# Now and for generations to come

Annual Report 2021

# Contents


| | |
|---|---|
| Chairperson Statement | 2 |
| Board of Directors | 4 |
| Management Board | 5 |
| Chief Executive's Statement | 6 |
| Financial Review | 10 |
| Mails and Parcels Review | 16 |
| Retail Review | 20 |
| Report of the Directors | 24 |
| Independent Auditor's Report to the Members of An Post | 38 |
| Consolidated Income Statement | 42 |
| Consolidated Statement of Other Comprehensive Income | 43 |
| Consolidated Statement of Financial Position | 44 |
| Consolidated Statement of Changes in Equity | 45 |
| Consolidated Statement of Cash Flows | 46 |
| Company Statement of Financial Position | 47 |
| Company Statement of Changes in Equity | 48 |
| Notes to the Financial Statements | 49 |
| Financial and Operational Statistics (not covered by Independent Auditor's Report) | 95 |
| Universal Service (not covered by Independent Auditor's Report) | 97 |
| Corporate Information | 99 |

# Chairperson Statement

**It is a great honour to have been appointed as Chairperson of An Post in July 2021, following a term of four years on the Board during which the Company took huge strides to transform its business, drive growth, profit and relevancy.**

**I write this introduction to our Annual Report following a second year of our nation having had to deal with the impact of the Pandemic which brought about unprecedented disturbance in our economy and society. I am proud to report that An Post has risen to the challenge and put the common good and the national requirements at the forefront of its response.**

Over the course of the past year An Post has delivered on its commitment to customers and its networks have been open, ensuring access to critical supply chains for the economy and for communities. This period has been particularly difficult for much of the population and An Post has stood firm with businesses and personal customers alike, and in particular with the most vulnerable among us.

Brexit and changes to Customs regulation for national postal operators brought about very significant changes to how eCommerce operates. The Company worked tirelessly to overcome the new challenges, to accelerate its Digital strategy and to ensure vital supply channels were enabled so that Irish customers could continue to trade internationally.

Despite these immense challenges, growth across the An Post business has continued and we look forward to normal trading conditions in the future with a positive business trajectory and an end to the stop-start disruption brought about by pandemic lockdown. The strength of our networks, the new work we have taken on, especially in eCommerce, our Financial Services strategy and the extension of services through the Post Office network will prove invaluable in the years ahead.

The Board and I are very proud of the achievements of the organisation and to the cross-company commitment to efforts to play a positive role nationally in dealing with the unprecedented circumstances. This year's results are a testimony to the merit of the work of the employees throughout An Post and the skill and the tenacity of the management team in navigating through 2021.

The achievements set out in this Annual Report have been enabled by the clear, brave business strategy established in recent years and the management drive to implement it and to look positively to the future.

I want to thank the CEO, David McRedmond for his strong leadership through the most difficult of times, his management team, the staff and unions and my fellow Board members who serve the Group so well. I want to acknowledge the contributions of Mr James Wrynn and Ms Deirdre Burns who completed their terms of office during the year.

I wish to thank the Minister for Environment, Climate and Communications, Eamonn Ryan TD and the Minister of State at the Department of Environment, Climate and Communications, Hildegard Naughton TD, and the officials in their departments for their assistance and support during 2021.

The nation of Ireland continues to deal with the challenging consequences of the pandemic, and now the impact of the war in Ukraine and rapid price inflation. The management team supported by the Board are implementing plans to deal with this unprecedented period of international disruption. Health and safety is our priority and we will endeavour to support the nation in any aspect of daily life where we can play a part.

**Carol Bolger**
**Chairperson**
19 April 2022

# Board of Directors


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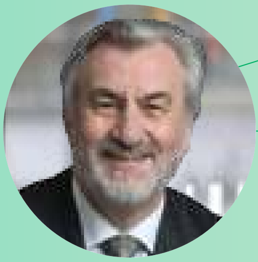
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1. **Carol Bolger**
2. **Frank Burke**
3. **Peter Coyne**
4. **Áine Flanagan**
5. **Anthony McCrave**
6. **Pádraig McNamara**
7. **David McRedmond,**
   Chief Executive Officer
8. **William Mooney**
9. **Kieran Mulvey**
10. **Martina O'Connell**
11. **Mary O'Donovan**
12. **Gerry Sexton**
13. **Paula Butler**
    Company Secretary

# Management Board


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1. **David McRedmond**
   Chief Executive Officer
2. **Garrett Bridgeman**
   Managing Director An Post Commerce
3. **Paula Butler**
   Chief Admin Officer & Company Secretary
4. **Debbie Byrne**
   Managing Director An Post Retail
5. **Des Morley**
   Chief Digital & Technology Officer
6. **Eleanor Nash**
   Chief People Officer
7. **Peter Quinn**
   Chief Financial Officer
8. **Nicola Woods**
   Chief Transformation Officer

# Chief Executive's Statement

**One of my favourite quotes from Jack Welch is "if the world outside your company is changing faster than the world inside you are becoming irrelevant." That has been the driving idea behind the transformation of An Post from an old world of letters to a new world of eCommerce and financial services.**

**But no one could have predicted the seismic geo-political changes of the past couple of years, all of which have shaped An Post as we try to live up to our purpose "to act for the common good: now, and for generations to come."**

We partnered with the Irish nation to meet the challenges of living through the global pandemic and lockdowns which massively increased the demand for parcel deliveries and social inclusion. No other postal service in Europe kept as high a percentage of delivery routes operating and post offices open. At the start of the Pandemic, An Post's CFO forecast cost of €50m in direct and indirect costs for one year; and so in 2021 as the Pandemic moved into its second year, we experienced a similar economic impact. An Post bore this cost without any recourse to State funding, having built up a strong balance sheet from the significant transformation in the previous three years to become a sustainable, profitable business.

Trade wars were the next complex challenge as the new EU customs rules came into force, and were exponentially complicated by Britain's exit from the Customs Union. Ireland was the first EU country to enforce the new rules, well ahead of the mandated date of December 2022.

Large contract customers such as Amazon, Marks & Spencer, and Boots, to name a few, were with An Post's help, equipped with the systems and processes to manage the complex new regime. However, individuals and SMEs had to rely on local Post Offices in their countries which in most circumstances lacked the knowledge or the resources to assist them, or at times simply ignored the new rules. Unfortunately, the UK Post Office continues to refuse to apply the correct electronic data to enable the efficient posting of items from the UK.

An Post rapidly developed the systems and processes to manage the in-flow of parcels from outside the EU, and by the end of 2021, nearly all of these parcels were reaching the end-customer. Our UK subsidiary Air Business has been a vital infrastructure to manage parcel flows. In the process An Post raised an additional €90m in VAT and customs receipts for the State, but more importantly, worked day and night to ensure citizens had a reliable service.

Nonetheless the complexity of the new customs rules saw postal trade with Britain fall by over 50% after the new regulations came into force in July 2021. Many British SMEs have decided that sending goods to EU countries is too complex; and Irish consumers are increasingly switching from British to Continental Europe-based suppliers.

As we move into 2022 the invasion of Ukraine has created the largest humanitarian crisis in Europe since the Second World War. An Post has prepared to help the influx of refugees with a range of measures to assist social welfare payments, provide proxy addresses, and set up current accounts. We have reached out to our fellow postal company, Ukrposhta and postal colleagues in Ukraine to assist where we can. Incredibly, Ukrposhta is still delivering mail and parcels wherever possible.

Against the endless present tense of crises, An Post has maintained a focus on the long-term. Our commitment to sustainability is at the forefront of Irish industry and institutions as we show strong action to decarbonise and develop a truly sustainable future.

Our sustainability strategy begins with "Decent Work", the company's commitment to provide good employment. We ended 2021 with the pension fund in surplus by €499m ensuring that our pensioners have a decent income, security and spending power in their retirement. We also launched The Green Institute, An Post's training and development programme, to develop the skills and talents for the long-term, especially in digital and new technology. And in 2021 we became the first major company or institution in the State to report that it had eliminated the gender pay gap, with women on average earning marginally more than men at An Post.

An Post's visible promotion of climate action through our electric fleet provides a lead for other transport-centric companies. In 2021 An Post became the first postal service in the World to have zero emissions deliveries in all our cities.

In these days of seismic global challenges, the ability of An Post to deliver a profit of €16.2m, before depreciation and amortisation, transformation costs, one off items, net finance income and taxation, is highly creditable, especially as the Company received no funding from the State.

# Chief Executive's Statement
continued

At the same time, the overall Group loss for the year at €37.9m shows the massive costs of geo-political forces, and An Post's investment in societal capital, acting for the common good. While postal services in other countries stopped delivering when Covid drove staff absence, An Post delivered every route every day; and kept almost every post office open throughout the pandemic.

As we move into 2022, we expect to return to growth, especially in the second half of the year, and profit. The huge inflation in energy costs and recovery from the pandemic as well as the new EU customs rules and Brexit, have required An Post to increase prices, but our commitment to the State and its citizens is undiminished. We need to rebuild the Company's reserves for ongoing investment, future crises and events. The investments we made in An Post's transformation over the past five years proved invaluable through the pandemic, and ensure a solid infrastructure for the years ahead.

An Post ends 2021 as a transformed and vital public service. At the core of An Post's performance is the quality and commitment of my colleagues, An Post's 9,811 employees, and I thank each of them for their commitment to public service.

In all our initiatives we have been led and supported by our Unions, with the CWU most prominent. This social contract ensures a responsibly managed and balanced change programme.

Later in this Annual Report are the reports of the CFO and the joint-COOs - the MDs of An Post Retail and An Post Commerce - which detail the business performance. I want to thank them and my other colleagues on the management board for guiding the Company through this immensely turbulent period. It is a team which operates with intelligence, style, determination, and good humour.

The year also saw the appointment of Carol Bolger as Chairperson of An Post. I want to thank Carol and the Board for immense patience with me and my colleagues, and for their understanding of the global turbulence affecting the Company. I also acknowledge the valuable guidance of Carol's predecessor Dermot Divilly who retired as Chair in 2020.

Finally, I thank our shareholders, the citizens of Ireland, and their representatives in Government. **We share the same goals to make An Post a great company for and by the Irish people, serving the State and meeting our purpose "to act for the common good, now and for generations to come".**

**David McRedmond**
**Chief Executive Officer**
19 April 2022

# Acting for the common good


**1st**

First postal service in the World to have zero emissions deliveries in all our cities

**Zero**

There are no zero-hour contracts in the company

**1st**

Major company in Ireland to eliminate the gender pay gap

# Financial Review

**Financial Year 2021 was the second trading year in a challenging pandemic environment. The An Post Group kept the customer at the centre of all its activities throughout the year and played its role in servicing the economy, keeping critical networks open and ensuring service quality standards to meet customer requirements.**

Group revenue at €890.6m demonstrates the importance of An Post services to the Irish economy and international customers and the strength of the business. There has been very significant growth in a number of business lines, including eCommerce which has grown by over 100% since 2019. While the lockdown of non-essential retail accelerated some of this growth, online trading continues to expand year on year and it is set to increase steadily for the foreseeable future.

## Financial Performance

A profit before depreciation and amortisation, transformation costs, one off items, net finance income and taxation of €16.2m was recorded for 2021. The overall Group loss for the year was €37.9m. An Post prioritised its role in supporting the Irish economy and communities throughout the pandemic resulting in profit margins below that achieved in the years 2018 and 2019. A price increase originally scheduled for March 2020 was deferred for 12 months and significant costs were accrued in ensuring the continuous operation of the Retail and Letter/Parcel networks to ensure delivery of State and commercial services. In addition, there were costs of procurement of health & safety equipment, additional cleaning routines, energy and fuel costs.

Significant outlay was required in a number of other areas including infrastructure to enable the collection of EU Customs tariffs and taxes, the impact of Brexit, a special once-off 'pandemic fund' for Postmasters and labour costs to cover Covid-related absences.

In the face of such challenges over a protracted period, An Post continued to invest in critical capital projects including a new parcel sorting operation and increased digitisation across the business. Capital expenditure of €30m was undertaken in 2021. The Strategic intention is to return to the operating margins of 2018 and 2019, and to grow from there.

| | 2021 €m | 2020 €m |
|---|---|---|
| Revenue | 890.6 | 915.5 |
| **Profit before depreciation and amortisation, one off items, net finance income/(costs) and taxation** | **16.2** | **32.5** |
| Depreciation and amortisation | (49.6) | (43.2) |
| **Loss before one off items, net finance income/(costs) and taxation** | **(33.4)** | **(10.7)** |
| Exceptional items (including transformation costs) | (11.6) | (27.3) |
| Other gains | 1.3 | 6.0 |
| **Loss before net finance income/(costs) and taxation** | **(43.7)** | **(32.0)** |
| Balance Sheet Net Assets | **680** | **368** |

## Revenue

Revenue at €890.6m for the year is very satisfactory given the disruption brought about by both the pandemic and the impact of Customs and Brexit.

Activity in the Mails and Parcel sector continues to change. ECommerce generated volume has grown by over 100% since 2019. There is an underlying growth trajectory in the industry and An Post is well positioned to deal with ever-growing volumes, while ensuring top quality of service for incoming and outgoing parcels - whether from personal customers, SMEs or large eCommerce retailers. The pattern of growth has been irregular, ramping up rapidly during Covid lockdown periods when non-essential stores closed, and settling down once this sector re-opened, but always with a steadily growing trajectory. Brexit and recent EU Customs changes have greatly impacted international trade. Administrative improvements initiated by An Post for mails and parcels customers will address some of these challenges. Traditional letter mail volume continues to decrease as a result of e-substitution and digitisation. The dynamic for the Mails and Parcels sector has been to advance eCommerce growth and compensate for the decreasing letter revenue as a result of increased e-substitution.

The Pandemic period has reduced Post Office footfall and revenues have declined. A number of products were adversely impacted, including Foreign Currency, as foreign travel ground to a halt. In contrast, there has been continued growth in new product areas such as credit cards, loans and current accounts.

# Financial Review
continued

## Customs and Brexit

Brexit has had a disruptive impact on international trade for Ireland in very many ways. It coincided with long-planned, extensive changes to EU customs regulations governing goods entering/leaving the EU, and in particular the regulations applied to goods being imported/exported through the postal network. Brexit brought the UK outside the EU and the stringent application of EU Customs regulations and changes were then a major disruptive influence for Ireland in particular, given the volume of parcels entering the country from Britain.

An Post made a very significant investment in systems, infrastructure and knowledge in order to assist customers to overcome the disruption. Close to €90m was collected in customs charges on behalf of the State in the year, an increase of €86m over the prior year. The burden of these taxes and the disturbance of supply chains caused significant discomfort for customers of An Post and posed a very significant financial and reputational challenge for the organisation. The infrastructure and knowledge developed to deal with these challenges will be a significant company asset as An Post moves into the next phase of its transformation.

## Pensions

The Pension scheme is amongst the largest schemes in the State. The assets totalled more than €4 billion at the end of December, 2021. The scheme is governed by Trustees appointed by both the Company and the employee representatives.

A surplus of €499m was in place at the end of December, 2021. The Scheme is conservatively managed and is meeting all the obligations as required under the auspices of the Pension Authority Board.

## Subsidiaries

An Post Insurance showed a return to higher levels of profit in 2021 and is demonstrating strong recovery from the worst of the pandemic period. Consolidation in the broker market and market uncertainty arising from pandemic curtailed growth in the short term. However, confidence is returning and the subsidiary is expected to grow revenue in the medium term.

Air Business, An Post's UK-based mail added value service has recovered well from the worst of the pandemic period and returned to profitable growth in 2021. Its particular expertise in eCommerce and international mail came to the fore during 2021 and Air Business assisted many clients to negotiate the significant challenges posed by EU Customs changes and Brexit. Air Business also manages the very effective Address Pal proxy address service for the mails business.

## National Lottery

In 2021, annual sales at the National Lottery went above €1 billion for the first time in its history. An Post continues to play a significant role in the National Lottery as a key distribution outlet and providing Directors to the Board of the operating company, Premier Lotteries Ireland (PLI). The return on the shareholder investment continues to perform very strongly and cash distribution to An Post in 2021 was €6.4m.

## Infrastructure

The Company has an infrastructure of buildings and networks that enable it to service customer requirements. As the industry continues to change apace, so too will the composition of An Post's letters and parcels infrastructure, vital rebuilding that was delayed by the pandemic. Larger, custom-fitted facilities designed for eCommerce parcel operations as well as letters are required to replace numerous small operations which were designed around letters alone.

Similarly, as consumer behaviour continues to evolve, requirements for the Retail business are changing. Investment in revitalising and consolidating the network will continue, as will the roll-out of new products and services to suit customer lifestyles and preferences.

One significant development in 2022 will be the opening of a new headquarters for An Post in Dublin City. This will provide a more suitable modern and flexible work environment for much of An Post's corporate centre while the public Post Office and An Post Museum will continue at the GPO.

Significant changes will also be planned for the mails and eCommerce business and infrastructure change will be needed for the growth in eCommerce. Similarly, the consumer requirements for the Retail business are changing and there is likely going to be further changes to the make up of the Post Office network.

## Regulation

The business is subject to Regulation from a number of bodies. The Central Bank of Ireland and An Post have had an active engagement during the year. There are thirty-five roles in the organisation that are subject to the Fitness and Probity regime of CBOI.

