RISING TO THE CHALLENGES OF A CHANGING MARKET

AN POST ANNUAL REPORT 2011

CONTENTS

OUR MISSION

To provide world class postal, distribution and financial services with unrivalled local community access and global connections.

OUR VISION

Working together as a united team, our ambition is to outperform the new competition we face, delivering a better quality service, more efficiently, to more customers by continuously adapting, innovating and implementing change.

BOARD OF DIRECTORS AND CORPORATE INFORMATION

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1. JOHN FITZGERALD F.C.C.A.
Chairman - 2, 3
Appointed 1 Mar. 2008

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

2. PATRICK COMPTON
Employee Director
Appointed 1 Nov. 2008; fifth term

Mr. Compton has worked in the postal service for the past 39 years and his current position is that of Partnership Co-ordinator, based in Roscommon. He was a member of the National Executive of the Communications Workers Union for 22 years and its President in 1986. He was also a director of The Prize Bond Company Limited for many years. He is active in community development in his local area and he is the County Roscommon GAA Coaching & Games Development Officer.

3. JERRY CONDON
Employee Director - 2
Appointed 1 Nov. 2008; fourth term

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

4. DONAL CONNELL, C.ENG., F.I.E.I., B.E.
Director -2, 3
Appointed on 14 Aug. 2006

Mr. Connell was appointed as Chief Executive on 14 August 2006. He began his career in the Department of Posts and Telegraphs and has held senior management positions in Unitrode Corporation, 3Com Corporation 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 he is Chairman of An Post National Lottery Company.

5. ANNE CONNOLLY, B.A., M.B.A.
Director - 1, 2
Appointed on 23 Nov. 2007

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

6. PADDY COSTELLO
Employee Director
Appointed on 1 Nov. 2008

Mr. Costello joined the Post Office as a Junior Postperson in 1964. He became a Postperson in 1966 and he has been employed in the Finglas Delivery Service Unit (DSU), Dublin 11 for the last 44 years. Throughout his employment, he has represented members of the Communications Workers' Union at DSUs in Dublin. He has held various branch officer positions and he is currently serving as the Treasurer of the Dublin Postal Delivery Branch.

7. THOMAS DEVLIN
Employee Director
Appointed 26 Mar. 2010; second term

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 a Delivery Service Manager in Malahide Delivery Service Unit, Co. Dublin. 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.

8. PAUL HENRY A.C.A., M. ACCOUNTING, B.A. (BUS & ECON).
Director - 1
Appointed 15 Sep. 2011

Mr. Henry, a Chartered Accountant, has worked as a Senior Audit Manager Group Internal Audit with Dublin Airport Authority PLC since 2008. Prior to that he worked with PriceWaterhouseCoopers, Dublin with whom he trained as a Chartered Accountant.

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9. PETER ORMOND B.A. (BUS. MGT.)
Director
Appointed 8 Mar. 2011

Mr. Ormond is the Marketing Manager with Mid Ireland Tourism since March 2010 prior to which he was the Community Services Programme Manager for Kilcormac Development Association. His other work experiences are in auctioneering, in sales and marketing, and in logistics. He is a member of Offaly County Council and was its Chairman in 2005/2006. He is also a member of the Education Finance Board.

10. GERRY O'TOOLE
Employee Director - 2
Appointed 1 Nov. 2008

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

11. JOHN QUINLIVAN B.SC. (MGT. & LAW), M.SC. (SPL. PLG.), DIP. IN PUBLIC ADMIN.
Director - 3
Appointed 24 Jun. 2008; second term

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

12. ALAN SLOANE, POSTMASTER
Director
Appointed 1 Jan. 2010; fourth 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.

13. CATHERINE WOODS B.A.(ECON).
Director - 1, 3
Appointed 4 Feb. 2008

Ms. Woods has spent most of her career in London with JP Morgan. She has extensive experience of mergers and acquisitions and stockbroking in the financial sector. Her mandates included the recapitalisation of Lloyds' of London Insurance market and the re-privatisation of Scandinavian banks. Since her return to Ireland, she has served on the Electronic Communications Appeals Panel from 2004 to 2007, opining on appeals against ComReg decisions. She is a Director of Allied Irish Banks plc and is on the Adjudication Panel for appeal regarding the National Broadband Scheme.

14. JAMES WRYNN BSC.BCOMM., MBA.
Director - 1
Appointed 15 Sep. 2011

Mr. Wrynn is a former Senior Lecturer in Strategic Management in DIT and Head of the Department of Administrative Studies in DIT's Faculty of Business. He served on the Board of ESB for more than ten years and during his term of office served as Deputy Chairperson from 1995 – 2000. He also chaired ESB Board Committees on International Investment and Strategic Response to Deregulation.

Secretary
JACK DEMPSEY

Registered Office
GENERAL POST OFFICE
O'CONNELL STREET
DUBLIN 1

Auditor
KPMG, CHARTERED ACCOUNTANTS

Bankers
BANK OF IRELAND

Solicitors
MATHESON ORMSBY PRENTICE

Registered Number
98788

Key to Board Committees
1. AUDIT AND RISK
2. PERSONNEL
3. REMUNERATION

CHAIRMAN'S STATEMENT

Against a backdrop of national and international economic turmoil, full market liberalisation and ongoing uncertainty in the financial markets, An Post consolidated several key strands of its transformation and business development strategies during 2011.

THE COMPANY DELIVERED FURTHER IMPROVEMENTS IN THE KEY AREAS OF COST CONTAINMENT, SERVICE QUALITY, STAFF ENGAGEMENT AND THE DEVELOPMENT OF NEW REVENUE STREAMS. OUR MARKET POSITIONING AS AN INNOVATIVE, HIGH QUALITY, VALUE-FOR-MONEY SERVICE PROVIDER IS NO LONGER AN ASPIRATION, IT IS A REALITY.

Change and Transformation programmes are now part of our everyday business. These initiatives have enabled us to attain the very highest international industry standards, improving our customer focus and ensuring the delivery of customised logistics and fulfilment solutions to the mails and retail markets. The approach taken by the Company has effected a lasting change in the internal culture and enabled An Post and its staff to adapt quickly and effectively to changing market circumstances.

An Post is now a more modern, innovative and cost effective enterprise than ever before. It is the most trusted indigenous Irish company and consistently records the highest level of customer satisfaction from both business and private customers.

AN POST IS NOW A MORE MODERN, INNOVATIVE AND COST EFFECTIVE ENTERPRISE THAN EVER BEFORE.

The Company has funded its programme of transformation and investment in equipment, technology and infrastructure from its own resources and without recourse to state subsidy or borrowings of any kind. Our strategy which also includes investment in aligned businesses remains appropriate.

However, as mail volumes continue to decline significantly across the world, it becomes increasingly important for us to continue to reduce our cost base. I have no doubt that this will be difficult but the consequences of any delay will be serious for the Company. In 2012, ComReg, The Commission for Communications Regulation, served legal proceedings on An Post for alleged failure to improve mails quality of service to meet certain targets. We believe that such actions are unwarranted and ignore the significant improvement in quality of service made by the Company.

This is a time when all our key stakeholders need to work together to ensure the Company's future viability while ensuring that An Post realises its full potential. A strong and stable mails and retail infrastructure trusted by Irish and international customers is an essential support to the process of economic recovery.

I want to thank Brian McConnell, Ciara Hurley and Jim Hyland who retired from the Board during the year. Their contributions during their terms of office are very much appreciated.

I also want to thank Minister for Communications, Energy and Natural Resources, Pat Rabbitte T.D., and his officials for their assistance and support during 2011.

I have every confidence in the Board, management and staff of An Post as they continue to deal with market challenges whilst exploiting new commercial opportunities for the core business and subsidiary companies.

John Fitzgerald
Chairman

MANAGEMENT

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1. DONAL CONNELL, C.ENG., F.I.E.I., B.E.
Chief Executive

Mr. Connell was appointed as Chief Executive on 14 August 2006. He began his career in the Department of Posts and Telegraphs and has held senior management positions in Unitrode Corporation, 3Com Corporation 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 he is Chairman of An Post National Lottery Company.

2. JOHN DALY, A.C.M.A., M.SC.(MGMT.)
Retail Operations Director

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 Directorate as a Management Accountant. He then held various senior finance and management positions within the Retail division before being appointed to his current position in October 2006. He is Chairman of The Prize Bond Company Limited.

3. JACK DEMPSEY, B.COMM., M.B.A., M.P.A.
Company Secretary

Mr. Dempsey joined the Post Office in 1968 as an Executive Officer in the Department of Posts and Telegraphs. During his career, he has gained wide experience in all aspects of postal operations and commercial activities, both national and international, occupying a variety of senior management positions across the Company. He was appointed as Company Secretary in March 2011.

4. PETER GALLAGHER, B.SC., M.B.A., M.INST.D
Director of Strategy and Business Excellence

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

5. PAT KNIGHT, M.SC.(MGMT.), F.C.I.P.D.
Human Resources Director

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

6. BRIAN MCCORMICK, B.E.(MECH.), M.B.A.
Services Director

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

7. LIAM O'SULLIVAN
Mails Operations Director

Mr. O'Sullivan joined An Post in 1985. During his career, he has gained broad experience across the full range of the Company's business. He has held various senior managerial and project management positions in the Company. He was appointed as Mail Processing Director in July 2004 and also served a period as Director of Collection & Delivery Change Programmes and Operations. He took up his current position in April 2009.

8. PETER QUINN, B.COMM., F.C.A., M.B.A.
Chief Financial Officer

Mr. Quinn joined An Post in August 2004. Prior to this he held senior financial and strategic positions in PJ Carroll and Company plc and Monaghan Mushrooms Limited. He is a Chartered Accountant and trained in practice with KPMG. He is a director of An Post National Lottery Company.

9. LIAM SHEEHAN
Sales and Marketing Director

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. He previously held senior Sales & Marketing positions in Procter & Gamble and in Guinness and he was Commercial Director with Erin Foods. He is a director of The Prize Bond Company Limited. He is also Chairman of The Gift Voucher Shop Limited.

10. BARNEY WHELAN, B.SC., M.B.A., F.P.R.I.I.
Director of Communications and Corporate Affairs

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.

CHIEF EXECUTIVE'S REVIEW

2011 was marked by positive achievements for An Post, despite the great challenges posed to the Company, and its customers, by the difficult economic environment.

FALLING MAIL VOLUMES, INCREASING ELECTRONIC SUBSTITUTION AND NEW COMPETITION ARE NOW WELL ESTABLISHED AND CONTINUE TO HAVE AN IMPACT ON OUR MAILS, RETAIL AND SUBSIDIARY BUSINESSES.

The process of adapting the business to the commercial realities of the marketplace continued apace through ongoing change implementation, innovation, strategic investment and cost reduction programmes.

2011 saw the full liberalisation of the Irish mails market, opening it to full competition as laid down by the Communications Regulation (Postal Services) Act 2011, with An Post as the designated Universal Service Provider for a period of 12 years.

WE ARE DETERMINED TO SUPPORT OUR CUSTOMERS IN DEVELOPING AND GROWING THEIR BUSINESSES.

The Company continued to invest in those areas which are critical to the business and also in areas which have the potential to generate new revenue streams. We maintained our strategic focus, improving competitiveness, service quality and stimulating innovation throughout the organisation. We continued to adapt the Company's structures and business model to deal with the changing business environment. We are determined to support our customers in developing and growing their businesses.

We continued our focus on improving domestic quality of service and once more exceeded our targets for delivery of international mail.

Operating Profit

The Company achieved a group operating profit of €2.2m in 2011 (down from €5.8m in 2010), a very solid outcome given the challenges outlined above. This performance resulted in large measure from the implementation of Change programmes. Savings of €15.4m in pay costs were achieved through more efficient working arrangements, automation and a Full-time Equivalent (FTE) average reduction of 300, bringing the total staff FTE reduction since 2008 to almost 1,100 within the core business. An additional staff FTE reduction of 1,500 will be complete by 2016. During 2011, non-pay cost savings totalled €10m, a 3.7 per cent reduction on the previous year's result. A similar level of cost reduction will be achieved in 2012 to bring the total cost reduction to €100m since 2008.

Strong parcel, retail and subsidiary performances also contributed significantly to the achievement of Group Turnover of €806.7m, an increase on the previous year (€805.1m). Given that core mail volumes fell by a further 7 per cent in the same period, this was a strong performance.

It is anticipated that mail volumes will continue to decline internationally; responding to this trend remains the biggest challenge facing the Company in the year ahead.

Mails

We are proud to lead the way in postal quality and innovation. We have invested in the latest processing equipment and software for our Mails Centres. We have funded these projects from our own resources and they will enable us to capitalise on emerging opportunities within the letters and parcels market as well as ensuring the provision of a top quality service for all customers.

An Post's Certificate of Excellence in the Management and Processing of International Letter Mail, first awarded for a three-year period by the International Postal Corporation (IPC) in early 2009, was extended for a further 18 months. This followed rigorous evaluation by the IPC of our Airmail unit at Dublin Airport and the Dublin Mails Centre, through which the majority of incoming foreign letter mail is initially processed. During 2011, we continued to exceed our performance targets and achieved 95.4 per cent next day delivery for incoming international mail and 88.6 per cent for outgoing mail reaching its destination country next day. We have maintained this quality level for seven successive years. The retention of this Certificate confirms An Post's position as a quality leader in the European mails market.

