 27, and the notes on pages 27-43 form an integral part of these financial statements.

The financial statements on pages 29 to 49 were authorised and approved for issue by the Board of Directors on 29th April 2016 and were signed on its behalf.

Tim Brown
Chief Executive Officer

Consolidated Statement of Changes in Equity

Year Ended 31 December 2015

	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	16	–	5,200	5,200
Dividends		–	(2,177)	(2,177)
Balance as at 31 December 2015		**5,000**	**14,780**	**19,780**

Year Ended 31 December 2014

	Share Capital £'000	Retained Earnings £'000	Total £'000
Balance as at 1 January 2014	5,000	9,266	14,266
Total comprehensive income for the year	**-**	**1,379**	**1,379**
Dividends	–	(390)	(390)
Balance as at 31 December 2014	**5,000**	**10,255**	**15,255**

The basis of preparation of these financial statements is set out on page 27, and notes on page 27-43 form an integral part of these financial statements.

Consolidated Statement of Cash Flows

Year Ended 31 December 2015

	Note	2015 £'000	2014 £'000
Net cash generated from operating activities	24	**1,880**	**3,993**
Cash flows from investing activities			
Purchases of tangible fixed assets		(2,867)	(949)
Interest received		73	78
Dividends received on investments		213	189
Purchase of current asset investments		-	(1,000)
Other non-operating income		442	481
Net movement on investments		(57)	(6)
Net cash used in investing activities		**(2,196)**	**(1,207)**
Cash flows from financing activities			
Dividends paid		(2,177)	(390)
Net cash used in financing activities		**(788)**	**(1,207)**
Net (decrease)/increase in cash and cash equivalents		(2,493)	2,396
Cash and cash equivalents at beginning of year		10,895	8,498
Foreign exchange gain on cash and cash equivalents		(40)	-
Cash and cash equivalents at end of year		**8,362**	**10,895**
Cash and cash equivalents comprise:		(2,493)	2,396
Cash at bank and in hand		4,261	1,753
Short-term deposits		4,101	9,142
		8,362	**10,895**

The basis of preparation of these financial statements is set out on page 27, and the notes on pages 27-43 form part of these financial statements.

Notes to the Financial Statements

1. ACCOUNTING POLICIES

1.1 GENERAL INFORMATION

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

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

1.2 STATEMENT OF COMPLIANCE

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

1.3 BASIS OF PREPARATION

The consolidated financial statements have been prepared on a going concern basis, under the historic cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value, in accordance with FRS 102. Information on the impact of first-time adoption of FRS 102 is given in note 25.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Group's accounting policies as per note 1.22.

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

1.4 BASIS OF CONSOLIDATION

The consolidated financial statements present the results of Jersey Post International Limited and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

1.5 GOING CONCERN

The Directors have produced forecasts for the next 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.

1.6 TANGIBLE ASSETS

On a continuing use basis within the business, tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price and expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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 length of 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 'other operating income' in the income statement.

1.7 INTANGIBLE ASSETS

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

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

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.

1.8 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.

1.9 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 currently 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.

Hedge Accounting

The Group has entered 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.

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.

1.10 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. Costs are measured on purchase price with the expense being recognised in the income statement when the stock item is sold.

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 ONEROUS LEASES

Where the unavoidable costs of a lease exceed the economic benefit expected to be received from it, a provision is made for the present value of the obligations under the lease.

1.13 FOREIGN CURRENCIES

Items included in the financial statements are measured using the currency of the primary economic environment in which the Group operates ('the functional currency'). The financial statements are therefore presented in pound sterling which is the group's functional and presentation currency.

Transactions in foreign currencies are translated into pound sterling at the exchange rate ruling when the transaction was entered into. Monetary assets and liabilities expressed in foreign currencies are translated to sterling at the exchange rates ruling at the reporting date. Foreign currency gains and losses are taken to the income statement.

1.14 TURNOVER

Turnover is measured at fair value of the consideration received or receivable for 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.

