For Ireland. For generations to come.

An Post
Annual Report 2018

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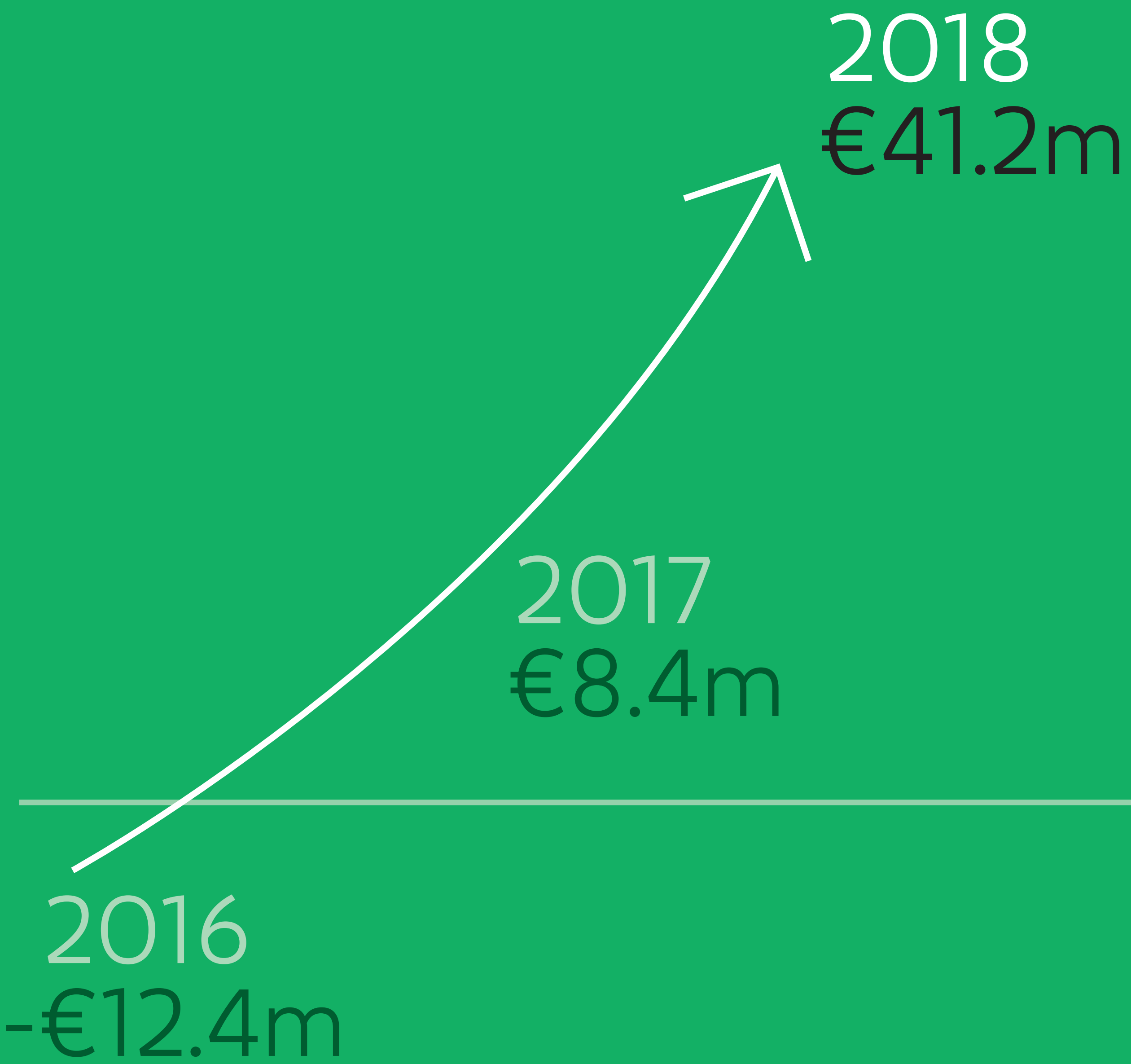
Bold moves are rewarded



€897m

Revenue

€41.2m

Profit

€115m

Balance Sheet Cash

99%

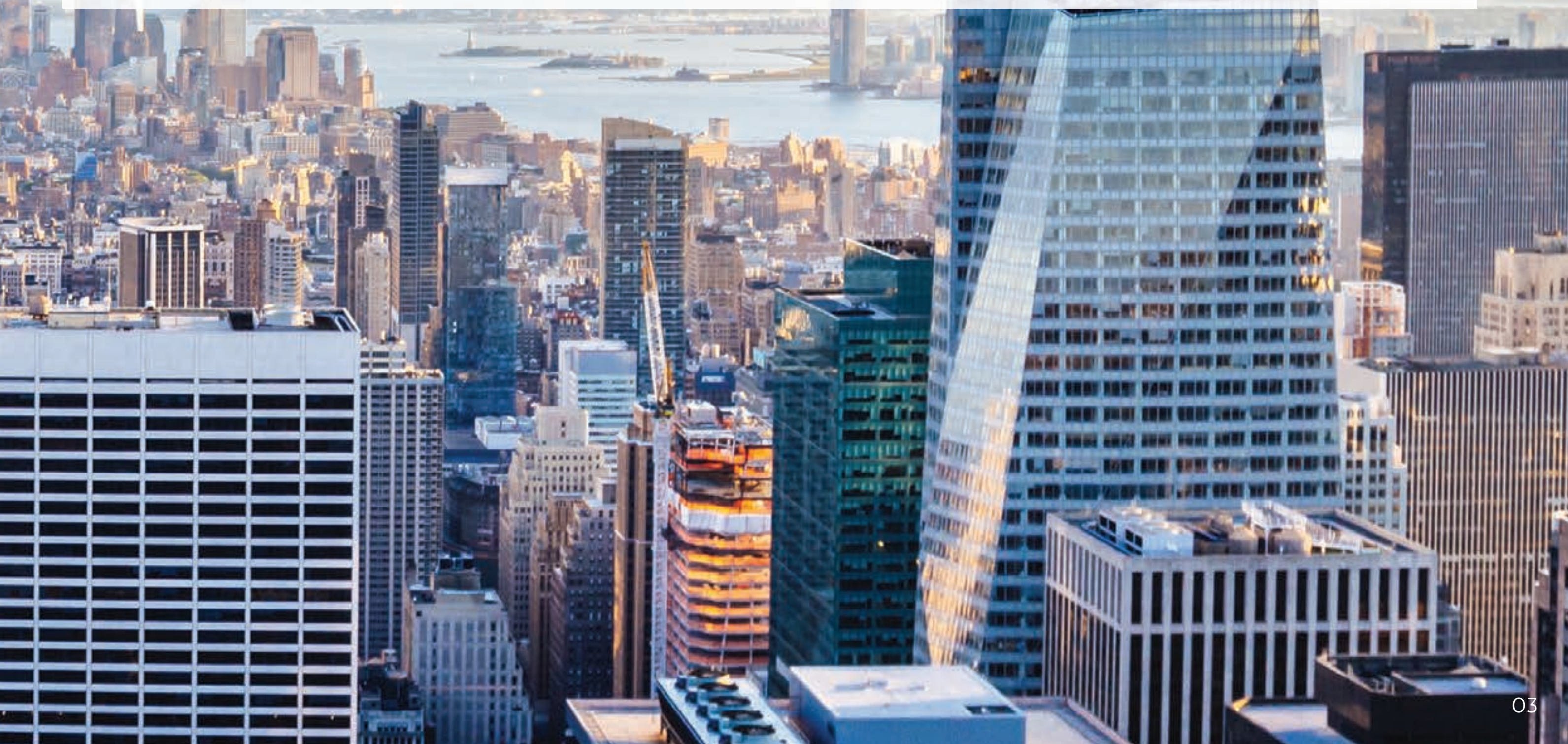
Funded Pension Scheme

40%

Parcels Volume Up

96.4%

Quality of Service



Chairperson's Introduction

An Post has developed a strategy to meet the well documented challenges facing the postal sector worldwide. We are now well into implementing this strategy and I am very pleased with the results to date. We now have two very focussed businesses led by talented management teams delivering change under the strategic leadership of the CEO, David McRedmond.

The details of the achievements are set out in the Report and these achievements manifest themselves in the excellent results being reported in this Annual Report. It is satisfactory to report a profit before transformation costs, pension interest and taxation, excluding one-off items, for 2018 of €41.2m.

In 2019 the impact of significant research and design for the brand and its new positioning will emerge and I am particularly pleased and supportive of this important development.

One of the real tangible achievements is the significant improvement in the Group cash position which stands at €115m at 31 December 2018. The January, 2019 Balance Sheet was further boosted by the disposal of shares in our former subsidiary, The Gift Voucher Shop.

There's no doubt that challenging and testing times remain ahead for An Post but I have every confidence that the Strategy as set out will continue to transform the Company.

I want to thank the CEO and his management team, the staff and unions and my fellow Board members who serve the Company so well. I want also to acknowledge the contributions of Mr Tom O'Brien and Ms Lorraine Tormey who completed their terms of office in 2018 and Mr Ed Murray and Ms Jennifer Loftus who completed their terms of office in March 2019. I welcome to the Board Ms Mary O'Donovan, Mr Peter Coyne and Mr Padraig McNamara who have all joined the Board recently and I look forward to their contributions.

Finally, I wish to thank the Minister for Communications, Climate Action and Environment, Richard Bruton T.D., and the officials from the Department and NewERA for their assistance and support during 2018.

Dermot Divilly
Chairperson

Board of Directors

1. Dermot Divilly
2. Noel Adamson
3. Carol Bolger
4. Deirdre Burns
5. Peter Coyne
6. Thomas Devlin
7. Pádraig McNamara
8. David McRedmond
9. William Mooney
10. Martina O'Connell
11. Mary O'Donovan
12. Niall Phelan
13. James Wrynn

Secretary

14. Brian Fay

Two ambitious businesses achieve commercial and operational successes

Des Morley
Chief Digital Officer

Pat Knight
Human Resources Director

Aoife Beirne
Chief of Staff

David McRedmond
Chief Executive Officer

Recurring Revenue

Mails & Parcels

€580.4m ↑ €38.1m

Retail

€159.6m ↑ €1.3m

Garrett Bridgeman
Managing Director - An Post Mails & Parcels

Debbie Byrne
Managing Director - An Post Retail

Peter Quinn
Chief Financial Officer

CEO's Statement

In last year's report I said it was my aim to restore An Post's centrality to Irish life and the economy, transitioning from an old mails world to a new world of e-commerce.

