AN POST

ANNUAL REPORT AND FINANCIAL STATEMENTS 2016

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BOARD OF DIRECTORS AND CORPORATE INFORMATION

Directors	Dermot Divilly, Chairperson Noel Adamson Thomas Devlin Jennifer Loftus David McRedmond, Chief Executive Officer William Mooney Ed Murray Tom O'Brien Martina O'Connell Niall Phelan William Scally Lorraine Tormey James Wrynn
Secretary	Brian Fay
Registered Office	General Post Office O'Connell Street Dublin 1 D01 F5P2
Solicitors	Matheson
Bankers	Bank of Ireland
Auditor	KPMG Chartered Accountants
Registered Number	98788

CHAIRPERSON'S INTRODUCTION

The postal sector faces many challenges to its business model. It is my determination, together with the Board and its stakeholders to face these challenges and to put in place a strong, vibrant and sustainable Company providing the nation with its postal operations and post office network into the future.

In 2016 the Company recruited a new Chief Executive Officer, David McRedmond. I welcome him to the organisation and the Board and I will support him in exercising his duties in a critical role at a very important time for the Company.

I have every confidence that the Board, the Executive Team and staff, working under the new Chief Executive Officer, David McRedmond, will succeed in transforming the Company. There's no doubt that challenging and testing times lie ahead for the Company but by harnessing the power of its expertise, reputation and brand, I remain confident of its future.

The Company is currently working to put in place a detailed strategic plan for the medium to long term future of An Post. This work encompasses every aspect of the Group's business and will provide a clear vision of the future that will be available to An Post and a definite action plan for making it a reality. I look forward to ensuring that An Post continues at the very heart of Irish business and the community.

In the past year the country commemorated the centenary of the 1916 Rising and An Post honoured the GPO's centrality to events with the Easter opening of GPO Witness History. The new centre welcomed 162,000 visitors in its first nine months of operation, achieving universally positive reviews and feedback from the tourism industry and visitors alike.

I want to thank the staff and my fellow Board members who serve the Company so well. I thank the former Chief Executive Officer, Donal Connell, who retired from An Post in September. I want also to acknowledge the contribution of Paul Henry who completed his five year term in 2016 and Pat Compton who retired from the An Post Board after 24 consecutive years as an employee director; they were active and committed Board members.

Finally, I wish to thank the Minister for Communications, Climate Action and Environment, Denis Naughten, T.D., and his officials for their assistance and support during 2016.

Dermot Divilly
Chairperson

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting the Directors' Report together with the audited financial statements of the Group for the year ended 31 December 2016.

1. The Group and its Principal Activities

The Company's principal activity is to operate the national postal service and the network of Post Offices. It also manages a number of commercial enterprises and has an investment in Premier Lotteries Ireland.

2. Results

Details of the results for the year are set out in the consolidated income statement on page 14 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 financial year 2016 is a reversal from 2015 with the Group recording an operating loss of €13.7m. Two factors primarily contributed to the reversal, firstly the introduction of wage inflation from 1st May 2016 for the first time in seven years and secondly from the continued decline in traditional mail volume.

	2016 €m Total	2015 €m Total
Revenue	825.7	826.1
Operating (loss) / profit	(13.7)	5.2
(Loss) / profit before pension interest and taxation	(12.0)	8.6
Net assets (before pension liability)	187.1	204.3

The financial year 2016 ended with a loss before pension interest and taxation of €12.0m compared with a profit of €8.6m the previous year.

Revenue

Group revenue at €825.7m was on par with the prior year. Mails revenue, excluding election/referenda revenue, in 2016 was €512.6m, being €11.2m (2.1%) lower than 2015. 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.

There is an acceleration in the substitution of traditional mail volume with the use of digital alternatives. The rate of decline at 5.2% (2015, 2.9%) was double the experience in the previous year. Global trends in the postal sector are similar in developed countries and in 2016 most countries saw an acceleration of this trend. It 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 €8.5m (1.6%) to revenue in 2016 versus 2015. The pricing policy in Ireland whereby prices have been kept lower than in peer nations has negatively impacted the Group's finances. Other nations have increased prices at a more rapid rate in order to secure stable financial delivery of postal services for customers. This is now changing and, as in other nations, pricing adjustments are being made in anticipation of reducing mail volume so that a stable financial environment can prevail to facilitate the postal operator delivering mail services.

Revenue in the Retail division at €161.8m, is €2.5m lower than the previous year. Increased revenue from areas such as foreign currency transactions at €8.3m (up 7.0% on 2015) and banking transactions at €10.0m (up 4.6% on 2015) is very welcome and demonstrates the potential that there is in the network to offer relevant financial service offerings. An Post continued the management of the State Savings products, now with a combined value of over €20 billion, the cash payments business for the Department of Social Protection and in addition is further developing successful relationships with companies across the banking and insurance sectors.

Subsidiaries

The revenue of subsidiary companies was €122.3m. The profit margins improved across these businesses with the resultant increased contribution to the Group. These businesses are closely related to the core business. 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 2016, prices in the mail services including those in the Universal Service Obligation (USO) area were increased by 3%. The increases implemented were modest with the price of the domestic letter service moving from 70c to 72c. In comparative terms this left the price of mail services in Ireland well below the European average. The ongoing losses incurred in fulfilling the Universal Service Obligation has been discussed with key stakeholders, and the regime in respect of pricing is now changed and will facilitate increases that are more in line with the industry in other peer nations. This is a welcome development and increased prices for mail services were introduced in April 2017.

Costs

Change programme implementation continued over the course of the year. There are plans for further cost efficiencies. The reduction in labour FTE in the business since the commencement of decline in mail volumes in 2008 has reached 1,800. Efficiency improvements year on year have been achieved whilst the Quality of Service is improved and the number of delivery points increased.

Wage inflation returned to the business with an increase of 2.5% from 1st May 2016 following a period of seven years of a pay freeze. The return of wage inflation without a corresponding revenue measure to fund this has contributed to the loss for the year as against the profit in the previous year.

In some non-pay 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.

Asset Disposal

Since the year end, a significant property disposal of a facility at Cardiff Lane in Dublin took place in February 2017. A replacement facility has been provided so that the city centre mail will be serviced with no disruption.

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 two full years 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 Scheme continues to meet the 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 2016 includes a pension deficit of €283.4m (€169.2m in 2015). Assumptions used in the calculation of pension cost charges and the future pension obligations are primarily a discount rate of 1.8% and long run pay/pension inflation of 1.25%. The increase in the deficit arose due to the reduction in the discount rate used to measure the pension liability offset by the return on scheme assets in the calendar year 2016. The schemes' assets increased by €225.4m, 8.2% in the year.

Outlook

The financial result in 2016, namely a loss before pension interest and taxation of €12.0m compared with a profit of €8.6m in 2015 is very disappointing. There is an imperative to implement changes in pricing, establish a new strategic direction and to implement rationalisation. All of this will be addressed and the challenge is to ensure that there are the cash resources available to the Group to provide a solid starting position for the future of the national postal service.

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.

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

KPI	Performance in 2016	Performance in 2015
Operating result		
Operating (loss) / profit as a percentage of revenue	(1.66%)	0.62%
Staff costs as a percentage of total operating costs	58.2%	58.3%
Postmasters' costs as a percentage of total operating costs	8.7%	9.1%
Other operating costs as a percentage of total operating costs	33.1%	32.6%
Staff - Average Full Time Equivalents (FTE)		
Company	9,190	9,109
Subsidiaries	738	753
Group	9,928	9,862
Mails business		
Core mail volumes: (page 63)	(5.20%)	(2.92%)
Retail business		
Social welfare transactions	35.6m	38.1m
BillPay transactions	19.8m	22.9m
TV licence sales	1.4m	1.4m
Investment products – net fund inflow	€97.4m	€0.7m
Post Office Savings Bank – net fund inflow	€157.1m	€93.7m
Prize Bonds – net fund inflow	€413.3m	€304.6m
Customer Service		
Written complaints	22,341	23,169
Telephone enquiries	616,718	524,154

REPORT OF THE DIRECTORS

continued

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;
- Retail network sustainability;
- Flexible and efficient cost structure;
- Industrial action;
- Cash resources – funding of strategy;
- Market requirements in the packets and parcels markets;
- Transactional mail market accelerated decline;
- Retail revenue;
- Post Office contractors – contracts and payments charges;
- Risk of fraud.

