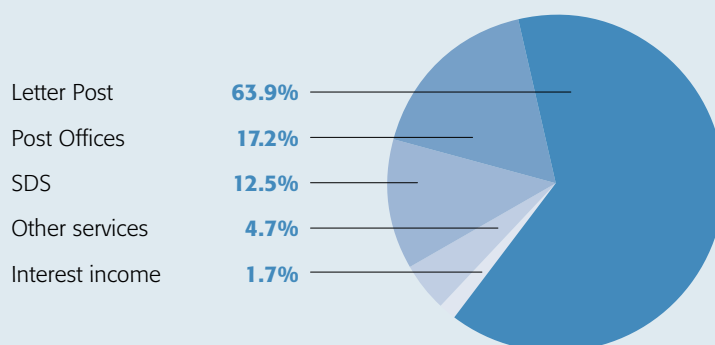


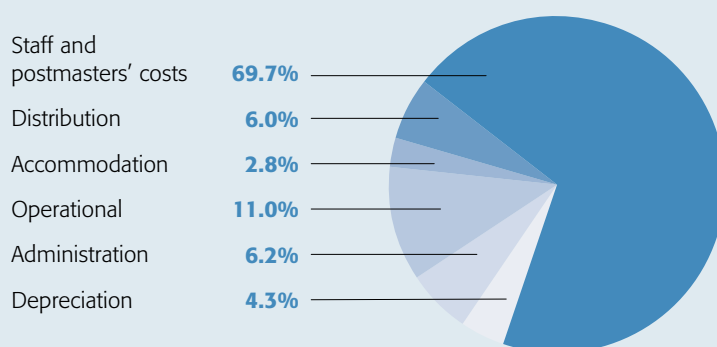
Financial Highlights

	2001	2000
	€m	€m
Turnover	624.9	572.9
Operating (loss)/profit	(6.7)	9.8
Exceptional items (net)	-	34.5
(Loss)/profit before taxation	(6.7)	44.3
Operating (loss)/profit as % of turnover	(1.1%)	1.7%

Analysis of Turnover

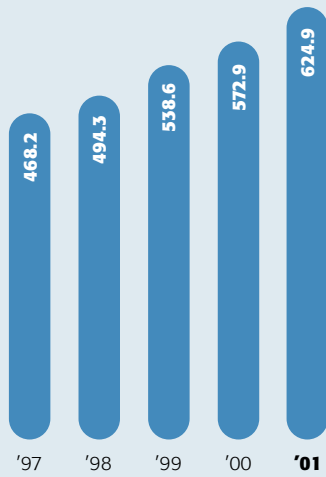


Analysis of Operating Costs

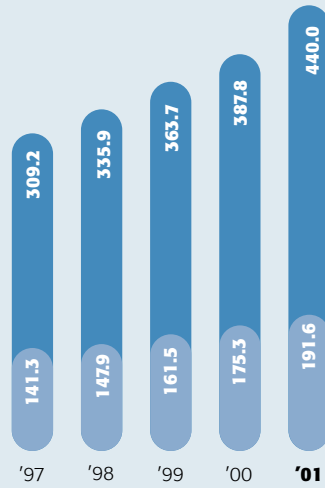


Financial Trends

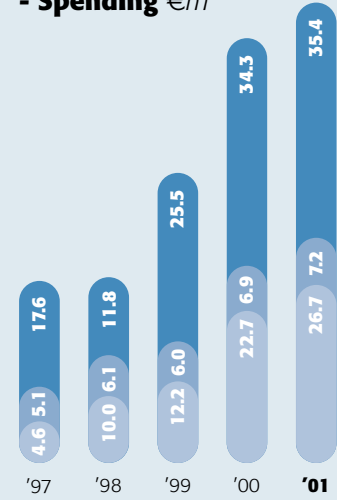
Turnover €m



Operating Costs €m

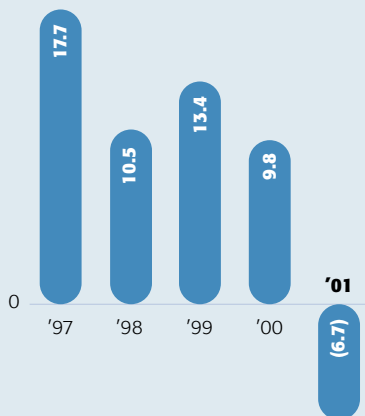


Tangible Fixed Assets - Spending €m

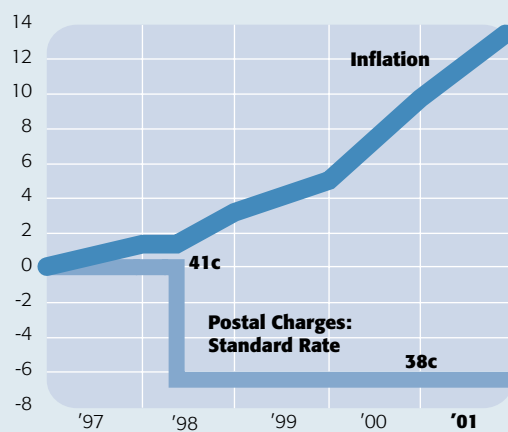


- Pay
- Other
- Equipment
- Motor Vehicles
- Buildings

Operating Profit/(Loss) €m



Postal Charges and Inflation %



Board of Directors



Stephen O'Connor
Chairman - 1, 2, 3, 4, 5
Appointed 18 January, 2001
second term
Companies' Director



Alan Benson
Director - 2
Appointed 25 June, 1997
Managing Director, Sadler Travel



Patrick Compton
Employee Director - 2
Appointed 1 November, 2000
third term
Partnership co-ordinator,
Roscommon



Jerry Condon
Employee Director - 3
Appointed 1 November, 2000
second term
Post Office Clerk, Cork



Patrick Davoren
Employee Director - 1, 5
Appointed 1 November, 2000
third term
Post Office Clerk, Dublin



John Hynes
Director - 2, 3, 4, 5
Appointed 26 March, 2001
third term
Group Chief Executive Officer,
An Post



Paul Kavanagh
Director
Appointed 27 May, 2002
Companies' Director



Eugene Keenan
Employee Director - 3
Appointed 1 November, 2000
second term
Postman, Dublin



Evanne Kilmurray
Director - 3, 5
Appointed 17 December, 1999
Corporate/Community Affairs
Director, Woodford
Development Limited



John Lally
Director - 3
Appointed 23 July, 1998
Regional Marketing Manager,
Folens Publishers Limited



Shay Martin
Employee Director
Appointed 1 November, 2000
Higher Executive Officer,
Dublin



Margaret McGinley
Director - 2
Appointed 13 November, 1997
Solicitor



Alice O'Flynn
Director - 1, 4
Appointed 27 May, 2002
second term
Assistant Secretary,
Department of Social
Community & Family Affairs



Alan Sloane
Postmaster Director - 2
Appointed 1 January, 2001
Postmaster, Loch Gowna,
Co. Cavan



Peter Wyer
Director - 4, 5
Appointed 5 December, 1997
Director, Arch Motors Limited

Key to Board Committees:

- 1 - Audit and Security.
- 2 - Finance.
- 3 - Personnel.
- 4 - Remuneration.
- 5 - Strategy.

Chairman's Statement



Stephen O'Connor
Chairman

Anuraidh rinne mé trácht sa Tuarascáil Bhliantúil ar an fhíor-thabacht a bhaineann le costais a theoireannú agus a laghdú, ardú praghasanna do Litir Phost a leanúint agus airgeadú do ghréasán na n-oifigí poist a réiteach chun brabachas agus rathúnas An Post a dhaingniú don todhchaí. Rinne na comhaontaithe Athrú Trí Pháirtíocht, a críochnaíodh i 2000 leis na ceard cumainn ar son foireann An Post, soláthar do laghdú i gcostais de €34.3m in aghaidh na bliana roimh dheireadh 2003. Ba mhall an dul chun cinn i bhfeidhmiú cuid de ghnéithe riachtanacha na comhaontaithe agus níor baineadh na laghdaithe i gcostais go léir a bhí le baint i 2001, le droch thorthaí ag dul ar aghaidh sa bhliain 2002.

In last year's Annual Report, I referred to the crucial importance of containing and reducing costs, pursuing an increase in Letter Post tariffs and resolving the funding of the post office network, in order to secure the profitability and future prosperity of An Post. The Transformation Through Partnership agreements, concluded in 2000 with the trade unions representing the staff in An Post, provided for the achievement, by the end of 2003, of cost savings of €34.3m per annum. Progress in implementing some critical aspects of the agreements has been slow and not all of the savings scheduled for 2001 were achieved, with adverse knock-on consequences for 2002.