Domestic quality improvement and customer service is at the centre of our business transformation and development strategy. We maintained our focus on sustaining progress within the context of ongoing operational change and investment in the mails and retail infrastructures. The building blocks for the next stage of the quality improvement process, which will enable the introduction of added-value letter and parcels services, are now in place. Investment during 2011 in new technology, staff training, process improvement and the consolidation of our Delivery Service Units will continue to bear fruit this year and in the years to come.

WE ACHIEVED ISO9001 ACCREDITATION FOR OUR FOUR AUTOMATED MAILS CENTRES, 120 LARGE-SCALE DELIVERY SERVICES UNITS AND OUR NATIONAL CUSTOMER SERVICES UNIT.

We achieved ISO9001 accreditation for our four automated Mails Centres in Dublin, Cork, Athlone and Portlaoise, together with our 120 large-scale Delivery Services Units and our national Customer Services unit, based at the GPO, Dublin.

As the designated Universal Service Obligation (USO) provider, we are fully committed to providing mails collection and delivery services five days a week to more than two million addresses for a uniform price – i.e. the same postage rate applies to a letter posted from Dublin 1 to Dublin 2 as applies to one posted from Cork to Letterkenny. The USO is a vital piece of national infrastructure, central to the business and community life of the country and a key facilitator of economic activity including new business innovation.

The Company's commitment to the provision of this service without recourse to grant or subsidy, underpins this ongoing programme of strategic investment, cost containment and innovation. However, the funding of the USO is now a business-critical issue. Last year An Post delivered to 100,000 more delivery points than in 2007 – the year in which the price of the basic stamp was last increased. In that same five year time period, mail volumes fell by almost 25 per cent, and significant further decline is expected in 2012.

This trend has resulted in a serious and unsustainable shortfall in USO funding, jeopardising both the future of the service and the viability of An Post's wider operation. The underlying loss in the USO in 2011 has increased on the €50m loss in 2010. In spite of significant cost reduction, mail volume decline means that without the necessary price adjustments, the situation will continue to deteriorate. Our European counterparts have recently made at least one price change, leaving Ireland as the second lowest basic tariff across the EU15 group of countries. This was confirmed recently when The Business, Innovation and Skills Committee of the UK House of Commons released a report dated March 1st on 'Stamp Prices'. At paragraph 6 it notes that "The UK currently has the fourth lowest first class stamp price among EU-15 (pre-expansion EU) states. Only Spain (37p), Ireland (42p) and Luxembourg (45p) are cheaper". Since then, Royal Mail has announced significant price rises of 30 per cent and 39 per cent respectively for its first and second class services effective from 30 April 2012. It is in this context that we have submitted an application to ComReg for a price adjustment across our USO products and services.

In February of 2012, ComReg served legal proceedings on An Post under the terms of the European Communities (Postal Services) Regulations 2002, seeking an order from the High Court that An Post comply with the 94 per cent next day delivery target for single piece mail and seeking to impose a financial penalty on An Post for alleged non-compliance with the quality of service standard.

Given the efforts we are making in relation to the quality of our service, we are surprised that ComReg has chosen this course after several years of steady and sustained improvement in mails quality. This performance is evidenced in our own data;

corroborated by the ongoing quality of service monitor run independently by PWC, which have been shared with ComReg, as well as the independent international postal industry monitors mentioned above. We will contest this action vigorously.

At the beginning of 2011, we issued new workwear-style uniforms to 4,500 mails collection & delivery staff. They are now equipped with state-of-the-art handheld scanning technology to confirm collection and delivery detail which is available to the customer in real-time. An Post is the first postal operator in the world to equip all its mails staff with this technology.

The Company has signalled its intention to participate in the tender for the Postcode Management Licence which is to be put to the market by the Department of Communications, Energy and Natural Resources during 2012.

Online and catalogue shopping directly increased the volume of packet and small parcel mail. An Post will continue to invest in this market segment by providing innovative supports and new products to stimulate growth while anticipating the needs of online sellers and shoppers alike.

Working closely with customers of all sectors and sizes, we concentrated resources on helping business to do more business. We engaged with start-up companies requiring assistance to drive online traffic, sales and service. We dealt with long-established businesses growing their product portfolio as well as large Irish and international brands with high volume, time-sensitive mail. Our focus is on understanding their needs so as to deliver service, reliability and added-value by putting our unique infrastructure and expertise to work for them in Ireland and through our UK subsidiary, Air Business.

THE SIZE AND CONFIGURATION OF OUR RETAIL NETWORK, AS WELL AS THE FOOTFALL OF APPROXIMATELY 1.7M CUSTOMERS PER WEEK, HOLDS MANY ATTRACTIONS FOR OTHER FINANCIAL ORGANISATIONS CURRENTLY REVIEWING THEIR OPERATIONS.

Workshops with marketing experts, master-classes and online direct marketing case studies were made available free-of-charge to business customers during 2011. We focussed particularly on the SME sector, encouraging these businesses to combine mail campaigns and digital marketing techniques to drive sales growth and customer loyalty. An Post joined forces with Google, Black Knight Solutions and the County & City Enterprise Boards in the *'Getting Irish Business Online'* initiative which helps SMEs to develop an optimal online presence to support sales and expand their business.

Retail Services

The retail arm of An Post performed very strongly in 2011. As other financial institutions continue to rationalise their networks, we continue to expand our product and service offerings. The size and configuration of our retail network, as well as the footfall of approximately 1.7m customers per week, holds many attractions for other financial organisations currently reviewing their operations.

There was a strong net inflow to State Savings in the earlier part of the year, and while they softened somewhat around mid-year, this trend was reversed during the autumn. The year ended with a net inflow of €1.4 billion. This fund now stands at over €14 billion (this amount covers 12 per cent of National Debt and equates to 14 per cent of household savings). These monies represent very good value to the State when compared with yields on the international markets.

The potential to broaden our revenue base is evidenced by the steady growth of recently introduced services. postfone, our mobile phone service, continues to build its customer base in a highly competitive marketplace. We formed a strategic alliance with DHL to provide a new international premium overnight courier service, combining our respective infrastructural and global logistics expertise. During its first year of operation at 329 Post Offices nationwide the new Sterling and Dollars Foreign Exchange facility captured 23 per cent of this market. Our over-the-counter BillPay facility handled 25 million transactions in 2011 and provided an excellent platform to launch its online extension, mybills.ie. This free online bill payment and budgeting facility attracted more than 50,000 registered users within just 19 weeks of its August launch. It is a complementary addition to our suite of financial services products.

Security remained a top priority during 2011. While there was an increase in armed raids and attempted robberies, adherence to security protocols resulted in the vast majority being unsuccessful. An Gárda Siochana had considerable success in their subsequent investigations. Unfortunately, a small number of An Post staff, agents and their families were the target of 'Tiger Kidnap' raids. Again, adherence to security protocols, training procedures and close cooperation with the Gardai are key to combating this type of criminal activity.

Subsidiaries

We have continued to broaden our revenue base through our subsidiary businesses. As planned we will, over the coming years, reduce our dependence on mail-generated revenue. Turnover in subsidiary companies reached €84m, an increase of 24 per cent in the year.

WE WILL REDUCE OUR DEPENDENCE ON MAIL GENERATED REVENUE. TURNOVER IN SUBSIDIARY COMPANIES REACHED €84M IN 2011, AN INCREASE OF 24 PER CENT IN THE YEAR.

UK-based subsidiary, Air Business, which specialises in international periodical and direct mail distribution is now one of the UK's fasting growing and most successful international mailing companies. Last year it acquired Quadrant Subscription Services (QSS), a leading subscription management and publishing services firm. Through Air Business we provide customised added-value international services for a growing number of large Irish-based customers.

The licence under which the An Post National Lottery Company operates has been extended to June 2013. The Minister for Public Expenditure and Reform, Brendan Howlin T.D. announced that his Department will hold a tender process which will include the payment of several hundred million euro by the successful bidder. The licence will be granted for an extended period of 20 years. An Post intends to actively participate in this process.

Reputation and Brand

An Post was recognised as the most reputable indigenous Irish company in the 2011 RepTrak survey conducted by the international Reputation Institute. We are very proud of our trusted position at the heart of Irish business and Irish communities, particularly at a time when the standing of so many organisations has been tarnished. Every employee and agent of An Post is fully aware of their role in maintaining and building on our standing in Irish society. This principle continues to inform all business transactions, brand activities and staff engagement initiatives.

Significant progress was made in the areas of emissions reduction and waste management as new recording systems and cost management facilities were put in place.

There was ongoing investment in the An Post brand including a new suite of successful, high-impact advertising and promotional campaigns, which ran across all media channels, to promote the increasing range of business and personal services available. We maintained our commitment to the provision of supports for improving Adult Literacy and Numeracy across the country, in tandem with NALA, the National Adult Literacy Agency.

There was increased community involvement by people of all ages and abilities in the An Post Cycle Series featuring five cycling events across the season. We took over title sponsorship of the An Post Rás, Ireland's only international level cycling race which attracts professional teams from all over the globe. This sponsorship complements our involvement with The Sean Kelly Racing Team which acts as a development team for young Irish riders. These events bring significant benefits to the local economies, including the tourism interests involved.

ONGOING CHANGE AND ADAPTATION IS AN INEVITABLE PART OF THE IRISH AND INTERNATIONAL POSTAL, FINANCIAL SERVICES AND COMMUNICATIONS INDUSTRIES.

Looking to the future

An Post maintains a unique position at the heart of Irish society and we are committed to playing our part in the State's economic recovery. We will do so by ensuring reliability, value for money and the provision of an expanding range of services for, and on behalf of, the Irish State, Irish business and local communities.

I would like to thank the Board for their assistance, support and guidance during 2011 and in particular, I would like to thank our Chairman, John Fitzgerald, for his contribution and support. I would also like to thank my management team, our staff and contractors for the dedicated and committed manner in which they carried out their duties. In conclusion, I wish to express our gratitude to all our business partners for the trust placed in us. Their confidence spurs us to continue to improve our performance and to ensure that we are a reliable and innovative partner in all aspects of logistics, communications and financial transactions.

Ongoing change and adaptation is an inevitable part of the Irish and international postal, financial services and communications industries. Throughout the world postal administrations are reporting a significant decline in the volume of mail being processed. It is obvious that the pace of change must now be accelerated to deal with revenues lost due to mail volume decline. We will address this with determination during the coming year and thereafter. We will continue to align the Company, its structures and resources with the changing business reality that we face. We will ensure the development of innovative products and services. In short, we will continue to provide a high quality, value for money, relevant and customer-focussed service. I have every confidence, and a strong belief, in our ability to deliver this at every level.

Donal Connell
Chief Executive

FINANCIAL HIGHLIGHTS

TURNOVER

€806.7m	€805.1m
2011	2010

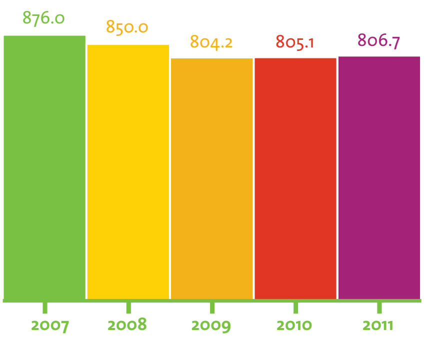
OPERATING PROFIT

€2.2m	€5.8m
2011	2010

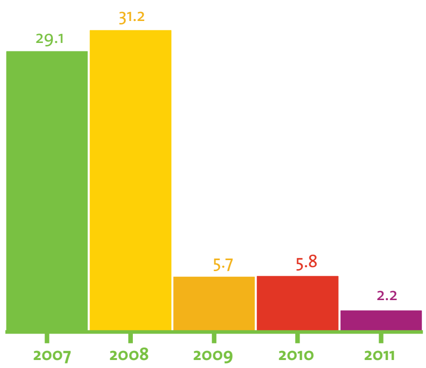
OPERATING PROFIT AS % OF TURNOVER

0.3%	0.7%
2011	2010

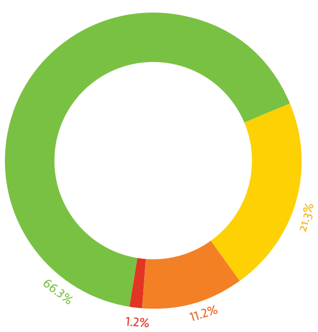
TURNOVER €M



OPERATING PROFIT €M

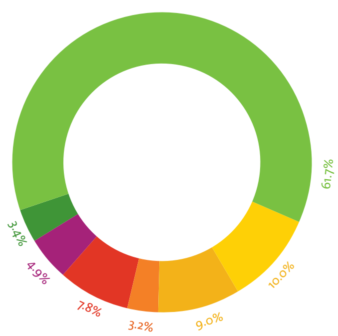


ANALYSIS OF TURNOVER



- MAILS
- POST OFFICES
- OTHER SERVICES
- INTEREST INCOME

ANALYSIS OF OPERATING COSTS



- STAFF COSTS
- POSTMASTERS' COSTS
- DISTRIBUTION
- FACILITIES
- OPERATIONAL
- ADMINISTRATION
- DEPRECIATION & GOODWILL AMORTISATION

FINANCIAL REVIEW

Group turnover for the year was €806.7m. A Group operating profit of €2.2m was generated. Achieving these results in a challenging domestic economy is very credible.