My team, An Post's stakeholders and all of our great staff have delivered beyond any expectation to achieve this transformation:

> Revenue grew by 7%, placing An Post amongst the best performing postal services in Europe in 2018

> Operating profit grew from €8m in 2017 to €41m, a strong return to commerciality

> The core economics continue to improve with appropriate pricing and new international agreements

> The split into two core businesses has seen the emergence of two talented, energetic management teams

> An Post has moved from being an also-ran into being the leader in parcels market with 40% year-on-year growth (I acknowledge the critical role of the CWU and its General Secretary Steve Fitzpatrick who identified the potential for An Post's future)

> The post office network has rebuilt its foundation with a breakthrough national deal agreed between postmasters and An Post

> We have achieved real efficiencies in the Mails & Parcel network, and downsized our central overhead

> The sale of GVS for over €100m was a standout M&A deal

> And we accelerate the change as we enter 2019 with a completely refreshed brand, putting digital transformation and the customer at the heart of our business.

We need to be excellent because the headwinds are only getting stronger: mail decline from e-substitution is accelerating, and the development of a cashless society threatens the viability of the post office network. The old world is disappearing.

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

The challenge now for the Company is to move from recovery to sustainability. We must maintain the pressure to improve the core economics: find growth where we can, and become more efficient elsewhere. Our investment, both capital and operating expenditure needs to be switched to the new world.

Sustainability is deeper still. Our brand promise is clear: to improve the lives of people in Ireland now and for generations to come. 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 communities

Being clear about our nationwide footprint, present in every community and delivering to every home. In the new world this means someone in Ballina has the same access to goods as someone in Boston or Berlin. And it 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.

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 delivery vehicles. From the end of this year we will have only electric vehicles in the City Centre of Dublin, and from the end of 2020 in all our cities. 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, skilfully led by An Post's Chairman Dermot Divilly; with our unions, especially the CWU, even through difficult negotiations; with the IPU following the breakthrough agreement in 2018; with our unique shareholder Government (a core of civil servants work assiduously to support the Company); and with the best technology and strategy partners, who innovate and bring world class skills to our Company.

All work has a personal dimension. My own highlights of the year include the centenary commemoration of the sinking of the RMS Leinster as we remembered postal workers killed in service, our deepest heritage; the relaunch of our graduate programme after a ten year hiatus which brings fresh talent and ideas into the Company; the brilliance of my management team, downsized from 11 to 6 people (but now with 33% female participation) expert and collaborative; the launch of anpost.com as the digital bridge to our new world; and our inaugural sponsorship of the Irish Book Awards celebrating our commitment to literacy and the written word.

Not all was good news. The consolidation of the post office network has assured the widest possible distribution across the State with an ever-improving network but I have to acknowledge the challenge for some small communities which lost their post office: a case of the right strategy, the right national solution but sometimes a difficult local outcome. Our own restructuring at the centre was too slow and difficult and as management we will have to learn the lessons. 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. And Brexit fundamentally threatens our core business of international trade.

Despite these, our optimism is strong for the future, and the agenda for 2019 is every bit as ambitious as 2018:

> A white hot focus on delivering our brand promise for customers

> A revitalised post office network, and the launch of An Post Money

> The best e-commerce service, in and out of home, backed by automation

> A transformed HQ: Corporate Centre 2.0

> Digital transformation not only making our products and services more accessible but also improving our efficiency

> A third year of profit growth and a further strengthened balance sheet

> Buy-in amongst stakeholders to a long-term strategy and culture change

An Post is not out of the woods yet. The global forces of digitalisation have shaken the business to its core. Postal organisations like An Post were not designed for change. 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... to deliver now and for generations to come.

David McRedmond
Chief Executive Officer

Financial Review

The trading results for the financial year 2018 are significantly ahead of those achieved in 2017.

	2018 €m	2017 €m
Profit before transformation costs, pension interest and taxation, excluding one off items	**41.2**	**8.4**
Transformation costs	(14.0)	-
Profit on disposal of properties	-	36.8
Premier Lotteries Ireland equity dividend	-	9.0
Profit before pension interest and taxation as per Income Statement	27.2	54.2
Revenue	897.0	840.0
Net assets (before pension liability)	251.9	230.4

The profit before transformation costs, pension interest and taxation, excluding one off items of €41.2m compares very favourably with a profit of €8.4m in 2017. This represents the second year of solid financial improvement bringing the Group out of its loss making position of €12.4m in 2016.

Revenue

Group revenue in the year was €897m, up €57m, 6.8%, on the 2017 level. This strong performance in the revenue line was driven by the full year impact of the price adjustments made in 2017, significantly increased packets and parcel volumes, the volumes generated from the presidential election and referendum, a small increase in retail revenue and continued strong performance in our subsidiary companies.

Traditional mail volume continued to decline over the year. The full year decline in 2018 versus 2017 was 7.6%. Similar rates of decline are being recorded across the postal sector internationally (Royal Mail reported a decline rate of 7% in their latest reports). In the absence of remedial action the financial cost of this was €31m in the financial year 2018. The basic price of the stamp was retained at €1 and is now in its second year at the same price whilst other mail product service prices were increased.

Costs

Group operating costs before transformation costs of €859.3m were up €24.1m on the prior year figure of €835.2m. The increase is made up of increased payroll and postmaster costs of €6.7m and additional non pay costs of €17.4m. This increase in payroll costs was driven by labour inflation costs of €7.0m in the year with a 1.5% increase having been implemented in May 2018 and additional costs of servicing the presidential election and referendum, offset by a reduction in the annual usage of Full Time Equivalents (FTEs) due to the re-alignment of labour hours to adjust to the decline in traditional mails 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

A large investment is being made in redefining the post office network including reducing the number of post offices, modernising the Postmaster contract and updating the brand. 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 have been classified as Transformation Costs and recorded below the operating profit line. This amounted to €14.0m for the financial year.

Subsidiaries

The main trading subsidiaries, Post Insurance, Air Business in the UK, and the Gift Voucher Shop (GVS) all performed strongly during the year.

At the end of January 2019, GVS was sold to Blackhawk Network, a global financial technology company in a deal which valued the An Post shareholding in GVS at €54m. As An Post was the majority shareholder throughout the 2018 financial year, the results of GVS are included in the consolidated financial statements.

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.

Balance Sheet

The Group owned cash at December, 2018 is €115.1m. This balance was €83.9m in December, 2017. The January, 2019 Balance Sheet was further boosted by the disposal of shares in GVS, yielding additional cash for investing in the future of An Post.

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 €34.5m and it continues to generate results and cash flow in line with our expectations.

The deficit on the Pension Fund at 31 December 2018 is €47.9m. This compares with €55.1m at the end of 2017. There are 17,300 members of the pension scheme and in value terms the scheme is very significant, being the fourth largest company scheme in Ireland. The Pension Fund had assets under its control of €3,063m at 31 December 2018 with associated actuarially valued liabilities of €3,111m at the same date. The assumptions used at the balance sheet date are reviewed by both the scheme actuary and the auditor. These are reasonable and reflect similar assumptions made elsewhere for such schemes.

There is a Government Loan of €30m on the balance sheet as there was at the prior year end. There are balances on finance leases of €14.9m (largely for the automated letter machines).

Conclusion

The financial results for 2018 are extremely positive and have built on the encouraging return to profitability in 2017. This, along, with the disposal of assets, has enabled the Group to accumulate sufficient resources to execute the new strategic direction and rationalisation programme. These are core to the continued success of the business in the medium term.

Peter Quinn
Chief Financial Officer

Retail Review

The Retail division returned to growth in 2018 with turnover up to €159.6m from €158.3m in 2017.

2018 was about formulating a renewal programme for post offices to build a great service that can be sustained in the long-term in the communities they serve. The scale and reach of the network is highly significant with 1.3 million customers visiting a post office every week and €14 billion transacted each year across post office counters.

Developing a strategy to drive sustainability of the network against a backdrop of core business decline, reduced footfall and usage of services was built around five key principles:

Consolidate around communities
Our social commitment is to have a post office in every community of over 500 and 95% of the population will be within 15km of at least one post office in rural areas and within 3km in urban areas.

Customer focused
Delivering new products and services to drive Postmaster income and new footfall into post offices, while also better serving customers online and digitally.

Co-locate for convenience
Added convenience for customers with more customer-friendly opening hours including lunchtimes and evenings and some services being made available outside of core post office opening hours.

Commercial contract for Postmasters
Agreement between Postmasters and An Post allows the business to develop a customer-oriented service offering and provides an opportunity for Postmasters to participate fully in the growth of the business.

Capital investment
Investing in the look and feel and technology over three years to create a better customer experience in both Postmaster and Company offices.

New products and services
Based on three distinct pillars:

Out-of-home eCommerce Backbone
Offering consumers convenience for parcel collections, returns and other value-added e-commerce services enabled by a retail network of 950+ post offices and 1,600 PostPoint outlets.

Financial Services
Foreign Exchange and our Current Account achieved significant year-on-year growth. Three significant new products were launched early 2019: An Post Multi-Currency card, Credit Cards and Consumer Loans. The launch of the An Post Money brand brings our financial services under one umbrella as we move forward to compete strongly in the financial services space.

Government Services
The Company is engaging with Government in a bid to provide a greater number of government services. We agreed a new three year contract with the NTMA including service enhancements. A Digital Assist pilot in post offices is bringing some government services closer to rural communities.

While there was consolidation of the network through the voluntary closure of 152 smaller offices in communities of less than 500 people, with 950+ post offices it remains by far the largest retail network in Ireland, providing vital services to local communities.

Our strategy commits to ongoing investment in both infrastructure and training and development, ensuring the transition from the old world of cash payments to a new world of e-commerce and community banking, meeting the needs of a broader range of customers, both face-to-face and online.

As a major Irish company, we aim to ensure that the post office remains at the heart of communities and that we play a deeply-connected, community-conscious role, being a force for good, wherever we can. We have the expertise and the national reach to make a real difference in communities as evidenced by recent initiatives around Organ Donation Awareness and our new Address Point initiative for people who are homeless or in temporary accommodation.

Debbie Byrne
Managing Director
An Post Retail

Mails and Parcels Review

The Mails and Parcels business had a recurring revenue of €580.4m in 2018 compared with €542.3m in 2017. In addition, further revenue of €15.4m was earned from the Presidential election and constitutional referenda.

Growing in parcels

2018 saw greater than expected growth in the parcels business. The strategy of targeting increased market share in this sector has been a success with the business experiencing significant revenue growth from new and existing, Irish and international customers. For example, contract parcel revenues increased by 35%. Volume grew steadily during the year culminating in record-breaking Black Friday, Cyber Monday and Christmas volumes. The peak November/December period far exceeded expectations with volumes 60% ahead of 2017, making it our busiest ever Christmas for parcels

The fall in traditional letter mail volumes continued in 2018, with a 7.6% rate of decline broadly in line with that of 2017 (8%). Special occasion mailings like our Christmas campaign, and some special 'mail moments' such as Valentine's Day and the World Meeting of Families were very well supported as a result of successful consumer marketing and PR activity.

Investing and consolidating

A new Dublin Parcel Hub opened in late 2018, close to the Dublin Mails Centre in Clondalkin, Co Dublin. Several custom-fitted new delivery units opened around the country, replacing outdated premises and consolidating previously dispersed rural delivery operations under one roof, with ample truck docking and processing space to ensure top quality mail and parcels deliveries as volumes continue to grow.