In April 2001, the Company made a formal application to the Director of Telecommunications Regulation for an increase in international tariffs which the Company considered was necessary to ensure that the tariffs for outbound international mail reflected the costs of supplying the service. In October 2001, the Director decided that she could not form an opinion on the application in isolation from domestic services. Consequently, the Company made an additional application to the Director, in December 2001, for a

domestic price increase with a base rate of 45 cent. Approval for an interim price increase for both domestic and certain international services was eventually granted at the end of March 2002 and was implemented on 2 April, 2002. The increases are the first since 1991 in the tariffs charged for posting standard letters.

Also in April 2001, the Minister for Public Enterprise published the Flynn review of the sub-post office network and established an inter-departmental group to provide a blueprint for the future funding of the network. The inter-departmental group was unable to come to a consensus on either the principle or terms of any Government subvention. Subsequently, however, the Government agreed, in July 2001, subject to the approval of the European Commission, to make a once off equity investment in the Company of €12.7m over two years to facilitate a package of reforms in the post office network.

While it can be seen that some progress was made in these three key areas during 2001, the pace and direction of the changes achieved were insufficient and the trading performance suffered severely as a consequence. Regrettably, therefore, I have to report An Post's first loss since 1991.

Trading Financial Performance

The operating loss before taxation was €6.7m, compared to a profit of €9.8m in 2000. Group turnover increased by 9.1% to €624.9m. Letter Post revenue, excluding any income from elections and referenda in both years, increased by 8.6%. The revenue of the Post Offices division grew by 2.3% and SDS turnover increased by 4.5%. These increases in turnover were outstripped, however, by the increase of 12.0% in total operating costs. Staff and postmasters' payroll costs, which account for almost 70% of total costs, increased by a massive 13.4%,

fuelled by the pay increases in the Programme for Prosperity and Fairness and by additional labour hours necessary to service increases in volumes and maintain service quality. All other costs increased by 9.0%. No business can sustain a position where its costs exceed its revenues, particularly when the outlook, without effective remedial action, is for a continuation of this trend and a widening of the gap between costs and revenues.

Recovery Plan

Rectifying the financial position is, therefore, a key focus of the recovery plan contained within the Group's Strategic Plan. The current financial position is the greatest threat ever to the viability of the Group. Radical action, across a range of issues, is needed urgently in order to restore all businesses to profitability as quickly as possible. We must immediately accelerate the implementation of agreed savings under the Transformation Through Partnership agreements and agree and implement further cost reduction measures. We must also address the losses in the post office network by implementing the package of reforms set out in the Government decision of July 2001. Under the recovery plan, over 1,140 jobs, across all business divisions and grades, will cease by the end of 2003. Staff will be offered early retirement, voluntary retirement or redeployment as appropriate. Restructuring costs of €51m will arise in 2002 and 2003. In addition, we will invest €125m in the modernisation and automation of facilities.

However, cost savings alone will not restore An Post to profitability and we must vigorously pursue and implement justifiable and overdue price increases in both the Letter Post and Post Offices businesses. Price increases are absolutely fundamental to a viable future and we must convince the regulator and our customers that our services are worth more.

Postal Industry Environment

The postal industry environment is changing rapidly and becoming more complex. In the past, the industry was dominated by the State owned Public Postal Operators (PPOs) of each country. However, competition is now intensifying, driven by actual and anticipated privatisation and liberalisation. In the liberalised parcels, express, logistics and international mail sectors the four major European Post Offices - France (La Poste), Germany (DPG), the Netherlands (TPG) and the UK (Consignia) - have focused on globalising their services through aggressive acquisition and consolidation programmes. In addition, these operators are taking positions in mails in key overseas markets in anticipation of further liberalisation. Privately owned non postal operators are also entering the traditional preserves of the postal industry. Regulatory regimes are now established in most EU countries and some regulators are actively promoting competition. In addition, the historical pattern of State ownership of PPOs is changing. TPG and Deutsche Post are now quoted companies and a number of other governments have also indicated their intention to float, at least in part, their national postal companies. Finally, production and information technology continues to change the business models of the postal industry. While this is a positive development for the parcels, express and logistics businesses, technology substitution continues to be a threat for the traditional mails business.

As a small operator, An Post is being affected by these changes and, in response to increasing competition and globalisation, is pursuing with the major EU postal operators the possibility of a single equity-based group-level alliance. Such an alliance would enable An Post to better withstand competitive threats to its business and to benefit from key cost and revenue synergies. An Post would also benefit from the integration of its services into

Chairman's Statement

continued

European and global networks and from the wider brand acceptance of a partner's products, especially in the parcels and express businesses. During 2001, An Post continued to explore the possibility of such a group-level equity alliance. However, there can be no certainty of success in this area and there is, therefore, a need to develop an alternative robust stand-alone strategy that will ensure the future of the An Post Group.

Appreciation

I wish to record my thanks to my colleagues on the Board for their continuing commitment, support and advice throughout the year. I thank in particular Mr. William Horgan who retired from the Board on 17 July, 2001, having completed his term of office. I congratulate Ms. Alice O'Flynn on her re-appointment as a director and I welcome Mr. Paul Kavanagh who was appointed as a director on 27 May, 2002. I extend thanks also to the Minister for Public Enterprise and to the staff in the Department of Public Enterprise for their assistance and co-operation. I am grateful also to the management and staff of An Post for their contribution which is so vital to the success of the Group.

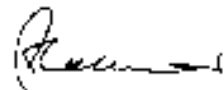
The Future

The choices facing us all in An Post are stark but we have no option but to address the new realities and to return to profitability as quickly as possible. The successful implementation of all elements of the Strategic Plan will mean that profit levels will have recovered to around €17m by 2004. This figure will represent a profit

margin of just 2.7% of turnover. Further and ongoing change in the years ahead is therefore inevitable. We are faced with difficult and demanding decisions which are unavoidable if An Post is to survive and prosper into the future. I am confident that, with the co-operation of all its stakeholders and using a partnership approach, the many challenges facing the Company can be overcome and a brighter future secured.

An Toghchán

Tá roghanna crua ós comhair gach duine in An Post agus níl aon dul as againn ach na fírinní nua a aithint agus filleadh ar bhrabachas chomh luath agus is féidir. Ciallóidh cuir i bhfeidhm na gnéithe go léir den Phlean Straitéiseach go dtiocfaidh méid an bhrabachais ar ais go dtí timpeall €17m i 2004. Ní bheidh sa figiúr seo ach brabach 2.7% de láimhdeachas. Mar sin tá níos mó athrú leantach dosheachanta sna blianta atá romhainn. Tá cinnithe deacra éilitheacha dosheachanta ós ár gcomhair amach má tá An Post chun teacht slán agus imeacht ar aghaidh sa toghchán. Trí chomhoibriú a fháil ó na sealbhóirí agus trí bhealach rannpháirtíochta a úsáid is féidir na dushláin atá roimh an comhlacht a sháru agus toghcháin níos gile a bhaint amach.



Stephen O'Connor
Chairman

31 May, 2002

Management and Corporate Information



John Hynes
Group Chief Executive Officer



Ronan Byrne
Chief Financial Officer



Brian McCormick
Group Strategy Director



John O'Hehir
Group Human Resources Director



Ken Robinson
Managing Director of Letter Post



Eamonn Ryan
Managing Director of Post Offices



Peter Sweeney
Managing Director of SDS



Jack Dempsey
Executive Director International and Regulatory Affairs



Norman Newcombe
Group Marketing and Business Development Manager



Michael Tyndall
Secretary and Corporate Affairs

Secretary

Michael Tyndall

Registered Office

General Post Office,
O'Connell Street,
Dublin 1

Auditors

KPMG,
Chartered Accountants

Bankers

Bank of Ireland

Solicitors

Matheson Ormsby Prentice

Management Review



John Hynes
Group Chief Executive Officer

The core businesses of An Post incurred trading losses in 2001 and, while these losses were partially offset by profits earned in subsidiary companies and in non-core activities, the Group incurred an operating loss before taxation of €6.7m. The financial burden of operating certain mandatory services was particularly onerous. The loss incurred from operating the post office network amounted to €13m and the provision of postal services under the Universal Service Obligation resulted in a loss of €6.6m. Both of these services were severely affected by price constraints and also by rising payroll costs as a result of increases granted under the Programme for Prosperity and Fairness.

During 2001, An Post continued its investment programme in new systems and facilities and in the renewal and replacement of existing assets. The bulk of the investment went into mails automation and, by the end of the year, the number of integrated mail processing lines and flat sorting machines had been increased from seven to twelve. This capital expenditure programme resulted in a net cash outflow of €63.8m and this was the principal factor in the reduction of €80.6m in the Group's net cash funds. The completion of the mails automation programme at the end of 2002 will mean that capital expenditure will return to more normal levels and a lower use of cash in 2003.

