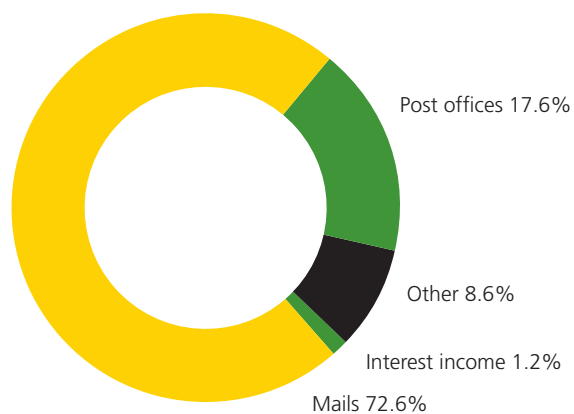


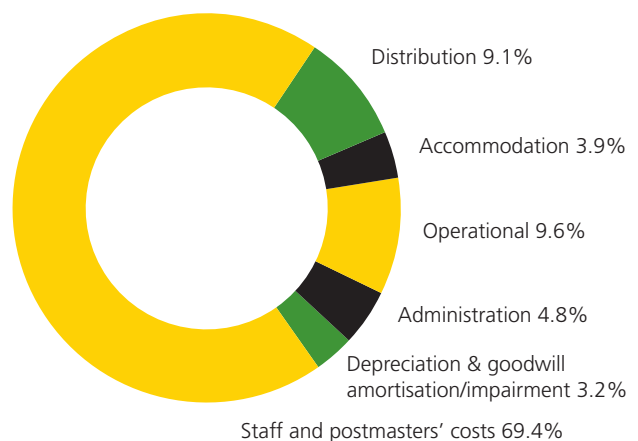
Financial Highlights


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

Analysis of Turnover



Analysis of Operating Costs before exceptional items





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

Padraig O’Neill Marketing Development Manager

Getting the message
out there!



Board of Directors and Corporate Information



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

Chairperson – 2,3

Age 47

*Appointed 4 February, 2003;
second term*

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



Patrick Compton

Employee Director

Age 50

*Appointed 1 November, 2004;
fourth term*

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



Jerry Condon

Employee Director – 2

Age 53

*Appointed 1 November, 2004;
third term*

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



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

Director – 2

Age 53

Appointed 14 August, 2006

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



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

Director – 1

Age 71

Appointed 11 December, 2003

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



Terry Kelleher, Dip. Industrial Relations

Employee Director

Age 39

Appointed 1 November, 2004

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



Brian McConnell B.B.S.

Director

Age 60

Appointed 3 April, 2006

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



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

Director – 1,3

Age 54

Appointed 27 May, 2002; second term

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SECRETARY

Michael Tyndall

REGISTERED OFFICEGeneral Post Office,
O'Connell Street, Dublin 1**AUDITORS**KPMG,
Chartered Accountants**BANKERS**