Increasing automation and right-sizing operations

A number of important plans initiated in 2018 will manifest in the operation during 2019. Firstly, the implementation of the parcel automation programme which will significantly increase processing capabilities. Secondly, our final mile delivery efficiencies which will allow the business to continue to grow the parcel business while at the same time right-sizing the operations in line with traditional mail volume decline.

An engine of growth for businesses

We also unveiled a new dedicated business-to-business brand, An Post Commerce during the first quarter of 2019. This brand will provide the Mails and Parcels business with a platform for growth in our key markets of parcels, mails and mail media, most particularly for the Irish SME sector.

As leaders in logistics and an engine of growth for business customers of all sizes, through mail media, customised solutions and world-class quality of service we can unlock consumer demand for our customers.

Garrett Bridgeman
Managing Director
An Post Mails & Parcels

Retail
Transforming the customer experience nationwide and online

Customer visits to post offices every week	**Electronic transactions across post office counters**
1.3m	108m
Government services transactions	**Value of transactions across post office counters**
45m+	€14bn

Strategy-led actions

> A post office in every community of over 500

> Breakthrough agreement with the Irish Postmasters' Union

> €9.5m capital investment fund

> Expanded range of financial services


post
commerce
SIG REQ
SIG REQ
EXP
EXPRESS WITH
SIGNATURE
IE
SIGNATURE
REQUIRED
MPS
1 of 1

Mails & Parcels
Growing market share in commercial markets

Parcels

↑40%

Parcels delivered

↑42m+

Traditional Mails

↓7.6%

Strategy-led actions

> Extended delivery services
> Parcel automation investment
> Fair pricing

An Post
Sustainability at Our Core

An Post's core purpose – to act for the common good, improving the lives of people in Ireland, now and for generations to come – demands sustainability. Our commitment is beyond politics: it is a practical and real framework to ensure the delivery of high quality and affordable services, supporting communities across the State and respecting the environment.

Postal is a global industry. An Post works with the International Postal Corporation to deliver **the five UN Sustainable Development Goals** most relevant to the postal sector.

Decent Work

- 'No' to zero hour contracts, rigidity, hierarchy; 'Yes' to great jobs, efficiency and flexibility
- High quality, sustainable employment
- Training and equipping our people for the future
- Communicating directly and clearly with staff
- Championing Equality and Diversity
- Working with the Trinity Centre for People with Intellectual Disabilities

Sustainable Communities

- A post office in every community of over 500 people
- Fair pricing ensures delivery to every address every day – and collection too
- Giving Ballina the same access to ecommerce as Boston or Berlin
- Being a force-for-good, supporting Literacy, Education and Community programmes which make a longterm difference to people's lives

Climate Action

- Ireland's largest fleet leads the way with electric vehicles
- Carbon-free deliveries between Dublin's canals by year-end 2019
- Eco-drive training for all An Post drivers
- Carbon-free deliveries in all Irish cities by year-end 2020
- Taking big steps to achieve a 50% reduction in carbon emissions by 2030

Innovation and Partnerships

- Making Partnership the key ingredient in our recovery and achievement of results
- A break-through agreement with the IPU for a sustainable post office network
- Collaboration with CWU for best-in-class parcel services
- Encouraging Irish Tech sector help accelerate An Post's Digital Strategy
- Deeper engagement with Government stakeholders and the An Post Board

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
- Including Sustainability in evaluation scoring for all tenders

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 2018.

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 32 and in the related notes to the financial statements. The directors did not pay an interim dividend (2017: Nil), and do not propose the payment of a final dividend for the year (2017: Nil).

3. Business Review

The trading results for the financial year 2018 are significantly ahead of those achieved in 2017 which itself had been a major turnaround in the results over the the prior year. The profit before transformation costs, pension interest and taxation, excluding one off items of €41.2m compares very favourably with a profit of €8.4m in 2017. The review of business for the year is dealt with in greater detail in the CEO's Statement (page 8) and the Financial Review (page 10).

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

KPI	Performance in 2018	Performance in 2017
Operating result		
Profit before transformation costs, pension interest and taxation, excluding one off items	4.6%	1.0%
Staff costs as a percentage of total operating costs	58.1%	58.9%
Postmasters' costs as a percentage of total operating costs	8.1%	8.4%
Other operating costs as a percentage of total operating costs	33.8%	32.7%
Staff - Average Full Time Equivalents (FTE)		
Company	8,930	9,127
Subsidiaries	793	778
Group	9,723	9,905
Mails and parcel business		
Mails and parcel revenue (excluding elections/referenda)	€580.4m	€542.3m
Core mail volumes decline	(7.6%)	(8.0%)
Retail business		
Social welfare transactions	31.2m	33.1m
BillPay transactions	17.0m	18.0m
TV licence sales	1.48m	1.46m
Investment Products - net fund outflow	(€189.8m)	(€181.5m)
Post Office Savings Bank - net fund inflow	€186.2m	€200.3m
Prize Bonds - net fund inflow	€245.1m	€275.8m
Customer Service		
Written complaints	30,214	25,628
Telephone enquiries	746,614	684,572

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:

- Difficulties arising from the eventual outcome of Brexit
- Insufficient Funding for Strategy
- Inflexible and Inefficient Cost Structure
- Industrial Relations not delivering sufficient pace of change
- Post Office Network Sustainability
- Sustainability of the Mails Universal Service Obligation
- Poor IT Security, Continuity and Business Support Capability
- Stakeholder buy-in to Strategy
- International Mails Pricing Agreements
- Loss of a single significant customer
- Inadequate Change including talent management
- Insufficient Packets and Parcels Operational Capability

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 Tom O'Brien and Ms Lorraine Tormey completed their terms of office in June and December 2018 respectively. Mr Ed Murray and Ms Jennifer Loftus completed their terms of office in March 2019. Ms Mary O'Donovan, Mr Peter Coyne and Mr Padraig McNamara were appointed by the Minister to the Board. 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 2018 had no interests in the shares, or the debentures of the Company or any Group company at any time during the financial year 2018.

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 confirms that its employment of people with disabilities exceeds the target of 3% set under the Disabilities Act, 2005.

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 2018, there were 2.7 lost time accidents per 100,000 hours worked.

An Post successfully maintained its accreditation to the Occupational Health and Safety Management System Standard, OHSAS 18001:2007, and are positioned to transition to the new ISO 45001 safety standard during 2019. 2,654 employees attended specific safety training courses in 2018. In addition, 1,402 fleet drivers participated in the risk-based 'Professional Driver' programme, and a further 515 HGV drivers completed professional driver CPC modules during the year. 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.

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 Lower, 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 2018, the Group made no political contributions which would require disclosure under the Electoral Act 1997.

12. Subsequent Events

At the end of January 2019, An Post completed the disposal of the GVS group of companies. Details of the transaction are included in note 31 to the financial statements. There have been no other events subsequent to the year end that require disclosure.

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 2018.

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 2018.

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 thirteen directors including, the Chairperson, the CEO, five employee directors, one postmaster director and five 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
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

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.

14. Corporate Governance continued

14.4 Board Membership continued

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.

As An Post does not appoint any member of the Board, it does not have a diversity policy in relation to its Board of Directors as would be required under Regulation 6 of the European Union (Disclosure of Non-Financial and Diversity Information by Certain Large Undertakings and Groups) Regulations 2017.

14.5 Key Personnel Changes

Mr Tom O'Brien and Ms Lorraine Tormey competed their terms of office during 2018 and 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 two non-executive members, Ms Mary O'Donovan and Mr Peter Coyne. In addition, in accordance with Section 81 of the Postal and Telecommunications Services Act 1983, Mr Padraig McNamara was elected and appointed as the postmaster director from 1 January 2019.

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 annual 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 current members of the ARC are Deirdre Burns (Chairperson), Peter Coyne and Mary O'Donovan. There were seven meetings of the ARC in 2018.

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 current 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 2018.

3. Health and Safety and Security Committee comprises three Board members. 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 current members of this committee are Carol Bolger (Chairperson), Martina O'Connell and Noel Adamson. There were three meetings of the Committee in 2018.

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 current members of this committee are Dermot Divilly (Chairperson), David McRedmond and Deirdre Burns. The Committee met twice in 2018.

14. Corporate Governance continued

14.11 Schedule of Attendance, Fees and Expenses

A schedule of attendance at the Board and Committee meetings for 2018 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 2018 €'000	Fees 2017 €'000
No. of meetings during year	8	7	3	3	2	-	-
Dermot Divilly	8/8	2/2	3/3	-	2/2	31	31
Noel Adamson	7/8	-	-	2/3	-	16	16
Carol Bolger	7/8	-	3/3	3/3	-	16	10
Deirdre Burns	6/8	7/7	-	-	2/2	16	10
Peter Coyne	1/1	-	-	-	-	3	-
Thomas Devlin	8/8	-	-	-	-	16	16
Jennifer Loftus	7/8	7/7	-	-	-	16	16
David McRedmond	8/8	-	3/3	-	2/2	-	-
William Mooney	8/8	-	-	-	-	16	16
Ed Murray	7/8	-	3/3	-	-	16	16
Tom O'Brien	4/4	5/5	-	-	2/2	7	16
Martina O'Connell	7/8	-	-	3/3	-	16	16
Mary O'Donovan	1/1	-	-	-	-	3	-
Niall Phelan	7/8	-	-	-	-	16	16
William Scally	-	-	-	-	-	-	15
Lorraine Tormey	8/8	-	-	-	-	16	16
James Wrynn	7/8	1/1	-	-	-	16	16
Total						220	226

Expenses paid to Directors in 2018 were €3k (2017: €5k).

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 2018 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. The ARC met seven times in 2018.

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. The Board has conducted an annual review of the effectiveness of the internal controls for 2018.

Internal Control Issues

No weaknesses in internal control were identified in relation to 2018 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 2018. The Chairman has written to the Minister for Communications, Climate Action and Environment with further detailed information.

Employee benefits

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

	2018 No. of employees	2017 No. of employees
Less than €50,000	10,387	10,368
Between €50,000 and €74,999	1,427	1,179
Between €75,000 and €100,000	206	185
Over €100,000	94	95

Travel and official entertainment

Costs in respect of travel and official expenditure incurred in the year amounted to €3.819m (2017: €3.436m). This includes travel and subsistence of €3,000 paid directly to Board members in 2018 (2017: €5,000).

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 2018.

Report of the Directors continued

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 2018. 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 2018.

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

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 auditors, 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

29 March 2019

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 2018 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 32, 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 32, 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.

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

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.

