AN POST 2015

ANNUAL REPORT 2015

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 competition, delivering a better quality service, more efficiently, to more customers by continuously adapting, innovating and implementing change.

OUR VALUES

Quality Customer Service
We deliver world class service quality by putting the customer first.

Commercial Success
We achieve commercial success to sustain and develop the business.

Cost Competitiveness & Efficiency
We run a cost competitive efficient Company.

Respect & Personal Responsibility
We respect each other and take personal responsibility.

Respected Corporate Citizen
We care for the environment and are engaged in the community.

Innovation & Change
We innovate, adapt and implement change successfully.

BOARD OF DIRECTORS AND CORPORATE INFORMATION

1. Dermot Divilly
2. Noel Adamson
3. Patrick Compton
4. Donal Connell
5. Thomas Devlin
6. Paul Henry
7. Jennifer Loftus
8. William Mooney
9. Ed Murray
10. Tom O'Brien
11. James Wrynn
12. Martina O'Connell
13. Lorraine Tormey
14. William Scally

1. Dermot Divilly
Chairperson (Designate)
Announced as Chairperson
1 December 2015
Mr Divilly has broad experience of boards, corporate governance, shareholders and pensions across diverse industries. He has been CEO of many businesses over his career including Thorn Domestic Appliances Ltd., Killeen Investments Ltd. (distributors of Toyota), Consolidated Holdings Ltd. (solid fuel and shipping company) and Allegro plc (FMCG distributor), where he successfully led a management buy-out. For the past fifteen years he has been the Executive Chairman for a number of private equity investments in Ireland and the UK. He has been a non-executive director of SIAC Ltd. and Aviva Ireland. He is currently Chairman of the Personal Injuries Assessment Board. Mr Divilly holds a first class honours degree in agricultural science as well as a MBA.

2. Noel Adamson
Employee Director
Appointed 1 November 2012
Mr Adamson joined the Post Office in 1981 as a Postman in the Central Sorting Office in Dublin's Sheriff Street. He has been employed as a Postperson in Fairview Delivery Services Unit 3 for the last 23 years. Throughout his employment he has been an active member of the Communications Workers' Union. He is a member and former chairman of the Union's Standing Orders Committee and currently holds the positions of Assistant Secretary and Health & Safety Officer with the Dublin Postal Delivery Branch.

3. Patrick Compton
Employee Director – 4
Appointed 1 November 2012; Sixth term
Mr Compton has worked in the postal service for the past 43 years and his current position is that of Partnership Co-ordinator. He is Chairman of the Board's Health and Safety and Security Committee. He was a member of the National Executive of the Communications Workers' Union for 22 years and its President in 1985. He was also a Director of The Prize Bond Company Limited for many years. A former member of Roscommon Leader and County Development Boards, he is active in community development in his local area.

4. Donal Connell, C.Eng., F.I.E.I., B.E.
Director – 2, 3
Appointed on 14 August 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 is a Director of Premier Lotteries Ireland Limited.

5. Thomas Devlin
Employee Director
Appointed 1 November 2012; Third 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 Swords/Malahide Delivery Service Unit, Co. Dublin. An active member of the Communications Workers' Union, he served on the National Executive for two years and is currently Chairman of the Dublin Mail Managers Branch.

6. Paul Henry A.C.A., M. Acc., B.A. (Business & Economics)
Director – 1
Appointed 15 September 2011
Mr Henry, a Chartered Accountant, has worked with Dublin Airport Authority (DAA) since 2008. Currently he is Finance Manager (Ireland) with Aer Rianta International, DAA's international retail subsidiary, having previously held positions in Internal Audit and Finance. Prior to that he worked with Price Waterhouse Coopers in Dublin and Boston.

7. Jennifer Loftus BAFS FIA FSAI ACCA
Director – 1
Appointed 6 May 2014
Ms Loftus is member of the Senior Management Team at Acorn Life where she is employed as Head of Actuarial Function. Her role includes responsibility for statutory and regulatory financial reporting, pricing, reserving, financial modelling and solvency management. Ms Loftus is a member of the Association of Chartered Certified Accountants and is a Fellow of the Institute of Actuaries (UK) and the Society of Actuaries in Ireland. She has lectured in Actuarial Science on a voluntary basis overseas and has co-authored a research paper examining the relationship between socio-economic class and illness.

8. William Mooney
Employee Director
Appointed 1 November 2012
Mr Mooney has worked in the postal service since 1982 and is currently employed as a Post Office Clerk. He is a Director of The Prize Bond Company Limited. He is a member of the National Executive Council of the Communications Workers' Union and Secretary of the Dublin Postal Clerks Branch. He is a graduate of the National College of Ireland where he studied Human Resource Management and Employee Relations.

9. Ed Murray B.A., QFA
Director – 3
Appointed 7 May 2014
In his current role as a Senior Stockbroker and Institutional Equity Sales person with Cantor Fitzgerald, Mr Murray provides investment advice to private and corporate clients and is developing the Cantor Fitzgerald institutional equity product offering. Mr Murray has over 19 years experience in investment markets, working in Ireland with local and international clients. Previous roles include Director of Institutional Equity Sales with NCB Stockbrokers, Senior Portfolio Manager with NCB Wealth Management and within the Treasury Division of Irish Life and Permanent.

10. Tom O'Brien BBS, M.Sc., FCA
Director – 1
Appointed 11 June 2013
Mr O'Brien is a Chartered Accountant with extensive business experience in senior financial, commercial and general managerial roles, having trained with KPMG. He specialises in company turnarounds and change management. A graduate of Business from Trinity College Dublin, he has recently been awarded an MSc in Strategic Management and Innovation from the Dublin Institute of Technology.

11. James Wrynn B.Sc. BComm., M.B.A.
Director – 1
Appointed 15 September 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.

12. Martina O'Connell
Employee Director – 4
Appointed 1 November 2012
Ms O'Connell joined An Post in 1993 as an Auxiliary Postperson and is now working as a Postal Operative in Cork's South City Delivery Office. Ms O'Connell has been elected Vice President of the Communications Workers' Union. An active member of the Union since she joined the Company, Ms O'Connell has been a member of the National Executive Council since 2002 and serves on a number of sub committees.

13. Lorraine Tormey
Postmaster Director
Appointed 1 January 2016; Second Term
Ms Tormey has worked in the family Post Office business in Rathowen, Co Westmeath all her life and she was appointed Postmistress there in 2001. She is also Postmistress of Austin Friar Street Post Office in Mullingar. Ms Tormey is Secretary of the Westmeath Branch of the Irish Postmasters' Union (IPU) and she is involved in a broad variety of local business and community development initiatives.

14. William Scally M.A. Barrister-at-Law
Director – 4
Appointed 11 December 2012
Mr Scally has had a lengthy career in Economics and Public Policy. Up until 2011 he worked on a cooperative basis as an independent public policy and public affairs consultant in the CIPA framework with a wide variety of Irish businesses and representative bodies. He was lead author of Fixing Finance, the 2010 Institute of International and European Affairs publication. Mr Scally has lectured widely on the Irish Government and political process. He worked in Irish Sugar for many years and as a public policy and economic advisor to several Irish Governments. He also served on the board of Forfás.

Secretary
Brian Fay

Auditor
KPMG Chartered Accountants

Solicitor
Matheson

Registered Office
General Post Office, O'Connell Street, Dublin 1, D01 F5P2

Bankers
Bank of Ireland

Registered Number
98788

Key to Board Committees
1. Audit and Risk
2. Personnel
3. Remuneration
4. Health and Safety and Security

2015 WAS A GOOD YEAR FOR AN POST WITH POSITIVE RESULTS DESPITE MARKET CHALLENGES.

REVENUE	MAILS REVENUE	ANNUALISED SAVINGS
+1.3%	**64%**	**€100m**
Revenue increased by 1.3%	The mails business remains the largest revenue segment for An Post	Amount of annualised cost reductions achieved in recent years

CHAIRPERSON (DESIGNATE)'S STATEMENT

2015 was a good year for An Post with positive results despite market challenges. This is a credit to the thousands of An Post employees who focus on serving customers on a daily basis.

Despite the structural decline in letter mail volume most postal administrations have produced mail revenue growth and maintained profitability through cost efficiencies, price adjustments and investment. An Post is no different with mail volume falling 2.9% year-on-year while revenue increased by 1.3% to €826.1m.

During 2015 An Post continued to streamline the Company's operations. Despite ongoing transformation, fewer items and more delivery points, An Post continued to meet and exceed its quality of service targets in both domestic and international traffic.

While the traditional mail business remains the largest revenue segment for An Post it now represents 64% of total revenue down from 74% in 2008. In response to the "new normal" of declining mail volumes, An Post, like many other postal administrations and operators, has strengthened its position in other businesses both in Ireland and in the UK. We continue to develop opportunities presented by emerging trends in e-Commerce. The Company is a significant player in financial services, gift cards, subscription management and fulfilment and insurance broking. These businesses continue to increase their contribution to the Company's profit line.

While the An Post Group is currently profitable, the present model, whereby the profitable retail and other group businesses subsidise the loss-making mails business is, in my view, becoming increasingly unsustainable. This is despite major cost reductions (c. €100m in annualised savings), service quality improvements (currently operating above the target of 94% for next day delivery) and revenue increases, due to innovation in product and service delivery, achieved in recent years.

Growth in online sales will increase demand for domestic and international deliveries, creating further opportunities for the postal industry in general and for An Post in particular. The Company will have to respond quickly to changing market needs if it is to convert these opportunities into reality; to date An Post has been successful in doing so.

The Post Office Retail Network continued to perform satisfactorily despite the unique challenges it faces. Government business makes up 74% of total Retail revenue and is responsible for significant customer footfall within the network. The importance of this element of our business was recognised in the Government-sponsored report produced by the Post Office Business Development Group, which was chaired by Mr Bobby Kerr. The report recognises the issues facing the Network; it highlights opportunities and makes a number of recommendations which the Company will consider as part of its current planning cycle. Our Retail Network has a unique reach within our diffuse population; retail shopping patterns are changing and the move to a cashless society is inexorable. All-in-all if we, as a country, wish to maintain a Post Office network of a comparable size into the future, given its historical, community and social value, a radical rethink of the funding and business model is required.

I want to thank the members of the Board who have served this Company so well; their contributions are very much appreciated. In particular, I am grateful to the former Chairperson Christoph Mueller as well as Peter Ormond whose term of office as a Director has recently come to an end; throughout their terms they were active and committed Board members.

It is a great pleasure and honour for me to join the Board of An Post in the Centenary year of 2016. I have every confidence in the Board, management and staff of An Post as they continue to deal with difficult economic and market challenges whilst exploiting new commercial opportunities for the core business and subsidiary companies.

Dermot Divilly
Chairperson (Designate)

MANAGEMENT

1. Donal Connell
2. John Daly
3. Brian Fay
4. Peter Gallagher
5. John McConnell
6. Pat Knight
7. Brian McCormick
8. Liam O'Sullivan
9. Peter Quinn
10. Liam Sheehan
11. Barney Whelan

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 is a Director of Premier Lotteries Ireland Limited.

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 business before being appointed to his current position in October 2006. He is Chairman of The Prize Bond Company Limited.

3. Brian Fay B.A., M.Sc., F.C.A.
Company Secretary
Mr Fay joined An Post in September 2000 and was appointed Company Secretary in August 2014. He is a Chartered Accountant and trained in practice with KPMG. He has previously held senior finance and regulatory positions in the Company. Prior to joining the Company he held senior financial positions in companies within the manufacturing and service sectors.

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. John McConnell B.Tech, H.Dip. Mgt., M.B.A
Director of Innovation and Quality
Mr McConnell joined An Post in January 2009 as Head of Quality and was appointed to his current position of Director of Innovation and Quality in September 2014. He has broad experience of numerous industries holding senior management positions in Elan Corporation, Baxter Healthcare and latterly as Vice President of Business Process Improvement in Syncreon. He is a Six Sigma Certified Black Belt from Motorola University.

6. 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 of 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.

7. Brian McCormick, B.E., 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.

8. 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.

9. Peter Quinn B.Comm., F.C.A., M.B.A.
Chief Financial Officer
Mr Quinn joined An Post in August 2004. He is a Chartered Accountant and trained in practice with KPMG. Mr Quinn previously held senior financial and strategic positions in PJ Carroll and Company plc and Monaghan Mushrooms Limited. He is a Director of Premier Lotteries Ireland Limited.

10. Liam Sheehan
Sales and Marketing Director
Mr Sheehan was appointed as Sales and 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 and 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.

11. 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.

IT IS VERY SATISFACTORY TO REPORT THAT GROUP REVENUE INCREASED TO €826.1M DURING THE COURSE OF THE YEAR.

MAILS REVENUE

€526.2m

€4.9m (1%) higher than 2014

RETAIL REVENUE

€164.3m

In line with 2014 (€166.1m)

SUBSIDIARIES

€122.9m

2.1% higher than 2014

CHIEF EXECUTIVE'S REVIEW

2015 was a year of significant progress as the Company continued to focus on the changing needs of its customers and markets.

2015 AT A GLANCE

We continued to hold our market share in the increasingly competitive parcels business

We achieved further cost reductions

Revenue held up well and was ahead of budget

We implemented a necessary mails price increase in July with consequent benefits to the bottom line

We consistently exceeded our Quality of Service target of 94% for domestic next-day delivery of mail

The State Savings fund is now worth €19.5bn with inflows of €400m during 2015, despite the low interest rate environment

We continue to be the primary payment channel to the Department of Social Protection and we were awarded a contract extension for cash payments

New revenue streams continue to grow with the addition of banking facilities for Ulster Bank in the first half of the year

Our subsidiary companies have continued to perform strongly – in line with our business plan

Despite the improving economy An Post still faces challenges in its core mails activity. Our business model is similar to that of most other postal operators in that we continue to focus on operational productivity, consolidation of smaller delivery offices and automation while targeting specific growth segments and encouraging innovation as a systemic activity across the group.

Volume decline across the world has prompted a variety of responses at the structural level. The need to examine how the Mails Universal Service Obligation is funded is fast becoming a priority. Already postal operators in countries such as New Zealand and Italy have implemented modifications which will see changes in service configurations and/or funding approaches. This activity has been necessary to ensure that this central part of their business – critical for rural and urban communities and businesses alike – continues to be viable. We intend to actively engage with Government among other stakeholders to ensure that the Country has a sustainable service which meets the current and future needs of customers. This will not be achieved without stakeholder engagement and alignment.

Finances

Operating profit of €5.2m compared to €2.4m in 2014 is significant in that we maintained our profitability in the face of a mails volume decline of 2.9%.

Group revenue continues to be very satisfactory at €826.1m. Mails revenue amounted to €526.2m; €4.9m (1%) higher than 2014.

Our strategy of implementing appropriate pricing and cost efficiency measures in the core business whilst maintaining high standards of service quality, innovation in products and services combined with successful diversification provides a sustainable platform for the near-term.

The Company implemented a modest price increase in July 2015 for mail services including those covered by the Universal Service Obligation (USO). Our rates remain well below the European average (70c is the first price point for domestic letters as opposed to an EU average of 77c).

Revenue in the Retail division at €164.3m was marginally lower than 2014 (€166.1m) and the revenue of our other Group companies at €122.9m reflects an excellent performance in their respective portfolios. It is pleasing to report that profit margins continued to grow and remain strong.

Our investment in Premier Lotteries Ireland (PLI) yielded a dividend and interest income of €3.8m for the year.

Cost Reduction Initiatives

We continue to focus on cost improvements. Under our current change programme staff Full Time Equivalents (FTEs) have reduced by 1,879 since January 2009 and we are well on our way to achieving our longer term reduction of 2,600 FTEs by 2019. During the year we experienced implementation delays with the Change programme. This was the result of the rejection of two Labour Court Recommendations and a dispute at a Third Party service provider, which involved two of our Unions. Progress largely stalled during the year and both disputes were resolved in Q4 through the use of agreed procedures. Accordingly, staff reductions in 2015 were well below target at 42 FTEs.

This reduction is managed on a voluntary basis and continues to significantly reduce the core operating cost base of the Company, with annualised labour cost savings to date amounting to €75m. This is a very significant achievement given the unchanged specifications of the Universal Service Obligation.

Pay

An agreed five year pay freeze expired at the end of 2013. A subsequent claim for a pay increase from January 2014 was lodged by the Group of Unions. The Company rejected the claim and sought the continuation of a pay freeze. As no agreement was reached the matter was referred for further discussions to the Workplace Relations Commission and subsequently to the Labour Court. The Labour Court recommended that the parties engage for a further period of time, at the end of which the matter could be referred back to the Court early in 2016 if not resolved.

Employee Engagement

In line with our Company's Mission, Vision and Values, a set of supporting behavioural statements were developed and discussed through a Company-wide programme of conversations involving all staff. The main purpose is to ensure that all staff understand the Company's core values and behaviours, enabling the alignment of individual behaviours, at all levels, in order to attract, retain and service our customers. We also invested in developing our line manager's coaching skills.

During the second half of 2015 we launched a new employee "Value in Practice" (VIP) award. The VIP award formally recognises those employees who consistently behave in an exemplary manner while doing their work, thereby enhancing the reputation and great heritage of An Post. VIP winners are nominated by their colleagues. This initiative has been well received with a significant number of nominations submitted.

Mails

2015 saw a further 2.9% decline in core mail volumes, this was slightly better than the budgeted decline of 3.5%. Our e-Commerce customers experienced significant demand in the latter part of 2015 resulting in an increase in the volume of packets and parcels when compared to 2014. We continue to supply fast, reliable and competitively-priced products and services for these customers together with a growing range of customised solutions for returns and collections for example. However, this sector continues to be characterised by changing service requirements and price pressure. While it is a growth sector for us and we must grow our volume and share, we will also avoid taking on un-profitable business.

At this stage we run one of the best mail services there is. Our Quality of Service has improved steadily since 2007 and in 2015 we once more exceeded our targets for domestic and international mail. Our focus on process improvement, technical innovation and new consumer initiatives such as DeliveryBox and AddressPal, coupled with significant capital investment contributes to maintaining this level of performance. We will seek further opportunities to improve the efficiency of the mail network.

Mail Universal Service Obligation (USO)

The delivery of the USO is one of our Company's core competencies. We plan to continue providing this service. However, it continues to be loss-making (albeit that losses have reduced significantly in recent years) and is cross-subsidised by our other commercial activities. It is our view that the current business model is not sustainable in the medium term. Other postal operators have begun to address this in various ways and it is incumbent on us to do the same in order to ensure that the specification of the USO is still relevant to our customers and satisfies their needs and that it remains viable for many years to come. We also have a responsibility to manage the other aspects of our business in a manner which is not overburdened by the losses generated within the USO.

Retail

The Retail business continued to perform well in 2015, despite a 6% decline in Department of Social Protection (DSP) transaction volumes. Over 127 million Retail transactions took place during the year.

Welfare transactions are down approximately 6% on the previous year as expected. The reduction is as a result of new Pension and Child Benefit recipients opting for Electronic Funds Transfer (EFT) payments as well as the decline in Jobseeker payments as more people return to work, within an improving economic situation. It is pleasing to note that we were awarded an extension for the payment of cash benefits on behalf of the Department of Social Welfare contract until the end of 2016.

We are ideally placed to meet the State's requirement for financial inclusion and e-payments. The Company is developing a new basic payment account. This development will enable An Post to compete in the area of EFT in 2016 and it has been welcomed by both the Department of Social Protection and the Department of Finance. We are currently in discussion with both Departments to secure the necessary support and funding to launch the initiative.

The State Savings Fund, which we manage on behalf of the National Treasury Management Agency continued to see net inflows. This business stream is now worth €19.5bn and makes up 17% of all personal savings in the country. An Post has retained the contract to provide this service. The contract provides for significant service improvements in the coming years including investment in customer relationship management and online access for customers to their account information.

