

AN POST
2009
A CHALLENGING
BUT
POSITIVE
YEAR

**OUR AIM
IS TO BE THE
LEADING HIGH
QUALITY,**

CONTENTS

2	MISSION, VISION AND VALUES
4	BOARD OF DIRECTORS AND CORPORATE INFORMATION
8	CHAIRMAN'S STATEMENT
10	MANAGEMENT
14	CHIEF EXECUTIVE'S REVIEW
20	FINANCIAL REVIEW
22	UNIVERSAL SERVICE
26	SUSTAINABILITY
30	STAMP ISSUES AND PHILATELIC PUBLICATIONS
35	INDEX TO THE FINANCIAL STATEMENTS

LOW COST SERVICE PROVIDER

WORKING TOGETHER

OUR MISSION

TO PROVIDE WORLD CLASS POSTAL, DISTRIBUTION AND FINANCIAL SERVICES WITH UNRIVALLED LOCAL COMMUNITY ACCESS AND GLOBAL CONNECTIONS.

OUR VISION

WORKING TOGETHER AS A UNITED TEAM, OUR AMBITION IS TO OUTPERFORM THE NEW COMPETITION WE FACE, DELIVERING A BETTER QUALITY SERVICE, MORE EFFICIENTLY, TO MORE CUSTOMERS BY CONTINUOUSLY ADAPTING, INNOVATING AND IMPLEMENTING CHANGE.

AS A UNITED TEAM

OUR VALUES

INNOVATION & CHANGE

CONTINUALLY INNOVATE, ADAPT AND IMPLEMENT CHANGE SUCCESSFULLY.

RESPECTED CORPORATE CITIZEN

CARE FOR THE ENVIRONMENT AND BE ENGAGED IN THE COMMUNITY AS RESPECTED CORPORATE CITIZENS.

RESPECT & PERSONAL RESPONSIBILITY

RESPECT EACH OTHER AND TAKE PERSONAL RESPONSIBILITY.

QUALITY CUSTOMER SERVICE

PUT THE CUSTOMER FIRST IN EVERYTHING WE DO, CONSISTENTLY DELIVERING WORLD CLASS SERVICE QUALITY.

COMMERCIAL SUCCESS

ACHIEVE COMMERCIAL SUCCESS, EARNING PROFITS THAT CAN SUSTAIN AND DEVELOP THE BUSINESS.

COST COMPETITIVENESS & EFFICIENCY

RUN A COST COMPETITIVE, EFFICIENT OPERATION.

BOARD OF DIRECTORS AND CORPORATE INFORMATION



**1. JOHN FITZGERALD F.C.C.A.
CHAIRMAN – 2,3**

Age 63
Appointed 1 March, 2008

Mr. Fitzgerald has spent most of his career working in local government, serving in several senior positions, including that of Dublin City Manager from 1996 until 2006. Currently, he is Chairman of the Grangegorman Development Agency and of the two Regeneration Agencies set up in Limerick following his report to Government on problems of social exclusion in that city. He is also Chairman of the National Transport Authority, vice Chairman of InterTradelreland and a member of the board of the Health Service Executive.

**2. PATRICK COMPTON
EMPLOYEE DIRECTOR**

Age 53
*Appointed 1 November, 2008;
fifth term*

Mr. Compton has worked in the postal service for the past 36 years and his current position is that of Partnership Co-ordinator, based in Roscommon. He was a member of the national executive of the Communications Workers Union for 22 years and its president in 1986. He is active in community development in his local area and he is a member of Arigna Leader Board and Roscommon County Development Board. He is a director of The Prize Bond Company Limited.

**3. JERRY CONDON
EMPLOYEE DIRECTOR – 2**

Age 56
*Appointed 1 November, 2008;
fourth term*

Mr. Condon commenced work in 1971 with the Department of Posts and Telegraphs and has worked as a Post Office Clerk for his entire career. He has been an active member of the Communications Workers Union throughout his career and he served on the national executive of that union for 13 years.

**4. DONAL CONNELL
– C.ENG., F.I.E.I., B.E.
DIRECTOR – 2, 3**

Age 56
Appointed 14 August, 2006

Mr. Connell was appointed as Chief Executive on 14 August, 2006. He began his career in the Department of Post and Telegraphs and has held senior management positions in Unitrode Ireland, 3Com Ireland and Maxtor Ireland where he was General Manager prior to joining An Post. He is a non-executive director of Xilinx Corporation's European Board and of Postbank Ireland Limited. He is also Chairman of An Post National Lottery Company.

**5. ANNE CONNOLLY – B.A., M.B.A.
DIRECTOR – 2**

Age 56
Appointed 23 November, 2007

Ms. Connolly is the Director of the Ageing Well Network, an independent leadership network of heads of organisations across the private, public and voluntary sectors. She had previously founded and run Anne Connolly Consulting Limited, a strategic management consultancy company. Prior to forming this company, she worked as strategy manager with Kingspan plc and, before that, at senior management level in the public and not-for-profit sectors. She has previously been on the boards of ICC Bank plc and APSO and she was Chairperson of the Federation of Simon Communities in Ireland.

**6. PADDY COSTELLO
EMPLOYEE DIRECTOR**

Age 61
Appointed 1 November, 2008

Mr. Costello joined the Post Office as a Junior Postperson in 1964. He became a Postperson in 1966 and he has been employed in the Finglas Delivery Office, Dublin 11 for the last 43 years. Throughout his employment, he has represented members of the Communications Workers Union at Delivery Offices in Dublin. He has held various branch officer positions and he is currently serving as the Treasurer of the Dublin Postal Delivery Branch.

**7. LOUISE ENGLISH
– B.COMM., F.C.A.
DIRECTOR – 1, 2**

Age 47,
Appointed 1 June, 2005

An accountant by profession, Ms. English began her career with PriceWaterhouse and then joined IBI Corporate Finance. She held a number of positions there, including Director of Mergers and Acquisitions. A member of the Institute of Directors, she has served on the Boards of a number of public and private Irish companies including Bord na Móna plc and Sherry Fitzgerald plc. She is currently chairperson of Capital Radio Productions Limited (FM104) and a non-executive director of St. Vincent's Healthcare Group Limited.

**8. CIARA HURLEY – B.B.S., M.B.S.
(BANKING AND FINANCE), M.S.I.
DIRECTOR – 1**

Age 44
Appointed 3 April, 2006

Ms. Hurley is a Vice President at Quilter, which is part of Morgan Stanley Smith Barney. She has over 20 years experience as an investment manager working with high net worth individuals and families. She previously worked with Goodbody Stockbrokers as a Senior Portfolio Manager and with Merrill Lynch International Bank Limited as Investment Director. She is a Member of the Chartered Institute for Securities & Investment.



9. JAMES HYLAND – B.COMM – F.C.A., F.C.I.S., M.C.I.ARB., M.E.W.I. DIRECTOR – 1
 Age 74
Appointed 11 December, 2008; second term

Mr. Hyland, a chartered accountant, is former Deputy Chief Executive of Golden Vale Group and was former Group Chief Executive of Youghal Carpets plc. He was Managing Director of James Hyland & Company, Forensic Accountants, and a partner in Hyland Johnson Murray, Chartered Accountants. He is Chairman or director of a number of other companies including An Post National Lottery Company.

10. BRIAN MCCONNELL – B.B.S. DIRECTOR
 Age 63
Appointed 3 April, 2006

A career banker by profession, Mr. McConnell has comprehensive experience in the Financial Services Sector. He has served as Chief Executive of Permanent tsb and Ulster Investment Bank (Corporate Banking / Finance). Now retired, he has held directorships in several financial institutions including Irish Life and Permanent Plc and Ulster Bank Limited. He is a director of Postbank Ireland Limited and of a number of AXA Group companies.

11. GERRY O'TOOLE EMPLOYEE DIRECTOR – 2
 Age 47
Appointed 1 November, 2008
 Mr. O'Toole started work in the Department of Posts and Telegraphs in 1980 as a Junior Postman and the following year he was appointed as a Postperson. In 1989, he was promoted to the position of Clerical Officer and worked in the Financial Services area until 1998 when he moved to the IT Unit where he is currently a Technical Support Specialist in IT Network Support. He has served on a number of branch committees for different unions over the years.

12. JOHN QUINLIVAN B.Sc. (MGT. & LAW), M.Sc. (SPATIAL PLANNING), DIP. IN PUBLIC ADMIN, DIRECTOR – 3
 Age 71
Appointed 24 June, 2008; second term

Mr. Quinlivan has had a lengthy career in local government, serving in senior positions in nine counties, including 15 years as Louth County Manager. He served for five years as a member of the National Roads Authority and he also served as a member of the Local Government Management Services Board and the Local Government Computer Services Board and An Comhairle.

13. ALAN SLOANE POSTMASTER DIRECTOR
 Age 52
Appointed 1 January, 2007; third term
 Mr. Sloane has worked in the family grocery and post office business since 1976. He was appointed postmaster of Loch Gowna post office, Co. Cavan in 1979. He is also Managing Director of J.A.S. Limited, a security counter and furniture manufacturing business, which he established in 1985.

14. CATHERINE WOODS – B.A. (ECON) DIRECTOR – 3
 Age 47
Appointed 4 February, 2008

Ms. Woods has spent most of her career in London, concentrating on the financial sector. She has extensive experience of mergers and acquisitions and stockbroking from her 17 years with JP Morgan as a Vice President. Her mandates included the recapitalisation of Lloyds' of London Insurance market and the re-privatisation of Scandinavian banks. Since her return to Ireland, she has served on the Electronic Communications Appeals Panel from 2004 to 2007, opining on appeals against decisions made by ComReg.

SECRETARY
 Michael Tyndall

REGISTERED OFFICE
 General Post Office
 O'Connell Street
 Dublin 1

AUDITOR
 KPMG, Chartered Accountants

BANKERS
 Bank of Ireland

SOLICITORS
 Matheson Ormsby Prentice

KEY TO BOARD COMMITTEES
 1. Audit and Security
 2. Personnel
 3. Remuneration

**AN POST CAN
COMPETE &
WIN ON THE
BASIS OF
QUALITY,**

OUR FUNDAMENTAL OBJECTIVE IS TO BE THE LEADING HIGH QUALITY, LOW COST SERVICE PROVIDER, IN ORDER TO WIN AND MAINTAIN THE SUPPORT OF A CUSTOMER BASE WHICH WILL BE PROVIDED WITH GREATER CHOICE BY NEW COMPETITORS.

JOHN FITZGERALD
CHAIRMAN



COST & INNOVATION

CHAIRMAN'S STATEMENT

THE ECONOMIC ENVIRONMENT FOR NATIONAL POSTAL OPERATORS WAS ADVERSE IN 2009. AN POST, HOWEVER, ADJUSTED RAPIDLY TO THESE CHALLENGING CIRCUMSTANCES AND REMAINED PROFITABLE AT THE OPERATING LEVEL. THE COMPANY HAS SHOWN THAT IT IS ABLE TO PERFORM WELL IN THE MOST DIFFICULT AND TRYING OF BUSINESS ENVIRONMENTS. IN 2009, WE EXPERIENCED A SHARP DECLINE IN TRADITIONAL MAIL VOLUME, PARTIALLY OFFSET BY BUOYANCY IN RETAIL INCOME. AN POST HAS ALREADY UNDERTAKEN SIGNIFICANT PREPARATORY WORK IN ADVANCE OF FULL LIBERALISATION OF THE POSTAL MARKET IN 2011. THIS HAS STOOD TO US IN WHAT WAS A DIFFICULT YEAR. THE DOWNWARD TREND IN MAIL VOLUME, COUPLED WITH IMMINENT MARKET OPENING, PRESENT DISTINCT CHALLENGES AND OPPORTUNITIES. THESE WILL BE MET BY SUCCESSFUL PRODUCT AND SERVICE INNOVATION ACROSS THE BUSINESS, COST REDUCTIONS, IMPROVED QUALITY OF SERVICE AND ENHANCED EFFICIENCIES IN ALL OUR OPERATIONS.

We have also benefited from a relatively strong performance by our retail services which offer good potential for further growth in the years to come. The joint shareholders of Postbank recently decided that it should cease trading at the end of 2010. This decision was taken in the context of the current difficult market conditions and following detailed analysis of future potential.

Our fundamental objective is to be the leading high quality, low cost service provider, in order to win and maintain the support of a customer base which will be provided with greater choice by new competitors. This goal is being pursued through a series of successful strategic projects, encompassing every aspect of the Company's operations and activities.

CUSTOMER-FOCUSED AND COMPETITIVE

The future for An Post holds major challenges and the outlook remains uncertain as mail volume continues to fall here and elsewhere around the world, albeit at a slower rate than that experienced in 2009. However, I also see great opportunities for the business, for our staff and our customers as we continue to modernise, to transform and become even more customer-focused and efficient.

WE MUST MAINTAIN AND DEVELOP OUR POSITION IN THE INCREASINGLY COMPETITIVE PACKETS AND PARCELS BUSINESS – A SIGNIFICANT OPPORTUNITY FOR FUTURE GROWTH – BOTH IN IRELAND AND OVERSEAS.

This approach will underpin our ability to continue to provide the all-important Universal Service Obligation throughout the country, five days a week. We continue to develop a position in a number of ancillary markets. For instance, our subsidiary Air Business, a distributor for publishers and direct mail clients, is now a leading quality provider of mailing services in the fully liberalised and highly competitive UK market.

PENSION COMMITMENTS

The FRS17 accounting deficit in the pension schemes reduced to €403 million, compared to €582 million in the previous year. However, as is the case with most defined benefit pension funds, the An Post schemes do not meet the Minimum Funding Standards required by the Pensions Board. This is a major challenge for the Company and its employees. A process of engagement is underway with

employee representatives. The intention is to develop an agreed plan to address these requirements and to submit this to the Pensions Board by the end of 2010.

POSTCODE IMPLEMENTATION

AN POST WILL HAVE A KEY ROLE IN THE PLANNING AND IMPLEMENTATION OF THE NEW POSTCODE SYSTEM.

The introduction of Postcodes will facilitate the continued improvement in our Quality of Service and will assist us in reaching our target of 94% next-day delivery of domestic mail. This development will also bring diverse benefits to business and customers alike.

SERVING BUSINESSES AND COMMUNITIES

The Company has a dual mandate: a commercial imperative and an obligation to service businesses and communities throughout the State. We have earned our customers' trust over many years and we will do everything in our power to remain worthy of that trust. Our future success will be based on our core values and this means increasing our focus on our customers, our revenue, our quality, our reliability, our cost control and our management processes and capability, as well as nurturing innovation throughout the Company.

DELIVERING GREATER EFFICIENCY

We have reported operating profits continuously now for five years. We have come a very long way over those years. Our modernisation is progressing - by delivering greater efficiency and better quality. While our targets are stretching, we are very confident that, with the continuing support of our staff, we can and will achieve our strategic goals.

On behalf of the Board, I would like to thank the management, staff and our contractors for their loyalty, commitment and work during 2009. I would also like to thank my colleagues on the Board for their ongoing commitment. It is extremely satisfying to see that their continued hard work, over a number of years, has brought significant improvements, which now position the Company well for the difficult years ahead. Everyone throughout the organisation has played an important role in improving the Group's performance and the contribution of the directors in helping to set the course, has been particularly valuable.

I want to thank Patrick Davoren, who retired from the Board in February 2010 after over 17 years service on the Board. His contribution is greatly appreciated.

In particular, I would like to say a special word of thanks to the Minister for Communications, Energy and Natural Resources, Mr. Eamon Ryan, T.D., and his officials for their assistance and support throughout the year.

IMMEDIATE PROSPECTS

OVERALL, 2009 IS A YEAR OF WHICH EVERYONE IN AN POST CAN BE PROUD. HOWEVER, THIS DOES NOT MEAN THAT WE CAN BE COMPLACENT.

January 2011 will see the introduction of a fully competitive postal market in Ireland. Our ability to rise to challenges in the past and the improvements we have delivered in recent years bode well for An Post in the coming years. I have great confidence in the Board, management team and staff as they deal with the issues facing us and I am confident that this Company will prosper into the future.



JOHN FITZGERALD

CHAIRMAN

25 March, 2010

MANAGEMENT



1. DONAL CONNELL,
C.ENG., F.I.E.I., B.E.
CHIEF EXECUTIVE
Age 56

Mr. Connell was appointed as Chief Executive on 14 August, 2006. He began his career in the Department of Post and Telegraphs and has held senior management positions in Unirode Ireland, 3Com Ireland and Maxtor Ireland where he was General Manager prior to joining An Post. He is a non-executive director of Xilinx Corporation European Board and of Postbank Ireland Limited. He is also Chairman of An Post National Lottery Company.

2. JOHN DALY, A.C.M.A., M.Sc.(MGMT.)
RETAIL OPERATIONS DIRECTOR
Age 47

Mr. Daly joined An Post in December 1988 having worked previously as a management accountant in FÁS. During the early part of his career with An Post, he worked in the Finance division as a management accountant. He then held various senior finance and management positions within the Retail division before being appointed to his current position in October 2006. He is a director of The Prize Bond Company Limited.

3. JACK DEMPSEY,
B.COMM., M.B.A., M.P.A.
SPECIAL PROJECTS DIRECTOR
Age 59

Mr. Dempsey joined the Post Office in 1968 as an Executive Officer in the Department of Posts and Telegraphs. During his career, he has gained wide experience in all aspects of postal operations and commercial activities, both national and international, occupying a variety of senior management positions across the Company. He was appointed Special Projects Director in April 2009.

4. PETER GALLAGHER,
B.Sc., M.B.A., M.INST.D
DIRECTOR OF STRATEGY
AND BUSINESS EXCELLENCE
Age 48

Mr. Gallagher joined An Post in April 2007 as Head of Strategy and Business Excellence. Prior to joining An Post, he had been a Partner in PA Consulting Group's Global Business Transformation Practice where he led major transformational and business operational improvement programmes for private and public sector clients. Previous experience also includes Director of Strategy with KPMG Consulting and Business Operations Manager (UK & Ireland) for Dell Computer Corporation.

