AUSTRALIA POST

GETTING FUTURE READY

AUSTRALIA POST
ANNUAL REPORT 2009–10


POST

AUSTRALIA POST HAS A PROUD TRADITION OF ADAPTING TO THE CHANGING NEEDS OF CUSTOMERS. OUR CAPACITY TO MEET THESE NEEDS IS NOW MORE IMPORTANT THAN EVER AS WE PREPARE FOR A FUTURE DEFINED BY RAPID CHANGE.

David A Mortimer AO Chairman

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AUSTRALIA POST HAS ALWAYS BEEN IN THE BUSINESS OF COMMUNICATION AND DELIVERY, BUT WE HAVE CONTINUALLY ADAPTED OUR SERVICES TO CHANGES IN TECHNOLOGY AND CUSTOMER DEMANDS.

As the world economy advances further into the digital age, it's time to realign what we do and how we do it. Therefore, we're rebuilding Australia Post today so that it will continue to be a trusted service provider well into the future – for all Australians.

Time for change

For many years, Australia Post delivered consistently increasing profits, largely due to our strong letters business. Letter volumes had always grown in tandem with GDP; by the 1990s, the volume of letters sent in Australia was increasing by an average of 5 per cent annually. This link between letter volumes and GDP was broken as we entered the twenty-first century, when the exponential growth of digital communications began to have an impact on physical mail. And yet, for some years, volume growth continued – albeit slowly – and so did Australia Post's profits.

However, by 2008 the global financial crisis had not only dulled economic activity but accelerated the switch to cheaper digital communication options, such as email. Letter volumes declined dramatically around the world – including in Australia, where a drop of 4.2 per cent resulted in our letters business being only marginally profitable in 2008–09.

By 2009–10, Australia Post's letters service operated at a loss. While volumes are expected to continue declining, our costs will continue to increase as our delivery workload expands by more than 100,000 new addresses each year. Despite our ongoing efforts to improve efficiency and reduce costs, current projections point to deeper losses for our letters service and smaller profits for the business. (Our pre-tax profit has effectively halved over the past two financial years.)

If we do not take action now to reform our business model, Australia Post will lose money in the next few years. This is not an option.

We want Australia Post to be a thriving business so that we can continue serving the nation and delivering dividends to our shareholder, the Commonwealth Government. We need to develop new services for both the real and digital economies so as to capitalise on our existing strengths: our trusted brand, reliability, and retail and distribution networks unrivalled in Australia. We need to adapt to the changing needs of our customers by responding to the challenges of the twenty-first century and grasping its opportunities.

In short, we need to get ready for the future, which is why on 20 April 2010 we announced our Future Ready business renewal program. Its purpose is to transform Australia Post into a far more customer-driven, sustainable, high-performing and financially viable business. Following a busy design phase, the Future Ready roll-out began on 1 July 2010, with full implementation expected by 1 October 2010.

Our new structure

The new organisational structure, which came into effect on 1 July 2010, is aligned with the needs of our modern customers – both existing and new – thereby positioning the business for growth. It comprises four customer-centric and profit-focused strategic business units:

- Postal Services
- Retail Services
- Distribution & Express Services
- e-Services.

The Postal Services strategic business unit will be financially self-sustaining, as any losses in letters will be offset by the volume and revenue growth expected in parcels. Australia Post is already the nation's leading provider of business-to-consumer parcel deliveries. This places us in an excellent position to reap rewards from the expansion of online shopping, which is projected to grow strongly over the coming decade.

The Retail Services strategic business unit encompasses all products and services offered in Australia Post's retail outlets. The suite of offerings will continue to evolve to meet customers' needs, but we are particularly ambitious in our plans to expand the type of services available. We will invite more and more businesses and government agencies to use our vast retail network as a shopfront, so that Australia Post becomes the place for millions of customers to access a veritable supermarket of services.

The goal of the Distribution & Express Services strategic business unit is to win a greater share of the business-to-business market, in Australia as well as in Asia. The former business structure dispersed our distribution capabilities across the corporation, impeding the potential for growth. By gathering all of these services into one dedicated business unit, we expect to improve integration, leading to growth with new and existing customers.

The fourth strategic business unit, e-Services, will be the engine room of Australia Post's long-term growth in digital communications and transactions. We already have existing interests in this area, particularly in relation to consumer data and hybrid mail applications, but we are looking to expand into other trust-based services that we can offer online to complement our physical network.

Our four strategic business units will be supported by four corporate functional areas:

- Finance
- People & Community
- Strategy & Marketing
- Corporate Services.

Our new culture

Just as we are changing the structure of our business, so are we changing our culture. More than ever before, Australia Post's people will be focused, in everything they do, on collaboration, accountability, transparency, speed of action and customers. Our key performance indicators and reward systems are being revised with this in mind.

Reforming the culture of such a large and established corporation is an enormous challenge, but instilling cultural change is a crucial aspect of our business transformation program.

We're working smarter…and smarter

Under our streamlined business structure, Australia Post is already working smarter. This will be an ongoing goal as we build a sustainable and profitable future. We are in the process of creating a flatter business structure that reduces the duplication of effort across the business. Not only are like activities now grouped together; there are also fewer reporting levels.

The restructure of Australia Post, combined with our urgent need to reduce costs, does require some reduction in staff numbers. This consolidation has begun at the top of the corporation, in our headquarters and state offices. We are carefully assessing how human resources are deployed throughout the business, moving people away from areas that are in decline and into those that are growing. Ultimately, the vast majority of our people will continue to have rich and rewarding opportunities within Australia Post.

We are also improving the way we do business in other respects, such as identifying and implementing more efficient processes and systems and seeking better value from our suppliers.

Getting Future Ready

Over two centuries, Australia Post has built up numerous business assets – not least of which is our trusted brand. During those 200 years, we have adapted to the changing times. Our evolution in all its phases – from horses to motor vehicles, telegraph to telephone, government department to self-sustaining corporation – has always been in the name of serving the Australian community.

We are now in the midst of another significant evolutionary phase – one that will build on our existing assets by cultivating new revenue streams, particularly in the burgeoning digital economy. Nevertheless, we will continue to balance our commercial and community objectives, because that is a primary requirement of our shareholder.

By the time you read this annual report, the roll-out phase of Future Ready will be well underway: we will have fleshed out strategies; bedded down new structures; implemented initial productivity, revenue and cost-reduction initiatives; and begun revitalising our culture. We will have also clearly defined the indicators of success, from the financial imperative of improved, sustainable profitability to non-financial fundamentals, such as the maintenance of our strong brand, community service excellence, workplace safety and customer satisfaction.

So, we are well advanced on a five-year journey to rebuild our business. There will be many challenges along the way, but getting Future Ready will bring enormous benefits to Australia Post, our partners and our customers and will ensure that we remain a trusted and valued community asset for all Australians.

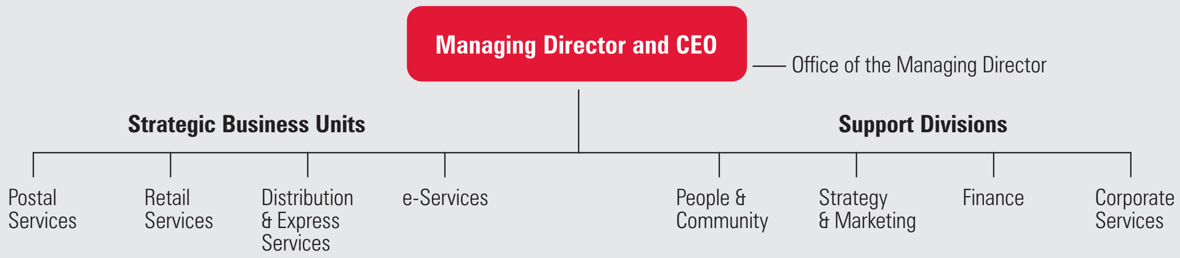
Our organisation structure

The board sets the corporation's objectives, strategies and policies, is led by a non-executive chairman and comprises up to eight non-executive directors and one executive director: the managing director and CEO.

The managing director and CEO is responsible for day-to-day management of the corporation.

The executive committee, made up of senior managers, advises the managing director and CEO on operational matters and is responsible for the formulation of strategies and policies for consideration by the board.

The senior management team is responsible for key business and support functions.



OUR CAPABILITIES AND BUSINESS PARTNERS

Australia Post's capabilities have been developed to meet the changing needs of individual consumers, government agencies and businesses large and small. These core capabilities (now managed under the business structure outlined on page 3) will be improved and refined, and new capabilities will be added, so that we continue delivering what our customers want well into the future.

LETTERS & ASSOCIATED SERVICES

- Collecting, processing and distributing letters for the entire Australian community, and between Australia and overseas.
- Bulk mail delivery services for businesses, government and community organisations.
- Research, advice and consumer list rental, as well as profiling and segmentation services, that help businesses target their best prospects and customers – and achieve solid returns on marketing investments.
- Helping businesses make the most of their databases (and reduce errors and costs) through our address verification and updating services.
- Making mail easy to use by preparing, printing and lodging documents.
- Designing software that allows our customers to create and lodge mail from their desktops.
- Providing "smart" mailroom services for businesses – including security screening, sorting, imaging, data capture and electronic transmission of inbound mail.
- Helping businesses manage their customers' replies to mailings more efficiently – receiving and sorting them, using technology to automatically capture relevant data and organising transfer of the information.
- A range of associated services, including ticket production and internet-based archiving and retrieval.

AGENCY SERVICES & RETAIL MERCHANDISE

- Third-party agency services that connect consumers, businesses and government bodies, including:
  - agency banking services, which provide access to more than 70 financial institutions
  - bill payment services – in person, by phone and online
  - identity services
  - services for travellers, including passport applications, passport photos, travellers' cheques and foreign currency
  - money orders and money transfers
  - insurance.
- A variety of complementary products, including stationery, office supplies, communications products, gifts and cards.
- Packaging, including Postpak products and a range of gift boxes.
- Collectable stamps, coins and associated products.
- Post office boxes and locked bags.

PARCELS & LOGISTICS

- Collecting, processing and delivering parcels all over Australia and between Australia and overseas.
- Delivery of single parcels or multi-parcel consignments.
- A broad range of distribution options – from economical road deliveries to express and time-critical services. Track and trace, proof of delivery and compensation are available with many of these services.
- Worldwide delivery, as well as sophisticated parcels and logistics services between Australia and the Asia–Pacific region.
- Complete end-to-end supply chain capability, from manufacturer (domestic or international) to consumer.
- Domestic and international integrated logistics services, including order processing, warehousing, fulfilment, distribution, returns management, freight forwarding and co-ordinating of customs clearance.

OUR BUSINESS PARTNERS

We collaborate with individuals, small businesses, our joint-venture partners and our subsidiaries to provide a comprehensive range of products and services.

CONTRACTORS, FRANCHISEES AND LICENSEES

The people who service more than 5,000 mail, courier and parcel contracts and operate almost 3,000 franchised and licensed post offices across the nation are a crucial part of the Australia Post team.

JOINTLY CONTROLLED ENTITIES

Australian air Express:
a joint venture with Qantas to provide time-critical air and linehaul delivery.

Star Track Express:
a joint venture with Qantas to provide time-critical business-to-business transport.

Sai Cheng Logistics International:
a joint venture with China Post to provide supply chain management and logistics services between China, Australia and the rest of the world.

iPrint:
a joint venture with Wellcom to provide internal print management, including stamps, retail catalogues and publications.

SUBSIDIARY COMPANIES

Post Logistics Australasia:
a third-party logistics provider specialising in the appliance, household and home entertainment sectors.

Post Logistics Hong Kong:
freight forwarding services.

Decipha:
mailroom and document workflow services.

PrintSoft:
software solutions for producing letters and documents.

OUR BUSINESS

THE YEAR IN REVIEW

DURING 2009–10, WE DELIVERED 96.1 PER CENT OF DOMESTIC LETTERS ON TIME OR EARLY.
See page 15.

DESPITE SIGNIFICANT MARKET CHALLENGES, WE EARNED A NET PROFIT OF $89.5 MILLION.
See page 11.

WE PROCESSED MORE THAN $77 BILLION IN PAYMENTS THROUGH OUR SUITE OF FINANCIAL AND AGENCY SERVICES.
See page 20.

WE HANDLED 5.1 BILLION ITEMS OF MAIL AND DELIVERED TO MORE THAN 10.7 MILLION AUSTRALIAN ADDRESSES.
See page 116.

Moving on

In late 2009, 2,340 people from five Melbourne offices moved in to our new five-star green–energy rated national headquarters. The move was completed with minimal disruption to our staff, who now work in an attractive, well-appointed building that significantly reduces energy and water consumption through an extensive range of efficiency and recycling measures.

Under new management

In February 2010, Mr Ahmed Fahour became Australia Post's new managing director and chief executive officer. Mr Fahour brings a wealth of experience to the role, including serving as CEO of the NAB's Australian operations from 2004 to 2009. Chairman David Mortimer said that "the board's challenge to Ahmed is to write the next chapter in our corporation's proud history".

See page 9.

Getting ready for the future, today

In response to a rapidly changing marketplace, in April 2010 Australia Post announced its five-year renewal program, Future Ready. The program establishes a strong growth platform with a focus on being a trusted services provider in four key areas: Postal Services, Retail Services, Distribution & Express Services and e-Services.

See page 2.

At the click of a button

Following the successful launch of Click and Send for international parcels in 2008–09, this year we expanded the service to domestic parcels. It enables parcels customers to use online processing, including for documentation, payments, management of shipment details and the option of courier pick-up. The Click and Send platform was also integrated into the eBay website.

See page 22.

Enhancing our place in cyberspace

In March 2010, we launched our new website, which makes connecting with Australia Post easier for all our customers – including those with special needs, such as the visually impaired. Many existing tools and applications were upgraded and new features introduced, such as the option to sign up for RSS feeds alerting customers to the latest offers from our retail outlets.

Go to auspost.com.au

Identifying improvements through technology

During the year, advanced new technology that streamlines the process for identity services clients, their customers and our retail staff was successfully tested in a pilot program with the New South Wales Registry of Births, Deaths and Marriages. This technology, which went live in July 2010, lowers costs and improves the efficiency, accuracy and security of personal information, as well as enhancing the customer experience.

See page 19.

CHAIRMAN'S REPORT

David A Mortimer AO Chairman

One of the hallmarks of a successful corporation is its ability to adapt to changing environments and to make that transition smoothly. More than at any time in our history, this is what Australia Post is facing today.

An immediate priority for our business is to address the electronic substitution of our traditional letters business. This was the second consecutive year of steep declines for our domestic letters service: volumes fell 4.2 per cent in 2009–10, following a 4.1 per cent decline last financial year. Reduced letter volumes, as well as costs associated with the business restructure, were the primary factors contributing to a second successive year of falling profitability. This year's pre-tax profit of $103.0 million was 73 per cent down on 2008–09.

Declines in the profitability of our letters business this year were partially offset by improved performances in other business areas – including parcels & logistics, which experienced overall portfolio revenue growth of 1.0 per cent.

By focusing on growth areas, such as parcels and the provision of trust-based services, we expect to reduce our traditional reliance on letters as the engine of profit growth for our business. We are also investing heavily in technology that will improve both our productivity and the customer experience, especially in parcel tracking and at the point of sale in our outlets.

Productivity growth was flat in 2009–10. This was a strong outcome given that volume growth was negative across most products and services. To offset the 3.3 per cent fall in volume, resource reductions were achieved at the same rate across a range of labour, licensee and contractor services.

