An Post Annual Report 2019

an post

For your world

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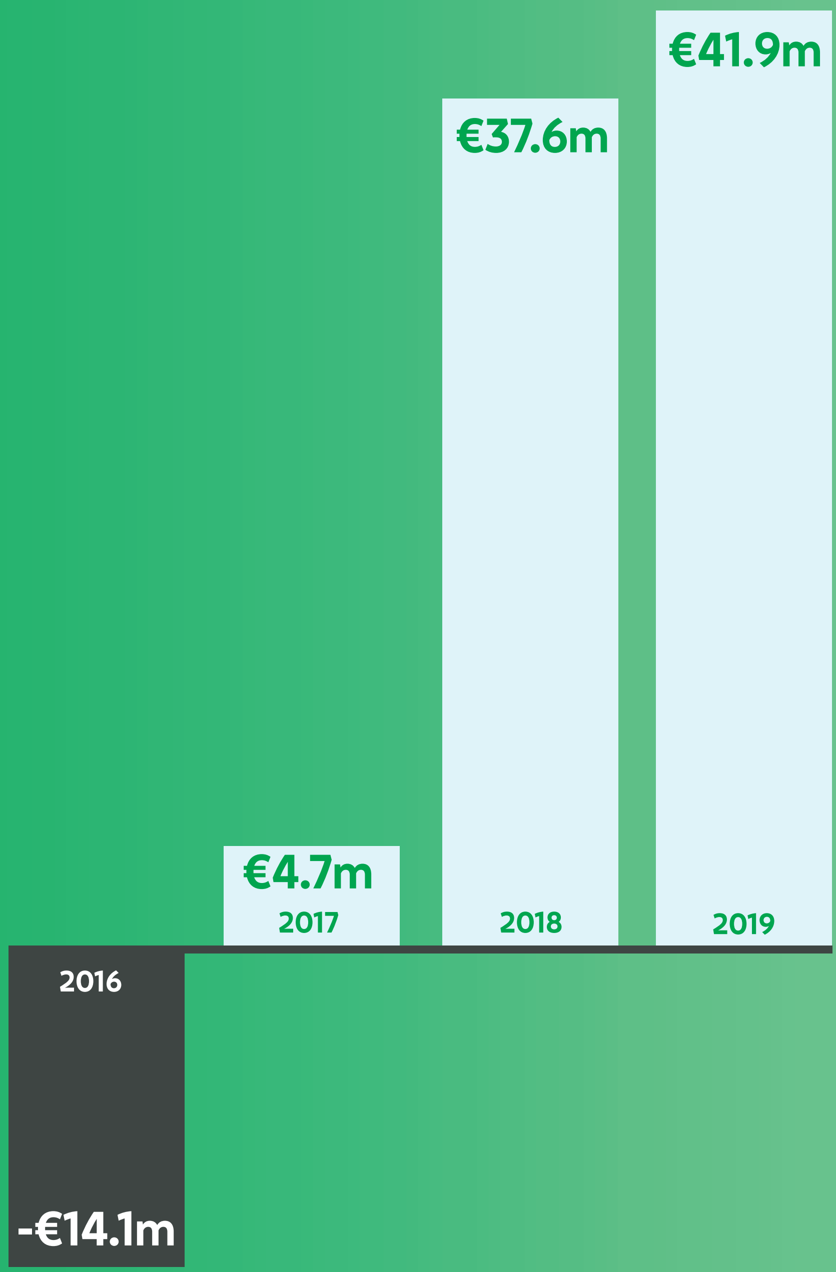
Strategy Delivering Results



See Consolidated Income Statement on Page 27 for 2019 and 2018 results. Prior years detailed on page 82.

€892m

Revenue for year ended 31 December 2019

€41.9m

Profit before transformation costs, one off items, net finance costs and taxation

€143m

Unrestricted cash at 31 December 2019

99%

Funded Pension Scheme as at 31 December 2019

30%

Parcels Volume Up in 2019

96.7%

Quality of Service in 2019

Chairperson's Introduction

I am pleased to report profits of €41.9m for An Post. The results are testimony to the merit of the Strategy and the direction the Board and Management have taken the Company.

The achievements set out in this Annual Report have been enabled by the clear Strategy established and the Management drive to implement this. The profits of €41.9m will be used to ensure An Post has a sustainable financial position and allow it to provide the products and services that the economy requires and that the population can now enjoy. We have a very positive working relationship with staff in the organisation thus enabling these achievements.

In 2020 the Group will build on what has been established, new and enhanced services for Mails and Parcels and new product offerings in Financial Services will be brought to the market. These developments will further enhance the ability of the Group to ensure a secure financial future.

The cash position of the Group shows continued improvement. This allows for stability and facilitates management in building a sustainable business. The Group cash position stands at €143m at 31 December 2019. In the year the Group signed a finance contract with the European Investment Bank for €40m and at 31 December 2019 had drawn down €10m of this facility. It is an endorsement of the Strategy of the Group that it has attracted support from such a source.

I want to thank the CEO and his management team, the staff and unions and my fellow Board members who serve the Group so well. I want also to acknowledge the contributions Mr Ed Murray and Ms Jennifer Loftus who completed their terms of office in March 2019. I welcome Mr Kieran Mulvey who joined the Board in September 2019 and look forward to his and the contributions of all Board members in 2020.

I wish to thank the Minister for Communications, Climate Action and Environment, Richard Bruton T.D., and the officials in the Department and NewERA for their assistance and support during 2019.

In the very recent past, the nation of Ireland has started to deal with the challenging consequences of the Covid-19 outbreak. The management team supported by the Board are implementing plans to deal with this unprecedented international incident. Health and safety is our priority and we will endeavour to support the nation in any aspect of daily life where we can play a part. We will do all in our practical capacity for staff, customers and the nation as a whole.

Dermot Divilly
Chairperson

Board of Directors

1. **Dermot Divilly**
   Chairperson
2. **Noel Adamson**
3. **Carol Bolger**
4. **Deirdre Burns**
5. **Peter Coyne**
6. **Thomas Devlin**
7. **Pádraig McNamara**
8. **David McRedmond**
   Chief Executive Officer
9. **William Mooney**
10. **Kieran Mulvey**
11. **Martina O'Connell**
12. **Mary O'Donovan**
13. **Niall Phelan**
14. **James Wrynn**
15. **Paula Butler**
    Company Secretary

Chief Executive's Statement

An Post has a central role in Irish life and the economy, it is transitioning from an old mails world to a new world of e-commerce and is increasingly adding new product and service offerings for the public. My team and all of our great staff have a clear Strategy and are delivering significant transformation:

- Revenue grew by 2.0%, placing An Post amongst the best performing postal services in Europe.
- Profits grew to €41.9m, a sustainable profit trend for the business;

While the financial success is greatly welcome, the work done in our organisation has been much deeper than generating short term profits. In implementing the strategy, the management team have;

- negotiated a complex and difficult solution to consolidate the Post Office Network and created a whole new suite of financial services to benefit communities across the State;
- reached agreement with its Unions to reform its service standards, including extending deliveries to 6 days a week which allowed An Post to compete in the e-commerce market;
- designed and built a major parcel automation centre which opened in October 2019 and led to a flawless "peak" season at Christmas, which its largest customer Amazon said was the best news from Europe that it was sending to Seattle [Amazon HQ];
- opened up (with great difficulty) international postal agreements which had previously been considered closed, to ensure that An Post got properly remunerated by foreign postal services for delivering mail;
- developed a digital platform which has revolutionised the customer experience for consumers across the State, ensuring the same access to goods in Ballina as in Boston or Berlin;
- become the leader in Electric Vehicles, ensuring zero emissions in the City Centre of Dublin by the early 2020, and well on track to guaranteeing zero emissions in all cities across Ireland by the end of 2020;
- strengthened its cash and balance sheet by securing a €40m loan from the European Investment Bank, and successfully executing the sale of the One4All gift voucher business, resulting in a profit to An Post of €40m;
- effectively relaunched the whole business through a complete re-purposing of the brand "acting for the common good, now and for generations to come", reinforced through a highly successful rebranding.

These are the achievements that I reflect on with the most pride, but there is always more to do in this fast changing world, and we must continue to change at a faster pace than those around us.

The challenge now for the Company is to be sustainable in the long term. We must maintain the pressure to improve the core economics, find growth where we can, and become more efficient elsewhere. Our investment in both capital and operating expenditure is being switched to the new world.

Our purpose is clear: We express our commitment by focusing on the UN Sustainable Development Goals which are core to our industry:

Decent work: no to zero hour contracts, the excesses of the gig economy and rigid hierarchical structures; yes to great employment, and an efficient and flexible organisation, which is inclusive and diverse. A strategy to transform for the new world we operate in requires a contemporary culture reflecting our customer base and societal change.

Sustainable cities and communities: present in every community and delivering to every home. This is expressed in our commitment to have a post office in every community of over 500 people. An Post aims to be a force for good, expressed through our programmes from literacy to addresses for homeless citizens.

An Post is a trusted intermediary for all citizens and businesses to navigate the potential and benefits of the new world.

Climate change: as the operator of the largest nationwide fleet we have made a leading commitment to reducing carbon emissions and switch to renewable electric vehicles. We have only electric vehicles for delivery in the City Centre of Dublin. We aim to reduce carbon emissions by 50% by 2030, and completely by 2050.

Innovation and Partnerships: Partnership is the ingredient for An Post's recovery: with our board, with our unions, especially the CWU, with the IPU, with our unique shareholder Government, and with the best technology and strategy partners, who innovate and bring world class skills to our Company.

Responsible Consumption and Production: As a major Irish company, minimising environmental and social impact of activities and supply chain, training staff to ensure responsible buying and tender procedures and including Sustainability in evaluation scoring for all tenders.

The consolidation of the post office network has assured the widest possible distribution across the State with an ever-improving network. While we are rolling out more financial services and e-commerce across the post office network, we need to match this progress with a full range of Government services. Citizens should be able to conduct most of their government interactions through the Post Office.

Our optimism is strong for the future, and the agenda for 2020 is every bit as ambitious as 2019:

- A focus on delivering our brand promise for customers
- A revitalised post office network, and the expansion of An Post Money
- The best e-commerce service, in and out of home, backed by automation
- A transformed HQ
- Digital transformation making our products and services more accessible and improving our efficiency
- Buy-in amongst stakeholders to a long-term strategy and culture change.

However, in the short term, the Group is dealing with the implications of the Covid-19 outbreak and the impact it is having on the entire nation. We have clearly laid out two objectives: first, to look after the health of our employees and customers, and second to keep both of our networks open. By the time of this report I am pleased to say we have had fewer cases of Covid than anticipated; and both networks have operated at almost 100% capacity, to the extraordinary credit of An Post's staff, management, the Unions and the Board.

This period is also a time to focus on An Post's role as a public service, more than as a business. The balance sheet is strong enough to cope with the expected major financial impact. All efforts now are on recovery and accelerating the transformation agenda. We will continue to act for the common good and play our part in what is a very difficult time.

An Post is a trusted intermediary for all citizens and businesses to navigate the potential and benefits of the new world. This while all the time remembering the importance of human connections. All e-commerce ends in a physical transaction, and the best money services and government interactions have a real human dimension.

We will achieve excellence as we move forward. This will equip us to deal with the headwinds of mail decline from e-substitution and the development of a cashless society threatening the viability of the Post Office network.

The global forces of digitalisation have shaken the postal sector business to its core. It has taken a superhuman effort to deliver the recovery and it will take more again to develop sustainability. But no one will fault us for effort and imagination as we deliver now and for generations to come.

David McRedmond
Chief Executive Officer

Financial Review

	2019 €m	2018 €m
Profit (before transformation costs, one off items, net finance costs and taxation)	**41.9**	**37.6**
Transformation costs	(15.3)	(14.0)
Other Income: Profit on disposal of subsidiaries	40.0	-
Profit (before taxation)	**66.3**	**26.8**
Revenue	892.1	897.0
Net assets (before pension liability)	308.4	251.9

The results set out above reflect the transformation of the financial position of the Group. The profit of €41.9m represents a real change from the equivalent result in 2016, which was a loss of €14.1m.

The year benefitted from the finalisation of the disposal of the One4All Gift voucher business and the overall profit figure of €66.3m is an excellent achievement and an endorsement of the strategy being pursued.

Revenue

Group revenue in the year was €892.1m. This is an increase of 2.0% over 2018 revenue (on a comparable basis, adjusting for the impact of the Gift Voucher Shop disposal). The strong performance in the revenue line was driven by significantly increased packets and parcel volumes, price adjustments and the volumes generated from elections and referenda offset by the impact of the decline in volume of traditional mail.

Traditional mail volume continued to decline over the year. The full year decline in 2019 versus 2018 was 6.3%. Similar rates of decline are being recorded across the postal sector internationally (Royal Mail are forcasting a decline rate of circa 8% in the current year). In the absence of remedial action, the financial cost of this decline in traditional volumes was €25m in the financial year 2019. It is very significant to grow the revenue from parcels and new services to such an extent to actually achieve an overall growth in comparable income of €17.6m.

The basic price of a stamp was retained at €1 euro for a third year in a row.

Costs

Group operating costs before transformation costs were €853m. There is a reduction in the annual usage of Full Time Equivalents (FTE's) due to the re-alignment of labour hours to adjust to the decline in traditional mails volumes. There were some additional costs in the year such as labour inflation costs and additional costs of servicing the significantly increased packets and parcels volumes.

The increases in non pay costs reflect costs of additional activity in both the Company and its subsidiaries, costs associated with the implementation of the Strategic Plan, investment in the brand, as well as some general price inflation.

Transformation costs of €15.3m were incurred in the year, as the process of reforming the Group continued. The long term one-off costs associated with the Post Office change, i.e. payments to sign up to new contracts and severance for Postmasters are classified as Transformation Costs. These costs amounted to €9.8m in 2019.

The business continues to optimise the Mails and Parcels operating model. As a result of the continued decline in traditional mail volumes, a decision was taken in June 2019 to close the Cork Mails Centre. The closure while in process at 31 December 2019 will be completed by the end of March 2020. A provision for restructuring costs of €5.5m has been made in the 2019 financial statements in relation to the closure and these costs are included as Transformation Costs.

Profit on disposal of Subsidiaries

At the end of January 2019, the One4All Gift Voucher Shop group was sold to Blackhawk Network, a global financial technology company in a deal which valued the An Post shareholding in One4All voucher business at €54m. A profit on the sale of the subsidiaries of €40m has been recognised in 2019.

This transaction was a very significant strategic decision for the Group. The price achieved reflected the added value that An Post had made to the business in the period it was in the ownership of the One4all voucher business. There are and will continue to be growth opportunities for other products in the Post Office suite and the success of this transaction will prove a test case for other innovative developments going forward. The funds raised will be applied to the Strategy for the Group and assist in building new product and service offerings going forward.

The sale of Precision Marketing Information Limited, a relatively small subsidiary, which provided marketing data, database services and business directories was completed in March 2019.

Subsidiaries and Investments

An Post Insurance and Air Business, our UK subsidiary, performed strongly during the year. An Post continues to hold its 10.7% shareholding in Premier Lotteries Ireland, the operator of the National Lottery licence for a period of 20 years up to 2034. The investment is currently valued at €36.9m and it continues to generate results and cash flow in line with our expectations.

Balance Sheet

The Group owned cash at 31 December 2019 is €143m. This balance was €115m at 31 December 2018.

The deficit on the Pension Fund at 31 December 2019 has reduced to €28m. This compares with €48m at the end of 2018. There are 17,300 members of the pension scheme. The Pension Fund had assets under its control of €3,538m at 31 December 2019 with associated actuarially valued liabilities of €3,566m at the same date. The assets of the Pension Fund increased by €474m during 2019. This increase in asset values was matched by a €454m increase in actuarially valued liabilities as a consequence of the decline in the discount rate (2.1% at 2018 compared with 1.35% at 2019) used to measure scheme liabilities.

The European Investment Bank, (EIB), have entered a finance contract with An Post for the provision of a loan facility of €40m to support the implementation of a number of the projects underpinning the Strategic Plan. This relationship is very welcome for the Group and enhances the financial strength being built to support the implementation of the Strategy going forward. In December the Company drew down the first €10m of the agreed €40m loan facility from the EIB.

As part of the finance structure the Group also has a €30m Government Loan on the balance sheet at the year end.

The Group adopted IFRS 16 Leases on 1 January 2019, and the balance sheet now reflects the large number of operating leases the Group holds in respect of properties and vehicles. As a result of adopting the standard, the Group has recognised Right of Use Assets of €93m on the year end balance sheet with corresponding associated lease liabilities of €95m. It also had the impact of reducing profits in the Group by €1.3m in the year because at the beginning of the lease term, the interest charge is higher than towards the end of the lease term. Over the life of any lease, there is no impact on the profit. The new accounting standard provides enhanced financial information on the large number of leased assets that are used by the business.

Conclusion

The financial results for 2019 are very positive and mark the third year of profitability for the Group. This, along, with the disposal of assets and the sourcing of significant long term funding has enabled the Group to accumulate resources to execute the strategic direction and rationalisation programme. This refocusing of the Group and the continued implementation of the rationalisation programme will ensure the continued success of the business.

Peter Quinn
Chief Financial Officer

Mails and Parcels Review

Revenue

The Mails and Parcels business had revenue of €614.4m in 2019 compared with €595.8m in 2018.

This growth in revenue is very welcome and allows the Mails and Parcels business to invest in improvements. It is also an endorsement from the customer base for our dedication to Quality of Service and the addition of added value services.

Parcels

The strategy of targeting increased market share in the parcel sector has been a success with the business experiencing significant revenue growth from existing and new customers. 2019 saw better than expected growth in the parcels business. This resulted in additional contract parcel revenues of 30%. The peak parcel period from November to December exceeded expectations resulting in our busiest Christmas period to date for parcels.

Traditional Mail

The decline in traditional mails volumes continued in 2019, the rate of decline this year at 6.3% was broadly similar albeit a little lower to that experienced in 2018 when the decline was 8%. Special occasion mailings like our Christmas campaign, and some special 'mail moments' such as Valentine's Day were very well supported.