5. PAT KNIGHT,
M.Sc.(MGMT.), F.C.I.P.D.
HUMAN RESOURCES DIRECTOR
Age 55

Mr. Knight joined An Post in March 2004 as Human Resources Director. Previously, he had been General Manager, Human Resources at Waterford Crystal, which he joined in 1986 and where he held senior HR roles, both in Ireland and the UK. Previous experience also includes work as a Personnel Officer with Bord na Móna plc. He is a Trustee of the An Post Superannuation Schemes.

6. BRIAN MCCORMICK,
B.E.(MECH.), M.B.A.
SERVICES DIRECTOR
Age 50

Mr. McCormick joined An Post in May 2002 as Strategy Director and was appointed to his current position of Services Director in October 2003. Prior experience includes CRH plc and Merrion Corporate Finance where he was a Director. He is a Trustee of the An Post Superannuation Schemes.

7. LIAM O'SULLIVAN
MAILS OPERATIONS DIRECTOR
Age 43

Mr. O'Sullivan joined An Post in 1985 as a Post Office Clerk. During his career, he has gained broad experience across the full range of the Company's business. He has held various senior managerial and project management positions in the Company, including periods as Mail Processing Director and Director of Collection and Delivery Change Programmes and Operations. He took up his current position in April 2009.

8. PETER QUINN B.COMM., F.C.A., M.B.A.
CHIEF FINANCIAL OFFICER
Age 51

Mr. Quinn joined An Post in August 2004 having previously held senior financial and strategic positions in PJ Carroll and Company plc and Monaghan Mushrooms Limited. Earlier in his career, he trained as a chartered accountant and worked in practice with KPMG. He is a director of Postbank Ireland Limited.

9. LIAM SHEEHAN
SALES AND MARKETING DIRECTOR
Age 50

Mr. Sheehan joined An Post in 2000 as General Manager Sales and Marketing and he was appointed as Sales and Marketing Director in October 2006. He has extensive experience in the Irish fast moving consumer goods sector and in brand creation, channel management and sales strategy. He previously held senior Sales and Marketing positions in Proctor & Gamble and in Guinness and he was Commercial Director with Erin Foods. He is a director of the Irish Direct Marketing Association.

10. MICHAEL TYNDALL,
B.COMM., F.C.A.
COMPANY SECRETARY
Age 59

Mr. Tyndall joined An Post in January 1989 as Head of Financial Accounting and he was appointed as Company Secretary in April 1998. He began his career in the accountancy profession from where he qualified as a chartered accountant. He then worked and held senior financial and management positions in insurance and distribution businesses. He is a Trustee of the An Post Superannuation Schemes and he is also Company Secretary to An Post National Lottery Company.

11. BARNEY WHELAN,
B.Sc., M.B.A., F.P.R.I.I.
DIRECTOR OF COMMUNICATIONS
AND CORPORATE AFFAIRS
Age 55

Mr. Whelan joined An Post in January 2005. Having spent many years in the aquaculture industry, he was responsible for public relations and brand communications at the ESB. He subsequently held the position of Director, Sales and Marketing at The Food Safety Promotion Board. He was appointed to his current position in October 2006.

**AN POST
DELIVERED
A RESILIENT
FINANCIAL
PERFORMANCE,
GREATER
EFFICIENCY &**

A MAJOR CONTRIBUTOR TO THE COMPANY'S FINANCIAL PERFORMANCE WAS THE REDUCTION ACHIEVED IN OPERATING COSTS. THIS WAS DELIVERED BY THE ONGOING SUCCESSFUL IMPLEMENTATION OF THE COMPANY'S CHANGE PROGRAMMES.

DONAL CONNELL
CHIEF EXECUTIVE



**BETTER
QUALITY**

CHIEF EXECUTIVE'S REVIEW

A CHALLENGING BUT POSITIVE YEAR AN POST MADE AN OPERATING PROFIT OF €5.7 MILLION IN 2009 DESPITE A DROP IN OVERALL REVENUES OF 5.4% TO €804 MILLION. THIS RESULT IS DUE MAINLY TO THE ECONOMIC RECESSION, IN ADDITION TO INTENSIFYING COMPETITION AND E-SUBSTITUTION. THE COMPANY REACTED SWIFTLY TO ADVERSE ECONOMIC CIRCUMSTANCES AND SUCCEEDED IN REDUCING OPERATING COSTS BY 2.5% FROM €819 MILLION TO €798 MILLION. THIS RESILIENT FINANCIAL PERFORMANCE, ALONG WITH A THIRD SUCCESSIVE YEAR OF RECORD QUALITY OF SERVICE RESULTS, SHOWS THAT THE MODERNISATION OF OUR BUSINESS IS SUCCEEDING.

Our Retail business performed well during the year. Customers invested strongly in the State Savings Products which we sell, and manage, on behalf of the National Treasury Management Agency with the funds increasing by over €1.5 billion. Prize Bonds had a successful year with a fund increase of €269 million. The growth in these funds is largely due to the trusted nature of the An Post brand and the features of the State Savings Products. In addition, the number of other transactions, on behalf of clients such as the Department of Social and Family Affairs, Western Union and others, also increased. These welcome developments did not, however, fully compensate for the impact of declining revenue in our mails business. We intend to add additional Financial and Retail products to our product portfolio.

The reduction in operating costs was a major contributor to the Company's financial performance. This was delivered by the ongoing successful implementation of the Company's Change Programmes, particularly the Collection and Delivery Programme, which resulted in a reduction of 402 Full Time

Equivalents (FTE); a company-wide pay freeze and a major reduction in non-pay operating costs. An additional headcount reduction of 1,375 FTEs over the next three years is planned in order to reduce the Company's cost base still further.

An Post's strong cash position allows the Company to plan further necessary investment in infrastructure. This investment, together with the ongoing implementation of change programmes, will set the foundation for providing world class mail operations into the future.

THE TRANSFORMATION PROGRAMME COMPRISES A PORTFOLIO OF THE MOST IMPORTANT STRATEGIC PROJECTS THROUGHOUT THE ORGANISATION.

This portfolio covers all aspects of the preparatory change required prior to full market opening and commands priority in resourcing and execution. Project execution and the delivery of benefits are monitored rigorously and substantial progress was achieved throughout 2009.

Revenue and profitability remain important measures of success for any commercial enterprise. However, there are other important parameters without which positive financial outcomes cannot be sustained. These include such measures as Quality of Service, reflected in the on-time delivery of mail; widening of the revenue base; demonstration of true customer focus and the use of information technology to enhance efficiency. I am pleased to report that we have demonstrated significant further progress in all these important areas.

Recently, An Post and BGL BNP Paribas, the joint shareholders of Postbank Ireland Ltd., decided to discontinue the joint venture by the end of 2010. A number of factors led the shareholders to this decision, including the unprecedented circumstances of the financial services sector, the highly competitive savings market within Ireland and the absence of any prospect of profitability in current market circumstances.

Arising from this decision, Postbank management will implement a professional and orderly wind-down of the bank. In the interim, it will be business as usual for existing Postbank, One Direct and PostPoint customers and they will be able to conduct their banking, insurance and related activities in the normal way.

IMPROVED MAILS QUALITY OF SERVICE

CONSISTENCY OF PERFORMANCE AND IMPROVED QUALITY ARE VITAL TO SUCCESS IN OUR CORE ACTIVITY OF MAILS COLLECTION, PROCESSING AND DELIVERY.

Our target is 94% for next day delivery of domestic mail and 99.5% for delivery within three days. We continue to improve our performance at every stage of the process – from collection through to processing, distribution and delivery. 2009 saw further major improvement in respect of these targets and was the third successive year of record quality results. The latest published full year data from ComReg, the Commission for Communications Regulation, confirms that 84% of domestic mail was delivered the following day and 98.3% within three days. This represents a highly significant five percentage points increase in the next day domestic delivery performance over that achieved in 2008.

We have, again, met and exceeded the international mail quality delivery targets as set in the European Union (EU) Postal Directives of 85% in three days and measured by the International Post Corporation (IPC) UNEX Measurement System. The Company achieved 96% on inbound mail and 94.6% on outbound mail during 2009 and was awarded the IPC Certificate of Excellence in the Management and Processing of International Letter Mail. In addition, we were also presented with the Universal Postal Union EMS Co-operative's Performance Award – "Gold Level". An Post is now placed among a small leading group of companies which have received this award.

As part of a multi-year €150 million investment programme, we continued to focus on those areas which will help to drive further efficiencies and improve service quality. For example, the Board approved capital expenditure in the next generation of automated mail sorting equipment. At present, our equipment can sort 35% of all mail to the level of each delivery route. When completed, this investment will enable sortation of 80% of mail to this level.

In 2009, we completed our rollout of collection scanning to 100% of induction points nationwide which was a significant contributor to quality improvement.

In addition, we launched our Six Sigma programme which will see the management within our mails operations trained to the highest standard. This proven approach to process management will be a major contributor to achieving our quality goals in the years ahead.

STAFF ENGAGEMENT

I REGARD THE DEVELOPMENT AND MAINTENANCE OF GOOD RELATIONSHIPS WITH ALL EMPLOYEES AS FUNDAMENTAL TO OUR FUTURE.

Our relationship with our staff and their trade union representatives has remained open and constructive. This has ensured clarity of purpose and a genuine sense of co-operation at all levels concerning the success of the organisation. In this regard, I am pleased to report that the implementation of a number of change programmes continued successfully with the support of our staff and the trade unions which represent them.

Two years ago, I committed to building the capability of An Post by making a significant investment in the training and development of its people. Our senior management group finished a modular leadership development programme during 2009.

CHIEF EXECUTIVE'S REVIEW (CONTINUED)

Staff from many other areas of the Company, including front-line management, commenced similar training and development programmes. In our retail business, for instance, we invested significantly in training our staff and postmasters in post offices, an initiative which is already achieving increased revenues. I firmly believe that, across the whole Company, this approach is pivotal to our future success.

SECURING FUTURE REVENUE STREAMS.

THE COMPANY CONTINUED TO DEMONSTRATE THE EFFECTIVENESS OF DIRECT MAIL AS A MARKETING MEDIUM FOR BUSINESSES AND UNDERTOOK A RANGE OF PROMOTIONAL ACTIVITIES TO HELP COMPANIES EXPLOIT THEIR POTENTIAL.

This included workshops, events featuring expert speakers and master classes in all aspects of direct mail. We continue to support direct marketers and their agents by sponsoring the national Direct Marketing Awards.

We recognise the potential afforded to our mails business by e-commerce. Mails service providers have a vital role to play in the fulfilment of online and catalogue generated orders and this represents a growing opportunity for us. As a way of further stimulating this business, An Post's Online Shopping Directory provides a comprehensive up-to-date internet portal, providing one-stop access to Irish and international online shops and e-fulfilment. We remain focussed on delivering new products to these growth sectors and will continue to produce customised solutions for our major clients.

MAILS MARKET OPENING

THE COMPETITIVE MARKET IS ALREADY A REALITY, AS OVER 60% OF THE MAILS MARKET REVENUE HAS BEEN OPEN TO FULL COMPETITION FOR MANY YEARS.

I believe the Company is well positioned to cope with the full liberalisation of the postal market in 2011. An Post welcomes competition; the liberalised market will benefit the customer and provide new opportunities to demonstrate, as a commercial State-owned enterprise, that An Post can compete and win on the basis of quality, cost and innovation.

An Post is proud to be the Universal Service Provider in Ireland. I believe that providing this service is a significant undertaking and the Company needs to ensure that the business model continues to be robust. Equally, the Company is committed to growing mail volume and developing markets where it can, such as parcels and direct mail, by providing value for money, further improving quality and by developing and introducing innovative new products.

During 2009, both the Department of Communications, Energy and Natural Resources and ComReg engaged in consultative initiatives regarding the structure of the liberalised market. We have participated fully in the process by preparing detailed positions in respect of all aspects of the future market structure. Our input included positions on issues ranging from the Universal Service Obligation and regulation of products, prices and quality, to infrastructure and downstream access, in order to ensure that we can provide the service that customers want on commercially viable terms.

POSTCODES

Last September, the Minister for Communications, Energy and Natural Resources, Mr Eamon Ryan T.D., announced that the Government had approved the introduction of a postal code system for Ireland. Tenders will be invited for the implementation of this new system and the Government expects that these codes will be assigned and in use by the end of 2011.

AN POST SUPPORTS THE INTRODUCTION OF POSTCODES AND WILL PLAY A KEY PART IN DELIVERING TO OUR DIVERSE STAKEHOLDERS THE MANY AND VARIED BENEFITS OF THIS IMPORTANT PIECE OF NATIONAL INFRASTRUCTURE.

SUBSIDIARIES

THE COMPANY ALSO STRENGTHENED ITS PRESENCE IN A NUMBER OF ANCILLARY MARKETS.

Air Business, a 100% owned subsidiary of An Post in the UK, is a distributor for publishers and direct mail clients. The company operates outside of the traditional postal terminal dues system and is now a leading quality provider of mailing services in the fully liberalised and highly competitive UK market. The company has seen significant growth and new opportunities during 2009.

In May, the company acquired a major competitor, Jordan and Co. International Limited, the mail and fulfilment service provider, based near Oxford, to produce a very successful business with a combined turnover of stg£30 million. Our involvement not only enables high quality international mails traffic but also provides first-hand experience of a liberalised marketplace.

An Post purchased a 53.6% shareholding in The Gift Voucher Shop (GVS) during the latter part of 2009. The GVS business commenced as a strategic partnership in 2002 and has continued to grow strongly. The company sells store gift vouchers through the Post Office network in Ireland as well as directly through its corporate sales team, online and through its call centre. A One4All, multi-store, electronic Gift Card, launched in 2007, has proved to be its most successful product to date and the product was launched in the UK last year. GVS demonstrates how An Post can develop strong franchises, working closely with partners at home and abroad, harnessing the strength of its long-established business relationships to deliver rapid growth.

Increasingly, businesses wish to deploy electronic document workflows enabling operational efficiencies and enhancing security. In partnership with Adobe Corporation, Post. Trust's products allow companies to create electronic documents (in the areas of contract execution, invoice generation and general business correspondence) that have embedded, legally binding digital signatures. These products are available to both large and small businesses. This technology provides both verified author identity and document integrity. We are confident that this initiative anticipates and will fulfil the needs of customers in this growing market.

INNOVATION

I am committed to the development of a process to embed innovative, new ways of thinking and working which will deliver new products/services as a systemic component of how An Post operates. We will build on recent initiatives – for instance our full-service postal vending machines; postfone, a mobile phone service offering available soon through our retail outlets; the possibilities of the Gift Voucher Shop and others. We will also investigate opportunities available in the digital area including hybrid mail.

CHIEF EXECUTIVE'S REVIEW (CONTINUED)

IN THE POSTAL CONTEXT, THE OPPORTUNITIES FOR PROCESS INNOVATION ARE LIMITED ONLY BY TECHNOLOGICAL DEVELOPMENTS AND THE BENEFITS RANGE FROM DIRECT OPERATIONAL EFFICIENCIES TO ADDED-VALUE OFFERINGS FOR MAJOR CUSTOMERS.

Such opportunities can also result in very visible and high profile initiatives as can be seen in our retail outlets. I intend to see this activity placed on a firmer footing across An Post over the coming year.

I would like to thank the Board for their assistance, support and guidance during 2009 and, in particular, I would like to thank our Chairman, John Fitzgerald for his contribution and support. I would also like to thank my management team, our staff and contractors for the dedicated and committed manner in which they carried out their duties. In conclusion, I wish to express our gratitude to all our business partners for the trust placed in us. Their confidence will spur us to continue to improve our performance and to ensure that we are reliable partners in all aspects of logistics, communications and financial transactions.

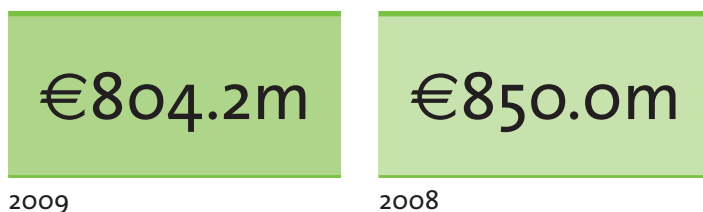
Both the financial and operational outcomes of 2009 illustrate how this fine Company can deal with significant challenges. We achieved this by working together, by focusing our efforts on those aspects of the business which deliver customer value and improve the quality of our service. As we enter a fully competitive market, this approach can and must remain central to our efforts.



