Jersey Post Annual Report and Accounts | 2012

Delivering for you

Jersey Post

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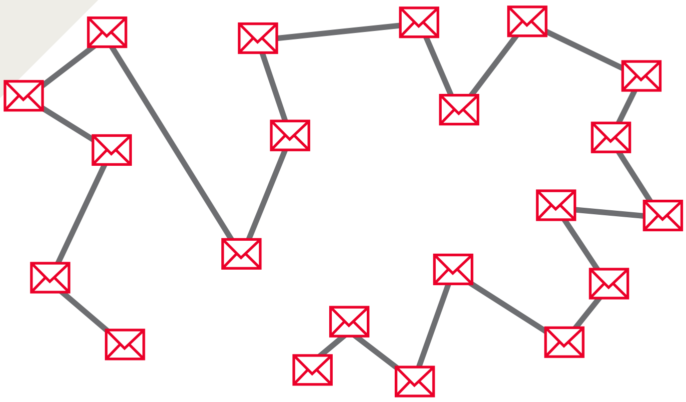
This year's performance across all aspects of Jersey Post's business gives confidence in its capacity to withstand external shocks and adapt to radical change.

Stabilising the business after radical cost-cutting has been the first priority of the new executive team headed by Chief Executive Kevin Keen, and, with that objective now largely achieved, attention is being focussed on finding growth opportunities following the demise of LVCR. There is evidence that online shopping is growing more rapidly in Jersey than elsewhere in the British Isles and our packets and parcels volumes were up 28% compared with the previous year.



21 Post Offices providing a service to islanders

Directors, Officers and Advisors

Directors of Jersey Post International Limited

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

Tim Brown FIoD, FCILT, CPFA
Non-Executive Deputy Chairman
and Senior Independent Director

Chris Evans
Non-Executive Director

Donal Duff BAAF, FCA, AMCT
Non-Executive Director

Kevin Keen MBA, FCCA, FCMA, C.Dir
Chief Executive Officer

Liz Vince BA (Hons), CPFA, MICA, Dip IoD
Finance Director
(Appointed 23 February 2012)

Gary Carroll Dip IoD
Business Development Director
(Appointed 23 February 2012)

Company Secretary

Liz Vince BA (Hons), CPFA, MICA, Dip IoD

Independent Auditor

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

Pension Scheme Actuary

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

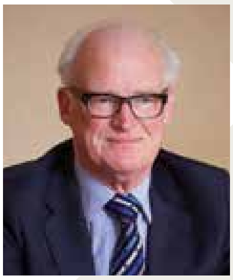
Bankers

HSBC Bank plc
PO Box 14
St. Helier
Jersey
JE4 8NJ

Registered Office

Postal Headquarters
La Rue Grellier
La Rue des Pres Trading Estate
St. Saviour
Jersey
JE2 7QS

Board of Directors



Jurat Mike Liston OBE FREng BSc CEng FIEE CIMgt

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

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

Tim Brown FIoD FCILT CPFA

Non-Executive, Tim Brown has more than 20 years' experience in the post, parcel and distribution industry. He has worked in senior positions in Royal Mail and DHL Express, was CEO of Postcomm (the UK's postal regulator), provided advice to government and was vice-chair of the European Regulators' Group for Post. His work has included providing board level advice, consultancy and interim management to post and parcel companies and their suppliers. He is currently Sales & Marketing Director at City Link.

Donal Duff BAAF FCA AMCT

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

Chris Evans

Non-Executive, Chris Evans has worked in the information technology services sector for 29 years and has been involved in the formation and running of a number of IT businesses. He is currently the Chief Executive of Foreshore, an Internet services business, promoting Jersey-based e-commerce to a global customer base. Chris has served as a Non-Executive Director on a number of Boards. He understands how the disruptive nature of technology can be used to drive business change and diversification and he has been a member of a number of States of Jersey committees with the objective of finding new economic opportunities for the Island.

Kevin Keen MBA FCCA FCMA C.Dir

Kevin Keen joined Jersey Post as Chief Executive in June 2011. He spent the majority of his previous career working for Le Riche Group where he was Group Finance Director for five years before being appointed as Managing Director of the group's core retail business in 2000. In 2003, Kevin joined Jersey Dairy as Managing Director where he led a successful turn-around. He is a past President of The Jersey Chamber of Commerce.

Kevin is also Non-Executive Chairman of Jersey Water, a Non-Executive Director of Voisins Department Store Limited, Le Gallais Real Estates Limited and is Honorary Financial Adviser to the Jersey Heritage Trust.

Liz Vince BA (Hons) CPFA MICA Dip IoD

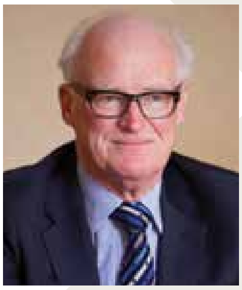
Liz Vince joined Jersey Post in 2006. In January 2008, she took over the role of Company Secretary and in September 2011 became the Finance Director when this was combined with the post of Company Secretary. Prior to this Liz was the Chief Internal Auditor for the States of Jersey for 10 years. Liz qualified as a Chartered Public Finance Accountant in 1992 with the National Audit Office in London. Liz is Honorary Treasurer of Relate in Jersey.

Gary Carroll Dip IoD

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

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

Chairman's Statement



This year's performance across all aspects of Jersey Post's business gives confidence in its capacity to withstand external shocks and adapt to radical change. The sudden withdrawal of Low Value Consignment Relief (LVCR) by the UK government during the year had a dramatic impact, decimating the Island's Fulfilment industry and causing widespread job losses across the sector. Jersey Post lost one-third of its total revenues, but fortuitously its resilience against this potentially catastrophic loss of business had been achieved just in time, albeit under a different but equally threatening imperative. Anticipating radical market liberalisation, particularly in the bulk mail market, the Board three years ago initiated an unprecedented cost-cutting program to ensure fitness to respond to new entrants' potentially aggressive pricing tactics. In the event the threat of major new competitors evaporated with the withdrawal of LVCR and the collapse of its associated bulk mail market, but by that time Jersey Post had reduced its overhead cost base by 25% or almost £4 million per year. Not only has this enabled us to limit the impact on our customers of continuing price rises in the UK mail market, but it avoided an otherwise certain plunge into loss-making. Our profit before tax in 2012 was a respectable £1.3 million despite turnover having plummeted by £20 million.

The transformation of Jersey Post's business model prompted by these external events has not been without casualties. Savings of almost £3 million from the annual pay bill made since 2008 have necessitated large scale job losses and pay cuts which affected one quarter of our staff across the entire organisation – not least at the very top and middle of the company. It is a great credit to our staff who remain, and our new management team, that the negative impacts of traumatic change on morale and customer service have been tackled so effectively during the year.

Stabilising the business after radical cost-cutting has been the first priority of the new executive team headed by Chief Executive Kevin Keen, and with that objective now largely achieved, attention is being focussed on finding growth opportunities following the demise of LVCR. There is evidence that online shopping is growing more rapidly in Jersey than elsewhere in the British Isles and our packets and parcels volumes were up 28% compared with the previous year. This trend, along with the early success we are having in finding new logistics solutions for those remaining fulfilment companies breaking into new mainland European markets, should help mitigate the negative impacts of on-going decline in our traditional letters business. However, we continue to search for more transformational business activities to support the deteriorating economics of our Universal Service Obligation.

Stabilising the business after radical cost-cutting has been the first priority of the new executive team

With little possibility of raising equity or long-term debt, we will rely on accumulated reserves for seed funding of any new ventures, but your Board recognises the inefficiency of holding cash reserves significantly surplus to known requirements. Accordingly it decided to return £4.5 million to the shareholder by way of a special dividend. Of this, £3 million had been paid by the year end and the balance will be paid in 2013. I am also pleased to propose a modest increase in the ordinary dividend by 2% to £382,000. The directors believe that dividend cover at 3 times is appropriate given the volatility of trading conditions. At the year end the company still had cash and other short term investments totalling £13.7 million; so subject to our concerns about the deficit in our sub-fund of PECRS which stood at £5.4 million at the year end and the unpredictable risks it presents, the company remains strong.

