

Jersey Post International Limited
Business Review 2009

Jersey Post Group 

Jersey Post International Limited

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Together We Work.

Jersey Post Group 

Directors, Officers and Advisors

Mike Liston OBE
Non-Executive Chairman

Clive Spears ACIB MIS
Non-Executive Vice-Chairman and Senior Independent Non-Executive (Resigned 21 October 2009)

Paul Jackson
Non-Executive

Chris Evans
Non-Executive (Appointed 25 June 2009)

Donal Duff BAAF FCA AMCT
Non-Executive (Appointed 1 January 2010)

Gary Whipp
Executive Director and Managing Director of Jersey Post International Development Limited (Independent as at 31 December 2008; non-independent from 25 June 2009 as he assumed executive duties) (Appointed 25 June 2009 resigned 12th May 2010)

Ian Carr
Senior Executive Director and Managing Director Jersey Post Limited (Appointed 6 April 2009)

John Pinel
Chief Executive (Resigned 26 February 2009)

Ian Ridgway BSc MBA FCA
Finance Director

Andrew Starkey MILT MIDM
Commercial Director (Resigned 26 February 2009)

Julie Crabtree BA MSc FCIPD
Director Human Resource Development (Appointed 6 April 2009)

Company Secretary

Liz Vince BA CPFA CPD.cert

Auditors of the full statutory annual report and financial statements

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Board of Directors

Jersey Post International Limited



[1] Mike Liston



[2] Paul Jackson



[3] Donal Duff

[1] Mike Liston OBE

Non-Executive Chairman, Mike Liston (58 years) has wide experience of the public and private sectors. At the end of 2008, he stood down after 15 years as Chief Executive of the LSE-listed utility, Jersey Electricity, to concentrate on his non-executive roles, including Chairman of AIM-listed Renewable Energy Generation Limited, which has businesses in Europe and North America; Chairman of AIM-listed KSK Emerging India Fund, which develops energy infrastructure in India, and Director of Private Equity fund Foresight European Solar.

He is also a member of the Audit Committee of Europe's largest engineering professional body, The Institution of Engineering and Technology, and was the first Chairman of the Post Office Users' Committee, established in 1997.

[2] Paul Jackson

Non-executive, Paul Jackson (67 years) is a well-known expert in the mail, express, airfreight and logistics industry, with extensive knowledge and experience of all aspects of the industry as a whole, and the postal world in particular.

He is the Non-Executive Chairman of Triangle Management Services Limited, which provides strategic consultancy, market research, mergers and acquisitions

services, conferences, and executive recruitment, mainly in the mail, express and logistics sectors. Under Paul's direction, the company has developed a pre-eminent position in the mail, express, logistics and global freight sectors.

[3] Donal Duff BAAF FCA AMCT

Non-executive, Donal Duff (42 years) 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 of The Stanley Gibbons Group plc, an AIM-listed Jersey registered company. →

Board of Directors

Jersey Post International Limited



[4] Chris Evans



[5] Gary Whipp



[6] Ian Carr



[7] Ian Ridgway



[8] Julie Crabtree

[4] Chris Evans

Non-executive, Chris Evans (55 years) has worked in the information technology services sector for 26 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, most recently the Jersey Electricity Company, from which he retired in 2010 after 12 years. He understands how the disruptive nature of technology can be used to drive business change and diversification and has sat on a number of States of Jersey committees over the past 10 years, with the objective of finding new economic opportunities for the Island.

[5] Gary Whipp

Managing Director (Jersey Post International Development Limited) Gary Whipp (48 years), originally from the Isle of Man, provided significant entrepreneurial and commercial expertise, particularly in sales and marketing. Gary's first venture into the UK was satellite television. In 1989, his company was one of eight licensed by Rupert Murdoch's Sky Television to market their products.

More recently, his companies have been involved in the Telecommunications sector. In 1997, Gary marketed Cable & Wireless Indirect Voice products to the business sector, later acquiring that business from Cable &

Wireless, developing it for several years and then divesting it to Carphone Warehouse in 2005.

Gary and his family moved to Jersey in 2006. He was the former Chief Executive of Newtel Solutions; a fully licensed Public Telecommunication Operator (PTO) in both Jersey and Guernsey. Newtel recently sold their Guernsey operation to Jersey Telecom.

[6] Ian Carr

Managing Director (Jersey Post Limited) Ian Carr's (52 years) whole career has been with Jersey Post since joining the organisation in 1975. Throughout that time he has developed a wealth of expertise in postal operations generally, industrial relations, and overseen the strategic development of Jersey Post as a group.

After securing the post of Operations Director in 1999, Ian successfully transformed the postal operations to provide quality and efficient postal services to the Island's residential and large business community, moving towards a more commercial model.

As a result of his significant experience in the postal sector, and the execution of a clear strategic vision for the future of the business, Ian was appointed Managing Director of Postal Business for the group in April 2009.

Since then, he has successfully developed a strategic plan for the group, based on a major transformation of the current USO on the Island, entry into new markets

- with the development of a new pan Islands logistics business, entry into the telecommunications sector, and, a journey towards the virtual letter box of the future.

To date, he has successfully managed a transformation of the culture within the business, and secured the support of the political shareholder and main board for the group strategy and its delivery.

This strategy will not only deliver a sustainable postal service for the future, but establish the group in new markets, delivering a profitable business for the shareholder.

[7] Ian Ridgway BSc MBA FCA

Finance Director, Ian Ridgway (41 years), qualified as a Chartered Accountant with Coopers & Lybrand Deloitte. Immediately prior to joining Jersey Post in 1999, he was a partner in a Birmingham-based accountancy practice and a founding Director of its consultancy company.

At Jersey Post, Ian is responsible for Financial Control, Regulation and Legal & Compliance. He was awarded a Masters Degree in Business Administration in 2003 and became a Fellow of the Institute of Chartered Accountants in England and Wales in 2005.

He is also a Non-Executive Director of Jersey Opera House and a member of the Brig-y-don Children's Home Committee.

[8] Julie Crabtree BA MSc FCIPD

Human Resource Development Director, Julie Crabtree (45 years), joined Jersey Post in 2007, having held a directorship in NHS UK. Julie is a qualified HRD practitioner who has experience of working in large private businesses as well as the public sector, in both unionised and non-unionised environments, with responsibility for developing policy and delivering change at strategic and operational levels.

She has a special interest in organisation development, particularly behavioural change, and is a qualified coach and trainer. ■

Rapidly Changing Market Places

“These are extraordinary times for postal operators everywhere, as the impact of global recession and technological substitution threatens the sustainability of their existing business models.”