In general other Retail activities are in line with expectations. Foreign Exchange continues to grow, with sales up over 4% on 2014. Our services to banking institutions continued to grow with the addition of banking facilities for Ulster Bank in the first half of the year. The number of bill payments transacted fell by 6% due in the main to more customers choosing to pay their bills through other payment methods such as direct debits. There was a 26% increase in the value of gift cards sold.

The Company is a member of the Post Office Network Development Group established by the Minister for Communications, Energy and Natural Resources. The Group is chaired by businessman, Mr Bobby Kerr. An interim report was issued in May 2015 with a public consultation period in July, the Group's final report issued in January 2016.

The report focused on the role of Post Offices in:

- Financial services;
- Government services;
- Social capital and enterprise;
- White labelled products.

Following on the report's publication an implementation group was formed, once more chaired by Mr Kerr. We hope that this group, while recognising the issues, challenges and opportunities facing us, will also facilitate a commitment from Government to support the Post Office Network, enhancing the commercial, social and community support for Post Offices and consequently sustaining the Network as a viable enterprise.

Group Businesses

Air Business, which operates in the UK market, now accounts for 10% of An Post Group revenue. The company continues to grow strongly and remains at the forefront of new product development in International Mails and mails-related services.

The One4All gift card products dominate their segment in Ireland and the company continues to make significant inroads into the UK market. Continued development of new products will ensure the company maintains its market position. The Gift Voucher Shop was recently successful in obtaining an e-money licence by the Financial Conduct Authority in the UK and also became a member of the VISA group. This will enable the company to issue its own cards and launch other new products and services.

One Direct, rebranded recently as Post Insurance, which sells third party insurance products through a call centre in Athlone and through the Post Office network, continues to develop and grow its business. The company launched a Secured Car Loan offering in July in association with First Citizen Finance, a specialist car finance company and is adding alternate insurance underwriters to its offering to further increase market reach.

CHIEF EXECUTIVE'S REVIEW CONTINUED

Innovation & Quality

The Company has proven over the years that it can turn challenges into real business opportunities. Innovation is key to remaining relevant and competitive in all our markets. The current programme ensures that the necessary framework, processes and controls are in place to build and enhance this capacity.

We are well positioned for the future with significant strategic capabilities to build on in terms of our infrastructure (our People, Fleet, Property and Retail Network), our service expertise (Mails, Financial Services, Government Services) and our intangible assets (our Brand and Customer Footfall). A significant part of the Innovation function's role is to leverage these assets and ensure we maximise their use by embedding Innovation systemically throughout the whole Company.

There are many opportunities for An Post to generate additional revenue particularly in our parcel business due to the continued growth in e-Commerce. We will continue to investigate new areas such as Tourism and Health & Wellness and take opportunities to diversify selectively.

We have delivered cost savings and process enhancement through the Six Sigma continuous improvement programme, which is now firmly embedded in An Post.

Eircode Project

Eircodes were formally launched by Government on the 13th July 2015. An Post disseminated the Eircode public information mailing to every household in Ireland and continues to support the project in any way we can. We expect to see increasing volumes of mail with Eircodes appended from major customers in the next few months as well as increasing usage by the emergency services.

Branding

During 2015, An Post brands underwent a makeover. The objective behind this approach was to link our diverse portfolio of products as closely as possible to An Post. A suite of sub-brands has been created which maximises the consumer loyalty intrinsic to An Post whilst giving each sub-brand an easily identifiable, distinct appearance.

This sub-brand structure was implemented across four product segments; Logistics, Media, Financial Services and Retail (non-financial). Each has been given a distinctive yet coherent presentation, primarily through the use of a distinct palette of colours.

Sustainability

By the end of 2015 the Company had achieved a 3.8% reduction in energy use and 9.3% cost savings when compared with 2014 levels.

In 2015 the Company underwent a compliance audit for ISO 50001 Energy Management Standard in our buildings' energy use and retained accreditation without any recommendations. During 2016 we will continue to focus on reducing carbon emissions in both buildings and fleet. The Five Year Plan sets out the target for the Company to gain the ISO 14001 Environmental Management Standard during the period.

We are also expected to achieve a Government target of 33% improvement in energy efficiency by 2020 based on our performance in 2010. This coming year we will be setting targets for each Directorate as we now have the ability to provide building energy usage data to each office and usage can be monitored remotely. Significant savings have accrued to date in those participating offices.

This year our data reporting was audited by external auditors on behalf of the International Post Corporation; the outcome was positive. Once more we increased our score in the emissions monitoring scheme. We are now ranked 9th out of 23 postal administrations in the IPC carbon performance management rankings, this means that we have maintained our Silver member status.

We report these figures each year in this annual report, to The Carbon Disclosure Project, the United Nations Global Compact and to various Departments and agencies including the Sustainable Energy Authority of Ireland.

An Post won *Best Public Sector Organisation* at the 2015 Green Awards in recognition of gains made in energy management in recent years.

The Company's cycling sponsorship portfolio received a European Sponsorship Award for best Community sponsorship and subsequently Best Sports Event Sponsorship in the Irish Sponsorship Awards in 2015.

GPO Witness History

The construction of an Interpretive and Exhibition Centre within the footprint of the GPO was completed. The Government provided funding of €7m. The Centre, which houses a permanent 1916 exhibition, will focus on the GPO as "Witness to History". GPO Witness History is the State's flagship Centenary initiative and is one of seven capital projects to mark the 100th Anniversary of the Easter Rising. The official opening was in March 2016.

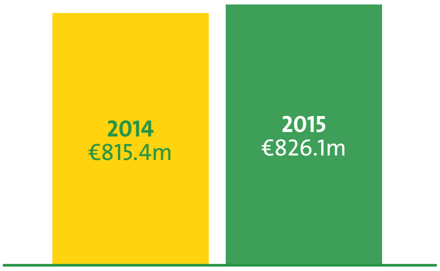
The progress made over recent years is a credit to all those working in the An Post Group and it is my view that the Company has a promising future.

Finally, I wish to thank the Minister for Communications, Energy and Natural Resources, Alex White and his officials for their assistance and support during 2015.

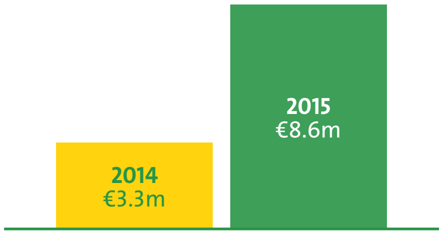
Donal Connell
Chief Executive

FINANCIAL HIGHLIGHTS

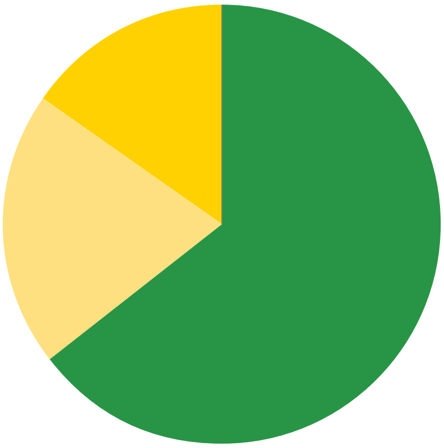
REVENUE



PROFIT BEFORE PENSION INTEREST AND TAXATION

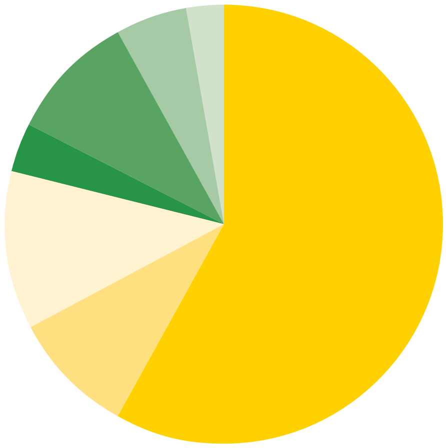


ANALYSIS OF REVENUE



- **MAILS** 63.7%
- **RETAIL** 19.9%
- **SUBSIDIARIES / OTHER** 16.4%

ANALYSIS OF OPERATING COSTS



- **STAFF COSTS** 58.3%
- **POSTMASTERS' COSTS** 9.1%
- **DISTRIBUTION** 11.6%
- **FACILITIES** 3.5%
- **OPERATIONAL** 9.7%
- **ADMINISTRATION** 5.2%
- **DEPRECIATION & AMORTISATION** 2.6%

AN POST DO MORE BY OFFERING AN ARRAY OF MAIL, FINANCIAL INSURANCE AND OTHER PRODUCTS THROUGH OUR GEOGRAPHICALLY EXTENSIVE RETAIL NETWORK.

ONE4ALL GIFT CARDS	POST INSURANCE	POST MOBILE
+33%	**+1.55%**	**+140%**
Increase in value of One4all gift card sales	Increase in the number of policies with the company in 2015	Increase in top-up sales and +112% growth in the customer base in 2015

FINANCIAL REVIEW

The financial year 2015 saw improvements in the key financial metrics of revenue, Group profit before pension interest and taxation, and net assets. The results have been prepared under the IFRS as adopted by the EU accounting principles and the prior year restated in line with the reporting requirements.

	2015 €m	2014 €m
Revenue	826.1	815.4
Operating profit	5.2	2.4
Profit before pension interest and taxation	8.6	3.3
Net assets (before pension liability)	204.3	195.7

The financial year 2015 ended with a profit before pension interest and taxation of €8.6m compared with €3.3m the previous year. This continued improvement represents a very significant achievement in consolidating the Group financial position.

Revenue

Group revenue increased to €826.1m during the course of the year. Mails revenue, excluding election/referenda revenue, in 2015 was €523.7m, being €13.7m (2.7%) higher than 2014. The mix in the revenue continues to change with traditional mail volume declining, offset by modest price increases and the addition of increased added value mail services.

Traditional mail volume reduced by 2.9% in the course of the year. This is along expected lines (the budget had been for a 3.5% decline) and represents a structural change in the postal industry with e-substitution being the main driver. The trends in Ireland reflect the trends experienced elsewhere in the postal sector.

The impact of increased pricing added €21.0m (4.1%) in revenue in 2015 versus 2014 and this policy of modest price increases is in line with that being followed by most national postal operators.

Revenue in the Retail division, €164.3m, was broadly in line with the previous year. Increased revenue from areas such as foreign currency transactions at €7.7m (up 4.1% on 2014) and banking transactions at €6.6m (up 3% on 2014) is very welcome and demonstrates the potential that there is in the network to offer relevant financial service offerings. The Post Office continued the management of the State Savings products, now with a combined value of €19.5 billion, the cash payments business for the Department of Social Protection and is further developing successful relationships with companies across the banking and insurance sectors.

Subsidiaries

The revenue of subsidiary companies at €122.9m continues to grow and these businesses that are closely related to the core business had another strong performance in their respective product portfolios. Profit margins remain positive across these businesses. Each subsidiary is in a strong position in their particular market and they maximise the benefit of their linkage with the An Post network and brand. The continued strong performance of Air Business in the UK, Post Insurance (rebranded from One Direct), PostPoint and the sustained growth of the Gift Voucher Shop are positive indicators for the year ahead.

Pricing

In July 2015, prices in the mail services including those in the Universal Service Obligation (USO) area were increased by 3%. The increases implemented were relatively modest with the price of the domestic letter service moving from 68c to 70c, still below the European average. The ongoing losses incurred in fulfilling the Universal Service Obligation continue to be discussed among key stakeholders, with a view to obtaining a sustainable working model for the USO.

Costs

Change programme implementation continued over the course of the year, with plans for further cost efficiencies. The reduction in labour hours over the course of the year was 1.2%. This follows on from a number of years of efficiency improvements implemented whilst the Quality of Service figures and the number of delivery points increased. In the period since 2008 there has been a reduction in the FTE number in the Company of 1,879 and the annualised labour cost has reduced by over €75m.

Further savings in non-labour cost headings were achieved in 2015. In some cost headings such as fuel and electricity there are initiatives in usage and efficiency that yielded increased savings. At the same time further cost savings in professional services and computer services were also achieved.

Fixed Assets

Capital expenditure in 2015 amounted to €17.5m. There were no significant asset disposals during the year. The year saw significant investment in the GPO Witness History Visitor Centre. The cost of this asset was grant aided by the State and it is expected to provide the Company and the State considerable service into the years ahead.

Premier Lotteries Ireland

Premier Lotteries Ireland whose investors are An Post, the Ontario Teachers' Pension Plan and the An Post Pension Plan won the Licence to operate the National Lottery for a period of twenty years. The new operation commenced in December 2014 and has now completed its first full year of trading. The investment is meeting the targets set and we expect the investment will prove to be of benefit to the Group in the years ahead.

Pension Scheme

The Plan continues to meet its obligations in the context of the Minimum Funding Standard set by the Pension Authority. The Scheme rules have been changed in line with agreements entered into with the An Post Group of Unions.

The An Post statement of financial position at 31 December 2015 includes a pension deficit of €169.2m (€440.5m in 2014). Assumptions used in the calculation of pension cost charges and the future pension obligations are primarily a discount rate of 2.5% and long run pay/pension inflation of 1.25%. The reduction in the deficit arose due to the increase in the discount rate used to measure the pension liability and the return on scheme assets in the calendar year 2015. The schemes' assets increased by €144.2m (5.5%) in the year.

Outlook

The financial result in 2015 in bringing the profit before pension interest and taxation to €8.6m from €3.3m in 2014 is welcome. The trading performance achieved and the cash resources available to the Group provide a solid starting position for the next five year business plan.

Implementing appropriate pricing, maintaining the high quality of service performance and cost efficiency in the core business, combined with the successful addition of new revenue generating products and services are vital for the business in the medium term. Establishing a funding structure for the USO needs to be addressed with stakeholders.

AN POST DO MORE AS IRELAND'S LEADING POSTAL OPERATOR AND UNIVERSAL SERVICE PROVIDER. WE EXCEED OUR QUALITY OF SERVICE TARGETS IN BOTH DOMESTIC AND INTERNATIONAL DELIVERY.

MAIL ITEMS

580m

Letters, parcels and packets processed in 2015

DELIVERY SERVICE

NO.1

First choice for world-leading ecommerce companies

DOMESTIC MAIL

+94%

Delivered exceeding the target of 94% next working day delivery

UNIVERSAL SERVICE

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

Requirements of the Universal Service Obligation ('USO')

Under Section 17 of the Act, An Post is designated as the Universal Postal Service Provider for a period of 12 years until August 2023.

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

(i) One clearance;

(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.

Pursuant to Section 16(1)(a) of the Act 2011 and on foot of An Post's application, four separate decisions were made by ComReg in 2014 to grant An Post certain derogations from 1 January 2015 in respect of the above. As exceptional circumstances apply in respect of each of the four working days set out below, ComReg has granted the following derogations from the universal postal service obligation ("USO"):

(i) A part derogation from the USO shall apply for Good Friday;

(ii) Derogation from the USO for Mondays following a public holiday which falls on a Saturday or Sunday;

(iii) Derogation from the USO for 24 December (Christmas Eve – derogations for Collections only); and

(iv) Derogation from the USO for first working day after 26 December (St. Stephen's Day).

Details of these decisions and conditions attached to the above derogations are available from ComReg document 14/135 at www.comreg.ie

The following services are provided:

(a) The clearance, sorting, transport and distribution of postal packets up to 2kg in weight;

(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 20kg). ComReg has decided not to use its power to change the maximum weight limit of 20kg but will keep this under review;

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

(d) A registered items service;

(e) An insured items service within the State and to and from all countries which, as signatories to the Universal Postal Convention of the Universal Postal Union, declare their willingness to admit such items whether reciprocally or in one direction only; and

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

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

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

Access to Universal Services

An Post provides access to its services through its network of 51 Company post offices and 1,079 Contract post offices. In addition, some 943 retail premises are licensed to sell postage stamps, as active licensed agents. To facilitate physical access to the service, approximately 5,700 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 prices for standard services weighing up to 100g which were applicable since 1 July 2015.

	Ireland & NI	
	Standard Post	**Registered Post***
Letters (up to C5)	70c 66c if item bears a franking impression	€6.10
Large Envelopes	€1.25 €1.20 if item bears a franking impression	€6.10
Packets	€2.80 €2.70 if item bears a franking impression	€6.10
Parcels	€7.00	€11.00

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

	International Destinations	
	Standard Post	**Registered Post***
Letters (up to C5)	€1.05	€6.10
Large Envelopes	€2.05	€7.05
Packets	€3.90	€8.90
Parcels		
Great Britain	€20.50	€25.50
Rest of World	€25.50	€30.50

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

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

Quality of Service

International

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

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

Domestic

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

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

Customer Complaints

An Post is required to maintain records of customer complaints taking into account the relevant European standard IS: EN 14012:2003. The table provides, in relation to mail, a breakdown of written complaints received from customers during 2015. The total continues to represent a minute fraction of the entire mail traffic handled during the year.

Written complaints received from customers	2015	2014
Items lost or substantially delayed	18,891	18,214
Items damaged	1,441	1,140
Items arriving late	401	319
Mail collection or delivery:		
Time of delivery	–	–
Failure to make daily delivery to home or premises	33	71
Collection times/Collection failures	1	2
Misdelivery	470	394
Access to customer service information	8	10
Underpaid mail	40	119
Tariffs for single piece mail/discount schemes and conditions	–	5
Change of address (Redirections)	464	398
Behaviour and competence of postal personnel	21	48
How complaints are treated	8	1
Other (not included in above)	1,391	1,569
Total	23,169	22,290

Included in the total figure are complaints about registered items, which number 4,962, (2014: 5,326).

In 2015, there were 524,154 telephone calls, (2014: 534,354) made to An Post Customer Services. Most of these were routine or general enquiries rather than complaints.

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

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

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 any post office.

AN POST DO MORE BY OFFERING ADDRESSED AND UNADDRESSED MAIL SERVICES, EFFICIENT, HIGH QUALITY BUSINESS AND ADMINISTRATIVE COMMUNICATION SOLUTIONS.

LICENCES.IE

1ST

An Post launches Ireland's first integrated online licensing application system

MYBILLS.IE

+100

Over 100 types of bills were paid by customers in 2015 using the unique, free bill payment service

ADMAILER.IE

3 DAYS

admailer.ie enables businesses to create direct marketing campaigns in just three days

SUSTAINABILITY

While the Company is operating in a challenging market, An Post continues to position Sustainability as a central activity within its day-to-day business.

This strategy is one which has created significant sustainability gains for An Post in the past year.

- We retained silver status ranking within IPC EMMS, our sector's carbon management performance programme, ranking 9th among 24 participating posts globally.
- An Post won 'Best Public Sector Organisation' at Ireland's Green Awards in 2015 in recognition of work completed in achieving greater energy savings over the past number of years.
- Our Procurement team won Public Sector Procurement Project of the Year at the National Procurement and Supply Chain Annual Awards 2015 for their use of technology to introduce a state-of-the-art online ordering platform for print products.
- In relation to community involvement the Company also won 'Best Community Sponsorship' at the European Sponsorship Awards for our support of An Post Cycle Series.
- An Post won 'Best Sport Event Sponsorship' for An Post Rás at the Irish Sponsorship Awards in recognition of the social and economic value of the event to both Irish cycling and the communities which host the event.
- With over 30 years' experience in successful schools competitions An Post partnered with teachers in 2015 to create the first national An Post Handwriting competition. This attracted 65,000 entries from children of all ages, making it the biggest schools' competition in the country.