The revenue from postal services which are subject to regulation by the Director of Telecommunications Regulation (ODTR) amounted to €392m in 2001 and accounted for 63% of total Group revenue. The turnover from obligatory services reserved from competition amounted to €288m and An Post incurred a loss of €15m in this area. Obligatory services open to competition had a turnover of €104m and generated a profit of €8.4m. The net result, therefore, is that An Post incurred a loss of €6.6m in the provision of obligatory services.

The losses arising from the obligatory services reserved from competition arose in both inbound and outbound

international services. Under the inter-Post payment system, REIMS, the revenue to An Post for delivering international mail from other EU member States is set at 70% of the domestic tariff. As a result of this and the relatively low domestic tariff in Ireland, An Post incurred a loss of €11.1m on turnover of €32m from inbound services within the reserved area. The European Posts have applied to the European Commission to have the inter-Post payment agreement renewed with the payment rate increased in stages to 80% of the domestic tariff. The Commission, however, has put forward alternative proposals and a final decision in this matter is not expected until October 2002.

In relation to obligatory outbound services reserved from competition, where An Post had a turnover in 2001 of €39m, the losses, at €5.6m, were less severe. The prices which An Post can charge for these services are now subject to the approval of the ODTR. An Post's application for a price increase on outbound services, which was first made to the Minister for Public Enterprise in 2000, was updated and re-submitted to the ODTR in April 2001. Following extensive exchanges with the ODTR, an amended proposal was submitted in July 2001. However, in October 2001, the ODTR decided that the international price increase application could not be considered in isolation from domestic tariffs. Subsequently, therefore, An Post made an application, on 14 December, for a domestic price increase with a base rate of 45 cent with an expectation that an interim price increase would be approved within a short time. This application was submitted in the absence of any tariff directions which had been promised by the ODTR. The ODTR's consideration of the price increase application took longer than initially indicated and approval was eventually received at the end of March 2002. As a consequence of the protracted approval process, valuable revenues were lost to An Post in 2001 with knock-on implications for 2002. The ODTR has a duty to maintain the financial equilibrium of

the obligatory services and, in its consultation paper on our price application, referred to the Company's strong cash balances and stated that these could cushion the impact of losses for some time. However, these cash reserves are needed for the completion of the automation programme and for future strategic investment.

The Company has also been in dispute with the ODTR over the regulatory levy, set at 0.5% of turnover, and this matter is now the subject of litigation. The Company is also in disagreement with the ODTR over its approach to the measurement of the quality of the Letter Post service and believes that the ODTR's proposals cause unnecessary duplication and cost. An Post is hopeful that the new Communications Regulatory Commission will enable a fresh start to be made and facilitate the resolution of the pricing, levy and quality measurement issues so that the business can earn reasonable returns on the major capital investment made in the obligatory services area.

In July 2001, the Government decided against a subvention for the loss making post office network and instead approved a new strategy for the network including the expedited conversion of sub-post offices to agencies and other cost saving measures. The conversion to agencies of a sufficient number of smaller sub-post offices will staunch the losses arising from this part of the network. In addition, the deficit arising from the 96 Company staffed post offices will be addressed by converting 50 of them into sub-post offices, thus meeting the objectives set by the Government.

The Board has adopted a new Group Strategic Plan which has the key aim of restoring the Group to profitability by 2004. Radical changes must be achieved in all areas of the Company. In Letter Post, for example, cumulative cost savings of €78m and additional revenue of €76m from tariff increases must be achieved over the next three years. Over 1,140 jobs, across all business divisions and grades, must cease by the end of 2003. The post office network

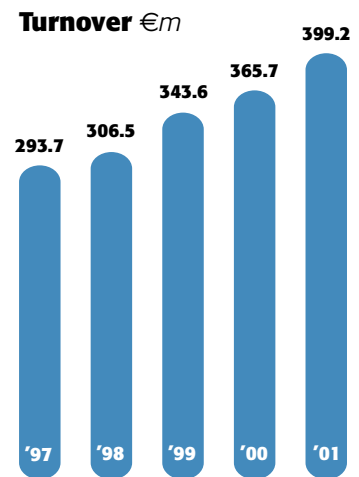
must be brought back to a break-even situation by implementing the package of reforms set out in the Government decision of July 2001 and overdue price increases must be secured for social welfare payments services where prices are still at 1996 levels. Full implementation will result in a profit margin in 2004 of just 2.7% and full achievement of the Strategic Plan is therefore critical to the future of An Post.

During 2001, An Post continued to develop its options for a strategic alliance. Other smaller Post Offices, such as the Greek Post Office and Post Denmark, are considering similar arrangements. However, it may not be possible to achieve a suitable alliance and An Post's business strategy must therefore remain flexible. An alternative stand-alone strategy will be developed if necessary, while continuing to pursue efficiency, profitability and quality. This would require access to parcels, express and logistics networks based on commercial agreements. In addition, developmental and defensive acquisitions and partnerships in the mail and in the parcels, express and logistics businesses would be required.

In January 2002, An Post acquired the entire share capital of Kompass Ireland Publishers Limited in order to add business-to-business marketing databases to the Group's existing business-to-consumer database services provided by Precision Marketing Information Limited. This acquisition was followed in February 2002 by the purchase of the E.commerCell companies in the UK and Spain. These two companies provide top-up facilities for mobile phones to the major networks in their respective countries. They complement An Post's existing interests in these transaction services in Ireland, provided through PostPoint, and the range of services provided will be expanded during 2002. An Post will continue to seek further opportunities for strategic investment in profitable businesses to complement and strengthen the core businesses of the Group.

Management Review

Letter Post



Letter Post, the largest business division of An Post, provides national and international mail services to the business community and to the public, employing over 5,500 postal staff and utilising 2,500 vehicles in the process. In 2001, it delivered, on average, just under 3 million items of mail every working day to 1.4 million addresses nationwide.

During 2001, the price of posting a standard letter within Ireland remained unaltered at the same level as it was in 1990. This, coupled with a slow down in the rate of growth in core mail volumes, meant that 2001 was a difficult year for Letter Post. Core mail volumes increased by only 6% compared to the 9% recorded in 2000. The slow down was most noticeable in the latter part of the year when there was a general reduction in the level of economic activity, both nationally and internationally. Notwithstanding this, total revenue for the year increased by €33.5m to €399.2m.

Marketing Initiatives

During 2001, marketing activity was focused primarily on revenue generation and preparation for further competition. A new trade brand, "dm.works", was introduced to demonstrate to the business community the strength of direct mail as an advertising medium. A new service for redirecting mail when customers, both business and private, change address was also introduced. Other new products included Supersavers, a coupon booklet offering products and discounts from some of Ireland's largest consumer companies, and two issues were delivered to every address in the country.

Other marketing initiatives included the merging of several customer service information systems, promotion of the national call-centre service for handling customer enquiries and an information programme to support the conversion to Euro postal rates.