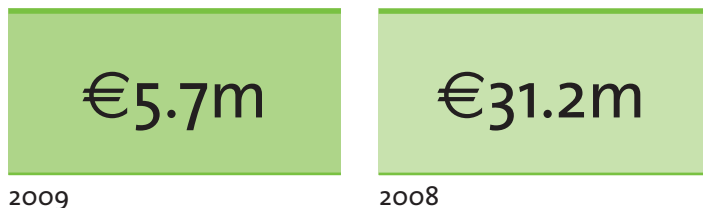
DONAL CONNELL
CHIEF EXECUTIVE
25 March, 2010

FINANCIAL HIGHLIGHTS

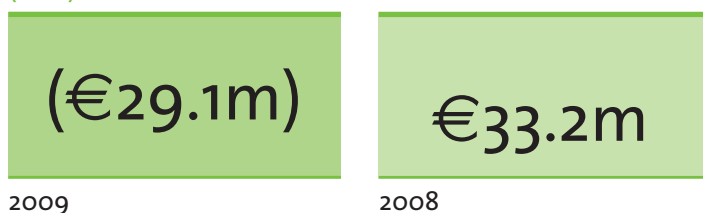
TURNOVER



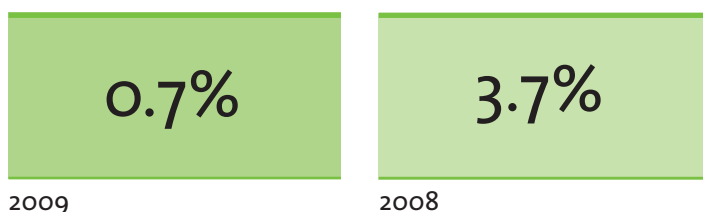
OPERATING PROFIT



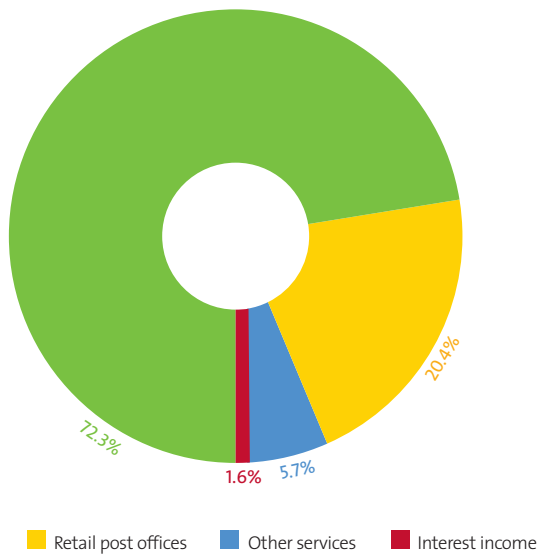
(LOSS)/PROFIT FOR THE FINANCIAL YEAR



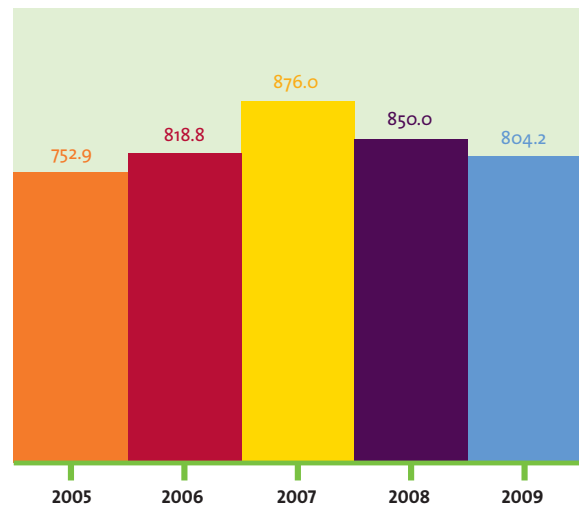
OPERATING PROFIT AS % OF TURNOVER



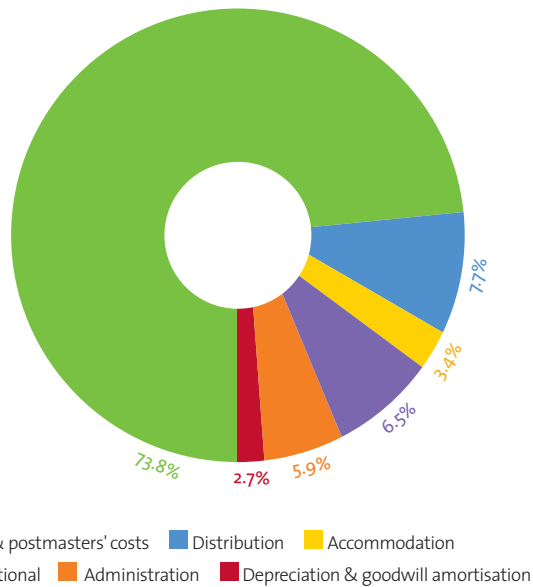
ANALYSIS OF TURNOVER



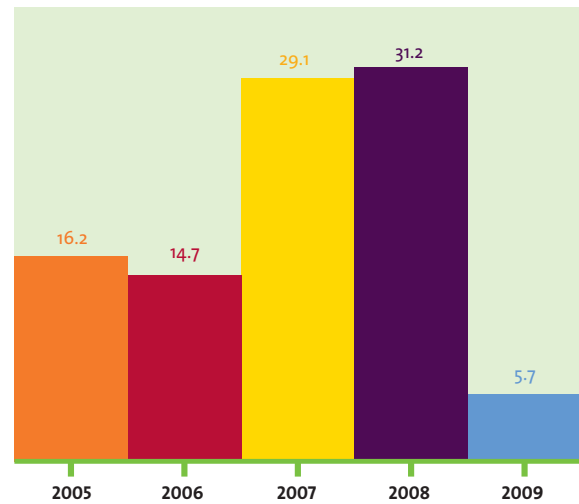
TURNOVER €M



ANALYSIS OF OPERATING COSTS



OPERATING PROFIT €M



FINANCIAL REVIEW

FINANCIAL OVERVIEW

ACHIEVING AN OPERATING PROFIT OF €5.7M FOR THE YEAR HAS BEEN A CONSIDERABLE TASK GIVEN THE ECONOMIC ENVIRONMENT IN WHICH THE COMPANY HAD TO OPERATE. THE COMPANY REACTED SWIFTLY TO THE CHANGE IN TURNOVER WHICH EMERGED VERY EARLY IN THE YEAR AND SUCCEEDED IN REDUCING ITS COST BASE SO AS TO RETAIN ITS PROFITABLE STATUS.

TURNOVER

Turnover decreased from €850m to €804.2m in 2009 due mainly to a reduction in the volume of traditional mail. This volume decline is directly related to a number of variables in the economy including economic growth, the number of house completions and general expenditure. All of these factors moved adversely during the year and their cumulative impact was to reduce the traditional mail volume by 10%.

Turnover in the retail business grew during the year as a result of a very substantial increase in the financial services activity conducted with An Post. The value of the NTMA funds originating through An Post outlets, including Prize Bonds, increased by €1.8 billion. The volume of other transactions carried out in post offices on behalf of clients such as the Department of Social and Family Affairs, Western Union, the utility companies and others, also increased in the year.

The Company also added some new income streams during the year and these contributed to mitigating the full impact of the decline in the volume of traditional mail.

		2009	2008
Turnover (excluding share of joint venture turnover)	€m	804.2	850.0
Operating profit	€m	5.7	31.2
Operating profit margin		0.7%	3.7%
Net assets excluding pension liability	€m	355.6	383.8
Company year-end full time equivalent (FTE) run rate		9,955	10,357
Letters core revenue index (2004 : 100)		98.1	109.0
Number of delivery points	millions	2.214	2.184

OPERATING COSTS

Wages, salaries and postmasters' costs were reduced by 1.7% from €599m in 2008 to €589m in 2009. There was a follow-on impact in 2009 from pay arrangements implemented in 2008. Discounting this from the labour cost demonstrates a declining labour bill of 3.4%. This reduction is being achieved by reducing the Full Time Equivalent (FTE) number employed in the Company. Compared to December 2008, a reduction of 402 FTEs was achieved by the end of December 2009 and this has laid the foundation for significant cost savings in the future.

Other operating costs were reduced by 4.7% to €210m. This was a considerable achievement as the Company continued its investment in marketing and in the An Post brand.

TANGIBLE FIXED ASSETS

Capital expenditure in the year amounted to €51.4m, reflecting significant expenditure on buildings, equipment and the transport fleet. The programme of renewal for the transport fleet continued with 650 replacement vehicles acquired during 2009. There were no significant asset disposals during the year. Further capital investment plans are in place for 2010-12, including investment in the next generation of mail sorting equipment, which will enable the sorting of 80% of all mail to delivery route level.

TREASURY POLICY AND CASH RESOURCES

The strong cash position on the balance sheet allows the Company to plan for investment. Both in capital expenditure and in the implementation of the change programme, this will set the foundation for providing world class mail operations into the future.

The Group's treasury function operates under a Board-approved policy which is low-risk and non-speculative. In the past year, there has been considerable change in the Financial Services sector and, with Board approval, the treasury function took appropriate steps to protect the financial assets of the Group. The primary objective of the treasury function is to ensure the availability of funds for trading activities while optimising the return on available cash resources.

PENSION SCHEMES

Pension schemes in the Group are accounted for under FRS 17 and show an accounting deficit of €403m compared to €582m in 2008. In 2009, there was a recovery in the value of the assets of the schemes following a very disappointing experience in 2008 arising from the performance of the financial markets. At the end of 2009, the assets of the pension schemes amount to €1.7 billion, representing an increase of €206m over December 2008.

In common with the majority of Defined Benefit (DB) pension schemes, the An Post DB schemes do not meet the Minimum Funding Standards required by the Pensions Board. Discussions amongst all the interested parties have commenced with a view to formulating an agreed funding plan to address the requirements of the Minimum Funding Standards. The agreed plan must be submitted to the Pensions Board for its approval by the end of 2010.

BALANCE SHEET

THE GROUP BALANCE SHEET SHOWS FIXED ASSETS OF €243M, CASH BALANCES OF €288M AND A NET ASSETS POSITION BEFORE PENSION LIABILITY OF €356M.

The Group's balance sheet provides a stable financial basis on which to implement its strategy.

ECONOMIC OUTLOOK

The economic environment for a national postal operator was very adverse in 2009. The Company has however, adjusted rapidly to the circumstance and remains profitable. Actions to mitigate this impact include vigorous cost control and further efficiency improvements. The full effect of the economic environment continues to be monitored and the business will react to this as the circumstances dictate. It is expected that the climate will be better in 2010 and the improvements in the cost base and the income generating developments underway will show benefits in the near future.

UNIVERSAL SERVICE

UNDER THE EUROPEAN COMMUNITIES (POSTAL SERVICES) REGULATIONS, 2002, S.I. 616 OF 2002 ('THE REGULATIONS') AND DIRECTIONS ISSUED BY THE COMMISSION FOR COMMUNICATIONS REGULATION (COMREG), AN POST IS REQUIRED TO PUBLISH IN ITS ANNUAL REPORT INFORMATION RELATING TO UNIVERSAL SERVICE.

REQUIREMENTS OF THE USO (UNIVERSAL SERVICE OBLIGATION)

Under Regulation 4 (2) (a) of the Regulations, An Post is designated as a universal service provider with the obligation to provide a universal postal service.

Under Regulation 4 (3) (a), a universal service provider shall guarantee, on every working day and not less than 5 days a week, save in circumstances or geographical conditions deemed exceptional by ComReg, as a minimum:

- i one clearance, and
- ii one delivery to the home or premises of every natural or legal person or, by way of derogation, under conditions at the discretion of ComReg, one delivery to appropriate installations.

Under Regulation 4 (4), universal service shall include the following minimum facilities:

- A the clearance, sorting, transport and distribution of postal items up to 2 kgs;
- B the clearance, sorting, transport and distribution of postal packages up to 20 kgs;
- C services for registered items;
- D services for insured items within the State and to and from all countries which, as signatories to the Convention of the Universal Postal Union, declare their willingness to admit such items whether reciprocally or in one direction only.

Under Regulation 4(6) the universal services shall cover both national and cross-border services.

Under Regulation 5, a universal service provider shall meet the following requirements with respect to the provision of the universal service:

- A the service shall guarantee compliance with the essential requirements;
- B an identical service shall be offered to users under comparable conditions;
- C the service shall be made available without any form of discrimination whatsoever, especially without discrimination arising from political, religious or ideological considerations;
- D the service shall not be interrupted or stopped except in cases of force majeure; and
- E the service shall evolve in response to the technical, economic and social environment and to the needs of users.

Under Regulation 8, certain services are reserved for An Post as a universal service provider, namely the clearance, sorting, transport and delivery of items of domestic correspondence, cross-border correspondence and direct mail, whether by accelerated delivery or not, within both of the following weight and price limits (from 1 January 2006):

- i the weight limit shall be 50 grams;
- ii these weight limits do not apply if the price is equal to or more than two and a half times the public tariff for an item of correspondence in the first weight step of the fastest category (i.e.€1.375).

The free postal service for blind and partially sighted persons is also reserved to An Post.

ACCESS TO UNIVERSAL SERVICES

An Post provides access to its services through its network of 57 Company post offices, 1,179 postmaster-operated post offices and 177 postal agents. In addition, some 2,705 retail premises are licensed to sell postage stamps, as active licensed agents. To facilitate physical access to the service, approximately 5,000 post boxes are distributed widely throughout the State. There are 43 designated acceptance points for bulk mail services.

TARIFFS

The following is a summary of the current prices (which have been effective from 3 March, 2008) for standard services.

Ireland & NI (up to C5)	Letters (<100g)	Large Envelopes (<100g)	Packets (<0.5kg)	Parcels
Standard Post <100g	55c 54c if Ceadúnas or meter	95c	€2.20	€6.50
Registered Post*	€5.25	€5.25	€5.25	€10.50

*The fee payable for the basic registered service covers compensation up to a maximum of €320. Further compensation up to a limit of €1,500 is available for €4 and up to a limit of €2,000 for €5 based on declared value at time of posting.

International destinations	Letters (up to C5 100g)	Large Envelopes (<100g)	Packets (<100g)	Parcels (<0.5kg)
Standard Post	82c	€1.50	€2.70	GB €18.25 Europe €22.00 ROW €22.00
Registered Post*	€5.17	€5.85	€7.05	GB €23.00 Europe €27.00 ROW €27.00

*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.

UNIVERSAL SERVICE (CONTINUED)

QUALITY OF SERVICE

International

The quality performance standard for the delivery of intra-Community cross-border mail was set by the European Commission and was transposed into Irish law under Regulation 12(2) of the Regulations and its Schedule. 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 Regulations require ComReg to set a quality-of-service standard for the universal service and the standard set for domestic mail 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.

Quality monitoring

Monitoring of performance against the international targets is carried out by Research International on behalf of International Post Corporation (IPC). Monitoring of the domestic quality of service is carried out by IPSOS mrbi on behalf of ComReg. Details of the most recent results are available from our website www.anpost.ie, with domestic performance also available on ComReg's website www.askcomreg.ie.

CUSTOMER COMPLAINTS

AN POST IS REQUIRED TO MAINTAIN RECORDS OF CUSTOMER COMPLAINTS TAKING INTO ACCOUNT THE RELEVANT EUROPEAN STANDARD IS: EN 14012:2003.

The table on page 25 provides, in relation to mail, a breakdown of written complaints received from customers during 2009. The total continues to represent a minute fraction of the entire mail traffic handled during the year.

Included in the total figure are complaints about registered items, which number 5,453.

In 2009, there were 353,162 telephone calls made to An Post Customer Services. Most of these were routine or general enquiries rather than complaints.

The An Post Complaint and Dispute Resolution Procedures are set out in *Getting it Sorted*, which is available on our website, in retail outlets, and our Customer Services Centre.

FURTHER INFORMATION

Additional information in relation to services provided by An Post is available by phoning An Post Customer Services on CallSave 1850 57 58 59, by email at customer.services@anpost.ie, by visiting www.anpost.ie, or by calling into your local post office.

Written complaints received from customers	
Items lost or substantially delayed	17,954
Items damaged	740
Items arriving late	458
Mail collection or delivery:	
<i>Time of delivery</i>	235
<i>Failure to make daily delivery to home or premises</i>	412
<i>Collection times/Collection failures</i>	24
Misdelivery	364
Access to customer service information	32
Underpaid mail	95
Tariffs for single piece mail/discount schemes and conditions	11
Change of address (Redirections)	204
Behaviour and competence of postal personnel	33
How complaints are treated	1
Other (not included in above)	7,999
Total	28,562

SUSTAINABILITY AT AN POST

OUR VISION

SUSTAINABILITY IS A CENTRAL ELEMENT OF OUR BUSINESS SUCCESS; DELIVERING HIGH QUALITY AND AFFORDABLE SERVICES AND RESPECTING THE COMMUNITIES AND THE ENVIRONMENT IN WHICH WE LIVE.

In 2008, we published our vision for Sustainability in An Post. In the meantime we have begun to formally integrate this approach into the way we do business.

Our activities touch everyone who lives and works in this country and we aim to make a positive impact at every stage of the supply-chain which we operate, be it mail or retail.

We made steady progress in 2009 and Sustainability is now managed as one of a small number of strategic projects within the Company. A robust and appropriate Governance structure was developed and implemented as well as a formal Energy and Carbon Policy. We engaged in a number of environmental initiatives designed to reduce carbon output and energy usage and we committed to a 20 per cent reduction in carbon emissions by 2020. We invested considerable resources in the continued professional development of our management and staff and we implemented a number of health-related initiatives. We also commenced two new staff engagement programmes, which have been evaluated and subsequently modified.

During the year we focused on integrating Sustainability within our business strategy. This required the Company to establish:

- Rigorous and linked targets for carbon and energy reduction;
- Well-entrenched internal reporting processes and governance structures including a Project Board which provides a mechanism for cross-directorate decision making at manager and director level;
- Individual energy and carbon targets/metrics in senior manager performance appraisals; and

- Collaborative working with government agencies and within the International Post Corporation (IPC) to develop accounting methods and national standards for energy management.

ENVIRONMENT

THE COMPANY NOW HAS A FORMAL ENERGY AND CARBON POLICY WHICH WILL GUIDE US IN REDUCING OUR ENERGY USE AND CARBON EMISSIONS AND ENSURE SUSTAINED ACCESS TO DIVERSE ENERGY RESOURCES, THEREBY CONTRIBUTING TO THE ORGANISATION'S BUSINESS AND REPUTATION.

It sets out the ways in which An Post will manage energy consumption, emissions from buildings, transport and operations as well as the risks associated with climate change. In essence this policy encourages the development and implementation of responsible business practice. While committing the Company to particular targets it will facilitate a management system which aims to integrate energy and emissions into our decision-making and review processes.

Our 2008/2009 carbon-related data has been benchmarked and assured by the International Post Corporation (IPC).