1.15 OTHER NON-OPERATING INCOME

Other non-operating income represents the value of rental income received and receivable from the lease of a property recognised over the life of the rental agreement. Other non-operating income also includes net gain/loss on disposal of Fixed Assets.

1.16 ADMINISTRATIVE EXPENSES

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

Administrative expenses are recognised on an accruals basis.

1.17 TAXATION

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

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

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

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.

1.18 PENSION COSTS

The Group operates both defined benefit and defined contribution schemes.

Defined Benefit

The Group is 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 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 income statement.

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 comprehensive income

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 statement of financial position.

Please refer to Note 16 for further details.

Defined Contribution

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

1.19 OPERATING LEASES

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

1.20 RESEARCH AND DEVELOPMENT

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

1.21 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.

1.22 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:

Defined Benefit Pension Scheme

The Group has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and discount rates. These actuarial assumptions are reviewed annually and are based on prior experience, market conditions and the advice of scheme actuaries. Although no liability remains at the reporting date, valuations were required at the transfer date. See note 16 for full disclosure of assumptions, profit & loss charge and the balance sheet liability.

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 our creditor figure we maintain an accrual in relation to our international trade for amounts owed to other administrations within the Universal Postal Union. This accrual is calculated in accordance with the Letter Post Article 29 for Terminal Dues.

Deferred Tax

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

Provisions

The Group has maintained creditor balances at the year end in relation to an onerous lease held and dilapidation provisions as financial liabilities under FRS 102.

Stamps in Circulation

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.

2. OPERATING PROFIT/(LOSS) FOR THE YEAR

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

	2015 £'000	2014 £'000
Auditor's remuneration		
Audit	83	80
Non-audit	6	6
Depreciation of tangible assets	820	811
Amortisation of intangible assets	35	-
Defined contribution pension cost	464	391
Defined benefit pension cost (see note 16)	1,122	2,134

3. STAFF COSTS

Staff costs (including Directors) consist of:

	2015 £'000	2014 £'000
Wages and Salaries	12,337	12,683
Employer Social Security costs	754	757
Employer Pension Contributions	773	727
Defined benefit pension service costs	892	1,856
Total	**14,756**	**16,023**

Employees

The average number of persons (including executive directors) employed by the Group during the year was:

	2015 No.	2014 No.
Operations	321	342
Administration and central functions	58	52
Total	**379**	**394**

Directors

The directors' emoluments were as follows:

	2015 £'000	2014 £'000
Total salaries	431	617
Total post-employment benefits	32	28
Total	**463**	**645**

Post-employment benefits are accruing for two directors (2014:2) under a defined benefit scheme. One Director was a member of the defined contribution scheme.

Highest paid director

The highest paid director's emoluments were as follows:

	2015 £'000	2014 £'000
Total amount	214	212
Total post-employment benefits	14	-
Total	**228**	**212**

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:

	2015 £'000	2014 £'000
Salaries and other short-term benefits	770	922
Post-employment benefits	51	47
Total	**821**	**969**

4. INTEREST AND DIVIDENDS RECEIVABLE

	2015 £'000	2014 £'000
Bank and loan interest receivable	50	79
Dividends receivable	213	189
Total	**263**	**268**

5. NET MOVEMENT ON INVESTMENTS

	2015 £'000	2014 £'000
Net realised gain/(loss)	42	(6)
Unrealised (loss)/gain	(99)	262
Net movement on Investments	**(57)**	**256**

	2015 £'000	2014 £'000
Proceeds from sales of investments made during the year	746	622
Original cost of investments sold during the year	(704)	(628)
Gain/(loss) realised on investments sold during the year	**42**	**(6)**

	2015 £'000	2014 £'000
Opening balance	4,694	3,269
Additions	935	1,791
Disposals	(704)	(628)
(Losses)/gain on re-measurement to fair value	(99)	262
Market value	**4,826**	**4,694**

All current asset investments are shares held in listed companies which are traded on a regular basis. The total income statement effect recognised on these investments in the period was £99,000 (2014:£262,000) representing the fair value measurements shown above and dividends received of £213,000 (2014:£189,000). Fair value is established using quoted market prices.