Adapting to our rapidly changing business environment does not mean pursuing profit at the expense of high service standards. Rather, we are conscious of transforming this business in a way that always respects the contribution made by our people, considers our community and environmental impacts, and protects the enormous brand equity that we have developed throughout 201 years of serving the nation.

By holding true to our dual objective of earning a profit and meeting our community service obligations, we are working to secure a sustainable and prosperous future for Australia Post.

Changing of the guard

No one has been more dedicated to achieving this dual objective than our recently retired managing director, Graeme John. Taking on his governing role three years after joining Australia Post in 1990, Graeme was the guiding force in transforming a government-style bureaucracy into an enterprising, efficient and profitable business. Graeme's legacy will be long felt by Australia Post, and we all wish him well in his retirement.

This year, the baton of upholding our dual objective was passed to our new managing director and chief executive officer, Ahmed Fahour, who brings with him extensive local and international experience as a leader in businesses such as Citigroup and NAB. Since his appointment in February 2010, Ahmed has embraced the challenge of shaping our business for the future while improving profitability and maintaining our community focus and values.

Future Ready

In April, the Australia Post board endorsed the new managing director's Future Ready strategy, a five-year business renewal program that aims to make the corporation more customer-focused and sustainable. A central element of this transformation is a streamlined business structure that organises our operations into four new strategic business units.

Firstly, Postal Services brings letters and parcels together to utilise more efficiently our unrivalled delivery network. Losses expected in letters will be offset by our high-performing parcels service, which is forecast to continue growing on the back of online trade.

Everything we offer in our outlets is managed by the Retail Services strategic business unit, whose growth will derive from ongoing expansion of the financial and agency services we offer.

Distribution & Express Services unites our logistics and express delivery capabilities, including our joint ventures, both in Australia and overseas. Again, our trusted brand and vast reach are critical to the expansion of this aspect of the business.

Finally, the e-Services strategic business unit marks the most significant change in our strategy as it acknowledges the critical place digital communications have in Australia Post's future. In concert, rather than in competition, with our formidable physical assets and capabilities, e-Services will accelerate our engagement with the digital world.

Already, the Future Ready program has brought about positive changes in what we do and how we do it. Although improvement to the bottom line is not expected immediately, we forecast stability in our financial performance by the end of 2010–11, followed by signs of recovery and, within five years, rising sustainable profits. It's an exciting time to be part of Australia Post as we take the next bold step in an ongoing evolution.

Thank you

My sincere thanks to Graeme John for 20 years of outstanding service to Australia Post, and to our new managing director, Ahmed Fahour, for so enthusiastically taking up the challenge of writing the next chapter in the corporation's history. I also extend my gratitude to the many thousands of people who are making our new business vision a reality: the management, staff, licensees, franchisees and contractors who are getting on with the job of serving our customers around the nation.

To our millions of loyal customers, I also say thank you – for showing us that Australia Post has an important and valued role to play in communities everywhere, now and for many years to come. Finally, I would like to recognise the crucial contribution my fellow board members have made during this period of profound change and I thank them for their ongoing support of me in my role as chairman.

David A Mortimer AO
Chairman

MANAGING DIRECTOR AND CEO'S REPORT

Ahmed Fahour Managing Director and Chief Executive Officer

It is with great pleasure that I make my first contribution to an annual report for this iconic Australian business, which I've been proud to lead since February 2010.

While 2009–10 was a difficult year for Australia Post, our financial results are consistent with forecast projections. More importantly, we have taken enormous strides towards returning the business to profit growth in the near future.

In April, we embarked on a major change program – "Future Ready" – that will transform Australia Post from a postal enterprise largely dependent on traditional mail to a highly competitive distribution, retailing and e-services provider in Australia and overseas.

My predecessor, Graeme John, did a remarkable job in transforming this business and I am honoured to have the responsibility of leading the next transition. Like Graeme, I am absolutely committed to the commercial success of this business as well as to providing outstanding community service.

Financial results

There has been a sudden deterioration in our financial results over the past two years, particularly apparent in the year just passed. Revenue for 2009–10 was $4.87 billion (a fall of 2.3 per cent) while our pre-tax profit declined by 73 per cent to $103.0 million. Ongoing sluggishness in the global economy continued to be a factor, but the main threat to our bottom line has been the recent downturn in letter volumes as consumers switch to electronic alternatives. Addressed letter volumes declined by 5.5 per cent while costs increased as we delivered to more than 100,000 additional delivery points nationwide.

Electronic substitution affected other core business areas such as bill payment and agency banking. However, this contraction was largely offset by continued growth in international money transfer and identity services, resulting in an overall decline of 3.3 per cent in revenue for the agency services & retail merchandise portfolio.

The above scenario was the catalyst for our Future Ready business renewal program.

Significant achievements

Although 2009–10 was a year of significant change, our 34,457 people continued to perform admirably. For example, 96.1 per cent of domestic letters were delivered on time, even as we implemented significant efficiency measures. It is because of our people's commitment and can-do attitude that our customers continually rate Australia Post as one of Australia's most trusted corporations.

There have been four significant achievements for the business since I was appointed on 1 February.

Firstly, we signed a memorandum of understanding with the unions that represent our people, the CPSU and CEPU. This contained an acknowledgement from all parties that the existing combination of rising costs and falling revenue is not sustainable for Australia Post, its employees or the community. We are committed to implementing structural change that will reduce our cost base, but we are also mindful of managing this change in a way that is transparent and consultative. Agreement on a Fair Work Agreement was reached in July (after the 2009–10 reporting period).

Secondly, we were successful in our application to increase the basic postage rate. Given the profound changes to the environment in which the letters business operates and the substantial efforts made to improve our productivity, the ACCC did not object to the increase. While we are reluctant to raise prices, an increase was necessary to help offset the rising cost of delivering this essential community service to a rapidly expanding network.

Thirdly, the Future Ready business renewal program is a highlight of my first few months here. Essentially, Future Ready is about returning Australia Post to sustainable growth by putting customers at the centre of everything we do. Between announcing the program on 20 April and starting its roll-out on 1 July, an extraordinary effort was required from many of our people to make Future Ready a reality. Not only have we changed the structure of the business; we are also introducing real, practical measures to achieve cultural change and put our customers first.

Fourthly, we have achieved strong results in our cost containment efforts through the reduction of staff numbers in head offices, as well as reducing costs associated with overheads.

Today, Australia Post is well on the way to balancing its dual objective of delivering healthy commercial returns to our shareholder and delivering a reliable, accessible service to the entire community. It's a time of great challenges and even greater opportunities.

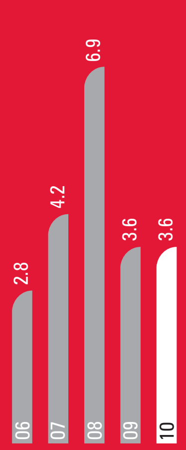
Thank you

My thanks to everyone at Australia Post for the warm welcome I have received. I'm immensely excited to be leading the corporation through a period of major change and grateful to have dedicated people behind me every step of the way. So a big thank you to all our people, partners and suppliers for what has already been achieved this year. There are more challenges ahead, but also tremendous rewards. Finally, I'd like to express my gratitude to our customers, whose loyalty and trust are at the heart of Australia Post's success – now and into the future.

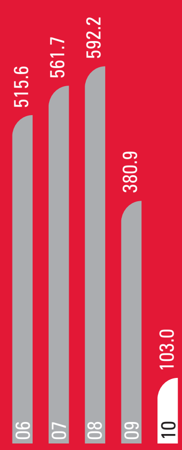
Ahmed Fahour
Managing Director and
Chief Executive Officer

FINANCIAL REPORT

Labour productivity (illustrating five-year cumulative growth) %



Operating profit before tax $m



Revenue $m

Performance

Australia Post's financial results were impacted heavily by the ongoing effects of the slowdown in global economic activity and the fall in mail volumes both in Australia and internationally. These factors contributed to the corporation's statutory profit before tax decline of $277.9 million (from last year's $380.9 million).

Also contributing to the reduced pre-tax profit of $103.0 million for 2009–10 were $188.0 million of restructuring costs associated with the Future Ready program, along with some impairment write-downs, as presented in the table below.

Consolidated underlying performance

	2009–10 $m	2008–09 $m
Underlying earnings	291	416
Items excluded from underlying earnings		
Impairment of goodwill/other restructuring costs	38	35
Separation and redundancy expenses	150	0
Statutory profit before tax	103	381

Our significant restructuring expense will enable the transformation to strategic business units, make administrative structures more efficient and establish more effective support services.

The key factors in the underlying performance decline of $125 million are a revenue decline of $114.7 million and increasing superannuation costs of $82.4 million. These impacts have been partially offset by cost reductions across all categories.

Domestic letter volumes declined by 4.2 per cent this year, representing 200 million fewer items passing through our network. This decline follows last year's 4.1 per cent contraction in domestic letter volumes, which reflected depressed economic conditions. The decline of letter volumes is fundamentally changing the economics of our business – as it is affecting postal businesses across the globe.

One-off restructuring and provisioning costs associated with our business renewal have affected headline profitability in each of our three core business portfolios.

These portfolios either maintained volumes at last year's level or experienced declines. This reflected continuing weakness in consumer and small business activity and ongoing structural shifts in communication towards digital channels, particularly relating to transactional activity, such as bill payments and account statements.

Revenue from our letters & associated services portfolio declined by 3.4 per cent as a result of volume declines and a shift towards smaller and unaddressed mail items. The fall of 5.5 per cent in addressed letter volumes is most evident in our business customer segment, especially among smaller businesses.

While we remain Australia's largest retail store network, this year we experienced declining numbers of daily store visits by our customers. The introduction of penalty charges by some agency principals has been detrimental to our bill payment business, with revenue declining by 6.7 per cent.

Online shopping is a source of revenue growth in our parcels & logistics portfolio. Global expansion in e-tailing is behind increasing demand for our domestic and international express parcels and courier services, which provide a time-guaranteed delivery service at an affordable rate.

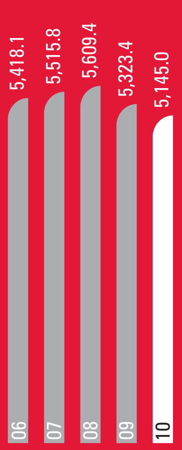
Dividends

At the half-year, the corporation declared an interim dividend of $79.1 million, based on full-year profit expectations and distribution of 75 per cent of after-tax profit for the period. This was paid to our shareholder in April 2010. Due to the significant restructuring provisions made in the final statutory accounts, dividends payable from the 2009–10 result are to remain at $79.1 million. Consequently, the dividend payout ratio for the year is now approximately 97 per cent of the corporation's after-tax profit.

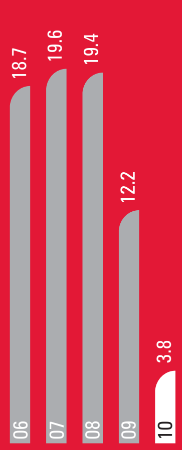
Capital expenditure

Australia Post maintained a slightly more conservative approach to capital investment during the year, as the slowing in the economy had a material impact on letter volumes. Our capital expenditure for 2009–10 was $258.4 million, which was $11.7 million below the previous year's. While some of this investment continues to be directed towards maintenance and replacement capital to maintain our integrated postal network, major investment was directed at critical information technology infrastructure assets. We completed the important investment in our new HR systems and continue upgrading our point-of-sale system. These investments will support the introduction of new services, improve time-to-market and ensure a reliable platform for the future.

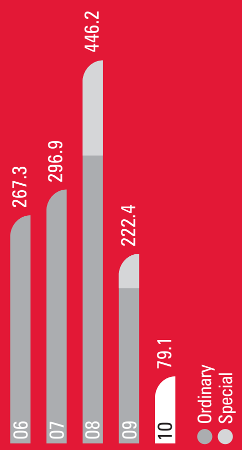
Mail volumes m



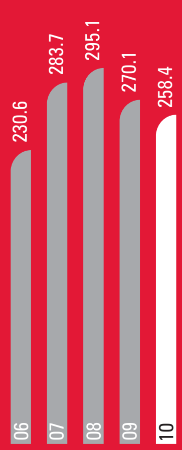
Return on average operating assets %



Declared dividends $m



Capital expenditure $m



Cash management

Australia Post maintained a strong cash position of $500.7 million at 30 June 2010. This was in line with last year, at a time when revenues were under significant pressure from slowing demand. Effective management of working capital ensured that there was sufficient cash in reserve to fund dividend payments of $171.9 million and capital expenditure of $258.4 million.

Our operating cashflows remain at an appropriate level to support targeted capital investment in each of our new strategic business units, as well as the maintenance of strategic business projects and further business development.

In terms of the corporation's key balance sheet and cashflow indicators, debt to debt plus equity increased marginally to 26.4 per cent (from 23.3 per cent last year) and interest cover reduced to 4.6 times (from 11.0 times last year).

Outlook

The Australian economy appears to be strengthening progressively from its slowdown in the aftermath of the global financial crisis. This improvement appears to be relatively broadly based and, although not a sharp recovery, it makes for a less risky general business environment than was the case a year ago. Government and independent economic forecasters expect this overall recovery to continue in the foreseeable future.

Not all markets are sharing equally in the improvement. Some of Australia Post's key revenue sources, such as letters and retail bill payments, face a future of likely volume declines as electronic alternatives erode traditional demand levels. The challenge facing the corporation is to continue to develop and consolidate new revenue sources while redesigning our business model to underpin the new revenue outlook with sustainable cost structures.

Five-year trends[1]

	2006	2007	2008	2009	2010
Revenue ($ million)[2]	4,530.1	4,711.1	4,959.2	4,985.3	4,870.6
Profit before tax ($ million)	515.6	561.7	592.2	380.9	103.0
Profit after income tax ($ million)	367.9	400.7	432.2	260.5	89.5
Return on revenue (%)	11.4	11.9	11.9	7.6	2.1
Return on average operating assets (%)	18.7	19.6	19.4	12.2	3.8
Debt to debt plus equity (%)	18.3	15.9	15.4	23.3	26.4
Ordinary dividend declared ($ million)	267.3	296.9	334.6	184.0	79.1
Special dividend declared ($ million)	0.0	0.0	111.6	38.4	0.0
Interest cover	17.2	18.4	15.6	11.0	4.6
Cumulative labour productivity	2.8	4.2	6.9	3.6	3.6
Mail volumes (millions)	5,418.1	5,515.8	5,609.4	5,323.4	5,145.0
Capital expenditure ($ million)	230.6	283.7	295.1	270.1	258.4

1 Financial information is presented under Australian equivalents of International Financial Reporting Standards (A-IFRS).
2 Includes the corporation's share of net profits of jointly controlled entities.

KEY BUSINESS RESULTS

Our core businesses

LETTERS & ASSOCIATED SERVICES

See pages 15–17.

Revenue

- Revenue from domestic letters declined by 3.8 per cent.
- First Direct Solutions, eLetter Solutions and Decipha again achieved revenue growth.

Results and highlights

- Delivered 96.1 per cent of domestic letters on time or early.
- Delivered 97.9 per cent of bulk mail on time or early.
- Invested in major programs to improve operational efficiency and flexibility.
- Continued to operate one of the world's most inexpensive and reliable letters services.

The year ahead

- We will stimulate mail volumes by continuing to promote the customer benefits of physical mail.
- We will continue developing useful, innovative mail products and services, including complementary digital solutions developed by our new e-Services strategic business unit.
- We will continue improving our service and operational efficiency, including through greater collaboration between letters and parcels, now united in the Postal Services strategic business unit.

AGENCY SERVICES & RETAIL MERCHANDISE

See pages 18–21.