Pricing

Pricing is an important aspect of the Mails and Parcels sector. Extensive customer and market research informs the pricing policy for the Group. We are very satisfied that we have made appropriate pricing decisions and implemented them effectively.

There have been significant plans made during 2019 that will manifest in the operation in 2020. Firstly, the implementation of the parcel automation programme will significantly increase the processing capabilities. This commenced in quarter 4 of 2019 and there is a second automated packet machine going into operation in Quarter 2, 2020. Secondly, our final mile delivery efficiencies will allow the operation to continue to grow the parcel business while at the same time right size the operation in line with traditional mail volume decline.

The An Post Commerce brand is providing the Mails and Parcels business with a platform to grow in our key markets of parcels, mails and mail media.

Operating Model

There is ongoing change in our operational model. We have expanded our services to include Saturday delivery, our customer experience is being enhanced with digital and technology improvements in our communications. We expanded our fleet last year to over 3,200 vehicles in order to provide an enhanced parcel delivery experience for our customers.

Sustainabilty

Sustainability and the various improvements that will be required from business in the future is a significant influencer for our Mails and Parcels business. In this respect we are now doing all our deliveries between the canals in Dublin in Electric Vehicles and we have plans to bring this to the other cities of Ireland in the near future.

Garrett Bridgeman
Managing Director
An Post Mails and Parcels

€614.4m

€18.6m

Revenue up

2.312m

Delivery Points
Serviced Daily

30%

Parcel Volumes up

6.3%

Traditional Mails Decline

Retail Review

The strategy developed for the Retail business is to launch new products, mainly in the Financial Services area, to replace, in part, reduced revenues from other traditional streams such as social welfare transaction fees. Turnover in the Retail business was €162.9m in 2019 and grew from €159.6m in the prior year.

Financial Services

Our new brand 'An Post Money' was launched in March bringing together all our financial services products and propositions under one umbrella. Our 'Human about Money' brand purpose underpins how we engage with our customers by making our products and services fair and fast and putting customers in control of their finances.

The Retail business manages €21.2bn in State Savings on behalf of the National Treasury Management Agency (NTMA). The business continues to engage with the NTMA to improve the overall customer experience for State Savings customers.

Our FX Currency Card was launched in Quarter 1 with a total of ten major currencies available on one card. The product was enhanced in November when six additional currencies were added to the card. In July we provided additional foreign exchange cash services through our branch network.

Our consumer credit proposition with a market leading credit card offering and personal loans of up to €75,000 was brought to the market. To date An Post has achieved 15% of new credit card sales and is the leading provider of credit cards after AIB and Bank of Ireland. Our current account continues to add significant customer numbers with a 60% growth in 2019 versus 2018.

Network Transformation

The Post Office network consisted of 943 offices at the end of 2019, of which 45 are company operated and 898 are contractor operated. 60% of all Contract Post Offices are now co-located with other high footfall retail businesses. The Retail Transformation programme was further supported by the opening of four new Concept offices with open plan counters in 2019.

Government Services

The Retail business provides many services to Irish citizens on behalf of Government. The business continues to extensively engage with Government to improve the services that we currently offer and to highlight potential services that could be provided to Irish citizens.

Other Key Services

The Post Office Network also provides other services such as An Post Mobile and Gift Vouchers. Double digit growth in sales of Gift Vouchers sold through the Post Office network was achieved in 2019.

An Post Insurance

An Post Insurance (An Post's wholly owned insurance intermediary subsidiary) enjoyed a very successful year, growing its base of policy holders by 3.4%. Underpinning this success have been improved levels of price competitiveness for car and home insurance - allied with the transformation of the online customer quote and buy journeys on anpostinsurance.ie.

Debbie Byrne
Managing Director
An Post Retail

€162.9m

€3.3m

Revenue up

€21.2bn

State Savings Managed

€311m

FX Sales

€14bn

Transaction Value
at Counters

Report of the Directors

The Directors have pleasure in presenting the Directors' Report together with the audited financial statements of the Group for the year ended 31 December 2019.

1. The Group and its Principal Activities

The Group's principal activity is to operate the national postal service and the network of Post Offices. It also manages a number of commercial enterprises and has an investment in Premier Lotteries Ireland, the National Lottery operator.

2. Results

Details of the results for the year are set out in the consolidated income statement on page 27 and in the related notes to the financial statements. The directors did not pay an interim dividend (2018: Nil), and do not propose the payment of a final dividend for the year (2018: Nil).

3. Business Review

The profit before transformation costs, one off items, net finance costs and taxation of €41.9m compares very favourably with the equivalent profit of €37.6m in 2018. The review of business for the year is dealt with in greater detail in the Chief Executive Report (page 6) and the Financial Review (page 8).

In monitoring performance, the directors and management have regard to a range of key performance indicators (KPIs), including the following:

KPI	Performance in 2019	Performance in 2018
Operating result		
Profit before transformation costs, one off items, net finance costs and taxation	4.7%	4.2%
Staff costs as a percentage of total operating costs	58.8%	58.1%
Postmasters' costs as a percentage of total operating costs	7.7%	8.1%
Other operating costs as a percentage of total operating costs	33.5%	33.8%
Staff - Average Full Time Equivalents (FTE)		
Company	9,061	8,930
Subsidiaries	690	793
Group	9,751	9,723
Mails and parcel business		
Mails and parcel revenue	€614.4m	€595.8m
Core mail volumes decline	(6.3%)	(7.3%)
Retail business		
Social welfare transactions	29.5m	31.2m
Billpay transactions	16.0m	17.0m
TV licence sales	1.48m	1.48m
Investment Products - net fund inflow/(outflow)	€219.5m	(€189.8m)
Post Office Savings Bank - net fund inflow	€112.1m	€186.2m
Prize Bonds - net fund inflow	€239.6m	€245.1m
Customer Service		
Written complaints	31,357	30,214
Telephone enquiries	680,504	746,614

4. Principal Risks and Uncertainties

In accordance with the requirement to analyse the key risks and uncertainties facing the future development of the Group and Company, the following have been identified:

- Customs 2020, adverse e-Commerce impact
- Brexit; failure to agree a trade deal by the end of the Transitional Period
- Inflexible and Inefficient Cost Structure
- Industrial Relations not delivering sufficient pace of change
- Post Office Network - sustainability of individual post offices
- IT Business change support capability
- New entrant with high volume delivery capacity
- Sustainability - adverse impact on e-Commerce
- Funding of strategy impacted by legislative delay
- Organisational change capability
- Packets and Parcels delivery capacity
- Financial services regulatory compliance
- Coronavirus outbreak

The directors have analysed these and other risks and appropriate programmes are in place to manage and control these risks. The Corporate Governance Statement which is incorporated into the Directors' Report, sets out the policies and approach to risks and the related internal control procedures and responsibilities. The directors have also considered going concern as set out in note 1 to the financial statements.

5. Directors, Secretary and their Interests

Mr Ed Murray and Ms Jennifer Loftus completed their terms of office in March 2019. Mr Kieran Mulvey was appointed by the Minister to the Board on 16 September 2019. There were no other changes in the composition of the Board since the date of the previous report of the directors.

The directors and secretary who held office at 31 December 2019 had no interests in the shares, or the debentures of the Company or any Group company at any time during the financial year 2019.

6. Employees

The Group is an equal opportunities employer. All applications for employment are given full and fair consideration, due regard being given to the aptitude and ability of the individual and the requirements of the position concerned. All employees are treated on equal terms as regards training, career development and promotion. An Post is pleased to confirm that its employment of people with disabilities exceeds the target of 3% set under the Disabilities Act, 2005. The employment of people with disabilities for 2019 was 5.49%.

An Post is committed to ensuring the highest safety standards and safe practices for its employees, contractors and members of the public, through the prevention of injury, ill health and by applying the high standards which are detailed in the company's Safety Management System. This commitment is achieved through our compliance with the requirements of the Safety, Health and Welfare at Work Act 2005, the Safety Health and Welfare at Work (General Application) Regulations, 2007 (as amended) and all other relevant statutory provisions and codes of practice. In 2019, there were 1.6 lost time accidents per 100,000 hours worked, a 40% improvement on 2018 figures.

An Post successfully maintained its accreditation to the Occupational Health and Safety Management System Standard, OHSAS 18001:2007, and will transition to the new ISO 45001 safety standard during the first part of 2020. 2,920 employees attended specific safety training courses in 2019. 211 fleet drivers, participated in the risk-based 'Professional Driver' programme, and a further 508 HGV drivers completed professional driver CPC modules during the year. In addition, 483 drivers undertook E-vehicle familiarisation training. An Post is striving for excellence in this area and is continuing to increase awareness among employees and contractors of the necessity for the highest safety standards.

7. Prompt Payment of Accounts

The policy of An Post is to comply with the requirements of relevant prompt payment of accounts legislation. The Group's standard terms of credit taken, unless otherwise specified in contractual arrangements, are 30 days. Appropriate internal financial controls are in place, including clearly defined roles and responsibilities and monthly reporting and review of payment practices. These procedures provide reasonable but not absolute assurance against material non-compliance with the regulations.

Report of the Directors continued

8. Treasury Risk Management

The Group's treasury operations are managed in accordance with policies approved by the Board. The Group's financial instruments are limited to cash, term deposits and bank loans/overdrafts and as such the Group's operational exposure to financial risks are limited. The Group's treasury risk management policy allows for limited foreign exchange hedge positions to be taken but does not include the use of derivatives.

9. Accounting Records

The directors believe that they have complied with the requirements of Section 281 to 285 of the Companies Act, 2014 with regard to adequate accounting records by employing personnel with appropriate expertise and by providing adequate resources to the financial function. The accounting records of the Company are maintained at the Company's premises at the General Post Office, O'Connell Street, Dublin 1, D01 F5P2.

10. Directors' Compliance Statement

The directors acknowledge that they are responsible for securing the Company's compliance with its relevant obligations. In addition, the directors confirm that a compliance policy document has been drawn up that sets out policies that are appropriate to the Company, respecting compliance by the Company with its relevant obligations and that appropriate arrangements or structures are in place that are, in our opinion, designed to secure material compliance with the Company's relevant obligations, and during the financial year, the arrangements or structures referred to above have been reviewed.

11. Political Donations

During the financial year ended 31 December 2019, the Group made no political contributions which would require disclosure under the Electoral Act 1997.

12. Subsequent Events

The Covid-19 situation as it impacts Ireland and the An Post business is a very significant event. There is no outcome from this that requires the adjustment of the Financial Statements. The Directors and executive are taking the situation with the utmost seriousness and will monitor the impact on the business on a continuous basis.

The business operations are continuing with measures to protect health and safety for employees and customers being implemented along with the best advices from health experts and science. Operations are continuing with plans being implemented to cover where there may be business interruption and working remotely being facilitated to assist the national effort with respect to social distancing and so forth.

The trading performance and the operations are being monitored carefully. To date the operations and activity levels are being maintained and the business is adjusting to the ways of working as required.

13. Going Concern

The Board of Directors have a reasonable expectation that the Group will have adequate resources to continue in business for a period of at least 12 months from the date of approval of these financial statements. For this reason, they continue to adopt the 'going concern' basis for the preparation of the financial statements. Details are set out in note 1 to the financial statements.

14. Corporate Governance

14.1 Code of Practice for the Governance of State Bodies (2016)

The Board is responsible for ensuring that An Post has complied with the requirements of the Code of Practice for the Governance of State Bodies ("the Code"), as published by the Department of Public Expenditure and Reform in August 2016. The Board has adopted the Code of Practice for the Governance of State Bodies (2016) and has put procedures in place to ensure compliance with the Code and was in full compliance with the Code of Practice for the Governance of State Bodies for 2019.

14.2 Board Responsibilities

The work and responsibilities of the Board are set out in the Terms of Reference for the Board. The Company also has a schedule of matters specifically reserved for Board decision. Standing items considered by the Board include; declaration of interests, reports from committees, financial reports/management accounts, performance reports, and reserved matters.

In addition to being responsible for the Company keeping adequate accounting records, as required by the Companies Act 2014, Section 32 of the Postal and Telecommunication Services Act 1983 ('the Act') requires the Board to keep, in such form as may be approved by the Minister with consent of the Minister for Public Expenditure and Reform, all proper and usual accounts of money received and expended by it. In preparing these financial statements, the Board is required to; select suitable accounting policies and apply them consistently, make judgements and estimates that are reasonable and prudent, prepare the financial statements on the going concern basis unless it is inappropriate to presume that it will continue in operation, and state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Board is responsible for keeping adequate accounting records which disclose, with reasonable accuracy at any time, its financial position and enables it to ensure that the financial statements comply with Section 32 of the Act. The maintenance and integrity of the corporate and financial information on An Post's website is the responsibility of the Board. The Board is responsible for approving the annual plan and budget. An evaluation of the performance of An Post by reference to the annual plan and budget is carried out at each Board meeting. The Board is also responsible for safeguarding its assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board considers that the financial statements give a true and fair view of the financial performance and the financial position of An Post at 31 December 2019.

14.3 Board Structure

The Group is controlled through its Board of directors. The Board's main roles are to oversee the operation of the Group, to provide leadership, to approve strategic objectives and to ensure that the necessary financial and other resources are made available to enable those objectives to be met. Certain matters are specifically reserved to the Board for its decision. The specific responsibilities reserved to the Board include; setting Group strategy and approving an annual budget and medium-term projections; reviewing operational and financial performance; approving major capital expenditure; reviewing the Group's systems of financial control and risk management; ensuring that appropriate management development and succession plans are in place; reviewing the environmental, health and safety performance of the Group; approving the appointment of the Company Secretary; and maintaining satisfactory communication with shareholders.

The Board has delegated the following responsibilities to management; the development and recommendation of strategic plans for consideration by the Board that reflect the longer-term objectives and priorities established by the Board; implementation of the strategies and policies of the Group as determined by the Board; monitoring of the operating and financial results against plans and budgets; prioritising the allocation of technical and human resources; and developing and implementing risk management systems.

14.4 Board Membership

The Board consists of fourteen directors including, the Chairperson, the CEO, five employee directors, one postmaster director and six non-executive directors. The table below details the date of appointment by the Minister and the appointment period for current members:

Board member	Role	Date Appointed by Minister	Term
Dermot Divilly	Chairperson	01/12/2015	5 years
Noel Adamson	Employee director	01/11/2016 (2nd Term)	4 years
Carol Bolger	Non-executive director	11/05/2017	5 years
Deirdre Burns	Non-executive director	11/05/2017	5 years
Peter Coyne	Non-executive director	31/10/2018	5 Years
Thomas Devlin	Employee director	01/11/2016 (4th Term)	4 years
Padraig McNamara	Postmaster director	01/01/2019	3 Years
David McRedmond	Group CEO	03/10/2016	7 years
William Mooney	Employee director	01/11/2016 (2nd Term)	4 years
Kieran Mulvey	Non-executive director	16/9/2019	5 Years
Martina O'Connell	Employee director	01/11/2016 (2nd Term)	4 years
Mary O'Donovan	Non-executive director	31/10/2018	5 Years
Niall Phelan	Employee director	01/11/2016	4 years
James Wrynn	Non-executive director	15/09/2016 (2nd Term)	5 years

14. Corporate Governance continued

14.4 Board Membership continued

All directors are appointed to the Board by the Minister for Communications, Climate Action and Environment and their conditions of appointment and fees are set out in writing.

Employee directors are elected in accordance with the Worker Participation (State Enterprises) Acts, 1977 to 1993, for a term of four years. The postmaster director is elected in accordance with Section 81 of the Postal and Telecommunications Services Act, 1983 for a term of three years. All other directors are appointed for a fixed term, usually five years.

14.5 Key Personnel Changes

Mr Ed Murray and Ms Jennifer Loftus' terms expired in 2019. In accordance with the Act and following a process undertaken by the Public Appointments Service, the Minister appointed a non-executive member, Mr Kieran Mulvey.

Given its legal status as a State Company and the responsibility of its principal shareholder in the appointment of directors, the Board believes that it has fulfilled all of the obligations that are required in respect of the appointment of directors.

14.6 Induction and Ongoing Training

On appointment, all new directors take part in an induction programme when they receive information about the Group, the role of the Board and the matters reserved for its decision, the terms of reference and membership of the Board and principal Board Committees, the Group's corporate governance practices and procedures, including the responsibilities delegated to Group senior management, and the latest financial information about the Group. This will typically be supplemented by meetings with key senior executives. Throughout their period in office, the directors are continually updated on the Group's business, the competitive and regulatory environments in which it operates, corporate social responsibility matters and other changes affecting the Group and the postal industry as a whole, by written briefings and meetings with senior executives. Directors are also advised on appointment of their legal and other duties and obligations as a director, both in writing and in face-to-face meetings with the Company Secretary. They are also updated on changes to the legal and governance requirements of the Group and upon themselves as directors. All directors have access to the advice and services of the Company Secretary.

14.7 The Roles of the Chairperson and Group CEO

The positions of Chairperson and Group CEO are held by different people. The Chairperson leads the Board in the determination of its strategy and in the achievement of its objectives. The Chairperson is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda.

The Chairperson facilitates the effective contribution of all directors and constructive relations between the executive director and the other directors, ensures that directors receive relevant, accurate and timely information and manages effective communication with shareholders.

The Chief Executive Officer has direct charge of the Group on a day to day basis and is accountable to the Board for the financial and operational performance of the Group.

The Board through the Chairperson and management, maintain an ongoing dialogue with the Company's shareholders on strategic issues. The Chairperson and the Chief Executive Officer give feedback to the Board on issues raised with them by the shareholders. All directors normally attend the Annual General Meeting and shareholders are invited to ask questions during the meeting and to meet directors after the formal proceedings have ended.

The Board has formal procedures in place whereby the Chairperson meets with the non-executive directors without the executive director being present.

14.8 Directors' Independence

Directors have the right to ensure that any unresolved concerns they may have about the running of the Group or about a particular course of action are recorded in the Board minutes. If they have any such concerns, they may, on resignation, provide a written statement to the Chairperson, for circulation to the Board. The directors are given access to independent professional advice at the Group's expense where they deem it necessary to discharge their responsibilities as directors.