6. OTHER FINANCE COSTS

	2015 £'000	2014 £'000
Net interest on defined benefit pension liability	137	216
	137	**216**

7. TAXATION

	2015 £'000	2014 £'000
Jersey income tax		
Current charge	592	328
(Credit)/charge in respect of prior years	15	-
Total current tax charge for the year	**607**	**328**
Deferred Taxation		
Charge for the year taken to the income statement	75	43
Charged/(credited) to the income statement in respect of prior period	–	–
Total deferred tax charge for the year	**75**	**43**
Charge/(credit) for the year taken to the statement of comprehensive income	–	–
Total tax charge for the year	**682**	**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:

	2015 £'000	2014 £'000
Profit on ordinary activities before taxation	**927**	**185**
Tax on profit on ordinary activities at 20%	**185**	**37**

Factors affecting tax charge for the year	2015 £'000	2014 £'000
Fixed Asset timing differences	(22)	13
Difference on unrecognised deferred tax asset	178	371
Expenses not deductible for tax purposes	161	102
(Profit)/losses taxed at 0%	165	–
Losses brought forward from prior year	–	(101)
Gains not taxable	–	(52)
Prior year adjustment	15	–
Total current income tax charge for the year	**682**	**371**

Deferred Taxation	2015 £'000	2014 £'000
Total deferred taxation balance at 1 January	(43)	–
Charged to income statement	(75)	(43)
(Charge)/Credit to statement of comprehensive income	–	–
(Charge)/Credit to the income statement in respect of prior periods	–	–
Total deferred tax balance at 31 December	**(118)**	**(43)**

Jersey Post International Limited is subject to Jersey income tax at the standard rate of 0% (2014:0%). Jersey Post Limited, a subsidiary of Jersey Post International Limited, is subject to Jersey income tax at the rate of 20% (2014:20%). All other companies in the Group are subject to Jersey income tax at the standard rate of 0% (2014:0%).

The estimated value of the net deferred tax asset not recognised in relation to the defined pension scheme deficit held in previous years, measured at the standard rate of 20% is £nil (2014: £1,113,000).

8. TANGIBLE ASSETS

	Freehold land & buildings £'000	Improvements to leasehold property £'000	Plant, vehicles, equipment £'000	Total £'000
Cost				
At 1 January 2015	7,735	570	6,238	14,543
Additions	–	–	2,983	2,983
Disposals	–	–	(1,735)	(1,735)
At 31 December 2015	**7,735**	**570**	**7,486**	**15,791**
Accumulated Depreciation				
At 1 January 2015	2,029	570	4,015	6,614
Annual Charge	238	–	582	820
Disposals	–	–	(1,733)	(1,733)
At 31 December 2015	**2,267**	**570**	**2,864**	**5,701**
Net book value				
At 31 December 2015	**5,468**	**-**	**4,622**	**10,090**
At 31 December 2014	5,706	–	2,223	7,929

9. INTANGIBLE ASSETS

	Plant, vehicles, equipment £'000	Total £'000
Cost		
At 1 January 2015	239	239
Disposals	(44)	(44)
At 31 December 2015	**195**	**195**
Accumulated amortisation		
At 1 January 2015	117	117
Annual Charge	35	35
Disposals	(25)	(25)
At 31 December 2015	**127**	**127**
Net book value		
At 31 December 2015	**69**	**69**
At 31 December 2014	122	122

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

10. STOCK

	2015 £'000	2014 £'000
Philatelic Stamp Stock	166	180
Shop Stock	19	13
Operational Stamp Stock	31	13
Total	**216**	**206**

11. DEBTORS

	2015 £'000	2014 £'000
Net Trade debtors	4,129	3,125
Other debtors	849	793
Agency debtors	187	207
Prepayments and accrued income	1,807	1,390
	6,972	**5,515**

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015 £'000	2014 £'000
Trade Creditors	829	356
Other Creditors	1,146	1,462
Accruals and Deferred income	7,479	5,121
	9,454	**6,939**

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

Included within 2015 Other Creditors is £508,075 (2014:£669,481) 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 reporting date are recorded within cash.

