Index to the Financial Statements

The directors have pleasure in submitting their twenty seventh Annual Report together with the audited financial statements of the Group for the year ended 31 December, 2010, 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 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 25 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 66 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 of €5.8m is a satisfactory result in view of the continued impact of the economic downturn in 2010. While overall turnover is marginally up on 2009, the effect of the downturn is evident in the decrease in turnover in the mails business which fell from €566m to €552m. This was offset by the increase in post offices income which benefited from continued growth in transaction volumes throughout the retail network as well as strong inflows into the State savings schemes and also an increase in other services which reflects new business acquisitions during the year. Operating costs in the An Post company declined by €26m, (3.4%), from €767m to €741m, of which a reduction in staff costs contributed €20m. This decrease in operating costs was primarily driven by reductions in the number of Full Time Equivalents (FTEs) and control of non pay costs. The Group result after tax was a loss of €25m after an exceptional charge of €20m in relation to severance costs.

The pension deficit has decreased from €403m at 31 December, 2009 to €368m at 31 December, 2010 reflecting the continued recovery in the value of the scheme assets. There is a reduction in the net liabilities position in the balance sheet for the Group to €45m at 31 December, 2010 compared to net liabilities of €48m at 31 December, 2009.

The shareholders in Postbank Ireland Limited, BGL BNP Paribas Fortis and An Post 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 €6.6m (2009: €10.8m).

The information required by Regulation 37 of the European Communities (Companies: Group Accounts) Regulations, 1992, is included in the information given on pages 10 to 23.

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

KPI

	Performance in 2010	Performance in 2009
Operating Profit		
Operating profit as a percentage of turnover	0.7%	0.7%
Staff costs as a percentage of total operating costs	62.0%	63.8%
Postmasters' costs as a percentage of total operating costs	10.0%	10.0%
Other operating costs as a percentage of total operating costs	28.0%	26.2%
Cash at bank and in hand	€198.1m	€272.4m
Staff – Average Full Time Equivalents (FTE)		
Company	10,129	10,498
Subsidiaries	481	356
Group	10,610	10,854
Company year end FTE run rate	9,624	9,955
Mail business		
Letters core revenue index* (page 103)	(7.2%)	(10.0%)
Quality of service (national) – next day delivery of single piece priority mail	85%**	84%
Retail business		
Social welfare transactions	43.5m	42.0m
BillPay transactions	25.2m	25.2m
TV Licence sales (thousands)	1,432k	1,436k
Investment products – net fund inflow	€2,683m	€1,412m
Post Office Savings Bank – net fund inflow	€429m	€103m
Prize Bonds – net fund inflow	€258m	€269m
Burglaries and robberies – number of incidents	73	100
Customer Service		
Written complaints	26,373	28,562
Telephone enquiries***	446,682	353,162

* 1% of 2010 decline attributable to December exceptional weather
** 3rd Quarter figures as per ComReg monitor
*** Increase reflects improvement in system of recording calls

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;
- impact of electronic substitution;
- impact of full market liberalisation in 2011;
- achieving adequate prices for services;
- the need to achieve and maintain quality of service targets;
- potential loss of significant agency services;
- 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 45 to 54, which forms part of the Directors' Report, sets out the policies and approach to risks and the related internal control procedures and responsibilities.

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. Thomas Devlin was appointed on 26 March, 2010.
Ms Louise English retired on 31 May, 2010.
Mr. Peter Ormond was appointed on 8 March, 2011.

Mr. Michael Tyndall retired as Company Secretary on 21 March, 2011 and Mr. Jack Dempsey was appointed as Company Secretary on that date.

The directors and secretary who held office at 31 December, 2010 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 (2009: 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 2010, there were 41.6 lost time accidents per 1,000 employees. This represents an increase of 19% on 2009, which was largely attributable to the extremely adverse weather experienced at the beginning and end of the year.

An Post is committed to reducing lost time accidents and in this regard is undertaking a safety improvement programme which includes completing accreditation audits for OHSAS 18001:2007 standard. In addition, 5,341 employees attended specific safety training courses in 2010, with many more attending other courses where safety was included in the content. This includes completion of year one of a three year programme to provide advanced driver training to all 1,013 drivers who use our Company fleet. Conscious of the fact that legal obligations are the minimum acceptable standard, An Post is striving for excellence in this area and is continuing to increase awareness among employees and contractors of the necessity for the highest safety standards.

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
24 March, 2011

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 2009 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 is of the view 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.

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 comprised of fifteen directors viz: the Chief Executive, five 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 8 and 9. 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, maintain 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 2010, 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. The Board has adopted a Risk Management Policy and a Risk Management Framework and appointed a Chief Risk Officer. The Audit and Security Committee has been renamed the Audit and Risk Committee to reflect the revision of its terms of reference which now embrace the responsibilities of a Risk Committee. Managing risk to deliver business 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 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.