Mike Liston
Chairman, Jersey Post Group

These are extraordinary times for postal operators everywhere, as the impact of global recession and technological substitution threaten the sustainability of their existing business models. Jersey Post's experience of this turbulence is typical of that elsewhere, suffering a 13% fall in traditional mail volumes this year – some 6 million items – following a 5% fall in the previous one. Profit before tax fell 79% to £0.9m (2008: £6m) on turnover of £65m.

The impact of reduced letter volumes has been compounded by a sudden slowdown of bulk mailings by businesses. This was particularly evident in the fulfilment industry, and prompted us to significantly reduce our margins to help preserve the competitiveness of this important sector and thus future income and local jobs.

The overall 4% decline in mail volumes contrasts with a well-established trend of double-digit growth throughout the past decade. The consensus among industry analysts is that the global financial crisis has accelerated the shift towards digital media and that there will be no recovery of traditional mail volumes. Like other postal operators, Jersey Post is having to adapt more rapidly and radically than expected to reduce costs and find new markets, products and services in the world of communications.

At the core of the challenge we face is the threat to our ability to continue funding the Island's core social postal provision (the Universal Service Obligation, or USO).

This obligation defines the geographic scope, range and prices of postal products and the shape and size of the network of outlets through which customers can access them. Originally, governments imposed Universal Service Obligations on national postal operators as the "quid pro quo" for the privilege of monopoly. But the progressive impact of postal competition and regulatory price control has made USOs an increasingly loss-making burden that national postal operators are struggling to sustain. Jersey Post's position is similar, but compounded by a 27%, £3m increase in Royal Mail's charges during the past 2 years, of which we have been able to pass on less than one-tenth. The £5m annual loss incurred by the USO can no longer be supported by earnings from the rest of our business going forward.

Determined to avoid the dependence on government postal subsidies seen in other jurisdictions, your Board has embarked on a strategy to diversify earnings opportunities to combat collapsing traditional mail volumes, and cut costs wherever it can.

“The overall 4% decline in mail volumes contrasts with a well-established trend of double-digit growth throughout the past decade.”

Sustainable Response

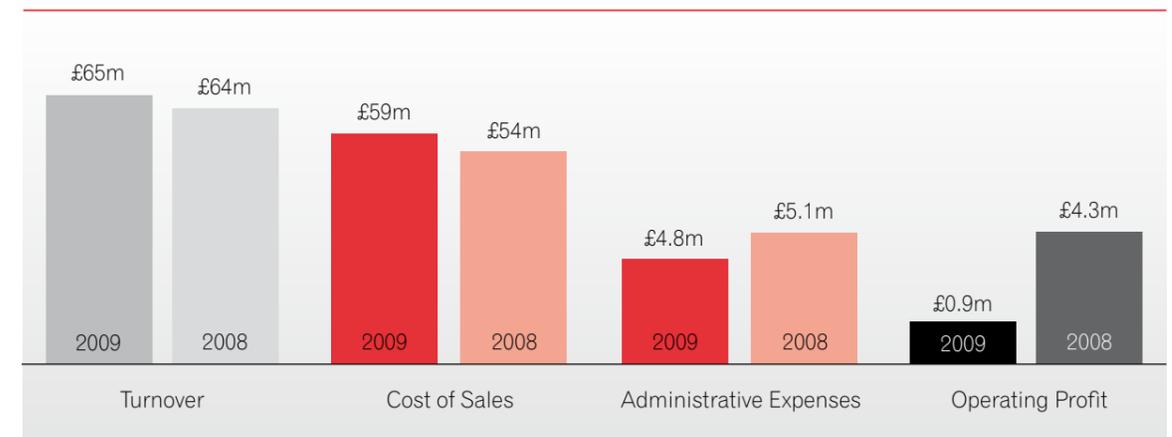
Since incorporation in July 2006, the Board has focused on eliminating loss-making activities and increasing efficiency in both operational and support functions. Whilst this regrettably has led to job losses at all levels of the organisation, the £2m total savings achieved prevented Jersey Post from sliding into what would otherwise have been its first ever loss.

Cost-reduction initiatives continued with renewed vigour in 2009, with the further restructuring of the group's executive function, and a new focus on operational and support costs which led, in January 2010, to the public announcement of a Voluntary Redundancy programme in partnership with

the Communications Workers Union (CWU). Crucially, this will further reduce our annual operating costs by £0.7m.

A further agreement with the CWU recognises the unsustainably high cost of pension liabilities, which incorporated entities everywhere have had to address and, whilst less radical than some, our remedy of a Defined Contribution Pension Scheme for the first five years service of all new employees lessens the risk to our business whilst retaining our moral obligations for staff welfare. →

2009 Performance Overview



“...in 2009, we established a new operating entity, Jersey Post International Development Limited (JPID), to focus on business diversification and growth.”

Recognising that the depth of the USO funding crisis cannot be resolved by efficiency measures alone, postal operators and regulators across the globe are recognising the need for more radical measures such as:

- Introducing new services with customer choice of delivery standards;
- Reducing the number of delivery and collection days; and
- Changing the shape of the sub-post office network.

Jersey Post is no different. In January 2010, we requested approval from the Jersey Competition and Regulatory Authority (JCRA) for a new standard-class local service as part of the Size-based Pricing initiative needed to introduce fair and competitive prices. Approval for this proposal was given in April 2010 following a public consultation. A further request to reduce the number of delivery days will follow, and this too will be subject to public consultation. In the meantime, we continue to develop our retail transformation strategy to improve the cost efficiency and convenience of customer access to postal services. Halfway through 2009, we established a new operating entity, Jersey Post International Development Limited (JPID), to focus on business diversification and growth. Its strategy is to deliver new profitable products and services to an expanded customer base within the communication and logistics markets. Early initiatives include our new “me:mo” pre-pay mobile phone service and Ship2me - a goods delivery solution providing Channel Islanders with easy access to online retailers overseas.

Stakeholder Relations

Jersey Post's ability to respond to the threats it faces depends most heavily on the perspectives and actions of some key stakeholders. All share our overriding commitment to the public interest, but inevitably some have potentially conflicting priorities.

We are grateful for the comprehensive willingness we have observed this year amongst key stakeholders to engage with us to mutually understand the implications of the opportunities, threats, risks and rewards that we face in developing strategies to sustain an affordable postal service.

