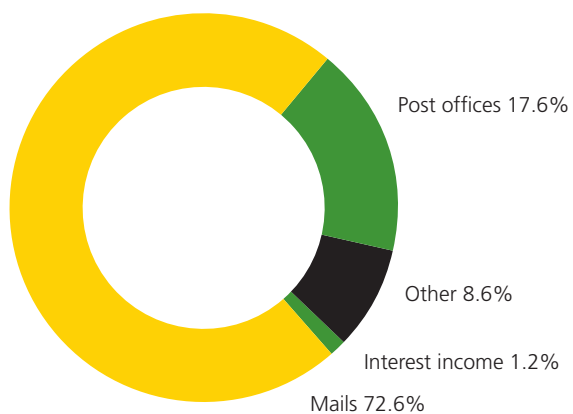


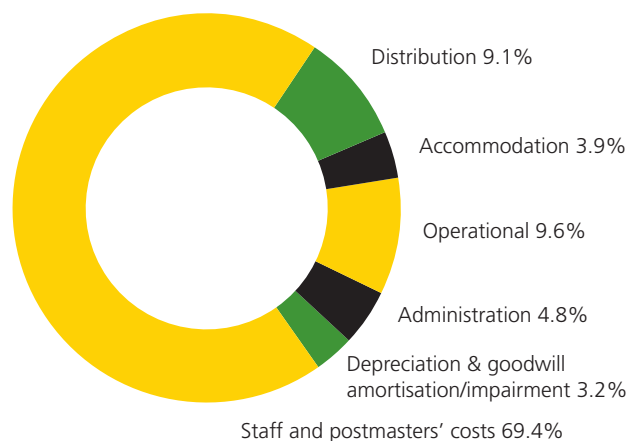
Financial Highlights


	2006 €m	2005 €m
Turnover	818.8	752.9
Operating profit before exceptional items	14.7	16.2
Profit for the financial year	75.7	40.7
Operating profit before exceptional items as % of turnover	1.8%	2.2%

Analysis of Turnover



Analysis of Operating Costs before exceptional items





“At **Perlico**, we’re Ireland’s leading alternative provider of home phone and broadband services. We bring customers a real choice and significantly lower prices. In order to get our message across we use An Post’s Direct Mail products so that people can see for themselves just how well Perlico compares to existing suppliers. Direct Mail has been a key driver in getting our brand message and competitive pricing across to our target market.”

Padraig O’Neill Marketing Development Manager

Getting the message
out there!



Board of Directors and Corporate Information



Margaret McGinley, B.A., LL.B.

Chairperson – 2,3

Age 47

*Appointed 4 February, 2003;
second term*

Ms. McGinley was appointed as Chairperson in February 2003, having previously served as a director of An Post for five years. She is a partner in McGinley & Co. Solicitors, Milford and Letterkenny, Co. Donegal.



Patrick Compton

Employee Director

Age 50

*Appointed 1 November, 2004;
fourth term*

Mr. Compton has worked in the postal service for the past thirty-four years and his current position is that of Partnership Co-ordinator, based in Roscommon. He was a member of the National Executive of the Communications Workers Union for twenty two years and its president in 1986. He is active in community development in his local area and he is a member of Arigna Leader Board and Roscommon County Development Board.



Jerry Condon

Employee Director – 2

Age 53

*Appointed 1 November, 2004;
third term*

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



Donal Connell, C.Eng., F.I.E.I., B.E.

Director – 2

Age 53

Appointed 14 August, 2006

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



James Hyland, B.Comm., F.C.A., F.C.I.S., M.C.I.Arb., M.E.W.I.

Director – 1

Age 71

Appointed 11 December, 2003

Mr. Hyland is a former Deputy Chief Executive of Golden Vale Group and a former Group Chief Executive of Youghal Carpets plc. He is currently Managing Director of James Hyland & Company, Forensic Accountants, and Managing Partner of Hyland Johnson Murray, Chartered Accountants. He is also Chairman or director of several companies including An Post National Lottery Company.



Terry Kelleher, Dip. Industrial Relations

Employee Director

Age 39

Appointed 1 November, 2004

Mr. Kelleher started his career in An Post in 1987 when he joined the Company as a Clerical Assistant. He is currently employed as a Clerical Officer in the Savings Repayments section in the GPO. An active member and trustee of the Civil, Public and Services Union, he has served both as branch secretary in An Post and on the Union's National Executive.



Brian McConnell B.B.S.

Director

Age 60

Appointed 3 April, 2006

A career banker by profession, Mr. McConnell has comprehensive experience in the Financial Services sector. He has served as Chief Executive of Permanent tsb and Ulster Investment Bank (Corporate Banking/Finance). Now retired, he has held directorships in several financial institutions including Irish Life and Permanent plc, Ulster Bank Limited, Allianz Ireland, Irish Intercontinental Bank and Kereskedelmi et Hitellsbank (Hungary).



Alice O'Flynn, B.A., MSc., Dip. Legal Studies, Cert. Eur.Comm. Law

Director – 1,3

Age 54

Appointed 27 May, 2002; second term

Ms. O'Flynn has spent most of her working career in the civil service, working first as an Executive and Higher Executive Officer in the Department of Justice and then in the Department of Social and Family Affairs. She is currently an Assistant Secretary in that Department with responsibility for human resources, pensions and carers policy, corporate development and internal audit.

**Patrick Davoren***Employee Director – 1**Age 57**Appointed 1 November, 2004; fourth term*

Mr. Davoren commenced work in 1965 with the Department of Posts and Telegraphs and has worked as a Post Office Clerk for his entire career. He has been an active member of the Communications Workers Union throughout his career. He was a local branch treasurer for twenty years and he served on the National Executive of the union for two years.

Thomas Devlin*Employee Director – 2**Age 47**Appointed 1 November, 2004*

Mr. Devlin began his career in the Post Office in 1976 when he joined the Department of Posts and Telegraphs as a Junior Postman working as a messenger in the Minister's Office. He is currently employed as an Inspector of Postmen at the Sandyford Parcel Depot. An active member of the Communications Workers Union, he served on the National Executive for two years and was Chairman of the SDS Drivers Branch from 1996 to 2004.

Louise English, B.Comm., F.C.A.*Director**Age 44**Appointed 1 June, 2005*

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

Ciara Hurley, B.B.S., M.B.S. (Banking & Finance), M.S.I.*Director – 2**Age 41**Appointed 3 April, 2006*

Ms. Hurley is an Investment Manager with Citigroup Quilter. She has over sixteen years experience in managing high net worth clients which she gained while working with Goodbody Stockbrokers, Merrill Lynch International Bank Ltd, where she was Investment Director, and now with Citigroup Quilter. She is a member of the Securities & Investment Institute (Ireland) and also of the Institute of Directors.

**John Quinlivan, B.Sc. (Mgt. & Law), M.Sc. (Spatial Planning), Dip. in Public Adm.***Director – 2**Age 68**Appointed 9 May, 2003*

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

Alan Sloane*Postmaster Director**Age 49**Appointed 1 January, 2007; third term*

Mr. Sloane has worked in the family grocery and post office business since 1976. He was appointed postmaster of Loch Gowna post office, Co. Cavan in 1979. He is also Managing Director of J.A.S. Limited, a security counter and furniture manufacturing business, which he established in 1985.

Peter Wyer, B.Comm., LL.B.*Director – 3**Age 58**Appointed 4 February, 2003; second term*

In the early part of his career, Mr. Wyer worked for some time in merchant banking but he has spent most of his career in sales. He joined Arch Motors Limited in Galway in 1976 and he is currently Sales Director and Company Secretary of that company. He is also a director of a number of other related companies.