13. PROVISIONS FOR LIABILITIES

	Property £'000	Onerous lease £'000	Total £'000
At 1 January 2015	1,300	302	1,602
Utilised in the year	(100)	(201)	(301)
At 31 December 2015	**1,200**	**101**	**1,301**

14. OPERATING LEASE COMMITMENTS

	Land & Buildings	
	2015 £'000	2014 £'000
Non-cancellable annual commitments in respect of operating leases which expire:		
Less than one year	225	74
Between two and five years	–	441
After five years	–	–
	225	**515**

During period ended 31 December 2015, the total expense relating to operating leases was £450,000.

15. FINANCIAL INSTRUMENTS

	2015 £'000	2014 £'000
Financial assets measured at amortised cost		
Debtors	6,972	5,515
Financial assets through profit or loss		
Investments	4,826	4,694
Cash	8,362	10,892
	13,190	**15,581**
Derivatives		
Forward foreign currency contracts	2	(5)
Financial liabilities measured at amortised cost		
Creditors	(9,454)	(6,939)

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.

At the reporting date, the Group had a commitment to buy USD200k with a maturity date of 1st March 2016.

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

16. PENSION COSTS - DEFINED BENEFIT

The Group is party to one defined benefit pension scheme at 31 December 2015, 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 2015 £'000	31 December 2014 £'000
Fair value of scheme assets	-	28,004
Present value of funded defined benefit obligations	-	(33,569)
(Liability) recognised on the balance sheet	**-**	**(5,565)**

Changes to the present value of the defined benefit obligation during the year	Year ending 31 December 2015 £'000	Year ending 31 December 2014 £'000
Opening defined benefit obligation	**33,569**	**30,905**
Current service cost	1,122	1,443
Interest cost	853	1,313
Contributions by scheme participants	242	330
Actuarial losses on scheme liabilities*	(1,411)	(360)
Net benefits paid out	(94)	(753)
Past service cost	-	691
Transfer of sub-fund to States of Jersey	(34,281)	-
Closing defined benefit obligations	**-**	**33,569**

* Includes changes to the actuarial assumptions

Changes to the fair value of scheme assets during the year	Year ending 31 December 2015 £'000	Year ending 31 December 2014 £'000
Opening fair value of scheme assets	**28,004**	**25,638**
Interest on the scheme assets	716	1,097
Actuarial (losses)/gains on scheme assets	(154)	1,198
Contributions by the employer	367	494
Contributions by scheme participants	242	330
Net benefits paid out	(94)	(753)
Net increase in assets from disposals/acquisitions	-	-
Settlements	-	-
Transfer of sub-fund to States of Jersey	(29,081)	-
Closing fair value of scheme assets	**-**	**28,004**

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

Actual return on scheme assets	Year ending 31 December 2015 £'000	Year ending 31 December 2014 £'000
Expected return on scheme assets	716	1,097
Actuarial(loss)/ gain on scheme assets	(154)	1,198
Actual return on scheme assets	**562**	**2,295**

Analysis of income statement charge	Year ending 31 December 2015 £'000	Year ending 31 December 2014 £'000
Current service cost (including employer contributions)	1,122	1,443
Past service cost	-	691
Net Interest cost	137	216
Curtailment cost	-	-
Settlement cost	-	-
Expense recognised in the income statement	**1,259**	**2,350**

Analysis of amounts recognised in Other Comprehensive Income (OCI)	Year ending 31 December 2015 £'000	Year ending 31 December 2014 £'000
Total actuarial gains	1,257	1,558
Total gain recognised in OCI	**1,257**	**1,558**