ComReg is active in the mails and parcels business. There will be changes in the regulatory environment for postal in the near future to facilitate the organisation meeting customer requirements, having the environment to be able to align product specification and pricing to the changing needs of the consumer and the efficient delivery of services.

## Financing

The An Post Balance Sheet is on a sound financial footing with total equity of €680m. Commercial financing arrangements are in place with the European Investment Bank with a €40m loan facility, half of which was drawn down by year-end 2021, with a further €20m drawdown to follow in 2022. The Balance Sheet also carries a Government Loan of €30m that was put in place in 2017 to finance An Post's Strategic Recovery. The net debt to Balance Sheet ratio is conservative at 9.4%.

## Conclusion

The Group continues to implement an ambitious and forward-looking strategy and has adequate resources to achieve this. The re-focusing of the Group post-pandemic and the continued implementation of the Strategy will ensure the continued success of the business.

Peter Quinn

**Peter Quinn**
**Chief Financial Officer**
19 April 2022

# An Post Covid Response

Throughout the pandemic, we worked to protect staff, keep operations open and maintain front line services while supporting citizens most at risk from Covid-19.

**The Post Office network remained fully open**

**The Mails and Parcels business delivered every route, every day**

Postmen and postwomen checked in on elderly and vulnerable customers

Increased supports for SMEs

PPE equipment such as masks, hand sanitizer, gloves and wipes in all workplaces

# Mails and Parcels Review

## The pandemic accelerated Mails & Parcels operations four years into the future, developing an ambitious strategy towards 2030 and overnight growth of 100% in parcels.

In 2017, An Post commenced its transformation from a declining world of letters to a growing world of parcels and eCommerce. The pandemic compelled us to move more quickly again as retailers shut down and our customers worked from home. We realised we needed to move rapidly to manage changing customer demands and in 2021 we carried out a deep strategic review, Target Operating Model, preparing for what An Post will look like in 2030 and mapping out how we will construct our people, automation, buildings, site, equipment for this time.

2021 was a year of two distinct halves for our business. In H1 2021, as retailers were forced to close their doors, An Post kept Ireland connected and trading through those long lockdown months with huge demands placed on our parcel business while traditional letter mail continued to decline.

The challenges continued throughout H2 2021 as non-essential retail re-opened, leading to a drop in parcel volumes - though still greatly up on what had been 2019 norms - and the impact of Brexit and complex new EU Customs regulations impacted our business. We reacted swiftly again, continuously adapting our operations to the changing volumes to ensure that our service levels and efficiencies could be maintained. To support the rigorous new EU Customs operation, we invested €10m in a new digital infrastructure and opened new processing sites, helping us to collect €90m in taxes and charges on behalf of the State, and to support our growing parcels business.

During 2021, our final mile delivery network rolled out a further 640 e-vehicles ensuring that we now have the largest e-fleet in Ireland. We implemented operational changes with building enhancements at over 50 of our delivery units, giving us the capacity to deliver on ever increasing parcel volumes. We opened Ireland's largest delivery unit, the Cork Distribution Centre, allowing for significant improvements in service in the Cork city area and this centre is now one of our top performing sites in the country. We also made significant improvements in remodeling our processing centres at the Dublin Mail Centre and in Portlaoise. With the launch of our new eCommerce Hub and a new range of digitally enabled services, we made it easier for companies in Ireland, and especially SMEs, to access our services and to trade at reduced rates with the SME Advantage Card, which provides up to 25% discount to business customers.

Commercially we had a successful year, winning significant new parcel business from large Irish and international e-tailers. We expanded trade to new international markets including China, contracting with large Chinese retailers, and more than tripling our business in the region in one year with an expectation of this doubling again in 2022. Despite the pandemic remaining in our everyday lives and bringing uncertainty right through the year, we ended 2021 with another record-breaking peak season in Q4.

### Trading Performance

The Mails and Parcels business had revenue of €623.8m in 2021 compared with €655.8m in 2020 - which included the 2020 general election income of €20.3m. The achievement of these 2021 revenue figures has been against a backdrop of a volatile pandemic environment.

### Pricing

Pricing is under constant review in our business, examining important input costs such as fuel and wage inflation. Owned by the State and by every citizen in Ireland, An Post is seen as the People's Post Office and profits are invested into transforming the business, such as our move to using an electric fleet throughout every city in Ireland. In 2021 An Post had exceptional costs due to the pandemic as well as very large increases in postal industry sector costs as transport and energy costs rose significantly. These are the two largest costs in running our business, outside of staff costs. In line with our European peers, this meant that we needed to increase our stamp prices in Q1 2022 to continue to run a world class and sustainable postal business.

## My Thanks

Incredible work was carried out by our frontline delivery people, our staff in sorting hubs, support and distribution teams. I want to thank our people for being there every day when we needed them, under hugely challenging conditions. I also wish to thank the CWU for their support of the extraordinary changes we needed to make at short notice. This partnership with our trade unions ensures that we can win and retain business, and ensure our customers' peace of mind day in, day out.

## Looking Forward

We have robust plans for the ongoing transformation of our mails and parcels business in 2022, and beyond. We look forward to continuing to meet the changing demands of our customers with accessible and easy to use innovative and digitalised services.

**Garrett Bridgeman**
**Managing Director**
**An Post Commerce**
19 April 2022

# Mails and Parcels

## Innovating and investing to expand customer services and meet market demand while acting responsibly.

**405m**

Addressed items delivered to to 2.35 million delivery points

**1st**

Company in Ireland to trial the use of Hydro-treated Vegetable Oil for use as fleet fuel

**56m**

Packets and parcels handled in 2021

€90m

**Value of customs and VAT receipts managed**

1,200

**Electric vehicles and trikes, Ireland's largest fleet of electric vehicles**

# Retail Review

**We are Ireland's largest retail network with 920 post offices, 45 co-owned and 875 contractor operated, at the heart of local communities throughout the country providing a wide range of critical services to the public including social welfare payments, parcel and letter postage, banking services, foreign exchange, State Savings, Prize Bonds, One4all gift cards, bill payments, passport applications, TV Licences, An Post Mobile, An Post Insurance motor, home and pet insurance plans and Western Union money transmissions to more than 200 countries and territories.**

The network remained fully open during the pandemic cementing the post office as a vital infrastructure for Ireland. 2021 saw a more commercially focused network continuing the transformation momentum from postal and social welfare to a new world of eCommerce and financial services and an investment in branches to provide greater convenience to customers by co-locating with other retailers.

## Accelerated Investment in Innovation

A new state-of-the-art An Post Money app was launched for current account holders. Throughout the year, new features and functionality were continually added including Money Manager, an intuitive analytical and budgeting tool that helps customers categorise their expenditure, gain more visibility over their finances and take control of their spending, a winner as the cost of living increases on key household expenditure items. Another big innovation to launch was the Money Mate current account for kids 7-15 years with a nifty app for both parents and kids and a card to help youngsters learn to manage their money and save.

## Better Banking with An Post Money

An Post Money went from strength to strength in 2021 with growth in current account, personal loans and credit card customers. At the 2021 Bonkers National Consumer Awards in February 2022, An Post Money scooped the best Credit Card award as well as the coveted Grand Prix award for best Consumer business. An Post Money's strong ethos of making sure we always go above and beyond for our customers is what set us apart from competitors from all industries in the eyes of the judging panel. An updated Travel Money Currency card holding 16 different currencies and app integration is off to a strong start with the return of foreign travel.

## Community banking for all citizens through the post office network

Over 500 Post Offices do not have a bank within a 5km radius. 2021 saw the expansion of our important agency banking partnerships with AIB and Ulster Bank with the addition of Bank of Ireland enabling personal and business customers of all 3 banks to avail of cash and counter services at their local post office. Customers now have the added convenience of longer opening hours from 9am to 5.30pm weekdays and until 1pm on Saturdays.

## Making eCommerce more accessible

Work undertaken in 2021 will ensure that the Post Office network becomes Ireland's largest out-of-home service for parcel collections and returns. In addition to Post Offices, parcel shops at PostPoint outlets and major retailers and electronically enabled locker banks in high footfall locations such as universities and key transport hubs will provide an essential service for both consumers and SMEs in making online shopping easier as people return to the office.

## 2021 Trading

Retail business turnover was €154.5m in 2021, up 2% from €151.0m in 2020 as the negative impact of the pandemic on key business lines such as Foreign Exchange, social welfare transactions and associated services reduced in the latter part of 2021. The pandemic accelerated electronic payments to social welfare recipients, accelerating our transformation strategy to create a sustainable network through investment in new products and services.

## Looking Forward

We will continue to transform and commercialise the Post Office network, innovating with new products and services, putting us at the heart of community banking, eCommerce and the government's home retro-fitting programme with the Green Hub, a one stop shop for consumers looking to upgrade their homes, apply for grants and access the lowest green loan rate in the market. We will continue to invest in digital capability to help communities and small businesses thrive while staying true to the unique human service we provide to local communities and the most vulnerable in society.

The Post Office network is a key point of contact between citizens in Ireland and government through social welfare payments, passport services and TV licence payments. We look forward to working with government towards a renewed commitment to providing more services through the trusted, national Post Office network, ensuring ease of access for customers and sustainable businesses for postmasters in the future.

## My Thanks

I would like to convey my sincere gratitude to Postmasters and their staff who kept their post offices open and continued to deliver crucial social welfare services, and to An Post retail staff in company offices who ensured the provision of essential services in the most difficult of times. My thanks also to our personal and small business customers who continued to support us throughout a challenging 2021.

**Debbie Byrne**
**Managing Director**
**An Post Retail**
19 April 2022

# Retail

## Ireland's largest retail network at the heart of local communities provides a wide range of critical services nationwide.

### Award winning financial services

**An Post Money won the Grand Prix award for best Consumer business and best Credit Card award at the 2021 Bonkers National Consumer Awards**

€5,983m

**Welfare benefits**
Paid on behalf of the Government of Ireland

€24bn

**State Savings**
Value of deposits held

920

**Post Offices**
The network includes co-locations with other retailers to provider greater convenience to customers

## Launched

**State-of-the-art An Post Money app for current account holders**

## Expanding community banking

**An Post agency banking partnerships enable Bank of Ireland, AIB and Ulster Bank customers to avail of cash and counter services at their local post office**

# 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 2021.**

## 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 42 and 43 and in the related notes to the financial statements. The directors did not pay an interim dividend (2020: Nil), and do not propose the payment of a final dividend for the year (2020: Nil).

## 3. Business Review

A profit before depreciation and amortisation, transformation costs, one off items, net finance income and taxation of €16.2m was achieved for 2021 (2020: €32.5m). The overall Group loss for the year was €37.9m. The year was challenging given the continued impact of the COVID-19 pandemic, the significant market disruptions of Brexit and new customs rules, and the fact that the comparative year 2020 benefited from one-off €20m in election income. The review of business for the year is dealt with in greater detail in the Chief Executive Report (page 6) and the Financial Review (page 10).

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

| KPI | Performance in 2021 | Performance in 2020 |
|---|---|---|
| **Operating result** | | |
| Profit before depreciation and amortisation, transformation costs, one off items, net finance income/(costs) and taxation as a percentage of revenue | 1.8% | 3.6% |
| Staff costs as a percentage of total operating costs | 61.5% | 61.3% |
| Postmasters' costs as a percentage of total operating costs | 6.5% | 7.0% |
| Other operating costs as a percentage of total operating costs | 32.0% | 31.7% |
| **Staff - Average Full Time Equivalents (FTE)** | | |
| Company | 9,767 | 9,730 |
| Subsidiaries | 654 | 681 |
| Group | 10,421 | 10,411 |
| **Mails and parcel business** | | |
| Mails and parcel revenue | €623.8m | €655.8m |
| Core mail volumes decline | (4.8%) | (7.1%) |
| **Retail business** | | |
| Social welfare transactions | 24.4m | 21.1m |
| BillPay transactions | 12.9m | 13.3m |
| TV licences issued | 0.951m | 0.961m |
| Investment Products - net fund inflow | €456.8m | €589.9m |
| Post Office Savings Bank - net fund inflow | €502.0m | €498.9m |
| Prize Bonds - net fund inflow | €340.1m | €447.6m |
| **Customer Service** | | |
| Written complaints/enquiries | 56,309 | 48,706 |
| Telephone enquiries | 640,257 | 786,150 |

The large number of written and telephone queries reflects the impact of the significant volumes while lockdown closed retail outlets and the disturbance from changes arising from Brexit impact and other VAT and customs changes. We increased our resources dedicated to customer service and information to mitigate the impact for customers.

## 4. Risk Management

As a commercial business, An Post is exposed to a number of key risks which could have a significant impact on its performance and long term development. The effective identification and management of these risks is key to the achievement of our strategic objectives. Risk management is an integral part of the decision making process in An Post. Understanding our risks also allows us to pursue the upside of risks and identify change opportunities whenever they arise. Our risk management processes and controls are designed to manage the risks rather than eliminate them.

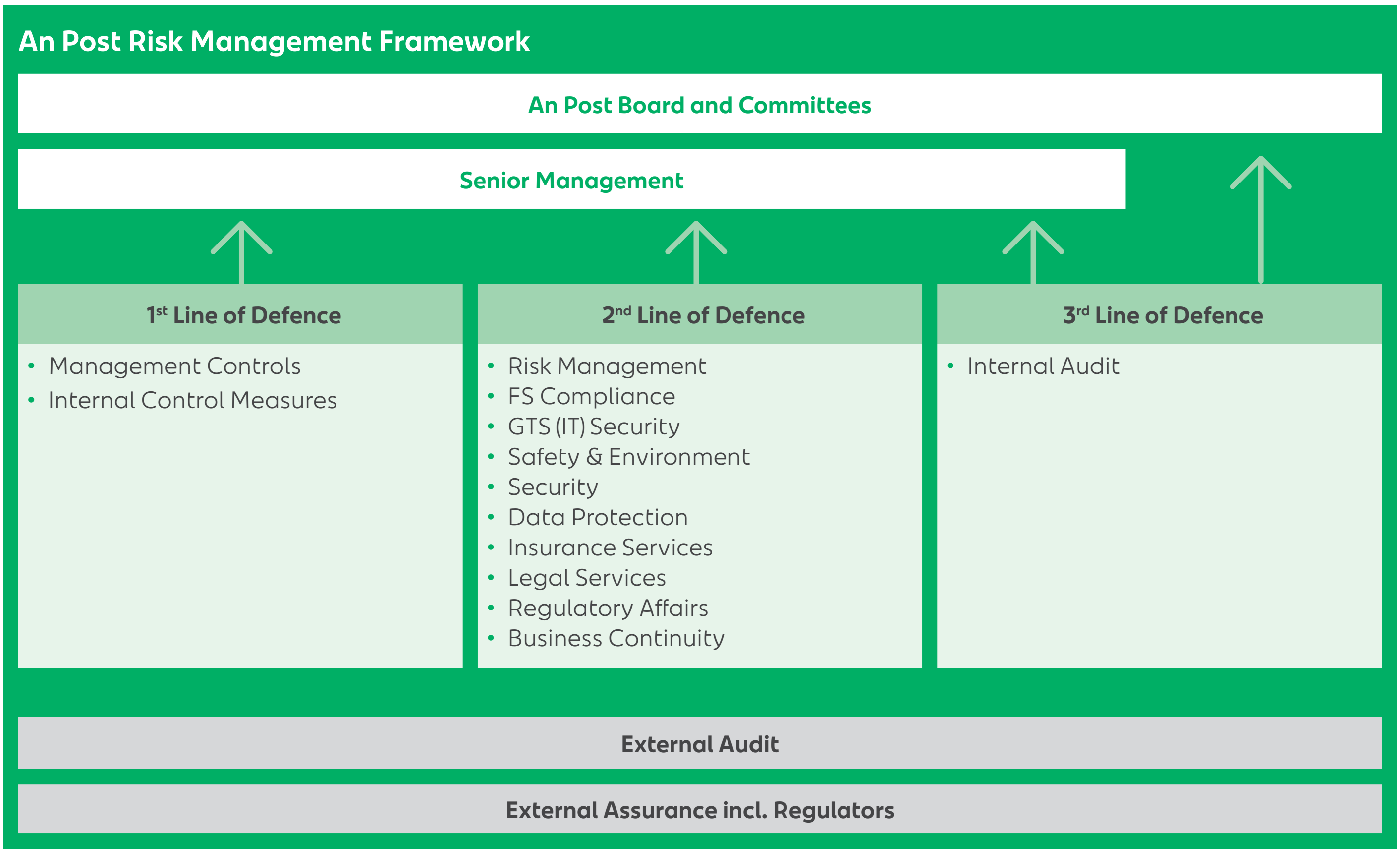
### Risk Management Framework

The An Post Board has ultimate responsibility for the governance of all risk-taking activity. Certain significant matters are specifically reserved to the Board for its decision. The Board also has overall responsibility for ensuring that we operate sound risk management procedures and, on a least an annual basis, the Board assesses their effectiveness. The Board Audit and Risk Committee supports the Board with responsibilities relating to the oversight of risk, control and assurance matters.

Management are responsible for putting in place robust processes and controls for the effective management of risk. The Chief Executive is responsible for the overall effectiveness of the risk management framework at Executive level.

A number of specialist risk management and compliance assurance functions are in place who assist management in the strategic and day to day management of specific risks. They are also responsible for independent risk-based monitoring to ensure appropriate processes and controls are in place.