SECRETARY

Michael Tyndall

REGISTERED OFFICE

General Post Office,
O'Connell Street, Dublin 1

AUDITORS

KPMG,
Chartered Accountants

BANKERS

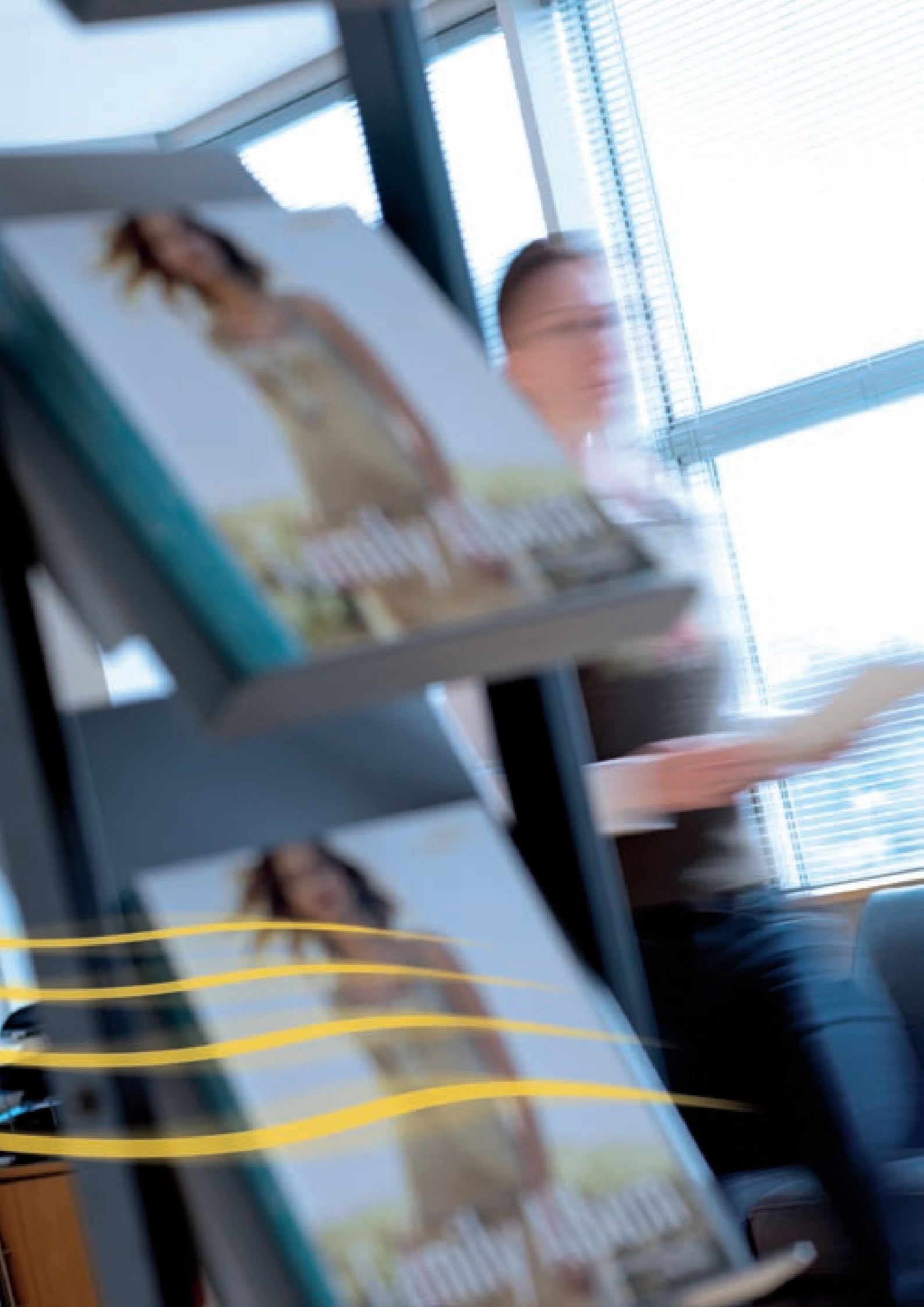
Bank of Ireland


SOLICITORS

Matheson Ormsby Prentice

KEY TO BOARD COMMITTEES

- 1 Audit and Security
- 2 Personnel
- 3 Remuneration





“Last year, **Shop Direct** sold close to 1 million products to over 100,000 customers all over Ireland. That meant supplying anything – from clothes to cameras – direct to our customers’ homes. An Post provide us with the direct mail solution to promote our product lines, an unrivalled delivery network and they offer our customers the choice of paying through billpay, billpay.ie and Postpoint. All in one integrated service.”

Geoff Scully Commercial Director

A one-stop shop

Chairperson's Statement



Margaret McGinley
Chairperson

Introduction

Since the Board approval of the Strategic Recovery Plan just three years ago there has been a strong improvement in the commercial and financial position of the Company. There has been positive development in core businesses, resolution in many areas of our industrial relations and, above all, restoration of confidence in the future of the business as a whole. While there are still many challenges ahead, some quite significant, we are now in a position to address them with a clear understanding of what is required and with a proven ability to overcome them. A number of developments during the year, most notably perhaps our entry into an exciting new financial services joint venture, reflect the significant distance we have come in a relatively short time.

Financial Performance

The profit after tax for the financial year is €75.7m, an increase from the prior year profit of €40.7m. The result for the year is in part driven by an exceptional gain arising from the sale of the former parcels depot on the Naas Road.

In 2006 An Post made an operating profit before retrospective pay awards of €14.7m. While these profits are welcome, this level of profit is at the lower end of what is needed for investment and renewal in a company of the scale of An Post.

Revenues in 2006 increased by 8.8% year-on-year to €819m. This increase was, in the main, driven by strong growth of 4% in our core mails business, concerted marketing and brand development activity and certain tariff increases in mail products. Revenue from services offered in post offices increased by 6.1% during 2006 while our portfolio of subsidiary businesses also reported solid growth.

Overall operating costs before retrospective pay awards, at €804.2m, were within budget, even allowing for increased spending in certain strategic areas such as security at post offices and marketing initiatives.

Core Businesses

The growth of 4% in mail volume, which is higher than that achieved by most other European postal administrations, reflects the outcome of our focus on sales and marketing, the continuing success of the Irish economy and current growth in the housing stock. It is particularly pleasing that it was achieved in a year in which, as part of the postal market liberalisation process, 62% of our revenue was exposed to competition. The Company is confident, therefore, that mail volumes can be grown significantly over the next few years. To achieve this we will be increasingly active in the marketplace, encouraging and, where appropriate, incentivising customers to increase their use of mail services, particularly direct and advertising mail, enabling these channels to reach their true potential. There is a widespread belief that the growth of internet use has a wholly negative impact on the traditional mail service. That is not necessarily true, as the growth in e-commerce and retailing continues to have an important positive affect on mail, particularly in parcel deliveries.

Business transacted through the Post Office network also showed solid growth in 2006. BillPay, Western Union money transfers and Mobile Phone Top-Up services performed particularly well. New welfare recipients are, in increasing numbers, opting to receive their payments by electronic fund transfer into their own bank accounts. However, we remain confident here, too, that we will have an increasingly attractive range of products and services through Postbank, our new joint venture with the European banking and insurance group, Fortis.

Retail Network

The selection of Fortis, as An Post's joint venture partner for the provision of retail banking services was a highlight of 2006. Selected in autumn 2005 from a shortlist of four potential partners, Fortis is one of Europe's largest financial services companies. The market leader in the Benelux countries, it has operations in 20 countries and operates the Belgian Banque de La Poste. With a straightforward value-for-money proposition Postbank will be particularly appealing to customers traditionally underserved by the banking sector and the many who have a natural affinity with An Post. I am pleased that this represents genuine fresh thinking within the sector, bringing more to the communities we serve than simply another banking option. In doing so we aim to ensure the relevance of our diverse product and service portfolio to our customer base. We are continuously reminded of the level of trust that the public has in An Post which only reinforces our desire to continue to deserve such trust.

An Post currently has a comprehensive network of 1,361 outlets, the highest number per caput in Europe. We recognise the continuing level of change in the size of the network and during 2007 the Company will undertake a comprehensive and detailed review of the commercial and social aspects of post offices across the country and the manner in which postmasters are remunerated. This review will seek to determine the optimum configuration for the delivery of services in the years ahead.

Market Liberalisation

There was a further opening up of the mails market in 2006 and as I mentioned above, 62% of An Post's mails service revenues now come from areas which are fully open to competition. It is still early days for new entrants to the market in Ireland; the Company is fully aware of the challenge posed by increasing competition and is determined to succeed when the market is fully liberalised in 2009.

Mails quality of service is one area in which we need to achieve significant improvement. The quality performance statistic for the full year 2006, as measured by TNS mrbi on behalf of the Commission for Communications Regulation (ComReg) is not yet available, but we know from the recorded performance for the first three quarters that the level achieved was substantially below ComReg's 94% next day delivery target. Our performance in this regard falls far short of our own and our customers' expectations. A number of initiatives has been undertaken by management with the aim of achieving significant improvements as quickly as possible.

Chairperson's Statement continued

Commitment to Change

I referred in my introduction to a return of confidence in An Post. This has been due in no small measure to an improvement in the industrial relations climate.

On a broader level, the challenge for An Post, its employees and their trade unions, is the development of a culture of change, one in which change is regarded as a normal, continuing and consensual process. Developing such a process is of pivotal importance to the future of the Company.

New Strategy

In November 2006, the Board approved a new Strategic Plan covering the period to 2011. Transformation of An Post into a truly customer-focused business that will survive and thrive in the face of competition is at the core of this plan. Key elements include: maximising the growth opportunities available to the Company; providing consistent high quality of service that meets customers' and stakeholders' expectations; and the development of a new approach for ongoing engagement with employees and their unions, as well as our post office contractors, to create a stimulating and rewarding work environment.

The new plan is undoubtedly challenging, particularly as it must be implemented against a background of market liberalisation and increasing technological sophistication in communications. However, I am convinced that it is the right plan for An Post. Challenging, unquestionably, but with the potential to secure a viable future for all of An Post's stakeholders.

Conclusion

During 2006 we welcomed Donal Connell as Chief Executive. Already Donal has made his mark on the organisation. He has put in place a new top level organisation structure and the new Strategic Plan owes much to his vision of how An Post should position itself for the future. I wish him every success in delivering this vision.

Sadly, I must make mention of Alan Cuniffe, the late postmaster of John's Green Post Office in Kilkenny. Alan lost his life following a robbery at his post office in November. His untimely death was a tragedy for his family and a low point for An Post in 2006. Alan and the circumstances of his death will live long in the memory of his colleagues as well as in the memory of his family and friends. May he rest in peace.

On behalf of the Board, I would like to thank the management and staff and our contractors for their loyalty and work during 2006. On my own behalf I would like to thank my colleagues on the Board for the dedicated and committed manner in which they discharged their duties during 2006. I would like to say a special word of thanks to the Minister for Communications, Marine and Natural Resources and his officials for their assistance and support throughout the year and particularly for their enormous help in progressing the new joint venture with Fortis.



Margaret McGinley

Chairperson

22 March, 2007

Chief Executive's Review

Financial Performance

In this, my first Annual Report since assuming the role of Chief Executive, I am delighted to report that An Post's improved financial performance of recent years continued in 2006.

Turnover for the year grew by 8.8% to €819m mainly driven by our efforts in sales and marketing, growth in mail volume and price increases for certain mail products. Overall operating costs before retrospective pay awards for 2006 amounted to €804.2m. Operating profit before retrospective pay awards amounted to €14.7m.

While the Company is reporting a profit of €75.7m, after tax, for 2006 this arises in part from the sale of assets, €93.5m of the gain relating to the sale of our former parcels depot on the Naas Road. The level of operating profit is at the lower end of what this Company requires for reinvestment and renewal purposes.

The accounts include other exceptional costs; firstly, the discharge of a deferred increase in staff pay and postmaster remuneration amounting to €20m and secondly, the cost of investigating and pursuing the Joint Venture business opportunity with Fortis.



Donal Connell
Chief Executive

Quality of Service

In an otherwise positive year, our mails quality of service performance ranks as a source of disappointment and concern. Quality of service is a key area in which we need to achieve significant improvement. The quality performance statistic for the full year 2006, as measured by TNS mrbi on behalf of ComReg, is not yet available, but we know from the recorded performance for the first three quarters (e.g. 74% for Quarter 3 2006) that the level achieved is substantially below the 94% next day delivery target set by ComReg for single piece priority mail. This is an issue of great concern, not simply because we are falling short of the regulatory target, but because we are falling short of the level of quality that our customers are entitled to expect from us as a matter of routine. Various initiatives have been instigated by management with the aim of achieving significant improvements as quickly as possible, and in Quarter 1 2007 we are beginning to see an appreciable improvement in quality levels as measured by our own operational metrics.

In the course of the regulatory process leading to the approval by ComReg in February 2007 of an interim price increase on the basic stamp from 48c to 55c, quality performance has emerged as an important pricing issue. This is as it should be, since the price paid for a service inherently refers to a particular quality level. The Company has committed itself to achieving an 80% next day delivery target in 2007 within the above monitor, and the timing of the implementation of the 2008 price increase will be linked to performance against this threshold. This is a transitional objective. Ultimately, An Post must achieve and consistently maintain performance at or above the 94% level. We are currently estimating a time horizon of three years to achieve this target. However, there is no reason the Company should not be able to achieve this level of quality, which a number of other European postal providers and their customers regard as standard.