The Board welcomes CICRA's recent proposal to reduce the level of regulation of the postal sector. We believe that considerable scope exists to recalibrate the resource expended in postal regulation given the relatively minor economic impact of consumer spending on postal services and the disappearance of the only sizeable contestable market following the removal of LVCR. The CICRA will continue to regulate our quality of service and ensure the Universal Service Obligation remains sustainable in its present form for as long as possible. Whilst the company is still dominant in some of its markets this privilege comes with the burden of an obligation to provide public services of little or no commercial interest to other postal operators. The existence of a healthy range of competing providers and technologies is a powerful motivator in our continuous drive for efficiency and value for money.

revenue down
32% after LVCR
withdrawal

The Board welcomes CICRA's recent proposal to reduce the level of regulation of the postal sector.

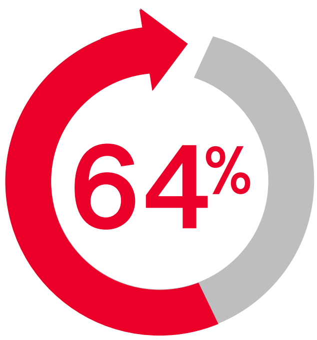
That said, your Board was disappointed this year by the "end-to-end" delivery reliability achieved where other postal operators were involved in the delivery of our service, and it has tasked management with a substantial improvement in 2013.

With stability restored to the business and its management after recent years of tumultuous change, your Board is preparing for its own succession. Paul Jackson stood down at the 2012 AGM after 7 years as a Non-Executive Director. His experience in the global postal and logistics sector, combined with his passion for performance, made for a unique contribution to the company. We are holding this position open pending the better definition of our skills needs as part of our review of strategic opportunities for growth.

Jersey Post has withstood the shock of a UK government policy decision which led to the sudden loss of a third of its revenue compared to 2011, but it is left with a business which is much more vulnerable to small variations in its trading income and its cost base.

We expect turnover to be materially reduced again in 2013 principally due to the impact of the withdrawal of LVCR in April 2012 on what remains of the bulk mail market. However, we believe that our continuing drive to reduce costs will enable us to remain in profit whilst further improving service quality. Crucially, we remain confident in a return to revenue growth in 2014 as the benefit of our new business initiatives start to kick in.

Jurat Mike Liston OBE
Chairman
24 May 2013



increase in Direct2Home & Direct2Business volumes

CEO's Review

Financial results and volumes

The progress in the business during 2012 was substantial and positive in spite of the massive impact on our business and the Island following the withdrawal of LVCR (Low Value Consignment Relief) for Channel Island exporters in April.

Although the Island's government fought bravely to defend the fulfilment industry against the decision of the UK government to withdraw LVCR from exporters in the Channel Islands but allow it to remain for other jurisdictions, they were, as now known, unsuccessful. Although Judge Mitting acknowledged that there had been no abuse, he ruled in favour of the UK and the relief for Channel Island exporters came to an end on March 31st with a substantial impact on the whole Island. For Jersey Post, volumes from this activity reduced by 57%, or 28 million items, for the year as a whole and were even more significant when the first quarter of the year is excluded, as volumes in logistics were reduced by some 70% in the nine months to December 31st.

Volumes in the traditional mail business were some 6% down at 35 million items. Once again the most significant element was the large reduction in outward mail which reduced by 17%. The contrast with mail delivered locally, where volumes reduced by less than 2%, was significant. Local delivery volumes benefited from the increasing popularity of internet shopping in Jersey where volumes of packets and parcels delivered locally grew by 28%, a trend which is expected to continue. Our unaddressed mail products Direct2Home and Direct2Business also did well with volumes increasing by 64% in the year.

Group turnover was some £20 million lower at £44 million for the year, wholly due to the withdrawal of LVCR. Excluding the impact of LVCR, turnover actually increased very slightly in spite of the continued reduction in letter volumes. Our gross profit was just over £1 million lower than 2012 at £7.7 million, although this would have been much worse if front line staff costs had not been reduced by some £1.1 million on the previous year.

Excluding a £1 million charge to administrative costs arising from the valuation of our pension fund, administrative costs were £1.3 million lower than 2011 at £5.6 million. Although there were a number of one off costs in 2011, the underlying progress in 2012 was positive, as the company worked hard to deliver cost savings at all levels subject always to the proviso that these did not undermine the long term prospects for the business in favour of short term savings.

outward mail volumes

17% FALL

inbound packets & parcels

28% INCREASE

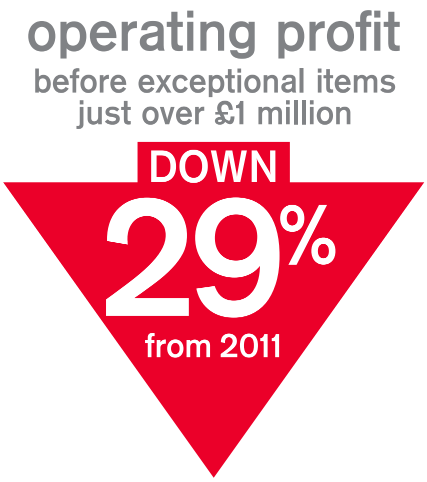
Overall staff costs are now almost £3 million or 17% lower than in 2008, at £13.5 million. That said, a postal worker's basic wage has increased by around 4% since the end of that year.

Operating profits before exceptional items ended up at just over £1 million, a 29% reduction on the restated operating profit for 2011. Profit before tax was £1.3 million also substantially below last year but credible when the impact of the loss of LVCR and further additional charges from our pension scheme are taken into account.

Net assets were reduced to £12.7 million from £15.2 million last year due principally to the special dividend of £4.5 million approved and either paid or provided for at the year end. Our working capital position was also materially changed due to the much smaller logistics business, as amounts due by customers and to suppliers was much reduced due to the lower volumes. The liquidity position of the company remained strong with cash and equity balances of £13.7 million and net current assets of £10.3 million.

There was an investment into the fixed assets of the company in the sum of £0.9 million of which £0.4 million related to replacement delivery vehicles. Investment in our Rue De Pres site and the Group's IT infrastructure made up the balance. At the year-end our fixed assets were carried at £7.9 million, the majority of which was freehold property.

Our financial performance and position is increasingly becoming overshadowed by the state of our pension scheme which was closed to new members some years ago. Generally Accepted Accounting Principles require us to include the net deficit of £5.4 million on our balance sheet as a long term liability. The calculation of this deficit remains extremely sensitive to modest changes in assumptions and can therefore have substantial impacts on our financial position. A further review on how this liability is calculated was undertaken during 2013 and has given rise to a change in accounting policy as described elsewhere in these accounts, principally relating to the way transfer values are calculated to the main PECRS scheme when members leave our sub-fund (through retirement, redundancy or resignation). These changes were highly material and gave rise to a prior year adjustment reducing the 2011 reported deficit from £9.4 million to £5.7 million and increasing the profit after tax from the £1.2 million previously reported to £2.8 million. We note and welcome the proposals of the States of Jersey to make the PECRS scheme more sustainable but as a matter of course we will be undertaking our own review to ensure that these new proposals are affordable for this company over the longer term.



Customer service

During March 2013, the company repeated its all-island customer survey to gauge customer perception of our performance since the last survey which last took place in December 2011 and which was published in early 2012.

	Good or very good 2012/13	Good or very good 2011/12
How do you rate your postman?	86.5%	89.9%
How do you rate the overall delivery service?	70.7%	69.3%
How do you rate the retail network?	70.9%	80.4%

The results show a continuing high regard for the service we provide in spite of the need to increase prices quite substantially last year. As in previous years, management will be studying the results of the survey in detail and preparing appropriate action plans to maximize the opportunity for improvement.

Our regulatory targets are based upon independent checks of the days upon which mail is delivered. There is a great deal of frustration in the company that further progress was not made in 2012. Whilst we managed to consistently achieve the standard of at least 95% of local mail reaching a local destination the next day, and generated meaningful improvements on 2011, mail handled on our behalf by Royal Mail did not meet the standards we aspire to. In some months this was due to periods of bad weather but overall it is still not acceptable and we will be working even harder in 2013 to achieve the required standard.