Internal Audit is responsible for providing independent assurance to the Board and Senior Management on the adequacy and effectiveness of the risk management processes in place.



# Report of the Directors
continued

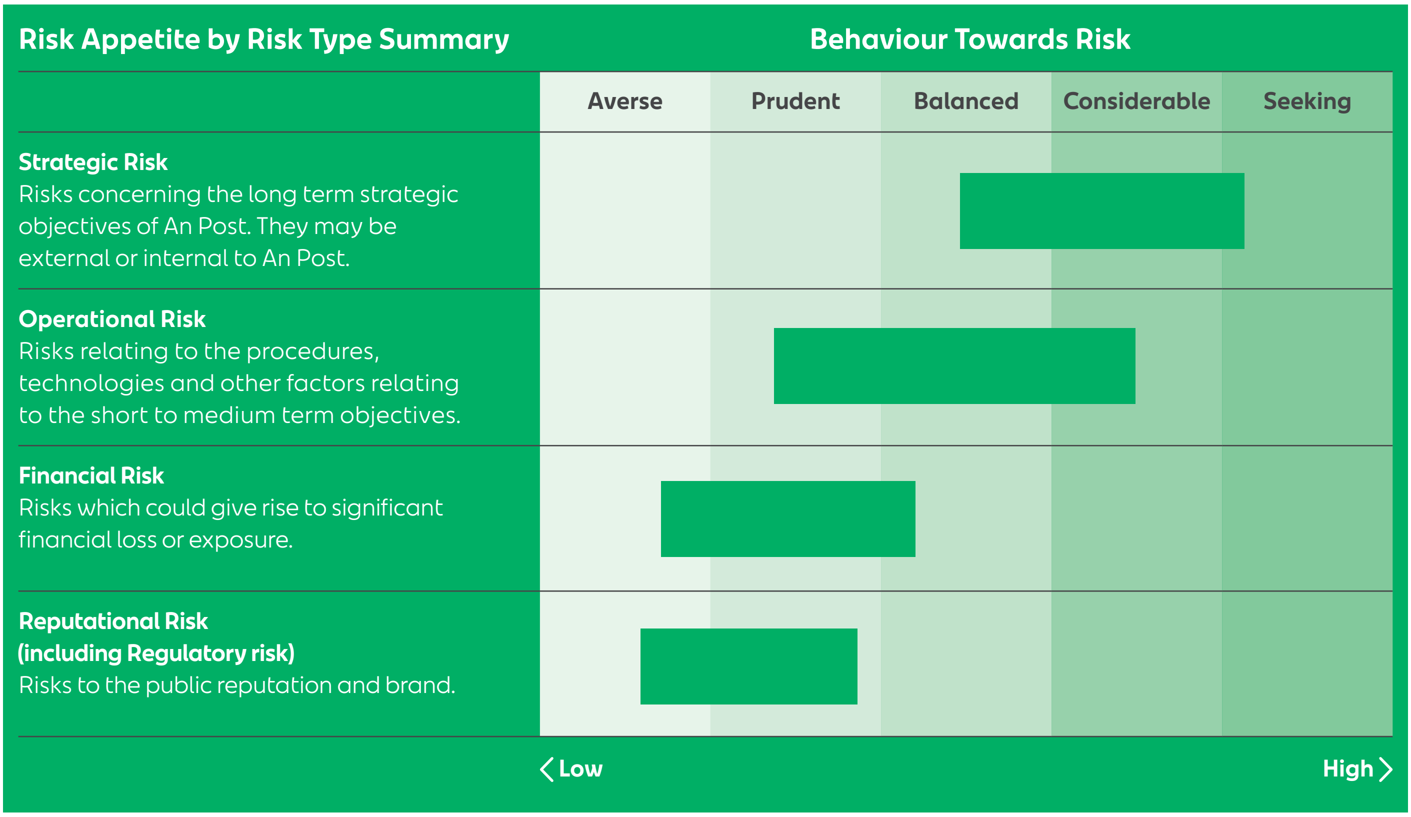
## 4. Risk Management continued

### Risk Management Process

While risk management is an ongoing and dynamic process, the key risks facing An Post are formally assessed and updated by the Board at least twice a year, at the time of the approval of the financial statements and as also part of the strategic planning process. The approach consists of a top-down strategic assessment of risk and risk appetite, including an assessment of the external business environment. This is combined with risk reviews carried out within the Business Units and Corporate Functions. On an ongoing basis we monitor developments internally and externally to identify any emerging risks.

### Risk Appetite

The An Post Board determines the level of risk we are prepared to take to achieve our strategic objectives and the controls we need to operate in order to mitigate these risks. Management is accountable for identifying and managing risks and for delivering business objectives in accordance with this risk appetite. The current An Post Risk Appetite varies by risk category, details of which are outlined below;



## Risk Identification and Evaluation

The identification and assessment of individual risks is an ongoing process which takes into account the external environment as well as the controls currently in place. Each risk is assessed taking into account the likelihood of the event taking place and the likely impact should the event occur. The effectiveness of the existing preventative controls is taken into consideration in assessing the likelihood of the event occurring.

**Our Principal Risks and Uncertainties**

| Risk Name | Risk Description | Mitigation | Trend in 2021 |
|---|---|---|---|
| **Inflexible and inefficient cost structure** | A critical element of the Company strategy is to be a cost effective operator and therefore the risk of not achieving the required level of flexibility and efficiency in our operations within the necessary time frames is critical. | We continue to work with our Trade Union partners to ensure we implement the necessary changes to drive productivity. This includes the adoption of newer technologies and working methodologies. | ↔ |
| **Delays in Implementing Pricing Initiatives** | The sustainability of the Universal Service Obligation is a constant challenge. Pricing initiatives and mail volumes are both critical. Delays in mails and parcels pricing initiatives could result in an inability to sustain the provision of this Universal Service. | An Post engages with the Shareholder and the Regulator on an ongoing basis to ensure that the sustainability of the USO is maintained through a variety of measures, including necessary price increases. | ↔ |
| **Global Economic & Political Environment Uncertainty** | National Postal operators are a key part of the economy. Mail volumes are adversely impacted in the event of general economic uncertainty and/or recession. | Management and the Board continuously monitor the domestic and international economic and political environment. | ↑ |
| **Stakeholder Support - Delays to Key Initiatives** | An Post has many Stakeholders. This gives rise to potential risk of delays to key initiatives including pricing, investments and funding due to delays or resistance from Stakeholders. | Regular meetings are held with all Stakeholders to ensure that planned initiatives and the rationale behind them are communicated well in advance. | ↔ |
| **Post Office Network - Revenue Base Sustainability** | Given the projected reductions in Department of Social Protection volumes there is a risk a significant number of unsustainable Post Offices if there is a failure to address the network revenue base. | Working with Government to identify additional service opportunities for citizens at Post Offices. Creating a step change in the commercial culture in the Network. Examination of funding mechanisms for the retention of unsustainable Post Offices. | ↑ |
| **Customs 2020** | Risks to the An Post brand and reputation as well as reduced inbound international volumes due to the imposition of EU Customs changes. | An Post continues to work with non-EU based customers to enable them to meet the new EU Customs requirements. | ↑ |

# Report of the Directors
continued

## 4. Risk Management continued

### Risk Identification and Evaluation continued

**Our Principal Risks and Uncertainties** continued

| Risk Name | Risk Description | Mitigation | Trend in 2021 |
|---|---|---|---|
| **IT Business Change and Support Capability** | In the context of an ever increasing need for change to thrive, ensuring delivery of IT requirements on a timely basis, managing IT resource constraints and change IT delivery processes is a key challenge. | An IT Technology Roadmap has been developed to address legacy constraints. Additional resources are on-boarded as required. IT Project Management resources and tools are in place. | ↔ |
| **IT Security & Continuity** | The risk of a significant internal incident or an external cyber security incident resulting in (a) the loss or corruption of data and/or (b) the unavailability of IT systems. | We are continuing to invest in ensuring cyber resilience including specialised security tools, systems upgrade and regular training in respect of cyber security and data privacy. | ↑ |
| **IT Obsolescence** | Similar to long established businesses An Post has an element of older legacy equipment and software which pose a security and continuity risk. | Over the last two years a significant upgrading of IT facilities has taken place and the remainder of the work is now being tracked separately by the Board. | ↓ |
| **New Parcels Operators** | Risk of a significant reduction in revenues arising from a new entrant with a capability to deliver high volumes of packets/ parcels in Ireland. | The domestic and international market is under constant review to identify potential competitive threats and likely responses. | ↑ |
| **Financial Services Regulatory Compliance** | Similar to other regulated financial services providers, compliance with Central Bank regulations, NTMA regulations, Anti Money Laundering and payment services directives is a challenge and a risk. | A comprehensive Financial Services Compliance Framework is in place with regular reporting to the Board. The Central Bank of Ireland are engaged and there is quarterly communication with the AML supervising body. | ↓ |

## 5. Directors, Secretary and their Interests

Mr James Wrynn and Mr Deirdre Burns completed their terms of office during 2021. 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 2021 had no interests in the shares, or the debentures of the Company or any Group company at any time during 2021.

## 6. Employees

The Group is an equal opportunities employer. All applications for employment are given full and fair consideration, due regard being given to the aptitude and ability of the individual and the requirements of the position concerned. All employees are treated on equal terms as regards training, career development and promotion. An Post is pleased to confirm that its employment of people with disabilities exceeds the target of 3% set under the Disabilities Act, 2005. The employment of people with disabilities for 2021 was 4.4%. In addition, during 2021 the Company also published its third Gender Pay Report. The gender pay gap has been reduced from 3.7% in 2019 to effectively 0% (-0.16%). For the first time ever women now earn marginally more than men in An Post.

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 2021, there were 1.9 lost time accidents per 100,000 hours worked. This figure is up from 1.5 in 2020, however it is a 26% improvement on the 2018 baseline figure, and set in the context of working through the difficult operational environment presented by the COVID-19 pandemic. 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. Throughout the period of the COVID-19 pandemic, An Post has continued to place the Health, Safety and Welfare of our staff to the forefront. An Post maintained ample supplies of crucial COVID-19 mitigation material and distributed to staff on demand as required.

In March 2021 An Post achieved certification to the; ISO 45001:2018 - Occupational Health and Safety Management System Standard, which further demonstrates our commitment to managing all of our activities in a safe and effective manner. During 2021 in consultation with our stakeholders on the Joint Conciliation Committee on Health and Safety, a number of initiatives were successfully implemented:

- Participation in the 2021 Sun Smart campaign for outdoor workers, sponsored by the HSE and Irish Cancer Society. Factor 30 sunscreen was made available to all of our outdoor working staff.
- An agreement for the provision of AED's to all An Post sites - to be completed over a 3 year period. 20 AED's were procured during 2021.
- A successful trial of a Safety Shoe alternative for the currently issued Safety Boot was carried out during Q2. As a result, a Safety Shoe is now an option for staff to choose when considering their requirement for safety footwear.

Despite the necessary operational restrictions brought about by the COVID-19 pandemic, over 3,021 employees attended specific safety training courses in 2021, including 2,592 staff trained in manual handling and 489 HGV drivers completed professional driver CPC modules during the year. In addition, 171 drivers undertook E-vehicle familiarisation training.

## 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. Data Protection

Given our respected position as a trusted intermediary, handling significant volumes of personal data, An Post has invested significant resources to ensure that An Post respects personal data protection rights. We are committed to protecting our customers' privacy and have robust protocols in place to investigate any complaints or concerns we receive. A multi-disciplined Data Privacy Office Team, and a network of Data Champions within the organisation, provide data privacy advice and support to all areas of the business. Our framework of technical and organisational measures ensures compliance with the General Data Protection Regulation right across the Group.

# Report of the Directors continued

## 8. Data Protection continued

A pro-active approach is taken to protecting our customers' privacy. Data protection policies are reviewed at least annually. Regular staff training and awareness sessions are held to ensure that data privacy continues to be at the core of our operations. Data privacy by design and data protection impact assessments are carried out to ensure that personal data protections are in place before new services or material changes to existing processes are implemented.

## 9. 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, bank loans/overdrafts and a Government loan, 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.

## 10. Accounting Records

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

## 11. 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.

## 12. Political Donations

During the financial year ended 31 December 2021, the Group made no political contributions which would require disclosure under the Electoral Act 1997, (2020: Nil).

## 13. Subsequent Events

There have been no events subsequent to the year end that require disclosure.

## 14. 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.

## 15. Corporate Governance

### 15.1 Code of Practice for the Governance of State Bodies (2016)

The Board has adopted 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 Company complies with the Code and has procedures in place to ensure compliance with the Code of Practice for the Governance of State Bodies for 2021.

### 15.2 Board Responsibilities

The work and responsibilities of the Board are set out in the Terms of Reference for the Board. The Company 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 the 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 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 2021.

## 15.3 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.

## 15.4 Board Membership

The Board comprises fifteen directors including the Chairperson, the CEO, five employee directors, one postmaster director and seven non-executive directors. The table below details the date of appointment by the Minister and the appointment period for current members. Three vacancies exist at present.

| Board member | Role | Date Appointed by Minister | Term |
|---|---|---|---|
| Carol Bolger | Chairperson | 20 July 2021 | 5 years |
| David McRedmond | CEO | 3 October 2016 | 7 years |
| Peter Coyne | Non-executive director | 31 October 2018 | 5 Years |
| Áine Flanagan | Non-executive director | 22 October 2020 | 5 years |
| Anthony McCrave | Employee director | 1 November 2020 | 4 years |
| Padraig McNamara | Postmaster director | 1 January 2019 | 3 Years |
| William Mooney | Employee director | 1 November 2020 (3rd term) | 4 years |
| Kieran Mulvey | Non-executive director | 16 September 2019 | 5 Years |
| Martina O'Connell | Employee director | 1 November 2020 (3rd term) | 4 years |
| Mary O'Donovan | Non-executive director | 31 October 2018 | 5 Years |
| Gerry Sexton | Employee director | 1 November 2020 | 4 years |
| Frank Burke | Employee director | 1 November 2020 | 4 years |

All directors are appointed to the Board by the Minister for Environment, Climate and Communications and their conditions of appointment and fees are set out in writing. The directors go through a fitness and probity governance process that meets the requirements of the Central Bank of Ireland.

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.

# Report of the Directors
continued

## 15. Corporate Governance continued

### 15.5 Key Personnel Changes
Ms Carol Bolger, who has been a director since 2017, was appointed as Chairperson in July 2021.

Mr James Wrynn's term as non-executive director expired in 2021. Ms. Deirdre Burns retired as non-executive director in 2021 and Ms Carol Bolger's term as an independent director came to an end when she was selected Chairperson.

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.

### 15.6 Induction and Ongoing Training
On appointment, all new directors take part in an on-boarding 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 is 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 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.

### 15.7 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. The directors attend the Annual General Meeting and shareholders are invited to ask questions during the meeting.

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

### 15.8 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 provided access to independent professional advice at the Group's expense where they deem it necessary to discharge their responsibilities as directors.

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

### 15.10 Board Committees

The Board has established the following committees:

1. The Audit and Risk Committee ('ARC') comprises three Board members; the members of the ARC have relevant audit and accounting experience to fulfil their duties. Under its terms of reference, the Committee is to assist the Board in fulfilling its responsibilities by the monitoring of:
    - The financial reporting process;
    - The effectiveness of the Company's system of internal control, internal audit and risk management; and
    - The statutory audit of the Company's statutory financial statements.
    - The effectiveness of the external audit process and making recommendations to the Board in relation to the appointment, re-appointment and remuneration of the external auditor. It is responsible for ensuring that an appropriate relationship between the Group and the external auditor is maintained, including reviewing non-audit services and fees.
    - The review and monitoring of the independence of the statutory auditor and in particular the provision of additional services to An Post.

    In order to maintain the independence of the external auditor, the Audit and Risk Committee has determined policies as to what audit related and non-audit services can be provided by the Group's external auditors and the approval process related to these services. Under these policies, work of a consultancy nature will not be offered to the external auditor unless there are clear efficiencies and value-added benefits to the Group while ensuring that the objectivity and independence of the external auditor is maintained. The members of the ARC are Peter Coyne (Chair of ARC), Áine Flanagan and Mary O'Donovan. There were ten meetings of the ARC in 2021.

2. The Remuneration Committee comprises three Board members. The Committee acts on behalf of the Board and takes all significant decisions on matters such as remuneration policy, benefits, third party recommendations and related issues. The members of this Committee are Carol Bolger, David McRedmond and Kieran Mulvey. The Chief Executive Officer absents himself from meetings when matters relating to his own remuneration are being considered. There were two meetings of the Committee in 2021.

3. The Health and Safety and Security Committee ('HSSC') comprises four Board members. The Committee's principal responsibilities are to monitor the effectiveness of the Company's Safety Management, Security and Diversity & Inclusion systems, satisfy itself as to Company compliance with applicable health and safety and security legislation and regulations, ensure incidents are reduced to as low as reasonably practicable. The Committee also monitors the development, implementation and continual improvement of strategies, management systems and processes to ensure that adequate health and safety and security regulations and procedures (including emergency response planning) are in place. The members of this Committee are Kieran Mulvey (Chair of HSSC), Martina O'Connell and Frank Burke. There were four meetings of the Committee in 2021.