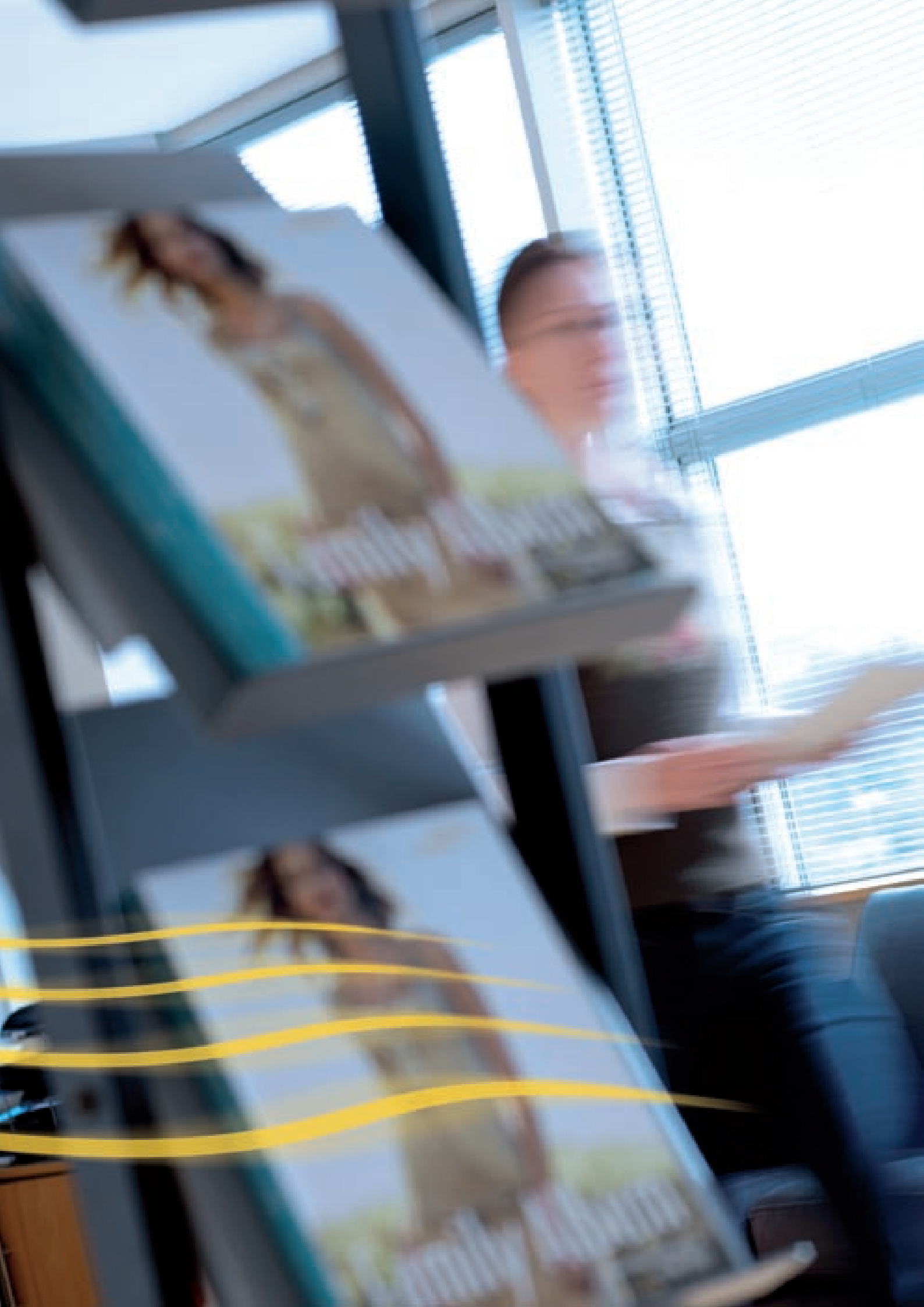
Bank of Ireland


SOLICITORS

Matheson Ormsby Prentice

KEY TO BOARD COMMITTEES

- 1 Audit and Security
- 2 Personnel
- 3 Remuneration





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

Geoff Scully Commercial Director

A one-stop shop

Chairperson's Statement



Margaret McGinley
Chairperson

Introduction

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

Financial Performance

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

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

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

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

Core Businesses

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

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

Retail Network

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

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

Market Liberalisation

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

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

Chairperson's Statement continued

Commitment to Change

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

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

New Strategy

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

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

Conclusion

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

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

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



Margaret McGinley

Chairperson

22 March, 2007

Chief Executive's Review

Financial Performance

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

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

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

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



Donal Connell
Chief Executive

Quality of Service

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

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

Chief Executive's Review continued

Mail Services

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

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

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

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

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

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

Post Offices

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

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

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

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

Working with Customers

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

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

Industrial Relations

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

Chief Executive's Review continued

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

New Strategy

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

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

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

Conclusion

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

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

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



Donal Connell
Chief Executive

22 March, 2007

Management



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

Chief Executive, Age 53

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



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

*Retail Operations Director,
Age 44*

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



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

*Collection and Delivery Director,
Age 56*

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



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

*Human Resources Director,
Age 52*

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



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

Services Director, Age 47

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



Liam O'Sullivan

Director Mail Processing, Age 40

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



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

Chief Financial Officer, Age 48

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



Liam Sheehan

*Sales and Marketing Director,
Age 47*

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



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

Company Secretary, Age 56

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



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

*Head of Communications and
Corporate Affairs, Age 52*

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



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Video

on Demand

No...

Epic growth!

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

Frank O’Grady Managing Director

lick.com

Late
fees
ever

nellick.com
DVD rental
€14.99/pm

Financial Review

Financial Overview

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

Profit for the year

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

Turnover

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

Operating Costs

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

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

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

Asset Disposals

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

Joint Venture

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

Taxation

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

Capital Expenditure

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

Liquidity

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

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





Complete fulfillment

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

Jeroen van de Meulengraaf Operations Manager

Universal Service

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

Requirements of the USO (Universal Service Obligation)

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

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

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

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

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

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

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

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

Access to Universal Services

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

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

Tariffs

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

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

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

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

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

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

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

Universal Service continued

Quality of Service

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

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

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

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

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

Customer Complaints

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

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

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

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



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