14.9 Performance Evaluation

The Board has adopted and performed a formal process for the evaluation of its own performance and that of its principal Committees. This includes periodic external performance evaluation. The Board considers that the introduction of any further evaluation of individual directors would be inappropriate given the manner of appointment of directors, the shareholding structure and existing Board procedures.

14.10 Board Committees

The Board has established the following committees:

1. Audit and Risk Committee ('ARC'): comprises three Board members. Under its terms of reference, the Committee is to assist the Board in fulfilling its responsibilities by the monitoring of:

    - The financial reporting process;
    - The effectiveness of the Company's system of internal control, internal audit and risk management; and
    - The statutory audit of the Company's statutory financial statements.
    - The effectiveness of the external audit process and making recommendations to the Board in relation to the appointment, re-appointment and remuneration of the external auditor. It is responsible for ensuring that an appropriate relationship between the Group and the external auditor is maintained, including reviewing non-audit services and fees.
    - The review and monitoring of the independence of the statutory auditor and in particular the provision of additional services to An Post.

    In order to maintain the independence of the external auditor, the Audit and Risk Committee has determined policies as to what audit related and non-audit services can be provided by the Group's external auditors and the approval process related to these services. Under these policies, work of a consultancy nature will not be offered to the external auditor unless there are clear efficiencies and value-added benefits to the Group while ensuring that the objectivity and independence of the external auditor is maintained.

    The members of the ARC are Deirdre Burns (Chairperson), Peter Coyne and Mary O'Donovan. There were six meetings of the ARC in 2019.

2. Remuneration Committee comprises three Board members. The Committee acts on behalf of the Board and takes all significant decisions on matters such as remuneration policy, benefits, third party recommendations and related issues. The members of this Committee are; Dermot Divilly (Chairperson), David McRedmond and Carol Bolger. The Chief Executive Officer absents himself from meetings when matters relating to his own remuneration are being considered. There were three meetings of the Committee in 2019.

3. Health and Safety and Security Committee comprised of three Board members during 2019. The Committee's principal responsibilities are to monitor the effectiveness of the Company's Safety Management and Security Systems, satisfy itself as to Company compliance with applicable health and safety and security legislation and regulations, and ensure incidents are reduced to as low as reasonably practicable. The Committee also monitors the development, implementation and continual improvement of strategies, management systems and processes to ensure that adequate health and safety and security regulations and procedures (including emergency response planning) are in place.

    The members of this committee are Carol Bolger (Chairperson), Martina O'Connell and Noel Adamson and Thomas Devlin joined the Committee in 2020. There were four meetings of the Committee in 2019.

4. Strategy Committee comprises three Board members. The Committee's Terms of Reference are to consider and make recommendations to the Board on strategic issues, including recommending the strategic plan to the Board for adoption. In addition, the Committee monitors the implementation by management of the agreed strategic plan, and to propose corrective actions or prioritisation of elements of the plan, if required, during the life of the plan.

    The members of this committee are Dermot Divilly (Chairperson), David McRedmond and Deirdre Burns. The Committee met once in 2019.

14. Corporate Governance continued

14.11 Schedule of Attendance, Fees and Expenses

A schedule of attendance at the Board and Committee meetings for 2019 is set out below including the fees and expenses received by each member:

	Board	Audit & Risk Committee	Remuneration Committee	Health & Safety & Security Committee	Strategy Committee	Fees 2019 €'000	Fees 2018 €'000
No. of meetings during year	9	6	3	4	1	-	-
Dermot Divilly	9/9	1/1	3/3		1/1	31	31
Noel Adamson	8/9	-	-	4/4	-	16	16
Carol Bolger	7/9	-	3/3	4/4	-	16	16
Deirdre Burns	9/9	6/6	-	-	1/1	16	16
Peter Coyne	9/9	5/5	-	-	-	16	3
Thomas Devlin	8/9	-	-	-	-	16	16
Jennifer Loftus	1/1	1/1	-	-	-	3	16
David McRedmond	9/9	-	3/3	-	1/1	-	-
Padraig McNamara	7/9	-	-	-	-	16	-
William Mooney	8/9	-	-	-	-	16	16
Kieran Mulvey	1/1	-	-	-	-	5	-
Ed Murray	1/1	-	-	-	-	3	16
Thomas O'Brien	-	-	-	-	-	-	7
Martina O'Connell	7/9	-	-	3/4	-	16	16
Mary O'Donovan	9/9	5/5	-	-	-	16	3
Niall Phelan	8/9	-	-	-	-	16	16
Lorraine Tormey	-	-	-	-	-	-	16
James Wrynn	8/9	-	-	-	-	16	16
Total						218	220

Expenses paid to Directors in 2019 were €7k (2018: €3k).

14.12 Statement on Internal Control

Scope of Responsibility

The Board of An Post is responsible for ensuring that an effective system of internal control is maintained and operated. This responsibility takes account of the requirements of the Code of Practice for the Governance of State Bodies (2016).

Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a tolerable level rather than to eliminate it. The system can therefore only provide reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded and that material errors or irregularities are either prevented or detected in a timely way.

The system of internal control, which accords with guidance issued by the Department of Public Expenditure and Reform has been in place in An Post for the year ended 31 December 2019 and up to the date of approval of the financial statements.

Capacity to Handle Risk

An Post has an Audit and Risk Committee (ARC) comprising Board members with financial and audit expertise, one of whom is the Chair. The ARC met six times in 2019.

An Post has also established an internal audit function which is adequately resourced and conducts a programme of work agreed with the ARC.

The ARC has developed a risk management policy which sets out its risk appetite, the risk management processes in place and details the roles and responsibilities of staff in relation to risk. The policy has been issued to all staff who are expected to work within An Post's risk management policies, to alert management on emerging risks and control weaknesses and assume responsibility for risks and controls within their own area of work.

Risk and Control Framework

An Post has implemented a risk management system which identifies and reports key risks and the management actions being taken to address and, to the extent possible, to mitigate those risks.

A risk register is in place which identifies the key risks facing An Post and these have been identified, evaluated and graded according to their significance. The register is reviewed and updated by the ARC on a six monthly basis. The outcome of these assessments is used to plan and allocate resources to ensure risks are managed to an acceptable level.

The risk register details the controls and actions needed to mitigate risks and responsibility for operation of controls assigned to specific staff. We confirm that a control environment containing the following elements is in place:

- procedures for all key business processes have been documented,
- financial responsibilities have been assigned at management level with corresponding accountability,
- there is an appropriate budgeting system with an annual budget which is kept under review by senior management,
- there are systems aimed at ensuring the security of the information and communication technology systems, and
- there are systems in place to safeguard the assets.

Ongoing Monitoring and Review

Formal procedures have been established for monitoring control processes and control deficiencies are communicated to those responsible for taking corrective action and to management and the Board, where relevant, in a timely way. We confirm that the following ongoing monitoring systems are in place:

- key risks and related controls have been identified and processes have been put in place to monitor the operation of those key controls and report any identified deficiencies,
- reporting arrangements have been established at all levels where responsibility for financial management has been assigned, and
- there are regular reviews by senior management of periodic and annual performance and financial reports which indicate performance against budgets/forecasts.

Procurement

Documented policies are in place in relation to procurement. These policies are in line with European Union and Irish Government guidelines. Adherence to these guidelines is monitored throughout the year.

Review of Effectiveness

An Post has procedures to monitor the effectiveness of its risk management and control procedures. An Post's monitoring and review of the effectiveness of the system of internal financial control is informed by the work of the internal and external auditors, the Audit and Risk Committee which oversees their work, and the senior management within An Post responsible for the development and maintenance of the internal financial control framework. In light of the development of new financial services and the extensive ongoing financial services product offerings at An Post there has been in 2019 an investment made in controls and systems to match the requirements of the supervision of the Central Bank of Ireland. This investment will continue into 2020. The Board has conducted an annual review of the effectiveness of the internal controls for 2019.

Internal Control Issues

No weaknesses in internal control were identified in relation to 2019 that require disclosure in the financial statements.

14.13 Raising Matters of Concern

The Group operates procedures to ensure that appropriate arrangements are in place for employees to be able to raise, in confidence, matters of possible impropriety, with suitable subsequent follow-up action including a review by the Audit and Risk Committee. Reporting channels have been created whereby perceived wrongdoing may be reported via post, telephone and email.

14.14 Disclosures required under the Code of Practice for the Governance of State Bodies

An Post is compliant with the reporting guidelines of the Revised Code of Practice for the Governance of State Bodies (2016). The following statistics relate to the An Post Group for the financial year ended 31 December 2019. The Chairman has written to the Minister for Communications, Climate Action and Environment with further detailed information.

14. Corporate Governance continued

14.14 Disclosures required under the Code of Practice for the Governance of State Bodies continued

Employee benefits

Employees' short-term benefits for the Group are categorised into the following bands:

	2019 No. of employees	2018 No. of employees
Less than €50,000	9,992	10,387
Between €50,000 and €74,999	1,421	1,427
Between €75,000 and €100,000	308	206
Over €100,000	111	94

Travel and official entertainment

Costs in respect of travel and official expenditure incurred in the year amounted to €3.605m (2018: €3.819m). This includes travel and subsistence of €7,000 paid directly to Board members in 2019 (2018: €3,000).

15. Statement of the Directors on compliance with the Regulator's Direction on the Accounting Systems of An Post as required by the Communications Regulation (Postal Services) Act 2011

Under the Communications Regulation (Postal Services) Act 2011, the accounting procedures of An Post are required to be conducted in accordance with directions laid down by ComReg and with certain provisions in the Act.

The directors acknowledge their responsibility for compliance with the accounting provisions of the Act and the following statement describes how An Post applied the relevant provisions of the Act and the Direction for the accounting year beginning on 1 January 2019.

Financial Records and Accounting Systems

The financial records and accounting systems maintained by An Post contain sufficient detail to enable management to ensure that they comply with the accounting provisions of the Direction. Separate accounts are maintained for each of the services within the Universal Service.

Separated Accounts

Segmental profit and loss accounts and statements of net assets will be submitted to ComReg for the year ended 31 December 2019. In compliance with the Direction, a competent body is reviewing these accounts and will issue an opinion on their compliance with the Direction.

Accounting Manual

A detailed accounting manual has been prepared showing the range and scope of data to be collected for the purpose of complying with the Direction and the basis on which the data is to be allocated / apportioned between services.

Statement of Compliance

Based on the above steps and actions, the directors believe that An Post has complied with the relevant provisions of the Act and with the Direction of ComReg in relation to the Accounting Systems of An Post for the year ended 31 December 2019.

16. Directors' Responsibilities Statement in respect of the Directors' Report and the Financial Statements

The directors are responsible for preparing the directors' report and the financial statements in accordance with the Companies Act 2014.

Irish company law requires the directors to prepare financial statements for each financial year. Under the law, the directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("relevant financial reporting framework") and the Company financial statements in accordance with FRS 101 Reduced Disclosure Framework. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Company as at the financial year end date and of the profit or loss of the Company for the financial year and otherwise comply with the Companies Act 2014.

In preparing the group financial statements, International Accounting Standard 1 requires that directors:

- properly select and accounting policies;

- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements with IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

In preparing the parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for ensuring that the Company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the company, enable at any time the assets, liabilities, financial position and profit or loss of the company to be determined with reasonable accuracy, enable them to ensure that the financial statements and directors' report comply with the Companies Act 2014 and enable the financial statements to be audited.

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 Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

17. Relevant Audit Information

For the purposes of Section 330 of the Companies Act 2014, the directors believe that they have taken all steps necessary to make themselves aware of any relevant audit information and have established that the Company's statutory auditors are aware of that information. In so far as they are aware, there is no relevant audit information of which the Company's statutory auditors are unaware.

18. Auditors

The auditor, Deloitte Ireland LLP, Chartered Accountants and Statutory Audit Firm, continue in office in accordance with Section 383(2) of the Companies Act 2014.

On behalf of the Board

Dermot Divilly, Chairperson
David McRedmond, Director

26 March 2020

Independent Auditor's Report to the members of An Post

Report on the audit of the financial statements

Opinion on the financial statements of An Post (the 'company')

In our opinion, the group and parent company financial statements:

- give a true and fair view of the assets, liabilities and financial position of the group and parent company as at 31 December 2019 and of the profit of the group and parent company for the financial year then ended; and
- Have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of the Companies Act 2014.

The financial statements we have audited comprise:

The Group Financial Statements:

- The Consolidated Income Statement;
- The Consolidated Statement of Other Comprehensive Income;
- The Consolidated Statement of Financial Position;
- The Consolidated Statement of Changes in Equity;
- The Consolidated Statement of Cash Flows; and
- The related notes 1 to 33, including a summary of significant accounting policies as set out in note 1.

The Parent Company Financial Statements:

- The Company Statement of Financial Position;
- The Company Statement of Changes in Equity;
- The related notes 1 to 33, including a summary of significant accounting policies as set out in note 1.

The relevant financial reporting framework that has been applied in the preparation of the group financial statements is the Companies Act 2014 and International Financial Reporting Standards (IFRS) as adopted by the European Union ("the relevant financial reporting framework"). The relevant financial reporting framework that has been applied in the preparation of the parent company financial statements is the Companies Act 2014 and FRS 101 "Reduced Disclosure Framework" ("the relevant financial reporting framework").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are described below in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, including the Ethical Standard issued by the Irish Accounting and Auditing Supervisory Authority, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group or parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and along with being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (Ireland), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 group and parent company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity (or where relevant, the group) to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the group to express an opinion on the (consolidated) financial statements. The group auditor is responsible for the direction, supervision and performance of the group audit. The group auditor remains solely responsible for the audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

This report is made solely to the company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Independent Auditor's Report to the members of An Post continued

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, we report that:

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the parent company were sufficient to permit the financial statements to be readily and properly audited.
- The parent company statement of financial position is in agreement with the accounting records.
- In our opinion the information given in the report of the directors is consistent with the financial statements and the directors' report has been prepared in accordance with the Companies Act 2014.

Matters on which we are required to report by exception

Based on the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the provisions in the Companies Act 2014 which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

Under the Code of Practice for the Governance of State Bodies (August 2016) (the "Code of Practice"), we are required to report to you if the statement regarding the system of internal financial control required under the Code of Practice as included in the Corporate Governance Statement in the Directors Report does not reflect the group's compliance with paragraph 1.9(iv) of the Code of Practice or if it is not consistent with the information of which we are aware from our audit work on the financial statements. We have nothing to report in this respect.

Emer O'Shaughnessy
for and on behalf of
Deloitte Ireland LLP
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House
Earlsfort Terrace
Dublin 2

Date: 26 March 2020

Consolidated Income Statement
for the year ended 31 December 2019

	Notes	2019 €'000 Total	2018 €'000 Total
Revenue	2	892,128	896,954
Operating costs	3	(850,233)	(859,306)
Profit before transformation costs, one off items, net finance costs and taxation		**41,895**	**37,648**
Transformation costs	4	(15,281)	(13,974)
Other income - Profit on disposal of subsidiaries	5	40,038	-
Profit before net finance costs and taxation		**66,652**	**23,674**
Finance income	6	2,418	4,577
Finance costs	7	(2,726)	(1,479)
Profit before taxation	8	**66,344**	**26,772**
Taxation	9	(23)	(1,508)
Profit for the year		**66,321**	**25,264**
Profit for the year attributable to			
Owners of the company		64,788	20,689
Non-controlling interests		1,533	4,575
		66,321	25,264

On behalf of the Board

Dermot Divilly, Chairperson
David McRedmond, Director

26 March 2020

Consolidated Statement of Other Comprehensive Income
for the year ended 31 December 2019

	Notes	2019 €'000	2018 €'000
Profit for the year		66,321	25,264
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit pension liability - net	24	11,313	5,901
Items that may be reclassified subsequently to profit or loss:			
Translation of foreign operations - subsidiaries		979	(170)
Total comprehensive income for the financial year		**78,613**	**30,995**
Total comprehensive income attributable to			
Owners of the Company		77,080	26,420
Non-controlling interests		1,533	4,575
		78,613	**30,995**

Consolidated Statement of Financial Position
at 31 December 2019

	Notes	2019 €'000	2018 €'000
Assets			
Non-current assets			
Intangible assets and goodwill	11	17,166	13,717
Investment property	12	715	715
Property, plant and equipment	13	319,374	223,509
Investments	14	36,874	34,481
Deferred tax asset	15	2,356	1,793
Total non-current assets		376,485	274,215
Current assets			
Trade and other receivables	15	125,103	105,324
Inventories	16	2,611	2,878
Cash at bank and in hand	17	509,855	512,541
Assets classified as held for sale	18	-	206,249
Total current assets		637,569	826,992
Total assets		**1,014,054**	**1,101,207**
Equity and reserves			
Called up share capital	25	(68,239)	(68,239)
Other reserves		421	2,321
Retained earnings		(210,742)	(134,200)
Equity attributable to the company		(278,560)	(200,118)
Non-controlling interests		(1,618)	(3,889)
Total equity		(280,178)	(204,007)
Non-current liabilities			
Capital grants	22	(7,998)	(8,447)
Leases and borrowings	20	(118,033)	(33,289)
Provisions	23	(11,496)	(10,373)
Pension liability	24	(28,228)	(47,880)
Total non-current liabilities		(165,755)	(99,989)
Current liabilities			
Trade and other payables	19	(167,735)	(176,367)
Leases and borrowings	20	(21,079)	(11,593)
Provisions	23	(12,537)	(16,405)
Amounts held in trust	17	(366,770)	(403,045)
Liabilities classified as held for sale	18	-	(189,801)
Total current liabilities		(568,121)	(797,211)
Total liabilities		(733,876)	(897,200)
Total equity and liabilities		**(1,014,054)**	**(1,101,207)**

On behalf of the Board

Dermot Divilly, Chairperson
David McRedmond, Director

26 March 2020

Consolidated Statement of Changes in Equity
for the year ended 31 December 2019

	Called up share capital €'000	Capital conversion reserve fund €'000	Foreign currency translation reserve €'000	Fair value reserve €'000	Retained earnings €'000	Total €'000	Non-controlling interests €'000	Total equity €'000
Balance at 1 January 2018	(68,239)	(877)	3,028	(1,657)	(105,953)	(173,698)	(1,634)	(175,332)
Profit for the year	-	-	-	-	(20,689)	(20,689)	(4,575)	(25,264)
Other comprehensive income:								
Transfer between fair value and retained earnings reserve	-	-	-	1,657	(1,657)	-	-	-
Remeasurements of defined benefit pension liability - net	-	-	-	-	(5,901)	(5,901)	-	(5,901)
Translation of foreign operations	-	-	170	-	-	170	-	170
Dividends	-	-	-	-	-	-	2,320	2,320
Balance at 31 December 2018	(68,239)	(877)	3,198	-	(134,200)	(200,118)	(3,889)	(204,007)
Profit for the year	-	-	-	-	(64,788)	(64,788)	(1,533)	(66,321)
Other comprehensive income:								
Disposal of subsidiaries	-	-	(921)	-	(441)	(1,362)	3,804	2,442
Remeasurements of defined benefit pension liability - net	-	-	-	-	(11,313)	(11,313)	-	(11,313)
Translation of foreign operations	-	-	(979)	-	-	(979)	-	(979)
Balance at 31 December 2019	(68,239)	(877)	1,298	-	(210,742)	(278,560)	(1,618)	(280,178)

Other reserves per the Statement of Financial Position includes the capital conversion reserve fund, the foreign currency translation reserve and the fair value reserve.