4. The Strategy Committee comprises four 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 Carol Bolger, David McRedmond, Peter Coyne and Kieran Mulvey. The Committee met once in 2021.

# Report of the Directors
continued

## 15. Corporate Governance continued

### 15.11 Schedule of Attendance, Fees and Expenses

A schedule of attendance at the Board and Committee meetings for 2021 is set out below including the fees and expenses received by each member:

| Member | Board | Audit & Risk Committee | Remuneration Committee | Health & Safety & Security Committee | Strategy Committee | Fees 2020 €'000 | Fees 2021 €'000 |
|---|---|---|---|---|---|---|---|
| No. of meetings during year | 8 | 10 | 2 | 4 | 1 | | |
| Carol Bolger | 6/8 | | 2/2 | 3/3 | 1/1 | 16 | 23 |
| Frank Burke | 8/8 | | | 4/4 | | 3 | 16 |
| Deirdre Burns | 3/4 | 3/5 | | | | 16 | 6 |
| Peter Coyne | 7/8 | 10/10 | | | 1/1 | 16 | 16 |
| Áine Flanagan | 6/7 | 6/6 | | | | 3 | 16 |
| Anthony McCrave | 8/8 | | | | | 3 | 16 |
| David McRedmond | 8/8 | | 2/2 | | 1/1 | - | - |
| Padraig McNamara | 8/8 | | | | | 16 | 16 |
| William Mooney | 8/8 | | | | | 16 | 16 |
| Kieran Mulvey | 8/8 | | 2/2 | 3/4 | 1/1 | 16 | 16 |
| Martina O'Connell | 8/8 | | | 3/4 | | 16 | 16 |
| Mary O'Donovan | 5/8 | 9/10 | | | | 16 | 16 |
| Gerry Sexton | 8/8 | | | | | 3 | 16 |
| James Wrynn | 5/5 | 6/7 | | | | 16 | 11 |

The total directors' fees for 2021 amounted to €200k as set out in Note 9 on page 62. Expenses paid to Directors in 2021 amounted to €1k (2020: €0k).

### 15.12 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 2021 and up to the date of approval of the financial statements.

#### Capacity to handle risk

An Post has an Audit and Risk Committee (ARC) comprising Board members with financial and audit expertise, one of whom is the Chair. The ARC met ten times in 2021.

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 financial controls for 2021.

### Internal Control Issues

No weaknesses in internal control were identified in relation to 2021 that require disclosure in the financial statements.

## 15.13 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.

## 15.14 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 2021. The Chairperson has written to the Minister for Environment, Climate and Communications with further detailed information.

# Report of the Directors continued

## 15. Corporate Governance continued

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

**Employee benefits**

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

| | 2021 No. of employees | 2020 No. of employees |
|---|---|---|
| Less than €50,000 | 9,629 | 9,912 |
| Between €50,000 and €74,999 | 1,931 | 1,779 |
| Between €75,000 and €100,000 | 432 | 426 |
| Over €100,000 | 166 | 135 |

**Travel and official entertainment**

Costs in respect of travel and official expenditure incurred in the year amounted to €1.846m (2020: €2.313m). This includes travel and subsistence of €1k paid directly to Board members in 2021 (2020: €nil, neglible but rounded to zero).

## 16. 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 2021.

### 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 2021. 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 2021.

## 17. 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:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;

- comply with applicable IFRS as adopted by the EU and 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 Group'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.

## 18. Relevant Audit Information

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

## 19. Auditor

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

On behalf of the Board

**Carol Bolger, Director**
**David McRedmond, Director**

19 April 2022

# 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 2021 and of the loss of the group and parent company for the financial year then ended; and
- Have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of the Companies Act 2014. .

The financial statements we have audited comprise:

**The Group Financial Statements:**

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

**The Parent Company Financial Statements:**

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

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

### 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 Auditing and Accounting 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue. Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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

We have nothing to report in this regard.

## Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for 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.

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

**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.

## 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 balance sheet is in agreement with the accounting records.
- In our opinion the information given in the directors' report 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 control required under the Code of Practice as included in the Corporate Governance Statement in the Directors Report does not reflect the groups 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.

### Use of our report

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.

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

20 April 2022

# Consolidated Income Statement

for the year ended 31 December 2021

| | Notes | 2021 €'000 | 2020 €'000 |
|---|---|---|---|
| Revenue | 2 | 890,600 | 915,503 |
| Operating costs | 3 | (874,378) | (882,999) |
| **Profit before depreciation and amortisation, one off items, net finance income/(costs) and taxation** | | **16,222** | **32,504** |
| Depreciation and amortisation | 4 | (49,645) | (43,248) |
| **Loss before one off items, net finance income/(costs) and taxation** | | **(33,423)** | **(10,744)** |
| Exceptional items (including transformation costs) | 5 | (11,605) | (27,248) |
| Other gains | 6 | 1,330 | 5,979 |
| **Loss before net finance income/(costs) and taxation** | | **(43,698)** | **(32,013)** |
| Finance income | 7 | 5,693 | 2,798 |
| Finance costs | 8 | (2,876) | (2,506) |
| **Loss before taxation** | 9 | **(40,881)** | **(31,721)** |
| Taxation credit | 10 | 3,019 | 13,718 |
| **Loss for the year** | | **(37,862)** | **(18,003)** |
| **Loss for the year attributable to** | | | |
| Owners of the Company | | (38,006) | (18,160) |
| Non-controlling interests | | 144 | 157 |
| | | (37,862) | (18,003) |

On behalf of the Board

**Carol Bolger, Chairperson**
**David McRedmond, Director**

19 April 2022

# Consolidated Statement of Other Comprehensive Income

for the year ended 31 December 2021

| | Notes | 2021 €'000 | 2020 €'000 |
|---|---|---|---|
| Loss for the year | | (37,862) | (18,003) |
| **Other comprehensive income** | | | |
| **Items that will not be reclassified subsequently to profit or loss:** | | | |
| Remeasurements of defined benefit pension liability - net | 24 | 348,892 | 106,572 |
| **Items that may be reclassified subsequently to profit or loss:** | | | |
| Translation of foreign operations - subsidiaries | | 1,360 | (953) |
| **Total comprehensive income for the financial year** | | 312,390 | 87,616 |
| Total comprehensive income attributable to | | | |
| Owners of the Company | | 312,246 | 87,459 |
| Non-controlling interests | | 144 | 157 |
| | | 312,390 | 87,616 |

# Consolidated Statement of Financial Position

at 31 December 2021

| | Notes | 2021 €'000 | 2020 €'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Intangible assets and goodwill | 12 | 44,270 | 29,177 |
| Investment property | 13 | 1,800 | 715 |
| Property, plant and equipment | 14 | 307,598 | 316,471 |
| Investments | 15 | 31,752 | 33,949 |
| Deferred tax asset | 16 | 153 | 70 |
| Pension asset | 24 | 498,905 | 102,523 |
| **Total non-current assets** | | 884,478 | 482,905 |
| **Current assets** | | | |
| Trade and other receivables | 16 | 143,844 | 159,941 |
| Inventories | 17 | 1,944 | 1,871 |
| Cash at bank and in hand | 18 | 529,279 | 671,177 |
| **Total current assets** | | 675,067 | 832,989 |
| **Total assets** | | **1,559,545** | **1,315,894** |
| **Equity and reserves** | | | |
| Called up share capital | 25 | (68,239) | (68,239) |
| Other reserves | | 14 | 1,374 |
| Retained earnings | | (610,040) | (299,154) |
| **Equity attributable to the Company** | | (678,265) | (366,019) |
| Non-controlling interests | | (1,919) | (1,775) |
| **Total equity** | | (680,184) | (367,794) |
| **Non-current liabilities** | | | |
| Capital grants | 22 | (7,719) | (7,943) |
| Leases and borrowings | 20 | (93,169) | (116,604) |
| Provisions | 23 | (10,699) | (10,416) |
| Pension liability | 24 | (12,899) | (13,434) |
| **Total non-current liabilities** | | (124,486) | (148,397) |
| **Current liabilities** | | | |
| Trade and other payables | 19 | (216,475) | (185,216) |
| Leases and borrowings | 20 | (55,154) | (21,198) |
| Provisions | 23 | (1,703) | (2,783) |
| Amounts held in trust | 18 | (481,543) | (590,506) |
| **Total current liabilities** | | (754,875) | (799,703) |
| **Total liabilities** | | (879,361) | (948,100) |
| **Total equity and liabilities** | | **(1,559,545)** | **(1,315,894)** |

On behalf of the Board

**Carol Bolger, Director**
**David McRedmond, Director**

19 April 2022

# Consolidated Statement of Changes in Equity

## for the year ended 31 December 2021

| | Called up share capital €'000 | Capital conversion reserve fund €'000 | Foreign currency translation reserve €'000 | Retained earnings €'000 | Total €'000 | Non-controlling interests €'000 | Total equity €'000 |
|---|---|---|---|---|---|---|---|
| Balance at 1 January 2020 | (68,239) | (877) | 1,298 | (210,742) | (278,560) | (1,618) | (280,178) |
| Loss for the year | - | - | - | 18,160 | 18,160 | (157) | 18,003 |
| **Other comprehensive income:** | | | | | | | |
| Remeasurements of defined benefit pension liability - net | - | - | - | (106,572) | (106,572) | - | (106,572) |
| Translation of foreign operations | - | - | 953 | - | 953 | - | 953 |
| **Balance at 31 December 2020** | (68,239) | (877) | 2,251 | (299,154) | (366,019) | (1,775) | (367,794) |
| Loss for the year | - | - | - | 38,006 | 38,006 | (144) | 37,862 |
| **Other comprehensive income:** | | | | | | | |
| Remeasurements of defined benefit pension liability - net | - | - | - | (348,892) | (348,892) | - | (348,892) |
| Translation of foreign operations | - | - | (1,360) | | (1,360) | - | (1,360) |
| **Balance at 31 December 2021** | (68,239) | (877) | 891 | (610,040) | (678,265) | (1,919) | (680,184) |

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

# Consolidated Statement of Cash Flows

for the year ended 31 December 2021

| Consolidated statement of cash flows | 2021 €'000 | 2020 €'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Loss for the year | (37,862) | (18,003) |
| **Adjustments for:** | | |
| Depreciation | 43,814 | 40,168 |
| Impairment loss | - | 8,450 |
| Amortisation | 5,831 | 3,080 |
| Net finance (income) / cost | (2,817) | 292 |
| Other gains | (1,330) | (5,979) |
| Tax credit | (3,019) | (13,718) |
| Cash paid less than pension income statement charge | 2,967 | 4,480 |
| Capital grant amortised | (224) | (280) |
| Payments made in relation to provisions, excess over cost | (870) | (10,834) |
| | 6,490 | 7,656 |
| **Changes in:** | | |
| Trade and other receivables | 11,977 | (37,794) |
| Inventories | (73) | 740 |
| Trade and other payables | (13,805) | 19,587 |
| **Cash generated / (used) from operating activities** | **4,589** | **(9,811)** |
| Taxes paid | (1,688) | (1,712) |
| **Net cash generated / (used) from operating activities** | **2,901** | **(11,523)** |
| **Cash flows from investing activities** | | |
| Proceeds from disposals received during year | 5,893 | 10,673 |
| Acquisition of property, plant and equipment | (9,364) | (25,506) |
| Acquisition of intangible assets | (20,594) | (15,382) |
| Amounts held in trust | (108,963) | 223,736 |
| Proceeds from investment in Premier Lotteries Ireland | 5,098 | 4,579 |
| **Net cash (used) / generated from investing activities** | **(127,930)** | **198,100** |
| **Cash flows from financing activities** | | |
| Repayment of lease liabilities capitalised | (24,604) | (23,409) |
| EIB loan drawn down | 10,000 | - |
| Government loan and other interest payments | (1,015) | (846) |
| EIB loan repaid during the year | (1,250) | (1,000) |
| **Net cash used in financing activities** | **(16,869)** | **(25,255)** |
| **Net (decrease) / increase in cash and cash equivalents** | **(141,898)** | **161,322** |
| **Cash and cash equivalents at beginning of year** | 671,177 | 509,855 |
| **Cash and cash equivalents at end of year** | **529,279** | **671,177** |

# Company Statement of Financial Position

at 31 December 2021

| | Notes | 2021 €'000 | 2020 €'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Intangible assets | 12 | 34,949 | 19,394 |
| Investment property | 13 | 1,800 | 715 |
| Property, plant and equipment | 14 | 280,316 | 288,567 |
| Investments | 15 | 40,721 | 42,918 |
| Pension asset | 24 | 498,905 | 102,523 |
| **Total non-current assets** | | 856,691 | 454,117 |
| **Current assets** | | | |
| Trade and other receivables | 16 | 133,987 | 151,073 |
| Cash at bank and in hand | 18 | 518,345 | 659,478 |
| **Total current assets** | | 652,332 | 810,551 |
| **Total assets** | | **1,509,023** | **1,264,668** |
| **Equity and reserves** | | | |
| Called up share capital | 25 | (68,239) | (68,239) |
| Other reserves | | (877) | (877) |
| Retained earnings | | (582,737) | (278,187) |
| **Total equity** | | (651,853) | (347,303) |
| **Non-current liabilities** | | | |
| Capital grants | 22 | (2,442) | (2,544) |
| Leases and borrowings | 20 | (72,304) | (95,211) |
| Provisions | 23 | (10,699) | (10,416) |
| Pension liability | 24 | (12,899) | (13,434) |
| **Total non-current liabilities** | | (98,344) | (121,605) |
| **Current liabilities** | | | |
| Trade and other payables | 19 | (221,963) | (183,497) |
| Leases and borrowings | 20 | (53,690) | (20,100) |
| Provisions | 23 | (1,630) | (1,657) |
| Amounts held in trust | 18 | (481,543) | (590,506) |
| **Total current liabilities** | | (758,826) | (795,760) |
| **Total liabilities** | | (857,170) | (917,365) |
| **Total equity and liabilities** | | **(1,509,023)** | **(1,264,668)** |

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 loss of €44.342m (2020: loss €19.030m).

On behalf of the Board

**Carol Bolger, Director**
**David McRedmond, Director**

19 April 2022

# Company Statement of Changes in Equity

## for the year ended 31 December 2021

| | Called up share capital €'000 | Capital conversion reserve fund €'000 | Retained earnings €'000 | Total equity €'000 |
|---|---|---|---|---|
| Balance at 1 January 2020 | (68,239) | (877) | (190,645) | (259,761) |
| Loss for the year | - | - | 19,030 | 19,030 |
| Remeasurements of defined benefit pension liability - net | - | - | (106,572) | (106,572) |
| **Balance at 31 December 2020** | **(68,239)** | **(877)** | **(278,187)** | **(347,303)** |
| Loss for the year | - | - | 44,342 | 44,342 |
| Remeasurements of defined benefit pension liability - net | - | - | (348,892) | (348,892) |
| **Balance at 31 December 2021** | **(68,239)** | **(877)** | **(582,737)** | **(651,853)** |

Included in loss for the period was dividends received from group companies of €nil (2020: €nil).

# Notes to the Financial Statements

for the year ended 31 December 2021


| | | |
|---|---|---|
| 1 | Significant Accounting Policies | 50 |
| 2 | Revenue | 59 |
| 3 | Operating Costs | 59 |
| 4 | Depreciation and Amortisation | 60 |
| 5 | Exceptional Costs (including transformation costs) | 60 |
| 6 | Other Gains | 61 |
| 7 | Finance Income | 61 |
| 8 | Finance Costs | 62 |
| 9 | Loss before Taxation | 62 |
| 10 | Income Tax | 64 |
| 11 | Staff and Postmaster Numbers and Costs | 66 |
| 12 | Intangible Assets and Goodwill | 67 |
| 13 | Investment Property | 69 |
| 14 | Property, Plant and Equipment | 70 |
| 15 | Investments | 72 |
| 16 | Trade and Other Receivables | 73 |
| 17 | Inventories | 74 |
| 18 | Cash at Bank and In Hand | 74 |
| 19 | Trade and Other Payables | 75 |
| 20 | Leases and Borrowings | 75 |
| 21 | Taxation and Social Welfare | 76 |
| 22 | Capital Grants | 76 |
| 23 | Provisions | 77 |
| 24 | Pensions | 78 |
| 25 | Share Capital and Reserves | 82 |
| 26 | Subsidiaries and Joint Ventures | 82 |
| 27 | Lease Commitments | 84 |
| 28 | Capital Commitments | 84 |
| 29 | Related Parties | 85 |
| 30 | Contingencies | 85 |
| 31 | Financial Instruments - Fair Value and Risk Management | 86 |
| 32 | Subsequent Events | 94 |
| 33 | Board Approval | 94 |

# Notes to the Financial Statements

for the year ended 31 December 2021 continued

## 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 2021 An Post financial statements have been prepared on a going concern basis. This assumes that the Group and Company will have adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of these financial statements.

**Assessment**

The Board has given careful consideration to the going concern basis of preparation and is satisfied that it is appropriate for the 2021 financial statements to be prepared on this basis. Key factors considered in arriving at this determination include:

Trading performance

A profit before depreciation and amortisation, transformation costs, one off items, net finance income and taxation of €16.2m was achieved for 2021. The overall Group loss for the year was €37.9m. The margin is below that achieved in the pre pandemic years of 2018 and 2019 as priority was given to the role of the organisation in the economy throughout the pandemic period including deferring price increases and ensuring costs were applied to maintaining the two critical networks were open at all times. In 2021 as the economy gradually opened up and returned to some sort of normal, the Group also experienced the significant impact of Brexit and the new EU customs regime, 'Customs 2020'. These three factors negatively impacted the results in 2021, but are not expected to have such an adverse effect going forward.

