JERSEY POST INTERNATIONAL LIMITED

BUSINESS REVIEW 2022

Jersey Post Group

www.jerseypost.com

Contents

Directors, Officers and Advisors

Directors of Jersey Post International Limited

Alan Merry
Chair of Jersey Post

Tim Brown
(resigned 31 May 2022)
Chief Executive Officer

Mark Siviter
(appointed 1 June 2022)
Chief Executive Officer

Tim Barnes
Chief Financial Officer

Susan Barton
(resigned 31 October 2022)
Non-Executive

Gavin Macrae
(appointed 17 January 2022)
Non-Executive

Martin Magee
Non-Executive

Helen Hatton
Senior Independent Non-Executive

Karl Moss
Non-Executive

Company Secretary

Tim Barnes

Independent Auditor

Menzies LLP
Chartered Accountants & Statutory Auditor
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Registered Office

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JERSEY
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Board of Directors[1]

Alan Merry
Chair

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

Alan works with boards and executive teams supporting transformational change and focuses on the development of strategy, change management, strategic HR and improving board and organisational effectiveness. Alan worked closely with the Board and executive team on the incorporation of the Ports of Jersey and retired last year from his role as Strategy and Development Director.

Prior to this, Alan was a Director of CPA Global for eight years and, before coming to Jersey, held senior executive roles in the financial services and retail sectors. Alan also sits on the Board of Family Nursing and Home Care.

Mark Siviter
Chief Executive Officer

Mark Siviter joined as CEO on 1 June 2022. He has extensive experience of the global logistics and mail industry, working in the UK, Europe, and South Africa. His recent roles have included CEO of DHL Global Mail UK, Managing Director of DHL Global Mail Europe and more recently Managing Director, Mail and Retail, at the UK Post Office.

Tim Brown
Chief Executive Officer

Tim Brown, a Chartered Director, has over 25 years' experience in the post, parcel and distribution industry. He has worked in senior positions in Royal Mail and DHL Express, was CEO of Postcomm (the UK's postal regulator), provided advice to government and was vice-chair of the European Regulators' Group for Post. Tim first joined the Board as a Non-Executive Director on 1 September 2011 and was the Senior Independent Director and Deputy Chair until he took over as CEO on 1 July 2014.

Tim Barnes
Chief Financial Officer

As a Chartered Global Management Accountant, Tim Barnes has a wealth of experience with 20 years in board-level commercial finance roles. Tim has a strong track record of introducing financial integrity into fast-growth commercial businesses and has significant experience with corporate transactions.

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

Susan Barton

Non-Executive Director

Non-Executive, Sue Barton, is a qualified management accountant and accredited mediator with over 20 years' experience of the postal and professional services industry having held leadership positions with PA Consulting, Accenture and the UK Post Office. During her career, Sue has worked with many postal operators providing them with strategic, commercial and operational advice. She has most recently been operating as an independent advisor to Accenture supporting their Global Postal Industry team.

Gavin Macrae

Non-Executive Director

Non-Executive, Gavin Macrae, has an extensive track record over 30 years of providing strategic and business development advice, interim management and non-executive directorships at board level to a wide range of clients and industry stakeholders. These include organisations as diverse as Digital Europe, Quadient, the UK Ministry of Defence, Postcomm, Royal Mail, TNT and the Universal Postal Union. He is currently Chief Executive Officer of Postal & Logistics Consulting Worldwide (PLCWW), a specialist industry consultancy serving the postal and logistics industry as well as the Founder and Managing Partner of Pine Monkey Associates Ltd., a newly established agency working in the eCommerce and technology arena.

Martin Magee

Non-Executive Director

Non-Executive, Martin Magee, qualified in the Institute of Chartered Accountants of Scotland in 1984. He is currently Finance Director at Jersey Electricity plc which is listed on London Stock Exchange. Martin previously worked in senior finance roles in both the utilities and hotels sectors in listed plc's prior to coming to Jersey in 2002.

Helen Hatton

Senior Independent Non-Executive Director

Non-Executive, Helen Hatton, is widely recognised as the prime architect of Jersey's financial services industry regulatory regime. She has over 30 years' director level experience in regulatory, commercial and public bodies, including Jersey, Isle of Man, Ras Al Khaimah and Anguilla Financial Services Commissions; Sator Regulatory Consulting Limited, BDO Group Limited, Jersey Office of the Information Commission; Registry Trust Limited, and Santander International Plc. Her skills set relates to governance, risk, regulation and complex investigations.

Karl Moss

Non-Executive Director

Non-Executive, Karl Moss, has spent 20 years actively running or advising a range of eCommerce businesses, including online retailers, ticketing and travel providers, and most recently fulfilment and platform connectivity services. He advises on business strategy, techniques to enhance customer engagement and conversion, and on worldwide fulfilment and logistics. He also has wealth of experience dealing with global marketplaces, and how businesses can operate alongside and within them.

Key highlights

43%

Increase in volume of freight services from the UK to Jersey and Guernsey by Woodside Logistics.

26%

Year-on-year increase from commercial carriers reducing our reliance on the UK postal service.

49%

Amount of Jersey Post Group revenue now generated outside of Jersey.

> **“As Islanders once again start to travel, our Foreign Exchange business has benefitted from increased sales and continues to prosper.”**

-0.6%

The International Monetary fund (IMF) forecast for UK GDP in 2023, the lowest in the G7.

60%

Amount of parcels now delivered to local customers’ preferred secure drop or island locker location.

CO_2

0%

Jersey Post has signed up to the Science-Based Targets Initiative (SBTi) and committed to a net-zero strategy.

"Our philatelic business has achieved stronger sales with higher margins than previous years."

500

Number of parcel locker locations now available across the island.

90,000

Amount of items delivered daily by Jersey Post on-island.

>10%

The amount of revenue generated by letters for the Jersey Post Group.

"Vaiie has continued to develop its range of products and services working with leading international partners and is now ISO27001 certified."

Chair's Statement

Moving forward against the tide

Alan Merry
Chair

It is almost impossible to encapsulate the roller-coaster year that was 2022 in this brief statement. Whilst we entered the year in the knowledge that it would be a difficult 12 months, by the second quarter it became increasingly clear that we were headed into what can only be described as a 'perfect storm', fanned by geopolitical and macroeconomic headwinds.

UK inflation doubled and fuel prices reached record heights while retail sales slumped to their lowest level since 1989. Global growth slowed by 1% more than economists predicted at the end of 2021.

We are an international business and with almost half our revenue generated from our off-Island activities, it was inevitable that we would feel the impact of these changes long before they reached Jersey's shores.

Forewarned is forearmed and despite the turbulent waters we were navigating, we were able to react and adapt to mitigate as best we could the damage that has been inflicted on global trade.

Changes in Consumer Behaviour

Global economic stress was not the only contributing factor to the challenges we faced in 2022 – consumer behaviour has also fundamentally changed. Rising cost of living and the post-Covid escalation of digital consumerism are key, though not the only drivers in a transformation in purchasing decisions.

We are in the delivery business – we move things from A to B – but customers have become more cautious about how and what they spend their money on. There is already a well-documented decline in letter post but the more recent fall in parcel deliveries is being felt across the logistics industry, with the large-scale cuts in Amazon's workforce perhaps best illustrating the point.

"Woodside Logistics, Jersey Post's Island freight business, increased the volume of our freight services by 43% last year, despite the challenging operating environment already described"

Our Operating Model

Our operating model is simple: we generate revenue and profits by moving goods, parcels, and mail around the world. Three factors affect our bottom line: volume of items moved, the margin we can make on each transaction, and the costs we incur in fulfilling our service.

Business volumes globally have fallen. In the UK and Jersey, in 2022, this translated into a 10% drop in inward mail volumes year-on-year and an even greater decline of 20% in December over the same period in 2021 because of strikes at Royal Mail. In addition, parcel volume declined 9% year-on-year and our on-island logistics volumes dropped by 73%.

Volume has a direct impact on margin and this is felt more acutely in a low margin business such as ours. The consequence of the slide in business volumes across the Group was a 46% decline in gross margin. At the same time, as mentioned earlier, the global rise in costs throughout 2022 and the early part of 2023 continued to put pressure on our financial performance.

10%
Drop in inward mail volume

9%
Decline in parcel volume

73%
Decline in on-island logistics volume

43%
Increase in Woodside Logistics freight services

Financial Performance

By May 2022, it became clear that, because of all these factors and despite strict cost controls, we were heading for significant losses at year end with the final outcome being a loss of £6.6m with negative EBITDA of £1.05m. The details of this are set out later in this report.

Our response was to focus on protecting and diversifying the business and planning for recovery. As any business would do in such challenging economic conditions, our intention was to minimise financial losses and ensure that the business was in the most stable and resilient financial position possible for 2023.

Growth

There is good news to read about in this Review, which demonstrates the positive action we have taken since spring 2022: Woodside Logistics, Jersey Post's Island Freight business, increased the volume of our freight services by 43% last year, despite the challenging operating.

- Vaiie our RegTech business is in its infancy delivering landmark projects that included working with Government to develop a digital identification verification option for Islanders, enabling them to access services online. We have invested in the team to develop its range of products and services to the financial services sector in Jersey.

- Philatelic has achieved stronger sales with higher margins than in previous years.

- As Islanders once again start to travel our Foreign Exchange business has benefitted from increased sales and continues to prosper.

- We have repositioned our presence in the USA and are now well placed to manage the growth that is expected to come in that market over the next few years. »

Chair's Statement Cont.

All our teams are to be congratulated on these successes and, as a Group, we continue to build on our strong reputation, knowledge base, capabilities, experience, and relationships. Our teams continue to deliver exemplary customer service across all our jurisdictions, evidenced by outstanding feedback from two of our key trading partners – Amazon and TaylorMade.

Our Island Landscape

I have spoken in detail about the international environment in which we are operating and just as importantly, we remain focused on strengthening our position and our ability to deliver for Jersey.