	2011 €m	2010 €m
Turnover	806.7	805.1
Group operating profit	2.2	5.8
Profit / (loss) for the financial year	0.3	(24.7)
Net assets (excluding pension liability)	319.0	323.9

Turnover for 2011 was €806.7m. This is slightly ahead of the prior year and is a considerable success. Mail income contributed €535.3m (3 per cent down on the prior year) and is the single largest source of revenue for the Group.

Mail revenue is subject to a number of influences. Volumes are reducing due to the performance of the domestic economy, e-substitution and a reduction in house completions.

There has however, been an increase in volumes driven by internet fulfilment and Direct Mail Services. 2011 also saw one-off mailings to facilitate the general and presidential election process.

Revenue in the retail network was in line with the prior year at €171.6m. The value of State Savings reached €14.1 billion by the end of December 2011, an increase of €1.4 billion on the prior year. Other new retail income streams showed encouraging growth including Foreign Exchange for both Dollars and Sterling; and the addition of agency services for AIB, NIB and other finance and utility providers.

Turnover in subsidiary companies reached €84m, an increase of 24 per cent in the year. Adding to the revenue streams is very much in line with Group Strategy.

The operating profit earned from business ventures such as PostPoint, The Gift Voucher Shop, One Direct Insurance, all of which benefit significantly from their association with the An Post brand and network, forms an increasingly important cornerstone of the financial plan for the Group.

Operating Costs

In line with postal operations in other jurisdictions, the reduction in operating costs is an important strategic objective.

Operating Costs within the core An Post Company were reduced by €25.4m. The last three years has seen a reduction of €78m from the annual operating cost base. 2011 represents a further year of progress in this regard. Overall costs of €804.5m were up on the prior year by €5.2m, as the Group increased its subsidiary activity and facilitated two national election processes.

Typically labour represents 70 per cent of the cost base in postal administrations. The reduction of Full Time Equivalents (FTE) is therefore a central element of our cost reduction programme. The average number of staff FTEs reduced by a further 300 FTEs during 2011.

Pension Schemes

The Group pension scheme accounted for under FRS17 shows an accounting deficit of €483.6m. The asset base is €1.76 billion.

In common with the majority of defined benefit pension schemes, the An Post deferred benefit scheme is required to meet the Minimum Funding Standards required by the Pensions Board. Discussions are advanced with stakeholders to formulate an agreed plan to address the requirements of the Minimum Funding Standards.

Fixed Assets

Capital expenditure in 2011 amounted to €36m. There were no significant asset disposals during the year. There are plans for further capital spending of the same magnitude in 2012 including completing investment in the next generation of mail sorting equipment.

There was an investment of €3.3m in a UK based business, Quadrant Subscription Services, which specialises in servicing publishing houses. This additional activity will be managed in the Group's successful UK based Air Business subsidiary. It represents further expansion in value-added mail related activity.

Balance Sheet and Cash Resources

The Group balance sheet shows fixed assets of €291m, cash balances of €150m and a net asset position before pension liability of €319m. The Group operates a treasury strategy to ensure the availability of funds for trading while optimising the return on cash resources under a Board approved policy.

Economic Outlook

The core activity of providing the national postal service is likely to continue to face a challenging economic climate. This combined with a structural decline in parts of the postal industry worldwide, makes for a challenging business environment.

However, diversifying revenue streams, continued cost reductions and improved efficiencies and quality of service, are equipping the Company to deal with this business environment. The Group looks forward to maintaining a strong position in 2012 and beyond.

UNIVERSAL SERVICE

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

Requirements of the USO (Universal Service Obligation)

Under Section 17 of the Act, An Post is designated as a universal postal service provider for a period of 12 years.

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

(i) one clearance, and

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

Universal service shall include the following minimum facilities:

(a) the clearance, sorting, transport and distribution of postal packets up to 2kgs;

(b) the clearance, sorting, transport and distribution of postal parcels to a weight limit to be specified by order of ComReg (or in the absence of this 20kgs);

(c) the sorting, transportation and distribution of parcels from other Member States up to 20kgs in weight;

(d) services for registered items;

(e) 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;

(f) postal services, free of charge, to blind and partially sighted persons.

Access to Universal Services

An Post provides access to its services through its network of 57 Company post offices, 1,099 postmaster-operated post offices and 175 postal agents. In addition, some 2,234 retail premises are licensed to sell postage stamps, as active licensed agents. To facilitate physical access to the service, approximately 5,000 post boxes are distributed widely throughout the State. There are 43 designated acceptance points for bulk mail services.

Tariffs

The following is a summary of the current prices for standard services weighing up to 50gms†.

IRELAND & NI	LETTERS (UP TO C5)	LARGE ENVELOPES	PACKETS	PARCELS
Standard Post <100g	55c 54c if Ceadúnas or meter	95c	€2.20	€6.50
Registered Post*	€5.25	€5.25	€5.25	€10.50

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

INTERNATIONAL DESTINATIONS	LETTERS (UP TO C5)	LARGE ENVELOPES	PACKETS	PARCELS
Standard Post	82c	€1.50	€2.70	GB €18.25 Europe €22.00 ROW €22.00
Registered Post**	€5.17	€5.85	€7.05	GB €23.00 Europe €27.00 ROW €27.00

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

† With effect from 1 May 2012, An Post is changing tariffs within the Universal Service for items weighing over 50gms. The rates above which apply to items weighing up to 50gms remain unchanged.

A full list of USO tariffs is available in the Guide to Postal Rates (see www.anpost.ie).

Quality of Service

INTERNATIONAL

The quality performance standard for the delivery of intra-Community cross-border mail was set by the European Commission and was transposed into Irish law under Section 32 and Schedule 3 of the Act. The quality standard for postal items of the fastest standard category is as follows:

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

DOMESTIC

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

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

QUALITY MONITORING

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

Customer Complaints

An Post is required to maintain records of customer complaints taking into account the relevant European standard IS: EN 14012:2003. The table provides, in relation to mail, a breakdown of written complaints received from customers during 2011.
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	20,350
Items damaged	887
Items arriving late	1,059
Mail collection or delivery:	
Time of delivery	413
Failure to make daily delivery to home or premises	270
Collection times / Collection failures	1
Misdelivery	454
Access to customer service information	4
Underpaid mail	25
Tariffs for single piece mail / discount schemes and conditions	0
Change of address (Redirections)	1,271
Behaviour and competence of postal personnel	23
How complaints are treated	0
Other (not included in above)	3,082
TOTAL	**27,839**

Included in the total figure are complaints about registered items, which number 7,949.

In 2011, 511,827 telephone calls were made to An Post Customer Services. Most of these were routine or general enquiries rather than complaints. During this year, Delivery Services Unit telephone lines were centralised into the Customer Services Centre ensuring a more standardised and co-ordinated service to our customers.

The An Post Complaint and Dispute Resolution Procedures are set out in *'Getting it Sorted'*, which is available on our website, in retail outlets, and from our Customer Services Centre. We also have a Customer Charter, containing specific pledges to customers regarding our services.

Further Information

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

SUSTAINABILITY AT AN POST

We continue to focus on making Sustainability a reality within our business strategy. We continue to manage this approach as one of a small number of strategic projects within the Company. Considerable resources were invested in the professional development of our management and staff. Our staff engagement programmes are now very well established and have contributed to performance improvement.

DURING 2011 WE WORKED WITH THE INTERNATIONAL POST CORPORATION (IPC) TO BENCHMARK AN POST'S OPERATIONS WITH OTHER POSTAL SERVICES ACROSS THE WORLD. THIS PROCESS HAS GUIDED THE IMPROVEMENTS WE HAVE MADE IN OUR APPROACH TO SUSTAINABILITY.

Workplace

The Company provides a well developed and integrated approach to working conditions for our staff of over 10,000 Full Time Equivalent employees (FTE's).

We have well established policies, practices and procedures in the areas of occupational health and safety, staff well-being as well as training and development including:

- A documented and communicated Safety Statement
- The OHSAS 18001/2007 management system standard
- A training policy entitled "Building Organisational Capability"
- A Staff Education and Support Scheme
- Best-in-class policy and practice in relation to Diversity and Equality including co-operative working with the Disability Authority.

The Central Partnership Forum provides a regular opportunity to meet with staff representatives and to communicate with staff regardless of their role or location.

Your Voice Matters
An Employee Survey was conducted to gain an understanding of the current experience of staff at An Post as well as their awareness of the Company's strategic direction. Towers Watson was engaged by An Post to conduct this project and to analyse and report on the results. The results have been communicated widely and a set of follow up actions agreed with specific projects led by members of the Executive.

Living the Values
Living the Values was a company-wide programme of staff workshops to ensure that staff at all levels are aware of and understand the Company's Mission, Vision and Values. This programme also provided an opportunity to discuss our values and take action to ensure we behave in accordance with them, as they apply in the workplace.

The programme ran from summer 2009 – autumn 2011 to promote comprehensive discussion, encouraging staff to understand fully the importance of providing ongoing service excellence to our customers.

Marketplace

An Post is operating to a very high standard in relation to mails collection and delivery. This reflects the Company's focus on quality of service, with policies and procedures in place, including the ISO9001 Quality Management System which is managed by our Quality Team.

Our Quality Management System includes:

- Targets in place for continuous improvement
- An 'end-to-end' view of the customer experience enshrined in our Customer Charter
- A defined complaints procedure
- Continuous monitoring of service performance and customer queuing time through Mystery Shopping surveys
- Customer supports such as provision for hard-of-hearing customers.

SINCE 2008 THE COMPANY HAS ASSESSED THE CARBON IMPACT OF ITS OPERATIONS ON AN ANNUAL BASIS.

Environment

In 2011 An Post made significant progress in the areas of Energy, Transport and Waste Management.

Environmental data is collected, collated and managed centrally in respect of the Company's carbon performance. This data is also inputted to the IPC Environmental Management and Monitoring System (EMMS).

Since 2008 the Company has assessed the carbon impact of its operations on an annual basis. We benchmark our performance each year with IPC and implement an annual action plan for continuous improvement. During 2011 our public building stock over 1,000 square meters was audited, enabling us to exhibit a Display Energy Certificate (DEC). The DEC provides the Company with an accurate account of our energy consumption and maintenance and management practices. We also implemented a Waste Management System which prioritises waste avoidance, reduction, re-use and recycling. We also work with our supplier transport companies to promote environmentally friendly practices such as training staff in eco-driving to reduce fuel consumption as well as route optimisation.

THERE HAS BEEN A SUBSTANTIAL REDUCTION OF 5.5GWH IN AN POST'S ENERGY WAGE. IN 2012 THE COMPANY WILL FURTHER IMPROVE ITS ENERGY PERFORMANCE.

Overview of Energy Usage in 2011

The main use of Energy in An Post is for the heating and lighting of our offices and the fuel for the transport fleet. In 2011, An Post consumed 134.55GWh of energy, consisting of:

- 18.8GWh of electricity
- 35.8GWh of fossil fuels for heat and light
- 79.95GWh of fossil fuels for transport

There has been a substantial reduction of 5.5GWh in An Post's Energy usage in the last year. We estimate that 3GWh of this reduction can be attributed to the mild winter in comparison to 2010.

Actions Undertaken in 2011

During 2011 An Post undertook a range of initiatives to improve our energy performance, including:

- Continued investment in improved lighting controls in a number of key offices, which resulted in 800MWh of annual savings.
- The Building Management System (BMS) in the Cork and Athlone Mails Centres was upgraded in order to improve control of our energy consumption and this resulted in 124MWh of annual savings.
- The BMS in the GPO was upgraded to include additional temperature sensors and a new control panel which resulted in 51MWh annual savings
- Improved staff communication and awareness resulted in savings of 1,525MWh annually
- Fuel consumption testing was completed for the HGV Fleet
- 1,000 drivers completed an Assessment & Training course

Actions Planned for 2012

In 2012 the Company will further improve its energy performance by undertaking the following initiatives:

- Achieving certification to the ISO 50001 standard which will save 1,750MWh annually
- Investing in a lighting upgrade at a further nine offices which will save 500MWh annually
- Reviewing the energy usage in our retail offices and developing an energy improvement programme for 2012/13 which will save 50MWh annually

We will continue to develop energy efficiency initiatives where building works are taking place including rainwater harvesting, solar energy, a motion and available light detection lighting system and monitoring of improvement control strategies for heating. We have commenced a structured trial of electric vehicles in Dublin, Cork and Galway and we will present a further 1,000 drivers for Assessment Training.

Community

An Post has a strong track record of community engagement through our Mails and Retail staff interaction with customers. This has a significant positive impact on our Brand and the perception of our role in Irish society among both our customers and employees. Our community programme includes:

- An Association with the National Adult Literacy Agency (NALA) and our facilitation of the Log On, Learn initiative. The impact of this activity has been measured each year since 2008 with over 13,500 people benefiting from our Literacy awareness campaign and over 30,000 older people and students participating in Log On, Learn.

AN POST WILL CONTINUE TOWARD RESPONSIBLE BUSINESS PRACTICE IN A CHALLENGING ECONOMIC ENVIRONMENT.

