

# Report of the Directors

The directors have pleasure in submitting their twentieth annual report together with the audited financial statements of the Group for the year ended 31 December, 2003, in fulfilment of their obligations under the Companies Acts, 1963 to 2001.

## 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, Marine and Natural Resources.

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

## 2. RESULTS

Details of the results for the year are set out in the consolidated profit and loss account on page 39 and in the related notes to the financial statements. The directors do not propose the payment of a dividend for the year.

## 3. DEVELOPMENT OF THE BUSINESS AND IMPORTANT EVENTS

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

## 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. John Quinlivan appointed 9 May, 2003

Mr. John Hynes retired 13 July, 2003

Mr. Donal Curtin appointed 14 July, 2003

Mr. John Lally retired 22 July, 2003

Mr. Eugene Keenan retired 3 October, 2003

Mr. James Hyland appointed 11 December, 2003

Mr. Alan Sloane retired 31 December, 2003, re-appointed 1 January, 2004.

The directors and secretary who held office at 31 December, 2003 had no interests in the shares in, or debentures of, the Company or any Group company.

## 5. EMPLOYEES

The Group is an equal opportunities employer. All applications for employment are given full and fair consideration, with due regard being given to the aptitude and ability of the individual and the requirements of the position concerned. All persons are treated on equal terms as regards training, career development and promotion.

The Group is committed to the highest standards of safety and health practices in order to meet the requirements of the Safety, Health and Welfare at Work Act, 1989. A safety and health manager co-ordinates the policies outlined in the Group's Safety Statement, which is designed to ensure a safe place and system of work for all Group employees.

## 6. PROMPT PAYMENT OF ACCOUNTS ACT

The policy of An Post is to comply with the provisions of the European Communities (Late Payments in Commercial Transactions) Regulations, 2002 and its predecessor, the Prompt Payment of Accounts Act, 1997. 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 General Post Office, O'Connell Street, Dublin 1.

## 8. AUDITORS

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

On behalf of the Board

**Margaret McGinley**, *Chairperson*

**Donal Curtin**, *Director*

25 March, 2004

# Tuarascáil na Stiúrthóirí

Tá áthas ar na stiúrthóirí a bhfichiú tuarascáil bhliantúil a chur i láthair mar aon le ráitis airgeadais iniúchta an Ghrúpa don bhliain dár chríoch 31 Nollaig, 2003, i gcomhlíonadh a ndualgais de réir Achtanna na gCuideachtaí, 1963 go 2001.

## 1. AN GRÚPA AGUS A PHRÍOMHGNÍOMHAÍOCHTAÍ

Oibríonn an Comhlacht an tseirbhís náisiúnta poist agus seirbhísí aistrithe airgid agus cuireann seirbhísí gníomhaireachta ar fáil do Ranna Rialtais, Gníomhaireacht Bainistíochta an Chisteáin Náisiúnta, Comhlacht Chrannchur Náisiúnta An Post agus comhlachtaí eile.

Tá gnáthscair amháin i seilbh an Aire Airgeadais agus is ag an Aire Cumarsáide, Mara agus Acmhainní Náidúrtha atá an chuid eile den scairchaipiteal eisithe.

Tá sonraí de ghníomhaíochtaí na bhfochuideachtaí, na ngnólachtaí gaolmhara agus na comhfhiontair, mar aon leis an eolas a theastaíonn Alt 158 d'Acht na gCuideachtaí, 1963, tugtha i nóta 24 de na ráitis airgeadais.

## 2. TORTHAÍ

Tá sonraí de thorthaí na bliana leagtha amach sa chuntas daingnithe brabúis is cailteannais ar leathanach 39 agus sna nótaí atá ag dul leis na ráitis airgeadais. Ní mholann na stiúrthóirí go n-focfar díbhinn don bhliain.

## 3. FORBAIRT AN GHNÓ AGUS CORA TÁBHACHTACHA

Tá an t-eolas a iarrtar faoi Rialachán 37 de Rialacháin na gComhphobal Eorpacha (Cuideachtaí: Cuntais Ghrupaí), 1992, curtha san áireamh leis an bhfaisnéis a thugtar ar leathanaigh 6 go 21.

## 4. STIÚRTHÓIRÍ, RÚNAÍ AGUS A LEASANNA

Tharla na hathruithe seo a leanas i gcomhréir an Bhoird ó dháta tuarascáil dheireanach na stiúrthóirí:

Ceapadh John Quinlivan Uasal ar 9 Bealtaine, 2003.

D'éirigh John Hynes Uasal as ar 13 Iúil, 2003.

Ceapadh Donal Curtin Uasal ar 14 Iúil, 2003.

D'éirigh John Lally Uasal as ar 22 Iúil, 2003.

D'éirigh Eugene Keenan Uasal as ar 3 Deireadh Fómhair, 2003.

Ceapadh James Hyland Uasal ar 11 Nollaig, 2003.

D'éirigh Alan Sloane Uasal as ar 31 Nollaig, 2003, athcheapaithe ar 1 Eanáir, 2004.

Ní raibh aon leas ag na na stiúrthóirí nó ag an Rúnaí a bhí i seilbh oifige ar an 31 Nollaig 2003, i scaireanna nó i ndintiúir na Cuideachta ná aon Chuideachta den Ghrúpa.

## 5. FOSTAITHE

Is fostóir comhionannais é an Grúpa. Tugtar aird chothrom agus iomlán ar gach iarratas ar fhostaíocht, ag féachaint mar is cóir do mhianach agus do chumas an iarrthóra agus do riachtanais an phoist atá i gceist. Pléitear go cothrom le gach duine maidir le hoiliúint, forbairt ghníomhréime agus ardú ceime.

Tá an Grúpa tiomnaithe chun an caighdeán is airde, ó thaobh cleachtais sábháilteachta agus sláinte de, a leannúint chun riachtainis an Achta um Shábháilteacht, Sláinte agus Leas ag an Obair, 1989 a shásamh. Déanann bainisteoir sábháilteachta agus sláinte comhordú ar na polaisaithe a leagtar síos i Ráiteas Sábháilteachta an Ghrúpa, atá leagtha amach chun ionaid agus modhanna oibre slán a chinntiú do fhostaithe an Ghrúpa.

## 6. AN tACHT UM ÍOC PRAS CUNTAS

Tá sé mar pholasaí ag An Post riachtanais Rialacháin na gChomhphobail Eorpacha (Íocaíochtaí Déanacha do Ghnóthaí Tráchtála), 2002 maraon lena réamhtheachta, an tAcht um Íoc Pras Cuntas, 1997 a chomhlíonadh. Is iad na gnáth 30 lá, na téarmaí creidmheasa a ghlacann an Grúpa, muna luaítear a mhalairt i socraithe sainiúla conarthacha. Tá srianta inmheánacha airgeadais cuí i bhfeidhm le dualgais agus freagrachtaí shoiléir san áireamh agus trí thuairisciú míosúil agus breithniú ar chleachtais íocaíochta. Tugann na bealaí oibre seo dearbhú atá réasúnta gan a bheith iomlán maidir le teip ábhartha i gcomhlíonadh an Achta.

## 7. TAIFID CHUNTAS

Creideann na stiúrthóirí gur chomhlíonaigh siad na riachtanais faoi Alt 202 d'Acht na gCuideachtaí, 1990 maidir le leabhair chuntas trí fhoireann cuntasáíochta leis na cáilíochtaí cearta a fhostú agus trí go leor achmhainn a úsáid san fheidhmeannas airgeadais. Coimeádtar leabhair chuntas na Cuideachta ar bhall áitribh na Cuideachta san Ard Oifig an Phoist, Sráid Uí Chonaill, Baile Átha Cliath 1.

## 8. NA hINIÚCHÓIRÍ

Leanfaidh na hIniúcháirí, KPMG, Cuntasóirí Cairte, i seilbh oifige de réir Alt 160(2) d'Acht na gCuideachtaí, 1963.