We continue to work closely with Government to identify areas where we can work together for the benefit of Islanders. We feel it is imperative, and makes sound business sense, for Jersey Post and other Government-owned entities, to work collaboratively to provide more and better services to the Island.

There has been some small progress in the review of freight logistics in the Island to create a more open and competitive market in this critical area. We have continued to play a committed and open part in the process, working with all parties with the aim of improving resilience and creating greater transparency on the cost of goods and services.

We are currently working with the Jersey Competition Regulatory Authority, our industry regulator, on the review of our licence and Universal Service Obligation. The current licence under which we operate is outdated and disadvantages us against our competitors and new market entrants. We remain hopeful this situation will be addressed in the coming year.

Changes to our Board

We have been incredibly fortunate to welcome Mark Siviter as CEO, taking over from Tim Brown who retired after ten years at the helm. Mark has extensive experience of the global logistics and mail industry and has a track record of driving business forward. His leadership has been vital in supporting our diversification agenda and navigating the incredibly challenging operating conditions we face.

Sue Barton has stepped down as a NED on our Board. I would like to thank Sue, and Tim, for the significant and valuable contributions they have made to the development of our business. Both will be missed by me and all their colleagues at the Jersey Post Group.

We are Making Headway

We are confident that although the 2023 budget is predicted to be loss-making, we will reduce these losses over the next two years and our business will deliver a positive EBITDA figure throughout. We are in a stable position; our business is resilient, and our colleagues remain our greatest asset.

We recognise that Jersey Post, like many other industries and businesses, will face further challenges over the next couple of years. We believe however, that the future will also bring opportunities for which we are best placed to take advantage. We will build and grow our diversified businesses as we continue to establish our presence and expertise in the jurisdictions and areas in which we operate.

As Chair, I am privileged to work with an incredibly dedicated group of colleagues whom I wish to commend for their individual and team efforts during the most difficult of years and as a board. We are confident that the steps we have taken to date will enable us to continue to make progress in 2023 and beyond.

Alan. C. M

Alan Merry
Chair
18 May 2023


"We recognise that Jersey Post, like many other industries and businesses, will face further challenges over the next couple of years."

Strategic Report

Introduction

As we entered 2022, we were relatively optimistic that the shocks experienced by the global economy were largely over and that we were entering a period of stability leading to growth after Covid-19 and Brexit. Sadly, that optimism was dashed in February with the Russian invasion of Ukraine and the subsequent devastating impact on the Ukrainian nation, followed by the inevitable negative impact on the global economy.

Most economic sectors have been affected by these geopolitical and macroeconomic events and Jersey Post is not immune: our situation is exacerbated by the problems individuals and businesses are encountering, which have been caused by a perfect storm of war, supply chain disruption, the cost-of-living crisis, a paucity of human resource and industrial unrest.

"We continue to win new business."

Postal and logistics companies are a leading indicator of economic factors; when economies grow and people have more disposable income, so does demand for products and services. At Jersey Post we see that demand as Islanders source products from the UK. Conversely, in 2022, we saw overall delivery volumes reduce, double digit cost increases and witnessed unparalleled industrial action by Royal Mail employees during the peak festive season, which led to 19 days where we received no post. The situation was further impacted by the fragility of the ferry services from the UK to Jersey where we saw an unprecedented number of cancellations.

It is unfortunate when our customers feel the impact of these disruptions to their parcel deliveries. Fundamentally, customer behaviour is changing when it comes to sending letters and cards, with a marked decline in letter mail and this will have a longer-term impact on our business. At Jersey Post, we provide a mail delivery service to every door, six days a week. In 2022, Royal Mail's inward mail and local mail volumes declined 10% year-on-year with an accelerated decline in December of 20% over the same period in 2021, which means that we need to think about the viability of future letter mail delivery services.

As external and global pressures continue to mount, the unprecedented economic challenges facing Jersey Post Group have unfortunately negatively impacted on our financial and operational performance.

Despite this tumultuous landscape, our core focus remains: to be a trusted States' Owned Enterprise (SOE) and a significant and responsible employer in Jersey, one that supports local businesses and the community and contributes to our Government's key priorities and long-term strategic objectives for the Island.

If the last few years have taught us anything it is the fragility of the global system in which we operate. It is with cautious optimism that we enter 2023, balancing ambition against risk and focusing on the near term. Whilst these short-term issues are having an immediate and damaging impact on our business, we are committed to delivering our strategy which, we believe, will deliver a return on investment, and reward the faith our shareholder places in us. Nonetheless, we head into 2023 a loss-making business.

We continue to win new business. However, the inexorable rise in operating costs, most of which are beyond our control, is understandably inhibiting any progress that we make. We have therefore focused our investment in those business areas that offer the greatest revenue-generating opportunities. We are confident that although the 2023 budget is predicted to be loss-making, we will reduce these losses over the next two years and our business will deliver a positive EBITDA figure throughout.

Diversification

We remain committed to our diversification strategy which will enable us to continue to support postal services in Jersey. Whilst the removal of Low-Value Consignment Relief (LVCR) was enforced by the UK government in 2012, we have now experienced its full impact on our Jersey logistics business, with postal export volumes decimated. Whilst we have always been focussed on building a sustainable future for our business, the reduction of Jersey Post's postal revenue and gross margin have forced Jersey Post to diversify. A broad portfolio also gives us the opportunity to continue to grow our revenues and to increase the capacity and capabilities of the business. Our businesses in the UK provide us with much needed resilience to Jersey, with Woodside Logistics transporting goods to the Island and Jersey Post Group Limited providing a global hub for international mail.

We have reduced our reliance on the UK postal service with a

26%

increase year-on-year coming from commercial carriers.

Our Island logistics business, led by Woodside Logistics, provides freight services from the UK to Jersey and Guernsey. In 2022 we increased the volume of our freight services by

43%

Our international businesses are also suffering from the global downturn in consumer spending, rising costs, and fractured supply chains. Today,

49%

of Jersey Post Group revenue is now earned outside of Jersey.

Our digital business, Vaiie, has continued to develop its range of products and services working in partnership with leading international partners and is now

ISO27001 certified.

We believe that the potential of the RegTech market is significant, and I am also pleased to see that these skills and experience has been deployed in the development of services with Government. We hope this joint working continues, as it forms an important part of our strategy of continually developing and improving our services to Islanders.

Strategic Report Cont.

Market Context

More positively, the macro-economic outlook suggests inflation will start to come down to single digits in the summer of 2023, providing some much needed relief to Islanders facing rising costs. However, the latest forecast from the International Monetary Fund (IMF) shows six of the seven member countries of the Organisation for Economic Cooperation and Development (OECD) expect GDP to grow, the IMF forecasts UK GDP growth of (-0.6%) in 2023, the lowest in the G7.

Whilst Jersey's economy feels the impact of global and specifically UK economic trends, Jersey Post's costs have been further impacted by increased costs in transportation, illustrated by a double-digit price increase in freight costs from ferries and port costs.

Our expectation is that we will continue to see an increase in the variety of products Islanders are buying online from the UK, with some groceries now being a regular feature of Islander's parcel deliveries, grocery postal delivery services are offering Islanders lower cost and greater convenience.

"...the IMF forecasts UK GDP growth of (-0.6%) in 2023, the lowest in the G7."

The way that we price the delivery of parcels remains constrained and our customers, quite rightly, demand efficiencies and contractual arrangements that help Jersey Post and our delivery pricing to remain competitive. We must remain competitive, whilst offering our customers the highest quality of services to avoid competition from "gig economy" competitors who enjoy lower costs to operate. We remain focussed on our commitments to Jersey Post colleagues; to pay the living wage and help to provide a good standard of living for those who serve our customers and communities, deliver our universal service obligation and go above and beyond every single day.

In matters more specific to Jersey, we expect to see a further reduction in the "de-minimis" - the limit that is applied to the value of goods being received from outside of Jersey which are exempt from GST payments - from £135 to £60 in July 2023. Whilst it is difficult to measure the impact this will have on our customers and subsequently the impact to postal volumes, some UK online retailers are already deciding against delivering to Jersey. It is fair to assume that the reduction in the "de-minimis" will impact a much greater percentage of parcels onto the Island, resulting in increased complexity and cost to the consumer and as a result, we naturally expect to see parcel volumes reduced.

Evolving Purpose

From our humble beginnings as a public service provider who predominantly delivered letters, Jersey Post is quickly becoming a critical component of the Island's infrastructure. We have transformed and evolved into a parcel delivery business, a freight business and a RegTech business which develops digital products to support our financial services industry in maintaining their globally renowned reputation.

Despite these challenges, a number of our divisions have continued to show strength and resilience:

- Our Foreign Exchange business has continued to prosper as Islanders have resumed travel post-Covid.
- Our Woodside Logistics business has achieved its revenue growth forecast for 2022 and has won substantial market share, providing a second option for Jersey businesses and customers.
- Our Philatelic business has achieved stronger sales with higher margins than previous years.
- Our business now has fulfilment, mail and freight forwarding services and capabilities, enabling us to leverage our brand globally.
- Our digital (RegTech) business is developing software solutions with on-Island software developers and our engineers are creating solutions to support the Island's financial services economy. Vaiie, a digital brand, supported by the Jersey Post Group.

Strategic Report Cont.

Strategy

Our strategy covers several areas:

Global Logistics

We are expanding our global infrastructure, predominantly in the UK and North America and, through our membership of the UPU (Universal Postal Union), we have become a truly global business with access to all postal service providers, including alternative delivery methods in various countries where these options exist. The infrastructure we have in place in the UK provides national coverage via partners supporting cross-Channel freight services through Woodside Logistics. We will continue to develop our logistics solutions to improve our resilience, further enabling consumer access to affordable products and providing frictionless services and improve connectivity to our postal services.

The lessons we have learned during the course of our global operations and business transactions are a testament to our ability to operate in different jurisdictions and our ability to establish operations in various locations quickly and efficiently.