- Support for Irish Cycling at every level from elite athletes to grass-roots, mass-participation events. An Post is the leading sponsor of Irish cycling including young Irish riders racing internationally with the An Post Sean Kelly Team, the An Post Rás, Ireland's premiere UCI cycle race and the An Post Cycle Series, with over 13,500 leisure cyclists participating in 2011. We also support the Irish Paracycling Team in their preparation for the 2012 London Games and An Post Rás na mBan, Ireland's premiere women's stage cycling race.

The Future

An Post continues to make significant progress in operating as a responsible business in a challenging environment. We have policies in place across the majority of sustainability measures, all of which influence practice within the Company.

Disability Act

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

STAMP ISSUES AND PHILATELIC PUBLICATIONS

An Post issued 40 commemorative stamps in 2011. In addition, a further eight stamps were introduced in the Irish Animals and Marine Life Definitive Series.

THE STAMP PROGRAMME FEATURES THE WORK OF IRELAND'S FINEST ARTISTS AND DESIGNERS. HIGHLIGHTS INCLUDED STAMP ISSUES CELEBRATING IRISH CRAFT, IRELAND'S FIRST HOSTING OF THE SOLHEIM CUP WOMEN'S INTERNATIONAL GOLF COMPETITION AND THE 50TH ANNIVERSARY OF THE FIRST RTÉ TELEVISION BROADCAST.

2011 marked the introduction of phase II of the Seventh Definitive Series comprising a further eight stamps in the Irish Animals and Marine Life collection. This is the second phase of the innovative Stamps On A Roll (SOAR) product by which the value of each stamp is printed at the time of purchase according to the postage required. Also two stamps from phase I showing the Red Squirrel and Bottlenose Dolphin were issued as a stamp coil.

A set of four stamps based on paintings by Ireland's leading equestrian artist, Peter Curling, celebrated The Irish Horse. They show four horses common in Ireland; the Thoroughbred Horse, the Connemara Pony, the Coloured Horse and the Irish Draught Horse.

Great institutions such as Amnesty International, the American Chamber of Commerce, Ireland and the Irish Amateur Boxing Association were celebrated for special anniversaries which took place during the year.

The centenary of the birth of Brian O'Nolan "Flann O'Brien" was marked with a stamp featuring a painting of the writer by his brother, artist Micheál Ó Nualláin.

A diverse portfolio of associated collateral was also produced, including a Year Pack and First Day Cover Collection. Once again, the Irish Stamps Year Book was produced to the highest standards of design in text and imagery, featuring all issues from the annual programme in both a standard and luxury edition.


ÉIRE
55c
RTÉ
TV
50


ÉIRE
55c
LATE LATE SHOW
RTÉ
TV
50


ÉIRE
55c
RTÉ
TV
50


Éire
55c
EUROPA


Éire
82c
EUROPA


ÉIRE
55c
GREETINGS • BEANNACHTAÍ
2011


ÉIRE
55c
GREETINGS • BEANNACHTAÍ
2011


Éire
€0.82


Éire
€0.55


ÉIRE
55c
NOLLAIG


ÉIRE
55c


ÉIRE
55c
Wind
An Ghaoth


ÉIRE
55c
Wave


ÉIRE
55c
Solar
An Ghrian


ÉIRE
55c
Biofuel
Bithbhreosla


ÉIRE
55c
Hydro
Hidrileictreach


ÉIRE
55c
EUROPE • USA
KILLEEN CASTLE
IRELAND
2011


ÉIRE
55c
IABA
1911–2011


ÉIRE
55c
Year of Craft 2011
Bliain na Ceardaíochta 2011
Deirdre McLoughlin


ÉIRE
55c
Year of Craft 2011
Bliain na Ceardaíochta 2011
Róisín de Buitléar

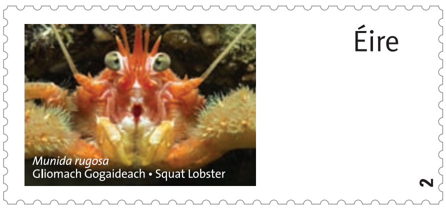

ÉIRE
55c
Year of Craft 2011
Bliain na Ceardaíochta 2011
Helen McAllister


ÉIRE
55c
Year of Craft 2011
Bliain na Ceardaíochta 2011
Liam Flynn


ÉIRE
55c
Year of Craft 2011
Bliain na Ceardaíochta 2011
Inga Reed


Éire
Actinia equina
Bundún Coirníneach • Beadlet Anemone
1


Éire
Micrommata virescens • Sealgaire Uaine
Green Huntsman
5


Éire
Munida rugosa
Gliomach Gogaideach • Squat Lobster
2


Éire
Deilephila elpenor • Conach Eilifinteach
Elephant Hawk-moth
6


Éire
Labrus mixtus
Splanc • Cuckoo Wrasse
3


Éire
Carduelis carduelis
Lasair Choille • Goldfinch
7


Éire
Rana temporaria
Frog Coiteann • Common Frog
4


Éire
Cervus elaphus
Fia Rua • Red Deer
8


ÉIRE
55c
CEARBHALL Ó DÁLAIGH 1911 – 1978


ÉIRE
55c
FLANN O'BRIEN / BRIAN O'NOLAN
/MYLES NA gCOPALEEN 1911 – 1966


ÉIRE
55c
AMERICAN CHAMBER OF COMMERCE, IRELAND
1961–2011


ÉIRE
55c
ÉIRE
55c
ÉIRE
55c
ÉIRE
55c


ÉIRE
82c
LÁ FHÉILE PÁDRAIG


ÉIRE
55c
VOTES
FOR
WOMEN
WOMEN'S RIGHTS
CEARTA NA mBAN


ÉIRE
82c
EQUALITY
WOMEN'S RIGHTS
CEARTA NA mBAN


ÉIRE
55c
Amnesty International
1961–2011


ÉIRE 55c
BALLYCROY NATIONAL PARK


ÉIRE 55c
THE BURREN NATIONAL PARK


ÉIRE 55c
CONNEMARA NATIONAL PARK


ÉIRE 82c
GLENVEAGH NATIONAL PARK


ÉIRE 82c
KILLARNEY NATIONAL PARK


ÉIRE 82c
WICKLOW MOUNTAINS NATIONAL PARK

INDEX TO THE FINANCIAL STATEMENTS

THE DIRECTORS HAVE PLEASURE IN SUBMITTING THEIR TWENTY EIGHTH ANNUAL REPORT TOGETHER WITH THE AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2011, IN FULFILMENT OF THEIR OBLIGATIONS UNDER THE COMPANIES ACTS, 1963 TO 2009.

1. The Group and its Principal Activities

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

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

Details of the activities carried on by subsidiary, associated and joint venture undertakings, together with the information required by Section 158 of the Companies Act, 1963, are given in note 25 to the financial statements.

2. Results

Details of the results for the year are set out in the consolidated profit and loss account on page 51 and in the related notes to the financial statements. The directors do not propose the payment of a dividend for the year.

3. Business Review

The operating profit for the year of €2.2m is a satisfactory result in view of the continued impact of the economic downturn in 2011. While overall turnover from continuing operations is marginally up on 2010, the effect of the downturn is evident in the decrease in turnover in the mails business which fell from €552m to €535m. There was an increase of €18m in other services which reflects the continued success and expansion of subsidiary companies during 2011. Labour costs in the core An Post Company reduced by €15.4m, non pay by €10m and postmaster costs by €0.3m. The pension charge increased by €4.9m, and there were one-off costs of servicing the election mailings of €8.2m. The decrease in operating costs was primarily driven by reductions in the number of FTEs and control of non pay costs. The Group Profit after taxation and minority interest was €0.3m.

The pension deficit has increased from €368m at 31 December 2010 to €484m at 31 December 2011 reflecting the continued uncertainty in financial markets and the consequent reduction in the value of the scheme's assets. There is an increase in the net liabilities position in the balance sheet for the Group to €165m at 31 December 2011 compared to net liabilities of €45m at 31 December 2010.

The information required by Regulation 37 of the European Communities (Companies: Group Accounts) Regulations, 1992, is included in the information given on pages 6 to 18. In monitoring performance, the directors and management have regard to a range of key performance indicators (KPIs), including the following:

KPI

	PERFORMANCE IN 2011	PERFORMANCE IN 2010
OPERATING PROFIT		
Operating profit as a percentage of turnover	0.3%	0.7%
Staff costs as a percentage of total operating costs	61.7%	62.0%
Postmasters' costs as a percentage of total operating costs	10.0%	10.0%
Other operating costs as a percentage of total operating costs	28.3%	28.0%
Cash at bank and in hand	€150.1m	€198.1m
STAFF – AVERAGE FULL TIME EQUIVALENTS (FTE)		
Company	10,037*	10,129
Subsidiaries	612	481
Group	10,649	10,610
Company year end FTE run rate	9,422	9,624
MAIL BUSINESS		
Letters core revenue index (page 77)	(7.0%)	(7.2%)
Quality of service (national) – next day delivery of single piece priority mail	83%**	85%**
RETAIL BUSINESS		
Social welfare transactions	44.1m	43.5m
BillPay transactions	24.9m	25.2m
TV licence sales (thousands)	1,426k	1,432k
Investment products – net fund inflow	€1,084m	€2,683m
Post Office Savings Bank – net fund inflow	€149m	€429m
Prize Bonds – net fund inflow	€118m	€258m
Burglaries and robberies – number of incidents	67	73
CUSTOMER SERVICE		
Written complaints	27,839	26,373
Telephone enquiries	511,827	446,682

* 2011 was exceptional with a General and Presidential election. Core FTEs in the year were 300 lower than 2010 having excluded the election requirements

** Full year figure as per ComReg monitor

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

- impact of the general economic climate;
- the need to fully implement agreed change programmes;
- impact of electronic substitution;
- inability to fund the Universal Service Obligation;
- achieving adequate prices for services;
- the need to achieve and maintain quality of service targets;
- potential loss of significant agency services;
- failure to resolve industrial relations issues through agreed processes.

The directors have analysed these and other risks and appropriate programmes are in place to manage and control these risks. The Corporate Governance Statement on pages 35 to 41, which forms part of the Directors' Report, sets out the policies and approach to risks and the related internal control procedures and responsibilities.

4. Directors, Secretary and their Interests

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

Ms Ciara Hurley retired on 31 March 2011.
Mr Brian McConnell retired on 31 March 2011.
Mr Paul Henry was appointed on 15 September 2011.
Mr James Wrynn was appointed on 15 September 2011.
Mr James Hyland retired on 10 December 2011.

The directors and secretary who held office at 31 December 2011 had no interests in the shares in, or debentures of, the Company or any Group company at the beginning of the year (or date of appointment if later) or at the end of the year (2010: Nil).

5. Employees

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

An Post is committed to ensuring the highest safety standards and safe practices for its employees, contractors and members of the public in accordance with the Safety, Health and Welfare at Work Act, 2005. In 2011, there were 36.6 lost time accidents per 1,000 employees. This represents a decrease of 12% on 2010.

An Post is committed to reducing lost time accidents and in this regard is undertaking a safety improvement programme which included obtaining accreditation to the OHSAS 18001:2007 standard in 2011. In addition, 4,732 employees attended specific safety training courses in 2011, with many more attending other courses where safety was included in the content. This includes completion of year two of a three year programme to provide advanced driver training to a further 1,025 drivers who use our Company fleet. Conscious of the fact that legal obligations are the minimum acceptable standard, An Post is striving for excellence in this area and is continuing to increase awareness among employees and contractors of the necessity for the highest safety standards.

6. Prompt Payment of Accounts

The policy of An Post is to comply with the requirements of relevant prompt payment of accounts legislation. The Group's standard terms of credit taken, unless otherwise specified in specific contractual arrangements, are 30 days. Appropriate internal financial controls are in place, including clearly defined roles and responsibilities and monthly reporting and review of payment practices. These procedures provide reasonable but not absolute assurance against material non-compliance with the regulations.

7. Accounting Records

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

8. Auditors

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

On behalf of the Board

John Fitzgerald, Chairman
Donal Connell, Director

22 March 2012

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 UK CORPORATE GOVERNANCE CODE ISSUED BY THE UNITED KINGDOM'S FINANCIAL REPORTING COUNCIL (THE CODE).

While the provisions of the 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 Code have been applied within An Post.

The Board

The Group is controlled through its Board of directors. The Board's main roles are to oversee the operation of the Group, to provide leadership, to approve strategic objectives and to ensure that the necessary financial and other resources are made available to enable those objectives to be met. The Board meets on a monthly basis and certain matters are specifically reserved to the Board for its decision.

The specific responsibilities reserved to the Board include: setting Group strategy and approving an annual budget and medium-term projections; reviewing operational and financial performance; approving major capital expenditure; reviewing the Group's systems of financial control and risk management; ensuring that appropriate management development and succession plans are in place; reviewing the environmental, health and safety performance of the Group; approving the appointment of the Company Secretary; and maintaining satisfactory communication with shareholders.

The Board has delegated the following responsibilities to management: the development and recommendation of strategic plans for consideration by the Board that reflect the longer-term objectives and priorities established by the Board; implementation of the strategies and policies of the Group as determined by the Board; monitoring of the operating and financial results against plans and budgets; prioritising the allocation of technical and human resources; and developing and implementing risk management systems.

The Roles of the Chairman and the Chief Executive

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

The Chief Executive has direct charge of the Group on a day to day basis and is accountable to the Board for the financial and operational performance of the Group.