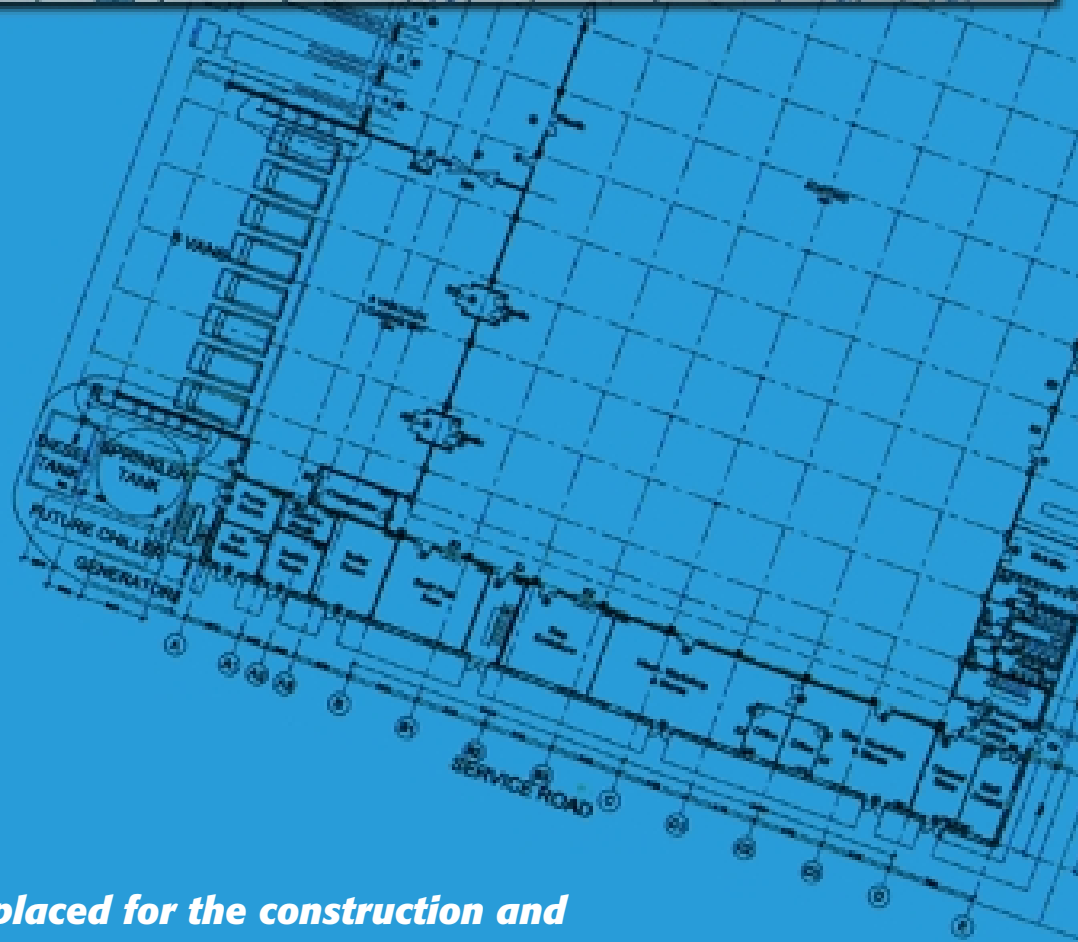
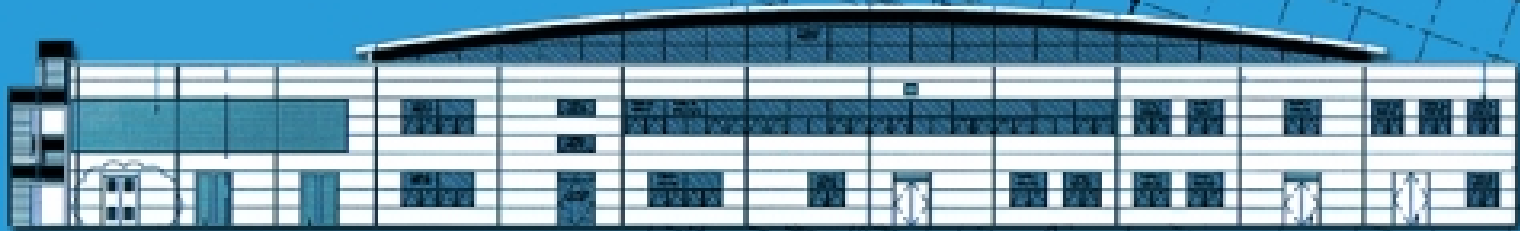
Quality of Service

The overall next day delivery performance achieved for domestic mail across all mail streams in 2001, as independently measured by PricewaterhouseCoopers, was 87%. This is 1% less than the previous year and falls short of An Post's target of 90%. The overall performance for the year was adversely affected in the first half of the year by a major project designed to enhance the facilities and equipment at the Dublin Mails Centre. During this period, the quality performance averaged just 85%. After completion of this work, the average monthly performance in the period July to November exceeded the 90% target level with 92% being recorded in four consecutive months. The performance in December 2001 declined to 77% because of the volumes associated with Christmas but was still 7% better than the same period in the previous year. This improved next day delivery performance in the second half of the year is a clear demonstration of the effectiveness of the new facilities and equipment.

International quality of service performance during the year again surpassed the EU Commission standard of delivery of a minimum of 85% of international first class mail within three working days. The performance level on inbound international mail was 91% and the performance achieved on outbound international mail was 88%.

Infrastructure and Systems

Major infrastructural development was completed at the Dublin Mails Centre during 2001. The area of the plant was increased to just over 170,000 square feet and new automated equipment, comprising three suites of letter sorting machines and two additional units for sorting large mail items, was installed. In addition, an air-cooling system was installed together with state-of-the-art security systems designed to maximise safety and equipment protection.



Contracts were placed for the construction and equipping of two new Mails Centres at Athlone and Cork. The two new Mails Centres, together with the existing centres in Dublin and Portlaoise, will provide an integrated national solution to the processing of mail.

Management Review

Letter Post

continued

These enhancements increased the capacity of the plant to 230,000 items of mail per hour. With this leading edge technology, the Dublin Mails Centre is now one of the most modern and efficient mail processing plants in Europe.

Contracts were placed for the construction and equipping of two new Mails Centres at Athlone and Cork. The Athlone plant will commence operations in the second half of 2002 and the Cork plant is scheduled to come on line in the first quarter of 2003. The new letter sorting equipment in these plants will provide processing capacity of up to 100,000 items per hour at each location. The two new Mails Centres, together with the existing centres in Dublin and Portlaoise, will provide an integrated national solution to the processing of mail.

In addition to the programme to develop the Mails Centres, 500 vehicles were purchased as part of the ongoing programme to enhance and upgrade the distribution and delivery fleet.

Regulatory Affairs

European Union Developments

On 15 October, 2001, the Council of Ministers adopted proposals from the European Commission for further liberalisation of the European postal market. The proposals involve a two-stage reduction in the reserved services area which is currently set at up to 350 grams and less than 5 times the price of a standard letter. From January 2003, it is proposed to reduce the reserved services area to 100 grams and 3 times the price of a standard letter. Outward cross-border mail will be fully liberalised except where its retention is required to ensure the provision of a universal service. A further reduction to 50 grams and 2.5 times the price of a standard letter is proposed from January 2006.

Also in 2006, the European Commission is to initiate studies in each Member State on the impact of full liberalisation on the universal service and, if appropriate, bring forward proposals for full market liberalisation from 1 January, 2009.

Currently, 29% of Letter Post revenue is open to competition. On the basis that outward cross-border mail remains within the reserved area, the proposals would increase the percentage of Letter Post revenue open to competition to 37% in January 2003 and to 44% in January 2006. This is much higher than the expected EU average of 20% in 2006.

The European Parliament has recently endorsed the proposals. An Post, while recognising that the Company is facing into an era of intensifying competition in its core letter post services, welcomes the adoption of a phased and controlled approach towards liberalisation of the market. It is critical that the ability of An Post to provide the Universal Service Obligation is not undermined by this process. The potential impact on An Post of the reductions proposed for 2006 is currently being reviewed. The Company also welcomes the European Commission's planned studies on the impact that full market liberalisation will have on the provision of the universal service in Ireland and in other Member States.

The Postal Regulator

During 2001, the regulator for the Postal Sector, the Director of Telecommunications Regulation, increased the level of regulatory activity within the sector. The regulator issued consultation papers on Quality of Service, Accounting Separation and Costing Methodology, Tariff Principles and the Postal Levy. In each case, An Post made detailed submissions to the regulator, but generally with

very limited effect. While An Post is committed to working with the regulator to ensure that all its activities are compliant with regulatory requirements, the Company must also ensure that it meets its wider statutory obligations under postal legislation as well as protecting the interests of its shareholders and customers.

Change Projects

Further liberalisation of the postal market and increasing competition present major challenges for the Letter Post business and its future viability. The performance of the business must be improved and significant cost reductions must be achieved in order to enhance profitability and, at the same time, meet customer requirements for a reliable high quality service. The necessary cost reductions will be achieved, in the main, through the further automation of the national sorting network and the redesign of arrangements for the collection and delivery of mail. The changes will require the introduction of radical new work practices, including the introduction of employee and team performance standards in all key operational activities, and the deployment of staff on a part-time shift basis where necessary. While the new arrangements will be founded on new pay and rewards models, overall, there will be a substantial reduction in jobs and costs.

The necessary changes are extremely stretching but can be achieved through working in partnership with our employees and their trade unions, and by the recognition of the commercial realities and the part they have to play in ensuring the future of the business. It is vital that the culture of the business is changed to one of acceptance of clear responsibilities and accountabilities, performance measurement and a strong focus on customer satisfaction, employee satisfaction and profitability.

Partnership

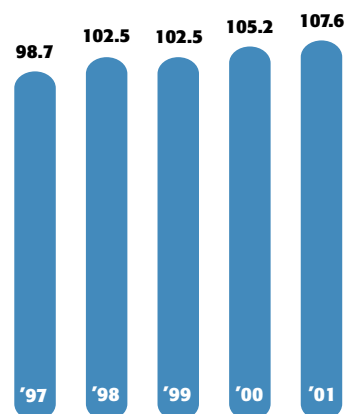
The development of partnership within Letter Post is critical to the achievement of the change agenda necessary to ensure the future of the business. It represents the means through which unions and management can process and resolve all the major change issues for the benefit of the Company, its employees and its customers.