Revenue

- Retail revenue decreased by 6.0 per cent.
- Agency services revenue decreased by 0.7 per cent.

Results and highlights

- Maintained Australia's largest retail network, with 4,415 postal outlets (including 2,531 in rural and remote areas).
- Conducted 1.5 million Australian passport interviews, and became the first external entity permitted to process British passports.
- Sold our two-millionth gift card.

The year ahead

- We will continue investing in new technology that enhances our point-of-sale and multi-channel capabilities.
- We will expand our diverse range of agency services, particularly in the area of growing customer demand for trust-based services.

PARCELS & LOGISTICS

See pages 22–25.

Revenue

- Revenue from domestic parcels increased by 4.2 cent.
- Express Post revenue increased by 11.3 per cent.
- Revenue for Sai Cheng, our joint venture in China, increased by 2.6 per cent.

Results and highlights

- Delivered 96.5 per cent of parcels on time or early.
- Delivered 99.3 per cent of Express Post items on time or early.
- eParcel volumes increased by 16.8 per cent.

The year ahead

- We will continue growing our parcels business, particularly through further development of strategies and capabilities that appeal to online traders.
- We will improve our logistics, Messenger Post and joint-venture productivity and customer service by integrating operations in the Distribution & Express Services strategic business unit.
- We will better utilise existing domestic and international assets, and potentially new ones, to improve our offerings to business-to-business customers.

PERFORMANCE AGAINST TARGETS

2009–10 Targets	2009–10 Performance
Financial	
Revenue of $5.09 billion.	We earned revenue of $4.87 billion.
Profit before tax of $290.1 million.	We made a before-tax profit of $103.0 million.
Return on average operating assets of 8.5 per cent.	We achieved a return on average operating assets of 3.8 per cent.
Return on equity of 19.0 per cent.[1]	We achieved return on equity of 5.9 per cent.[1]
Service	
Deliver 94 per cent of domestic letters on time.	We delivered 96.1 per cent of domestic letters on time.
Maintain 4,000 postal outlets, including 2,500 in rural and remote areas.	We maintained 4,415 postal outlets, with 2,531 of these in rural and remote areas.
Maintain 10,000 street posting boxes.	We maintained 16,039 street posting boxes.
People	
Achieve attendance rates of 94.4 per cent.	We achieved attendance rates of 94.3 per cent.
Reduce our lost time injury frequency rate to 7.1.	We sustained 8.8 lost time injuries per million work hours.
Achieve employment of 1.8 per cent Indigenous Australians.	We employed 593 Indigenous Australians (including 50 trainees) (1.7 per cent of our total workforce).

1 Return on equity excludes the corporation's superannuation assets.

CORE BUSINESSES

In 2009–10, our 4,415 retail outlets in communities across the nation continued to provide a diverse range of products and services that connect customers, businesses and government. Our letters business delivered mail to more than 10.7 million Australian addresses, speedily and accurately – achievements that were also at the forefront of our parcel and logistics operations, both domestically and internationally.

We will continue to carry out these critical functions well into the future, but 2009–10 was the last year in which Australia Post's operations were organised into the three core businesses of delivering letters, handling parcels and operating retail outlets. This structure has served us well for many years, but we are adapting to a changing marketplace by reorganising operations into four strategic business units. With the significant addition of a dedicated e-Services strategic business unit, from 2010–11 our activities will continue to centre on our three core capabilities, but with enhanced service and productivity.

LETTERS & ASSOCIATED SERVICES

For the first two centuries of Australia Post's operations, letters were the primary focus and profit-maker, but in recent times this scenario has changed. Volumes are now declining in the face of cheaper, faster electronic alternatives, while delivery costs are rising as the nation's population expands. Australia Post is striving to ensure that it continues to deliver a reliable, affordable letters service for all Australians into the future despite the prevailing challenges. We are reducing costs by working more efficiently, and maintaining revenues by promoting the intrinsic value of mail as an effective communications option.

HIGHLIGHTS OF 2009–10

We continued to operate one of the world's most reliable and affordable letter services.

We delivered 96.1 per cent of domestic letters on time or early.

We delivered 97.9 per cent of bulk mail on time or early.

Defying market conditions, revenue for our innovative letters businesses, eLetter Solutions and Decipha, rose by 18.4 and 0.8 per cent respectively.

Our place in the market

Australia Post handles three key categories of mail:

- transactional mail (transactions between businesses and their customers, such as bills, invoices, accounts and statements)
- promotional mail (brochures, catalogues and other marketing communications)
- social mail (greeting cards, postcards and personal letters).

Mail has long had to compete with other forms of communication, from the telegraph in the nineteenth century to electronic alternatives, such as email, in the twenty-first. While mail is no longer the dominant means of communication that it once was, it remains an effective and reliable communication channel with unique physical qualities appreciated by senders and receivers alike. Australia Post is continuing to work in partnership with the mail industry to develop, support and promote solutions that add to the value and effectiveness of the mail channel.

Letter volumes and revenue

During 2009–10, the subdued global economy not only reduced business activity generally but also accelerated customer migration to an increasing number of cheaper and faster electronic alternatives. Hence, the downturn in mail volumes across all categories continued during the year, including a fall of 5.5 per cent for addressed domestic letters and a fall of 3.4 per cent in overall revenue for the letters & associated services portfolio.

Basic postage rate increase

While letter volumes are declining, costs continue to rise as the number of addresses to which Australia Post must deliver expands rapidly – in 2009–10 more than 100,000 addresses were added across the nation. Although every effort is being made to reduce costs while maintaining our service levels, it has been necessary to raise the basic postage rate (BPR) to help balance the equation.

In July 2009, the Australian Competition and Consumer Commission (ACCC) opposed Australia Post's draft notification proposing an increase of five cents to the BPR, from 55 to 60 cents. A revised application provided further clarification on the changing marketplace for letters and Australia Post's concerted efforts to improve productivity. In May 2010, the ACCC announced that it had no objection, and the BPR was raised to 60 cents in June 2010.

Even with this price rise, Australia Post will not profit from its reserved letter service, as the cost of providing the service exceeds the revenue we earn from it. For example, sending a letter from Brisbane to Perth costs around 70 cents (which is what a stamp would cost had the BPR risen in line with inflation over the past two decades). While Australia Post is reluctant to increase the price of stamps, price increases are occasionally necessary to make a reliable, uniform postal service available to the entire community. Despite the price increase, Australians still enjoy the third-lowest BPR among OECD countries.

Delivery performance and community service

Australia Post's letters business is unique in being partially protected. Under the *Australian Postal Corporation Act 1989* (Cwlth), letters that weigh 250 grams or less, or that cost less than four times the basic postage rate, are reserved to Australia Post. In return for this protected service, we are required to meet a series of community service obligations (CSOs), all of which we met or exceeded in 2009–10. (See page 98 for a complete description of our obligations and how we performed against them.)

One of the key CSOs we must meet is 94 per cent on-time delivery for non-bulk letters. Once again, we exceeded this target, delivering 96.1 per cent on time or early. Almost all of the remaining 3.9 per cent of letters were delivered the following day. We also monitor our delivery of bulk-lodged business mail, 97.9 per cent of which was delivered on time during 2009–10.

Our delivery performance figures are independently monitored and audited. Global monitoring company Research International assesses our performance and audit firm Deloitte Touche Tohmatsu independently certifies the results.

Bulk mail services

Australia Post's bulk mail services include Unaddressed Mail, PreSort Letters, and Print Post. Our major mail customers continue to value the convenience and cost savings of sending promotional and transactional mail in bulk, though volumes are declining in line with the letter service overall. Bulk mail currently comprises 51.7 per cent of our domestic letter volumes.

The Bulk Mail Partner program, which requires accredited mail houses to meet defined production standards, continues to grow as mail originators demand assured levels of service. Seventy-one mail house sites are BMP accredited.

International letters

In 2009–10, total international letter volumes increased by 11.2 per cent; however, revenue was down by 3.8 per cent. This is because the value of payments made by overseas postal services (in return for our delivery of incoming mail) diminished against the strong Australian dollar. The rate Australia Post pays for outgoing international mail to be delivered is being actively addressed as we seek cost and revenue improvements.

Once again, we exceeded our on-time delivery target set by the Universal Postal Union for inward international letters, despite the high rate of flight cancellations due to a global downturn in freight volumes.

Innovative products and specialist services

Australia Post continues to make letters a more convenient, flexible and effective communications option, particularly through our eLetter Solutions business and the Decipha and PrintSoft subsidiaries.

Letters meet digital technology with the eLetter Solutions suite of products, many of which allow businesses to send mail from their computers to their customers' physical letterboxes. Defying market trends, eLetter had another impressive year in 2009–10: volumes increased by 14.4 per cent and revenue was up by 18.4 per cent.

These positive results reflect the success of recent product innovations, such as the eLetter Ticket, used by major ticketing agency Ticketek. This patented solution streamlines the production and delivery of tickets, which can also incorporate targeted third-party advertising. Another highlight of 2009–10 was the integral role that eLetter's smart online forms played in Australia Post's successful pilot program with the New South Wales Registry of Births, Deaths and Marriages (see page 19).

In December 2009, eLetter consolidated its Victorian activities into a single purpose-built facility at Essendon Fields.

Decipha is a specialist provider of inbound information management solutions, customised for major organisations from a wide range of industry sectors, including government, financial services, manufacturing and retail. Among its services are mailroom management, document imaging, data capture, automated document categorisation, online forms, workflow and electronic archive solutions.

In an increasingly competitive market, Decipha continued its solid growth during 2009–10 by:

- winning new business with key clients, including Bupa, Coca-Cola Amatil, the Australian Tax Office and Myer
- re-securing or extending agreements with major customers, including Westpac, the Victorian Transport Accident Commission and Bank of Queensland
- enhancing our position in the key accounts payable and claims processing market segments
- building on our capabilities in document auto-categorisation, straight-through processing and collecting incoming information via various electronic methods.

This activity led to a 0.8 per cent increase in revenue.

PrintSoft provides integrated software solutions that simplify and automate the creation, production and delivery of personalised corporate communications. The subdued global economy resulted in a revenue decline of 35.3 per cent for the subsidiary, but work is underway to restructure the business for future growth. Employing 143 people in nine offices around the world, PrintSoft is shifting its focus from the delivery of product sales to the provision of professional services and solutions, particularly for corporate clients in targeted markets.

Specialist data products

The availability of customer data is crucial to the success of promotional mail and other marketing communications. Australia Post has undertaken a wide range of activities that enable businesses to access reliable, accurate and relevant customer data, particularly through our data and media division, First Direct Solutions.

Offering paper-based and digital communications that help businesses to target and acquire customers, First Direct Solutions also manages the Mail Redirection and Mail Holding services. Central to its activities is the management of six databases: Lifestyle, Movers, Data Co-operative, Transaction Universe, Australian Address Reference File and National Change of Address.

The strong performance of the Mail Redirection and Mail Holding services, and the introduction of services that respond to the shift from traditional mail to online marketing, enabled the division to achieve an overall 0.8 per cent increase in revenue.

Among the highlights of 2009–10, First Direct Solutions:

- exceeded its new data generation target of 7 per cent
- developed and launched an online affiliate network, enabling our customers to access third-party email databases
- developed and launched a service analysing trends in consumer behaviour in response to email communications – an invaluable tool for customers creating email campaigns
- extended the Movers Direct Mail service, enabling organisations with move-related offers to send a semi-addressed mail piece to households that have vacated the home of a mail redirection applicant
- brought back-end management of the Data Co-operative database in-house, reducing costs and increasing internal capability.

Mail channel solutions

Established programs, such as the Open Up To Mail campaign (openuptomail.com), and the Marketing, Media and Post Centre of Excellence on the Our Community website (ourcommunity.com.au) (see page 17) continued during the year.

In 2009–10, our dedicated Channel Innovation Centre actively worked with business and the community to develop specialist products, resources, tools and collaborative solutions that encourage more efficient and effective mail. These include the following:

- **Send Me™**: The Send Me pilot began in March 2010. This new SMS response management and fulfilment service provides a secure one-off registration for consumers to request samples, brochures and other advertiser information from their mobile phones.
- **Candidate communication packs**: Five end-to-end mail packs were launched in February 2010, designed to assist state and federal politicians in communicating with constituents using fully or semi-addressed mail.
- **Automotive Mail Innovations**: Launched in August 2009, this initiative assists automotive marketers to undertake direct mail campaigns by providing information, resources and tools that are relevant to this sector. The initiative highlights ten innovative automotive mail solutions, including sensory production techniques, quick response codes and augmented reality.

THE CENTRE OF ATTENTION

Our Community is a social enterprise providing advice, guidance, training and tools for Australia's 700,000 community groups. Among its key offerings is a website that since 2004 has included the Marketing, Media and Post Centre (www.ourcommunity.com.au/mmp). From day one, Australia Post has supported this virtual resource centre, which gives practical assistance to groups wanting to promote themselves effectively.

So far, over 100,000 community organisations have used the Marketing, Media and Post Centre to help them find funds, members, volunteers and other support, such as media coverage. Its resources include more than 200 help sheets, best-practice examples, a media-contact directory, free image library and guidance in developing marketing, direct mail and communication campaigns.

Among those singing the centre's praises are Father Joe Caddy (pictured), CEO of Centacare Melbourne and Chairman of Catholic Social Services Australia. "Thanks to Australia Post and Our Community," he says, "the possibility of a well-resourced and targeted media and marketing strategy is now within reach of every one of the 700,000 groups in Australia."

Other initiatives that Our Community and Australia Post have delivered include books such as *How to Stand Out from the Crowd – The Complete Marketing & Media Handbook for Community Organisations*, launched in May 2010.

- **Thinkpublications.com.au**: Launched in October 2009, www.thinkpublications.com.au is an online resource for subscription marketers and custom publishers geared towards helping marketers and publishers achieve maximum results from their printed publications. The site also features a comprehensive service directory for marketers and publishers, featuring more than 80 participating organisations.
- **Local council "Community Update" mail**: Designed to assist councils in engaging their constituents at maximum efficiency and effectiveness, the service assists in increasing the reach and effectiveness of council communications by using Australia Post's addressed delivery service and consolidating communications into an identifiable pack.

Operational optimisation programs

During 2009–10, Australia Post accelerated programs that improve our operational efficiency and flexibility in the letters business. We have pursued opportunities for automation, process redesign and network systems that reduce costs and maintain service standards Australia-wide.

A major focus has been the Future Delivery Design (FDD) change program, which is setting the future direction for delivery operations. Among its achievements during 2009–10, the FDD program has:

- continued rolling out the automated sorting of letters into delivery sequence order, bringing the number of machine-sorted rounds to 1,437 (or 18 per cent of metropolitan rounds)
- rolled out the first stage of a program designed to enhance automated address recognition, resulting in an average improvement of 11.3 per cent
- introduced electric bicycles and tricycles and continued testing additional alternative delivery modes such as all-terrain buggies.

Another major program, PostMaster, continued modernising Australia Post's core address, network and mapping systems, processes and support. Among its achievements this financial year was the completion of the Geographic Information System project, resulting in national mapping services for the corporation.

The Address Replatform project was also implemented. On schedule for roll-out in late 2011, this project will modernise core address systems by consolidating seven applications and five databases into one integrated solution.

The future

On 1 July 2010, letters became part of Australia Post's new Postal Services strategic business unit. By aligning our letters and parcels activities more closely, greater efficiencies will be achieved across an ever-expanding network. This remains a priority for the business, so we will continue introducing equipment, technology and processes that optimise productivity and maintain high service standards.