IPC represents postal operators from Europe, Asia Pacific and the US, who together account for 80 per cent of global mail volumes, 275 million addresses, 600,000 vehicles and 100,000 facilities. To coincide with the UN Climate Change Conference (Copenhagen, December 2009) we participated in an IPC initiative which published sectoral data and illustrated the relative carbon management proficiencies of member postal administrations. The report commits us to a 20 per cent reduction in carbon emissions by 2020. An Post also agreed to take part in a new Environmental Management and Monitoring System (EMMS) for rating postal operators' performance on carbon management and emissions. An Post has been reducing its carbon output

for many years through energy and waste management initiatives and the Company-wide focus on Sustainability has already yielded further carbon reductions and cost savings. We have just completed a contract for the supply of electricity generated from 100 per cent renewable sources.

We also operate one of the largest fleets in the country. Significant efficiencies are also emerging from advanced driver training, including eco-driver techniques, fuel management and the use of Ad Blue bio-fuel additive.

A Building Energy Rating initiative is underway in the Company's largest premises, including our four national mail processing centres in Dublin, Cork, Athlone and Portlaoise. This is designed to encourage improved energy awareness and usage at each location. Heating and lighting control systems have already achieved savings in the region of €100,000, while simultaneously reducing carbon emissions.

Integrated waste management systems at the Company's General Post Office headquarters and 13 other sites in the Dublin area have yielded savings of more than €80,000 and up to 70 per cent of office waste has been diverted away from landfill. A pilot scheme within one mails delivery service unit (DSU) has reduced water charges by €800 per annum.

WORKPLACE

WITH OVER 9,500 FULL TIME EQUIVALENT STAFF, ENSURING EQUALITY, FAIRNESS AT WORK AND THE HEALTH AND WELLBEING OF OUR STAFF IS A PRIORITY FOR THE COMPANY.

In 2009 we completed a significant investment programme involving the continuing professional development of our staff. *Leading for Results* was delivered to over 200 senior managers, equipping them with additional tools to successfully to work effectively within the competitive environment following the introduction of a fully liberalised market in 2011.

This was aligned with additional investment in staff development among our frontline management, administration and operations staff. The *Learning to Succeed* programme has been rolled out to headquarter's middle management.

Sustainability formed a distinct module within our senior management development programme and formed the basis of a session at our senior management conference.

To mark European Men's Health Week (June 15- 22), *Male Minder – A guide to Male Health* for An Post Staff was posted to over 9,500 employees. In addition, members of the Company's Occupational Health and Support (OHS) team visited our larger offices during the week, to promote health awareness. The initiative was rigorously evaluated and was very well received.

The An Post Cycle to Work Scheme encourages staff to travel to and from work by bicycle. The scheme allows staff to pay part of their wages in exchange for a bicycle and safety equipment. The equipment is then treated as a tax-free benefit-in-kind, enabling employees to make savings on tax and PRSI. This initiative benefits both the Company and our staff. In 2009, 380 staff registered with the scheme.

COMMUNITY

AN POST IS AN IMPORTANT PART OF DAILY LIFE IN EVERY HOUSEHOLD AND BUSINESS IN THE COUNTRY, ACTING AS A TRUSTED INTERMEDIARY FOR MAIL, PERSONAL FINANCE AND BUSINESS TRANSACTIONS.

We are conscious of the unique reach our Company has through our retail network, employees, products and services.

SUSTAINABILITY AT AN POST (CONTINUED)

We continue to provide the Universal Service Obligation (USO) which requires us to deliver mail to all premises five days a week. We continue to operate the country's largest retail network with post offices and postal agents servicing up to two million people each week.

The economic climate and pressure on the labour market has created a new demand for literacy and numeracy training among adults who are more concerned than ever about their suitability for employment.

They are likely to be unskilled in computer technology, may be unbanked and requiring support in the area of lifelong education.

AN POST'S LITERACY AWARENESS CAMPAIGN IN CONJUNCTION WITH THE NATIONAL ADULT LITERACY AGENCY (NALA) PROMOTES A FREEPHONE INFORMATION AND REFERRAL SERVICE, THROUGH MULTIPLE CHANNELS.

At the outset we specifically targeted people with only basic literacy and numeracy, which was creating a barrier to their employment, education or general participation in society.

During 2009, our literacy awareness campaign resulted in:

- Increased participation in education, community and the economy at large;
- Reduced embarrassment and fear amongst those with literacy issues;
- A reliable, safe information source and referral service for those who need it;
- More than 2,600 contact calls received directly attributed to the communications and direct marketing campaign; and
- 50% recall An Post's promotion of literacy awareness.

OUR CONTINUING COMMITMENT TO RAISING AWARENESS OF LITERACY ISSUES AND RESOURCES HAS MADE A DIFFERENCE TO THE LIVES OF THOUSANDS.

Technical literacy and digital inclusion are areas of growing demand and concern for older people and their extended families, with particular focus on access to goods and services. Through our support for *Log On, Learn*, An Post, along with Intel and Microsoft, offers both older and younger members of communities all over Ireland the opportunity to connect and be included in online communications and to pursue leisure time interests.

The programme is fully subscribed for the remainder of the 2009/2010 school term. 3,600 senior citizens have completed the programme with over 200 secondary schools participating nationwide. Among those surveyed, recognition of the *Log On, Learn* advertisement was 78% at end 2009, while 40% of people recall An Post's promotion of technical literacy among older people.

An Post first became involved with cycling in 2008 and is now established as the main commercial sponsor of the sport in Ireland. The introduction of the An Post Cycle Series has completed this comprehensive portfolio of activity. The Series is a community cycling initiative. From May until September 2009, 5,500 riders from all over Ireland took part in the 2009 Series.

These are club riders, friends, families, work colleagues and serious riders who participated in large scale, community cycling events, for fun or for a serious challenge. The economic benefit of the Series to the hosting communities was also significant with estimates ranging from €230,000 being spent in the north Co. Clare area and approximately €450,000 being injected into the Dungarvan economy by the Sean Kelly Challenge with the Sligo, Meath, and Cork economies also benefitting to a similar extent. The Series is co-ordinated by Local Sports Partnerships in conjunction with their cycling club, local and county partners. An Post and the Irish Sports Council support the initiative at national and local level with the aim of growing participation in the sport at all levels of ability.

Leaders, a photographic exhibition which showcases the contribution made by migrant networks in Ireland took place during May in Trinity College Dublin. The exhibition documents the work and achievements of eighteen individuals and organisations in rights advocacy, gender issues, culture, the media, and religion and highlights how these migrant networks and their leaders facilitate social, cultural, and political integration in Ireland. Following this the exhibition toured the IFSC, Dublin City Council Civic Offices and Dublin City Libraries. The *Leaders* exhibition has taken up permanent residence at Croke Park where it receives a constantly changing national audience. More than 1.7 million people had an opportunity to view the exhibition in 2009. The public exhibition was organised by the Trinity Immigration Initiative Migrant Networks Project and supported by An Post.

THE DISABILITY ACT

THE DISABILITY ACT, 2005 PLACES A DUTY ON PUBLIC ORGANISATIONS TO ENSURE THAT THEIR PUBLIC BUILDINGS AND SERVICES ARE, AS FAR AS IS PRACTICABLE, ACCESSIBLE TO PEOPLE WITH DISABILITIES.

In particular, those areas of buildings to which the public has access are to be made accessible not later than 2015. Overall, An Post is on target to meet its commitments with regard to access under the Act. The majority of post offices are, however, operated on a contract basis by postmasters and postmistresses appointed by An Post and the Company is not in a position to oblige them to alter their premises. The Company has contacted them all; informed them of the requirements of the Disability Act; and encouraged them to address any access issues that may exist on their premises. All new contracts require the postmaster or postmistress to provide accessible premises. In addition, a programme to install hearing induction loops to assist the hard of hearing at post offices was successfully completed in 2009.

STAMP ISSUES AND PHILATELIC PUBLICATIONS

THE PHILATELIC SERVICE PAID TRIBUTE TO 24 SUBJECTS IN 2009 WITH THE ISSUE OF 48 SPECIAL AND COMMEMORATIVE STAMPS. AMONG THE MANY HIGHLIGHTS OF THE 2009 STAMP PROGRAMME WAS THE 250TH ANNIVERSARY OF THE GUINNESS BREWERY WHICH WAS COMMEMORATED WITH THE ISSUE OF A SPECIAL ELONGATED STAMP DEPICTING ITS PHILANTHROPIC FOUNDER ARTHUR GUINNESS.

The stamp issue marking the bicentenary of the birth of Louis Braille, which issued in January 2009, stood out as it incorporated the use of Braille.

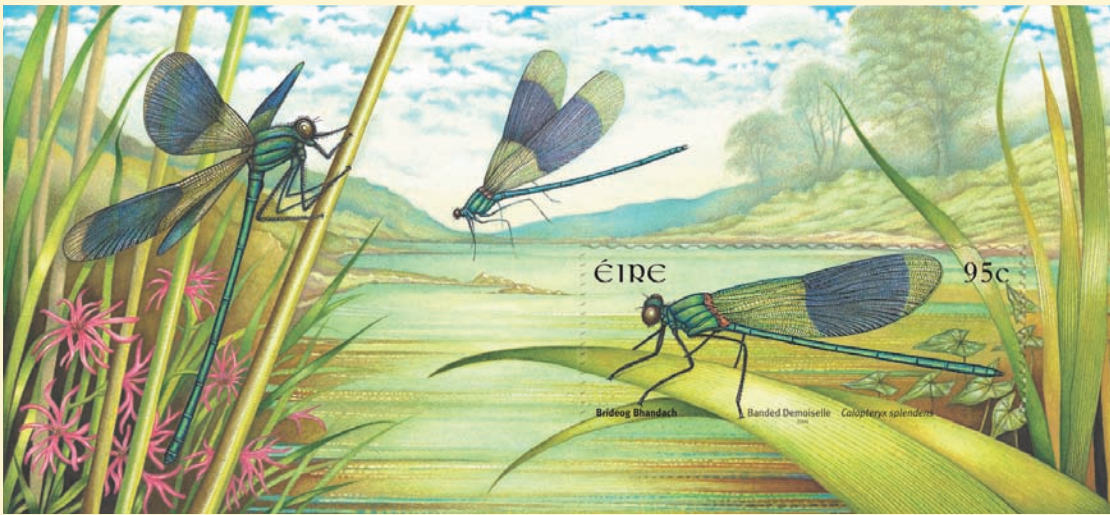
Significantly for the Company, 2009 was the 25th Anniversary of An Post. This was marked with the issue of 10 stamps representing different aspects of our business and replacing the definitive booklets and boxes of stamps for the year.

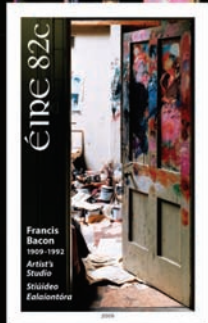
With the Volvo Ocean Race making a stopover in Galway in May 2009, two beautiful stamps were designed by renowned artist Vincent Killowry to mark the occasion. The stamps depicted the competing Irish entry in action in what is known as the 'Everest of Sailing' round the world yacht race.

Other issues of note for the Irish Philatelic Service include a diamond shaped stamp commemorating the 150th Anniversary of The Irish Times, the use of Jim Larkin's image as he addressed the crowd on a stamp marking a century since the Founding of the ITGWU and three portrait style stamps for our Modern Irish Playwrights issue.

In addition to the annual special and commemorative issues, the Philatelic Service also issued five miniature sheets, one prestige booklet for the classical composers and a set of prints for the Volvo Ocean Race issue.

An array of annual product was also printed, including a Year Pack and First Day Cover collection. Once again, the Irish Stamps Yearbook was produced to the highest standards of design in text and imagery featuring all issues from the annual programme in both a standard and luxury edition.





INDEX

TO THE

FINANCIAL STATEMENTS

CONTENTS

36	REPORT OF THE DIRECTORS
39	CORPORATE GOVERNANCE
46	STATEMENT OF THE DIRECTORS ON THE ACCOUNTING SYSTEMS
47	STATEMENT OF DIRECTORS' RESPONSIBILITIES
48	REPORT OF THE INDEPENDENT AUDITOR
50	REPORT OF THE INDEPENDENT AUDITOR ON THE ACCOUNTING SYSTEMS
51	STATEMENT OF ACCOUNTING POLICIES
54	CONSOLIDATED PROFIT AND LOSS ACCOUNT
55	CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
56	CONSOLIDATED BALANCE SHEET
57	COMPANY BALANCE SHEET
58	CONSOLIDATED CASH FLOW STATEMENT
59	NOTES TO THE FINANCIAL STATEMENTS
78	FIVE YEAR FINANCIAL SUMMARY
79	OPERATIONAL STATISTICS

REPORT OF THE DIRECTORS

THE DIRECTORS HAVE PLEASURE IN SUBMITTING THEIR TWENTY SIXTH ANNUAL REPORT TOGETHER WITH THE AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER, 2009, IN FULFILMENT OF THEIR OBLIGATIONS UNDER THE COMPANIES ACTS, 1963 TO 2009.

1. THE GROUP AND ITS PRINCIPAL ACTIVITIES

The Company operates the national postal service and money transmission services and provides agency services for Government Departments, the National Treasury Management Agency, An Post National Lottery Company, Postbank Ireland Limited and other bodies.

One ordinary share is held by the Minister for Finance and the remainder of the issued share capital is held by the Minister for Communications, Energy and Natural Resources.

Details of the activities carried on by subsidiary, associated and joint venture undertakings, together with the information required by Section 158 of the Companies Act, 1963, are given in note 24 to the financial statements.

2. RESULTS

Details of the results for the year are set out in the consolidated profit and loss account on page 54 and in the related notes to the financial statements. The directors do not propose the payment of a dividend for the year.

3. BUSINESS REVIEW

The operating profit for the year is €5.7m reflecting an operating margin of 0.7%. In view of the impact of the economic downturn in 2009, it is a satisfactory result. The effect of the downturn is evident in the decrease in turnover which fell from €850m in 2008 to €804m for the current year. This reflects core mails revenue falling by 10% in 2009. This was offset by the increase in post offices income which benefited from continued growth in transaction volumes throughout the retail network. The Company moved swiftly to address this decline in revenues by reducing operating costs which fell from €819m in 2008 to €798m in 2009 and by generating new income streams through the acquisition of a 53.6% shareholding in the Gift Voucher Shop and a 100% shareholding in Jordan & Co International in the UK. The result after tax was a loss of €29m.

The decline in the value of pension assets experienced in 2008 has resulted in net interest cost of €21m. The value of the pension scheme assets recovered somewhat during 2009 and this has resulted in actuarial profits on post employment plans of €188m. As a result, the pension deficit has reduced from €582m at 31 December, 2008 to €403m at 31 December, 2009. This has also resulted in a reduction in the net liabilities position in the balance sheet for the Group to €48m at 31 December, 2009 compared to net liabilities of €199m at 31 December, 2008.

The shareholders in Postbank Ireland Limited, BGL BNP Paribas Fortis and An Post have decided not to continue the joint venture beyond the calendar year 2010. The Group's share of the operating loss of the joint venture was €10.7m (2008: €9.7m).

The information required by Regulation 37 of the European Communities (Companies: Group Accounts) Regulations, 1992, is included in the information given on pages 6 to 21.

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

KPI	Performance in 2009	Performance in 2008
Operating Profit		
Operating profit as a percentage of turnover	0.7%	3.7%
Staff and postmasters' costs as a percentage of total operating costs	73.8%	73.2%
Other operating costs as a percentage of total operating costs	26.2%	26.8%
Net cash at bank and on hands	€287.6m	€350.5m
Staff - Average Full Time Equivalents (FTE)		
Company	10,498	10,671
Subsidiaries*	356	299
Group	10,854	10,970
Company year end FTE run rate	9,955	10,357
Mail business		
Letters core revenue index	(10.0%)	(2.1%)
Quality of service (national) - next day delivery of single piece priority mail**	84%	79%
Retail business		
Social welfare transactions	42.0m	36.4m
BillPay transactions	25.2m	24.5m
TV licence sales (thousands)	1,436k	1,430k
Investment Products - net fund inflow	€1,412m	€611m
Post Office Savings Bank - net fund inflow	€103m	€456m
Prize Bonds - net fund inflow	€268.5m	€175.3m
Burglaries and Robberies - number of incidents	100	60
Customer Service		
Written complaints	28,562	29,986
Telephone enquiries	353,162	351,679

* Increase due to subsidiaries acquired during the year

** Full year figures as per ComReg Monitor.

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

- the general economic climate;
- the need to fully implement agreed change programmes;
- competitive threats to mails revenue;
- impact of liberalisation;
- achieving adequate prices for services;
- the need to achieve and maintain quality of service targets;
- potential loss of significant agency services;
- the arrangements for downstream access to mails services; and
- failure to resolve industrial relations issues through agreed processes.

The directors have analysed these and other risks and appropriate programmes are in place to manage and control these risks. The Corporate Governance Statement on pages 39 to 45 sets out the policies and approach to risks and the related internal control procedures and responsibilities.

REPORT OF THE DIRECTORS (CONTINUED)

4. DIRECTORS, SECRETARY AND THEIR INTERESTS

The following changes have taken place in the composition of the Board since the date of the previous report of the directors:

Mr. Alan Sloane retired 31 December, 2009, reappointed 1 January, 2010.

Mr. Patrick Davoren resigned 21 February, 2010.

The directors and secretary who held office at 31 December, 2009 had no interests in the shares in, or debentures of, the Company or any Group company at the beginning of the year (or date of appointment if later) or at the end of the year (2008 : Nil).

5. EMPLOYEES

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

An Post is committed to ensuring the highest safety standards and safe practices for its employees, contractors and members of the public in accordance with the Safety, Health and Welfare at Work Act, 2005. In 2009, there were 35 lost time accidents per 1,000 employees. This represents an improvement of 13% on 2008. Regrettably, an employee was fatally injured during 2009 in a road traffic accident.