Much has been discussed in relation to the opportunity to diversify the Island's supply chain from the UK to mainland France. If this diversification manifests, the Jersey Post Group will be well positioned to provide services through our own infrastructure and partner organisations.

Legislation plays an important part in enabling and inhibiting global trade flows, which we have experienced post-Brexit and with the introduction of the US STOP ACT (legislation which requires the Postal Service to provide Customs and Border Protection, advance electronic data on international mail) and we will continue to see this as countries look to collect more taxes, protect markets, and embargo nations. Our international team's consultative approach to our customers adds value and enhances our proposition in what is predominantly a commoditised area. Our US business exemplifies this approach, and our Miami division has decades of expertise in the extensive consumer markets of South and Central America.

"We will continue to develop our logistics solutions to improve our resilience."

Postal

As customers move away from traditional methods of communication and as they continue to adopt digital technologies, letters now account for less than 10% of Jersey Post's revenue, however we still have the obligation to deliver the USO (Universal Service Obligation) six days a week to a pre-agreed quality of service level. We are working with the Jersey Competition and Regulatory Authority (JCRA) on a review of the USO for publication in 2023, which will consider the economic viability of the obligations of the USO and our vision for the future, which takes into consideration the evolving trend from letters to parcels.

We currently operate "mixed delivery rounds" where letters and parcels are delivered together in a more economical fashion. In the more densely populated areas of our Island, we have a dedicated parcel delivery and a separate letter delivery. Managing the decline in letters continues to be a focus of our attention as we must try and stay ahead of the curve and optimise our postal network.

We continue to invest in technology in Jersey, rolling out RFID labels for our SecureDrop system, with 60% of parcels now delivered to our customers' preferred SecureDrop or locker location. We have extended our parcel sorting machine, upgraded the software, and used data analytics to improve customer experience and improve efficiencies.

"...letters now account for less than 10% of Jersey Post revenue."

Our focus is to be the best value service provider for all parcels and packets on the Island and we will continue to offer our services directly to large eCommerce retailers and to those carriers who are of a certain scale and have specific requirements.

We are resolute that we will not achieve our stated ambitions at the cost of undermining our customer proposition in Jersey, there is an increasing risk that competitors create a gig economy of workers – unskilled workers who are not contracted or work on zero-hour contracts with no contractual benefits - who are paid per parcel they deliver. This will result in a race to the bottom on pay and conditions, which has the potential to undermine the trusted service we provide.

Ultimately, we are confident that, by continuing to be agile, by increasing capacity, with the intelligent use of technology and by supporting our colleagues, we are doing everything to maintain the quality of service our customers expect. What we must recognise is that our business is one which relies on volume and if demand drops or customers are attracted by low-cost providers, the sustainability of our delivery network will be challenged.

Strategic Report Cont.

Island Logistics

In terms of Island logistics, Jersey Post manages two areas of business: outbound fulfilment dominated by a small number of businesses that have remained in Jersey after the Low Value Consignment Relief (LVCR) changes came into effect and freight, which is dominated by the inbound UK market. The market has changed considerably for both businesses:

- The outbound fulfilment industry is no longer a material driver of economic growth for Jersey. In 2022, we witnessed a rapid decline in volumes of 73% from the previous year with a significant component of the financial loss in 2022, which the business has relied on historically. Whilst we continue to support businesses who export goods from Jersey, we do not anticipate a return to the previous and significant fulfilment volumes enjoyed by Jersey Post.

- Our Woodside Logistics business leads the delivery of our Island logistics strategy, delivering freight to and from Jersey. We have been hugely successful in growing the freight business for Woodside Logistics and we continue to invest in our equipment and facilities to support future growth. As recognised in the recent JCRA Freight Market Review, the lack of commercial space at Jersey Harbour presents a significant barrier to growth for our business, so we have managed our business growth in a manner that considers the limited capacity we have at the harbour. We believe that the Port Development Plan presents a huge opportunity to reduce competitive restrictions by providing better access to harbour facilities. We continue to work closely with Ports of Jersey on a design that will optimise opportunities for all carriers and a solution that is carbon efficient and considers the future needs of the Island as the only entry point for food and goods arriving in Jersey. Unfortunately, the other limiting factor for competition is harder to resolve, as the freight rate card from the ferry provider offers a significant discount for higher volumes, in reality, this is only available to a dominant provider given the market share available on the Island.

Financial Services

Jersey Post offers counter services for a limited number of financial service transactions, Foreign Exchange, Money Transfer, and social security cheque encashment representing less than 1% of our turnover.

Post-Covid, as people have started to travel more frequently, we have seen a double digit increase in the value of foreign exchange transactions, providing a much-needed service as other providers have closed their offering due to the cost and burden of compliance.

In 2022, our partner for Money Transfer, Moneygram, served notice as the cost of compliance outweighed the commercial benefit of providing the service in Jersey. This service supported those people who do not have a high-street bank account; specifically seasonal workers in the hospitality and agricultural industry. Unfortunately, we have not been able to find a partner and therefore sending services have ceased, leaving a gap in service for those that are financially excluded.

We are working with the regulator to ensure our governance structures reflect the licence requirements and are fit for purpose. The increasing cost of compliance far outweighs the commercial benefits, we are reviewing the cost to serve to see if providing this service is sustainable.

Digital

Jersey Post's digital business Vaiie emerged from our long-standing mailing house business, Promail. The decline in printed matter, the move to online coupled with the exploitation of the tools we had for this, drove a need to take the business into a more relevant and growing market. Our skills, technology and customer base in digital communication, data management, verification, portal and vault technology led us towards focussing on these aspects. We established partnerships with leading edge suppliers in the market and have carved out a niche in providing digital and physical solutions built around these that, ultimately, provided a platform to launch into RegTech.

Throughout 2022, we have strengthened our product offer and solutions and have formed strong engagements with leading edge partners also in this field in both Jersey and around the world. We have also focussed significant effort in building our development capability on Island with the creation of seven new roles to increase output and manage our larger customer base.

Jersey Post continues to invest in its digital business and sees significant opportunity, first in Jersey and then wider afield. Working with international partners improves the value of the solution offered and expands the number of markets we can access. In the longer term, the creation of a RegTech business gives the Group further choices around continuing to develop value or take the opportunity to release it in the future. In 2021, Vaiie gained ISO27001 certification, and this was retained throughout 2022.

Strategic Report Cont.

It's Our Island - All Our Responsibility

Island communities are often pioneers for sustainability. Perhaps it's the fact that we are so closely connected to the ocean that surrounds us, or our compelling sense of community.

Jersey itself is a place of natural beauty, eclectic history, and a richly diverse community. As a business we value our Island environment, with its unique ecology that is also home to a multitude of protected species.

Jersey Post is beginning to understand our carbon footprint and develop net-zero targets and strategies.

We are committed to building a sustainable business for employees, customers, and the planet.

Mitigating Impacts - Turning Thoughts Into Action

With the ongoing impact of climate change, Jersey Post recognises the importance of adopting sustainable practices to mitigate the adverse effects of this phenomenon, particularly as a cross-border eCommerce business. With over 27% of the world's population now shopping online, there is more demand than ever for international delivery. This demand, however, means increased carbon emissions from the transportation demands.

With 40% of our business not even touching Jersey, we are conscious that we need to look at our carbon neutral plans on a global scale, and as such, our target is to be net-zero carbon emissions globally by 2040.

Closer to home, as the largest 'feet on the street' network in Jersey, we understand our role in protecting our Island and its people, and ultimately, we aim to keep our carbon emissions as low as possible.

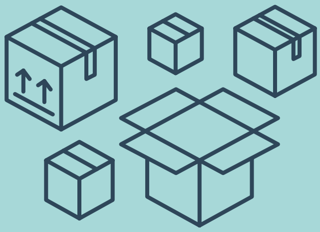
As the Island's leading postal operator, we deliver approximately 90,000 items daily, which equates to our vans travelling over 675,000 miles every year.

We have made significant strides toward reducing vehicle emissions when we became the first large business in Jersey to roll out a greener fleet, either fully electric or running on biofuel. An electric vehicle emits 95% less carbon, helping us towards our overall goal to be carbon neutral on-island by 2030.

In 2020, at the height of the pandemic, Jersey Post delivered three million parcels by electric fleet.

We continue to look at replacement technology throughout our operations, including the adoption of electric bikes to complete mail rounds and LED lighting across our premises.

27%
of the world's population shop online.



90,000
items delivered daily.

675,000
miles travelled annually by Jersey Post vans.

"...our target is to be net-zero carbon emissions globally by 2040."

*In 2020

Strategic Report Cont.

Within the business, we have also taken many environmentally conscious steps, including reducing printed marketing materials, introducing the use of biodegradable elastic bands, removing single-use plastics from our canteen, and we continue to offer accessible recycling bins and battery recycling facilities.

This shift to more sustainable operations is being seen across the sector, driven by environmental targets set by the Intergovernmental Panel on Climate Change (IPCC), UPU and Post Europ. The logistics industry is now looking towards utilising sustainable fuels across air, ocean, and road freight, by adopting clean fuel and looking at technological solutions as the way forward in truly eliminating emissions from transport and logistics businesses.

To help focus our efforts to reach our targets, Jersey Post has signed up to the Science-Based Targets Initiative (SBTi), an organisation calling for ambitious corporate climate action, using the most up-to-date climate science. The SBTi wants companies to reduce emissions to limit global warming to a maximum of 1.5 °C vs. pre-industrial levels.

SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Jersey Post plans to compile a full greenhouse gas inventory report, submit an intent letter to the SBTi, and develop emissions reduction targets and a net-zero strategy.

The targets Jersey Post will set include absolute reduction of Scope 1 and 2 emissions, a near-term Scope 3 emissions reduction target, and a net-zero target. To achieve these targets, Jersey Post will have to undergo projects including procurement of renewable electricity, conversion of space and water heating systems to lower-carbon alternatives, explore different distribution fleet scenarios, and identify and engage with suppliers to reduce their product/service emissions intensity.