Although it is clear that any significant growth in letter volumes is unlikely in the future, we are also committed to developing, supporting and promoting the benefits of physical mail. Through innovative products, services and campaigns, we will ensure that mail remains a valued and effective communications option well into the future.

Digital products and services were also a priority for the letters & associated services business, particularly through the work of eLetter Solutions, Decipha, PrintSoft and First Direct Solutions. From 1 July, these businesses became part of e-Services, the new strategic business unit dedicated to the development of Australia Post's digital capabilities.

AGENCY SERVICES & RETAIL MERCHANDISE

Across the nation, in communities large and small, we are ready to serve all Australians – now and well into the future. More than ever before, Australia Post's retail network, products and services are evolving to meet changing consumer needs and market conditions. With our range of trusted agency services, we are connecting customers with a growing number of businesses and government bodies.

HIGHLIGHTS 2009–10

We processed more than $77 billion in payments through our suite of financial services.

We processed more than 2.4 million identity checks and took more than 1.2 million photographs.

Our identity services achieved revenue growth of 19.5 per cent and developed a new platform.

We sold our two-millionth gift card, a highly successful product introduced to outlets in October 2007.

Our place in the market

Australia Post outlets form the largest physical retail network in the nation. Under our CSO-related performance standards, we are required to maintain at least 4,000 postal outlets, including 2,500 in rural and remote areas. In 2009–10, we again exceeded this requirement, with 4,415 postal outlets, including 2,531 in rural and remote Australia.

Australia Post outlets have traditionally been where consumers access letter and parcel services. However, they also offer many complementary products and services, including retail merchandise such as packaging; identity services such as passport applications; and financial services, like bill payment and money transfers.

Our goal is to maximise returns from existing products and services while exploring other opportunities for sustainable future growth. This is being achieved by:

- continually improving customer service
- making existing products and services more relevant
- developing new, complementary offerings, particularly in the area of trust-based services
- reducing costs.

Our business partners

Licensed post offices (LPOs) are independently run small businesses that play an important role in their local communities. They are critical to our connection with customers, as they comprise two-thirds of Australia Post's retail network. At 30 June 2010, we had 2,934 LPOs, contributing 40.2 per cent of total revenue from the agency services & retail merchandise portfolio.

Our newest partners in the retail network are franchisees. By 30 June 2010, we had 29 outlets operating as franchises (28 in 2008–09).

Delivering quality customer service

We constantly strive to enhance the service we provide to retail customers visiting our outlets each business day. The Channel Enablement – Point of Sale Upgrade project has been a major focus since its inception in June 2009. Significant progress has been made on the project's first phase – improving inventory management capability – due to go live in late 2010. Phase two – delivery of new capability, enabling enhanced and new products and services – is also well advanced, with implementation expected in 2011.

The customer experience is also being improved through a significant upgrade to our identity services technology platform, which provides an end-to-end secure electronic enrolment process. A pilot for the New South Wales Registry of Births, Deaths and Marriages was launched in December 2009 at 10 outlets in regional NSW. When the program went live in July 2010, it was the beginning of a process to roll out this technology to more than 150 outlets over the next year, enabling identity transactions to be processed more securely, accurately and efficiently, with reduced paperwork. It will be progressively rolled out to some 800 outlets over the next three years (subject to customer demand), optimising the ease and speed of our identity services transactions.

Agency services & retail merchandise revenue

During 2009–10 the volume of in-person banking and bill-payment transactions continued to decline as more customers switched to electronic channels for these services.

The decline of these traditional transactions, in conjunction with falling letter volumes and consumer spending, resulted in fewer customers visiting our outlets. This directly affected retail merchandise sales, which is driven primarily by impulse purchasing.

Declines have been largely offset by the stronger than expected growth in identity services, foreign-exchange services and international money transfers, resulting in a moderate overall fall in revenue of 3.3 per cent for the agency services & retail merchandise portfolio.

CERTIFIED SUCCESS

The New South Wales Registry of Births, Deaths and Marriages co-ordinates around 200,000 registrations annually.

Until recently, obtaining birth, death and marriage certificates could also be quite a task, as options were limited to applying by mail or visiting either the Sydney Registry or a courthouse.

“We were looking for a different channel for applications,” explains Deb Leyshon, Assistant Registrar for the Registry’s Client Service Division. “We were sold on Australia Post’s extensive identity service experience.”

Australia Post has over 20 years’ experience in identity verification and processing applications, including more than 90 per cent of this year’s Australian passport interviews.

Deb has been impressed by the security and accuracy of certificate applications processed by Australia Post. It’s also easier for applicants, who may now apply online. Their submitted data is rapidly retrieved when customers visit participating Australia Post retail outlets for final processing, including identity checks.

Financial and agency services

Australia Post performs an extensive range of financial and agency services for 750 Australian businesses and government bodies attracted by our vast network of trusted retail outlets (including in areas where services are otherwise limited). More than half the customers visiting our outlets do so to access our bill payment, agency banking, money transfer or identity services. During this financial year, around $77 billion in payments and banking transactions were processed by the 3,289 outlets with the technological capability to conduct these services.

Financial and agency services revenue remained consistent with the previous year.

Bill payments

During 2009–10, the trend away from over-the-counter bill payments continued, resulting in a revenue decline of 6.7 per cent.

However, we continued to add new billers, bringing the total number of Postbillpay clients to more than 600. Billers large and small are drawn to the security of Postbillpay, as well as to Australia Post's extensive customer reach. In addition to our unrivalled physical network, we also offer credit card payment by phone on 13 18 16 and via the postbillpay.com.au website. A website redesign during the year has made it easier for customers to pay their bills online.

Identity services

Australia Post has strengthened its position as a trusted and accessible provider of identity services. In 2009–10, we conducted 2.4 million transactions with a revenue growth of 19.5 per cent.

Demand from governments and businesses for identity services was stronger than expected in 2009–10, as volumes grew in existing contracts and new contracts were acquired. Significant activity included the 1.5 million passport interviews conducted on behalf of the Department of Foreign Affairs and Trade, representing 93 per cent of Australian passport applications lodged in this country. The first full financial year of processing British passport applications was also very positive, with 70,000 interviews undertaken.

Australia Post further enhanced its market-leader position in identity services with the successful pilot program of an end-to-end electronic enrolment application process for the New South Wales Registry of Births, Deaths and Marriages. The platform provides our agency and business clients with a highly secure and efficient multi-channel electronic enrolment and identity verification capability (see page 19).

Banking services

Although there is a marked consumer trend towards online banking, ATMs and EFTPOS cash-out, clients seeking financial services continue to be drawn to our extensive retail network. In many regional and remote locations, Australia Post is one of the few remaining access points for banking services and plays a critical role in these communities. In addition to our extensive personal banking services, we also offer business banking in more than 2,500 locations.

Australia Post provides a convenient in-person transaction banking service for more than 75 financial institutions. In the past year, we have extended the available services for several new clients, including NAB, TabCorp, ING Direct and ANZ.

During 2009–10, Australia Post processed more than 23 million banking transactions, including 2.7 million cheques with a value of $4.7 billion.

Money transfer services

Australia Post offers numerous money transfer services, including domestic money orders, cash dispersals on behalf of government agencies and cards such as prepaid and reloadable Visa cards.

While we experienced a decline in domestic money order transactions this year, our highly successful partnership with Western Union for international money transfer services achieved a volume growth of 19 per cent.

Successful partnerships with American Express for foreign currency and Travelex for Cash Passports also saw an increase in our market share for travel money. Joint promotion, convenient customer access and competitively priced products drove our above-market growth this year.

Insurance

In August 2009, we added to our suite of offerings when car insurance was introduced. The performance of the product and rate of take-up have exceeded expectations.

Retail merchandise

Retail merchandise revenue fell by 4.1 per cent in 2009–10. This was due partly to subdued consumer confidence and partly to the fact that declining mail volumes, bill payments and banking transactions reduced overall foot traffic to our outlets. The purchase of retail merchandise products (including mobile phones, gifts, greeting cards and office products) is primarily a matter of impulse or convenience.

Nevertheless, there were numerous positive results, including:

- the sale of our two-millionth gift card and the addition of Myer gift cards to the range
- the strong performance of gifts, including books, particularly leading up to Christmas
- the growth in sales of technology products, such as USB sticks, and a positive trial of the Tech Direct model, which saw technology products delivered directly to customers
- higher mobile phone sales, driven by the roll-out of new display cabinets to selected stores
- expanded use of our Sai Cheng logistics capability to package and distribute products directly to outlets, which streamlined logistics and lowered costs.

A smart-phone application was developed during the year, which offered services such as bill payment and a post office locator when it was released in July 2010. Additional services will be added to the application over time.

Our philatelic program

The Philatelic Group produces postage stamps and other products for stamp enthusiasts and memorabilia collectors. The strength of our traditional stamp program has in recent times been augmented by continued growth in licensed collectables, which attract customers outside the philatelic market. Licensing partners include the AFL and NRL, and we also work with the Royal Australian and Perth mints to produce complementary stamp and coin collectables, including innovative stamp coins.

This was the first full financial year in which products were available for purchase online via our stamps.com.au website, which we continued to upgrade.

EXPANDING BUSINESS, NATURALLY

Based in the rural New South Wales town of Tenterfield, Herbal Horse has been supplying natural equine remedies since its establishment in 1997. Once a passionate customer and then employee of this innovative business, Anita Brojatsch (pictured) is now its proud owner.

Tenterfield Licensed Post Office has been providing more and more assistance to Herbal Horse as the volume of its product deliveries grows. Recently, Australia Post arranged for Anita to make over-the-counter lodgements for our online freight management service, eParcel, because she is in a remote location.

The local post office is also where Anita lodges Herbal Horse's bulk-mail newsletter and purchases essentials such as delivery satchels, bubble wrap and packaging tape. Anita finds the staff very helpful: "They help me unload parcels from the car, always have everything on hand that we need and have our mail ready," she says, adding that her account manager is also just a phone call away.

From this hub of activity in Tenterfield, wholesale and retail orders made by phone or via the www.herbalhorse.com website are delivered across Australia, including to remote locations not serviced by other operators. "Without Australia Post, I wouldn't have a business," says Anita, who is expanding into remedies for other animals.

Stamp highlights of the year included:

- Australian Songbirds, issued in September 2009. Voted the most popular stamp series of the year by collectors, the stamps were complemented by associated products, including gold-foil stamps and framed prints signed by the artist.
- Australian Legends of the Written Word, issued in January 2010. The latest in our annual Australian Legends series celebrated six living authors: Colleen McCullough, Peter Carey, David Malouf, Thomas Keneally, Tim Winton and Bryce Courtenay.
- Vancouver Winter Olympics instant stamps issued in February 2010. We designed, printed and distributed stamps featuring gold medal winners Lydia Lassila and Torah Bright within 72 hours of their medal presentations.
- Kokoda, jointly issued by Australia Post and Post PNG in April 2010. This series commemorated the 1942 Kokoda campaign with illustrations from the trail then and now, one of which also featured on a commemorative medallion.

See the inside back cover for a selection of the year's stamp issues.

The future

On 1 July 2010, the agency services & retail merchandise portfolio was transformed into the Retail Services strategic business unit. This change will reposition the business for sustainable growth in a rapidly changing marketplace.

There will be greater focus on collaboration and we will continue exploring other ways to improve efficiency. While our new e-Services strategic business unit will expand Australia Post's virtual offerings, this will complement what we provide in our retail outlets. We will further exploit the potential of this vast physical network to be a convenient and trusted agent for an increasing number of third parties, particularly in expanding markets such as identity services.

Above all, our dedication to customer service excellence will be strengthened as we develop products and services that meet the needs of consumers, today and tomorrow.

PARCELS & LOGISTICS

Australia Post's parcels & logistics portfolio continues to perform strongly despite the highly competitive nature of the international parcels and logistics market, particularly during these challenging economic times. With Australia's largest delivery network, a significant Asia–Pacific presence and unrivalled global delivery capabilities through our partnership with the world's postal services, our trusted services are positioned for growth in a future that promises rapid expansion of e-commerce.

HIGHLIGHTS 2009–10

We delivered 96.5 per cent of parcels and 99.3 per cent of Express Post items on time.

Domestic parcel revenue rose by 4.2 per cent and Express Post services revenue increased by 11.3 per cent.

We extended the Click and Send online processing service to domestic parcels and integrated the platform into the eBay website.

Post Logistics successfully launched a new IT system, Accellos, with major new customer BIG W Online.

Our place in the market

Parcels and logistics combine to form a fiercely competitive, multi–billion dollar international market characterised by rapid changes in customer behaviour. Increasing our share of this lucrative market, both domestically and internationally, is vital to Australia Post's future profit growth; in 2009–10, for the fourth consecutive year, the parcels & logistics portfolio was the corporation's primary profit generator.

Now, and into the future, our goal is to be a key partner for domestic parcels and logistics services and a leading facilitator for Australian businesses that manufacture and trade in the Asia–Pacific region. We are achieving this by:

- offering a suite of accessible, highly recognisable, reliable and competitively priced products
- enhancing partnerships with our customers and suppliers
- containing network costs while maintaining our high service standards.

Overall portfolio revenue increased by 1.0 per cent during the year, mainly as a result of 4.2 per cent revenue growth for domestic parcels and 11.3 per cent for Express Post services.

Click and Send

After the successful launch of Click and Send for international parcels in March 2009, this service expanded into domestic parcels in May 2010. Domestic Express Post, Express Post Platinum and Parcel Post can now be processed online, including documentation, payment and management of shipment details, with the option of courier pickup. Click and Send is a proven channel for consumers and businesses seeking efficiencies and convenience.

During the year, we also entered into a formal arrangement with leading e-commerce facilitator eBay to integrate the Click and Send platform into its website. We are further enhancing our relationship with online traders by developing technology that will enable the platform to be easily integrated into any organisation's online trading experience. Helping businesses to grow, including internationally, is part of Australia Post's engagement with the rapidly expanding online marketplace.

Domestic parcels

Parcel Post

Parcel Post is Australia's market leader for parcel deliveries from business to consumer (B2C) and consumer to consumer (C2C). Our reliable service, nationwide reach and competitive pricing for single parcels are integral to this success. We maintained our excellent delivery performance in 2009–10, with 95.9 per cent of small parcels and 96.8 per cent of large parcels arriving on time or early. Volumes were down marginally (by 0.7 per cent) due to ongoing economic challenges, although business generated by online purchases remained buoyant.

eParcel

eParcel provides electronic consignment management and tracking via a barcode and delivery verification system. Online trading and the business-to-business (B2B) market are contributing momentum to the service, which delivered 16.8 per cent volume growth in 2009–10.

During the year, we launched eParcel Post Returns, a reverse-logistics service facilitating the easy return of goods, particularly small consumer electronic products, for repair under warranty. Consumers visit Australia Post outlets with an electronic label supplied by the relevant repair centre. Once scanned, this label provides information and if applicable enables our people to package the item correctly and deliver it to the repair centre – all at no cost to the consumer, who is also able to track its progress. We provide this service to several businesses, including Acer Computers and Nokia.

Express and courier services

Express Post

Our Express Post service delivered strong revenue and volume growth during the year, driven by online commerce and increasing demand for Express Post eParcel's tracking and proof-of-delivery capabilities. Speed and reliability account for much of Express Post's success, and in 2009–10 the service's performance was again exemplary, with 99.3 per cent of items delivered on time or early.

THINKING BIG

One of Australia's largest retailers recently launched its online shopping service, BIG W Online (www.bigw.com.au), making more than 4,000 of its most popular products available to consumers across the nation.