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

29 March 2019

Consolidated Income Statement
for the year ended 31 December 2018

	Notes	2018 €'000 Total	2017 €'000 Total
Revenue	2	896,954	840,002
Operating costs	3	(859,306)	(835,210)
Finance income (excluding pension interest)	5	4,577	4,136
Finance costs (excluding pension interest)	6	(979)	(521)
Profit before transformation costs, pension interest and taxation, excluding one off items		**41,246**	**8,407**
Transformation costs	4	(13,974)	-
Other income - Property Disposal		-	36,811
Other finance income - Equity Dividend	5	-	9,013
Profit before pension interest and taxation		**27,272**	**54,231**
Pension interest	23	(500)	(4,630)
Profit before taxation	7	**26,772**	**49,601**
Taxation	8	(1,508)	(12,327)
Profit for the year		**25,264**	**37,274**
Profit for the year attributable to			
Owners of the Company		20,689	33,189
Non-controlling interests		4,575	4,085
		25,264	37,274

On behalf of the Board

Dermot Divilly, Chairperson
David McRedmond, Director

29 March 2019

Consolidated Statement of other Comprehensive Income
for the year ended 31 December 2018

	Notes	2018 €'000	2017 €'000
Profit for the year		25,264	37,274
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit pension liability - net	23	5,901	235,500
Items that may be reclassified subsequently to profit or loss:			
Translation of foreign operations - subsidiaries		(170)	(966)
Available for sale financial assets - change in fair value		-	(6)
Tax effect of change in fair value		-	2
Total comprehensive income		**30,995**	**271,804**
Total comprehensive income attributable to			
Owners of the Company		26,420	267,721
Non-controlling interests		4,575	4,083
		30,995	**271,804**

Consolidated Statement of Financial Position
at 31 December 2018

	Notes	2018 €'000	2017 €'000
Assets			
Non-current assets			
Intangible assets and goodwill	10	13,717	18,768
Investment property	11	715	715
Property, plant and equipment	12	223,509	230,720
Investments	13	34,481	32,661
Available for sale investment	13	-	167
Deferred tax asset	14	1,793	1,391
Total non-current assets		274,215	284,422
Current assets			
Trade and other receivables	14	105,324	124,944
Inventories	15	2,878	3,531
Cash at bank and in hand	16	512,541	410,241
Restricted cash	16	-	154,733
Assets classified as held for sale	17	206,249	-
Total current assets		826,992	693,449
Total assets		**1,101,207**	**977,871**
Equity and reserves			
Called up share capital	24	(68,239)	(68,239)
Other reserves		2,321	494
Retained earnings		(134,200)	(105,953)
Equity attributable to the company		(200,118)	(173,698)
Non-controlling interests		(3,889)	(1,634)
Total equity		(204,007)	(175,332)
Non-current liabilities			
Capital grants	21	(8,447)	(8,896)
Leases and borrowings	19	(33,289)	(43,736)
Provisions	22	(10,373)	(10,352)
Pension liability	23	(47,880)	(55,066)
Total non-current liabilities		(99,989)	(118,050)
Current liabilities			
Trade and other payables	18	(176,367)	(173,353)
Leases and borrowings	19	(11,593)	(4,895)
Provisions	22	(16,405)	(25,250)
Amounts held in trust	16	(403,045)	(480,991)
Liabilities classified as held for sale	17	(189,801)	-
Total current liabilities		(797,211)	(684,489)
Total liabilities		(897,200)	(802,539)
Total equity and liabilities		**(1,101,207)**	**(977,871)**

On behalf of the Board

Dermot Divilly, Chairperson
David McRedmond, Director
29 March 2019

Consolidated Statement of Changes in Equity
for the year ended 31 December 2018

	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 2017	(68,239)	(877)	2,062	(1,659)	162,736	94,023	2,299	96,322
Profit for the year	-	-	-	-	(33,189)	(33,189)	(4,085)	(37,274)
Other comprehensive income:								
Available for sale financial assets - net change in fair value	-	-	-	2	-	2	2	4
Remeasurements of defined benefit pension liability	-	-	-	-	(235,500)	(235,500)	-	(235,500)
Translation of foreign operations	-	-	966	-	-	966	-	966
Dividends	-	-	-	-	-	-	150	150
Balance at 31 December 2017	(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)

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 2018

	2018 €'000	2017 €'000
Cash flows from operating activities		
Profit for the year	25,264	37,274
Adjustments for		
Depreciation	18,245	18,008
Impairment loss	2,726	-
Amortisation	2,508	2,452
Net finance income	(3,098)	(7,998)
Gain on sale of property, plant and equipment	(14)	(37,031)
Tax expense	1,508	12,327
Cash paid (in excess)/less than pension income statement charge	(942)	2,555
Capital grant amortised	(449)	(449)
Payments made in relation to provisions, excess over cost	(8,824)	(4,165)
	36,924	22,973
Changes in:		
Trade and other receivables	7,675	(25,544)
Inventories	253	2,029
Trade and other payables	8,756	10,618
Cash generated from operating activities	**53,608**	**10,076**
Taxes paid	(1,070)	(11,931)
Net cash from/(used in) operating activities	**52,538**	**(1,855)**
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	131	35,314
Acquisition of property, plant and equipment	(14,096)	(10,855)
Acquisition of intangible assets	(2,927)	(2,995)
Decrease in term deposits	-	13,000
Amounts held in trust	76,787	90,880
Net inflow of restricted cash	26,058	16,344
Increase in creditor in respect of restricted cash	(26,058)	(16,344)
Proceeds from investment in Premier Lotteries Ireland	2,500	14,232
Net cash generated from investing activities	**62,395**	**139,576**
Cash flows from financing activities		
Finance lease payments	(4,030)	(5,868)
Government loan drawn down	-	30,000
Government loan and other interest payments	(698)	-
Dividends paid	(2,320)	-
Term loan repaid	-	(4,000)
Net cash (used in)/from financing activities	**(7,048)**	**20,132**
Net increase in cash and cash equivalents	**107,885**	**157,853**
Cash and cash equivalents at beginning of year	410,241	252,388
Cash and cash equivalents at end of year	**518,126**	**410,241**

Company Statement of Financial Position
at 31 December 2018

	Notes	2018 €'000	2017 €'000
Assets			
Non-current assets			
Intangible assets	10	4,227	4,179
Investment property	11	715	715
Property, plant and equipment	12	215,448	223,110
Investments	13	43,700	41,630
Deferred tax asset	14	1,613	533
Total non-current assets		265,703	270,167
Current assets			
Trade and other receivables	14	100,358	100,826
Cash at bank and in hand	16	498,584	396,748
Total current assets		598,942	497,574
Total assets		**864,645**	**767,741**
Equity and reserves			
Called up share capital	24	(68,239)	(68,239)
Other reserves		(877)	(2,474)
Retained earnings		(98,818)	(79,306)
Total equity		(167,934)	(150,019)
Non-current liabilities			
Capital grants	21	(2,748)	(2,850)
Leases and borrowings	19	(33,265)	(43,690)
Provisions	22	(10,373)	(10,352)
Pension liability	23	(47,880)	(55,066)
Total non-current liabilities		(94,266)	(111,958)
Current liabilities			
Trade and other payables	18	(171,412)	(149,446)
Leases and borrowings	19	(11,583)	(4,810)
Provisions	22	(16,405)	(25,250)
Amounts held in trust	16	(403,045)	(326,258)
Total current liabilities		(602,445)	(505,764)
Total liabilities		(696,711)	(617,722)
Total equity and liabilities		**(864,645)**	**(767,741)**

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 €12.014m (2017: €19.671m).

On behalf of the Board

Dermot Divilly, Chairperson
David McRedmond, Director

29 March 2019

Company Statement of Changes in Equity
for the year ended 31 December 2018

	Called up share capital €'000	Capital conversion reserve fund €'000	Fair value reserve €'000	Retained earnings €'000	Total equity €'000
Balance at 1 January 2017	(68,239)	(877)	(1,597)	175,865	105,152
Profit for the year	-	-	-	(19,671)	(19,671)
Remeasurements of defined benefit pension liability	-	-	-	(235,500)	(235,500)
Balance at 31 December 2017	**(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)**

Included in profit for the period were dividends received from group companies of €2,680k (2017: €156k).

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Notes to the Financial Statements
for the year ended 31 December 2018

1. Significant Accounting Policies

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 2018 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 the foreseeable future 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 2018 financial statements to be prepared on this basis. Key factors considered in arriving at this determination include:

Trading performance:

The Group's financial performance improved during 2018. Arising from changes in legislation in March 2017, the price cap mechanism was removed and this allowed the Group flexibility over pricing. Price increases were introduced in April 2017 and April 2018 that have yielded additional revenue. At the same time, the programme of cost containment continued and significant progress was made in the growing parcels and packets market. As noted in section 3 of the Report of the Directors, the Group's profit before pension interest and taxation excluding one off items improved by €32.8m to €41.2m in 2018.

Cash:

The cash resources available to the Group increased from €83.9m at December 2017 to €115.1m in December 2018. This improvement was as a result of the continued improved trading performance. The Group's cash resources were further increased in early 2019 with the disposal of the GVS Group. 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 and Strategic review:

The Board and management has undertaken a robust strategic planning process covering 2019 to 2023. Although mail volumes are still forecast to decline, the strategy shows the Group having a sustainable earnings level for period of at least 12 months from the date of approval of these financial statements. The assumptions used were subject to robust challenge and scrutiny and are considered to be realistic and achievable.

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.

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 2018:

- IFRS 9 - Financial Instruments
- IFRS 15 - Revenue from Contracts with Customers
- IFRIC 22 - Foreign Currency Transactions and Advanced Consideration

While the new standards and interpretations did not result in a material impact on the Group's results, the nature and effect of changes required by IFRS 9 and IFRS 15 are described below.

Impact of initial application of IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 Financial Instruments Recognition and Measurement. It addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces a new impairment model for financial assets and new rules for hedge accounting. The Group has applied IFRS 9 retrospectively, but elected not to restate comparative information.

Additionally, the Group adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that were applied to the disclosures for 2018 and to the comparative period. The Group has assessed the business models and contractual cash flows which apply to its financial assets and classified the assets into the appropriate IFRS 9 categories accordingly.

Financial Assets	Original measurement category determined in accordance with IAS 39 at 31 December 2017	New measurement category determined in accordance with IFRS 9 at 1 January 2018	Carrying amount determined in accordance with IAS 39 at 31 December 2017	Carrying amount determined in accordance with IFRS 9 at 1 January 2018
Investment in PLI - equity shares	FVOCI*	FVTPL**	€350k	€350k
Investment in PLI - preference shares	FVOCI*	FVTPL**	€8,779k	€8,779k
Investment in PLI - shareholder loan	Amortised Cost	Amortised Cost	€23,532k	€23,532k
Trade and other receivables	Amortised Cost	Amortised Cost	€113,788k	€113,788k
Cash at bank and in hand	Amortised Cost	Amortised Cost	€564,974k	€564,974k
Available for sale investment (VISA)	FVOCI*	FVTPL**	€167k	€167k

* FVOCI refers to measurement at fair value through Other Comprehensive Income
** FVTPL refers to measurement at fair value through the Profit and Loss Account

Notes to the Financial Statements
for the year ended 31 December 2018 continued

1. Significant Accounting Policies continued

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

The Group's financial assets measured at amortised cost, the most significant of which are trade and other receivables are subject to IFRS 9's new expected credit loss model. The Group's impairment methodology has been revised in line with the requirements of IFRS 9. The simplified approach to providing for exected credit losses has been applied to trade and other receivables, which requires the use of a lifetime expected loss provision.