Chief Executive's Review continued

Mail Services

In 2006, An Post derived 72.6% of its overall revenues from the provision of mail services. Volume growth of over 4% exceeded expectations, reflecting our focus on marketing activity and brand development, the strong performance of the economy as a whole and the continued expansion of the housing stock.

This level of growth in mail volumes is much stronger than that being reported in other countries. Despite this, Ireland still has a lower level of mail per caput than is typical for a high performing economy. Effectively, we are catching up with other countries which have enjoyed earlier economic success. There is still good potential for growth in a range of areas, most especially in direct mail services.

Towards the close of 2006 we were processing over 3.5m items each day, rising to 8m over the Christmas period. During 2006 an important process change, facilitated by the automation programme of recent years, was completed and enabled us to sort mail to route level. This initiative, which involved substantial change, is but one concrete example of what must become the norm for An Post in the years ahead. We have subsequently begun a Continuous Improvement Programme which involves working closely with customers to ensure that their mail is presented for mailing in ways which will optimise the benefits of automated processing and sorting for them.

Recognising the changing needs of our customers, we introduced, during the early part of 2006, a revised portfolio of mail services designed to make our services simple and more transparent. Customer reaction has been positive.

We also completed the integration of our parcels business into our core mails activity. The majority of the business previously transacted under the SDS brand has been retained and Company costs have been significantly reduced. We will further develop our position in this growing segment of the mails business.

The year was also noteworthy for the further reduction, as part of market liberalisation, in the proportion of the mails market reserved to An Post. At this point almost two thirds of our revenue is exposed to full competition. An Post recognises that awareness of their competitive options, among both the general public and business customers, will inevitably lag somewhat behind the liberalisation process. That said, we know that increased competition within the market represents a significant threat to our core business. One of my key objectives in the coming years will be to ensure that An Post will be fit to compete in a fully open market.

Post Offices

The selection of European banking and insurance group, Fortis, as An Post's joint venture partner for the provision of retail banking services was one of the major highlights of 2006. The subsequent successful conclusion of an agreement with Fortis and the achievement of Government approval for the initiative have created a heightened sense of expectancy. With a gradual roll-out of new products and services throughout the country during 2007, post offices will have a significant line of new and innovative products on offer, further enhancing An Post's relevance to what is a very broad customer base. We promise to be far more than yet one more option in an unnecessarily confusing financial services marketplace. With an over-riding focus on simplicity and value-for-money, we will respect the trust that our customers have in us and which sets us apart.

The number of transactions made at the country's post offices and postal agencies during 2006 was over 100m, with our BillPay service performing particularly well and increasing to 25.5m bills paid in 2006. However, new Social Welfare recipients are increasingly choosing to receive their payments by means other than through post offices.

The post office network is of vital importance to both the business and social fabric of Irish society. This network has contracted in recent years as a result of retirements and resignations. Changes in economic circumstances, demographics and customer purchasing patterns have impacted negatively on some outlets and positively on others. In many rural areas the post office is often the only business outlet remaining in localities where all others have closed. In urban areas, post offices face different challenges. To address this situation, I have begun a review of our retail network to determine, with absolute clarity, the optimum configuration taking account of both the business and social aspects of our service provision.

We are deeply conscious of the particular threats to staff and contractors posed by working in an environment which handles, at times, significant volumes of cash. During 2006 we advanced the completion of a major €15m investment in enhanced security measures.

Working with Customers

As full liberalisation of the mails industry comes closer, one of the main challenges facing An Post is to retain the confidence and support of key customers in the face of emerging competitors. The level of customer service that we consistently provide to these customers will play an important part in our future. While the Company can and will do better in this regard, I have been impressed, during my short time with An Post, by the quality of the relationship that already exists between the Company and its key customers.

The customer profiles to be found elsewhere in this report are testament to the fact that we have the capacity, capability and enthusiasm to work with key customers, to understand their precise needs and to provide them with customised services designed to achieve their business objectives. I intend to make sure over the coming years that we increase the range of customised solutions available and that all An Post customers experience significant customer service improvements.

Industrial Relations

The role An Post plays in Ireland's competitiveness as a business location imposes a heavy responsibility, of which I am fully aware. The smooth functioning of our services is crucial to the country's attractiveness as a business location. An active commitment to fulfilling the social aspects of our business is all the more important in view of the cultural change currently accompanying our transformation from a State monopoly into a competitive market participant. Our success in this regard is of significant importance to our customers, their businesses and employees. We will continue to reconcile our transformation to a cost effective, profitable company, in the context of an emerging market, with such social considerations in the years ahead.

Chief Executive's Review continued

On the issue of how ongoing change in An Post can be inculcated into the culture of the organisation, I am committed to achieving agreement on the establishment of a forum in which the Company and its staff and unions can engage regarding the business agenda to resolve change issues quickly. A review, under the direction of independent facilitator Peter Cassells, of Partnership as it previously operated in An Post is a key step in this regard. This review is due for completion in 2007 and I am optimistic that this key issue will be resolved to the satisfaction of the Company, staff and unions.

New Strategy

Following an evaluation of the Company over a number of months, towards the end of 2006 the Board approved a new strategic plan covering the period to 2011. This plan recommended that we implement a transformation of the Company into a truly customer-focussed business which can survive and thrive in the face of competition.

Key elements include maximising the growth opportunities available to An Post and providing consistent high quality of service that meets customers' and stakeholders' expectations. I intend to ensure the development of a new mechanism for ongoing engagement with our employees and their unions, with the objective of creating a stimulating and rewarding work environment. A new top level organisation structure has been put in place to support the delivery of this strategic plan.

Against a background of market liberalisation and increasing technological sophistication in communications, the achievement of this plan will be both challenging and rewarding. None of the positive elements of the plan, nor indeed the obvious opportunities, can be achieved without a commitment by everyone in An Post to ongoing change in the way we carry out our business and how we respond to environmental changes in the marketplace.

Conclusion

Overall, 2006 was a year of satisfactory performance for An Post. It was a year during which foundations were laid upon which we now have the potential to achieve the transformation of the Company. It was also a year, I believe, in which there was rejuvenation in both customers' perception of the Company and in the morale of our employees.

An Post's financial progress in 2005 and 2006 is due in no small part to the contribution made by its employees. The Company has survived in all the areas of business where it is already exposed to competition. Indeed, we have regained lost ground. All this bodes well for the future as we focus further on serving our customers' needs.

I would like to thank the Chairperson and the Board for their wisdom, support and guidance during 2006. I would also like to thank my management team, our staff and contractors for the dedicated and committed manner in which they carried out their duties during 2006. In conclusion, I wish to express our gratitude to all our business partners for the trust placed in us. Their confidence will spur us to continue to improve our performance and to ensure that we are reliable partners in all aspects of logistics, communications and financial transactions.



Donal Connell
Chief Executive

22 March, 2007

Management



**Donal Connell, C.Eng.,
F.I.E.I., B.E.**

Chief Executive, Age 53

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



**John Daly, A.C.M.A.,
M.Sc.(Mgmt.)**

*Retail Operations Director,
Age 44*

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



**Jack Dempsey, B.Comm.,
M.B.A., M.P.A.**

*Collection and Delivery Director,
Age 56*

Mr. Dempsey joined the Post Office in 1968 as an Executive Officer in the former Department of Posts and Telegraphs. During his career, he has gained wide experience in all aspects of postal operations and commercial activities, both national and international, occupying a variety of senior management positions across the Company. He was appointed Collection and Delivery Director in December 2006.



**Pat Knight, M.Sc.(Mgmt.),
F.C.I.P.D.**

*Human Resources Director,
Age 52*

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



**Brian McCormick,
B.E.(Mech.), M.B.A.**

Services Director, Age 47

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



Liam O'Sullivan

Director Mail Processing, Age 40

Mr. O'Sullivan joined An Post in 1985 as a Post Office Clerk. During his career, he has gained broad experience across the full range of the Company's business. Prior to his appointment as Mail Processing Director in July 2004, he held various senior managerial and project management positions in the Company.



**Peter Quinn B.Comm., F.C.A.,
M.B.A.**

Chief Financial Officer, Age 48

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



Liam Sheehan

*Sales and Marketing Director,
Age 47*

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



**Michael Tyndall, B.Comm.,
F.C.A.**

Company Secretary, Age 56

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



**Barney Whelan, B.Sc.,
M.B.A., F.P.R.I.I.**

*Head of Communications and
Corporate Affairs, Age 52*

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



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Epic growth!

“Screenlick is Ireland’s leading DVD mail order company - bringing customers’ favourite films direct to their homes. Our business is entirely dependent on an efficient delivery partner for rentals and returns. That’s where An Post comes in. Quantities of mail have soared in recent times – with our business expansion – but there has been no slowdown in service from An Post.”

Frank O’Grady Managing Director

lick.com

Late
fees
ever

nellick.com
DVD rental
€14.99/pm

Financial Review

Financial Overview

	2006 €m	2005 €m
Turnover	818.8	752.9
Operating profit before exceptional items	14.7	16.2
Profit for the financial year	75.7	40.7

Profit for the year

The profit for the financial year is €75.7m, an increase from the prior year profit of €40.7m. Operating profit before exceptional items amounted to €14.7m, reflecting a satisfactory trading year.

Turnover

Turnover increased by €65.9m over 2005. In the mails business, turnover increased by €50.2m due to the increase in core mail volumes and to revenue generated from price increases. In retail, the traditional businesses of welfare payments and investment services remained relatively static while revenues from other services increased during 2006. Billpay, Western Union and Mobile Phone Top Up services performed particularly well.

Operating Costs

Wages, salaries and postmasters' costs, before retrospective pay awards and pension costs, increased by €32.2m in the year. This increase includes both payment of the current year element of the pay increases arising under a national wage agreement and certain productivity payments under change agreements.

The pension charge, excluding costs in relation to retrospective pay awards, increased by €11.7m in 2006. This charge arises primarily under the FRS 17 pension accounting convention. This accounting convention is more conservative than the precedent SSAP 24 and the annual charge in the accounts is now more volatile due to movements in financial markets outside of management control. There is, consequently, an impact on the operating results for the year which masks an underlying improvement in the operating margin of the core business.

All other operating costs increased by €23.5m. This figure takes account of the increased cost of providing security throughout the post office network, a renewed emphasis on marketing, higher accommodation costs and an increase in transport costs.