Australia Post was selected as this virtual store's lead logistics and delivery provider because we can fulfil BIG W's promise of next-day, Australia-wide delivery. Our trusted brand, extensive network and customer focus make Australia Post an ideal partner.

Post Logistics provides warehousing and order fulfilment, then parcels are processed and delivered by eParcel contractors, Messenger Post or Australian air Express, our joint-venture partnership with Qantas. Every BIG W delivery demonstrates the effective end-to-end service that Australia Post provides.

"Since the May launch of the service, the delivery process has been seamless and customer feedback has been very positive," says Terry Sinclair, head of Australia Post's Distribution & Express Services strategic business unit.

Our early success with BIG W is just the beginning, as we expect this aspect of Australia Post operations to expand significantly in the years ahead. "Online retailing is predicted to grow rapidly in Australia in coming years," says Terry. "It's a key focus of our business renewal program and is a natural fit for our business."

During the year, we introduced a larger satchel for items under five kilograms. We also expanded the Express Post Platinum service, which provides premium features such as guaranteed overnight courier delivery and signature upon delivery.

Messenger Post Couriers

Messenger Post Couriers (MPC) is the courier division of Australia Post and provides a suite of courier services. We provide a secure online environment, with booking and tracking capabilities, proof of delivery and on-time delivery reporting.

Trading conditions continued to be difficult for businesses that use premium metropolitan distribution services, resulting in intensified price competition. Nevertheless, revenue grew by 0.5 per cent this financial year as we continued to focus on ways to retain and gain customers through improved service. A number of technology innovations were implemented, including:

- enhancements in SMS and email job notifications
- improved GPS functionality, including real time view of jobs on maps, service level monitoring and historical information
- further enhancements to our systems to enable ID verification and capture at time of delivery.

MPC also continued business rationalisation and consolidation activities to manage the financial downturn, including the integration of transport infrastructure with Post Logistics, resulting in operational efficiencies.

International parcels

Australia Post's position at the economy end of the international parcel market means that we appeal to online traders and are also performing well during this period of subdued global economic activity. Nevertheless, our express services remain highly profitable. The Australian dollar's strength during the year led to historically high inward volume growth of 24.5 per cent, but it also diminished the value of payments made by overseas postal services for the delivery of these inward parcels.

Improving capabilities and efficiencies continues to be a high priority for the international group, as demonstrated by a strengthened service delivery into and out of New Zealand during the year. Service improvements and cost reductions were delivered on the highly competitive Trans-Tasman trading lane by sourcing a new delivery agent for parcels and premium products and offering alternatives to the freight forwarding model for selected customers.

As a member of the Universal Postal Union (UPU), Australia Post is part of the world's largest physical distribution network. The 191 member countries share costs and revenue, making us resilient in tough times, and also benefit from access to millions of postal outlets, post office boxes and street addresses around the world. This unrivalled network, including last-mile delivery capabilities and the consumer market's trust in local postal services, is enabling UPU members such as Australia Post to benefit from the exponential growth in online trading (particularly through small ad hoc items).

Express Courier International

Express Courier International (ECI) is a cost-effective courier service that provides door-to-door delivery to around 200 countries and territories, with deliveries between most major cities taking between two and four business days.

The ECI service is underpinned by Australia Post's membership in the Kahala Posts Group (KPG), an alliance of 10 international postal enterprises. Membership has enabled us to have greater control over delivery in key destination countries, dramatically improving ECI's reliability and performance standards. All members continue to improve their service performance and integrated network capabilities, and this year collaborated on developing strategies for growing markets, particularly e-commerce.

Express Post International parcels

The Express Post International (EPI) service offers customers priority handling, basic tracking and signature on delivery, with delivery between metropolitan areas of major cities within three to seven business days. EPI is in its third full year of operation and continues to be highly profitable.

Air Mail

The Air Mail service, which forms the bulk of Australia Post's international parcel volumes, is a reliable and affordable way to transfer diverse business and consumer items between Australia and almost any address in the world. This year, the outward Air Mail service experienced a small downturn in volume, while revenue was steady. The decline was largely in the consumer segment, which is moving towards gift cards and online gift giving (requiring no postage or cheaper domestic postage in destination countries). In addition, some consumers, particularly online traders, migrated to the Registered Post International product.

Registered Post International – parcels

Launched in June 2008 following the success of the ECI and EPI services, Registered Post International (RPI) gives customers signature on delivery, which shows that items have been posted and delivered. It can be used to send items weighing up to two kilograms. A receipt at the lodgement point and proof of delivery are service features valued by people selling goods online. RPI experienced strong volume growth in its second full year, in part due to customers migrating from Air Mail.

Logistics services

Post Logistics

Post Logistics offers business customers an end-to-end supply chain capability, from domestic or international manufacturers to consumers. Value-added services provided by Post Logistics along the supply chain include:

- multi-country consolidation (sourcing products or components from various countries)
- multi-modal international freight forwarding
- destination port and customs services
- electronic order processing
- automated reporting and credit management
- warehousing (in Australia and China)
- inventory management
- kitting
- pick and pack and distribution
- returns management.

After seven years of growth, in 2008–09 Post Logistics recorded a decline in revenue due to the retail sector downturn, so during 2009–10 our focus was on rationalising and restructuring the business. This resulted in an immediate improvement in profitability and places Post Logistics on a growth trajectory. During this busy year of operational reorganisation, we maintained our excellent standards of on-time delivery (96 per cent) and order accuracy (99.5 per cent).

Among key 2009–10 activities aimed at improving productivity, Post Logistics:

- vacated several warehouses, consolidating the business at other facilities
- outsourced major capital city deliveries to Messenger Post Couriers to reduce capability replication
- exited arrangements with unprofitable customers
- successfully trialled a new 3PL IT system, Accellos, and implemented with a major new customer, BIG W (various legacy systems will be replaced by Accellos from 2010–11 onwards)
- prepared for the transfer of all logistics assets to a single entity, Post Logistics Australasia (with benefits including single systems for administrative functions such as payroll and human resources).

Late in the financial year, we began refocusing on business development, particularly in the areas of international logistics and online trading. We are strengthening our collaboration with Sai Cheng Logistics International, our joint-venture partnership in China that enables us to provide end-to-end solutions, and expanding our e-tailing footprint by combining our logistics skills with Australia Post's dominance of last-mile-to-consumer deliveries. A significant success in this area was Post Logistics' selection as the lead logistics and delivery provider for BIG W's new online shopping offer (see page 23).

Joint-venture partners

Star Track Express, Australian air Express

Australia Post is a joint-venture partner with Qantas in two express delivery businesses. Australian air Express offers complementary time-critical express linehaul and air delivery services. Star Track Express specialises in transporting time-critical B2B freight, and most of its business comes from its national express road freight service.

Sai Cheng

Sai Cheng, our joint-venture partnership with China Post, was established in 2005. This collaborative effort benefits customers common to both organisations, as it offers a reliable, cost-effective supply-chain solution between manufacturers in China and customers in Australia and New Zealand. This capability also extends into the United States, Europe and Japan.

With the ongoing challenges of strong competition in a subdued global economy, Sai Cheng's revenue still increased in 2009–10 and, like Post Logistics, it is being positioned for growth. A significant new customer is Australian clothing manufacturer Pacific Brands, whose labels include Bonds and Hard Yakka. Sai Cheng, together with Australia Post businesses such as Post Logistics, delivers an integrated supply-chain solution from manufacturers in China to retailers in Australia, resulting in efficiencies and cost savings for Pacific Brands.

DELIVERING AUSTRALIA TO THE WORLD

For most of the 27 years Sam Menche (pictured) has been selling iconic Australian products, such as Akubra hats and Driza-bone coats, Melbourne's Queen Victoria Market was his retail outlet. In 2001, however, Everything Australian became a purely online business.

"I feel like I've had a heart transplant," says Sam, whose little Aussie enterprise is not so little any more. His website, www.everythingaustralian.com.au, receives 5,000 hits per week – up to 10,000 during busy periods.

Since Sam's online business began, with the help of his two sons Jason and Alex, Australia Post has been solely responsible for delivering both his domestic and international orders because "it's got a lot of product variety and reaches everywhere – it's a one-stop shop". He particularly likes the cost-effective security of Registered Post, which requires a signature on delivery.

He has also been impressed by Australia Post's "very reliable service and terrific people". From the smiling driver who collects the parcels to his helpful rep, Sam is delighted with these "real people who genuinely care".

Our people, products and services are ready to help enterprises like Sam's tap into the exponential growth of online shopping. "Australia Post is allowing small businesses to play like the big boys in a big market – in the world market," he says.

Enterprise Event Management project

Phase two of the Enterprise Event Management project leverages infrastructure and solutions deployed by the first phase in June 2009 (which delivered significant product tracking benefits this financial year). Its focus is on building additional delivery capabilities that will enable us to capitalise on opportunities within the B2C, B2B and C2C markets by:

- building revenue-generating delivery aimed at retaining existing customers and attracting new ones
- implementing a mobility technology solution that enables easy adaptation to new delivery capabilities
- upgrading the existing mobility solution to meet expanding scanner coverage requirements for the B2B and B2C markets.

The solution will also deliver greater functionality to improve our customers' experience when they enquire about and track their domestic and international parcel deliveries online.

The project's first release was deployed on schedule in June 2010 to provide the internal infrastructure foundation required for the new capabilities to be implemented in September 2010.

The future

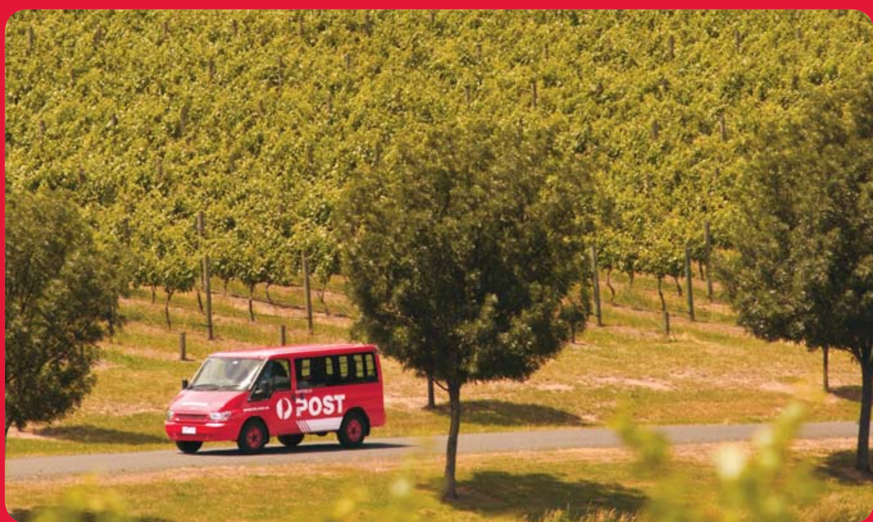
On 1 July, our parcels services became part of the new Postal Services strategic business unit, delivering efficiencies across the network shared by parcels and letters. We expect strong volume and revenue growth for parcels as we develop strategies and capabilities that will further enable us to capitalise on e-commerce expansion, particularly in the B2C market.

Messenger Post Couriers, along with Post Logistics and our joint ventures, have formed the Distribution & Express Services strategic business unit, enabling them to better integrate their services, capabilities and networks. These business will continue playing an important part in the B2C market, but we will also better utilise existing assets, and potentially new ones, to increase our share of B2B distribution and logistics.

While there are strong indications of growth in parcels and logistics, we will continue seeking ways to reduce costs and improve efficiency. Above all, we will strive to further enhance our service to customers, both corporate and consumer, as we meet their changing needs here in Australia, around the world and online.

CORPORATE RESPONSIBILITY

As one of the nation's largest employers, with an unrivalled retail and delivery network reaching far and wide across the continent, Australia Post takes its responsibilities as a corporate citizen very seriously. In the year since we launched our corporate responsibility strategy, we have made great strides in improving the way we do business – with not only positive economic results in mind but also outcomes that benefit our staff, partners, customers, the wider community and our planet. At no other time in the history of Australia Post have we been more committed to operating a business that is sustainable in every way: economically, socially and environmentally.



The year since the launch of our corporate responsibility strategy and the release of our first corporate responsibility report has been a productive one. Despite numerous challenges during 2009–10, we have once again delivered results that underscore our commitment to long-term sustainability founded on responsible business practices.

HIGHLIGHTS 2009–10

We launched the Workplace Community Giving program, raising $387,777 for our eight program partners through staff donations and Australia Post–matched contributions.

Seventy per cent of contracted suppliers are now covered by our code of conduct, which requires suppliers to meet a range of social, ethical and environmental standards.

We set a target to reduce our greenhouse gas emissions by 25 per cent of our year 2000 emission levels by 2020.

We contributed $4.5 billion to the economy in labour and operating costs and employed 34,457 people.

We won the Diversity@Work National Diversity and Inclusion Champion Award.

Corporate responsibility strategy

Last financial year, the Australia Post board endorsed our first enterprise-wide corporate responsibility strategy, which has been further refined during 2009–10. Our more formal approach to corporate responsibility governance, which has been strengthened this year by the introduction of a corporate responsibility policy, has resulted in major changes to the way we manage the social, environmental and economic impacts of our business.

Our corporate responsibility strategy vision is to contribute "every day for a sustainable tomorrow," and our stated desire is to "be recognised as a corporation and a workforce that create success via sustainable business practices".

The strategy is underpinned by the following seven goals:

1 Minimise our environmental footprint.
2 Invest in the communities where we operate and where our people live and work.
3 Offer responsible and valued products and services.
4 Integrate sustainable sourcing across our supply chain.
5 Engage our workforce to apply sustainability practices.
6 Understand and be responsive to our stakeholders' needs and expectations.
7 Ensure effective governance and reporting.

Our corporate responsibility report

In accordance with our seventh strategic goal – to ensure effective governance and reporting – we have produced a stand-alone corporate responsibility (CR) report for the second consecutive year. Once again, our CR report aligns with the Global Reporting Initiative. Furthermore, the report was formally assessed by our Stakeholder Council for the first time this year.

The Environmental Performance summary in this report (see page 28) and sections of our 2009–10 CR report together address the reporting requirements of section 516A of the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act).

To read a full account of Australia Post's corporate responsibility performance in 2009–10, please refer to the *Australia Post Corporate Responsibility Report 2009–10*, which is being released in conjunction with this annual report. Our corporate responsibility report can be viewed online at auspost.com.au/cr.

Community investment

Australia Post's role in the community extends far beyond our products and services. We are committed to a community investment approach that contributes to the education of young Australians, supports environmental programs and helps sustain rural and regional communities. We selected these areas based on staff feedback, research and their alignment with our business priorities.

Some key results for 2009–10:

- We invested $4.37 million, or 4.9 per cent of net profit, in community programs.
- We launched the Workplace Community Giving program, achieving our target of 3 per cent participation in the first year. We raised $387,777 for our eight program partners through staff donations and Australia Post–matched contributions.
- We became the principal partner of Kids Teaching Kids, a national schools-based education program fostering greater awareness of local environmental issues while increasing the effectiveness of learning through peer education.
- Since the Be Seen in Red and Green (BSRG) program started in 2000, it has grown to become an avenue for employees, contractors, licensees and franchisees across Australia to actively fundraise for community causes. Our staff raised $342,000 through team-based fundraising activities.

Products and services

We take social, environmental and economic considerations into account in the planning, development and operation of our network and the development or procurement of our services and products.

Among activities undertaken during the year to further improve our performance in this area, we conducted specific life cycle assessments for several of our key products and services. These investigations into end-to-end procedures, including transport and processing, highlighted numerous opportunities to reduce environmental impacts.