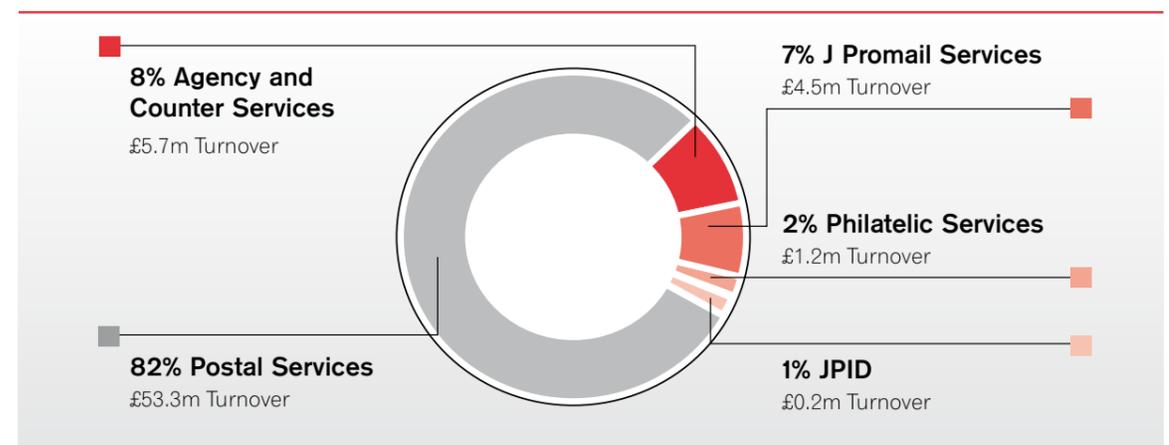
We intensified our dialogue with customers, staff and suppliers in a year that started a period of significant change for the group as a whole. In addition:-

Owners

We welcome the closer engagement with the Treasury Minister, at his own initiation since his employment. This should facilitate an appropriate framework for the strategic oversight he requires as the shareholder's representative, without the risk of confusing or undermining the responsibility and authority of the Board of Directors.

The robustness of early discussions with the Minister and the Treasurer of the States has led to a clear understanding of political and commercial imperatives for both parties, and the need for policy support in key areas such as e-commerce and the Island's fulfilment industry.

Distribution of Group Turnover, 2009



Regulators

More than 50% of our postal market is also served by our competitors. We have no objection to further liberalisation, but remain deeply concerned by the JCRA's continuing reluctance to adopt EU mandates that require regulators to undertake formal Risk Assessments ahead of their decisions. Unintended consequences are therefore highly likely, and we are concerned that those might be profound if competition is introduced too suddenly in the bulk mail market, which is used to fund the Island's loss-making letters and post office networks.

Competition licensing decisions for this market are expected from the JCRA in Spring 2010 and will be crucial to our ability to fund the USO. Our money services activities bring us under the regulatory supervision of the Jersey Financial Services Commission (JFSC). Jersey's diligent efforts in the global fight against money laundering involve us in an increasingly onerous compliance regime in which our peers are major banks. The risks, costs and benefits of continuing to provide these services are constantly under review. →

“we have both the vision for a postal market in Jersey that possesses all the attributes of a fully competitive, modern market, and the courage to take the often painful measures to achieve it.”



Governance

Certain of Jersey Post's business activities fall by statute within the strict regulatory regimes of both the JCRA and the JFSC, and this, together with our commitment to conform to the Financial Reporting Council's Combined Code, brings an increasing burden of compliance to the work of the Board which, accordingly, has resourced capable Business Risk Assurance and Internal Audit functions within the executive structure of the company.

The work of the Audit Committee has become more complex in recent years, and I am grateful to Clive Spears for his work as its Chairman prior to his resignation from the Board in October. I am pleased that we were able to recruit a highly capable successor from the Island's accounting profession.

Donal Duff's experience as Director of Finance and Chief Operating Officer in the publicly quoted sector equips him well to chair the Audit Committee and contribute to the governance expertise on the Board.

I also welcome to the Board Chris Evans, whose entrepreneurial skills in the e-commerce sector align with our strategic aim to turn the threats of digital technologies into opportunities.

Chris has been appointed Chairman of our Remuneration Committee to succeed Gary Whipp, whose temporary consultancy assignment as interim Managing Director of our new Enterprise company Jersey Post International Development Limited (JPID), made him insufficiently independent for his role on the Board to be considered non-executive during this period.

We will review the need for a fifth non-executive director within the next 12 months, when Gary's executive assignment is completed.

Looking Ahead

The next three years will be critical for both Jersey Post and the postal service in the Island. Notwithstanding the finding of the JCRA's comprehensive Efficiency Review that we are an efficient postal operator, intense competitive pressure in the bulk of our business makes it imperative that we continue to cut costs. Equally, the urgency to address increasing £5m losses in the local postal network requires both its adaption to current

customer needs and our rapid development of additional earnings from which we can continue to subsidise it. This calls for some temporary respite from the risk of further financial disruption, threatened by major new entrants to the postal market, currently being considered by the JCRA.

We have demonstrated since incorporation that we have both the vision for a postal market in Jersey that possesses all the attributes of a fully competitive, modern market, and the courage to take the often painful measures to achieve it. We are blessed with staff and a trade union that recognises the imperatives for change. However, we need two to three years of stability in the regulatory and political environments to complete our programme of cost savings and new business development, to sustainably fund the social postal network in the future. ■

“we continue to develop our retail transformation strategy to improve the cost efficiency and convenience of customer access to postal services.”

“Jersey Post has demonstrated since incorporation that it has the vision for a postal market in Jersey which possesses all the attributes of a fully competitive, modern market.”



Mike Liston
Chairman
20th April 2010

2009, a challenging year

“Letter mail volumes in the postal business saw a significant overall downturn of 13% (6.1 million items).”



My first year as Managing Director of Jersey Post Limited (JPL) and Senior Executive Director of Jersey Post International (JPIL) has been an exceptional one with the business launching its new business structure in April 2009, which included the launch of our enterprise business, Jersey Post International Development (JPID), headed up by successful entrepreneur and businessman, Gary Whipp, as Managing Director.

Embarking on such a radical transformation has been an exciting challenge for the business and its stakeholders, and for Gary and myself in particular. At times it has been akin to a rollercoaster ride in bringing about the necessary change in stakeholder expectations and behaviour right through the business, from frontline employees to the main board, and ultimately to our shareholder.

Many of our customers, and their representative bodies, have indeed welcomed the change in attitude towards them, with a much more customer-led focus and the desire to work in unison to develop their businesses.