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.
- The preparation and issue of financial reports, including the consolidated annual accounts is managed by the Group Finance department. The Group's financial reporting process is controlled using documented accounting policies and reporting formats issued by the Group Finance department to all reporting entities (including subsidiaries) within the Group in advance of each reporting period end. The Group Finance department supports all reporting entities with guidance in the preparation of financial information. This process is supported by a network of finance managers throughout the Group, who have responsibility and accountability to provide information in keeping with agreed policies, including the completion of reconciliations of financial information to processing systems. Its quality is underpinned by arrangements for segregation of duties to facilitate independent checks on the integrity of financial data. The financial information for each entity is subject to a review at reporting entity and group level by senior management. The annual accounts are reviewed by the Audit and Risk Committee in advance of being presented to the Board for their review and approval.
- 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 Risk 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 Risk Committee

Ten Board meetings were held during the year ended 31 December, 2010 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	9
Paddy Costello	10	9
Thomas Devlin	8	8
Ciara Hurley	10	9
James Hyland	10	10
Brian McConnell	10	10
Gerry O'Toole	10	10
John Quinlivan	10	10
Alan Sloane	10	10
Catherine Woods	10	10
Patrick Davoren	1	1
Louise English	4	4

Five meetings of the Remuneration Committee were held during the year ended 31 December, 2010 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	5

Seven meetings of the Audit and Risk Committee (previously named the Audit and Security Committee) were held during the year ended 31 December, 2010 and the attendance record of each director, eligible to attend, is set out in the following table:

Name	Eligible to attend	Attended
James Hyland	7	7
Brian McConnell	4	4
Catherine Woods	7	7
Louise English	3	3

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 Code of Practice for the Governance of State Bodies.

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 Risk Committee (previously named the Audit and Security Committee)

The Audit and Risk 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.

In order to maintain the independence of the external auditor, the Audit and Risk Committee has determined policies as to what audit related and non-audit services can be provided by the Group's external auditors and the approval process related to these services. Under these policies, work of a consultancy nature will not be offered to the external auditor unless there are clear efficiencies and value-added benefits to the Group while ensuring that the objectivity and independence of the external auditor is maintained. The Audit and Risk 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 2010, the Audit and Risk Committee discharged its responsibilities by:

- reviewing the Group's draft financial statements for 2009 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 auditor's plan for the audit of the Group's financial statements for 2010, 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 Risk Management Policy and the Risk Management Framework;
- 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;
- 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
24 March, 2011

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, 2010.

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, 2010. 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 2010.

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, 2010.

On behalf of the Board

John Fitzgerald, Chairman
Donal Connell, Director
24 March, 2011

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
24 March, 2011

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, 2010 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 56.

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 45 to 54 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 47 to 49 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, 2010 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, 2010 is in agreement therewith.

In our opinion, the information given in the report of the directors on pages 41 to 44 is consistent with the financial statements.

The balance sheet of the Company, as stated on page 69, reports an excess of liabilities over assets and, in our opinion, on that basis there did exist at 31 December, 2010 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
24 March, 2011

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 55 concerning the Company's compliance, for the year ended 31 December, 2010, 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 55 appropriately reflects the Company's compliance, for the year ended 31 December, 2010, 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
24 March, 2011

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 as 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 information 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 were published on 21 April, 2011.

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 post acquisition profits of joint ventures and associates are taken from their latest audited 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 consists 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.

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 sub-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
Operating & computer 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 up to twenty 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, 2010

	Notes	2010 €'000	2009 €'000
Turnover: Group and share of joint venture		811,563	819,297
Less share of joint venture's turnover		(6,443)	(15,081)
Group turnover – continuing operations	2	805,120	804,216
Operating costs	3	(799,282)	(798,475)
Group operating profit – continuing operations		5,838	5,741
Exceptional items – continuing operations – costs of restructuring	4	(20,000)	-
Share of result of joint venture investment	11	(6,590)	(10,750)
Other finance expense (net)	18	(3,950)	(20,560)
Loss on ordinary activities before taxation	5	(24,702)	(25,569)
Tax on loss on ordinary activities	6	429	(2,941)
Loss on ordinary activities after taxation		(24,273)	(28,510)
Minority interest	22	(409)	(555)
Loss for the financial year	7/20	(24,682)	(29,065)

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, 2010

	Notes	2010 €'000	2009 €'000
Loss for the financial year excluding share of results of joint venture		(18,092)	(18,315)
Share of joint venture's result	11	(6,590)	(10,750)
Actuarial gain on post employment plans	18	27,310	187,790
Total recognised gains and losses		2,628	158,725

Consolidated Balance Sheet at 31 December, 2010

	Notes	2010 €'000	2009 €'000
Fixed Assets			
Intangible assets – goodwill	9	24,658	12,378
Tangible assets	10	254,665	230,236
Financial assets:			
– Investment in joint venture	11	-	90
– Investment in associates	11	-	-
		279,323	242,704
Current Assets			
Debtors	12	98,437	60,400
Cash at bank and in hand	13	198,078	272,366
		296,515	332,766
Creditors: Amounts falling due within one year	14	(200,590)	(166,343)
Net Current Assets		95,925	166,423
Total Assets less Current Liabilities		375,248	409,127
Creditors: Amounts falling due after more than one year	16	(4,563)	(3,665)
Provisions for Liabilities	17	(46,820)	(49,885)
Net Assets excluding Pension Liability		323,865	355,577
Pension Liability	18	(368,498)	(403,252)
Net Liabilities including Pension Liability		(44,633)	(47,675)
Capital and Reserves			
Called up share capital	19	68,239	68,239
Capital conversion reserve fund	19	877	877
Profit and loss account	20	(106,305)	(108,933)
Shareholders' Deficit	21	(37,189)	(39,817)
Minority interest	22	(7,444)	(7,858)
		(44,633)	(47,675)