Workplace

An Post has an established structure to ensure the provision of high quality working conditions for our staff of 9,862 Full Time Equivalent employees. Our framework includes policies, practice and procedures in the areas of occupational health and safety, staff wellbeing, training and development:

- A documented and communicated Safety Statement;
- The OHSAS 18001/2007 management system standard;
- A training policy entitled 'Building Organisational Capacity';
- A staff education and support scheme;
- Best-in-class policy and practice in relation to Diversity and Equality including cooperative working with the Disability Authority; and
- A Central Partnership Forum providing a regular opportunity to meet with staff representatives and to communicate with staff across all roles and locations in the Company.

Equality, Diversity and Inclusion

An Post continues to uphold our commitments under the Diversity Charter Ireland of which it is a founding member. The Charter commenced in 2012 with eleven companies and currently has 24 members. The Company observed the 3rd National Diversity and Inclusion Day, an initiative of Diversity Charter Ireland, hosting a 'Hidden Hearing' event to highlight the links between hearing loss and overall health and wellbeing.

An Post observed *International Day of Persons with Disabilities* on December 3rd, 2015 when representatives from disability and mental health organisations nationwide provided information to raise awareness among GPO staff.

We continue to provide consultation/advice to external organisations with regard to meeting the requirements of the Disability Act and around disability issues in general. An Post's Equality Officer presented at the D.I.T Grangegorman 'Count me In' conference on 7th January 2015. The purpose of this conference was to engage with staff, management teams and social partners to help increase awareness of their obligations under the Disability Act 2005 and to examine best practice in the employment and support of staff with disabilities.

In addition, our Access Officer presented on the new 'Access for All' counters which were researched, designed and licensed by the Company. In April 2015, An Post launched the first fully wheelchair accessible post office counter at Ballyowen Post Office in Lucan, Co. Dublin. To date, 26 contract offices have been fitted with the new counters. The feedback has been very positive from customers, staff and from the Irish Wheelchair Association who were consulted during the process.

An Post joined with over 400 companies as a 'participant employer' on National Job Shadow Day in April 2015. In 2015, 11 volunteer employees from Donegal, Youghal, Naas, Sligo, Drogheda and the GPO, Dublin acted as mentors for the day.

eLearning PCs were piloted in five regional offices so that staff can access the Intranet's *'Equality, Diversity and Inclusion'* site. Both the NDA *Disability Equality eLearning* and the IHREC *Delivering Equality in Public Services* training modules are accessible through this site.

Marketplace

An Post is operating to a very high standard in relation to the collection and delivery of mails, indeed 2015 saw the Company maintain record quality of service figures. This reflects the focus on quality of service enhancement including ISO 9000:2008 Quality Management System. The Company retained its accreditation in 2015. Our Quality Management System includes:

- Targets in place for continuous improvement during 2016;

- An 'end-to-end' view of the customer experience enshrined in our Customer Charter;
- A defined complaints procedure;
- Continuous monitoring of service performance and customers queuing time through Mystery Shopping survey;
- Supports such as provision for hard-of-hearing and visually impaired customers.

An Post Supply Base

In 2015, An Post spent approximately €136m procuring goods and services from other companies. This is spread over nine portfolios including Fleet, Logistics, ICT and Property Services.

In 2015 the Procurement team:

- Developed a full suite of refreshed contract templates, providing a clear understanding to suppliers of the obligations to meet our standards;
- Continued to support IntertradeIreland *Meet the Buyer* events, presenting on supply opportunities for small and medium size enterprises (SMEs) with An Post;
- Continued to utilise e-procurement with full transition to the Irish government portal www.etenders.gov.ie;
- Ensured transparency on practise and obligations, all new suppliers receive the publication *Guideline: Key responsibilities for Vendors*.

An Post is a member of the Prompt Payment Code of Conduct, undertaking to pay suppliers on time, within the terms agreed at the outset of the contract, or in accordance with legislation.

Our environmental strategy

Sustainability is now a central part of An Post's core business functions. Notable achievements during 2015 include:

- Gaining and retaining ISO 50001 Energy Management Standard in buildings' energy use and using ISO50001 to implement a strategy of continuous improvement;
- Awarding of a Company-wide Energy Management tender as part of Facilities Management contract. This will result in the roll-out of nationwide energy monitoring system in 2016/2017;
- Confirmation that An Post will target ISO14001 Environmental Management System across the building portfolio, to be implemented between 2016–2019;
- Developing a sector and government reporting framework on Company carbon emissions and energy management performance.

Energy use

The vast majority of the Company's energy usage is comprised of:

- Heating and lighting our facilities;
- Fuel consumption within our transport fleet.

In 2015 An Post consumed 116.22 GWh of energy throughout the Company. The breakdown of which is:

- 19.92 GWh of electricity;
- 19.13 GWh of fossil fuels for heating;
- 77.17 GWh of fossil fuels for transport.

Throughout 2015 we have continued working towards the Company's strategic target of a 33% reduction in KWhrs and 20% reduction in CO_2. The Company undertook the following initiatives and programmes:

- Incorporation of energy efficiency initiatives into all new building works;
- Installation of 15 Internet based heating control timers in An Post properties saving 450 MW Hrs;
- Centralisation of the planned preventative maintenance programme, which resulted in 200 MW Hrs savings;
- Lighting upgrade works including LED car park lighting, lighting upgrades and installation motion sensors, saving 413 MW Hrs;
- LED lighting and motion sensors in Delivery Service Unit's (DSU's) giving savings of 70 MW Hrs;
- Energy awareness campaign via e-mail alert to all Company offices coinciding with bank holidays, delivering savings of 160 MW Hrs;
- Installation of our first Solar PV panel in Monaghan DSU to generate our own electricity amounting to 10,000 KW Hrs per annum;
- BMS upgrades in the Mail Centres created savings of 313 MW Hrs in 2015;
- Boiler upgrades in three buildings resulting in savings of 80 MW Hrs.

Actions planned for 2016:

The Company is committed to improving its energy and CO_2 reduction by undertaking the following initiatives for 2016:

- Continued roll-out of Internet-based heating control timers in our larger buildings;
- Investing further in lighting upgrades and controls in our property portfolio;
- Upgrading two existing buildings from oil heating to natural gas.

Actions planned for 2016: continued

- The roll out of the energy improvement projects including:
  - Energy reduction initiatives targeted at our top 21 energy users by size and KW Hrs per m2;
  - Commencing the roll-out and implementation of an Energy Monitoring System to our properties;
  - A system of heating controls incorporating external/ambient temperature sensors among high energy users.
- Supporting our local offices to implement a Company-wide benchmarking system for energy use, to identify energy improvement opportunities in each office and to contribute to our overall energy performance targets.

Community

An Post is a long term partner to Irish cycling, from grassroots to elite level. Over the past eight years this support has made a real difference. In 2015 16,800 people participated in An Post Cycle Series, Ireland's biggest mass participation cycling event, held in five locations over the summer months.

An Post Rás and An Post Rás na mBan are the two premiere cycling racing events in the country and showcase the best Irish racing talent competing against riders from around the world.

We are among the supporters of the Irish paracycling team, which continues to train and compete at international level. The Cycling Ireland Paralympic team will compete in the Rio 2016 Paralympic Games in September 2016.

Working with sports federations, local sports partnerships, voluntary committees, civic and business representatives, we create a sustainable model of partnership to enable cycling in Ireland happen at the highest standard. This model of cooperation is important to safeguard the future of the sport, the significant economic benefit to the towns and villages which host An Post sponsored cycling events and to maximising recruitment to the sport.

Education

An Post remains a key part of Ireland's infrastructure and a trusted intermediary for households and businesses nationwide. Our online education resource, www.anpostschoolbag.ie offers a range of resources including competitions, role play, video content and lesson plans, all focused on aspects of An Post's business. It is a reliable and fun source of information with curriculum-linked activities and real-life Irish examples. The resource continues to show growth across all metrics, with enhanced engagement among our target audience of teachers and school children of all ages.

During 2015, we hosted over 50 school visits to our Mail Centres and Delivery Service Units, to teach children about the journey of a letter and the importance of the postal service. Our staff complete local visits to schools on or near their route, delivering a classroom pack which allows for post office role play in classrooms. We distributed almost 200 hard copy packs both to our post people and in response to enquiries from teachers to provide classroom resources.

AN POST DO MORE BY SUPPORTING PROGRAMMES AND ORGANISATIONS THAT ENHANCE LIVES THROUGHOUT IRELAND.

ADULT LITERACY

+40%

An Post's work with NALA led to a 40% increase in attendance at adult literacy courses since 2007

AWARD-WINNING SPONSORSHIP

NO.1

An Post Rás won Best Sport Event Sponsorship at the 2015 Irish Sponsorship Awards

HANDWRITING COMPETITION

65,000

Entries received to An Post's handwriting competition for primary and secondary schools

STAMP ISSUES AND PHILATELIC PUBLICATIONS

An Post issued a total of 36 special and commemorative stamps in 2015, covering a broad range of subjects such as the 150th Anniversary of the birth of WB Yeats; Ireland – The Food Island; the 1400th Anniversary of the death of St. Columban and Europa – "Old Toys."

Among the highlights of the 2015 stamp programme are two award winning stamps issued to celebrate Science. Designed by Detail Design Studio, the issue won the Gold Bell in the print design category at the 2015 Institute of Creative Advertising and Design (ICAD) awards. In a decade of centenaries, stamps featuring poignant imagery marked two disastrous and tragic events from World War One: The Gallipoli Campaign and the sinking of the RMS *Lusitania*.

Innovation was employed to great effect in a set of four stamps celebrating Animation Ireland, which also featured Augmented Reality. When scanned by smartphone using the *Cee* App, the stamps link to an exclusive audio visual show reel promoting the Irish film industry. Designed by Vermillion Design, these stamps recognise the success of leading Irish animation studios, working together to promote and market Ireland's world class animation sector. The productions which feature on the stamps are *Roy*, *Give Up Yer Aul Sins*, *The Secret of Kells* and *Nelly & Nora*.

Augmented Reality stamps also successfully delivered the concept of 'The Five Senses.' Zinc Design Consultants created strong, bold images to illustrate each of the five senses in a set of commemorative stamps that are both striking and original. The stamps feature enhanced production techniques for each sense, using specialist papers and print finishes created with security printers, Cartor, to realise each Sense's unique characteristic.

An illustration of a tongue represents 'Taste' with strawberry flavour added to the gum on the back. A nose signifies 'Smell', with mint fragrance added to the surface of the stamp, releasing scented molecules into the air when rubbed. 'Touch' is represented by a hand illustrated on thermo reactive paper and thermochromic ink, which causes the stamp image to change colour from orange to white when touched. 'Sight' is represented by an eye printed on transparent paper, while 'Hearing' uses thermography causing the stamp to create a sound when rubbed.

An Post issued four stamps to celebrate the genius of Eileen Gray, the Wexford-born avant garde furniture designer and architect. The designer's work spanned the Art Deco period and the Modernist Movement and included furniture, carpets, textiles and architecture. Designed by Ger Garland, these beautiful stamps feature four of Eileen Gray's most celebrated furniture pieces.

Once again, the Irish Stamps Year Book was produced in both standard and luxury editions. Featuring all issues from the annual stamp programme, this strictly limited hardback edition contained superb imagery and informative text. To further enhance the illustrations and assist with the telling of a "bigger" story, special fold-out pages were incorporated into the sections for Animation Ireland and Eileen Gray.

A diverse portfolio of associated collateral was also produced, including Prestige Booklets, Miniature Sheets, a Year Pack and First Day Cover (FDC) Collection. The Eileen Gray Prestige Booklet contained a fold-out poster of her iconic *Adjustable Table*.

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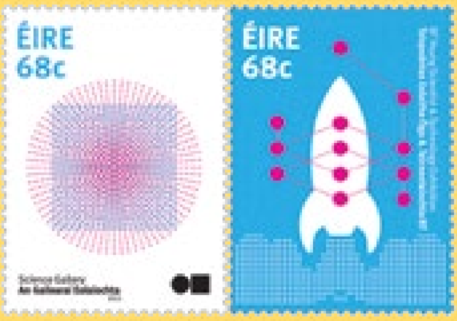

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1. Science Gallery and BT Young Scientist and Technology Exhibition
On the 7th of January 2015, An Post issued two stamps in celebration of Ireland's significant contribution to Science

2. 50th Anniversary of the meeting of Seán Lemass and Terence O'Neill
On the 22nd of January 2015, An Post issued a stamp marking 50 years since the meeting of Seán Lemass and Terence O'Neill

3. Love and Marriage
On the 12th of February 2015, An Post issued a stamp to celebrate St. Valentine's Day

4. St. Patrick's Day
On the 26th of February 2015, An Post issued a stamp to celebrate St. Patrick's Day

5. Animation Ireland
On the 20th of March 2015, An Post issued four stamps to celebrate the success of Animation Ireland

6. World War I – Gallipoli
On the 23rd of April 2015, An Post issued two stamps in memory of the Irish regiments in World War I

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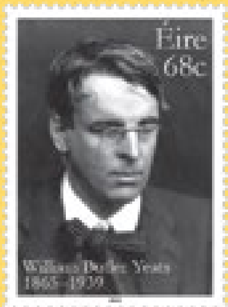

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12

7. **Lusitania**
   On the 7th of May 2015, An Post issued two stamps to mark the centenary of the WW1 sinking of the Lusitania

8. **Europa – Old Toys**
   On the 14th of May 2015, An Post issued two stamps to celebrate this year's Europa theme – Old Toys

9. **50th Anniversary of Mountain Rescue Ireland**
   On the 4th of June 2015, An Post issued two stamps to mark the 50th anniversary of the founding of Mountain Rescue Ireland

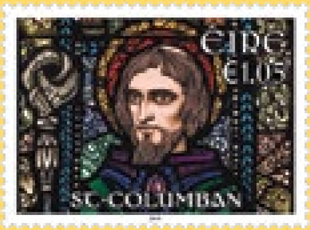
10. **150th Anniversary of the birth of WB Yeats**
    On the 11th of June 2015, An Post issued a stamp to mark the 150th anniversary of the birth of the great poet WB Yeats

11. **Ireland – The Food Island**
    On the 16th of July 2015, An Post issued four stamps recognising the importance of Ireland's Agri-Food industry

12. **Pearse's graveside speech for O'Donovan Rossa**
    On the 30th of July 2015, An Post issued a stamp commemorating Pearse's speech at the graveside of O'Donovan Rossa

13


14


15


16


13. Eileen Gray (1878–1976)
On the 13th of August 2015, An Post issued four stamps in celebration of Ireland's preeminent furniture designer and architect

15. St Columban
On the 22nd of October 2015, An Post issued a stamp to celebrate the 1400th anniversary of the death of St Columban

14. The Five Senses
On the 10th of September 2015, An Post issued a set of stamps celebrating The Five Senses

16. Christmas 2015
On the 5th of November 2015, An Post issued three stamps to celebrate Christmas

AN POST GPO WITNESS HISTORY IS AN IMMERSIVE, INTERACTIVE VISITOR ATTRACTION BRINGING HISTORY TO LIFE THOUGH TECHNOLOGY, VIDEO, SOUND AND AUTHENTIC ARTEFACTS.

MEMORIAL

40

'They are Of Us All' commemorates the 40 children killed during Easter Week 1916

CENTENARY

1916

GPO Witness History gives visitors a sense of what it was like to be in the GPO and Dublin during Easter 1916

ENTRY

€10

Adult admission is €10 and discounts are available

AN POST GPO WITNESS HISTORY

An Post GPO Witness History is an immersive, interactive visitor attraction bringing history to life though technology, video, sound and authentic artefacts.

Special commission by Barbara Knezevic, *'They are Of Us All'*

Robert Ballagh painting *'Birth of a Nation'*

GPO Witness History immersive audiovisual experience

Its special effects, soundscapes and heartfelt stories of real people in extraordinary circumstances will captivate all age-groups – from the curious, young international visitor to the well-informed history buff – there's plenty to interest and engage individuals, families and touring groups.

The centre piece of GPO Witness History is an immersive, semi-circular, audiovisual experience which puts visitors right at the heart of events of Easter Week when the GPO was both the Rebels' military command centre and the seat of the Provisional Irish Government.

GPO Witness History opened to the public on 29th March, 2016. An Post has appointed Shannon Heritage, who run many of Ireland's top visitor attractions (including Malahide Castle, Bunratty Castle and Folk Park and King John's Castle) to operate and manage the new Centre.

GPO Witness History gives visitors a real sense of what it was like to be in the GPO and Dublin during Easter 1916 and to reflect on how those days shaped Ireland over the following 100 years. While the exhibition is self-guided (using multi-lingual headsets), guided tours are also available to visitors. Having explored the immersive exhibition, visitors can take time to contemplate the place and its extraordinary stories in a unique original courtyard space, adjacent to the Centre's café and retail outlet.

This space also features a specially commissioned memorial to the 40 children killed by gunfire during Easter Week 1916. Entitled '*They are Of Us All*', it was created by internationally renowned Dublin artist, Barbara Knezevic using polished steel and black limestone rocks which came from the ruins of Jacobs biscuit factory – each stone represents a child.

GPO Witness History is being operated through a subsidiary company, GPO IEC Limited and is open Monday to Sunday from 09.00 – 17.30. Entrance is through the main GPO Public Post Office. Adult admission is €10 and discounts are available for Groups, Seniors, Families and Students. GPO Witness History has disabled lift access and toilet facilities. Advance booking is essential at www.gpowitnesshistory.ie or Tel: 00 353 1 816 9538.

REPORT OF THE DIRECTORS

The directors have pleasure in submitting their thirty second Annual Report together with the audited financial statements of the Group for the year ended 31 December 2015, in fulfilment of their obligations under the Companies Acts, 2014.

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, Premier Lotteries Ireland and other bodies.

One ordinary share is held by the Minister for Finance (which stands transferred to the Minister for Public Expenditure and Reform under the Ministers and Secretaries Act 2011) 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 companies and joint ventures, together with the information required by Section 325 of the Companies Act, 2014, are given in note 22 to the financial statements.

2. Results

Details of the results for the year are set out in the consolidated income statement on page 44 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 profit for the year before pension interest and taxation is €8.6m compared with €3.3m in 2014. This continued improvement represents a very significant achievement during the period when a sustainable funding structure was not in place for the USO.

The loss for the year is €2.4m after taking account of the pension interest cost of €9.6m and a taxation charge for the Group of €1.3m. This loss compares favourably with the €5.5m loss in 2014.

Revenue from continuing operations at €826.1m is 1.3% up on the 2014 figure of €815.4m. The decline in traditional mails volumes continued, but this was offset by additional revenue arising from price increases implemented in July 2015 and 2014. The year saw increased revenue from subsidiaries and the strategy of diversifying into other mails and retail related products continued to yield positive results. The programme of cost reduction in the core business continued during 2015.

Excluding the pension deficit, the net asset position on the statement of financial position for the Group is €204.3m at 31 December 2015 compared to similiar net assets of €195.7m at 31 December 2014. The pension deficit has decreased from €440.5m at 31 December 2014 to €169.2m at 31 December 2015. This is partly driven by the assumptions used to value the schemes liabilities. While the value of assets held by the Pension Scheme increased by just over €144m, there was also a significant decrease in the assessed value of the scheme liabilities as a result of the increase in the discount rate from 2.2% at 31 December 2014 to 2.5% at 31 December 2015.