Senior Independent Director

The Board has considered the question of appointing one of its members to be a Senior Independent Director, in addition to the Chairman, but continues to believe that this recommendation of the

Code is not applicable in the light of An Post's legal structure.

Directors and Directors' Independence

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

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

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

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

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

Professional development

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

Performance evaluation

The Board has adopted and performed a formal process for the annual evaluation of its own performance and that of its principal Committees. This includes periodic external performance evaluation . The Board considers that the introduction of any further evaluation of individual directors would be inappropriate given the manner of appointment of directors, the shareholding structure and existing Board procedures.

The Company Secretary

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

Information

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

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

Relations with shareholders

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

Internal Control

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

In accordance with the guidance of the Turnbull committee, the directors are responsible for the Group's system of internal control and set appropriate policies on internal control, seek regular assurance that enables them to satisfy themselves that the system is functioning effectively and to ensure that the system of internal control is effective in managing risks. 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 key risks are set out at Section 3 of the Report of the Directors (page 33).

The directors have continued to review the effectiveness of the Group's system of financial and non-financial controls during 2011, including operational and compliance controls, risk management and the Group's high level internal control arrangements. These reviews have included an assessment of internal controls by management, management assurance of the maintenance of controls, reports from the internal auditors and reports from the external auditor on matters identified in the course of its statutory audit work.

The Group views the careful management of risk as a key management activity. The Board has adopted a Risk Management Policy and a Risk Management Framework and approved the appointment of a Chief Risk Officer. The responsibilities of the Audit and Risk Committee embrace the responsibilities of a Risk Committee. 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 businesses.
- A defined organisational structure with clear lines of responsibility, delegation of authority and segregation of duties designed to foster a beneficial control environment.
- A risk management process which considers the strategy and development of the business in the context of the annual budget process when financial plans and performance targets are set and reviewed by the Board in light of the Group's overall objectives.
- A reporting and control system which ensures that individual businesses report to the Board on an ongoing basis on their progress in achieving objectives. The system for reporting covers both operational and financial performance, occurs on a timely basis and ensures that budgetary variances are examined and addressed promptly.

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

Attendance at meetings of the Board, the Remuneration Committee and the Audit and Risk Committee

Ten Board meetings were held during the year ended 31 December 2011 and the attendance record of each director is set out in the following table

NAME	ELIGIBLE TO ATTEND	ATTENDED
John Fitzgerald	10	10
Patrick Compton	10	9
Jerry Condon	10	10
Donal Connell	10	10
Anne Connolly	10	10
Paddy Costello	10	9
Thomas Devlin	10	10
Paul Henry	3	3
Ciara Hurley	2	2
James Hyland	10	10
Peter Ormond	10	10
Brian McConnell	2	2
Gerry O'Toole	10	10
John Quinlivan	10	8
Alan Sloane	10	10
Catherine Woods	10	7
James Wrynn	3	3

Directors' Remuneration

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

The disclosures made in these financial statements relating to directors' emoluments and pension information are those required under the Code of Practice for the Governance of State Bodies.

Remuneration Committee

Four meetings of the Remuneration Committee were held during the year ended 31 December 2011 and the attendance record of each director, eligible to attend, is set out in the following table:

NAME	ELIGIBLE TO ATTEND	ATTENDED
John Fitzgerald	4	4
Donal Connell	4	4
John Quinlivan	4	4
Catherine Woods	4	2

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

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

Audit and Risk Committee

Eight meetings of the Audit and Risk Committee were held during the year ended 31 December 2011 and the attendance record of each director, eligible to attend, is set out in the following table:

NAME	ELIGIBLE TO ATTEND	ATTENDED
James Hyland	8	8
Brian McConnell	2	2
Catherine Woods	8	7*
Anne Connolly	4	4

*One meeting was held at short notice

In 2011 the Audit and Risk Committee was comprised of three non-executive directors. James Hyland was Chairman of the Committee until his retirement from the Board in December 2011. When necessary, non-Committee members are invited to attend. Under its terms of reference, the Committee is to assist the Board in fulfilling its responsibilities by providing an independent review of financial reporting, by satisfying itself as to the effectiveness of the Company's internal controls and as to the sufficiency of the external and internal audits.

The Committee is responsible for monitoring the effectiveness of the external audit process and making recommendations to the Board in relation to the appointment, re-appointment and remuneration of the external auditor. It is responsible for ensuring that an appropriate relationship between the Group and the external auditor is maintained, including reviewing non-audit services and fees. As a result of regulatory or similar requirements, it is necessary to employ the Group's external auditor for certain audit related and non-audit services.

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

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

The Committee also assists and, where relevant, makes recommendations to the Board on the discharging of its responsibilities in relation to security. The Committee meets with management, as well as privately with the external auditor. In February 2012, the Board approved the appointment of Mr. James Wrynn as Chairman of the Committee subject to approval by the Central Bank of Ireland and increased the number of non-executive directors on the Committee to four.

In 2011, the Audit and Risk Committee discharged its responsibilities by:

- reviewing the Group's draft financial statements for 2010 prior to Board approval and meeting and reviewing with the external auditor their reports thereon;
- reviewing the appropriateness of the Group's accounting policies;
- reviewing the potential impact on the Group's financial statements of significant matters arising during the year;
- reviewing the resources of internal audit, approving the internal audit plans, reviewing internal audit reports and dealing with significant control issues raised by the internal auditor;
- reviewing the audit fee and non-audit fees payable to the Group's external auditor;
- reviewing the external auditors' plan for the audit of the Group's financial statements for 2011, confirmations of auditor independence and the proposed audit fee, and approving the terms of engagement for the audit on behalf of the Board;
- reviewing an external report, specially commissioned by management during the year in light of an identified incident of loss at a retail branch, and monitoring implementation of the recommendations of that report;
- reviewing the Risk Management Policy and the Risk Management Framework;
- reviewing the key risks to the business and considering the adequacy of the Group's system of risk identification and assessment;
- reviewing an annual report on the Group's systems of internal control and its effectiveness, reporting to the Board on the results of the review and receiving regular updates on key risk areas of financial control;
- reviewing security policies and procedures for the protection of staff, postmasters and customers and for safeguarding assets and the implementation of and compliance with those policies and procedures.

The Group operates procedures to ensure that appropriate arrangements are in place for employees to be able to raise, in confidence, matters of possible impropriety, with suitable subsequent follow-up action. Reporting channels have been created whereby perceived wrongdoing may be reported via post, telephone and email, anonymously if preferred.

Nomination Committee

As all the authority regarding the appointment of directors is vested in the Minister for Communications, Energy and Natural Resources, with the consent of the Minister for Public Expenditure and Reform, 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 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 Code throughout the financial year under review, with the exception of a number of areas noted above where voluntary compliance with provisions of the Code is not, given the manner of appointment of directors, the legal and shareholding structure of the Company and existing Board procedures, considered appropriate.

Going Concern

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

On behalf of the Board

John Fitzgerald, Chairman
Donal Connell, Director

22 March 2012

UNDER THE COMMUNICATIONS REGULATION (POSTAL SERVICES) ACT 2011 THE COMMISSION FOR COMMUNICATIONS REGULATION, (COMREG), IS DESIGNATED AS THE NATIONAL REGULATORY AUTHORITY FOR THE POSTAL SECTOR AND AN POST IS DESIGNATED AS A UNIVERSAL SERVICE PROVIDER.

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

The directors acknowledge their responsibility for compliance with the accounting provisions of the Act 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 2011.

Financial Records and Accounting Systems
The financial records and accounting systems maintained by An Post contain sufficient detail to enable management to ensure that they comply with the accounting provisions of the Direction. Separate accounts are maintained for each of the services within the Universal Service.

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 2011. In compliance with the Direction, a competent body is reviewing these accounts and will issue an opinion on their compliance with the Direction.

Management Accounting Manual

A detailed accounting manual has been prepared showing the range and scope of data to be collected for the purpose of complying with the Direction and the basis on which the data is to be allocated/apportioned between services. This was submitted to ComReg in 2011.

The manual reflects the detailed revenue determination and cost allocation and apportionment principles and rules set out in 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 Act and with the Direction of ComReg in relation to the Accounting Systems of An Post for the year ended 31 December 2011.

On behalf of the Board

John Fitzgerald, Chairman
Donal Connell, Director

22 March 2012

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

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

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

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

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

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

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

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

On behalf of the Board

John Fitzgerald, Chairman
Donal Connell, Director
22 March 2012

WE HAVE AUDITED THE GROUP AND PARENT COMPANY FINANCIAL STATEMENTS (THE 'FINANCIAL STATEMENTS') OF AN POST FOR THE YEAR ENDED 31 DECEMBER 2011 WHICH COMPRISE THE CONSOLIDATED PROFIT AND LOSS ACCOUNT, THE CONSOLIDATED AND COMPANY BALANCE SHEETS, THE CONSOLIDATED CASH FLOW STATEMENT, THE CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES, THE STATEMENT OF ACCOUNTING POLICIES AND THE RELATED NOTES. THESE FINANCIAL STATEMENTS HAVE BEEN PREPARED UNDER THE ACCOUNTING POLICIES THEREIN.

This report is made solely to the Company's members, as a body, in accordance with Section 193 of the Companies Act, 1990. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditor

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and the accounting standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland), are set out in the Statement of Directors' Responsibilities on page 43.

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

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

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

We review, at the request of the directors, whether (1) the voluntary Corporate Governance statement on pages 35 to 41 reflects the Group's compliance with the nine provisions of the 2010 FRC UK Corporate Governance 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 37 and 38 reflects the Group's compliance with the provision of The Code of Best Practice for the Governance of State Bodies that is specified for review by auditors and we report if those statements do not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the

Chairperson's Statement, the Chief Executive's Review, the Financial Review, the Corporate Governance Statement and the Five Year Financial Summary. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Opinion

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

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

Opinion

In our opinion, the financial statements:

- give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of affairs of the Group and the Company at 31 December 2011 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 2009 and the European Communities (Companies: Group Accounts) Regulations, 1992.

Other Matters

We have obtained all the information and explanations we considered necessary for the purposes of our audit. In our opinion, proper books of account have been kept by the Company and the balance sheet of the Company at 31 December 2011 is in agreement therewith.

In our opinion, the information given in the report of the directors on pages 32 to 34 is consistent with the financial statements.

The balance sheet of the Company, as stated on page 54, reports an excess of liabilities over assets and, in our opinion, on that basis there did exist at 31 December 2011 a financial situation which under section 40(1) of the Companies (Amendment) Act, 1983 may require the convening of an extraordinary general meeting of the Company.

Caroline Flynn
for and behalf of

KPMG

Chartered Accountants, Statutory Audit Firm
1 Stokes Place
St. Stephen's Green
Dublin 2

22 March 2012

IN ADDITION TO OUR AUDIT OF THE FINANCIAL STATEMENTS, WE HAVE REVIEWED THE DIRECTORS' STATEMENT ON PAGE 42 CONCERNING THE COMPANY'S COMPLIANCE, FOR THE YEAR ENDED 31 DECEMBER 2011, WITH THE ACCOUNTING PROVISIONS OF THE ACT AND WITH THE DIRECTION TO AN POST SETTING OUT THE REGULATOR'S DETAILED REQUIREMENTS IN RELATION TO THE ACCOUNTING SYSTEMS OF AN POST (THE DIRECTION), ISSUED ON 8 DECEMBER 2006 BY THE POSTAL SERVICES REGULATOR, COMREG, IN RELATION TO THE ACCOUNTING SYSTEMS OF AN POST.

Respective Responsibilities of Directors and Auditor

The directors prepare an annual statement of compliance with the accounting provisions of the Act 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 Act and with the Direction. Our review does not constitute an audit of the separated accounts. A separate audit report will be issued on the audit of the regulatory accounts.

Basis of Opinion

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

Opinion

Based on enquiry of certain directors and officers of the Company and examination of relevant documents, in our opinion, the directors' statement on page 42 appropriately reflects the Company's compliance, for the year ended 31 December 2011, with the accounting provisions of the Act and with the Direction on the Accounting Systems of An Post, dated 8 December 2006 issued by ComReg.

KPMG

Chartered Accountants, Statutory Audit Firm
1 Stokes Place
St. Stephen's Green
Dublin 2

22 March 2012

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

1. Basis of Preparation

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

2. Basis of Consolidation

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

The sole activity of An Post National Lottery Company is the operation of the National Lottery under licence from the Minister for Public Expenditure and Reform 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 are to be published in April 2012.

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

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

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

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

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

3. Turnover

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

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

4. Saving Services

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

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

5. Grants

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

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

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

6. Tangible Fixed Assets

Tangible fixed assets are stated at cost less accumulated depreciation.