An Post has a target of zero lost time accidents. To help with the achievement of this target, An Post is undertaking a safety improvement programme which includes updating its Safety Management System policies and procedures in order to obtain accreditation to the OHSAS 18001:2007 standard. In addition, 1,848 employees attended specific safety training courses in 2009, with many more attending other courses where safety was included in the content. Conscious of the fact that its legal obligations are the minimum acceptable standard, An Post is striving for excellence in this area and is continuing to increase awareness among its employees and contractors of the necessity for the highest safety standards.

6. 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 specific 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.

7. ACCOUNTING RECORDS

The directors believe that they have complied with the requirements of Section 202 of the Companies Act, 1990 with regard to books of account by engaging accounting personnel with appropriate expertise and by providing adequate resources to the finance function. The books of account of the Company are maintained at the Company's premises at the General Post Office, O'Connell Street, Dublin 1.

8. AUDITORS

In accordance with Section 160(2) of the Companies Act, 1963, the auditor, KPMG, Chartered Accountants, will continue in office.

ON BEHALF OF THE BOARD

John Fitzgerald Chairman

Donal Connell Director

25 March, 2010

MAINTAINING HIGH STANDARDS OF CORPORATE GOVERNANCE CONTINUES TO BE A PRIORITY FOR THE DIRECTORS OF AN POST. IN DEVELOPING ITS CORPORATE GOVERNANCE POLICY, THE BOARD HAS SOUGHT TO GIVE EFFECT BOTH TO THE CODE OF PRACTICE FOR THE GOVERNANCE OF STATE BODIES, ISSUED BY THE DEPARTMENT OF FINANCE, AND TO THE RELEVANT MAIN AND SUPPORTING PRINCIPLES OF GOOD GOVERNANCE OUTLINED IN THE COMBINED CODE ISSUED BY THE UNITED KINGDOM'S FINANCIAL REPORTING COUNCIL. WHILE THE PROVISIONS OF THE COMBINED CODE ARE OF DIRECT RELEVANCE ONLY TO LISTED COMPANIES, THE BOARD DOES FEEL THAT THEIR APPLICATION, WHERE APPROPRIATE, ASSISTS AN POST IN ITS COMPLIANCE WITH BEST CORPORATE GOVERNANCE PRACTICE.

The directors are accountable to the shareholders for good corporate governance and this report addresses how the Code of Practice for the Governance of State Bodies and the relevant main and supporting principles of the Combined Code have been applied within An Post.

THE BOARD

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. The Board meets on a monthly basis and 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.

THE ROLES OF THE CHAIRMAN AND THE CHIEF EXECUTIVE

The Chairman leads the Board in the determination of its strategy and in the achievement of its objectives. The Chairman is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda. The Chairman 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 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.

SENIOR INDEPENDENT DIRECTOR

The Board has considered the question of appointing one of its members to be a Senior Independent Director, in addition to the Chairman, but continues to believe that this recommendation of the Combined Code is not applicable in the light of An Post's legal structure.

CORPORATE GOVERNANCE (CONTINUED)

DIRECTORS AND DIRECTORS' INDEPENDENCE

All directors are appointed to the Board by the Minister for Communications, Energy and Natural Resources and their conditions of appointment and fees are set out in writing. Employee directors are elected in accordance with the Worker Participation (State Enterprises) Acts, 1977 to 1993 for a term of four years. The postmaster director is elected in accordance with Section 81 of the Postal and Telecommunications Services Act, 1983 for a term of three years. All other directors are appointed for a fixed term, usually five years.

The Board is currently comprised of fourteen directors viz: the Chief Executive, four employee directors, one postmaster director and eight non-executive directors. The names of the directors together with their biographical details are set out on pages 4 and 5. The positions of Chairman and Chief Executive are held by different people. Given its legal status as a State Company and the responsibility of its principal shareholder in the appointment of directors, the Board believes that the criteria normally used by the Board of a listed company in considering the independence of its directors do not apply in An Post's circumstances. The Board, consequently, has not evaluated the independence of its directors against the criteria set out in the Combined Code.

The Combined Code requires the Chairman to hold meetings with the non-executive directors without the executive director being present. The Board has formal procedures in place in this regard.

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 Chairman, for circulation to the Board.

The directors are given access to independent professional advice at the Group's expense where they deem it necessary to discharge their responsibilities as directors.

PROFESSIONAL DEVELOPMENT

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

PERFORMANCE EVALUATION

The Board has adopted and performed a formal process for the annual evaluation of its own performance and that of its principal Committees. It 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.

THE COMPANY SECRETARY

The Company Secretary is a full time employee of An Post. The Company Secretary is responsible for advising the Board through the Chairman on all governance matters. All directors have access to the advice and services of the Company Secretary. The Company's Articles of Association provide that the appointment and removal of the Company Secretary is a matter for the full Board.

INFORMATION

Regular reports and papers are circulated to the directors in a timely manner in preparation for Board and Committee meetings. These papers are supplemented by information specifically requested by the directors from time to time.

The directors receive monthly management accounts and regular management reports and information which enable them to scrutinise the Group's and management's performance against agreed objectives.

RELATIONS WITH SHAREHOLDERS

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

INTERNAL CONTROL

An ongoing process exists for identifying, evaluating and managing the significant risks faced by the Group. This process, which is based on the Combined Code Guidance for directors, issued by the Institute of Chartered Accountants in England and Wales (the Turnbull Guidance), is periodically reviewed by the directors and has been in place throughout the accounting period and up to the date the financial statements were approved.

In accordance with the guidance of the Turnbull committee, the directors are responsible for the Group's system of internal control and set appropriate policies on internal control, seek regular assurance that enable them to satisfy themselves that the system is functioning effectively and ensure that the system of internal control is effective in managing risks in the manner which it has approved. Such a system is designed to manage rather than eliminate business risks and can provide only reasonable rather than absolute assurance against material misstatement or loss.

The directors have continued to review the effectiveness of the Group's system of financial and non-financial controls during 2009, including operational and compliance controls, risk management and the Group's high level internal control arrangements. These reviews have included an assessment of internal controls by management, management assurance of the maintenance of controls, reports from the internal auditors and reports from the external auditor on matters identified in the course of its statutory audit work.

The Group views the careful management of risk as a key management activity. Managing business risk to deliver opportunities is a key element of all activities. This is done using a simple and flexible framework which provides a consistent and sustained way of implementing the Group's values. These business risks, which may be strategic, operational, reputational, financial or environmental, should be understood and visible. The business context determines in each situation the level of acceptable risk and controls.

Management is responsible for the identification and evaluation of significant risks and for the design and implementation of appropriate internal controls. These risks are assessed on an ongoing basis and are derived from a variety of external and internal sources. Management reports regularly to the Board on the key risks inherent in the business and on the way in which these risks are managed. Management also reports to the Board on any significant changes in the Group's business and on any risks associated with such changes. The process used to identify and manage key risks is an integral part of the internal control environment.

CORPORATE GOVERNANCE (CONTINUED)

The key procedures which the directors have established with a view to providing effective internal control are as follows:

- A clear focus on business objectives as determined by the Board after consideration of the statutory responsibilities and risk profile of the Group's businesses.
- A defined organisational structure with clear lines of responsibility, delegation of authority and segregation of duties designed to foster a beneficial control environment.
- A risk management process which considers the strategy and development of the business in the context of the annual budget process when financial plans and performance targets are set and reviewed by the Board in light of the Group's overall objectives.
- A reporting and control system which ensures that individual businesses report to the Board on an ongoing basis on their progress in achieving objectives. The system for reporting covers both operational and financial performance, occurs on a timely basis and ensures that budgetary variances are examined and addressed promptly.
- An internal audit function which monitors compliance with policies and the effectiveness of internal control within the Group's businesses. The working of the internal audit function is focused on the areas of greatest risk to the Group.
- A Board level committee, the Audit and Security Committee, which approves internal and external audit plans and deals with significant control issues raised by internal and external auditors.

ATTENDANCE AT MEETINGS OF THE BOARD, THE REMUNERATION COMMITTEE AND THE AUDIT AND SECURITY COMMITTEE

Ten Board meetings were held during the year ended 31 December, 2009 and the attendance record of each director is set out in the following table:

Name	Eligible to attend	Attended
John Fitzgerald	10	10
Patrick Compton	10	10
Jerry Condon	10	10
Donal Connell	10	10
Anne Connolly	10	10
Paddy Costello	10	10
Patrick Davoren	10	10
Louise English*	10	5
Ciara Hurley	10	7
James Hyland	10	8
Brian McConnell	10	9
Gerry O'Toole	10	10
John Quinlivan	10	10
Alan Sloane	10	9
Catherine Woods	10	9

*Ms English was unable to attend a number of meetings due to illness.

Five meetings of the Remuneration Committee were held during the year ended 31 December, 2009 and the attendance record of each director, eligible to attend, is set out in the following table:

Name	Eligible to attend	Attended
John Fitzgerald	5	5
Donal Connell	5	5
John Quinlivan	5	5
Catherine Woods	5	4

Eleven meetings of the Audit and Security Committee were held during the year ended 31 December, 2009 and the attendance record of each director, eligible to attend, is set out in the following table:

Name	Eligible to attend	Attended
Louise English*	11	2
Ciara Hurley	11	11
James Hyland	11	11

**Ms English was unable to attend a number of meetings due to illness.*

DIRECTORS' REMUNERATION

The remuneration of the Chief Executive is determined in accordance with the guidelines issued by the Department of Finance for determining the remuneration of Chief Executive Officers of Commercial State Bodies and is subject to the approval of the Remuneration Committee of the Board of An Post and the Minister for Communications, Energy and Natural Resources. The objective is to maintain the remuneration of the Chief Executive at a level which is attractive to the individual while, at the same time, representing value for money for the Group. A proportion of the Chief Executive's remuneration is performance related and, in this way, is linked to the Group and individual objectives. Fees for all directors are determined by the Minister for Communications, Energy and Natural Resources with the approval of the Minister for Finance.

The disclosures made in these financial statements relating to directors' emoluments and pension information are those required under the Irish Companies Acts, 1963 to 2009.

REMUNERATION COMMITTEE

The Remuneration Committee is currently comprised of three non-executive directors and the Chief Executive. John Fitzgerald acts as Chairman of the Committee. The Chief Executive absents himself from meetings when matters relating to his own remuneration are being considered. When necessary, non-Committee members are invited to attend. The Committee's principal responsibilities are:

- to determine, on behalf of the Board, the remuneration and other terms and conditions of employment of the Chief Executive, subject to compliance with Government Policy relating thereto;
- to determine, on behalf of the Board, the pay structures and terms and conditions of other senior personnel (as identified by the Chairman of the Board);
- to be informed of significant developments in industrial relations and to review industrial relations policies to ensure the strategy is consistent with the achievement of the business plans of An Post and, on behalf of the Board, to take decisions on such matters;
- to act, on behalf of the Board, and take all decisions related to pay and pay related matters, as the Chairman of the Board shall determine; and
- to act, on behalf of the Board, and take all significant decisions on matters such as remuneration policy, benefits, staff grading, third party recommendations and related issues.

AUDIT AND SECURITY COMMITTEE

The Audit and Security Committee is currently comprised of three non-executive directors all of whom have recent and relevant financial experience. James Hyland acts as the Chairman of the Committee. When necessary, non-Committee members are invited to attend. Under its terms of reference, the Committee is to assist the Board in fulfilling its responsibilities by providing an independent review of financial reporting, by satisfying itself as to the effectiveness of the Company's internal controls and as to the sufficiency of the external and internal audits.

The Committee is responsible for monitoring 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. As a result of regulatory or similar requirements, it is necessary to employ the Group's external auditor for certain audit related and non-audit services.

CORPORATE GOVERNANCE (CONTINUED)

In order to maintain the independence of the external auditor, the Audit and Security 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 Audit and Security Committee monitors the level of fees paid to the external auditor.

The Committee reviews annually the Group's systems of internal control and the processes for monitoring and evaluating the risks facing the Group.

The Committee also assists and, where relevant, makes recommendations to the Board on the discharging of its responsibilities in relation to security.

The Committee meets with management, as well as privately with the external auditor.

In 2009, the Audit and Security Committee discharged its responsibilities by:

- reviewing the Group's draft financial statements for 2008 prior to Board approval and meeting and reviewing with the external auditor their reports thereon;
- reviewing the appropriateness of the Group's accounting policies;
- reviewing the potential impact on the Group's financial statements of significant matters arising during the year;
- reviewing the resources of internal audit, approving the internal audit plans, reviewing internal audit reports and dealing with significant control issues raised by the internal auditor;
- reviewing the audit fee and non-audit fees payable to the Group's external auditor;
- reviewing the external auditors' plan for the audit of the Group's financial statements for 2009, confirmations of auditor independence and the proposed audit fee, and approving the terms of engagement for the audit on behalf of the board
- reviewing the key risks to the business and considering the adequacy of the Group's system of risk identification and assessment;
- reviewing an annual report on the Group's systems of internal control and its effectiveness, reporting to the Board on the results of the review and receiving regular updates on key risk areas of financial control; and
- reviewing security policies and procedures for the protection of staff, postmasters and customers and for safeguarding assets and the implementation of and compliance with those policies and procedures.

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. Reporting channels have been created whereby perceived wrongdoing may be reported via post, telephone and email, anonymously if preferred.

NOMINATION COMMITTEE

As all the authority regarding the appointment of directors is vested in the Minister for Communications, Energy and Natural Resources, with the consent of the Minister for Finance, the matter of constituting a Nomination Committee does not require consideration by the Board.

COMPLIANCE STATEMENT

As noted above, in developing its corporate governance policy, the Board has sought to give effect both to the Code of Practice for the Governance of State Bodies, issued by the Department of Finance, and to the relevant main and supporting principles of good governance outlined in the Combined Code issued by the United Kingdom's Financial Reporting Council.

The directors confirm that the Group has been in compliance with the Code of Practice for the Governance of State Bodies and the relevant main and supporting principles of the Combined Code throughout the financial year under review, with the exception of a number of areas noted above where voluntary compliance with provisions of the Combined Code is not, given the manner of appointment of directors, the legal and shareholding structure of the Company and existing Board procedures, considered appropriate.

GOING CONCERN

The directors have reviewed the Group's business plan and other relevant information and have a reasonable expectation that the Group will continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

ON BEHALF OF THE BOARD

John Fitzgerald Chairman

Donal Connell Director

25 March, 2010

STATEMENT OF THE DIRECTORS ON COMPLIANCE WITH THE EUROPEAN COMMUNITIES (POSTAL SERVICES) REGULATIONS, 2002, CONCERNING COST ACCOUNTING SYSTEMS AND WITH THE REGULATOR'S DIRECTION ON THE ACCOUNTING SYSTEMS OF AN POST

UNDER THE EUROPEAN COMMUNITIES (POSTAL SERVICES) REGULATIONS, 2002 (THE REGULATIONS), THE COMMISSION FOR COMMUNICATIONS REGULATION, (COMREG), WAS DESIGNATED AS THE NATIONAL REGULATORY AUTHORITY FOR THE POSTAL SECTOR AND AN POST WAS DESIGNATED AS A UNIVERSAL SERVICE PROVIDER.

Under those Regulations, 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 Regulations. On 8 December, 2006, ComReg issued a direction to An Post setting out the regulator's detailed requirements in relation to the accounting systems of An Post (the Direction).

The directors acknowledge their responsibility for compliance with the accounting provisions of the Regulations and with the Direction and the following statement describes how An Post applied the relevant provisions of the Regulations and the Direction for the accounting year beginning on 1 January, 2009.

FINANCIAL RECORDS AND ACCOUNTING SYSTEMS

The financial records and accounting systems maintained by An Post contain sufficient detail as required by the Direction to enable management to ensure that they comply with the accounting provisions of the Regulations. Separate accounts are maintained for each of the services within the reserved and non-reserved sectors.

SEPARATED ACCOUNTS

Segmental profit and loss accounts and statements of net assets are being prepared for submission to ComReg for the year ended 31 December, 2009. In compliance with the Direction, a competent body is reviewing these accounts and will issue an opinion on their compliance both with the Regulations and the Direction.

MANAGEMENT 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 Regulations and the Direction and the basis on which the data is to be allocated/apportioned between services. This was submitted to ComReg in 2009.

The manual reflects the detailed revenue determination and cost allocation and apportionment principles and rules set out in the Regulations and the Direction.

STATEMENT OF COMPLIANCE

Based on the above steps and actions, the directors believe that An Post has complied with the relevant provisions of the Regulations and with the Direction of ComReg in relation to the Accounting Systems of An Post for the year ended 31 December, 2009.

ON BEHALF OF THE BOARD

John Fitzgerald Chairman

Donal Connell Director

25 March, 2010

STATEMENT OF DIRECTORS' RESPONSIBILITIES

THE DIRECTORS ARE RESPONSIBLE FOR PREPARING THE ANNUAL REPORT AND FINANCIAL STATEMENTS, IN ACCORDANCE WITH APPLICABLE LAW AND REGULATIONS.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law, the directors have elected to prepare the Group and parent Company financial statements in accordance with Generally Accepted Accounting Practice in Ireland, comprising applicable law and the accounting standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland.

The Group and parent Company financial statements are required by law to give a true and fair view of the state of affairs of the Group and the parent Company and of the profit or loss of the Group for that period.

In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Group and Company and to enable them to ensure that the financial statements comply with the Companies Acts, 1963 to 2009. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and Company and to prevent and detect fraud and other irregularities.

The directors are also responsible for preparing a Directors' Report that complies with the requirements of the Companies Acts, 1963 to 2009.

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

ON BEHALF OF THE BOARD

John Fitzgerald Chairman

Donal Connell Director

25 March, 2010

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF AN POST

WE HAVE AUDITED THE GROUP AND PARENT COMPANY FINANCIAL STATEMENTS (THE 'FINANCIAL STATEMENTS') OF AN POST FOR THE YEAR ENDED 31 DECEMBER, 2009 WHICH COMPRISE THE CONSOLIDATED PROFIT AND LOSS ACCOUNT, THE CONSOLIDATED AND COMPANY BALANCE SHEETS, THE CONSOLIDATED CASH FLOW STATEMENT, THE CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES, THE STATEMENT OF ACCOUNTING POLICIES AND THE RELATED NOTES. THESE FINANCIAL STATEMENTS HAVE BEEN PREPARED UNDER THE ACCOUNTING POLICIES THEREIN.