On behalf of the Board

John Fitzgerald, Chairman
Donal Connell, Director

Company Balance Sheet at 31 December, 2010

	Notes	2010 €'000	2009 €'000
Fixed Assets			
Tangible assets	10	259,376	235,264
Financial assets	11	11,084	10,652
		270,460	245,916
Current Assets			
Debtors	12	63,607	59,829
Cash at bank and in hand	13	178,173	260,245
		241,780	320,074
Creditors: Amounts falling due within one year	14	(169,311)	(188,090)
Net Current Assets		72,469	131,984
Total Assets less Current Liabilities		342,929	377,900
Creditors: Amounts falling due after more than one year	16	(3,563)	(3,665)
Provisions for Liabilities	17	(46,820)	(49,885)
Net Assets excluding Pension Liability		292,546	324,350
Pension Liability	18	(368,498)	(403,252)
Net Liabilities including Pension Liability		(75,952)	(78,902)
Capital and Reserves			
Called up share capital	19	68,239	68,239
Capital conversion reserve fund	19	877	877
Profit and loss account	20	(145,068)	(148,018)
Shareholders' Deficit	21	(75,952)	(78,902)

On behalf of the Board

John Fitzgerald, Chairman
Donal Connell, Director

Consolidated Cash Flow Statement for the year ended 31 December, 2010

	Notes	2010 €'000	2009 €'000
Net cash outflow from operating activities	23	(11,470)	(32,022)
Taxation	23	(2,402)	(4,294)
Capital expenditure and financial investment	23	(40,590)	(46,300)
Financing	23	2,000	-
Acquisitions	23	(21,072)	2,029
Cash outflow before use of liquid resources		(73,534)	(80,587)
Management of liquid resources	23	9,043	103,037
(Decrease)/increase in cash in the year		(64,491)	22,450

Reconciliation of net cash flow to movement in net funds

(Decrease)/increase in cash in the year	24	(64,491)	22,450
Cash flows from change in liquid resources	24	(9,043)	(103,037)
Change in net funds resulting from cash flows	24	(73,534)	(80,587)
Net funds at beginning of year	24	269,876	350,463
Net funds at end of year	24	196,342	269,876

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

	2010 €'000	2009 €'000
The analysis of turnover is as follows:		
Republic of Ireland		
Postage: Letters and parcels	552,366	565,640
Postage: Elections and referendum	-	15,494
Post offices: Agency, remittance and related services	171,438	163,950
Other services	36,197	19,783
Interest income	9,259	12,890
	769,260	777,757
United Kingdom and Other European Countries		
Other services	35,860	26,459
	805,120	804,216

Turnover above excludes the Group's share of Joint Venture's turnover of €6,443,000 (2009: €15,081,000). 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

	2010 €'000	2009 €'000
Staff costs		
Wages and salaries	422,795	436,465
Postmasters' costs	74,646	73,833
Social welfare costs	36,279	36,491
Other pension costs	41,952	42,186
	575,672	588,975
Other costs		
Distribution	66,612	61,356
Facilities	26,630	27,367
Operational	55,551	52,212
Administration	49,572	47,369
Depreciation and amortisation of goodwill	25,245	21,196
	223,610	209,500
	799,282	798,475

4. Exceptional Items

	2010 €'000	2009 €'000
Costs of restructuring	20,000	-

The Company's strategic plan includes an intention to reduce the number of full time equivalents working in the Company by 1,375 by the end of 2012. This fundamental restructuring arises from the need to reduce the organisation's capacity to meet the declining mails market. Reflecting the level of progress made to date with regards to these planned reductions, a charge of €20,000,000 was recognised in 2010 in respect of related fundamental restructuring costs which consist primarily of anticipated voluntary severance and voluntary early retirement costs. The scale of the decline in the core business will be reviewed on an annual basis and if further restructuring is required, assessment of the provision will be made then.

5. Loss On Ordinary Activities Before Taxation

	2010 €'000	2009 €'000
The loss on ordinary activities before taxation is stated after charging:		
Directors' emoluments		
Fees	251	268
Other emoluments	407	407
Pension contributions	77	77
Expenses paid to Directors		
Travel	15	21
Subsistence	6	6
Other	1	1
Auditors' remuneration		
Audit of the group financial statements	299	280
Other assurance services	155	161
Tax advice services	169	198
Other non-audit services	241	30
Depreciation	22,925	20,235
Amortisation of goodwill	2,320	961
Operating lease rentals		
Rental of buildings	8,290	8,532
Other – equipment and motor vehicles	14,110	13,912
and after crediting:		
Capital grants amortised	102	102
(Loss)/profit on sale of fixed assets	(14)	307

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.

	2010 €'000	2009 €'000
The remuneration package of Mr Donal Connell, Chief Executive Officer, which is included in the amounts shown above as directors' emoluments, was as follows:		
Basic salary	386	386
Non-pensionable performance related pay	-	-
Total pay	386	386
Other emoluments:		
Taxable benefits, including use of a company car	21	21
Director's fee	16	16
Pension contributions	77	77
	500	500

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 two years. 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. No determination has been made yet in relation to amounts earned by the Chief Executive in 2010 under the 10% long term scheme.