As outlined above, the classification requirements under IFRS 9 did not impact the measurement or carrying amount of financial assets.

The application of the ECL model under IFRS 9 has not changed the carrying amounts of the Company's financial assets. The carrying amounts of financial assets continued to approximate their fair values on the date of transition to IFRS 9.

Financial liabilities continue to be classified and measured at amortised cost. The Group does not have any hedge accounting positions at the date of initial application or the year end date.

Impact of application of IFRS 15 Revenue from Contracts with Customers

In the current year, the Group has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios.

The Group has applied IFRS 15 in accordance with the fully retrospective transitional approach using the practical expedient for completed contracts in IFRS 15:C5(a) for all reporting periods presented before the date of initial application, i.e. 1 January 2018.

The Group's accounting policies for its revenue streams are disclosed below. The application of IFRS 15 has not had an impact on the financial position or financial performance of the Group.

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

IFRS 3 (Amendment) Definition of a Business	1 January 2020
IFRS 9 (Amendment) Prepayment Features with Negative Compensation	1 January 2019
IFRS 16 Leases	1 January 2019
IFRS 17 Insurance Contracts	1 January 2021
IAS 1 (Amendment) Definition of Material	1 January 2020
IAS 8 (Amendment) Definition of Material	1 January 2020
IAS 19 (Amendment) Plan Amendment, Curtailment or Settlement	1 January 2019
IAS 28 (Amendment) Long-term Interests in Associates and Joint Arrangements	1 January 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle (Amendment)	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to References to Conceptual Framework in IFRS Standards	1 January 2020

The Group is assessing the full impact on the financial statements of these new Standards, Interpretations and Amendments to Published Standards. The standards and interpretations addressed above will be applied for the purposes of the Group's financial statements with effect from the dates listed. The changes arising from the implementation of IFRS 16 Leases will be the most significant.

Effective 1 January 2019, An Post has to bring many additional leases on-balance sheet as follows:

Balance sheet 1 January 2019

	An Post Property €'000	An Post Vehicles €'000	Subsidiaries €'000	Total €'000
Right-of-use assets	31,900	13,300	17,200	62,400
Lease liabilities	(31,900)	(13,300)	(17,200)	(62,400)
Impact on net assets	-	-	-	-

Operating lease payments previously included in 'Operating costs' of An Post's income statement will be disclosed as 'Depreciation' (included in 'Operating costs') and 'Finance costs (excluding pension interest)' in 2019. The amounts expected for 2019 are:

Income Statement 2019

	An Post Property €'000	An Post Vehicles €'000	Subsidiaries €'000	Total €'000
Operating Costs	5,100	5,500	600	11,200
Depreciation	(4,700)	(5,300)	(1,300)	(11,300)
Finance Costs	(600)	(200)	(400)	(1,200)
Impact on profit	(200)	-	(1,100)	(1,300)

The negative impact on the profit arises from the fact that at the beginning of the lease term, the interest charge is higher than towards the end of the lease term. Over the life of the lease, there is no impact on the profit.

The Group expects to apply the standard as of 1 January 2019 without restating its prior-period financial information (so called 'modified retrospective' approach). As part of the initial application, the following key judgements were made:

- Only limited lease renewal options were taken into considerations
- The standard will not be applied for low-value items

A discount rate was not calculated on a lease-by-lease basis but on a portfolio of leases with similar characteristics.

The directors are currently assessing the impact in relation to the adoption of the other standards and interpretations for future periods. While this work is in progress, no other material impacts on the Group have been identified at this point.

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.

Notes to the Financial Statements
for the year ended 31 December 2018 continued

1. Significant Accounting Policies continued

Basis of measurement continued

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 23 - measurement of defined benefit obligations: key actuarial assumptions;
- Note 8 - recognition of deferred tax assets: availability of future taxable profits against which deferred tax assets can be used;
- Note 13 - 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

Transactions of a material sum that are non-recurring in nature are recorded in the Income Statement in the year they occur. Examples of such transactions are the profits on one-off large property disposals or the receipt of large but non recurring equity dividends. This policy is designed so that the Financial Statements represent these transactions separately and the Financial Statements present the continuing operations of the Group's business.

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.

For postage revenue, there is only one performance obligation which is related to the sale of the stamps. The stamps are a distinct good that is promised to be transferred to the customer within this performance obligation. The performance obligation is satisfied when the stamps are used 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 satisified. 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 satisified.

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.

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.

Notes to the Financial Statements
for the year ended 31 December 2018 continued

1. Significant Accounting Policies continued

Leases

Leased assets

Assets held by the Group under leases that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Intangible assets and goodwill

Recognition and measurement

Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less amortisation and 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.

(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.

Notes to the Financial Statements
for the year ended 31 December 2018 continued

1. Significant Accounting Policies continued

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 receivables and other short-term 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 2018.

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.

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 always 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 debtors, 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, 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.

Notes to the Financial Statements
for the year ended 31 December 2018 continued

2. Revenue

	2018 €'000	2017 €'000
The analysis of revenue is as follows:		
Republic of Ireland		
Postage: Letters and parcels	580,448	542,346
Postage: Elections and referenda	15,386	-
Post offices: Agency, remittance and related services	159,558	158,252
Other services	57,470	60,345
	812,862	760,943
United Kingdom		
Mails distribution and related services	84,092	79,059
	896,654	840,002

3. Operating Costs

	2018 €'000	2017 €'000
The consolidated costs for the Group were as follows:		
Staff and postmasters' costs		
Wages and salaries	413,250	405,557
Postmasters' costs	69,659	70,063
Social insurance costs	38,162	36,302
	521,071	511,922
Pension costs	47,667	50,124
Total payroll and postmasters' costs	568,738	562,046
Other costs:		
Distribution	92,665	88,579
Facilities	26,769	25,675
Operational	83,729	82,487
Administration	63,926	55,963
Depreciation	18,245	18,008
Impairment	2,726	-
Amortisation	2,508	2,452
	290,568	273,164
	859,306	835,210

4. Transformation Costs

Costs associated with the implementation of the new Postmasters Contract and the resizing of the Post Office Network amounted to €13,974,000 (2017: €nil) during the year. Of this total, the cost of Postmaster exits was €8,358,000 and amounts paid to Postmasters for signing up to the new Postmaster contract was €5,616,000.

5. Finance Income

	2018 €'000	2017 €'000
Interest on Premier Lotteries Ireland (PLI) loan receivable	2,190	2,004
PLI preference share dividends	2,130	2,130
Income from investments	243	-
Interest on short term deposits	14	2
	4,577	4,136
Other finance income - PLI equity share dividends	-	9,013

6. Finance Costs

	2018 €'000	2017 €'000
Finance lease interest	281	521
Interest on Government loan	309	-
Other interest costs	389	-
	979	521

Notes to the Financial Statements
for the year ended 31 December 2018 continued

7. Profit before Taxation

	2018 €'000	2017 €'000
The profit before taxation is stated after charging:		
Operating lease rentals:		
Rental of buildings	7,686	7,936
Other equipment and motor vehicles	13,099	13,212
	20,785	21,148
and after crediting to other services income:		
Capital grants amortised	449	449
Profit on sale of plant & equipment	14	220
	463	669
The profit before taxation is stated after charging:		
Directors' emoluments:		
Fees	220	226
Emoluments - Chief Executive	300	300
	520	526
Expenses paid to Directors		
Travel	2	4
Subsistence	1	1
	3	5
Auditor's remuneration* - Group		
Audit of the group financial statements	307	307
Other assurance services	143	93
Tax advisory services	-	-
Other non-audit services	-	42
	450	442
Auditor's remuneration* - An Post Company (included above)		
Audit of entity financial statements	165	165
Other assurance services	143	93
Tax advisory services	-	-
Other non-audit services	-	42
	308	300

*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.

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.

	2018 €'000	2017 €'000
Basic salary	240	240
Other emoluments:		
Director's fee	-	-
Pension contributions paid	60	60
	300	300

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

	2018 €'000	2017 €'000
Dermot Divilly (Chairperson)	31	31
Noel Adamson	16	16
Carol Bolger	16	10
Deirdre Burns	16	10
Peter Coyne*	3	-
Thomas Devlin	16	16
Jennifer Loftus	16	16
David McRedmond (Chief Executive)**	-	-
William Mooney	16	16
Ed Murray	16	16
Thomas O'Brien	7	16
Martina O'Connell	16	16
Mary O'Donovan*	3	-
Niall Phelan	16	16
William Scally	-	15
Lorraine Tormey	16	16
James Wrynn	16	16
	220	226

* Appointed to the Board by the Minister for Communications, Climate Action and Environment on 31 October 2018.

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

8. Income Tax

A. Amounts recognised in profit or loss

	2018 €'000	2017 €'000
Current tax		
Ireland - Corporation Tax	1,959	11,587
Adjustment in respect of prior year	(455)	(7)
UK - Corporation Tax	386	463
	1,890	12,043
Deferred Tax		
Origination and reversal of temporary differences	(456)	318
Adjustment in respect of prior year	74	(34)
	(382)	284
Total tax charge	1,508	12,327

B. Reconciliation of effective tax rate

	2018 €000	2017 €000
Profit before taxation	26,772	49,601
Tax using the Company's domestic tax rate - 12.5% (2017: 12.5%)	3,346	6,200
Tax effects of:		
Non-deductible expenses/income not taxable	153	(1,359)
Tax withheld from payments made	6	7
Income and gains taxed at higher rates	819	6,775
Tax losses (not recognised)/recognised	(1,650)	149
Movement in unrecognised deferred tax	(785)	596
Prior year overprovision	(381)	(41)
Total tax charge	1,508	12,327

C. Movement in deferred tax balances

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 17).

Balance at 31 December 2017

	Net Balance at 1 Jan 2017 €'000	Recognised in profit or loss 2017 €'000	Recognised in Other Comprehensive Income 2017 €'000	Net Balance at 31 Dec 2017 €'000
Property, plant and equipment	(6,514)	(267)	-	(6,781)
Employee benefits	5,169	871	-	6,040
Other provisions	1,341	(524)	-	817
Carry forward tax loss (revenue recognition)	1,092	(364)	-	728
	1,088	(284)	-	804
Disclosed as Deferred tax assets				1,391
Disclosed as Deferred tax liability				(587)

Given the uncertainty over the existence of future taxable profits, a potential deferred tax asset of €16,579,000 (2017: €20,664,000) arising from the defined benefit pension scheme liability and excess losses carried forward has not been recognised.