Nevertheless, we recognise the journey to net zero will not be without its challenges; for example limited availability of low-carbon technologies and issues over the supply and range of electric vehicles.

Of course, we rely significantly on third parties to bring the products to the Island. Our biggest partners, Amazon and Royal Mail, have invested heavily in environmentally friendly fleets. We support all initiatives to reduce carbon emissions on ferries and aircraft whilst maintaining the balance on speed vs the environmental impacts.

"The SBTi wants companies to reduce emissions to limit global warming to a maximum of 1.5 °C vs pre-industrial levels."

Mobilising Our Stakeholders

Protecting and enhancing our Island and the special qualities that make it home must be shared objectives for businesses and Islanders. We want our customers to know that we care for our Island and take responsibility for our part in protecting it, our people, and the planet.

As part of Jersey Post's environmental strategies, we encourage the wider community to take part in our climate saving initiative to reduce 'miles travelled' for missed deliveries. We offer, and have frequently advertised, our alternative delivery services, which help to negate unnecessary travel within Jersey. In 2023, 50% of Jersey households used Jersey Post's SecureDrop service, while the remaining residents frequently used its 24/7 parcel locker service, offering over 500 parcel lockers across six locations. Each service plays a vital role in taking us closer to our commitment of being carbon neutral on Island by 2030.

Breaking bad habits, whether at home, travelling, shopping, or the workplace, is a topic of much discussion across the Jersey Post Group. We are seeing an increased focus from everyone across the business on the importance of changing our environmental behaviours.

A sense of pride and passion for what we are achieving and a collective push to reduce our impacts on the natural environment is becoming the norm.

Harnessing The Power Within

Internally, we have engaged our people in various strategies to become more energy-efficient and reduce our use of natural resources. Hybrid working and eliminating non-essential business travel with a Microsoft Teams Call First approach reduces employee miles travelled.

In 2020, Jersey Post set up an in-house Eco Team to play its part in protecting the environment, build an awareness and drive changes. The aim of the team is to help empower staff to take the necessary actions to effect real change – both within the business and at home too.

The voluntary team consists of people from across the business with a passion to both drive and communicate Jersey Post's environmental vision and teach others across the business about sustainable development, including ways to help the environment at work through programmes, initiatives, and educational experiences.

We also hope to use the Eco Team's sphere of influence to encourage our customers and suppliers on their own sustainability journey. To start with, we want to encourage suppliers to work towards environmental sustainability accreditation. In the longer term, we aim to establish a procurement policy that includes sustainability as part of the decision-making process.

50%
of the population use SecureDrop.

500
parcel lockers across the Island.

Eco Initiatives

- Hybrid working reducing employee miles travelled
- New in-house Eco Team driving change
- Large fleet of electric bikes over 36,000 miles cycled pa

Strategic Report Cont.

Brightening Our Future

For our longer-term plans, having the right data at our fingertips is crucial for achieving carbon footprint reductions.

There are some challenges that Jersey Post will face on our road to net-zero, which are particular to the transport and distribution sector. Availability of low-carbon technologies for distribution, such as hydrogen or electric vehicles is currently limited on a large, affordable scale. There are also issues over the supply of electric vehicles, and concerns about the range of the currently available electric distribution vehicles – which may limit their scope of potential applications. Electric delivery vehicles for local, smaller scale delivery options may be viable, however, for longer-distance or international distribution there are still some challenges to overcome.

We firmly believe the only way forward is harmonising our efforts with all our stakeholders. We do not want to work alone to achieve our goals, and part of the strategy for Jersey Post is to build relationships with other businesses, communities, and individuals, in a way we can utilise technology and innovation to meet our zero-carbon emission target. However, we recognise we have a long way to go.

"There are some challenges that Jersey Post will face on our road to net-zero."

Conclusion

This Business Review does not make easy reading. But it is a snapshot of our business in a time of unprecedented global economic and industrial upheaval. The short-term financial outlook for the business is negative but we have options and opportunities available to us, and a strategy that will enable us to flex and follow new revenue streams, strengthen high performing areas of the business, achieve our social and economic purpose to Islanders, to provide long-term resilience and economic value.

I am cautiously optimistic about 2023, with an absolute focus on delivery and being prepared as much as we can for a challenging economic environment.

Mark Siviter
CEO
18 May 2023

Statement of Corporate Governance

Introduction

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

The Board

At the time of signing the Financial Statements, the Board comprises five Non-Executive and two Executive Directors with Alan Merry as the Chair.

In accordance with the Company's Articles of Association, one third of the numbers of Non-Executive Directors are required to retire by rotation annually. The other Non-Executive Directors have all been appointed or reappointed within the last three years.

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

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

The Chair, Senior Independent NED, Chief Executive Officer and Chief Financial Officer meet with the Shareholder representative, the Treasury and Resources Minister, at least twice each year. The following table sets out the number of meetings (including Committee meetings) held during the year under review, and the number of meetings attended by each Director:

Number of meetings attended:

	Board	Interim Board Meetings/Calls	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings held during 2022	**4**	**6**	**3**	**4**	**2**
Alan Merry	4	6	—	4	2
Tim Brown*	2	2	—	2	1
Tim Barnes	2	4	2	—	1
Susan Barton*	3	6	3	3	—
Gavin Macrae	3	6	—	2	—
Martin Magee	4	6	3	4	2
Helen Hatton	4	6	3	—	2
Karl Moss	4	6	2	—	1
Mark Siviter	2	4	1	1	—
Maxine Dunn	1	2	2	—	—
Steve Scott	—	—	—	1	—

* Tim Brown resigned 31 May 2022, Sue Barton resigned 31 October 2022.

Performance Evaluation

The effectiveness of the Board is vital to the success of the Company. An independent external board assessment was completed in 2021 and a Board Development Plan was subsequently put in place. In light of the changes to the Board and the appointment of the new Chief Executive, The Annual Board Self-Assessment and Development Plan update were deferred to, and completed, in Q1 2023.

Audit Committee

The Audit Committee is charged by the Board with responsibility for reviewing the Business Review and Financial Statements, and the strategic processes for risk, control and governance throughout the Company. The Committee also advises the Board on the appointment of the external auditor and on the auditor's remuneration, and monitors auditor independence. The Company does not currently have an internal audit function, but the need for an internal audit is considered and individual reviews are commissioned.

The Audit Committee was chaired by Martin Magee during 2022. Other members during the year were Susan Barton, Gavin Macrae, Helen Hatton and Karl Moss. The meetings are attended by invitation by the external auditor, the Chief Financial Officer and, from time to time, other senior executives who are invited to discuss risk management matters within their own particular area of responsibility.

At its meeting on 5 April 2023, the Committee received and reviewed the Company's 2022 Business Review and Financial Statements. At this meeting the Committee also received a report from the external auditors summarising the results of their audit of the Financial Statements.

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

- **The Going Concern principle;**
- **Taxation disclosures including accounting for deferred taxation;**
- **UPU SDR accrual;**
- **Holding value of its subsidiaries;**
- **Holding value of investments;**
- **Parcel Monkey litigation provision.**

The Audit Committee considered whether the 2022 Business Review 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 Business Review is fair, balanced and understandable.

The Audit Committee recommended the Business Review and Financial Statements to the Board for approval at the Board meeting on 18 May 2023.

Statement of Corporate Governance Cont.

Nomination Committee

The Nominations Committee is responsible for reviewing the structure size and composition of the Board, leading the process for potential appointments, and overseeing succession planning in respect of Directors and Senior Executives.

The Committee meet at least once a year and its members during 2022 were the following Non-Executive Directors:

- Alan Merry (Chair)
- Helen Hatton
- Susan Barton (part year)
- Gavin Macrae (part year)

The Committee met formally twice during the year and members held a number of other formative discussions.

The focus in the first half of 2022 was on the selection of the new Chief Executive Officer, Mark Siviter. This process was overseen by the Jersey Appointments Commission and the selection panel included Suzanne Wylie, CEO of the States of Jersey.

The Nomination Committee oversees the plan to ensure orderly Board succession planning and to review the skills and experience of Non-Executive Directors against the developing governance needs of the Board and its Committees. In the light of Sue Barton's resignation from the Board, the membership of all Committees was revised during the year. A selection process will be undertaken early in 2023 to appoint a new Non-Executive Director.

The effectiveness of the Board is vital to the success of the Company. An independent external board assessment was completed during 2021 and Board Development Plan was subsequently put in place. In the light of the changes to the board and the appointment of the new Chief Executive, The Annual Board Self-Assessment and Development Plan update were deferred to, and completed, in Q1 2023.

The current plan is for a further External Board Effectiveness review to be conducted in 2025.

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. It also monitors the levels of remuneration for members of the Executive Management Team of the Company. In this context, during 2022, the Committee has started a programme of work to review the pay and remuneration principles of the Jersey Post Group, with the aim of ensuring we have a remuneration approach that is aligned across all organisations in our Group and reflects the different markets and geographies in which we operate. This work will complete in 2023 and guide the Committee in its future activities.

The Committee members during 2022, were the following Non-Executive Directors:

- Gavin Macrae (part year)
- Alan Merry
- Tim Brown (part year)
- Susan Barton (part year)
- Martin Magee

The Memorandum of Understanding with the Treasury & Resources Minister, provides the Minister with oversight and approval responsibilities in relation to changes to the structure and level of remuneration paid to the Executive Directors of the Company. Therefore, as in previous years, the Committee has worked closely with the Minister and his team providing them with updates on the Committee's programme of work, engaging with their review of their States Owned Entities remuneration policy, and securing their approval as required.

In line with our remuneration policy, the Executive Directors have participated in a Short Term Incentive Plan (STIP). The parameters of the scheme remain unchanged from previous years, with bonus pay-out being determined by performance related to the delivery of financial performance, customer service and personal objectives. The Committee sets the targets of the scheme annually to ensure they are sufficiently stretching and reflect the Strategic Business Plan. As per our Memorandum of Association this is then submitted to the Minister for approval.