Cash

The cash resources available to the Group at 31 December 2021 are €47.7m. The Group's cash position remains positive despite 2020 and 2021 being significantly disrupted years. This allowed the Group to continue to invest in capital expenditure as planned. The Group has the resources and continues to implement an ambitious and forward looking strategy. This refocusing of the Group and the continued implementation of the Strategy will ensure the continued success of the business.

Bank Borrowings

The Group has borrowings of €48m at 31 December 2021, €30m of which are in the form of a Government Loan. The Government loan is for a 5-year term with the potential for an annual extension on two occasions. The Company will apply to the Department of Finance to avail of the extension period. Just €2m of the remaining €18m of borrowings are repayable in 2022. In addition, the Group has access to a short term borrowing facility of €12.7m, should this be required for working capital purposes.

Budgets/Forecasts

The Board has approved an annual budget and a long term financial plan out to 2026. Although traditional mail volumes are still forecast to decline, the rate of decline is expected to be reasonably modest at circa 4%. The surge in eCommerce in 2020 resulted in very large increases in parcel volumes during the lockdown months of 2020 and 2021. Further increases, albeit at a slower rate, are expected in 2022 and beyond. These factors combined with the continued focus on cost efficiencies indicate that the Group can return to more normal levels of profitability in 2022.

Pandemic

The Irish economy will be much less influenced by the COVID-19 pandemic during 2022 as vaccines are very well rolled out in the population and new treatments for those infected become available. An Post is expected to continue to benefit from the increased use on on-line shopping that became so prevalent during the pandemic.

**Conclusion**

Having made due enquiries and considering the matters described above, the Board members have a reasonable expectation that the Group will have adequate operational and financial 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 significant 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 2021:

- Amendments to IFRS 9 Financial Instruments;
- Amendments to IAS 39 Financial Instruments: Recognition and measurement;
- Amendments to IFRS 7 Financial Instruments: Disclosures;
- Amendments to IFRS 4 Insurance Contracts;
- Amendments to IFRS 16 Leases - Interest Rate Benchmark Reform - Phase 2; and
- Amendments to IFRS 16 - COVID-19 Related Rent Concessions beyond 30 June 2021

The new standards, interpretations and amendments set out above did not result in a material impact on the Group's results.

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

| | |
|---|---|
| IFRS 17 – Insurance Contracts | 1 January 2023 |
| Amendments to IAS 1 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current | 1 January 2023 |
| Amendments to IAS 12 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction | 1 January 2023 |
| Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 – Disclosure of Accounting policies | 1 January 2023 |
| Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates | 1 January 2023 |
| Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework | 1 January 2022 |
| Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use | 1 January 2022 |
| Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts - Costs of Fulfilling a Contract | 1 January 2022 |
| Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter | 1 January 2022 |
| Amendments to IFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities | 1 January 2022 |
| Amendments to IAS 41 Agriculture - Taxation in fair value measurements | 1 January 2022 |

The Group is currently assessing the impact of the above standards and amendments. However, the directors do not expect their adoption to have a material impact on the financial statements of the Group in future periods. The standards and interpretations addressed above will be applied for the purposes of the Group's financial statements with effect from the dates listed.

# Notes to the Financial Statements

for the year ended 31 December 2021 continued

## 1. Significant Accounting Policies continued

### Basis of measurement

**Group**

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

- The net defined benefit pension asset is measured at the fair value of plan assets less the present value of the defined benefit obligation, and the liability associated with the unfunded Postmasters Scheme is measured at fair value (see note 24);
- Investment property is measured at fair value; and
- Financial assets are measured at fair value.

**Company**

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

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

**Functional and presentation currency**

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

**Use of judgements and estimates**

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

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

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

- Note 24 - measurement of defined benefit obligations: key actuarial assumptions, in particular the discount rate;
- Note 10 - recognition of deferred tax assets: judgement applied in determining availability of future taxable profits against which deferred tax assets can be used;
- Note 15 - accounting for PLI investment, in particular determining the fair value of preference and equity shares; and
- Note 19 - estimation applied in determining deferred revenue in relation to unused stamps/meter loadings.

### Basis of Consolidation

**Business combinations**

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

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

**Subsidiaries**

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

**Non-controlling interests (NCI)**

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

### Interests in equity-accounted investees

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

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

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

### Transactions eliminated on consolidation

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

### Accounting for non-recurring transactions

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

## Revenue

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

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

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

## 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.

# Notes to the Financial Statements

for the year ended 31 December 2021 continued

## 1. Significant Accounting Policies continued

### Property, Plant and Equipment continued

**Depreciation**

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

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

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

### Leases

**Leased assets**

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

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

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

### Intangible assets and goodwill

**Recognition and measurement**

| | |
|---|---|
| Goodwill | Goodwill arising on the acquisition of subsidiaries is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirers previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of identifiable net assets acquired and liabilities assumed. Subsequently, goodwill is tested annually for impairment. |
| Software | Software has a finite useful life and is measured at cost less accumulated amortisation and any accumulated impairment losses. |

**Subsequent expenditure**

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

**Amortisation**

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

| | Years |
|---|---|
| Software | 5 |

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

## Provisions

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

## Employee benefits

### (i) Short-term employee benefits

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

### (ii) Defined contribution plans

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

### (iii) Defined benefit plans

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

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

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

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

### (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.

# Notes to the Financial Statements

for the year ended 31 December 2021 continued

## 1. Significant Accounting Policies continued

### Income tax continued

**(ii) Deferred tax** continued

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are derecognised to the extent that it is no longer probable that the related tax benefit will be realised; such derecognised assets are reversed when the probability of future taxable profits improves. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse using tax rates enacted or substantively enacted at the reporting date.

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

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

### Foreign currency

**(i) Foreign currency transactions**

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

**(ii) Foreign operations**

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

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

## Financial instruments

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

### (i) Financial assets

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

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

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

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

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

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

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

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

**Impairment of financial assets**
The Group only holds trade and other receivables at amortised cost, with no significant financing component and which have maturities of less than 12 months and as such, has chosen to apply an approach similar to the simplified approach for expected credit losses (ECL) under IFRS 9 to all its receivables. Therefore, the Group does not track changes in credit risk, but instead, recognises a loss allowance based on lifetime ECLs at each reporting date. The carrying value of interest receivable, receivables on unsettled trades and other short-term receivables, measured at amortised cost less any expected loss, is an approximation of fair value given their short-term nature. The Group did not recognise any impairment during the year ended 31 December 2021.

**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.

# Notes to the Financial Statements

for the year ended 31 December 2021 continued

## 1. Significant Accounting Policies continued

### Financial instruments continued

#### (ii) Financial liabilities

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

**Financial liabilities measured subsequently at amortised cost**

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

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

**Derecognition of financial liabilities**

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

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

#### Impairment of Financial Assets

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

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

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

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

## 2. Revenue

| | 2021 €'000 | 2020 €'000 |
|---|---|---|
| The analysis of revenue is as follows: | | |
| **Republic of Ireland** | | |
| Postage: Letters and parcels | 623,385 | 635,548 |
| Postage: Elections and referenda | 416 | 20,277 |
| Post offices: Agency, remittance and related services | 154,482 | 150,980 |
| Other services | 34,781 | 35,313 |
| | 813,064 | 842,118 |
| **United Kingdom** | | |
| Mails distribution and related services | 77,536 | 73,385 |
| | 890,600 | 915,503 |

## 3. Operating Costs

| | 2021 €'000 | 2020 €'000 |
|---|---|---|
| The consolidated costs for the Group were as follows: | | |
| **Staff and postmasters' costs** | | |
| Wages and salaries | 441,016 | 446,465 |
| Postmasters' costs | 57,037 | 61,597 |
| Social insurance costs | 43,453 | 43,263 |
| | 541,506 | 551,325 |
| Pension costs | 52,997 | 51,506 |
| **Total payroll and postmasters' costs** | 594,503 | 602,831 |
| **Other costs:** | | |
| Distribution | 104,995 | 98,412 |
| Facilities | 24,003 | 21,710 |
| Operational | 79,651 | 78,888 |
| Administration | 71,226 | 81,158 |
| | 279,875 | 280,168 |
| | 874,378 | 882,999 |

# Notes to the Financial Statements

for the year ended 31 December 2021 continued

## 4. Depreciation and Amortisation

| | 2021 €'000 | 2020 €'000 |
|---|---|---|
| Depreciation | 43,814 | 40,168 |
| Amortisation | 5,831 | 3,080 |
| | 49,645 | 43,248 |

## 5. Exceptional Costs (including transformation costs)

| | 2021 €'000 | 2020 €'000 |
|---|---|---|
| Transformation costs | 1,955 | 5,798 |
| COVID-19 incremental costs | 9,650 | 13,000 |
| Impairment loss - GPO asset writedown | - | 8,450 |
| | 11,605 | 27,248 |

During 2021, the Group continued its work on transforming its activities from an old mails world to a new world of eCommerce and incurred costs of €1,955,000 (2020: €5,798,000) associated with this transition. The transformation costs in 2021 are made up of costs associated with the resizing of the Post Office Network, €611,000, (2020: €816,000), and costs related to voluntary staff exits in the Group, €1,344,000, (2020: €4,982,000).

Arising from the COVID-19 pandemic in 2021 and 2020, the Group incurred significant incremental costs in dealing with the crisis. This was made up of €1,195,000 (2020: €5,900,000) on protective personal equipment and other direct COVID-19 costs, €2,569,000 (2020: €nil) to Postmasters from a specially set up pandemic relief fund, and €5,886,000 (2020: €4,800,000) in exceptional COVID-19 related absence cover. Also, during 2020 amounts of €2,300,000 were awarded in recognition of outstanding service during the pandemic

In 2020, due to the finalisation of plans to move Group headquarters from the GPO in Dublin to a modern office complex and the fact that office accommodation in the GPO remains largely vacant, and unlikely to be re-occupied, the Group assessed the related tangible assets associated with the GPO for impairment and recognised an impairment loss of €8,450,000 with respect to the historic cost of assets in the GPO. The move was delayed in 2021 due to the continuing pandemic, but will be completed in 2022.

## 6. Other Gains

| | 2021 €000 | 2020 €000 |
|---|---|---|
| Change in fair value of investment property | 1,085 | - |
| Profit on disposal of tangible assets | 245 | 351 |
| Profit on disposal of subsidiaries | - | 5,628 |
| | 1,330 | 5,979 |

The directors have considered the fair value of an investment property held at Coosan, near Athlone, at 31 December 2021. Having regard to recent experience in the location and category of the property the directors believe its value increased by €1,085,000 during the year. See note 13.

The profit on disposal of tangible assets of €245,000 arose on the sale of an unused property in Clifden. In 2020, the profit on disposal of tangible assets of €351,000 arose on the sale of two delivery offices at Muine Bheag and Finglas.

On 31 January 2019, the entire shareholding of TSC Ventures DAC (the company holding the shares in the One4all Gift Voucher group of companies) was sold to Blackhawk Network, a global financial technology organisation. The transaction value was €105m and An Post previously held 53.6% of the shares in TSC Ventures DAC. The sales proceeds recognised in 2020 relate to final contingent consideration deemed receivable at the end of 2020 and actually received in February 2021. This amount was held in Other Debtors at 31 December 2020. During 2020, the amount was held in a special escrow account and was not part of the proceeds recognised in the income statement in 2019.

## 7. Finance Income

| | 2021 €000 | 2020 €000 |
|---|---|---|
| Net pension interest income | 1,150 | - |
| Interest on Premier Lotteries Ireland (PLI) loan receivable | 2,110 | 2,612 |
| Fair value movement on PLI equity and preference shares | 2,065 | 186 |
| Interest on late payments | 368 | - |
| | 5,693 | 2,798 |

The Company has an investment in PLI made up of shareholders' loans, equity and preference shares (see note 15). Interest on the shareholders' loans is recognised in the profit and loss as it accrues and amounted to €2,110,000 in 2021, (2020: €2,612,000). The investment in the PLI equity and preference shares are held at fair value through profit and loss. The investment has been fair valued at 31 December 2021 and a net increase in fair value during the year of €2,065,000 has been recognised in 2021 (2020: €186,000), see note 31. The preference dividends due to An Post for 2020 of €1.25m were received in 2021.

# Notes to the Financial Statements

for the year ended 31 December 2021 continued

## 8. Finance Costs

| | 2021 €'000 | 2020 €'000 |
|---|---|---|
| Right of use asset interest cost | 1,861 | 1,660 |
| Interest on Government loan | 304 | 304 |
| Other interest costs | 711 | 542 |
| | 2,876 | 2,506 |

## 9. Loss before Taxation

| | 2021 €'000 | 2020 €'000 |
|---|---|---|
| The loss before taxation is stated after charging: | | |
| **Operating lease rentals outside scope of IFRS16:** | | |
| Rental of buildings | 1,238 | 311 |
| Other equipment and motor vehicles | 3,449 | 2,243 |
| | 4,687 | 2,554 |
| **Directors' emoluments:** | | |
| Fees | 200 | 224 |
| Emoluments - Chief Executive | 318 | 313 |
| | 518 | 537 |
| **Expenses paid to Directors** | | |
| Travel | 1 | - |
| Subsistence | - | - |
| | 1 | - |
| **Auditor's remuneration* - Group** | | |
| Audit of the group financial statements | 386 | 342 |
| Other assurance services | 170 | 155 |
| Other non-audit services | 106 | - |
| | 662 | 497 |
| **Auditor's remuneration* - An Post company (included above)** | | |
| Audit of entity financial statements | 224 | 203 |
| Other assurance services | 170 | 155 |
| Other non-audit services | - | - |
| | 394 | 358 |
| The loss before taxation is stated after crediting | | |
| Capital grants amortised | 224 | 280 |
| Profit on sale of plant & equipment | 123 | 43 |
| | 347 | 323 |

*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.

| | 2021<br>€'000 | 2020<br>€'000 |
|---|---|---|
| Basic salary | 250 | 250 |
| Other emoluments : | | |
| Director's fee | - | - |
| Benefit in kind - expenses grossed up | 5 | - |
| Pension contributions paid | 63 | 63 |
| | 318 | 313 |

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

| | 2021<br>€'000 | 2020<br>€'000 |
|---|---|---|
| Dermot Divilly | - | 29 |
| Noel Adamson | - | 13 |
| Carol Bolger | 23 | 16 |
| Frank Burke | 16 | 3 |
| Deirdre Burns | 6 | 16 |
| Peter Coyne | 16 | 16 |
| Thomas Devlin | - | 13 |
| Áine Flanagan | 16 | 3 |
| Anthony McCrave | 16 | 3 |
| David McRedmond (Chief Executive Officer)* | - | - |
| Padraig McNamara | 16 | 16 |
| William Mooney | 16 | 16 |
| Kieran Mulvey | 16 | 16 |
| Martina O'Connell | 16 | 16 |
| Mary O'Donovan | 16 | 16 |
| Niall Phelan | - | 13 |
| Gerry Sexton | 16 | 3 |
| James Wrynn | 11 | 16 |
| Total | 200 | 224 |

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

# Notes to the Financial Statements

for the year ended 31 December 2021 continued

## 10. Income Tax

### A. Amounts recognised in profit or loss

| | 2021 €'000 | 2020 €'000 |
|---|---|---|
| **Current tax** | | |
| Ireland - Corporation Tax | - | 647 |
| Adjustment in respect of prior year | 291 | 64 |
| UK - Corporation Tax | 521 | - |
| | 812 | 711 |
| **Deferred Tax** | | |
| Origination and reversal of temporary differences | (4,031) | (14,613) |
| Adjustment in respect of prior year | 200 | 184 |
| | (3,831) | (14,429) |
| Total tax credit | (3,019) | (13,718) |

### B. Reconciliation of effective tax rate

| | 2021 €'000 | 2020 €'000 |
|---|---|---|
| Loss before taxation | (40,881) | (31,721) |
| Tax using the Company's domestic tax rate - 12.5% (2020: 12.5%) | (5,110) | (3,965) |
| Tax effects of: | | |
| Non-deductible expenses / income not taxable | 642 | 602 |
| Income and gains taxed at higher rates | 829 | 612 |
| Effect of change in tax rates | 121 | - |
| Deferred tax not previously recognised | 8 | - |
| Movement in unrecognised deferred tax | - | (11,215) |
| Prior year overprovision | 491 | 248 |
| Total tax credit | (3,019) | (13,718) |

## C. Movement in deferred tax balances

### Balance at 31 December 2021

| | Net Balance at 1 Jan asset/(liability) 2021 €'000 | Recognised in profit or loss 2021 €'000 | Recognised in Other Comprehensive Income 2021 €'000 | Net Balance at 31 Dec asset/(liability) 2021 €'000 |
|---|---|---|---|---|
| Property, plant and equipment | (5,494) | 318 | - | (5,176) |
| Employee benefits | (10,290) | (211) | (49,841) | (60,342) |
| Other provisions | (382) | 615 | - | 233 |
| Carry forward tax loss | 15,289 | 3,109 | - | 18,398 |
| | (877) | 3,831 | (49,841) | (46,887) |
| Disclosed as Deferred tax assets | | | | 153 |
| Deferred tax liability | | | | (47,040) |

A deferred tax asset has been recognised up to the value of the deferred tax liability.