Ar son an Bhoird

**Mairéad Mhig Fhionnaile**, *Cathaoirleach*  
**Domhnaill Ó Curtáin**, *Stiúrthóir*

25 Márta, 2004

# Corporate Governance

Maintaining high standards of corporate governance continues to be a priority for the directors of An Post. The Combined Code, published in June, 1998 by the Committee on Corporate Governance, and the subsequent Turnbull Guidance on its application and the Code of Practice for the Governance of State Bodies, are the foundations on which their corporate governance policy is based.

The directors welcome the publication in July, 2003 of the revised Combined Code on corporate governance. Listed companies are required to comply with this revised Combined Code in accounting periods beginning on or after 1 November, 2003. The directors are considering the implications of the revised Combined Code for the Group and expect to report the steps they will have taken to achieve compliance with the appropriate provisions of the revised Combined Code in the 2004 Annual Report.

## Principles of Good Corporate Governance

The directors are accountable to the shareholders for good corporate governance and the following statement describes how the relevant Principles of Good Governance set out in the 1998 Combined Code and in the Code of Practice for the Governance of State Bodies are applied in An Post.

## Board of Directors of An Post

All directors of An Post are appointed to the Board by the Minister for Communications, Marine 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 of Directors currently comprises eight non-executive directors, the Chief Executive, four employee directors and one postmaster director. There is currently a vacancy for one other employee director. The positions of Chairperson and Chief Executive are held by different persons.

Given its status as a State owned company, its shareholding structure and the appointment of the directors by the Minister, 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 to An Post. The directors have also concluded, for the same reasons, that it is not appropriate to designate one of their members other than the Chairperson as the senior independent director.

The Board takes the major strategic decisions and retains full and effective control while allowing operating management sufficient flexibility to run the business efficiently and effectively within a centralised reporting framework.

The performance of the Group is closely monitored at all times. The Board meets on a monthly basis and management supplies the Board with comprehensive information each month to enable it to discharge its duties.

Certain matters are specifically reserved to the Board for its decision. Each director brings independent judgement to bear on all matters dealt with by the Board including those relating to strategy, performance, resources and standards of conduct.

Each director receives appropriate training on appointment to the Board. All directors have access to the advice and services of the company secretary who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Group's professional advisors are available for consultation by the Board as required. Individual directors may, if necessary, take independent professional advice at the Group's expense.

## Attendance at Board Meetings

The following table shows the number of Board meetings held during the year ended 31 December, 2003 and the attendance records of individual directors.

	<i>Board meetings</i>	
	<i>Eligible to attend</i>	<i>Attended</i>
<b>Total number of meetings</b>	<b>11</b>	
Margaret McGinley	11	11
Patrick Compton	11	11
Jerry Condon	11	11
Donal Curtin	5	5
Paddy Davoren	11	11
Cathy Herbert	11	10
James Hyland	-	-
John Hynes	6	6
Paul Kavanagh	11	8
Eugene Keenan	8	8
Evanne Kilmurray	11	9
Jackie Lally	6	5
Shay Martin	11	11
Alice O'Flynn	11	9
John Quinlivan	7	7
Alan Sloane	11	11
Peter Wyer	11	11

## Directors' Remuneration

Fees for all directors are determined by the Minister for Communications, Marine and Natural Resources with the approval of the Minister for Finance.

The remuneration of the Chief Executive is determined in accordance with the procedures issued by the Department of Communications, Marine and Natural Resources for determining the remuneration of Chief Executive Officers of Commercial State Bodies under its aegis and is subject to the approval of the Remuneration Committee of the Board of An Post and the Minister for Communications, Marine and Natural Resources. A proportion of the Chief Executive's remuneration is performance related and, in this way, is linked to Group or individual objectives.

## Relations with Shareholders

The Board and management maintain an ongoing dialogue with the Group's shareholders on strategic issues.

## Accountability and Audit

### 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 Board and has been in place throughout the accounting period and up to the date the financial statements were approved.

The directors acknowledge that they are responsible for the Group's system of internal control and for reviewing its effectiveness. 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 Board has reviewed the effectiveness of the system of internal control during 2003. In particular, it has evaluated the significant risks affecting the business and the policies and procedures by which these risks are managed.

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 significant changes in the Group's businesses and on any risks associated with these changes. The process used to identify and manage key risks is an integral part of the internal control environment.

The essential features of the Group's system of internal control are as follows:

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

# Corporate Governance

continued

## Audit and Security Committee and Auditors

The Board maintains an objective and professional relationship with the Group's auditors. During the year, the Audit and Security Committee, a formally constituted committee of the Board, comprised a non-executive director and an employee director. Its written terms of reference clearly define its authority and duties.

The Committee meets periodically with the internal auditors and the external auditors to discuss the Group's internal accounting controls, the internal audit function, the choice of accounting policies, the external audit plan, the outcome of the external audit, the statutory audit report, financial reporting, security issues and other related matters. Both the internal and external auditors have full and unrestricted access to the Committee.

As a result of regulatory or other requirements, it may be necessary to employ the Company's external auditors for certain audit related and non-audit services. In order to maintain the independence of the external auditors, the Board has determined policies as to what audit related and non-audit services can be provided by the Company'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 auditors unless there are clear efficiencies and value added benefits to the Company while ensuring that the objectivity and independence of the external auditors is maintained. The Audit and Security Committee monitors the level of fees paid to the external auditors.

## 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.

## Code of Best Practice

The directors are pleased to report that the Group has been in compliance with the Code of Best Practice provisions of the Combined Code and with the Code of Practice for the Governance of State Bodies relevant to the Group throughout the financial year under review, except that the Audit and Security Committee comprised only two non-executive directors during the year and met only three times during the year, that no senior independent director has been designated, that the directors are appointed by the Minister for Communications, Marine and Natural Resources and hold office for such term as the Minister specifies when making the appointment and that the disclosures made in these financial statements relating to directors' emoluments and pension information are those required under the Irish Companies Acts, 1963 to 2001.

On behalf of the Board

**Margaret McGinley**, *Chairperson*

**Donal Curtin**, *Director*

25 March, 2004

# 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 20 September, 2001, 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, 2003.

## 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, 2003 within the specified deadline of 19 weeks from the end of the financial year.

## 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. The manual was submitted for ComReg's approval in 2003.

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, 2003.

On behalf of the Board

**Margaret McGinley**, *Chairperson*  
**Donal Curtin**, *Director*

25 March, 2004

# Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial period, in accordance with applicable Irish law and accounting standards, which give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing those 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
- 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 2001 and all Regulations to be construed as one with those Acts. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

On behalf of the Board

**Margaret McGinley**, *Chairperson*

**Donal Curtin**, *Director*

25 March, 2004

# Report of the Independent Auditors to the Members of An Post

We have audited the financial statements on pages 36 to 61.

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 auditors' 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 AUDITORS

The directors are responsible for preparing the annual report. As described on page 32, this includes responsibility for preparing the financial statements in accordance with applicable Irish law and accounting standards. Our responsibilities, as independent auditors, are established in Ireland by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Acts. As also required by the Acts, we state whether we have obtained all the information and explanations we require for our audit, whether the Company's balance sheet is in agreement with the books of account and report to you our opinion as to whether

- the Company has kept proper books of account
- the report of the directors is consistent with the financial statements
- at the balance sheet date, a financial situation existed that may require the Company to hold an extraordinary general meeting on the grounds that the net assets of the Company, as shown in the financial statements, are less than half of its share capital.

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

We review, at the request of the directors, whether (1) the voluntary statement on pages 28 to 30 reflects the Group's compliance with the seven provisions of the Combined Code published in June, 1998 that the Irish Stock Exchange specifies for review by auditors and (2) the statement on the system of internal control on page 29 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, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

## BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards 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 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.

# Report of the Independent Auditors to the Members of An Post

continued

## OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Group and the Company at 31 December, 2003 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 2001 and all Regulations to be construed as one with those Acts.

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, 2003 is in agreement therewith.

In our opinion, the information given in the report of the directors on pages 24 and 25 is consistent with the financial statements.

The net assets of the Company, as stated in the balance sheet on page 41, are more than half of the amount of its called up share capital and, in our opinion, on that basis there did not exist at 31 December, 2003 a financial situation which, under Section 40(1) of the Companies (Amendment) Act, 1983, would require the convening of an extraordinary general meeting of the Company.