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

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

The estimated useful lives are as follows:

	YEARS
Freehold & long leasehold buildings	20-50
Interest in GPO	50
Motor vehicles	5
Operating & computer equipment	3-10

7. Operating Leases

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

8. Goodwill

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

9. Financial Fixed Assets

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

10. Taxation

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

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

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

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

11. Pensions

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

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

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

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

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

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

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

12. Foreign Currencies

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

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

	NOTES	2011 €'000	2010 €'000
Turnover: Group and share of joint venture		806,714	811,563
Less share of joint venture's turnover		-	(6,443)
GROUP TURNOVER – CONTINUING OPERATIONS	2	806,714	805,120
Operating costs	3	(804,498)	(799,282)
GROUP OPERATING PROFIT – CONTINUING OPERATIONS		2,216	5,838
Exceptional items – continuing operations			
– costs of restructuring	4	-	(20,000)
Share of result of joint venture investment		-	(6,590)
Other finance income / (expense) net	18	1,550	(3,950)
PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	5	3,766	(24,702)
Tax on profit / (loss) on ordinary activities	6	(2,134)	429
PROFIT / (LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		1,632	(24,273)
Minority interest	22	(1,285)	(409)
PROFIT / (LOSS) FOR THE FINANCIAL YEAR	7/20	347	(24,682)

On behalf of the Board

John Fitzgerald, Chairman

Donal Connell, Director

	NOTES	2011 €'000	2010 €'000
Profit / (loss) for the financial year excluding share of results of joint venture		347	(18,092)
Share of joint venture's result		-	(6,590)
Actuarial (loss) / gain on post employment plans	18	(121,630)	27,310
TOTAL RECOGNISED (LOSSES) / GAINS		(121,283)	2,628

	NOTES	2011 €'000	2010 €'000
FIXED ASSETS			
Intangible assets – goodwill	9	24,599	24,658
Tangible assets	10	266,530	254,665
Financial assets	11	-	-
		291,129	279,323
CURRENT ASSETS			
Debtors	12	112,235	98,437
Cash at bank and in hand	13	150,064	198,078
		262,299	296,515
CREDITORS: Amounts falling due within one year	14	(191,572)	(200,590)
NET CURRENT ASSETS		70,727	95,925
TOTAL ASSETS LESS CURRENT LIABILITIES		361,856	375,248
CREDITORS: Amounts falling due after more than one year	16	(3,461)	(4,563)
PROVISIONS FOR LIABILITIES	17	(39,432)	(46,820)
NET ASSETS EXCLUDING PENSION LIABILITY		318,963	323,865
PENSION LIABILITY	18	(483,594)	(368,498)
NET LIABILITIES INCLUDING PENSION LIABILITY		(164,631)	(44,633)
CAPITAL AND RESERVES			
Called up share capital	19	68,239	68,239
Capital conversion reserve fund	19	877	877
Profit and loss account	20	(227,588)	(106,305)
SHAREHOLDERS' DEFICIT	21	(158,472)	(37,189)
Minority interest	22	(6,159)	(7,444)
		(164,631)	(44,633)

On behalf of the Board
John Fitzgerald, Chairman
Donal Connell, Director

	NOTES	2011 €'000	2010 €'000
FIXED ASSETS			
Tangible assets	10	270,986	259,376
Financial assets	11	11,084	11,084
		282,070	270,460
CURRENT ASSETS			
Debtors	12	67,724	63,607
Cash at bank and in hand	13	141,178	178,173
		208,902	241,780
CREDITORS: Amounts falling due within one year	14	(164,595)	(169,311)
NET CURRENT ASSETS		44,307	72,469
TOTAL ASSETS LESS CURRENT LIABILITIES		326,377	342,929
CREDITORS: Amounts falling due after more than one year	16	(3,461)	(3,563)
PROVISIONS FOR LIABILITIES	17	(39,432)	(46,820)
NET ASSETS EXCLUDING PENSION LIABILITY		283,484	292,546
PENSION LIABILITY	18	(483,594)	(368,498)
NET LIABILITIES INCLUDING PENSION LIABILITY		(200,110)	(75,952)
CAPITAL AND RESERVES			
Called up share capital	19	68,239	68,239
Capital conversion reserve fund	19	877	877
Profit and loss account	20	(269,226)	(145,068)
SHAREHOLDERS' DEFICIT	21	(200,110)	(75,952)

On behalf of the Board

John Fitzgerald, Chairman

Donal Connell, Director

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

	NOTES	2011 €'000	2010 €'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	23	(15,447)	(11,470)
TAXATION	23	2,796	(2,402)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	23	(31,778)	(40,590)
ACQUISITIONS	23	(3,310)	(21,072)
FINANCING	23	(1,000)	2,000
CASH OUTFLOW BEFORE USE OF LIQUID RESOURCES		(48,739)	(73,534)
MANAGEMENT OF LIQUID RESOURCES	23	50,195	9,043
INCREASE / (DECREASE) IN CASH IN THE YEAR		1,456	(64,491)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	NOTES	2011 €'000	2010 €'000
INCREASE / (DECREASE) IN CASH IN THE YEAR	24	1,456	(64,491)
Cash flows from change in liquid resources	24	(50,195)	(9,043)
Change in net funds resulting from cash flows	24	(48,739)	(73,534)
NET FUNDS AT BEGINNING OF YEAR	24	196,342	269,876
NET FUNDS AT END OF YEAR	24	147,603	196,342

1. Status of Company

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

2. Turnover

	2011 €'000	2010 €'000
The analysis of turnover is as follows:		
REPUBLIC OF IRELAND		
Postage: Letters and parcels	507,306	552,366
Postage: Elections and referendum	27,996	-
Post offices: Agency, remittance and related services	171,613	171,438
Other services	41,598	36,197
Interest income	9,358	9,259
	757,871	769,260
UNITED KINGDOM		
Other services	48,843	35,860
	806,714	805,120

Turnover above excludes the Group's share of Joint Venture's turnover of €nil (2010: €6,443,000). In the opinion of the directors, fuller compliance with the disclosure requirements of SSAP 25 'Segmental Reporting' would be prejudicial to the Group's interests.

3. Operating Costs

	2011 €'000	2010 €'000
STAFF COSTS		
Wages and salaries	418,735	422,795
Postmasters' costs	74,432	74,646
Social welfare costs (note 18)	36,648	36,279
	529,815	533,720
Other pension costs (note 18)	46,580	41,952
	576,395	575,672
OTHER COSTS		
Distribution	72,396	66,612
Facilities	25,998	26,630
Operational	63,146	61,952
Administration	39,737	43,171
Depreciation and amortisation of goodwill	26,826	25,245
	228,103	223,610
	804,498	799,282

4. Exceptional Items

	2011 €'000	2010 €'000
Costs of restructuring	–	(20,000)

The Company continues to implement its strategic plan which includes an intention to reduce the number of full time equivalents working in the Group by 1,375 over the three year period 2010 to 2012. As set out in note 17, the provision for business restructuring at 31 December 2011 includes €20,386,000 (2010: €27,774,000) in relation to business restructuring redundancy costs. Having considered the impact of continuing volume reductions arising from the economic recession, market liberalisation and e-substitution, the analysis of probable exits based on definitive exit plans and negotiations supports the current level of provisioning and no further charge has been made in 2011.

5. Profit / (Loss) on Ordinary Activities before Taxation

	2011 €'000	2010 €'000
The profit / (loss) on ordinary activities before taxation is stated after charging:		
DIRECTORS' EMOLUMENTS		
Fees	244	251
Other emoluments	402	407
Pension contributions	77	77
EXPENSES PAID TO DIRECTORS		
Travel	18	15
Subsistence	6	6
Other	1	1
AUDITORS' REMUNERATION		
Audit of the group financial statements	299	299
Other assurance services	155	155
Tax advice services	126	178
Other non-audit services	110	241
Depreciation	24,085	22,925
Amortisation of goodwill	2,741	2,320
OPERATING LEASE RENTALS		
Rental of buildings	8,357	8,290
Other – equipment and motor vehicles	14,657	14,110
and after crediting:		
Capital grants amortised	102	102
Profit / (loss) on sale of fixed assets	131	(14)

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.

5. Profit / (Loss) on Ordinary Activities before Taxation (cont.)

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

	2011 €'000	2010 €'000
Basic salary	381	386
Non-pensionable performance related pay	-	-
Total pay	381	386
Other emoluments:		
Taxable benefits, including use of a company car	21	21
Director's fee	16	16
Pension contributions	77	77
	495	500

In accordance with the Government Guidelines on Remuneration and Other Conditions of Chief Executives, the Company operates a performance related pay scheme which provides for a maximum possible annual award of 35% of basic pay. Under this scheme, up to 25% is applied to annual objectives (the 25% short term scheme) and up to 10% is applied to multi-annual (three year) objectives (the 10% long term scheme). The Chief Executive has voluntarily waived his entitlement under the 25% short term scheme in the current year and in the previous two years. Amounts earned under the 10% long term scheme are not finalised and do not become payable until the end of the contract term. However, it is estimated that an amount of €97,000 has been earned by the Chief Executive under the 10% long term scheme since the date of his appointment, 14 August, 2006, up to 31 December 2009. No determination has been made yet in relation to amounts earned by the Chief Executive in 2010 or 2011 under the 10% long term scheme. The Board are cognisant of the Minister's position in regard to performance related bonuses in Commercial Semi-State Bodies.

From 1 December 2011, the Chief Executive waived 15% of his basic salary going forward, to the Minister for Finance.
The fees paid to each director were as follows:

	2011 €'000	2010 €'000
John Fitzgerald (Chairman)	31	31
Patrick Compton	16	16
Jerry Condon	16	16
Donal Connell	16	16
Anne Connolly	16	16
Paddy Costello	16	16
Patrick Davoren	-	2
Thomas Devlin	16	11
Louise English	-	6
Paul Henry	4	-
Ciara Hurley	4	16
James Hyland	24	25
Brian McConnell	4	16
Gerry O'Toole	16	16
Peter Ormond	13	-
John Quinlivan	16	16
Alan Sloane	16	16
Catherine Woods	16	16
James Wrynn	4	-
Total	244	251

6. Tax on Profit / (Loss) on Ordinary Activities

	2011 €'000	2010 €'000
CURRENT TAX		
Ireland – Corporation tax	1,605	(918)
Ireland – adjustment with respect of prior years	(16)	(22)
UK – Corporation tax	545	511
	2,134	(429)

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

	2011 €'000	2010 €'000
Profit / (loss) on ordinary activities before tax	3,766	(24,702)
Current tax of 12.5% (2010: 12.5%)	471	(3,088)
Effects of:		
Expenses not deductible	367	609
Depreciation in excess of capital allowances	902	831
Share of Joint Venture losses not deductible	-	824
Income taxed at higher rates	1,408	1,469
Utilisation of tax losses	-	-
Short term timing differences	(998)	(1,052)
Prior year overprovision	(16)	(22)
Current tax charge	2,134	(429)

Given the uncertainty over the existence of future taxable profits, a potential deferred tax asset of €65,162,000 (2010: €49,991,000) has not been recognised in the consolidated balance sheet at 31 December 2011. This deferred tax asset not recognised comprises a deferred tax asset in relation to the net pension deficit recognised of €60,449,000 (2010: €46,062,000), timing differences on business restructuring, €2,381,000 (2010: €2,381,000), tax losses forward not utilised, €6,556,000 (2010: €6,540,000), offset by other timing differences of €4,224,000 (2010: €4,992,000).

7. Profit / (Loss) for the Financial Year

	2011 €'000	2010 €'000
Loss after tax in the holding company	(2,528)	(17,860)
Profit after tax in subsidiary undertakings	4,160	177
Share of result of Joint Venture	-	(6,590)
Minority interest	(1,285)	(409)
Profit / (loss) for the financial year	347	(24,682)

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

8. Staff Numbers and Costs

	2011	2010
The average Full Time Equivalent (**FTE**) number of persons working in the Group during the year was:		
Operations	9,382	9,440
Corporate	655	689
Total Company employees (**FTE**)	10,037	10,129
Subsidiaries	612	481
Total Group employees (**FTE**)	10,649	10,610
The average number of employees working in the Group during the year, including executive directors, was:		
Operations	8,859	8,943
Corporate	694	727
Total Company employees	9,553	9,670
Casual employees	1,160	1,300
Total Company employees	10,713	10,970
Subsidiaries	620	490
Total Group employees	11,333	11,460
Postmasters: Engaged as agents	1,103	1,128

	2011 €'000	2010 €'000
The aggregate payroll costs, excluding restructuring costs, were as follows:		
Wages and salaries	418,735	422,795
Postmasters' costs	74,432	74,646
Social welfare costs	36,648	36,279
	529,815	533,720
Other pension costs (note 18)	46,580	41,952
	576,395	575,672

9. Intangible Fixed Assets – Goodwill

	TOTAL €'000
GROUP	
COST	
At 31 December 2010	38,703
Acquisitions (note 25)	2,582
Foreign exchange gain	100
At 31 December 2011	41,385
AMORTISATION	
At 31 December 2010	14,045
Charge for year	2,741
At 31 December 2011	16,786
NET BOOK VALUE	
At 31 December 2011	24,599
At 31 December 2010	24,658

The directors have considered the carrying value of goodwill at 31 December 2011 and have concluded that no impairment arises.