The directors have analysed these and other risks and appropriate programmes are in place to manage and control these risks. The Corporate Governance Statement which is incorporated into 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

On 28 July 2016, the Minister confirmed the appointment of Mr Dermot Divilly as Chairperson following his appearance before the Select Committee on Communications, Climate Change and Natural Resources.

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

- Mr Paul Henry's term of office expired on 14 September 2016.
- Mr Donal Connell's term of office expired on 30 September 2016.
- Mr David McRedmond was appointed as Chief Executive Officer (CEO) on 3 October 2016.
- Mr Patrick Compton's term of office expired on 31 October 2016.
- Mr Niall Phelan was appointed to the Board on 30 November 2016.

The directors and secretary who held office at 31 December 2016 had no interests in the shares, or the debentures of the Company or any Group company at any time during the financial year 2016.

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 2016, there were 2.1 lost time accidents per 100,000 hours worked – this is a reduction of 11% in lost time accidents in comparison with 2015.

An Post is committed to reducing lost time accidents and in this regard is undertaking a safety improvement programme which includes being re-accredited to the OHSAS 18001:2007 standard in 2016, for a further 3 years. In addition, 4,505 employees attended specific safety training courses in 2016, with many more attending other courses where safety was included in the content. This includes the provision of a risk-based 'Professional Driver' programme for 679 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, D01 F5P2.

10. Directors Compliance Statement

The directors acknowledge that they are responsible for securing the Company's compliance with its relevant obligations.

In addition the directors confirm that a compliance policy document has been drawn up that sets out policies, that in our (i.e. the Directors) opinion are appropriate to the Company, respecting compliance by the Company with its relevant obligations and that appropriate arrangements or structures are in place that are, in our opinion, designed to secure material compliance with the Company's relevant obligations, and during the financial year, the arrangements or structures referred to above have been reviewed.

11. Political Donations

During the financial year ended 31 December 2016, the Group made no political contributions which would require disclosure under the Electoral Act 1997.

12. Subsequent Events

There have been two significant events subsequent to the year end. Firstly the sale of a significant asset at Cardiff Lane in Dublin completed. This has added cash resources to the balance sheet post year end. Secondly price increases have been implemented subsequent to a change in legislation.

13. Going Concern

The Board of Directors have a reasonable expectation that the Group will have adequate resources to continue in business for a period of at least 12 months from the date of approval of these financial statements. For this reason, they continue to adopt the 'going concern' basis for the preparation of the financial statements. Details are set out in note 1 to the financial statements.

14. Corporate Governance

14.1 Code of Practice for the Governance of State Bodies

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 in 2009 ('the 2009 Code'), and to apply the principles of good governance appropriate to the enterprise.

14.2 The Board

The Group is controlled through its Board of directors. The Board's main roles are to oversee the operation of the Group, to provide leadership, to approve strategic objectives and to ensure that the necessary financial and other resources are made available to enable those objectives to be met. The Board met nine times during 2016.

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.

14.3 The roles of the Chairperson and the Chief Executive Officer and relations with Shareholders

The Board is currently comprised of thirteen directors, namely: the Chairperson, the Chief Executive Officer, five employee directors, one postmaster director and five non-executive directors. The positions of Chairperson and Chief Executive Officer are held by different people. 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 Officer 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.

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 Officer 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.

14.4 Directors and Directors' independence

All directors are appointed to the Board by the Minister for Communications, Climate Action and Environment 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.

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.

14.5 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.

14.6 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.

14.7 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 in 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 2016 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 has appointed a Chief Risk Officer. The responsibilities of the Audit and Risk Committee embrace the responsibilities of a Risk Committee.

Management is responsible for the identification and evaluation of significant risks and for the design and implementation of appropriate internal controls. Management reports regularly to the Board on the key risks inherent in the business and on the way in which these risks are managed. 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.
- The preparation and issue of financial reports, including the consolidated annual accounts, is managed by the Group Finance department. The annual accounts are reviewed by the Board Audit and Risk Committee in advance of being presented to the Board for their review and approval. 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.

Attendance at meetings of the Board

Name	Eligible to attend	Attended
Dermot Divilly	9	9
Noel Adamson	9	9
Patrick Compton	8	7
Donal Connell	7	7
Thomas Devlin	9	9
Paul Henry	6	4
Jennifer Loftus	9	9
David McRedmond	2	2
William Mooney	9	9
Ed Murray	9	9
Peter Ormond	1	1
Tom O'Brien	9	7
Martina O'Connell	9	9
Niall Phelan	1	1
William Scally	9	9
Lorraine Tormey	9	9
James Wrynn	7	5

14.8 Remuneration Committee

The Remuneration Committee is currently comprised of the Chairperson, a non-executive director and the Chief Executive Officer. The Chief Executive Officer absents himself from meetings when matters relating to his own remuneration are being considered. The Committee met four times during the year.

14.9 Audit and Risk Committee

The Audit and Risk Committee is currently comprised of four non-executive directors. 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 met five times during the year.

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.

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.

14.10 Health and Safety and Security Committee

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.

14.11 Nomination Committee

As all the authority regarding the appointment of directors is vested in the Minister for Communications, Climate Action and Environment, with the consent of the Minister for Public Expenditure and Reform, no Nomination Committee was in place for 2016.

14.12 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.

14.13 Statement of Compliance with the 2009 Code

The directors confirm that the Group has been in compliance with the 2009 Code for the Governance of State Bodies throughout the financial year under review.

15. 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 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.

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 2016.

Financial Records and Accounting Systems

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

Separated Accounts

Segmental profit and loss accounts and statements of net assets have been prepared for submission to ComReg for the year ended 31 December 2016. In compliance with the Direction, a competent body has reviewed these accounts and 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.

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 2016.

16. 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.

The Directors 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.

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, and that 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.

17. Relevant Audit Information

The directors believe that they have taken all steps necessary to make themselves aware of any relevant audit information and have established that the Company's statutory auditors are aware of that information. In so far as they are aware, there is no relevant audit information of which the Company's statutory auditors are unaware.

18. Auditors

The Audit and Risk Committee undertook an audit tender during 2016. Following this process, the Board approved a recommendation from the Audit and Risk Committee to appoint Deloitte as the Company's new auditor. This appointment will take effect from 2017.

On behalf of the Board

Dermot Divilly, Director
David McRedmond, Director

27 April 2017

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 2016 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 2016 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 2016;
- 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 Directors' Report and Financial Statements 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 7 to 9, 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 10, 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 & 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.

In addition, we read all the financial and non-financial information in the Directors' Report and Financial Statements 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

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF AN POST

continued

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
For and on behalf of
KPMG
Chartered Accountants, Statutory Audit Firm
1 Stokes Place
St. Stephen's Green
Dublin 2
D02 DE03

27 April 2017

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 pages 9 and 10 concerning the Company's compliance, for the year ended 31 December 2016, 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 pages 9 and 10 appropriately reflects the Company's compliance, for the year ended 31 December 2016, with the accounting provisions of the Act and with the Direction on the Accounting Systems of An Post, dated 8 December 2006 issued by ComReg.