Chartered Accountants  
1 Stokes Place  
St. Stephen's Green  
Dublin 2

25 March, 2004

# Report of the Independent Auditors to An Post on compliance with the European Communities (Postal Services) Regulations 2002 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 31 concerning the Company's compliance, for the year ended 31 December, 2003, with the accounting provisions of the European Communities (Postal Services) Regulations 2002 (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 20 September, 2001 by the postal services regulator, ComReg, in relation to the accounting systems of An Post.

## RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors prepare an annual statement of compliance with the accounting provisions of the Regulations 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.

## 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 31 appropriately reflects the Company's compliance, for the year ended 31 December, 2003, with the accounting provisions of the Regulations and with the Direction on the Accounting Systems of An Post, dated 20 September, 2001 issued by ComReg.



Chartered Accountants  
1 Stokes Place  
St. Stephen's Green  
Dublin 2

25 March, 2004

# Accounting Policies

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 in accordance with generally accepted accounting principles under the historical cost convention and comply with financial reporting standards of the Accounting Standards Board as promulgated 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 ends at a date more than three months before that of the parent company, the Group financial statements consolidate interim financial statements prepared by the subsidiary at the end of the parent's financial year.

The sole activity of An Post National Lottery Company is the operation of the National Lottery under licence from the Minister for Finance in accordance with the provisions of the National Lottery Act, 1986 and the surplus generated each year is entirely attributable to the National Lottery Fund which is managed and controlled by the Minister. Accordingly, An Post does not participate in the surplus generated by An Post National Lottery Company and neither is it entitled to exercise any rights over the assets of that company. On this basis, in accordance with the provisions of Financial Reporting Standard No. 2 'Accounting for Subsidiary Undertakings' and the European Communities

(Companies: Group Accounts) Regulations, 1992, the consolidated financial statements do not incorporate the financial statements of An Post National Lottery Company. Separate financial statements of An Post National Lottery Company were published on 25 February, 2004.

Joint venture undertakings (joint ventures) are those undertakings over which the group 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 the profits less losses of joint ventures and associates are included in the consolidated profit and loss account. The Group's interests in their net assets or liabilities are included as fixed asset investments in the consolidated balance sheet at an amount representing the Group's share of the fair values of the net assets at acquisition plus the Group's share of post acquisition retained profits or losses.

## 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 and other bodies.

## 4. POSTAGE INCOME

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

## 5. 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 and the assets and liabilities of such savings services vest in the Minister for Finance and, accordingly, are not included in these financial statements.

## 6. 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.

## 7. TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost less accumulated depreciation.

Certain security equipment in sub-post offices and furniture and fittings, together with other minor items, are 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 retail.

The estimated useful lives are as follows:

	Years
<i>Freehold &amp; long leasehold buildings</i>	20 - 50
<i>Interest in GPO</i>	50
<i>Motor vehicles</i>	5
<i>Computer &amp; other equipment</i>	4 - 10

## 8. OPERATING LEASES

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

## 9. GOODWILL

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

## 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 substantially 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.

# Accounting Policies

continued

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

All pension entitlements of staff are funded through either defined benefit or defined contribution superannuation schemes.

In accordance with SSAP 24, the regular cost of providing pension benefits under the Group's defined benefit scheme is charged to operating profit over the service lives of the members of the schemes on the basis of a constant percentage of pensionable pay. Variations from regular costs arising from periodic actuarial valuations of the principal schemes are allocated to operating profit over the expected remaining service lives of the members.

Contributions to the defined contribution schemes are charged to operating profit as they fall due.

Retirement gratuities are payable under normal circumstances to postmasters engaged as agents and to certain non-pensionable employees. The costs are dealt with in the profit and loss account so as to spread them over the anticipated years of service with the Group.

## 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, 2003

	Notes	2003 €'000	2002 €'000
<b>Turnover – continuing operations</b>	2	709,209	683,716
Operating costs	3	(747,909)	(699,126)
Goodwill amortisation	10	(4,191)	(1,986)
<b>Operating loss – continuing operations</b>		<b>(42,891)</b>	(17,396)
Exceptional items	4	13,310	(52,500)
Share of losses of joint venture and associate	5	(113)	(376)
<b>Loss on ordinary activities before taxation</b>	6	<b>(29,694)</b>	(70,272)
Tax on loss on ordinary activities	7	(2,355)	(53)
<b>Loss on ordinary activities after taxation</b>		<b>(32,049)</b>	(70,325)
Minority interests		-	(144)
<b>Loss for the financial year</b>	8	<b>(32,049)</b>	(70,469)
Profit and loss account at beginning of year		131,740	202,209
<b>Profit and loss account at end of year</b>		<b>99,691</b>	131,740

The Group had no recognised gains or losses in the financial year or the preceding financial year other than those dealt with in the consolidated profit and loss account.

On behalf of the Board

**Margaret McGinley**, *Chairperson*

**Donal Curtin**, *Director*

# Consolidated Balance Sheet

at 31 December, 2003

	Notes	2003 €'000	2002 €'000
<b>Fixed Assets</b>			
Intangible assets - goodwill	10	21,094	22,952
Tangible assets	11	258,908	278,729
Financial assets	12	(489)	(376)
		<b>279,513</b>	301,305
<b>Current Assets</b>			
Debtors	13	73,348	79,491
Cash at bank and in hand	14	48,017	26,822
		<b>121,365</b>	106,313
<b>Creditors:</b> Amounts falling due within one year	15	<b>(159,775)</b>	(131,919)
<b>Net Current Liabilities</b>		<b>(38,410)</b>	(25,606)
<b>Total Assets less Current Liabilities</b>		<b>241,103</b>	275,699
<b>Creditors:</b> Amounts falling due after more than one year	17	<b>(4,277)</b>	(4,371)
<b>Provisions for Liabilities and Charges</b>	18	<b>(68,019)</b>	(83,170)
<b>Net Assets</b>		<b>168,807</b>	188,158
<b>Capital and Reserves</b>			
Called up share capital	19	68,239	56,418
Capital conversion reserve fund	19	877	-
Profit and loss account		99,691	131,740
<b>Shareholders' Funds - Equity</b>	20	<b>168,807</b>	188,158
On behalf of the Board			
<b>Margaret McGinley</b> , <i>Chairperson</i>			
<b>Donal Curtin</b> , <i>Director</i>			

# Company Balance Sheet

at 31 December, 2003

	Notes	2003 €'000	2002 €'000
<b>Fixed Assets</b>			
Tangible assets	11	230,030	246,148
Financial assets	12	13,499	12,415
		<b>243,529</b>	258,563
<b>Current Assets</b>			
Debtors	13	103,106	114,138
Cash at bank and in hand	14	22,726	9,487
		<b>125,832</b>	123,625
<b>Creditors:</b> Amounts falling due within one year	15	<b>(129,482)</b>	(107,697)
<b>Net Current (Liabilities)/Assets</b>		<b>(3,650)</b>	15,928
<b>Total Assets less Current Liabilities</b>			
		<b>239,879</b>	274,491
<b>Creditors:</b> Amounts falling due after more than one year	17	<b>(3,131)</b>	(3,196)
<b>Provisions for Liabilities and Charges</b>	18	<b>(68,019)</b>	(83,170)
<b>Net Assets</b>		<b>168,729</b>	188,125
<b>Capital and Reserves</b>			
Called up share capital	19	68,239	56,418
Capital conversion reserve fund	19	877	-
Profit and loss account		99,613	131,707
<b>Shareholders' Funds - Equity</b>	20	<b>168,729</b>	188,125
On behalf of the Board			
<b>Margaret McGinley</b> , <i>Chairperson</i>			
<b>Donal Curtin</b> , <i>Director</i>			