The new dimension Gary has brought to the business, and the stakeholder support we have experienced along the way, has enabled us to make excellent progress with the transformation. Our new business model has become a reality, and we're progressing well on the journey towards an exciting future, embracing all of the opportunities that technology and competition present for our business.

A Changing Landscape

The traditional postal market is fast being subsumed into the broader communications sector, as consumers respond to the choices technology provides to communicate and do business in today's electronic age. With the speed, reliability and growing confidence in "e-solutions", and the impact of the global recession, customers have been forced to look again at the cost and appropriateness of traditional mail. In responding to that, we, along with our competitors, have been developing new products and solutions to increase customer choice, particularly through e-substitution and lower prices. Our postal business is now firmly placed at the centre of the communication and delivery market within the Island.

Postal operators across the globe believe that structural changes to the communications market and mail volumes are permanent, brought about by the recession and increasing customer choice as a result of alternative media and technology, and will not be reversed as the global recession subsides. In 2009, Jersey Post experienced a 13% decline in traditional mail volumes

and, whilst the rate of decline in traditional mailings is likely to slow down as the recession abates, the actual declining trend will nonetheless continue, driven by changing customer behaviour and the "e" revolution.

The upside of the "e" revolution for our business is of course the continuing explosion in consumers switching to online shopping and the resultant growth in the packet and parcel export and delivery markets on the Island.

Still at the core of growth in bulk export mail from the Island is the Low Value Consignment Relief (LVCR) for goods sold under £18 imported into the European Union. Whilst LVCR is a sensitive political issue in the UK, it is managed rigorously through government policy on the Island, and the locally-based online retail and fulfilment industry continues to grow with our support in providing competitive and quality delivery solutions in the UK and Europe. We are also working much closer with our customers supporting the diversification of their customer and product base, particularly into European markets.

Mail Volume Trends

Letter mail volumes in the postal business saw a significant overall downturn of 13% (6.1 million items). This included a 14.6% (3.1 million items) reduction in inbound volumes from the UK, a 17.3% (1.8 million items) reduction in volumes posted from Jersey to the UK and international destinations, and a 6.3% (743,000

items) reduction in volumes posted in Jersey for delivery in Jersey.

The picture was a little better in the bulk mail and packet export market, where overall volumes increased by 5.4% (2.8 million items), albeit in 2008 growth in this sector was over 40% (14.1 million items) compared to the previous year.

However, the impact is dramatic. Declining traditional mail volume increases the loss we make on our USO, and the pressures on the bulk export sector mean that it can no longer be relied on to fund the USO, with its current scope as defined in the Class II Public Postal Operator's Licence issued by the JCRA. Unfortunately, we have very little resilience over these trends, while the increasing competitive pressure on the online retail and fulfilment sector from other jurisdictions remains a concern. →

2009 Volume of Mail Overview



94.1m

OVERALL VOLUME OF MAIL for 2009
3.6% (3.5 million items) down on 2008

“An unprecedented decline in traditional mail volumes and significantly lower growth in bulk packet mailings from the fulfilment sector”



During 2009, the overall volume of mail, letters, packets and parcels handled by Jersey Post was 94.1 million; 3.6% (3.5 million items) down on 2008 volumes.

Included in that overall volume was 30.3 million items delivered locally (18.5 million received from the UK, and 11.8 million posted locally) and 9 million items (non-bulk) dispatched to the UK and the rest of the world, through Postal Services based at Rue des Pres.

In addition, 54.2 million items were dispatched to the UK and rest of the world through our bulk export operation, J logistics, based at Elizabeth Harbour.

Financial Performance

In 2009, the group's profit before tax fell significantly to £0.9m (£6.0m in 2008). A number of different factors contributed to this dramatic reduction, the key ones being:

- Profit margins were further eroded as competitive pressures increased. The choice was simple - retain the business for the Island's economy or see customers relocate their business and operations to other jurisdictions such as Switzerland;
- Absorption of Royal Mail price increases of 15%;
- An unprecedented decline in traditional mail volumes and significantly lower growth in bulk packet mailings from the fulfilment sector;

- £1.6 million investment in JPID for diversification and future business growth; and
- Lower bank interest rates producing £1m less interest receivable than in 2008.

The profit after tax for the year ending December 2009 was £0.2m, (2008: £5.4m). Group cash balances are held with major banks and amounted to £23.7m at the year end, of which £9.2m was paid to Royal Mail on 31 March 2010 and a further £5m has been set aside to meet contingent pension commitments.

Postal prices were increased by 3% in 2009 - market pressure dictated the modest increases as trading conditions toughened in the face of competition from alternative technologies, and other jurisdictions, such as Switzerland, that are aggressively marketing third-party fulfilment services from the country. Our prices remain both competitive and well below the price control revenue cap imposed by the JCRA.

Universal Service Obligation

During 2009, the Universal Service Obligation (USO), which is set out in Jersey Post's Class II Public Postal Operator's Licence issued by the JCRA, made a net loss of £5m.

We were able, with difficulty, to fund this loss from profits generated by our competitive services, most notably from the bulk mail export business, which services the online retail and fulfilment sector on the Island.

Its licence requires Jersey Post to commit to certain levels and quality standards, in exchange for the "privilege" of having a degree of monopoly that is regulated by having a "licensable" area.

Prices are controlled within that area by the JCRA, which also has the freedom to issue licences to other operators, notwithstanding economic pressures within the postal market in Jersey changing fundamentally since the licence was first issued to Jersey Post in 2006.

The reality is that falling economies of scale in letter mail volumes, despite our achievement of year-on-year operational efficiencies, are turning what was once a profitable postal business into one that simply cannot sustain the existing scope of the USO and the continued growth on the Island in the number of delivery points it has to service.

Quality of Service

Our focus on the quality of services delivered to customers is an important one in a competitive environment, and one that our employees care passionately about. Improving that quality has been an annual objective for a number of years now, which is not just measured and monitored internally, but also measured by an independent UK-based research company against criteria set by the JCRA as part of its licensing regime. The key quality measures are time taken for a premium letter, from posting through to delivery, across five routes between Jersey, Guernsey and the UK. Internal efficiency is a key

control which also impacts on these results, as well as a number of other customer measures including the number and resolution of complaints and settlement of compensation.