**Group**
Given the uncertainty over the existence of future taxable profits, a potential deferred tax asset in the Group of €394,000 (2020: €270,000) arising from excess losses carried forward has not been recognised.

**Company**
Unrecognised deferred tax assets in the Company as at 31 December 2021, amount to €nil, (2020: €nil).

### Balance at 31 December 2020

| | Net Balance at 1 Jan asset/(liability) 2020 €'000 | Recognised in profit or loss 2020 €'000 | Recognised in Other Comprehensive Income 2020 €'000 | Net Balance at 31 Dec asset/(liability) 2020 €'000 |
|---|---|---|---|---|
| Property, plant and equipment | (8,002) | 2,508 | - | (5,494) |
| Employee benefits | 4,375 | 560 | (15,225) | (10,290) |
| Other provisions | (202) | (180) | - | (382) |
| Carry forward tax loss | 3,746 | 11,543 | - | 15,289 |
| | (83) | 14,431 | (15,225) | (877) |
| Disclosed as Deferred tax assets | | | | 70 |
| Deferred tax liability | | | | (947) |

# Notes to the Financial Statements

for the year ended 31 December 2021 continued

## 11. 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:

| | 2021 | 2020 |
|---|---|---|
| Operations | 9,366 | 9,354 |
| Corporate | 401 | 376 |
| Total Company employees (FTE) | 9,767 | 9,730 |
| Subsidiaries | 654 | 681 |
| Total Group employees (FTE) | 10,421 | 10,411 |

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

| | 2021 | 2020 |
|---|---|---|
| Operations | 8,409 | 8,113 |
| Corporate | 419 | 394 |
| Company employees | 8,828 | 8,507 |
| Casual employees | 983 | 1,022 |
| Total Company employees | 9,811 | 9,529 |
| Subsidiaries | 668 | 697 |
| Total Group employees | 10,479 | 10,226 |

The average number of postmasters engaged as agents was:

| | 2021 | 2020 |
|---|---|---|
| Postmasters: Engaged as agents | 835 | 853 |

The aggregate payroll and postmasters' costs were as follows:

| | 2021<br>€'000 | 2020<br>€'000 |
|---|---|---|
| Wages and salaries | 441,016 | 446,465 |
| Social insurance costs | 43,453 | 43,263 |
| Pension costs | 52,997 | 51,506 |
| Total payroll costs | 537,466 | 541,234 |
| Postmasters: Engaged as agents | 57,037 | 61,597 |
| Total payroll and postmasters' costs | 594,503 | 602,831 |

In addition, see note 5 for details of Transformation costs associated with costs of resizing the Post Office Network and costs related to voluntary staff exits from the Group.

## 12. Intangible Assets and Goodwill

| Group | Goodwill €'000 | Software €'000 | Software Asset under development €'000 | Total €'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2020 | 31,644 | 69,073 | 594 | 101,311 |
| Additions | - | 5,393 | 9,989 | 15,382 |
| Foreign exchange movement | (130) | (361) | - | (491) |
| At 31 December 2020 | 31,514 | 74,105 | 10,583 | 116,202 |
| Additions | - | 20,594 | - | 20,594 |
| Software brought into use | - | 10,583 | (10,583) | - |
| Foreign exchange movement | 160 | 466 | - | 626 |
| At 31 December 2021 | 31,674 | 105,748 | - | 137,422 |
| **Amortisation and impairment** | | | | |
| At 1 January 2020 | 24,727 | 59,418 | - | 84,145 |
| Charge for year | - | 3,080 | - | 3,080 |
| Foreign exchange movement | - | (200) | - | (200) |
| At 31 December 2020 | 24,727 | 62,298 | - | 87,025 |
| Charge for the year | - | 5,831 | - | 5,831 |
| Foreign exchange movement | - | 296 | - | 296 |
| At 31 December 2021 | 24,727 | 68,425 | - | 93,152 |
| **Carrying amount** | | | | |
| At 31 December 2021 | 6,947 | 37,323 | - | 44,270 |
| At 31 December 2020 | 6,787 | 11,807 | 10,583 | 29,177 |

The net carrying amount of intangible assets recognised as right of use assets was €nil (2020: €116,000).

**Impairment testing for cash generating units (CGUs) containing goodwill**

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

| | 2021 €'000 | 2020 €'000 |
|---|---|---|
| Air Business & Jordans | 2,454 | 2,294 |
| One Direct | 4,493 | 4,493 |
| | 6,947 | 6,787 |

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

# Notes to the Financial Statements

for the year ended 31 December 2021 continued

## 12. 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 2022 budget approved by the board and projections for 2023 to 2026.

### Discount rates

A pre-tax discount rate of 8% (2020: 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 2021 (2020: €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 2021 or 2020.

| Company | Software €'000 | Software Asset under development €'000 | Total €'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2020 | 63,087 | 594 | 63,681 |
| Additions | 4,791 | 9,989 | 14,780 |
| At 31 December 2020 | 67,878 | 10,583 | 78,461 |
| Software brought into use | 10,583 | (10,583) | - |
| Additions | 20,119 | - | 20,119 |
| At 31 December 2021 | 98,580 | - | 98,580 |
| **Amortisation and impairment** | | | |
| At 1 January 2020 | 56,976 | - | 56,976 |
| Charge for year | 2,091 | - | 2,091 |
| At 31 December 2020 | 59,067 | | 59,067 |
| Charge for the year | 4,564 | - | 4,564 |
| At 31 December 2021 | 63,631 | - | 63,631 |
| **Carrying amount** | | | |
| At 31 December 2021 | 34,949 | - | 34,949 |
| At 31 December 2020 | 8,811 | 10,583 | 19,394 |

## 13. Investment Property

### Group and Company

**Reconciliation of carrying amount**

| | 2021 €'000 | 2020 €'000 |
|---|---|---|
| Balance at beginning of year | 715 | 715 |
| Change in fair value during year | 1,085 | - |
| Balance at end of year | 1,800 | 715 |

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

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

**Measurement of fair values**

The directors have considered the fair value of the investment property at 31 December 2021. Having regard to recent market valuation data in the location and category of the property the directors believe its value increased to €1,800,000.

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

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

# Notes to the Financial Statements

for the year ended 31 December 2021 continued

## 14. Property, Plant and Equipment

| Group | Freehold & long leasehold land & buildings €'000 | Motor vehicles €'000 | Operating & computer equipment €'000 | Total €'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 31 December 2019 | 364,621 | 60,945 | 347,182 | 772,748 |
| Additions | 7,988 | 21,222 | 17,735 | 46,945 |
| Disposals | (875) | (4,514) | (819) | (6,208) |
| Foreign exchange movement | (825) | (16) | (398) | (1,239) |
| At 31 December 2020 | 370,909 | 77,637 | 363,700 | 812,246 |
| Additions | 12,041 | 15,557 | 6,280 | 33,878 |
| Disposals | (59) | (3,104) | (1,090) | (4,253) |
| Foreign exchange movement | 1,010 | 19 | 469 | 1,498 |
| At 31 December 2021 | 383,901 | 90,109 | 369,359 | 843,369 |
| **Accumulated depreciation and impairment losses** | | | | |
| At 31 December 2019 | 125,614 | 19,016 | 308,744 | 453,374 |
| Charged during the year | 14,150 | 15,039 | 10,979 | 40,168 |
| Impairment loss | 8,450 | - | - | 8,450 |
| Eliminated on disposals | (740) | (4,429) | (762) | (5,931) |
| Foreign exchange movement | (61) | (9) | (216) | (286) |
| At 31 December 2020 | 147,413 | 29,617 | 318,745 | 495,775 |
| Charged during the year | 14,198 | 17,779 | 11,837 | 43,814 |
| Impairment loss | - | - | - | - |
| Eliminated on disposals | (47) | (3,098) | (1,084) | (4,229) |
| Foreign exchange movement | 150 | 10 | 251 | 411 |
| At 31 December 2021 | 161,714 | 44,308 | 329,749 | 535,771 |
| **Carrying Amount** | | | | |
| At 31 December 2021 | 222,187 | 45,801 | 39,610 | 307,598 |
| At 31 December 2020 | 223,496 | 48,020 | 44,955 | 316,471 |

At 31 December 2021, the net carrying amount of property, plant and equipment recognised as right of use assets was €96,888,000 (2020: €98,656,000). See note 27 for further details.

### Impairment loss 2020

Due to the finalisation of plans to move Group headquarters from the GPO in Dublin to a modern office complex, and the fact that office accommodation in the GPO remained largely vacant and unlikely to be re-occupied, the Group assessed the related tangible assets associated with the GPO for impairment, and recognised an impairment loss of €8,450,000 with respect to those assets. The impairment loss is shown as part of exceptional items in the 2020 income statement. The move to the new office complex was delayed in 2021 due to the continuation of the Covid19 pandemic, but is now expected to take place in 2022.

### Mortgage and Charge

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

| Company | Freehold & long leasehold land & buildings €'000 | Motor vehicles €'000 | Operating & computer equipment €'000 | Total €'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 31 December 2019 | 334,055 | 60,528 | 323,147 | 717,730 |
| Additions | 7,988 | 21,147 | 15,961 | 45,096 |
| Disposals | (726) | (4,342) | - | (5,068) |
| At 31 December 2020 | 341,317 | 77,333 | 339,108 | 757,758 |
| Additions | 12,041 | 15,452 | 5,233 | 32,726 |
| Disposals | (59) | (3,083) | - | (3,142) |
| At 31 December 2021 | 353,299 | 89,702 | 344,341 | 787,342 |
| **Accumulated depreciation and impairment losses** | | | | |
| At 31 December 2019 | 119,116 | 18,834 | 290,784 | 428,734 |
| Depreciation | 12,467 | 14,928 | 9,500 | 36,895 |
| Impairment loss | 8,450 | - | - | 8,450 |
| Eliminated on disposals | (591) | (4,297) | - | (4,888) |
| At 31 December 2020 | 139,442 | 29,465 | 300,284 | 469,191 |
| Depreciation | 12,544 | 17,697 | 10,718 | 40,959 |
| Impairment loss | - | - | - | - |
| Eliminated on disposals | (47) | (3,077) | - | (3,124) |
| At 31 December 2021 | 151,939 | 44,085 | 311,002 | 507,026 |
| **Carrying Amount** | | | | |
| At 31 December 2021 | 201,360 | 45,617 | 33,339 | 280,316 |
| At 31 December 2020 | 201,875 | 47,868 | 38,824 | 288,567 |

### Company

At 31 December 2021 the net carrying amount of property, plant and equipment recognised as right of use assets was €77,339,000 (2020: €78,549,000). See note 27 for further information.

### Impairment loss

Due to the finalisation of plans to move Group headquarters from the GPO in Dublin to a modern office complex, and the fact that office accommodation in the GPO remained largely vacant and unlikely to be re-occupied, the Group assessed the related tangible assets associated with the GPO for impairment, and recognised an impairment loss of €8,450,000 with respect to those assets. The impairment loss is shown as part of exceptional items in the 2020 income statement. The move to the new office complex was delayed in 2021 due to the continuation of the Covid19 pandemic, but is now expected to take place in 2022

### Mortgage and Charge

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

# Notes to the Financial Statements

for the year ended 31 December 2021 continued

## 15. Investments

| | Group 2021 €'000 | Group 2020 €'000 | Company 2021 €'000 | Company 2020 €'000 |
|---|---|---|---|---|
| Investment in Premier Lotteries Ireland (see A below) | 31,752 | 33,949 | 31,752 | 33,949 |
| Shares in subsidiary undertakings (see note 26) | - | - | 8,969 | 8,969 |
| Investment in joint venture (see B overleaf) | - | - | - | - |
| | 31,752 | 33,949 | 40,721 | 42,918 |

### A. Investment in Premier Lotteries Ireland (PLI)

| | 2021 €'000 | 2020 €'000 |
|---|---|---|
| **Group and Company** | | |
| **The investment in PLI is comprised of:** | | |
| Investment in equity shares | 2,310 | 375 |
| Investment in preference shares | 8,700 | 8,570 |
| **Loans and receivables** | | |
| Shareholder loans | 20,742 | 25,004 |
| | 31,752 | 33,949 |

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

**Investment in equity shares**

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

**Preference shares**

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

**Shareholder loans**

The shareholder loan is repayable in the period up to 2034 with a rate of interest of 9% per annum.

**Movements during 2021**

During 2021, PLI restructured its reserves which resulted in An Post making a capital contribution of €1.25m to PLI, payment of which was offset against part of the receipt of accrued interest on the shareholders loans of €6.4m. This reserve restructuring in PLI facilitated An Post receiving a preference dividend of €1.25m in the year. There were fair value adjustments made to the equity share and preference shares at year end of €685k and €1,380k respectively, resulting in a total fair value gain of the overall investment of €2.065m at year end and this is credited to profit and loss in finance income (note 7).

**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 the appropriate accounting for this investment varies based on each distinct element of the investment, outlined above.

The investment in equity shares and the investment in preference shares are measured at fair value through the profit and loss account. The directors considered the fair value of these investments at 31 December 2020 and a net change in fair value of €186,000 was recognised through the profit and loss account in 2020.

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

### B. Investment in joint venture

During the year, the Group's share of its joint venture's profit amounted to €Nil (2020: €Nil).

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

| | 2021 €'000 | 2020 €'000 |
|---|---|---|
| Current assets | 16,718 | 21,962 |
| Current liabilities | (16,718) | (21,962) |
| **Net assets (100%)** | - | - |
| **Group's share of net assets (50%)** | - | - |
| Revenue | 11,468 | 11,184 |
| Profit from continuing operations | - | - |
| Total comprehensive income (100%) | - | - |
| **Group's share of total comprehensive income (50%)** | - | - |

## 16. Trade and Other Receivables

| | Group 2021 €'000 | Group 2020 €'000 | Company 2021 €'000 | Company 2020 €'000 |
|---|---|---|---|---|
| **Current assets** | | | | |
| Trade receivables | 114,686 | 123,773 | 85,597 | 93,268 |
| Amounts owed by subsidiary undertakings | - | - | 15,227 | 18,499 |
| Amounts owed by joint venture | 297 | 315 | 297 | 315 |
| Other debtors | 9,887 | 6,300 | 9,790 | 6,296 |
| Prize bonds held | 812 | 812 | 625 | 625 |
| Prepayments and accrued income | 15,677 | 27,138 | 13,808 | 24,774 |
| Corporation tax receivable | 2,485 | 1,603 | 2,219 | 874 |
| | 143,844 | 159,941 | 127,563 | 144,651 |
| **Non-current assets** | | | | |
| Amounts owed by subsidiary undertakings | - | - | 6,424 | 6,422 |
| Deferred tax asset | 153 | 70 | - | - |
| | 153 | 70 | 6,424 | 6,422 |
| | 143,997 | 160,011 | 133,987 | 151,073 |

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.

# Notes to the Financial Statements

for the year ended 31 December 2021 continued

## 17. Inventories

| | Group 2021 €'000 | Group 2020 €'000 | Company 2021 €'000 | Company 2020 €'000 |
|---|---|---|---|---|
| Finished goods | 1,944 | 1,871 | - | - |
| | 1,944 | 1,871 | - | - |

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.

## 18. Cash at Bank and In Hand

| | Group 2021 €'000 | Group 2020 €'000 | Company 2021 €'000 | Company 2020 €'000 |
|---|---|---|---|---|
| Cash at bank | 314,917 | 317,300 | 303,983 | 305,602 |
| Cash in hand | 214,362 | 353,877 | 214,362 | 353,877 |
| | **529,279** | **671,177** | **518,345** | **659,479** |

### 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 | 671,177 | (141,898) | 529,279 |

| | Group 2021 €'000 | Group 2020 €'000 | Company 2021 €'000 | Company 2020 €'000 |
|---|---|---|---|---|
| Amounts held in trust | 481,543 | 590,506 | 481,543 | 590,506 |

Included in current liabilities at 31 December 2021 were amounts held in trust of €481,543,000: (2020: €590,506,000). The majority of the amounts held in trust relates to funds held on behalf of the Company's clients including the Department of 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.