Although the STIP allows for some payments under the plan for 2022, the Committee have decided that given the financial performance of the business that no bonus payments should be made for 2022.

Statement of Corporate Governance Cont.

The remuneration of the Directors of the Group for the financial year ended 31 December 2022 is set out below, together with comparatives for 2021. It should be noted, no Director plays any role in the determination of his/her own remuneration.

	Salary/Fees £'000	Bonuses £'000	Benefit in Kind[1] £'000	2022 Total £'000	2021 Total £'000
Executive Directors					
Tim Brown*	119[2]	-	-	119	315
Mark Siviter*	134	-	8	142	-
Tim Barnes	152	-	24	176	231
Total	**405**	**-**	**32**	**437**	**546**
Non-Executive Directors					
Alan Merry	40	—	—	40	40
Susan Barton*	23	—	—	23	20
Aaron Chatterley*	-	—	—	-	10
Karl Moss*	20	—	—	20	10
Martin Magee	25	—	—	25	25
Gavin Macrae*	20	—	—	20	4
Helen Hatton	25	—	—	25	23
Total	**153**	**—**	**—**	**153**	**132**

*Part year

[1] The benefit in kind received by the Executive Directors comprises the contribution payable into the pension schemes and health insurance.
[2] Includes accommodation and pension allowances.

Bonus Schemes

The Company offers an annual bonus scheme to all staff. There are three schemes:

- Staff who are covered under Collective Bargaining;
- Members of the Executive Team;
- All other staff.

The total amount of bonuses earned, relating to 2022, for the above three schemes is £586,356 (2021: £1,116,580).

Sports and Social

During 2022, the Company provided £21,294 (2021: £9,387) to the Sports and Social Club which organises events for staff, and the Company also funded the CWU's local branch secretary post at a total cost of £18,238 (2021: £17,981).

Gender Pay

At Jersey Post, we value diversity and are committed to building a positive, inclusive workplace culture. Although we are not required under government legislation to report our gender pay gap, we believe in gender equality and what the legislation aims to achieve, and therefore monitor our gap carefully. Out of our total employees in Jersey Post (excluding subsidiaries) 22.3% (22.7% in 2021) are women. Whilst we offer set salaries and wages for certain types of jobs, the mix of jobs means that on average male employees are paid 2.7% more than female employees (2021: 1.1%). However, at management levels male employees are paid 20.2% more than female employees (2021: 18.6%). These figures include the salaries of the Executive Directors. The changes shown in percentage terms since 2021 are largely due to a number of recent senior hires, however, we will continue our work to close this representation gap.

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 Officer. This team meets weekly. There are specific matters reserved for decision by the Board and these have been formally documented.

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.

Statement of Corporate Governance Cont.

Risk Management

The business has a risk management policy that defines the roles and responsibilities for identifying and evaluating risk throughout the group. The Board has a responsibility for approving the risk management policy which is reviewed annually. The Board is supported by the audit committee by evaluating the business risks on a rolling basis throughout the year.

Set out below are the key risk categories that the Board has identified as being the most significant, although they are not in any order of priority.

Commercial Sustainability Risk

Over recent years we have diversified the business to mitigate the detrimental impact that would have transpired had we been solely reliant on a declining postal only business. This diversification into complementary markets brings with it a broader spread of risk which the group is alive to and manages day-to-day by ensuring our businesses act with integrity in the markets in which they operate. One of the key risks in this area is anything we do in the group that could impact on our reputation. Inappropriate actions by any business in our Group has the potential to reflect negatively on the Group as a whole which is avoided by having a culture of doing things right with honesty and integrity.

All our Group businesses have a broad range of customers which spreads the risk associated with a few key customers and suppliers. Inevitably, as we become more successful some of our customers grow with us which can focus our exposure to them. As part of our account management, we actively engage with our customers and suppliers to ensure where possible we are aligned with their plans to ensure we stay relevant to them as their businesses change shape.

Our global presence naturally exposes us to foreign exchange risk and in particular the SDR (IMF currency). However, we have a hedging strategy that has proved to be a robust even through the turbulent Covid-19 times.

Cyber security is another ever emerging and important business risk that needs managing both strategically and tactically. Data breaches, for example, can create unrecoverable consequences for a business both commercially and reputationally. We remain vigilant in this area and have a programme of infrastructure enhancements to better protect our business from failures. We have reviewed our third party relationships and reduced our vulnerability to single points of failure as well as utilising solutions that are managed securely in the cloud.

Regulatory and Government Risk

The movement of post, parcels and goods between jurisdictions is regulated by multiple organisations and agencies including the United Postal Union, Road Haulage Association and the many global equivalents. The appropriate parts of our Group are all members of the relevant bodies and are set up to comply with appropriate rules and regulations. Where appropriate we hold industry accreditations for the work we perform. The management teams in our own business and subsidiaries are clear on the importance of operating within the regulatory guidelines.

Closer to home, certain services including foreign currency are subject to Anti Money Laundering and Combating the Financing of Terrorism rules and regulations for which Jersey Post Limited is a regulated entity. Although this is a very small part of our business, we are required to maintain complete and robust systems to monitor transactions. We work closely with our regulator, the Jersey Financial Services Commission, to ensure that we address these obligations.

We are also regulated by the Jersey Competition Regulator Authority (JCRA) pursuant to the Postal Services (Jersey) Law 2004 in respect of the postal service provided to our community. We maintain an open and transparent relationship with the JCRA, a key element of which includes a regular postal delivery and collection service at affordable prices and a uniform tariff throughout the Island.

Jersey Post has its own board yet has only one shareholder, the Government of Jersey. It is important that this relationship is managed to ensure that we remain aligned to Government policy and with the reasons the Government retains ownership of this strategic asset including the provision of the public service obligation of providing a universal postal service. Jersey Post continues to be granted the latitude to operate commercially for the good of the company, to support its public service offering despite a declining postal business and without the need for subsidy from Government.

On a broader scale, the fact we operate in many jurisdictions exposes us to political risk including trade wars and sanctions, which can impact the ability of our partners to trade effectively with each other to different degrees.

Our People

Like all businesses, our staff are our key assets and the need to recruit, retain and develop our people is of fundamental importance to us. Not having the ability to do so presents a significant risk to the organisation. We aim to be a responsible and fair employer and to treat our colleagues with trust and respect. During 2022, Jersey Post has developed a three-year People Strategy which is focussed on supporting the following objectives:

- Wellbeing - working with our colleagues in the business, we have developed a plan to deliver key wellbeing events throughout 2023 and beyond.
- Learning & Development - work is underway to develop the future skills and capabilities that the business will need to support delivery of the business strategy.
- Diversity & Inclusion - Jersey Post is committed to building a positive, inclusive workplace culture.
- Talent & Succession - we continue to focus on growing our talent and building effective succession across the business.
- Charity & Community - various activities have been planned and are being delivered to support charities and the local communities in which we work.

Environment and Community

Jersey Post's sustainability journey began in 2016 when we started to introduce electric vehicles to our 120-strong fleet with 15 Nissan e-NV200 electric vehicles, each van reducing carbon emissions by 95%.

In 2022, we began exploring the Science-Based Targets Initiatives (SBTi), an organisation calling for ambitious corporate climate action. In 2023, Jersey Post plans to compile a full greenhouse gas inventory report, submit an intent letter to the SBTi, and develop emission reduction targets and a net-zero strategy. To achieve these targets, Jersey Post will undergo projects including, converting space and water heating systems to lower-carbon alternatives, exploring different distribution fleet scenarios, and identifying and engaging suppliers to reduce their product/service emissions intensity.

Jersey Post has contributed to the community for years by sponsoring the Island Games for seven years and Jersey Cricket for three years. Each year, the staff and company choose a local charity to support and raise approximately £20,000 a year for good causes, in recent years this has included Mind Jersey, Macmillan Jersey, Les Amis and Holidays for Heroes Jersey.

Mark Siviter
Chief Executive Officer
18 May 2023

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 2022.

Principal Activity

The principal activities of the Group are that of providing postal services to the Island of Jersey, cross-border eCommerce logistics services, freight and digital communication services.

Going Concern

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

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

Results

Details of the results for the year are set out in the Group Consolidated Income Statement on page 40. 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 Chair's Statement and the Strategic Report on pages 8-25.

Shareholdings

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

Dividends

An ordinary dividend of £nil will be recommended by the Directors for 2022 at the AGM to be held on 30 May 2023 (2021: £298,500).

Employee Involvement

During the year, the policy of providing employees with information about the Group was continued using a variety of media through which employees were encouraged to present their suggestions and views on the Group's performance. A colleague survey was carried out again in 2022.

Disabled Employees

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

Board Remuneration

Details of Directors' remuneration are set out in the Remuneration Committee Report on page 30.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report and the Consolidated Financial Statements in accordance with applicable law and regulations.

Companies (Jersey) Law 1991 requires the Directors to prepare Financial Statements for each financial year. Under that law, the Directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ("FRS 102").

Under company law, the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group, and of the profit or loss of the Group for that period. In preparing these Financial Statements, the Directors are required to:

- **select suitable accounting policies and then apply them consistently;**
- **make judgements and accounting estimates that are reasonable and prudent;**
- **state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and**
- **prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.**

The Directors confirm they have complied with all the above requirements in preparing the Consolidated Financial Statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose, with reasonable accuracy at any time, the financial position of the Group, and to enable them to ensure that the Financial Statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud, error and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in Jersey governing the preparation and dissemination of the Financial Statements may differ from legislation in other jurisdictions.

So far as the Directors are aware, there is no relevant audit information of which the Group's auditors are unaware, and each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Directors' Report Cont.

Viability Statement

By following the principles of the code, the Directors of Jersey Post International Limited should explain how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and in so doing, express a view about the long-term viability of the Company.

