



An Post Summary Regulatory Financial Statements 2019

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For your world

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Financial Summary and Business Review

Income Statement for Universal Service Mails Business Segment

Mails

	USO		Non USO		Total Mails	
	2019 '000	2018 '000	2019 '000	2018 '000	2019 '000	2018 '000
Volumes ('000)	278,522	269,907	207,795	224,754	486,318	494,661
	2019 €'000	2018 €'000	2019 €'000	2018 €'000	2019 €'000	2018 €'000
Revenue	370,071	354,626	258,720	258,492	628,792	613,118
Expenditure	362,099	363,957	239,597	230,548	601,695	594,505
Profit/(Loss)	7,973	(9,331)	19,123	27,944	27,096	18,613

The Mails Business Segment reported a profit of €27.1m for 2019. This follows on from a profit of €18.6m in 2018 and continues a trend to establish a sustainable business with the capacity to service the economy and fulfil the obligations of the Universal Service Obligation (USO)

The movement to profitability in recent years represents a very positive development for the Company. Senior management are satisfied that the strategic direction of the Company offers the best opportunity to secure the long-term future of the business.

The USO segment of the mails business reported a profit for 2019. This is a very welcome development and demonstrates how the Strategy of the company is enabling the establishment of a sustainable USO mails business, which is one of the key deliverables for the Group. The main changes for 2019 that led to the profitability in the USO, were 2 of the new bulk products introduced in 2019 being classified as USO products and the recategorisation of Prime Express as Non USO at the request of the Regulator.

USO Performance

An Post is designated as the national postal Universal Service Provider. This involves the obligation to fulfil an every working day mail service to every household in the country. This places cost obligations on the company.

In 2019, the USO segment recorded a profit of €8.0m, a significant improvement on the €9.3m loss in 2018. The marginal profit is a continuation of the trend emerging in recent years of reducing USO losses through cost reduction, strategic pricing and product improvement. The USO performance is supported by revenue from other income streams.

The headline domestic stamped letter unit cost has moved to €1.04 in 2019 from €1.05 in 2018. This decrease in unit costs was achieved through cost reduction measures implemented in partnership with Company employees and the significant growth in parcel volumes attracting a greater quantity of the total costs. This is a positive movement achieved by An Post in the key cost volume ratio and represents the reversal of a previous trend.

USO Volumes and Revenues

Domestic and International Outbound stamped and metered volumes are derived from revenue based on a Sampling Plan. This plan was designed by PricewaterhouseCoopers in accordance with the relevant standard (IS:EN 13850:2012).

USO Mails revenue in 2019 is 4.4% higher than 2018, due to increased prices, increasing volumes of parcels and packets and the recategorisation of bulk products. Overall USO volumes increased by 3.2% over 2018 levels. Traditional stamped letter volumes have continued to decline. This is in line with the experience of other postal operators.

Re-classification of some products into and out of the the USO is in part responsible for this. In 2019, the Regulator changed the USO weight limit for Postal Parcels from 20kg down to 10kg. In addition, the Regulator decided that Prime Express, (the delivery of tracked postal items from other Postal Operators) should no longer be accounted for in the USO segment. The 2019 Accounts have been prepared in accordance with these instructions but the 2018 comparatives were not adjusted for these changes.

Price

The basic stamp price remained the same at €1 for the full year 2019. The price for a number of other mail services was adjusted on 25 February, 2019. The international standard letter rate increased from €1.50 to €1.70 and other prices were adjusted accordingly. Price rates for bulk mail, which had not been included in the February pricing exercise, were adjusted from 4 June, 2019. On 8 November, 2019, there was a limited adjustment to parcel prices for the national and UK markets. The purpose of this review was to better align prices for these markets with some prices being reduced and others increased. The overall impact of price changes in 2019 has been to rationalise and simplify the Company's pricing structure and to better position the Company to avail of future opportunities.

Industry Trends

Overall the core mail index (revenue derived) declined by 6.3%. Global trends in volume decline which have been a feature of the industry for many years continued in 2019. In 2019, volumes recorded as USO increased by 3.2%, attributable in the main to the inclusion of new bulk products, most bulk was previously categorised by the Regulator as Non USO. Letter and flat volumes declined while parcel and packet volumes grew. Non-USO volumes decreased by 7.5%, as result of recategorisation of bulk volume into the USO segment. Overall mail volumes in An Post fell by only 1.7% when we include one off mailings for Elections and Referendum and the significantly increased parcel and packet volumes which compensated for greater decline in traditional mailings.

The losses experienced on the delivery of inbound international traffic continued in 2019. These losses are a function of the disadvantageous terminal dues structure particularly in relation to developing countries including China. In 2019 packet traffic from China almost doubled. Losses, on Fully Allocated Costs (FAC), reduced by 1% reflecting international efforts to rebalance this segment. The 3rd Extraordinary UPU Congress in September, 2019 reached an agreement to place more equitable pricing in the system. The Congress agreed to allow operators (initially restricted to the USA) to self declare inbound terminal dues rates, within parameters. This agreement was required to address the low charges which could be levied on "developing" countries including China, which were causing market distortion. Priority packet rates were increased by 14% for China in 2019. In future years the agreement should assist in addressing the losses experienced by An Post in the Inbound segment.

The final conditions of Brexit are not known at the time of reporting. It is likely to result in changes to volume flows to and from the UK. As the UK is the foreign administration with which An Post has the most significant trade, the impact could be significant.

Customs 2020 is an EU co-operation programme to improve administration of customs charges in the EU. An Post collects custom charges on behalf of the Revenue Commissioners. Postal operators are concerned that the more rigorous enforcement of custom charges may result in exposure to additional costs or adverse volume movement.

Group Profitability

The trading results for An Post for the financial year 2019 show improvement over 2018, consolidating the financial stability of the Company. This result validates that the Company's strategic direction is appropriate. The Group profit before transformation costs, one off items, finance costs and taxation of €41.9m in 2019 compares favourably with €37.6m in the prior year. Group revenue in the year was €892m, marginally lower than the 2018 revenue of €897m, due to the disposal of The Gift Voucher Shop in January 2019. In the context of continuing core letter mail decline this result represents a very solid performance. The impact of price adjustments (begun in 2017), increased packet and parcel volumes and the volumes generated from the Local and European Elections and Referendum drove the stability of the revenue line. Retail income was maintained at the 2018 level and the reduced profitability in this division reflected the costs of the retail transformation programme, including new product development. 2019 saw continued strong performance in our subsidiary companies.

Financial Summary and Business Review continued

KPI's

KPI	Performance in 2019	Performance in 2018
Operating result		
Profit before transformation costs, pension interest and taxation, excluding one off items	4.7%	4.6%
Staff costs as a percentage of total operating costs	58.8%	58.1%
Postmasters' costs as a percentage of total operating costs	7.7%	8.1%
Other operating costs as a percentage of total operating costs	33.5%	33.8%
Cash at bank and in hand (€'000) ¹	126,733	95,539
Financial and liquidity measures		
Group Asset Turnover ratio	1.38	1.29
Group current ratio	1.12	1.04
Staff - Average Full Time Equivalents (FTE)		
Company	9,061	8,930
Subsidiaries	690	793
Group	9,751	9,723
Mails and Parcel business		
Mails and Parcel revenue (excluding elections and referenda)(€'000)	591,985	580,448
Core mail volumes ²	(6.3%)	(7.6%)
Customer Service		
Written complaints	31,357	30,214
Telephone enquiries	680,504	746,614

¹ Netting off for Amounts held in trust, Company Cash at bank and in hand at 31 December 2019 is €126.7m.

² Core mails volumes are derived from total mails revenue excluding changes to published tariff, income from foreign administrations, parcels and variations arising from elections or referenda in each year.

Cash at Bank and in Hand

Net cash at bank and in hand was €126.7m at 31 December, 2019 increased from €95.5m at December, 2018. The cash position reflects the disposal of shares in Gift Voucher Shop subsidiary and the financial support of the Department of Finance and EIB. The additional cash balances will be used for investing in the future of An Post and further consolidating the future viability of the Company.

Other Group Balance Sheet Items

An Post holds a 10.7% shareholding in Premier Lotteries Ireland, the operator of the National Lottery licence for a period of 20 years up to 2034. This investment is valued at €36.9m and it continues to generate income and cash flow in line with expectations.