10. Tangible Fixed Assets

	FREEHOLD & LONG LEASEHOLD LAND & BUILDINGS €'000	INTEREST IN GPO €'000	MOTOR VEHICLES €'000	OPERATING & COMPUTER EQUIPMENT €'000	TOTAL €'000
GROUP					
COST					
At 31 December 2010	233,894	26,582	19,923	285,680	566,079
Additions	8,542	3	39	27,417	36,001
Disposals	(19)	-	(3,113)	(18)	(3,150)
Foreign exchange gain	-	-	1	114	115
At 31 December 2011	242,417	26,585	16,850	313,193	599,045
ACCUMULATED DEPRECIATION					
At 31 December 2010	52,852	11,464	11,895	235,203	311,414
Charged during year	5,464	663	2,564	15,394	24,085
Eliminated on disposals	(8)	-	(2,998)	(13)	(3,019)
Foreign exchange gain	-	-	-	35	35
At 31 December 2011	58,308	12,127	11,461	250,619	332,515
NET BOOK VALUE					
At 31 December 2011	184,109	14,458	5,389	62,574	266,530
At 31 December 2010	181,042	15,118	8,028	50,477	254,665
COMPANY					
COST					
At 31 December 2010	236,183	26,582	19,701	276,256	558,722
Additions	7,577	3	39	26,880	34,499
Disposals	(19)	-	(3,100)	-	(3,119)
At 31 December 2011	243,741	26,585	16,640	303,136	590,102
ACCUMULATED DEPRECIATION					
At 31 December 2010	47,619	11,464	11,842	228,421	299,346
Charged during year	5,623	663	2,506	13,978	22,770
Eliminated on disposals	(8)	-	(2,992)	-	(3,000)
At 31 December 2011	53,234	12,127	11,356	242,399	319,116
NET BOOK VALUE					
At 31 December 2011	190,507	14,458	5,284	60,737	270,986
At 31 December 2010	188,564	15,118	7,859	47,835	259,376

Group and Company

The depreciable element of freehold & long leasehold land & buildings amounts to:
Group €200,940,000 (2010: €188,448,000), Company €206,946,000 (2010: €195,977,000).

11. Financial Fixed Assets

	GROUP 2011 €	GROUP 2010 €	COMPANY 2011 €	COMPANY 2010 €
Shares in subsidiary undertakings, at cost	102	102	11,083,733	11,083,671
Interest in associated undertakings, at cost	163	163	163	163
	265	265	11,083,896	11,083,834
The movements during the year were as follows:				
SHARES IN SUBSIDIARY UNDERTAKINGS (NOTE 25)				
At beginning of year	102	102	11,083,671	10,651,016
Additions	-	-	62	432,655
At end of year	102	102	11,083,733	11,083,671
SHARES IN ASSOCIATED UNDERTAKINGS (NOTE 25)				
At beginning of year	163	163	163	163
Additions	-	-	-	-
At end of year	163	163	163	163

12. Debtors

	GROUP 2011 €'000	GROUP 2010 €'000	COMPANY 2011 €'000	COMPANY 2010 €'000
AMOUNTS FALLING DUE WITHIN ONE YEAR				
Trade debtors	75,965	65,172	35,171	28,439
Amounts owed by subsidiary undertaking not consolidated (note 28)	517	751	517	751
Amounts owed by other subsidiary undertakings	-	-	1,760	1,014
Amounts owed by associated undertaking (note 28)	251	331	251	331
Corporation tax repayable	-	3,024	-	3,029
Other debtors	5,195	3,268	4,320	1,617
Prize Bonds held	1,288	1,393	600	705
Prepayments and accrued income	29,019	24,498	3,649	5,129
	112,235	98,437	46,268	41,015
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR				
Amounts owed by subsidiary undertakings	-	-	21,456	22,592
	112,235	98,437	67,724	63,607

13. Cash at Bank and In Hand

	GROUP 2011 €'000	GROUP 2010 €'000	COMPANY 2011 €'000	COMPANY 2010 €'000
Cash at bank	30,679	35,234	21,793	15,329
Cash in hand	193,210	258,212	193,210	258,212
	223,889	293,446	215,003	273,541
Term deposits	229,864	280,059	229,864	280,059
Less: Amounts held in trust	(303,689)	(375,427)	(303,689)	(375,427)
	150,064	198,078	141,178	178,173

14. Creditors

	GROUP 2011 €'000	GROUP 2010 €'000	COMPANY 2011 €'000	COMPANY 2010 €'000
AMOUNTS FALLING DUE WITHIN ONE YEAR				
Trade creditors	45,362	49,927	14,438	12,598
Amounts owed to subsidiary undertakings	-	-	39,911	30,485
Other creditors	14,276	11,438	5,714	3,416
Taxation and social welfare (note 15)	17,009	19,832	13,986	15,659
Accruals	98,730	103,466	77,812	93,962
Deferred income – capital grants (note 16)	102	102	102	102
Term loan	1,000	1,000	-	-
Bank overdraft	2,461	1,736	-	-
Deferred postage income	12,632	13,089	12,632	13,089
	191,572	200,590	164,595	169,311

The bank overdraft is repayable on demand. The term loan is secured by way of a debenture over the assets of the Gift Voucher Shop. It is repayable in 2012.

15. Taxation and Social Welfare

	GROUP 2011 €'000	GROUP 2010 €'000	COMPANY 2011 €'000	COMPANY 2010 €'000
Corporation tax payable	1,906	-	794	-
Income tax deducted under PAYE	6,044	7,428	5,464	7,020
Pay related social insurance	6,194	6,416	6,042	6,229
Value added tax	2,607	5,305	1,436	1,909
Professional services withholding tax	258	683	250	501
	17,009	19,832	13,986	15,659

16. Creditors

	GROUP 2011 €'000	GROUP 2010 €'000	COMPANY 2011 €'000	COMPANY 2010 €'000
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR				
Deferred income – capital grants	3,461	3,563	3,461	3,563
Term loan	-	1,000	-	-
	3,461	4,563	3,461	3,563
The movements on grants were as follows:				
At beginning of year	3,665	3,767	3,665	3,767
Amortised to profit and loss account	(102)	(102)	(102)	(102)
At end of year	3,563	3,665	3,563	3,665
Transferred to creditors: amounts falling due within one year	(102)	(102)	(102)	(102)
	3,461	3,563	3,461	3,563

17. Provisions for Liabilities

	2011 €'000	2010 €'000
GROUP AND COMPANY		
Provisions for business restructuring	39,432	46,820
The movements during the year were as follows:		
At beginning of year	46,820	49,885
Charge for the year (note 4)	-	20,000
Utilised during the year	(7,388)	(23,065)
At end of year	39,432	46,820

The provision for business restructuring at 31 December 2011 includes €20,386,000 (2010: €27,774,000) in relation to business restructuring redundancy costs (related restructuring is anticipated to be completed by 31 December 2013), and €19,046,000 (2010: €19,046,000) in relation to the introduction of an Employee Share Ownership Plan (ESOP).

18. Pensions and Similar Obligations

GROUP AND COMPANY

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

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

	2011 €'000	2010 €'000
Defined benefit schemes – current service cost	44,600	39,800
Ex-gratia schemes – current service cost	1,000	1,000
Defined contribution scheme	980	1,152
Recognised in the profit and loss account	46,580	41,952

Past service costs of €5,410,000 (2010: €14,762,000) arose during the year. These were discharged through the utilisation of the restructuring provision (note 17) and had no impact on the profit and loss account for the year ended 31 December, 2011 or 2010. Contributions payable to pension schemes and included in creditors at 31 December 2011 amounted to €1,759,000 (2010: €nil) and were paid in January 2012.

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 2011 using the attained age method and at that date were sufficient to cover 79% 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 2011 recommended a contribution rate of 14.4% of pensionable remuneration, as an interim contribution rate, pending finalisation of an agreement between the Company and the members of the schemes on a course of action to comply with the Minimum Funding Standard (MFS) as issued by the Pensions Board. The actuarial valuations are not available for public inspection but the results of the valuations have been advised to the members of the schemes.

The valuations of the pension schemes used for the purpose of FRS 17 accounting entries and disclosures have been based on the most recent actuarial valuations as identified above and updated by the independent actuary to 31 December 2011. Scheme assets are stated at their market value at the balance sheet date.

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

	2011	2010	2009
Valuation method	Projected Unit	Projected Unit	Projected Unit
Discount rate	5.25%	5.50%	5.75%
Inflation rate	2.00%	2.00%	2.00%
Increase to pensions in payment	2.60%	2.90%	3.25%
Pensionable salary increases	2.60%	2.90%	3.25%
The long term expected rates of return on the assets of the pension scheme were:			
Equities	8.25%	8.50%	9.00%
Bonds	3.75%	4.00%	4.00%
Other	4.25%	5.10%	6.00%

18. Pensions and Similar Obligations (cont.)

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

	2011 MALE	2011 FEMALE	2010 MALE	2010 FEMALE
LIFE EXPECTANCY AT 65				
Current Pensioners – aged 65	85.7	87.0	85.5	86.8
Future Pensioners – aged 40	88.6	89.5	88.5	89.4

The market value of the assets of the defined benefit schemes at 31 December 2011, 2010 and 2009 were:

	2011 €'000	2010 €'000	2009 €'000
Equities	925,700	1,068,800	916,100
Bonds	681,100	650,500	625,100
Other	153,172	123,445	112,400
Fair value of pension schemes' assets	1,759,972	1,842,745	1,653,600
Present value of funded defined benefit obligations	(2,230,700)	(2,199,400)	(2,045,000)
Present value of unfunded defined benefit obligations	(12,866)	(11,843)	(11,852)
Present value of defined benefit obligations	(2,243,566)	(2,211,243)	(2,056,852)
Pension liability	(483,594)	(368,498)	(403,252)
MOVEMENT IN FAIR VALUE OF PENSION SCHEMES' ASSETS			
Fair value of pension schemes' assets at beginning of year	1,842,745	1,653,600	
Expected return on plan assets	122,400	113,400	
Actuarial (loss) / gain	(185,500)	96,000	
Employer contributions	55,994	66,956	
Members' contributions	4,400	4,500	
Benefits paid	(80,067)	(91,711)	
Fair value of pension schemes' assets at end of year	1,759,972	1,842,745	
MOVEMENT IN PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS			
Defined benefit obligations at beginning of year	(2,211,243)	(2,056,852)	
Current service cost	(45,600)	(40,800)	
Past service cost	(5,410)	(14,762)	
Interest cost	(120,850)	(117,350)	
Members' contributions	(4,400)	(4,500)	
Benefits paid	80,067	91,711	
Actuarial gain / (loss)	63,870	(68,690)	
Defined benefit obligations at end of year	(2,243,566)	(2,211,243)	

18. Pensions and Similar Obligations (cont.)

	2011 €'000	2010 €'000
OTHER FINANCE INCOME / (EXPENSE)		
Interest on scheme liabilities	(120,850)	(117,350)
Expected return on schemes' assets	122,400	113,400
	1,550	(3,950)

The expected return on scheme assets is calculated based on the value of the schemes' assets at the beginning of the financial year. The actuarial gains and losses are analysed as follows:

	2011 €'000	2010 €'000
AMOUNTS RECOGNISED IN STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES		
Difference between expected and actual return on assets	(185,500)	96,000
Experience gains and losses on schemes liabilities	63,870	(68,690)
Actuarial (loss) / gain recognised	(121,630)	27,310

The actual return on schemes' assets in 2011 was a loss of €63m (2010: gain of €209m). The cumulative actuarial gains and losses recognised in the statement of total recognised gains and losses at 31 December 2011 is a loss of €265m.

Employer contributions in 2012 excluding potential past service costs are expected to be €49m.

	2011 €'000	2010 €'000	2009 €'000	2008 €'000	2007 €'000
HISTORY OF ACTUARIAL GAINS AND LOSSES					
Difference between expected and actual return on assets	(185,500)	96,000	125,700	(768,161)	188,294
Expressed as a percentage of schemes' assets	(11%)	5%	8%	(53%)	9%
Experience gains and losses on schemes' liabilities	63,870	(68,690)	62,090	(8,400)	-
Expressed as a percentage of schemes' liabilities	3%	(3%)	3%	-	-
Total actuarial gains and (losses)	(121,630)	27,310	187,790	(486,565)	63,141
Expressed as a percentage of schemes' liabilities	(5%)	1%	9%	(24%)	3%

19. Share Capital

	2011 €'000	2010 €'000
GROUP AND COMPANY		
Authorised: 80,000,000 Ordinary Shares of €1.25 each	100,000	100,000
Allotted, called up and fully paid: 54,590,946 Ordinary Shares of €1.25 each	68,239	68,239

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

20. Profit and Loss Account

	GROUP 2011 €'000	GROUP 2010 €'000	COMPANY 2011 €'000	COMPANY 2010 €'000
At beginning of year	(106,305)	(108,933)	(145,068)	(148,018)
Profit / (loss) for the financial year	347	(24,682)	(2,528)	(17,860)
Impairment of financial asset	-	-	-	(6,500)
Other recognised (losses) / gains	(121,630)	27,310	(121,630)	27,310
At end of year	(227,588)	(106,305)	(269,226)	(145,068)

21. Reconciliation of Shareholders' Deficit

	GROUP 2011 €'000	GROUP 2010 €'000	COMPANY 2011 €'000	COMPANY 2010 €'000
At beginning of year	(37,189)	(39,817)	(75,952)	(78,902)
Profit / (loss) for the financial year	347	(24,682)	(2,528)	(17,860)
Impairment of financial asset	-	-	-	(6,500)
Other recognised (losses) / gains	(121,630)	27,310	(121,630)	27,310
At end of year	(158,472)	(37,189)	(200,110)	(75,952)

22. Minority Interest

	TOTAL €'000
GROUP	
Accumulated losses at 31 December 2010	7,444
Minority interest share of profit	(1,285)
Accumulated losses at 31 December 2011	6,159