	2010 €'000	2009 €'000
The fees paid to each director were as follows:		
John Fitzgerald (Chairman)	31	33
Patrick Compton	16	16
Jerry Condon	16	16
Donal Connell	16	16
Anne Connolly	16	16
Paddy Costello	16	16
Patrick Davoren	2	16
Thomas Devlin	11	-
Louise English	6	16
Ciara Hurley	16	16
James Hyland	25	27
Brian McConnell	16	16
Gerry O'Toole	16	16
John Quinlivan	16	16
Alan Sloane	16	16
Catherine Woods	16	16
	251	268

6. Tax On Loss On Ordinary Activities

	2010 €'000	2009 €'000
Current tax		
Ireland – Capital gains tax	-	46
Ireland – Corporation tax	(918)	2,252
Ireland – adjustment with respect of prior years	(22)	206
UK – Corporation tax	511	437
	(429)	2,941

The current tax credit is lower than the standard rate of corporation tax in Ireland.

	2010 €'000	2009 €'000
The differences are explained below:		
Loss on ordinary activities before tax	(24,702)	(25,569)
Current tax of 12.5% (2009: 12.5%)	(3,088)	(3,196)
Effects of:		
Expenses not deductible	609	782
Depreciation in excess of capital allowances	831	785
Share of Joint Venture losses not deductible	824	1,344
Income taxed at higher rates	1,469	1,782
Short term timing differences	(1,052)	1,238
Prior year (overprovision)/underprovision	(22)	206
Current tax charge	(429)	2,941

Given the uncertainty over the existence of future taxable profits, a potential deferred tax asset of €49,991,000 (2009: €55,060,000) has not been recognised in the consolidated balance sheet at 31 December, 2010. This deferred tax asset not recognised comprises a deferred tax asset in relation to the net pension deficit recognised of €46,062,000 (2009: €50,407,000), timing differences on business restructuring, €2,381,000 (2009: €2,381,000), tax losses forward not utilised,€6,540,000 (2009: €6,353,000), offset by other timing differences of €4,992,000 (2009: €4,081,000).

7. Loss For The Financial Year

	2010 €'000	2009 €'000
Loss after tax in the holding company	(17,860)	(21,481)
Profit after tax in subsidiary undertakings	177	3,721
Share of result of joint venture	(6,590)	(10,750)
Minority interest	(409)	(555)
Loss for the financial year	(24,682)	(29,065)

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.

8. Staff Numbers And Costs

	2010	2009
The average Full Time Equivalent (FTE) number of persons working in the Group during the year was:		
Operations (mails and retail)	9,440	9,785
Corporate	689	713
Total Company employees (FTE)	10,129	10,498
Subsidiaries	481	356
Total Group employees (FTE)	10,610	10,854
The average number of employees working in the Group during the year, including executive directors, was:		
Operations (mails and retail)	8,943	8,983
Corporate	727	747
Total Company employees (permanent and contract)	9,670	9,730
Casual employees	1,300	1,447
Total Company employees	10,970	11,177
Subsidiaries	490	356
Total Group employees	11,460	11,533
Postmasters: Engaged as agents	1,128	1,185

	2010 €'000	2009 €'000
The aggregate payroll costs, excluding restructuring costs, were as follows:		
Wages and salaries	422,795	436,465
Postmasters' costs	74,646	73,833
Social welfare costs	36,279	36,491
Other pension costs (note 18)	41,952	42,186
	575,672	588,975

9. INTANGIBLE FIXED ASSETS – GOODWILL GROUP

	TOTAL €'000
COST	
At 31 December, 2009	24,103
Acquisitions (note 25)	14,572
Foreign exchange gain	28
At 31 December, 2010	38,703
AMORTISATION	
At 31 December, 2009	11,725
Charge for year	2,320
At 31 December, 2010	14,045
NET BOOK VALUE	
At 31 December, 2010	24,658
At 31 December, 2009	12,378

The directors have considered the carrying value of goodwill at 31 December, 2010 and have concluded that no impairment arises.

10. Tangible Fixed Assets
Group

	Freehold & long leasehold land & buildings €'000	Interest in GPO €'000	Motor vehicles €'000	Operating & computer equipment €'000	Total €'000
Cost					
At 31 December, 2009	214,465	26,429	19,098	261,432	521,424
Additions	19,429	153	3,650	24,175	47,407
Disposals	-	-	(2,832)	(5)	(2,837)
Foreign exchange gain	-	-	7	78	85
At 31 December, 2010	233,894	26,582	19,923	285,680	566,079
Accumulated Depreciation					
At 31 December, 2009	47,756	10,801	12,063	220,568	291,188
Charged during year	5,096	663	2,554	14,612	22,925
Eliminated on disposals	-	-	(2,733)	(2)	(2,735)
Foreign exchange gain	-	-	11	25	36
At 31 December, 2010	52,852	11,464	11,895	235,203	311,414
Net Book Value					
At 31 December, 2010	181,042	15,118	8,028	50,477	254,665
At 31 December, 2009	166,709	15,628	7,035	40,864	230,236

Company

	Freehold & long leasehold land & buildings €'000	Interest in GPO €'000	Motor vehicles €'000	Operating & computer equipment €'000	Total €'000
Cost					
At 31 December, 2009	216,758	26,429	18,929	253,424	515,540
Additions	19,425	153	3,549	22,832	45,959
Disposals	-	-	(2,777)	-	(2,777)
At 31 December, 2010	236,183	26,582	19,701	276,256	558,722
Accumulated Depreciation					
At 31 December, 2009	42,365	10,801	12,057	215,053	280,276
Charged during year	5,254	663	2,494	13,368	21,779
Eliminated on disposals	-	-	(2,709)	-	(2,709)
At 31 December, 2010	47,619	11,464	11,842	228,421	299,346
Net Book Value					
At 31 December, 2010	188,564	15,118	7,859	47,835	259,376
At 31 December, 2009	174,393	15,628	6,872	38,371	235,264

Group and Company

The depreciable element of freehold & long leasehold land & buildings amounts to:
Group €188,448,000 (2009:€170,744,000), Company €195,977,000 (2009: €178,531,000).