There is a Government Loan of €30m on the balance sheet as there was at the prior year end. In addition, there is a European Investment Bank (EIB) loan of €10m on the balance sheet at 31 December, 2019.

Financial and Liquidity Measures

The movements in liquidity measures reflect the increase in cash at bank and in hand reflecting more profitable trading.

Customer Service, Written and Telephone Enquiries

The enquiries are linked to the roll-out of new and enhanced services and the significant increase in parcel services, driven particularly by on-line shopping.

Group Financial Review

	2019 €'000	2018 €'000
Revenue	892,128	896,954
Operating costs	(850,233)	(859,306)
Finance income (excluding pension interest)	2,418	4,577
Finance costs (excluding pension interest)	(2,226)	(979)
Profit before transformation costs, pension interest and taxation, excluding one off items	42,087	41,246
Net Assets (Excluding Pension Liability)	308,406	251,887
Net Assets (Including Pension Liability)	280,178	204,007

Revenue

Group revenue decreased slightly from €897m in 2018 to €892m in 2019. This consistent strong performance was driven by the impact of the implementation of cost-orientated tariffs in the domestic and outbound international market segments commenced in 2017, increased packet and parcel volumes and the volumes generated from the Local Election and Referendum. This was partially off-set by the fall in traditional mail volumes, particularly letters. In addition, the revenue decline reflects the sale of the subsidiary Gift Voucher Shop in 2019. Overall core mail volumes declined by 6.3% in 2019 compared to a decline of 7.3% in the prior year. Similar rates of decline are being recorded across the postal sector internationally. In their 2019 Annual Report, Royal Mail reported a decline of 8% in traditional letter volumes. They are forecasting a decline of 4-6% per annum in the medium term.

Costs

Group operating costs before transformation costs, of €850.2m in 2019 were down from €859.3m in 2018. This reduction was made up of decreased payroll and postmaster costs of €2.9m and a reduction in non pay costs of €6.2m. The decrease in payroll costs was mainly due to reduced pension costs reflecting the improved Pension Fund position. There was an increase of 131 in Full Time Equivalents (FTE) staff numbers mainly to service the growing parcel and packet volume. The reduction in non pay costs includes distribution, accommodation and operational costs and reflects the Company's cost monitoring efforts. Cork Mail Center closed on 23 March 2020, the closure of this mail center will streamline the mails processing infrastructure in the region to better suit current mail profiles.

Outlook

The financial results for 2019 are extremely positive and have built on the encouraging return to profitability begun in 2017. The results reaffirm the validity of the Company's strategic business plan. The adoption of this strategic plan along with the disposal of assets, has enabled the Group to accumulate sufficient resources to execute the new strategic direction and rationalisation programme. These projects are essential to the continued success of the business in the medium term.

Post year end, the Covid-19 pandemic has had a very significant impact on the Company's operations, revenues and profitability. Although the Company has maintained service levels, the impact of prolonged lockdown and temporary cessation of many of our business customers will have an impact that cannot be measured currently.

USO Performance

	Total USO 2019	Total USO 2018
Volumes ('000s)	278,522	269,907
	€'000	€'000
Revenue	370,071	354,626
Total Expenditure	362,099	363,957
Profit/(Loss) for the year	7,973	(9,331)

USO Performance

The USO made a profit of €8.0m in 2019. Domestic USO made a profit of €30.7m in 2019 compared to a profit of €20.0m in 2018. USO losses experienced on the delivery of inbound international traffic continued but the revised terminal dues structure reduced the level of loss incurred in 2019. Volumes from non-EEA countries increased in 2019 while volumes from EEA countries declined continuing the previous trend.

USO volumes increased by 3.2% in 2019 mainly due to the inclusion of new bulk products in the USO segment. Volume decline is still being experienced in domestic letter mail and if bulk are excluded, volumes declined by 4.8%. The international outbound USO volume declined by 12.9% continuing the trend of prior years. The inbound volume decreased by 8.7%, with EEA volumes declining by 21.2% and non-EEA origin traffic increasing by 30.0%.

The domestic mail proportion of USO traffic has continued to decrease, from 78% in 2014 to 73% in 2019, with International Inbound accounting for 21% and the remaining 6% being International Outbound.

USO revenues increased by €15.4m (4.4%) in 2019. This arises due to an increase of €16.6m (7.4%) in domestic USO revenue, a €2.6m (3.6%) decrease in inbound international revenue and a €1.4m (2.3%) increase in outbound international revenue. The domestic and international outbound revenues declined at a lower rate to volumes as a result of the price increases implemented during 2019. The inclusion of new bulk products boosted domestic USO revenue. International inbound revenue was maintained despite the recategorisation of Prime Express as non USO in 2019.

Letter volumes account for 81% of USO mail volumes. As is the experience of other Postal Operators, significant decline in letter volumes continues. In 2019, USO letter volumes (excluding bulk) decreased by 15.6m items or 9%, which is in line with forecast and is expected to continue in the future.

Registered volumes declined by 1.5m items (15.6%) in 2019. If Prime Express had been included in the USO, volumes would have grown due to increases in registered traffic from Asian countries, particularly China. This large growth has also been experienced by other Postal Operators. This trend was noted in the prior year and is expected to continue into the near future.

Price

On 25 February, 2019, a general price increase (excluding bulk rates) was implemented, however the first price point on the domestic letter service remained at €1. The prices of certain Universal Services were increased to better reflect the cost of providing these services. The increases implemented moved the first price point on the international letter service from €1.50 to €1.70, remaining below the European average of €1.76. On June 4 2019, a new pricing structure for bulk mail was introduced by the Company standardising the bulk offering. The old bulk rates were discontinued and customers moved to the new pricing structure. On 8 November 2019 there was a review of parcel price rates in the domestic and UK markets.

Cost

USO costs decreased by €1.9m (0.5%) in 2019. Change programme implementation continued over the course of the year. There are plans for further cost efficiencies. The reduction in labour FTE in the business since the commencement of decline in mail volumes in 2008 has reached over 2,000. In 2019 the average FTE employees providing USO services remained as in 2018 although the volumes processed increased. Efficiency improvements year on year have been achieved whilst the Quality of Service has been maintained and the number of delivery points increased. An improved delivery frequency implemented in the year is of vital importance to the Company gaining market share in the growing parcel and packet sector.

Capex

Fixed asset additions in the year include continued investment in the parcel hub at the DMC campus and a significant investment in vehicles including electric vehicles.

USO Profit/(Loss) by Market Segment

	Total USO 2019 €'000	Total USO 2018 €'000
Market Segment		
Domestic	30,734	20,016
Inbound International	(25,802)	(29,374)
Intra-Community	(6,780)	(12,548)
Rest of World	(19,021)	(16,826)
Outbound International	3,041	27
(Loss) for the year	7,973	(9,331)

Statement of Directors' Responsibilities

The Board of An Post is responsible for the preparation of Regulatory Financial Statements as required by the Communications Regulation (Postal Services) Act, 2011 ('the Act'), and the Accounting Direction issued by ComReg ('the Direction'). These Regulatory Financial Statements have been prepared in accordance with the Regulatory Accounting Principles and Basis of Preparation set out on pages 11 to 15.

The Directors acknowledge their responsibility for compliance with the accounting provisions of the Act and the following describes how An Post applied the relevant provisions of the Act and the Direction in preparing the Regulatory Financial Statements:

- Financial Records and Accounting Systems - These maintained by An Post contain sufficient detail to enable management to ensure that they comply with the accounting provisions of the Direction. Separate accounts are maintained for each of the services within the Universal Service Obligation.
- Separated Accounts - Segmental profit and loss accounts and statements of net assets have been prepared for submission to ComReg for the year ended 31 December 2019. In compliance with the Direction, a competent body has reviewed these accounts and issued an opinion on their compliance with the Direction.
- Accounting Manual - A detailed accounting manual has been prepared showing the range and scope of data to be collected for the purpose of complying with the Direction and the basis on which the data is to be allocated/apportioned between services.
- The Regulatory Financial Statements are based on the financial records of the business and have been reconciled to the audited An Post Statutory Accounts

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

Signed on behalf of the Board of An Post

Dermot Divilly, Chairperson
David McRedmond, Director



25 June 2020

Report on the Summary Regulatory Financial Statements

Independent Auditors' Report to the Directors of An Post ("the Company") and the Commission for Communications Regulation ("ComReg", "the Regulator")

Opinion

In our opinion, the Summary Regulatory Financial Statements are consistent, in all material respects, with the audited Regulatory Financial Statements, and in accordance with the Basis of Preparation.