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

KPI	Performance in 2015	Performance in 2014
Operating result		
Operating profit as a percentage of revenue	0.62%	0.30%
Staff costs as a percentage of total operating costs	58.3%	58.8%
Postmasters' costs as a percentage of total operating costs	9.1%	9.2%
Other operating costs as a percentage of total operating costs	32.6%	32.0%
Cash at bank and in hand	€363.6m	€404.2m
Staff – Average Full Time Equivalents (FTE)		
Company	9,109	9,237
Subsidiaries	753	787
Group	9,862	10,024
Company year end FTE run rate	8,479	8,521
Mails business		
Core mail volumes: (page 96)	(2.92%)	(3.3%)
Retail business		
Social welfare transactions	38.1m	40.5m
BillPay transactions	22.9m	24.4m
TV licence sales	1.4m	1.4m
Investment products – net fund inflow	€0.7m	€624m
Post Office Savings Bank – net fund inflow/(outflow)	€93.7m	€20m
Prize Bonds – net fund inflow	€304.6m	€248m
Burglaries and robberies – number of incidents	36	57
Customer Service		
Written complaints	23,169	22,290
Telephone enquiries	524,154	534,354

4. Principal Risks and Uncertainties

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:

- Insufficient funding mechanism for the provision of the USO;
- Department of Social Protection (DSP) business and retail network sustainability;

- Flexible and efficient cost structure;
- Emerging market requirements in the packets and parcels markets;
- Transactional mail market accelerated decline (incl. price elasticity risk);
- Risk of fraud (external and internal);
- Industrial relations – rising expectations;
- Retail revenue (excl. DSP, NTMA & TV Licence);
- Cash management – funding of strategy;
- Post Office contractors – contracts and payments.

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 34 to 38, which forms part of the Directors' Report, sets out the policies and approach to risks and the related internal control procedures and responsibilities.

5. Directors, Secretary and their interests

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

- Mr Christoph Mueller resigned from the position of Chairperson on 30 November 2015;
- Mr Peter Ormond's term as a director expired on 7 March 2016;
- Mr Dermot Divilly was announced as Chairperson Designate on 1 December 2015.

The directors and secretary who held office at 31 December 2015 had no interests in the shares, or the 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 (2014: Nil).

6. 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 2015, there were 2.34 lost time accidents per 100,000 hours worked – this is a reduction of 5% in lost time accidents in comparison with 2014.

An Post is committed to reducing lost time accidents and in this regard is undertaking a safety improvement programme which includes the retention of accreditation to the OHSAS standard in 2016 (ISO 45001, the successor to OHSAS 18001). In addition 5,161 employees attended specific safety training courses in 2015, with many more attending other courses where safety was included in the content. This includes the provision of advanced driver training for 386 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.

7. 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.

8. Treasury Risk Management

The Group's treasury operations are managed in accordance with policies approved by the Board. The Group's financial instruments are limited to cash, term deposits and bank loans/overdrafts and as such the Group's operational exposure to financial risks in this regard are limited. The Group's treasury risk management policy allows for limited foreign exchange hedge positions to be taken but does not include the use of derivatives.

9. Accounting Records

The directors believe that they have complied with the requirements of Section 281 to 285 of the Companies Act, 2014 with regard to adequate accounting records by employing personnel with appropriate expertise and by providing adequate resources to the financial 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.

10. Political Donations

During the financial year ended 31 December 2015, the Group made no political contributions which would require disclosure under the Electoral Act 1997.

11. Subsequent Events

There have been no significant events since the reporting date which would require adjustment to the financial statements or the inclusion of a note thereto.

12. Auditors

In accordance with Section 383(2) of the Companies Act, 2014, the auditor, KPMG, Chartered Accountants, will continue in office.

On behalf of the Board

James Wrynn, Director
Donal Connell, Director
24 March 2016

CORPORATE GOVERNANCE

Maintaining high standards of corporate governance continues to be a priority for the directors of An Post. In developing its corporate governance policy, the Board has sought to give effect to the Code of Practice for the Governance of State Bodies, issued by the Department of Finance and to apply the principles of good governance appropriate to the enterprise.

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 principles of good governance have been applied within An Post.

The Board

The Group is currently 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 regular 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 Chairperson and the Chief Executive

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

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

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, namely: The Chairperson Designate, the Chief Executive, five employee directors, one postmaster director and six non-executive directors. The names of the directors together with their biographical details are set out on pages 4 and 5. The positions of Chairperson and Chief Executive are held by different people. Given its legal status as a State Company and the responsibility of its principal shareholder in the appointment of directors, the Board believes that it has fulfilled all of the obligations that are required in respect of the appointment of directors.

The Board has formal procedures in place whereby the Chairperson meets with the non-executive directors without the executive director being present.

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

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

Professional development

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

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 Chairperson on all governance matters. All directors have access to the advice and services of the Company Secretary. The Company's Articles of Association provide that the appointment and removal of the Company Secretary is a matter for the full Board.

Information

Regular reports and papers, including management accounts, 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.

These reports enable directors to scrutinise the Group's and management's performance against agreed objectives.

Relations with shareholders

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

Internal Control

An ongoing process exists for identifying, evaluating and managing the significant risks faced by the Group. This process 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.

The directors are responsible for the Group's system of internal control and set appropriate policies on internal control, seek regular assurance that enable them to satisfy themselves that the system is functioning effectively and ensure that the system of internal control is effective in managing risks in the manner which it has approved. Such a system is designed to manage rather than eliminate business risks and can provide only reasonable rather than absolute assurance against material misstatement or loss. The key risks are set out at Section 4 of the Report of the Directors.

The directors have continued to review the effectiveness of the Group's system of financial and non-financial controls during 2015, including operational and compliance controls, risk management and the Group's high level internal control arrangements. These reviews have included an assessment of internal controls by management, management assurance of the maintenance of controls, reports from the internal auditors and reports from the external auditor on matters identified in the course of its statutory audit work.

The Group views the careful management of risk as a key management activity. The Board has adopted a Risk Management Policy and a Risk Management Framework and appointed a Chief Risk Officer. The 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 financial statements, is managed by the Group Finance Department. The Group's financial reporting process is controlled using documented accounting policies and reporting formats issued by

Internal Control continued

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 financial statements are reviewed by the Board Audit and Risk Committee in advance of being presented to the Board for their review and approval. This review includes a meeting with the external auditors with no member of management present;

- 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, the Audit and Risk Committee and the Health and Safety and Security Committee

Eight Board meetings were held during the year ended 31 December 2015 and the attendance record of each director is set out in the following table:

Name	Eligible to attend	Attended
Christoph Mueller	7	5
Noel Adamson	8	7
Patrick Compton	8	8
Donal Connell	8	8
Thomas Devlin	8	7
Paul Henry	8	7
Jennifer Loftus	8	7
William Mooney	8	8
Ed Murray	8	7
Tom O'Brien	8	8
Martina O'Connell	8	6
Peter Ormond	8	8
Lorraine Tormey	8	8
William Scally	8	8
James Wrynn	8	8

Four meetings of the Remuneration Committee were held during the year ended 31 December 2015 and the attendance record of each director, eligible to attend, is set out in the following table:

Name	Eligible to attend	Attended
Christoph Mueller	4	4
Donal Connell	4	4
Ed Murray	4	4

Seven meetings of the Audit and Risk Committee were held during the year ended 31 December 2015 and the attendance record of each director, eligible to attend, is set out in the following table:

Name	Eligible to attend	Attended
James Wrynn	7	6
Paul Henry	7	7
Jennifer Loftus	7	7
Tom O'Brien	7	7

Four meetings of the Health and Safety and Security Committee were held during the year ended 31 December 2015 and the attendance record of each director, eligible to attend, is set out in the following table;

Name	Eligible to attend	Attended
Patrick Compton	4	4
William Scally	4	4
Martina O'Connell	4	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. 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

The Remuneration Committee is comprised of the Chairperson, a non-executive director and the Chief Executive. 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 Chairperson of the Board);
- To be informed of significant developments in industrial relations and to review industrial relations policies to ensure the strategy is consistent with the achievement of the business plans of An Post and on behalf of the Board, to take decisions on such matters;
- To act, on behalf of the Board and take all decisions related to pay and pay related matters, as the Chairperson of the Board shall determine;
- To act, on behalf of the Board and take all significant decisions on matters such as remuneration policy, benefits, staff grading, third party recommendations and related issues;
- To review the continued development and implementation of a human resources strategy and furtherance of a human resources planning process.

Audit and Risk Committee

The Audit and Risk Committee is currently comprised of four non-executive directors. Mr James Wrynn is Chairman of the Committee. When necessary, non-Committee members are invited to attend. Under its terms of reference, the Committee is to assist the Board in fulfilling its responsibilities by providing an independent review of financial reporting, by satisfying itself as to the effectiveness of the Company's internal controls and as to the sufficiency of the external and internal audits.

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

In order to maintain the independence of the external auditor, the Audit and Risk Committee has determined policies as to what audit related and non-audit services can be provided by the Group's external auditors and the approval process related to these services. Under these policies, work of a consultancy nature will not be offered to the external auditor unless there are clear efficiencies and value-added benefits to the Group while ensuring that the objectivity and independence of the external auditor is maintained. The Audit and Risk Committee monitors the total 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 2015, the Audit and Risk Committee discharged its responsibilities by:

- Reviewing the Group's draft financial statements for 2014 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 recommendations 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 2015, confirmations of auditor independence and the proposed audit fee and approving the terms of engagement for the audit on behalf of the Board;
- Reviewing the Risk Management Policy and the Risk Management Framework;
- Reviewing the key risks to the business and considering the adequacy of the Group's system of risk identification and assessment;
- Reviewing an annual report on the Group's systems of internal control and its effectiveness, reporting to the Board on the results of the review and receiving regular updates on key risk areas of financial control.

Health and Safety and Security Committee

The Health and Safety and Security Committee is comprised of three members and is chaired by Mr Patrick Compton.

The Committee's principal responsibilities are:

- To monitor the effectiveness of the Company's Safety Management and Security Systems, satisfy itself as to Company compliance with applicable health and safety and security legislation and regulations and ensure incidents are reduced to as low as reasonably practicable;
- To monitor the development, implementation and continual improvement of strategies, management systems and processes to ensure that adequate health and safety and security regulations and procedures (including emergency response planning) are in place.

Raising Matters of Concern

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 including a review by the Audit and Risk Committee. Reporting channels have been created whereby perceived wrongdoing may be reported via post, telephone and email.

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, no Nomination Committee was in place for 2015.

Compliance Statement

As noted above, in developing its corporate governance policy, the Board has sought to give effect to the Code of Practice for the Governance of State Bodies, issued by the Department of Finance and to meet the standards of good governance appropriate to the enterprise.

The directors confirm that the Group has been in compliance with the Code of Practice for the Governance of State Bodies throughout the financial year under review.

Going Concern

The Group recorded an operating profit for the year. The Group statement of financial position has net assets excluding pension liabilities. Having regard to this, the directors have reviewed the Group's business plan and other relevant information and have concluded 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

James Wrynn, Director
Donal Connell, Director

24 March 2016

STATEMENT OF THE DIRECTORS ON COMPLIANCE WITH THE REGULATOR'S DIRECTION ON THE ACCOUNTING SYSTEMS OF AN POST AS REQUIRED BY THE COMMUNICATIONS REGULATION (POSTAL SERVICES) ACT 2011

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 Act and the Direction for the accounting year beginning on 1 January 2015.

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 income statements and statement of net assets have been prepared for submission to ComReg for the year ended 31 December 2015. In compliance with the Direction, a competent body has reviewed these accounts and has issued 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 2015.

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 2015.

On behalf of the Board

James Wrynn, Director
Donal Connell, Director

24 March 2016

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and applicable law and the Company financial statements in accordance with FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the Group and Company financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Group and Company and of the Group's and Company's profit or loss for that year. In preparing each of the Group and 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;
- State whether the Group financial statements have been prepared in accordance with IFRS as adopted by the EU and the Company financial statements have been prepared in accordance with FRS 101 *Reduced Disclosure Framework;* and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements of the Group are prepared in accordance with applicable IFRS, as adopted by the EU, the Company financial statements are prepared in accordance with FRS 101 and comply with the provisions of the Companies Act, 2014. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and the 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 Act, 2014.

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

James Wrynn, Director
Donal Connell, Director

24 March 2016

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF AN POST

We have audited the Group and Company financial statements ("financial statements") of An Post for the year ended 31 December 2015 which comprise the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of changes in equity, the consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is Irish law and International Financial Reporting Standards (IFRS) as adopted by the European Union and in respect of the Company financial statements, Irish law and FRS 101 *Reduced Disclosure Framework*.

Opinions and conclusions arising from our audit

1. Our opinion on the financial statements is unmodified

In our opinion:

- The Group financial statements give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2015 and of its loss for the year then ended;
- The Company financial statements give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2015;
- The Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- The Company financial statements have been properly prepared in accordance with FRS 101 *Reduced Disclosure Framework*; and
- The Group financial statements and Company financial statements have been properly prepared in accordance with the requirements of the Companies Act, 2014.

2. Our conclusions on other matters on which we are required to report by the Companies Act, 2014 are set out below

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and the financial statements are in agreement with the accounting records.

In our opinion the information given in the Directors' Report is consistent with the financial statements.

3. We have nothing to report in respect of matters on which we are required to report by exception

ISAs (UK & Ireland) require that we report to you if, based on the knowledge we acquired during our audit, we have identified information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In addition, the Companies Act, 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by sections 305 to 312 of the Act are not made.

Under the Code of Practice for the Governance of State Bodies ("the code") we are required to report to you if the statement regarding the system of internal financial controls, required under the code as included in the Corporate Governance Statement on pages 34 to 38, does not reflect the Group's compliance with paragraph 13.1 of the code or if it is not consistent with the information of which we are aware from our audit work or the financial statements and we report if it does not.

Basis of our report, responsibilities and restrictions on use

As explained more fully in the Statement of Directors' Responsibilities set out on page 40, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act, 2014. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

An audit undertaken in accordance with ISAs (UK and Ireland) involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: Whether the accounting policies are appropriate to the Group and Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF AN POST CONTINUED

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Whilst an audit conducted in accordance with ISAs (UK & Ireland) is designed to provide reasonable assurance of identifying material misstatements or omissions it is not guaranteed to do so. Rather the auditor plans the audit to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements does not exceed materiality for the financial statements as a whole. This testing requires us to conduct significant audit work on a broad range of assets, liabilities, income and expense as well as devoting significant time of the most experienced members of the audit team, in particular the engagement partner responsible for the audit, to subjective areas of the accounting and reporting.

Our report is made solely to the Company's members, as a body, in accordance with section 391 of the Companies Act, 2014. 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.

Eamon Dillon

Eamon Dillon
For and on behalf of
KPMG
Chartered Accountants, Statutory Audit Firm
1 Stokes Place
St. Stephen's Green
Dublin 2

24 March 2016

REPORT OF THE INDEPENDENT AUDITOR TO AN POST ON COMPLIANCE WITH THE REGULATOR'S DIRECTION ON THE ACCOUNTING SYSTEMS OF AN POST AS REQUIRED BY THE COMMUNICATIONS REGULATION (POSTAL SERVICES) ACT 2011 (THE ACT)

In addition to our audit of the financial statements, we have reviewed the directors' statement on page 39 concerning the Company's compliance, for the year ended 31 December 2015, 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 Financial Reporting Council.

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 39 appropriately reflects the Company's compliance, for the year ended 31 December 2015, 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

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

24 March 2016

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 €'000 Total	2014 €'000 Total
Revenue	2	826,069	815,448
Operating costs	3	(820,907)	(813,019)
Operating profit		5,162	2,429
Finance income (excluding pension interest)	4	3,849	1,111
Finance costs (excluding pension interest)	5	(454)	(284)
Profit before pension interest and taxation		**8,557**	**3,256**
Pension interest	20	(9,630)	(7,620)
Loss before taxation		(1,073)	(4,364)
Taxation charge	7	(1,348)	(1,131)
Loss for the year		(2,421)	(5,495)
Loss for the year attributable to			
Equity holders of the Company		(4,264)	(6,528)
Non-controlling interests		1,843	1,033
		(2,421)	(5,495)

On behalf of the Board

James Wrynn, Director
Donal Connell, Director

24 March 2016

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 €'000	2014 €'000
Loss for the year		(2,421)	(5,495)
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Remeasurements of defined benefit pension liability	20	281,100	(214,400)
Items that are or may be reclassified to profit or loss			
Translation of foreign operations – subsidiaries		1,038	–
Available for sale financial assets – change in fair value		323	–
Tax effect of change in fair value		(107)	–
Total comprehensive income		279,933	(219,895)
Total comprehensive income attributable to			
Equity holders of the Company		277,990	(220,928)
Non-controlling interests		1,943	1,033
		279,933	(219,895)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2015

	Notes	31 Dec 2015 €'000	31 Dec 2014 €'000	1 Jan 2014 €'000
Assets				
Non-current assets				
Intangible assets and goodwill	9	18,183	16,592	17,445
Investment property	10	715	715	715
Property, plant and equipment	11	243,687	247,209	260,901
Investment in PLI	12	29,778	25,971	–
Available for sale investment	12	323	–	–
Deferred tax asset	13	1,647	1,820	1,651
Total non-current assets		294,333	292,307	280,712
Current assets				
Trade and other receivables	13	112,600	99,150	105,984
Cash at bank and in hand	14	315,556	354,212	385,936
Restricted cash	14	117,867	–	–
Term deposits		48,000	50,000	40,929
Total current assets		594,023	503,362	532,849
Total assets		**888,356**	**795,669**	**813,561**
Equity and reserves				
Called up share capital	21	(68,239)	(68,239)	(68,239)
Other capital reserves	21	(2,031)	(877)	(877)
Retained earnings		29,330	306,166	85,238
Equity attributable to the Company		(40,940)	237,050	16,122
Non-controlling interests		5,809	7,752	8,785
Total equity		(35,131)	244,802	24,907
Non-current liabilities				
Capital grants	18	(10,054)	(4,756)	(3,258)
Leases and borrowings	16	(13,347)	(16,542)	(3,003)
Provisions	19	(33,524)	(35,658)	(46,444)
Pension liability	20	(169,203)	(440,460)	(229,206)
Total non-current liabilities		(226,128)	(497,416)	(281,911)
Current liabilities				
Trade and other payables	15	(175,093)	(175,573)	(182,128)
Leases and borrowings	16	(9,532)	(5,841)	(943)
Provisions	19	(10,900)	(13,000)	(10,534)
Amounts held in trust	14	(431,572)	(348,641)	(362,952)
Total current liabilities		(627,097)	(543,055)	(556,557)
Total liabilities		(853,225)	(1,040,471)	(838,468)
Total equity and liabilities		**(888,356)**	**(795,669)**	**(813,561)**

On behalf of the Board

James Wrynn, Director
Donal Connell, Director
24 March 2016

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

	Called up share capital €'000	Undenominated capital fund €'000	Foreign currency translation reserve €'000	Fair value reserve €'000	Retained earnings €'000	Total €'000	Non-controlling interests €'000	Total equity €'000
Balance at 1 January 2014	(68,239)	(877)	–	–	85,238	16,122	8,785	24,907
Loss for the year	–	–	–	–	6,528	6,528	(1,033)	5,495
Other comprehensive expense	–	–	–	–	214,400	214,400	–	214,400
Balance at 31 December 2014	(68,239)	(877)	–	–	306,166	237,050	7,752	244,802
Loss for the year	–	–	–	–	4,264	4,264	(1,843)	2,421
Available for sale financial assets – net change in fair value	–	–	–	(116)	–	(116)	(100)	(216)
Other comprehensive income								
Remeasurements of defined benefit pension liability	–	–	–	–	(281,100)	(281,100)	–	(281,100)
Translation of foreign operations	–	–	(1,038)	–	–	(1,038)	–	(1,038)
Balance at 31 December 2015	(68,239)	(877)	(1,038)	(116)	29,330	(40,940)	5,809	(35,131)