Some key results for 2009–10:

- We exceeded all of our community service obligations, including maintenance of more than 2,500 retail outlets in rural and regional areas.
- Seventy per cent of contracted suppliers are now covered by our code of conduct, which was launched in 2008–09 and requires suppliers to meet a range of social, ethical and environmental standards.
- We consolidated six state customer contact centres into one national centre that uses new and improved technology.

Environmental performance

We have been actively managing and reducing our environmental impacts for well over a decade and have developed a strong foundation on which to build an environmentally sustainable business. This year, we continued implementing our comprehensive and robust environmental management system and improving on a business-as-usual approach.

For the 2009 calendar year, our total Scope 1 and 2 emissions (combining our direct emissions and emissions from electricity consumption) were 303,163 tonnes of carbon dioxide equivalent (CO_2-e). This represents a slight increase on 2008 emissions, mainly due to Australia Post fulfilling its community service obligations by delivering to a continually expanding network. Nevertheless, fleet efficiency initiatives reduced transport fuel consumption, thereby reducing related greenhouse gas emissions by 631 tonnes of CO_2-e.

Some key results for 2009–10:

- We set a target to reduce our greenhouse gas emissions by 25 per cent of our year 2000 emission levels by 2020.
- We developed a comprehensive carbon analysis and reduction strategy to achieve our greenhouse reduction target.
- We committed $11.2 million for the implementation of a National Energy Management Plan.

Financial and economic impacts

As one of Australia's largest employers, we paid our 34,457 staff $2.2 billion in wages and benefits in 2009–10 (including superannuation benefits exceeding the Australian Superannuation Guarantee System requirements). We also contracted more than 8,500 licensees, franchisees, community postal agents and mail contractors, who, in turn, employ thousands more Australians in the running of their small businesses.

Some key results for 2009–10:

- We contributed $4.5 billion to the economy in labour and operating costs.
- We contributed a total of $4.37 million to the community (including cash, time, in-kind contributions and management costs).

The future

We intend to establish a target for our total community investment spend and are aiming to achieve an even higher participation rate of 5 per cent in our Workplace Community Giving program. Australia Post will also adopt corporate responsibility practices for an increasing number of products and services, and our supplier code of conduct will apply to all suppliers by 30 June 2011.

In the area of environmental performance, we will improve energy efficiency and reduce emissions by approximately 10 per cent over the next three years and explore new technology options as an alternative to using fossil fuel to deliver mail. This will reduce not only our environmental impact but also our exposure to potential future energy price increases resulting from climate change. Through this and other measures to improve our financial performance, we aim to achieve 12.5 per cent return on equity.

Our People

People management

Australia Post is committed to maintaining an inclusive and diverse workplace and delivering greater workforce flexibility. We capture and assess a broad range of workforce and diversity information to monitor our performance across key indicators.

During the past year, we embarked on a significant organisational restructure. This will strengthen our workplace culture and performance, as well as challenge our ability to keep staff engaged throughout a period of significant change.

Workforce composition

At the end of the financial year, we had a total of 34,457 employees, comprising 24,205 employed full-time and 10,252 part-time. This is a small decrease from 2008–09 due to declining letter volumes and the significant structural change required to adjust to this new operating environment.

Age management

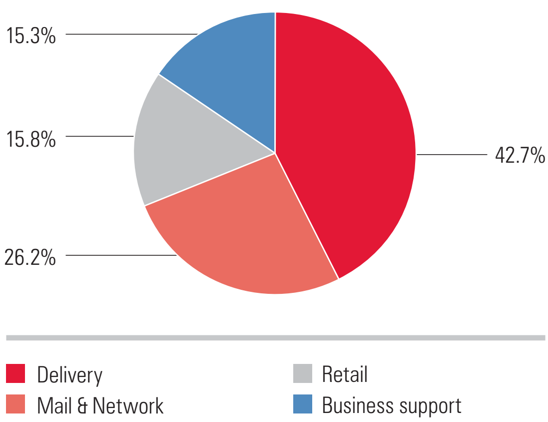
With more than one-third of Australia Post's workforce over the age of 50 (the average age of employees is 45, while the industry average is 37) and the higher turnover for younger staff, an ageing workforce has presented a challenge over recent years. Through our Workforce Planning Strategy, we have been providing retirement transition support and accelerating programs such as the Enterprise Graduate Program to attract and retain young people.

In 2009–10, staff turnover rates remained the same as last year, at 9.4 per cent.

Diversity and equal opportunity

The rich diversity and multiculturalism of Australia's community is reflected in our workforce, which represents 135 nationalities speaking more than 70 languages. Our commitment to creating an inclusive and diverse workplace is enshrined in our Workforce Diversity Business Strategy.

Employment by occupation



This year, representation across the strategy's four categories remained consistent. Women now account for 39.8 per cent of all staff (40.1 per cent last year), while people from non–English speaking backgrounds comprise 22.8 per cent (22.6 per cent last year). Indigenous Australians employed or undertaking traineeships comprise 1.7 per cent of all employees (the same as last year). People with disabilities make up 8.2 per cent of our staff (8.4 per cent last year).

In October 2009, Australia Post won the Diversity@Work National Diversity and Inclusion Champions Award in the large organisation category.

Occupational health and safety

Australia Post operates a comprehensive occupational health and safety program, which includes a range of audit programs and procedures designed to identify workplace safety hazards and eliminate them before they cause injuries.

After a decade of consistent reductions in our lost time injury frequency rate, unfortunately there was an increase for the second consecutive year. There were 8.8 lost time injuries per million work hours (up from 7.1 last year), mainly due to sprain-type and strain-type injuries associated with manual handling tasks.

We maintained our focus on injury prevention and workplace safety through a range of activities, including:

- training motorcyclists in safe riding behaviour and reinforcing existing safe-work practices, such as regular motorcycle maintenance inspections, and undertaking risk reviews of motorcycle rounds
- introducing new high-visibility clothing for posties and high-visibility panniers on the motorcycle to increase the visibility of motorcycle posties to other road users
- introducing new guidance material for assessing the safety features and operational suitability of load-shifting equipment introduced into a workplace
- introducing procedures for the safety management of trades and other specialist contractors attending work sites, with a major focus on contractors engaged to maintain load-shifting equipment.

We continue to offer a range of health and wellbeing programs for staff, including a financial education program, confidential staff counselling service, Mensline (a telephone counselling service for men) and Staying Connected (workshops for fathers who have limited access to their children). During the year, we also conducted seminars for managers and supervisors to improve their awareness of domestic violence and mental health issues.

Attendance

The level of employee attendance remained relatively unchanged during the year at 94.3 per cent (94.6 per cent in 2008–09). We continued to focus on attendance, using national attendance guidelines and delivering initiatives that promote workplace flexibility, employee retention and staff engagement.

Labour relations

Our staff are represented by two key unions: the Communications Electrical Plumbing Union (CEPU) and the Community and Public Sector Union (CPSU).

In the second half of 2009, Australia Post continued negotiations with the CEPU, CPSU and nominated bargaining representatives on a new EBA (EBA7) and, despite no agreement being reached, paid the salary increases outlined in the original EBA7 pay offer. Eligible staff received a 4 per cent pay rise in August 2009 and a $500 performance bonus in September 2009 for their contribution to the business's surpassing of its target for on-time letter delivery during 2008–09. Nonetheless, the failure to agree on EBA7 resulted in pre-Christmas industrial action at some Australia Post sites.

In March 2010, as a result of discussions between the parties led by Australia Post Managing Director and Chief Executive Officer Ahmed Fahour, CEPU National President Ed Husic and CPSU National Secretary Louise Persse, a memorandum of understanding was signed that outlines a new framework for negotiations to achieve a Fair Work Agreement this year and guarantees the pay increases for 2010.

Agreement on a Fair Work Agreement was reached in July (after the 2009–10 reporting period).

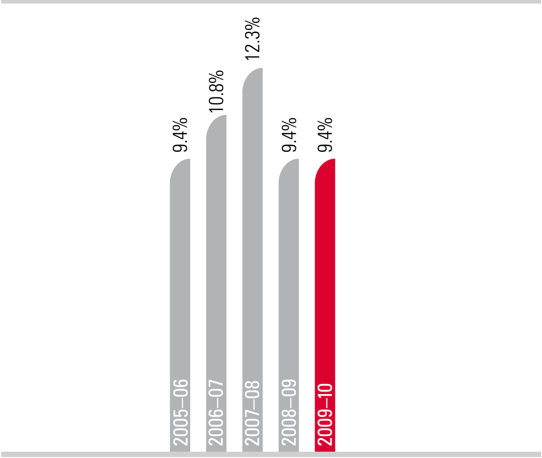
Freedom of association

The right of employees to exercise freedom of association is enshrined in Australian law under the *Fair Work Act 2009*. Australia Post complies with this law, and as part of our commitment to respecting the freedom of association of our staff, we do not keep records of employee union membership.

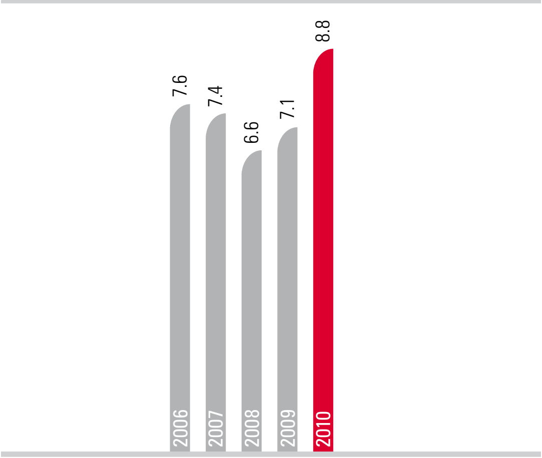
The future

We are aiming to achieve workforce diversity targets of 42 per cent women, 10 per cent people with disabilities and 2 per cent Indigenous Australians. We intend to maintain employee retention targets of 80 per cent for new recruits and key talent and reduce the lost time injury frequency rate.

Overall turnover rates



Lost time injuries per million work hours



CORPORATE GOVERNANCE

General

Australia Post maintains a comprehensive system of corporate governance practices designed to provide appropriate levels of disclosure and accountability.

These practices derive principally from the provisions of the *Australian Postal Corporation (APC) Act 1989*, the *Commonwealth Authorities and Companies (CAC) Act 1997* and the *Governance Arrangements for Commonwealth Government Business Enterprises* (1997). They are also guided by the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*.

A dedicated corporate governance section on the Australia Post website (go to auspost.com.au) provides a detailed description of the corporation's governance framework and associated practices, with links to key documents.

Shareholder ministers

As Minister for Broadband, Communications and the Digital Economy, Senator the Hon. Stephen Conroy has portfolio responsibility for Australia Post. Under a dual shareholder model, overall responsibility for the enterprise is exercised jointly with the Minister for Finance and Deregulation, the Hon. Lindsay Tanner.

The board

The board of Australia Post comprises up to nine directors. With the exception of the managing director and CEO, all serve in a non-executive capacity.

Non-executive directors are appointed by the Governor-General on the nomination of the portfolio minister. Appointments can be for up to five years, with reappointment permissible. In practice, terms of appointment are generally for three years.

Before nominating a person for appointment, the minister is required to consider the balance of expertise on the board and also to consult with the chairman.

The managing director and CEO is appointed by the board.

Board membership during 2009–10 was:

David Mortimer (Chairman)
Mark Birrell (Deputy Chairman – retired 28 February 2010)
Mark Darras (Deputy Chairman – appointed 15 June 2010)
Ahmed Fahour (Managing Director & CEO – appointed 1 February 2010)
Graeme John (Managing Director – retired 31 January 2010)
Peter Carne (appointed 14 December 2009)
Margaret Gibson
William Mansfield
Ian Warner.

Profiles of each director and details of their relevant skills, experience and expertise are provided on pages 34–35.

Role of the board

Under s23 of the APC Act, the role of the board is:

- to decide the objectives, strategies and policies to be followed by Australia Post
- to ensure that Australia Post performs its functions in a manner that is proper, efficient and, as far as practicable, consistent with sound commercial practice.

Directors set the corporation's key objectives and strategies through a rolling three-year corporate plan, which is submitted annually to shareholder ministers. Progress against the plan is reported quarterly. Ministers and their departments are also kept informed on a regular basis about developments of significance.

Board committees

Two committees – the Audit & Risk Committee and the Human Resources Committee – assist the board in the discharge of its responsibilities.

Audit & Risk Committee

Consisting entirely of non-executive directors, the Audit & Risk Committee provides a forum for regular communication between the board and the corporation's external and internal auditors. Membership during 2009–10 was:

Margaret Gibson (Chairman)
David Mortimer
Ian Warner.

The committee charter, which is reviewed annually by the board, can be accessed in the corporate governance section of the Australia Post website (auspost.com.au).

The committee meets five times a year, focusing in particular on the areas of financial reporting, risk management and internal controls. Among other things it reviews:

- the annual financial statements before their consideration and adoption by the board
- the clarity and quality of the corporation's financial policies, practices and disclosures
- internal and external auditor plans, reports and performance
- significant existing and emerging risks and mitigation activities
- the adequacy and effectiveness of internal controls
- compliance with laws and regulations.

Committee meetings are attended by the external and internal auditors as well as by the managing director and CEO, chief finance officer and group financial controller.

Before each meeting, the committee holds separate private session discussions with the external auditors, the internal auditor and the chief finance officer. Similar discussions are held annually with both internal legal counsel and group manager security.

All directors receive copies of committee papers and minutes, and non-committee members have the right to attend meetings as observers.

Meeting attendance details for 2009–10 are provided in the table on page 33.

Human Resources Committee

Incorporating the functions of both a nomination and remuneration committee, the Human Resources Committee addresses major policy, structural and remuneration issues, including:

- recruitment, selection and succession planning
- executive remuneration
- culture and ethics
- learning and development
- terms and conditions of employment
- organisational structure.

Membership during 2009–10 was:

Mark Birrell (Chairman – retired 28 February 2010)
Mark Darras (Chairman – appointed 25 March 2010)
Ahmed Fahour (appointed 1 February 2010)
Graeme John (retired 31 January 2010)
William Mansfield.

The committee charter can be accessed in the corporate governance section of the Australia Post website (go to auspost.com.au).

All directors receive copies of committee papers and minutes, and non-committee members have the right to attend meetings as observers.

Meeting attendance details for 2009–10 are provided in the table on page 33.

Board performance

An externally facilitated board performance appraisal focusing on board, board committee and individual director effectiveness is undertaken biennially. The next such review will be in August/September 2010.

Director induction and education

A comprehensive induction program provides newly appointed directors with an understanding of their role and responsibilities and exposes them to key features of the business, including its operations, policies and strategies. Additional supplements are tailored to meet particular needs or interests. Ongoing director education is provided by way of facility visits and presentations on matters of current interest.

Independent professional advice

Directors have the right, with the prior agreement of the chairman, to obtain at the corporation's expense relevant independent professional advice in connection with the discharge of their responsibilities.

Conflict of interest

Directors who may have a material personal interest in a matter to be considered by the board or a board committee are required to make the nature of that interest known and must not be present while the matter is being considered. Details of such disclosures are recorded in the minutes of the meeting.

Where an issue to be considered by the board or a board committee is thought to present a director with a potential conflict of interest, the director in question will not be provided with the associated background material.

Ethical standards

Australia Post seeks to conduct its business with integrity, honesty, fairness and in compliance with all relevant laws, regulations, codes and corporate policies and procedures.