The Summary Regulatory Financial Statements, which are derived from the audited Regulatory Financial Statements of the Company for the year ended 31 December 2019, comprise:

- Income statement for Universal Service and Mails Business Segment;
- Income statement for each Business Segment;
- Statement of unit revenue, cost and profit/(loss) details for each USO service;
- Balance sheet;
- Summary Income Statement for Mails Business Segment;
- Summary Income Statement for each Universal Service; and
- The notes to the Regulatory Financial Statements on pages 30 to 32.

The Summary Regulatory Financial Statements are derived from the audited Regulatory Financial Statements which have been prepared by the directors of the Company based on the Regulatory Accounting Principles and Basis of Preparation set out on pages 11 to 15 to the Summary Regulatory Financial Statements, which are designed to meet the requirements of the Communications Regulation (Postal Services) Act 2011 and the 2017 Accounting Direction issued by ComReg ("the Basis of Preparation").

The Summary Regulatory Financial Statements are prepared to assist the Company to meet the regulatory reporting requirements of ComReg. As a result, the Summary Regulatory Financial Statements may not be suitable for another purpose. Our report is intended solely for the Company and ComReg and should not be distributed to or used by parties other than the Company or ComReg. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and ComReg, for this report, or for the opinions we have formed.

Summary Regulatory Financial Statements

The Summary Regulatory Financial Statements do not contain all the disclosures required by the financial reporting framework. Reading the Summary Regulatory Financial Statements and the auditor's report thereon, therefore, is not a substitute for reading the audited Regulatory Financial Statements and the auditor's report thereon.

The Audited Regulatory Financial Statements and Our Report

We expressed an unmodified audit opinion on the audited Regulatory Financial Statements in our report dated 25 June 2020.

Directors' Responsibility for the Summary Regulatory Financial Statements

The directors are responsible for the preparation and fair presentation of the Summary Regulatory Financial Statements in accordance with the Basis of Preparation and for such internal control as management determines is necessary to enable the preparation of regulatory financial statements that are free from material misstatement, whether due to fraud or error.

Report on the Summary Regulatory Financial Statements **continued**

Auditors' Responsibility

Our responsibility is to express an opinion as to whether the Summary Regulatory Financial Statements are consistent in all material respects with the audited Regulatory Financial Statements based on our procedures, which were conducted in accordance with International Standard on Auditing 810 (Revised), "Engagements to Report on Summary Financial Statements."



Emer O'Shaughnessy

For and on behalf of Deloitte Ireland LLP

Chartered Accountants and Statutory Audit Firm

Deloitte & Touche House

Earlsfort Terrace

Dublin 2

25 June 2020

Regulatory Accounting Principles and Basis of Preparation

Obligation to produce the Regulatory Financial Statements

The legal background to the accounting requirements placed on An Post as a Universal Services Provider is contained in the following two documents:

- Section 31 of the Communications Regulation (Postal Services) Act, 2011 ('the Act')
- Direction on the Accounting systems of An Post issued by ComReg on 20 January 2017 (the 'Direction')

General

The Regulatory Financial Statements are based on the financial records of the business and are reconciled to the operating profit and the Balance Sheet as reported in the An Post Statutory Accounts on which the Auditors have expressed an unqualified opinion. The Regulatory Financial Statements have been prepared in accordance with the accounting policies as set out on pages 34 to 44 of the An Post Statutory Accounts 2019 unless otherwise stated.

The Regulatory Accounts have been prepared adopting the following principles:

- Policies as documented in the Accounting Manual, which reflects the requirements of the Direction
- Accounting Policies for the Income Statements are consistent with EU IFRS as applied in the An Post Statutory Accounts

In cases of conflict the principles as documented in the Accounting Manual prevail.

Accounting Manual

An Post prepares and submits an Accounting Manual to ComReg on an annual basis in line with the requirements set down by ComReg in the Direction.

Under the Direction, An Post is required to:

- document in an Accounting Manual the procedures and policies being used in the preparation of its Regulatory Financial Statements
- document in the Accounting Manual the procedures undertaken to establish the processes used to identify revenues and mail volumes, by service
- review the Accounting Manual annually
- make the Accounting Manual subject to review by a competent body as and when required by ComReg

Accounting Records

Processes have been developed and estimates have been applied in determining the assignment of costs and revenues to products. The records are not those that would exist if each of the services was carried on by a separate business.

This is consistent with the records supporting the production of previous Regulatory Financial Statements.

General Principles

Income Statements by product have been prepared by applying activity based costing methods and principles to the financial records of the business to assign costs. The resulting statements present the fully allocated costs of products.

Costs have been directly assigned to products as far as practicable. Common operational costs that cannot be directly assigned are attributed to products using appropriate cost drivers in line with the Direction. Where no appropriate driver is identified, costs are allocated to products using a general allocator. As with any activity based costing methodology, estimates and judgements are required and have been applied in order to comply with the requirements of the Direction.

The Regulatory Financial Statements have been prepared on a consistent basis from year to year except that, parcels over 10kg are included in the Non USO segment in 2019 and in 2018 this limit was 20kg. In addition, in 2019 Prime Express is included in the non USO segment whereas in 2018 this service was in the USO segment. These changes were made at the request of the Regulator. Two of the five new bulk products introduced in June 2019 are included in the USO segment.

Regulatory Accounting Principles and Basis of Preparation **continued**

Income Statements

Revenue is made up of external income plus internally recognised income for core services (supplied within the Company). Revenue is assigned directly to the appropriate product, with the exception of stamp and meter revenue. Stamp and meter revenue is assigned to An Post products by applying a statistical analysis of mail stream characteristics. The revenue from value added products is calculated from the volumes recorded by the Track and Trace system.

Postage income is recognised as sales are made, with an adjustment for stamps sold and unused, and balances in postage meter machines unused at the year end.

Adjustments in production of the Regulatory Accounts

2019 revenue in the Regulatory Financial Statements has been adjusted to exclude prior year terminal dues settlements of €3.3m (2018:€2.0m terminal dues settlements and impairment loss of €2.7m).

Volumes

Volumes are a key driver in the allocation of costs.

Revenue derived traffic methodology, based on reported revenues and sampling, have been used as the basis for measuring domestic and outbound international stamped and metered traffic volumes. The Sampling Plan is designed to meet the requirements of the Accounting Direction. Results for the year October 2018 to September 2019 Real Mail Study (RMS) have been applied in the production of these accounts. The results of the 2019 RMS statistical sample (single piece) are accurate to +/-0.70% at the 95% Confidence Level.

Non stamped and metered traffic (namely account traffic volumes) are primarily sourced from billing or track and trace systems.

Inbound international traffic volumes are determined by applying a statistically derived items per kilo (IPK) to the weight of mail received from international destinations.

Operating Costs

For the purposes of the Regulatory Financial Statements, pay and non pay costs are separately identified and within each heading are further categorised between Revenue Collection, Collection, Outward Sorting, Transport, Inward Sorting and Preparation and Delivery.

Activity Analysis

The hours worked by operational staff in performing their daily duties are recorded by work activity in a database that reconciles to the payroll system. This facilitates Pay costs to be assigned to activities based on the time spent by staff on specific activities. Other costs have been assigned to activities by the use of appropriate drivers.

Changes in Accounting Policies, Methodologies and Estimation Techniques

The changes in accounting policies incorporated in the 2019 Group Statutory Financial Statements have no impact on the 2019 Regulatory Financial Statements.

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

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

ComReg requires that where the figures for the previous financial year are not comparable (because, for example, of some change in accounting policy or some other reason (as may be applicable)), the figures for the preceding financial year shall be adjusted with full details provided on any adjustment.

The preparation of these accounts requires a certain level of estimation, based on available data, of revenue transfers between predefined products and services to accurately reflect volumes and revenue.

A number of changes have been made in completing the 2019 Regulatory Financial Statements at the request of the Regulator:

- Parcels Over 10kg in weight are excluded from the USO in 2019 in prior years this weight break was 20kg.
- Inbound product Prime Express is no longer included in the USO.

Outbound International Parcels

During 2018, while reviewing the data sources for the calculation of Outbound International Parcel volumes, it was decided to use data available from the UPU and the IPC of items scanned as delivered in foreign destinations. This is a more accurate source compared to the previous source (operational data) and this data was used in the completion of the 2018 and 2019 Regulatory Financial Statements.