Jersey Post conducts a rigorous strategy and budget setting process. Whilst each Board meeting reviews the wider market, strategic risks and opportunities, it dedicates at least one day a year to review where the business is, what challenges it is facing, what new opportunities and risks present themselves, and identify potential key areas of concern. From this, it reviews its existing strategy, amends where necessary and confirms the direction of the business for the next three to five years. From this, the Strategic Business Plan is developed looking three years out with detailed planning for the first year within the budget book. 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 Business Plan outlines the main areas of risk, the key commercial one being the decline in its core letters market over the last ten years and the forecast that this will continue in the foreseeable future. Therefore, the Board has continued the strategy that provides for the development of new profitable revenue streams at the same time investing in its core to ensure it continues to deliver a quality service at a profit. Without these new revenue streams, Jersey Post would be in a period of managed decline that could ultimately lead to an unsustainable Universal Service Obligation in Jersey.

The effects of the external global pressures have been factored into these plans as the immediate and longer term changes have impacted all areas of the business differently. Furthermore, the Government of Jersey, the shareholder, declared the post office as an essential service and has given its support to the group securing external funding to continue further expansion. The Board considers that the strategy it has approved, coupled with the track record of the business in dealing with the historic loss of letter volume, including the loss of fulfilment business, gives it a reasonable expectation that the Company will be able to continue in operation and meet its liabilities, including its Universal Service Obligation, over the three-year period ending 31 December 2025.

Annual General Meeting

The AGM was held at the Postal Headquarters, Rue des Pres, St Saviour on 30 May 2023.

Directors

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

Independent Auditors

Menzies LLP were appointed and acted as independent auditors for the year ended 31 December 2022. A resolution to appoint Menzies LLP as independent auditors for the year ending 31 December 2023 was proposed at the AGM on 30 May 2023.

This statement was approved by the Board of Directors of Jersey Post International Limited on 18 May 2023 and was signed on their behalf by:

Mark Siviter
Chief Executive Officer
24 May 2023

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

Auditor's Statement

To the Directors of Jersey Post International Limited – we have examined the summary financial statements set out on pages 40-65.

Responsibilities

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

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

Our report on the company's full annual financial statements describes the basis of our opinion on those financial statements and on the Director's Report.

Opinion

In our opinion, the summary financial statements are consistent with the full annual financial statements and the Director's Report of Jersey Post International Limited for the year ended 31 December 2022.

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

Statutory Auditor

24 May 2023


Jersey
Post

"...our intention was to minimise financial losses and ensure that the business was in the most stable and resilient financial position possible for 2023."

Alan Merry
Chair

Consolidated Income Statement

Year Ended 31 December	Note	2022 £'000	2021 £'000
Turnover	2	76,886	79,892
Cost of sales		(71,081)	(69,143)
Gross Profit		**5,805**	**10,749**
Administrative expenses		(12,678)	(11,498)
Exceptional items	3	(614)	1,335
Operating Profit/(Loss)	4	**(7,487)**	**586**
Other non-operating income		194	112
Foreign exchange (loss)/gain		461	(170)
Interest and dividends receivable	6	178	170
Net movement on investments	7	(34)	297
Profit/(Loss) on ordinary activities before taxation		**(6,688)**	**995**
Taxation	8	114	-
Profit/(Loss) for the year		**(6,574)**	**995**
(Loss)/profit for the period attributable to:			
Non-controlling interests		34	-
Owners of the parent Company		(6,608)	995
Profit/(Loss) on ordinary activities before taxation		**(6,574)**	**995**

Consolidated Statement of Comprehensive Income

Year Ended 31 December	Note	2022 £'000	2021 £'000
Profit/(Loss) for the year		(6,574)	995
Total comprehensive income for the year		**(6,574)**	**995**

Consolidated Statement of Financial Position

Year Ended 31 December	Note	2022 £'000	2021 £'000
Fixed Assets			
Tangible assets	9	8,686	9,452
Intangible assets	10	1,952	1,671
Goodwill	11	1,452	843
Investments	12	-	1,856
Total Fixed Assets		**12,090**	**13,822**
Current Assets			
Inventories	13	109	113
Debtors	14	16,904	17,600
Equity investments	7	2,968	2,842
Cash and cash equivalents		9,343	17,655
Total Current Assets		**29,324**	**38,210**
Creditors			
Amounts falling due within one year	15	(27,605)	(31,235)
Net Current Assets		**1,719**	**6,975**
Total assets less current liabilities		**13,809**	**20,797**
Creditors: amounts falling due after one year	16	(49)	(45)
Deferred tax	17	(25)	(145)
Net Assets		**13,735**	**20,607**
Capital and Reserves			
Ordinary share capital	21	5,000	5,000
Retained earnings		8,665	15,614
Foreign exchange reserve		36	(7)
Equity attributable to owners of the parent Company		**13,701**	**20,607**
Foreign exchange reserve		34	-
Total Equity		**13,735**	**20,607**

The basis of preparation of these Financial Statements is set out on page 44, and the notes on pages 44-64 form an integral part of these Financial Statements.
The Financial Statements were authorised and approved for issue by the Board of Directors on 18 May 2023 and were signed on its behalf by:

Mark Siviter
Chief Executive Officer
24 May 2023

Consolidated Statement of Changes in Equity

Year Ended 31 December 2022	Note	Share Capital £'000	Retained Earnings £'000	Foreign Exchange Reserve £'000	Non Controlling Interests £'000	Total £'000
Balance as at 1 January 2022		**5,000**	**15,614**	**(7)**	**-**	**20,607**
Total comprehensive income for the year		-	(6,651)	43	34	(6,574)
Dividends	23	-	(298)	-	-	(298)
Balance as at 31 December 2022		**5,000**	**8,665**	**36**	**34**	**13,735**

Year Ended 31 December 2021	Note	Share Capital £'000	Retained Earnings £'000	Foreign Exchange Reserve £'000	Non Controlling Interests £'000	Total £'000
Balance as at 1 January 2021		**5,000**	**14,612**	**-**	**-**	**19,612**
Total comprehensive income for the year		-	1,002	(7)	-	995
Dividends	23	-	-	-	-	-
Balance as at 31 December 2021		**5,000**	**15,614**	**(7)**	**-**	**20,607**

Consolidated Statement of Cash Flows

Year Ended 31 December 2022	Note	2022 £'000	2021 £'000
Net cash generated from operating activities before tax	**28**	**(4,650)**	**(1,277)**
Taxation paid		**-**	**(164)**
Net cash generated from operating activities after tax		**(4,650)**	**(1,441)**
Cash flows from investing activities			
Purchases of tangible assets	9	(1,506)	(1,483)
Purchases of intangible assets	10	(980)	(815)
Proceeds from disposals of tangible assets		29	17
Purchase of subsidiaries		(2,404)	(1,044)
Purchases of current asset investments		(182)	-
Purchase of unquoted equity investments	7	-	-
Proceeds from disposals of associate investments	12	1,040	5,005
Interest received	6	55	34
Other non-operating income		-	-
Dividends received on investments	6	123	136
Net cash used in investing activities		**(3,825)**	**1,850**
Cash flows from financing activities			
Dividends paid	23	(298)	-
Net cash used in financing activities		**(298)**	**-**
Net (decrease)/increase in cash and cash equivalents		**(8,773)**	**409**
Cash and cash equivalents at beginning of year		17,655	17,416
Foreign exchange (loss)/gain on cash and cash equivalents		461	(170)
Cash and cash equivalents at end of year		**9,343**	**17,655**
Cash and cash equivalents comprise:			
Cash at bank and in hand		6,683	6,720
Short-term deposits		2,660	10,935
Cash and cash equivalents		**9,343**	**17,655**

Notes to the Financial Statements

1. Accounting Policies

1.1 General Information

Jersey Post International Limited provides postal services to the Island of Jersey, cross-border eCommerce logistics services and digital communication services.

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

1.2 Statement of Compliance

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

1.3 Basis of Preparation

The Consolidated Financial Statements have been prepared on a going concern basis, under the historic cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value, in accordance with FRS 102.

The preparation of Financial Statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Group's accounting policies as per note 1.21.

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

1.4 Basis of Consolidation

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

1.5 Going Concern

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

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

1.6 Tangible Assets

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

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

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

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

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

Land
Not depreciated

Freehold buildings
10 – 30 years

Computer hardware and software
1 – 5 years

Plant, vehicles and equipment
3 – 10 years

Improvements to leasehold property
Remaining length of the lease

The assets' residual values and useful lives are reviewed and adjusted at the end of each reporting period, where there is indication of a significant change since the last reporting date. The carrying value of tangible fixed assets is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'administrative expenses' in the income statement.

1.7 Intangible Assets

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

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

The lives assigned to categories of intangible fixed assets are:

Computer software
3 – 10 years

Amortisation is charged to administrative expenses.

The carrying value of intangible assets is reviewed for impairment when events or circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

1.8 Goodwill

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value over the net identifiable assets and liabilities acquired. Section 19 of FRS 102 states that goodwill is considered to have a finite useful life and that management needs to make an estimate of the useful life of goodwill. Acquired goodwill is amortised over five years. See note 11 for further details of the assumptions made by management on goodwill.

Notes to the Financial Statements Cont.

1. Accounting Policies Cont.

1.9 Cash and Cash Equivalents

Cash and cash equivalents includes cash and short-term deposits which are highly liquid, readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

1.10 Financial Instruments

The Group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial Assets

Basic financial assets, including trade and other receivables, cash and bank balances are initially recognised at the transaction price. Financial assets that have no stated interest rate and are classified as receivable within one year are initially and subsequently measured at the undiscounted transaction price, in line with the provisions of section 11.14(a) of FRS 102.

Other financial assets, including investments in equity instruments where not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in income statement.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restriction.

Financial Liabilities

Basic financial liabilities, including trade and other payables, are initially recognised at transaction price.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. Financial liabilities that have no stated interest rate and are classified as payable within one year are initially and subsequently measured at the undiscounted transaction price, in line with the provisions of section 11.14(a) of FRS 102.