Notes to the Financial Statements
for the year ended 31 December 2018 continued

9. 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:

	2018	2017
Operations	8,556	8,747
Corporate	374	380
Total Company employees (FTE)	8,930	9,127
Subsidiaries	793	778
Total Group employees (FTE)	9,723	9,905

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

	2018	2017
Operations	8,011	8,209
Corporate	398	404
Company employees	8,409	8,613
Casual employees	881	906
Total Company employees	9,290	9,519
Subsidiaries	809	796
Total Group employees	10,099	10,315

The average number of postmasters engaged as agents was:

	2018	2017
Postmasters: Engaged as agents	994	1,037

The aggregate payroll and postmasters' costs were as follows:

	2018 €'000	2017 €'000
Wages and salaries	413,250	405,557
Social insurance costs	38,162	36,302
Pension costs	47,667	50,124
Postmasters: Engaged as agents	69,659	70,063
Total payroll and postmasters' costs	568,738	562,046

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

10. Intangible Assets and Goodwill

Group	Goodwill €'000	Software* €'000	Total €'000
Cost			
At 1 January 2017	41,349	57,549	98,898
Additions	-	2,995	2,995
Foreign exchange movement	(87)	(50)	(137)
At 31 December 2017	41,262	60,494	101,756
Additions	-	3,269	3,269
Transferred to disposal group held for sale	(9,718)	(102)	(9,820)
Foreign exchange movement	(19)	(79)	(98)
At 31 December 2018	31,525	63,582	95,107
Amortisation and impairment			
At 1 January 2017	28,713	51,840	80,553
Charge for year	-	2,452	2,452
Foreign exchange movement	-	(17)	(17)
At 31 December 2017	28,713	54,275	82,988
Charge for the year	-	2,508	2,508
Transferred to disposal group held for sale	(3,986)	(102)	(4,088)
Foreign exchange movement	-	(18)	(18)
At 31 December 2018	24,727	56,663	81,390
Carrying amount			
At 31 December 2018	6,798	6,919	13,717
At 31 December 2017	12,549	6,219	18,768

*Intangible assets in the Company include software only. The Company's intangible assets at 31 December 2018 amounted to €4,227,000 : (2017 €4,179,000). The amortisation of software is included in operating costs.

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:

	2018 €'000	€'000
Gift Voucher Shop	-	5,732
Air Business & Jordans	2,305	2,324
One Direct	4,493	4,493
	6,798	12,549

At 31 December 2018, the goodwill associated with the Gift Voucher Shop group of companies has been reclassified as part of the disposal group held for sale, see note 17.

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 25.

10. Intangible Assets and Goodwill continued

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 2019 budget approved by the board and projections for 2020 to 2023.

Discount rates

A pre-tax discount rate of 8% (2017: 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 2018 (2017: €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 2018 or 2017.

11. Investment Property

Group and Company

Reconciliation of carrying amount

	2018 €'000	2017 €'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 fair value of the investment property was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

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.

12. Property, Plant and Equipment

	Freehold & long leasehold land & buildings €'000	Motor vehicles €'000	Operating & computer equipment €'000	Total €'000
Group				
Cost				
At 1 January 2017	293,450	14,916	316,859	625,225
Additions	8,318	8	8,029	16,355
Disposals	(7,451)	(2,088)	-	(9,539)
Foreign exchange movement	-	(9)	(157)	(166)
At 31 December 2017	294,317	12,827	324,731	631,875
Additions	3,038	120	11,799	14,957
Disposals	-	(397)	(689)	(1,086)
Reclassified to Assets classified as 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
Accumulated depreciation and impairment losses				
At 1 January 2017	99,595	5,233	282,528	387,356
Depreciation	6,955	2,289	8,764	18,008
Impairment losses	-	-	-	-
Eliminated on disposals	(2,045)	(2,057)	-	(4,102)
Foreign exchange movement	-	(7)	(100)	(107)
At 31 December 2017	104,505	5,458	291,192	401,155
Depreciation	7,093	2,286	8,866	18,245
Impairment losses	-	-	2,726	2,726
Eliminated on disposals	-	(367)	(602)	(969)
Reclassified to Assets classified as held for sale	(75)	(60)	(2,418)	(2,553)
Foreign exchange movement	-	(8)	(316)	(324)
At 31 December 2018	111,523	7,309	229,448	418,280
Net Book Value				
At 31 December 2018	185,746	5,171	32,592	223,509
At 31 December 2017	189,812	7,369	33,539	230,720

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.

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 23.

Notes to the Financial Statements
for the year ended 31 December 2018 continued

12. 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 2017	288,492	14,594	295,119	598,205
Additions	6,678	8	6,420	13,106
Disposals	(7,427)	(2,088)	-	(9,515)
At 31 December 2017	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
Accumulated depreciation and impairment losses				
At 1 January 2017	95,096	5,093	266,390	366,579
Depreciation	6,852	2,235	7,122	16,209
Eliminated on disposals	(2,045)	(2,057)	-	(4,102)
At 31 December 2017	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
Net Book Value				
At 31 December 2018	183,887	5,085	26,476	215,448
At 31 December 2017	187,840	7,243	28,027	223,110

Group and Company
At 31 December 2018 the net carrying amount of property, plant and equipment held under finance leases was €11,024,000 (2017: €13,592,000). See note 26 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.

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 23.

13. Investments

	Group 2018 €'000	Group 2017 €'000	Company 2018 €'000	Company 2017 €'000
Investment in Premier Lotteries Ireland (see A below)	34,481	32,661	34,481	32,661
Shares in subsidiary undertakings (see note 25)	-	-	9,219	8,969
Investment in joint venture (see B overleaf)	-	-	-	-
Other investments	-	167	-	-
	34,481	32,828	43,700	41,630

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 17. The increase in the value of shares held in subsidiary undertakings arises as a result of a capital contribution to Precision Marketing Information Limited.

A. Investment in Premier Lotteries Ireland (PLI)

	2018 €'000	2017 €'000
Group and Company		
The investment in PLI is comprised of:		
Investment in equity shares	350	350
Investment in preference shares	8,409	8,779
Loans and receivables		
Shareholder loans	25,722	23,532
	34,481	32,661

In 2014, An Post invested €25m in PLI by way of equity investment, shareholder 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.

Initial application of 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.

Notes to the Financial Statements
for the year ended 31 December 2018 continued

13. Investments continued

A. Investment in Premier Lotteries Ireland (PLI) continued

The investment in equity and preference shares is measured at fair value through the profit and loss account. The directors consider the fair value of these investments to equate to the amount carried at the date of initial application and at 31 December 2018 and as a result no fair value adjustment is recorded.

The investment in the form of a shareholder loan is measured at amortised cost. After applying an expected credit loss model to this loan, the directors are satisified that there was no material difference at the date of initial application or 31 December 2018 and as a result no impairment is recognised.

B. Investment in joint venture

During the year, the Group's share of its joint venture's profit amounted to €Nil (2017: €Nil).

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

	2018 €'000	2017 €'000
Current assets	20,508	17,900
Current liabilities	(20,508)	(17,900)
Net assets (100%)	-	-
Group's share of net assets (50%)	-	-
Revenue	10,898	10,036
Profit from continuing operations	-	-
Total comprehensive income (100%)	-	-
Group's share of total comprehensive income (50%)	-	-

C. Other investments

	2018 €'000	2017 €'000
Fair value at the start of the year	167	173
Net change in fair value - recognised through Profit or Loss	243	(6)
Fair value at the end of the year	410	167
Reclassified to assets classified as held for sale (note 17)	(410)	-
	-	167

GVS Prepaid Limited holds an investment in VISA Inc. This investment was fair valued at 31 December 2018 and 31 December 2017.

14. Trade and Other Receivables

	Group 2018 €'000	Group 2017 €'000	Company 2018 €'000	Company 2017 €'000
Current assets				
Trade receivables	97,139	112,164	67,167	69,842
Amounts owed by subsidiary undertakings	-	-	20,855	15,822
Amounts owed by joint venture (note 28)	254	244	254	244
Other debtors	417	568	411	327
Prize bonds held	812	812	625	625
Prepayments	6,702	11,156	4,627	6,540
	105,324	124,944	93,939	93,400
Non-current assets				
Amounts owed by subsidiary undertakings	-	-	6,419	7,426
Deferred tax asset	1,793	1,391	1,613	533
	1,793	1,391	8,032	7,959
	107,117	126,335	101,971	101,359

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.

15. Inventories

	Group 2018 €'000	Group 2017 €'000	Company 2018 €'000	Company 2017 €'000
Finished goods	2,878	3,531	-	-

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.

16. Cash at Bank and In Hand

	Group 2018 €'000	Group 2017 €'000	Company 2018 €'000	Company 2017 €'000
Cash at bank	335,068	241,735	321,111	228,242
Cash in hand	177,473	168,506	177,473	168,506
	512,541	410,241	498,584	396,748

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	410,241	102,300	512,541

	Group 2018 €'000	Group 2017 €'000	Company 2018 €'000	Company 2017 €'000
Restricted cash balance held - unredeemed prepaid cards	-	154,733	-	-

These amounts relate to the unredeemed balances held on One4all cards on issue. The cash held is segregated in a separate client funds bank account. The balance at 31 December 2018 of €180,791,000 has been reclassified as part of the assets classified as held for sale, see note 17.

	Group 2018 €'000	Group 2017 €'000	Company 2018 €'000	Company 2017 €'000
Amounts held in trust	403,045	326,258	403,045	326,258
Liability in relation to cash held - unredeemed prepaid cards	-	154,733	-	-
	403,045	480,991	403,045	326,258

Included in current liabilities at 31 December 2018 was amounts held in trust of €403,045,000: (2017: €480,991,000). 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.

The liability in relation to cash held - unredeemed prepaid cards amounted to €180,791,000, and has been reclassified as part of the assets classified as held for sale at 31 December 2018, see note 17.

17. Disposal group classified as held for sale

During the year, 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 sale of these subsidiaries was completed in January 2019 for TSC Ventures DAC and in March 2019 for Precision Marketing Information Limited. The sales put a combined value on these entities at in excess of €100m. An Post, at the balance sheet date held 53.6% of TSC Ventures DAC and 100% of Precision Marketing Information Limited.

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 are not considered a separate major line of business and therefore do not consistute discontinued operations as defined in IFRS 5.

Assets and liabilities of disposal group held for sale

At 31 December 2018, the disposal group comprised the following assets and liabilities.

	2018 €'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

	2018 €'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

Notes to the Financial Statements
for the year ended 31 December 2018 continued

18. Trade and Other Payables

	Group 2018 €'000	Group 2017 €'000	Company 2018 €'000	Company 2017 €'000
Trade creditors	46,364	47,885	24,492	23,322
Amounts owed to subsidiary undertakings	-	-	36,216	30,383
Other creditors	12,267	13,951	11,838	12,025
Taxation and social welfare (note 20)	17,587	15,796	16,605	13,051
Accruals	76,120	68,979	66,610	52,494
Capital grants (note 21)	449	449	102	102
Deferred revenue - agency commission	6,736	6,999	-	-
Deferred revenue - unused stamps sold/other	16,844	19,294	15,549	18,069
	176,367	173,353	171,412	149,446

Amounts due to group undertakings are interest free, unsecured and payable on demand. Deferred income in relation to unused stamps 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.