Counter Automation

In preparing the 2018 Regulatory Financial Statements, an assessment of the revenue and volumes derived from customers purchasing mail products at the counter using stamps printed from the An Post Counter Automation system was undertaken. This review highlighted instances where customers affix a stamp or a meter frank on an item, in part payment for a service, and then purchase a top up at the counter for the remaining amount due. An element of stamped revenue should therefore be allocated to those products and this has been done for 2019 as it was in 2018, as it more accurately reflects the substance of the transaction at the counter.

A similar issue was identified with respect to registered items, fully or partly paid with stamped or metered indicia before being handed in at a post office counter and recorded on the Counter Automation system. The 2019 Regulatory Financial Statements have been prepared using this up to date information as were the 2018 Regulatory Financial Statements.

Internal Trading and Transfer Charging

An Post operates in different businesses and internal trading occurs where one business makes use of another's services. Transfer charges are raised for internal trading and eliminated on consolidation. Charges made for core services provided by the Mails business to other parts of the Company are accounted for within revenue, whilst charges incurred by An Post Mails business for other services are accounted for within other operating charges. Inter-company transactions between An Post and its subsidiaries are all accounted for on an arms-length basis. Where the mails business provides a mails service to an An Post subsidiary, the charge is based on the appropriate published tariff.

Property, Plant and Equipment

Recognition and measurement

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

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

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

Regulatory Accounting Principles and Basis of Preparation **continued**

Subsequent expenditure

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

Depreciation

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

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

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

Disposal of Property, Plant and Equipment

Profits and losses on the sale of properties and assets will be assigned to non-letters services (i.e. excluded from the Regulatory Financial Statements total).

Excluded Items

Items below (Operating profit/loss - continuing operations) are excluded from the Regulatory Financial Statements. These items include:

- Exceptional items as noted in the Statutory Accounts
- Taxation

In addition, items included in the Operating profit/loss - continuing operations in the An Post Statutory Accounts are excluded from the Regulatory Accounts if they are not relevant to the accounting period. Where items relating to the immediately preceding year are excluded from the current year, the prior year comparatives will not be re-stated.

Other items may be excluded, following a case by case review, in order to ensure that the Regulatory Financial Statements are in compliance with the Direction. These items will be explained in the Notes to the Accounts.

Comparatives

The restatement of comparative figures is only required in the event of a material error or a material change in accounting policy, as is the case with the Statutory Financial Statements.

Regulatory Accounts by their nature make use of estimation and sampling techniques. Improvements continue to be made in these areas resulting in more robust financial data. Comparatives are not restated as a result of changes in these techniques, except in the case of a material error.

Reconciliation to Statutory Accounts

As certain items are excluded from the Regulatory Financial Statements, a reconciliation of both Revenue and Profit/Loss to the Statutory Accounts is prepared.

Statement of Net Assets

Assets and Liabilities specifically related to one Business Segment are recorded in the Statement of Net Assets of that Business Segment. Assets and Liabilities not wholly and exclusively related to one particular Business Segment are divided between Business Segments based on usage.

Inter company debtors and creditors, netted off in preparing the Statutory Accounts are shown gross in the Statement of Net Assets.

Certain items are not divided between Business Segments, but rather, are shown as reconciling items between the Statement of Net Assets and the Balance Sheet included in the Statutory Accounts. The excluded items are goodwill, investment in joint venture, cash, provision for charges, the pension liability (IAS 19) and other items specifically excluded from the Regulatory Financial Statements. Similarly, the inter company debtors and creditors shown gross in the Statement of Net Assets are excluded to reconcile to the Statutory Accounts.

Cash Flow Statement

A Cash Flow Statement is not included with these Accounts as there is no requirement to do so within the Direction.

Income Statement for Universal Service and Mails Business Segment

	Year Ended 31 December 2019				Year Ended 31 December 2018			
	Total USD		Total Mails		Total USD		Total Mails	
	Non USD	€'000	Non USD	€'000	Non USD	€'000	Non USD	€'000
Volumes ('000s)								
	278,522	207,795	486,318	269,907	224,754	494,661		
	€'000	€'000	€'000	€'000	€'000	€'000		
Revenue	370,071	258,720	628,792	354,626	258,492	613,118		
Payroll Costs	257,638	168,596	426,234	261,759	161,594	423,353		
Non Payroll Costs	104,461	71,000	175,461	102,198	68,954	171,152		
Total Expenditure	362,099	239,597	601,695	363,957	230,548	594,505		
Total Operating Profit/(Loss)	7,973	19,124	27,096	(9,331)	27,944	18,613		

Note - Volumes stated refer to addressed volumes.

Income Statement for each Business Segment

	Notes	Mails		Retail		Subsidiaries & Other Activities		Inter-Segment Transactions		Adjustments between Regulated & Statutory Financial Accounts		Group Operating Results - continuing operations (as per An Post's Statutory Financial Accounts)	
		2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
		€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Revenue													
External Revenue	1	610,532	592,572	162,920	159,524	116,400	148,335	-	-	2,276	1,100	892,128	901,531
Inter-segment revenue		18,260	20,546	26,723	33,272	98,036	97,677	(143,019)	(151,495)	-	-	-	-
Segment Revenue		628,792	613,118	189,643	192,796	214,436	246,012	-	-	-	-	-	-
Expenditure													
Operating Costs:													
External costs	2	511,595	497,555	144,911	147,605	194,559	218,725	-	-	(1,024)	(3,600)	850,041	860,285
Inter-segment costs		90,100	96,950	43,376	40,434	9,543	14,111	(143,019)	(151,495)	-	-	-	-
Total Expenditure		601,695	594,505	188,288	188,039	204,102	232,836	-	-	-	-	-	-
Net Segment Operating Profit	3	27,096	18,613	1,356	4,757	10,335	13,176	-	-	3,300	4,700	42,087	41,246

Per Unit Revenue, Cost and Profit/(Loss) details for each USO Service

	Letters		Flats		Packets		Parcels		Registered		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Revenue per unit	€0.88	€0.85	€1.67	€1.69	€2.96	€3.24	€11.20	€11.01	€6.70	€6.05	€1.33	€1.31
Total Cost per unit	€0.86	€0.89	€1.45	€1.52	€3.62	€3.99	€9.61	€10.60	€6.15	€5.90	€1.30	€1.35
Profit/(Loss) per Unit	€0.02	(€0.04)	€0.22	€0.17	(€0.66)	(€0.75)	€1.59	€0.40	€0.54	€0.16	€0.03	(€0.03)

Balance Sheet

	Mails		Other and Excluded Items		Consolidation Adjustments		Group Balance Sheet (as per An Post's Statutory Financial Accounts)	
	2019	2018	2019	2018	2019	2018	2019	2018
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Statement of Net Assets								
Non-current assets								
Trade and other receivables	4	249,465	127,020	79,698	-	-	376,485	274,215
Assets Classified as Held for Sale	5	57,673	151,172	148,378	(81,131)	(93,873)	127,714	108,202
Cash		-	-	206,249	-	-	-	206,249
Creditor (<1 year)		-	509,855	512,541	-	-	509,855	512,541
Liabilities Classified as held for sale	6	(108,577)	(540,675)	(598,816)	81,131	93,873	(568,121)	(607,410)
Net Current (Liabilities)/Assets		(50,904)	120,352	78,551	-	-	69,448	29,781
Creditors (>1 year)	7	(82,402)	(43,629)	(20,723)	-	-	(126,031)	(41,736)
Provisions for Charges		-	(11,496)	(10,373)	-	-	(11,496)	(10,373)
Pension Liability		-	(28,228)	(47,880)	-	-	(28,228)	(47,880)
Net Assets		116,159	124,734	79,273	-	-	280,178	204,007
Reconciliation to Equity and Reserves								
Called-up share capital		-	68,239	68,239	-	-	68,239	68,239
Other capital reserves		-	(421)	(2,321)	-	-	(421)	(2,321)
Retained earnings & Non-controlling interests		-	212,360	138,089	-	-	212,360	138,089
Total Equity		-	280,178	204,007	-	-	280,178	204,007