History of experience gains and losses	31 December 2015 £'000	31 December 2014 £'000	31 December 2013 £'000	31 December 2012 £'000	31 December 2011 £'000
Experience gains/(losses) on scheme assets					
Amount	(154)	1,198	2,152	988	(3,787)
Percentage	-	1.9%	8.4%	4.3%	15.8%
Experience gains on scheme liabilities					
Amount	726	1,643	620	662	544
Percentage	2.1%	4.9%	2.0%	2.4%	1.8%
Total gains/(losses) recognised in other comprehensive income					
Amount	1,257	1,558	632	1,090	(9,447)

17. PENSIONS - DEFINED CONTRIBUTION

The pension cost represents contributions payable by the Group to the defined contribution scheme and amounted to £464,483 (2014: £391,385). No contributions (2014: £0) were payable to the scheme at 31 December 2015. These balances include the PECRS contributions from 1 October 2015, which is now accounted for as a defined contribution scheme since the transfer on 1st October 2015.

18. ORDINARY SHARE CAPITAL

	2015 £'000	2014 £'000
Authorised, issued, allotted and fully paid		
5 million £1 ordinary shares	**5,000**	**5,000**

There is a single class of ordinary shares.

19. DIVIDENDS PAID AND PAYABLE

During the year £2,177,000 (2014 £390,000) dividends were paid to the shareholder.

	2015 £'000	2014 £'000
Declared and paid during the year:		
Final for 2014/2013	177	390
Special Dividend	2,000	–
	2,177	**390**
Proposed for approval by the shareholders at the AGM:		
Final Dividend for 2015	**278**	**177**

20. ULTIMATE AND IMMEDIATE CONTROLLING PARTY

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

21. RELATED PARTY TRANSACTIONS

Transactions with subsidiaries and associates

The Group provides multi-channel services to a number of different departments of the States of Jersey. Sales of £1,145,000 (2014:£1,152,000) and purchases of £4,747,000 (2014:£ 427,000) were made to departments in 2015. As at 31 December 2015, the amount owing to the States of Jersey was £333,000 and the amount owed from the States of Jersey was £164,000 (31 December 2014:£ 20,000 and £113,000 respectively). All services provided by the Group to the States of Jersey are provided on an arm's length basis.

Transactions with key management personnel

						31 December 2015	
Director	**Relationship**	**Interest**	**Service**	**Purchases**	**Sales/Income**	**Debtor**	**Creditor**
Gary Carroll	Director	St Lo Ltd	Loan		£10,950 (2014: £10,950)	£734,562 (2014: £734,562)	

The loan was repaid on 26th February 2016 in full.

*From May 2015, Gary Carroll was no longer a Director of Jersey Post International Limited.

22. SUBSIDIARY UNDERTAKINGS

As at 31 December 2015 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

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.

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 16 and in notes 3 and 21.

24. CASHFLOW WORKINGS

A) Reconciliation of Operating Profit to Net Cash (outflow)/inflow from Operating Activities	2015 £'000	2014 £'000
Profit/(loss) after tax	**245**	**(179)**
Taxation expense	682	371
Other finance costs	137	216
Net movement on investment	57	(256)
Other non-operating income	(335)	(320)
Interest and dividend receivable	(263)	(268)
Foreign Exchange gain/(loss)	(2)	5
Operating Profit	**521**	**(431)**
FRS 17 charge	755	1,640
Depreciation charge	854	812
Taxation charge	(236)	(163)
Foreign exchange gain/(loss)	2	(6)
Foreign exchange movement on cash	40	-
(Increase)/decrease in Stock	(10)	(21)
(Increase)/decrease in Debtors	(1,542)	(639)
Increase/(decrease) in Creditors	1,797	2,197
Increase/(decrease in Provisions	(301)	604
Net cash in/(out) from operating activities	**1,880**	**3,993**

25. FIRST TIME ADOPTION OF FRS 102

This is the first year that the Group has presented its results under FRS 102. The last financial statements prepared under previous UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2015. Set out below are the changes in accounting policies which reconcile profit for the financial year ended 31 December 2014 and the total equity as at 1 January 2014 and 31 December 2014 between UK GAAP as previously reported and FRS 102.