19. Leases and Borrowings

Due within one year

	Group 2018 €'000	Group 2017 €'000	Company 2018 €'000	Company 2017 €'000
Finance lease	11,593	4,895	11,583	4,810

Due after one year

	Group 2018 €'000	Group 2017 €'000	Company 2018 €'000	Company 2017 €'000
Finance lease	3,289	13,736	3,265	13,690
Government Loan	30,000	30,000	30,000	30,000
	33,289	43,736	33,265	43,690

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.

20. Taxation and Social Welfare

	Group 2018 €'000	Group 2017 €'000	Company 2018 €'000	Company 2017 €'000
Corporation tax payable	1,128	428	746	11
Deferred tax	1,613	587	1,613	533
Income tax deducted under PAYE	6,502	5,851	5,839	5,122
Pay related social insurance	5,514	5,316	5,400	5,155
Value added tax	2,280	3,302	2,459	1,919
Professional services withholding tax	550	312	548	311
	17,587	15,796	16,605	13,051

21. Capital Grants

	Group 2018 €'000	Group 2017 €'000	Company 2018 €'000	Company 2017 €'000
At beginning of year	9,345	9,794	2,952	3,054
Grants received during the year	-	-	-	-
Amortised to income statement	(449)	(449)	(102)	(102)
At end of year	8,896	9,345	2,850	2,952
Transferred to current liabilities	(449)	(449)	(102)	(102)
	8,447	8,896	2,748	2,850

22. Provisions

Group and Company

The movements during the year were as follows

	Provision for business restructuring 2018 €'000	Provision for insurance claims 2018 €'000	Total 2018 €'000	Provision for business restructuring 2017 €'000	Provision for insurance claims 2017 €'000	Total 2017 €'000
At beginning of year	23,180	12,422	35,602	28,580	11,187	39,767
Provisions made during the year	-	2,500	2,500	-	2,298	2,298
Utilised during the year	(8,850)	(2,474)	(11,324)	(5,400)	(1,063)	(6,463)
At end of year	14,330	12,448	26,778	23,180	12,422	35,602
Current	14,330	2,075	16,405	23,180	2,070	25,250
Non-Current	-	10,373	10,373	-	10,352	10,352
	14,330	12,448	26,778	23,180	12,422	35,602

The provision for business restructuring relates to the cost associated with the current change programme. The Group expects to settle this liability by 31 December 2019.

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.

Notes to the Financial Statements
for the year ended 31 December 2018 continued

23. 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 2018 (2017: €nil). Employer contributions in 2019 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 2016 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 be 1.5% higher than the annual increase in pensionable remuneration. The actuarial valuation of 1 January 2016 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 2019.

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 2018, included in the table overleaf, amounted to €14.7m (2017: €21.7m)

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 2018, an estimated MFS position calculated a surplus of €90m (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.

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.

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	2018 €'000	2017 €'000	2018 €'000	2017 €'000	2018 €'000	2017 €'000
Balance at 1 January	(3,170,792)	(3,252,381)	3,115,726	2,969,000	(55,066)	(283,381)
Included in profit or loss						
Current service cost	(46,600)	(49,100)	-	-	(46,600)	(49,100)
Interest (cost)/income	(62,400)	(57,830)	61,900	53,200	(500)	(4,630)
	(109,100)	(106,930)	61,900	53,200	(47,100)	(53,730)
Included in OCI						
Remeasurements						
- Actuarial (loss)/gain arising from:						
Demographic assumptions	-	99,400	-	-	-	99,400
Financial assumptions	49,700	(36,400)	-	-	49,700	(36,400)
Experience adjustment	31,736	46,441	-	-	31,736	46,441
Return on plan assets less interest income	-	-	(74,692)	126,059	(74,692)	126,059
	81,436	109,441	(74,692)	126,059	6,744	235,500
Other						
Contributions paid by the employer	-	-	44,986	45,826	44,986	45,826
Administrative expenses from plan	1,000	1,000	(1,000)	(1,000)	-	-
Member contributions	(4,097)	(4,141)	4,097	4,141	-	-
Benefits paid-unfunded scheme	2,556	719	-	-	2,556	719
Benefits paid-funded scheme	87,505	81,500	(87,505)	(81,500)	-	-
	86,964	79,078	(39,422)	(32,533)	47,542	46,545
Balance at 31 December	(3,111,392)	(3,170,792)	3,063,512	3,115,726	(47,880)	(55,066)

Plan assets

Plan assets comprise the following:

	2018 €'000	2017 €'000
Equities: Global development markets	673,188	1,334,242
Equities: Emerging markets	109,417	167,572
Equities: Total	782,605	1,501,814
Bonds: Euro	1,485,960	1,009,106
Other: includes property, private equity and infrastructure	794,947	604,806
Fair value of pension schemes' assets	3,063,512	3,115,726

23. Pensions continued

Plan assets continued

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 87% of the Schemes' assets:

- Passive global developed equity mandate - SSGA
- Active fixed interest mandate - PIMCO
- Passive fixed interest mandate - SSGA
- Active global small cap equity mandate - Axa Rosenberg
- 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 Investments, Rockspring PIM (LLP) and forestry investments with Irish Forestry Unit Trust (IForUT) and North American Forestry Investment Trust (NAFIT). The Trustees hold investments in a number of venture capital funds. 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, direct lending, private equity and currency. 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:

	2018	2017
Valuation method	Projected Unit	Projected Unit
Discount rate	2.10%	2.00%
Inflation - CPI	1.75%	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:

	2018 Male	2018 Female	2017 Male	2017 Female
Life expectancy at 65				
Current Pensioners - aged 65	86.5	88.4	86.5	88.3
Future Pensioners - aged 40	88.8	90.7	88.7	90.6

At 31 December 2018, the weighted average duration of the defined benefit obligation in the primary scheme was 16 years (2017: 17 years).

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.

	2018		2017	
	€'m	€'m	€'m	€'m
	Increase	Decrease	Increase	Decrease
Discount rate (0.25% movement)	(121.7)	126.7	(128.3)	133.7
Future salary growth (0.25% movement)	123.9	(119.1)	130.7	(125.5)
Future pension growth (0.25% movement)	123.9	(119.1)	130.7	(125.5)

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.

24. Share Capital and Reserves

Group and Company

	2018 €'000	2017 €'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.

25. 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
Precision Marketing Information Limited trading as Data Ireland[2]	Provision of marketing data, database services and business directories	100%	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%	Stokes House , College Square East Belfast
TSC Ventures DAC[2]	Holding Company	53.6%	General Post Office O'Connell Street, Dublin 1 D01 F5P2

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

[2] These companies were disposed of post year end and are classified as assets held for sale at 31 December 2018.

Subsidiary undertakings held indirectly through a subsidiary undertaking

Name	Nature of Business	% Holding	Registered Office
Air Business Limited	Distribution and magazine subscription services	100%	4, The Merlin Centre, Acrewood Way, St. Albans Herts, U.K.
GVS Gift Voucher Shop DAC[1]	Retail gift vouchers	53.6%	General Post Office O'Connell Street, Dublin 1 D01 F5P2
The Gift Voucher Shop Limited[1]	Retail gift vouchers	53.6%	4, The Merlin Centre, Acrewood Way, St. Albans Herts, U.K.
GVS Prepaid Limited[1]	Retail gift cards	53.6%	4, The Merlin Centre, Acrewood Way, St. Albans Herts, U.K.
One Direct (Ireland) Limited trading as Post Insurance	Insurance Broker	100%	General Post Office O'Connell Street, Dublin 1 D01 F5P2
Jordan & Co International Limited	Distribution	100%	4, The Merlin Centre, Acrewood Way, St. Albans Herts, U.K.
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, Jordan & Co International Limited, The Gift Voucher Shop Limited and GVS Prepaid 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.

[1] These companies were disposed of post year end and are classified as assets held for sale at 31 December 2018.

26. Lease Commitments

Operating leases

Total future commitments under operating leases are as follows:

	Land & buildings 2018 €'000	Equipment and motor vehicles 2018 €'000	Total 2018 €'000	Land & buildings 2017 €'000	Equipment and motor vehicles 2017 €'000	Total 2017 €'000
Group						
Less than one year	5,837	5,759	11,596	6,533	9,422	15,955
Between one and five years	21,375	7,939	29,314	21,752	9,941	31,693
More than five years	35,198	560	35,758	24,816	-	24,816
	62,410	14,258	76,668	53,101	19,363	72,464
Company						
Less than one year	5,071	5,679	10,750	4,617	9,294	13,911
Between one and five years	15,175	7,750	22,925	15,266	9,685	24,951
More than five years	15,322	560	15,882	20,717	-	20,717
	35,568	13,989	49,557	40,600	18,979	59,579

Finance leases

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

	Future minimum lease payments		Interest		Present value of minimum lease payments	
	2018 €'000	2017 €'000	2018 €'000	2017 €'000	2018 €'000	2017 €'000
Group						
Less than one year	11,732	5,183	139	288	11,593	4,895
Between one and five years	3,323	13,905	34	169	3,289	13,736
More than five years	-	-	-	-	-	-
	15,055	19,088	173	457	14,882	18,631
Company						
Less than one year	11,720	5,092	137	282	11,583	4,810
Between one and five years	3,295	13,856	30	166	3,265	13,690
More than five years	-	-	-	-	-	-
	15,015	18,948	167	448	14,848	18,500

27. Capital Commitments

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

	Group 2018 €'000	Group 2017 €'000	Company 2018 €'000	Company 2017 €'000
Contracted for	18,809	3,742	18,095	1,590
Authorised but not contracted for	318	3,405	318	3,285
	19,127	7,147	18,413	4,875

28. 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 €4,114,000 for the year ended 31 December 2018 (2017: €4,038,000). The amount owed by The Prize Bond Company DAC to the Group was €257,000 at 31 December 2018; (2017: €244,000). At 31 December 2018 the Group held €812,000: (2017: €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 2018 from An Post (2017: €1,500,000). An Post purchased goods and services to the value of €20,000 for the year ended 31 December 2018 from An Post GeoDirectory DAC (2017: €20,000). The amount owed by An Post GeoDirectory DAC to the Group was €413,000 at 31 December 2018; (2017: €285,000).

GVS Group of Companies

In the financial year ended 31 December 2018, 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 2018 An Post earned commission and sold postal services to the Gift Voucher Shop group of companies to the value of €3,867,000 (2017: €3,131,000). An Post purchased services to the value of €101,000 for the year ended 31 December 2018 from the Gift Voucher group of companies (2017: €51,000). The financing structure for the acquisition of the 53.6% shareholding in 2009 involved the establishment of shareholders loans. The amount owed by the Gift Voucher group of companies to the Group was €5,935,000 at 31 December 2018; (2017: €6,966,000).

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.