KPMG
Chartered Accountants, Statutory Audit Firm
1 Stokes Place
St. Stephen's Green
Dublin 2
D02 DE03

27 April 2017

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 €'000	2015 €'000
Revenue	2	825,652	826,069
Operating costs	3	(839,348)	(820,907)
Operating (loss)/profit		(13,696)	5,162
Finance income (excluding pension interest)	4	2,162	3,849
Finance costs (excluding pension interest)	5	(494)	(454)
(Loss)/profit before pension interest and taxation		**(12,028)**	**8,557**
Pension interest	20	(3,630)	(9,630)
Loss before taxation		(15,658)	(1,073)
Taxation charge	7	(992)	(1,348)
Loss for the year		(16,650)	(2,421)
Loss for the year attributable to			
Equity holders of the Company		(20,206)	(4,264)
Non-controlling interests		3,556	1,843
		(16,650)	(2,421)

On behalf of the Board

Dermot Divilly, Director
David McRedmond, Director
27 April 2017

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 €'000	2015 €'000
Loss for the year		(16,650)	(2,421)
Other comprehensive income			
Items that will never be reclassified to profit or loss;			
Remeasurements of defined benefit pension liability	20	(113,200)	281,100
Items that are or may be reclassified to profit or loss			
Translation of foreign operations – subsidiaries		(3,100)	1,038
Available for sale financial assets – change in fair value		1,980	323
Tax effect of change in fair value		(483)	(107)
Total comprehensive income		(131,453)	279,933
Total comprehensive income attributable to			
Equity holders of the Company		(134,963)	277,990
Non-controlling interests		3,510	1,943
		(131,453)	279,933

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2016

	Notes	31 Dec 2016 €'000	31 Dec 2015 €'000
Assets			
Non-current assets			
Intangible assets and goodwill	9	18,345	18,183
Investment property	10	715	715
Property, plant and equipment	11	237,869	243,687
Investment in PLI	12	33,746	29,778
Available for sale investment	12	173	323
Deferred tax asset	13	1,678	1,647
Total non-current assets		292,526	294,333
Current assets			
Trade and other receivables	13	104,960	112,600
Cash at bank and in hand	14	252,444	315,556
Restricted cash	14	138,389	117,867
Term deposits		13,000	48,000
Total current assets		508,793	594,023
Total assets		**801,319**	**888,356**
Equity and reserves			
Called up share capital	21	(68,239)	(68,239)
Other capital reserves	21	(474)	(2,031)
Retained earnings		162,736	29,330
Equity attributable to the Company		94,023	(40,940)
Non-controlling interests		2,299	5,809
Total equity		96,322	(35,131)
Non-current liabilities			
Capital grants	18	(9,692)	(10,054)
Leases and borrowings	16	(18,502)	(13,347)
Provisions	19	(28,810)	(33,524)
Pension liability	20	(283,381)	(169,203)
Total non-current liabilities		(340,385)	(226,128)
Current liabilities			
Trade and other payables	15	(163,000)	(175,093)
Leases and borrowings	16	(9,532)	(9,532)
Provisions	19	(10,957)	(10,900)
Amounts held in trust	14	(373,767)	(431,572)
Total current liabilities		(557,256)	(627,097)
Total liabilities		(897,641)	(853,225)
Total equity and liabilities		**(801,319)**	**(888,356)**

On behalf of the Board

Dermot Divilly, Director
David McRedmond, Director

27 April 2017

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital	Undenominated capital fund	Foreign currency translation reserve	Fair value reserve	Retained earnings	Total	Non-controlling interests	Total equity
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Balance at 1 January 2015	(68,239)	(877)	–	–	306,166	237,050	7,752	244,802
Loss for the year	–	–	–	–	4,264	4,264	(1,843)	2,421
Other comprehensive income:								
Available for sale financial assets - net change in fair value	–	–	–	(116)	–	(116)	(100)	(216)
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)**
Loss for the year	–	–	–	–	20,206	20,206	(3,556)	16,650
Other comprehensive income:								
Available for sale financial assets - net change in fair value	–	–	–	(1,543)	–	(1,543)	46	(1,497)
Remeasurements of defined benefit pension liability	–	–	–	–	113,200	113,200	–	113,200
Translation of foreign operations	–	–	3,100	–	–	3,100	–	3,100
Balance at 31 December 2016	**(68,239)**	**(877)**	**2,062**	**(1,659)**	**162,736**	**94,023**	**2,299**	**96,322**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 €'000	2015 €'000
Cash flows from operating activities			
Loss for the year		(16,650)	(2,421)
Adjustments for			
Depreciation		21,371	19,236
Impairment loss		7,119	–
Amortisation		1,923	2,432
Net finance costs		1,962	6,235
Gain on sale of property, plant and equipment		(1,251)	(293)
Tax expense		992	1,348
Cash paid in excess of pension operating cost		(2,550)	1,129
Capital grant amortised		(362)	(101)
Payments made in relation to provisions, excess over cost		(4,657)	(4,234)
		7,897	23,331
Changes in:			
Trade and other receivables		7,640	(13,450)
Trade and other payables		(15,214)	(714)
Cash generated from operating activities		**323**	**9,167**
Taxes paid		(937)	(823)
Net cash generated from operating activities		**(614)**	**8,344**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		1,776	501
Acquisition of property, plant and equipment		(11,601)	(15,302)
Acquisition of intangible assets		(2,486)	(2,163)
Decrease/(increase) in term deposits		35,000	2,000
Grant received		–	5,400
Amounts held in trust		(78,327)	(34,936)
Net inflow of restricted cash		20,522	117,867
Increase in creditor in respect of restricted cash		(20,522)	(117,867)
Net cash generated from investing activities		**(55,638)**	**(44,500)**
Cash flows from financing activities			
Proceeds from sale and finance lease		312	–
Finance lease payments		(4,727)	(3,018)
Term loan drawn down		4,000	5,000
Term loan repaid		(6,000)	(4,000)
Net cash from financing activities		**(6,415)**	**(2,018)**
Net decrease in cash and cash equivalents		**(62,667)**	**(38,174)**
Cash and cash equivalents at beginning of year	14	315,055	353,229
Cash and cash equivalents at end of year	14	**252,388**	**315,055**

COMPANY STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2016

	Notes	2016 €'000	2015 €'000
Assets			
Non-current assets			
Intangible assets and goodwill	9	5,002	4,936
Investment property	10	715	715
Property, plant and equipment	11	231,626	237,082
Investment in PLI	12	33,746	29,778
Financial asset	12	8,969	8,969
Deferred tax asset	13	533	–
Total non-current assets		280,591	281,480
Current assets			
Trade and other receivables	13	79,951	82,539
Cash at bank and in hand	14	238,464	301,926
Term deposits		13,000	48,000
Total current assets		331,415	432,465
Total assets		**612,006**	**713,945**
Equity and reserves			
Called up share capital	21	(68,239)	(68,239)
Other reserve	21	(2,474)	(877)
Retained earnings		175,865	35,838
Total equity		105,152	(33,278)
Non-current liabilities			
Capital grants	18	(2,952)	(3,054)
Leases and borrowings	16	(18,502)	(13,262)
Provisions	19	(28,810)	(33,524)
Pension liability	20	(283,381)	(169,203)
Total non-current liabilities		(333,645)	(219,043)
Current liabilities			
Trade and other payables	15	(131,787)	(134,056)
Leases and borrowings	16	(5,391)	(2,963)
Provisions	19	(10,957)	(10,900)
Amounts held in trust	14	(235,378)	(313,705)
Total current liabilities		(383,513)	(461,624)
Total liabilities		(717,158)	(680,667)
Total equity and liabilities		**(612,006)**	**(713,945)**

On behalf of the Board

Dermot Divilly, Director
David McRedmond, Director

27 April 2017

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital €'000	Undenominated Capital fund €'000	Fair value Reserve €'000	Retained earnings €'000	Total equity €'000
Balance at 1 January 2015	(68,239)	(877)	–	308,732	239,616
Loss for the year	–	–	–	8,206	8,206
Other comprehensive income	–	–	–	(281,100)	(281,100)
Balance at 31 December 2015	(68,239)	(877)	–	35,838	(33,278)
Loss for the year	–	–	–	26,827	26,827
Available for sale financial assets - change in fair value	–	–	(1,597)		(1,597)
Other comprehensive expense	–	–		113,200	113,200
Balance at 31 December 2016	(68,239)	(877)	(1,597)	175,865	105,152

Included in loss for the period was dividends received from group companies of €2,393k (2015: €4,092k).

INDEX TO NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

Going concern

The 2016 An Post financial statements have been prepared on a going concern basis. This assumes that the Group will have adequate resources to continue in operational existence for the foreseeable future from the date of approval of these financial statements.