Asset Disposals

During the year, the Group earned an exceptional profit before tax from the sale of assets of €94.7m. The disposal of the former parcels depot on the Naas Road, for a consideration of €107m, resulted in a profit of €93.5m before capital gains tax of €16.8m. The price achieved reflected the importance of this very prominent development site. In 2006, €1.2m additional consideration was received arising from the sale in 2005 of subsidiaries, Post TS UK Limited and An Post Transaction Services S.A.

Joint Venture

In a major initiative for An Post, an agreement to establish a joint venture financial services company was signed with Fortis in October 2006. The development of this concept was a major project in respect of which exceptional costs amounting to €13.9m were incurred. Full value was achieved in negotiations for An Post's contribution of the Postpoint and One Direct businesses to the joint venture.

Taxation

As mentioned earlier the sale of the Naas Road site resulted in a capital gains tax charge of €16.8m which, together with tax on trading profits in the Group, has resulted in a total tax charge of €20.9m

Capital Expenditure

Total capital expenditure in 2006 amounted to €18.9m. This represents an increase of €8.6m over 2005 and reflects the Company's capacity to increase investment in order to support its business now that liquidity has improved.

Liquidity

The Group had a net cash inflow from operations during the year of €37.1m. Strong cash flows from both operations and asset disposals have resulted in increased cash holdings at 31 December 2006. There will be significant demands on these cash resources in the short term, primarily to finance severance payments which will arise as the various change programmes are implemented.

An Post has in place overdraft facilities which were not availed of during the year. The treasury function of the Company operates under a Board-approved policy which is low-risk and non-speculative. The primary objective of the treasury function is to ensure the availability of funds for trading activities while optimising the return on available cash resources.





Complete fulfillment

“Komplett is Europe’s leading e-commerce business with internet shops in 10 countries. Last year we received an order every 36 seconds 24/7/365 through our internet shops. For the Irish market all orders are shipped from our own warehouse based in Holland. Our goal is to serve our customers in the best possible manner, not only through our comprehensive website and excellent customer service but also through good delivery of our products. With An Post as our strategic partner for Ireland we’ve managed to improve the quality of our distribution channel and therewith customer satisfaction.”

Jeroen van de Meulengraaf Operations Manager

Universal Service

Following a Direction under the European Communities (Postal Services) Regulations, 2002 (S.I.616 of 2002) issued on 23 May 2003 by the Commission for Communications Regulation (ComReg), An Post is required to publish in its annual report information relating to the universal service including information on the number of complaints and the manner in which they have been handled.

Requirements of the USO (Universal Service Obligation)

Under Regulation 4 (2) (a) of the European Communities (Postal Services) Regulations, 2002 (S.I.616 of 2002) "the Regulations", An Post is designated as a universal service provider with the obligation to provide a universal postal service.

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

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

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

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

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

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

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

Access to Universal Services

An Post provides access to its services through a network of 84 Company post offices, 1,277 contractor-operated post offices and 171 postal agencies. In addition, some 5,204 retail premises are licensed to sell postage stamps. To facilitate physical access to the service, approximately 5,000 post boxes are distributed widely throughout the State.

The Disability Act, 2005 places a duty on public organisations to ensure that their public buildings and services are, as far as is practicable, accessible to people with disabilities. In particular, those areas of buildings to which the public has access are to be made accessible not later than 2015. An Post has begun a programme to address such issues at the offices it owns and is on target, subject to the necessary external approvals, to meet its commitments under the Act. The majority of post offices are, however, operated on a contract basis by postmasters and postmistresses appointed by An Post. The Company is not in a position to oblige them to alter their premises but they are encouraged to address any access issues that may exist on their premises on a voluntary basis. All new contracts require the postmaster or postmistress to provide accessible premises.

Tariffs

The following is a summary of the prices for USO services (from 1 March 2007).

Ireland & N.I.	Letters (up to C5) (<100g)	Large Envelopes (<100g)	Packets (<100g)	Parcels (<0.5kg)
Standard Post	55c †	95c	€2.10	€6.25
Registered Post*	€5.00	€5.00	€5.00	€10.00

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

†Where the customer pays by meter frank or Ceadúnas, a 1c payment-method discount for the letter rate applies i.e. a price of 54c

Elsewhere	<50g	<50g	<50g	<0.5kg
Standard Post	78c	€1.45	€2.60	€17.50 UK €25.00 Europe €21.00 ROW
Registered Post*	€4.93	€5.60	€6.75	€22.00 UK €30.00 Europe €26.00 ROW

*Availability of service dependent on postal administration in destination country. Compensation up to €320 in UK; €150 in Europe; €100 for parcels and €35 for letters outside Europe

Additional information in relation to services provided by An Post is available from An Post Customer Services on CallSave 1850 57 58 59 or from www.anpost.ie

Universal Service continued

Quality of Service

The quality performance standard for the delivery of intra-Community cross-border mail was set by the European Commission and was transposed into Irish law under Regulation 12(2) of the Regulations and its Schedule. The quality standard for postal items of the fastest standard category is as follows:

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

The Regulations require ComReg to set a quality-of-service standard for the universal service and the standard set for domestic mail must be compatible with those for intra-Community cross-border services. ComReg has set a quality-of-service target for domestic single piece priority mail as follows:

D+1: 94% D+3: 99.5%.

Monitoring of performance against these targets is carried out by TNS mrbi on behalf of ComReg. Details of the most recent results from this monitor are available from ComReg's website www.comreg.ie.

Customer Complaints

In 2006, there were 315,642 telephone calls made to the An Post Customer Services Centre. Most of these were routine or general enquiries rather than complaints.

An Post is required to maintain records of customer complaints taking into account the relevant European standard IS: EN 14012:2003. The table provides, in relation to mail, a breakdown of written complaints received from customers during 2006. The total continues to represent a minute fraction of the entire mail traffic handled during the year.

Written complaints received from customers:	
Items lost or substantially delayed	23,619
Items damaged	756
Items arriving late	1,475
Mail collection or delivery:	
<i>Time of delivery</i>	62
<i>Failure to make daily delivery to home or premises</i>	396
<i>Collection times/Collection failures</i>	12
Misdelivery	99
Access to customer service information	27
Underpaid mail	25
Tariffs for single piece mail/discount schemes and conditions	22
Registered items	6,190
Change of address (Redirections)	10
Behaviour and competence of postal personnel	47
How complaints are treated	7
Other (not included in above)	1,064
Total	33,811

ComReg requires An Post to publish a Code of Practice to deal with Customer Complaints and a proposal in this regard was submitted to ComReg during 2006.



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Report of the Directors

The directors have pleasure in submitting their twenty third Annual Report together with the audited financial statements of the Group for the year ended 31 December, 2006, in fulfilment of their obligations under the Companies Acts, 1963 to 2006.

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 50 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 information required by Regulation 37 of the European Communities (Companies: Group Accounts) Regulations, 1992, is included in the information given on pages 8 to 25.

As described therein, the performance of the Group and Company in the current year has been satisfactory with an operating profit before exceptional items of €14.7m. The profit for the financial year was €75.7m and is inclusive of an exceptional profit on disposal of assets of €94.7m, exceptional costs of €20.0m for payment of retrospective pay awards and €13.9m in establishing a financial services joint venture with Fortis Bank. Further details of these exceptional items are given in note 4 to the financial statements. Actuarial gains on post employment plans amounted to €118.1m resulting in total recognised gains of €193.8m. The Group had net assets of €125.3m at 31 December 2006 compared to net liabilities of €68.5m at 31 December 2005. These figures include a pension liability of €193.2m (2005: €307.8m), see note 18 for further details.

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

KPI	Performance in 2006	Performance in 2005
Financial – consolidated results		
Operating profit before exceptional items as a percentage of turnover	1.8%	2.2%
Staff and postmasters' costs before exceptional items as a percentage of turnover	68.2%	68.3%
Other operating costs as a percentage of turnover	30.0%	29.5%
Net cash inflow from operating activities	€37.1m	€40.9m
Staff		
An Post staff – Full Time Equivalent – at year end	8,868	8,966
Casual staff – Full Time Equivalent	423	377
Overtime hours – Full Time Equivalent	2,006	1,953
Total – Full Time Equivalent	11,297	11,296
Mail business		
Letters core revenue index	4.2%	4.0%
Quality of service (national) – Next day delivery of single piece priority mail Quarter 3*	74%	74%
Retail business		
Social welfare transactions	36.6m	37.7m
Bill Payment transactions	25.5m	24.8m
TV Licence sales (thousands)	1,339k	1,273k
Investment Products – net fund inflow	€143.0m	€173.0m
Post Office Savings Bank (incl. SSIA) – net fund inflow	€43.0m	€172.7m
Burglaries and Robberies – number of incidents	103	192
Customer Service		
Written complaints	33,811	36,478
Telephone enquiries (routine and complaints)	315,642	276,464

*Figures as per ComReg Monitor. Full year 2006 figures are not yet available, (2005: 73%).

Report of the Directors continued

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:

- competitive threats to mails revenue;
- failure to fully implement agreed Change Programmes;
- the impact of high levels of absenteeism on the business;
- failure to achieve and maintain quality of service targets;
- potential loss of significant agency services;
- electronic substitution for mail;
- the arrangements for downstream access to mails services;
- failure to resolve industrial relations issues through agreed processes;
- the success of the An Post Financial Services Strategy.

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 32 to 39 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:

- Ms. Ciara Hurley appointed 3 April, 2006
- Mr. Brian McConnell appointed 3 April, 2006
- Mr. Donal Curtin retired 13 July, 2006
- Mr. Donal Connell appointed 14 August, 2006
- Mr. Alan Sloane retired 31 December, 2006, reappointed 1 January, 2007.

The directors and secretary who held office at 31 December, 2006 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, 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 and future regulations of the Safety, Health and Welfare at Work Act, 2005. Health and safety management co-ordinate 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

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 auditors, KPMG, Chartered Accountants, will continue in office.

On behalf of the Board

Margaret McGinley

Chairperson

Donal Connell

Director

22 March, 2007

Corporate Governance

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 2003 Combined Code issued by the United Kingdom's Financial Reporting Council. While the provisions of the Combined Code are of direct relevance only to listed companies, the Board does feel that their application, where appropriate, assists An Post in its compliance with best corporate governance practice.

The directors are accountable to the shareholders for good corporate governance and this report addresses how the Code of Practice for the Governance of State Bodies and the relevant main and supporting principles of the 2003 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; 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 Chairperson and the Chief Executive

The Chairperson leads the Board in the determination of its strategy and in the achievement of its objectives. The Chairperson is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda. The Chairperson facilitates the effective contribution of all directors and constructive relations between the executive director and the other directors, ensures that directors receive relevant, accurate and timely information and manages effective communication with shareholders.