	2008	2009	2010	2011*	2012	JCRA target
Locally posted mail						
Delivered locally	96%	97%	92%	99%	96%	95%
Delivered in Guernsey	81%	84%	81%	51%	69%	84%
Delivered in UK	85%	80%	80%	60%	76%	82%
Mail Posted outside of Jersey but delivered in Jersey						
Posted in Guernsey	86%	86%	79%	61%	71%	84%
Posted UK and elsewhere	77%	86%	81%	65%	74%	82%

*Only November and December results were available


JERSEY
JERSEY
Local letter

Our people

In a service business like ours, we are heavily dependent on the skills, commitment and customer focus of our people who once again worked hard to meet customer expectations. 2012 was certainly a challenging one for them. A major change to our delivery rounds placed considerable strain on delivery staff as the new arrangements settled down. Staff working in logistics had to endure months of uncertainty to find out just what the implications would be for them of the removal of LVCR. The loss of 18 jobs in this division was very sad but we were at least able to manage this through natural wastage and voluntary redundancy. Given all this change, we were delighted with the results of our staff survey which showed that morale was generally very good and I take this opportunity to thank all staff for the support they have given to the company.

Many of our staff also found time to raise £15,300 for our chosen charity Headway Jersey, including being prepared to 'strip off' on a cold October morning to appear in our now famous calendar. Postmen and women are well known for going the 'extra mile' and this was another great example of that spirit.

With a more stable financial position the company was once again able to consider investment in staff development. Four senior staff commenced the Institute of Directors certificate and diploma programmes and the company also launched a bespoke leadership development course in early 2013.

We are working hard to engage our people in improving the business either through our back to the floor initiative, staff competitions, formal training, an enhanced appraisal process and by constantly working on improved communication.


EIIR
POST OFFICE

Looking forward

Letter volumes unfortunately continue to decline, but the popularity of internet shopping is creating new opportunities for our business. Although we are still very much a letter delivery business that delivers some parcels, over the longer term it is likely we will become the opposite, a parcel delivery business that also delivers a few letters. This is a change that will present its own challenges especially in urban parishes where using trolleys and bicycles has been the best way to deliver mail.

Although our logistics business is now much smaller, it is still vitally important to the company and we believe there are still many opportunities to support the growth of E-commerce from Jersey by using our relations with other European postal authorities to open up a number of new routes for our logistics customers which we hope to grow over time.

Our retail network of 21 post offices provides many valuable services to the Jersey community but like most other retail businesses it had a tough year in 2012. That said there are still a number of opportunities to increase the range of services from these outlets, something we have been working on over the last few months and hope to progress in 2013. Improving the utilization of the Broad Street Post Office remains an objective; in 2012 we managed to let the surplus office accommodation and also provided space to members of Genuine Jersey to sell their products in exchange for a modest commission. Longer term we need to find a more comprehensive solution to how we can maximize the long term value of this valuable freehold site.

Our Philatelic business had a good year in 2012 with the successful diamond and hologram stamps and has some very exciting plans for 2013. So we remain optimistic about that business in spite of the decline in traditional collectors. It is about appealing to new audiences which we believe will be assisted by a new web site to be introduced in the coming months.

Our Promail business had a tough year as more major local businesses chose to have their mail dispatched from the UK. We made some management changes in that business in the latter half of the year and will roll out a number of new services in 2013. We are also examining the possibility of reducing premises costs by relocating Promail to our Rue de Pres headquarters when its lease of the Beaumont premises expires in 2014.

Although management believes we are getting a lot more things right than we were, there are still many areas where we can become more efficient to the benefit of our customers and our operating costs. Getting our core business operating at peak efficiency is also core to our growth plans which all are based on leveraging existing assets and capabilities.

Kevin Keen
Chief Executive Officer
24 May 2013

Statement of Corporate Governance

Introduction

Jersey Post International Limited has a Memorandum of Understanding with the Treasury & Resources Minister.

The Memorandum requires the company to produce Financial Statements which include disclosures in accordance with the UK Corporate Governance Code issued by the Financial Reporting Council ("the Code"). This requirement does not require the company to apply other standards relevant to listed entities. The Directors are committed to maintaining a high standard of Corporate Governance in accordance with the principles laid down in the Code. The Board considers that it has complied with all appropriate provisions of the Code during the financial year ended 31 December 2012, except as explained below. The Board does not consider any declared exceptions weaken its corporate governance framework nor threaten the delivery of the company's business objectives.

The Board

The Board is chaired by Mike Liston, who was first appointed as Chairman on 12 June 2006 and reappointed for two further three year terms at the Company's AGMs held on 25 June 2009 and 15 June 2012.

The other Non-Executive Directors as at 31 December 2012 were:

Chris Evans was originally appointed on 25 June 2009 and reappointed for a further three-year term at the company's AGM held on 24 June 2011.

Donal Duff was originally appointed at the Board meeting on 27 November 2009 with his appointment commencing on 1 January 2010 and was reappointed for a further three-year term at the company's AGM held on 15 June 2012.

Tim Brown was appointed at the Board meeting on 8 July 2011 with his appointment commencing on 1 September 2011. Mr Brown's appointment was confirmed at the company's AGM held on 15 June 2012.

Paul Jackson retired from the Board at the AGM held on 15 June 2012.

Non-Executive Directors are appointed to the Board on the recommendation of the Nomination Committee and in consultation with the shareholder.

In 2012 the Board did not comply with that provision of the Code by which boards elect one of the Non-Executive Directors to be the Senior Independent Director. However, at the Board meeting on 25 April 2013, on the recommendation of the Nomination Committee, Tim Brown was elected as Senior Independent Director.

As at 31 December 2012 the Executive Directors were:

Kevin Keen, Chief Executive Officer. Mr Keen was appointed to the Board at the AGM held on 24 June 2011.

Liz Vince, Finance Director. Mrs Vince was appointed to the Board on 23 February 2012 and this appointment was confirmed by the shareholder at the AGM held on 15 June 2012.

Gary Carroll, Business Development Director. Mr Carroll was appointed to the Board on 23 February 2012 and this appointment was confirmed by the shareholder at the AGM held on 15 June 2012.

In accordance with the Company's Articles of Association, one Non-Executive Director is required to retire by rotation. The Articles state that the director to retire by rotation shall be he who has been the longest in office since their last appointment or re-appointment. Of the existing four Non-Executive Directors, Chris Evans has been the longest in office since his last appointment and will retire by rotation at the AGM on 17 June 2013. The Board considered this matter at its meeting on 24 May 2013 and agreed to recommend the re-appointment of Mr Evans to the shareholder at the AGM.

The main role of the Board is to:

- **Set the overall strategy of the Group;**
- **Approve the annual business plan, budget and annual report and financial statements;**
- **Monitor performance against plans;**
- **Ensure the maintenance of a sound system of internal control and risk management;**
- **Oversee the activities of the Executive Directors;**
- **Ensure obligations to the shareholder (the States of Jersey) are understood and met; and**
- **Ensure compliance with the Postal Services (Jersey) Law 2004 and other relevant legislation.**

The Board has delegated the day-to-day operation of the activities of the company to the Executive Directors. There is a clear division of responsibility between the Chairman and the Chief Executive which is set out in writing as well as a Schedule of Matters Reserved for the Board. Both documents are reviewed by the Company Secretary annually and updated and re-approved by the Board if necessary. The last review was carried out in October 2012 with only small textual changes to the documents being made.

The Chairman is responsible for leadership of the Board and monitoring its effectiveness. He ensures effective communication with the shareholder and that the shareholder's views and interests are considered when making key decisions. He also facilitates the contribution of the Non-Executive Directors and promotes a constructive relationship between Executive and Non-Executive Directors. The Chief Executive is responsible for formulating strategy and for its delivery once agreed by the Board. The Chief Executive, together with the other Executive Directors, creates the framework of strategy, values, organisation and objectives which ensures the successful delivery of key targets, and allocates decision making and responsibilities to senior managers accordingly.

The Board held five formal meetings during the financial year ended 31 December 2012. Agendas and supporting papers are circulated to Board members one week in advance of the meeting date. Records of meetings and the decisions of the Board are maintained by the Company Secretary and are approved by the Board at the following meeting.