Once again, 2009 saw already high standards maintained or improved in all areas and can be summarised below as:

- **End-to-end quality of service**
Jersey Post met all of its new (more stretching) end-to-end targets set by the JCRA and reported its highest quality results to date against these measures.
- **Internal efficiency (inward clear floor)**
Inward overall performance for 2009 was slightly above target, with overall achievement for the period of 98.39% against a target of 98%.
- **Internal efficiency (outward clear floor)**
Outward overall performance for 2009 performed above target, with an overall result for the period of 99.20% against a target of 98%.
- **Customer measures**
Across the three key areas measured - customer complaints, complaint resolution within a specified time, and settlement of compensation claims - performance was again ahead of targets. In addition, all internal targets in our customer services area were met. →

Diversification into New Markets

“JPID launched its first new initiative in ship2me.co.uk. This Web-based shopping portal enables Islanders to buy goods from UK-based online retailers.”



Our Customers

The focus on customer service quality and interaction remains a key priority for the business. This has been underpinned with the interim appointment of a Service Delivery Director to ensure the focus and drive is at the necessary strategic level within the organisation. With the added complexity and diversity of products Jersey Post group is offering, it is also essential we organise ourselves internally with the appropriate structure and skill sets to effectively manage customer relationships, product development, and sales, across a wide customer base. The delivery of this is a key priority for the new Service Delivery Director.

We have to recognise that it is essential that the group develops its own alternative technology-based solutions, as customers migrate to this for their communication needs. To that end, the group has also strengthened its resources in the sphere of technology to ensure that it is well-equipped to lead its customers into the “e-world”.

New Business - Diversification into New Markets

A lower cost logistics and delivery network was established in the second half of 2009 to ensure we were able to offer cost-effective solutions to both new and existing customers. The migration of existing business to the new network in 2009 allowed us to make compensating reductions in manpower and costs in the core postal business. This was possible because these products fall outside of the regulated market.

JPID launched its first new initiative in ship2me.co.uk. This Web-based shopping portal enables Islanders to buy goods from UK-based online retailers, including those who do not “sell or ship” to the Channel Islands. It features a single UK delivery address and a new distribution network to deliver the goods to Islanders’ homes and business. The initiative not only provides more choice to Islanders but also helps to grow new delivery volume across the business, and includes a network which extends our delivery capability into the Guernsey market.

Our entry into the telecommunications market at the end of 2009 began with the launch of me:mo, a pay-as-you-go service based on a Mobile Virtual Network Operator model, with our chosen supplier, Airtel-Vodafone.

For the group, entry into the telecommunications sector underpins its strategy to move into the wider communications market, managing the migration of physical communications from postal to alternative technologies.

“The group has strengthened its resources in the sphere of technology.”

Jersey Post Group – In the Community

Acknowledging our responsibility to the community and the environment in which we operate, with particular emphasis on families, youth, education and development, we endeavour to support local, charities and events, and do what we can to protect the future environment through our “green” policies

- Sponsorship**
- Island Games
 - Rock in the Park
 - Sark to Jersey Rowing Race
 - Portuguese Food Fair
 - Young Enterprise
 - Prison! Me! No! Way!
 - Art in the Frame
 - Société Jersiaise



- Charitable Support**
- Jersey Hospice Care
 - Mencap South Coast Challenge
 - The Brook
 - Headway
 - Help a Jersey Child
 - Jersey Cheshire Home
 - Comic Relief
 - Holidays for Heroes
 - Variety Club
 - Mission for Seafarers
 - Jersey Kidney Patients
 - Itex Walk

- Environment**
- We recycled ¾ tonne of cans
 - Introduced energy saving light bulbs
 - Sourced “green” materials
 - Trialled environmentally friendly diesel

“Key to successfully achieving that has been the development of a partnership model between the business and the Communication Workers Union (CWU).”

The Community, Businesses and Consumers

As a government-owned business, it is essential that, in deploying our strategy, we recognise the need to deliver value to the community in the broadest sense. We therefore seek to do so by:

- Fulfilling an important social responsibility by providing a sustainable postal infrastructure designed to ensure social inclusion for traditional mail users in an ever-expanding digital world;
- Providing healthy competition in local growth markets by diversifying into new business sectors, providing consumer choice and value; and
- Starting the less “e” enabled citizens on a journey toward the inevitable “e” communications world of the future.

In the longer term, with traditional communication channels and customer habits being transformed as the “e” revolution continues, the creation of the ‘virtual’ letter box and the need to develop access channels of the future to replace what is currently delivered through physical letter boxes is an essential one. If Jersey Post is to remain in the communications business of the future, it has to move into the “virtual”, or “e” space as businesses and consumers start to migrate from the use of traditional physical invoices, credit card statements, utility bills, appointments and greetings cards.

In our very dynamic marketplace, the only real future certainty is that the group’s identity and business model

will be very different to that of the past, as our customers embrace new technologies and the different ways of communicating and doing business. Part of our journey will inevitably lead to significant changes to the traditional postal model, which has historically been maintained in the absence of any real competition in the letter market from alternative communication solutions, or other operators.

Our People and Culture

In an organisation with over 400 employees, undergoing a transformation on the scale that Jersey Post has embarked on, it is essential that our people and the trade union that represents them join us on the journey. Key to successfully achieving that has been the development of a partnership model between the business and the Communication Workers Union (CWU).

“The changes facing us impact directly on people, whether we are changing roles or requiring new skills, or simply asking something different of individuals.”

This model is based on involvement and joint problem solving, from the development of strategic objectives and policy for the business, right through to operational process changes and redesign. The approach is supported with a defined set of principles and behaviours as a framework to work within.

During 2009, whilst the focus on establishing a new organisational structure and new set of behaviours to underpin it continued, other fundamental policy decisions necessary to secure the future of the business were also put in place. As a result of the prevailing economic climate and changes within our own business environment, the decision to control pay increases across the group for 2009 was taken.

To support the planned implementation of the “voluntary redundancy project” (VR project), which had been developed in partnership with the CWU, negotiations on a new Jersey Post group redundancy, early retirement and severance agreements were successfully concluded. The primary objectives of the VR project itself is to lower a very high fixed cost base through job redesign and the introduction of flexible working and the re-alignment of pay to market rates for particular skill sets and activities. This is aimed at keeping future prices competitive and retaining our market share of traditional letter mail business for as long as possible. These objectives will help protect the jobs associated with that business, and the Island’s postal service for the future, ensuring that both remain commercially viable and do not become a burden for the shareholder.

Cultural Shift

Culture and identity are an equal challenge facing the business. Transformation of our corporate world requires us to shape the relationships between the existing culture and structure and those of the new businesses. Employer branding is key to supporting the success of this transformation. Whilst a culture encouraging risk-taking and the development of entrepreneurial flair needed to be supported, we have had to be alert to the group impact, as it is here that dysfunctions between practices and traditional values could be most evident and therefore have the potential to negatively impact on employees, customers and shareholder.