The Chief Executive 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 Chairperson, 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, 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 is currently 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 4 and 5. The positions of Chairperson 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 2003 Combined Code.

The 2003 Combined Code requires the Chairperson to hold meetings with the non-executive directors without the executive director being present. The Board has put in place procedures whereby it will meet without the Chief Executive being present.

Directors have the right to ensure that any unresolved concerns they may have about the running of the Group or about a particular course of action are recorded in the Board minutes. If they have any such concerns, they may, on resignation, provide a written statement to the Chairperson, for circulation to the Board.

The directors are 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.

Corporate Governance continued

Performance Evaluation

The Board has adopted and is implementing a 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 Chairperson 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 and management maintain an ongoing dialogue with the Company's shareholders on strategic issues.

The Chairperson 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, should set appropriate policies on internal control, should seek regular assurance that will enable them to satisfy themselves that the system is functioning effectively and should 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 2006, including operational and compliance controls, risk management and the Group's high level internal control arrangements. These reviews have included an assessment of internal controls by management, management assurance of the maintenance of controls, reports from the internal auditors and reports from the external auditor on matters identified in the course of its statutory audit work.

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

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

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

Corporate Governance continued

Attendance at Meetings of the Board, the Remuneration Committee and the Audit and Security Committee

Thirteen Board meetings were held during the year ended 31 December, 2006 and the attendance record of each director is set out in the following table:

Name	Eligible to attend	Attended
Margaret McGinley	13	13
Patrick Compton	13	12
Jerry Condon	13	12
Donal Connell	3	3
Donal Curtin	8	8
Patrick Davoren	13	11
Thomas Devlin	13	11
Louise English	13	12
Ciara Hurley	9	6
James Hyland	13	12
Terry Kelleher	12	11
Brian McConnell	9	8
Alice O'Flynn	13	12
John Quinlivan	13	10
Alan Sloane	13	13
Peter Wyer	13	11

Eight meetings of the Remuneration Committee were held during the year ended 31 December, 2006 and the attendance record of each director, eligible to attend, is set out in the following table:

Name	Eligible to attend	Attended
Margaret McGinley	8	8
Alice O'Flynn	8	8
Peter Wyer	8	7

Seven meetings of the Audit and Security Committee were held during the year ended 31 December, 2006 and the attendance record of each director, eligible to attend, is set out in the following table:

Name	Eligible to attend	Attended
Patrick Davoren	7	7
James Hyland	7	7
Alice O'Flynn	7	6

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, Marine 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, Marine and Natural Resources with the approval of the Minister for Finance.

The disclosures made in these financial statements relating to directors' emoluments and pension information are those required under the Irish Companies Acts, 1963 to 2006.

Remuneration Committee

The Remuneration Committee is comprised of three non-executive directors. Margaret McGinley acts as Chairperson of the Committee. 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 Chairperson 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 decisions related to pay and pay related matters, as the Chairperson of the Board shall determine;
- to act, on behalf of the Board, and take significant decisions on matters such as remuneration policy, benefits, staff grading, third party recommendations and related issues.

Audit and Security Committee

The Audit and Security Committee is comprised of two non-executive directors and one employee director. Its Chairman, James Hyland, has recent and relevant financial experience. 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.

Corporate Governance continued

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 auditors. It is responsible for ensuring that an appropriate relationship between the Group and the external auditors 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 auditors for certain audit related and non-audit services. In order to maintain the independence of the external auditors, the Audit and Security Committee has determined policies as to what audit related and non-audit services can be provided by the Group's external auditors and the approval process related to these services. Under these policies, work of a consultancy nature will not be offered to the external auditors unless there are clear efficiencies and value-added benefits to the Group 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.

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 auditors.

In 2006 the Audit and Security Committee discharged its responsibilities by:

- reviewing the Group's draft financial statements for 2005 prior to Board approval and meeting and reviewing with the external auditors 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 auditors;
 - reviewing and approving the audit fee and reviewing non-audit fees payable to the Group's external auditors;
 - reviewing the external auditors' plan for the audit of the Group's financial statements for 2006, confirmations of auditor independence and the proposed audit fee, and approving the terms of engagement for the audit;
 - 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, Marine 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 2003 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 2003 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 2003 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

Margaret McGinley

Chairperson

Donal Connell

Director

22 March, 2007

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'). ComReg issued a new accounting direction to An Post on 8 December, 2006 that applies to accounting periods beginning on or after 1 January, 2007.

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, 2006.

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, 2006 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. A revised manual was submitted to ComReg in 2006.

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, 2006.

On behalf of the Board

Margaret McGinley *Chairperson*

Donal Connell *Director*

22 March, 2007

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and financial statements, in accordance with applicable law and regulations.

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

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

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

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

The directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Group and Company and to enable them to ensure that the financial statements comply with the Companies Acts, 1963 to 2006. They are also responsible 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.

The directors are also responsible for preparing a Directors' Report that complies with the requirements of the Companies Acts, 1963 to 2006.

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

Margaret McGinley

Chairperson

Donal Connell

Director

22 March, 2007

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, 2006 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 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 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 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 41.

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 2006, 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; whether at the balance sheet date, there exists a financial situation requiring the convening of an extraordinary general meeting of the company; and whether in our opinion 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 financial statements are in agreement with the books of account.

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 Corporate Governance statement on pages 32 to 39 reflects the Group's compliance with the nine provisions of the 2003 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 34 and 35 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 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, 2006 and of the profit of the Group for the year then ended; and
- have been properly prepared in accordance with the Companies Acts, 1963 to 2006 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, 2006 is in agreement therewith.

In our opinion, the information given in the report of the directors on pages 28 to 31 is consistent with the financial statements.

Report of the Independent Auditor to the Members of An Post continued

The net assets of the Company, as stated in the balance sheet on page 53 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, 2006 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

Registered Auditor

1 Stokes Place
St. Stephen's Green
Dublin 2

22 March, 2007

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 40 concerning the Company's compliance, for the year ended 31 December, 2006, 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 20 September, 2001 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.

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 40 appropriately reflects the Company's compliance, for the year ended 31 December, 2006, 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

22 March, 2007

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

2. Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings (except An Post National Lottery Company) made up to the end of the financial year. The results of subsidiary undertakings acquired or disposed of during the year are included in the consolidated profit and loss account from the date of acquisition or up to date of disposal. Upon the acquisition of a business, fair values are attributed to the identifiable net assets acquired. Goodwill arising on acquisitions is dealt with as set out below.

If the financial year of a subsidiary undertaking 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 8 March, 2007.

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 consist of income from postage, agency services, poundage from remittance services, courier and logistic services, consultancy services, financial services, rents and interest income. Income from agency services is in respect of services performed for Government Departments, the National Treasury Management Agency, An Post National Lottery Company 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 for stamps sold and unused and balances in postage meter machines unused at the year end.

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.

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.

Accounting Policies continued

6. Tangible Fixed Assets (continued)

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

The estimated useful lives are as follows:

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

7. Operating Leases

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

8. Goodwill

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

9. 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.

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.

10. 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 deferred tax (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 scheme's assets during the year and the increase in the scheme's liabilities due to the unwinding of the discount 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.

11. 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, 2006

	Notes	2006		Total 2006 €'000	2005 €'000
		2006 €'000	Exceptional 2006 €'000		
Turnover – continuing operations	2	818,827	-	818,827	752,887
Operating costs	3	(804,162)	(20,040)	(824,202)	(736,690)
Operating profit/(loss) – continuing operations		14,665	(20,040)	(5,375)	16,197
Exceptional items – continuing operations					
– Net profit on sale of assets	4			94,700	59,323
– Financial services joint venture set up costs	4			(13,883)	-
– Cost of fundamental restructuring	4			-	(40,000)
Other finance income (net)	18			21,123	5,391
Profit on ordinary activities before taxation	5			96,565	40,911
Tax on profit on ordinary activities	6			(20,900)	(201)
Profit for the financial year	7/20			75,665	40,710

On behalf of the Board

Margaret McGinley

Chairperson

Donal Connell

Director

Consolidated Statement of Total Recognised Gains and Losses

for the year ended 31 December, 2006

	Notes	2006 €'000	2005 €'000
Profit for the financial year		75,665	40,710
Actuarial gain/(loss) on post employment plans recognised	18	118,179	(1,786)
Total recognised gains and losses		193,844	38,924

Consolidated Balance Sheet

at 31 December, 2006

	Notes	2006 €'000	2005 €'000
Fixed Assets			
Intangible assets – goodwill	9	7,935	12,138
Tangible assets	10	188,262	204,137
Financial assets	11	-	-
		196,197	216,275
Current Assets			
Debtors	12	89,446	79,434
Cash at bank and in hand	13	295,049	185,344
		384,495	264,778
Creditors: Amounts falling due within one year	14	(179,461)	(148,875)
		205,034	115,903
Net Current Assets			
		401,231	332,178
Total Assets less Current Liabilities			
Creditors: Amounts falling due after more than one year	16	(3,971)	(4,073)
Provisions for Liabilities	17	(78,702)	(88,847)
		318,558	239,258
Net Assets excluding Pension Liability			
Pension Liability	18	(193,226)	(307,770)
		125,332	(68,512)
Net Assets/(Liabilities) including Pension Liability			
Capital and Reserves			
Called up share capital	19	68,239	68,239
Capital conversion reserve fund	19	877	877
Profit and loss account	20	56,216	(137,628)
Shareholders' Funds/(Deficit)	21	125,332	(68,512)

On behalf of the Board

Margaret McGinley

Chairperson

Donal Connell

Director

Company Balance Sheet

at 31 December, 2006

	Notes	2006 €'000	2005 €'000
Fixed Assets			
Tangible assets	10	170,934	186,046
Financial assets	11	11,431	13,531
		182,365	199,577
Current Assets			
Debtors	12	90,572	83,187
Cash at bank and in hand	13	269,527	165,057
		360,099	248,244
Creditors: Amounts falling due within one year	14	(221,021)	(189,411)
		139,078	58,833
Net Current Assets			
		321,443	258,410
Total Assets less Current Liabilities			
		321,443	258,410
Creditors: Amounts falling due after more than one year	16	(2,912)	(2,985)
Provisions for Liabilities	17	(78,702)	(88,847)
		239,829	166,578
Net Assets excluding Pension Liability			
		239,829	166,578
Pension Liability	18	(193,226)	(307,770)
		46,603	(141,192)
Net Assets/(Liabilities) including Pension Liability			
		46,603	(141,192)
Capital and Reserves			
Called up share capital	19	68,239	68,239
Capital conversion reserve fund	19	877	877
Profit and loss account	20	(22,513)	(210,308)
Shareholders' Funds/(Deficit)	21	46,603	(141,192)