Consolidated Statement of Cash Flows
for the year ended 31 December 2019

	2019 €'000	2018 €'000
Cash flows from operating activities		
Profit for the year	66,321	25,264
Adjustments for		
Depreciation	35,066	18,245
Impairment loss	-	2,726
Amortisation	2,591	2,508
Net finance income	(308)	(3,098)
Gain on disposals	(40,038)	(14)
Tax expense	23	1,508
Cash paid in excess of pension income statement charge	(7,224)	(942)
Capital grant amortised	(449)	(449)
Payments made in relation to provisions, excess over cost	(2,745)	(8,824)
	53,237	36,924
Changes in:		
Trade and other receivables	(9,592)	7,675
Inventories	267	253
Trade and other payables	(10,263)	8,756
Cash generated from operating activities	**33,649**	**53,608**
Taxes paid	(2,312)	(1,070)
Net cash generated from operating activities	**31,337**	**52,538**
Cash flows from investing activities		
Proceeds from disposals received during year	41,464	131
Acquisition of property, plant and equipment	(20,620)	(14,096)
Acquisition of intangible assets	(5,715)	(2,927)
Amounts held in trust	(36,275)	76,787
Net inflow of restricted cash	-	26,058
Increase in Creditor in respect of restricted cash	-	(26,058)
Proceeds from investment in Premier Lotteries Ireland	-	2,500
Net cash (used) / generated from investing activities	**(21,146)**	**62,395**
Cash flows from financing activities		
Finance lease payments under IAS17	(11,347)	(4,030)
Repayment of lease liabilities capitalised under IFRS16	(16,552)	-
EIB loan drawn down	10,000	-
Government loan and other interest payments	(563)	(698)
Dividends paid	-	(2,320)
Net cash used in financing activities	**(18,462)**	**(7,048)**
Net (decrease) / increase in cash and cash equivalents	**(8,271)**	**107,885**
Cash and cash equivalents at beginning of year	518,126	410,241
Cash and cash equivalents at end of year	**509,855**	**518,126**

Company Statement of Financial Position
at 31 December 2019

	Notes	2019 €'000	2018 €'000
Assets			
Non-current assets			
Intangible assets	11	6,705	4,227
Investment property	12	715	715
Property, plant and equipment	13	288,996	215,448
Investments	14	45,843	43,700
Deferred tax asset	15	2,212	1,613
Total non-current assets		344,471	265,703
Current assets			
Trade and other receivables	15	116,904	100,358
Cash at bank and in hand	17	493,503	498,584
Total current assets		610,407	598,942
Total assets		**954,878**	**864,645**
Equity and reserves			
Called up share capital	25	(68,239)	(68,239)
Other reserves		(877)	(877)
Retained earnings		(190,645)	(98,818)
Total equity		(259,761)	(167,934)
Non-current liabilities			
Capital grants	22	(2,646)	(2,748)
Leases and borrowings	20	(94,756)	(33,265)
Provisions	23	(11,496)	(10,373)
Pension liability	24	(28,228)	(47,880)
Total non-current liabilities		(137,126)	(94,266)
Current liabilities			
Trade and other payables	19	(158,972)	(171,412)
Leases and borrowings	20	(19,712)	(11,583)
Provisions	23	(12,537)	(16,405)
Amounts held in trust	17	(366,770)	(403,045)
Total current liabilities		(557,991)	(602,445)
Total liabilities		(695,117)	(696,711)
Total equity and liabilities		**(954,878)**	**(864,645)**

In accordance with section 304 of the Companies Acts 2014, the company is availing of the exemption from presenting its individual income statement. The result for the company is a profit of €80.514m (2018: €12.014m).

On behalf of the Board

Dermot Divilly, Chairperson
David McRedmond, Director

26 March 2020

Company Statement of Changes in Equity
for the year ended 31 December 2019

	Called up share capital €'000	Capital conversion reserve fund €'000	Fair value reserve €'000	Retained earnings €'000	Total equity €'000
Balance at 1 January 2018	(68,239)	(877)	(1,597)	(79,306)	(150,019)
Profit for the year	-	-	-	(12,014)	(12,014)
Transfer between fair value and retained earnings reserve	-	-	1,597	(1,597)	-
Remeasurements of defined benefit pension liability - net	-	-	-	(5,901)	(5,901)
Balance at 31 December 2018	**(68,239)**	**(877)**	**-**	**(98,818)**	**(167,934)**
Profit for the year	-	-	-	(80,514)	(80,514)
Remeasurements of defined benefit pension liability - net	-	-	-	(11,313)	(11,313)
Balance at 31 December 2019	**(68,239)**	**(877)**	**-**	**(190,645)**	**(259,761)**

Included in profit for the period was dividends received from group companies of €12,000k (2018: €2,680k).

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for the year ended 31 December 2019

Notes to the Financial Statements
for the year ended 31 December 2019

1. Significant Accounting Policies

With the exception of the policy on leases, which was applied from 1 January 2019, using the modified retrospective approach, the accounting policies set out below have been consistently applied to all years presented in these financial statements, and have for the purposes of the Group financial statements, been applied consistently throughout all Companies in the Group.

Basis of Preparation

Going concern

The 2019 An Post financial statements have been prepared on a going concern basis. This assumes that the Group and Company will have adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of these financial statements.

Assessment

The Board has given careful consideration to the going concern basis of preparation and is satisfied that it is appropriate for the 2019 financial statements to be prepared on this basis. Key factors considered in arriving at this determination include:

Trading performance:
The Group's financial performance has continued to improve. As noted in section 3 of the Report of the Directors, the profit before transformation costs, one off items, net finance costs and taxation of €41.9m compares favourably with the equivalent profit of €37.6m in 2018.

Cash:
The cash resources available to the Group increased from €115.1m at December 2018 to €143.1m at 31 December 2019. This improvement was as a result of the continued improved trading performance and the cash generated from the disposal of the GVS Group in January 2019. The accumulation of this cash ensures adequate resources are available to the Group, to execute the Strategic Plan developed. The Group has access to a short term borrowing facility, should this be required for working capital purposes.

Budget:
The Board approves an annual budget. Although mail volumes are still forecast to decline, this shows the Group having a sustainable earnings level for period of at least 12 months from the date of approval of these financial statements.

Covid-19:
The Irish economy is expected to have a negative reaction arising from Covid-19. An Post like many businesses will be no exception. The impact on An Post arising from the changed economy, the operational fall out from health and safety concerns and impact on staff, and other factors will in all probability have a negative financial impact for the finances of the organisation in the short term. An assessment of the impact has been completed for the Mails and Parcels business and the Retail business. Based on an assumption that there will be severe restrictions for six months, the negative financial impact has been quantified and downside scenarios have been considered. The result of this modelling shows that the current strength of the balance sheet will allow the Group deal with this disruptive event.

Conclusion

Having made due enquiries and considering the matters described above, the Board members have a reasonable expectation that the Group will have adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of these financial statements. Consequently, the Board Members have concluded that the circumstances described above do not represent a material uncertainty that casts doubt on the Group's ability to continue as a going concern.

Reporting entity

An Post (the 'Company') is a designated activity company limited by shares domiciled in Ireland with registered number 98788. Under the Postal and Telecommunications Services Act, 1983, the Company is entitled to omit the words 'designated activity company' from its name. The Company's registered office is General Post Office, O'Connell Street, Dublin 1, D01 F5P2.

These consolidated financial statements comprise the financial statements of the Company and its subsidiaries (collectively the 'Group' and individually 'Group companies'). The Group is primarily involved in postal, distribution and financial services.

In presenting the parent company's financial statements together with the group financial statements, the Company has availed of the exemption in Section 304(2) of the Companies Act, 2014 not to present its individual Income statements and related notes that form part of the approved Company financial statements.

1. Significant Accounting Policies continued

Statement of compliance

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by European Union (EU IFRS) and the Companies Act 2014.

The financial statements of the Company have been prepared in accordance with FRS 101 Reduced Disclosure Framework and the Companies Act 2014.

New and amended IFRS Standards that are effective for the current year

The following new standards and interpretations became effective for the Group as of 1 January 2019:

- IFRS 9 (Amendment) Prepayment Features with Negative Compensation
- IFRS 16 Leases
- IAS 19 (Amendment) Plan Amendment, Curtailment or Settlement
- IAS 28 (Amendment) Long-tem Interests in Associates and Joint Arrangments
- Annual Improvements to IFRS Standards 2015-2017 Cycle
- IFRIC 23 Uncertainty over Income Tax Treatments

The new standards and interpretations did not result in a material impact on the Group's results with the exception of the adoption of IFRS 16. The nature and impact of the changes required by IFRS 16 Leases are described below.

Impact of initial application of IFRS 16 Leases

In the current year, the Group has applied IFRS 16 Leases (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lease accounting by removing the distinction between operating and finance lease and requiring the recognition of a right of use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

The date of initial application of IFRS 16 for the Group is 1 January 2019. The Group has applied IFRS 16 using the modified retrospective approach which:

- Requires the Group to recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application.
- Does not permit restatement of comparatives, which continue to be presented under IAS 17 and IFRIC 4.

(a) Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or changed before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Group applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Group.

(b) Impact on lessee accounting

Former operating leases:
IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet. Applying IFRS 16, for all leases (except as noted below), the Group:

- Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with IFRS 16:C8(b)(ii)
- Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;

- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

Lease incentives (e.g. rent free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight line basis. Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes tablets and personal computers, small items of office furniture and telephones), the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'operating costs' in profit or loss.

The Group has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying IAS 17.

- The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Group has adjusted the right-of-use asset at the date of initial application by the amount of provision for onerous leases recognised under IAS 37 in the statement of financial position immediately before the date of initial application as an alternative to performing an impairment review.
- The Group has in certain instances elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Group has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- The Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

Former finance leases:
For leases that were classified as finance leases applying IAS 17, the carrying amount of the leased assets and obligations under finance leases measured applying IAS 17 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively without any adjustments, except in cases where the Group has elected to apply the low-value lease recognition exemption. For transparency, the lease liabilities accounted for by applying IFRS 16 from 1 January 2019 on former operating leases are shown separately from the new right-of-use asset lease liabilities.

(c) Impact on lessor accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. There has been no material impact of IFRS 16 on the Group's lessor arrangements.

(d) Financial impact of initial application of IFRS 16

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 January 2019 is 1.738%.

The following table shows the operating lease commitments disclosed applying IAS 17 at 31 December 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

	€000
Operating lease commitments applying IAS 17 as at 31 December 2018	76,668
Effect of discounting the above amounts	(9,112)
Present value of the lease payments due in periods covered by extension options that are in the lease term not previously included in operation lease commitments	6,171
Lease liabilities recognised under IFRS 16 on 1 January 2019	73,727

1. Significant Accounting Policies continued

New IFRS Standards, amendments and interpretations issued, but not yet effective

IFRS 3 (Amendment) Definition of a Business	1 January 2020
IAS 1 (Amendment) Definition of Material	1 January 2020
IAS 8 (Amendment) Definition of Material	1 January 2020
Amendments to References to Conceptual Framework in IFRS Standards	1 January 2020
IFRS 17 Insurance Contracts	1 January 2020

The Group does not expect the amendments to IFRS 3, IAS 1, IAS 8 or those to the Conceptual Framework to have a material impact on the financial statements. The Group is currently assessing the impact of IFRS 17 on the financial statements. The standards and interpretations addressed above will be applied for the purposes of the Group's financial statements with effect from the dates listed.

Basis of measurement

Group

These financial statements are prepared on a historical cost basis, except for:

- The net defined benefit pension liability is measured at the fair value of plan assets less the present value of the defined benefit obligation;
- Investment property is measured at fair value; and
- Financial assets are measured at fair value.

Company

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets, intangible assets and investment properties;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

Functional and presentation currency

These consolidated and Company financial statements are presented in Euro, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Use of judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's and Company's accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The areas where judgement and estimate have the most significant effects on amounts recognised are:

- Note 24 - measurement of defined benefit obligations: key actuarial assumptions;
- Note 9 - recognition of deferred tax assets: availability of future taxable profits against which deferred tax assets can be used;
- Note 14 - accounting for PLI investment; and
- Note 18 - deferred revenue in relation to unused stamps/meter loadings.

Basis of Consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Transaction costs are expensed in profit or loss as incurred, except if related to the issue of debt or equity securities.

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any interest retained in the former subsidiary is measured at fair value when control is lost and together with the fair value of any consideration received is compared to the derecognised amounts. Any resulting gain or loss is recognised in profit or loss.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition and subsequently, their share of changes in net assets. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in joint ventures.

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its individual assets and obligations for its individual liabilities.

Interests in joint ventures are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Accounting for non recurring transactions

The group has adopted an income statement format that seeks to highlight significant items within the group's results for the year. Such items may include: restructuring costs, transformation costs, impairment of assets including material adjustments arising from the re-assessment issues, adjustments to contingent consideration, material acquisition costs, profits/losses on disposals, litigation settlements, legislative changes, gains or losses on DB plan restructuring. Judgement is used by the group in assessing the particular items which by virtue of the scale and nature should be disclosed as a separate line item in the including statement and notes.

Revenue

Revenue reported is net of value added tax. Revenue consists of income from postage, agency services, poundage from remittance services, courier and logistic services, financial services and interest income. Income from agency services is in respect of services performed for Government Departments, the National Treasury Management Agency, Premier Lotteries Ireland and other bodies. Amounts held in the performance of these agency services are included in amounts held in trust on the statement of financial position. The Group is entitled to interest income on funds held in relation to agency services and as such recognises this as part of revenue.

In respect of revenue relating to mails and parcels, the performance obligation is related to the sale of the stamps or cost of postage and the delivery of mails and parcels. The stamps or cost of postage is a distinct good that is promised to be transferred to the customer within this performance obligation. The performance obligation is satisfied when the stamps or cost of postage is utilised by the customer and is therefore satisfied at a point in time.

Commission income from the sale of gift vouchers, other cards and financial services products and is recognised when the underlying performance obligations are satisfied, generally at a point in time. Non-redemption income from gift cards is recognised when the related non-redemption fee is received, at a point in time. Other agency and service revenue is recognised when the the underlying performance obligations are satisfied, generally at a point in time.

Where the Group acts in the capacity of an agent rather than as the principal in a transaction, then the revenue recognised is the net amount of commission made by the Group.

Notes to the Financial Statements
for the year ended 31 December 2019 continued

1. Significant Accounting Policies continued

Revenue continued

Grants

Revenue based grants are recognised in profit or loss on a systematic basis in the periods in which the expenses are recognised. Capital grants are initially recognised as deferred income at fair value if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant; they are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

Property, Plant and Equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment, other than land, less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

	Years or lease term if shorter
Freehold & long leasehold buildings	20-50
Motor vehicles	5
Operating & computer equipment	3-10

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Leases

Leased assets - Policies applicable from 1 January 2019

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for certain short-term leases, less than 12 months in duration and leases of low value assets (such as small items of office equipment). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset

Leased assets - Policies applicable prior to 1 January 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

Intangible assets and goodwill

Recognition and measurement

Goodwill

Goodwill arising on the acquisition of subsidiaries is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirers previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of identifiable net assets acquired and liabilities assumed. Subsequently, goodwill is tested annually for impairment.

Software

Software has a finite useful life and is measured at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in profit or loss. Goodwill is not amortised but is tested for impairment annually at the year end.

The estimated useful lives for current and comparative periods are as follows:

	Years
Software	5

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at an appropriate pre-taxation rate.

Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(iii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. The Group determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

1. Significant Accounting Policies continued

Employee benefits continued

(iv) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group incurs costs for a related restructuring.

Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends. Current tax assets and liabilities are offset only if certain criteria are met.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are derecognised to the extent that it is no longer probable that the related tax benefit will be realised; such derecognised assets are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse using tax rates enacted or substantively enacted at the reporting date.

Deferred tax has not been recognised in respect of withholding taxes and other taxes that would be payable on the unremitted earnings of foreign subsidiaries, as the Group is in a position to control the timing of reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. The deferred tax liabilities which have not been recognised in respect of these temporary differences are not material as the Group can rely on the availability of participation exemptions and tax credits in the context of the Group's investments in subsidiaries.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Land is assessed at the sale rate. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption. Deferred tax assets and liabilities are offset only if certain criteria are met.

Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currencies at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into euro at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into euro at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of a joint venture while retaining joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(i) Financial assets

Financial assets are measured subsequently in their entirety at either fair value through other comprehensive income, fair value through the profit and loss account or at amortised cost.

Financial assets subsequently measured at amortised cost

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group includes in this category cash, trade and other receivables.

The Group subsequently measures all other financial assets at fair value through profit or loss (FVTPL).