11. Financial Fixed Assets

	Group		Company	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
Shares in subsidiary undertakings, at cost	-	-	11,084	10,652
Interest in joint venture and associated undertakings	-	90	-	-
	-	90	11,084	10,652
Shares in subsidiary undertakings, at cost, in the Group amount to €102 (2009: €102)				
The movements during the year were as follows:				
Shares in subsidiary undertakings				
At beginning of year	-	-	10,652	10,651
Additions	-	-	432	1
At end of year	-	-	11,084	10,652
Interest in joint venture and associated undertakings				
At beginning of year	90	10,840	-	33,110
Additions	6,500	-	6,500	-
Share of result of joint venture / impairment	(6,590)	(10,750)	(6,500)	(33,110)
At end of year	-	90	-	-

During the year, the shareholders in Postbank Ireland Limited, BGL BNP Paribas Fortis and An Post, agreed to convert loans into ordinary shares in Postbank Ireland Limited as well as making an additional capital contribution. The total value of An Post's contributions was €6,500,000. The shareholders decided not to continue the joint venture beyond the calendar year 2010 and accordingly, the company accounts for An Post recognise this and have reduced the carrying value of the investment to €nil.

12. Debtors

	Group		Company	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
Amounts falling due within one year				
Trade debtors	65,172	41,514	28,439	30,481
Amounts owed by subsidiary undertaking not consolidated (note 28)	751	1,040	751	1,040
Amounts owed by other subsidiary undertakings	-	-	1,014	2,437
Amounts owed by associated undertaking (note 28)	331	799	331	799
Amounts owed by joint venture (note 28)	-	4,278	-	4,085
Corporation tax	3,024	193	3,029	419
Other debtors	3,268	877	1,617	508
Prize bonds held	1,393	100	705	100
Prepayments and accrued income	24,498	11,599	5,129	4,944
	98,437	60,400	41,015	44,813
Amounts falling due after more than one year				
Amounts owed by subsidiary undertakings	-	-	22,592	15,016
	98,437	60,400	63,607	59,829

13. Cash At Bank And In Hand

	Group		Company	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
Cash at bank	35,234	13,115	15,329	994
Cash in hand	258,212	258,827	258,212	258,827
	293,446	271,942	273,541	259,821
Term deposits	280,059	289,102	280,059	289,102
Less: Amounts held in trust	(375,427)	(288,678)	(375,427)	(288,678)
	198,078	272,366	178,173	260,245

14. Creditors: Amounts Falling Due Within One Year

	Group		Company	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
Trade creditors	49,927	17,367	12,598	10,373
Amounts owed to subsidiary undertakings	-	-	30,485	47,217
Other creditors	11,438	16,511	3,416	7,640
Taxation and social welfare (note 15)	19,832	16,496	15,659	15,515
Accruals	103,466	97,421	93,962	91,287
Deferred income – capital grants (note 16)	102	102	102	102
Term Loan (note 16)	1,000	-	-	-
Bank overdraft	1,736	2,490	-	-
Deferred postage income	13,089	15,956	13,089	15,956
	200,590	166,343	169,311	188,090

The bank overdraft is repayable on demand.

15. Taxation And Social Welfare

	Group		Company	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
Income tax deducted under PAYE	7,428	7,358	7,020	7,099
Pay related social insurance	6,416	6,675	6,229	6,459
Value added tax	5,305	1,911	1,909	1,365
Professional services withholding tax	683	552	501	592
	19,832	16,496	15,659	15,515

16. Creditors: Amounts Falling Due After More Than One Year

	Group		Company	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
Deferred income – capital grants	3,563	3,665	3,563	3,665
Term Loan	1,000	-	-	-
	4,563	3,665	3,563	3,665
The movements on grants were as follows:				
At beginning of year	3,767	3,869	3,767	3,869
Amortised to profit and loss account	(102)	(102)	(102)	(102)
At end of year	3,665	3,767	3,665	3,767
Transferred to creditors: amounts falling due within one year	(102)	(102)	(102)	(102)
	3,563	3,665	3,563	3,665

A floating rate term loan of €2,000,000 was received during the year by the Gift Voucher Shop subsidiary and is secured by way of a debenture over the assets of the Gift Voucher Shop. It is repayable over two years with €1,000,000 becoming payable in 2011.

17. Provisions For Liabilities

	2010 €'000	2009 €'000
Group and Company		
Provisions for business restructuring	46,820	49,885
The movements during the year were as follows:		
At beginning of year	49,885	59,938
Charge for the year (note 4)	20,000	-
Utilised during the year	(23,065)	(10,053)
At end of year	46,820	49,885

The provision for business restructuring at 31 December, 2010 includes €27,774,000 (2009: €30,839,000) in relation to business restructuring redundancy costs, and €19,046,000 (2009: €19,046,000) in relation to the introduction of an Employee Share Ownership Plan (ESOP).

18. 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.