# Consolidated Cash Flow Statement

for the year ended 31 December, 2003

	<i>Notes</i>	<b>2003</b> €'000	2002 €'000
<b>Net cash inflow/(outflow) from operating activities (below)</b>		<b>21,610</b>	(3,247)
Returns on investments and servicing of finance	21	(104)	(191)
Taxation	21	2,468	(1,029)
Capital expenditure	21	(15,223)	(76,515)
Financing	21	12,698	-
Acquisition of subsidiary undertakings	21	(254)	(14,724)
<b>Cash inflow/(outflow) before use of liquid resources</b>		<b>21,195</b>	(95,706)
Management of liquid resources	21	27,986	395,883
<b>Increase in cash in the year</b>		<b>49,181</b>	300,177
<b>Reconciliation of operating loss to net cash inflow/(outflow) from operating activities</b>			
		<b>2003</b> €'000	2002 €'000
Operating loss		(42,891)	(17,396)
Depreciation		37,113	32,641
Profit on sale of tangible fixed assets other than land and buildings		(26)	(103)
Movement in provisions for liabilities and charges		(15,151)	(2,822)
Capital grants amortised		(102)	(102)
Goodwill amortised		4,191	1,986
Interest payable		104	191
Decrease/(increase) in operating debtors		5,561	(21,112)
Increase in operating creditors		32,811	3,470
<b>Net cash inflow/(outflow) from operating activities</b>		<b>21,610</b>	(3,247)
<b>Reconciliation of net cash flow to movement in net funds</b>			
	<i>Notes</i>	<b>2003</b> €'000	2002 €'000
<b>Increase in cash in the year</b>	22	<b>49,181</b>	300,177
Cash inflow from change in liquid resources	22	(27,986)	(395,883)
Change in net funds resulting from cash flows	22	21,195	(95,706)
<b>Net funds at beginning of year</b>	22	<b>26,822</b>	122,528
<b>Net funds at end of year</b>	22	<b>48,017</b>	26,822

# Notes to the Financial Statements

for the year ended 31 December, 2003

## 1. STATUS OF COMPANY

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

## 2. TURNOVER

	2003 €'000	2002 €'000
The analysis of turnover by geographical areas is as follows:		
<b>Republic of Ireland</b>		
Postage: Letters	433,971	414,185
Postage: Elections and referenda	-	13,619
Post offices: Agency, remittance and other services	127,214	125,174
SDS	71,858	79,986
Other services	38,257	34,521
Interest income	3,022	5,015
	<b>674,322</b>	672,500
<b>United Kingdom and Other European</b>		
Other Services	34,887	11,216
	<b>709,209</b>	683,716

In the opinion of the directors, fuller compliance with the disclosure requirements of SSAP 25 'Segmental Reporting' would be seriously prejudicial to the Group's interests.

## 3. OPERATING COSTS

	2003 €'000	2002 €'000
Staff and postmasters' costs (note 9)	501,141	479,543
Other costs:		
Distribution	56,482	49,127
Accommodation	23,903	20,678
Operational	85,718	75,858
Administration	43,552	41,279
Depreciation	37,113	32,641
	<b>747,909</b>	699,126

## 4. EXCEPTIONAL ITEMS

	2003 €'000	2002 €'000
Profit on disposal of land and buildings	13,310	-
Business restructuring charge	-	(52,500)
	<b>13,310</b>	(52,500)

During the year, the Group made a number of disposals of land and buildings. Capital Gains Tax arising on these disposals of €2,355,000 has been provided at the balance sheet date. Proceeds outstanding at 31 December, 2003 of €1.6m in relation to the disposals are included in debtors due within one year (note 13).

During 2002, the company announced a voluntary severance and early retirement programme as part of a fundamental restructuring of the company's operations. The estimated cost of the programme, including severance payments and other costs associated with the programme was €52.5m.

# Notes to the Financial Statements

continued

5. JOINT VENTURE AND ASSOCIATE	2003	2002
	€'000	€'000
Share of joint venture's loss before tax (note 24)	(113)	(376)
Share of associate's result before tax	-	-
	<b>(113)</b>	<b>(376)</b>

6. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2003	2002
	€'000	€'000
The loss on ordinary activities before taxation is stated after charging:		
Directors' emoluments		
Fees	179	169
Other emoluments	273	294
Pension contributions	48	36
Auditors' remuneration	285	252
Operating lease rentals:		
Rental of buildings	6,822	6,610
Other	4,179	3,580
Interest payable on bank facilities repayable within one year and similar charges	104	191
and after crediting:		
Capital grants amortised	102	102

The amounts shown above as directors emoluments include only the amounts paid to the directors in the execution of their duties as directors and therefore do not include the salaries of the employee and postmaster directors.

The remuneration package of Mr. John Hynes, who retired as Group Chief Executive Officer on 13 July, 2003, which is included in the amounts shown above as directors' emoluments, was as follows:

	2003	2002
	€'000	€'000
Director's fee	7	13
Basic salary	148	255
Non-pensionable performance related bonus	-	27
Taxable benefits, including the use of a company car	7	12
	<b>162</b>	<b>307</b>
Pension contributions	20	36
	<b>182</b>	<b>343</b>

The remuneration package of Mr. Donal Curtin, who was appointed as Chief Executive on 14 July, 2003, which is included in the amounts shown above as directors' emoluments, was as follows:

	2003	2002
	€'000	€'000
Director's fee	5	-
Basic salary	113	-
Taxable benefits, including the use of a company car	5	-
	<b>123</b>	<b>-</b>
Pension contributions	28	-
	<b>151</b>	<b>-</b>

<b>7. TAX ON LOSS ON ORDINARY ACTIVITIES</b>	<b>2003</b>	2002
	<b>€'000</b>	€'000
<b>Current tax</b>		
Ireland	<b>2,355</b>	(72)
Share of joint venture and associate tax charge	-	-
UK – Corporation tax	-	125
	<b>2,355</b>	53

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

	<b>2003</b>	2002
	<b>€'000</b>	€'000
Loss on ordinary activities before tax	<b>(29,694)</b>	(70,272)
Current tax of 12.5% (2002: 16%)	<b>(3,712)</b>	(11,244)
<i>Effects of:</i>		
Expenses not deductible	<b>779</b>	7,757
Capital allowances in excess of depreciation	<b>22</b>	(1,052)
Manufacturing corporation tax relief	<b>(28)</b>	(57)
Income taxed at higher rates	<b>422</b>	554
Adjustment to tax charge in prior periods	-	(72)
Utilisation of tax losses	<b>(21)</b>	(2)
Tax losses not utilised	<b>6,146</b>	4,289
Profit on asset sales	<b>(1,664)</b>	(23)
Capital gains tax payable	<b>2,355</b>	6
Reversal of timing differences	<b>(1,944)</b>	(103)
Current tax charge	<b>2,355</b>	53

Given the uncertainty over the existence of future taxable profits, a potential deferred tax asset of €8,224,000 (2002: €9,307,000) has not been recognised in the Balance Sheet at 31 December, 2003. This deferred tax asset not recognised comprises timing differences on business restructuring, €5,016,000 (2002: €8,600,000), tax losses forward not utilised, €7,515,000 (2002: €3,350,000), offset by timing differences, €4,307,000 (2002: €2,643,000).

## **8. LOSS FOR THE FINANCIAL YEAR**

	<b>2003</b>	2002
	<b>€'000</b>	€'000
Loss after tax in the holding company	<b>(32,094)</b>	(68,767)
Profit/(loss) after tax in subsidiary undertakings	<b>158</b>	(1,326)
Share of result after tax in joint venture and associate	<b>(113)</b>	(376)
	<b>(32,049)</b>	(70,469)

A separate profit and loss account for An Post has not been prepared because the conditions laid down in Section 3(2) of the Companies (Amendment) Act, 1986 have been satisfied.