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

Impairment of financial assets

The Group only holds trade and other receivables at amortised cost, with no significant financing component and which have maturities of less than 12 months and as such, has chosen to apply an approach similar to the simplified approach for expected credit losses (ECL) under IFRS 9 to all its receivables. Therefore, the Group does not track changes in credit risk, but instead, recognises a loss allowance based on lifetime ECLs at each reporting date. The carrying value of interest receivable, receivables on unsettled trades and other short-term receivables, measured at amortised cost less any expected loss, is an approximation of fair value given their short-term nature. The Group did not recognise any impairment during the year ended 31 December 2019.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

1. Significant Accounting Policies continued

Financial instruments continued

(i) Financial assets continued

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

(ii) Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method. The Group includes in this category trade payables and other short-term payables.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

Impairment of Financial Assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, trade and other receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group recognises lifetime ECL for trade receivables, contract assets and other receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the receivables, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, including the shareholder's loan in Premier Lotteries Ireland, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

2. Revenue

	2019 €'000	2018 €'000
The analysis of revenue is as follows:		
Republic of Ireland		
Postage: Letters and parcels	591,985	580,448
Postage: Elections and referenda	22,416	15,386
Post offices: Agency, remittance and related services	162,920	159,558
Other services	40,436	57,470
	817,757	812,862
United Kingdom		
Mails distribution and related services	74,371	84,092
Revenue	892,128	896,654

3. Operating Costs

	2019 €'000	2018 €'000
The consolidated costs for the Group were as follows:		
Staff and postmasters' costs		
Wages and salaries	419,056	413,250
Postmasters' costs	65,622	69,659
Social insurance costs	39,655	38,162
	524,333	521,071
Pension costs	41,535	47,667
Total payroll and postmasters' costs	565,868	568,738
Other costs:		
Distribution	84,850	92,665
Facilities	20,416	26,769
Operational	75,261	83,729
Administration	66,181	63,926
Depreciation	35,066	18,245
Impairment	-	2,726
Amortisation	2,591	2,508
	284,365	290,568
	850,233	859,306

4. Transformation Costs

Costs associated with the implementation of the new Postmasters Contract and the resizing of the Post Office Network amounted to €9,781,000 (2018: €13,974,000) during the year.

An additional provision of €5,500,000 is recognised in respect of the closing of the Cork mails centre. This facility closed its mails processing operation on 23 March 2020. See note 23.

Notes to the Financial Statements
for the year ended 31 December 2019 continued

5. Disposal of Subsidiaries

	2019 €'000	2018 €'000
Proceeds from disposals (net of disposal costs)	51,651	-
Less: net assets of subsidiaries at their carrying value	(14,625)	-
Add: carrying amount of non controlling interests	3,806	-
Less: foreign currency translation reclassified on disposal	(794)	-
Profit on disposal of subsidiaries	40,038	-

On 31st January 2019, the entire shareholding of TSC Ventures DAC (the company holding the shares in the One4all Gift Voucher group of companies) was sold to Blackhawk Network, a global financial technology organisation. The transaction value was €105m and An Post previously held 53.6% of the shares in TSC Ventures DAC. The sales proceeds recognised in 2019 include two amounts held in escrow at the time of the transaction to the value of €10.187m. These amounts are included in Other Debtors at 31 December 2019 and have been received on time, in January 2020 and March 2020. Additional contingent consideration of €5.6m may be received by An Post in relation to the sale in 2021. This is currently held in a special escrow account and is not part of the sales proceeds recognised in 2019.

The sale of Precision Marketing Information Limited, a relatively small subsidiary, which provided marketing data, database services and business directories was completed in March 2019.

6. Finance Income

	2019 €'000	2018 €'000
Interest on Premier Lotteries Ireland (PLI) loan receivable	2,394	2,190
PLI preference shares income	-	2,130
Income from investments	-	243
Interest on short term deposits	24	14
	2,418	4,577

7. Finance Costs

	2019 €'000	2018 €'000
Right of use asset interest cost	1,555	-
Finance lease interest	108	281
Net pension interest cost	500	500
Interest on Government loan	306	309
Other interest costs	257	389
	2,726	1,479

8. Profit before Taxation

	2019 €'000	2018 €'000
The profit before taxation is stated after charging:		
Operating lease rentals outside scope of IFRS16:		
Rental of buildings	199	7,686
Other equipment and motor vehicles	2,245	13,099
	2,444	20,785
Directors emoluments:		
Fees	218	220
Emoluments - Chief Executive	322	300
	540	520
Expenses paid to Directors		
Travel	6	2
Subsistence	1	1
	7	3
Auditor's remuneration* - Group		
Audit of the group financial statements	279	334
Other assurance services	148	287
Other non-audit services	-	-
	427	621
Auditor's remuneration* - An Post Company (included above)		
Audit of entity financial statements	168	190
Other assurance services	148	287
Other non-audit services	-	-
	316	477
The profit before taxation is stated after crediting		
Capital grants amortised	449	449
(Loss) / profit on sale of plant & equipment	(4)	14
	445	463

*Excluding VAT

The amounts shown above as directors' emoluments include only the amounts paid to the directors in the execution of their duties as directors and the salary of the Chief Executive. They do not include the salaries of the employee directors or the remuneration of the postmaster director.

Notes to the Financial Statements
for the year ended 31 December 2019 continued

8. Profit before Taxation continued

Remuneration of directors, including disclosures in accordance with the Code of Practice for the Governance of State Bodies (the 'Code of Practice') and the Companies Act 2014, is set out below.

The remuneration package of Mr David McRedmond, Chief Executive Officer, which is included in the amounts shown above as directors' emoluments, is as follows.

	2019 €'000	2018 €'000
Basic salary	250	240
Other emoluments :		
Director's fee	-	-
Benefit in kind - expenses grossed up	9	-
Pension contributions paid	63	60
	322	300

In accordance with the Code of Practice, the fees paid to each director were as follows:

	2019 €'000	2018 €'000
Dermot Divilly (Chairperson)	31	31
Noel Adamson	16	16
Carol Bolger	16	16
Deirdre Burns	16	16
Peter Coyne	16	3
Thomas Devlin	16	16
Jennifer Loftus	3	16
David McRedmond (Chief Executive Officer)*	-	-
Padraig McNamara	16	-
William Mooney	16	16
Kieran Mulvey**	5	-
Ed Murray	3	16
Thomas O'Brien	-	7
Martina O'Connell	16	16
Mary O'Donovan	16	3
Niall Phelan	16	16
Lorraine Tormey	-	16
James Wrynn	16	16
Total	218	220

* Mr David McRedmond does not receive a director's fee.

** Mr Kieran Mulvey was appointed to the Board by Minister for Communications, Climate Action and Environment on 16 September 2019.

9. Income Tax

A. Amounts recognised in profit or loss

	2019 €000	2018 €000
Current tax		
Ireland - Corporation Tax	978	1,959
Adjustment in respect of prior year	(20)	(455)
UK - Corporation Tax	255	386
	1,213	1,890
Deferred Tax		
Origination and reversal of temporary differences	(1,238)	(456)
Adjustment in respect of prior year	48	74
	(1,190)	(382)
Total tax charge	23	1,508

B. Reconciliation of effective tax rate

	2019 €000	2018 €000
Profit before taxation	66,344	26,772
Tax using the Company's domestic tax rate - 12.5% (2018: 12.5%)	8,293	3,346
Tax effects of:		
Non-deductible expenses / income not taxable	(4,721)	153
Tax withheld from payments made	-	6
Income and gains taxed at higher rates	559	819
Tax losses utilised not recognised in prior year	(718)	(1,650)
Movement in unrecognised deferred tax	(3,418)	(785)
Prior year overprovision	28	(381)
Total tax charge	23	1,508

Notes to the Financial Statements
for the year ended 31 December 2019 continued

9. Income Tax continued

C. Movement in deferred tax balances

Balance at 31 December 2019

	Net Balance at 1 Jan 2019 €'000	Recognised in profit or loss 2019 €'000	Recognised in Other Comprehensive Income 2019 €'000	Net Balance at 31 Dec 2019 €'000
Property, plant and equipment	(8,566)	564	-	(8,002)
Employee benefits	6,830	(839)	(1,616)	4,375
Other provisions	516	(718)	-	(202)
Carry forward tax loss (revenue recognition)	1,563	2,183	-	3,476
	343	1,190	(1,616)	(83)
Disclosed as Deferred tax assets				2,356
Deferred tax liability				(2,439)

Given the uncertainty over the existence of future taxable profits, a potential deferred tax asset in the Group of €11,784,000 (2018: €16,247,000) arising from excess losses carried forward has not been recognised.

Balance at 31 December 2018

	Net Balance at 1 Jan 2018 €'000	Recognised in profit or loss 2018 €'000	Recognised in Other Comprehensive Income 2018 €'000	Net Balance at 31 Dec 2018 €'000
Property, plant and equipment	(6,781)	(1,785)	-	(8,566)
Employee benefits	6,040	1,633	(843)	6,830
Other provisions	817	(301)	-	516
Carry forward tax loss (revenue recognition)	728	835	-	1,563
	804	382	(843)	343
Disclosed as Deferred tax assets				2,091
Disclosed as Deferred tax liability				(1,748)

At 31 December 2018, €298,000 of the deferred tax assets, and €135,000 of the deferred tax liability have been reclassified as an asset classified as held for sale, and as associated liabilities in respect of the assets classified as held for sale (note 18).

10. Staff and Postmaster Numbers and Costs

The average full time equivalent (FTE) number of persons, excluding postmasters, working in the Group during the year was:

	2019	2018
Operations	8,700	8,556
Corporate	361	374
Total Company employees (FTE)	9,061	8,930
Subsidiaries	690	793
Total Group employees (FTE)	9,751	9,723

The average number of employees working in the Group during the year was:

	2019	2018
Operations	8,063	8,011
Corporate	380	398
Company employees	8,443	8,409
Casual employees	897	881
Total Company employees	9,340	9,290
Subsidiaries	692	809
Total Group employees	10,032	10,099

The average number of postmasters engaged as agents was:

	2019	2018
Postmasters: Engaged as agents	866	994

The aggregate payroll and postmasters' costs were as follows:

	2019 €'000	2018 €'000
Wages and salaries	419,056	413,250
Social insurance costs	39,655	38,162
Pension costs	41,535	47,667
Total payroll costs	500,246	499,079
Postmasters: Engaged as agents	65,622	69,659
Total payroll and postmasters' costs	565,868	568,738

In addition, see note 4 for details of Transfomation costs associated with Postmasters exiting and signing up to the new Postmaster contract.

Notes to the Financial Statements
for the year ended 31 December 2019 continued

11. Intangible Assets and Goodwill

Group	Goodwill €'000	Software €'000	Total €'000
Cost			
At 1 January 2018	41,262	60,494	101,756
Transferred to disposal group held for sale	(9,718)	(102)	(9,820)
Additions	-	3,269	3,269
Foreign exchange movement	(19)	(79)	(98)
At 31 December 2018	31,525	63,582	95,107
Additions	-	5,715	5,715
Foreign exchange movement	119	370	489
At 31 December 2019	31,644	69,667	101,311
Amortisation and impairment			
At 1 January 2018	28,713	54,275	82,988
Transferred to disposal group held for sale	(3,986)	(102)	(4,088)
Charge for year	-	2,508	2,508
Foreign exchange movement	-	(18)	(18)
At 31 December 2018	24,727	56,663	81,390
Charge for the year	-	2,591	2,591
Foreign exchange movement	-	164	164
At 31 December 2019	24,727	59,418	84,145
Carrying amount			
At 31 December 2019	6,917	10,249	17,166
At 31 December 2018	6,798	6,919	13,717

The amortisation of software is included in operating costs. The net carrying amount of intangible assets held under finance leases was €408,000 (2018: €944,000).

Impairment testing for cash generating units (CGUs) containing goodwill

For the purposes of impairment testing, goodwill has been allocated to the Group's CGUs (operating divisions) as follows:

	2019 €'000	2018 €'000
Air Business & Jordans	2,424	2,305
One Direct	4,493	4,493
	6,917	6,798

At 31 December 2018, the goodwill associated with the Gift Voucher Shop group of companies was reclassified as part of the disposal group held for sale. This group of companies was disposed on 31 January 2019 and all associated goodwill has been disposed as a result.

The recoverable amounts of these CGUs were based on their value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGU. A description of the activities of the CGUs is outlined in Note 26.

The key assumptions used in the estimation of value in use were as follows:

Forecasted cash flows
Forecasted cash flows are based on the budgeted future earnings. The budgeted earnings are based on the 2020 budget approved by the board and projections for 2021 to 2024.

Discount rates
A pre-tax discount rate of 8% (2018: 8%) is applied to the profits of each of the CGUs in the impairment calculation.

Impairments
The foregoing impairment tests did not result in any impairments being recognised for the year ended 2019 (2018: €nil).

Sensitivity
The Group ran sensitivities based on reasonably possible changes in assumptions and these sensitivities would not result in the need to recognise an impairment in 2019 or 2018.

Company	Software €'000	Total €'000
Cost		
At 1 January 2018	57,659	57,659
Additions	1,827	1,827
At 31 December 2018	59,486	59,486
Additions	4,195	4,195
At 31 December 2019	63,681	63,681
Amortisation and impairment		
At 1 January 2018	53,480	53,480
Charge for year	1,779	1,779
At 31 December 2019	56,976	56,976
Carrying amount		
At 31 December 2019	6,705	6,705
At 31 December 2018	4,227	4,227

12. Investment Property

Group and Company

Reconciliation of carrying amount

	2019 €'000	2018 €'000
Balance at beginning of year	715	715
Change in fair value	-	-
Balance at end of year	715	715

Investment property comprises a commercial property which is leased to a third party. No contingent rents are charged.

Changes in fair value are recognised as gains in profit or loss and included in 'other income'. All gains are unrealised.

Measurement of fair values

The directors have considered the fair value of the investment property at 31 December 2019. Having regard to recent experience in the location and category of the property the directors believe its value remains unchanged at €715,000.

The fair value measurement for the investment property has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

Additional disclosures in relation to the fair value of the investment property have not been provided as they are not considered material.

13. Property, Plant and Equipment

	Freehold & long leasehold land & buildings €'000	Motor vehicles €'000	Operating & computer equipment €'000	Total €'000
Group				
Cost				
At 1 January 2018	294,317	12,827	324,731	631,875
Additions	3,038	120	11,799	14,957
Disposals	-	(397)	(689)	(1,086)
Reclassified to Assets held for sale	(86)	(60)	(3,495)	(3,641)
Foreign exchange movement	-	(10)	(306)	(316)
At 31 December 2018	297,269	12,480	332,040	641,789
Recognition of right of use asset on initial application of IFRS 16	58,196	15,063	468	73,727
Adjusted balance at 1 January 2019	355,465	27,543	332,508	715,516
Additions	8,347	33,587	14,304	56,238
Disposals	-	(200)	(45)	(245)
Foreign exchange movement	809	15	415	1,239
At 31 December 2019	364,621	60,945	347,182	772,748
Accumulated depreciation and impairment losses				
At 1 January 2018	104,505	5,458	291,192	401,155
Charged during the year	7,093	2,286	8,866	18,245
Impairment loss	-	-	2,726	2,726
Eliminated on disposals	-	(367)	(602)	(969)
Reclassified to Assets held for sale	(75)	(60)	(2,418)	(2,553)
Foreign exchange movement	-	(8)	(316)	(324)
At 31 December 2018	111,523	7,309	299,448	418,280
Charged during the year	14,058	11,848	9,160	35,066
Eliminated on disposals	-	(149)	(46)	(195)
Foreign exchange movement	33	8	182	223
At 31 December 2019	125,614	19,016	308,744	453,374
Carrying Amount				
At 31 December 2019	239,007	41,929	38,438	319,374
At 31 December 2018	185,746	5,171	32,592	223,509

Impairment loss

In 2018, due to the continued decline in traditional mail volumes, the Group assessed the related mail sorting equipment for impairment, and recognised an impairment loss of €2,726,000 with respect to certain automated equipment. The impairment loss is included within operating costs in the income statement. In the opinion of the directors, no impairment arose in 2019.

Mortgage and Charge

Under the terms of the plan to meet the Minimum Funding Standard requirements a mortgage and charge relating to certain property assets of the Company with a value of €72.5 million was put in place in favour of the An Post Pension Scheme ("the Scheme") for use as a contingent asset of the Scheme. Further details are set out in note 24.

13. Property, Plant and Equipment continued

	Freehold & long leasehold land & buildings €'000	Motor vehicles €'000	Operating & computer equipment €'000	Total €'000
Company				
Cost				
At 1 January 2018	287,743	12,514	301,539	601,796
Additions	3,038	96	8,351	11,485
Disposals	-	(339)	-	(339)
At 31 December 2018	290,781	12,271	309,890	612,942
Recognition of right of use asset on initial application of IFRS 16	35,010	14,855	-	49,865
Adjusted balance at 1 January 2019	325,791	27,126	309,890	662,807
Additions	8,264	33,532	13,257	55,053
Disposals	-	(130)	-	(130)
At 31 December 2019	334,055	60,528	323,147	717,730
Accumulated depreciation and impairment losses				
At 1 January 2018	99,903	5,271	273,512	378,686
Depreciation	6,991	2,237	7,176	16,404
Impairment loss	-	-	2,726	2,726
Eliminated on disposals	-	(322)	-	(322)
At 31 December 2018	106,894	7,186	283,414	397,494
Depreciation	12,222	11,727	7,370	31,319
Eliminated on disposals	-	(79)	-	(79)
At 31 December 2019	119,116	18,834	290,784	428,734
Carrying Amount				
At 31 December 2019	214,939	41,694	32,363	288,996
At 31 December 2018	183,887	5,085	26,476	215,448

Group and Company

At 31 December 2019 the net carrying amount of property, plant and equipment held under finance leases was €7,177,000 (2018: €11,024,000). See note 27 for further information.

Impairment loss

In 2018, due to the continued decline in traditional mail volumes, the Group assessed the related mail sorting equipment for impairment, and recognised an impairment loss of €2,726,000 with respect to certain automated equipment. The impairment loss is included within operating costs in the income statement. In the opinion of the directors, no impairment arose in 2019.