23. Gross Cash Flows

	2011 €'000	2010 €'000
RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES		
Operating profit	2,216	5,838
Depreciation and amortisation of goodwill	26,826	25,245
(Profit) / loss on sale of tangible fixed assets	(131)	14
Payments in relation to provision for business restructuring	(9,025)	(23,065)
Cash pension cost	(4,984)	(11,394)
Capital grants amortised	(102)	(102)
Increase in operating debtors	(16,822)	(35,206)
(Decrease) / increase in operating creditors	(13,425)	27,200
NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES	(15,447)	(11,470)
TAXATION		
Tax refunded / (paid)	2,796	(2,402)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Purchase of tangible fixed assets	(32,040)	(40,678)
Disposal of tangible fixed assets	262	88
	(31,778)	(40,590)
ACQUISITIONS AND DISPOSALS		
Acquisition of subsidiary undertakings (note 25)	(3,310)	(14,572)
Investment in joint venture	-	(6,500)
	(3,310)	(21,072)
FINANCING		
Term loan (repaid) / received	(1,000)	2,000
MANAGEMENT OF LIQUID RESOURCES (note a)		
Decrease in term deposits	(50,195)	(9,043)

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

24. Analysis of Net Funds

	AT BEGINNING OF YEAR €'000	CASH FLOWS €'000	AT END OF YEAR €'000
Cash at bank and in hand	293,446	(69,557)	223,889
Bank overdraft	(1,736)	(725)	(2,461)
Amounts held in trust	(375,427)	71,738	(303,689)
		1,456	
Term deposits	280,059	(50,195)	229,864
Total	196,342	(48,739)	147,603

25. Subsidiary and Associated Undertakings

NAME	NATURE OF BUSINESS	% HOLDING	REGISTERED OFFICE
SUBSIDIARY UNDERTAKINGS HELD DIRECTLY BY THE COMPANY			
An Post National Lottery Company (note 28)	Operation of the National Lottery	80%	General Post Office O'Connell Street Dublin 1
Postpoint Services Limited	Mobile top ups	100%	General Post Office O'Connell Street Dublin 1
GVS Gift Voucher Shop Limited	Retail gift vouchers	53.6%	General Post Office O'Connell Street Dublin 1
PrintPost Limited	High volume printing	100%	General Post Office O'Connell Street Dublin 1
An Post BillPost Processing Services Limited	Bill payment processing	100%	General Post Office O'Connell Street Dublin 1
An Post GeoDirectory Limited	Database services	51%	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
Arcade Property Company Limited	Property development and letting	100%	General Post Office O'Connell Street Dublin 1
Prince's Street Property Company Limited	Dormant	100%	General Post Office O'Connell Street Dublin 1
Post Consult International Limited	Computer software services	100%	General Post Office O'Connell Street Dublin 1
Post.Trust Limited	Digital certification and security services	100%	General Post Office O'Connell Street Dublin 1
Transpost Limited	Courier and distribution	100%	General Post Office O'Connell Street Dublin 1
Kompass Ireland Publishers Limited	Dormant	100%	General Post Office O'Connell Street Dublin 1
An Post (NI) Limited	Holding company	100%	Stokes House College Square East Belfast

25. Subsidiary and Associated Undertakings (cont.)

NAME	NATURE OF BUSINESS	% HOLDING	REGISTERED OFFICE
SUBSIDIARY UNDERTAKINGS HELD INDIRECTLY THROUGH A SUBSIDIARY UNDERTAKING			
Air Business Limited	Distribution and magazine subscription services	100%	4, The Merlin Centre Acrewood Way St. Albans Herts, UK
The Gift Voucher Shop Limited	Retail gift vouchers	53.6%	4, The Merlin Centre Acrewood Way St. Albans Herts, UK
Jordan & Co. International Limited	Distribution	100%	4, The Merlin Centre Acrewood Way St. Albans Herts, UK
One Direct (Ireland) Limited	Insurance Broker	100%	General Post Office O'Connell Street Dublin 1
ASSOCIATED UNDERTAKING HELD DIRECTLY BY THE COMPANY			
The Prize Bond Company Limited (note 28)	Administration of the Prize Bond Scheme	50%	General Post Office O'Connell Street Dublin 1

25. Subsidiary and Associated Undertakings (cont.)

The Group acquired, through its UK subsidiary Air Business Limited, the net assets and business of Quadrant Subscription Services on 31 May 2011. The assets acquired, all of which were tangible fixed assets, amounted to €0.7m and the consideration was paid for in cash of €3.3m resulting in goodwill arising on the acquisition of €2.6m. The directors believe that there was no material difference between the book values of the assets and liabilities acquired and their fair values at the date of acquisition. Goodwill arising on acquisition is being written off over a period of 10 years.

The results of the acquired business have been included in the consolidated profit and loss account from the date of acquisition and amounted to turnover of €7.8m, operating costs of €7.6m and operating profits of €0.2m.

Air Business Limited, Jordan & Co. International Limited and The Gift Voucher Shop Limited are incorporated in and operate in England & Wales. An Post (NI) Limited is incorporated in and operates in Northern Ireland.

All other undertakings are incorporated in and operate in the Republic of Ireland. All shareholdings consist of ordinary share capital.

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

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

The following subsidiaries will avail of the filing exemption available under Section 17 of the Companies (Amendment) Act, 1986, whereby they will annex the financial statements of An Post to their annual returns:

Post Consult International Limited; PrintPost Limited; Post.Trust Limited; Transpost Limited; Precision Marketing Information Limited; Prince's Street Property Company Limited; An Post BillPost Processing Services Limited; Kompass Ireland Publishers Limited and Postpoint Services Limited.

26. Lease Commitments

Annual commitments under operating leases were as follows:

	2011			2010		
	LAND & BUILDINGS €'000	EQUIPMENT & MOTOR VEHICLES €'000	TOTAL €'000	LAND & BUILDINGS €'000	EQUIPMENT & MOTOR VEHICLES €'000	TOTAL €'000
GROUP						
Expiring within one year	808	3,640	4,448	943	4,676	5,619
Expiring after one year and before five years	3,691	8,698	12,389	3,749	7,787	11,536
Expiring after five years	4,275	6	4,281	4,374	6	4,380
	8,774	12,344	21,118	9,066	12,469	21,535
COMPANY						
Expiring within one year	293	3,606	3,899	583	4,664	5,247
Expiring after one year and before five years	2,752	8,410	11,162	2,708	7,589	10,297
Expiring after five years	3,335	-	3,335	3,799	-	3,799
	6,380	12,016	18,396	7,090	12,253	19,343

There were no material finance lease commitments either at 31 December 2011 or 2010 or which were due to commence after that date.

27. Capital Commitments

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

	GROUP 2011 €'000	GROUP 2010 €'000	COMPANY 2011 €'000	COMPANY 2010 €'000
Contracted for	18,500	28,823	18,500	28,823
Authorised but not contracted for	1,861	14,636	1,861	14,636
	20,361	43,459	20,361	43,459

28. Related Party Disclosures and Controlling Party

Controlling Party

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

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 Public Expenditure and Reform 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 €5,859,000 (2010: €6,112,000) in respect of services provided to An Post National Lottery Company. These amounts are inclusive of a management fee of €2,665,000 (2010: €2,809,000) payable to the Company in accordance with the terms of the licence to operate the National Lottery.

The costs of staff working in An Post National Lottery Company are recharged from An Post at cost and amounted to €8,533,000 for the year ended 31 December 2011 (2010: €8,304,000).

The amount owed by An Post National Lottery Company to the Company was €517,000 at 31 December 2011 (2010: €751,000).

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 Public Expenditure and Reform. An Post has provided the guarantee, the maximum liability of which amounts to €10 million, for the duration of the licence.

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 €2,930,000 for the year ended 31 December 2011 (2010: €3,430,000). The amount owed by The Prize Bond Company Limited to the Company was €251,000 at 31 December 2011 (2010: €331,000). At 31 December 2011 the Group held €1,288,000 (2010: €1,393,000) of Prize Bonds.

Loft Beck Limited (formerly Postbank Ireland Limited)

During 2010, the shareholders in Postbank Ireland Limited, BGL BNP Paribas Fortis and An Post decided not to continue the joint venture beyond the calendar year 2010 and accordingly the company accounts for An Post to 31 December 2010 recognised this and reduced the carrying value of the investment to €nil. Loft Beck Limited (formerly Postbank Ireland Limited) is in voluntary liquidation from 25 March 2011. The liquidation process will likely last for a number of years. An Post received a payment from the liquidator of €2,750,000 representing surplus funds on the liquidation. The liquidator received an indemnity entitling him to reclaim this should the need arise.

28. Related Party Disclosures and Controlling Party (cont.)

TRANSACTIONS WITH GOVERNMENT DEPARTMENTS AND OTHER STATE BODIES

The Group provides, in the ordinary course of business, postage, agency, remittance and courier services to various Government departments and other State bodies on an arms length basis. The Group also conducts day to day banking services and treasury with banking institutions both owned and guaranteed by the State.

29. Contingencies

Group and Company

There were no contingent liabilities or guarantees at 31 December 2011 or 2010 in respect of which material losses are expected other than as disclosed elsewhere in the financial statements.

30. Subsequent Events

Group and Company

On 8 February 2012, ComReg served legal proceedings on An Post under the terms of the European Communities (Postal Services) Regulations Act 2002 seeking an order from the High Court to impose a financial penalty on An Post for alleged non compliance with the quality of service standards. The Company is vigorously defending the action and has recognised no liability in this regard as at 31 December 2011.

31. Board Approval

The financial statements were approved by the Board of Directors on 22 March 2012.

Consolidated Profit and Loss Account

	2011 €'000	2010 €'000	2009 €'000	2008 €'000	2007 €'000
Turnover	806,714	805,120	804,216	850,043	875,983
Operating costs	(804,498)	(799,282)	(798,475)	(818,808)	(846,857)
OPERATING PROFIT	**2,216**	**5,838**	**5,741**	**31,235**	**29,126**
Asset disposals	-	-	-	-	1,516
Business restructuring	-	(20,000)	-	-	-
Share of results of joint venture	-	(6,590)	(10,750)	(9,685)	(12,475)
Other finance income / (expense)	1,550	(3,950)	(20,560)	18,340	31,250
Profit / (loss) before taxation	3,766	(24,702)	(25,569)	39,890	49,417

Consolidated Balance Sheet

	2011 €'000	2010 €'000	2009 €'000	2008 €'000	2007 €'000
Fixed assets	291,129	279,323	242,704	211,465	206,682
Net current assets	70,727	95,925	166,423	235,998	235,556
Other liabilities	(42,893)	(51,383)	(53,550)	(63,705)	(73,130)
Net assets excluding pension liability	318,963	323,865	355,577	383,758	369,108
Pension liability	(483,594)	(368,498)	(403,252)	(582,300)	(114,300)
Net (liabilities) / assets including pension liability	(164,631)	(44,633)	(47,675)	(198,542)	254,808
Capital and reserves	(164,631)	(44,633)	(47,675)	(198,542)	254,808

Ratios

	2011	2010	2009	2008	2007
Operating profit above as % of turnover	0.27%	0.73%	0.71%	3.67%	3.32%
Operating profit above as % of average shareholders' funds before pension liability	0.68%	1.68%	1.55%	8.30%	8.47%
Staff and postmasters' costs as % of operating costs before exceptional item	71.65%	72.0%	73.76%	73.16%	70.96%
Current assets as % of current liabilities	136.0%	148.1%	190.50%	242.86%	235.43%

Mail

	2011	2010	2009	2008	2007
Letters core revenue index (2005 = 100) (note 1)	81.4	87.5	94.3	104.8	107.0

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

System Size

	2011	2010	2009	2008	2007
No. of delivery points (millions)	2.235	2.231	2.214	2.184	2.131
Post office network:					
Company post offices	57	57	57	61	74
Sub-post offices	1,099	1,107	1,179	1,187	1,212
Postal agencies	175	185	177	178	172
	1,331	1,349	1,413	1,426	1,458
No. of motor vehicles	2,778	2,778	2,782	2,941	2,967
SAVINGS SERVICES (note 2)	€m	€m	€m	€m	€m
Value of Funds at 31 December	12,623	11,364	8,231	6,701	5,617
COUNTERS: BUSINESS VALUE					
Post Office Savings Services					
Savings Bank deposits	1,122	1,242	905	1,306	814
Savings Bank withdrawals	(973)	(813)	(802)	(850)	(1,063)
Savings Certificates issued	822	1,354	1,215	749	467
Savings Certificates repaid	(616)	(597)	(1,041)	(660)	(750)
Instalment Savings issued	97	100	110	114	107
Instalment Savings repaid	(113)	(113)	(102)	(111)	(117)
Savings Bonds issued	1,401	2,137	1,466	813	574
Savings Bonds repaid	(937)	(706)	(704)	(589)	(704)
National Solidarity Bond issued	294	349	-	-	-
National Solidarity Bond repaid	(31)	(7)	-	-	-
Pensions, allowances and social welfare benefits					
Paid during the year	9,703	9,975	9,928	8,265	7,610
	’000	’000	’000	’000	’000
BILLPAY VOLUMES	24,930	25,220	25,170	24,490	24,786
TV LICENCE SALES	1,426	1,432	1,436	1,430	1,407

Note 2: The assets and liabilities of the Savings Services vest in the Minister for Finance and, accordingly, are not included in the financial statements of the Company.

An Post
General Post Office
O'Connell Street
Dublin 1
Ireland