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 €'000	2014 €'000
Cash flows from operating activities			
Loss for the year		(2,421)	(5,495)
Adjustments for			
Depreciation		19,236	21,743
Amortisation		2,432	2,135
Net finance costs		6,235	6,793
Gain on sale of property, plant and equipment		(293)	(201)
Tax expense		1,348	1,131
Cash paid in excess of pension operating cost		1,129	(9,747)
Capital grant amortised		(101)	(102)
Payments made in relation to provisions, excess over cost		(4,234)	(8,320)
		23,331	7,937
Changes in:			
Trade and other receivables		(13,450)	5,863
Trade and other payables		(714)	(7,639)
Cash generated from operating activities		**9,167**	**6,161**
Taxes paid		(823)	(721)
Net cash generated from operating activities		**8,344**	**5,440**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		501	1,049
Acquisition of property, plant and equipment		(15,302)	(8,765)
Acquisition of intangible assets		(2,163)	(1,106)
Decrease/(increase) in term deposits		2,000	(9,071)
Grant received		5,400	1,600
Amounts held in trust		(34,936)	(14,311)
Net inflow of restricted cash		117,867	–
Creditor in respect of restricted cash		(117,867)	–
Acquisition of investment in Premier Lotteries Ireland		–	(25,000)
Net cash generated from investing activities		**(44,500)**	**(55,604)**
Cash flows from financing activities			
Proceeds from sale and finance lease		–	16,400
Finance lease payments		(3,018)	–
Term loan drawn down		5,000	3,000
Term loan repaid		(4,000)	(1,000)
Net cash from financing activities		**(2,018)**	**18,400**
Net decrease in cash and cash equivalents		**(38,174)**	**(31,764)**
Cash and cash equivalents at beginning of year	14	353,229	384,993
Cash and cash equivalents at end of year	14	**315,055**	**353,229**

COMPANY STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2015

	Notes	2015 €'000	2014 €'000
Assets			
Non-current assets			
Intangible assets and goodwill	9	4,936	3,727
Investment property	10	715	715
Property, plant and equipment	11	237,082	248,655
Investment in PLI	12	29,778	25,971
Financial asset	12	8,969	8,969
Total non-current assets		281,480	288,037
Current assets			
Trade and other receivables	13	82,539	67,326
Cash at bank and in hand	14	301,926	339,094
Term deposits		48,000	50,000
Total current assets		432,465	456,420
Total assets		**713,945**	**744,457**
Equity and reserves			
Called up share capital	21	(68,239)	(68,239)
Other reserve	21	(877)	(877)
Retained earnings		35,838	308,732
Total equity		(33,278)	239,616
Non-current liabilities			
Capital grants	18	(3,054)	(3,156)
Leases and borrowings	16	(13,262)	(14,542)
Provisions	19	(33,524)	(35,658)
Pension liability	20	(169,203)	(440,460)
Total non-current liabilities		(219,043)	(493,816)
Current liabilities			
Trade and other payables	15	(134,056)	(126,758)
Leases and borrowings	16	(2,963)	(1,858)
Provisions	19	(10,900)	(13,000)
Amounts held in trust	14	(313,705)	(348,641)
Total current liabilities		(461,624)	(490,257)
Total liabilities		(680,667)	(984,073)
Total equity and liabilities		**(713,945)**	**(744,457)**

On behalf of the Board

James Wrynn, Director
Donal Connell, Director

24 March 2016

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

	Called up share capital €'000	Undenominated Capital fund €'000	Retained earnings €'000	Total equity €'000
Balance at 1 January 2014	(68,239)	(877)	120,232	51,116
Profit for the period	–	–	(25,900)*	(25,900)
Other comprehensive expense	–	–	214,400	214,400
Balance at 31 December 2014	(68,239)	(877)	308,732	239,616
Loss for the period	–	–	8,206	8,206
Other comprehensive income	–	–	(281,100)	(281,100)
Balance at 31 December 2015	(68,239)	(877)	35,838	(33,278)

*Included in (loss)/profit for the period was dividends received from group companies of €4,092k (2014: €40,253k).

INDEX TO NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. Significant Accounting Policies

The accounting policies set out below have been consistently applied to all years presented in these financial statements and have for the purposes of the Group financial statements, been applied consistently throughout all Companies in the Group.

Basis of Preparation

Reporting entity

An Post (the 'Company') is a limited liability company domiciled in Ireland. Under the Postal and Telecommunications Services Act, 1983, the Company is entitled to omit the word 'Limited' from its name. The Company's registered office is General Post Office, O'Connell Street, Dublin 1, D01 F5P2.

These consolidated financial statements comprise the financial statements of the Company and its subsidiaries (collectively the 'Group' and individually 'Group companies'), together with An Post's interest in joint ventures. The Group is primarily involved in postal, distribution and financial services.

Statement of compliance

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by European Union (EU IFRS).

The financial statements of the Company have been prepared in accordance with FRS 101 *Reduced Disclosure Framework*.

These are the Group's first set of consolidated financial statements prepared in accordance with EU IFRS and the Company's first financial statements prepared in accordance with FRS 101. IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied. An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows is provided in the notes to the financial statements.

Forthcoming IFRS Standards

A number of new IFRS Standards, Amendments to Standards and Interpretations are effective for annual periods beginning after 1 January 2015 and have not been applied in preparing these financial statements. These are as follows:

Effective for year ending – 31 December 2016

- Annual improvements to IFRSs 2010–2012 Cycle
- Annual Improvements to IFRSs 2012–2014 Cycle
- Amendments to IAS 1: Disclosure Initiative
- Amendments to IFRS 11: Accounting for acquisitions of interests in Joint Operations
- Amendments to IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortisation
- Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Bearer Plants
- Amendments to IAS 27 Equity method in Separate Financial Statements
- Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture*
- IFRS 14: Regulatory Deferral Accounts*
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception*

Effective for year ending – 31 December 2017

- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses*
- Amendments to IAS 7 Disclosure Initiative*

Effective for year ending – 31 December 2018

- IFRS 9 Financial Instruments (2009 and subsequent amendments in 2010 and 2013)*
- IFRS 15: Revenue from contracts with customers*

Effective for year ending – 31 December 2019

- IFRS 16 Leases*

The Group is currently in the process of assessing the full impact on the financial statements of these new Standards, Interpretations and Amendments to Published Standards.

*These Standards, Interpretations and Amendments to Published Standards have yet to be endorsed by the EU and will only be implemented once they have been endorsed by the EU.

Basis of measurement

Group

These financial statements are prepared on a historical cost basis, except for:

- The net defined benefit liability is measured at the fair value of plan assets less the present value of the defined benefit obligation;
- Investment property is measured at fair value; and
- Available-for-sale financial assets are measured at fair value.

Company

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets, intangible assets and investment properties;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- An additional statement of financial position for the beginning of the earliest comparative period; and
- Disclosures in respect of the compensation of key management personnel.

Functional and presentation currency
These consolidated and Company financial statements are presented in Euro, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Use of judgements and estimates
In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's and Company's accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The areas where judgement has the most significant effects on amounts recognised are:

- Note 20 – measurement of defined benefit obligations: Key actuarial assumptions;
- Note 7 – recognition of deferred tax assets: Availability of future taxable profits against which deferred tax assets can be used;
- Note 9 – impairment test: Key assumptions underlying value in use calculations;
- Note 12 – accounting for PLI investment; and
- Note 15 – deferred revenue in relation to unused stamps.

Basis of Consolidation

Business combinations
The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Transaction costs are expensed in profit or loss as incurred, except if related to the issue of debt or equity securities.

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary and any related non-controlling interests and other components of equity. Any interest retained in the former subsidiary is measured at fair value when control is lost and together with the fair value of any consideration received is compared to the derecognised amounts. Any resulting gain or loss is recognised in profit or loss.

Subsidiaries
Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Non-controlling interests (NCI)
NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition and subsequently, their share of changes in net assets. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Interests in equity-accounted investees
The Group's interests in equity-accounted investees comprise interests in joint ventures.

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its individual assets and obligations for its individual liabilities.

Interests in joint ventures are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and Other Comprehensive Income (OCI) of equity-accounted investees, until the date on which significant influence or joint control ceases.

Transactions eliminated on consolidation
Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Revenue
Revenue reported is net of value added tax. Revenue consists of income from postage, agency services, poundage from remittance services, courier and logistic services, consultancy services, financial services and interest income. Income from agency services is in respect of services performed for Government Departments, the National Treasury Management Agency, Premier Lotteries Ireland and other bodies. Amounts held in the performance of these agency services are included in amounts held in trust on the statement of financial position. The Group is entitled to interest income on funds held in relation to agency services and as such recognises this as part of revenue.

Postage income is recognised when stamps are used.

Commission income from the sale of gift vouchers and cards is recognised when the card is redeemed.

1. Significant Accounting Policies continued

Revenue continued

Non-redemption income from gift cards is recognised when the related non-redemption fee is received. Other agency and service revenue is recognised upon provision of the underlying service.

Where the Group acts in the capacity of an agent rather than as the principal in a transaction, then the revenue recognised is the net amount of commission made by the Group.

Grants

Revenue based grants are recognised in profit or loss on a systematic basis in the periods in which the expenses are recognised.

Capital grants are initially recognised as deferred income at fair value if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant; they are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

Property, Plant and Equipment

Recognition and measurement

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

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

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

Subsequent expenditure

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

Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment, other than land, less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

	Years
Freehold & long leasehold buildings	20–50*
Motor vehicles	5
Operating & computer equipment	3–10

*or lease term if shorter

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

Leases

Leased assets

Assets held by the Group under leases that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Intangible assets and goodwill

(i) Recognition and measurement

Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at fair value less accumulated impairment losses.

Software

Software has a finite useful life and is measured at cost less accumulated amortisation and any accumulated impairment losses.

(ii) Subsequent expenditure
Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iii) Amortisation
Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss. Goodwill is not amortised but is tested for impairment annually at the year end.

The estimated useful lives for current and comparative periods are as follows:

	Years
Software	5

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

(iv) Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at an appropriate pre-taxation rate.

Employee benefits

(i) Short-term employee benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Defined contribution plans
Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(iii) Defined benefit plans
The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. The Group determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iv) Termination benefits
Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring.

Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

(i) Current tax
Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends. Current tax assets and liabilities are offset only if certain criteria are met.

(ii) Deferred tax
Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

1. Significant Accounting Policies continued

Income tax continued

Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are derecognised to the extent that it is no longer probable that the related tax benefit will be realised; such derecognised are reversed when the probability of future as deferred tax assets taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Land is assessed at the sale rate. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale and the Group has not rebutted this presumption. Deferred tax assets and liabilities are offset only if certain criteria are met.

Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into euro at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into euro at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of a joint venture while retaining joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

Financial instruments

(i) Non-derivative financial assets and financial liabilities – recognition and derecognition

The Group initially recognises loans and receivables and debt securities on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(ii) Non-derivative financial assets – measurement

The Group holds the following categories of financial assets:

Loans and receivables

These assets are initially recognised at fair value and subsequently measured at amortised costs less accumulated impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative investments that are designated as available-for-sale or are not classified as another category of financial assets. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost. All other available-for-sale investments are carried at fair value.

Interest income is recognised in profit or loss using the effective interest rate method. Dividend income is recognised in profit or loss when the Group becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt investments are recognised in profit or loss.

Other fair value changes are recognised directly in OCI until the investment is sold or impaired, whereupon the cumulative gains and losses previously recognised in OCI are recognised in profit or loss.

(iii) Non-derivative financial liabilities – measurement

Non-derivative financial liabilities are initially recognised at fair values less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

Impairment

(i) Financial assets

Financial assets not measured at fair value are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that such financial assets are impaired includes;

- Default or delinquency by a debtor;
- Restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- Indications that a debtor or issuer will enter bankruptcy;
- Adverse changes in the payment status of borrowers or issuers;
- The disappearance of an active market for a security; or
- Observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost. The Group considers a decline of 20% to be significant and a period of nine months to be prolonged.

Available-for-sale financial assets

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised directly in the OCI to profit or loss. The cumulative loss that is removed from OCI and recognised in profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised directly in the profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised directly in the OCI.

(ii) Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash Generating Units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2. Revenue

	2015 €'000	2014 €'000
The analysis of revenue is as follows:		
Republic of Ireland		
Postage: Letters and parcels	523,716	510,014
Postage: Elections and referenda	2,460	11,278
Post offices: Agency, remittance and related services	164,309	166,087
Other services	46,600	42,972
Interest income	1,025	1,936
Rental income	60	60
	738,170	732,347
United Kingdom		
Mails distribution and related services	87,899	83,101
	826,069	815,448

3. Operating Costs

	2015 €'000	2014 €'000
The consolidated costs for the Group were as follows:		
Staff and postmasters' costs		
Wages and salaries	394,835	404,246
Postmasters' costs	74,481	74,545
Social welfare costs	35,619	35,578
	504,935	514,369
Pension costs	48,018	38,019
Total payroll and postmasters' costs	552,953	552,388
Other costs:		
Distribution	94,857	96,232
Facilities	28,711	27,532
Operational	79,355	72,456
Administration	43,363	40,533
Depreciation	19,236	21,743
Amortisation	2,432	2,135
	267,954	260,631
	820,907	813,019

4. Finance Income

	2015 €'000	2014 €'000
Interest on Premier Lotteries Ireland (PLI) loan receivable	1,677	763
PLI preference share dividends	2,130	208
Interest on short term deposits	42	140
	3,849	1,111

5. Finance Costs

	2015 €'000	2014 €'000
Finance lease interest	454	284
	454	284

6. Loss before Taxation

	2015 €'000	2014 €'000
The loss before taxation is stated after charging:		
Operating lease rentals:		
Rental of buildings	8,726	8,326
Other equipment and motor vehicles	13,385	13,473
	22,111	21,799
and after crediting:		
Capital grants amortised	101	102
Profit on sale of property, plant & equipment	293	201
	394	303

6. Loss before Taxation continued

	2015 €'000	2014 €'000
The loss before taxation is stated after charging:		
Directors' emoluments:		
Fees	236	231
Other emoluments	240	240
Pension contributions paid	46	45
	522	516
Expenses paid to Directors		
Travel	7	10
Subsistence	–	1
	7	11
Auditor's remuneration* – Group		
Audit of the group financial statements*[1]	373	308
Other assurance services	159	310
Tax advice services	218	340
Other non-audit services	101	49
	851	1,007
Auditor's remuneration* – An Post Company (included above)		
Audit of the financial statements	232	175
Other assurance services	159	272
Tax advice services	136	293
Other non-audit services	66	49
	593	789

*Including non recoverable VAT
*[1] Includes reimbursed expenses of €9,456 (2014: €9,702)

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. Payments made to the former Chairperson are also included in this note.

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

	2015 €'000	2014 €'000
Basic salary	240	240
Other emoluments:		
Director's fee	–	–
Pension contributions paid	46	45
	286	285

The fees payable to each director were as follows:

	2015 €'000	2014 €'000
Christoph Mueller (Former Chairperson)	28	31
Noel Adamson	16	16
Patrick Compton	16	16
Donal Connell (Chief Executive)	–	–
Thomas Devlin	16	16
Paul Henry	16	16
Jennifer Loftus	16	12
Ed Murray	16	12
William Mooney	16	16
Thomas O'Brien	16	16
Martina O'Connell	16	16
Peter Ormond	16	16
William Scally	16	16
Lorraine Tormey	16	16
James Wrynn	16	16
Total	236	231

Mr Dermot Divilly was announced as Chairperson Designate on 1 December 2015 and is due one monthly fee of €2,625 for 2015.

7. Income Tax

A. Amounts recognised in profit or loss

	2015 €'000	2014 €'000
Current tax		
Ireland – Corporation Tax	111	561
Adjustment in respect of prior year	(2)	5
UK – Corporation Tax	1,066	734
Deferred tax		
Origination and reversal of temporary differences	173	(169)
	1,348	1,131

7. Income Tax continued

B. Reconciliation of effective tax rate

	2015 €'000	2014 €'000
Loss before taxation	(1,073)	(4,364)
Tax using the Company's domestic tax rate – 12.5% (2014: 12.5%)	(134)	(546)
Tax effects of:		
Non-deductible expenses	257	92
Income not taxable	(171)	–
Tax withheld from payments made	7	–
Income and gains taxed at higher rates	585	644
Tax losses not recognised	67	1,105
Movement in unrecognised deferred tax	813	(169)
Prior year overprovision	(76)	5
Total tax charge	1,348	1,131

C. Movement in deferred tax balances

2015

	Net at 1 Jan 2015 €'000	Recognised in profit or loss 2015 €'000	Recognised in OCI 2015 €'000	Net at 31 Dec 2015 €'000	Deferred tax asset at 31 Dec 2015 €'000	Deferred tax liability at 31 Dec 2015 €'000
Property, plant and equipment	(4,797)	(840)	–	(5,637)	–	(5,637)
Employee benefits	4,472	(1,189)	–	3,283	3,283	–
Other provisions	325	2,220	(107)	2,438	2,545	(107)
Carry forward tax loss (revenue recognition)	1,820	(364)	–	1,456	1,456	–
	1,820	(173)	(107)	1,540	7,284	(5,744)

2014

	Net at 1 Jan 2014 €'000	Recognised in profit or loss 2014 €'000	Recognised in OCI 2014 €'000	Net at 31 Dec 2014 €'000	Deferred tax asset at 31 Dec 2014 €'000	Deferred tax liability at 31 Dec 2014 €'000
Property, plant and equipment	(4,201)	(596)	–	(4,797)	–	(4,797)
Employee benefits	3,953	519	–	4,472	4,472	–
Other provisions	248	77	–	325	325	–
Carry forward tax loss (revenue recognition)	1,651	169	–	1,820	1,820	–
	1,651	169	–	1,820	6,617	(4,797)

Given the uncertainty over the existence of future taxable profits, a potential deferred tax asset of €38,377,000 (2014: €71,265,000) arising from the defined benefit pension scheme liability and excess losses carried forward has not been recognised.

8. Staff and Postmaster Numbers and Costs

The average full time equivalent (FTE) number of persons, excluding postmasters, working in the Group during the year was:

	2015	2014
Operations	8,435	8,607
Corporate	674	630
Total Company employees (FTE)	9,109	9,237
Subsidiaries	753	787
Total Group employees (FTE)	9,862	10,024

The average number of employees working in the Group during the year was:

	2015	2014
Operations	8,070	8,281
Corporate	711	658
Company employees	8,781	8,939
Casual employees	877	858
Total Company employees	9,658	9,797
Subsidiaries	777	799
Total Group employees	10,435	10,596

The total number of postmasters engaged as agents was;

	2015	2014
Postmasters: Engaged as agents	1,079	1,086

The aggregate payroll and postmasters' costs, were as follows:

	2015 €'000	2014 €'000
Wages and salaries	394,835	404,246
Social welfare costs	35,619	35,578
	430,454	439,824
Pension costs	48,018	38,019
Total Group employee payroll costs	478,472	477,843
Postmasters: Engaged as agents	74,481	74,545
Total payroll and postmasters' costs	552,953	552,388

9. Intangible Assets and Goodwill

Group	Goodwill €'000	Software* €'000	Total €'000
Cost			
At 1 January 2014	41,402	50,106	91,508
Additions	–	1,106	1,106
Foreign exchange gain	176	–	176
At 31 December 2014	41,578	51,212	92,790
Additions	–	3,867	3,867
Foreign exchange gain	156	–	156
At 31 December 2015	41,734	55,079	96,813
Amortisation and impairment			
At 1 January 2014	28,713	45,350	74,063
Charge for year	–	2,135	2,135
At 31 December 2014	28,713	47,485	76,198
Charge for the year	–	2,432	2,432
At 31 December 2015	28,713	49,917	78,630
Carrying amount			
At 31 December 2015	13,021	5,162	18,183
At 31 December 2014	12,865	3,727	16,592
At 1 January 2014	12,689	4,756	17,445

*Intangible assets include software only. The Company intangible asset at 31 December 2015 amounted to €4,936,000: (2014 €3,727,000). The amortisation of software is included in operating costs.