Mortgage and Charge

Under the terms of the plan to meet the Minimum Funding Standard requirements a mortgage and charge relating to certain property assets of the Company with a value of €72.5 million was put in place in favour of the An Post Pension Scheme ("the Scheme") for use as a contingent asset of the Scheme. Further details are set out in note 24.

14. Investments

	Group 2019 €'000	Group 2018 €'000	Company 2019 €'000	Company 2018 €'000
Investment in Premier Lotteries Ireland (see A below)	36,874	34,481	36,874	34,481
Shares in subsidiary undertakings (see note 26)	-	-	8,969	9,219
Investment in joint venture (see B overleaf)	-	-	-	-
Other investments (see C overleaf)	-	-	-	-
	36,874	34,481	45,843	43,700

The other investments have been fair valued at €410k at 31 December 2018 but is part of the disposal group classified as held for sale, see note 18. The decrease in the value of shares held in subsidiary undertakings arises as a result of the disposals during the financial year.

A. Investment in Premier Lotteries Ireland (PLI)

	2019 €'000	2018 €'000
Group and Company		
The investment in PLI is comprised of:		
Investment in equity shares	350	350
Loans and receivables		
Shareholders loans	28,115	25,722
Investment in preference shares	8,409	8,409
	36,874	34,481

In 2014, An Post invested €25m in PLI by way of equity investment, shareholders' loans and preference shares.

Investment in equity shares

The Company holds 10.7% of the equity in the entity, holds two of the eight Board positions and has certain contractual rights. The majority shareholder is Ontario Teachers' Pension Plan and it holds 78.6% of the equity. This shareholder is an experienced Lottery operator. In PLI, the majority shareholder is the primary influencer of the operating and financial policies.

Preference shares

The preference shares entitle the Company to an annual preferential dividend for a period of 20 years from 2014 up to 2034.

Shareholder loans

The shareholder loan is repayable in the period up to 2034 with a rate of interest of 9% per annum. The value of the loans receivable has increased due to accrued interest.

IFRS 9 - Financial Instruments

The directors, having considered the rights of An Post and the nature of the involvement of An Post in PLI, determined that on initial application of IFRS 9, the appropriate accounting for this investment varies based on each distinct element of the investment, outlined above.

14. Investments continued

A. Investment in Premier Lotteries Ireland (PLI) continued

The investment in equity shares is measured at fair value through the profit and loss account. The directors consider the fair value of these investments materially equate to the carrying amounts as at 31 December 2019 and as a result no fair value adjustment is recorded in 2019.

The investment in the form of shareholder loans and preference shares are measured at amortised cost. After applying a 12-month expected credit loss model to these investments, the directors are satisfied that the expected credit loss amount for the current and prior year was not material to the financial statements of the Group.

B. Investment in joint venture

During the year, the Group's share of its joint venture's profit amounted to €Nil (2018: €Nil).

The following table summarises the financial information of The Prize Bond Company DAC as included in its own financial statements

	2019 €'000	2018 €'000
Current assets	19,471	20,508
Current liabilities	(19,471)	(20,508)
Net assets (100%)	-	-
Group's share of net assets (50%)	-	-
Revenue	10,530	10,898
Profit from continuing operations	-	-
Total comprehensive income (100%)	-	-
Group's share of total comprehensive income (50%)	-	-

C. Other investments

	2019 €'000	2018 €'000
Fair value at the start of the year	-	167
Net change in fair value - recognised through Profit or Loss	-	243
Fair value at the end of the year	-	410
Reclassified to assets classified as held for sale (note 18)	-	(410)
	-	-

GVS Prepaid Limited held an investment in VISA Inc. This investment was fair valued at 31 December 2018. The GVS group of companies were disposed of on 31 January 2019 and as a result this other investment has been disposed.

15. Trade and Other Receivables

	Group 2019 €'000	Group 2018 €'000	Company 2019 €'000	Company 2018 €'000
Current assets				
Trade receivables	99,902	97,139	67,724	67,167
Amounts owed by subsidiary undertakings	-	-	20,221	20,855
Amounts owed by joint venture (note 29)	286	254	286	254
Other debtors	10,618	417	10,613	411
Prize bonds held	812	812	625	625
Prepayments	13,485	6,702	11,014	4,627
	125,103	105,324	110,483	93,939
Non-current assets				
Amounts owed by subsidiary undertakings	-	-	6,421	6,419
Deferred tax asset	2,356	1,793	2,212	1,613
	2,356	1,793	8,633	8,032
	127,459	107,117	119,116	101,971

Trade and other receivables are measured at amortised cost (less any loss allowance) as the Group's business model is to "hold to collect" contractual cash flows. The Group applies the simplified approach to providing for expected credit losses (ECL) permitted by IFRS 9 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The carrying value of trade and other receivables also represents their fair value. Trade receivables are non-interest bearing.

Amounts due from group undertakings are interest free, unsecured and payable on demand.

16. Inventories

	Group 2019 €'000	Group 2018 €'000	Company 2019 €'000	Company 2018 €'000
Finished goods	2,611	2,878	-	-
	2,611	2,878	-	-

Inventory is recorded at the lower of cost or net realisable value in accordance with IAS 2 and related primarily to the value of mobile top ups held by Postpoint Services Limited.

17. Cash at Bank and In Hand

	Group 2019 €'000	Group 2018 €'000	Company 2019 €'000	Company 2018 €'000
Cash at bank	316,489	335,068	300,137	321,111
Cash in hand	193,366	177,473	193,366	177,473
	509,855	512,541	493,503	498,584

Analysis of cash and cash equivalents

Group	At beginning of year €'000	Cash flows €'000	At end of year €'000
Cash at bank and in hand	512,541	(2,686)	509,855

At 31 December 2018, the Group additionally held restricted cash of €180,791,000. The cash held was segregated in a separate client funds bank account and the amounts related to the unredeemed balances held on One4all cards issued by the Gift Voucher Shop Group. This balance was reclassified as part of the assets classified as held for sale at 31 December 2018, see note 18. The sales process in relation to the Gift Voucher Shop Group was completed in January 2019.

	Group 2019 €'000	Group 2018 €'000	Company 2019 €'000	Company 2018 €'000
Amounts held in trust	366,770	403,045	366,770	403,045

Included in current liabilities at 31 December 2019 was amounts held in trust of €366,770,000: (2018: €403,045,000). The majority of the amounts held in trust relates to funds held on behalf of the Company's clients including the Department of Employment Affairs and Social Protection. The Company also operates, on an agency basis and for an agreed remuneration, the Post Office Savings Bank and other savings services for the NTMA, which acts on behalf of the Minister for Finance. The funds are remitted regularly to the NTMA. The assets and liabilities of such savings services vest in the Minister for Finance and accordingly, are not included in these financial statements.

At 31 December 2018, the Group additionally had a liability of €180,791,000 in relation to cash held - unredeemed prepaid cards. This balance relating to the activity of the Gift Voucher Shop Group was reclassified as part of the assets classified as held for sale at 31 December 2018, see note 18. The sales process in relation to the Gift Voucher Shop Group was completed in January 2019.

18. Disposal group classified as held for sale

During 2018, in line with the Strategic Plan, the Group started a process to dispose of certain non core subsidiaries. At 31 December 2018 the sales process in relation to two subsidiaries, namely TSC Ventures DAC (The Gift Voucher Shop Group) and Precision Marketing Information Limited was at an advanced stage.

The assets and liabilities associated with these transactions met the "held for sale" criteria set out in IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations and were reclassified accordingly as assets or liabilities held for sale as at 31 December 2018. Both assets held for sale were not considered a separate major line of business and therefore do not constitute discontinued operations as defined in IFRS 5.

Assets and liabilities of disposal group held for sale at 31 December 2018

The disposal group at that date comprised the following assets and liabilities.

	€'000
Property, plant and equipment	1,088
Other investments	410
Goodwill	5,732
Deferred tax asset	298
Trade and other receivables	11,945
Inventories	400
Cash at bank and in hand	5,585
Restricted cash	180,791
Assets classified as held for sale	206,249

	€'000
Trade and other payables	8,875
Liability in relation to cash held - unredeemed prepaid cards	180,791
Deferred tax liability	135
Liabilities associated with assets classified as held for sale	189,801

On 31st January 2019, the entire shareholding of TSC Ventures DAC (the company holding the shares in the One4all Gift Voucher group of companies) was sold to Blackhawk Network, a global financial technology organisation. The transaction value was €105m and An Post previously held 53.6% of the shares in TSC Ventures DAC. The sales proceeds recognised in 2019 include two amounts held in escrow at the time of the transaction to the value of €10.187m. These amounts are included in Other Debtors at 31 December 2019 and have been received on time, in January 2020 and March 2020. Additional contingent consideration of €5.6m may be received by An Post in relation to the sale in 2021. This is currently held in a special escrow account and is not part of the sales proceeds recognised in 2019. The sale of Precision Marketing Information Limited, a relatively small subsidiary, which provided marketing data, database services and business directories was completed in March 2019.

The profit on disposal of the subsidiaries was €40.038m as set out in note 5.

19. Trade and Other Payables

	Group 2019 €'000	Group 2018 €'000	Company 2019 €'000	Company 2018 €'000
Trade creditors	49,394	46,364	30,139	24,492
Amounts owed to subsidiary undertakings	-	-	27,428	36,216
Other creditors	12,486	12,267	12,034	11,838
Taxation and social welfare (note 21)	19,231	17,587	17,730	16,605
Accruals	64,747	76,120	57,870	66,610
Capital grants (note 22)	449	449	102	102
Deferred revenue - agency commission	6,575	6,736	-	-
Deferred revenue - unused stamps sold / franking meters	14,853	16,844	13,669	15,549
	167,735	176,367	158,972	171,412

Amounts due to group undertakings are interest free, unsecured and payable on demand. Deferred income in relation to unused stamps and franking machine credit is based on a number of estimation and sampling methods which are reviewed by management in order to make a judgement of the carrying amount of the deferred revenue. Revenue is deferred at the balance sheet date as certain performance obligations have not yet been met. The directors consider that the carrying amount of trade payables approximates to their fair value.

20. Leases and Borrowings

Due within one year

	Group 2019 €'000	Group 2018 €'000	Company 2019 €'000	Company 2018 €'000
Finance lease	3,025	11,593	2,792	11,583
Right of use asset lease liability	17,054	-	15,920	-
European Investment Bank loan	1,000	-	1,000	-
	21,079	11,593	19,712	11,583

Due after one year

	Group 2019 €'000	Group 2018 €'000	Company 2019 €'000	Company 2018 €'000
Finance lease	618	3,289	487	3,265
Right of use asset lease liability	78,415	-	55,269	-
European Investment Bank loan	9,000	-	9,000	-
Government loan	30,000	30,000	30,000	30,000
	118,033	33,289	94,756	33,265

In December 2017, having regard to the Services of General Economic Interest it provides, An Post received a loan of €30m from the Department of Finance to assist in the restructuring of the Company. The loan is for a 5 year term with the potential for an annual extension on two occasions. It attracts an interest rate of 1% and was provided to execute the Strategic Plan. The loan from the EIB was received in December 2019 and is repayable in quarterly instalments over a 10-year term.

21. Taxation and Social Welfare

	Group 2019 €'000	Group 2018 €'000	Company 2019 €'000	Company 2018 €'000
Corporation tax (receivable) / payable	(263)	1,128	(251)	746
Deferred tax	2,439	1,613	2,212	1,613
Income tax deducted under PAYE	6,683	6,502	6,065	5,839
Pay related social insurance	5,876	5,514	5,678	5,400
Value added tax	3,346	2,280	2,894	2,459
Professional services withholding tax	1,150	550	1,132	548
	19,231	17,587	17,730	16,605

22. Capital Grants

	Group 2019 €'000	Group 2018 €'000	Company 2019 €'000	Company 2018 €'000
At beginning of year	8,896	9,345	2,850	2,952
Grants received during the year	-	-	-	-
Amortised to income statement	(449)	(449)	(102)	(102)
At end of year	8,447	8,896	2,748	2,850
Transferred to current liabilities	(449)	(449)	(102)	(102)
	7,998	8,447	2,646	2,748

The grants shown on the Company balance sheet were received in the 1990s to help develop mail facilities at various locations around the country. They are amortised to the profit and loss account in line with charges for depreciation for the same buildings. In addition, the Group received support from Government to develop the GPO Witness History Museum in 2016 and this grant is also amortised on a basis consistent with the depreciation of the assets to which the grant related.

23. Provisions

Group and Company

The movements during the year were as follows

	Provision for business restructuring 2019 €'000	Provision for insurance claims 2019 €'000	Total 2019 €'000	Provision for business restructuring 2018 €'000	Provision for insurance claims 2018 €'000	Total 2018 €'000
At beginning of year	14,330	12,448	26,778	23,180	12,422	35,602
Provisions made during the year	5,500	2,500	8,000	-	2,500	2,500
Utilised during the year	(8,981)	(1,764)	(10,745)	(8,850)	(2,474)	(11,324)
At end of year	10,849	13,184	24,033	14,330	12,448	26,778
Current	10,849	1,688	12,537	14,330	2,075	16,405
Non-Current	-	11,496	11,496	-	10,373	10,373
	10,849	13,184	24,033	14,330	12,448	26,778

The provision for business restructuring at 31 December 2018 related to the change programme in the business and the closure of a mails processing centre. During 2019, an additional provision of €5,500,000 was recognised in respect of the closing of the Cork mails centre. The provision for business restructuring at 31 December 2019 relates solely to the closure of the Cork facility as a mails processing centre. This facility closed its mails processing operation on 23 March 2020, and the Group expects to settle this liability during 2020.

The provision for insurance claims relates to claims under the Group's self-insurance policy. The provision is determined on completion of a case by case assessment. The Group expects to settle the majority of the insurance liability over the next six years.

24. Pensions

Group and Company

The pension entitlements of employees arise under a number of defined benefit and defined contribution pension schemes, the assets of which are vested in independent trustees appointed by the Company for the sole benefit of employees and their dependents. Annual contributions are based on the advice of a professionally qualified actuary. There were no contributions due to the Pension Schemes at 31 December 2019 (2018: €nil). Employer contributions in 2020 are expected to be €44m.

The pension costs of the defined benefit schemes are assessed in accordance with the advice of an independent professionally qualified actuary. The most recent actuarial valuations, which took account of the changes to the normal retirement age, were carried out at 1 January 2019 using the projected unit credit method and at that date were sufficient to cover 98% of the accrued liabilities. The principal actuarial assumption was that, over the long term, the annual rate of return on investments would exceed salary and pension increases by an average of 0.65% per annum. The actuarial valuation of 1 January 2019 recommended a contribution rate of 14.4% of pensionable remuneration in line with the funding proposal currently in place. The actuarial valuations are not available for public inspection but the results of the valuations have been advised to the members of the schemes. The next actuarial valuation will be completed within the year with an as at date of 1 January 2022.

The Company operates a Special Terminations Payments Scheme for Postmasters. This provides a once-off gratuity to Postmasters (at the discretion of the Company), where their contract terminates at any age, or, where in the course of their contract, they pass away leaving a dependent relative or relatives. The amount of the gratuity is one week's remuneration for each year of service up to 15 years, plus two week's remuneration for each subsequent year of service. The overall cap on the gratuity is 1.5 times remuneration. The obligation recognised for this Scheme as at 31 December 2019, included in the table overleaf, amounted to €12.8m (2018: €14.7m).

Funding

The Schemes are subject to an annual valuation under the Pensions Authority Minimum Funding Standard (MFS).The MFS valuation is a check that a scheme has sufficient funds to provide a minimum level of benefits in the event that the scheme is wound-up. In addition, the Schemes are obliged to hold sufficient additional resources to satisfy the funding standard reserve as provided in section 44(2) of the Act.

As at 1 January 2013 the Schemes did not satisfy the Minimum Funding Standard, with a deficit of €311m. Consequently an MFS funding proposal was agreed between the Company, the Trustees and the Staff. This was approved by the Pensions Authority in May 2014. An amendment to the Schemes was submitted to the Department of Public Expenditure and Reform and the Department of Communications, Energy and Natural Resources and was approved in January 2015.

The amendments included an adjustment to the normal retirement age for certain members and to the definition of pensionable pay. The changes agreed to the Schemes have led to an improvement in the Schemes' funding position under MFS. The funding proposal is currently on schedule to satisfy the Pension Authority's Minimum Funding Standard (including the funding standard reserve) by 31 December 2023. At 31 December 2019, an estimated MFS position calculated a surplus of €307m (including the funding standard reserve). The Scheme is very susceptible to equity and bond market movements and a relatively small adverse movement can result in a material change to the funding position. As part of the Funding Proposal the Company pledged a contingent asset which is a portfolio of properties it owns and it signed a resolution assigning these properties, with the approval of the relevant Departments in February 2015, confirming the funding agreement between the parties and the Trustees.

Notes to the Financial Statements
for the year ended 31 December 2019 continued

24. Pensions continued

Movement in the net defined benefit liability

The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit liability and its components.

	Fair value of plan assets		Defined benefit obligation		Net defined benefit liability	
	2019 €'000	2018 €'000	2019 €'000	2018 €'000	2019 €'000	2018 €'000
Balance at 1 January	3,063,512	3,115,726	(3,111,392)	(3,170,792)	(47,880)	(55,066)
Included in profit or loss						
Current service cost	-	-	(40,500)	(46,600)	(40,500)	(46,600)
Interest income/(cost)	63,900	61,900	(64,400)	(62,400)	(500)	(500)
	63,900	61,900	(104,900)	(109,000)	(41,000)	(47,100)
Included in OCI						
Remeasurements						
- Actuarial (loss)/gain arising from:						
Demographic assumptions	-	-	-	-	-	-
Financial assumptions	-	-	(422,600)	49,700	(422,600)	49,700
Experience adjustment	-	-	(16,334)	31,736	(16,334)	31,736
Return on plan assets	451,862	(74,692)	-	-	451,862	(74,692)
	451,862	(74,692)	(438,934)	81,436	12,928	6,744
Other						
Contributions paid by the employer	44,772	44,986	-	-	44,772	44,986
Administrative expenses from plan	(1,000)	(1,000)	1,000	1,000	-	-
Member contributions	4,273	4,097	(4,273)	(4,097)	-	-
Benefits paid-unfunded scheme	-	-	2,952	2,556	2,952	2,556
Benefits paid-funded scheme	(89,707)	(87,505)	89,707	87,505	-	-
	(41,662)	(39,422)	89,386	86,964	47,724	47,542
Balance at 31 December	3,537,612	3,063,512	(3,565,840)	(3,111,392)	(28,228)	(47,880)

Plan assets

Plan assets comprise the following:

	2019 €'000	2018 €'000
Equities: Global development markets	924,175	673,188
Equities: Emerging markets	140,325	109,417
Equities: Total	1,064,500	782,605
Bonds: Euro	1,852,900	1,485,960
Other: includes property, private equity and infrastructure	620,212	794,947
Fair value of pension schemes' assets	3,537,612	3,063,512

Under the Trust Deed, the Trustees have full power to decide investment policy and to administer the funds at their disposal. The monies for investment are allocated to a number of investment managers and they each invest according to guidelines set out in an Investment Management Agreement approved by the Trustees. The investment managers provide detailed reports to the Trustees and investment performance is monitored on a regular basis by the Trustees. The majority of the assets of the Schemes are invested in equities and bonds. The remainder of the assets are invested in alternative asset classes, including property.