Background

- During 2016 the An Post Group made a loss after tax of €16.7m and an operating loss of €13.7m.
- The Group's main business, namely, the collection and delivery of mail in Ireland continues to experience relentless decline. Traditional mail volumes fell by 5.2% in 2016.
- At 31 December 2016, the Group has net liabilities of €96.3m and net current liabilities of €48.5m.
- Taking out the defined benefit pension liability at 31 December 2016 the Group has net assets of €187.1m.
- At 31 December 2016, the Group has net cash of €26.0m (after deducting amounts in trust owed to business customers, short term bank borrowings, and restricted cash related to GVS unredeemed cards and vouchers, i.e. this represents the Group's true cash balance).
- At 31 December 2016, the Group has bank borrowings of €4.1m and obligations under finance leases of €24.0m.
- During 2016 the Group had a decrease in its net cash of €18.9m. Cash balances available to the Group have declined from €150m in 2011 to €26m in 2016.
- The Group's budget assumes that the Group will continue to incur an operating loss in 2017.

Assessment

The Board has given careful consideration to the going concern basis of preparation and is satisfied that it is appropriate for the 2016 financial statements to be prepared on this basis. Key factors considered in arriving at this determination include:

- *Price flexibility*: Arising from the recent changes in legislation, the price cap mechanism has been removed and this allows the Group flexibility over pricing. Price increases were introduced in April 2017 that will yield additional revenue.
- *Cash*: The Cardiff Lane Delivery Office in Dublin 2 was sold in February 2017. The transaction resulted in An Post receiving cash of €35m for the property plus a new purpose built Delivery Office at an alternate location that still allows our customers in Dublin 2 to be provided with an uninterrupted service. The receipt of this cash ensures adequate resources are available to the Group in the short term. The Group also has access to a short term borrowing facility, should this be required for working capital purposes.
- *Budget review*: The Board and management has undertaken a robust budgeting process covering 2017. Although mail volumes are still forecast to decline, most likely at an accelerated rate, this shows the Group continuing in operational existence for the foreseeable future. The assumptions used were subject to robust challenge and scrutiny and are considered to be realistic and achievable.
- *Strategic review*: The Board has commissioned external consultants to conduct a fundamental strategic review with the objective of determining a sustainable business model and structure for the Group. The outputs from this review are due to be presented to the Board in May 2017, and the required changes will be implemented in the short term to ensure the continued sustainability of the Group. It is planned that the Group will be re-positioned so that new business opportunities, particularly in the area of packets and parcels, can be exploited.
- *Spending/Cost cutting*: The Board and Management will continue to closely monitor all spend, and will implement a cost reduction programme.

Conclusion

Having made due enquiries and considering the matters described above, the Board members have a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future. Consequently, the Board Members have concluded that the circumstances described above do not represent a material uncertainty that casts significant doubt on the Group's ability to continue as a going concern.

Reporting entity

An Post (the 'Company') is a designated activity company domiciled in Ireland. Under the Postal and Telecommunications Services Act, 1983, the Company is entitled to omit the words 'designated activity company' 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.

In presenting the parent company's financial statements together with the group financial statements, the Company has availed of the exemption in Section 304(2) of the Companies Act, 2014 not to present its individual income statements and related notes that form part of the approved Company financial statements.

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*.

Forthcoming IFRS Standards

A number of new IFRS Standards, Amendments to Standards and Interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these financial statements. These are as follows:

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. There are a number of forthcoming IFRS requirements. None of these are expected to have a material impact on the Group.

* 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.

Newly effective IFRS requirements

There were a number of IFRS requirements effective for the first time in 2016. None of these had a material impact on the Group.

Basis of measurement

Group

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

- The net defined benefit pension 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; 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.

1. Significant Accounting Policies continued

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 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. 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

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.

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.

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.

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

1. Significant Accounting Policies continued

Employee benefits continued

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 related 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.

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 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 on debt is recognised in profit or loss using the effective interest rate method. Dividend income on equity 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 other comprehensive income (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

1. Significant Accounting Policies continued

Available-for-sale financial assets continued

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

	2016 €'000	2015 €'000
The analysis of revenue is as follows:		
Republic of Ireland		
Postage: Letters and parcels	512,554	523,716
Postage: Elections and referenda	14,203	2,460
Post offices: Agency, remittance and related services	161,831	164,309
Other services	55,842	46,600
Interest income	421	1,025
Rental income	60	60
	744,911	738,170
United Kingdom		
Mails distribution and related services	80,741	87,899
	825,652	826,069

3. Operating Costs

	2016 €'000	2015 €'000
The consolidated costs for the Group were as follows:		
Staff and postmasters' costs		
Wages and salaries	406,612	394,835
Postmasters' costs	72,659	74,481
Social welfare costs	36,437	35,619
	515,708	504,935
Pension costs	45,866	48,018
Total payroll and postmasters' costs	561,574	552,953
Other costs:		
Distribution	87,662	94,857
Facilities	26,911	28,711
Operational	84,428	79,355
Administration	48,360	43,363
Depreciation and impairment	28,490	19,236
Amortisation	1,923	2,432
	277,774	267,954
	839,348	820,907

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

continued

4. Finance Income

	2016 €'000	2015 €'000
Interest on Premier Lotteries Ireland (PLI) loan receivable	1,838	1,677
PLI preference share dividends	–	2,130
Income from available for sale investment	312	–
Interest on short term deposits	12	42
	2,162	3,849

5. Finance Costs

	2016 €'000	2015 €'000
Finance lease interest	494	454
	494	454

6. Loss before Taxation

	2016 €'000	2015 €'000
The loss before taxation is stated after charging:		
Operating lease rentals:		
Rental of buildings	8,902	8,726
Other equipment and motor vehicles	13,420	13,385
	22,322	22,111
and after crediting to other services income:		
Capital grants amortised	362	101
Profit on sale of property, plant & equipment	1,251	293
	1,613	394

6. Loss before Taxation continued

	2016 €'000	2015 €'000
The loss before taxation is stated after charging:		
Directors' emoluments		
Fees	224	236
Other emoluments	306	240
Pension contributions paid	60	46
	590	522
Expenses paid to Directors		
Travel	6	7
Subsistence	2	–
	8	7
Auditor's remuneration* – Group		
Audit of the group financial statements*1	357	373
Other assurance services	151	159
Tax advice services	277	218
Other non-audit services	43	101
	828	851
Auditor's remuneration* – An Post Company (included above)		
Audit of the financial statements	214	232
Other assurance services	151	159
Tax advice services	231	136
Other non-audit services	43	66
	639	593

*Excluding non recoverable VAT
*1 Includes reimbursed expenses of €8,000 (2015: €9,456)

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 Officer (and the former Chief Executive Officer) who is also a director. Other than this, they do not include the salaries of the employee directors or the remuneration of the postmaster director. Payments made to the former Chairperson during 2015 are also included in this note.

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

	2016 €'000
Basic salary	60
Other emoluments:	
Director's fee	-
Pension contributions paid	15
	75

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

continued

6. Loss before Taxation continued

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

	2016 €'000	2015 €'000
Basic salary	246	240
Other emoluments:		
Director's fee	–	–
Pension contributions paid	45	46
	291	286

The fees payable to each director were as follows:

	2016 €'000	2015 €'000
Dermot Divilly (Chairperson)	*34	–
Christoph Mueller (Former Chairperson)	–	28
Noel Adamson	16	16
Patrick Compton	13	16
Donal Connell (Former Chief Executive Officer)	–	–
Thomas Devlin	16	16
Paul Henry	11	16
Jennifer Loftus	16	16
David McRedmond (Chief Executive Officer)	–	–
Ed Murray	16	16
William Mooney	16	16
Thomas O'Brien	16	16
Martina O'Connell	16	16
Peter Ormond	3	16
Niall Phelan	3	–
William Scally	16	16
Lorraine Tormey	16	16
James Wrynn	16	16
Total	224	236

*€3k related to 2015

Mr David McRedmond was appointed as Chief Executive Officer on 3 October 2016.
Mr Peter Ormond's term of office expired on 7 March 2016.
Mr Paul Henry's term of office expired on 14 September 2016.
Mr Patrick Compton's term of office expired on 31 October 2016.
Mr Niall Phelan was appointed to the Board on 30 November 2016.