	2010 €'000	2009 €'000
The amounts charged during the year to operating costs were as follows:		
Defined benefit schemes – current service cost	39,800	40,500
Ex-gratia schemes – current service cost	1,000	1,000
Defined contribution scheme	1,152	686
Recognised in the profit and loss account	41,952	42,186

Past service costs of €14,762,000 (2009: €5,378,000) arose during the year. These were discharged through the utilisation of the restructuring provision (note 17) and had no impact on the profit and loss account for the year ended 31 December, 2010 or 2009. Contributions payable to pension schemes and included in creditors at 31 December, 2010 amounted to €nil (2009: €3,304,000).

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 accounting entries and disclosures have been based on the most recent actuarial valuations as identified above and updated by the independent actuaries to 31 December, 2010. Scheme assets are stated at their market value at the balance sheet date.

Valuation method	2010 Projected Unit	2009 Projected Unit	2008 Projected Unit
The financial assumptions used to calculate the retirement benefit liabilities under FRS 17 were as follows:			
Discount rate	5.50%	5.75%	5.75%
Inflation rate	2.00%	2.00%	2.00%
Increase to pensions in payment	2.90%	3.25%	3.25%
Pensionable salary increases	2.90%	3.25%	3.25%

	2010	2009	2008
The long term expected rates of return on the assets of the pension scheme were:			
Equities	8.50%	9.00%	9.00%
Bonds	4.00%	4.00%	3.80%
Other	5.10%	6.00%	6.85%

	2010 Male	2010 Female	2009 Male	2009 Female
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				
Current pensioners – aged 65	85.5	86.8	84.0	87.0
Future pensioners – aged 40	88.5	89.4	85.5	88.5

	2010 €'000	2009 €'000	2008 €'000
The market value of the assets of the defined benefit schemes at 31 December, 2010, 2009 and 2008 were:			
Equities	1,068,800	916,100	723,800
Bonds	650,500	625,100	612,400
Other	123,445	112,400	111,500
Fair value of pension schemes' assets	1,842,745	1,653,600	1,447,700
Present value of funded defined benefit obligations	(2,199,400)	(2,045,000)	(2,017,900)
Present value of unfunded defined benefit obligations	(11,843)	(11,852)	(12,100)
Present value of defined benefit obligations	(2,211,243)	(2,056,852)	(2,030,000)
Pension liability	(368,498)	(403,252)	(582,300)

	2010 €'000	2009 €'000
Movement in fair value of pension schemes' assets		
Fair value of pension schemes' assets at beginning of year	1,653,600	1,447,700
Expected return on plan assets	113,400	95,500
Actuarial gain	96,000	125,700
Employer contributions	66,956	58,696
Members' contributions	4,500	4,400
Benefits paid	(91,711)	(78,396)
Fair value of pension schemes' assets at end of year	1,842,745	1,653,600

	2010 €'000	2009 €'000
Movement in present value of defined benefit obligations		
Defined benefit obligations at beginning of year	(2,056,852)	(2,030,000)
Current service cost	(40,800)	(41,500)
Past service cost	(14,762)	(5,378)
Interest cost	(117,350)	(116,060)
Members' contributions	(4,500)	(4,400)
Benefits paid	91,711	78,396
Actuarial (loss)/gain	(68,690)	62,090
Defined benefit obligations at end of year	(2,211,243)	(2,056,852)

	2010 €'000	2009 €'000
Other Finance Expense		
Interest on scheme liabilities	(117,350)	(116,060)
Expected return on schemes' assets	113,400	95,500
	(3,950)	(20,560)

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

	2010 €'000	2009 €'000
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	96,000	125,700
Experience gains and losses on schemes liabilities	(68,690)	62,090
Actuarial gain recognised	27,310	187,790

The actual return on schemes' assets in 2010 was a gain of €209m (2009:gain of €221m). The cumulative actuarial gains and losses recognised in the statement of total recognised gains and losses at 31 December 2010 is a loss of €202m.

Employer contributions in 2011 excluding potential past service costs are expected to be €51m.

	2010 €'000	2009 €'000	2008 €'000	2007 €'000	2006 €'000
History of Actuarial gains and losses					
Difference between expected and actual return on assets	96,000	125,700	(768,161)	188,294	66,000
Expressed as a percentage of schemes' assets	5%	8%	(53%)	9%	3%
Experience gains and losses on schemes' liabilities	(68,690)	62,090	(8,400)	-	(43,000)
Expressed as a percentage of schemes' liabilities	3%	3%	-	-	(2%)
Total actual gains and losses	27,310	187,790	(486,565)	63,141	118,179
Expressed as a percentage of schemes' liabilities	1%	9%	(24%)	3%	5%

19. Share Capital

	2010 €'000	2009 €'000
Group and Company		
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 renomalised from €1.269738 to €1.25 per share and an amount of €877,000 was transferred to a capital conversion reserve fund.