Impairment testing for cash generating units (CGUs) containing goodwill

For the purposes of impairment testing, goodwill has been allocated to the Group's CGUs (operating divisions) as follows:

	31 Dec 2015 €'000	31 Dec 2014 €'000	1 Jan 2014 €'000
Gift Voucher Shop	5,732	5,732	5,732
Air Business & Jordans	2,796	2,640	2,464
One Direct	4,493	4,493	4,493
	13,021	12,865	12,689

The recoverable amounts of these CGUs were based on their value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGU.

The key assumptions used in the estimation of value in use were as follows:

Forecasted cash flows

Forecasted cash flows are based on the budgeted future earnings. The budgeted earnings are based on the 2016 budget approved by the board and projections for 2017 to 2020.

Discount rates

A pre-tax discount rate of 8% (2014: 8%) is applied to the profits of each of the CGUs in the impairment calculation.

Impairments

The foregoing impairment tests did not result in any impairments being recognised for the year ended 2015 (2014: €nil).

Sensitivity

The Group ran sensitivities based on reasonably possible changes in assumptions and these sensitivities would not result in the need to recognise an impairment in 2015.

10. Investment Property

Reconciliation of carrying amount

	31 Dec 2015	31 Dec 2014	1 Jan 2014
Balance at beginning of year	715	715	715
Change in fair value	–	–	–
Balance at end of year	715	715	715

Investment property comprises a commercial property which is leased to a third party. No contingent rents are charged.

Changes in fair value are recognised as gains in profit or loss and included in 'other income'. All gains are unrealised.

Measurement of fair values

The fair value of the investment property was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

The fair value measurement for the investment property has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

Additional disclosures in relation to the fair value of the investment property have not been provided as they are not considered material.

11. Property, Plant and Equipment

	Freehold & long leasehold land & buildings €'000	Motor vehicles €'000	Operating & computer equipment €'000	Total €'000
Group				
Cost				
At 1 January 2014	280,923	12,171	295,814	588,908
Additions	3,199	118	5,448	8,765
Disposals	(1,931)	(866)	(476)	(3,273)
Foreign exchange movement	–	10	419	429
At 31 December 2014	282,191	11,433	301,205	594,829
Additions	8,666	77	7,073	15,816
Disposals	(400)	(2,077)	–	(2,477)
Foreign exchange movement	–	8	686	694
At 31 December 2015	290,457	9,441	308,964	608,862
Accumulated depreciation				
At 1 January 2014	81,255	11,171	235,581	328,007
Charged during year	6,402	876	14,465	21,743
Eliminated on disposals	(1,127)	(847)	(451)	(2,425)
Foreign exchange movement	–	–	295	295
At 31 December 2014	86,530	11,200	249,890	347,620
Charged during year	6,636	121	12,479	19,236
Eliminated on disposals	(199)	(2,070)	–	(2,269)
Foreign exchange movement	–	–	588	588
At 31 December 2015	92,967	9,251	262,957	365,175
Net Book Value				
At 31 December 2015	197,490	190	46,007	243,687
At 31 December 2014	195,661	233	51,315	247,209
At 1 January 2014	199,668	1,000	60,233	260,901

	Freehold & long leasehold land & buildings €'000	Motor vehicles €'000	Operating & computer equipment €'000	Total €'000
Company				
Cost				
At 1 January 2014	283,230	11,971	280,845	576,046
Additions	2,591	–	3,804	6,395
Disposals	(1,931)	(814)	–	(2,745)
At 31 December 2014	283,890	11,157	284,649	579,696
Additions	2,024	–	3,895	5,919
Disposals	(400)	(2,053)	–	(2,453)
At 31 December 2015	285,514	9,104	288,544	583,162
Accumulated depreciation				
At 1 January 2014	76,494	11,106	225,556	313,156
Charged during year	6,575	808	12,436	19,819
Eliminated on disposals	(1,127)	(807)	–	(1,934)
At 31 December 2014	81,942	11,107	237,992	331,041
Charged during year	6,734	47	10,507	17,288
Eliminated on disposals	(199)	(2,050)	–	(2,249)
At 31 December 2015	88,477	9,104	248,499	346,080
Net Book Value				
At 31 December 2015	197,037	–	40,045	237,082
At 31 December 2014	201,948	50	46,657	248,655
At 1 January 2014	206,736	865	55,289	262,890

Group and Company

At 31 December 2015 the net carrying amount of property, plant and equipment held under finance leases was €17,016,000 (2014: €18,962,000). See note 23 for further information.

12. Investments

	Group 2015 €'000	Group 2014 €'000	Company 2015 €'000	Company 2014 €'000
Interest in Premier Lotteries Ireland (PLI)	29,778	25,971	29,778	25,971
Shares in subsidiary undertakings (see note 22)	–	–	8,969	8,969
Investment in joint venture	–	–	–	–
	29,778	25,971	38,747	34,940

Interest in PLI

	2015 €'000	2014 €'000
Group and Company		
The interest in PLI is comprised of:		
Available for sale		
Investment in equity shares	350	350
Preference shares	9,738	7,608
Loans and receivables		
Shareholder loans	19,690	18,013
	29,778	25,971

In 2014, An Post invested €25m in Premier Lotteries Ireland (PLI) by way of equity investment, shareholders' loans and preference shares.

Investment in equity shares

The Company holds 10.7% of the equity in the entity, holds two of the five Board positions and has certain contractual rights. The majority shareholder is Ontario Teachers' Pension Plan and it holds 78.6%. This shareholder is an experienced Lottery operator and owns 100% of the United Kingdom National Lottery operation. In PLI, the majority shareholder is the primary influencer of the operating and financial policies.

Having considered the rights of An Post and the nature of the involvement of An Post in PLI, the directors determined that the appropriate accounting for this investment under IFRS is as an available for sale financial asset carried at fair value and not an associated undertaking.

Preference shares

The preference shares entitle the Company to an annual preferential dividend for 20 years and are redeemable in 2034.

Shareholder loans

The shareholders loan is repayable over 20 years to 2034 with a rate of interest of 9% per annum.

Investment in joint venture

During the year, the Group's share of its joint venture's profit amounted to €nil (2014: €nil).

The following table summarises the financial information of The Prize Bond Company as included in its own financial statements.

	2015 €'000	2014 €'000
Percentage ownership interest	50%	50%
Current assets	15,067	18,873
Current liabilities	(15,067)	(18,873)
Net assets (100%)	–	–
Group's share of net assets	–	–
Revenue	9,209	8,876
Profit from continuing operations	–	–
Total comprehensive income (100%)	–	–
Group's share of total comprehensive income	–	–

Available for sale investment

During the year, one of the GVS companies acquired an unquoted investment for a nominal amount. This investment has been fair valued at €323,000 at 31 December 2015. The fair value movement is recognised in OCI and held within fair value reserves.

13. Trade and Other Receivables

	Group 31 Dec 2015 €'000	Group 31 Dec 2014 €'000	Group 1 Jan 2014 €'000	Company 31 Dec 2015 €'000	Company 31 Dec 2014 €'000
Current assets					
Trade receivables	83,437	70,993	79,511	42,256	38,031
Amounts owed by An Post National Lottery Company	–	1,491	462	–	1,491
Amounts owed by other subsidiary undertakings	–	–	–	13,501	4,889
Amounts owed by joint venture (note 25)	263	348	274	263	238
Other debtors	3,436	1,292	2,195	1,068	725
Prize bonds held	812	812	813	625	625
Prepayments	24,652	24,214	22,729	12,788	10,764
	112,600	99,150	105,984	70,501	56,763
Non-current assets					
Amounts owed by subsidiary undertakings	–	–	–	12,038	10,563
Deferred tax asset	1,647	1,820	1,651	–	–
	1,647	1,820	1,651	12,038	10,563
	114,247	100,970	107,635	82,539	67,326

Amounts due from group undertakings are interest free, unsecured and payable on demand.

14. Cash at Bank and In Hand

	Group 31 Dec 2015 €'000	Group 31 Dec 2014 €'000	Group 1 Jan 2014 €'000	Company 2015 €'000	Company 2014 €'000
Cash at bank	164,740	150,621	159,942	151,110	135,503
Cash in hand	150,816	203,591	225,994	150,816	203,591
	315,556	354,212	385,936	301,926	339,094

Analysis of cash and cash equivalents

	At beginning of year €'000	Cash flows €'000	At end of year €'000
Cash at bank and in hand	354,212	(38,656)	315,556
Bank overdraft	(983)	482	(501)
Total	353,229	(38,174)	315,055

Restricted cash

	Group 31 Dec 2015 €'000	Group 31 Dec 2014 €'000	Group 1 Jan 2014 €'000	Company 2015 €'000	Company 2014 €'000
Restricted cash balance held–unredeemed prepaid cards	117,867	–	–	–	–
	117,867	–	–	–	–

These amounts relate to the unredeemed balances held on One4all cards on issue. The cash held is segregated in a separate GVS client funds bank account.

Amount held in trust

	Group 31 Dec 2015 €'000	Group 31 Dec 2014 €'000	Group 1 Jan 2014 €'000	Company 2015 €'000	Company 2014 €'000
Amounts held in trust	313,705	348,641	362,952	313,705	348,641
Liability in relation to cash held – unredeemed prepaid cards	117,867	–	–	–	–
	431,572	348,641	362,952	313,705	348,641

Included in current liabilities at 31 December 2015 was amounts held in trust of €431,572,000 (2014: €348,641,000). The majority of the amounts held in trust relate to funds held on behalf of the Company's clients.

The Company operates, on an agency basis and for an agreed remuneration, the Post Office Savings Bank and other savings services for the NTMA, which acts on behalf of the Minister for Finance. The funds are remitted regularly to the NTMA. The assets and liabilities of such savings services vest in the Minister for Finance and accordingly, are not included in these financial statements.

15. Trade and Other Payables

	Group 31 Dec 2015 €'000	Group 31 Dec 2014 €'000	Group 1 Jan 2014 €'000	Company 31 Dec 2015 €'000	Company 31 Dec 2014 €'000
Trade creditors	53,740	54,982	49,066	28,386	26,845
Amounts owed to subsidiary undertakings	–	–	–	17,253	6,425
Other creditors	18,446	22,599	28,242	13,940	17,509
Taxation and social welfare (note 17)	12,563	12,812	13,650	10,565	10,426
Accruals	70,927	65,805	70,511	50,574	51,310
Capital grants (note 18)	102	101	101	102	101
Deferred revenue – agency commission	4,639	4,002	3,958	–	–
Deferred revenue – unused stamps sold/other	14,676	15,272	16,600	13,236	14,142
	175,093	175,573	182,128	134,056	126,758

Amounts due to group undertakings are interest free, unsecured and payable on demand.

Deferred income in relation to unused stamps is based on a number of different estimation and sampling methods which are reviewed by management in order to make a judgement of the carrying amount of the deferred revenue.

16. Leases and Borrowings

Due within one year

	Group 31 Dec 2015 €'000	Group 31 Dec 2014 €'000	Group 1 Jan 2014 €'000	Company 31 Dec 2015 €'000	Company 31 Dec 2014 €'000
Finance lease	3,031	1,858	–	2,963	1,858
Bank overdraft	501	983	943	–	–
Term loan	6,000	3,000	–	–	–
	9,532	5,841	943	2,963	1,858

Due after one year

	Group 31 Dec 2015 €'000	Group 31 Dec 2014 €'000	Group 1 Jan 2014 €'000	Company 31 Dec 2015 €'000	Company 31 Dec 2014 €'000
Finance lease	13,347	14,542	–	13,262	14,542
Term loan	–	2,000	3,003	–	–
	13,347	16,542	3,003	13,262	14,542

The term loan is secured by way of a debenture over the assets of the Gift Voucher Shop Companies. It is repayable in 2016. The nominal interest rate on the loan is between 4.36% and 4.62%. The loan contains covenants based on EBITDA and net assets. The Company was within its covenants at 31 December 2015.

17. Taxation and Social Welfare

	Group 31 Dec 2015 €'000	Group 31 Dec 2014 €'000	Group 1 Jan 2014 €'000	Company 31 Dec 2015 €'000	Company 31 Dec 2014 €'000
Corporation tax payable/(receivable)	713	361	(220)	8	9
Deferred tax liability	107	–	–	–	–
Income tax deducted under PAYE	4,823	5,306	6,518	4,077	4,596
Pay related social insurance	5,258	5,541	5,254	5,096	5,381
Value added tax	1,281	1,289	1,754	1,064	222
Professional services withholding tax	381	315	344	320	218
	12,563	12,812	13,650	10,565	10,426

18. Capital Grants

	Group 31 Dec 2015 €'000	Group 31 Dec 2014 €'000	Group 1 Jan 2014 €'000	Company 31 Dec 2015 €'000	Company 31 Dec 2014 €'000
Capital grants	10,054	4,756	3,258	3,054	3,156
	10,054	4,756	3,258	3,054	3,156

The movements on grants were as follows:

	Group 31 Dec 2015 €'000	Group 31 Dec 2014 €'000	Group 1 Jan 2014 €'000	Company 31 Dec 2015 €'000	Company 31 Dec 2014 €'000
At beginning of year	4,857	3,359	3,461	3,257	3,359
Grants received during the year	5,400	1,600	–	–	–
Amortised to income statement	(101)	(102)	(102)	(101)	(102)
At end of year	10,156	4,857	3,359	3,156	3,257
Transferred to current liabilities	(102)	(101)	(101)	(102)	(101)
	10,054	4,756	3,258	3,054	3,156

19. Provisions

Group and Company

The movements during the year were as follows:

	Provision for business restructuring 2015 €'000	Provision for insurance claims 2015 €'000	Total 2015 €'000	Provision for business restructuring 2014 €'000	Provision for insurance claims 2014 €'000	Total 2014 €'000
At beginning of year	38,510	10,148	48,658	47,650	9,328	56,978
Provisions made during the year	–	2,240	2,240	–	2,214	2,214
Utilised during the year	(4,488)	(1,986)	(6,474)	(9,140)	(1,394)	(10,534)
At end of year	34,022	10,402	44,424	38,510	10,148	48,658
Current	9,000	1,900	10,900	11,600	1,400	13,000
Non-current	25,022	8,502	33,524	26,910	8,748	35,658
	34,022	10,402	44,424	38,510	10,148	48,658

The provision for business restructuring relates to the cost associated with the current FTE reduction programme. The Group expects to settle the majority of the liability by 31 December 2017.

The provision for insurance claims relates to claims under the Group's self-insurance policy. The provision is determined on completion of a case by case assessment. The Group expects to settle the majority of the insurance liability over the next six years.

20. Pensions

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. Contributions payable to pension schemes and included in creditors at 31 December 2015 amounted to €738,000 (2014: €3,814,000) and were paid in January 2016. Employer contributions in 2016 are expected to be €45m.

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, which took account of the changes to the normal retirement age, were carried out at 1 January 2013 using the projected unit credit method and at that date were sufficient to cover 92% of the accrued liabilities. The principal actuarial assumption was that, over the long term, the annual rate of return on investments would be 3.0% higher than the annual increase in pensionable remuneration. The actuarial valuation of 1 January 2013 recommended a contribution rate of 14.4% of pensionable remuneration. The actuarial valuations are not available for public inspection but the results of the valuations have been advised to the members of the schemes.

Funding

The Schemes are subject to an annual valuation under the Pensions Authority Minimum Funding Standard (MFS).The MFS valuation is intended as a check that a scheme has sufficient funds to provide a minimum level of benefits in the event that the scheme is wound-up. In addition, the Schemes are obliged to hold sufficient additional resources to satisfy the funding standard reserve as provided in section 44(2) of the Act.

As at 1 January 2013 the Schemes did not satisfy the Minimum Funding Standard, with a deficit of €311m. Subsequently a MFS funding proposal was agreed between the Company, the Trustees and the Staff. This was approved by the Pensions Authority in May 2014. An amendment to the Schemes was submitted to the Department of Public Expenditure and Reform and the Department of Communications, Energy and Natural Resources and was approved in January 2015.

20. Pensions continued

The amendments include an adjustment to the normal retirement age for certain members and to the definition of pensionable pay. The changes agreed to the Schemes have led to an improvement in the Schemes' funding position under MFS. At 31 December 2015, an estimated MFS position calculated a deficit of €17m (including the funding standard reserve). The funding proposal is currently on schedule to satisfy the Pension Authority's Minimum Funding Standard (including the funding standard reserve) by 31 December 2023. As part of the funding proposal the Company pledged a contingent asset which is a portfolio of properties it owns and it signed a resolution assigning these properties, with the approval of the relevant Departments in February 2015, confirming the funding agreement between the parties and the Trustees.

Movement in the net defined benefit liability

The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit liability and its components.

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	2015 €'000	2014 €'000	2015 €'000	2014 €'000	2015 €'000	2014 €'000
Balance at 1 January	3,039,860	2,426,115	(2,599,400)	(2,196,909)	440,460	229,206
Included in profit or loss						
Current service cost	47,100	37,000	–	–	47,100	37,000
Interest cost/(credit)	66,530	89,520	(56,900)	(81,900)	9,630	7,620
	113,630	126,520	(56,900)	(81,900)	56,730	44,620
Included in OCI						
Remeasurement loss (gain) – Actuarial loss (gain) arising from						
Demographic assumptions	100	–	–	–	100	–
Financial assumptions	(147,900)	575,200	–	–	(147,900)	575,200
Experience adjustment	(16,566)	(12,273)	–	–	(16,566)	(12,273)
Return on plan assets	–	–	(116,734)	(348,527)	(116,734)	(348,527)
	(164,366)	562,927	(116,734)	(348,527)	(281,100)	214,400
Other						
Contributions paid by the employer	–	–	(45,900)	(46,900)	(45,900)	(46,900)
Administrative expenses from plan	(1,000)	(1,000)	1,000	1,000	–	–
Member contributions	4,066	4,273	(4,066)	(4,273)	–	–
Benefits paid-unfunded scheme	(987)	(866)	–	–	(987)	(866)
Benefits paid-funded scheme	(78,400)	(78,109)	78,400	78,109	–	–
	(76,321)	(75,702)	29,434	27,936	(46,887)	(47,766)
Balance at 31 December	2,912,803	3,039,860	(2,743,600)	(2,599,400)	169,203	440,460

Plan assets

Plan assets comprise the following:

	2015 €'000	2014 €'000
Equities: Global development markets	1,171,870	1,123,944
Equities: Emerging markets	120,430	128,156
Equities: Total	1,292,300	1,252,100
Bonds: Euro sovereign	832,500	846,300
Other: Includes property, private equity and infrastructure	618,800	501,000
Fair value of pension schemes' assets	2,743,600	2,599,400

Under the Trust Deed, the Trustees have full power to decide investment policy and to administer the funds at their disposal. The monies for investment are allocated to a number of investment managers and they each invest according to guidelines set out in an Investment Management Agreement approved by the Trustees. The investment managers provide detailed reports to the Trustees and investment performance is monitored on a regular basis by the Trustees. The majority of the assets of the Schemes are invested in equities and bonds. The remainder of the assets are invested in alternative asset classes, including property.

Five investment managers manage the following key mandates, which together account for 80% of the Schemes' assets:

- Passive global developed equity market – SSgA;
- Active fixed interest mandate – PIMCO;
- Passive fixed interest mandate – SSgA;
- Active global small cap equity mandate – Axa Rosenberg;
- Active emerging markets equity mandate – JP Morgan;
- Active emerging markets equity mandate – Heptagon.