7. Income Tax

A. Amounts recognised in profit or loss

	2016 €'000	2015 €'000
Current tax		
Ireland – Corporation Tax	478	111
Adjustment in respect of prior year	59	(2)
UK – Corporation Tax	486	1,066
	1,023	1,175
Deferred tax		
Adjustment in respect of prior year	(161)	247
Origination and reversal of temporary differences	130	(74)
	(31)	173
	992	1,348

B. Reconciliation of effective tax rate

	2016 €'000	2015 €'000
Loss before taxation	(15,658)	(1,073)
Tax using the Company's domestic tax rate – 12.5% (2015: 12.5%)	(1,957)	(134)
Tax effects of:		
Non-deductible expenses / income not taxable	(145)	86
Tax withheld from payments made	8	7
Income and gains taxed at higher rates	1,302	585
Tax losses not recognised	689	67
Movement in unrecognised deferred tax	907	813
Prior year under provision / (overprovision)	188	(76)
Total tax charge	992	1,348

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

continued

7. Income Tax continued

C. Movement in deferred tax balances

Balance at 31 December 2016

	Net Balance at 1 Jan 2016 €'000	Recognised in profit or loss 2016 €'000	Recognised in Other Comprehensive Income 2016 €'000	Net Balance at 31 Dec 2016 €'000	Deferred tax asset at 31 Dec 2016 €'000	Deferred tax liability at 31 Dec 2016 €'000
Property, plant and equipment	(5,637)	(877)	–	(6,514)	–	(6,514)
Employee benefits	3,283	1,886	–	5,169	5,169	–
Other provisions	2,438	(614)	(483)	1,341	1,931	(590)
Carry forward tax loss (revenue recognition)	1,456	(364)	–	1,092	1,092	–
	1,540	31	(483)	1,088	8,192	(7,104)

Balance at 31 December 2015

	Net Balance at 1 Jan 2015 €'000	Recognised in profit or loss 2015 €'000	Recognised in Other Comprehensive Income 2015 €'000	Net Balance 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)

Given the uncertainty over the existence of future taxable profits, a potential deferred tax asset of €50,527,000 (2015: €38,377,000) 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:

	2016	2015
Operations	8,517	8,435
Corporate	673	674
Total Company employees (FTE)	9,190	9,109
Subsidiaries	738	753
Total Group employees (FTE)	9,928	9,862

The above includes 65 FTEs required to service the mailings arising from the 2016 General Election.

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

	2016	2015
Operations	7,981	8,070
Corporate	708	711
Company employees	8,689	8,781
Casual employees	877	877
Total Company employees	9,566	9,658
Subsidiaries	758	777
Total Group employees	10,324	10,435

The total number of postmasters engaged as agents was;

	2016	2015
Postmasters: Engaged as agents	1,056	1,062

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

	2016 €'000	2015 €'000
Wages and salaries	406,612	394,835
Social welfare costs	36,437	35,619
Pension costs	45,866	48,018
Postmasters: Engaged as agents	72,659	74,481
Total payroll and postmasters' costs	561,574	552,953

9. Intangible Assets and Goodwill

Group	Goodwill €'000	Software* €'000	Total €'000
Cost			
At 1 January 2015	41,578	51,212	92,790
Additions	–	3,867	3,867
Foreign exchange movement	156	–	156
At 31 December 2015	41,734	55,079	96,813
Additions	–	2,486	2,486
Foreign exchange movement	(385)	(16)	(401)
At 31 December 2016	41,349	57,549	98,898
Amortisation and impairment			
At 1 January 2015	28,713	47,485	76,198
Charge for year	–	2,432	2,432
At 31 December 2015	28,713	49,917	78,630
Charge for the year	–	1,923	1,923
At 31 December 2016	28,713	51,840	80,553
Carrying amount			
At 31 December 2016	12,636	5,709	18,345
At 31 December 2015	13,021	5,162	18,183

*Intangible assets include software only. The Company's intangible assets at 31 December 2016 amounted to €5,002,000: (2015 €4,936,000). 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 2016 €'000	31 Dec 2015 €'000
Gift Voucher Shop	5,732	5,732
Air Business & Jordans	2,411	2,796
One Direct	4,493	4,493
	12,636	13,021

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 2017 budget approved by the board and projections for 2018 to 2021.

Discount rates

A pre-tax discount rate of 8% (2015: 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 2016 (2015: €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 2016.

10. Investment Property

Reconciliation of carrying amount

	31 Dec 2016	31 Dec 2015
Balance at beginning of year	715	715
Change in fair value	–	–
Balance at end of year	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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

continued

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 2015	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
Additions	3,841	11,250	8,343	23,434
Disposals	(848)	(5,769)	(165)	(6,782)
Foreign exchange movement	–	(6)	(283)	(289)
At 31 December 2016	293,450	14,916	316,859	625,225
Accumulated depreciation and impairment losses				
At 1 January 2015	86,530	11,200	249,890	347,620
Depreciation	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
Depreciation	6,955	1,755	12,661	21,371
Impairment losses	–	–	7,119	7,119
Eliminated on disposals	(327)	(5,766)	(164)	(6,257)
Foreign exchange movement	–	(7)	(45)	(52)
At 31 December 2016	99,595	5,233	282,528	387,356
Net Book Value				
At 31 December 2016	193,855	9,683	34,331	237,869
At 31 December 2015	197,490	190	46,007	243,687

Impairment loss

During the year, due to the continued decline in traditional mail volumes, the Group tested the related mail sorting equipment for impairment, and recognised an impairment loss of €7,119,000 with respect to certain automated equipment. The impairment loss is included within operating costs in the income statement.

	Freehold & long leasehold land & buildings €'000	Motor vehicles €'000	Operating & computer equipment €'000	Total €'000
Company				
Cost				
At 1 January 2015	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
Additions	3,826	11,193	6,575	21,594
Disposals	(848)	(5,703)	–	(6,551)
At 31 December 2016	288,492	14,594	295,119	598,205
Accumulated depreciation and impairment losses				
At 1 January 2015	81,942	11,107	237,992	331,041
Depreciation	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
Depreciation	6,946	1,692	10,772	19,410
Impairment losses	–	–	7,119	7,119
Eliminated on disposals	(327)	(5,703)	–	(6,030)
At 31 December 2016	95,096	5,093	266,390	366,579
Net Book Value				
At 31 December 2016	193,396	9,501	28,729	231,626
At 31 December 2015	197,037	–	40,045	237,082

Group and Company

At 31 December 2016 the net carrying amount of property, plant and equipment held under finance leases was €17,727,000 (2015: €17,016,000). See note 23 for further information.

Impairment loss

During the year, due to the continued decline in traditional mail volumes, the Company tested the related mails sorting equipment for impairment, and recognised an impairment loss of €7,119,000 with respect to certain automated equipment. The impairment loss is included within operating costs in the income statement.

continued

12. Investments

	Group 2016 €'000	Group 2015 €'000	Company 2016 €'000	Company 2015 €'000
Interest in Premier Lotteries Ireland (PLI)	33,746	29,778	33,746	29,778
Shares in subsidiary undertakings (see note 22)	–	–	8,969	8,969
Investment in joint venture	–	–	–	–
Available for sale investment	173	323	–	–
	33,919	30,101	42,715	38,747

Interest in PLI

	2016 €'000	2015 €'000
Group and Company		
The interest in PLI is comprised of:		
Available for sale		
Investment in equity shares	350	350
Preference shares	11,868	9,738
Loans and receivables		
Shareholder loans	21,528	19,690
	33,746	29,778

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 six 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 (2015: €nil).