20. Profit And Loss Account

	Group		Company	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
At beginning of year	(108,933)	(267,658)	(148,018)	(281,217)
Loss for the financial year	(24,682)	(29,065)	(17,860)	(21,481)
Impairment of financial asset	-	-	(6,500)	(33,110)
Other recognised gains	27,310	187,790	27,310	187,790
At end of year	(106,305)	(108,933)	(145,068)	(148,018)

21. Reconciliation Of Shareholders' Deficit

	Group		Company	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
At beginning of year	(39,817)	(198,542)	(78,902)	(212,101)
Loss for the financial year	(24,682)	(29,065)	(17,860)	(21,481)
Impairment of financial asset	-	-	(6,500)	(33,110)
Other recognised gains	27,310	187,790	27,310	187,790
At end of year	(37,189)	(39,817)	(75,952)	(78,902)

22. Minority Interest

	Total €'000
Group	
Accumulated losses at 31 December, 2009	7,858
Minority interest share of profit	(409)
Foreign exchange gain	(5)
Accumulated losses at 31 December, 2010	7,444

23. Gross Cash Flows

	2010 €'000	2009 €'000
Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	5,838	5,741
Depreciation and amortisation	25,245	21,196
Loss/(profit) on sale of tangible fixed assets	14	(307)
Payments in relation to provision for business restructuring	(23,065)	(10,053)
Cash pension cost	(11,394)	(11,818)
Capital grants amortised	(102)	(102)
Increase in operating debtors	(35,206)	(2,824)
Increase/(decrease) in operating creditors	27,200	(33,855)
Net cash outflow from operating activities	(11,470)	(32,022)
Taxation		
Tax paid	(2,402)	(4,294)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(40,678)	(46,801)
Disposal of tangible fixed assets	88	501
	(40,590)	(46,300)
Acquisitions and disposals		
Acquisition of subsidiary undertakings (note 25)	(14,572)	(2,287)
Investment in joint venture	(6,500)	-
Cash in subsidiaries acquired	-	4,316
	(21,072)	2,029
Financing		
Term Loan received	2,000	-
Management of liquid resources (Note a)		
Decrease in term deposits	9,043	103,037

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

24. Analysis Of Net Funds

	At beginning of year €'000	Cash flows €'000	At end of year €'000
Cash at bank and in hand	271,942	21,504	293,446
Bank overdraft	(2,490)	754	(1,736)
Amounts held in trust	(288,678)	(86,749)	(375,427)
		(64,491)	
Term deposits	289,102	(9,043)	280,059
Total	269,876	(73,534)	196,342

25. Subsidiary And Associated Undertakings

Name	Nature of Business	% Holding	Registered Office
Subsidiary undertakings held directly by the Company			
An Post National Lottery Company (note 28)	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 Limited	Computer software services	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.

Name	Nature of Business	% Holding	Registered Office
Subsidiary undertakings held directly by the Company			
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
Postpoint Services Limited	Mobile top ups	100%	General Post Office O'Connell Street Dublin 1

Name	Nature of Business	% Holding	Registered Office
Subsidiary undertakings held indirectly through a subsidiary undertaking			
Air Business Limited	Distribution	100%	4, The Merlin Centre Acrewood Way St. Albans, Herts, U.K.
The Gift Voucher Shop Limited	Retail gift vouchers	53.6%	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.
One Direct (Ireland) Limited	Insurance broker	100%	General Post Office O'Connell Street Dublin 1
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

The Group acquired the net assets and business of Postpoint on 17 May, 2010 and One Direct Ireland on 3 June, 2010. The assets acquired and the consideration paid were as follows:

	Postpoint Services Limited €'000	One Direct (Ireland) Limited €'000	Total €'000
Net Assets acquired	-	-	-
Goodwill arising on acquisition (note 9)	7,286	7,286	14,572
Consideration – satisfied by cash payment (note 23)	7,286	7,286	14,572

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 periods of 10 to 20 years.

The results of the acquired businesses have been included in the consolidated profit and loss account from the respective dates of acquisition and amounted to turnover of €11.0m, operating costs of €9.9m and operating profits of €1.1m.

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. All shareholdings consist of ordinary share capital.

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; Prince's Street Property Company Limited; An Post Billpost Processing Services Limited; An Post GeoDirectory Limited; Kompass Ireland Publishers Limited and Postpoint Services Limited.

26. Lease Commitments

	2010 Land & buildings €'000	2010 Equipment and Motor Vehicles €'000	2010 Total €'000	2009 Land & buildings €'000	2009 Equipment and Motor Vehicles €'000	2009 Total €'000
Annual commitments under operating leases were as follows:						
Group						
Expiring within one year	943	4,676	5,619	981	4,788	5,769
Expiring after one year and before five years	3,749	7,787	11,536	3,575	7,767	11,342
Expiring after five years	4,374	6	4,380	4,495	-	4,495
	9,066	12,469	21,535	9,051	12,555	21,606
Company						
Expiring within one year	583	4,664	5,247	164	4,750	4,914
Expiring after one year and before five years	2,708	7,589	10,297	3,140	7,582	10,722
Expiring after five years	3,799	-	3,799	3,926	-	3,926
	7,090	12,253	19,343	7,230	12,332	19,562

There were no material finance lease commitments either at 31 December, 2010 or 2009 or which were due to commence after that date.

27. Capital Commitments

	Group		Company	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
Future capital expenditure approved by the directors but not provided for in the financial statements was as follows:				
Contracted for	28,823	16,923	28,823	16,923
Authorised but not contracted for	14,636	46,223	14,636	46,223
	43,459	63,146	43,459	63,146

28. 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 €6,112,000 (2009: €6,346,000) in respect of services provided to An Post National Lottery Company. These amounts are inclusive of a management fee of €2,809,000 (2009: €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 €8,134,000 for the year ended 31 December, 2010 (2009: €7,764,000).

The amount owed by An Post National Lottery Company to the Company was €751,000 at 31 December, 2010 (2009: €1,040,000).