Summary Income Statement for Mails Business Segment - USO

All Geographical Segments	Universal Services																				
	Letters			Flats			Packets			Parcels			Registered			Note 1 - Other USO Services			Total USO		
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	
Volume ('000s)	224,992	217,828	26,188	26,905	17,687	14,181	1,736	1,613	9,380	-	-	-	-	-	-	-	278,522	269,907	3%		
Year-on-Year % Change in Volumes	3%		(3%)		25%		8%		(16%)										3%		
Revenue	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Directly Attributable	57,454	38,514	10,049	8,912	20,260	20,103	19,444	17,757	36,342	3,962	3,880	147,998	125,508								
Allocated using Sampling	139,952	146,231	33,649	36,432	32,122	25,806	-	14,712	18,974	-	-	220,435	227,443								
Total Segment Revenue	197,406	184,745	43,697	45,344	52,382	45,909	19,444	17,757	55,316	3,962	3,880	368,433	352,951								
Inter-segment revenue	130	210	-	-	-	-	-	1,465	-	-	-	1,638	1,675								
Service Revenue	197,536	184,955	43,697	45,344	52,382	45,909	19,444	17,757	56,781	3,962	3,880	370,071	354,626								
Year-on-Year % Change in Revenue	7%		(4%)		14%		10%		(7%)		2%	4%									
Total Direct Costs	13,514	22,823	2,061	4,263	8,844	7,731	3,427	3,853	17,225	732	752	43,937	56,647								
Total Indirect Costs	126,583	113,601	25,571	25,148	37,917	33,249	9,832	8,528	22,297	50	1	220,088	202,824								
Total Common Costs	53,624	56,642	10,229	11,378	17,224	15,570	4,723	4,723	15,804	323	369	98,074	104,486								
Service Expenditure	193,722	193,066	37,861	40,789	63,985	56,550	17,104	48,735	55,326	1,105	1,122	362,099	363,957								
Year-on-Year % Change in Expenditure	(0%)		7%		(13%)		2%		12%		2%	1%									
Net Segment Profit/(Loss)	3,814	(8,111)	5,837	4,555	(11,604)	(10,641)	653	1,455	2,758	2,857	2,758	7,973	(9,331)								

Note 1 - Other Services include Redirections, MailMinder & PO Boxes.

Summary Income Statement for Mails Business Segment continued - Non USO

All Geographical Segments	Total Non USO			Mails Results		
	2019	2018	2018	2019	2018	2018
Volume ('000s)	207,795	224,754	486,318	494,661	€'000	€'000
Revenue	242,099	239,621	390,097	365,129	€'000	€'000
Directly Attributable	-	-	220,435	227,443		
Allocated using Sampling	242,099	239,621	610,532	592,572		
Total Segment Revenue	242,099	239,621	18,260	20,546		
Inter-segment revenue	16,622	18,871	628,792	613,118		
Service Revenue	258,720	258,492	73,478	83,298		
Total Direct Costs	29,541	26,651	336,423	336,423		
Total Indirect Costs	147,046	133,599	174,784	174,784		
Total Common Costs	63,010	70,298	601,695	594,505		
Service Expenditure	239,597	230,548	27,096	18,613		
Net Segment Profit/(Loss)	19,124	27,944	27,096	18,613		

Summary Income Statement for Mails Business Segment continued – USO

All Geographical Segments	Domestic		International Inbound		International Outbound		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Volume ('000s)	203,999	187,392	57,070	62,477	17,453	20,038	278,522	269,907
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Revenue								
Directly Attributable	103,962	82,315	5152	5,464	38,884	37,729	147,998	125,508
Allocated using Sampling	137,483	142,430	62,705	64,961	20,247	20,052	220,435	227,443
Total Segment Revenue	241,445	224,745	67,857	70,425	59,131	57,781	368,433	352,951
Inter-segment revenue	1,638	1,675	-	-	-	-	1,638	1,675
Service Revenue	243,083	226,420	67,857	70,425	59,131	57,781	370,071	354,626
Total Direct Costs	12,202	20,565	4,470	8,393	27,265	27,689	43,937	56,647
Total Indirect Costs	141,805	125,331	63,333	61,634	14,951	15,859	220,088	202,824
Total Common Costs	58,342	60,508	25,856	29,772	13,875	14,206	98,074	104,486
Service Expenditure	212,349	206,404	93,659	99,799	56,091	57,754	362,099	363,957
Net Segment Profit/(Loss)	30,734	20,016	(25,802)	(29,374)	3,041	27	7,973	(9,331)

Summary Income Statement for Mails Business Segment continued – USO

Domestic segment	Universal Services						Other USO Services (Note 2)		Total USO	
	Letters (Note 1)		Flats (Note 1)		Parcels		Registered		2019	2018
Volume ('000s)	184,729	166,278	12,726	14,959	2,747	2,319	593	3,205	3,319	187,392
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Revenue										
Directly Attributable	54,537	35,328	6,323	5,183	7,172	7,325	6,604	25,364	25,309	82,315
Allocated using Sampling	109,095	112,383	20,631	23,980	7,757	6,067	-	-	-	137,483
Total Segment Revenue	163,633	147,711	26,953	29,163	14,929	13,392	6,604	25,364	25,309	224,745
Inter-segment revenue	130	210	-	-	-	-	-	1,508	1,465	1,638
Service Revenue	163,763	147,921	26,953	29,163	14,929	13,392	6,604	26,872	26,774	243,083
Total Direct Costs	3,610	10,486	354	1,595	158	186	749	6,598	7,004	12,202
Total Indirect Costs	107,210	91,567	14,275	15,851	8,012	6,911	3,036	9,221	8,897	141,805
Total Common Costs	42,878	43,261	5,420	6,791	3,009	2,731	1,087	5,900	6,269	58,342
Service Expenditure	153,698	145,314	20,050	24,237	11,179	9,828	4,598	21,720	22,170	212,349
Net Segment Profit/(Loss)	10,065	2,607	6,903	4,926	3,750	3,564	2,006	5,152	4,604	30,734

Note 1 – Free postal service for blind and partially sighted persons, Sending books abroad etc. are included under the appropriate category (i.e. letters, flats, packets) above.

Note 2 – Other Services include Redirections, MailMinder & PO Boxes.

Summary Income Statement for Mails Business Segment continued - Non USO

Domestic Segment	Total Non USO		Total Domestic Segment	
	2019	2018	2019	2018
Volume ('000s)	201,358	220,616	405,358	408,008
	€'000	€'000	€'000	€'000
Revenue				
Directly Attributable	211,966	217,342	315,928	299,657
Allocated using Sampling	-	-	137,483	142,430
Total Segment Revenue	211,966	217,342	453,411	442,087
Inter-segment revenue	16,622	18,871	18,260	20,546
Service Revenue	228,588	236,213	471,671	462,633
Total Direct Costs	17,730	18,175	29,932	38,740
Total Indirect Costs	132,270	125,423	274,075	250,754
Total Common Costs	54,980	64,745	113,322	125,253
Service Expenditure	204,980	208,343	417,329	414,747
Net Segment Profit/(Loss)	23,608	27,870	54,342	47,886

Summary Income Statement for Mails Business Segment continued - USO

International (Inbound) Segment - Total	Universal Services										Total USO	
	Letters		Flats		Packets		Parcels		Registered		2019	2018
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Volume ('000s)	27,965	36,737	11,191	9,450	13,076	10,126	968	948	3,869	5,216	57,070	62,477
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Revenue												
Directly Attributable	-	-	-	-	-	-	5,152	5,464	-	-	5,152	5,464
Allocated using Sampling	16,172	18,399	10,371	9,541	21,450	18,047	-	-	14,712	18,974	62,705	64,961
Total Segment Revenue	16,172	18,399	10,371	9,541	21,450	18,047	5,152	5,464	14,712	18,974	67,857	70,425
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	-	-
Service Revenue	16,172	18,399	10,371	9,541	21,450	18,047	5,152	5,464	14,712	18,974	67,857	70,425
Total Direct Costs	60	1,458	93	780	273	319	22	108	4,022	5,728	4,470	8,393
Total Indirect Costs	15,115	17,651	9,626	7,426	24,826	21,185	4,080	3,344	9,685	12,028	63,333	61,634
Total Common Costs	5,945	8,394	3,691	3,359	9,622	8,796	1,287	1,604	5,311	7,619	25,856	29,772
Service Expenditure	21,121	27,503	13,410	11,565	34,721	30,300	5,389	5,056	19,018	25,375	93,659	99,799
Net Segment Profit/(Loss)	(4,948)	(9,104)	(3,039)	(2,024)	(13,271)	(12,253)	(238)	408	(4,306)	(6,401)	(25,802)	(29,374)