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

	2016 €'000	2015 €'000
Percentage ownership interest	50%	50%
Current assets	18,615	15,067
Current liabilities	(18,615)	(15,067)
Net assets (100%)	–	–
Group's share of net assets	–	–
Revenue	9,908	9,209
Profit from continuing operations	–	–
Total comprehensive income (100%)	–	–
Group's share of total comprehensive income	–	–

Available for sale investment

	2016 €'000
Fair value as at 1 January 2016	323
Reclassified to profit and loss	(312)
Net change in fair value	162
Fair value as at 31 December 2016	173

In 2015, one of the GVS companies acquired an investment for a nominal amount. This investment was fair valued at €323,000 at 31 December 2015. In 2016, the GVS company received cash consideration of €312,000 for part of the investment and this amount was recognised in the income statement (see note 4). The value of the company's new investment was fair valued at the end of the year and the net change was recognised in other comprehensive income and held within fair value reserves.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

continued

13. Trade and Other Receivables

	Group 31 Dec 2016 €'000	Group 31 Dec 2015 €'000	Company 31 Dec 2016 €'000	Company 31 Dec 2015 €'000
Current assets				
Trade receivables	87,023	83,437	46,203	42,256
Amounts owed by other subsidiary undertakings	–	–	16,870	13,501
Amounts owed by joint venture (note 25)	259	263	259	263
Other debtors	6,779	3,436	834	1,068
Prize Bonds held	812	812	625	625
Prepayments	10,087	24,652	5,281	12,788
	104,960	112,600	70,072	70,501
Non-current assets				
Amounts owed by subsidiary undertakings	–	–	9,879	12,038
Deferred tax asset	1,678	1,647	533	–
	1,678	1,647	10,412	12,038
	106,638	114,247	80,484	82,539

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

14. Cash at Bank and In Hand

	Group 31 Dec 2016 €'000	Group 31 Dec 2015 €'000	Company 31 Dec 2016 €'000	Company 31 Dec 2015 €'000
Cash at bank	112,238	164,740	98,258	151,110
Cash in hand	140,206	150,816	140,206	150,816
	252,444	315,556	238,464	301,926

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	315,556	(63,112)	252,444
Bank overdraft	(501)	445	(56)
Total	315,055	(62,667)	252,388

	Group 31 Dec 2016 €'000	Group 31 Dec 2015 €'000	Company 31 Dec 2016 €'000	Company 31 Dec 2015 €'000
Restricted cash balance held–unredeemed prepaid cards	138,389	117,867	–	–
	138,389	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.

	Group 31 Dec 2016 €'000	Group 31 Dec 2015 €'000	Company 31 Dec 2016 €'000	Company 31 Dec 2015 €'000
Amounts held in trust	235,378	313,705	235,378	313,705
Liability in relation to cash held – unredeemed prepaid cards	138,389	117,867	–	–
	373,767	431,572	235,378	313,705

Included in current liabilities at 31 December 2016 was amounts held in trust of €373,767,000: (2015: €431,572,000). The majority of the amounts held in trust relates 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.

continued

15. Trade and Other Payables

	Group 31 Dec 2016 €'000	Group 31 Dec 2015 €'000	Company 31 Dec 2016 €'000	Company 31 Dec 2015 €'000
Trade creditors	40,307	53,740	19,523	28,386
Amounts owed to subsidiary undertakings	–	–	23,394	17,253
Other creditors	21,016	18,446	17,277	13,940
Taxation and social welfare (note 17)	15,805	12,563	13,290	10,565
Accruals	66,593	70,927	46,751	50,574
Capital grants (note 18)	102	102	102	102
Deferred revenue - agency commission	6,351	4,639	–	–
Deferred revenue - unused stamps sold / other	12,826	14,676	11,450	13,236
	163,000	175,093	131,787	134,056

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 2016 €'000	Group 31 Dec 2015 €'000	Company 31 Dec 2016 €'000	Company 31 Dec 2015 €'000
Finance lease	5,476	3,031	5,391	2,963
Bank overdraft	56	501	-	-
Term loan	4,000	6,000	-	-
	9,532	9,532	5,391	2,963

Due after one year

	Group 31 Dec 2016 €'000	Group 31 Dec 2015 €'000	Company 31 Dec 2016 €'000	Company 31 Dec 2015 €'000
Finance lease	18,502	13,347	18,502	13,262
	18,502	13,347	18,502	13,262

The term loan is secured by way of a debenture over the assets of the Gift Voucher Shop Companies. It was repaid in February 2017. The indicative interest rate on the loan was 4.55%. The loan contains covenants based on EBITDA and net assets. The company was within its covenants at 31 December 2016.

17. Taxation and Social Welfare

	Group 31 Dec 2016 €'000	Group 31 Dec 2015 €'000	Company 31 Dec 2016 €'000	Company 31 Dec 2015 €'000
Corporation tax payable/(receivable)	316	713	(1)	8
Deferred tax liability	590	107	533	-
Income tax deducted under PAYE	6,268	4,823	5,600	4,077
Pay related social insurance	5,596	5,258	5,465	5,096
Value added tax	2,662	1,281	1,343	1,064
Professional services withholding tax	373	381	350	320
	15,805	12,563	13,290	10,565

18. Capital Grants

	Group 31 Dec 2016 €'000	Group 31 Dec 2015 €'000	Company 31 Dec 2016 €'000	Company 31 Dec 2015 €'000
At beginning of year	10,156	4,857	3,156	3,257
Grants received during the year	-	5,400	-	-
Amortised to income statement	(362)	(101)	(102)	(101)
At end of year	9,794	10,156	3,054	3,156
Transferred to current liabilities	(102)	(102)	(102)	(102)
	9,692	10,054	2,952	3,054

19. Provisions

Group and Company

The movements during the year were as follows:

	Provision for business restructuring 2016 €'000	Provision for insurance claims 2016 €'000	Total 2016 €'000	Provision for business restructuring 2015 €'000	Provision for insurance claims 2015 €'000	Total 2015 €'000
At beginning of year	34,022	10,402	44,424	38,510	10,148	48,658
Provisions made during the year	-	2,537	2,537	-	2,240	2,240
Utilised during the year	(5,442)	(1,752)	(7,194)	(4,488)	(1,986)	(6,474)
At end of year	28,580	11,187	39,767	34,022	10,402	44,424
Current	9,000	1,957	10,957	9,000	1,900	10,900
Non-current	19,580	9,230	28,810	25,022	8,502	33,524
	28,580	11,187	39,767	34,022	10,402	44,424

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 2018.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

continued

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 2016 amounted to €3,452,000 (2015: €738,000) and were paid in January 2017. Employer contributions in 2017 are expected to be €46m.

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 2016 using the projected unit credit method and at that date were sufficient to cover 98% of the accrued liabilities. The principal actuarial assumption was that, over the long term, the annual rate of return on investments would be 1.5% higher than the annual increase in pensionable remuneration. The actuarial valuation of 1 January 2016 recommended a contribution rate of 14.4% of pensionable remuneration in line with the funding proposal currently in place. 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. Consequently an 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.

The amendments included 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 2016, an estimated MFS position calculated a deficit of €67m (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	
	2016 €'000	2015 €'000	2016 €'000	2015 €'000	2016 €'000	2015 €'000
Balance at 1 January	2,912,803	3,039,860	(2,743,600)	(2,599,400)	169,203	440,460
Included in profit or loss						
Current service cost	44,900	47,100	-	-	44,900	47,100
Interest cost/(credit)	71,830	66,530	(68,200)	(56,900)	3,630	9,630
	116,730	113,630	(68,200)	(56,900)	48,530	56,730
Included in OCI						
Remeasurements						
– Actuarial loss/(gain) arising from:						
Demographic assumptions	-	100	-	-	-	100
Financial assumptions	357,400	(147,900)	-	-	357,400	(147,900)
Experience adjustment	(54,068)	(16,566)	-	-	(54,068)	(16,566)
Return on plan assets	-	-	(190,132)	(116,734)	(190,132)	(116,734)
	303,332	(164,366)	(190,132)	(116,734)	113,200	(281,100)
Other						
Contributions paid by the employer	-	-	(46,600)	(45,900)	(46,600)	(45,900)
Administrative expenses from plan	(1,000)	(1,000)	1,000	1,000	-	-
Member contributions	4,268	4,066	(4,268)	(4,066)	-	-
Benefits paid-unfunded scheme	(952)	(987)	-	-	(952)	(987)
Benefits paid-funded scheme	(82,800)	(78,400)	82,800	78,400	-	-
	(80,484)	(76,321)	32,932	29,434	(47,552)	(46,887)
Balance at 31 December	3,252,381	2,912,803	(2,969,000)	(2,743,600)	283,381	169,203

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

continued

20. Pensions continued

Plan assets

Plan assets comprise the following:

	2016 €'000	2015 €'000
Equities: Global development markets	1,315,644	1,171,870
Equities: Emerging markets	136,156	120,430
Equities: Total	1,451,800	1,292,300
Bonds: Euro sovereign	899,600	832,500
Other: Includes property, private equity and infrastructure	617,600	618,800
Fair value of pension schemes' assets	2,969,000	2,743,600

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 79% 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 DAC, the company operating the National Lottery.