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 €3,430,000 for the year ended 31 December, 2010 (2009: €4,266,000). The amount owed by The Prize Bond Company Limited to the Company was €331,000 at 31 December, 2010 (2009: €799,000). At 31 December, 2010 the Group held €1,393,000 (2009: €100,000) of Prize Bonds.

Postbank Ireland Limited

The Company provided Postbank Ireland Limited ('Postbank'), with delivery services and agency services whereby the Company made sales and accepted deposits and withdrawals on behalf of Postbank. The Company also earned commissions from Postbank on the sale of mobile phone top ups. Other group companies supplied Postbank with computer related services. Such services were carried out on an arm's length basis. Group turnover for the year includes €2,938,000 (2009: €5,683,000) in respect of services provided to Postbank and commissions earned. Postbank also provided certain management services to the Company, the value of which amounted to €496,000 (2009: €617,000). The amounts owed by Postbank to the Group in respect of these services at 31 December, 2010 was €nil (2009: €4,278,000). The amount owed to Postbank by the Company at 31 December 2010 was €nil (2009: €nil).

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 arms length basis. The Group also conducts day to day banking services and treasury with banking institutions both owned and guaranteed by the State.

29. Contingencies

Group and Company

There were no contingent liabilities or guarantees at 31 December, 2010 or 2009 in respect of which material losses are expected other than as disclosed elsewhere in the financial statements.

30. Board Approval

The financial statements were approved by the Board of Directors on 24 March, 2011.

Five Year Financial Summary

	2010* €'000	2009* €'000	2008* €'000	2007* €'000	2006 €'000
Consolidated Profit & Loss Account					
Turnover	805,120	804,216	850,043	875,983	818,827
Operating costs	(799,282)	(798,475)	(818,808)	(846,857)	(804,162)
Operating profit	**5,838**	**5,741**	**31,235**	**29,126**	**14,665**
Retrospective pay award**	-	-	-	-	(20,040)
Asset disposals	-	-	-	1,516	94,700
Business restructuring	(20,000)	-	-	-	(13,883)
Share of results of joint venture	(6,590)	(10,750)	(9,685)	(12,475)	-
Other finance (expense)/income	(3,950)	(20,560)	18,340	31,250	21,123
(Loss)/profit before taxation	(24,702)	(25,569)	39,890	49,417	96,565
Consolidated Balance Sheet					
Fixed assets	279,323	242,704	211,465	206,682	196,197
Net current assets	95,925	166,423	235,998	235,556	205,034
Other liabilities	(51,383)	(53,550)	(63,705)	(73,130)	(82,673)
Net assets excluding pension liability	323,865	355,577	383,758	369,108	318,558
Pension liability	(368,498)	(403,252)	(582,300)	(114,300)	(193,226)
Net (liabilities)/assets including pension liability	(44,633)	(47,675)	(198,542)	254,808	125,332
Capital and reserves	(44,633)	(47,675)	(198,542)	254,808	125,332

* 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.

Ratios

	2010	2009	2008	2007	2006
Operating profit as % of turnover	0.73%	0.71%	3.67%	3.32%	1.79%
Operating profit as % of average shareholders' funds before pension liability	1.68%	1.55%	8.30%	8.47%	5.26%
Staff and postmasters' costs as % of operating costs before exceptional item	72.0%	73.76%	73.16%	70.96%	69.40%
Current assets as % of current liabilities	148.1%	190.50%	242.86%	235.43%	214.25%

Operational Statistics

Mail

	2010	2009	2008	2007	2006
Letters core revenue index (2005 = 100) (note 1)	87.5	94.3	104.8	107.0	104.6

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. December 2010 had exceptionally difficult weather conditions that added circa one additional point of decline to the scale.

System Size

	2010	2009	2008	2007	2006
No. of delivery points (millions)	2.231	2.214	2.184	2.131	1.998
Post office network:					
Company post offices	57	57	61	74	84
Sub-post offices	1,107	1,179	1,187	1,212	1,277
Postal agencies	185	177	178	172	171
	1,349	1,413	1,426	1,458	1,532
No. of motor vehicles	2,778	2,782	2,941	2,967	2,991
Savings Services (note 2)	€m	€m	€m	€m	€m
Value of funds at 31 December	11,364	8,231	6,701	5,617	5,863
Counters: Business Value					
Post Office Savings Services					
Savings Bank deposits	1,242	905	1,306	814	850
Savings Bank withdrawals	813	802	850	1,063	807
Savings Certificates issued	1,354	1,215	749	467	469

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.

System Size (Continued)

	2010 €m	2009 €m	2008 €m	2007 €m	2006 €m
Savings Certificates repaid	597	1,041	660	750	1,052
Instalment Savings issued	100	110	114	107	97
Instalment Savings repaid	113	102	111	117	114
Savings Bonds issued	2,137	1,466	813	574	673
Savings Bonds repaid	706	704	589	704	626
National Solidarity Bond issued	349	-	-	-	-
National Solidarity Bond repaid	7	-	-	-	-
Pensions, allowances and social welfare benefits					
Paid during the year	9,975	9,928	8,265	7,610	7,083

	2010 000's	2009 000's	2008 000's	2007 000's	2006 000's
Billpay Volumes	25,220	25,170	24,490	24,786	25,510
TV Licence Sales	1,432	1,436	1,430	1,407	1,339