Five investment managers manage the following key mandates, which together account for 80% of the Schemes' assets:

- Passive global developed equity mandate - SSGA
- Active fixed interest mandate - PIMCO
- Passive fixed interest mandate - SSGA
- Passive global small cap equity mandate - Irish Life Investment Managers
- Active emerging markets equity mandate - JP Morgan and
- Active emerging markets equity mandate - Heptagon

In addition, the Trustees have property investments with SSGA, IPUT plc, Fidelity International and Patrizia. The Trustees continue to invest in a number of alternative investments - in some cases the investment amount is called down by the manager over a period of time rather than an upfront investment. These investments include infrastructure, forestry, direct lending, private equity and venture capital. The Trustees also hold an investment in Premier Lotteries Ireland Limited, the company operating the National Lottery.

Defined benefit obligation

i. Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date:

	2019	2018
Valuation method	Projected Unit	Projected Unit
Discount rate	1.35%	2.10%
Inflation - CPI	1.60%	1.75%
Pensionable pay inflation	1.50%	1.50%
Increase to pensions in payment	1.50%	1.50%
Pensionable salary increases	1.50%	1.50%

The assumptions relating to longevity underlying the pension liabilities at the reporting date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity.

The assumptions are equivalent to expecting a 65-year old to live to the following ages:

	2019 Male	2019 Female	2018 Male	2018 Female
Life expectancy at 65				
Current Pensioners - aged 65	86.6	88.5	86.5	88.4
Future Pensioners - aged 40	88.9	90.7	88.8	90.7

At 31 December 2019, the weighted average duration of the defined benefit obligation in the primary scheme was 16.6 years (2018: 16.1 years).

24. Pensions continued

Defined benefit obligation continued

ii. Sensitivity analysis

Reasonable possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	2019		2018	
	€'m	€'m	€'m	€'m
	Increase	Decrease	Increase	Decrease
Discount rate (0.25% movement)	(148.6)	155.1	(121.7)	126.7
Future salary/pension growth (0.25% movement)	150.7	(144.6)	123.9	(119.1)

An increase in the life expectancy assumption of plus 1 year would increase the scheme deficit by €122.9m.

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

An Post Pension Scheme Contingent Asset

Under the terms of the plan to meet the Minimum Funding Standard requirements a mortgage and charge relating to certain property assets of the Company with a value of €72.5 million was put in place in favour of the An Post Pension Scheme ("the Scheme") for use as a contingent asset of the Scheme. Under the terms of the mortgage and charge, should a disposal of these property assets occur that meets the terms of the mortgage and charge, the Scheme is entitled to the sale proceeds, or for the assets sold to be replaced by other assets of an equal market value. The maximum amount recoverable by the Trustees of the Scheme under the mortgage and charge is €100 million.

25. Share Capital and Reserves

Group and Company

	2019 €'000	2018 €'000
Authorised:		
80,000,000 Ordinary Shares of €1.25 each	100,000	100,000
Allotted, called up and fully paid:		
54,590,946 Ordinary Shares of €1.25 each	68,239	68,239

Nature and purpose of reserves

Capital conversion reserve fund

On 14 January 2003, the Company's shares were renomalised from €1.269738 to €1.25 per share and an amount of €877,000 was transferred to a capital conversion reserve fund.

Foreign currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

26. Subsidiaries and Joint Ventures

Subsidiary undertakings held directly by the Company[1]

Name	Nature of Business	% Holding	Registered Office
Printpost Limited	High volume printing	100%	General Post Office O'Connell Street, Dublin 1 D01 F5P2
An Post Billpost Processing Service Limited	Bill payment processing	100%	General Post Office O'Connell Street, Dublin 1 D01 F5P2
An Post GeoDirectory DAC	Database services	51%	General Post Office O'Connell Street, Dublin 1 D01 F5P2
Arcade Property Company Limited	Property development and letting	100%	General Post Office O'Connell Street, Dublin 1 D01 F5P2
Prince's Street Property Company Limited	Dormant	100%	General Post Office O'Connell Street, Dublin 1 D01 F5P2
Post Consult International Limited	Computer software services	100%	General Post Office O'Connell Street, Dublin 1 D01 F5P2
Post.Trust Limited	Digital certification and security service	100%	General Post Office O'Connell Street, Dublin 1 D01 F5P2
Transpost Limited	Courier and distribution	100%	General Post Office O'Connell Street, Dublin 1 D01 F5P2
Kompass Ireland Publishers Limited	Dormant	100%	General Post Office O'Connell Street, Dublin 1 D01 F5P2
An Post (NI) Limited	Holding Company	100%	The Soloist Building 1 Lanyon Place, Belfest BTI 3LP, NI, United Kingdom

[1] In each case, the shares held by An Post are ordinary shares.

26. Subsidiaries and Joint Ventures continued

Subsidiary undertakings held indirectly through a subsidiary undertaking

Name	Nature of Business	% Holding	Registered Office
Air Business Limited	Distribution and magazine subscription services	100%	The Beacon, Mosquito Way Hatfield Herts, AL10 9WN, United Kingdom.
One Direct (Ireland) Limited trading as An Post Insurance	Insurance Broker	100%	General Post Office O'Connell Street, Dublin 1 D01 F5P2
Jordan & Co International Limited	Distribution	100%	The Beacon, Mosquito Way Hatfield Herts, AL10 9WN, United Kingdom.
Postpoint Services Limited	Mobile top ups	100%	General Post Office O'Connell Street, Dublin 1 D01 F5P2
GPO IEC Limited	GPO Exhibition Centre	100%	General Post Office O'Connell Street, Dublin 1 D01 F5P2

Joint ventures held directly by the Company

Name	Nature of Business	% Holding	Registered Office
The Prize Bond Company DAC	Administration of the Prize Bond Scheme	50%	General Post Office O'Connell Street, Dublin 1 D01 F5P2

Air Business Limited and Jordan & Co International Limited are incorporated in and operate in England & Wales. An Post (NI) Limited is incorporated in and operates in Northern Ireland. All other undertakings are incorporated in and operate in the Republic of Ireland. All shareholdings consist of ordinary share capital. The Prize Bond Company DAC carries on the business of administering the Prize Bond Scheme under contract from the National Treasury Management Agency.

The Company has given a guarantee under Section 357 of the Companies Act, 2014 to the following entities in the current year: Post Consult International Limited; Printpost Limited; Post.Trust Limited; Transpost Limited; Prince's Street Property Company Limited; An Post Billpost Processing Services Limited; Kompass Ireland Publishers Limited; One Direct (Ireland) Limited; GPO IEC Limited and Postpoint Services Limited.

27. Lease Commitments

Finance leases

Future payments under these leases at year end for the Group and Company were as follows:

	Future minimum lease payments		Interest		Present value of minimum lease payments	
	2019 €'000	2018 €'000	2019 €'000	2018 €'000	2019 €'000	2018 €'000
Group						
Less than one year	3,062	11,732	37	139	3,025	11,593
Between one and five years	627	3,323	9	34	618	3,289
More than five years	-	-		-	-	-
	3,689	15,055	46	173	3,643	14,882
Company						
Less than one year	2,819	11,720	27	137	2,792	11,583
Between one and five years	490	3,295	3	30	487	3,265
More than five years	-	-	-	-	-	-
	3,309	15,015	30	167	3,279	14,848

Lease liabilities associated with right of use assets

Future payments under these leases at year end for the Group and Company were as follows:

	Future minimum lease payments		Interest		Present value of minimum lease payments	
	2019 €'000	2018 €'000	2019 €'000	2018 €'000	2019 €'000	2018 €'000
Group						
Less than one year	18,620	-	1,566	-	17,054	-
Between one and five years	48,893	-	4,205	-	44,688	-
More than five years	52,573	-	18,846	-	33,727	-
	120,086	-	24,617	-	95,469	-
Company						
Less than one year	16,910	-	990	-	15,920	-
Between one and five years	41,694	-	2,169	-	39,525	-
More than five years	16,859	-	1,115	-	15,744	-
	75,463	-	4,274	-	71,189	-

Notes to the Financial Statements
for the year ended 31 December 2019 continued

28. Capital Commitments

Future capital expenditure approved by the directors but not provided for in the financial statements was as follows:

	Group 2019 €'000	Group 2018 €'000	Company 2019 €'000	Company 2018 €'000
Contracted for	16,912	18,809	16,184	18,095
Authorised but not contracted for	1,729	318	1,729	318
	18,641	19,127	17,913	18,413

29. Related Parties

Controlling party

The Group was controlled throughout the year by the Minister for Communications, Climate Action and Environment who holds the entire issued share capital of An Post except for one ordinary share held by the Minister for Finance (which stands transferred to the Minister for Public Expenditure and Reform under the Ministers and Secretaries Act 2011).

Other related party transactions

The Prize Bond Company DAC

Under the terms of a contract with The Prize Bond Company DAC, the Company carries out certain aspects of the administration of the Prize Bond Scheme. Fees earned by the Company in respect of such services amounted to €4,120,000 for the year ended 31 December 2019 (2018: €4,114,000). The amount owed by The Prize Bond Company DAC to the Group was €284,000 at 31 December 2019; (2018: €257,000). At 31 December 2019 the Group held €812,000: (2018: €812,000) of Prize Bonds.

An Post GeoDirectory DAC

An Post has a 51% shareholding in An Post GeoDirectory DAC, a company that sells and manages a national database of address and location information. An Post GeoDirectory DAC purchased goods and services to the value of €1,500,000 for the year ended 31 December 2019 from An Post (2018: €1,500,000). An Post purchased goods and services to the value of €24,000 for the year ended 31 December 2019 from An Post GeoDirectory DAC (2018: €20,000). The amount owed by An Post GeoDirectory DAC to the Group was €613,000 at 31 December 2019; (2018: €413,000).

GVS Group of Companies

For the month of January 2019, before its disposal, An Post had a 53.6% shareholding in TSC Ventures DAC, the holding company for the Gift Voucher Shop group of companies. These companies are engaged in the sale of retail gift cards in Ireland and the UK. In that time An Post earned commission and sold postal services to the Gift Voucher Shop group of companies to the value of €149,000 (2018: €3,867,000 for the full year). An Post purchased services to the value of €8,000 during January 2019 from the Gift Voucher group of companies (2018: €101,000 for the full year).

Transactions with Government departments and other State bodies

The Group provides, in the ordinary course of business, postage, agency, remittance and courier services to various Government departments and other State bodies on an arm's length basis. The Group also conducts day to day banking services and treasury with banking institutions owned by the State.

During 2018, An Post received a grant of €80,000 from the Department of Communications, Climate Action and Environment for the Digital Assist Pilot Scheme. The purpose of the grant was to make available a visible smart tablet, keyboard and printer to the public in ten post offices located in rural areas to facilitate access to Government and An

Post websites. This Pilot Scheme is currently running to evaluate public take up of this service. The grant received was included as revenue in 2018. No such payment was received in 2019.

Transactions with key management personnel, comprising Executive Directors, Non-Executive Directors and other members of the Groups' Executive Management Committee and connected persons.

	2019 €'000	2018 €'000
Short-term employee benefits	2,262	2,996
Non executive directors' fees	215	220
Post-employment benefits	286	480
	2,763	3,696

In June 2018, Mr David McRedmond, the Group CEO was appointed Non-Executive Chairman of eircom Holdings (Ireland) Limited, a fixed, mobile, and broadband telecommunications company operating in Ireland, that uses the trade name, eir. During 2019, eir provided services to the Group and An Post provided services to eir in the normal course of business. The fees in respect of goods and services provided by eir to the Group to 31 December 2019 were €13,747,000 (2018 from June €8,341,000). The amount not yet paid by the Group at the year-end was €2,089,000 (2018: €1,205,000). The Group provided services to eir of €5,702,000 during 2019, (2018 from June €3,117,000) and the amount not yet paid by eir to the Group at the year-end was €2,311,000 (2018: €1,370,000).

30. Contingencies

There were no contingent liabilities or guarantees at 31 December, 2019 or 2018 which could give rise to material losses other than as disclosed elsewhere in the financial statements of the Group and Company.

31. Financial Instruments - Fair Value and Risk Management

Fair value

A. Accounting classifications and fair values

The Group measures fair values using the following hierarchy of methods:

- Level 1 - Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3 - Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

31. Financial Instruments - Fair Value and Risk Management continued

Fair value continued

Fair value is calculated as follows:

(i) Freely traded securities shall be valued based on the closing price, or if no sales have occurred, at the last bid price thereon as of the last day of such fiscal quarter or year as applicable. For all other financial instruments the Group determines fair values using valuation techniques.

(ii) Investments may be classified as Level 2 when market information becomes available, yet the investment is not traded in an active market and/or the investment is subject to transfer restrictions, or the valuation is adjusted to reflect illiquidity and/or non-transferability.

(iii) The Group's fair value measurement of the level 3 investments is based on a model which may contain significant unobservable inputs. The relevant model is a net present value technique, derived from the price of a similar investment and or similar market borrowing/lending rates, depending on management's assessment of the most appropriate valuation methodology and inputs for that particular investment.

The table in note 31 part B summarises the quantitative inputs and assumptions used for the investments categorised in Level 3 of the fair value hierarchy as of 31 December 2019. There were no transfers between the fair value hierarchy levels during the years ended 31 December 2019 and 31 December 2018.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		Carrying amount				Fair Value			
31 December 2019	**Note**	**Loans and receivables €'000**	**Other investments €'000**	**Other financial liabilities €'000**	**Total €'000**	**Level 1 €'000**	**Level 2 €'000**	**Level 3 €'000**	**Total €'000**
Financial assets measured at fair value									
Interest in PLI - equity shares	14	-	350	-	350	-	-	340	340
		-	350	-	350				
Financial assets not measured at fair value									
Interest in PLI - shareholder loan	14	28,115	-	-	28,115	-	-	28,100	28,100
Interest in PLI - preference shares	14	8,409	-	-	8,409	-	-	8,409	8,409
Trade and other receivables	15	111,618	-	-	111,618	-	-	-	-
Cash and cash equivalents	17	509,855	-	-	509,855	-	-	-	-
		657,997			657,997				
Financial liabilities not measured at fair value									
Government loan	20	-	-	30,000	30,000	-	-	30,000	30,000
EIB loan	20	-	-	10,000	10,000	-	-	10,000	10,000
Finance lease	20	-	-	3,643	3,643	-	-	3,643	3,643
Right of use asset lease liability	20	-	-	95,469	95,469	-	-	95,469	95,469
Trade and other payables	19	-	-	126,627	126,627	-	-	-	-
				265,739	265,739				

A. Accounting classifications and fair values continued

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		Carrying amount				Fair Value			
31 December 2018	Note	Loans and receivables €'000	Other investments €'000	Other financial liabilities €'000	Total €'000	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Financial assets measured at fair value									
Interest in PLI - equity shares	14	-	350	-	350	-	-	350	350
Interest in unquoted investment	14	-	410	-	410	410	-	-	410
		-	760		760				
Financial assets not measured at fair value									
Interest in PLI - shareholder loan	14	25,722	-	-	25,722	-	-	25,722	25,722
Interest in PLI - preference shares	14	8,409	-	-	8,409	-	-	8,409	8,409
Trade and other receivables	15	98,622	-	-	98,622	-	-	-	-
Cash and cash equivalents	17	512,541	-	-	512,541	-	-	-	-
Restricted cash (transferred to assets classified as held for sale)		180,791	-	-	180,791	-	-	-	-
		826,085			826,085				
Financial liabilities not measured at fair value									
Government loan	20	-	-	30,000	30,000	-	-	30,000	30,000
Finance lease	20	-	-	14,882	14,882	-	-	14,882	14,882
Trade and other payables	19	-	-	134,733	134,733	-	-	-	-
				179,615	179,615				

B. Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 3 fair values, as well as the significant unobservable inputs used.

Financial instruments measured at fair value

Type	Fair Value 2019 €'000	Valuation Technique	Unobservable Inputs
Interest in PLI - equity shares	340	Discounted cash flows technique referenced to third party transactions	Discount rate

These instruments are recorded at €350k at 31 December 2019 as the fair value is a reasonable approximation of the carrying amount and any impairment would be wholly insignificant to the Group.

31. Financial Instruments - Fair Value and Risk Management continued

Fair value continued

Financial instruments not measured at fair value

Type	2019 €'000	Valuation technique	Unobservable Inputs
Interest in PLI - shareholder loan	28,115	Discounted cash flows technique referenced to third party transactions	Discount rate
Interest in PLI - preference shares	8,409	Discounted cash flows technique referenced to third party transactions	Discount rate
Government loan	30,000	Discounted cash flows technique referenced to market borrowing / lending rates	Discount rate
EIB loan	10,000	Discounted cash flows technique referenced to market borrowing / lending rates	Discount rate
Financial lease liability	3,643	Discounted cash flows technique referenced to market borrowing / lending rates	Discount rate

The shareholders loan to PLI has been measured at amortised cost. The Shareholders loan is considered to have a low credit risk as there is a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

The Group measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward-looking information in determining any expected credit loss. No loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Group.