The changes facing us impact directly on people, whether we are modifying roles, requiring new skills or simply asking something different of individuals. This puts pressure on the morale within the organisation at a time when we require maximum focus and performance. It is therefore true to say that the biggest challenge has been, and continues to be, to try and align the change initiatives in the context of an overall workforce plan over a period of time, dealing with it as expediently as possible whilst minimising the negative impact on our people. ■



Ian Carr
Managing Director Jersey Post Ltd
20th April 2010

Statement of Corporate Governance

“The Directors are committed to maintaining a high standard of Corporate Governance in accordance with the principles laid down in the Code.”

Introduction*

Jersey Post International Limited has a Memorandum of Understanding with the Treasury & Resources Minister. This requires the group to produce Financial Statements which include disclosures in accordance with the Combined Code of Corporate Governance issued by the Financial Reporting Council (“the Code”). 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 the relevant provisions of the Code during the financial year ended 31 December 2009, except for instances of non-compliance declared as part of this report.

The Board

The Board is chaired by Mike Liston who was appointed as Chairman on 12 June 2006 and reappointed for a further three-year term at the Company’s AGM held on 25 June 2009. During 2009, there were a number of changes to the Company’s Directors:

Clive Spears, who was appointed on 12 June 2006, resigned from the Board with effect from 21 October 2009. Clive Spears was the Senior Independent Non-Executive Director. The shareholder has immediate access to the Chairman, and in his absence, either of the two Managing Directors, and therefore the appointment of a new Senior Independent Non-Executive Director was not considered an immediate priority by the Board. This matter will be kept under review but we note that this is a requirement of the Combined Code.

On the recommendation of the Nomination Committee, the Board appointed two new Non-Executive Directors during the year: Chris Evans was appointed on 25 June 2009 and Donal Duff was appointed at the Board meeting on 27 November 2009, with his appointment commencing on 1 January 2010. Both new Non-Executive Directors have received a comprehensive induction programme.

The fourth Non-Executive Director is Paul Jackson, who was originally appointed on 12 June 2006 and reappointed for a further three-year term at the company’s AGM held on 19 June 2008. In accordance with the company’s Articles of Association, one Non-Executive Director is required to retire by rotation each year. 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. Accordingly Paul Jackson will retire by rotation and stand for re-election at the AGM on 12 May 2010. The Board considered this matter at its meeting on 20 April 2010 and agreed to recommend the re-appointment of Paul Jackson to the shareholder at the AGM. Paul Jackson has many years experience of the Postal industry and brings valuable knowledge and a UK/international dimension to the Board. The Chairman has confirmed to the Board that Paul Jackson’s performance continues to be effective and that he continues to demonstrate the commitment to the role which is required. The Executive Directors as at 31 December 2009 were Ian Carr (Managing Director, Postal Business – appointed to the Board on 6 April 2009), Gary Whipp (Managing Director, Jersey Post International Development Limited – appointed 24 August 2007 as a Non-Executive Director,

entered into a Contract for Consultancy Services with effect from 15 December 2008, and was formally transferred into his Executive Director role on 25 June 2009), Ian Ridgway (Finance Director – appointed 16 December 2005) and Julie Crabtree (HRD Director – appointed to the Board 6 April 2009).

John Pinel, (the previous Chief Executive) resigned with effect from 26 February 2009. Andrew Starkey (the previous Commercial Director) resigned with effect from 26 February 2009. The posts of Chief Executive and Commercial Director are no longer in place following the restructure of the Jersey Post group in April 2009.

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 accounts;
- Monitor performance against plans;
- Ensure the maintenance of a sound system of internal control and risk management;
- Ensure compliance with Anti Money Laundering Orders and other regulations issued by the Jersey Financial Services Commission (JFSC);
- Ensure obligations to the shareholder (the States of Jersey) are understood and met;

- Oversee the activities of the Executive Directors; and
- Ensure compliance with the Postal Services (Jersey) Law 2004.

The Board has delegated the day-to-day operation of the activities of the group to the Executive Directors. There is a clear division of responsibility between the Chairman and the Managing Directors which is set out in writing as well as a Schedule of Matters Reserved for the Board. Both documents are reviewed by the Board annually and updated if necessary. The last review was carried out at the Board’s meeting on 5 February 2010.

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 Managing Directors are responsible for formulating strategy and for its delivery once agreed by the Board. The Managing Directors, together with the other Executive Directors, create the framework of strategy, values, organisation and objectives which ensures the successful delivery of key targets, and allocate decision making and responsibilities to senior managers accordingly.

The Board held eight scheduled, minuted meetings during the financial year ending 31 December 2009. In addition, an informal Strategic Review workshop was held on →

* Information in this report is based on the full statutory annual report and financial statements



Number of Meetings Attended

	Main Board	Audit Committee	Remuneration Committee	Nomination Committee
	8 meetings	3 meetings	2 meetings	2 meetings
M Liston	8/8 (Chairman)	3/3	2/2	2/2 (Chairman)
C Spears (resigned 21.10.09)	6/6	2/2 (Chairman)	1/2	1/1
P Jackson	6/8	–	–	1/2
C Evans (appointed 25.06.09)	2/3	–	1/1 (Chairman from 25.06.09)	1/1
I Carr (appointed 06.04.09)*	8/8	–	–	–
G Whipp	8/8	–	1/1 (Chairman up to 25.06.09)	–
I Ridgway	7/8	–	–	–
J Crabtree (appointed 06.04.09)*	7/8	–	–	–
J Pinel (resigned 26.02.09)	1/1	–	–	–
A Starkey (resigned 26.02.09)	1/1	–	–	–

* Prior to their formal appointment to the Board, Ian Carr and Julie Crabtree attended meetings of the Board.

3 April 2009 at which the future structure of the group was discussed and agreed. An informal telephone meeting was held on 2 December 2009 to review the 2010-2012 group financial forecast. 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.

The Company also has an Investment Committee that meets on an ad hoc basis, often via telephone meetings. In 2009, the Investment Committee only held one formal meeting, on 10 August 2009, which was attended by Mike Liston (Chairman), Clive Spears, Paul Jackson, and Ian Carr.

The results of this questionnaire were summarised in a written report which was reviewed by the Board at an informal workshop held on 4 February 2010. The Chairman and the Non-Executive Directors hold informal meetings without the Executive Directors being present.