Early in 2001, the Letter Post Business Partnership Forum was established to deal with the transformation agenda for Letter Post. The underlying purpose of the Partnership Forum is to bring about a viable and successful future for the business by agreeing the future strategic direction that meets and even surpasses the requirements of customers through ensuring that processes are in place to manage and implement change whilst dealing, in parallel, with the impact on the staff.

Management Review

Post Offices

Turnover €m



The Post Offices division operates the transactions services business of An Post. Its core business markets are communications, financial and Government services. The major services provided include welfare payments, bill payments, savings and investments, money transfer, electronic top-up services for mobile phones and mail related services.

Services are provided through multiple channels of distribution to maximise sales and consumer access. The main distribution channels are post office branches, PostPoint retail outlets, an internet site - "billpay.ie", a document processing centre - BillPost based in Kilrush and a call centre operation for financial services - One Direct based in Athlone.

During 2001, significant progress was achieved in creating a platform for future profitability based on the Government's decision to address the cost structure of the branch network through the deployment of postal agencies, the extension of the retailer network, strong growth in bill payment activity across post office branches and BillPost channels and the development of a co-operative agenda with the banking industry in the context of the National Payments Strategy.

Notwithstanding some growth in revenue and transaction volumes in 2001, Post Offices experienced a loss of €13m in line with expectations. This loss was driven by two key factors: the increasing costs of operating the post office branch network and a failure to achieve price increases on core contracts. Losses will continue in the short term and will only be addressed through a combination of network restructuring, price increases and an aggressive business development agenda to increase revenues.

Strategic Business Developments

The strategic objective for the division is to achieve sustained profitability through a strong focus on the core

activity of transaction processing. In 2001, significant progress was made in strengthening the Post Offices' position as a leading provider of payment services. Strong working relationships with the financial services industry enhanced the role of Post Offices in the payments market. These relationships are expected to lead to increased share in the over-the-counter payments market, in the postal bill payment market and in the general payments market into the future.

During the year, Post Offices agreed with AIB Bank to transact a range of services through post office branches. Under this arrangement, 1,000 post offices will be available by the second half of 2002 to process, on behalf of AIB Bank, a range of transactions for customers of AIB. A major breakthrough in utility payments was also achieved with the awarding by the ESB of its bill payment tender for over-the-counter payments to An Post. It is expected that the contract will add 5 million transactions to the BillPay service annually. The ESB also announced that "billpay.ie" will host ESB internet bill payments from 2002.

With over 2,000 outlets, PostPoint was successfully established as An Post's retailer based transaction processing network. As part of the strategy to expand potential earnings opportunities, Post Offices focussed on developing the PostPoint transaction network concept in other European countries. Discussions on the acquisition of the E.commerCell companies in the UK and Spain were successfully concluded in February 2002 and An Post now operates some 5,000 terminals in each country providing top-up facilities for mobile phones to the major networks.

The first steps towards increasing the range of services provided for Government were presented by the proposals for E-Government announced during the year. The unique strength of the post office network to handle electronic based Government transactions nationwide, including registration and authentication services for E-Government,



During 2001, significant progress was achieved in creating a platform for future profitability based on the Government's decision to address the cost structure of the branch network through a package of reforms.

Management Review

Post Offices

continued

positions An Post to benefit from this emerging market. The Company has entered into tendering partnerships with other leading companies to participate in the provision of new electronic services in this area.

Outpayments

An Post continued to act as principal payment agent for the Department of Social, Community and Family Affairs (DSCFA). Electronic point of sale capabilities are used to provide a secure and highly efficient payment service and details of payments made are transmitted electronically from post office branches to the Department on a daily basis. During 2001, the number of welfare payment transactions processed decreased by 2.35%, mainly as a result of migration to Electronic Funds Transfer (EFT). However, there is still a strong demand amongst welfare recipients for a post office cash-based payment service and this is an encouraging factor for this business. The decision by Government to award this business to An Post in 1999, without going to tender, continues to be the subject of a complaint to the European Commission and a final decision is awaited. Future service delivery propositions are also being developed to leverage available technologies and maintain An Post's role in this business.

Bill Payments

An Post has established itself as a major player in the Irish bill payment market. Post Offices has traditionally operated a single bill payment service, BillPay, through its post office branches. Strong volume growth was again achieved in 2001 in all the major corporate accounts and total volumes grew by 12% to 13.7 million transactions. Securing the ESB as a corporate client was a major

development as it completed the range of household bills that can be paid through the BillPay service. BillPost, An Post's postal bill processing operation based in Kilrush, Co. Clare, enjoyed a year of strong growth, achieving annualised volumes of 2 million by the year end. Slower corporate client uptake, due to Euro considerations, failed to deliver the significant opportunities that strong consumer recruitment offered to utilities for electronic bill presentment and payment services (EBPP). However, Post Offices is committed to the internet bill presentment and payment proposition and will develop the current model, "billpay.ie", to become a key messaging and payments service.

Savings and Investments

Post Offices markets and operates An Post personal savings and investment products as an agent of the National Treasury Management Agency (NTMA) which acts on behalf of the Minister for Finance. The funds deposited are a source of funding for the Government's Exchequer Borrowing Requirement.

There was an overall net capital outflow of €206m from these products during 2001, notwithstanding a net inflow of €114m in respect of the Deposit Account product. The Deposit Account inflow reflects the attractiveness of the local post office as a channel for regular savers providing ease of access, six days a week.

Two SSIA accounts were launched during 2001 in conjunction with the NTMA. Consumers were offered a choice between a fixed rate and a variable rate product. By the end of the year, 10,500 accounts had been opened and funds of over €11m received.

Television Licences

The TV Licence collection service is operated on behalf of the Department of Arts, Heritage, Gaeltacht and the Islands. The service provided is a full turnkey operation which consists of database management, licence sales, inspection, detection and prosecution services.

Sales in 2001 were 1,097,113 licences, an increase of 39,817 over 2000. During 2001, the business successfully renewed its contract with the Department to operate the TV Licence collection service for a further year. The retention of this contract into the future is an important part of the business strategy for returning the Post Offices division to profitability.

PostPoint

2001 was a pivotal year in the development of the PostPoint shop-based electronic transactions network of An Post. During the year, a number of new services were added to the product range. Swiftcall international calling card top-ups, debit and credit card services and Meteor mobile top-ups were introduced. By the end of the year, there were 2,100 terminals in the PostPoint network, hosting 6 products and processing the annual equivalent of 11 million transactions.

Business Banking

Post Offices continued to develop its role as a provider of corporate banking transaction services. During 2001, Business Banking, which includes the processing of end-of-day cash and cheque lodgements on behalf of retailers, handled transfers to the value of over €1 billion.

Due to escalating costs related to the sourcing of cash, the importance of this service to the operation of the business is increasing. A new agency arrangement with AIB Bank will further increase the volume of retailer cash at post office branches and reduce the cash sourcing requirements of the business.

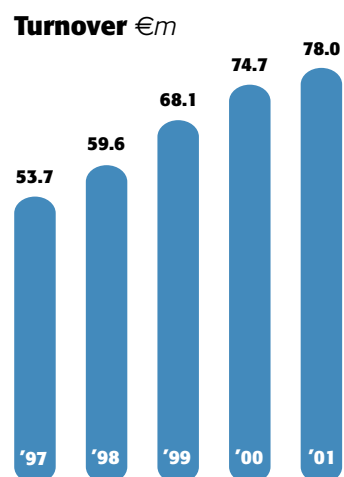
Euro Changeover

An Post played a major role in the national conversion to the Euro currency. In January 2002, over €500m was distributed in cash to welfare recipients at post office branches. During the Euro changeover period, Post Offices also distributed over 350,000 currency packs and handled over 10,000 personal currency conversion transactions.

An Post's two year planning process for the Euro provided the foundations for a flawless conversion that involved systems, processes and physical currency conversion.

The new automated plant at Newlands, Naas Road, Dublin 22 completed its first full year of operation in 2001. This state-of-the-art facility allows for increased volume throughput and has contributed to increased quality of service and reduced unit cost.





SDS's strategic vision is to be the leading, customer-centred supplier of innovative high quality distribution services, providing a rewarding environment for its employees and financial returns for its owner. This vision incorporates the values, goals and commitments necessary to maintain SDS in its leadership position within the Irish express parcel and courier markets. Superior service quality, tailored customer solutions, technological developments and the unique ability of SDS to deliver to every business and household address in Ireland every working day, are the core competencies of the business. The growing customer base reflects SDS's market leadership position, with major companies across every business sector entrusting their distribution needs to SDS each day. Service quality is monitored on an ongoing basis and shows significant year-on-year improvement as a result of the infrastructural investments and total quality focus within the business.