In addition, the Trustees have property investments with SSgA, IPUT plc, Fidelity Investments, Rockspring PIM (LLP) and forestry investments with Irish Forestry Unit Trust (IForUT) and North American Forestry Investment Trust (NAFIT). The Trustees have committed to invest in a number of venture capital funds. The Trustees continue to invest in a number of alternative investments – in some cases the investment amount is called down by the manager over a period of time rather than an upfront investment. These investments include currency, infrastructure, direct lending, private equity and forestry. The Trustees also hold an investment in Premier Lotteries Ireland Limited, the company operating the National Lottery.

Defined benefit obligation

(i) Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date:

	2015	2014
Valuation method	Projected Unit	Projected Unit
Discount rate	2.50%	2.20%
Inflation – CPI	1.75%	1.75%
Relevant wage inflation	1.25%	1.25%
Increase to pensions in payment	1.25%	1.25%
Pensionable salary increases	1.25%	1.25%

20. Pensions continued

Defined benefit obligation continued

(i) Actuarial assumptions continued

The assumptions relating to longevity underlying the pension liabilities at the reporting 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 to the following ages:

	2015 Male	2015 Female	2014 Male	2014 Female
Life expectancy at 65				
Current pensioners – aged 65	86.9	88.9	86.9	88.2
Future pensioners – aged 40	89.7	91.8	89.7	90.7

At 31 December 2015, the weighted average duration of the defined benefit obligation was 17 years (2014: 18 years).

(ii) Sensitivity analysis

Reasonable possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	31 Dec 2015 €'m Increase	31 Dec 2015 €'m Decrease	31 Dec 2014 €'m Increase	31 Dec 2014 €'m Decrease
Discount rate (0.25% movement)	(117.3)	122.3	(131.2)	137.2
Future salary growth (0.25% movement)	120.6	(120.6)	146.5	(146.5)
Future pension growth (0.25% movement)	120.6	(120.6)	146.5	(146.5)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

An Post Pension Scheme Contingent Asset

Under the terms of the plan to meet the Minimum Funding Standard requirements a mortgage and charge relating to certain property assets of the Company with a value of €72.5 million was put in place in favour of the An Post Pension Scheme ("the Scheme") for use as a contingent asset of the Scheme. Under the terms of the mortgage and charge, should a disposal of these property assets occur that meets the terms of the mortgage and charge, the Scheme is entitled to the sale proceeds, or for the assets sold to be replaced by other assets of an equal market value. The maximum amount recoverable by the Trustees of the Scheme under the mortgage and charge is €100 million.

21. Share Capital and Reserves

	31 Dec 2015 €'000	31 Dec 2014 €'000	1 Jan 2014 €'000
Authorised:			
80,000,000 Ordinary Shares of €1.25 each	100,000	100,000	100,000
Allotted, called up and fully paid:			
54,590,946 Ordinary Shares of €1.25 each	68,239	68,239	68,239

Nature and purpose of reserves

Undenominated capital

On 14 January 2003, 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.

Foreign currency translation reserve

The translation reserve of €1,038,000 comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Fair value reserve

The fair value reserve of €116,000 comprises the cumulative net change in the fair value of available for sale financial assets, net of tax and non-controlling interest.

22. Subsidiary Companies and Joint Ventures

Subsidiary undertakings held directly by the Company

Name	Nature of Business	% Holding	Registered Office
PostPoint Services Limited	Mobile top ups	100%	General Post Office O'Connell Street, Dublin 1, D01 F5P2
PrintPost Limited	High volume printing	100%	General Post Office O'Connell Street, Dublin 1, D01 F5P2
An Post BillPost Processing Service Limited	Bill payment processing	100%	General Post Office O'Connell Street, Dublin 1, D01 F5P2
An Post GeoDirectory Limited	Database services	51%	General Post Office O'Connell Street, Dublin 1, D01 F5P2
Precision Marketing Information Limited trading as Data Ireland	Provision of marketing data, database services and business directories	100%	General Post Office O'Connell Street, Dublin 1, D01 F5P2
Arcade Property Company Limited	Property development and letting	100%	General Post Office O'Connell Street, Dublin 1, D01 F5P2
Prince's Street Property Company Limited	Dormant	100%	General Post Office O'Connell Street, Dublin 1, D01 F5P2
Post Consult International Limited	Computer software services	100%	General Post Office O'Connell Street, Dublin 1, D01 F5P2
Post.Trust Limited	Digital certification and Security Service	100%	General Post Office O'Connell Street, Dublin 1, D01 F5P2
Transpost Limited	Courier and distribution	100%	General Post Office O'Connell Street, Dublin 1, D01 F5P2
Kompass Ireland Publishers Limited	Dormant	100%	General Post Office O'Connell Street, Dublin 1, D01 F5P2
An Post (NI) Limited	Holding company	100%	Stokes House, College Square East Belfast
TSC Ventures Limited	Holding company	53.6%	General Post Office O'Connell Street, Dublin 1, D01 F5P2

22. Subsidiary Companies and Joint Ventures continued

Subsidiary undertakings held indirectly through a subsidiary undertaking

Name	Nature of Business	% Holding	Registered Office
Air Business Limited	Distribution and magazine subscription services	100%	4, The Merlin Centre, Acrewood Way, St. Albans Herts, U.K.
GVS Gift Voucher Shop Limited	Retail gift vouchers	53.6%	General Post Office O'Connell Street, Dublin 1, D01 F5P2
The Gift Voucher Shop Limited	Retail gift vouchers	53.6%	4, The Merlin Centre, Acrewood Way, St. Albans Herts, U.K.
GVS Prepaid Limited	Retail gift cards	53.6%	4, The Merlin Centre, Acrewood Way, St. Albans Herts, U.K.
One Direct (Ireland) Limited	Insurance Broker	100%	General Post Office O'Connell Street, Dublin 1, D01 F5P2
Jordan & Co International Limited	Distribution	100%	4, The Merlin Centre, Acrewood Way St. Albans Herts, U.K.
GPO IEC Limited	GPO Exhibition Centre	100%	General Post Office O'Connell Street, Dublin 1, D01 F5P2

Joint ventures held directly by the Company

Name	Nature of Business	% Holding	Registered Office
The Prize Bond Company Limited	Administration of the Prize Bond Scheme	50%	General Post Office O'Connell Street, Dublin 1, D01 F5P2

Air Business Limited, Jordan & Co International Limited, The Gift Voucher Shop Limited and GVS Prepaid 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 carried on the business of operating the National Lottery until November 2014 under licence from the Minister for Public Expenditure and Reform in accordance with the provisions of the National Lottery Act, 1986: The Company has not traded since that date. 20% of the issued share capital was 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 Company has given a guarantee under Section 357 of the Companies Act, 2014 to the following entities in the current year: 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.

23. Lease Commitments

Operating leases

Total future commitments under operating leases are as follows:

	Land & buildings 2015 €'000	Equipment and motor vehicles 2015 €'000	Total 2015 €'000	Land & buildings 2014 €'000	Equipment and motor vehicles 2014 €'000	Total 2014 €'000
Group						
Less than one year	6,042	12,120	18,162	6,713	12,623	19,336
Between one and five years	24,180	15,003	39,183	22,396	23,828	46,224
More than five years	23,919	–	23,919	25,694	–	25,694
	54,141	27,123	81,264	54,803	36,451	91,254
Company						
Less than one year	3,900	12,049	15,949	5,288	12,494	17,782
Between one and five years	15,645	14,953	30,598	17,080	23,708	40,788
More than five years	16,490	–	16,490	19,096	–	19,096
	36,035	27,002	63,037	41,464	36,202	77,666

Finance leases

Future payments under finance leases at year end for the Group and Company were as follows:

	Future minimum lease payments		Interest		Present value of minimum lease payments	
	2015 €'000	2014 €'000	2015 €'000	2014 €'000	2015 €'000	2014 €'000
Less than one year	3,379	2,302	348	444	3,031	1,858
Between one and five years	13,821	15,359	474	817	13,347	14,542
More than five years	–	–	–	–	–	–
	17,200	17,661	822	1,261	16,378	16,400

24. Capital Commitments

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

	Group 2015 €'000	Group 2014 €'000	Company 2015 €'000	Company 2014 €'000
Contracted for	1,565	11,351	915	2,899
Authorised but not contracted for	6,211	6,339	6,091	4,547
	7,776	17,690	7,006	7,446

25. Related Parties

Controlling party

The Group was controlled throughout the year by the Minister for Communications, Energy and Natural Resources who holds the entire issued share capital of An Post except for one ordinary share held by the Minister for Finance (which stands transferred to the Minister for Public Expenditure and Reform under the Ministers and Secretaries Act 2011).

Other related party transactions

An Post National Lottery Company

On 27 February 2014, Premier Lotteries Ireland signed a 20-year licence to operate the National Lottery. The new operator, in which An Post has a 10.7% shareholding, took over the operation of the National Lottery on 29 November 2014.

The costs of staff working in An Post National Lottery Company were recharged from An Post at cost and amounted to €NIL for the year ended 31 December 2015 (2014: €8,168,000). These arrangements came to an end on the transition of the business to Premier Lotteries Ireland in November 2014.

The amount owed by An Post National Lottery Company to the Company was €nil at 31 December 2015 (2014: €1,491,000).

The Prize Bond Company Limited

Under the terms of a contract with The Prize Bond Company Limited, the Company carries out certain aspects of the administration of the Prize Bond Scheme. Fees earned by the Company in respect of such services amounted to €3,845,000 for the year ended 31 December 2015 (2014: €3,585,000). The amount owed by The Prize Bond Company Limited to the Group was €263,000 at 31 December 2015 (2014: €348,000). At 31 December 2015 the Group held €812,000 (2014: €812,000) of Prize Bonds.

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 arm's length basis. The Group also conducts day-to-day banking services and treasury with banking institutions owned by the State.

Transactions with key management personnel, comprising executive directors, non-executive directors and other members of the Groups' executive management committee

	2015 €'000	2014 €'000
Short-term employee benefits	2,848	2,641
Non executive directors' fees	236	231
Post-employment benefits	341	318
	3,425	3,190

26. Contingencies

Group and Company

There were no contingent liabilities or guarantees at 31 December, 2015 or 2014 which could give rise to material losses other than as disclosed elsewhere in the financial statements.

27. Financial Instruments – Fair Value and Risk Management

Fair value

A. Accounting classifications and fair values

The Group measures fair values using the following hierarchy of methods:

- Level 1 – Inputs that are quoted market prices (unadjusted) in active markets for identical instruments;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: Quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data;
- Level 3 – Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

  Fair value is calculated as follows:

  i. Freely traded securities shall be valued based on the closing price, or if no sales have occurred, at the last bid price thereon as of the last day of such fiscal quarter or year as applicable. For all other financial instruments the Group determines fair values using valuation techniques;
  ii. Investments may be classified as Level 2 when market information becomes available, yet the investment is not traded in an active market and/or the investment is subject to transfer restrictions, or the valuation is adjusted to reflect illiquidity and/or non-transferability;
  iii. The Group's fair value measurement of the Level 3 investments is based on a model which may contain significant unobservable inputs. The relevant model is a net present value technique, derived from the price of a similar investment and or similar market borrowing/lending rates, depending on management's assessment of the most appropriate valuation methodology and inputs for that particular investment.

The table in note 27 part B summarises the quantitative inputs and assumptions used for the investments categorised in Level 3 of the fair value hierarchy as at 31 December 2015. There were no transfers between the fair value hierarchy levels during the years ended 31 December 2015 and 31 December 2014.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. These financial assets and liabilities were classified as Level 2.

27. Financial Instruments – Fair Value and Risk Management continued

Fair value continued

A. Accounting classifications and fair values continued

		Carrying amount				Fair Value			
31 December 2015	**Note**	**Loans and receivables €'000**	**Available for sale €'000**	**Other financial liabilities €'000**	**Total €'000**	**Level 1 €'000**	**Level 2 €'000**	**Level 3 €'000**	**Total €'000**
Financial assets measured at fair value									
Interest in PLI – equity shares	12	–	350	–	350	–	–	350	350
Interest in PLI – preference shares	12	–	9,738	–	9,738	–	–	9,738	9,738
Interest in unquoted investment	12	–	323	–	323	–	–	323	323
		–	**10,411**	**–**	**10,411**				
Financial assets not measured at fair value									
Interest in PLI – shareholder loan	12	19,690	–	–	19,690	–	–	19,690	19,690
Trade and other receivables	13	87,948	–	–	87,948	–	–	–	–
Cash and cash equivalents	14	315,556	–	–	315,556	–	–	–	–
Restricted cash		117,867	–	–	117,867	–	–	–	–
Term deposits		48,000	–	–	48,000	–	–	–	–
		589,061	**–**	**–**	**589,061**				
Financial liabilities not measured at fair value									
Bank overdraft	15	–	–	501	501	–	–	–	–
Secured bank loans	16	–	–	6,000	6,000	–	–	6,000	6,000
Finance lease	16	–	–	16,378	16,378	–	–	16,378	16,378
Trade and other payables	15	–	–	143,113	143,113	–	–	–	–
		–	**–**	**165,992**	**165,992**				

		Carrying amount				Fair Value			
31 December 2014	**Note**	**Loans and receivables €'000**	**Available for sale €'000**	**Other financial liabilities €'000**	**Total €'000**	**Level 1 €'000**	**Level 2 €'000**	**Level 3 €'000**	**Total €'000**
Financial assets measured at fair value									
Interest in PLI – equity shares	12	–	350	–	350	–	–	350	350
Interest in PLI – preference shares	12	–	7,608	–	7,608	–	–	7,608	7,608
		–	**7,958**	**–**	**7,958**				
Financial assets not measured at fair value									
Interest in PLI – shareholder loan	12	18,013	–	–	18,013	–	–	18,013	18,013
Trade and other receivables	13	74,935	–	–	74,935	–	–	–	–
Cash and cash equivalents	14	354,212	–	–	354,212	–	–	–	–
Term deposits		50,000	–	–	50,000	–	–	–	–
		497,160	**–**	**–**	**497,160**				
Financial liabilities not measured at fair value									
Bank overdraft	15	–	–	983	983	–	–	–	–
Secured bank loans	16	–	–	5,000	5,000	–	–	5,000	5,000
Finance lease	16	–	–	16,400	16,400	–	–	16,400	16,400
Trade and other payables	15	–	–	143,386	143,386	–	–	–	–
		–	**–**	**165,769**	**165,769**				

27. Financial Instruments – Fair Value and Risk Management continued

Fair value continued

B. Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 3 fair values, as well as the significant unobservable inputs used.

Financial instruments measured at fair value

Type	Fair Value €'000	Valuation Technique	Unobservable Inputs
Interest in PLI – equity shares	350	Discounted cash flows technique referenced to third party transactions	Discount rate
Interest in PLI -preference shares	9,738	Discounted cash flows technique referenced to third party transactions	Discount rate
Interest in unquoted investment	323	Vendor valuations	Liquidity factor

Financial instruments not measured at fair value

Type	Fair Value €'000	Valuation Technique	Unobservable Inputs
Interest in PLI – shareholder loan	19,690	Discounted cash flows technique referenced to third party transactions	Discount rate
Secured bank loans	6,000	Discounted cash flows technique referenced to market borrowing / lending rates	Discount rate
Financial lease liability	16,378	Discounted cash flows technique referenced to market borrowing / lending rates	Discount rate

C. Level 3 fair values

Reconciliation of Level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

Available for sale financial assets

	2015 €'000	2014 €'000
Balance at beginning of period	7,958	–
Purchases	–	7,750
Sales	–	–
Transfers in / (out)	–	–
Distributions in the year	2,130	208
Gain included in OCI		
– Net change in fair value (unrealised)	216	–
Balance at end of period	10,304	7,958

Sensitivity analysis

Where the value of financial instruments is dependent on unobservable valuation models, appropriate models and inputs are chosen so that they are consistent with prevailing market evidence. A 100bp increase in the discount rate of the financial assets under Level 3 held by the Group would decrease the fair value as at 31 December 2015 by EUR 0.245m (2014: EUR 0.199m). A 100bp decrease in the discount rate of the available for sale financial assets under Level 3 held by the Group would increase the fair value as at 31 December 2015 by EUR 0.261m (2014: EUR 0.199m).

Financial risk management

The Group's financial risks are managed by Group Treasury within parameters defined formally by the Board. Group Treasury's activity is reported to the Audit and Risk Committee and to the Board. The main financial risks faced by the Group relate to credit, interest, foreign exchange translation and liquidity. The Board agrees policies for managing these risks as summarised below.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and from cash and cash equivalents. The carrying amount of financial assets represents the maximum credit exposure.

Trade and other receivables

The Group's credit risk management policy in relation to trade receivables involves periodically assessing the financial reliability of customers, taking into account financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers. Average credit terms, where given, range from 0 to 45 days.

Included in the Group's trade and other receivables as at 31 December 2015 are balances of €17.3m (2014: €18.3m) which are past due at the reporting date but not impaired.

The aged analysis of these balances is as follows:

	2015 €'000	2014 €'000
Less than 1 month	12,279	13,124
1–3 months	3,705	3,428
3–6 months	757	465
Over 6 months	591	1,231
	17,332	18,248

The Group's policy for the determination of the impairment allowance for bad debts is based on a line-by-line assessment of the credit risk attached to the individual debtors and an assessment of the resulting requirement for an impairment allowance. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable, including any indicators for impairment (which may include evidence of financial difficulty of the customer, payment default, breach of contract, etc.). Subsequent recoveries of amounts previously impaired are credited to the Income Statement. For the purpose of calculating the impairment allowance, the Group does not take into account the impact of discounting the trade receivables as it is considered not material given the age profile of the Group's trade receivable balances.

Movements in the impairment allowance of trade receivables during the year were as follows:

	2015 €'000	2014 €'000
Opening balance	4,572	3,754
Impairment loss recognised	871	974
Amounts written off	(24)	(156)
	5,419	4,572

27. Financial Instruments – Fair Value and Risk Management continued

Financial risk management continued

Credit risk continued

Cash and cash equivalents

The Board establishes the policy which Group Treasury follows in managing credit risk. Exposure is managed by distributing the credit risk, where possible, across banks or other institutions meeting required standards as assessed normally by reference to the major credit rating agencies. The Group held cash and cash equivalents of €315m at 31 December 2015 (2014: €353m).

The Group's cash management policy is as follows:

- Money is only placed on deposit with the list of institutions as approved by the Board;
- The risk is spread amongst the named institutions so that there is no more than 40% with any one institution, subject to a maximum of the Board approved limit;
- No more than a defined amount of funds on deposit with the two Irish pillar banks;
- Keep the risk profile under review.

These policies are regularly monitored to ensure credit exposure to any one financial institution is limited.

Guarantees

The Group's policy is to provide financial guarantees only to subsidiaries. At 31 December 2015, the Company has issued a guarantee to Bank of Ireland in respect of credit facilities granted in relation to TSC Ventures Limited. In addition, the Group has provided a guarantee under Section 357 of the Companies Act 2014 to a number of its subsidiaries as disclosed in the subsidiary companies and joint ventures note.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include estimated interest payments and exclude the impact of netting agreements.