Number of Meetings attended

	Main Board	Audit Committee	Remuneration Committee
	5 meetings	4 meetings	3 meetings
Mike Liston	4/5 (Chairman)	3/4	3/3
Paul Jackson	3/3*		
Chris Evans	5/5		3/3 (Chairman)
Donal Duff	5/5	4/4 (Chairman)	3/3
Tim Brown	5/5	4/4	
Kevin Keen	5/5		
Liz Vince (appointed wef 23 February 2012)	5/5		
Gary Carroll (appointed wef 23 February 2012)	5/5		

*Paul Jackson retired from the Board with effect from 15 June 2012.

Director Independence

The Board considered that all the Non-Executive Directors were independent during the financial year ended 31 December 2012.

Performance Evaluation

The Board did not consider it either necessary or cost effective to undertake an externally facilitated review of its performance.

Instead in January 2013, on behalf of the Chairman, the Company Secretary circulated a Board evaluation questionnaire to all Board members for completion. The questionnaire required Board members to assess the performance of the Board as a whole, the mechanics of Board meetings and their own individual performance and contribution to the Board. The results of this questionnaire were summarised in a written report which was reviewed by the Board at its meeting held on 1 March 2013.

The performance of the Executive Directors is reviewed annually by the Chief Executive and the Remuneration Committee.

During 2012, the Non-Executive Directors did not meet without the Chairman present to appraise his performance as this was addressed via the Board self-assessment questionnaire.

Director Training

All Directors are asked to review if they have any specific training requirements as part of the Board's annual self-assessment questionnaire.

The Chairman would discuss any training and development requirements with individual Directors. Specific training for Audit and Remuneration Committee members is considered annually. Training and development requirements of the Executive Directors are addressed via their annual Performance and Development Plans. New Directors receive an induction from the Company Secretary.

In 2012, Kevin Keen obtained the Chartered Director designation and both Gary Carroll and Liz Vince passed the Institute of Directors Certificate and Diploma exams.

Audit Committee

The Audit Committee is appointed by the Board from the Non-Executive Directors. The Audit Committee is chaired by Donal Duff who is a Chartered Accountant. The other members of the Audit Committee are Mike Liston and Tim Brown, a Chartered Public Finance Accountant.

The external auditors, the Finance Director and the Chief Executive Officer attend the meetings by invitation. During the financial year ended 31 December 2012 the Audit Committee met four times.

The Audit Committee's agenda is linked to events in the Company's financial calendar. The agenda for each Audit Committee meeting is agreed with the Chairman two to three weeks prior to the meeting.

New Audit Committee members are provided with induction training and all Committee members receive on-going training on an annual basis as necessary. Training can comprise of attendance at formal conferences or courses but more likely internal company seminars and briefings by the external auditors.

The Audit Committee reviewed its performance via a self-assessment questionnaire which was discussed at its meeting on 28 February 2013. In addition, the Committee has an Action Plan which records the tasks it needs to complete during the year, including those to ensure compliance with the Code. Progress against the Action Plan is reviewed at each Committee meeting.

The Committee is charged by the Board with responsibility for reviewing the strategic processes for risk, control and governance throughout the company. The Audit Committee has terms of reference which include all matters indicated by the Code and which are subject to annual review. The terms of reference were reviewed and updated by the Company Secretary and circulated to all Committee and Board members in November 2012.

Financial Reporting

The Committee monitors the integrity of the financial statements of the Group, including its annual and half-yearly reports and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain.

The Committee reviews and challenges where necessary:

- the consistency of, and any changes to, accounting policies both on a year on year basis and across the Group;
- the methods used to account for significant or unusual transactions where different approaches are possible;
- whether the Group has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- the clarity of disclosure in the Group's financial reports and the context in which statements are made; and
- all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to audit and risk management).

Internal controls and risk management systems

The Committee:

- keeps under review the effectiveness of the company's internal controls and risk management systems;
- reviews and approves the statements to be included in the annual report concerning internal controls and risk management; and
- undertakes an annual review of the company's risk management policy and in particular the financial thresholds used to evaluate the impact of risks to ensure these remain appropriate.

The Company was the victim of two frauds in 2012 as a result of a sub-Postmaster and a member of staff both misappropriating cash. Both individuals received prison sentences. As a result of these unfortunate incidents a full review was carried out of the Company's controls over the significant volumes of cash which are held throughout its retail network. More robust independent auditing of cash balances has been introduced and the amount of cash held in the network has been substantially reduced. An insurance claim in relation to the fraud by the member of staff was settled in March 2013.

Whistleblowing and fraud

The Committee:

- reviews the Group's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters;
- ensures that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action; and
- reviews the Group's procedures for detecting fraud.

Internal Audit

The company does not currently consider it needs a dedicated internal audit function. However, the Audit Committee discusses the need for internal audit at each of its meetings and will utilise the services of professional auditors as and when the need arises to undertake individual internal audit/risk assurance reviews.

External Audit

The Committee:

- considers and makes recommendations to the Board, to be put to the shareholder for approval at the AGM, in relation to the appointment, re-appointment and removal of the Company's external auditors. The Committee oversees the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required. PricewaterhouseCoopers CI LLP were appointed as auditors of the 2012 financial statements at the company's AGM on 15 June 2012 following a competitive tendering exercise.
- makes recommendations annually to the Board on the external audit fee;
- oversees the relationship with the external auditors including (but not limited to):
  - ensuring that the level of fees is appropriate to enable an adequate audit to be conducted;
  - approving their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
  - assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
  - satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Group (other than in the ordinary course of business);
  - monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Group compared to the overall fee income of the firm, office and partner and other related requirements;
  - assessing annually their qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures;
  - seeking to ensure co-ordination with the activities of any internal audit; and
  - considering the risk of the withdrawal of the Group's present auditor from the market.

- meets regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee also meets the external auditor at least once a year, without management being present, to discuss their remit and issues arising from the audit.

- reviews and approves the annual audit plan and ensures that it is consistent with the scope of the audit engagement.

- reviews the findings of the audit with the external auditor. This includes but is not limited to the following:

  - a discussion of any major issues which arose during the audit;

  - any accounting and audit judgements; and

  - the levels of errors identified during the audit.

- reviews the effectiveness of the audit. This was achieved via the use of an audit effectiveness questionnaire which was reviewed and discussed by the Audit Committee at its meeting on 24 April 2013. The results of this review inform the Committee's decision whether to recommend the incumbent auditors for re-appointment at the company's AGM.

- reviews any representation letter requested by the external auditor before it is signed by management.

- reviews the management letter and management's response to the auditor's findings and recommendations.

- develops and implements a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter.

Nomination Committee

The Nomination Committee is chaired by Mike Liston. The other members are Chris Evans, Donal Duff and Tim Brown. The Nomination Committee met twice during 2012. In February the Committee met to consider the appointments of Liz Vince and Gary Carroll to the Board and in May the Committee met to agree the retirement of Paul Jackson and the retirement by rotation and recommended re-election at the AGM of Mike Liston and Donal Duff.

The terms of reference of the Nomination Committee are approved by the Board and reviewed annually by the Company Secretary. The last review was carried out in November 2012. Formal minutes of the Nomination Committee are not kept but recommendations on Board appointments are made to the Board and decisions recorded in the Board minutes. The Nomination Committee has not carried out a performance evaluation for 2012 as this was not considered necessary. The performance evaluation questionnaire for the Board addressed issues of Board skills, experience and future requirements.

When considering future Board appointments the Nomination Committee pays due regard to issues of diversity, including gender. The Board has not set any objectives to diversify the Board composition, as it does not consider this to be necessary or feasible given the size of the Board and its turnover.

Remuneration Committee

The Remuneration Committee is chaired by Chris Evans with Mike Liston and Donal Duff as members. During the financial year ended 31 December 2012 the Remuneration Committee met three times. The Remuneration Committee has responsibility for setting remuneration for the Executive Directors of the Company which is sufficient to attract, retain and motivate people of the quality required. No Director plays any role in the determination of his/her own remuneration. The Memorandum of Understanding with the Treasury and Resources Minister requires any changes to the level of remuneration paid to Non-Executive Directors to be agreed, in advance, by the Minister. The Committee also monitors the levels of remuneration for senior management.