Summary Income Statement for Mails Business Segment continued - Non USO

International (Inbound) - Rest of World	Total Non USO		Total International (Inbound) - Rest of World	
	2019	2018	2019	2018
Volume ('000s)	1,478	138	21,327	15,404
	€'000	€'000	€'000	€'000
Revenue				
Directly Attributable	5,796	819	6,544	1,613
Allocated using Sampling	-	-	22,112	18,497
Total Segment Revenue	5,796	819	28,656	20,110
Inter-segment revenue	-	-	-	-
Service Revenue	5,796	819	28,656	20,110
Total Direct Costs	1,455	110	3,670	3,657
Total Indirect Costs	3,435	402	31,494	22,272
Total Common Costs	2,039	220	13,646	10,920
Service Expenditure	6,928	732	48,809	36,849
Net Segment Profit/(Loss)	(1,132)	87	(20,153)	(16,739)

Summary Income Statement for Mails Business Segment continued - USO

International (Outbound) Segment	Universal Services										Total USO	
	Letters (Note 1)		Flats (Note 1)		Packets (Note 1)		Parcels		Registered		2018	2019
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018		
Volume ('000s)	12,299	14,813	2,271	2,496	1,864	1,736	148	175	845	845	17,453	20,038
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Revenue												
Directly Attributable	2,917	3,186	3,726	3,729	13,088	12,778	7,688	7,003	11,465	11,033	38,884	37,729
Allocated using Sampling	14,684	15,449	2,648	2,911	2,915	1,692	-	-	-	-	20,247	20,052
Total Segment Revenue	17,601	18,635	6,374	6,640	16,003	14,470	7,688	7,003	11,465	11,033	59,131	57,781
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	-	-
Service Revenue	17,601	18,635	6,374	6,640	16,003	14,470	7,688	7,003	11,465	11,033	59,131	57,781
Total Direct Costs	9,844	10,879	1,614	1,888	8,413	7,226	2,656	3,203	4,737	4,493	27,265	27,689
Total Indirect Costs	4,258	4,383	1,669	1,871	5,079	5,153	2,716	3,080	1,229	1,372	14,951	15,859
Total Common Costs	4,801	4,987	1,118	1,228	4,594	4,043	1,331	2,032	2,031	1,916	13,875	14,206
Service Expenditure	18,903	20,249	4,401	4,987	18,086	16,422	6,704	8,315	7,997	7,781	56,091	57,754
Net Segment Profit/(Loss)	(1,302)	(1,614)	1,973	1,653	(2,083)	(1,952)	984	(1,312)	3,468	3,252	3,041	27

Note 1 - Free postal service for blind and partially sighted persons; Sending books abroad etc. are included under the appropriate category (i.e. letters, flats, packets) above.

Summary Income Statement for Mails Business Segment continued - Non USO

International (Outbound) Segment	Total Non USO		Total International (Outbound) Segment	
	2019	2018	2019	2018
Volume ('000s)	3,383	3,340	20,836	23,378
Revenue	€'000	€'000	€'000	€'000
Directly Attributable	17,017	18,247	55,901	55,976
Allocated using Sampling	-	-	20,247	20,052
Total Segment Revenue	17,017	18,247	76,148	76,028
Inter-segment revenue	-	-	-	-
Service Revenue	17,017	18,247	76,148	76,028
Total Direct Costs	8,164	8,179	35,429	35,868
Total Indirect Costs	6,446	5,816	21,397	21,675
Total Common Costs	3,989	4,385	17,864	18,591
Service Expenditure	18,599	18,380	74,690	76,134
Net Segment Profit/(Loss)	(1,582)	(133)	1,459	(106)

Summary Income Statement for each Universal Service - USO

Domestic Letter Services	Fully Paid - Stamped and Labels		Fully Paid - Metered		Freepost/Business Reply Mail		Total - Fully Paid	
	2019	2018	2019	2018	2019	2018	2019	2018
Volume ('000s)	51,897	56,791	59,215	58,061	6,055	6,599	117,167	121,451
Revenue	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Directly Attributable	99	122	-	-	5,898	6,303	5,997	6,425
Allocated using Sampling	52,461	57,497	56,634	54,886	-	-	109,095	112,383
Total Segment Revenue	52,561	57,619	56,634	54,886	5,898	6,303	115,092	118,808
Inter-segment revenue	-	-	-	-	130	210	130	210
Service Revenue	52,561	57,619	56,634	54,886	6,028	6,513	115,222	119,018
Total Direct Costs	2,855	5,144	527	3,984	49	514	3,432	9,642
Total Indirect Costs	36,299	37,441	35,946	31,993	3,706	3,399	75,951	72,833
Total Common Costs	14,773	17,220	14,064	15,350	1,447	1,665	30,285	34,235
Service Expenditure	53,927	59,805	50,537	51,327	5,203	5,578	109,668	116,710
Net Segment Profit/(Loss)	(1,367)	(2,186)	6,097	3,559	825	935	5,555	2,308

Summary Income Statement for each Universal Service continued - USO

	Bulk Deferred Delivery		Bulk Delivery Only		Other Discount Bulk		Total USO Domestic Letter Services	
	2019	2018	2019	2018	2019	2018	2019	2018
Domestic Letter Services continued								
Volume ('000s)	47,049	44,217	480	610	20,033	-	184,729	166,278
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Revenue								
Directly Attributable	32,610	28,462	355	441	15,575	-	54,537	35,328
Allocated using Sampling	-	-	-	-	-	-	109,095	112,383
Total Segment Revenue	32,610	28,462	355	441	15,575	-	163,633	147,711
Inter-segment revenue	-	-	-	-	-	-	130	210
Service Revenue	32,610	28,462	355	441	15,575	-	163,763	147,921
Total Direct Costs	122	842	1	2	55	-	3,610	10,486
Total Indirect Costs	21,150	18,484	208	250	9,901	-	107,210	91,567
Total Common Costs	8,558	8,907	85	119	3,950	-	42,878	43,261
Service Expenditure	29,829	28,233	294	371	13,907	-	153,698	145,314
Net Segment Profit/(Loss)	2,780	229	61	70	1,669	-	10,065	2,607

Summary Income Statement for each Universal Service continued - USO

	Fully Paid - Stamped and Labels		Fully Paid - Metered		Freepost/Business Reply Mail		Total - Fully Paid	
	2019	2018	2019	2018	2019	2018	2019	2018
Domestic Flats Services								
Volume ('000s)	4,967	5,582	5,851	7,949	609	630	11,427	14,161
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Revenue								
Directly Attributable	2,747	2,719	-	-	1,160	1,188	3,907	3,907
Allocated using Sampling	8,049	8,558	12,581	15,422	-	-	20,631	23,980
Total Segment Revenue	10,796	11,277	12,581	15,422	1,160	1,188	24,538	27,887
Inter-segment revenue	-	-	-	-	-	-	-	-
Service Revenue	10,796	11,277	12,581	15,422	1,160	1,188	24,538	27,887
Total Direct Costs	250	629	84	828	6	70	340	1,527
Total Indirect Costs	6,448	6,901	6,224	7,811	613	587	13,284	15,299
Total Common Costs	2,451	2,867	2,349	3,399	233	265	5,032	6,531
Service Expenditure	9,148	10,397	8,656	12,038	852	922	18,657	23,357
Net Segment Profit/(Loss)	1,648	880	3,925	3,384	308	266	5,881	4,530

Summary Income Statement for each Universal Service continued - USO

Domestic Flats Services continued	Bulk Deferred Delivery		Bulk Delivery Only		Other Discount Bulk		Total USO Domestic Flats Services	
	2019	2018	2019	2018	2019	2018	2019	2018
Volume ('000s)	697	742	8	56	595	-	12,726	14,959
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Revenue								
Directly Attributable	1,249	1,192	11	84	1,156	-	6,323	5,183
Allocated using Sampling	-	-	-	-	-	-	20,631	23,980
Total Segment Revenue	1,249	1,192	11	84	1,156	-	26,953	29,163
Inter-segment revenue	-	-	-	-	-	-	-	-
Service Revenue	1,249	1,192	11	84	1,156	-	26,953	29,163
Total Direct Costs	8	68	-	-	7	-	354	1,595
Total Indirect Costs	524	520	4	32	463	-	14,275	15,851
Total Common Costs	206	246	2	14	181	-	5,420	6,791
Service Expenditure	737	834	6	46	650	-	20,050	24,237
Net Segment Profit/(Loss)	512	358	5	38	506	-	6,903	4,926