On behalf of the Board

Margaret McGinley

Chairperson

Donal Connell

Director

Consolidated Cash Flow Statement

for the year ended 31 December, 2006

	Notes	2006 €'000	2005 €'000
Net cash inflow from operating activities (below)		37,082	40,888
Returns on investments and servicing of finance	22	(5)	(56)
Taxation	22	(17,001)	132
Capital expenditure and financial investment	22	93,002	(9,242)
Acquisitions and disposals	22	(3,373)	75,957
Cash inflow before use of liquid resources		109,705	107,679
Management of liquid resources	22	(60,029)	(84,442)
Increase in cash in the year		49,676	23,237

Reconciliation of operating profit before exceptional item
to net cash inflow from operating activities

	2006 €'000	2005 €'000
Operating profit before exceptional item	14,665	16,197
Retrospective pay awards	(20,040)	-
Depreciation	21,630	27,067
Profit on sale of tangible fixed assets other than land and buildings	(145)	(185)
Movement in provision for business restructuring	(10,145)	(20,815)
Non cash pension cost	24,758	12,840
Capital grants amortised	(102)	(102)
Financial services joint venture set up costs	(7,322)	(4,561)
Goodwill amortised/impaired	4,203	2,263
Interest payable	5	56
(Increase) in operating debtors	(13,023)	(6,112)
Increase in operating creditors	22,598	14,240
Net cash inflow from operating activities	37,082	40,888

Reconciliation of net cash flow to movement in net funds

	Notes	2006 €'000	2005 €'000
Increase in cash in the year	23	49,676	23,237
Cash inflow from change in liquid resources	23	60,029	84,442
Change in net funds resulting from cash flows	23	109,705	107,679
Cash in subsidiaries sold	23	-	(11,750)
Net funds at beginning of year	23	185,344	89,415
Net funds at end of year	23	295,049	185,344

Notes to the Financial Statements

for the year ended 31 December, 2006

1. Status of Company

The Company is a limited liability company, incorporated under the Companies Acts, 1963 to 2006. Under the Postal and Telecommunications Services Act, 1983, the Company is entitled to omit the word 'Limited' from its name.

2. Turnover

	2006 €'000	2005 €'000
The analysis of turnover is as follows:		
Republic of Ireland		
Postage: Letters and parcels	594,309	543,411
Postage: Elections and referendum	-	691
Post offices: Agency, remittance and other services	144,230	135,963
Other services	44,848	44,141
Interest income	9,548	5,259
	792,935	729,465
United Kingdom and Other European		
Other services	25,892	23,422
	818,827	752,887

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

	2006 €'000	2005 €'000
Staff and postmasters' costs before exceptional item	558,080	514,105
Exceptional item – retrospective pay awards (note 4)	20,040	-
Total (note 8)	578,120	514,105
Other costs:		
Distribution	73,044	62,647
Accommodation	31,477	24,648
Operational	77,179	72,321
Administration	38,549	33,639
Depreciation, amortisation & impairment of goodwill	25,833	29,330
	824,202	736,690

Notes to the Financial Statements continued

4. Exceptional Items

	2006 €'000	2005 €'000
Retrospective pay awards	20,040	-
Profit on sale of subsidiaries	1,177	59,323
Profit on sale of fixed assets	93,523	-
Profit on sale of assets	94,700	59,323
Financial services joint venture set up costs	(13,883)	-
Cost of fundamental restructuring	-	(40,000)

Retrospective Pay Awards

In October 2006, the Company decided to pay the retrospection of certain pay awards due to staff, payment of which the Labour Court had recommended was contingent on the Company returning to reasonable and sustainable profit and as its financial and commercial circumstances permit. The amount of these retrospection payments included in the operating result for the year was €20,040,000.

Profit on sale of subsidiaries

On 15 March, 2005, the Group sold its subsidiaries PostTS UK. Limited and An Post Transaction Services S.A. for a consideration of €82,700,000 net of transaction costs resulting in a profit of €59,323,000. A further amount of €1,177,000 net of related fees was received following the resolution of contract warranty issues. This amount was recognised during the year ended 31 December, 2006.

Profit on sale of fixed assets

During the year, the Group disposed of the former parcels depot on the Naas Road, Dublin for a consideration of €107,000,000 resulting in a profit before tax of €93,523,000. Capital Gains Tax of €16,800,000 was paid during the year in respect of this disposal.

Financial Services joint venture set up costs

In October 2006, the Company entered into an agreement with Fortis to establish a joint venture company to provide banking services to the Irish market. The directors consider this to be a fundamental restructuring of the Company's business. Under the terms of the agreement, An Post's contribution will comprise its Postpoint and An Post Direct Limited businesses when certain conditions have been met. The joint venture is expected to be established in 2007.

Costs incurred by An Post in relation to the process of identifying and selecting a joint venture partner, subsequent negotiations and signing of the agreement amounted to €13,883,000.

5. Profit on Ordinary Activities Before Taxation

	2006 €'000	2005 €'000
The profit on ordinary activities before taxation is stated after charging:		
Directors' emoluments		
Fees	278	213
Other emoluments	396	338
Pension contributions	69	65
Auditors' remuneration – audit	300	287
Depreciation	21,630	27,067
Amortisation/impairment of goodwill	4,203	2,263
Operating lease rentals:		
Rental of buildings	7,312	7,442
Other – equipment and motor vehicles	4,853	3,363
Interest payable on bank facilities repayable within one year and similar charges	5	56
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 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.

The remuneration package of Mr Donal Curtin who retired as Chief Executive Officer on 13 July, 2006 which is included in the amounts shown above as directors' emoluments, was as follows:

	2006 €'000	2005 €'000
Director's fee	9	13
Basic salary	170	261
Non-pensionable performance related pay	58	64
Taxable benefits, including use of a company car	10	13
	247	351
Pension contributions	43	65
	290	416

Notes to the Financial Statements continued

5. Profit on Ordinary Activities Before Taxation (continued)

The remuneration package of Mr Donal Connell who was appointed Chief Executive Officer on 14 August, 2006 which is included in the amounts shown above as directors' emoluments, was as follows:

	2006 €'000	2005 €'000
Director's fee	7	-
Basic salary	130	-
Non-pensionable performance related pay	21	-
Taxable benefits, including use of a company car	7	-
	165	-
Pension contributions	26	-
	191	-

6. Tax on Profit on Ordinary Activities

	2006 €'000	2005 €'000
Current tax		
Ireland – Capital gains tax	16,800	-
Ireland – Corporation tax	3,551	-
UK – Corporation tax	549	201
	20,900	201

6. Tax on Profit on Ordinary Activities (continued)

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

The differences are explained below:

	2006 €'000	2005 €'000
Profit on ordinary activities before tax	96,565	40,911
Current tax of 12.5% (2005: 12.5%)	12,071	5,114
<i>Effects of:</i>		
Expenses not deductible	573	360
Depreciation in excess of capital allowances	562	(883)
Manufacturing corporation tax relief	-	(16)
Income taxed at higher rates	1,645	918
Utilisation of tax losses	(1,055)	(1,266)
Tax losses not utilised	-	6,229
Profit on asset sales taxed at higher rate	5,110	-
Exceptional costs not deductible	1,735	-
Profit on sale of subsidiaries not taxable	(324)	(7,567)
Short term timing differences	583	(2,688)
Current tax charge	20,900	201

Given the uncertainty over the existence of future taxable profits, a potential deferred tax asset of €32,777,000 (2005: €50,649,000) has not been recognised in the consolidated balance sheet at 31 December, 2006. This deferred tax asset not recognised comprises a deferred tax asset in relation to the net pension deficit recognised of €24,153,000 (2005: €38,471,000), timing differences on business restructuring, €2,381,000 (2005: €2,381,000), tax losses forward not utilised, €12,114,000 (2005: €13,245,000), offset by timing differences of €5,871,000 (2005: €3,448,000).

7. Profit For The Financial Year

	2006 €'000	2005 €'000
Profit/(loss) after tax in the holding company	69,616	(25,979)
Profit after tax in subsidiary undertakings	6,049	66,689
	75,665	40,710

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

8. Staff Numbers And Costs

	2006	2005
The average number of persons working in the Group during the year was as follows:		
Headquarters	561	557
Savings/Remittance services	301	306
Inspection	37	41
Postmen/postwomen	4,249	4,426
Postal sorters	1,280	1,238
Post office clerks	1,026	1,068
Other grades	683	753
Temporary	1,379	1,163
Total An Post employees	9,516	9,552
Subsidiary companies	496	478
Total Group employees	10,012	10,030
Postmasters: Engaged as agents	1,300	1,349

	2006 €'000	2005 €'000
The aggregate payroll costs of these persons were as follows:		
Wages, salaries and postmasters' costs	477,917	430,708
Social welfare costs	30,228	27,916
Other pension costs (note 18)	69,975	55,481
Total	578,120	514,105

In October 2006, the company decided to pay the retrospection of certain pay awards due to staff, payment of which the Labour Court had recommended was contingent on the Company returning to reasonable and sustainable profit and as its financial and commercial circumstances permit. The amount of these retrospection payments which are included above in 2006, were €20,040,000 and include pension costs of €2,737,000.