The Committee has an Action Plan which records the tasks it needs to complete during the year, including those to ensure compliance with the Code. Progress against the Action Plan is reviewed at each Committee meeting. The Committee's terms of reference are reviewed annually by the Company Secretary. The last review took place in November 2012. The Remuneration Committee undertook a self-assessment exercise via the use of a questionnaire which was reviewed at its meeting on 28 February 2013.

The remuneration of the Directors of the Group for the financial year ended 31 December 2012 is set out below, together with comparatives, where applicable, for 2011:

	Salary/Fees	Bonuses	Benefit in Kind[1]	2012 Total	2011 Total
	£'000	£'000	£'000	£'000	£'000
Kevin Keen	139	-	-	139	66[2]
Liz Vince	105[3]	26	13	144	not applicable
Gary Carroll	125[3]	28	18	171	not applicable
Ian Carr (to 31 May 2011)	-	-	-	-	273[4]
Ian Ridgway (to 31 August 2011)	-	-	-	-	244[4]
Julie Crabtree (to 24 November 2011)	-	-	-	-	311[4]
Total	**369**	**54**	**31**	**454**	**894**

Liz Vince and Gary Carroll were not appointed to the Board until 23 February 2012 and therefore their 2011 remuneration is not disclosed.

Kevin Keen, Chief Executive Officer, is entitled to a discretionary terminal bonus of up to 100% of his annual salary on leaving the company. The payment of such a bonus will be approved by the Remuneration Committee based on an assessment as to whether the Chief Executive has satisfactorily met the performance objectives set for him at the beginning of his employment with the Company.

During 2012, Jersey Post provided a bridging loan to assist Gary Carroll in acquiring a property in Jersey pending the sale of his house in the UK. The loan is secured and bears interest at 1% over base rate. As the property has been purchased via a company owned by Gary Carroll, this transaction is disclosed in Note 20 as a related party transaction.

	Salary/Fees	Bonuses	Benefit in Kind	2012 Total	2011 Total
Non Executives	£'000	£'000	£'000	£'000	£'000
Mike Liston	40			40	40
Paul Jackson (retired 15 June 2012)	10			10	20
Chris Evans	15			15	15
Donald Duff	20			20	20
Tim Brown[5]	17.5			17.5	4
Total	**102.50**			**102.5**	**99**

[1] The benefit in kind received by the Executive Directors comprises the contribution payable into the PECRS pension scheme and health insurance.
[2] Part year salary.
[3] Full year salary.
[4] Payments include sums paid under Compromise Agreements to Executive Directors who left the business.
[5] Tim Brown was appointed a NED in 2011, hence the increase in his director's fees.

Internal Controls

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 Board has conducted a review of the effectiveness of the company's system of internal control in 2012 via the following key procedures:

Risk Management

The company has a Risk Register which details and assesses all the significant risks facing the company. Management is responsible for identifying the key risks to achieving their business objectives and ensuring that there are adequate controls in place to manage these in line with the risk appetite set by the Board and contained in the company's Risk Management Policy which is reviewed annually by both the Audit Committee and the Board. There is also a Risk Management Group chaired by the Finance Director and comprising senior managers from each area of the business. This group meets quarterly and the minutes of the meetings are reviewed by the Audit Committee. The Audit Committee Chairman attended the Risk Management Group meeting held on 13 November 2012 as an observer. Senior managers are invited to attend the Audit Committee meeting to provide presentations on the key risks within their area of the business and how these are managed.

Board Reports

Key strategic decisions are taken at Board meetings following due debate and with the benefit of Board papers circulated in advance. The risks associated with decisions are a primary consideration in the information presented and discussed by the Board. The Board discusses and approves the Group's strategic direction, plans, objectives, annual budgets and financial forecasts and the associated risks to achieving these.

Management Structure

Responsibility for operating the systems of internal control is delegated to management and directed and overseen by the Executive Team chaired by the Chief Executive. This Team meets weekly.

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.

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 2012.

Principal Activity

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

Going Concern

The Directors have produced forecasts for the next 12 months following the date of signing of these financial statements which have satisfied them that the Group will continue to be a going concern and be able to meet its liabilities as they fall due. In making this assessment the Directors have considered the impact of the UK government's decision to withdraw Low Value Consignment Relief from all Channel Island exports with effect from 1 April 2012. The Directors have also considered the effect of the deficit on the company's sub fund of the Public Employees Contributory Retirement Scheme (PECRS).

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

Results

Details of the results for the year are set out in the Group consolidated profit and loss account on page 32. A review of the Group's business during the year and an indication of the likely future development of the business are provided in the Chairman's Statement and the CEO's review on pages 8-19.

Shareholdings

The 5 million £1 ordinary shares of JPIL are 100% owned by the States of Jersey.

Dividends

In December 2012 JPIL paid a Special Dividend of £3 million to the shareholder. A further Special Dividend of £600,000 was paid on 31 January 2013. A third Special Dividend of £900,000 will be paid in July 2013. An ordinary dividend of £382,000 will be recommended by the Directors for 2012 at the AGM to be held on 17 June 2013 (2011: £375,000).

Employee Involvement

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

Disabled Employees

The Group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the Group's policy, wherever practicable, to provide continuing employment under normal terms and conditions and to provide training, career development and promotion to disabled employees wherever appropriate.

Board Remuneration

Details of Directors' remuneration are set out in the Remuneration Committee Report on pages 25-26.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

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

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

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

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

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

Annual General Meeting

The AGM will be held in the Council of Ministers Room, Cyril le Marquand House, St Helier on 17 June 2013.

Auditors

Pricewaterhouse Coopers CI LLP were appointed and acted as auditors for the year ended 31 December 2012. A resolution to appoint Pricewaterhouse Coopers CI LLP as auditors for the year ending 31 December 2013 will be proposed at the AGM on 17 June 2013.

This statement was approved by the Board of Directors of Jersey Post International Limited on 24 May 2013 and was signed on their behalf by:

Liz Vince BA (Hons), CPFA, MICA, Dip. IoD
Company Secretary
24 May 2013


Jersey
Post

Independent Auditors Report

to the members of Jersey Post International Limited

Report on the financial statements

We have audited the accompanying consolidated financial statements (the "financial statements") of Jersey Post International Limited ('the Group'), which comprise the consolidated balance sheet as of 31 December 2012 and the consolidated profit and loss account, consolidated statement of total recognised gains and losses and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group as of 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with United Kingdom Accounting Standards and have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Report on other legal and regulatory requirements

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

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

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

Karl Hairon
For and on behalf of PricewaterhouseCoopers CI LLP
Chartered Accountants
Jersey, Channel Islands
24 May 2013

Consolidated Profit and Loss Account

Year Ended 31 December 2012

	Note	2012 £'000	Restated 2011 £'000
Turnover		44,247	64,868
Cost of sales		(36,550)	(56,094)
Gross profit		7,697	8,774
Administrative expenses			
• FRS 17 Charge		(1,027)	(335)
• Other		(5,640)	(6,983)
		(6,667)	(7,318)
Operating profit before exceptional costs	2	1,030	1,456
Operating Exceptional Items			
• Restructuring costs	4	(239)	(633)
• Pension adjustment		-	1,097
Operating profit		791	1,920
Interest and Dividends receivable	5	297	217
Net gain on investments	6	45	-
Net finance income	7	161	634
Profit before taxation		1,294	2,771
Taxation	8	-	-
Profit after taxation		1,294	2,771

The basis of preparation of these financial statements is set out on page 36, and the notes on pages 36-50 form part of these financial statements.

The above results are derived from continuing activities.

The restatement of 2011 figures is due to a change in accounting treatment as explained in Note 15.

Consolidated Statement of Total Recognised Gains and Losses

Year Ended 31 December 2012

	Note	2012 £'000	Restated 2011 £'000
Profit for the year as originally stated		1,294	1,251
Prior year adjustment		-	1,520
Profit for the year as restated		1,294	2,771
Actuarial gain/(loss) in respect of the pension scheme as originally stated		1,090	(7,748)
Prior year Adjustment		-	(1,699)
Actuarial gain/(loss) in respect of the pension scheme	15	1,090	(9,447)
Total recognised gains and (losses) for the year		2,384	(6,676)

The basis of preparation of these financial statements is set out on page 36, and the notes on pages 36-50 form part of these financial statements.