In 2001, revenue growth continued notwithstanding the negative impact on the Irish economy of the foot and mouth disease early in the year. Turnover increased by 4.5% on 2000 to €78m.

The new automated plant at Newlands, Naas Road, Dublin 22 completed its first full year of operation in 2001. This state-of-the-art facility allows for increased volume throughput and has contributed to increased quality of service and reduced unit cost. In addition, new working methods in the plant have resulted in improved flexibility and efficiency in the automated process. Introduced in 2000, autonomous team-working has replaced the legacy of rigid and limiting processing methods with a more flexible and integrated approach to work. The key benefits include improved quality performance and output, which are facilitated and supported by good communications, employee participation and increased job satisfaction.

Based on the success of autonomous team-working and performance related pay in the main processing areas, SDS is now re-designing transportation and clerical activities to increase worker participation in processes, performance

and rewards. As part of this process, and to address issues raised during customer research, the technology employed in the customer service area and the method of dealing with customer enquiries has been rejuvenated. Other issues, in operational and systems support areas, which require attention were also highlighted in the customer research and these have provided a framework for SDS's operating and strategic plans for 2002 and beyond.

Internationally, SDS has responded to customer demands for a superior service to the UK by switching to a new business partner there. This initiative has significantly improved both the quality of service and the information flows supporting the service. Additionally, the change has provided SDS with access to new opportunities from business generated in the UK for processing in Ireland. Similarly, other international service arrangements are under review in order to optimise service quality and performance to our main export destinations.

The process of transferring direct managerial control of provincial parcel and courier depots from the Letter Post division to SDS commenced in 2001 and will continue throughout 2002. Direct operational control will enable SDS to manage locally its collection and delivery networks in Ireland and will afford further opportunities to offer solutions to customers that are customised to meet their distribution needs.

A major review of the SDS quality system and supporting documentation was undertaken during the year in order to bring the process into line with the revised ISO standard. This culminated in SDS being registered to the ISO 9001:2000 standard, following a systems audit by the National Standards Authority of Ireland (NSAI).

The continued investment in technological advancement and innovative work practices position SDS to deliver a consistently high quality service offering to the marketplace and to forge long-term partnerships with its employees, customers and service suppliers.

Management Review

Subsidiary and Associated Undertakings

National Lottery

An Post National Lottery Company's unbroken growth trend for the previous fourteen years continued in 2001, with an 8% increase in funds raised for beneficiary projects. This success came as a fitting finale to the end of its existing licence as operator of the National Lottery. A record €175.8m, representing 32.7% of total sales of €538.1m, was raised for distribution by the Government to good causes. The total amount raised by the National Lottery for good causes since its launch fifteen years ago now stands at €1.7 billion.

Total sales increased by 8.6%, from €495.4m in 2000 to €538.1m in 2001. The combined sales for Lotto, Lotto Plus and Lotto 5-4-3-2-1 were €377.7m, up 12.6% from €335.6m in the previous year. This demonstrates the strategic success of developing and expanding Lotto related business through innovative game enhancements which broaden the base of players. The increase in sales was mainly driven by the success of Lotto Plus, which was launched in October 2000. In its first full year, this game for Lotto players generated sales of €61.4m. In 2001, Lotto sales were €305.9m, down 2.9% on the previous year's Lotto sales of €314.9m. Lotto 5-4-3-2-1- had sales of €10.4m compared to €11.4m in 2000. Sales of instant games were up 2.8% to €143.9m, reversing the trend of 2000 when they declined marginally. A key development in instant games was the successful launch of the 'Gold' series of instant games with enhanced prizes and a ticket price of €1.90. TellyBingo continues to have a loyal base of players and, notwithstanding its new day and time slot on television, achieved sales of €16.5m in 2001.

The overall prize payout level was 52.5% in 2001, with €282.3m returned to players in prizes. The company's 3,500 agents around the country received €33.5m, or

6.2% of sales, in commission and bonuses. The National Lottery's total operating costs were 14.87% of sales, the lowest ever achieved by the company.

The most significant corporate development during 2001 was the award of the new seven-year licence to An Post National Lottery Company to operate Ireland's National Lottery until 2008. The new licence was signed on 21 December, following a rigorous tendering and compliance evaluation process. The company now has an operating framework and strategy in place to take Ireland's National Lottery forward into its next phase of development.

One Direct

One Direct, the trading name for An Post Direct Limited and An Post Direct Management Services Limited, markets a range of insurance and other personal financial products from a call-centre in Athlone, Co. Westmeath. Since its inception in April 1999, One Direct has developed into a significant player in the direct personal financial services market in Ireland and now offers a range of eleven products across the general insurance, life assurance, personal lending, credit, and savings and investment markets. The ISO 9001:2000 accreditation was awarded to the company in March 2001 and recognises One Direct's awareness of the importance of quality and the steps and procedures required to provide a quality service to customers.

One Direct is continuing to gain market share through effective business strategies and is striving to become the market leader in its fields of business. The company will further expand its range of products and services in 2002 and will move from operating solely as a call-centre based entity to an integrated multi-channel communications centre, incorporating web-based internet facilities.



Management Review

Subsidiary and Associated Undertakings

continued

Prize Bond Company

The Prize Bond Company Limited is owned jointly by An Post and FEXCO. The assets and liabilities of the Prize Bond scheme vest in the Minister for Finance and accordingly are not included in the financial statements of the Group.

The company had another successful year in 2001 and gross sales increased by 7% over the previous year to €74.7m. This increase was mainly driven by the changes introduced in November 2000, when the brand identity of Prize Bonds was changed and the structure of prize distribution was revised to double the number of weekly prizes. The level of encashment of Prize Bonds was down by 8% on 2000 so that, by the end of the year, the Prize Bond Fund had increased to €332.3m. During 2001, over 88,000 prizes with a value of €8.4m were paid out. The number of prizes, all of which are tax free, was up 100% on the previous year and the value of prizes increased by 9.5%.

The company's strategy of developing Prize Bonds as an attractive risk free investment product has been very successful and many investors now place part of their savings in Prize Bonds. The company will continue to examine new ways of enhancing the attractiveness of Prize Bonds and to increasing the value of the Prize Bond Fund, thereby enabling the provision of even more tax free prizes.

PMI

Precision Marketing Information Limited (PMI) is a joint venture between An Post and Equifax Europe Inc. PMI offers a range of services to the Irish direct marketing industry including mailing lists, managed bureau services and database processing and management software products. During 2001, PMI strengthened its position as one of the main providers of these services in Ireland. Turnover increased by 13.2% with significant growth

achieved in data sales (18%) and database services (15%). In 2002, the company's focus will be to further develop and consolidate the existing portfolio in addition to bringing new complementary services and products to the market

Post Consult International

The core activity of Post Consult International Limited (PCI) is the development of bespoke solutions for the An Post Group, leveraging PCI's experience and proven track record of implementing projects using a variety of leading edge technologies.

PCI continued to grow during 2001 and provided many innovative solutions to the business needs of the Group. The company continued to develop and maintain over 2,000 distributed computers at 1,000 post offices throughout the country. Software applications were re-developed for Euro compliance, ensuring a successful transition to the Euro currency for Post Office customers. The rollout of a streamlined automated accounting system in post offices was successfully concluded during the year. A project, which will facilitate the undertaking of banking transactions through post offices, commenced in the final quarter of 2001 and will be completed in 2002.

The company also provided the technical expertise to enable the Post Offices division to expand the reach of its PostPoint network and the range of services offered. This will continue to be a growth area for next year. PCI is tracking its business plan and will continue to extend its range of services in 2002.

Post.Trust

Post.Trust Limited is dedicated to the enabling of e-business through secure and private data communications. Established in 2000, Post.Trust

provides a national digital certificate authority service and issues, renews and manages Digital Certificates, implements large-scale Public Key Infrastructure (PKI) solutions and develops secure electronic payments platforms for businesses. The company is the only Digital Certificate provider in Ireland that fully certifies each Digital Certificate holder through an in-person enrolment and verification process. Post.Trust's experience and innovative design and architecture have made it one of the leading e-business security solution providers in Ireland. In November 2001, the company launched Safemail, a premier secure e-mail product which is currently being marketed to businesses throughout Ireland.