Derivatives, including forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Hedge Accounting

From time to time the Group enters into forward foreign currency contracts to manage its exposure to foreign exchange currency fluctuations. The fair value hedged derivatives are measured at fair value at each reporting date. To the extent the hedge is effective, movements in the fair value of hedged items and instruments are offset within the profit or loss for the period.

Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statement only when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle to liability simultaneously.

1.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Provisions are made where necessary for obsolete, slow-moving and defective inventories. Costs are measured on purchase price with the expense being recognised in the income statement when the inventory item is sold. Philatelic stock is measured as the cost of production (design and print) and amortised over the life of each stamp issue (two years).

1.12 Provision for Liabilities

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

1.13 Foreign Currencies

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

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

Foreign exchange gains and losses resulting from the settlement of trading transactions in foreign currencies are recognised in 'Cost of sales' in the Consolidated Income Statement. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are shown on the face of the Consolidated Income Statement as 'Foreign exchange gain/(loss)'.

1.14 Turnover

Group turnover is measured at the fair value of the consideration received or receivable for goods and services supplied for all Group companies, net of value added and sales taxes, post office boxes, business reply licences invoiced in advance and unexpended credit on franking meters. International revenue is recognised at the point of mail despatch. The sale of stamps is based on the cash received and no provision is made for services to be provided in respect of stamps in circulation as the Directors consider this to be immaterial.

Where the Group operates as an agent, only the amounts receivable for the services provided by the Group are recognised within Turnover in the Income Statement. Where the term "Gross Revenues" is used within these financial statements, this refers to the Turnover figures including customs clearance charges which are incurred then recharged to customers of the Jersey Post Group.

1.15 Other Non-Operating Income

Other non-operating income represents the value of rental income received and receivable from the lease of a property recognised over the life of the rental agreement.

1.16 Administrative Expenses

Included within administrative expenses is, amongst other costs, the GST expense, support services staff costs and marketing and distribution costs. Administrative expenses are recognised on an accruals basis.

Notes to the Financial Statements Cont.

1. Accounting Policies Cont.

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

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

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

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the reporting date. Deferred tax is measured on a non-discounted basis.

1.18 Pension Costs
The Group operates only defined contribution schemes, though up to 30 September 2015, it did operate a defined benefit scheme.

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

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

1.20 Related Parties
The Group discloses transactions with related parties which are not wholly owned within the same Group. Where appropriate, transactions of a similar nature are aggregated unless, separate disclosure is necessary to understand the effect of the transactions on the Group Financial Statements.

1.21 Critical Judgements
The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, differ from the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Goodwill and Acquisition Costs
The fair value of assets acquired of subsidiaries is shown as net book value at acquisition. The calculation of the deferred consideration involved an estimation of future profits to be generated over a number of years.

Investment in Associates
Where the Group invests in an associate, as part of its global network, the Investment is initially recognised at cost. These investments are subject to equity accounting and therefore their carrying value is adjusted for the Group's share of profit or loss (following the first year of investment), amortisation of the goodwill over five years and any impairments.

Impairment of Assets

On at least an annual basis and when indicators of impairment are present, a review of impairment is conducted on property, plant and equipment, intangible assets as well as any debt owed to the Group. When considering whether impairment is required reference is made to the current value of the asset, useful life of the asset and age of the debt.

International Accruals

Within the creditor figure the Group maintains an accrual in relation to its international trade for amounts owed to other administrations within the Universal Postal Union (UPU). This accrual is calculated in accordance with the Letter Post Article 29 for Terminal Dues. The UPU guidelines specifically states "… the debtor designated operator will not be obliged to accept CN61 detailed accounts that are not sent to it within ten months of the end of the year concerned (RL 239.5)".

Jersey Post has a policy to release provisions for charges once an agreed settlement is made with each administration.

Deferred Tax

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

Parcel Monkey Class Action Liability

Within the creditor figure there is a liability of £1.125m resulting from the sale of Parcel Monkey in 2021 where we may be responsible for a portion of any legal claims for mis-sold insurance. We believe the likelihood of this materialising remains and that it is not appropriate to release any portion of this provision at present. This liability expires in November 2023.

Notes to the Financial Statements Cont.

2. Turnover Analysis

	2022 Revenue	2021 Revenue
Postal & Logistics	33,677	41,142
Global Logistics	41,463	36,694
Vaiie	1,746	2,056
Turnover Total	**76,886**	**79,892**

3. Exceptional Items

	2022	2021
Profit on sale of investment (net of related provision)	775	2,064
Impairment of investment	(1,389)	(729)
Exceptional items	**(614)**	**1,335**

4. Operating Profit/(Loss) for the Year

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

	2022 £'000	2021 £'000
Auditor's remuneration: - Audit	77	75
- Non-Audit	-	-
Depreciation of tangible assets	2,253	1,731
Amortisation of intangible assets	516	306
Amortisation of goodwill	1,084	2,158
Pension cost	1,282	1,267

5. Staff Costs

Staff costs (including Directors) consist of:

	2022 £'000	2021 £'000
Wages and salaries	23,855	19,781
Employer Social Security costs	932	886
Employer pension contributions	1,283	1,267
Total	**26,070**	**21,934**

5. Staff Costs Cont.

Employees	2022 No.	2021 No.
The average number of full-time equivalent staff (FTE) (including Executive Directors) employed by the Group during the year was:		
Operations	433	395
Administration and central functions	61	65
Total	**494**	**460**

Executive Directors	2022 £'000	2021 £'000
The Executive Directors' emoluments were as follows:		
Total salaries and short-term benefits	422	531
Total post-employment benefits	15	15
Total	**437**	**546**

Highest Paid Director	2022 £'000	2021 £'000
The highest paid Director's emoluments were as follows:		
Total salaries and short-term benefits	161	315
Total post-employment benefits	15	-
Total	**176**	**315**

Key Management Compensation	2022 £'000	2021 £'000
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:		
Salaries and other short-term benefits	1,865	1,950
Post-employment benefits	106	135
Total	**1,971**	**2,085**

Notes to the Financial Statements Cont.

6. Interest and Dividends Receivable

	2022 £'000	2021 £'000
Bank and loan interest receivable	55	34
Dividends receivable	123	136
Total	**178**	**170**

7. Net Movement on Investments

	2022 £'000	2021 £'000
Net realised gain / (loss)	(10)	-
Unrealised gain / (loss)	(24)	297
Net movement on investments	**(34)**	**297**

	2022 £'000	2021 £'000
Proceeds from sales of investments made during the year	-	-
Original cost of investments sold during the year	-	-
Gain/(loss) realised on investments sold during the year	**-**	**-**

	2022 £'000	2021 £'000
Opening balance	2,842	2,422
Additions	160	123
Disposals	(10)	-
Gain/(loss) on re-measurement to fair value	(24)	297
Market value	**2,968**	**2,842**

8. Taxation

	2022 £'000	2021 £'000
Jersey/UK income tax		
Current charge	6	(106)
(Credit)/Charge in respect of prior years	-	11
Total current tax charge for the year	**6**	**(95)**
Deferred taxation		
Charge/(credit) for the year taken to the income statement	(78)	44
Charged to the income statement in respect of prior period	(42)	51
Total deferred tax charge for the year	**(120)**	**95**
Total tax charge for the year	**(114)**	**-**

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:

	2022 £'000	2021 £'000
Profit/(loss) on ordinary activities before taxation	**(6,792)**	**995**
Tax on profit/(loss) on ordinary activities at 20%	**(1,358)**	**199**
Factors affecting tax charge for the year		
Fixed asset timing differences	-	-
Difference on unrecognised deferred tax asset	-	-
Expenses not deductible for tax purposes	1,117	332
Losses taxed at 0%	180	(591)
Losses utilised in the year	19	-
(Gains)/losses not taxable	-	(2)
Adjustment in respect of prior years	42	62
	1,358	(199)
Total current income tax charge for the year	**-**	**-**

Notes to the Financial Statements Cont.

8. Taxation Cont.

	2022 £'000	2021 £'000
Deferred Taxation		
Total deferred taxation balance at 1 January	(145)	(240)
Credited to income statement	78	44
Deferred tax on acquisitions	-	-
Credit to the income statement in respect of prior periods	42	51
Total deferred tax balance at 31 December	**(25)**	**(145)**

Income tax expense computations are based on the jurisdictions in which profits were earned at the prevailing rates of tax in the respective jurisdictions. Jersey Post International Limited is subject to Jersey income tax at the standard rate of 0% (2021: 0%). The majority of the Group's profits are reported by Jersey Post Limited, a subsidiary of Jersey Post International Limited. Jersey Post Limited is subject to Jersey income tax at the rate of 20% (2021: 20%).

9. Tangible Assets	Freehold land & buildings £'000	Improvements to leasehold property £'000	Plants, vehicles & equipment £'000	Total £'000
Cost				
At 1 January 2022	10,575	225	10,463	21,263
Additions	326	27	1,153	1,506
Disposals	-	-	(178)	(178)
At 31 December 2022	**10,901**	**252**	**11,438**	**22,591**
Accumulated depreciation				
At 1 January 2022	4,849	115	6,847	11,811
Annual Charge	514	27	1,712	2,253
Disposals	-	-	(159)	(159)
At 31 December 2022	**5,363**	**142**	**8,400**	**13,905**
Net book value				
At 31 December 2022	**5,538**	**110**	**3,038**	**8,686**
At 31 December 2021	5,726	110	3,616	9,452

Included within the total net book value of £8,686,000 are assets held under hire purchase arrangements totalling £267,870 (2021:£120,008).

Notes to the Financial Statements Cont.