Notes to the Financial Statements
for the year ended 31 December 2018 continued

28. Related Parties continued

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

	2018 €'000	2017 €'000
Short-term employee benefits	2,996	2,854
Non executive directors' fees	220	226
Post-employment benefits	480	421
	3,696	3,501

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 the year, eir provided services to the Group and An Post provided services to eir in the normal course of business. Since June, the fees in respect of goods and services provided by eir to the Group to 31 December 2018 were €8,341,000. The amount not yet paid by the Group at the year-end was €1,205,000. During the same period, the Group provided services to eir of €3,117,000 and the amount not yet paid by eir to the Group at the year-end was €1,370,000.

29. Contingencies

There were no contingent liabilities or guarantees at 31 December, 2018 or 2017 which could give rise to material losses other than as disclosed elsewhere in the financial statements of the Group and Company.

30. 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.

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 similarinvestment 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 30 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 2018. There were no transfers between the fair value hierarchy levels during the years ended 31 December 2018 and 31 December 2017.

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	13	-	350	-	350	-	-	350	350
Interest in PLI - preference shares	13	-	8,409	-	8,409	-	-	8,409	8,409
Interest in unquoted investment	13	-	410	-	410	410	-	-	410
		-	9,169	-	9,169				
Financial assets not measured at fair value									
Interest in PLI - shareholder loan	13	25,722	-	-	25,722	-	-	25,722	25,722
Trade and other receivables	14	98,622	-	-	98,622	-	-	-	-
Cash and cash equivalents	16	512,541	-	-	512,541	-	-	-	-
Restricted cash (transferred to assets classified as held for sale)		180,791			180,791				
		817,676			817,676				
Financial liabilities not measured at fair value									
Government loan	19	-	-	30,000	30,000	-	-	30,000	30,000
Finance lease	19	-	-	14,882	14,882	-	-	14,882	14,882
Trade and other payables	18	-	-	134,733	134,733	-	-	-	-
				179,615	179,615				

Notes to the Financial Statements
for the year ended 31 December 2018 continued

30. Financial Instruments – Fair Value and Risk Management continued

Fair value continued

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 2017	**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	13	-	350	-	350	-	-	350	350
Interest in PLI - preference shares	13	-	8,779	-	8,779	-	-	8,779	8,779
Interest in unquoted investment	13	-	167	-	167	167	-	-	167
		-	9,296	-	9,296				
Financial assets not measured at fair value									
Interest in PLI - shareholder loan	13	23,532	-	-	23,532	-	-	23,532	23,532
Trade and other receivables	14	113,788	-	-	113,788	-	-	-	-
Cash and cash equivalents	16	410,241	-	-	410,241	-	-	-	-
Restricted cash		154,733	-	-	154,733	-	-	-	-
		702,294			702,294				
Financial liabilities not measured at fair value									
Government loan	19	-	-	30,000	30,000	-	-	30,000	30,000
Finance lease	19	-	-	18,631	18,631	-	-	18,631	18,631
Trade and other payables	18	-	-	130,815	130,815	-	-	-	-
				179,446	179,446				

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 2018 €'000	Valuation Technique	Unobservable Inputs
Interest in PLI - equity shares	350	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

Financial instruments not measured at fair value

Type	2018 €'000	Valuation technique	Unobservable Inputs
Interest in PLI - shareholder loan	25,722	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
Financial lease liability	14,882	Discounted cash flows technique referenced to market borrowing/lending rates	Discount rate

The shareholders loan to PLI has been measured at amortised cost. Applying an expected credit loss model to this loan, did not result in a materially different balance as the expected credit loss on this loan, is, at this time, very low.

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	2018 €'000	2017 €'000
Balance at beginning of period	9,129	12,218
Purchases	-	-
Sales	-	-
Transfers out	(2,500)	(5,219)
Fair value movement	2,130	2,130
Balance at end of period	8,759	9,129

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.

30. Financial Instruments – Fair Value and Risk Management continued

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 2018 are balances of €25.4m (2017: €23.8m) which are past due at the reporting date but not impaired.

The aged analysis of these balances is as follows:

	2018 €'000	2017 €'000
Less than 1 month	17,366	16,375
1-3 months	7,307	5,992
3-6 months	441	1,011
Over 6 months	251	447
	25,365	23,825

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:

	2018 €'000	2017 €'000
Balance at beginning of period	8,039	5,631
Impairment loss recognised	305	2,557
Amounts written off	(148)	(149)
Balance at end of period	8,196	8,039

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 €518m at 31 December 2018 (2017: €410m).

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 2018, 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 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 liabilities	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	-

		Contractual cash flows				
31 December 2017	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	31,521	-	309	31,212	-
Finance lease liabilities	18,631	19,088	1,220	3,933	13,905	-
Trade and other payables	130,815	130,815	130,815	-	-	-
	179,446	181,424	132,035	4,242	45,117	-

Notes to the Financial Statements
for the year ended 31 December 2018 continued

30. Financial Instruments - Fair Value and Risk Management continued

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.

Exposure to interest rate risk

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

Nominal amount	2018 €'000	2017 €'000
Fixed-rate instruments		
Financial assets		
Interest in PLI - shareholder loan	25,722	23,532
Financial liabilities		
Government loan	(30,000)	(30,000)
	(4,278)	(6,468)
Variable rate instruments		
Financial assets		
Term deposits	-	-
Financial liabilities		
Secured term loan	-	-
	-	-

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.

Interest rate risk

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 2018		
Financial assets		
Variable rate instruments	3,289	(3,289)
Cash flow sensitivity - net	3,289	(3,289)
31 December 2017		
Financial assets		
Variable rate instruments	2,214	(2,214)
Cash flow sensitivity - net	2,214	(2,214)

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

31. Subsequent events

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

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

32. Board approval

The financial statements were approved by the Board of Directors on 29 March 2019.

Financial and Operational Statistics

Consolidated Income Statement

	2018 €'000	2017 €'000	2016 €'000	2015 €'000	2014 €'000
Revenue	896,954	840,002	825,237	826,069	815,448
Operating costs	(859,306)	(835,210)	(839,348)	(820,907)	(813,019)
Recurring net finance income excluding pension interest	3,598	3,615	1,668	3,395	827
Profit/(loss) before transformation costs, pension interest and taxation, excluding one off items	41,246	8,407	(12,443)	8,557	3,256
Transformation costs	(13,974)	-	-	-	-
One off items	-	45,824	415	-	-
Pension interest	(500)	(4,630)	(3,630)	(9,630)	(7,620)
Profit/(loss) before taxation	26,772	49,601	(15,658)	(1,073)	(4,364)

Consolidated Statement of Financial Position

	2018 €'000	2017 €'000	2016 €'000	2015 €'000	2014 €'000
Non-current assets	274,215	284,422	292,526	294,333	292,307
Net current assets/(liabilities)	29,781	8,960	(48,463)	(33,074)	(39,693)
Other non-current liabilities	(52,109)	(62,984)	(57,004)	(56,925)	(56,956)
Net assets excluding pension liability	251,887	230,398	187,059	204,334	195,658
Pension liability	(47,880)	(55,066)	(283,381)	(169,203)	(440,460)
Net assets/(liabilities) including pension liability	204,007	175,322	(96,322)	35,131	(244,802)
Capital and reserves	204,007	175,322	(96,322)	35,131	(244,802)

Ratios

	2018	2017	2016	2015	2014
Profit/(loss) before transformation costs, pension interest and taxation, excluding one off items as % of revenue	4.60%	1.00%	(1.51%)	1.04%	0.40%
Staff and postmasters' costs as % of operating costs	65.95%	67.29%	66.91%	67.36%	67.94%
Current assets as % of current liabilities	103.74%	101.31%	91.30%	94.73%	92.69%

Pages 84 to 87 do not form parts of the Notes to the Financial Statements

Mail

	2018	2017	2016	2015	2014
Core mail volume index (2015=100) (note 1)	80.6	87.2	94.8	100.0	103.0

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.

System Size

	2018	2017	2016	2015	2014
No. of delivery points (millions)	2.284	2.263	2.249	2.248	2.245
Post office network:					
Company post offices	45	50	50	51	52
Contract post offices	967	1,073	1,075	1,079	1,086
Postal agencies	96	104	111	121	132
	1,108	1,227	1,236	1,251	1,270
No. of motor vehicles	2,805	2,792	2,776	2,758	2,738

	€m	€m	€m	€m	€m
Savings Services (note 2)					
Value of Funds at 31 December	20,657	20,416	20,119	19,453	19,055
Activity for year					
Post Office Savings Services					
Savings Bank deposits	1,079	1,064	1,060	1,018	1,054
Savings Bank withdrawals	(889)	(863)	(904)	(926)	(1,038)
Savings Certificates issued	1,780	1,023	1,168	1,132	1,177
Savings Certificates repaid	(2,403)	(1,055)	(1,347)	(1,470)	(1,341)
Instalment Savings issued	100	96	97	97	97
Instalment Savings repaid	(100)	(102)	(105)	(104)	(110)
Savings Bonds issued	886	714	1,116	1,345	1,227
Savings Bonds repaid	(1,317)	(1,258)	(1,849)	(2,289)	(1,594)
National Solidarity Bond issued	921	598	991	1,054	869
National Solidarity Bond repaid	(412)	(435)	(322)	(208)	(57)
Department of Employment Affairs and Social Protection					
Welfare benefits paid during the year	7,380	7,615	7,997	8,418	8,814

	2018 000's	2017 000's	2016 000's	2015 000's	2014 000's
BillPay Volumes	17,025	17,977	19,760	22,895	24,403
TV Licence Sales	1,481	1,463	1,445	1,438	1,431

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 Communication Regulation (Universal Postal Services) Regulations, S.I. 280 of 2012 which sets out these services is available on www.irishstatutebook.ie or www.comreg.ie

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

Access to Universal Services

An Post provides access to its services through its network of 45 Company post offices and 967 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	€8.00	€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	€4.00
Parcels		
GB	€22.00	€29.00
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 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 2018.

Written complaints received from customers	2018	2017
Items lost or substantially delayed	24,551	20,399
Items damaged	1,144	1,151
Items arriving late	1,320	971
Mail collection or delivery:		
Failure to make daily delivery to home or premises	37	40
Collection times/Collection failures	4	-
Misdelivery	1,222	866
Access to customer service information	2	2
Tariffs for single piece mail/discount schemes and conditions	1	3
Change of address (Redirections)	387	485
Behaviour and competence of postal personnel	34	41
How complaints are treated	1	-
Other (not included in above)	1,511	1,670
Total	30,214	25,628

Included in the total figure are complaints about registered items, which number 7,879, (2017: 6,684).

In 2018, there were 746,614 telephone calls, (2017: 684,572) 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; www.anpost.com

Further Information

Additional information in relation to services provided by An Post is available by phoning An Post Customer Services on 01-705 7600, by email at customer.services@anpost.ie, by completing an online enquiry form at anpost.ie/enquiry at www.anpost.com, 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

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