Summary Income Statement for each Universal Service continued - USO

Domestic Packets Services	Fully Paid - Stamped and Labels		Fully Paid - Metered		Freepost/Business Reply Mail		Other Discount Bulk		Total - Fully Paid	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Volume ('000s)	1,776	1,430	845	784	124	105	2	-	2,747	2,319
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Revenue										
Directly Attributable	6,593	6,798	-	-	565	527	14	-	7,172	7,325
Allocated using Sampling	2,616	1,292	5,141	4,775	-	-	-	-	7,757	6,067
Total Segment Revenue	9,208	8,090	5,141	4,775	565	527	14	-	14,915	13,392
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-
Service Revenue	9,208	8,090	5,141	4,775	565	527	14	-	14,929	13,392
Total Direct Costs	123	97	32	82	3	7	-	-	158	186
Total Indirect Costs	5,451	4,562	2,265	2,095	290	254	6	-	8,012	6,911
Total Common Costs	2,044	1,776	852	852	110	103	2	-	3,009	2,731
Service Expenditure	7,618	6,435	3,149	3,029	404	364	9	-	11,179	9,828
Net Segment Profit/(Loss)	1,590	1,655	1,993	1,746	161	163	5	-	3,750	3,564

Summary Income Statement for each Universal Service continued - USO

	Fully Paid - Stamped and Labels		Fully Paid - Metered		Total - Fully Paid	
	2019	2018	2019	2018	2019	2018
Domestic Parcel Services						
Volume ('000s)	456	403	137	114	593	517
	€'000	€'000	€'000	€'000	€'000	€'000
Revenue						
Directly Attributable	5,085	4,073	1,519	1,217	6,604	5,290
Allocated using Sampling	-	-	-	-	-	-
Total Segment Revenue	5,085	4,073	1,519	1,217	6,604	5,290
Inter-segment revenue	-	-	-	-	-	-
Service Revenue	5,085	4,073	1,519	1,217	6,604	5,290
Total Direct Costs	655	461	94	81	749	542
Total Indirect Costs	2,447	1,717	590	387	3,037	2,104
Total Common Costs	625	836	187	251	812	1,087
Service Expenditure	3,727	3,014	871	719	4,598	3,733
Net Segment Profit/(Loss)	1,358	1,059	648	498	2,006	1,557

Summary Income Statement for each Universal Service continued - USO

	Fully Paid - Stamped and Labels		Fully Paid - Metered		TOTAL Fully Paid		IBMS Standard		Total USO Letters	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
International (Outbound) Letter Services										
Volume ('000s)	7,681	9,042	1,985	2,187	9,666	11,229	2,633	3,584	12,299	14,813
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Revenue										
Directly Attributable	75	75	-	-	75	75	2,842	3,111	2,917	3,186
Allocated using Sampling	11,757	12,550	2,927	2,899	14,684	15,449	-	-	14,684	15,449
Total Segment Revenue	11,832	12,625	2,927	2,899	14,759	15,524	2,842	3,111	17,601	18,635
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-
Service Revenue	11,832	12,625	2,927	2,899	14,759	15,524	2,842	3,111	17,601	18,635
Total Direct Costs	6,507	7,044	1,743	1,823	8,250	8,867	1,595	2,012	9,844	10,879
Total Indirect Costs	3,414	3,483	578	510	3,992	3,993	266	390	4,258	4,383
Total Common Costs	3,377	3,440	790	762	4,168	4,202	633	785	4,801	4,987
Service Expenditure	13,298	13,967	3,111	3,095	16,409	17,062	2,494	3,187	18,903	20,249
Net Segment Profit/(Loss)	(1,465)	(1,342)	(184)	(196)	(1,650)	(1,538)	348	(76)	(1,302)	(1,614)

Summary Income Statement for each Universal Service continued - USO

International (Outbound) Flats Services	Fully Paid - Stamped and Labels		Fully Paid - Metered		TOTAL Fully Paid		IBMS Standard		Total USO Flats	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Volume ('000s)	1,075	1,115	402	570	1,477	1,685	794	811	2,271	2,496
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Revenue										
Directly Attributable	2,366	2,468	-	-	2,366	2,468	1,360	1,261	3,726	3,729
Allocated using Sampling	1,411	1,372	1,237	1,539	2,648	2,911	-	-	2,648	2,911
Total Segment Revenue	3,777	3,840	1,237	1,539	5,014	5,379	1,360	1,261	6,374	6,640
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-
Service Revenue	3,777	3,840	1,237	1,539	5,014	5,379	1,360	1,261	6,374	6,640
Total Direct Costs	906	916	368	532	1,274	1,448	340	440	1,614	1,888
Total Indirect Costs	1,186	1,244	304	401	1,489	1,645	180	226	1,669	1,871
Total Common Costs	712	706	229	304	941	1,010	177	218	1,118	1,228
Service Expenditure	2,804	2,866	900	1,237	3,704	4,103	696	884	4,401	4,987
Net Segment Profit/(Loss)	973	974	336	302	1,309	1,276	664	377	1,973	1,653

Summary Income Statement for each Universal Service continued - USO

International (Outbound) Packets Services	Fully Paid - Stamped and Labels		Fully Paid - Metered		TOTAL Fully Paid		IBMS Standard		Total USO Packets	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Volume ('000s)	1,484	1,324	102	142	1,586	1,466	277	270	1,864	1,736
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Revenue										
Directly Attributable	11,929	11,748	-	-	11,929	11,748	1,159	1,030	13,088	12,778
Allocated using Sampling	2,164	696	751	996	2,915	1,692	-	-	2,915	1,692
Total Segment Revenue	14,093	12,444	751	996	14,844	13,440	1,159	1,030	16,003	14,470
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-
Service Revenue	14,093	12,444	751	996	14,844	13,440	1,159	1,030	16,003	14,470
Total Direct Costs	6,905	5,783	489	653	7,393	6,436	1,020	790	8,413	7,226
Total Indirect Costs	4,496	4,451	234	339	4,730	4,790	349	363	5,079	5,153
Total Common Costs	3,881	3,344	246	323	4,127	3,667	466	376	4,594	4,043
Service Expenditure	15,282	13,578	969	1,315	16,251	14,893	1,835	1,529	18,086	16,422
Net Segment Profit/(Loss)	(1,189)	(1,134)	(218)	(319)	(1,407)	(1,453)	(676)	(499)	(2,083)	(1,952)

Summary Income Statement for each Universal Service continued - USO

International (Outbound) Parcel Services	Fully Paid - Stamped and Labels		Fully Paid - Metered		Total - Fully Paid	
	2019	2018	2019	2018	2019	2018
Volume ('000s)						
	135	116	40	32	175	148
	€'000	€'000	€'000	€'000	€'000	€'000
Revenue						
Directly Attributable						
Allocated using Sampling	5,920	5,392	1,768	1,611	7,688	7,003
Total Segment Revenue	5,920	5,392	1,768	1,611	7,688	7,003
Inter-segment revenue	-	-	-	-	-	-
Service Revenue	5,920	5,392	1,768	1,611	7,688	7,003
Total Direct Costs	2,066	2,504	590	699	2,656	3,203
Total Indirect Costs	2,147	2,450	568	630	2,715	3,080
Total Common Costs	865	1,321	467	711	1,332	2,032
Service Expenditure	5,078	6,275	1,625	2,040	6,703	8,315
Net Segment Profit/(Loss)	842	(883)	143	(429)	985	(1,312)

Notes to the Regulatory Financial Statements

1. Reconciliation of Revenue to the Statutory Accounts

	2019 €m	2018 €m
Mails USO	370.1	354.6
Mails Non USO	258.7	258.5
Consolidation Adjustments	(18.3)	(20.5)
Regulatory Accounts Adjustments*	2.3	1.1
Postage: Letters & Parcels	612.8	593.7
Retail	162.9	159.5
Interest Income & Other Services	116.4	147.3
Revenue Per Statutory Accounts	892.1	900.5
*Regulatory Accounts Adjustments		
Stamp Retailing Commission etc.	(1.0)	(0.9)
Terminal Dues	3.3	2.0
Total	2.3	1.1