Our Ethics guide, which was launched in 2009 and has been promulgated through every level of the business, makes it clear that directors, employees, licensees and contractors of Australia Post are responsible for leading by example, upholding the corporation's values and always acting according to the ethical standards in their dealings with customers, suppliers, the corporation and each other.

Managers and supervisors have a special responsibility to encourage and foster a culture in which ethical conduct is valued, recognised, demonstrated and expected.

Under Australia Post's whistleblower policy, an independently operated contact service is in place to facilitate the confidential disclosure of serious breaches of ethical standards.

Director remuneration

Remuneration for Australia Post's non-executive directors is determined by the Commonwealth Remuneration Tribunal. For 2009–10 this was:

Chairman	$158,210
Deputy chairman	$88,270
Directors	$79,120
Audit Committee chairman	$18,290
Audit Committee member	$9,150

Details of individual amounts received in 2009–10 by each non-executive director are provided in Note 27 to the financial statements (see page 82).

Executive remuneration

The board is responsible for setting the remuneration arrangements for the managing director and CEO. In doing so, it follows a set of principles approved by the Remuneration Tribunal designed to link the level of remuneration with the financial and operational performance of the corporation.

Remuneration arrangements for other senior executives are reviewed and determined by the managing director and CEO, within parameters set by the Human Resources Committee.

Advice is sought annually from independent specialised remuneration consultants on:

- the structure of remuneration packages applying in the external market
- the quantum of increases that have occurred in comparable Australian corporations over the previous 12 months.

On the basis of this advice, the managing director and CEO ensures that payments to senior executives are in line with market practice and are competitively placed to attract and retain the necessary talent for the work required by these roles.

Incentive rewards payable to the managing director and CEO and other senior executives for meeting or exceeding specific key annual business objectives are linked to the annual business planning process at a corporate and individual level. Measures and targeted achievement levels are reviewed annually to reflect changes in the business priorities for the forthcoming year. The measures include financial, customer satisfaction, employee engagement and other individual measures that support the key business objectives.

Before a reward is payable, a threshold must be reached, according to predefined measures. In the case of the managing director and CEO, part of his incentive payment is deferred.

The managing director and CEO and other senior executives are employed under individual contracts of employment that are not limited to a specific duration. Continuation of employment is subject to ongoing satisfactory performance. Where Australia Post terminates the managing director and CEO's or other senior executive's employment for reasons other than performance or misconduct, they are entitled, in the case of the managing director and CEO, to:

- a payment of 12 months' fixed annual remuneration in lieu of notice and a termination payment of 12 months' fixed annual remuneration less any payments in lieu of notice

  and, for other senior executives, to:

- 90 days' payment in lieu of notice and a termination payment calculated on four weeks for each of the first five years of employment and three weeks for every year thereafter to a maximum of 84 weeks, including the payment in lieu of notice.

All of the above payments are based on annual base salary.

Remuneration details for the managing director and CEO and other key executives are provided in Note 27 to the financial statements (see page 82).

Remuneration arrangements for senior executives are being reviewed and a new remuneration structure is being implemented for 2010–11.

External audit

Under Section 8 of the CAC Act, the Auditor-General is responsible for auditing the financial statements of Australia Post and its subsidiaries. The Auditor-General is also responsible for auditing compliance with the performance standards prescribed for Australia Post under Section 28C of the APC Act. Ernst & Young has been retained by the Australian National Audit Office to assist in both of these assignments.

The board has in place a comprehensive set of audit independence principles in relation to the external auditors. Among other things, these principles exclude the engagement of the external auditors for the provision of certain non-statutory audit-related services, such as internal auditing, taxation planning, treasury policy and operations, and business and strategic planning. In addition, the senior audit partner on the corporation's account must be rotated at least every five years.

Internal audit

Australia Post's internal audit service brings a systematic and disciplined approach to risk management, control and governance processes. Empowered by the board to direct a wide-ranging program of internal auditing, it has full and unrestricted access to all functions, property, personnel, records, accounts, files and other documentation.

The internal audit work program is endorsed annually by the Board Audit & Risk Committee, with results, progress and performance regularly reviewed by both the committee and the external auditors.

The internal auditor also meets privately with the committee before each meeting, without other management present.

Risk management

The board has established a comprehensive risk management and compliance policy framework covering significant operational, strategic and compliance-related business risks. The framework and underpinning processes are consistent with the principles of the relevant Standards (ISO31000 and AS3806).

As part of the risk management and compliance framework all business units provide an annual presentation to an internal Risk Management Committee on their existing and emerging risks, associated mitigation strategies and progress against their implementation. The status of higher rated risks is reported to the Audit & Risk Committee each quarter. In addition, each year the status of each major compliance program is provided to the Audit & Risk Committee.

Risk identification, measurement and mitigation strategies are included in all business-related proposals considered by the board. There are also a number of programs in place to manage risk and compliance in specific areas such as fraud, the environment, injury prevention and management, trade practices, privacy, IT, emergency procedures and business continuity planning.

The potentially adverse financial impacts associated with catastrophic risk exposures are limited by the purchase of appropriate insurance cover.

The effectiveness of the corporation's risk management and compliance framework is reviewed annually by the board. To ensure the maintenance of better practice, independent external reviews of risk management and compliance processes across the corporation are undertaken every four years. The most recent such review was undertaken by Deloittes in late 2008.

Internal control framework

Australia Post's internal control includes strategic, financial, operational and compliance elements established across multiple internal control layers. Controls include financial planning and reporting, commitment and expenditure delegations, due diligence, procurement contract tendering, expenditure gating, external performance reporting and corporation-wide risk management and internal audit practices. Financial reporting and business system integrity are assured through the maintenance of extensive operating procedure policies and practices.

Before adopting the annual financial statements, the board receives written confirmation from the managing director and CEO and the chief finance officer that the integrity of the statements is founded on a sound system of risk management and internal compliance and control, and that all material risks have been managed effectively.

Treasury

A comprehensive and prudent treasury policy exists to manage cash and liquidity, interest rate, foreign exchange, fuel price, counterparty and operational risks. Reviewed by the board at least annually, the policy provides for the use of hedging instruments to protect the corporation against adverse movements in interest rates and minimise the impact of volatility in foreign exchange rate and oil price movements. The aim is to ensure reasonable certainty against budget estimates and in the cost of imported capital equipment and other supplies.

Established treasury procedures incorporate risk control principles of segregation of duties, dual control access and independent reconciliations. An internal Treasury Risk Management Committee meets monthly and reviews/recommends appropriate hedging strategies to the executive general manager finance within policy parameters. Treasury activities are reported quarterly to the board and are subject to annual review by auditors.

Corporate Security

Corporate Security Group (CSG) is an internal service group that provides consultancy and investigation services to Australia Post. It is chartered to maintain the integrity of the mail, ensure staff safety and protect the assets of the corporation and has a 24-hours-per-day, seven-days-per-week response capability. This specialist group maintains close internal working relationships with the legal, risk and audit areas, as well as externally with international, national, state and territory law enforcement services and agencies.

Trade practices

To facilitate compliance with relevant legislation, Australia Post has a dedicated trade practices compliance officer responsible for a national trade practices compliance program. In addition to undertaking comprehensive biennial trade practices training, the corporation has in place a detailed formal clearance process for all promotional and advertising material.

Privacy

The corporation has appointed a privacy contact officer who is accountable for the maintenance of the corporation's privacy compliance program. Under this program, detailed policies, processes and procedures are in place to ensure compliance with privacy law, to safeguard customers' personal information and to foster a corporate culture that values privacy.

Directors' attendance at meetings – 2009–10

	Board		Audit & Risk Committee		Human Resources Committee	
	(a)	(b)	(a)	(b)	(a)	(b)
David Mortimer	10	10	5	5		
Mark Birrell	6	6			2	2
Ahmed Fahour	5	5			2	2
Graeme John	5	5			2	2
Peter Carne	6	6				
Mark Darras	10	10			2	2
Margaret Gibson	10	10	5	5		
William Mansfield	10	10			4	4
Ian Warner	10	10	5	5		

(a) Number of meetings held while a director/committee member.
(b) Number of meetings attended.

BOARD OF DIRECTORS

David A Mortimer AO
BEcon (Hons), FCPA
Chairman (non-executive)

David Mortimer has extensive experience in the fields of banking, finance and transportation. Deputy chairman of Australia Post since June 2001, he was appointed chairman in September 2006 (current term expires in September 2012).

Mr Mortimer was formerly managing director and chief executive officer of TNT. He is chairman of Crescent Capital Partners Limited and Leighton Holdings Limited and a director of Petsec Energy Limited and Intoll Management Limited.

Mark Darras
LLM, BA LLB, BEd
Deputy Chairman (non-executive)

Mark Darras has significant experience as a senior counsel and human resources executive. A member of the Australia Post board since October 2008, he was appointed deputy chairman in June 2010 (current term expires in June 2013).

Mr Darras is a special counsel with Sparke Helmore Lawyers and is also a director at John Holland Engineering Proprietary Limited. He has previously served as a human resources and strategy executive with Goodman Fielder Limited.

Mr Darras is also chairman of the Australia Post Human Resources Committee.

Ahmed Fahour
BEcon, MBA
Managing Director and Chief Executive Officer

Ahmed Fahour has broad experience as a senior executive within the finance and banking industries in Australia and overseas.

He was appointed managing director and CEO of Australia Post in February 2010, following successful tenures as CEO at Citigroup (Australia and New Zealand), National Australia Bank (Australia) and Gulf Finance Group (Bahrain).

Mr Fahour is a senior fellow of the Financial Services Institute of Australia. He is also the chairman of the Rip Curl Group and a director of Australian air Express, Star Track Express and Sai Cheng Logistics.

Peter Carne
BA, LLB, FAICD, FAIM
Director (non-executive)

Peter Carne has served in both the public and private sectors and is currently the Public Trustee of Queensland where he is the chairman of its Investment Board.

Appointed to the Australia Post Board in December 2009 (current term expires in December 2012), Mr Carne is a former chief executive officer of the Queensland Law Society and a director of Lexon Insurance Proprietary Limited and Tarong Energy Corporation.

Margaret Gibson
LLB (Hons), BCom, FCA, FTIA, FAICD
Director (non-executive)

Margaret Gibson is a retired partner of PricewaterhouseCoopers, where she was a member of the board of partners. Ms Gibson was appointed to the Australia Post board in September 2004 (current term expires in September 2010). She is a director of Airtrain Holdings Proprietary Limited and the Northern Territory Power & Water Corporation. Ms Gibson is also a councillor of the RSPCA (Queensland).

William Mansfield
LLB.
Director (non-executive)

William Mansfield is a well-respected practitioner in the industrial relations field, most recently having served as a commissioner of the Australian Industrial Relations Commission (now Fair Work Australia). Appointed to the Australia Post board in October 2008 (current term expires in October 2011), Mr Mansfield is a former director of Telstra Corporation Limited, CSIRO and Comcare.

Ian K Warner
RFD, LLM, FAICD
Director (non-executive)

Ian Warner is a distinguished legal practitioner with extensive commercial experience. He was appointed to the Australia Post board in June 2001 (current term expires in March 2011). Mr Warner is a former senior partner of Jackson McDonald Lawyers, Perth. He is deputy chairman of Amcom Telecommunications Limited and a director of Cape Bouvard Investments Proprietary Limited.

Note: Jennifer Seabrook and Patricia White were both appointed to the Australia Post board in July 2010 for a three-year term.

Retirements during 2009–10

Graeme T John AO
FCILT
Managing Director

Graeme John was appointed Australia Post's managing director in August 1993. Before this he had been the corporation's chief manager national operations since 1990.

Formerly the deputy general manager at TNT Australia Limited, Mr John is a fellow of the Chartered Institute of Transport, a director of the West Australian Newspapers Holdings Limited and an AFL commissioner.

His previous appointments include the alternate chairman of Australian air Express, Star Track Express and Kahala Posts Group; vice chairman of Sai Cheng Logistics International and a director of Queensland Rail Limited.

Mr John retired as managing director in January 2010.

Mark Birrell
LLB, BEc, FAICD
Deputy Chairman (non-executive)

Mark Birrell is a company director with wide experience in both public policy and the law. A member of the Australia Post board since August 2003, he was appointed deputy chairman in March 2007.

Mr Birrell is the chairman of Infrastructure Partnerships Australia and of Evans & Peck Proprietary Limited. He is the national leader of Minter Ellison Lawyers infrastructure group. He also serves on the statutory board of Infrastructure Australia.

Mr Birrell retired from the board in February 2010.

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FINANCIAL AND STATUTORY REPORTS

for the year ended 30 June 2010

Understanding our reports

Australia Post's 2009–10 Financial Report enables readers to assess the corporation's results for the year, its present financial position, its future outlook and the value of its assets. Comparative measures are provided for the previous year.

The Statements by directors, chief executive officer and chief finance officer and the Auditor-General's Report are standard legal declarations that are required in all annual financial reports.

The "corporation" figures are for Australia Post alone, while the "consolidated" figures include transactions between Australia Post or its subsidiary companies and third parties.

All figures in this report are rounded to the nearest $100,000 unless otherwise stated.

The statement of comprehensive income shows the revenue and running costs of the corporation for the financial year.

The balance sheet provides information on Australia Post's assets and liabilities and indicates the amount of the Commonwealth Government's investment at the end of the financial year.

Assets listed in the balance sheet as "current" are likely to be converted to cash within the next 12 months. Liabilities that are "current" are due and payable within 12 months. "Non-current" assets or liabilities are long-term. Equity is the corporation's total capital and reserves plus profits that have been reinvested over the years.

The cashflow statement shows the derivation of the corporation's cash resources during the financial year and its cash outlays.

To gain a complete understanding of Australia Post's 2009–10 results, the financial report should be read in conjunction with the accompanying explanatory notes.

STATEMENTS BY DIRECTORS, CHIEF EXECUTIVE OFFICER AND CHIEF FINANCE OFFICER

for the year ended 30 June 2010

2009–10 Financial report

In our opinion:

(a) the accompanying financial report for the year ended 30 June 2010:
  (i) gives a true and fair view of the matters required by the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997,* as amended; and
  (ii) has been prepared based on properly maintained financial records; and

(b) at the date of this report, there are reasonable grounds to believe that the corporation will be able to pay its debts as and when they fall due.

This statement is made in accordance with a resolution of the directors.

D A Mortimer
Chairman
Melbourne
26 August 2010

A Fahour
Managing Director and Chief Executive Officer
Melbourne
26 August 2010

P J Meehan
Chief Finance Officer
Melbourne
26 August 2010

2009–10 Financial report certification

Prior to the adoption of the 2009–10 financial report the board received and considered a written statement from the managing director and chief finance officer to the effect:

- that the report presented a true and fair view, in all material respects, of the corporation and the consolidated entity's financial position and performance and were in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia as required by the Finance Minister's Orders under the *Commonwealth Authorities and Companies Act 1997*; and
- that the integrity of the financial report is founded on a sound system of risk management, internal compliance and control that operated effectively and efficiently in all material respects, consistent with the Australian Standard on Risk Management (AS/NZS 4360:2004) and policies adopted by the board of directors.

D A Mortimer
Chairman
Melbourne
26 August 2010

2009–10 Report of operations

In the opinion of the directors, the requirements under Section 9 of the *Commonwealth Authorities and Companies Act 1997* for the preparation and content of the Report of Operations as specified in orders issued by the Minister for Finance and Administration are met in the general body of this report (pages 2–35) and in the Statutory Report (pages 106–112).

This statement is made in accordance with a resolution of the directors.