9. Intangible Fixed Assets – Goodwill

Group

	Total €'000
Cost	
At 31 December, 2005 and 2006	22,441
Amortisation	
At 31 December, 2005	10,303
Charged during the year	2,103
Provision for impairment	2,100
At 31 December, 2006	14,506
Net Book Value	
At 31 December, 2006	7,935
At 31 December, 2005	12,138

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

Notes to the Financial Statements continued

10. Tangible Fixed Assets

Group	Freehold & long leasehold land & buildings €'000	Interest in GPO €'000	Motor vehicles €'000	Computer & other equipment €'000	Total €'000
Cost					
At 31 December, 2005	181,851	26,180	32,305	216,000	456,336
Additions	4,840	249	255	13,586	18,930
Disposals	(16,079)	-	(4,413)	(4,548)	(25,040)
Exchange differences	-	-	-	29	29
At 31 December, 2006	170,612	26,429	28,147	225,067	450,255
Accumulated Depreciation					
At 31 December, 2005	34,970	8,189	28,571	180,469	252,199
Charged during year	3,664	655	2,029	15,282	21,630
Eliminated on disposals	(3,032)	-	(4,304)	(4,517)	(11,853)
Exchange differences	-	-	-	17	17
At 31 December, 2006	35,602	8,844	26,296	191,251	261,993
Net Book Value					
At 31 December, 2006	135,010	17,585	1,851	33,816	188,262
At 31 December, 2005	146,881	17,991	3,734	35,531	204,137
Company					
Company	Freehold & long leasehold land & buildings €'000	Interest in GPO €'000	Motor vehicles €'000	Computer & other equipment €'000	Total €'000
Cost					
At 31 December, 2005	161,758	26,180	32,230	204,104	424,272
Additions	4,840	249	255	12,586	17,930
Disposals	(16,079)	-	(4,471)	(4,263)	(24,813)
At 31 December, 2006	150,519	26,429	28,014	212,427	417,389
Accumulated Depreciation					
At 31 December, 2005	30,092	8,189	28,627	171,318	238,226
Charged during year	3,276	655	1,995	13,960	19,886
Eliminated on disposal	(3,032)	-	(4,365)	(4,260)	(11,657)
At 31 December, 2006	30,336	8,844	26,257	181,018	246,455
Net Book Value					
At 31 December, 2006	120,183	17,585	1,757	31,409	170,934
At 31 December, 2005	131,666	17,991	3,603	32,786	186,046

Group and Company

The depreciable element of freehold & long leasehold land & buildings amounts to:

Group €144,983,000 (2005: €155,796,000), Company €128,217,000 (2005: €139,023,000).

11. Financial Fixed Assets

	Group		Company	
	2006 €	2005 €	2006 €	2005 €
Shares in subsidiary undertakings, at cost	102	102	11,430,777	13,530,777
Interest in joint venture and associated undertakings	163	163	163	163
	265	265	11,430,940	13,530,940

The movements during the year were as follows:

Shares in subsidiary undertakings				
	2006 €	2005 €	2006 €	2005 €
At beginning of year	102	102	13,530,777	13,498,881
Additions – deferred consideration paid	-	-	-	31,896
Provision for impairment	-	-	(2,100,000)	-
At end of year	102	102	11,430,777	13,530,777

In the opinion of the directors, the value of the financial fixed assets, none of which are listed, is not less than their carrying amount.

12. Debtors

	Group		Company	
	2006 €'000	2005 €'000	2006 €'000	2005 €'000
Amounts falling due within one year				
Trade debtors	61,979	50,562	48,303	39,738
Amounts owed by subsidiary undertaking not consolidated	819	512	819	512
Amounts owed by other subsidiary undertakings	-	-	710	1,099
Amounts owed by associated undertaking	165	198	165	198
Other debtors	8,241	4,867	8,196	4,788
Prepayments and accrued income	18,242	23,295	16,158	20,886
	89,446	79,434	74,351	67,221
Amounts falling due after more than one year				
Amounts owed by subsidiary undertakings	-	-	16,221	15,966
	89,446	79,434	90,572	83,187

Notes to the Financial Statements continued

13. Cash at Bank and in Hand

	Group		Company	
	2006 €'000	2005 €'000	2006 €'000	2005 €'000
Cash at bank	50,201	50,377	24,679	30,094
Cash in hand	193,966	194,095	193,966	194,091
	244,167	244,472	218,645	224,185
Term deposits	284,327	224,298	284,327	224,298
Less: Amounts held in trust	(233,445)	(283,426)	(233,445)	(283,426)
	295,049	185,344	269,527	165,057

14. Creditors: Amounts Falling Due Within One Year

	Group		Company	
	2006 €'000	2005 €'000	2006 €'000	2005 €'000
Trade creditors	51,249	43,675	40,311	32,051
Amounts owed to subsidiary undertakings	-	-	60,469	56,442
Other creditors	4,304	4,462	3,846	3,945
Taxation and social welfare (note 15)	15,855	18,395	12,758	17,215
Accruals	86,035	64,399	81,648	61,843
Deferred income – capital grants (note 16)	102	102	73	73
Deferred postage income	21,916	17,842	21,916	17,842
	179,461	148,875	221,021	189,411

15. Taxation and Social Welfare

	Group		Company	
	2006 €'000	2005 €'000	2006 €'000	2005 €'000
Corporation tax	4,100	201	2,300	-
Income tax deducted under PAYE	7,428	9,846	7,186	9,661
Pay related social insurance	5,020	5,614	4,800	5,460
Value added tax	(1,232)	2,512	(2,068)	1,872
Professional services withholding tax	539	222	540	222
	15,855	18,395	12,758	17,215

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

	Group		Company	
	2006 €'000	2005 €'000	2006 €'000	2005 €'000
Deferred income – capital grants	3,971	4,073	2,912	2,985
The movements on grants were as follows:				
At beginning of year	4,175	4,277	3,058	3,131
Amortised to profit and loss account	(102)	(102)	(73)	(73)
At end of year	4,073	4,175	2,985	3,058
Transferred to creditors: amounts falling due within one year	(102)	(102)	(73)	(73)
	3,971	4,073	2,912	2,985

17. Provisions for Liabilities

Group and Company

	2006 €'000	2005 €'000
Business restructuring	78,702	88,847

The movements during the year were as follows:

	Total €'000
At beginning of year	88,847
Utilised during the year	(10,145)
At end of year	78,702

The provision for business restructuring at 31 December, 2006 includes €59,656,000 (2005: €69,801,000) in relation to business restructuring redundancy costs, and €19,046,000 (2005: €19,046,000) in relation to the introduction of an Employee Share Ownership Plan (ESOP). Business restructuring is now anticipated to be completed by 31 December, 2009.

Notes to the Financial Statements continued

18. Pensions and Similar Obligations

The pension entitlements of employees arise under a number of defined benefit and defined contribution pension schemes, the assets of which are vested in independent trustees appointed by the Company for the sole benefit of employees and their dependents. Annual contributions are based on the advice of a professionally qualified actuary.

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

	2006 €'000	2005 €'000
Defined benefit schemes – current service cost	68,435	54,000
Unfunded retirement benefits – current service cost	968	850
Defined contribution scheme	572	631
	69,975	55,481

Past service costs of €4,306,000 (2005: €nil) 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, 2006.

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, 2005 using the attained age method and are sufficient to cover 99.9% 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, 2005 recommended a contribution rate of 14.4% of pensionable remuneration. The actuarial valuations are not available for public inspection but the results of the valuations have been advised to the members of the schemes.

The valuations of the pension schemes used for the purpose of FRS 17 disclosures have been based on the most recent actuarial valuations as identified above and updated by the independent actuaries to 31 December, 2006. Scheme assets are stated at their market value at the balance sheet date.

18. Pensions and Similar Obligations (continued)

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

	2006	2005	2004
Valuation method	Projected Unit	Projected Unit	Projected Unit
Discount rate	4.70%	4.25%	4.85%
Inflation rate	2.00%	2.00%	2.00%
Increase to pensions in payment	3.75%	3.75%	4.00%
Pensionable salary increases	3.75%	3.75%	4.00%
The long term expected rates of return on the assets of the pension scheme were:	2006	2005	2004
Equities	7.60%	7.10%	7.30%
Bonds	4.20%	3.50%	3.80%
Other	5.10%	4.80%	4.30%

The market value of the assets of the defined benefit schemes at 31 December, 2006, 2005 and 2004 were:

	2006 €'000	2005 €'000	2004 €'000
Equities	1,477,000	1,326,000	1,039,000
Bonds	510,000	504,000	430,000
Other	166,000	158,000	177,000
Total market value of pension schemes' assets	2,153,000	1,988,000	1,646,000
Present value of pensions schemes' liabilities	(2,333,000)	(2,282,000)	(1,932,000)
Net deficit in funded pension schemes	(180,000)	(294,000)	(286,000)

Notes to the Financial Statements continued

18. Pensions and Similar Obligations (continued)

Movement in deficit during year

	2006			2005		
	Schemes €'000	Unfunded €'000	Total €'000	Schemes €'000	Unfunded €'000	Total €'000
Deficit in schemes at beginning of year	(294,000)	(13,770)	(307,770)	(286,000)	(12,535)	(298,535)
Current service cost	(68,435)	(968)	(69,403)	(54,000)	(850)	(54,850)
Past service cost	(4,306)	-	(4,306)	-	-	-
Contributions paid	47,688	1,263	48,951	41,199	811	42,010
Other finance (expense)/ income	21,700	(577)	21,123	6,000	(609)	5,391
Actuarial gain/(loss)	117,353	826	118,179	(1,199)	(587)	(1,786)
Deficit in scheme at end of year	(180,000)	(13,226)	(193,226)	(294,000)	(13,770)	(307,770)

Other Finance Income

	2006			2005		
	Schemes €'000	Unfunded €'000	Total €'000	Schemes €'000	Unfunded €'000	Total €'000
Interest on scheme liabilities	(97,000)	(577)	(97,577)	(94,000)	(609)	(94,609)
Expected return on scheme assets	118,700	-	118,700	100,000	-	100,000
	21,700	(577)	21,123	6,000	(609)	5,391

The actuarial gains and losses are analysed as follows:

	2006			2005		
	Schemes €'000	Unfunded €'000	Total €'000	Schemes €'000	Unfunded €'000	Total €'000
Difference between expected and actual return on assets	66,000	-	66,000	257,000	-	257,000
Experience gains and losses on schemes liabilities	(43,000)	-	(43,000)	(2,000)	(587)	(2,587)
Changes in assumptions underlying the present value of schemes liabilities	94,353	826	95,179	(256,199)	-	(256,199)
Actuarial gain/(loss) recognised in	117,353	826	118,179	(1,199)	(587)	(1,786)

18. Pensions and Similar Obligations (continued)

History of actuarial gains and losses

	2006 €'000	2005 €'000	2004 €'000	2003 €'000	2002 €'000
Difference between expected and annual return on assets	66,000	257,000	85,000	45,000	(394,000)
Expressed as a percentage of schemes assets	3%	13%	5%	3%	(29%)
Experience gains and losses on schemes liabilities	(43,000)	(2,000)	(65,000)	(79,000)	242,000
Expressed as a percentage of schemes liabilities	(2%)	(0%)	(3%)	(5%)	17%
Total actuarial gains and losses	117,353	(1,199)	(110,000)	(106,000)	(215,000)
Expressed as a percentage of schemes liabilities	5%	(0%)	(6%)	(6%)	(15%)

19. Share Capital

Group and Company

	2006 €'000	2005 €'000
Authorised: 80,000,000 Ordinary Shares of €1.25 each	100,000	100,000
Allotted, called up and fully paid: 54,590,946 Ordinary Shares of €1.25 each	68,239	68,239