2. Reconciliation of Operating Costs to the Statutory Accounts

	2019 €m	2018 €m
Mails USO Per Regulatory Accounts	362.1	364.0
Mails Non USO	239.6	230.5
Regulatory Accounts Adjustments*	(1.0)	(3.6)
Retail	144.9	147.6
Corporate/Subsidiaries etc.	104.6	120.8
Operating Costs Per Statutory Accounts	850.2	859.3
*Regulatory Accounts Adjustments		
Stamp Retailing Commission etc.	(1.0)	(0.9)
Impairment Charge - Sorting Equipment	-	(2.7)
Total	(1.0)	(3.6)

3. Reconciliation of Profit/(Loss) to the Statutory Accounts

	2019 €m	2018 €m
Mails USO Per Regulatory Accounts	8.0	(9.3)
Mails Non USO	19.1	27.9
Retail	1.4	4.8
Regulatory Accounts Adjustments*	3.3	4.7
Corporate/Subsidiaries etc.	10.3	13.2
Operating Profit/(Loss) - Continuing Operations	42.1	41.2
*Regulatory Accounts Adjustments		
Revenue	(2.3)	(1.1)
Expenditure	(1.0)	(3.6)
Total	(3.3)	(4.7)

4. Non Current Assets

	Land & Buildings	Motor Vehicles	Computer & Other Equipment	Total
	€m	€m	€m	€m
Net Book Values as at 31/12/2018	168.7	5.1	20.7	194.5
Additions/ Disposals/ Other	(9.6)	1.0	92.8	84.2
Depreciation	(6.2)	(2.3)	(20.8)	(29.2)
Net Book Values as at 31/12/2019	152.9	3.8	92.7	249.5

5. Trade and other receivables

	2019 €m	2018 €m
Trade Debtors	49.8	49.7
Inter Group Debtors	1.7	0.4
Prepayments & Accrued Income	6.5	3.6
Total	58.0	53.7

6. Creditors (Amounts falling due within 1 year)

	2019 €m	2018 €m
Trade Creditors	24.9	21.0
Inter Group & Other Creditors	4.3	4.6
Taxation and Social Welfare	13.8	12.7
Accruals	37.3	40.5
Finance Lease - Short Term	17.9	11.5
Deferred Income - Capital Grants	0.1	0.1
Deferred Postage Income	10.2	12.1
Total	108.5	102.5

7. Creditors (Amounts falling due after 1 year)

	2019 €m	2018 €m
Finance Lease - Long Term	64.8	3.3
Government Loan	15.0	15.0
Deferred Income - Capital Grants	2.6	2.7
Total	82.4	21.0

Notes to the Regulatory Financial Statements

continued

8. Payroll Costs by Cost Type

	2019 €'000	2018 €'000
The aggregate payroll costs and postmasters' costs were as follows:		
Wages and salaries	419,056	413,250
Postmasters: Engaged as Agents	65,622	69,659
Social Insurance Costs	39,655	38,162
Pension costs	41,535	47,667
Total Payroll and Postmasters' Costs	565,868	568,738

Universal Service

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

Requirements of the Universal Service Obligation ('USO')

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

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

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

The following services are provided:

- (a) the clearance, sorting, transport and distribution of postal packets up to 2kgs in weight;
- (b) the clearance, sorting, transport and distribution of postal parcels to a weight limit to be specified by order of ComReg. ComReg used its power to change the maximum weight limit to 10kg in 2019;
- (c) the sorting, transportation and distribution of parcels from other Member States of the European Union up to 20kg in weight;
- (d) a registered items service;
- (e) an insured items service within the State and to and from all countries which, as signatories to the Universal Postal Convention of the Universal Postal Union, declare their willingness to admit such items whether reciprocally or in one direction only; and
- (f) postal services free of charge to blind and partially sighted persons.

As required by Section 16(9) of the Act, in July 2012 ComReg made regulations specifying the services to be provided by An Post relating to the provision of the universal postal service. The Communication Regulation (Universal Postal Services) Regulations, S.I. 280 of 2012 which sets out these services is available on www.irishstatutebook.ie or www.comreg.ie.

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

Access to Universal Services

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

Universal Service continued

Tariffs

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

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

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

International destinations	Letters (up to C5)	Large Envelopes	Packets	Parcels
			GB (Great Britain) EUR (Europe) ROW (Rest of World)	GB (Great Britain) EUR (Europe) ROW (Rest of World)
Standard Post	€1.70	€2.90	GB €5.50 EUR €6.00 ROW €7.00	GB €22.00 EUR €28.00 ROW €29.00
Registered Post*	€8.70	€9.90	GB €12.50 EUR €13.00 ROW €14.00	GB €29.00 EUR €35.00 ROW €36.00

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

Note: The Communications Regulation (Postal Services)(Amendment) Act 2017³ was passed by the Houses of the Oireachtas on 15 March 2017, this legislation repeals the price cap mechanism set out under Section 30 of the 2011 Act.

³www.irishstatutebook.ie/eli/2017/act/3/enacted/en/print.html

Quality of Service

International

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

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

Domestic

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

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

Customer Complaints

An Post is required to maintain records of customer complaints taking into account the relevant European standard IS: EN 14012:2003. The table provides, in relation to mail, a breakdown of written complaints received from customers during 2019. The total continues to represent a minute fraction of the entire mail traffic handled during the year.

Written complaints received from customers	2019	2018
Items lost or substantially delayed	24,928	24,551
Items damaged	1,313	1,144
Items arriving late	367	1,320
Mail collection or delivery:		
Failure to make daily delivery to home or premises	23	37
Collection times/Collection failures	5	4
Misdelivery	1,364	1,222
Access to customer service information	-	2
Tariffs for single piece mail/discount schemes and conditions	6	1
Change of address (Redirections)	487	387
Behaviour and competence of postal personnel	71	34
How complaints are treated	0	1
Other (not included in above)	2,793	1,511
Total	31,357	30,214

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

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

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

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

Further Information

Additional information in relation to services provided by An Post is available by phoning An Post Customer Services on 01-705 7600, by email at customer.services@anpost.ie, by visiting www.anpost.com, or by calling into any post office.

Glossary and Explanation of Terms

2019

Year ending 31 December 2019

2018

Year ending 31 December 2018

Accounting Manual

The An Post Accounting Manual for the Accounting period commencing 1 January 2019.

Act

Communications Regulation (Postal Services) Act, 2011 (transposing the Directive (as amended)).

Activity Based Costing (ABC)

Activity based costing is a widely used and accepted method of costing products and services based upon the cost of the activities required to produce these outputs. Activity costs are assigned to outputs based upon pre-defined cost drivers. These cost-drivers provide a measure of the intensity or frequency of an activity demanded by a product or service and reflect a cause and effect relationship.

ComReg

Commission for Communications Regulation, designated as the National Regulatory Authority under the Regulations.

Direction

Direction on the accounting systems of An Post (issued by ComReg on 20 January 2017 for accounting periods commencing on or after 1 January 2017).

Directive

EC directive 97/67/EC as amended by 2002/39/EC and 2008/6/EC.

EIB

European Investment Bank

Fully Allocated Cost (FAC)

The summation of direct and indirect costs for products or services such that no costs are left unallocated.

IFRS (EU IFRS)

International Financial Reporting Standards, as adopted by the EU.

IPC

International Post Corporation

Pipeline

The sequence of operational processes that is followed by an item of mail. The full pipeline is: Revenue Collection, Collection, Outward Sortation, Transport, Inward Sortation and Preparation and Delivery.

Postal Services

A collective term for USO and other Mails products.

Price Cap Mechanism

Price Cap Mechanism as set out in Section 30 of the Act.

Products and Services Offered to Customers

For a full list of products refer to www.anpost.com

Regulatory Financial Statements (Regulatory Accounts)

The statements, accounts and reports which specifically refer to the year ended 31 December 2019.

Revenue Derived Traffic

Stamped and Metered volumes derived from reported revenue the results of sampling - a survey of mail formats and profiles.

Sampling Plan

The Sampling Plan designed by PricewaterhouseCoopers in accordance with the relevant standard (IS:EN 13850:2012).

Standard Fill

The average number of mail items by format per container type (e.g. number of letters per tray, number of packets per cage) used in operational volumes counting.

UPU

Universal Postal Union (Inter Governmental Agreement governing international rates)

USP

Universal Service Provider

USO

Universal Service Obligation

Volumes

Volumes refer to addressed mail.