The restatement of 2011 figures is due to a change in accounting treatment as explained in Note 15.

Consolidated Balance Sheet

Year Ended 31 December 2012

	Note	2012 £'000	Restated 2011 £'000
Fixed assets			
Assets	9	7,875	8,011
Current assets			
Stock	10	215	221
Debtors – due within one year	11	4,413	9,263
Short-term Investments			
• Cash Deposits		7,581	15,276
• Equity Investments		2,078	-
Cash	12	4,066	3,626
		18,353	28,386
Creditors			
Amounts falling due within one year	13	(8,041)	(15,495)
Net current assets		10,312	12,891
Total assets less current liabilities		18,187	20,902
Pension Deficit	15	(5,436)	(5,660)
Net assets		12,751	15,242
Represented by:			
Ordinary share capital	17	5,000	5,000
Profit and loss account reserve		7,751	10,242
Shareholder's funds	21	12,751	15,242

The financial statements were approved by the Board of Directors of Jersey Post International Limited on 24 May 2013 and were signed on their behalf by:

Kevin Keen
Chief Executive Officer

Liz Vince
Finance Director

The basis of preparation of these financial statements is set out on page 36, and the notes on pages 36-50 form part of these financial statements.

The restatement of 2011 figures is due to a change in accounting treatment as explained in Notes 13 and 15.

Consolidated Cash Flow Statement

Year Ended 31 December 2012

	Note	2012 £'000	Restated 2011 £'000
Net cash (outflow)/inflow from operating activities	25	(1,402)	7,668
Returns on investments and servicing of finance			
Interest received		317	262
Net cash inflow from returns on investments and servicing of finance		317	262
Capital expenditure			
Net purchase of investments		(2,000)	-
Net purchase of tangible fixed assets		(870)	(698)
Net cash outflow from capital expenditure		(2,870)	(698)
Net cash (outflow)/inflow before management of liquid resources and financing		(3,955)	7,232
Management of liquid resources	25	7,695	(6,280)
Financing			
Dividends paid		(3,375)	-
Dividends received		33	-
Net gain on investments		42	-
Increase in cash in the year	25	440	952

The restatement of 2011 figures is due to a change in accounting treatment as explained in Notes 13 and 15.

The basis of preparation of these Financial Statements is set out on page 36, and the notes on pages 36-50 form part of these Financial Statements.

Notes to the Financial Statements

1. Accounting Policies

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

1.1 Basis of Preparation

The financial statements are prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practise). The financial statements are prepared under UK GAAP using the historical cost convention. Our Memorandum of Understanding with the Treasury and Resources Minister does not require us to adopt all UK Listing Rules. In particular, the Group implements and maintains a sound system of internal controls to safeguard the Shareholder's investment and assets.

1.2 Going Concern

The Directors have produced forecasts for the next 12 months following the date of signing of these financial statements which have satisfied them that the Group will continue to be a going concern and be able to meet its liabilities as they fall due. In making this assessment the Directors have considered the impact of the UK government's decision to withdraw Low Value Consignment Relief from all Channel Island exports with effect from 1 April 2012. The Directors have also considered the effect of the deficit on the company's sub fund of the Public Employees Contributory Retirement Scheme (PECRS).

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

1.3 Basis of Consolidation

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

1.4 Tangible Fixed Assets

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

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

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

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

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

Land	Not depreciated
Freehold buildings	15 – 30 years
Computer hardware and software	1 – 5 years
Plant, vehicles and equipment	3 - 10 years
Improvements to leasehold property	Remaining length of the lease

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

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

1.5 Stocks

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

1.6 Investments

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

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

1.7 Foreign Currencies

Transactions in foreign currencies are translated into sterling at the exchange rate ruling when the transaction was entered into. Monetary assets and liabilities expressed in foreign currencies are translated to sterling at the exchange rates ruling at the balance sheet date. Foreign currency gains and losses are taken to the profit and loss account. All foreign currency transactions were entered into in accordance with the Group's Foreign Exchange policy.

1.8 Turnover

Turnover represents the invoiced value of goods and services supplied less post office boxes and business reply licences invoiced in advance, unexpended credit on franking meters and prepayments on mobile telephones. 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.

1.9 Taxation

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

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

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

1.10 Pension Costs

The Group operates both defined benefit and defined contribution schemes.

Defined Benefit

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

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

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

1.10 Pension Costs (continued)

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

With effect from the financial year ending 31 December 2012 Jersey Post is changing the approach to accounting for pension costs under FRS 17. In previous years the policy has been to measure the value of the future benefit payments to beneficiaries, using assumptions that are consistent with the principles prescribed by FRS 17 and, importantly, being appropriate to the term over which those payments are made. It is recognised that this accounting treatment does not appropriately reflect the reality of the Terms of Admission which sets out Jersey Post's relationship with the Scheme. In particular, the Terms of Admission provides for an internal transfer of assets (the Internal Transfer) out of the Jersey Post Sub Fund and into the general PECRS fund in respect of members who have left Jersey Post's employment. From that point on Jersey Post is no longer responsible for the financing of those benefits and the underlying liabilities are also transferred. The Internal Transfer of assets is calculated by the Scheme Actuary using a methodology prescribed by the Terms of Admission and having reference to the assumptions used by the Scheme Actuary for other purposes, namely the triennial funding valuation of the PECRS and the assumptions used to calculate Cash Equivalent Transfer Values (CETVs) to early leavers. In effect, Jersey Post's obligation to the PECRS is to provide funding for the Internal Transfers when members leave service, instead of funding for the future benefit payment to those individuals.

Defined Contribution

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

1.11 Operating Leases

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

1.12 Research and Development

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

1.13 Related Parties

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

2. Operating Profit for the Year

		2012 £'000	2011 £'000
Operating profit for the year is stated after charging the following:			
Auditor's remuneration	• audit	65	63
	• non-audit	20	26

3. Employees Costs

	2012 £'000	2011 £'000
Wages and salaries	11,999	12,743
Social security contributions	709	729
Employer pension contributions	827	1,161
	13,535	14,633

4. Operating Exceptional Costs

Operating exceptional costs relate to non-recurring redundancy costs of £239,000 (2011:£323,000). In 2011 there were also asset impairment costs of £150,000 and IT transitional costs of £160,000.

5. Interest and Dividends Receivable

	2012 £'000	2011 £'000
Bank interest receivable	259	217
Dividend receivable	38	-
	297	217

6. Net gain on Investments

The net gain on investments during the period comprise:

	2012 £'000	2011 £'000
Proceeds from sales of investments made during the year	367	-
Original cost of investments sold during the year	(322)	-
Gain realised on investments sold during the year	45	-

7. Net Finance Income

	2012 £'000	Restated 2011 £'000
Expected return on pension scheme assets	1,394	1,901
Interest on pension liabilities	(1,233)	(1,267)
Net finance income	161	634

The restatement of 2011 figures is due to a change in accounting treatment as explained in Note 15.

8. Taxation

	2012 £'000	2011 £'000
Jersey income tax		
Current charge	-	-
(Credit)/Charge in respect of prior year	-	-
Total current tax (credit)/charge for the year	-	-
Deferred taxation		
Charge for the year taken to profit and loss	-	-
Charged/(credited) to the profit and loss in respect of prior periods	-	-
Total charge to profit and loss	-	-
Charge/(credit) for the year taken to the STRGL	-	-
Total tax charge/(credit) for the year	-	-
The differences between the total current tax shown above and the amount calculated by applying the standard rate of Jersey corporation tax to the profit before tax is as follows:		
Profit on ordinary activities before taxation	1,294	2,771
Tax on profit on ordinary activities at 20%	259	554
Factors affecting tax charge for the year		
Fixed asset timing differences	18	29
Timing differences on pensions	173	(598)
Expenses not deductible for tax purposes	56	2
Income taxed at 0%	(15)	(9)
Losses brought forward from prior year	(491)	22
Total current income tax charge/(credit) for the year	-	-

Deferred taxation

	2012 £'000	2011 £'000
Total deferred tax balance at 1 January	-	-
Charged to profit and loss	-	-
(Charge)/credit to the STRGL	-	-
(Charge)/credit to the profit and loss in respect of prior periods	-	-
Total deferred tax balance at 31 December	-	-

Jersey Post Limited is subject to Jersey income tax at the rate of 20% (2011:20%). All other companies in the Group are subject to Jersey income tax at the standard rate of 0% (2011:0%). A net deferred tax asset has not been recognised in respect of timing differences relating to taxable losses carried forward and fixed asset timing differences as there is uncertainty in relation to the availability of future taxable profits arising in the immediate future. The estimated value of the net deferred tax asset not recognised, measured at the standard rate of 20% is £334,000 (2011 Restated: £610,000).