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

20. Profit and Loss Account

	Group		Company	
	2006 €'000	2005 €'000	2006 €'000	2005 €'000
At beginning of year	(137,628)	(176,552)	(210,308)	(182,543)
Profit/(loss) for the financial year	75,665	40,710	69,616	(25,979)
Other recognised gains/(losses)	118,179	(1,786)	118,179	(1,786)
At end of year	56,216	(137,628)	(22,513)	(210,308)

Notes to the Financial Statements continued

21. Reconciliation of Shareholders' Funds/(Deficit)

	Group		Company	
	2006 €'000	2005 €'000	2006 €'000	2005 €'000
At beginning of year	(68,512)	(107,436)	(141,192)	(113,427)
Profit/(loss) for the financial year	75,665	40,710	69,616	(25,979)
Other recognised gains/(losses)	118,179	(1,786)	118,179	(1,786)
Shareholders' funds/(deficit) at end of year	125,332	(68,512)	46,603	(141,192)

22. Gross Cash Flows

	2006 €'000	2005 €'000
Returns on investments and servicing of finance		
Interest paid	(5)	(56)
Taxation		
Tax (paid)/refunded	(17,001)	132
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(16,853)	(9,629)
Disposal of tangible fixed assets	109,855	387
	93,002	(9,242)
Acquisitions and disposals		
Disposal of subsidiary undertakings (note 4)	1,177	76,200
Financial services joint venture set up costs	(4,550)	-
Acquisition of subsidiary undertakings	-	(243)
	(3,373)	75,957
Management of liquid resources (note a)		
Increase in term deposits	(60,029)	(84,442)

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

23. Analysis of Net Funds

	At beginning of year €'000	Cash flows €'000	At end of year €'000
Cash at bank and in hand	244,472	(305)	244,167
Amounts held in trust	(283,426)	49,981	(233,445)
		49,676	
Term deposits	224,298	60,029	284,327
Total	185,344	109,705	295,049

24. Subsidiary and Associated Undertakings

Name	Nature of Business	% Holding	Registered Office
Subsidiary undertakings held directly by the Company			
An Post National Lottery Company (note 27)	Operation of the National Lottery	80%	General Post Office, O'Connell Street, Dublin 1.
Arcade Property Company Limited	Property development and letting	100%	General Post Office, O'Connell Street, Dublin 1.
Post Consult International 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	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	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	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 BV	Holding company	100%	Locatellekade 1, Parnassustoren, 1076 AZ Amsterdam, The Netherlands.
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)

Name	Nature of Business	% Holding	Registered Office
Subsidiary undertakings held indirectly through a subsidiary undertaking			
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.
Air Business Limited	Distribution	100%	4, The Merlin Centre, Acrewood Way, St. Albans Herts, U.K.
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			
Wizard Direct Stationery Company Limited	Dormant	50%	General Post Office O'Connell Street, Dublin 1.

Air Business Limited is incorporated in and operates 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.

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 and Kompas Ireland Publishers Limited.

25. Lease Commitments

	2006			2005		
	Land & buildings €'000	Other €'000	Total €'000	Land & buildings €'000	Other €'000	Total €'000
Annual commitments under non-cancellable operating leases were as follows:						
Group						
Expiring within one year	823	953	1,776	1,227	496	1,723
Expiring after one year and before five years	1,337	4,355	5,692	594	3,375	3,969
Expiring after five years	5,000	64	5,064	5,298	-	5,298
	7,160	5,372	12,532	7,119	3,871	10,990
Company						
Expiring within one year	691	935	1,626	636	432	1,068
Expiring after one year and before five years	407	4,167	4,574	506	3,250	3,756
Expiring after five years	4,906	64	4,970	4,844	-	4,844
	6,004	5,166	11,170	5,986	3,682	9,668

Other lease commitments relate to equipment and motor vehicles.

Lease commitments of the Company include commitments to subsidiary undertakings.

There were no material finance lease commitments either at 31 December, 2006 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	
	2006 €'000	2005 €'000	2006 €'000	2005 €'000
Contracted for	7,855	3,501	7,855	3,501
Authorised but not contracted for	-	10,464	-	10,464
	7,855	13,965	7,855	13,965

Notes to the Financial Statements continued

27. Related Party Disclosures and Controlling Party

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 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 €5,363,000 (2005: €5,331,000) in respect of services provided to An Post National Lottery Company. These amounts are inclusive of a management fee of €2,844,000 (2005: €2,966,000) 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 €5,660,000 for the year ended 31 December, 2006 (2005: €5,763,000).

The amount owed by An Post National Lottery Company to the Company was €819,000 at 31 December, 2006 (2005: €512,000).

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, 2010.

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 €1,667,000 for the year ended 31 December, 2006 (2005: €1,720,000). The amount owed by The Prize Bond Company Limited to the Company was €165,000 at 31 December, 2006 (2005: €198,000).

Transactions with Government departments and other State bodies

The Group provides, in the ordinary course of business, postage, agency, remittance and courier services to various Government departments and other State bodies.

28. Contingencies

Group and Company

There were no contingent liabilities or guarantees at 31 December, 2006 in respect of which material losses are expected other than as disclosed elsewhere in the financial statements.

29. Board Approval

The financial statements were approved by the Board of Directors on 22 March, 2007.

Five Year Financial Summary

Consolidated Profit & Loss Account

	2006 €'000	2005 €'000	2004* €'000	2003* €'000	2002* €'000
Turnover	818,827	752,887	750,193	709,209	683,716
Operating costs	(804,162)	(736,690)	(748,422)	(752,100)	(701,112)
Operating profit/(loss)	14,665	16,197	1,771	(42,891)	(17,396)
Retrospective pay award**	(20,040)	-	-	-	-
Asset disposals	94,700	59,323	5,298	13,310	-
Business restructuring	(13,883)	(40,000)	-	-	(52,500)
Share of results of joint venture and associate	-	-	(50)	(113)	(376)
Other finance income	21,123	5,391	-	-	-
Profit/(loss) before taxation	96,565	40,911	7,019	(29,694)	(70,272)

** For statutory accounts presentation purposes, this retrospective pay award is included in arriving at group operating profit (see note 4). It has been extracted for the purposes of the schedule above as the pay award relates to 2003 and 2004.

Consolidated Balance Sheet

Fixed assets	196,197	216,275	248,079	279,513	301,305
Net current assets/(liabilities)	205,034	115,903	18,357	(38,410)	(25,606)
Other liabilities	(82,673)	(92,920)	(91,113)	(72,296)	(87,541)
Net assets excluding pension liability	318,558	239,258	175,323	168,807	188,158
Pension liability	(193,226)	(307,770)			
Net assets/(liabilities) including pension liability	125,332	(68,512)			
Capital and reserves	125,332	(68,512)	175,323	168,807	188,158

Ratios

	2006	2005	2004*	2003*	2002*
Operating profit/(loss) above as % of turnover	1.79%	2.15%	0.24%	(6.05%)	(2.5%)
Operating profit/(loss) above as % of average shareholders' funds before pension liability	5.26%	7.81%	1.03%	(24.03%)	(7.79%)
Staff and postmasters' costs as % of operating costs before exceptional item	69.40%	69.79%	67.13%	67.00%	68.59%
Current assets as % of current Liabilities	214.25%	177.85%	111.97%	75.96%	83.03%

* 2004 and prior years are as previously reported under SSAP 24 – Accounting for Pension Costs.

Operational Statistics

Mail

	2006	2005	2004	2003	2002
Letters core revenue index (2001 = 100) (note 1)	118.4	113.6	109.2	107.8	104.6

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

System Size

	2006	2005	2004	2003	2002
No. of delivery points (millions)	1.998	1.875	1.765	1.685	1.598
Post office network:					
Company post offices	84	88	90	92	96
Sub-post offices	1,277	1,321	1,365	1,417	1,584
Postal agencies	171	161	159	149	86
	1,532	1,570	1,614	1,658	1,766
Other company premises	65	63	62	62	58
No. of motor vehicles	2,991	2,905	2,908	3,011	2,917

Personnel

	2006	2005	2004	2003	2002
(Staff numbers at 31 December)					
Headquarters	551	562	567	588	675
Savings/Remittance services	286	295	299	327	340
Inspection	38	37	45	47	49
Postmen/postwomen	4,207	4,326	4,520	4,680	4,722
Postal sorters	1,369	1,197	1,313	1,281	1,215
Post office clerks	1,024	1,042	1,094	1,126	1,145
Other grades	665	708	790	817	803
Temporary	1,311	1,298	1,019	1,010	864
Total An Post staff	9,451	9,465	9,647	9,876	9,813
Total An Post staff (FTE) ¹	8,868	8,966	9,164	9,411	9,416
Casual staff (FTE) ²	423	377	358	386	349
Overtime hours (FTE) ³	2,006	1,953	1,918	2,121	2,813
Grand Total (FTE)	11,297	11,296	11,440	11,918	12,578
Subsidiary companies	487	492	577	622	577
Postmasters: Engaged as agents	1,277	1,321	1,365	1,417	1,584

1 FTE = Fulltime equivalent

2 Weekly average

3 Weekly average overtime hours converted to basic hours in FTE

Operational Statistics continued

	2006 €m	2005 €m	2004 €m	2003 €m	2002 €m
VALUE OF SAVINGS SERVICES FUNDS					
AT 31 DECEMBER (note 1)	5,863	5,668	5,311	5,004	4,794
COUNTERS: Business Value					
Remittance Services					
Postal money orders issued	418	422	496	564	619
Post Office Savings Services					
Savings bank deposits	850	811	812	792	746
Savings bank withdrawals	807	638	645	621	590
Savings certificates issued	469	400	417	347	217
Savings certificates repaid	1,052	725	881	757	611
Instalment savings issued	97	78	72	67	63
Instalment savings repaid	114	104	131	134	147
Savings bonds issued	673	475	505	469	263
Savings bonds repaid	626	362	329	360	332
Pensions, Allowances and Social Welfare Benefits					
Child benefits paid	1,119	1,116	1,101	1,101	1,016
Unemployment benefits paid	1,587	1,075	1,069	1,042	990
Old age pensions paid	1,577	1,225	1,195	1,140	1,083
Widows/orphans pensions paid	900	865	815	766	726
Other allowances	1,900	2,341	2,228	2,167	2,060
Other					
Miscellaneous	3,658	3,325	2,969	2,316	1,679
	2006 000's	2005 000's	2004 000's	2003 000's	2002 000's
BILLPAY VOLUMES	25,510	24,777	23,329	21,238	17,533
TV LICENCE SALES	1,339	1,273	1,241	1,176	1,167

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.