PrintPost

Printpost Limited, a wholly owned subsidiary of An Post, specialises in the secure and speedy production and delivery of critical business documents such as invoices, statements and marketing and promotional materials. PrintPost currently handles all aspects of stationery management, data processing, printing, enveloping and dispatch for a wide range of customers for whom cost effective billing is a key requirement of their business.

During 2001, PrintPost invested heavily in upgrading existing laser printers and adding extra enveloping machinery in the company's plants in Portlaoise and Tallaght. The new equipment has increased capacity at both sites and allows for further anticipated growth in the business. Both plants are now almost identical and provide full disaster recovery facilities for all clients between the two sites.

JMC Van Trans/Wheels Couriers

In October 2000, An Post acquired three companies - J.M.C. Vans Trans Limited, Ranaco Limited and Waldemar Limited - which give the An Post Group access to markets

in which it did not previously operate. The companies had a successful first full year as part of the An Post Group.

Trading as JMC Van Trans and Wheels Couriers, the companies specialise in the same day delivery of parcels and documents in the greater Dublin area, nationwide overnight groupage services and logistics through a 'pick and pack' fulfillment of catalogue orders.

Based in Merrywell Business Park in Dublin, JMC Van Trans also operates through a distribution centre in Limerick and through regional agents in Wexford, Cork, Galway, Sligo, Letterkenny and Craigavon. Wheels Couriers operates from Belvedere Place in Dublin city centre. The companies, which currently employ 65 staff and have 175 owner-drivers engaged, have easily recognisable brand names and established reputations as providers of high quality and highly reliable services. Continued growth in revenues was experienced during 2001 and further growth is expected in 2002. To cater for this, JMC Van Trans will, during 2002, relocate its nationwide overnight business to a purpose built facility, thereby increasing its capacity to cater for existing business volumes and for anticipated growth.

Wizard Direct

During the year, An Post and Office and Electronics Limited formed a new joint venture company, Wizard Direct Stationery Company Limited. Wizard Direct is the first direct supplier of stationery and postal products to Irish businesses. With a new customer services centre based in Athlone and a state-of-the-art distribution centre in Dublin, Wizard Direct provides thousands of quality brand name products. The company offers a convenient ordering service by freepost, freephone, freefax and online over the internet. Orders are delivered next day by SDS and all products sold are covered by a one year guarantee.

Management Review

Corporate Issues

Transformation Through Partnership

Transformation Through Partnership agreements have been completed with all trade unions in the Company. Linked to an Employee Share Ownership Plan (ESOP), these agreements provide a framework for business transformation and for the establishment of strategic and business level partnership structures to facilitate the processing of major change issues. The agreements have already provided the platform for the negotiation and implementation of some major change initiatives with the trade unions including the re-organisation of the Company into separate business divisions, each with its own operations, human resources and finance functions. New work organisation and reward systems have been implemented at the SDS plant and are scheduled for implementation in the Dublin Mails Centre during the summer of 2002. These systems are designed to improve efficiency and to make the businesses more cost effective. These initiatives demonstrate that real change is possible in An Post. It is clear, however, that the demands of increased competition and the need for greater profitability will require an intensification of effort to complete the transformation of An Post into a successful commercial company. This will present a significant challenge for the partnership process in the short term.

The Employee Share Ownership Plan (ESOP), which is an integral part of the Transformation Through Partnership agreements, provides for the ultimate ownership of up to 14.9% of the Company by the employees of An Post and its wholly-owned Irish subsidiaries. This ownership, which will be held through an Employee Share Ownership Trust (ESOT), is conditional on the transformation of the Company and the achievement, by the end of 2003, of cost savings of €34m. This employee shareholding provides an incentive to both staff and management to ensure the viability and future profitability of the Company.

Roll-out of the plan is contingent on a review of the transformation and cost savings and on the enactment of necessary legislation. In order to give legal effect to the ESOP, the Company and the unions are anxious that this legislation be enacted as quickly as possible.

Training and Development

An Post, in conjunction with the Irish Business and Employers Confederation (IBEC) and the Irish Congress of Trade Unions (ICTU), is promoting a training network initiative, The National Partnership Training Skillnet, for employers and trade unions in the area of enterprise partnership. This initiative is jointly funded by the participating companies and Skillnets, a body set up by the Department of Trade, Enterprise and Employment. Skillnets' key objective is to mobilise groups of enterprises to develop strategic answers to their joint training needs through the establishment of training networks. The overall objective of The National Partnership Training Skillnet is to develop partnership facilitators in participating companies so that they can promote the introduction and development of partnership in their respective companies.

Employment Equality

An Post is the main sponsor of a project entitled "Building Equality Networks", one of 21 projects approved under the EQUAL Community Initiative and supported through the European Social Fund. An Post will manage the project on behalf of the members of a development partnership which also includes a number of other State bodies and agencies. The project has a strong partnership orientation and is sponsored by both IBEC and ICTU. The overall purpose of the project is to examine work/life balance issues. It aims to deliver a diagnostic model which will assist organisations in developing practical solutions in this area.

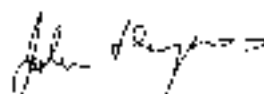
Safety and Environment

The Group is committed to the highest standards of safety and health practices in order to ensure, in so far as is reasonably practicable, the health and safety of its employees and all those affected by its activities. A new safety and occupational health management system was launched during the year and will be introduced throughout the Group to specification ISO 18001 of the National Standards Authority of Ireland (NSAI). An initial roll-out in selected Letter Post, SDS and Post Offices premises has commenced and the effectiveness of the new system will be ensured by all employees taking personal responsibility for safety and health issues and by actively supporting the Group's safety and health policies.

During the autumn period, there were 26 incidents when suspected contamination of the mail by anthrax was reported. While all of the incidents proved to be false, they still caused considerable disruption to customers and distress to staff. The concerns of the staff were addressed by appropriate risk management actions and supportive measures to those affected. The co-operation of the staff during this period is greatly appreciated.

Security Services

While there was a welcome reduction in the number of attacks on mails delivery staff in 2001, there was some increase in the level of criminal activity affecting post offices. However, the Company's investment in security equipment and systems, together with the continuing high level of co-operation of the Garda Síochána, have contributed significantly to keeping losses from robberies to a minimum. Efforts are continuing in conjunction with the Garda Síochána to deal effectively with this problem. The dedication of staff, postmasters and postmistresses who have experienced the trauma of a confrontational incident is acknowledged and appreciated. The Company's counselling services are available, as necessary, on all such occasions.



John Hynes

Group Chief Executive Officer

31 May, 2002

Quality of Letter Post Service National

Throughout 2001, PricewaterhouseCoopers undertook an independent and continuous study of the quality of service of domestic mail in Ireland. This study is designed to provide an independent assessment of the national delivery performance achieved for all correctly addressed letters, flats and packet mail, posted within Ireland, in time for next day delivery. It is based on a statistically valid sample of test mail produced and inducted under PricewaterhouseCoopers' independent control into a representative number of routes. PricewaterhouseCoopers' tests consist of measuring delivery time on an "end-to-end" basis - that is from the point of posting to the point of receipt - and comparing this with agreed delivery standards for the routes concerned.

The methodology for data measurement involves internationally accepted principles of statistical sampling and analysis. Test letters comply with the normal specifications for domestic mail in Ireland and are designed not to be distinguishable from other such mail being handled by the postal network.

The statistical design of the study is representative of the mail pattern and of the range of letter sizes, weights, franking methods, and varied mailing practices of both business and private customers, based on information provided by Letter Post as reflecting the real patterns and characteristics of domestic mail in Ireland. The mix, volumes and posting locations of the test mail used in the study have been determined in accordance with this design in order to provide the required level of annual statistical precision of the results at a national and route level.

Summary results for next day delivery¹ of letters during 2001 are presented below on a national level and within Dublin and the rest of the country ("Provinces").

The results below give a statistically reliable view of the quality of service performance of domestic mail in Ireland for the periods reported, in accordance with the precision limits² given at a 95% confidence level and the design specifications for the measurement system.

	Mar Qtr	Jun Qtr	Sept Qtr	Dec Qtr	Year
Dublin to Dublin	82%	83%	90%	88%	86%
Dublin to Provinces	79%	78%	87%	83%	81%
Provinces to Dublin	83%	81%	86%	87%	84%
Provinces to Provinces	91%	93%	93%	91%	92%
Overall	85%	85%	90%	88%	87%

1. Next day delivery is recorded as delivery on the next working day after the last time of posting applicable to the induction method and location for that particular item of mail (i.e. Monday is recorded as next day delivery for items posted on Friday).

2. The study is designed to give results at a national level accurate at the 95% statistical confidence level to within +/- 0.7% annually.