Profit/(loss) for the financial year	Notes	2014 £'000
UK GAAP - As previously reported		
Profit for the financial year		219
Pension Charge	A	(660)
Fair value of investments	B	262
FRS 102		**(179)**

Statement of Comprehensive Income	Notes	2014 £'000
UK GAAP – As previously reported		
Other comprehensive income		898
Actuarial movement in respect of pension scheme	A	660
FRS 102		**1,558**

Total Equity	Notes	2014 £'000
UK GAAP – As previously reported		
Profit for the financial year	9,266	9,993
Fair value of investments		262
FRS 102		**10,255**

A) Defined benefit scheme

Under previous UK GAAP the company recognised an expected return on defined benefit plan assets in statement of total recognised gains and losses. Under FRS102 a net interest expense, based on the net defined benefit liability is recognised in the income statement. There has been no change in the defined benefit liability at either 1 January 2014 or 31 December 2014. The effect of the change has been to increase the credit to the income statement in the year to 31 December 2014 by £660k.

B) Equity Investments

FRS102 requires certain financial instruments as described in note 1.9 to be recognised at fair value with unrealised gains and losses recognised in the income statement. Previously under UK GAAP the company did not recognise these instruments in the financial statements. Accordingly an unrealised gain of £262k was recognised in the income statement for the year ended 31 December 2014 in respect of equity investments.

Other Adjustments arising on transition to FRS 102

In addition to the transition adjustments identified above which affect profit or loss for the financial year, the following adjustments have arisen which have had no effect on the net equity or profit and loss account but which have affected the presentation of the items. The main items are:

Items previously classified as exceptional items under UK GAAP with a value of £137,000 have been reclassified to Cost of Sales as required under FRS 102. This has no effect on the Group's profit for the year, except for presentational aspect of the Consolidated Income Statement

Computer software, licenses and websites with a net book value of £122,000, classified as tangible assets under previous UK GAAP, have been reclassified to intangible assets as required under FRS 102. This has no effect on the Group's net asset or profit for the year, except that the previous depreciation charge is now described as amortisation. The amount reclassified as 31 December 2014 was £117,000.

Provisions for liabilities with a value of £1,602,000 classified as Creditors: Amounts falling due within one year under previous UK GAAP have been reclassified to Provisions for liabilities as required under FRS 102. This has no effect on the Group's net assets or profit for the year.

26. EVENTS AFTER THE REPORTING PERIOD

The loan made to St Lo Limited was repaid on 26th February in full.

Five Year Summary

	Units	2015	2014**	2013***	2012***	2011***
Balance Sheet						
Shareholder's funds	£'000	**19,780**	15,255	14,266	12,751	15,242
Profit & Loss Account						
Turnover	£'000	**37,717**	35,425	34,297	44,213	64,868
Operating profit before pension charge and exceptional items	£'000	**1,276**	1,209	1,918	2,057	1,791
Gross margin	%	**21**	21	21.4	17.4	13.5
Operating profit %	%	**3.4**	3.4	5.6	4.7	2.8
Profit before tax	£'000	**927**	192	1,265	1,294	2,771
Dividend payable to shareholder on the basis of the year's financial performance	£'000	**286**	177	390	382	375
Operational statistics						
Mail volumes	million	**38**	39	40	56	84
Number of post offices	number	**21**	21	21	22	23
Cost of a local stamp	pence	**47**	46	45	45	37 and 42
Cost of a UK stamp	pence	**57**	56	55	55	50
Number of staff (FTEs)	number	**321**	349	348	336	357
Staff costs*	£million	**14.7**	14.2	13.4	13.5	14.6
Average cost of employee	£'000s	**46**	41	39	40	41

* 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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