# Notes to the Financial Statements

continued

<b>9. STAFF NUMBERS AND COSTS</b>	<b>2003</b>	2002
The average number of persons working in the Group during the year was as follows:		
Headquarters	<b>632</b>	651
Savings/Remittance services	<b>333</b>	349
Inspection	<b>48</b>	50
Postmen/postwomen	<b>4,701</b>	4,574
Postal sorters	<b>1,248</b>	1,160
Post office clerks	<b>1,135</b>	1,141
Other grades	<b>810</b>	774
Temporary	<b>937</b>	975
Subsidiary companies	<b>600</b>	567
<b>Total Group employees</b>	<b>10,444</b>	10,241
Postmasters: Engaged as agents	<b>1,501</b>	1,636
The aggregate payroll costs of these persons were as follows:		
	<b>2003</b>	2002
	<b>€'000</b>	€'000
Wages, salaries and postmasters' costs	<b>430,327</b>	412,846
Social welfare costs	<b>26,875</b>	25,340
Other pension costs	<b>43,939</b>	41,357
	<b>501,141</b>	479,543

## 10. INTANGIBLE FIXED ASSETS - Goodwill

<b>Group</b>	<b>€'000</b>
<b>Cost</b>	
At 31 December, 2002	25,934
Additions	2,333
<b>At 31 December, 2003</b>	<b>28,267</b>
<b>Amortisation</b>	
At 31 December, 2002	2,982
Charged during the year	2,691
Provision for impairment	1,500
<b>At 31 December, 2003</b>	<b>7,173</b>
<b>Net Book Value</b>	
<b>At 31 December, 2003</b>	<b>21,094</b>
At 31 December, 2002	22,952

The additions to goodwill represent additional consideration payable on acquisitions made in previous years as a result of certain performance targets being achieved as provided for under the terms of acquisition. Consideration outstanding at 31 December, 2003 of €2,079,000 has been included in creditors falling due within one year of the balance sheet date (note 15).

The provision for impairment of goodwill reflects the directors' view of the underlying carrying value of goodwill. A discount rate of approximately 15% has been used in this regard.

## 11. TANGIBLE FIXED ASSETS

<b>Group</b>	Freehold & long leasehold land & buildings €'000	Interest in GPO €'000	Motor vehicles €'000	Computer & other equipment €'000	Total €'000
<b>Cost</b>					
At 31 December, 2002	178,221	25,402	35,616	213,999	453,238
Additions	4,264	778	4,612	12,017	21,671
Disposals	(4,757)	-	(2,735)	(127)	(7,619)
Exchange differences	-	-	(23)	(455)	(478)
At 31 December, 2003	<b>177,728</b>	<b>26,180</b>	<b>37,470</b>	<b>225,434</b>	<b>466,812</b>
<b>Accumulated Depreciation</b>					
At 31 December, 2002	25,965	6,273	22,406	119,865	174,509
Charged during year	3,504	640	5,864	27,105	37,113
Eliminated on disposal	(1,057)	-	(2,498)	(104)	(3,659)
Exchange differences	-	-	(3)	(56)	(59)
At 31 December, 2003	<b>28,412</b>	<b>6,913</b>	<b>25,769</b>	<b>146,810</b>	<b>207,904</b>
<b>Net Book Value</b>					
At 31 December, 2003	<b>149,316</b>	<b>19,267</b>	<b>11,701</b>	<b>78,624</b>	<b>258,908</b>
At 31 December, 2002	152,256	19,129	13,210	94,134	278,729
<b>Company</b>					
<b>Cost</b>					
At 31 December, 2002	155,405	25,402	35,264	195,163	411,234
Additions	7,067	778	4,419	8,228	20,492
Disposals	(4,757)	-	(2,540)	-	(7,297)
At 31 December, 2003	<b>157,715</b>	<b>26,180</b>	<b>37,143</b>	<b>203,391</b>	<b>424,429</b>
<b>Accumulated Depreciation</b>					
At 31 December, 2002	22,222	6,273	22,351	114,240	165,086
Charged during year	3,109	640	5,784	23,231	32,764
Eliminated on disposal	(1,057)	-	(2,394)	-	(3,451)
At 31 December, 2003	<b>24,274</b>	<b>6,913</b>	<b>25,741</b>	<b>137,471</b>	<b>194,399</b>
<b>Net Book Value</b>					
At 31 December, 2003	<b>133,441</b>	<b>19,267</b>	<b>11,402</b>	<b>65,920</b>	<b>230,030</b>
At 31 December, 2002	133,183	19,129	12,913	80,923	246,148

### Group and Company

The depreciable element of freehold & long leasehold land & buildings amounts to: Group €151,505,000 (2002: €147,123,000), Company €135,156,000 (2002: €130,467,000)

# Notes to the Financial Statements

continued

## 12. FINANCIAL FIXED ASSETS

	Group		Company	
	2003 €	2002 €	2003 €	2002 €
Shares in subsidiary undertakings, at cost	102	102	13,498,718	12,414,576
Interest in joint venture and associated undertakings	(489,000)	(375,990)	163	163
	<b>(488,898)</b>	<b>(375,888)</b>	<b>13,498,881</b>	<b>12,414,739</b>

The movements on financial fixed assets were as follows:

### Shares in subsidiary undertakings

At beginning of year	102	102	12,414,576	8,772,539
Additions	-	-	2,270,683	3,642,037
Disposals to group undertakings	-	-	(1,186,541)	-
At end of year	102	102	13,498,718	12,414,576

### Interest in joint venture and associated undertakings

At beginning of year	(375,990)	163	163	163
Share of result after tax in joint venture	(113,010)	(376,153)	-	-
At end of year	(489,000)	(375,990)	163	163

On 16 March, 2004 the directors of the joint venture undertaking, Wizard Direct Stationery Company Limited, agreed that the company should cease trading on 26 March, 2004. Amounts included in the financial statements at 31 December, 2003 (below) in respect of the joint venture totalling €23,000 will be fully written off in 2004.

	€'000
Financial fixed asset – interest in joint venture	(489)
Debtors due within one year (note 13)	18
Debtors due after one year (note 13)	494
	23

Other than as noted above, in the opinion of the directors, the value of the shares, none of which is listed, is not less than their carrying amount.

### 13. DEBTORS

	Group		Company	
	2003	2002	2003	2002
	€'000	€000	€'000	€000
<b>Amounts falling due within one year</b>				
Trade debtors	41,093	48,342	25,435	36,290
Amounts owed by subsidiary undertaking not consolidated	915	1,034	915	1,034
Amounts owed by other subsidiary undertakings	-	-	16,503	17,238
Amounts owed by associated undertaking	220	161	220	161
Amounts owed by joint venture (note 12)	18	168	15	168
Other debtors	2,582	1,913	970	1,467
Corporation tax repayable	-	2,467	-	2,467
Prepayments and accrued income	28,026	25,087	24,872	22,796
	<b>72,854</b>	<b>79,172</b>	<b>68,930</b>	<b>81,621</b>
<b>Amounts falling due after more than one year</b>				
Amounts owed by subsidiary undertakings	-	-	33,682	32,198
Amounts owed by joint venture (note 12)	494	319	494	319
	<b>73,348</b>	<b>79,491</b>	<b>103,106</b>	<b>114,138</b>

### 14. CASH AT BANK AND IN HAND

	Group		Company	
	2003	2002	2003	2002
	€'000	€000	€'000	€000
Cash at bank	35,218	27,691	9,927	10,359
Cash in hand	203,743	208,476	203,743	208,473
	<b>238,961</b>	<b>236,167</b>	<b>213,670</b>	<b>218,832</b>
Term deposits	93,106	121,092	93,106	121,092
Less: Amounts held in trust	(284,050)	(330,437)	(284,050)	(330,437)
	<b>48,017</b>	<b>26,822</b>	<b>22,726</b>	<b>9,487</b>

### 15. CREDITORS: Amounts falling due within one year

	Group		Company	
	2003	2002	2003	2002
	€'000	€000	€'000	€000
Trade creditors	68,449	33,387	45,721	18,864
Amounts owed to subsidiary undertakings	-	-	2,750	1,833
Other creditors	5,155	6,276	4,345	5,528
Taxation and social welfare (note 16)	13,126	16,525	12,347	15,496
Accruals	55,597	60,273	46,900	50,547
Deferred income - capital grants (note 17)	102	102	73	73
Deferred postage income	17,346	15,356	17,346	15,356
	<b>159,775</b>	<b>131,919</b>	<b>129,482</b>	<b>107,697</b>

# Notes to the Financial Statements

continued

## 16. TAXATION AND SOCIAL WELFARE

	Group		Company	
	2003 €'000	2002 €'000	2003 €'000	2002 €'000
Capital gains tax	2,355	-	2,273	-
Income tax deducted under PAYE	7,518	10,224	7,226	9,752
Pay related social insurance	4,532	6,481	4,318	6,301
Value added tax	(1,706)	(623)	(1,768)	(996)
Professional services withholding tax	427	443	298	439
	<b>13,126</b>	<b>16,525</b>	<b>12,347</b>	<b>15,496</b>