This report is made solely to the Company's members, as a body, in accordance with Section 193 of the Companies Act, 1990. 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.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and the accounting standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland), are set out in the Statement of Directors' Responsibilities on page 47.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with Generally Accepted Accounting Practice in Ireland and are properly prepared in accordance with the Companies Acts, 1963 to 2009, and the European Communities (Companies: Group Accounts) Regulations, 1992. We also report to you whether in our opinion: proper books of account have been kept by the Company; at the balance sheet date, there exists a financial situation requiring the convening of an extraordinary general meeting of the Company; and the information given in the Directors' Report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit, and whether the Company's balance sheet is in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law regarding directors' remuneration and transactions with the Group is not disclosed and, where practicable, include such information in our report.

We review, at the request of the directors, whether (1) the voluntary Corporate Governance statement on pages 39 to 45 reflects the Group's compliance with the nine provisions of the FRC Combined Code that the Listing Rules of the Irish Stock Exchange specifies for review by auditors and (2) the statement on the system of internal control on pages 41 and 42 reflects the Group's compliance with the provision of The Code of Best Practice for the Governance of State Bodies that is specified for review by auditors and we report if those statements do not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the Chairperson's Statement, the Chief Executive's Review, the Financial Review, the Corporate Governance Statement and the Five Year Financial Summary. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

BASIS OF OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Group's and parent Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion, the financial statements:

- give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of affairs of the Group and the Company at 31 December, 2009 and of the loss of the Group for the year then ended; and
- have been properly prepared in accordance with the Companies Acts, 1963 to 2009 and the European Communities (Companies: Group Accounts) Regulations, 1992.

We have obtained all the information and explanations we considered necessary for the purposes of our audit. In our opinion, proper returns adequate for our audit have been received from branches of the Company not visited by us. In our opinion, proper books of account have been kept by the Company and the balance sheet of the Company at 31 December, 2009 is in agreement therewith.

In our opinion, the information given in the report of the directors on pages 36 to 38 is consistent with the financial statements.

The balance sheet of the Company, as stated on page 57, reports an excess of liabilities over assets and, in our opinion, on that basis there did exist at 31 December, 2009 a financial situation which under section 40(1) of the Companies (Amendment) Act, 1983 may require the convening of an extraordinary general meeting of the Company.



KPMG
Chartered Accountants
Registered Auditor
1 Stokes Place
St. Stephen's Green
Dublin 2
25 March, 2010

REPORT OF THE INDEPENDENT AUDITOR TO AN POST ON COMPLIANCE WITH THE EUROPEAN COMMUNITIES (POSTAL SERVICES) REGULATIONS 2002 (THE REGULATIONS) CONCERNING COST ACCOUNTING SYSTEMS AND WITH THE REGULATOR'S DIRECTION

IN ADDITION TO OUR AUDIT OF THE FINANCIAL STATEMENTS, WE HAVE REVIEWED THE DIRECTORS' STATEMENT ON PAGE 46 CONCERNING THE COMPANY'S COMPLIANCE, FOR THE YEAR ENDED 31 DECEMBER, 2009, WITH THE ACCOUNTING PROVISIONS OF THE REGULATIONS AND WITH THE DIRECTION TO AN POST SETTING OUT THE REGULATOR'S DETAILED REQUIREMENTS IN RELATION TO THE ACCOUNTING SYSTEMS OF AN POST (THE DIRECTION), ISSUED ON 8 DECEMBER, 2006 BY THE POSTAL SERVICES REGULATOR, COMREG, IN RELATION TO THE ACCOUNTING SYSTEMS OF AN POST.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

The directors prepare an annual statement of compliance with the accounting provisions of the Regulation and the Direction for which they are responsible. The objective of our review is to draw attention to non-compliance with the requirements of the accounting provisions of the Regulations and with the Direction. Our review does not constitute an audit of the separated accounts. A separate audit report will be issued on the audit of the regulatory accounts.

BASIS OF OPINION

We carried out our review in accordance with the general principles and guidance of the Auditing Practices Board.

OPINION

Based on enquiry of certain directors and officers of the Company and examination of relevant documents, in our opinion, the directors' statement on page 46 appropriately reflects the Company's compliance, for the year ended 31 December, 2009, with the accounting provisions of the Regulations and with the Direction on the Accounting Systems of An Post, dated 8 December, 2006 issued by ComReg.



KPMG
Chartered Accountants
1 Stokes Place
St. Stephen's Green
Dublin 2
25 March, 2010

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER, 2009

THE FOLLOWING ACCOUNTING POLICIES HAVE BEEN APPLIED CONSISTENTLY IN DEALING WITH ITEMS WHICH ARE CONSIDERED MATERIAL IN RELATION TO THE GROUP'S FINANCIAL STATEMENTS.

1. BASIS OF PREPARATION

The financial statements are prepared under the historical cost convention and in accordance with applicable law and Irish Generally Accepted Accounting Practice which includes compliance with the financial reporting standards of the Accounting Standards Board promulgated in Ireland by The Institute of Chartered Accountants in Ireland.

2. BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings (except An Post National Lottery Company) made up to the end of the financial year. The results of subsidiary undertakings acquired or disposed of during the year are included in the consolidated profit and loss account from the date of acquisition or up to date of disposal. Upon the acquisition of a business, fair values are attributed to the identifiable net assets acquired. Goodwill arising on acquisitions is dealt with as set out below. If the financial year of a subsidiary undertaking does not coincide with that of the parent Company, the Group financial statements consolidate interim financial statements prepared by the subsidiary at the end of the parent's financial year.

The sole activity of An Post National Lottery Company is the operation of the National Lottery under licence from the Minister for Finance in accordance with the provisions of the National Lottery Act, 1986 and the surplus generated each year is entirely attributable to the National Lottery Fund which is managed and controlled by the Minister. Accordingly, An Post does not participate in the surplus generated by An Post National Lottery Company and neither is it entitled to exercise any rights over the assets of that company. On this basis, in accordance with the provisions of Financial Reporting Standard No. 2 'Accounting for Subsidiary Undertakings' and the European Communities (Companies: Group Accounts) Regulations, 1992, the consolidated financial statements do not incorporate the financial statements of An Post National Lottery Company. Separate financial statements of An Post National Lottery Company will be published on 18 May, 2010.

Joint venture undertakings (joint ventures) are those undertakings in which the Group has a long term interest and over which it exercises control jointly with another party.

Associated undertakings (associates) are those undertakings in which the Group has a participating interest in the equity capital and over which it is able to exercise significant influence.

Joint ventures and associates are accounted for using the gross equity method and equity method respectively. The Group's share of profits less losses of joint ventures and associates is included in the consolidated profit and loss account and its interests in their net assets or liabilities, other than goodwill, are included as fixed asset investments in the consolidated balance sheet.

The amounts included in the consolidated financial statements in respect of the profits of joint ventures and associates are taken from their latest financial statements made up to the balance sheet date.

Investment in joint ventures and associates are shown in the Company balance sheet as financial fixed assets and are valued at cost less provisions for impairments in value.

3. TURNOVER

Turnover is recognised as services are provided and consist of income from postage, agency services, poundage from remittance services, courier and logistic services, consultancy services, financial services, rents and interest income. Income from agency services is in respect of services performed for Government Departments, the National Treasury Management Agency, An Post National Lottery Company, Postbank Ireland Limited and other bodies. Amounts held in the performance of these agency services are included in amounts held in trust in cash at bank and at hand.

Postage income is recognised in the profit and loss account as sales are made with an adjustment to deferred revenue for stamps sold and unused and balances in postage meter machines unused at the year end. Other income, primarily agency income and service income, is recognised upon provision of the underlying service.

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER, 2009 (CONTINUED)

4. SAVING SERVICES

The Company operates, on an agency basis and for an agreed remuneration, the Post Office Savings Bank and other savings services for the National Treasury Management Agency, which acts on behalf of the Minister for Finance.

The funds are remitted regularly to the National Treasury Management Agency. The assets and liabilities of such savings services vest in the Minister for Finance and, accordingly, are not included in these financial statements.

5. GRANTS

Revenue based grants are credited to the profit and loss account to offset the matching expenditure.

Capital grants received and receivable under EU assisted schemes are recognised when received or when their receipt can be foreseen with virtual certainty.

Capital grants are treated as deferred income and amortised to the profit and loss account on a basis consistent with the depreciation policy of the related tangible fixed assets.

6. TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost less accumulated depreciation.

The cost of certain security equipment in Contractor-run post offices and furniture and fittings, together with other minor items, is charged to the profit and loss account in the year in which the expenditure is incurred. All other purchases of tangible fixed assets are capitalised.

Freehold and long leasehold land is not depreciated. Depreciation on other tangible fixed assets is charged to the profit and loss account on a straight line basis so as to write off those assets, adjusted for estimated residual value, over the expected useful life of each category. The remaining useful lives of the assets and their residual values are reviewed on a regular basis.

Depreciation is provided on additions with effect from the first day of the month following commissioning and on disposals up to the end of the month of retirement.

The estimated useful lives are as follows:

	Years
Freehold & long leasehold buildings	20 - 50
Interest in GPO	50
Motor vehicles	5
Computer & other equipment	3 - 10

7. OPERATING LEASES

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term.

8. GOODWILL

Goodwill arising on acquisitions, representing the excess of the purchase price over the fair value of the net identifiable assets or liabilities acquired, is capitalised and amortised to the profit and loss account on a straight line basis over its expected useful life of ten years. The carrying value of goodwill is reviewed annually and provision is made for any impairment in value. On disposal of a business, any goodwill is included in determining the profit or loss on sale of the business.

9. FINANCIAL FIXED ASSETS

Financial fixed assets are shown at cost less provisions for impairments in value. Income from financial fixed assets, together with any related tax credit, is recognised in the profit and loss account in the year in which it is receivable.

10. TAXATION

Current tax, including Irish corporation tax and foreign tax(es), is provided on the Group's taxable profits, at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Provision is made at the rates expected to apply when the timing differences reverse. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in taxable profits in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries, joint ventures and associates only to the extent that, at the balance sheet date, dividends have been accrued or receivable or a binding agreement to distribute past earnings in future has been entered into by the subsidiary, joint venture or associate.

11. PENSIONS

The Group provides pensions to its employees under defined benefit superannuation schemes and a defined contribution scheme. It also provides retirement gratuities under normal circumstances to postmasters engaged as agents and to certain non-pensionable employees.

In relation to the defined contribution scheme, contributions are accrued and recognised in operating profit or loss in the period in which they are earned by the relevant employees.

For the defined benefit schemes, the difference between the market value of the schemes' assets and the actuarially assessed present value of the schemes' liabilities, calculated using the projected unit credit method, is disclosed as an asset/liability on the balance sheet, net of a deferred tax liability or asset (to the extent that it is recoverable).

The amount charged to operating profit is the actuarially determined cost of pension benefits promised to employees earned during the year plus any benefit improvements granted to members during the year.

The expected return on the pension schemes' assets during the year and the increase in the schemes' liabilities due to the unwinding of the discount rate during the year are shown as financing costs in the profit and loss account.

Any difference between the expected return on assets and that actually achieved and any changes to the liabilities due to changes in assumptions or because actual experience during the year was different to that assumed, are recognised as actuarial gains and losses in the statement of total recognised gains and losses.

In relation to the unfunded liability for retirement gratuities, the actuarially determined present value of the liability is recorded in full in the balance sheet and it is increased for the cost of additional benefits earned during the year which is charged to operating profit. The unwinding of the discount on the liability is shown as a financing cost in the profit and loss account. Changes to the liability as a result of changes in measurement assumptions or because actual experience is different to that assumed are considered to be an actuarial gain or loss and are included in the statement of total recognised gains and losses.

12. FOREIGN CURRENCIES

Transactions denominated in foreign currencies are translated into euro and recorded at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into euro at the rates of exchange ruling at the balance sheet date or at forward purchase contract rates where such contracts exist. All such exchange differences are dealt with in the profit and loss account.

Results of overseas subsidiaries are translated into euro at the average exchange rate for the period. The assets and liabilities of overseas subsidiaries are translated into euro at rates of exchange ruling at the balance sheet date. Translation differences are reported as a movement on reserves.

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER, 2009

	Notes	2009 €'000	2008 €'000
Turnover: Group and share of joint venture		819,297	864,169
Less share of joint venture's turnover		(15,081)	(14,126)
Group turnover – continuing operations	2	804,216	850,043
Operating costs	3	(798,475)	(818,808)
Group operating profit – continuing operations		5,741	31,235
Share of operating loss of joint venture	10	(10,750)	(9,685)
Other finance (expense)/income (net)	17	(20,560)	18,340
(Loss)/profit on ordinary activities before taxation	4	(25,569)	39,890
Tax on (loss)/profit on ordinary activities	5	(2,941)	(6,675)
(Loss)/profit on ordinary activities after taxation		(28,510)	33,215
Minority interest	21	(555)	-
(Loss)/profit for the financial year	6/19	(29,065)	33,215

ON BEHALF OF THE BOARD
John Fitzgerald Chairman
Donal Connell Director

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER, 2009

	Notes	2009 €'000	2008 €'000
(Loss)/profit for the financial year excluding share of results of joint venture		(18,315)	42,900
Share of joint venture's result	10	(10,750)	(9,685)
Actuarial gain/(loss) on post employment plans	17	187,790	(486,565)
Total recognised gains and losses		158,725	(453,350)

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER, 2009

	Notes	2009 €'000	2008 €'000
Fixed Assets			
Intangible assets - goodwill	8	12,378	2,864
Tangible assets	9	230,236	197,761
Financial assets:			
Investment in joint venture	10	90	10,840
Investment in associates	10	-	-
		242,704	211,465
Current Assets			
Debtors	11	60,207	50,727
Cash at bank and in hand	12	290,114	350,463
		350,321	401,190
Creditors: Amounts falling due within one year	13	(183,898)	(165,192)
		166,423	235,998
Net Current Assets			
		409,127	447,463
Total Assets less Current Liabilities			
Creditors: Amounts falling due after more than one year	15	(3,665)	(3,767)
Provisions for Liabilities	16	(49,885)	(59,938)
		355,577	383,758
Net Assets excluding Pension Liability			
Pension Liability	17	(403,252)	(582,300)
		(47,675)	(198,542)
Net Liabilities including Pension Liability			
Capital and Reserves			
Called up share capital	18	68,239	68,239
Capital conversion reserve fund	18	877	877
Profit and loss account	19	(108,933)	(267,658)
Shareholders' Deficit	20	(39,817)	(198,542)
Minority interest	21	(7,858)	-
		(47,675)	(198,542)

ON BEHALF OF THE BOARD
John Fitzgerald Chairman
Donal Connell Director

COMPANY BALANCE SHEET AT 31 DECEMBER, 2009

	Notes	2009 €'000	2008 €'000
Fixed Assets			
Tangible assets	9	235,264	204,147
Financial assets	10	10,652	43,761
		245,916	247,908
Current Assets			
Debtors	11	59,410	49,962
Cash at bank and in hand	12	260,245	342,033
		319,655	391,995
Creditors: Amounts falling due within one year	13	(187,671)	(205,999)
Net Current Assets		131,984	185,996
Total Assets less Current Liabilities		377,900	433,904
Creditors: Amounts falling due after more than one year	15	(3,665)	(3,767)
Provisions for Liabilities	16	(49,885)	(59,938)
Net Assets excluding Pension Liability		324,350	370,199
Pension Liability	17	(403,252)	(582,300)
Net Liabilities including Pension Liability		(78,902)	(212,101)
Capital and Reserves			
Called up share capital	18	68,239	68,239
Capital conversion reserve fund	18	877	877
Profit and loss account	19	(148,018)	(281,217)
Shareholders' Deficit	20	(78,902)	(212,101)

ON BEHALF OF THE BOARD

John Fitzgerald Chairman

Donal Connell Director

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER, 2009

	Notes	2009 €'000	2008 €'000
Net cash (outflow)/inflow from operating activities	22	(14,274)	44,442
Taxation	22	(4,294)	(6,845)
Capital expenditure and financial investment	22	(46,300)	(40,341)
Acquisitions	22	2,029	-
Cash outflow before use of liquid resources		(62,839)	(2,744)
Management of liquid resources	22	103,037	9,897
Increase in cash in the year		40,198	7,153

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	Notes	2009 €'000	2008 €'000
Increase in cash in the year	23	40,198	7,153
Cash flows from change in liquid resources	23	(103,037)	(9,897)
Change in net funds resulting from cash flows	23	(62,839)	(2,744)
Net funds at beginning of year	23	350,463	353,207
Net funds at end of year	23	287,624	350,463

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2009

1. STATUS OF COMPANY

The Company is a limited liability company, incorporated under the Companies Acts, 1963 to 2009. Under the Postal and Telecommunications Services Act, 1983, the Company is entitled to omit the word 'Limited' from its name.

2. TURNOVER

	2009 €'000	2008 €'000
The analysis of turnover is as follows:		
Republic of Ireland		
Postage: Letters and parcels	565,640	624,820
Postage: Elections and referendum	15,494	4,708
Post offices: Agency, remittance and related services	163,950	156,407
Other services	19,783	18,547
Interest income	12,890	21,622
	777,757	826,104
United Kingdom and Other European Countries		
Other services	26,459	23,939
	804,216	850,043

Turnover above excludes the Group's share of joint venture's turnover of €15,081,000 (2008: €14,126,000). In the opinion of the directors, fuller compliance with the disclosure requirements of SSAP 25 'Segmental Reporting' would be prejudicial to the Group's interests.