Quality of Letter Post Service International

The International Post Corporation (IPC) is a co-operative comprising the national operators of 22 countries. The European members of IPC have implemented the Unipost External Monitoring System (UNEX) which is designed to produce accurate monitoring of delivery times for first-class international mail from the time of posting to receipt by the customer. Results are published on a half-yearly basis. The independence and validity of the results are guaranteed by Research International, the project contractor who is responsible for the quality testing and who has ISO 9001 certification.

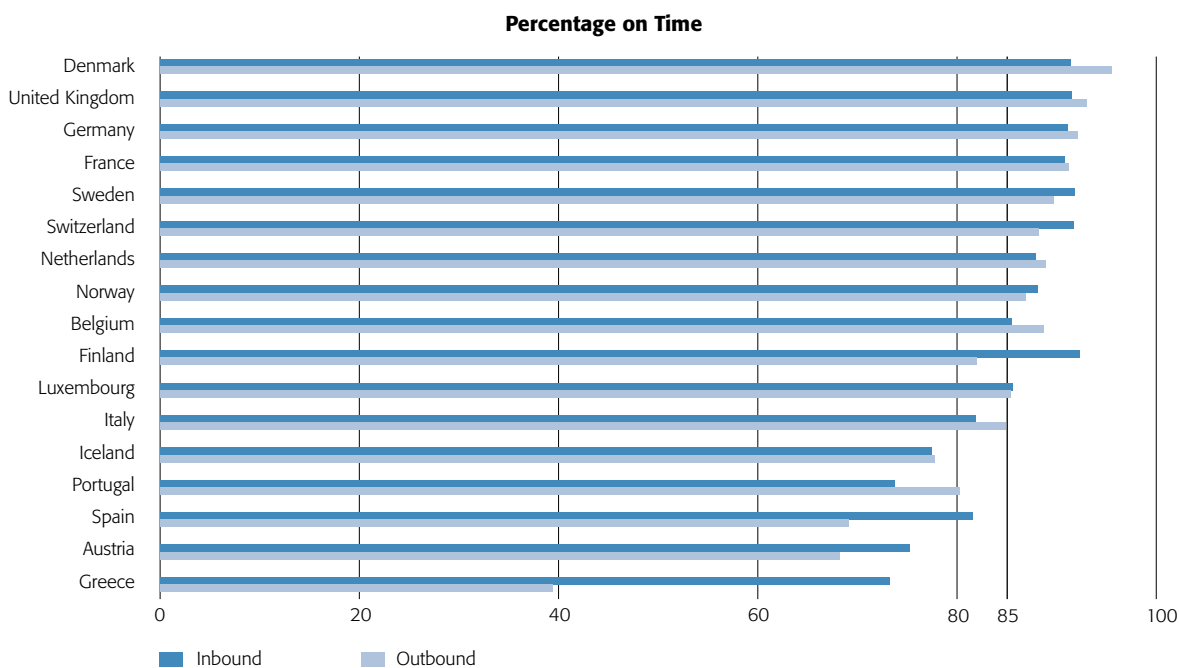
The service objective for Europe is to deliver at least 85% of international first-class mail within three working days on a country-to-country basis.

Throughout 2001, the UNEX system monitored more than 1 million test letters on 306 country-to-country mail

streams, over 600 regional routes and 430 city-to-city links. The method of calculation of the quality of service is based on a five day business week (i.e. Saturday, Sunday and national and regional public holidays in the destination country are excluded).

The test letters reflect different weights and formats and are representative of the characteristics of the mails sent by customers. They either bear stamps or are meter franked, and have either typed or hand written addresses. These letters are posted into mail boxes, taken to post offices or collected from senders' premises. Deliveries cover both business and private premises.

The chart below shows the results for Ireland for 2001 for inbound and outbound international mail delivered within three working days. The accuracy of the results ranges between 1% and 5% with a 95% level of confidence.



Stamp Issues and Philatelic Publications

During 2001, the Philatelic Service issued forty six special and commemorative stamps in ten issues. The issues covered such subjects as Broadcasting in Ireland, Comhaltas Ceolóirí Éireann, Irish Motorsport, Irish Heritage in Australia and Nine Years War: Battle of Kinsale.

To facilitate the transition to the Euro, dual currency definitive stamps were issued in June 2001 and three NVI (non value indicator) stamp booklets were issued in October 2001.

In addition to the annual stamp issues, the Philatelic Service published the annual Year Pack and the annual Year Book.



Index to the Financial Statements

Report of the Directors	30
Corporate Governance	34
Statement of Directors' Responsibilities	37
Report of the Independent Auditors	38
Accounting Policies	40
Consolidated Profit and Loss Account	43
Consolidated Balance Sheet	44
Company Balance Sheet	45
Consolidated Cash Flow Statement	46
Notes to the Financial Statements	47
Value Added Statement	65
Five Year Financial Summary	66
Operational Statistics	67



Report of the Directors

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

1. The Group and its Principal Activities

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

One ordinary share is held by the Minister for Finance and the remainder of the issued share capital is held by the Minister for Public Enterprise.

Details of the activities carried on by subsidiary and associated undertakings, together with the information required by Section 158 of the Companies Act, 1963, are given in note 23 to the financial statements.

2. Results

Details of the results for the year are set out in the consolidated profit and loss account on page 43 and in the related notes to the financial statements. The directors do not propose the payment of a dividend for the year.

3. Development of the Business and Important Events

The information required by Regulation 37 of the European Communities (Companies: Group Accounts) Regulations, 1992, is included in the information given on pages 4 to 27.

4. Directors, Secretary and their Interests

Mr. William Hogan retired from the Board on 17 July, 2001. Ms. Alice O'Flynn retired from the Board on 20 May, 2002 on completion of her term of office, and was re-appointed for a second term on 27 May, 2002. Mr. Paul Kavanagh was appointed to the Board on 27 May, 2002. The directors and secretary who held office at 31 December, 2001 had no interests in the shares in, or debentures of, the Company or any Group Company.

5. Employees

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

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

6. Prompt Payment of Accounts Act

The policy of An Post is to comply with the requirements of the Prompt Payment of Accounts Act, 1997. The Group's standard terms of credit taken, unless otherwise specified in specific contractual arrangements, are 45 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 Act.

During the year, a total of 818 payments made by An Post with a value of €3,012,000 were paid late, under the terms of the Act, by an average of 30 days, due to delays in the processing of invoices or confirmation of acceptance of goods and services. These payments constituted 2% by value of all payments to suppliers for goods and services during the year. Interest of €27,000 has been paid in respect of these payments.

The Group continually reviews its administrative procedures in order to assist in minimising the time taken for invoice query and resolution.

7. Accounting Records

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

8. Auditors

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

On behalf of the Board

Stephen O'Connor, Chairman

John Hynes, Director

31 May, 2002

Tuarascáil na Stiúrthóirí

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

1. An Grúpa agus a Phríomhgníomhaíochtaí

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

Tá gnáthscair amháin i seilbh an Aire Airgeadais agus is ag an Aire Fiontar Poiblí atá an chuid eile den scairchaipiteal eisithe.

Tá sonraí de ghníomhaíochtaí na bhfochuideachtaí agus na ngnólachtaí gaolmhara, mar aon leis an t-eolas a theastaíonn Alt 158 d'Acht na gCuideachtaí, 1963, tugtha i nóta 23 de na ráitis airgeadais.

2. Torthaí

Tá sonraí de thorthaí na bliana leagtha amach sa chuntas daingnithe brabúis is cailteannais ar leathanach 43 agus sna nótaí atá ag dul leis na ráitis airgeadais. Ní mholann na stiúrthóirí go n-íocfar díbhinn don bhliain.

3. Forbairt an Ghnó agus Cora Tábhachtacha

Tá an t-eolas a iarrtar faoi Rialachán 37 de Rialacháin na gComhphobal Eorpach (Cuideachtaí: Cuntais Ghrupaí), 1992, curtha san áireamh leis an bhfaisnéis a thugtar ar leathanaigh 4 go 27.

4. Stiúrthóirí, Rúnaí agus a Leasanna

D'éirigh William Hogan Uasal den Bhord ar 17 Iúil, 2001. D'éirigh Alice O'Flynn Uasal den Bhord ar 20 Bealtaine, 2002 ar chríochnú a téarma oifige agus d'athcheapadh ar an bhord í ar 27 Bealtaine, 2002. Ceapadh Paul Kavanagh Uasal ar an Bhord ar 27 Bealtaine, 2002. Ní raibh aon leas ag na na stiúrthóirí nó ag an Rúnaí a bhí i seilbh oifige ar an 31 Nollaig, 2001, i scaireanna nó i ndintúir na Cuideachta ná aon Chuideachta den Ghrúpa.

5. Fostaithe

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

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