In addition, a deferred tax asset has not been recognised in respect of the defined benefit pension scheme deficit. The estimated value of the net deferred tax asset not recognised, measured at the standard rate of 20% is £1,087,000 (2011 Restated: £1,132,000).

The restatement of 2011 figures is due to a change in accounting treatment as explained in Note 15.

9. Fixed Assets

	Freehold land & buildings £'000	Improvements to leasehold property £'000	Plant, vehicles & equipment £'000	Intangible £'000	Total £'000
Cost					
At 1 January 2012	7,735	711	11,251	-	19,697
Additions	-	7	890	-	897
Transfer	-	-	(162)	162	-
Disposals[6]	-	(49)	(2,919)	-	(2,968)
Assets written-off	-	-	(300)	-	(300)
At 31 December 2012	7,735	669	8,760	162	17,326
Depreciation					
At 1 January 2012	1,314	645	9,727	-	11,686
Annual charge/impairment	239	66	560	15	880
Transfer	-	-	(78)	78	-
Disposals[7]	-	(50)	(2,888)	-	(2,938)
Assets written-off	-	-	(177)	-	(177)
At 31 December 2012	1,553	661	7,144	93	9,451
Net book value					
At 31 December 2012	6,182	8	1,616	69	7,875
At 31 December 2011	6,421	66	1,524	-	8,011

10. Stock

	2012 £'000	2011 £'000
Stamps and philatelic products	169	162
Post Office Shop	17	19
Promail Paper	29	40
	215	221

[6] The disposal relates to a historic true up of previously written down assets.
[7] The disposal relates to a historic true up of previously written down assets.

11. Debtors: Amounts Falling Due Within One Year

	2012 £'000	2012 £'000	2011 £'000	2011 £'000
Trade debtors	2,838		8,101	
Provision for bad and doubtful debts	(145)	2,693	(42)	8,059
Other debtors		781		195
Agency debtors		236		236
Prepayments and accrued income		703		773
		4,413		9,263

A provision of £106,000 was created in 2012 (2011: £42,000) in respect of uncertainty over the collection of some customer balances.

Provisions

	2012 £'000	2011 £'000
Provision for bad and doubtful debts		
As at 1 January	42	71
Provided for in year	106	42
Amounts recovered previously written off	-	(33)
Provisions utilised	(3)	(38)
As at 31 December	145	42

12. Equity Investments

	2012 £'000	2011 £'000
Opening balance	-	-
Additions	2,400	-
Disposals	(322)	-
Closing balance	2,078	-

13. Creditors: Amounts Falling Due Within One Year

	2012 £'000	Restated 2011 £'000
Trade creditors	949	10,768
Accruals and other creditors	6,496	4,191
Agency creditors	254	131
Deferred income	342	405
	8,041	15,495

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

Included within 2012 Accruals and other creditors is £2.1 million of VAT due to HMRC as a result of customer postings above the HMRC 'de minimis' level. The customers pay the amounts due to Jersey Post who then pay these to HMRC. The amounts received from customers but not paid over to HMRC at the Balance Sheet date are recorded within cash. This is a change of accounting treatment as previously the amount owed to HMRC was disclosed in creditors net of the balances received from the customers. The effect of this in 2011 is that Accruals and other creditors have increased by £994,000 and have been restated accordingly.

Included within accruals and other creditors is a provision in relation to leased properties, following a review by property surveyors during 2012.

	2012 £'000	2011 £'000
Opening balance	753	500
Movement in the year	53	253
Closing Balance	806	753

14. Operating Lease Commitments

	Land & Buildings	
	2012 £'000	Restated 2011 £'000
The Group		
Non-cancellable annual commitments in respect of operating leases which expire:		
Less than one year	16	47
Between two and five years	1,667	2,196
After five years	-	-
	1,683	2,243

The prior year comparative has been restated due to the exclusion of an operating lease in 2011.

15. Pension Costs – Defined Benefit

The Group had one defined benefit pension scheme at 31 December 2012, which is open to certain employees of Jersey Post - Public Employees Contributory Retirement Scheme (PECRS)('the scheme'). Prior to incorporation Jersey Post had a second defined pension scheme (JPOPF). The responsibility for JPOPF remains with the States of Jersey as from 30 June 2006.

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

Salaries and emoluments include pension contributions of £751,000 for the year ended 31 December 2012 (2011: £1,161,000) for staff who are members of PECRS. There are unpaid contributions of £39,000 outstanding at the year-end (31 December 2011: £98k). The current employer contribution rate is 8.14% of members' salaries as set by the Scheme Actuary.

The latest full actuarial valuation of PECRS was carried out by the PECRS's independent actuary as at 31 December 2010. The valuation of PECRS has been updated by the actuary to 31 December 2012 in accordance with FRS17.

From 31 December 2012 Jersey Post is changing the method of calculating and reporting the defined benefit obligation under FRS 17. The obligation will be measured as the present value of the expected future Internal Transfers. It will be assumed that the Internal Transfers will take place upon the anticipated retirement date of the current membership, with no allowance for earlier leaving service. See accounting policy 1.10 for further details on the revised calculation method.

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

The financial statements for 2011 have also been updated to include the recognition of a Settlement Profit in the pension scheme relating to a significant number of scheme leavers over 2011. The Settlement has been measured using a full valuation of the benefits of the affected staff carried out by an independent actuary.

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

Main financial assumptions

	31 December 2012 (% p.a.)	Restated 31 December 2011 (% p.a.)	Restated 31 December 2010 (% p.a.)
Before Retirement			
Jersey Price Inflation	3.05%	3.15%	3.60%
Rate of general long-term increase in salaries*	4.05%	4.15%	3.70%
Rate of increase to pensions in deferment	2.90%	2.85%	3.30%
Discount rate for scheme liabilities	4.10%	4.55%	5.40%
After Retirement			
Jersey Price Inflation	3.15%	3.30%	3.80%
Rate of increase to pensions in payment	3.00%	3.00%	3.50%
Discount rate for scheme liabilities	5.20%	5.20%	6.10%

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

Expected return on assets

	31 December 2012		Restated 31 December 2011		Restated 31 December 2010		31 December 2009		31 December 2008	
	Long-term expected rate of return*	£'000	Long-term expected rate of return*	£'000	Long-term expected rate of return*	£'000	Long-term expected rate of return*	£'000	Long-term expected rate of return*	£'000
Fixed–income bonds	2.7	-	2.8%	-	4.2%	-	4.5%	-	3.8%	-
Equities	8.0%	18,061	8.0%	17,742	8.0%	25,021	8.3%	22,025	7.6%	17,673
Index–linked gilts	2.5%	-	2.6%	-	4.0%	-	4.3%	-	3.6%	-
Property	7.5%	1,508	7.5%	-	7.5%	-	8.8%	311	6.6%	483
Corporate Bonds	3.1	2,421	3.9%	5,657	5.0%	7,010	5.5%	7,678	5.5%	7,822
Cash	1.0%	561	1.8%	493	1.4%	422	0.7%	2,857	2.5%	856
Total fair value of assets		22,551		23,892		32,453		32,871		26,834

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

Please note that from 2010 onwards the accounting treatment has changed as described at the beginning of the note. 2009 and 2008 have not been restated.