3. OPERATING COSTS

	2009 €'000	2008 €'000
Staff and postmasters' costs	588,975	599,010
Other costs:		
Distribution	61,356	66,521
Accommodation	27,367	26,561
Operational	52,212	62,644
Administration	47,369	44,681
Depreciation and amortisation of goodwill	21,196	19,391
	798,475	818,808

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2009 (CONTINUED)

4. (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2009 €'000	2008 €'000
The (loss)/profit on ordinary activities before taxation is stated after charging:		
Directors' emoluments:		
Fees	268	287
Other emoluments	407	400
Pension contributions	77	75
Expenses paid to Directors:		
Travel	21	14
Subsistence	6	7
Other	1	1
Auditors' remuneration – audit	260	270
Depreciation	20,235	18,573
Amortisation of goodwill	961	818
Operating lease rentals:		
Rental of buildings	8,532	6,707
Other - equipment and motor vehicles	13,912	11,674
and after crediting:		
Capital grants amortised	102	102
Profit on sale of fixed assets	307	310

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 who is also a director. Other than this, they do not include the salaries of the employee and postmaster directors.

In accordance with the Government Guidelines on Remuneration and Other Conditions of Chief Executives, the Company operates a performance related pay scheme which provides for a maximum possible annual award of 35% of basic pay. Under this scheme, up to 25% is applied to annual objectives (the 25% short term scheme) and up to 10% is applied to multi-annual (three year) objectives (the 10% long term scheme). The Chief Executive has voluntarily waived his entitlement under the 25% short term scheme in the current year and in the previous year. Amounts earned under the 10% long term scheme are not finalised and do not become payable until the end of the three year term. However, it is estimated that an amount of €97,000 has been earned by the Chief Executive under the 10% long term scheme since the date of his appointment, 14 August, 2006, up to 31 December, 2009.

The remuneration package of Mr Donal Connell, Chief Executive Officer, which is included in the amounts shown above as directors' emoluments, was as follows :

	2009 €'000	2008 €'000
Basic salary	386	379
Non-pensionable performance related pay	-	-
Total pay	386	379
Other emoluments :		
Taxable benefits, including use of a company car	21	21
Director's fee	16	18
Pension contributions	77	75
	500	493

4. (Loss)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (CONTINUED)

	2009 €'000	2008 €'000
The fees paid to each director were as follows :		
John Fitzgerald (Chairman)	33	29
Patrick Compton	16	18
Jerry Condon	16	18
Donal Connell	16	18
Anne Connolly	16	18
Paddy Costello	16	3
Patrick Davoren	16	18
Louise English	16	18
Ciara Hurley	16	18
James Hyland	27	28
Brian McConnell	16	18
Gerry O'Toole	16	3
John Quinlivan	16	14
Alan Sloane	16	18
Catherine Woods	16	15
Thomas Devlin	-	14
Terry Kelleher	-	14
Margaret McGinley (former Chairperson)	-	4
Peter Wyer	-	1
Total	268	287

5. TAX ON (Loss)/PROFIT ON ORDINARY ACTIVITIES

	2009 €'000	2008 €'000
Current tax		
Ireland – Capital gains tax	46	31
Ireland – Corporation tax	2,252	5,925
Ireland – adjustment with respect of prior years	206	(69)
UK – Corporation tax	437	788
Share of joint venture tax	-	-
	2,941	6,675

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2009 (CONTINUED)

5. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

The current tax charge is lower than the standard rate of corporation tax in Ireland.
The differences are explained below:

	2009 €'000	2008 €'000
(Loss)/profit on ordinary activities before tax	(25,569)	39,890
Current tax of 12.5% (2008: 12.5%)	(3,196)	4,986
Effects of:		
Expenses not deductible	782	1,068
Depreciation in excess of capital allowances	785	988
Share of joint venture losses not deductible	1,344	1,211
Income taxed at higher rates	1,782	3,214
Utilisation of tax losses	-	(1,750)
Short term timing differences	1,238	(2,973)
Prior year underprovision/(overprovision)	206	(69)
Current tax charge	2,941	6,675

Given the uncertainty over the existence of future taxable profits, a potential deferred tax asset of €55,060,000 (2008: €76,372,500) has not been recognised in the consolidated balance sheet at 31 December, 2009. This deferred tax asset not recognised comprises a deferred tax asset in relation to the net pension deficit recognised of €50,407,000 (2008: €72,937,500), timing differences on business restructuring, €2,381,000 (2008: €2,381,000), tax losses forward not utilised, €6,353,000 (2008: €5,529,000), offset by other timing differences of €4,081,000 (2008: €4,475,000).

6. PROFIT FOR THE FINANCIAL YEAR

	2009 €'000	2008 €'000
(Loss)/profit after tax in the holding company	(21,481)	40,023
Profit after tax in subsidiary undertakings	3,721	2,877
Share of result of joint venture	(10,750)	(9,685)
Minority interest	(555)	-
(Loss)/profit for the financial year	(29,065)	33,215

A separate profit and loss account for An Post has not been prepared because the conditions laid down in Section 148(8) of the Companies Act, 1963 have been satisfied.

7. STAFF NUMBERS AND COSTS

	2009	2008
The average full time equivalent (FTE) number of persons working in the Group during the year was:		
Operations (mails and retail)	9,785	9,960
Corporate	713	711
Total Company employees (FTE)	10,498	10,671
Subsidiaries*	356	299
Total Group employees (FTE)	10,854	10,970
The average number of employees working in the Group during the year, including executive directors, was:		
Operations (mails and retail)	8,983	8,961
Corporate	747	717
Total Company employees	9,730	9,678
Subsidiaries*	356	310
Total Group employees	10,086	9,988
Postmasters: Engaged as agents	1,185	1,185

* Increase arises from inclusion of staff in subsidiaries acquired during the year.

	2009 €'000	2008 €'000
The aggregate payroll costs were as follows:		
Wages, salaries and postmasters' costs	510,298	511,679
Social welfare costs	36,491	35,314
Other pension costs (note 17)	42,186	52,017
	588,975	599,010

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2009 (CONTINUED)

8. INTANGIBLE FIXED ASSETS - GOODWILL

	Total €'000
GROUP	
Cost	
At 31 December, 2008	13,628
Acquisitions (note 24)	10,475
At 31 December, 2009	24,103
Amortisation	
At 31 December, 2008	10,764
Charge for year	961
At 31 December, 2009	11,725
Net Book Value	
At 31 December, 2009	12,378
At 31 December, 2008	2,864

The directors have considered the carrying value of goodwill at 31 December 2009 and have concluded that no impairment arises.

9. TANGIBLE FIXED ASSETS

	Freehold & long leasehold land & buildings €'000	Interest in GPO €'000	Motor vehicles €'000	Computer & other equipment €'000	Total €'000
GROUP					
Cost					
At 31 December, 2008	185,629	26,429	27,978	240,104	480,140
Additions	28,894	-	2,479	20,041	51,414
Subsidiary acquisitions	37	-	146	1,307	1,490
Disposals	(95)	-	(11,505)	(20)	(11,620)
At 31 December, 2009	214,465	26,429	19,098	261,432	521,424
Accumulated Depreciation					
At 31 December, 2008	43,107	10,150	21,687	207,435	282,379
Charged during year	4,669	651	1,766	13,149	20,235
Eliminated on disposals	(20)	-	(11,390)	(16)	(11,426)
At 31 December, 2009	47,756	10,801	12,063	220,568	291,188
Net Book Value					
At 31 December, 2009	166,709	15,628	7,035	40,864	230,236
At 31 December, 2008	142,522	16,279	6,291	32,669	197,761
COMPANY					
Cost					
At 31 December, 2008	187,992	26,429	27,915	233,857	476,193
Additions	28,861	-	2,386	19,567	50,814
Disposals	(95)	-	(11,372)	-	(11,467)
At 31 December, 2009	216,758	26,429	18,929	253,424	515,540
ACCUMULATED DEPRECIATION					
At 31 December, 2008	37,614	10,150	21,661	202,621	272,046
Charged during year	4,771	651	1,727	12,432	19,581
Eliminated on disposals	(20)	-	(11,331)	-	(11,351)
At 31 December, 2009	42,365	10,801	12,057	215,053	280,276
NET BOOK VALUE					
At 31 December, 2009	174,393	15,628	6,872	38,371	235,264
At 31 December, 2008	150,378	16,279	6,254	31,236	204,147

GROUP AND COMPANY

The depreciable element of freehold & long leasehold land & buildings (namely buildings) amounts to: Group €170,744,000 (2008: €154,971,000), Company €178,531,000 (2008: €161,921,000).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2009 (CONTINUED)

10. FINANCIAL FIXED ASSETS

	Group 2009 €'000	Group 2008 €'000	Company 2009 €'000	Company 2008 €'000
Shares in subsidiary undertakings, at cost	-	-	10,652	10,651
Interest in joint venture and associated undertakings	90	10,840	-	33,110
	90	10,840	10,652	43,761

Shares in subsidiary undertakings, at cost, in the Group amount to €102 (2008 : €102)

The movements during the year were as follows :

Shares in subsidiary undertakings

At beginning of year	-	-	10,651	10,651
Additions	-	-	1	-
At end of year	-	-	10,652	10,651

Additions relate to the purchase of a 53.6% shareholding in The Gift Voucher Shop (see note 24)

Interest in joint venture and associated undertakings

At beginning of year	10,840	25,380	33,110	19,109
Additions	-	-	-	18,856
Share of result of joint venture	(10,750)	(9,685)	-	-
Impairment	-	-	(33,110)	-
Capitalised costs expensed	-	(4,855)	-	(4,855)
At end of year	90	10,840	-	33,110

The shareholders in Postbank Ireland Limited, BGL BNP Paribas Fortis and An Post have decided not to continue the joint venture beyond the calendar year 2010. The Company accounts for An Post recognise this and have reduced the carrying value of the investment to €nil.

Additional disclosures in respect of Postbank Ireland Limited, which exceed certain thresholds under Financial Reporting Standard 9 Associates and Joint Ventures, are set out below. The 2009 disclosures have yet to be approved by the directors of Postbank Ireland Limited and are unaudited.

Fixed Assets	3,909	8,629
Current assets	249,625	183,328
Share of gross assets (excluding goodwill)	253,534	191,957
Liabilities due within one year	(253,444)	(181,117)
Share of gross liabilities	(253,444)	(181,117)
Investment in joint venture	90	10,840

Goodwill was created in Postbank Ireland Limited upon receipt of the businesses and assets transferred to it from An Post in 2007. In accordance with accounting principles, An Post has not recognised its share of the goodwill and intangible assets created in Postbank Ireland Limited.

11. DEBTORS

	Group 2009 €'000	Group 2008 €'000	Company 2009 €'000	Company 2008 €'000
Amounts falling due within one year				
Trade debtors	41,514	41,926	30,481	36,543
Amounts owed by subsidiary undertaking not consolidated	1,040	979	1,040	785
Amounts owed by other subsidiary undertakings	-	-	2,437	588
Amounts owed by associated undertaking (note 27)	799	895	799	895
Amounts owed by joint venture (note 27)	4,278	403	4,085	-
Other debtors	977	304	608	295
Prepayments and accrued income	11,599	6,220	4,944	5,391
	60,207	50,727	44,394	44,497
Amounts falling due after more than one year				
Amounts owed by subsidiary undertakings	-	-	15,016	5,465
	60,207	50,727	59,410	49,962

12. CASH AT BANK AND IN HAND

	Group 2009 €'000	Group 2008 €'000	Company 2009 €'000	Company 2008 €'000
Cash at bank	30,863	14,157	994	5,727
Cash in hand	258,827	254,753	258,827	254,753
	289,690	268,910	259,821	260,480
Term deposits	289,102	392,139	289,102	392,139
Less: Amounts held in trust	(288,678)	(310,586)	(288,678)	(310,586)
	290,114	350,463	260,245	342,033

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2009 €'000	Group 2008 €'000	Company 2009 €'000	Company 2008 €'000
Trade creditors	35,115	18,853	10,373	15,418
Amounts owed to subsidiary undertakings	-	-	47,217	48,138
Amounts owed to joint venture (note 27)	-	1,754	-	1,754
Other creditors	16,511	4,045	7,640	3,402
Taxation and social welfare (note 14)	16,303	15,208	15,096	14,202
Accruals	97,421	105,130	91,287	102,883
Deferred income - capital grants (note 15)	102	102	102	102
Bank overdraft	2,490	-	-	-
Deferred postage income	15,956	20,100	15,956	20,100
	183,898	165,192	187,671	205,999

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2009 (CONTINUED)

14. TAXATION AND SOCIAL WELFARE

	Group 2009 €'000	Group 2008 €'000	Company 2009 €'000	Company 2008 €'000
Corporation tax	(193)	1,160	(419)	508
Income tax deducted under PAYE	7,358	7,353	7,099	7,210
Pay related social insurance	6,675	5,205	6,459	5,146
Value added tax	1,911	780	1,365	554
Professional services withholding tax	552	710	592	784
	16,303	15,208	15,096	14,202

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2009 €'000	Group 2008 €'000	Company 2009 €'000	Company 2008 €'000
Deferred income - capital grants	3,665	3,767	3,665	3,767
The movements on grants were as follows:				
At beginning of year	3,869	3,971	3,869	2,912
Transferred from subsidiary	-	-	-	1,048
Amortised to profit and loss account	(102)	(102)	(102)	(91)
At end of year	3,767	3,869	3,767	3,869
Transferred to creditors: amounts falling due within one year	(102)	(102)	(102)	(102)
	3,665	3,767	3,665	3,767

16. PROVISIONS FOR LIABILITIES

	2009 €'000	2008 €'000
GROUP AND COMPANY		
Provisions for business restructuring	49,885	59,938
The movements during the year were as follows:		
At beginning of year	59,938	69,261
Utilised during the year	(10,053)	(9,323)
At end of year	49,885	59,938

The provision for business restructuring at 31 December, 2009 includes €30,839,000 (2008: €40,892,000) in relation to business restructuring redundancy costs, and €19,046,000 (2008: €19,046,000) in relation to the introduction of an Employee Share Ownership Plan (ESOP).

17. PENSIONS AND SIMILAR OBLIGATIONS

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.

The amounts charged during the year to operating costs were as follows:

	2009 €'000	2008 €'000
Defined benefit schemes – current service cost	40,500	50,400
Ex gratia schemes – current service cost	1,000	1,000
Defined contribution scheme	686	617
Recognised in the profit and loss account	42,186	52,017

Past service costs of €5,378,000 (2008: €3,638,000) arose during the year. These were discharged through the utilisation of the restructuring provision (note 16) and had no impact on the profit and loss account for the year ended 31 December, 2009 or 2008. Contributions payable to pension schemes and included in creditors at 31 December, 2009 amounted to €3,304,000 (2008: €43,000) which were paid in January 2010.

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 were carried out at 1 January, 2008 using the attained age method and at that date were sufficient to cover 100% of the accrued liabilities. The principal actuarial assumption was that, over the long term, the annual rate of return on investments would be 2.0% higher than the annual increase in pensionable remuneration. The actuarial valuation of 1 January, 2008 recommended a contribution rate of 14.4% of pensionable remuneration. 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 valuations of the pension schemes used for the purpose of FRS 17 disclosures have been based on the most recent actuarial valuations as identified above and updated by the independent actuaries to 31 December, 2009. Scheme assets are stated at their market value at the balance sheet date.

The financial assumptions used to calculate the retirement benefit liabilities under FRS 17 were as follows:

Valuation method	2009 Projected Unit	2008 Projected Unit	2007 Projected Unit
Discount rate	5.75%	5.75%	5.50%
Inflation rate	2.00%	2.00%	2.00%
Increase to pensions in payment	3.25%	3.25%	3.75%
Pensionable salary increases	3.25%	3.25%	3.75%

The long term expected rates of return on the assets of the pension schemes were:	2009	2008	2007
Equities	9.00%	9.00%	7.75%
Bonds	4.00%	3.80%	4.50%
Other	6.00%	6.85%	5.15%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2009 (CONTINUED)

17. PENSIONS AND SIMILAR OBLIGATIONS (CONTINUED)

The assumptions relating to longevity underlying the pension liabilities at the balance sheet 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 for a number of years as follows:

Life expectancy at 65	Male	Female
Current Pensioners – aged 65	84.0	87.0
Future Pensioners – aged 40	85.5	88.5

The market value of the assets of the defined benefit schemes at 31 December, 2009, 2008 and 2007 were:

	2009 €'000	2008 €'000	2007 €'000
Equities	916,100	723,800	1,362,000
Bonds	625,100	612,400	529,000
Other	112,400	111,500	200,000
Fair value of pension schemes' assets	1,653,600	1,447,700	2,091,000
Present value of funded defined benefit obligations	(2,045,000)	(2,017,900)	(2,193,100)
Present value of unfunded defined benefit obligations	(11,852)	(12,100)	(12,200)
Present value of defined benefit obligations	(2,056,852)	(2,030,000)	(2,205,300)
Pension liability	(403,252)	(582,300)	(114,300)
Movement in fair value of pension schemes' assets			
Fair value of pension schemes' assets at beginning of year	1,447,700	2,091,000	
Expected return on plan assets	95,500	139,200	
Actuarial gain/(loss)	125,700	(768,161)	
Employer contributions	58,696	55,263	
Members' contributions	4,400	3,900	
Benefits paid	(78,396)	(73,502)	
Fair value of pension schemes' assets at end of year	1,653,600	1,447,700	
Movement in present value of defined benefit obligations			
Defined benefit obligations at beginning of year	(2,030,000)	(2,205,300)	
Current service cost	(41,500)	(51,400)	
Past service cost	(5,378)	(3,638)	
Interest cost	(116,060)	(120,860)	
Members' contributions	(4,400)	(3,900)	
Benefits paid	78,396	73,502	
Actuarial gain	62,090	281,596	
Defined benefit obligations at end of year	(2,056,852)	(2,030,000)	

17. PENSIONS AND SIMILAR OBLIGATIONS (CONTINUED)
Other Finance (Expense)/Income

	2009 €'000	2008 €'000
Interest on schemes' liabilities	(116,060)	(120,860)
Expected return on schemes' assets	95,500	139,200
	(20,560)	18,340

The expected return on schemes' assets is calculated based on the value of the schemes' assets at the beginning of the financial year.