## 19. Trade and Other Payables

| | Group 2021 €'000 | Group 2020 €'000 | Company 2021 €'000 | Company 2020 €'000 |
|---|---|---|---|---|
| Trade creditors | 45,471 | 42,771 | 30,204 | 25,262 |
| Amounts owed to subsidiary undertakings | - | - | 39,881 | 37,361 |
| Other creditors | 24,787 | 13,310 | 24,118 | 12,553 |
| Taxation and social welfare (note 21) | 68,609 | 25,034 | 66,905 | 22,568 |
| Accruals | 57,819 | 83,506 | 47,670 | 72,656 |
| Capital grants (note 22) | 224 | 224 | 102 | 102 |
| Deferred revenue - agency commission | 5,299 | 6,063 | - | - |
| Deferred revenue - unused stamps sold / franking meters | 14,266 | 14,308 | 13,083 | 12,995 |
| | 216,475 | 185,216 | 221,963 | 183,497 |

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

## 20. Leases and Borrowings

### Due within one year

| | Group 2021 €'000 | Group 2020 €'000 | Company 2021 €'000 | Company 2020 €'000 |
|---|---|---|---|---|
| Right of use asset lease liability | 23,154 | 20,198 | 21,690 | 19,100 |
| European Investment Bank loan | 2,000 | 1,000 | 2,000 | 1,000 |
| Government loan | 30,000 | - | 30,000 | - |
| | 55,154 | 21,198 | 53,690 | 20,100 |

### Due after one year

| | Group 2021 €'000 | Group 2020 €'000 | Company 2021 €'000 | Company 2020 €'000 |
|---|---|---|---|---|
| Right of use asset lease liability | 77,419 | 78,604 | 56,554 | 57,211 |
| European Investment Bank loan | 15,750 | 8,000 | 15,750 | 8,000 |
| Government loan | - | 30,000 | - | 30,000 |
| | 93,169 | 116,604 | 72,304 | 95,211 |

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. The Company will apply to the Department of Finance to avail of the extension period. It attracts an interest rate of 1% and was provided to execute the Strategic Plan. The Company signed a Finance Contract with the European Investment Bank for loans of up to €40m. Tranches of €10m were received in December 2019 and July 2021 respectively. These loans are repayable in quarterly instalments over a 10 year term. The remaining portion of this facility will be drawn down in 2022.

# Notes to the Financial Statements

for the year ended 31 December 2021 continued

## 21. Taxation and Social Welfare

| | Group 2021 €'000 | Group 2020 €'000 | Company 2021 €'000 | Company 2020 €'000 |
|---|---|---|---|---|
| Deferred tax | 47,040 | 947 | 46,537 | 712 |
| Income tax deducted under PAYE | 8,731 | 8,894 | 7,896 | 8,057 |
| Pay related social insurance | 7,584 | 7,211 | 7,249 | 6,844 |
| Value added tax | 2,904 | 6,778 | 2,902 | 5,760 |
| Professional services withholding tax | 2,350 | 1,204 | 2,321 | 1,195 |
| | 68,609 | 25,034 | 66,905 | 22,568 |

At 2021 and 2020, the Group and Company were in a refund position in respect of Corporation Tax. These balances are included as receivables, see note 16.

## 22. Capital Grants

| | Group 2021 €'000 | Group 2020 €'000 | Company 2021 €'000 | Company 2020 €'000 |
|---|---|---|---|---|
| At beginning of year | 8,167 | 8,447 | 2,646 | 2,748 |
| Grants received during the year | - | - | - | - |
| Amortised to income statement | (224) | (280) | (102) | (102) |
| At end of year | 7,943 | 8,167 | 2,544 | 2,646 |
| Transferred to current liabilities | (224) | (224) | (102) | (102) |
| | 7,719 | 7,943 | 2,442 | 2,544 |

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

## 23. Provisions

### Group

The movements during the year were as follows

| | Provision for business restructuring 2021 €'000 | Provision for insurance claims 2021 €'000 | Total 2021 €'000 | Provision for business restructuring 2020 €'000 | Provision for insurance claims 2020 €'000 | Total 2020 €'000 |
|---|---|---|---|---|---|---|
| At beginning of year | 1,126 | 12,073 | 13,199 | 10,849 | 13,184 | 24,033 |
| Provisions made during the year | - | 2,500 | 2,500 | 1,513 | 2,500 | 4,013 |
| Provision released during the year | - | (804) | (804) | - | (2,132) | (2,132) |
| Utilised during the year | (1,126) | (1,440) | (2,566) | (11,236) | (1,479) | (12,715) |
| At end of year | - | 12,329 | 12,329 | 1,126 | 12,073 | 13,199 |
| Current | - | 1,630 | 1,630 | 1,126 | 1,657 | 2,783 |
| Non-Current | - | 10,699 | 10,699 | - | 10,416 | 10,416 |
| | - | 12,329 | 12,329 | 1,126 | 12,073 | 13,199 |

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.

The provision for business restructuring made during 2020 of €1,513,000 relates to One Direct (Ireland) Limited and the liability not settled at 31 December 2020 was settled in 2021. All provisions except for the €1,126,000 remaining at 31 December 2020 are included in the books of the Company, An Post. No provision for business restructuring is required as at 31 December 2021.

# Notes to the Financial Statements

for the year ended 31 December 2021 continued

## 24. Pensions

### Group and Company

The pension entitlements of employees arise under a number of defined benefit and defined contribution pension schemes, the assets of which are vested in independent trustees appointed by the Company for the sole benefit of employees and their dependents. Annual contributions are based on the advice of a professionally qualified actuary. There were contributions of €4.7m due to the Pension Schemes at 31 December 2021 (2020: €nil). Employer contributions in 2022 are expected to be €48m.

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

The Company operates a Special Terminations Payments Scheme for Postmasters. This provides a once-off gratuity to Postmasters (at the discretion of the Company), where their contract terminates at any age, or, where in the course of their contract, they pass away leaving a dependent relative or relatives. The amount of the gratuity is one week's remuneration for each year of service up to 15 years, plus two week's remuneration for each subsequent year of service. The overall cap on the gratuity is 1.5 times remuneration. The obligation recognised for this Scheme as at 31 December 2021, included in the table overleaf, amounted to €12.9m (2020: €13.4m)

### 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 2021, an estimated MFS position calculated a surplus of €729m (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.

| | Fair value of plan assets | | Defined benefit obligation | | Net defined benefit asset/(liability) | |
|---|---|---|---|---|---|---|
| | 2021 €'000 | 2020 €'000 | 2021 €'000 | 2020 €'000 | 2021 €'000 | 2020 €'000 |
| **Balance at 1 January** | 3,777,008 | 3,537,612 | (3,687,919) | (3,565,840) | 89,089 | (28,228) |
| **Included in profit or loss** | | | | | | |
| Current service cost | | - | (51,050) | (49,450) | (51,050) | (49,450) |
| Past Service Cost | | - | (1,000) | (1,100) | (1,000) | (1,100) |
| Interest (cost) / income | 39,400 | 47,500 | (38,250) | (47,500) | 1,150 | - |
| | 39,400 | 47,500 | (90,300) | (98,050) | (50,900) | (50,550) |
| **Included in OCI** | | | | | | |
| Remeasurements loss/(gain) | | | | | | |
| - Actuarial loss/(gain) arising from: | | | | | | |
| Financial assumptions | - | - | 19,400 | (179,600) | 19,400 | (179,600) |
| Experience adjustment | - | - | 72,785 | 63,943 | 72,785 | 63,943 |
| Return on plan assets | 306,549 | 237,454 | - | - | 306,549 | 237,454 |
| | 306,549 | 237,454 | 92,185 | (115,657) | 398,734 | 121,797 |
| **Other** | | | | | | |
| Contributions paid by the employer | 47,648 | 45,699 | | - | 47,648 | 45,699 |
| Administrative expenses from plan | (1,000) | (1,000) | 1,000 | 1,000 | - | - |
| Member contributions | 5,339 | 4,687 | (5,339) | (4,687) | - | - |
| Benefits paid-unfunded scheme | - | - | 1,435 | 371 | 1,435 | 371 |
| Benefits paid-funded scheme | (98,954) | (94,944) | 98,954 | 94,944 | - | - |
| | (46,967) | (45,558) | 96,050 | 91,628 | 49,083 | 46,070 |
| **Balance at 31 December** | 4,075,990 | 3,777,008 | (3,589,984) | (3,687,919) | 486,006 | 89,089 |

| **Made up of** | 2021 €'000 | 2020 €'000 |
|---|---|---|
| Defined benefit Pension Scheme - net | 498,905 | 102,523 |
| Unfunded Postmasters Scheme | (12,899) | (13,434) |
| | 486,006 | 89,089 |

# Notes to the Financial Statements

for the year ended 31 December 2021 continued

## 24. Pensions continued

### Plan assets

Plan assets comprise the following:

| | 2021 €'000 | 2020 €'000 |
|---|---|---|
| Equities: Global development markets | 800,697 | 812,900 |
| Equities: Emerging markets | 197,976 | 160,400 |
| Equities: Total | 998,673 | 973,300 |
| Bonds: Euro | 2,400,694 | 2,149,300 |
| Other: includes property, private equity and infrastructure | 676,623 | 654,408 |
| Fair value of pension schemes' assets | 4,075,990 | 3,777,008 |

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 over 80% of the Schemes' assets:

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

The scheme also has investments in a wide range of asset classes such as infrastructure, forestry, direct lending, private equity, including 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:

| | 2021 | 2020 |
|---|---|---|
| Valuation method | Projected Unit | Projected Unit |
| Discount rate | 1.30% | 1.05% |
| Inflation - CPI | 2.10% | 1.60% |
| Pensionable pay inflation | 1.85% | 1.50% |
| Increase to pensions in payment | 1.85% | 1.50% |
| Pensionable salary increases | 1.85% | 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:

| | 2021 Male | 2021 Female | 2020 Male | 2020 Female |
|---|---|---|---|---|
| Life expectancy at 65 | | | | |
| Current Pensioners - aged 65 | 86.5 | 88.3 | 86.7 | 88.6 |
| Future Pensioners - aged 40 | 88.7 | 90.5 | 89.0 | 90.8 |

At 31 December 2021, the weighted average duration of the defined benefit obligation in the primary scheme was 16.3 years (2020: 16.7 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.

| | 2021 €m | 2021 €m | 2020 €m | 2020 €m |
|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease |
| Discount rate (0.25% movement) | (144.1) | 150.1 | (154.0) | 160.7 |
| Future salary/pension growth (0.25% movement) | 145.2 | (139.5) | 155.7 | (149.4) |

An increase in the life expectancy assumption of plus 1 year would increase the scheme liabilities by €136.4m

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.

# Notes to the Financial Statements

for the year ended 31 December 2021 continued

## 25. Share Capital and Reserves

### Group and Company

| | 2021 €'000 | 2020 €'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 renominalised from €1.269738 to €1.25 per share and an amount of €877,000 was transferred to a capital conversion reserve fund.

**Foreign currency translation reserve**

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

## 26. Subsidiaries and Joint Ventures

### Subsidiary undertakings held directly by the Company[1]

| Name | Nature of Business | % Holding | Registered Office |
|---|---|---|---|
| Printpost Limited | High volume printing | 100% | General Post Office, O'Connell Street, Dublin 1, D01 F5P2 |
| An Post Billpost Processing Service Limited | Bill payment processing | 100% | General Post Office, O'Connell Street, Dublin 1, D01 F5P2 |
| An Post GeoDirectory DAC | Database services | 51% | General Post Office, O'Connell Street, Dublin 1, D01 F5P2 |
| Arcade Property Company Limited | Property development and letting | 100% | General Post Office, O'Connell Street, Dublin 1, D01 F5P2 |
| Prince's Street Property Company Limited | Dormant | 100% | General Post Office, O'Connell Street, Dublin 1, D01 F5P2 |
| Post Consult International Limited | Computer software services | 100% | General Post Office, O'Connell Street, Dublin 1, D01 F5P2 |
| Post.Trust Limited | Digital certification and security service | 100% | General Post Office, O'Connell Street, Dublin 1, D01 F5P2 |
| Transpost Limited | Courier and distribution | 100% | General Post Office, O'Connell Street, Dublin 1, D01 F5P2 |
| Kompass Ireland Publishers Limited | Dormant | 100% | General Post Office, O'Connell Street, Dublin 1, D01 F5P2 |
| An Post (NI) Limited | Holding Company | 100% | The Soloist Building 1 Lanyon Place, Belfast, BT1 3LP, NI, United Kingdom |

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

### Subsidiary undertakings held indirectly through a subsidiary undertaking

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

### Joint ventures held directly by the Company

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

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

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

# Notes to the Financial Statements

for the year ended 31 December 2021 continued

## 27. Lease Commitments

### Lease liabilities associated with right of use assets

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

| | Future minimum lease payments | | Interest | | Present value of minimum lease payments | |
|---|---|---|---|---|---|---|
| | 2021 €'000 | 2020 €'000 | 2021 €'000 | 2020 €'000 | 2021 €'000 | 2020 €'000 |
| **Group** | | | | | | |
| Less than one year | 24,772 | 21,803 | 1,618 | 1,605 | 23,154 | 20,198 |
| Between one and five years | 52,022 | 52,043 | 3,890 | 3,944 | 48,132 | 48,099 |
| More than five years | 46,915 | 48,490 | 17,628 | 17,985 | 29,287 | 30,505 |
| | 123,709 | 122,336 | 23,136 | 23,534 | 100,573 | 98,802 |
| **Company** | | | | | | |
| Less than one year | 22,765 | 20,164 | 1,075 | 1,064 | 21,690 | 19,100 |
| Between one and five years | 45,930 | 45,658 | 2,035 | 2,078 | 43,895 | 43,580 |
| More than five years | 13,490 | 14,530 | 831 | 899 | 12,659 | 13,631 |
| | 82,185 | 80,352 | 3,941 | 4,041 | 78,244 | 76,311 |

## 28. Capital Commitments

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

| | Group 2021 €'000 | Group 2020 €'000 | Company 2021 €'000 | Company 2020 €'000 |
|---|---|---|---|---|
| Contracted for | 10,674 | 16,495 | 10,171 | 15,999 |
| Authorised but not contracted for | 7,339 | 1,573 | 7,339 | 1,573 |
| | 18,013 | 18,068 | 17,510 | 17,572 |

## 29. Related Parties

### Controlling party

The Group was controlled throughout the year by the Minister for Environment, Climate and Communications 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 €4,506,000 for the year ended 31 December 2021 (2020: €4,578,000). The amount owed by The Prize Bond Company DAC to the Group was €297,000 at 31 December 2021; (2020: €322,000). At 31 December 2021 the Group held €812,000: (2020: €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 €1,200,000 for the year ended 31 December 2021 from An Post (2020: €1,300,000). An Post purchased goods and services to the value of €nil for the year ended 31 December 2021 from An Post GeoDirectory DAC (2020: €20,000). The amount owed by An Post GeoDirectory DAC to the Group was €1,196,000 at 31 December 2021; (2020: €1,169,000).

**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.

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

| | 2021<br>€'000 | 2020<br>€'000 |
|---|---|---|
| Short-term employee benefits | 2,327 | 2,312 |
| Non executive directors' fees | 198 | 224 |
| Post-employment benefits | 300 | 304 |
| | 2,825 | 2,840 |

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 2021, eir provided services to the Group and An Post provided services to eir in the normal course of business. The fees in respect of goods and services provided by eir to the Group to 31 December 2021 were €9,269,000 (2020: €9,840,000). The amount not yet paid by the Group at the year-end was €1,214,000 (2020: €1,841,000). The Group provided services to eir of €4,295,000 during 2021, (2020: €4,745,000) and the amount not yet paid by eir to the Group at the year-end was €1,781,000 (2020: €1,547,000).

## 30. Contingencies

There were no contingent liabilities or guarantees at 31 December, 2021 or 2020 which could give rise to material losses other than as disclosed elsewhere in the financial statements of the Group and Company.

# Notes to the Financial Statements

for the year ended 31 December 2021 continued

## 31. Financial Instruments - Fair Value and Risk Management

### Fair value

#### A. Accounting classifications and fair values

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

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

Fair value is calculated as follows:

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

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

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

The table in note 31 part B summarises the quantitative inputs and assumptions used for the investments categorised in Level 3 of the fair value hierarchy as of 31 December 2021. There were no transfers between the fair value hierarchy levels during the years ended 31 December 2021 and 31 December 2020.

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 2021** | **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 | 15 | - | 2,310 | - | 2,310 | - | - | 2,310 | 2,310 |
| Interest in PLI - preference shares | 15 | - | 8,700 | - | 8,700 | - | - | 8,700 | 8,700 |
| | | - | 11,010 | - | 11,010 | | | | |
| **Financial assets not measured at fair value** | | | | | | | | | |
| Interest in PLI - shareholder loan | 15 | 20,742 | - | - | 20,742 | - | - | 20,742 | 20,742 |
| Trade and other receivables | 16 | 125,682 | - | - | 125,682 | - | - | - | - |
| Cash and cash equivalents | 18 | 529,279 | - | - | 529,279 | - | - | - | - |
| | | 675,703 | - | - | 675,703 | | | | |
| **Financial liabilities not measured at fair value** | | | | | | | | | |
| Government loan | 20 | - | - | 30,000 | 30,000 | - | - | 30,000 | 30,000 |
| EIB Loan | 20 | - | - | 17,750 | 17,750 | - | - | 17,750 | 17,750 |
| Right of use asset lease liability | 20 | - | - | 100,573 | 100,573 | - | - | 100,573 | 100,573 |
| Trade and other payables | 19 | - | - | 128,077 | 128,077 | - | - | - | - |
| | | - | - | 276,400 | 276,400 | | | | |

# Notes to the Financial Statements

for the year ended 31 December 2021 continued

## 31. 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 2020** | **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 | 15 | - | 375 | - | 375 | - | - | 375 | 375 |
| Interest in PLI - preference shares | 15 | - | 8,570 | - | 8,570 | - | - | 8,570 | 8,570 |
| | | - | 8,945 | - | 8,945 | | | | |
| **Financial assets not measured at fair value** | | | | | | | | | |
| Interest in PLI - shareholder loan | 15 | 25,004 | - | - | 25,004 | - | - | 25,004 | 25,004 |
| Trade and other receivables | 16 | 131,200 | - | - | 131,200 | - | - | - | - |
| Cash and cash equivalents | 18 | 671,177 | - | - | 671,177 | - | - | - | - |
| | | 827,381 | - | - | 827,381 | | | | |
| **Financial liabilities not measured at fair value** | | | | | | | | | |
| Government loan | 20 | - | - | 30,000 | 30,000 | - | - | 30,000 | 30,000 |
| EIB loan | 20 | - | - | 9,000 | 9,000 | - | - | 9,000 | 9,000 |
| Right of use asset lease liability | 20 | - | - | 98,802 | 98,802 | - | - | 98,802 | 98,802 |
| Trade and other payables | 19 | - | - | 139,587 | 139,587 | - | - | - | - |
| | | | | 277,389 | 277,389 | | | | |

**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 | 2021 €'000 | Valuation Technique | Unobservable Inputs |
|---|---|---|---|
| Interest in PLI - equity shares | 2,310 | Discounted cash flows technique referenced to third party transactions | Discount rate |
| Interest in PLI - preference shares | 8,700 | Discounted cash flows technique referenced to third party transactions | Discount rate |

In 2021, both the equity and preference shares are recorded at their fair value.