The performance of the Executive Directors is assessed by the Remuneration Committee. During 2009, 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 considered by the full Board at its informal meeting on 4 February 2010.

Audit Committee

The Audit Committee is appointed by the Board from the Non-Executive Directors. In 2009, prior to his resignation on 21 October 2009, the Audit Committee was chaired by Clive Spears with Mike Liston as a member. From 1 January 2010 Donal Duff, a qualified Chartered Accountant and experienced ex Director of Finance, has been appointed as the Chairman of the Audit Committee.

The external auditors (Deloitte LLP), the Finance Director and the Business Risk Assurance Manager also attend the meetings by invitation. During the financial year ending 31 December 2009 the Audit Committee met three times. During the period between Clive Spears resignation and Donal Duff's appointment the Audit Committee met once on 6 November 2009. This meeting was attended by Mike Liston only and was therefore not quorate. →

Director Independence

The Board considered that all the Non-Executive Directors were independent during the financial year ending 31 December 2009, with the exception of Gary Whipp between the period 1 January 2009 and 25 June 2009 due to the consultancy services he provided to the Company. With effect from 25 June 2009, Gary Whipp became an Executive Director.

Performance Evaluation

In December 2009, on behalf of the Chairman, the Company Secretary circulated a Board evaluation questionnaire to all Board members for completion.

¹ The Code allows for smaller companies to have Audit Committees comprising two members. The Board continues to keep the membership of the Audit Committee under review and may appoint a third member if a fifth Non-Executive Director is appointed to the Board.



“The Audit Committee has terms of reference which include all matters indicated by the Combined Code and are subject to annual review.”

Responsibilities re External Audit

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 at least four weeks prior to the meeting.

New Audit Committee members are provided with induction training and all Committee members receive ongoing training on at least an annual basis. Ongoing 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 6 November 2009. 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 group.

The Audit Committee has terms of reference which include all matters indicated by the Combined Code and are subject to annual review. The Audit Committee gains its assurance about the effectiveness of internal controls from both the external auditors and Business Risk Assurance Manager via the following specific responsibilities:

- Recommend the appointment of the external auditors, the audit fee and any questions of resignation or dismissal of the external auditors. To make appropriate recommendations through the Board to the shareholder to consider at the AGM.
- Discuss with the external auditors each year, in advance of the audit commencing, the nature and scope of the work they propose to undertake and ensure co-ordination with Internal Audit.
- Discuss with the external auditor their quality control procedures and steps taken by the auditor to respond to changes in regulatory and other requirements.
- Review the independence and objectivity of the external auditors, ensuring that key audit personnel are rotated at appropriate intervals. The external auditors' independence is reviewed both at the presentation of their annual plan to the Audit Committee in the autumn and as part of the Audit Committee's review of the Management Letter in the Spring. The Audit Committee has an approved, documented policy on the provision and approval of non-audit services provided by the external auditor. Compliance with this policy is continuously reviewed and the nature of any non-audit assignments are challenged to ensure that independence is not compromised.
- Review the effectiveness of the audit process.
- Approve and oversee compliance with the policy for the external auditor undertaking any non-audit

“The Committee is charged with responsibility for reviewing strategic processes.”

engagement and the associated fees for such assignments to ensure the non-audit services will not impair the external auditors' independence or objectivity.

- Review the annual financial statements, based on information supplied by the Executive Directors and the external auditors, before submission to the Board, reviewing and challenging particularly:

- >> Critical accounting policies and practices and any changes in them.
- >> Decisions requiring a major element of judgment.
- >> The extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed.
- >> The clarity of disclosures.
- >> Significant adjustments resulting from the audit.
- >> The going concern assumption.
- >> Compliance with accounting standards.
- >> Compliance with legal, regulatory and Corporate Governance requirements.

² Internal Audit is directed and provided by the Business Risk Assurance Manager.

- >> Reviewing the Statement of Corporate Governance prior to endorsement by the Board and the policies and process for identifying and assessing business risks and the management of those risks by the company.

- >> To consider other topics, as defined by the Board.

- Discuss any problems and/or reservations arising from interim and final audits and any matters the external auditor may wish to discuss, in the absence of the Executive where necessary.
- Review the external auditor's management letter of recommendation and management's response.

Responsibilities re Internal Audit²

- To receive and approve Internal Audit's annual Audit Plan and satisfy itself that Internal Audit is properly resourced and skilled to implement the plan.
- To receive progress reports detailing internal audits undertaken during the period under review, progress against the plan and any concerns that Internal Audit wishes to bring to the attention of the Audit Committee.
- To satisfy itself that where control weaknesses are identified by Internal Audit, appropriate remedial action is undertaken by management in a timely manner.
- To consider management's response to any major internal audit recommendations. →

Statement of Corporate Governance

- To commission Internal Audit to undertake specific assignments where deemed necessary by the Committee.
- To approve the appointment or dismissal of the Business Risk Assurance Manager.
- To review management's and the internal auditor's reports on the effectiveness of systems for internal control, financial reporting and risk management.

The Audit Committee undertakes an annual review of the group's risk management policy and in particular the financial thresholds used to evaluate the impact of risks to ensure these remain appropriate.

The Audit Committee also reviews the company's procedures for handling reports from whistleblowers. The Committee will receive annual reports on any concerns which are raised and the action taken to address these. In the case of any serious issues of financial impropriety, the Audit Committee will be briefed as soon as possible following the reporting of the concern and will review the action management is taking to investigate the issue.

The Company also has a Notifiable Events reporting process to ensure that any significant compliance breaches or incidents (including Anti Money Laundering) are reported to the Audit Committee Chairman as well as the relevant Executive Directors.

Nomination Committee

The Nomination Committee is chaired by Mike Liston. Until his resignation on 21 October 2009, Clive Spears was a member together with Paul Jackson. John Pinel was also a member until his resignation on 26 February 2009. Clive Spears was replaced by Chris Evans with effect from 21 October 2009 and Donal Duff joined the Committee from 1 January 2010.

The Nomination Committee met twice during 2009 in order to consider the appointments of the two new Non-Executive Directors. Recruitment consultants were used to facilitate the appointment of Donal Duff, with interviews of prospective candidates being held by the Nomination Committee with the Managing Director – Postal Business also in attendance.

Chris Evans was identified by the Chairman as having a skills set required by the Board, in particular with his extensive knowledge and experience of Information Technology solutions. The Nomination Committee were unanimously in support of the appointments of both Chris Evans and Donal Duff. The terms of reference of the Nomination Committee are approved by the Board and reviewed annually.