Amounts recognised in statement of total recognised gains and losses

The actuarial gains and losses are analysed as follows:

Difference between expected and actual return on assets	125,700	(768,161)
Experience gains and losses on schemes' liabilities	62,090	(8,400)
Changes in assumptions underlying the present value of schemes' liabilities	-	289,996
Actuarial gain/(loss) recognised	187,790	(486,565)

The actual return on schemes' assets in 2009 was a gain of €221m (2008: loss of €629m). The cumulative actuarial gains and losses recognised in the statement of total recognised gains and losses at 31 December, 2009 is a loss of €229m.

Employer contributions in 2010 are expected to be €54m.

History of Actuarial gains and losses

	2009 €'000	2008 €'000	2007 €'000	2006 €'000	2005 €'000
Difference between expected and actual return on assets	125,700	(768,161)	188,294	66,000	257,000
Expressed as a percentage of schemes' assets	8%	(53%)	9%	3%	13%
Experience gains and losses on schemes' liabilities	62,090	(8,400)	-	(43,000)	(2,000)
Expressed as a percentage of schemes' liabilities	3%	-	-	(2%)	-
Total actual gains and losses	187,790	(486,565)	63,141	118,179	(1,786)
Expressed as a percentage of schemes' liabilities	9%	(24%)	3%	5%	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2009 (CONTINUED)

18. SHARE CAPITAL Group and Company

	2009 €'000	2008 €'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

On 14 January, 2003, pursuant to Section 26 of the Economic and Monetary Union Act, 1998, the Company's shares were renormalised from €1.269738 to €1.25 per share and an amount of €877,000 was transferred to a capital conversion reserve fund.

19. PROFIT AND LOSS ACCOUNT

	Group 2009 €'000	Group 2008 €'000	Company 2009 €'000	Company 2008 €'000
At beginning of year	(267,658)	185,692	(281,217)	165,325
(Loss)/profit for the financial year	(29,065)	33,215	(21,481)	40,023
Impairment of financial asset	-	-	(33,110)	-
Other recognised gains/(losses)	187,790	(486,565)	187,790	(486,565)
At end of year	(108,933)	(267,658)	(148,018)	(281,217)

20. RECONCILIATION OF SHAREHOLDERS' (DEFICIT)/FUNDS

	Group 2009 €'000	Group 2008 €'000	Company 2009 €'000	Company 2008 €'000
At beginning of year	(198,542)	254,808	(212,101)	234,441
(Loss)/profit for the financial year	(29,065)	33,215	(21,481)	40,023
Impairment of financial asset	-	-	(33,110)	-
Other recognised gains/(losses)	187,790	(486,565)	187,790	(486,565)
At end of year	(39,817)	(198,542)	(78,902)	(212,101)

21. MINORITY INTEREST

	Total €'000
At 31 December, 2008	-
Arising from acquisitions (note 24)	8,413
Minority interest share of profit	(555)
At 31 December, 2009	7,858

22. GROSS CASH FLOWS

	2009 €'000	2008 €'000
Reconciliation of operating profit to net cash flow from operating activities		
Operating profit	5,741	31,235
Depreciation and amortisation	21,196	24,246
Profit on sale of tangible fixed assets	(307)	(310)
Payments in relation to provision for business restructuring	(10,053)	(9,323)
Cash pension cost	(11,818)	(225)
Capital grants amortised	(102)	(102)
(Increase)/decrease in operating debtors	(2,824)	5,549
(Decrease)/increase in operating creditors	(16,107)	(6,628)
Net cash (outflow)/inflow from operating activities	(14,274)	44,442
Taxation		
Tax paid	(4,294)	(6,845)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(46,801)	(40,773)
Disposal of tangible fixed assets	501	432
	(46,300)	(40,341)
Acquisitions and disposals		
Acquisition of subsidiary undertakings (note 24)	(2,287)	-
Cash in subsidiaries acquired	4,316	-
	2,029	-
Management of liquid resources (note a)		
Decrease in term deposits	103,037	9,897

Note a: Liquid resources comprise term deposits with a maturity notice period of more than one day.

23. ANALYSIS OF NET FUNDS

	At beginning of year €'000	Cash flows €'000	At end of year €'000
Cash at bank and in hand	268,910	20,780	289,690
Bank overdraft	-	(2,490)	(2,490)
Amounts held in trust	(310,586)	21,908	(288,678)
		40,198	
Term deposits	392,139	(103,037)	289,102
Total	350,463	(62,839)	287,624

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2009 (CONTINUED)

24. SUBSIDIARY AND ASSOCIATED UNDERTAKINGS

Name	Nature of Business	% Holding	Registered Office
Subsidiary undertakings held directly by the Company			
An Post National Lottery Company (note 27)	Operation of the National Lottery	80%	General Post Office, O'Connell Street, Dublin 1.
Arcade Property Company Limited	Property development and letting	100%	General Post Office, O'Connell Street, Dublin 1.
Post Consult International	Computer software services Limited	100%	General Post Office, O'Connell Street, Dublin 1.
Precision Marketing Information Limited	Provision of marketing data, database services and business directories	100%	General Post Office, O'Connell Street, Dublin 1.
Prince's Street Property Company Limited	Dormant	100%	General Post Office, O'Connell Street, Dublin 1.
Printpost Limited	High volume printing	100%	General Post Office, O'Connell Street, Dublin 1.
Post.Trust Limited	Digital certification and security services	100%	General Post Office, O'Connell Street, Dublin 1.
Transpost Limited	Courier and distribution	100%	General Post Office, O'Connell Street, Dublin 1.
Kompass Ireland Publishers Limited	Dormant	100%	General Post Office, O'Connell Street, Dublin 1.
An Post BillPost Processing Services Limited	Bill payment processing	100%	General Post Office, O'Connell Street, Dublin 1.
An Post GeoDirectory Limited	Database services	100%	General Post Office, O'Connell Street, Dublin 1.
An Post (NI) Limited	Holding company	100%	Stokes House, College Square East, Belfast.
GVS Gift Voucher Shop Limited	Retail gift vouchers	53.6%	General Post Office, O'Connell Street, Dublin 1.
The Gift Voucher Shop Limited	Retail gift vouchers	53.6%	4, The Merlin Centre, Acrewood Way, St. Albans Herts, U.K.
Subsidiary undertakings held indirectly through a subsidiary undertaking			
Air Business Limited	Distribution	100%	4, The Merlin Centre, Acrewood Way, St. Albans Herts, U.K.
Jordan & Co International Limited	Distribution	100%	4, The Merlin Centre, Acrewood Way, St. Albans Herts, U.K.

24. SUBSIDIARY AND ASSOCIATED UNDERTAKINGS (CONTINUED)

Name	Nature of Business	% Holding	Registered Office
Associated undertaking held directly by the Company			
The Prize Bond Company Limited	Administration of the Prize Bond Scheme	50%	General Post Office, O'Connell Street, Dublin 1.
Joint Venture			
Postbank Ireland Limited	Banking	50%	Block One West Pier Business Campus Dun Laoghaire Co Dublin

During the year, the Group acquired the entire share capital of Jordan & Co International Limited and a 53.6% shareholding in the Gift Voucher Shop Limited. The assets and liabilities acquired and the consideration paid were as follows:

	Jordan & Co €'000	The Gift Voucher Shop €'000	Total €'000
Tangible fixed assets (note 9)	751	739	1,490
Debtors	752	5,904	6,656
Cash	912	3,404	4,316
Creditors	(886)	(28,177)	(29,063)
Minority Interest (note 21)	-	8,413	8,413
Net assets/(liabilities) acquired	1,529	(9,717)	(8,188)
Goodwill arising on acquisition (note 8)	757	9,718	10,475
Consideration – satisfied by cash payment (note 22)	2,286	1	2,287

The directors believe that there was no material difference between the book value of the assets and liabilities acquired and their fair values at the date of acquisition.

Goodwill arising on acquisitions is being written off over 10 years.

The results of the acquired entities have been included in the consolidated profit and loss account from the respective dates of acquisition and amounted to turnover of €6.1m, operating costs of €5.0m and operating profits of €1.1m. The purchase contract for the Gift Voucher shop provides for additional cash consideration in the event that specified earn out targets are achieved. No amounts have been accrued in this respect at 31 December, 2009.

Air Business Limited, Jordan & Co International Limited and Gift Voucher Shop (UK) 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.

An Post National Lottery Company carries on the business of operating the National Lottery under licence from the Minister for Finance in accordance with the provisions of the National Lottery Act, 1986. 20% of the issued share capital is held by the Minister for Finance.

The Prize Bond Company Limited carries on the business of administering the Prize Bond Scheme under contract from the National Treasury Management Agency.

The following subsidiaries will avail of the filing exemption available under Section 17 of the Companies (Amendment) Act, 1986, whereby they will annex the financial statements of An Post to their annual returns: Post Consult International Limited; Printpost Limited; Post.Trust Limited; Transpost Limited; Precision Marketing Information Limited; Arcade Property Company Limited; Prince's Street Property Company Limited; An Post BillPost Processing Services Limited; An Post GeoDirectory Limited and Compass Ireland Publishers Limited.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2009 (CONTINUED)

25. LEASE COMMITMENTS

	Land & buildings 2009 €'000	Other 2009 €'000	Total 2009 €'000	Land & buildings 2008 €'000	Other 2008 €'000	Total 2008 €'000
Annual commitments under non-cancellable operating leases were as follows:						
Group						
Expiring within one year	981	4,788	5,769	903	1,542	2,445
Expiring after one year and before five years	3,575	7,767	11,342	1,110	9,801	10,911
Expiring after five years	4,495	-	4,495	5,874	-	5,874
	9,051	12,555	21,606	7,887	11,343	19,230
Company						
Expiring within one year	164	4,750	4,914	630	1,412	2,042
Expiring after one year and before five years	3,140	7,582	10,722	772	9,705	10,477
Expiring after five years	3,926	-	3,926	5,305	-	5,305
	7,230	12,332	19,562	6,707	11,117	17,824

Other lease commitments relate to equipment and motor vehicles. There were no material finance lease commitments either at 31 December, 2009 or 2008 or which were due to commence after that date.

26. CAPITAL COMMITMENTS

	Group 2009 €'000	Group 2008 €'000	Company 2009 €'000	Company 2008 €'000
Contracted for	16,923	25,122	16,923	25,122
Authorised but not contracted for	46,223	14,416	46,223	14,416
	63,146	39,538	63,146	39,538

27. RELATED PARTY DISCLOSURES AND CONTROLLING PARTY

Controlling party

The Group was controlled throughout the year by the Minister for Communications, Energy and Natural Resources who holds the entire issued share capital of An Post except for one ordinary share which is held by the Minister for Finance.

Transactions with related undertakings

An Post National Lottery Company

The Group provides An Post National Lottery Company, an undertaking not consolidated, with management and delivery services. Such services are carried out on an arm's length basis or, where required, in accordance with the terms of the licence granted by the Minister for Finance to operate the National Lottery. The Company also provides agency services to An Post National Lottery Company whereby the Company makes sales and pays prizes on behalf of An Post National Lottery Company in accordance with the standard terms and conditions and remuneration structure common to all of An Post National Lottery Company's agents. Group turnover for the year includes €6,346,000 (2008: €6,128,000) in respect of services provided to An Post National Lottery Company. These amounts are inclusive of a management fee of €2,993,000 (2008: €2,993,000) payable to the Company in accordance with the terms of the licence to operate the National Lottery.

The costs of staff working in An Post National Lottery Company are recharged from An Post at cost and amounted to €7,764,000 for the year ended 31 December, 2009 (2008: €7,442,000).

The amount owed by An Post National Lottery Company to the Company was €1,040,000 at 31 December, 2009 (2008: €979,000).

An Post has agreed to guarantee the performance by An Post National Lottery Company of its obligations under the licence for the holding of the National Lottery granted by the Minister for Finance. An Post has provided the guarantee, the maximum liability of which amounts to €10 million, for the duration of the licence to 31 December, 2011.

The Prize Bond Company Limited

Under the terms of a contract with The Prize Bond Company Limited, 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 €4,266,000 for the year ended 31 December, 2009 (2008: €3,104,000). The amount owed by The Prize Bond Company Limited to the Company was €799,000 at 31 December, 2009 (2008: €895,000).

Postbank Ireland Limited

The Company provides Postbank Ireland Limited (Postbank), with delivery services and agency services whereby the Company makes sales and accepts deposits and withdrawals on behalf of Postbank. The Company also earns commissions from Postbank on the sale of mobile phone top ups. Other group companies supply Postbank with computer related services. Such services are carried out on an arm's length basis. Group turnover for the year includes €5,683,000 (2008 : €7,131,000) in respect of services provided to Postbank and commissions earned. The Company had for part of the year, seconded certain staff to Postbank and the related costs which amounted to €707,000 (2008 : €1,865,000) are recharged to Postbank. Postbank also provides certain management services to the Company, the value of which amounted to €617,000 (2008 : €507,000). The amounts owed by Postbank to the Group and Company in respect of these services at 31 December, 2009 were €4,278,000 (2008 : €403,000) and €4,085,000 (2008: €nil) respectively. The amounts owed to Postbank by the Group and Company at 31 December, 2009 were €nil (2008: €1,754,000) and €nil (2008: €1,754,000) respectively.

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.

28. CONTINGENCIES

Group and Company

There were no contingent liabilities or guarantees at 31 December, 2009 or 2008 in respect of which material losses are expected other than as disclosed elsewhere in the financial statements.

29. BOARD APPROVAL

The financial statements were approved by the Board of Directors on 25 March, 2010.

FIVE YEAR FINANCIAL SUMMARY

CONSOLIDATED PROFIT & LOSS ACCOUNT

	2009*	2008*	2007*	2006	2005
	€'000	€'000	€'000	€'000	€'000
Turnover	804,216	850,043	875,983	818,827	752,887
Operating costs	(798,475)	(818,808)	(846,857)	(804,162)	(736,690)
Operating profit	5,741	31,235	29,126	14,665	16,197
Retrospective pay award**	-	-	-	(20,040)	-
Asset disposals	-	-	1,516	94,700	59,323
Business restructuring	-	-	-	(13,883)	(40,000)
Share of results of joint venture and associate	(10,750)	(9,685)	(12,475)	-	-
Other finance (expense)/income	(20,560)	18,340	31,250	21,123	5,391
(Loss)/profit before taxation	(25,569)	39,890	49,417	96,565	40,911
CONSOLIDATED BALANCE SHEET					
Fixed assets	242,704	211,465	206,682	196,197	216,275
Net current assets	166,423	235,998	235,556	205,034	115,903
Other liabilities	(53,550)	(63,705)	(73,130)	(82,673)	(92,920)
Net assets excluding pension liability	355,577	383,758	369,108	318,558	239,258
Pension liability	(403,252)	(582,300)	(114,300)	(193,226)	(307,770)
Net (liabilities)/assets including pension liability	(47,675)	(198,542)	254,808	125,332	(68,512)
Capital and reserves	(47,675)	(198,542)	254,808	125,332	(68,512)

RATIOS

	2009	2008	2007	2006	2005
Operating profit above as % of turnover	0.71%	3.67%	3.32%	1.79%	2.15%
Operating profit above as % of average shareholders' funds before pension liability	1.55%	8.30%	8.47%	5.26%	7.81%
Staff and postmasters' costs as % of operating costs before exceptional item	73.76%	73.16%	70.96%	69.40%	69.79%
Current assets as % of current liabilities	190.50%	242.86%	235.43%	214.25%	177.85%

* Joint venture turnover excluded

** In 2006, for statutory accounts presentation purposes, the retrospective pay award was included in arriving at group operating profit. It has been extracted for the purposes of the schedule above as the pay award relates to 2003 and 2004.

OPERATIONAL STATISTICS

	2009	2008	2007	2006	2005
MAIL					
Letters core revenue index (2004 = 100) (note 1)	98.1	109.0	111.3	108.8	104.0

Note 1: This index reflects changes in letters core revenue and excludes revenue from elections, referenda, foreign administrations in each year as well as the impact of changes to published tariffs.

SYSTEM SIZE					
No. of delivery points (millions)	2.214	2.184	2.131	1.998	1.875
Post office network:					
Company post offices	57	61	74	84	88
Contractor-run post offices	1,179	1,187	1,212	1,277	1,321
Postal agencies	177	178	172	171	161
	1,413	1,426	1,458	1,532	1,570
No. of motor vehicles	2,782	2,941	2,967	2,991	2,905

	2009 €m	2008 €m	2007 €m	2006 €m	2005 €m
SAVINGS SERVICES (NOTE 2)					
Value of Funds at 31 December	8,231	6,701	5,617	5,863	5,668
COUNTERS : BUSINESS VALUE					
<i>Post Office Savings Services</i>					
Savings Bank Deposits	905	1,306	814	850	811
Savings Bank Withdrawals	802	850	1,063	807	638
Savings Certificates issued	1,215	749	467	469	400
Savings Certificates repaid	1,041	660	750	1,052	725
Instalment Savings issued	110	114	107	97	78
Instalment Savings repaid	102	111	117	114	104
Savings Bonds issued	1,466	813	574	673	475
Savings Bonds repaid	704	589	704	626	362
<i>Pensions, allowances and social welfare benefits</i>					
Paid during the year	9,928	8,265	7,610	7,083	6,622

	2009 000's	2008 000's	2007 000's	2006 000's	2005 000's
BillPay Volumes	25,170	24,490	24,786	25,510	24,777
TV Licence Sales	1,436	1,430	1,407	1,339	1,273

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.