## 17. CREDITORS: Amounts falling due after more than one year

	Group		Company	
	2003 €'000	2002 €'000	2003 €'000	2002 €'000
Deferred income - capital grants	4,277	3,960	3,131	2,785
Trade creditors	-	411	-	411
	<b>4,277</b>	<b>4,371</b>	<b>3,131</b>	<b>3,196</b>

The movements on grants were as follows:

At beginning of year	4,062	4,164	2,858	2,931
Received during year	419	-	419	-
Amortised to profit and loss account	(102)	(102)	(73)	(73)
At end of year	4,379	4,062	3,204	2,858
Transferred to creditors: amounts falling due within one year	(102)	(102)	(73)	(73)
	<b>4,277</b>	<b>3,960</b>	<b>3,131</b>	<b>2,785</b>

## 18. PROVISIONS FOR LIABILITIES AND CHARGES

Group and Company	2003 €'000	2002 €'000
Pensions and similar obligations (note 23)	14,772	14,759
Business restructuring	53,247	68,411
	<b>68,019</b>	<b>83,170</b>

The movements during the year were as follows:

	Pensions and similar obligations €'000	Business restructuring €'000	Total €'000
At beginning of year	14,759	68,411	83,170
Charge for year	1,774	-	1,774
Utilised during year	(1,761)	(15,164)	(16,925)
At end of year	<b>14,772</b>	<b>53,247</b>	<b>68,019</b>

The provision for business restructuring at 31 December, 2003 includes €19,046,000 (2002: €19,046,000) in relation to the introduction of an Employee Share Ownership Plan (ESOP). Restructuring is anticipated to be completed by 31 December, 2007.

## 19. SHARE CAPITAL

Group and Company	2003 €'000	2002 €'000
<b>Authorised:</b>		
80,000,000 Ordinary shares of €1.25 each (2002: 50,000,000 Ordinary shares of €1.269738 each)	100,000	63,487
<b>Allotted, called up and fully paid:</b>		
At beginning of year: 44,433,042 Ordinary shares of €1.269738 each	56,418	56,418
Transfer to capital conversion reserve fund	(877)	-
Issued during year	12,698	-
At end of year : 54,590,946 Ordinary shares of €1.25 each (2002: €1.269738)	68,239	56,418

On 14 January, 2003, pursuant to Section 26 of the Economic and Monetary Union Act, 1998, the Company's shares were renormalised from €1.269738 to €1.25 per share and an amount of €877,000 was transferred to a capital conversion reserve fund. On 14 January, 2003, the authorised share capital was increased to €100,000,000, divided into 80,000,000 shares of €1.25 each.

On 12 May, 2003, the Company issued 10,157,904 ordinary shares at €1.25 each for cash consideration of €12,698,000. The shares were issued pursuant to Section 31 of the Postal and Telecommunications Service Act, 1983.

## 20. RECONCILIATION OF SHAREHOLDERS' FUNDS

	Group		Company	
	2003 €'000	2002 €'000	2003 €'000	2002 €'000
Shareholders' funds at beginning of year	188,158	258,627	188,125	256,892
Share capital issued during year	12,698	-	12,698	-
Loss for the financial year	(32,049)	(70,469)	(32,094)	(68,767)
Shareholders' funds at end of year	168,807	188,158	168,729	188,125

The entire shareholders' funds comprise equity interests.

# Notes to the Financial Statements

continued

## 21. GROSS CASH FLOWS

	2003 €'000	2002 €'000
<b>Returns on investments and servicing of finance</b>		
Interest paid	(104)	(191)
<b>Taxation</b>		
Corporation tax refunded/(paid)	2,468	(1,029)
<b>Capital expenditure</b>		
Purchase of tangible fixed assets	(31,053)	(76,802)
Disposal of tangible fixed assets	15,411	287
Grants received	419	-
	<b>(15,223)</b>	<b>(76,515)</b>
<b>Financing</b>		
Share capital issued	12,698	-
<b>Acquisition of subsidiary undertakings (note a)</b>		
	<b>(254)</b>	<b>(14,724)</b>
<b>Management of liquid resources (note b)</b>		
Decrease in term deposits	27,986	395,883

Note a: Other than the cash paid on the acquisition of the subsidiary undertakings, the impact of the acquisitions on the cashflows of the Group in 2002 was not material.

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

## 22. ANALYSIS OF NET FUNDS

	At beginning of year €'000	Cash flows €'000	At end of year €'000
Cash at bank and in hand	236,167	2,794	238,961
Amounts held in trust	(330,437)	46,387	(284,050)
		49,181	
Term deposits	121,092	(27,986)	93,106
<b>Total</b>	<b>26,822</b>	<b>21,195</b>	<b>48,017</b>

## 23. PENSIONS AND SIMILAR OBLIGATIONS

The Group has continued to account for pensions in accordance with SSAP 24 and the disclosures given in (a) below are those required by that standard. FRS 17 (Retirement Benefits) will not be mandatory for the Group until the year ended 31 December 2005. Prior to this, phased transitional disclosures are required by the standard and, to the extent not given in (a) are set out below in (b).

### (a) Pension commitments

Pension entitlements of staff are met by payments to externally funded defined benefit or defined contribution superannuation schemes which are vested in independent trustees, appointed by the Company, for the sole benefit of employees and their dependants.

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, 2002 using the attained age method. The valuations showed that the market value of the assets of the schemes was €1,619,000,000 which was sufficient to cover more than 100% of the accrued liabilities, based on current pensionable remuneration, and 100% of the accrued liabilities allowing for expected future increases in pensionable remuneration. The principal actuarial assumption was that, over the long term, the annual rate of return on investments would be 1.5% higher than the annual increase in pensionable remuneration. Contributions to the schemes were at a rate of 14.3% (2002:14.3%) 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 defined contribution scheme was established for certain employees of subsidiary undertakings. Employer contributions to this scheme during the year were at rates varying between 5% and 9% of pensionable remuneration.

### Retirement gratuities

Retirement gratuities are payable under normal circumstances to postmasters engaged as agents and to certain non-pensionable employees. The cost of providing these benefits is unfunded, but provision is made for the estimated capital cost to the Group of such arrangements based on independent actuarial advice (see note 18). The most recent actuarial valuation was at 1 January, 1997. The principal actuarial assumption was that the annual compound rate of return applied would be 1.5% higher than the annual compound rate of general remuneration growth. The actuarial report is not available for public inspection.

### Amounts in financial statements

The total pension and retirement gratuity cost for the year ended 31 December, 2003 was €43,939,000 (2002: €41,357,000), analysed as follows:

	2003 €'000	2002 €'000
Defined benefit scheme	41,663	38,537
Defined contribution scheme	502	523
Postmasters' retirement gratuity fund	1,774	2,297
	<hr/> 43,939	<hr/> 41,357

An amount of €143,000 is included in prepayments (2002: €6,912,000) representing the difference between the amounts paid directly by the Group on behalf of the defined benefit schemes and the amounts recognised as cost.

# Notes to the Financial Statements

continued

## 23. PENSIONS AND SIMILAR OBLIGATIONS (continued)

An amount of €43,000 is included in accruals (2002: €32,000) representing contributions payable to the defined contribution scheme at 31 December, 2003.

An amount of €14,772,000 (2002: €14,759,000) is included in Provisions for Liabilities and Charges in respect of retirement gratuities payable to postmasters engaged as agents and to certain non-pensionable employees.

### (b) FRS 17 Retirement benefits

The valuations of the defined benefit schemes used for the purpose of FRS 17 have been based on the most recent actuarial valuations as identified above and updated by the independent actuary to 31 December, 2003 to take account of the requirements of FRS 17 in order to assess the liabilities at the balance sheet date. Scheme assets are stated at their market value at the balance sheet date.