Defined benefit obligation

(i) Actuarial assumptions

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

	2016	2015
Valuation method	Projected Unit	Projected Unit
Discount rate	1.80%	2.50%
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%

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:

	2016		2015	
	Male	Female	Male	Female
Life expectancy at 65				
Current pensioners – aged 65	87.0	89.0	86.9	88.9
Future pensioners – aged 40	89.8	91.9	89.7	91.8

At 31 December 2016, the weighted average duration of the defined benefit obligation was 18 years (2015: 17 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 2016		31 Dec 2015	
	€'m	€'m	€'m	€'m
	Increase	Decrease	Increase	Decrease
Discount rate (0.25% movement)	(138.5)	144.7	(117.3)	122.3
Future salary growth (0.25% movement)	141.7	(135.7)	120.6	(115.8)
Future pension growth (0.25% movement)	141.7	(135.7)	120.6	(115.8)

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 2016 €'000	31 Dec 2015 €'000	1 Jan 2015 €'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

21. Share Capital and Reserves continued

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 comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Fair value reserve

The fair value reserve 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 DAC	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 DAC	Holding company	53.6%	General Post Office O'Connell Street, Dublin 1, D01 F5P2

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 DAC	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 trading as Post Insurance	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 DAC	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.

The Prize Bond Company DAC 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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23. Lease Commitments

Operating leases

Total future commitments under operating leases are as follows:

	Land & buildings 2016 €'000	Equipment and motor vehicles 2016 €'000	Total 2016 €'000	Land & buildings 2015 €'000	Equipment and motor vehicles 2015 €'000	Total 2015 €'000
Group						
Less than one year	6,224	11,944	18,168	6,042	12,120	18,162
Between one and five years	20,926	12,555	33,481	24,180	15,003	39,183
More than five years	23,020	-	23,020	23,919	-	23,919
	50,170	24,499	74,669	54,141	27,123	81,264
Company						
Less than one year	4,302	11,678	15,980	3,900	12,049	15,949
Between one and five years	14,387	12,277	26,664	15,645	14,953	30,598
More than five years	18,218	-	18,218	16,490	-	16,490
	36,907	23,955	60,862	36,035	27,002	63,037

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	
	2016 €'000	2015 €'000	2016 €'000	2015 €'000	2016 €'000	2015 €'000
Less than one year	5,906	3,379	430	348	5,476	3,031
Between one and five years	18,950	13,821	448	474	18,502	13,347
More than five years	–	–	–	–	–	–
	24,856	17,200	878	822	23,978	16,378

24. Capital Commitments

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

	Group 2016 €'000	Group 2015 €'000	Company 2016 €'000	Company 2015 €'000
Contracted for	6,685	1,565	5,015	915
Authorised but not contracted for	5,006	6,211	4,886	6,091
	11,691	7,776	9,901	7,006

25. Related Parties

Controlling party

The Group was controlled throughout the year by the Minister for Communications, Climate Action and Environment 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

The Prize Bond Company DAC

Under the terms of a contract with The Prize Bond Company DAC, 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 €4,227,000 for the year ended 31 December 2016 (2015: €3,845,000). The amount owed by The Prize Bond Company DAC to the Group was €259,000 at 31 December 2016; (2015: €263,000). At 31 December 2016 the Group held €812,000: (2015: €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

	2016 €'000	2015 €'000
Short-term employee benefits	2,876	2,848
Non executive directors' fees	224	236
Post-employment benefits	345	341
	3,445	3,425

26. Contingencies

Group and Company

There were no contingent liabilities or guarantees at 31 December, 2016 or 2015 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 of 31 December 2016. There were no transfers between the fair value hierarchy levels during the years ended 31 December 2016 and 31 December 2015.

Fair value continued

A. Accounting classifications and fair values continued

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.

		Carrying amount				Fair Value			
		Loans and receivables	Available for sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
31 December 2016	**Note**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Financial assets measured at fair value									
Interest in PLI – equity shares	12	-	350	-	350	-	-	350	350
Interest in PLI – preference shares	12	-	11,868	-	11,868	-	-	11,868	11,868
Interest in unquoted investment	12	-	173	-	173	173	-	-	173
		-	**12,391**	**-**	**12,391**				
Financial assets not measured at fair value									
Interest in PLI – shareholder loan	12	21,528	-	-	21,528	-	-	21,528	21,528
Trade and other receivables	13	94,873	-	-	94,873	-	-	-	-
Cash and cash equivalents	14	252,444	-	-	252,444	-	-	-	-
Restricted cash		138,389	-	-	138,389	-	-	-	-
Term deposits		13,000	-	-	13,000	-	-	-	-
		520,234	**-**	**-**	**520,234**				
Financial liabilities not measured at fair value									
Bank overdraft	16	-	-	56	56	-	-	-	-
Secured bank loans	16	-	-	4,000	4,000	-	-	4,000	4,000
Finance lease	16	-	-	23,978	23,978	-	-	23,978	23,978
Trade and other payables	15	-	-	127,916	127,916	-	-	-	-
		-	**-**	**155,950**	**155,950**				

continued

27. Financial Instruments – Fair Value and Risk Management continued

Fair value continued

A. Accounting classifications and fair values continued

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.

		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	16	-	-	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**				

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	11,868	Discounted cash flows technique referenced to third party transactions	Discount rate

Financial instruments not measured at fair value

Type	Fair Value 2016 €'000	Valuation Technique	Unobservable Inputs
Interest in PLI – shareholder loan	21,258	Discounted cash flows technique referenced to third party transactions	Discount rate
Secured bank loans	4,000	Discounted cash flows technique referenced to market borrowing / lending rates	Discount rate
Financial lease liability	23,978	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 (PLI)

	2016 €'000	2015 €'000
Balance at beginning of period	10,088	7,958
Purchases	-	-
Sales	-	-
Transfers in / (out)	-	-
Fair value movement	2,130	2,130
Balance at end of period	12,218	10,088

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 100bps 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 2016 by €0.245m (2015: €0.245m). A 100bps 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 2016 by €0.261m (2015: €0.261m).

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.

27. Financial Instruments – Fair Value and Risk Management continued

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

continued

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 2016 are balances of €18.2m (2015: €17.3m) which are past due at the reporting date but not impaired.

The aged analysis of these balances is as follows:

	2016 €'000	2015 €'000
Less than 1 month	12,526	12,279
1–3 months	4,368	3,705
3–6 months	947	757
Over 6 months	379	591
	18,220	17,332

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:

	2016 €'000	2015 €'000
Balance at beginning of period	5,419	4,572
Impairment loss recognised	437	871
Amounts written off	(225)	(24)
Balance at end of period	5,631	5,419

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 €252m at 31 December 2016 (2015: €315m).

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 2016, the Company has issued a guarantee to Bank of Ireland in respect of credit facilities granted in relation to TSC Ventures DAC. 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 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 2016			**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	56	56	-	56	-	-
Secured bank loans	4,000	4,000	4,000	-	-	-
Finance lease liabilities	23,978	24,856	1,427	4,479	18,950	-
Trade and other payables	127,916	127,916	127,916	-	-	-
	155,950	156,828	133,343	4,535	18,950	–

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	–

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

continued

27. Financial Instruments – Fair Value and Risk Management continued

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	2016 €'000	2015 €'000
Fixed-rate instruments		
Financial assets		
Interest in PLI – shareholder loan	21,528	19,690
	21,528	19,690
Variable rate instruments		
Financial assets		
Term deposits	13,000	48,000
Financial liabilities		
Secured term loan	(4,000)	(6,000)
	9,000	42,000

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.

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 2016		
Financial assets		
Term deposits	977	(977)
Cash flow sensitivity (net)	977	(977)
31 December 2015		
Financial assets		
Term deposits	1,492	(1,492)
Cash flow sensitivity (net)	1,492	(1,492)

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. Subsequent events

There have been two significant events subsequent to the year end. Firstly the sale of a Delivery Service Office at Cardiff Lane in Dublin 2 completed. The building was sold for €35m in cash and the developer also provided An Post with a new Delivery Service Office in East Wall as part of the sales consideration. This has added cash resources to the balance sheet post year end.