31 December 2015		Contractual cash flows				
	Carrying amount €'000	Total €'000	2 months or less €'000	2–12 months €'000	1–5 years €'000	More than 5 years €'000
Non-derivative financial liabilities						
Bank overdrafts	501	501	–	501	–	–
Secured bank loans	6,000	6,000	5,000	1,000	–	–
Finance lease liabilities	16,378	17,200	844	2,535	13,821	–
Trade and other payables	143,113	143,113	143,113	–	–	–
	165,992	166,814	148,957	4,036	13,821	–

31 December 2014		Contractual cash flows				
	Carrying amount €'000	Total €'000	2 months or less €'000	2–12 months €'000	1–5 years €'000	More than 5 years €'000
Non-derivative financial liabilities						
Bank overdrafts	983	983	–	983	–	–
Secured bank loans	5,000	5,000	3,000	1,000	1,000	–
Finance lease liabilities	16,400	17,661	575	1,727	15,359	–
Trade and other payables	143,386	143,386	143,386	–	–	–
	165,769	167,030	146,961	3,710	16,359	–

Market risk

Foreign exchange risk

Foreign currency translation exposure arises from the retranslation of overseas subsidiaries' income statements and statements of financial position into Euro. In addition, the Group is exposed to currency transaction risk to the extent that there is a mismatch between the currencies in which sales and purchases are denominated and the respective functional currencies of Group Companies. This arises primarily on transactions with international postal operators. The Group does not currently use derivatives to manage this risk. The Group will continue to review this. A reasonably possible change in foreign exchange rates would not have a material impact on the financial statements.

Interest rate risk

The Group's interest rate risk arises from amounts held on deposit, term loans and the shareholder loan to Premier Lotteries Ireland. The Group does not currently use derivatives to manage this risk. The Group will continue to review this. A reasonably possible change in interest rates would not have an impact on the financial statements.

Exposure to interest rate risk

The interest rate profile of the Group's interest-bearing financial instruments is as follows:

Nominal amount	2015 €'000	2014 €'000
Fixed-rate instruments		
Financial assets		
Interest in PLI – shareholder loan	19,690	18,013
	19,690	18,013
Variable rate instruments		
Financial assets		
Term deposits	48,000	50,000
Financial liabilities		
Secured term loan	(6,000)	(5,000)
	42,000	45,000

Fair value sensitivity analysis for fixed-rate instruments

The Group does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

27. Financial Instruments – Fair Value and Risk Management continued

Financial risk management continued

Market risk continued

Cash flow sensitivity analysis for variable-rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would not have a material impact on equity or the profit or loss in relation to the secured term loan.

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below in relation to the term deposits. This analysis assumes that all other variables remain constant.

	Profit or loss	
	100 bp increase €'000	100 bp decrease €'000
31 December 2015		
Financial assets		
Term deposits	1,492	(1,492)
Cash flow sensitivity (net)	1,492	(1,492)
31 December 2014		
Financial assets		
Term deposits	1,209	(1,209)
Cash flow sensitivity (net)	1,209	(1,209)

The impact on equity net of tax of a reasonably possible change of 100 bases points in interest rates is not materially different from the profit or loss impact shown above.

28. Explanation of Transition to IFRS

Group

As stated in note 1, these are the Group's first set of financial statements prepared in accordance with IFRS.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December 2015, the comparative information presented in these financial statements for the year ended 31 December 2014 and in the preparation of an opening IFRS statement of financial position at 1 January 2014 (date of transition).

The rules for first-time adoption of IFRS are set out in IFRS 1 *First-time Adoption of International Financial Reporting Standards (IFRS 1).* IFRS 1 states that a company should use the same accounting policies in its opening IFRS statement of financial position and throughout all periods presented in its first IFRS financial statements. IFRS 1 requires that these accounting policies comply with each IFRS effective at the end of its first IFRS reporting period. IFRS 1 allows exemptions from the application of certain IFRS to assist companies with the transition process. An Post has availed of the following key exemptions:

- **Business combinations:** An Post has elected not to restate business combinations prior to the date of transition defined above;
- **Cumulative translation differences:** An Post has elected to reset the foreign currency translation reserve to zero at the date of transition. Any gains and losses on subsequent disposals of foreign operations will exclude translation differences arising prior to the date of transition.

There are no material differences between the statement of cash flows presented under IFRS and the statement of cash flows presented under Irish GAAP except for presentational adjustments to comply with IAS 7 *Statement of Cash Flow*.

The following tables provide an overview of the impact of transition to IFRS on the income statement and statement of comprehensive income for 2014 and on the statements of financial position at 1 January 2014 and 31 December 2014.

Consolidated Income Statement

	Irish GAAP	Adjustments					IFRS
	2014 €'000 Note	Re-classifications €'000 (i)	Investment property €'000 (ii)	Goodwill €'000 (iii)	Pension €'000 (iv)	Revenue recognition €'000 (vi)	2014 €'000 Total
Continuing operations:							
Revenue	820,557	(1,511)	–	–	–	(3,598)	815,448
Operating costs	(814,670)	684	75	1,592	(700)	–	(813,019)
Operating profit	5,887	(827)	75	1,592	(700)	(3,598)	2,429
Finance costs (excluding pension interest)	–	(284)	–	–	–	–	(284)
Finance income (excluding pension interest)	–	1,111	–	–	–	–	1,111
Net pension interest cost	22,180	–	–	–	(29,800)	–	(7,620)
Profit/(loss) before taxation	28,067	–	75	1,592	(30,500)	(3,598)	(4,364)
Taxation charge	(1,300)	–	–	–	–	169	(1,131)
Profit/(loss) for the year	26,767	–	75	1,592	(30,500)	(3,429)	(5,495)

Other comprehensive income

Actuarial loss on post-employment plans	(244,900)	–	–	–	30,500	–	(214,400)
Total comprehensive income	(218,133)	–	75	1,592	–	(3,429)	(219,895)

28. Explanation of Transition to IFRS continued

Statement of Financial Position at 1 January 2014

	Irish GAAP	Adjustments				IFRS
	1 Jan 2014 €'000 Note	Re-classifications €'000 (i)	Investment property €'000 (ii)	Holiday pay €'000 (v)	Revenue recognition €'000 (vi)	1 Jan 2014 €'000 Total
Assets						
Non-current assets						
Property, plant and equipment	267,680	(4,756)	(2,023)	–	–	260,901
Intangible assets and goodwill	12,689	4,756	–	–	–	17,445
Investment property	–	–	715	–	–	715
Deferred tax asset	–	–	–	–	1,651	1,651
Total non-current assets	280,369	–	(1,308)	–	1,651	280,712
Current assets						
Trade and other receivables	101,557	19,896	–	–	(15,469)	105,984
Cash at bank and in hand	63,913	322,023	–	–	–	385,936
Term deposits	–	40,929	–	–	–	40,929
Total current assets	165,470	382,848	–	–	(15,469)	532,849
Total assets	445,839	382,848	(1,308)	–	(13,818)	813,561
Equity and reserves						
Called up share capital	(68,239)	–	–	–	–	(68,239)
Capital conversion reserve fund	(877)	–	–	–	–	(877)
Retained earnings	71,926	–	1,308	869	11,135	85,238
Equity attributable to the parent company	2,810	–	1,308	869	11,135	16,122
Non-controlling interests	2,144	–	–	–	6,641	8,785
Total equity	4,954	–	1,308	869	17,776	24,907
Non-current liabilities						
Capital grants	(3,258)	–	–	–	–	(3,258)
Leases and borrowings	(3,003)	–	–	–	–	(3,003)
Provisions	(47,650)	1,206	–	–	–	(46,444)
Employee retirement benefits	(229,206)	–	–	–	–	(229,206)
Total non-current liabilities	(283,117)	1,206	–	–	–	(281,911)
Current liabilities						
Trade and other payables	(166,733)	(10,568)	–	(869)	(3,958)	(182,128)
Leases and borrowings	(943)	–	–	–	–	(943)
Provisions	–	(10,534)	–	–	–	(10,534)
Amounts held in trust	–	(362,952)	–	–	–	(362,952)
Total current liabilities	(167,676)	(384,054)	–	(869)	(3,958)	(556,557)
Total equity and liabilities	(445,839)	(382,848)	1,308	–	13,818	(813,561)

Statement of Financial Position at 31 December 2014

	Irish GAAP	Adjustments					IFRS
	31 Dec 2014 €'000 Note	Re-classifications €'000 (i)	Investment property €'000 (ii)	Goodwill €'000 (iii)	Holiday pay €'000 (v)	Revenue recognition €'000 (vi)	31 Dec 2014 €'000 Total
Assets							
Non-current assets							
Property, plant and equipment	252,884	(3,727)	(1,948)	–	–	–	247,209
Intangible assets and goodwill	11,273	3,727	–	1,592	–	–	16,592
Investment property	–	–	715	–	–	–	715
Financial asset	7,750	(7,750)	–	–	–	–	–
Investment in PLI	–	25,971	–	–	–	–	25,971
Deferred tax asset	–	–	–	–	–	1,820	1,820
Total non-current assets	271,907	18,221	(1,233)	1,592	–	1,820	292,307
Current assets							
Trade and other receivables	109,120	9,053	–	–	–	(19,023)	99,150
Cash at bank and in hand	55,571	298,641	–	–	–	–	354,212
Term deposits	–	50,000	–	–	–	–	50,000
Total current assets	164,691	357,694	–	–	–	(19,023)	503,362
Total assets	436,598	375,915	(1,233)	1,592	–	(17,203)	795,669
Equity and reserves							
Called up share capital	(68,239)	–	–	–	–	–	(68,239)
Capital conversion reserve fund	(877)	–	–	–	–	–	(877)
Retained earnings	292,665	–	1,233	(1,592)	869	12,991	306,166
Equity attributable to the parent company	223,549	–	1,233	(1,592)	869	12,991	237,050
Non-controlling interests	(462)	–	–	–	–	8,214	7,752
Total equity	223,087	–	1,233	(1,592)	869	21,205	244,802
Non-current liabilities							
Capital grants	(4,756)	–	–	–	–	–	(4,756)
Leases and borrowings	(16,542)	–	–	–	–	–	(16,542
Provisions	(38,510)	2,852	–	–	–	–	(35,658)
Employee retirement benefits	(440,460)	–	–	–	–	–	(440,460)
Total non-current liabilities	(500,268)	2,852	–	–	–	–	(497,416)
Current liabilities							
Trade and other payables	(153,576)	(17,126)	–	–	(869)	(4,002)	(175,573)
Leases and borrowings	(5,841)	–	–	–	–	–	(5,841)
Provisions	–	(13,000)	–	–	–	–	(13,000)
Amounts held in trust	–	(348,641)	–	–	–	–	(348,641)
Total current liabilities	(159,417)	(378,767)	–	–	(869)	(4,002)	(543,055)
Total equity and liabilities	(436,598)	(375,915)	1,233	(1,592)	–	17,203	(795,669)

28. Explanation of Transition to IFRS continued

(i) Reclassifications

Certain reclassifications were made as follows:

Income statement

Reclassifications were made to show gross finance income and expenditure (excluding pension interest) separately.

Statement of financial position:

Software was reclassified from property, plant and equipment to intangible assets;

Amounts held in trust were reclassified from cash and cash equivalents to liabilities;

Accrued dividend and interest income relating to the investment in PLI was reclassified from accrued income to the investment in PLI;

Certain amounts were reclassified between trade receivables and trade payables to show each at their respective gross amounts;

The self-insurance liability was reclassified from accruals to provisions.

(ii) Investment property

On transition to IFRS, all property that met the definition of an investment property under IAS 40 *Investment Property* were recognised at fair value.

(iii) Goodwill

Under IFRS, goodwill is not amortised. Therefore the goodwill amortisation under Irish GAAP for the year ended 31 December 2014 was reversed on transition to IFRS. Assessments for impairment of goodwill were conducted at the transition date and at 31 December 2014 and none were identified.

(iv) Pension

Under Irish GAAP, defined benefit interest cost was based on the discount rate for the obligation and the defined benefit interest income was based on expected return on assets based on long term expectations for these assets. On transition to IFRS, in line with IAS 19 *Employee Benefits,* the net interest recognised in the income statement is based on the discount rate for the obligation. A reclassification therefore arose between the interest being recognised in the income statement and remeasurement gains and loses recognised in other comprehensive income.

(v) Holiday pay accrual

An Post has included an accrual for holiday leave untaken in accordance with the requirements of IAS 19 *Employee Benefits*.

(vi) Revenue recognition

Revenue from the sale of gift cards

On transition to IFRS, An Post has elected to record commission income from the sale of gift cards when the card is redeemed and income from expired gift cards when the related administration fee is received. Under Irish GAAP, revenue from the sale of gift cards was recognised upon sale of the card. This adjustment resulted in a reduction in revenue recognised in 2014 and an elimination of accrued income on the transition date in relation to this revenue stream impacting both Group retained earnings and non-controlling interests (NCI). The related deferred tax asset on this adjustment was also recognised.

Revenue from the sale of insurance premiums

On transition to IFRS, An Post has elected to record commission income from the sale of an insurance premium over the life of the related premium. Under Irish GAAP, commission income from the sale of an insurance premium was recognised upon sale of the premium. This adjustment resulted in a reduction in revenue recognised in 2014 and the recognition of deferred income in the transition and comparative statements of financial position. The related deferred tax asset on this adjustment was also recognised.

Company

The transition adjustments for the parent company financial statements from Irish GAAP to FRS 101 are consistent with the adjustments for group with the exception of the goodwill adjustment as this is a consolidation adjustment and the revenue recognition adjustments as these are in relation to revenue arising from subsidiary entities. The following table summarises the impact of the above adjustments on the company financial statements:

	Irish GAAP 31 Dec 2014 €'000	Re-classifications (i) €'000	Investment property (ii) €'000	Pension (iv) €'000	Holiday pay (v) €'000	FRS 101 31 Dec 2014 €'000
Total comprehensive income	(188,575)	–	75	–	–	(188,500)
Total assets	369,775	375,915	(1,233)	–	–	744,457
Total liabilities	(607,289)	(375,915)	–	–	(869)	(984,073)
Net liabilities	(237,514)	–	(1,233)	–	(869)	(239,616)

29. Subsequent events

There were no events since the end of the reporting period that would require adjustment to or disclosure in the financial statements.

30. Board approval

The financial statements were approved by the Board of Directors on 24 March 2016

FIVE YEAR FINANCIAL SUMMARY

Consolidated Income Statement

	2015* €'000	2014* €'000	2013 €'000	2012 €'000	2011 €'000
Revenue	826,069	815,448	811,693	807,295	806,714
Operating costs	(820,907)	(813,019)	(823,156)	(824,779)	(804,498)
Operating profit/(loss)	5,162	2,429	(11,463)	(17,484)	2,216
Exceptional items	–	–	17,149	–	–
Other finance income/(expense)	(6,235)	(6,793)	2,860	(19,750)	1,550
Profit/(loss) before taxation	(1,073)	(4,364)	8,546	(37,234)	3,766

Consolidated Statement of Financial Position

	2015* €'000	2014* €'000	2013 €'000	2012 €'000	2011 €'000
Non-current assets	294,333	292,307	280,369	294,785	291,129
Net current (liabilities)/assets	(33,074)	(39,693)	(2,206)	29,253	70,727
Other non-current liabilities	(56,925)	(56,956)	(53,911)	(26,712)	(42,893)
Net assets excluding pension liability	204,334	195,658	224,252	297,326	318,963
Pension liability	(169,203)	(440,460)	(229,206)	(284,620)	(483,594)
Net (liabilities)/assets including pension liability	35,131	(244,802)	(4,954)	12,706	(164,631)
Capital and reserves	35,131	(244,802)	(4,954)	12,706	(164,631)

Ratios

	2015*	2014*	2013	2012	2011
Operating profit/(loss) above as % of revenue	0.62%	0.30%	(1.40%)	(2.17%)	0.27%
Operating profit/(loss) above as % of average shareholders' funds before pension liability	2.58%	1.16%	(4.40%)	(5.67)%	0.68%
Staff and postmasters' costs as % of operating costs before exceptional item	67.36%	67.94%	68.08%	69.58%	71.65%
Current assets as % of current liabilities	94.73%	92.69%	98.7%	115.1%	136.0%

*2015 and 2014 balances are presented under IFRS while 2011, 2012, 2013 are presented under Irish GAAP.

REGULATORY ACCOUNTING INFORMATION

Income Statement for Universal Service and Mails Business Segment

	MAILS					
	USO		Non USO		Total Mails	
	2015 '000	2014 '000	2015 '000	2014 '000	2015 '000	2014 '000
Volumes	349,492	435,815	230,763	185,464	580,255	621,279

	2015 €'000	2014 €'000	2015 €'000	2014 €'000	2015 €'000	2014 €'000
Revenue	336,821	364,682	203,218	173,609	540,039	538,291
Expenditure	(369,112)	(402,910)	(196,188)	(162,342)	(565,300)	(565,252)
Profit/(loss)	(32,291)	(38,228)	7,030	11,267	(25,261)	(26,961)

The above financial data is an extract from the 2015 Regulatory Financial Statements as audited by KPMG. Copies of these accounts are available on the An Post website.

USO Performance

An Post is designated in the Postal legislation as the National Postal Universal Service provider. This involves the fulfilment of an everyday mail service to every household in the country.

There are significant costs associated with the provision of the USO, many of which are fixed in nature. In 2015 the USO loss recorded is €32.3m. This is funded by revenue from other income streams. Arising from structural changes in the postal industry, led mainly by reduced volume and e-substitution, there is a decline in mail volumes and the financial consequence is a loss arising from the provision of the Universal Service.

National Governments have a variety of funding structures to adapt to this reality. The An Post Company is working with stakeholders to address the medium term funding requirements for the Company arising from its obligations as the National Universal Service postal provider.

USO Volumes and Revenues

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

Mails revenues remain in line with 2014 revenue. Volumes of mail delivered in Ireland have continued to decline in 2015. The decline experienced by An Post in 2015 is further evidence of the continuing global decline in traditional mail volume.

Price

In July 2015, prices in the Universal Service area were increased in line with the Price Cap Mechanism as detailed at Section 30 of the Communications Regulation (Postal Services) Act 2011 and ComReg Document 14/59. The increases implemented moved the first price point on the domestic letter service from 68c to 70c, still well below the European average. Prices in the Mails Non USO area were also increased in July 2015.

OPERATIONAL STATISTICS (UNAUDITED)

Mail

	2015	2014	2013	2012	2011
Core mail volume index (2005=100) (note1)	71.1	73.2	75.7	77.2	81.4

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

System Size

	2015	2014	2013	2012	2011
No. of delivery points (millions)	2.248	2.245	2.238	2.236	2.235
Post office network:					
Company post offices	51	52	57	57	57
Sub-post offices	1,079	1,086	1,090	1,095	1,099
Postal agencies	121	132	141	166	175
	1,251	1,270	1,288	1,318	1,331
No. of motor vehicles	2,758	2,738	2,743	2,775	2,775

	€m	€m	€m	€m	€m
Savings Services (note 2)					
Value of Funds at 31 December	19,453	19,055	18,163	16,276	14,071
Activity for year					
Post Office Savings Services					
Savings Bank Deposits	1,018	1,054	1,141	1,195	1,122
Savings Bank Withdrawals	(926)	(1,038)	(1,272)	(967)	(973)
Savings Certificates issued	1,132	1,177	1,806	1,053	822
Savings Certificates repaid	(1,470)	(1,341)	(713)	(558)	(616)
Instalment Savings issued	97	97	96	97	96
Instalment Savings repaid	(104)	(110)	(105)	(116)	(113)
Savings Bonds issued	1,345	1,227	1,739	2,257	1,401
Savings Bonds repaid	(2,289)	(1,594)	(2,151)	(1,603)	(937)
National Solidarity Bond issued	1,054	869	790	412	294
National Solidarity Bond repaid	(208)	(57)	(38)	(23)	(31)
Department of Social Protection					
Welfare benefits paid during the year	8,418	8,814	9,169	9,445	9,703

	2015 000's	2014 000's	2013 000's	2012 000's	2011 000's
BillPay Volumes	22,895	24,403	24,400	26,395	26,098
TV Licence Sales	1,438	1,431	1,427	1,412	1,426

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.

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