10. Intangible Assets

	Software £'000	Total £'000
Cost		
At 1 January 2022	4,888	4,888
Additions	980	980
Disposals	(203)	(203)
At 31 December 2022	**5,665**	**5,665**
Accumulated amortisation		
At 1 January 2022	3,217	3,217
Annual charge	516	516
Disposals	(20)	(20)
At 31 December 2022	**3,713**	**3,713**
Net book value		
At 31 December 2022	**1,952**	**1,952**
At 31 December 2021	1,671	1,671

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

11. Goodwill

	Goodwill £'000	Total £'000
Cost		
At 1 January 2022	3,941	3,941
Additions	2,793	2,793
Impairment	(1,681)	(1,681)
At 31 December 2022	**5,053**	**5,053**
Accumulated depreciation		
At 1 January 2022	3,098	3,098
Annual charge	503	503
At 31 December 2022	**3,601**	**3,601**
Net book value		
At 31 December 2022	**1,452**	**1,452**
At 31 December 2021	843	843

Notes to the Financial Statements Cont.

12. Investments

	Cost b/f £'000	Impairment £'000	Cost c/f £'000	Amortisation £'000
Associates	3,820	-	3,820	(2,945)
Joint Ventures	32	-	32	-
Total	**3,852**	**-**	**3,852**	**(2,945)**

	Amounts transferred to Goodwill £'000	Group's share of Profit and Loss £'000	Amounts transferred to P&L on Sale £'000	C/f Book Value £'000
Associates	(632)	21	(264)	-
Joint Ventures	(32)	-	-	-
Total	**(664)**	**21**	**(264)**	**-**

13. Inventories

	2022 £'000	2021 £'000
Philatelic stamp inventory	67	65
Shop inventory	18	15
Operational stamp inventory	24	33
Total	**109**	**113**

14. Debtors

	2022 £'000	2021 £'000
Net trade debtors	14,304	15,143
Other debtors	501	638
Agency debtors	179	110
Corporation tax	102	106
Fair value of derivative instruments	183	-
GST and VAT	108	-
Prepayments and accrued income	1,527	1,603
	16,904	**17,600**

15. Creditors

	2022 £'000	2021 £'000
Amounts falling due within one year		
Trade creditors	8,212	8,842
Other creditors	2,901	1,976
Obligations under finance leases and hire purchase contracts	44	40
Other tax and social security	424	456
GST and VAT	215	15
Corporation tax	-	140
Accruals and deferred income	15,809	19,623
Fair value of derivative instruments	-	51
Deferred consideration on acquisition	-	92
	27,605	**31,235**

Included within accruals and deferred income are grants provided by The Government of Jersey and Jersey Electricity plc which have been received relating to electric vehicles and are being amortised to the Income Statement over the useful life of the assets to which they relate. In the current year £1,750 (2021: £5,800) of this income has been recognised in the Consolidated Income Statement and the balance, at the year end, included within accruals and deferred income is £nil (2021: £1,750).

16. Creditors

	2022 £'000	2021 £'000
Amounts falling due after more than one year		
Obligation under finance lease and hire purchase	49	-
Deferred consideration on acquisition	-	-
Bank loan	-	45
	49	**45**

Notes to the Financial Statements Cont.

17. Deferred Tax

	2022 £'000	2021 £'000
The provision for deferred tax consists of the following deferred tax liabilities		
Accelerated capital allowances	25	145
	25	**145**

18. Finance Lease Obligations

	2022 £'000	2021 £'000
The future minimum finance lease payments are as follows:		
Not later than one year	44	40
Later than one year and not later than five years	49	-
Later than five years	-	-
	93	**40**

19. Operating Lease Commitments

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

	2022			2021		
	Land & Buildings £'000	Other £'000	Total £'000	Land & Buildings £'000	Other £'000	Total £'000
Not later than 1 year	2,282	5	2,287	1,681	10	1,691
2-5 years	3,547	-	3,547	3,295	5	3,300
Over 5 years	588	-	588	1,237	-	1,237
Total	**6,417**	**5**	**6,422**	**6,213**	**15**	**6,228**

The total operating lease expense to the Group in the year was £2,356,079 (2021:£1,689,884).

20. Financial Instruments

	2022 £'000	2021 £'000
Derivatives		
Forward foreign currency contracts	183	(51)

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.

21. Ordinary Share Capital

	2022 £'000	2021 £'000
Reconciliation of funded status to balance sheet		
Authorised, issued, allotted and fully paid		
5 million £1 ordinary shares	**5,000**	**5,000**

There is a single class of ordinary shares.

22. Reserves

Retained Earnings -	This reserve records accumulated profits and realised losses.
Foreign Exchange reserve -	This reserve records the difference arising on re-translation of brought forward equity in foreign subsidiaries.

Notes to the Financial Statements Cont.

23. Dividends Paid and Payable

During the year dividends of £nil (2020: £nil) were paid to the Shareholder.

	2022 £'000	2021 £'000
Declared and paid during the year:		
Final dividend	298	-
Special dividend	-	-
	298	**-**
Proposed for approval by the shareholder at the AGM:		
Final dividend	**-**	**298**

24. Ultimate and Immediate Controlling Party

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

25. Related Party Transactions

Transactions with subsidiaries and associates

The Group provides multi-channel services to a number of different departments of the Government of Jersey. Sales of £1,403,077 (2021: £1,550,570) and purchases of £2,168,396 (2021: £1,977,011) were made to departments in 2022. As at 31 December 2022, the amount owing to the Government of Jersey was £188,213 and the amount owed from the Government of Jersey was £146,010 (31 December 2021: £322,698 and £133,586 respectively). All services provided by the Group to the Government of Jersey are provided on an arm's length basis.

Sales to Associates include A2B Limited £8,799 (2021: £6,119). As at 31 December 2022 the amount owed by Associates is A2B Limited £nil (2021: £nil. During the year, the Group made no loans to Associates and there were no amounts outstanding at 31 December 2022.

Woodside Logistics trades with Woodside Farms. Sales were £223,183 and purchases were £90,639. Amounts owed by Woodside Farms were £12,916 and amounts owed to Woodside Farms were £14,077. The managing director of Woodside Logistics is also the owner of Woodside Farms.

Under Section 33 FRS 102 the Group have applied the exemption from disclosing related party transactions and balances with companies within the mutual wholly owned Group.

26. Subsidiary Undertakings

As at 31 December 2022, JPIL was the 100% owner of the equity share capital, either through itself or through its subsidiary undertakings, of the following companies, except APG International llc where JPIL is 66% owner:

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 Logistics UK Limited	Logistics Services
Jersey Post Global Logistics Pty ltd	Investment Holdings
Jersey Post Global Logistics Inc	Investment Holdings
Woodside Logistics UK Limited	Logistics Services
Woodside Logistics Limited	Logistics Services
Woodside Logistics Limited (Guernsey)	Logistics Services
Global eParcel Solutions LLC	Logistics Services
APG International LLC	Logistics Services
Fraser Freight Limited	Dormant
Heathrow Import Clearance Services Limited	Dormant
Jersey Post International Development Ltd	Dormant
Ship2me Limited	Dormant
OMT (Jersey) Limited	Dormant
JP Digital (Guernsey) Ltd	Dormant
Jersey Post Global UK Ltd	Dormant

In accordance with Article 105(11) of the Companies (Jersey) Law 1991, the Company is no longer required to prepare separate company only accounts for the Jersey-based entities, as consolidated accounts have been prepared. All the above subsidiaries are included in the consolidation.

27. Board Remuneration and Fees

Details of remuneration paid to Directors and related party transactions therewith are disclosed in the Remuneration Committee Report on page 30 and in note 5.

Notes to the Financial Statements Cont.

28. Cashflow Workings

	2022 £'000	2021 £'000
Profit/(loss) after tax	**(6,574)**	**995**
Taxation	(114)	-
Net movement on investment	34	(297)
Other non-operating income	(194)	(112)
Interest and dividend receivable	(178)	(170)
Foreign exchange (loss)/gain	(461)	170
Operating profit/(loss)	**(7,487)**	**586**
Depreciation charge	3,341	1,731
(Gain)/Loss on disposal of fixed assets	(8)	(235)
(Gain)/loss on sale of investments	(775)	(3,913)
Amortisation charge	1,486	2,464
Impairment of goodwill	1,645	729
Other non-operating income	194	112
Release of provision	-	-
(Increase)/decrease in inventory	4	11
(Increase)/decrease in debtors	696	(3,792)
Increase/(decrease) in creditors	(3,746)	1,030
Increase/(decrease) in provisions	-	-
Net cash in from operating activities	**(4,650)**	**(1,277)**

Analysis of Net Cash /(Debt)	At 1 January 2022	Cash Flows	Other non-cash changes	At 31 December 2022
Cash at bank and in hand	17,655	(8,312)	0	9,343
Bank overdrafts	0	0	0	0
Debt due after one year	(45)	45	0	0
Debt due within one year	0	0	0	0
Related derivatives	0	0	0	0
Finance leases	(40)	(53)	0	(93)
Net Cash /(Debt)	**17,570**	**(8,320)**	**0**	**9,250**

Five Year Summary

	Units	2022	2021	2020	2019	2018
Balance sheet						
Shareholder's funds	£'000	**13,701**	20,607	19,612	20,049	21,032
Profit & loss account						
Turnover	£000	**76,886**	79,892	68,124	53,607	52,510
Operating profit/(loss)	£000	**(7,487)**	586	(400)	(1,449)	467
Gross margin	%	**7.6**	13.5	14.9	15.3	17.2
Operating profit/(loss)	%	**(9.7)**	0.7	(0.6)	(2.7)	0.5
Profit/(loss) before tax	£000	**(6,688)**	995	(285)	(858)	165
EBITDA	£000	**(1,046)**	5,156	3,882	2,416	3,426
Dividend payable to Shareholder on the basis of the year's financial performance	£000	**-**	298	-	-	50
Operational statistics						
Mail volumes	million	**21**	26	27	29	31
Number of post offices	number	**19**	19	20	21	21
Cost of a local stamp	pence	**56**	54	54	52	50
Cost of a UK stamp	pence	**82**	74	70	67	65
Number of staff (FTEs)	number	**494**	460	376	366	357
Staff costs	£million	**26.3**	21.9	18.9	16.6	15.5
Average cost of employee	£000	**53**	47	50	45	44

"We are in a stable position; our business is resilient, and our colleagues remain our greatest asset."

Alan Merry
Chair

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