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

Valuation method	2003 Projected Unit	2002 Projected Unit	2001 Projected Unit
Discount rate	5.25%	5.50%	6.00%
Inflation rate	2.00%	2.00%	2.50%
Increase to pensions in payment	4.00%	4.00%	4.25%
Pensionable salary increases	4.00%	4.00%	4.25%

The long term expected rates of return were:

	2003	2002	2001
Equities	7.75%	7.75%	7.75%
Bonds	4.75%	4.75%	5.50%
Other	5.75%	5.75%	6.75%

The market value of the assets of the superannuation pension schemes at 31 December, 2003, 2002 and 2001 were:

	2003 €'000	2002 €'000	2001 €'000
Equities	957,000	812,000	1,111,000
Bonds	414,000	422,000	426,000
Other	101,000	109,000	89,000
Total market value of pension schemes' assets	1,472,000	1,343,000	1,626,000
Present value of pensions schemes' liabilities	(1,652,000)	(1,425,000)	(1,531,000)
Net (deficit)/surplus in pension schemes	(180,000)	(82,000)	95,000
Deferred tax	23,000	10,000	(12,000)
Net pension (liability)/asset	(157,000)	(72,000)	83,000

## 23. PENSIONS AND SIMILAR OBLIGATIONS (continued)

<b>Net assets</b>	<b>2003</b>	2002	2001
	<b>€'000</b>	€'000	€'000
Net assets excluding pension (liability)/asset	<b>168,807</b>	188,158	258,420
Net pension (liability)/asset	<b>(157,000)</b>	(72,000)	83,000
<b>Net assets including pension (liability)/asset</b>	<b>11,807</b>	116,158	341,420
<b>Reserves</b>			
Profit and loss reserve excluding pension (liability)/asset	<b>99,691</b>	131,740	202,209
Net pension (liability)/asset	<b>(157,000)</b>	(72,000)	83,000
<b>Profit and loss (deficit)/reserve including pension (liability)/asset</b>	<b>(57,309)</b>	59,740	285,209

The financial assumptions used to calculate the components of the defined benefit cost for the year ended 31 December, 2003 and 2002 were as follows:

	<b>2003</b>	2002
	<b>Projected Unit</b>	Projected Unit
Valuation method		
Discount rate	<b>5.50%</b>	6.00%
Inflation rate	<b>2.00%</b>	2.00%
Salary increases	<b>4.00%</b>	4.25%
Pension increases	<b>4.00%</b>	4.25%

Had FRS 17 been reflected in the primary financial statements, the following are the amounts that would have been included in the profit and loss account and the statement of total recognised gains and losses:

	<b>2003</b>	2002
	<b>€'000</b>	€'000
Current Service Cost	<b>45,000</b>	35,000
<b>Total Operating Cost</b>	<b>45,000</b>	35,000

**Analysis of the amount that would have been credited to other finance income is as follows:**

	<b>2003</b>	2002
	<b>€'000</b>	€'000
Interest on scheme liabilities	<b>(78,000)</b>	(80,000)
Expected return on scheme assets	<b>89,000</b>	115,000
<b>Other finance income</b>	<b>11,000</b>	35,000

# Notes to the Financial Statements

continued

## 23. PENSIONS AND SIMILAR OBLIGATIONS (continued)

Analysis of the amount that would have been recognised in the statement of total recognised gains and losses is as follows:

	2003 €'000	2002 €'000
Actual return less expected return on scheme assets	45,000	(394,000)
Experience gains and losses	(79,000)	242,000
Changes in assumptions	(72,000)	(63,000)
Actuarial loss recognised in the statement of total recognised gains and losses	<b>(106,000)</b>	<b>(215,000)</b>

Analysis of the movement in surplus during the year would have been as follows:

	2003 €'000	2002 €'000
(Deficit)/surplus at beginning of year	(82,000)	95,000
Current service cost	(45,000)	(35,000)
Contributions	42,000	38,000
Other finance income	11,000	35,000
Actuarial loss in the statement of total recognised gains and losses	<b>(106,000)</b>	<b>(215,000)</b>
Deficit at end of year	<b>(180,000)</b>	<b>(82,000)</b>

### History of actuarial gains and losses

	2003 €'000	2002 €'000
Differences between expected actual return on assets	45,000	(394,000)
Expressed as a percentage of scheme assets	3%	(29%)
Experience gains and losses on scheme liabilities	(79,000)	242,000
Expressed as a percentage of scheme liabilities	(5%)	17%
Total actuarial gains and losses	<b>(106,000)</b>	<b>(215,000)</b>
Expressed as a percentage of scheme liabilities	<b>(6%)</b>	<b>(15%)</b>

## 24. SUBSIDIARY AND ASSOCIATED UNDERTAKINGS

<i>Name</i>	<i>Nature of Business</i>	<i>% Holding</i>	<i>Registered Office</i>
<b>Subsidiary undertakings held directly by the Company</b>			
An Post National Lottery Company	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 and database services	100%	General Post Office, O'Connell Street, Dublin 1
Prince's Street Property Company Limited	Property development and letting	100%	General Post Office, O'Connell Street, Dublin 1
Printpost Limited	High volume printing	100%	General Post Office, O'Connell Street, Dublin 1
Post.Trust Limited	Digital certification and security services	100%	General Post Office, O'Connell Street, Dublin 1
JMC Van Trans Limited	Courier and distribution	100%	General Post Office, O'Connell Street, Dublin 1
Transpost Limited (formerly Ranaco Limited)	Courier and distribution	100%	General Post Office, O'Connell Street, Dublin 1
Waldermar Limited	Courier and distribution	100%	General Post Office, O'Connell Street, Dublin 1
Kompass Ireland Publishers Limited	Business directory publishers	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 BV	Holding company	100%	Locatellekade 1, Parnassustoren, 1076 AZ Amsterdam
An Post GeoDirectory Limited	Database services	100%	General Post Office, O'Connell Street, Dublin 1

# Notes to the Financial Statements

continued

## 24. SUBSIDIARY AND ASSOCIATED UNDERTAKINGS (continued)

<i>Name</i>	<i>Nature of Business</i>	<i>% Holding</i>	<i>Registered Office</i>
<b>Subsidiary undertakings held indirectly through a subsidiary undertaking</b>			
An Post Direct Limited	Financial services	100%	General Post Office, O'Connell Street, Dublin 1
An Post Direct Management Services Limited	Dormant	100%	General Post Office, O'Connell Street, Dublin 1
An Post (NI) Limited	Holding company	100%	Stokes House, College Square East, Belfast
PostTS UK. Limited	Electronic top up	100%	Southmere Court, Electra Way, Crewe, UK
An Post Transaction Services S.A.	Electronic top up	100%	Luis Buenel, 2 Ciudad de la Imagen, 28223 Pozuelo de Alarcon, Madrid, Spain
Air Business Limited	Distribution	100%	4, The Merlin Centre, Acrewood Way, St. Albans, Herts, UK
<b>Associated undertaking held directly by the Company</b>			
The Prize Bond Company Limited	Administration of the Prize Bond Scheme	50%	General Post Office, O'Connell Street, Dublin 1
<b>Joint Venture</b>			
Wizard Direct Stationery Company Limited	Stationery suppliers	50%	General Post Office, O'Connell Street, Dublin 1

PostTS UK. Limited and Air Business Limited are incorporated in and operate in England & Wales. An Post (NI) Limited is incorporated in and operates in Northern Ireland. An Post BV is incorporated in and operates in the Netherlands. An Post Transaction Services S.A. is incorporated in and operates in Spain.

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; JMC Van Trans Limited; Transpost Limited; Waldermar 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.

## 25. LEASE COMMITMENTS

	2003			2002		
	Land & buildings €'000	Other €'000	Total €'000	Land & buildings €'000	Other €'000	Total €'000
Annual commitments under non-cancellable operating leases were as follows:						
<b>Group</b>						
Expiring within one year	955	499	1,454	643	490	1,133
Expiring after one year and before five years	1,141	2,767	3,908	683	2,208	2,891
Expiring after five years	4,687	306	4,993	4,685	209	4,894
	<b>6,783</b>	<b>3,572</b>	<b>10,355</b>	6,011	2,907	8,918
<b>Company</b>						
Expiring within one year	570	488	1,058	513	347	860
Expiring after one year and before five years	664	2,553	3,217	423	1,977	2,400
Expiring after five years	4,400	306	4,706	4,340	209	4,549
	<b>5,634</b>	<b>3,347</b>	<b>8,981</b>	5,276	2,533	7,809

Lease commitments of the Company include commitments to subsidiary undertakings.