Reconciliation of funded status to balance sheet

	Value at 31 December 2012 (£K)	Restated Value at 31 December 2011 (£K)	Restated Value at 31 December 2010 (£K)
Fair value of scheme assets	22,551	23,892	32,453
Present value of funded defined benefit obligations	27,987	29,552	30,314
(Liability)/asset recognised on the balance sheet	(5,436)	(5,660)	2,139

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

	Year ending 31 December 2012 (£K)	Restated Year ending 31 December 2011 (£K)
Opening defined benefit obligation	29,552	30,314
Current service cost	1,333	1,240
Interest cost	1,233	1,267
Contributions by scheme participants	340	404
Actuarial (gains) / losses on scheme liabilities*	(102)	5,660
Net benefits paid out	(124)	(92)
Past service cost	545	-
Net increase in liabilities from disposals / acquisitions	-	-
Curtailments	-	-
Settlements	(4,790)	(9,241)
Closing defined benefit obligation	27,987	29,552

* Includes changes to the actuarial assumptions.

15. Pension Costs – Defined Benefit (continued)

Changes to the fair value of scheme assets during the year

	Year ending 31 December 2012 (£K)	Restated Year ending 31 December 2011 (£K)
Opening fair value of scheme assets	23,892	32,453
Expected return on scheme assets	1,394	1,901
Actuarial gains / (losses) on scheme assets	988	(3,787)
Contributions by the employer	751	1,157
Contributions by scheme participants	340	404
Net benefits paid out	(124)	(92)
Net increase in assets from disposals / acquisitions	-	-
Settlements	(4,690)	(8,144)
Closing fair value of scheme assets	22,551	23,892

Actual return on scheme assets

	Year ending 31 December 2012 (£K)	Restated Year ending 31 December 2011 (£K)
Expected return on scheme assets	1,394	1,901
Actuarial gain / (loss) on scheme assets	988	(3,787)
Actual return on scheme assets	2,382	(1,886)

Analysis of profit and loss charge

	Year ending 31 December 2012 (£K)	Restated Year ending 31 December 2011 (£K)
Current service cost	1,333	1,240
Past service cost	545	-
Interest cost	1,233	1,267
Expected return on scheme assets	(1,394)	(1,901)
Curtailment cost	-	-
Settlement cost	(100)	(1,097)
Expense recognised in profit and loss	1,617	(491)

Analysis of amounts recognised in STRGL

	Year ending 31 December 2012 (£K)	Restated Year ending 31 December 2011 (£K)
Difference between actual andexpected return on pension scheme assets	988	(3,787)
Experience gains arising on the scheme liabilities	662	544
Effect of changes in assumptions underlying the present value of scheme liabilities	(560)	(6,204)
Total gains/(losses) recognised in the Statement of Total Recognised Gains and Losses	1,090	(9,447)

History of experience gains and losses

	2012 (£K)	Restated 2011 (£K)	Restated 2010 (£K)	2009** (£K)	2008** (£K)
Experience gains / (losses) on scheme assets					
Amount	988	(3,787)	655	3,232	(7,649)
Percentage	4.3%	15.8%	2.9%	9.8%	2.9%
Experience gains on scheme liabilities*					
Amount	662	544	5,995	1,829	562
Percentage	2.4%	1.8%	20.3%	4.9%	1.8%
Total gains/(losses) recognised in statements of total recognised gains and losses					
Amount	1,090	(9,447)	(4,312)	421	(4,703)
Percentage	3.9%	32%	15.6%	1.1%	15.1%

* This item consists of gains / (losses) in respect of liability experience only, and excludes any change in liabilities in respect of changes to the actuarial assumptions used.

** 2009 and 2008 have not been restated

16. Pensions – Defined Contribution

The pension cost represents contributions payable by the Group to the defined contribution scheme and amounted to £77,000 (2011: £38,000). Contributions totaling £2,000 (2011: £8,000) were payable to the scheme at 31 December 2012 and are included within “accruals and other creditors”.

17. Ordinary Share Capital

	2012 £’000	2011 £’000
Authorised, issued, allotted and fully paid 5 million £1 ordinary shares	5,000	5,000

18. Dividends Paid and Payable

During the year £3,375,000 (2011: £Nil) dividends were paid to the shareholder.

	2012 £'000	2011 £'000
Declared and paid during the year		
Final for 2011	375	-
Special Dividend for 2012	3,000	-
	3,375	-
Balance of Special Dividend provided for at year end (to be paid in 2013)	1,500	-
Proposed for approval by shareholders at the AGM:		
Final dividend for 2012 (2011)	382	375

19. Ultimate and Immediate Controlling Party

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

20. Related Party Transactions

The Group provides multi-channel services to a number of different departments of the States of Jersey. Sales of £863,000 were made to departments in 2012 (2011:£998,000). As at 31 December 2012, the amount owing to the States of Jersey was £376,000 and the amount owed from the States of Jersey was £179,000 (31 December 2011:£350,000 and £71,000 respectively). All services provided by the Group to the States of Jersey are provided on an arm's length basis.

The following transactions have taken place on an arm's length basis with the below companies connected with directors of JPIL:

Director	Relationship	Interest	Service	Purchases	Sales	Balance@ 31/12/12	
						Creditor	Debtor
				£'000	£'000	£'000	£'000
Chris Evans	Director	Foreshore Limited	IT	£180k (2011:£102k)	£1k (2011:£1k)	£23k (2011:£2k)	£Nil (2011:£1k)
Gary Carroll	Director	St Lo Ltd	Loan	-	-	-	£730,000 (2011: Nil)

21. Consolidated Reconciliation of the Movements in Shareholder's Funds

	Note	2012 £'000	2011 £'000
Shareholder's funds at 1 January as previously stated		15,242	18,007
Prior year adjustment		-	3,911
		15,242	21,918
Profit attributable to the shareholder as previously stated		1,294	1,251
Prior year adjustment		-	1,520
Profit attributable to shareholder as restated		1,294	2,771
Ordinary Dividend		(375)	-
Special Dividend		(4,500)	-
Movement in deferred tax	8	-	-
Actuarial gain/(loss) in respect of the pension schemes as previously stated	15	1,090	(7,748)
Prior year adjustment		-	(1,699)
Actuarial gain/(loss) in respect of the pension schemes as restated		1,090	(9,447)
Shareholder's funds at 31 December		12,751	15,242

The restatement of 2011 figures is due to a change in accounting treatment as explained in Note 15.

22. Subsidiary Undertakings

JPIL is the 100% owner of the equity share capital, either through itself or through its subsidiary undertakings, of the following companies:

Name	Nature of Business
Jersey Post Limited	Postal Operator
Offshore Solutions Limited	Mail Consolidation & Logistics Services – dormant
Jersey Post (Broad Street) Limited	Property Holdings
Jersey Post (Rue des Pres) Limited	Property Holdings
Jersey Post (Parishes) Limited	Lease Holdings
Jersey Post International Development Limited	Business Development - dormant
Ship2Me Limited	E-commerce Logistics - dormant
Postfone Limited	Dormant
CI Courier Limited (Dormant)	Courier - 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 as consolidated accounts have been prepared.

23. Board Remuneration and Fees

Details of remuneration paid to Directors and related party transactions therewith are disclosed in the Remuneration Committee Report on pages 25-26 and in note 20.

24. Post balance sheet event

On 26 March 2013, JPIL received an insurance settlement to the value of £68,409 in relation to the fraud committed by an ex member of staff which is referred to on page 24. This receipt has not been accounted for in 2012.

25. Notes to the Cash Flow Statement

a) Reconciliation of Operating Profit to Net Cash (Outflow)/inflow from Operating Activities

	2012 £'000	2011 £'000
Operating profit	791	1,920
FRS17 charge / (credit)	1,027	(1,010)
Provision for Special Dividend	(1,500)	-
Add depreciation charge	880	988
Decrease/(increase) in stock	6	(39)
Decrease/(increase) in debtors	4,849	(132)
(Decrease)/increase in creditors due within one year	(7,455)	5,870
Loss on write-off of fixed assets	-	71
Net cash (outflow)/inflow from operating activities	(1,402)	7,668

The restatement of 2011 figures is due to a change in accounting treatment as explained in Notes 13 and 15.

b) Analysis of Changes in Net Funds

	1 January 2012 £'000	Cash Flow £'000	31 December 2012 £'000
Cash	3,626	440	4,066
Debt due within one year	-	-	-
Debt due after one year	-	-	-
Short-term deposits	15,276	(7,695)	7,581
	18,902	(7,255)	11,647

Monies held on seven day and month deposit meet the definition within FRS1 "Cash flow statements" of liquid resources and are disclosed above as short-term deposits.

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