**Financial instruments not measured at fair value**

| Type | 2021 €'000 | Valuation Technique | Unobservable Inputs |
|---|---|---|---|
| Interest in PLI - shareholder loan | 20,742 | Discounted cash flows technique referenced to third party transactions | Discount rate |
| Government loan | 30,000 | Discounted cash flows technique referenced to market borrowing / lending rates | Discount rate |
| EIB loan | 17,750 | Discounted cash flows technique referenced to market borrowing / lending rates | Discount rate |
| Financial lease liability | - | Discounted cash flows technique referenced to market borrowing / lending rates | Discount rate |

The shareholders loan to PLI has been measured at amortised cost. The Shareholders loan is considered to have a low credit risk as there is a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. The Group measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward-looking information in determining any expected credit loss. No loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Group.

# Notes to the Financial Statements

for the year ended 31 December 2021 continued

## 31. Financial Instruments - Fair Value and Risk Management continued

**Fair value** continued

**C. Level 3 fair values**

**Reconciliation of Level 3 fair values**

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

| PLI - equity/preference shares | 2021 €'000 | 2020 €'000 |
|---|---|---|
| Balance at beginning of period | 8,945 | 8,759 |
| Preference dividend received | (1,250) | (5,000) |
| Capital restructuring | 1,250 | 5,000 |
| Fair value movement through profit and loss | 2,065 | 186 |
| Balance at end of period | 11,010 | 8,945 |

In December 2021, a capital restructuring took place in PLI. The impact of this was to increase shareholders' reserves and fund same through accrued interest on shareholder loans. This restructuring facilitated the payment of preference dividends. An Post received a preference dividend payment of €1.25m in 2021.

### Sensitivity analysis

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

### Financial risk management

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

**Credit risk**

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

**Trade and other receivables**

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

Included in the Group's trade and other receivables as at 31 December 2021 are balances of €28.2m (2020: €26.9m) which are past due at the reporting date but not impaired.

The aged analysis of these balances is as follows:

| | 2021 €'000 | 2020 €'000 |
|---|---|---|
| Less than 1 month | 6,202 | 12,896 |
| 1-3 months | 14,179 | 13,119 |
| 4-6 months | 5,487 | 560 |
| Over 6 months | 2,351 | 306 |
| | 28,219 | 26,881 |

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:

| | 2021 €'000 | 2020 €'000 |
|---|---|---|
| Balance at beginning of period | 7,375 | 6,646 |
| Impairment loss recognised | 1,134 | 730 |
| Amounts written off | (1,203) | (1) |
| Balance at end of period | 7,306 | 7,375 |

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

**Cash and cash equivalents**
The Board establishes the policy in managing credit risk. Exposure is managed by distributing the credit risk, where possible, across banks or other institutions meeting required standards as assessed normally by reference to the major credit rating agencies. The Group held cash and cash equivalents of €529m at 31 December 2021 (2020: €671m).

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 2021 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.

# Notes to the Financial Statements

for the year ended 31 December 2021 continued

## 31. Financial Instruments - Fair Value and Risk Management continued

### Financial risk management continued

#### Liquidity risk continued

**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 2021** | **Carrying amount €'000** | **Total €'000** | **2 months or less €'000** | **2 -12 months €'000** | **1 -5 years €'000** | **More than 5 years €'000** |
| **Non-derivative financial liabilities** | | | | | | |
| Government loan | 30,000 | 30,304 | - | 30,304 | - | - |
| EIB loan | 17,750 | 18,145 | 259 | 1,825 | 8,235 | 7,826 |
| ROUA lease liabilities | 100,573 | 123,709 | 4,129 | 20,643 | 52,022 | 46,915 |
| Trade and other payables | 128,077 | 128,077 | 128,077 | - | - | - |
| | 276,400 | 300,235 | 132,465 | 52,772 | 60,257 | 54,741 |

| | | Contractual cash flows | | | | |
|---|---|---|---|---|---|---|
| **31 December 2020** | **Carrying amount €'000** | **Total €'000** | **2 months or less €'000** | **2-12 months €'000** | **1-5 years €'000** | **More than 5 years €'000** |
| **Non-derivative financial liabilities** | | | | | | |
| Government loan | 30,000 | 30,602 | - | 304 | 30,298 | - |
| EIB loan | 9,000 | 9,264 | - | 1,055 | 4,155 | 4,054 |
| ROUA lease liabilities | 98,802 | 122,336 | 3,991 | 17,812 | 52,043 | 48,490 |
| Trade and other payables | 139,587 | 139,587 | 139,587 | - | - | - |
| | 277,389 | 301,789 | 143,578 | 19,171 | 86,496 | 52,544 |

## 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 | 2021 €'000 | 2020 €'000 |
|---|---|---|
| **Fixed-rate instruments** | | |
| **Financial assets** | | |
| Interest in PLI - shareholder loan | 20,742 | 25,004 |
| **Financial liabilities** | | |
| Government loan | (30,000) | (30,000) |
| European Investment Bank loan | (17,750) | (9,000) |
| | (27,008) | (13,996) |
| **Variable rate instruments** | | |
| **Financial assets** | | |
| On call deposits | 314,917 | 317,300 |
| | 314,917 | 317,300 |

### 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.

# Notes to the Financial Statements

for the year ended 31 December 2021 continued

## 31. Financial Instruments - Fair Value and Risk Management continued

**Market risk** continued

### 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 | |
|---|---|---|
| | 100 bp increase €'000 | 100 bp decrease €'000 |
| **31 December 2021** | | |
| **Financial assets** | | |
| Variable rate instruments | 2,989 | (2,989) |
| **Cash flow sensitivity - net** | 2,989 | (2,989) |
| **31 December 2020** | | |
| **Financial assets** | | |
| Variable rate instruments | 3,055 | (3,055) |
| **Cash flow sensitivity - net** | 3,055 | (3,055) |

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

## 32. Subsequent Events

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

## 33. Board Approval

The financial statements were approved by the Board of Directors on 19 April 2022

# Financial and Operational Statistics

(not covered by Independent Auditor's Report)

## Consolidated Income Statement

| | 2021 €'000 | 2020 €'000 | 2019 €'000 | 2018 €'000 | 2017 €'000 |
|---|---|---|---|---|---|
| Revenue | 890,600 | 915,503 | 892,128 | 896,954 | 840,002 |
| Operating costs | (874,378) | (882,999) | (812,576) | (835,827) | (814,750) |
| Depreciation and amortisation | (49,645) | (43,248) | (37,657) | (23,479) | (20,460) |
| (Loss)/Profit before transformation costs, one off items, net finance income/(cost) and taxation | (33,423) | (10,744) | 41,895 | 37,648 | 4,792 |
| Net finance income / (cost) | 2,817 | 292 | (308) | 3,098 | (1,015) |
| Transformation costs | (1,955) | (5,798) | (15,281) | (13,974) | - |
| One off items | (8,320) | (15,471) | 40,038 | - | 45,824 |
| (Loss)/Profit before taxation | (40,881) | (31,721) | 66,344 | 26,772 | 49,601 |

## Consolidated Statement of Financial Position

| | 2021 €'000 | 2020 €'000 | 2019 €'000 | 2018 €'000 | 2017 €'000 |
|---|---|---|---|---|---|
| Non-current assets | 385,573 | 380,382 | 376,485 | 274,215 | 284,422 |
| Net current assets/(liabilities) | (79,808) | 33,286 | 69,448 | 29,781 | 8,960 |
| Other non-current liabilities | (111,587) | (134,963) | (137,527) | (52,109) | (62,984) |
| Net assets excluding pension asset / (liability) | 194,178 | 278,705 | 308,406 | 251,887 | 230,398 |
| Pension asset / (liability) | 486,006 | 89,089 | (28,228) | (47,880) | (55,066) |
| Net assets / (liabilities) including pension asset / (liability) | 680,184 | 367,794 | 280,178 | 204,007 | 175,332 |
| Capital and reserves | 680,184 | 367,794 | 280,178 | 204,007 | 175,332 |

## Ratios

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| (Loss)/Profit before transformation costs, one off items, net finance income/(cost) and taxation as % of revenue | (3.75%) | (1.17%) | 4.70% | 4.20% | 0.57% |
| Staff and postmasters' costs as % of operating costs | 67.99% | 68.27% | 69.64% | 67.93% | 68.98% |
| Current assets as % of current liabilities | 89.43% | 104.17% | 112.22% | 103.74% | 101.31% |

# Financial and Operational Statistics

(not covered by Independent Auditor's Report) continued

## Mail

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|
| Core mail volume index (2016=100) (note 1) | 70.4 | 73.9 | 79.6 | 85.0 | 92.0 | 100.0 |

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

## System Size

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|
| **Mails network:** | | | | | | |
| No. of delivery points (millions) | 2.367 | 2.335 | 2.312 | 2.284 | 2.263 | 2.249 |
| No. of motor vehicles (ex. short term hires) | 2,499 | 2,855 | 3,036 | 2,805 | 2,792 | 2,776 |
| No. of electric vehicles | 1,010 | 776 | 166 | - | - | - |
| No. of electric cargo trikes | 190 | 169 | 47 | - | - | - |
| **Post office network:** | | | | | | |
| Company post offices | 45 | 45 | 45 | 45 | 50 | 50 |
| Contract post offices | 875 | 894 | 907 | 967 | 1,073 | 1,075 |
| Postal agencies | 84 | 87 | 92 | 96 | 104 | 111 |
| | 1,004 | 1,026 | 1,044 | 1,108 | 1,227 | 1,236 |

| | €m | €m | €m | €m | €m | €m |
|---|---|---|---|---|---|---|
| **Savings Services (note 2)** | | | | | | |
| Value of Funds at 31 December | 24,064 | 22,765 | 21,228 | 20,657 | 20,416 | 20,119 |
| **Activity for year** | | | | | | |
| **Post Office Savings Services** | | | | | | |
| Savings Bank deposits | 1,248 | 1,151 | 993 | 1,079 | 1,064 | 1,060 |
| Savings Bank withdrawals | (745) | (653) | (880) | (889) | (863) | (904) |
| Savings Certificates issued | 1,215 | 1,281 | 1,704 | 1,780 | 1,023 | 1,168 |
| Savings Certificates repaid | (1,461) | (1,074) | (865) | (2,403) | (1,055) | (1,347) |
| Instalment Savings issued | 94 | 93 | 89 | 100 | 96 | 97 |
| Instalment Savings repaid | (86) | (88) | (101) | (100) | (102) | (105) |
| Savings Bonds issued | 815 | 654 | 718 | 886 | 714 | 1,116 |
| Savings Bonds repaid | (844) | (726) | (1,129) | (1,317) | (1,258) | (1,849) |
| National Solidarity Bond issued | 1,078 | 1,101 | 804 | 921 | 598 | 991 |
| National Solidarity Bond repaid | (522) | (879) | (501) | (412) | (435) | (322) |
| **Department of Social Protection** | | | | | | |
| Welfare benefits paid during the year | 5,983 | 6,756 | 7,125 | 7,380 | 7,615 | 7,997 |

| | 2021<br>000's | 2020<br>000's | 2019<br>000's | 2018<br>000's | 2017<br>000's | 2016<br>000's |
|---|---|---|---|---|---|---|
| **BillPay Volumes** | 12,943 | 13,255 | 16,033 | 17,025 | 17,977 | 19,760 |
| **TV Licences Issued** | 951 | 961 | 1,026 | 1,039 | 1,028 | 1,019 |

**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

(not covered by Independent Auditor's Report)

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

### Requirements of the Universal Service Obligation ('USO')

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

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

(i) one clearance, and

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

The following services are provided:

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

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

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

(d) a registered items service;

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

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

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

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

### Access to Universal Services

An Post provides access to its services through its network of 45 Company Post Offices and 875 Contract Post Offices. In addition, some 1,754 retail premises are authorised to sell postage stamps, as active agents. To facilitate physical access to the service, approximately 5,550 post boxes, including meter post boxes and those located in Delivery Service Units, are distributed widely throughout the State. There are 42 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 3 March 2022. Other than Letters (up to C5), higher prices apply for heavier weights.

| | Ireland & NI | |
|---|---|---|
| | **Standard Post** | **Registered Post*** |
| **Letters (up to C5)** | €1.25<br>€1.15 if item bears a franking impression | €8.00 |
| **Large Envelopes** | €2.10<br>€2.00 if item bears a franking impression | €8.20 |
| **Packets** | €3.80<br>€3.70 if item bears a franking impression | €8.20 |
| **Parcels** | €9.00 | €13.00 |

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

# Universal Service (not covered by Independent Auditor's Report) continued

## **Tariffs** continued

| | International Destinations | |
|---|---|---|
| | Standard Post | Registered Post* |
| **Letters (up to C5)** | €2.20 | €8.70 |
| **Large Envelopes** | | |
| Zone 2 | €3.00 | €10.00 |
| Zone 3 | €3.50 | €10.50 |
| Zone 4 | €5.00 | €12.00 |
| Zone 5 | €5.50 | €12.50 |
| **Packets** | | |
| Zone 2 | €7.00 | €12.00 |
| Zone 3 | €8.00 | €13.00 |
| Zone 4 | €11.00 | €18.00 |
| Zone 5 | €13.50 | €20.50 |
| **Parcels** | | |
| Zone 2 | €21.00 | €26.00 |
| Zone 3 | €30.00 | €35.00 |
| Zone 4 | €36.00 | €41.00 |
| Zone 5 | €36.00 | €43.00 |

*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.

Zone 2 includes Belgium, France, Germany, Great Britain, Luxembourg and Netherlands. Zone 3 includes most other EU countries plus Norway and Switzerland. Zone 5 includes Australia, New Zealand and South America. Other countries are in Zone 4. A full list of current USO tariffs is available in the Guide to Postal Rates (see https://www.anpost.com/, where the full list of countries in each zone is also available)

## 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 2020.

| **Written complaints received from customers** | **2021** | **2020** |
|---|---|---|
| Items lost or substantially delayed | 45,584 | 39,446 |
| Items damaged | 1,922 | 1,673 |
| Items arriving late | 1,171 | 3 |
| Mail collection or delivery: | 8 | - |
| Failure to make daily delivery to home or premises | - | 28 |
| Collection times/Collection failures | - | 1 |
| Mis-delivery | 2,863 | 2,590 |
| Access to Customer Service Information | - | - |
| Tariffs for single piece mail/discount schemes and conditions | - | - |
| Change of Address (Redirections) | 1,234 | 650 |
| Behaviour and competence of postal personnel | 16 | 16 |
| Underpaid mail | 2 | 6 |
| How complaints are treated | - | - |
| Others (not included in the above) | 3,509 | 3,663 |
| Total | 56,309 | 48,076 |

Included in the total figure are complaints about registered items, which number 15,555 (2020: 8,774).

In 2021, there were 640,257 telephone calls, (2020: 786,150) made to An Post Customer Services. Most of these were routine or general enquiries rather than complaints. In 2021, there was a total of 114,174 Web Chats answered for the year (2020: 155,337)

There were 19,064 contacts regarding Customs queries with 2,044 call complaints in 2021 (2020: N/A) and similarly 10,882 contacts with 1,872 call complaints regarding Postmobile (2020: N/A)

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

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

## Further Information

Additional information in relation to services provided by An Post is available at www.anpost.com/Help-Support, by phoning An Post Customer Services on 01-705 7600, via email at www.anpost.com/contactus, by completing an online enquiry form at https://forms.anpost.ie/enquiry, or 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<br>O'Connell Street<br>Dublin 1<br>D01 F5P2 |
| **Solicitors** | Matheson<br>70 Sir John Rogerson's Quay<br>Grand Canal Dock<br>Dublin 2<br>D02 R296<br><br>McCann FitzGerald<br>Riverside One<br>Sir John Rogerson's Quay<br>Dublin 2<br>D02 X576 |
| **Bankers** | Bank of Ireland<br>2 College Green<br>Dublin 2<br>D02 VR66 |
| **Auditors** | Deloitte Ireland LLP<br>Chartered Accountants & Statutory Audit Firm<br>Deloitte & Touche House<br>Earlsfort Terrace<br>Dublin 2<br>D02 AY28 |
| **Registered Number** | 98788 |
| **Company Type** | An Post is a Designated Activity Company limited by shares |

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