C. Level 3 fair values

Reconciliation of Level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

PLI - equity shares	2019 €'000	2018 €'000
Balance at beginning of period	350	350
Purchases	-	-
Sales	-	-
Fair value movement	(10)	-
Balance at end of period	340	350

Sensitivity analysis

Where the value of financial instruments is dependent on unobservable valuation models, appropriate models and inputs are chosen so that they are consistent with prevailing market evidence. A 100bps increase or decrease in the discount rate of the financial assets under Level 3 held by the Group would not have a significant effect on the carrying value.

Financial risk management

The Group's financial risks are managed within parameters defined formally by the Board. Treasury activity is reported to the Audit and Risk Committee and to the Board. The main financial risks faced by the Group relate to credit, interest, foreign exchange translation and liquidity. The Board agrees policies for managing these risks as summarised below.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and from cash and cash equivalents. The carrying amount of financial assets represents the maximum credit exposure.

Trade and other receivables

The Group's credit risk management policy in relation to trade receivables involves periodically assessing the financial reliability of customers, taking into account financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers. Average credit terms, where given, range from 0 to 45 days.

Included in the Group's trade and other receivables as at 31 December 2019 are balances of €22.0m (2018: €25.4m) which are past due at the reporting date but not impaired.

The aged analysis of these balances is as follows:

	2019 €'000	2018 €'000
Less than 1 month	11,429	17,366
1 - 3 months	10,799	7,307
3 - 6 months	557	441
Over 6 months	238	251
	22,023	25,365

The Group's policy for the determination of the impairment allowance for bad debts is based on a line-by-line assessment of the credit risk attached to the individual debtors and an assessment of the resulting requirement for an impairment allowance. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable, including any indicators for impairment (which may include evidence of financial difficulty of the customer, payment default, breach of contract, etc.). Subsequent recoveries of amounts previously impaired are credited to the Income Statement. For the purpose of calculating the impairment allowance, the Group does not take into account the impact of discounting the trade receivables as it is considered not material given the age profile of the Group's trade receivable balances.

Movements in the impairment allowance of trade receivables during the year were as follows:

	2019 €'000	2018 €'000
Balance at beginning of period	8,196	8,039
Impairment loss (derecognised) / recognised	(1,269)	305
Amounts written off	(281)	(148)
Balance at end of period	6,646	8,196

31. Financial Instruments - Fair Value and Risk Management continued

Shareholder's loan to Premier Lotteries Ireland (PLI)

The shareholders loan to PLI has been measured at amortised cost. The shareholders loan is considered to have a low credit risk as there is a low risk of default and the issuer is trading satisfactorily and has a strong capacity to meet its contractual cash flow obligations in the near term. In addition, financial forecasts for PLI have been reviewed to the end of the investment period, namely 2034, and these forecasts support the expectation that the shareholder loan will be repaid. Consequently, the 12-month ECL model is based on a probability of 99% that PLI will not default on its cash flow obligations.

Cash and cash equivalents

The Board establishes the policy in managing credit risk. Exposure is managed by distributing the credit risk, where possible, across banks or other institutions meeting required standards as assessed normally by reference to the major credit rating agencies. The Group held cash and cash equivalents of €510m at 31 December 2019 (2018: €512m).

The Group's cash management policy is as follows:

- Money is only placed on deposit with the institutions as approved by the Board;
- The risk is spread so that there is no more than 40% with any one institution, subject to a maximum of the Board approved limit; and
- Keep the risk profile under review

These policies are regularly monitored to ensure credit exposure to any one financial institution is limited.

Guarantees

The Group's policy is to provide financial guarantees only to subsidiaries. At 31 December 2019, the Group has provided a guarantee under Section 357 of the Companies Act 2014 to a number of its subsidiaries as disclosed in the subsidiary and joint ventures note.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments and exclude the impact of netting agreements.

		Contractual cash flows				
31 December 2019	**Carrying amount €'000**	**Total €'000**	**2 months or less €'000**	**2-12 months €'000**	**1-5 years €'000**	**More than 5 years €'000**
Non-derivative financial liabilities						
Government loan	30,000	30,906	-	304	30,602	-
EIB loan	10,000	10,325	-	1,061	4,181	5,083
ROUA lease liabilities	95,469	120,086	3,103	15,517	48,893	52,573
Finance lease liabilities	3,643	3,689	634	2,429	626	-
Trade and other payables	126,627	126,627	126,627	-	-	-
	265,739	291,633	130,364	19,311	84,302	57,656

		Contractual cash flows				
31 December 2018	**Carrying amount €'000**	**Total €'000**	**2 months or less €'000**	**2-12 months €'000**	**1-5 years €'000**	**More than 5 years €'000**
Non-derivative financial liabilities						
Government loan	30,000	31,212	-	306	30,906	-
Finance lease liabili-ties	14,882	15,055	1,223	10,509	3,323	-
Trade and other payables	134,733	134,733	134,733	-	-	-
	179,615	181,000	135,956	10,815	34,229	-

Market risk

Foreign exchange risk

Foreign currency translation exposure arises from the retranslation of overseas subsidiaries' income statements and statements of financial position into Euro. In addition, the Group are exposed to currency transaction risk to the extent that there is a mismatch between the currencies in which sales and purchases are denominated and the respective functional currencies of Group Companies. This arises primarily on transactions with international postal operators. The Group does not currently use derivatives to manage this risk. The Group will continue to review this. A reasonably possible change in foreign exchange rates would not have a material impact on the financial statements.

Interest rate risk

The Group's interest rate risk arises from amounts held on deposit, term loans and the shareholder loan to Premier Lotteries Ireland. The Group does not currently use derivatives to manage this risk. The Group will continue to review this. A reasonably possible change in interest rates would not have an impact on the financial statements.

31. Financial Instruments - Fair Value and Risk Management continued

Exposure to interest rate risk

The interest rate profile of the Group's interest-bearing financial instruments is as follows:

Nominal amount	2019 €'000	2018 €'000
Fixed-rate instruments		
Financial assets		
Interest in PLI - shareholder loan	28,115	25,722
Financial liabilities		
Government loan	(30,000)	(30,000)
European Investment Bank loan	(10,000)	-
	(11,885)	(4,278)
Variable rate instruments		
Financial assets		
On call deposits	316,489	335,068
	316,489	335,068

Fair value sensitivity analysis for fixed-rate instruments

The Group does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable-rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit or loss by the amounts shown below in relation to the funds held by the Group. This analysis assumes that all other variables remain constant.

	Profit or loss	
	100bp increase €'000	100bp decrease €'000
31 December 2019		
Financial assets		
Variable rate instruments	2,822	(2,822)
Cash flow sensitivity - net	2,822	(2,822)
31 December 2018		
Financial assets		
Variable rate instruments	3,289	(3,289)
Cash flow sensitivity - net	3,289	(3,289)

The impact on equity net of tax of a reasonably possible change of 100 basis points in interest rates is not materially different from the profit or loss impact shown above.

32. Subsequent Events

There have been no significant events since the balance sheet date and the date of approval of these financial statements that would require adjustment of the financial statements.

The Covid-19 situation as it impacts Ireland and the An Post business is a very significant event. The Directors and executive are taking the situation with the utmost seriousness and will monitor the impact on the business on a continuous basis.

The business operations are continuing with measures to protect health and safety for employees and customers being implemented along with the best advices from health experts and science. Operations are continuing with plans being implemented to cover where there may be business interruption and working remotely being facilitated to assist the national effort with respect to social distancing and so forth.

The trading performance and the operations are being monitored carefully. To date the operations and activity levels are being maintained and the business is adjusting to the ways of working as required.

33. Board Approval

The financial statements were approved by the Board of Directors on 26 March 2020.

Financial and Operational Statistics

Not covered by the Indepenent Auditor's Report

Consolidated Income Statement

	2019 €'000	2018 €'000	2017 €'000	2016 €'000	2015 €'000
Revenue	892,128	896,954	840,002	825,237	826,069
Operating costs	(850,233)	(859,306)	(835,210)	(839,348)	(820,907)
Profit/(loss) before transformation costs, one off items, net finance (cost) / income and taxation	41,895	37,648	4,792	(14,111)	5,162
Net finance (cost) / income	(308)	3,098	(1,015)	(1,962)	(6,235)
Transformation costs	(15,281)	(13,974)	-	-	-
One off items	40,038	-	45,824	415	-
Profit / (loss) before taxation	66,344	26,772	49,601	(15,658)	(1,073)

Consolidated Statement of Financial Position

	2019 €'000	2018 €'000	2017 €'000	2016 €'000	2015 €'000
Non-current assets	376,485	274,215	284,422	292,526	294,333
Net current assets / (liabilities)	69,448	29,781	8,960	(48,463)	(33,074)
Other non-current liabilities	(137,527)	(52,109)	(62,984)	(57,004)	(56,925)
Net assets excluding pension liability	308,406	251,887	230,398	187,059	204,334
Pension liability	(28,228)	(47,880)	(55,066)	(283,381)	(169,203)
Net assets / (liabilities) including pension liability	280,178	204,007	175,332	(96,322)	35,131
Capital and reserves	280,178	204,007	175,332	(96,322)	35,131

Ratios

	2019	2018	2017	2016	2015
Profit / (loss) before transformation costs, one off items, net finance (cost) / income and taxation as % of revenue	4.70%	4.20%	0.57%	(1.71%)	0.62%
Staff and postmasters' costs as % of operating costs	66.55%	66.19%	67.29%	66.91%	67.36%
Current assets as % of current liabilities	112.22%	103.74%	101.31%	91.30%	94.73%

Mail

	2019	2018	2017	2016	2015
Core mail volume index (2015=100)(note1)	75.5	80.6	87.2	94.8	100.0

Note 1: This index reflects changes in core mail revenue. It excludes the impact of changes to published tariffs, income from foreign administrations, and variations arising from elections or referenda in each year.

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System Size

	2019	2018	2017	2016	2015
Mails network:					
No. of delivery points (millions)	2.312	2.284	2.263	2.249	2.248
No. of motor vehicles	3,036	2,805	2,792	2,776	2,758
No. of electric vehicles	166	-	-	-	-
No. of electric cargo trikes	47	-	-	-	-
Post office network:					
Company post offices	45	45	50	50	51
Contract post offices	898	967	1,073	1,075	1,079
Postal agencies	92	96	104	111	121
	1,035	1,108	1,227	1,236	1,251

	€m	€m	€m	€m	€m
Savings Services (note 2)					
Value of Funds at 31 December	21,228	20,657	20,416	20,119	19,453
Activity for year					
Post Office Savings Services					
Savings Bank deposits	993	1,079	1,064	1,060	1,018
Savings Bank withdrawals	(880)	(889)	(863)	(904)	(926)
Savings Certificates issued	1,704	1,780	1,023	1,168	1,132
Savings Certificates repaid	(865)	(2,403)	(1,055)	(1,347)	(1,470)
Instalment Savings issued	89	100	96	97	97
Instalment Savings repaid	(101)	(100)	(102)	(105)	(104)
Savings Bonds issued	718	886	714	1,116	1,345
Savings Bonds repaid	(1,129)	(1,317)	(1,258)	(1,849)	(2,289)
National Solidarity Bond issued	804	921	598	991	1,054
National Solidarity Bond repaid	(501)	(412)	(435)	(322)	(208)
Department of Employment Affairs and Social Protection					
Welfare benefits paid during the year	7,125	7,380	7,615	7,997	8,418

	2019 000's	2018 000's	2017 000's	2016 000's	2015 000's
BillPay Volumes	16,033	17,025	17,977	19,760	22,895
TV Licence Sales	1,481	1,481	1,463	1,445	1,438

Note 2: The assets and liabilities of the Savings Services vest in the Minister for Finance and accordingly are not included in the financial statements of the Company.

Universal Service

The Communications Regulation (Postal Services) Act 2011 ('the Act') was enacted in August 2011.

Requirements of the Universal Service Obligation ('USO')

Under Section 17 of the Act, An Post is designated as the Universal Postal Service Provider for a period up until August 2023.

Under Section 16 of the Act, "Universal Postal Service" means that on every working day, except in such circumstances or geographical conditions deemed exceptional by ComReg, there is at least:

i. one clearance, and

ii. one delivery to the home or premises of every person in the State or, as ComReg considers appropriate, under such conditions as it may determine from time to time, to appropriate installations.

The following services are provided:

(a) the clearance, sorting, transport and distribution of postal packets up to 2kgs in weight;

(b) the clearance, sorting, transport and distribution of postal parcels to a weight limit to be specified by order of ComReg (or in the absence of this 20kg) - ComReg decided to use its power to reduce the maximum weight limit of 20kg to 10kg in 2019;

(c) the sorting, transportation and distribution of parcels from other Member States of the European Union up to 20kg in weight;

(d) a registered items service;

(e) an insured items service within the State and to and from all countries which, as signatories to the Universal Postal Convention of the Universal Postal Union, declare their willingness to admit such items whether reciprocally or in one direction only; and

(f) postal services free of charge to blind and partially sighted persons.

As required by Section 16(9) of the Act, in July 2012 ComReg made regulations specifying the services to be provided by An Post relating to the provision of the universal postal service. The Communications Regulation (Universal Postal Service) Regulations 2012 to 2019 (SI No. 280/2012; SI No. 534/2018; and SI No. 149/2019), which set out these services, are available on www.irishstatutebook.ie or www.comreg.ie.

The terms and conditions of Universal Services are available on https://www.anpost.com.

Access to Universal Services

An Post provides access to its services through its network of 45 Company Post Offices and 898 Contract Post Offices. In addition, some 818 retail premises are authorised to sell postage stamps, as active agents. To facilitate physical access to the service, approximately 5,717 post boxes, including meter post boxes and those located in Delivery Service Units, are distributed widely throughout the State. There are 43 designated acceptance points for bulk mail services.

Tariffs

The following is a summary of the prices for standard services weighing up to 100g which were applicable from 25 February 2019.

	Ireland & NI	
	Standard Post	**Registered Post***
Letters (up to C5)	€1.00 95c if item bears a franking impression	€8.00
Large Envelopes	€ 2.00 €1.95 if item bears a franking impression	€8.20
Packets	€3.80 €3.70 if item bears a franking impression	€8.20
Parcels	€9.00	€13.00

*The fee payable for the basic registered service covers compensation up to a maximum of €320. Further compensation (non Universal Service) up to a limit of €1,500 is available for €4.50 and up to a limit of €2,000 for €5.50 based on declared value at time of posting.

	International Destinations	
	Standard Post	**Registered Post***
Letters (up to C5)	€1.70	€8.70
Large Envelopes	€2.90	€9.90
Packets		
GB	€5.50	€12.50
EUR	€6.00	€13.00
ROW	€7.00	€14.00
Parcels		
GB	€21.00	€28.00
EUR	€28.00	€35.00
ROW	€29.00	€36.00

*Availability of service dependent on postal administration in destination country. Compensation up to €320 in GB; €150 in Europe; €100 for parcels and €35 for letters outside Europe. A full list of current USO tariffs is available in the Guide to Postal Rates (see https://www.anpost.com/).

Quality of Service

International

The quality performance standard for the delivery of intra-Community cross-border mail was laid down in the Postal Directives (97/67/EC, as amended) and is included in Schedule 3 of the Act. The quality standard for postal items of the fastest standard category is as follows:

D+3: 85% of items; D+5: 97% of items, where D refers to the day of posting.

Domestic

The Act requires ComReg to set quality-of-service standards for domestic universal service mail which must be compatible with those for intra-Community cross-border services. ComReg have set a quality-of-service target for domestic single piece priority mail as follows:

D+1: 94% D+3: 99.5%, where D refers to the day of posting.

Customer Complaints

An Post is required to maintain records of customer complaints in compliance with European standard IS: EN 14012:2003. The table provides, in relation to mail, a breakdown of written complaints received from customers during 2019.

Written complaints received from customers	2019	2018
Items lost or substantially delayed	24,928	24,551
Items damaged	1,313	1,144
Items arriving late	367	1,320
Mail collection or delivery:		
Failure to make daily delivery to home or premises	23	37
Collection times/Collection failures	5	4
Misdelivery	1,364	1,222
Access to customer service information	-	2
Tariffs for single piece mail/ discount schemes and conditions	6	1
Change of address (Redirections)	487	387
Behaviour and competence of postal personnel	71	34
How complaints are treated	-	1
Other (not included in above)	2,793	1,511
Total	31,357	30,214

Included in the total figure are complaints about registered items, which number 7,961, (2018: 7,879).

In 2019, there were 680,504 telephone calls, (2018: 746,614) made to An Post Customer Services. Most of these were routine or general enquiries rather than complaints.

ComReg has issued Guidelines for Postal Service Providers on Complaints and Redress Procedures (see ComReg document 14/06 on www.comreg.ie). An Post Complaint and Dispute Resolution Procedures are set out in 'Getting it Sorted', which is available on our website, in larger Post Office outlets, and from our Customer Services Centre.

We also have a Customer Charter, containing specific pledges to customers regarding our services, which is available on our website; https://www.anpost.com

Further Information

Additional information in relation to services provided by An Post is available at www.anpost.com/Help-Support, by phoning An Post Customer Services on 01-705 7600, by email at www.anpost.com/contactus, by completing an online enquiry form at https://forms.anpost.ie/enquiry, by writing to An Post Customer Services, General Post Office, O'Connell Street Lower, Freepost, Dublin 1, D01 F5P2 or by calling into any Post Office.

Corporate Information

Registered Office	General Post Office O'Connell Street Dublin 1 D01 F5P2
Solicitors	Matheson 70 Sir John Rogerson's Quay Grand Canal Dock Dublin 2 D02 R296 McCann FitzGerald Riverside One Sir John Rogerson's Quay Dublin 2 D02 X576
Bankers	Bank of Ireland 2 College Green Dublin 2 D02 VR66
Auditors	Deloitte Ireland LLP Chartered Accountants & Statutory Audit Firm Deloitte & Touche House Earlsfort Terrace Dublin 2 D02 AY28
Registered Number	98788
Company Type	An Post is a Designated Activity Company limited by shares

Our purpose

To act for the common good,
to improve quality of life now
and for generations to come.