There were no material finance lease commitments either at 31 December, 2003 or which were due to commence after that date.

## 26. CAPITAL COMMITMENTS

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

	Group		Company	
	2003 €'000	2002 €'000	2003 €'000	2002 €'000
Contracted for	1,538	1,590	1,538	1,590
Authorised but not contracted for	1,324	3,282	1,324	3,282
	<b>2,862</b>	4,872	<b>2,862</b>	4,872

# Notes to the Financial Statements

continued

## 27. RELATED PARTY DISCLOSURES AND CONTROLLING PARTY

### 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 appropriate, 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 €5,939,000 (2002: €5,926,000) in respect of services provided to An Post National Lottery Company. These amounts are inclusive of a management fee of €2,993,000 (2002: €2,905,000) 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 €4,662,000 for the year ended 31 December, 2003 (2002: €4,247,000).

The amount owed by An Post National Lottery Company to the Company was €915,000 at 31 December, 2003 (2002: €1,034,000).

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 seven year licence to 31 December, 2008.

#### 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 €1,707,000 for the year ended 31 December, 2003 (2002: €1,267,000). The amount owed by The Prize Bond Company Limited to the Company was €220,000 at 31 December, 2003 (2002: €161,000).

#### Wizard Direct Stationery Company Limited

The Group provides Wizard Direct Stationery Company Limited with management and delivery services. Group turnover for the year includes €282,000 (2002: €291,000) in respect of services provided to Wizard Direct Stationery Company Limited. The amount owed by Wizard Direct Stationery Company Limited to the Group was €512,000 at 31 December, 2003 (2002: €487,000).

### Controlling party

The Group was controlled throughout the year by the Minister for Communications, Marine 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 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.

## **28. CONTINGENCIES**

### **Group and Company**

There were no contingent liabilities or guarantees at 31 December, 2003 in respect of which material losses are expected.

## **29. COMPARATIVE AMOUNTS**

Comparative amounts have been regrouped to accord with current year presentations.

## **30. BOARD APPROVAL**

The financial statements were approved by the Board of Directors on 25 March, 2004.

# Five Year Financial Summary

	2003 €'000	2002 €'000	2001 €'000	2000 €'000	1999 €'000
<b>CONSOLIDATED PROFIT &amp; LOSS ACCOUNT</b>					
Turnover	709,209	683,716	624,924	572,908	538,634
Costs	(752,100)	(701,112)	(631,611)	(563,128)	(525,245)
Operating (loss)/profit	(42,891)	(17,396)	(6,687)	9,780	13,389
Exceptional items	13,310	(52,500)	-	34,560	136,190
Share of results of joint venture and associate	(113)	(376)	-	-	-
(Loss)/profit before taxation	(29,694)	(70,272)	(6,687)	44,340	149,579

## CONSOLIDATED BALANCE SHEET

Fixed assets	279,513	301,305	248,241	207,165	158,969
Net current (liabilities)/assets	(38,410)	(25,606)	48,788	93,447	86,363
Other liabilities	(72,296)	(87,541)	(38,609)	(37,025)	(33,656)
	168,807	188,158	258,420	263,587	211,676
Capital and reserves	168,807	188,158	258,627	263,969	212,081
Minority interests - equity	-	-	(207)	(382)	(405)
	168,807	188,158	258,420	263,587	211,676

## RATIOS

	2003	2002	2001	2000	1999
Operating (loss)/profit as % of turnover	(6.05%)	(2.54%)	(1.07%)	1.71%	2.49%
Operating (loss)/profit as % of average shareholders' funds	(24.03%)	(7.79%)	(2.56%)	4.11%	15.10%*
Staff and postmasters' costs as % of operating costs	67.00%	68.59%	69.75%	68.89%	69.25%
Current assets as % of current liabilities	75.96%	80.59%	131.04%	163.14%	160.99%

\* adjusted for the sale during 1999 of discontinued operations.

# Operational Statistics

	2003	2002	2001	2000	1999
<b>MAIL</b>					
Traffic index (1998 = 100) (note 1)	125.2	124.8	122.5	116.8	108.4
Tariff index (1998 = 100) (note 2)	108.6	103.4	100.0	100.0	100.0
Tariff index adjusted for inflation (1998 = 100) (note 2)	89.1	87.8	88.9	93.2	98.4
Letter Post items delivered (millions)	742.3	790.6	779.8	733.6	705.4
Letter Post items per capita	186.6	201.8	203.1	193.7	188.4

Note 1: This index excludes traffic from Elections, Referenda, Flotations and Foreign Administrations in each year.

Note 2: This index reflects changes to published tariffs for all weight steps and it covers all services.  
It is adjusted for inflation by dividing by the Consumer Price Index.

	2003	2002	2001	2000	1999
<b>SYSTEM SIZE</b>					
No. of delivery points (millions)	1,685	1,598	1,482	1,410	1,341
Post office network:					
Company post offices	92	96	96	97	97
Sub-post offices	1,417	1,584	1,687	1,817	1,816
Postal agencies	149	86	-	-	-
	1,658	1,766	1,783	1,914	1,913
Other company premises	62	58	54	52	48
No. of motor vehicles	3,011	2,917	2,901	2,643	2,479

	2003	2002	2001	2000	1999
<b>PERSONNEL</b> (Staff numbers at 31 December)					
Headquarters	588	675	626	611	576
Savings/Remittance services	327	340	357	351	355
Inspection	47	49	51	63	64
Postmen/postwomen	4,680	4,722	4,427	4,486	4,327
Postal sorters	1,281	1,215	1,104	1,137	1,066
Post office clerks	1,126	1,145	1,136	1,204	1,230
Other grades	817	803	744	734	737
Temporary	1,010	864	1,085	635	677
Subsidiary companies	622	577	309	235	108
Total Group employees	10,498	10,390	9,839	9,456	9,140
Postmasters: Engaged as agents	1,417	1,584	1,687	1,751	1,816

# Operational Statistics

continued

	2003 €m	2002 €m	2001 €m	2000 €m	1999 €m
<b>VALUE OF SAVINGS SERVICES FUNDS</b>					
at 31 December (note 1)	<b>5,004</b>	4,794	4,806	4,998	5,260
<b>COUNTERS: Business Value</b>					
<b>Postal Services</b>					
Sales of postage stamps (note 2)	<b>128</b>	121	113	109	101
<b>Remittance Services</b>					
Postal money orders issued	<b>564</b>	619	666	575	562
<b>Post Office Savings Services</b>					
Savings bank deposits	<b>792</b>	746	624	401	350
Savings bank withdrawals	<b>621</b>	590	498	354	321
Savings certificates issued	<b>347</b>	217	211	208	184
Savings certificates repaid	<b>757</b>	611	648	579	340
Instalment savings issued	<b>67</b>	63	68	61	70
Instalment savings repaid	<b>134</b>	147	136	105	84
Savings bonds issued	<b>469</b>	263	233	243	216
Savings bonds repaid	<b>360</b>	332	461	533	475
<b>Pensions, Allowances and Social Welfare Benefits</b>					
Child benefits paid	<b>1,101</b>	1,016	707	488	446
Unemployment benefits paid	<b>1,042</b>	990	847	814	904
Old age pensions paid	<b>1,140</b>	1,083	983	888	824
Widows/orphans pensions paid	<b>766</b>	726	652	589	551
Other allowances paid	<b>2,167</b>	2,060	1,828	1,751	1,632
<b>Other</b>					
Miscellaneous	<b>2,316</b>	1,679	1,275	1,091	882
	<b>2003 000's</b>	2002 000's	2001 000's	2000 000's	1999 000's
<b>BILLPAY VOLUMES</b>	<b>21,238</b>	17,533	13,730	12,232	10,658
<b>TV LICENCE SALES</b>	<b>1,176</b>	1,167	1,097	1,057	1,038

Note 1: 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.

Note 2: This figure represents only sales of stamps for cash across the counter. The balance of mails service income is made up of postage meter machines and other bulk payment arrangements.