Secondly, price increases have been implemented subsequent to the removal of the price cap mechanism.

29. Board approval

The financial statements were approved by the Board of Directors on 27 April 2017.

FINANCIAL AND OPERATIONAL STATISTICS

Consolidated Income Statement

	2016* €'000	2015* €'000	2014* €'000	2013 €'000	2012 €'000
Revenue	825,652	826,069	815,448	811,693	807,295
Operating costs	(839,348)	(820,907)	(813,019)	(823,156)	(824,779)
Operating profit/(loss)	(13,696)	5,162	2,429	(11,463)	(17,484)
Exceptional items	-	-	-	17,149	-
Other finance income/(expense)	(1,962)	(6,235)	(6,793)	2,860	(19,750)
Profit/(loss) before taxation	(15,658)	(1,073)	(4,364)	8,546	(37,234)

Consolidated Statement of Financial Position

	2016* €'000	2015* €'000	2014* €'000	2013 €'000	2012 €'000
Non-current assets	292,526	294,333	292,307	280,369	294,785
Net current (liabilities)/assets	(48,463)	(33,074)	(39,693)	(2,206)	29,253
Other non-current liabilities	(57,004)	(56,925)	(56,956)	(53,911)	(26,712)
Net assets excluding pension liability	187,059	204,334	195,658	224,252	297,326
Pension liability	(283,381)	(169,203)	(440,460)	(229,206)	(284,620)
Net (liabilities)/assets including pension liability	(96,322)	35,131	(244,802)	(4,954)	12,706
Capital and reserves	(96,322)	35,131	(244,802)	(4,954)	12,706

Ratios

	2016*	2015*	2014*	2013	2012
Operating profit/(loss) above as % of revenue	(1.66%)	0.62%	0.30%	(1.40%)	(2.17%)
Operating profit/(loss) above as % of average shareholders' funds before pension liability	(7.00%)	2.58%	1.16%	(4.40%)	(5.67%)
Staff and postmasters' costs as % of operating costs before exceptional item	66.91%	67.36%	67.94%	68.08%	69.58%
Current assets as % of current liabilities	91.30%	94.73%	92.69%	98.7%	115.1%

* 2016, 2015 and 2014 balances are presented under IFRS while 2012 and 2013 are presented under Irish GAAP.

FINANCIAL AND OPERATIONAL STATISTICS*

Mail

	2016	2015	2014	2013	2012
Core mail volume index (2015=100) (note1)	94.8	100.0	103.0	106.5	108.6

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

	2016	2015	2014	2013	2012
No. of delivery points (millions)	2.249	2.248	2.245	2.238	2.236
Post office network:					
Company post offices	50	51	52	57	57
Sub-post offices	1,075	1,079	1,086	1,090	1,095
Postal agencies	111	121	132	141	166
	1,236	1,251	1,270	1,288	1,318
No. of motor vehicles	2,776	2,758	2,738	2,743	2,775

	€m	€m	€m	€m	€m
Savings Services (note 2)					
Value of Funds at 31 December	20,119	19,453	19,055	18,163	16,276
Activity for year					
Post Office Savings Services					
Savings Bank Deposits	1,060	1,018	1,054	1,141	1,195
Savings Bank Withdrawals	(904)	(926)	(1,038)	(1,272)	(967)
Savings Certificates issued	1,168	1,132	1,177	1,806	1,053
Savings Certificates repaid	(1,347)	(1,470)	(1,341)	(713)	(558)
Instalment Savings issued	97	97	97	96	97
Instalment Savings repaid	(105)	(104)	(110)	(105)	(116)
Savings Bonds issued	1,116	1,345	1,227	1,739	2,257
Savings Bonds repaid	(1,849)	(2,289)	(1,594)	(2,151)	(1,603)
National Solidarity Bond issued	991	1,054	869	790	412
National Solidarity Bond repaid	(322)	(208)	(57)	(38)	(23)
Department of Social Protection					
Welfare benefits paid during the year	8,000	8,418	8,814	9,169	9,445

	2016 000's	2015 000's	2014 000's	2013 000's	2012 000's
BillPay Volumes	19,760	22,895	24,403	24,400	26,395
TV Licence Sales	1,445	1,438	1,431	1,427	1,412

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.
*The statistics shown on this page are unaudited.

REGULATORY ACCOUNTING INFORMATION

Income Statement for Universal Service and Mails Business Segment

	MAILS					
	USO		Non USO		Total Mails	
	2016 '000	2015 '000	2016 '000	2015 '000	2016 '000	2015 '000
Volumes	331,759	349,492	235,347	230,763	567,106	580,255

	2016 '000	2015 '000	2016 '000	2015 '000	2016 '000	2015 '000
Revenue	328,383	336,821	218,599	203,218	546,982	540,039
Expenditure	(369,721)	(369,112)	(209,571)	(196,188)	(579,292)	(565,300)
Profit/(loss)	(41,338)	(32,291)	9,028	7,030	(32,310)	(25,261)

The above financial data is an extract from the 2016 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 every working day 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 2016 the USO loss recorded is €41.3m. 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. In March 2017 legislation was changed to allow An Post move tariffs to better reflect the cost of providing the USO.

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 revenue in 2016 is 1.3% higher than 2015, mainly due to income from elections in 2016, offset by the continued decline in traditional mail volumes. The decline experienced by An Post in 2016 is further evidence of the continuing global decline in traditional mail volumes.

Price

In July of 2016, prices in the Universal Services 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 70c to 72c, still well below the European average. Prices in the Mails Non USO area were also increased in July 2016. On 13 April 2017, the first price point on the domestic letter service was moved from 72c to €1 to better reflect the cost of providing the USO.

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, and

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

The following USO 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 50 Company post offices and 1,075 Contract post offices. In addition, some 957 retail premises are licensed to sell postage stamps, as active licensed agents. To facilitate physical access to the service, approximately 5,700 post boxes, including Meter Post Boxes and those located in Delivery Service Units, 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 13 April 2017.

	Ireland & NI	
	Standard Post	**Registered Post***
Letters (up to C5)	€1.00 90c if item bears a franking impression	€7.00
Large Envelopes	€1.65 €1.55 if item bears a franking impression	€7.00
Packets	€3.30 €3.10 if item bears a franking impression	€7.00
Parcels	€8.00	€12.00

*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 €4.50 and up to a limit of €2,000 for €5.50 based on declared value at time of posting.

	International Destinations	
	Standard Post	**Registered Post***
Letters (up to C5)	€1.35	€7.50
Large Envelopes	€2.50	€8.50
Packets	€4.50	€10.75
Parcels		
Great Britain	€22.50	€30.00
Rest of World	€28.00	€36.00

*Availability of service dependent on postal administration in destination country. Compensation up to €320 in GB; €150 in Europe; €100 for parcels and €35 for letters outside Europe. A full list of current USO tariffs is available in the Guide to Postal Rates (see www.anpost.ie).

Note: The Communications Regulation (Postal Services) (Amendment) Act 2017 was passed by the Houses of the Oireachtas on 15 March 2017, this legislation repeals the price cap mechanism set out under Section 30 of the 2011 Act.

UNIVERSAL SERVICE

continued

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 2016. The total continues to represent a minute fraction of the entire mail traffic handled during the year.

Written complaints received from customers	2016	2015
Items lost or substantially delayed	17,127	18,891
Items damaged	1,390	1,441
Items arriving late	508	401
Mail collection or delivery:		
Time of delivery	-	-
Failure to make daily delivery to home or premises	36	33
Collection times/Collection failures	1	1
Misdelivery	599	470
Access to customer service information	8	8
Underpaid mail	15	40
Tariffs for single piece mail/discount schemes and conditions	-	-
Change of address (Redirections)	584	464
Behaviour and competence of postal personnel	22	21
How complaints are treated	1	8
Other (not included in above)	2,050	1,391
Total	22,341	23,169

Included in the total figure are complaints about registered items, which number 5,278, (2015: 4,962).

In 2016, there were 616,718 telephone calls, (2015: 524,154) 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 also 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.

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