The last reviews were undertaken at the Board's meetings on 29 May 2009 and more recently on 5 February 2010. The terms of reference of the Nomination Committee are available upon request. The Nomination Committee has not carried out a performance evaluation for 2009 as this was not considered necessary. The performance evaluation questionnaire for the board addressed issues of board skills, experience and future requirements.

Remuneration Committee

In 2009, the Remuneration Committee was chaired by Gary Whipp up to 25 June 2009 and following this by Chris Evans. Mike Liston has been a member throughout the year and Clive Spears was a member until his resignation on 21 October 2009. Donal Duff joined the Committee from 1 January 2010. During the financial year ending 31 December 2009 the Remuneration Committee met twice. 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, including the Company Secretary.

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. The Remuneration Committee undertook a self assessment exercise via the use of a questionnaire which was reviewed at its meeting on 4 February 2010.

The remuneration of the Directors of the JPIL group of companies for the financial year ended 31 December 2009 is set out opposite. Gary Whipp was a Non-Executive director up to the 25 June 2009 and received fees of £7,000 (2008: £15,000). During 2009 he also received consultancy fees of £177,000 (2008: £nil), Gary Whipp ceased his consultancy arrangements with the Group on the 3 June 2010, following his resignation as an interim Executive Director on 12 May 2010.

The Board has not complied with Principle B1.4 of the Code as the remuneration received by Gary Whipp in his role as Director on the Boards of various other companies has not been declared. The Board is satisfied that all its Directors have declared all their business interests, that no conflicts of interest have arisen and that the additional positions held by Gary Whipp have not impacted on his ability to perform his role as an interim Executive Director of the company. During 2008 and 2009 Gary Whipp received consultancy and other 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 is responsible for reviewing the effectiveness of the systems of internal control across the group. The Board acknowledges that a system of internal control is designed to manage rather than 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 group's system of internal control in 2009 via the following key procedures:

Risk Management

The group has a Risk Register which details and assesses all the significant risks facing the group. Risk reports are submitted to each meeting of the Board. 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.

The Risk Management Policy is subject to annual review to ensure that the group's risk management processes are in line with best practice. There is an ongoing process for identifying, evaluating and managing the significant risks faced by the group and this is facilitated by the Business Risk Assurance Manager working with the Executive Directors. This process of continual review has been in place for the duration of 2009 and the period up to the date of the approval of the annual report and accounts. These significant, strategic risks, are reported to each formal meeting of the Board and the Board reviews the action which is being taken to manage these risks. This is wholly in accordance with the group's Risk Management Policy.

Business Risk Assurance

The Business Risk Assurance Manager co-ordinates and facilitates the risk management processes, compiles the risk reports for the Board and Executive Directors and undertakes internal audits to provide independent assurance to the Board via the Audit Committee that risk is being adequately 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.

Management Structure

Responsibility for operating the systems of internal control is delegated to management and directed and overseen by the Executive Directors who hold regular (at least monthly) Executive Management Team meetings.

Human Resources

The group 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.

Salaried Directors' Remuneration 2009

	Salary/Fees £'000	Bonuses £'000	Benefit in Kind £'000	2009 Total £'000	2008 Total £'000
Executive Directors					
I Carr (appointed 06.04.09)	133	29	17	179	153
I Ridgway	128	15	19	162	154
J Crabtree (appointed 06.04.09)	123	25	17	165	140
J Pinel (resigned 26.02.09)	123	–	17	140	185
A Starkey (resigned 26.02.09)	47	–	2	49	112
Non-Executives					
M Liston	40	–	–	40	36
P Jackson	21	–	–	21	23
C Evans (from 25.06.09)	6	–	–	6	–
C Spears (to 21.10.09)	17	–	–	17	20

Consolidated Profit and Loss Account

Year Ended 31 December 2009

	2009 £'000	2008 £'000
Turnover	64,930	63,753
Cost of sales	(59,222)	(54,292)
Gross profit	5,708	9,461
Administrative expenses		
Redundancy costs	(254)	–
Other administration expenses	(4,524)	(5,124)
Operating profit	930	4,337
Interest receivable	187	1,251
Finance (expense)/income	(166)	375
Profit before taxation	951	5,963
Taxation	(720)	(523)
Profit after taxation	231	5,440

The above results are derived from continuing activities.

Consolidated Statement of Total Recognised Gains and Losses

Year Ended 31 December 2009

	2009 £'000	2008 £'000
Profit for the year	231	5,440
Actuarial gain/(loss) in respect of the pension schemes	421	(4,703)
Reduction in pension surplus due to amendment to FRS 17	–	(50)
Deferred tax asset de-recognised/movement in deferred tax	(1,468)	951
Total recognised losses and gains for the year	(816)	1,638

Consolidated Balance Sheet

As at 31 December 2009

	2009 £'000	2008 £'000
Fixed assets		
Tangible assets	8,958	8,702
Current assets		
Deferred tax	–	1,688
Stock	260	192
Debtors	9,679	11,393
Cash at bank and in hand	23,719	13,099
	33,658	26,372
Creditors		
Amounts falling due within one year	(20,563)	(11,109)
Net current assets	13,095	15,263
Total assets less current liabilities	22,053	23,965
Pension Deficit	(4,057)	(3,373)
Net assets	17,996	20,592
Represented by:		
Ordinary share capital	5,000	5,000
Profit and loss account reserve	12,996	15,592
Shareholder's funds	17,996	20,592

The financial statements were approved by the Board of Directors of Jersey Post International Limited on 20 April 2010 and were signed on their behalf by:



Ian Carr
Managing Director
(Postal Business)



Ian Ridgway
Finance Director

Consolidated Cash Flow Statement

Year Ended 31 December 2009

	2009 £'000	2008 £'000
Net cash inflow/(outflow) from operating activities	13,856	(714)
Returns on investments and servicing of finance		
Interest payable	–	(82)
Interest received	187	1,251
Net cash inflow from returns on investments and servicing of finance	187	1,169
Taxation	(334)	(926)
Capital expenditure		
Net purchase of tangible fixed assets	(1,304)	(815)
Net cash outflow from capital expenditure	(1,304)	(815)
Net cash inflow/(outflow) before management of liquid resources & financing	12,405	(1,286)
Management of liquid resources	–	13,723
Financing		
Repayment of loan from States of Jersey	–	(3,200)
Dividends paid	(1,780)	–
Increase in cash in the year	10,625	9,237
Increase in cash	10,620	9,231
Decrease in overdraft	5	6
Cash movement	10,625	9,237