D A Mortimer
Chairman
Melbourne
26 August 2010

Auditor-General for Australia

Australian National Audit Office

INDEPENDENT AUDITOR'S REPORT

To the Minister for Broadband, Communications and the Digital Economy and the Board of the Australian Postal Corporation

Scope

I have audited the accompanying financial statements of the Australian Postal Corporation (the Corporation) and the consolidated entity (the group) for the year ended 30 June 2010, which comprise: the Statement by Directors, Chief Executive Officer, and Chief Finance Officer; Statement of Comprehensive Income; Balance Sheet; Cash Flow Statement; Statement of Changes in Equity; Schedule of Commitments; Schedule of Contingencies; Notes to and forming part of the Financial Statements, including a Summary of Significant Accounting Policies. The consolidated entity comprises the Corporation and the entities it controlled at the year's end or from time to time during the financial year.

The Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997,* including the Australian Accounting Standards (which include the Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1(b) to the financial statements, the directors also state that the financial statements and notes, comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation and the group's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the

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effectiveness of the Corporation and the group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

In conducting the audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

Auditor's Opinion

In my opinion:

1. the financial statements of the Corporation and the group:

   (a) have been prepared in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997,* including the Australian Accounting Standards; and

   (b) give a true and fair view of the matters required by the Finance Minister's Orders including the Corporation's and the group's financial position as at 30 June 2010 and their financial performance and cash flows for the year then ended.

2. the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as disclosed in note 1(b) to the financial statements.

Report on Other Legal and Regulatory Requirements

I have not acted as auditor of, or audited, the financial statements of subsidiaries so identified in note 10 to the financial statements.

Australian National Audit Office

Ian McPhee
Auditor-General

Melbourne
26 August 2010

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2010

	Note	Consolidated 2010 $m	Consolidated 2009 $m	Corporation 2010 $m	Corporation 2009 $m
Revenue	2, 26				
Goods and services		4,753.4	4,846.4	4,643.6	4,708.3
Interest		25.7	34.4	26.5	35.6
Dividends		–	–	15.0	15.1
		4,779.1	4,880.8	4,685.1	4,759.0
Other income					
Rents		32.6	32.4	33.1	32.9
Other income and gains		44.5	61.3	44.1	60.3
		77.1	93.7	77.2	93.2
Total income		4,856.2	4,974.5	4,762.3	4,852.2
Expenses (excluding finance costs)	3				
Employees		2,225.3	2,173.5	2,158.7	2,100.4
Suppliers		2,054.6	2,100.4	2,003.4	2,021.1
Depreciation and amortisation		213.5	207.4	206.4	198.5
Net loss on disposal of property, plant and equipment		4.6	5.3	4.4	3.9
Net foreign exchange losses		4.1	–	4.1	–
Write-down and impairment of assets		52.4	44.2	77.3	86.3
Restructuring – redundancy costs		150.2	–	147.0	–
Other expenses		34.4	35.6	30.6	30.7
Total expenses (excluding finance costs)		4,739.1	4,566.4	4,631.9	4,440.9
Profit before income tax, finance costs and share of net profits of jointly controlled entities		117.1	408.1	130.4	411.3
Finance costs	4	28.5	38.0	28.2	37.2
Share of net profits of jointly controlled entities	11	14.4	10.8	–	–
Profit before income tax		103.0	380.9	102.2	374.1
Income tax expense	5(c)	13.5	120.4	20.6	128.7
Net profit for period		89.5	260.5	81.6	245.4
Other comprehensive income					
Exchange differences on translation of foreign operations	23	(0.7)	(0.1)	–	–
Actuarial loss on defined benefit plans	12	(291.5)	(1,126.7)	(291.5)	(1,126.7)
Fair value revaluation of land and buildings	23	2.7	–	2.7	–
Movement in hedging reserve	23	0.9	(0.4)	0.9	(0.5)
Income tax on items of other comprehensive income	5(b)	86.4	338.2	86.4	338.2
Movements in jointly controlled entity reserves and actuarial losses		(2.0)	(10.2)	–	–
Income tax on jointly controlled entity reserves and actuarial losses		0.6	3.1	–	–
Other comprehensive income for the period, net of tax		(203.6)	(796.1)	(201.5)	(789.0)
Total comprehensive income for the period		(114.1)	(535.6)	(119.9)	(543.6)
Net profit/(loss) for the period is attributable to:					
Equity holders of the parent		89.8	260.6	81.6	245.4
Non-controlling interest		(0.3)	(0.1)	–	–
		89.5	260.5	81.6	245.4
Total comprehensive income for the period is attributable to:					
Equity holders of the parent		(113.8)	(535.5)	(119.9)	(543.6)
Non-controlling interest		(0.3)	(0.1)	–	–
		(114.1)	(535.6)	(119.9)	(543.6)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

BALANCE SHEET
as at 30 June 2010

	Note	Consolidated 2010 $m	Consolidated 2009 $m	Corporation 2010 $m	Corporation 2009 $m
Assets					
Current assets					
Cash and cash equivalents	31(a)	500.7	507.0	488.8	496.2
Trade and other receivables	6	369.2	390.4	354.2	366.6
Inventories	7	44.1	50.1	44.1	50.1
Accrued revenues		137.4	159.8	137.4	159.8
Other current assets	8	78.1	62.7	75.8	61.4
Total current assets		1,129.5	1,170.0	1,100.3	1,134.1
Non-current assets					
Trade and other receivables	9	227.1	228.6	227.3	228.8
Investments in controlled entities	10	–	–	17.5	43.3
Investments in jointly controlled entities	11	295.6	298.3	263.6	263.6
Superannuation asset	12	172.6	468.0	172.6	468.0
Land and buildings	13	795.4	815.5	793.8	813.7
Plant and equipment	13	509.6	541.0	498.7	529.5
Intangible assets	14	234.8	223.8	232.4	210.5
Investment property	15	224.9	219.5	224.9	219.5
Deferred income tax assets	5(d)	315.0	292.0	306.7	284.5
Other non-current assets	17	10.7	13.5	10.6	13.4
Total non-current assets		2,785.7	3,100.2	2,748.1	3,074.8
Total assets		3,915.2	4,270.2	3,848.4	4,208.9
Liabilities					
Current liabilities					
Trade and other payables	18	726.7	798.9	703.0	773.1
Interest-bearing liabilities	19	0.6	0.9	0.5	–
Provisions	20	711.8	590.1	702.5	583.0
Income tax payable		–	15.5	–	15.4
Total current liabilities		1,439.1	1,405.4	1,406.0	1,371.5
Non-current liabilities					
Interest-bearing liabilities	19	558.4	560.6	558.4	560.6
Provisions	20	167.6	170.2	162.6	165.3
Deferred tax liabilities	5(d)	171.1	277.5	171.7	278.0
Other non-current liabilities	21	19.9	11.4	22.3	14.3
Total non-current liabilities		917.0	1,019.7	915.0	1,018.2
Total liabilities		2,356.1	2,425.1	2,321.0	2,389.7
Net assets		1,559.1	1,845.1	1,527.4	1,819.2
Equity					
Contributed equity		400.0	400.0	400.0	400.0
Reserves	23	6.2	3.8	6.7	4.2
Retained profits	22	1,153.2	1,441.3	1,120.7	1,415.0
Parent interest		1,559.4	1,845.1	1,527.4	1,819.2
Non-controlling interest		(0.3)	–	–	–
Total equity		1,559.1	1,845.1	1,527.4	1,819.2

The above balance sheet should be read in conjunction with the accompanying notes.

CASHFLOW STATEMENT
for the year ended 30 June 2010

	Note	Consolidated 2010 $m	Consolidated 2009 $m	Corporation 2010 $m	Corporation 2009 $m
Operating activities					
Cash received					
Goods and services		5,264.3	5,286.1	5,124.4	5,125.8
Interest		26.0	35.6	26.8	36.8
Dividends		14.0	15.0	15.0	15.1
Total cash received		5,304.3	5,336.7	5,166.2	5,177.7
Cash used					
Employees		2,248.9	2,101.4	2,180.7	2,029.9
Suppliers		2,364.4	2,411.1	2,294.0	2,320.3
Financing costs		24.9	39.1	24.6	38.4
Income tax		77.5	142.4	77.8	142.2
GST paid		217.7	208.4	214.2	204.4
Total cash used		4,933.4	4,902.4	4,791.3	4,735.2
Net cash from operating activities	31(b)	370.9	434.3	374.9	442.5
Investing activities					
Cash received					
Proceeds received from repayment of related party loans		–	–	–	9.6
Proceeds from sales of property, plant and equipment		53.1	37.1	52.9	36.7
Total cash received		53.1	37.1	52.9	46.3
Cash used					
Loans to related parties		–	0.4	13.2	8.4
Payments for investments in controlled entities (net of cash acquired)		–	1.3	–	20.0
Payments for investment property		1.7	0.5	1.7	0.5
Purchase of property, plant and equipment		127.2	214.9	121.7	211.8
Purchase of intangibles		129.5	54.7	126.7	52.1
Total cash used		258.4	271.8	263.3	292.8
Net cash used by investing activities		(205.3)	(234.7)	(210.4)	(246.5)
Financing activities					
Cash received					
Proceeds from borrowings		–	325.0	–	325.0
Total cash received		–	325.0	–	325.0
Cash used					
Repayment of borrowings		–	300.0	–	300.0
Dividends paid	24	171.9	427.8	171.9	427.8
Total cash used		171.9	727.8	171.9	727.8
Net cash used by financing activities		(171.9)	(402.8)	(171.9)	(402.8)
Net decrease in cash and cash equivalents		(6.3)	(203.2)	(7.4)	(206.8)
Cash and cash equivalents at beginning of reporting period		507.0	710.2	496.2	703.0
Cash and cash equivalents at end of reporting period	31(a)	500.7	507.0	488.8	496.2

The above cashflow statement should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

as at 30 June 2010

Consolidated	Contributed equity $m	Asset revaluation reserve $m	Foreign currency translation reserve $m	Hedging reserve $m	Retained profits $m	Owners of the parent $m	Non-controlling interest $m	Total equity $m
Balance at 1 July 2008	400.0	4.8	0.2	(0.5)	2,405.2	2,809.7	0.2	2,809.9
Comprehensive income								
Profit for the period	–	–	–	–	260.6	260.6	(0.1)	260.5
Other comprehensive income	–	–	–	(0.4)	(1,126.8)	(1,127.2)	–	(1,127.2)
Tax on other comprehensive income	–	–	–	0.1	338.1	338.2	–	338.2
Jointly controlled entity items	–	–	–	(0.6)	(9.6)	(10.2)	–	(10.2)
Tax on jointly controlled entity items	–	–	–	0.2	2.9	3.1	–	3.1
Total comprehensive income for the period	**–**	**–**	**–**	**(0.7)**	**(534.8)**	**(535.5)**	**(0.1)**	**(535.6)**
Minority interest acquired [1]	–	–	–	–	(1.3)	(1.3)	(0.1)	(1.4)
Transactions with owners								
Distributions to owners								
Dividends (refer note 24)	–	–	–	–	(427.8)	(427.8)	–	(427.8)
Balance at 30 June 2009	**400.0**	**4.8**	**0.2**	**(1.2)**	**1,441.3**	**1,845.1**	**–**	**1,845.1**
Comprehensive income								
Profit for the period	–	–	–	–	89.8	89.8	(0.3)	89.5
Other comprehensive income	–	2.7	(0.7)	0.9	(291.5)	(288.6)	–	(288.6)
Tax on other comprehensive income	–	(0.8)	–	(0.3)	87.5	86.4	–	86.4
Jointly controlled entity items	–	–	(0.1)	1.0	(2.9)	(2.0)	–	(2.0)
Tax on jointly controlled entity items	–	–	–	(0.3)	0.9	0.6	–	0.6
Total comprehensive income for the period	**–**	**1.9**	**(0.8)**	**1.3**	**(116.2)**	**(113.8)**	**(0.3)**	**(114.1)**
Transactions with owners								
Distributions to owners								
Dividends (refer note 24)	–	–	–	–	(171.9)	(171.9)	–	(171.9)
Balance at 30 June 2010	**400.0**	**6.7**	**(0.6)**	**0.1**	**1,153.2**	**1,559.4**	**(0.3)**	**1,559.1**

(1) On 26 September 2008, Post Logistics Australasia Pty Limited acquired the remaining 25% interest in its subsidiary Lakewood Logistics Pty Ltd. The purchase price was $1.3 million and no goodwill was recognised on the purchase.

Corporation	Contributed equity $m	Asset revaluation reserve $m	Foreign currency translation reserve $m	Hedging reserve $m	Retained profits $m	Total equity $m
Balance at 1 July 2008	400.0	4.8	–	(0.3)	2,386.1	2,790.6
Comprehensive income						
Profit for the period	–	–	–	–	245.4	245.4
Other comprehensive income	–	–	–	(0.4)	(1,126.8)	(1,127.2)
Tax on other comprehensive income	–	–	–	0.1	338.1	338.2
Total comprehensive income for the period	**–**	**–**	**–**	**(0.3)**	**(543.3)**	**(543.6)**
Transactions with owners						
Distributions to owners						
Dividends (refer note 24)	–	–	–	–	(427.8)	(427.8)
Balance at 30 June 2009	**400.0**	**4.8**	**–**	**(0.6)**	**1,415.0**	**1,819.2**
Comprehensive income						
Profit for the period	–	–	–	–	81.6	81.6
Other comprehensive income	–	2.7	–	0.9	(291.5)	(287.9)
Tax on other comprehensive income	–	(0.8)	–	(0.3)	87.5	86.4
Total comprehensive income for the period	–	1.9	–	0.6	(122.4)	(119.9)
Transactions with owners						
Distributions to owners						
Dividends (refer note 24)	–	–	–	–	(171.9)	(171.9)
Balance at 30 June 2010	**400.0**	**6.7**	**–**	**–**	**1,120.7**	**1,527.4**

SCHEDULE OF COMMITMENTS
as at 30 June 2010

	Consolidated		Corporation	
	2010 $m	2009 $m	2010 $m	2009 $m
By type				
Commitments receivable:				
Lease rental receivables (1)	131.9	139.0	131.5	138.5
GST recoverable on commitments (2)	223.7	196.1	177.6	150.7
Total commitments receivable	355.6	335.1	309.1	289.2
Commitments payable:				
Capital commitments:				
Land and buildings	10.3	14.2	10.2	13.8
Plant and equipment	75.4	91.1	74.9	79.3
Other	0.1	0.9	0.1	0.9
Total capital commitments	85.8	106.2	85.2	94.0
Other commitments:				
Operating leases (3)	1,059.9	1,011.9	552.1	521.2
Other commitments (4)	1,526.1	1,246.2	1,522.0	1,243.0
Total other commitments	2,586.0	2,258.1	2,074.1	1,764.2
Total commitments payable	2,671.8	2,364.3	2,159.3	1,858.2
Net commitments	2,316.2	2,029.2	1,850.2	1,569.0
By maturity				
Commitments receivable: (1)				
Within one year	105.0	94.4	98.4	86.9
From one to five years	182.5	149.9	163.2	131.7
Over five years	68.1	90.8	47.5	70.6
Total commitments receivable by maturity	355.6	335.1	309.1	289.2
Commitments payable:				
Capital commitments due:				
Within one year	85.8	104.5	85.2	92.3
From one to five years	–	1.7	–	1.7
Total capital commitments	85.8	106.2	85.2	94.0
Operating lease commitments due:				
Within one year	173.1	160.0	107.5	91.9
From one to five years	476.3	418.6	261.3	217.7
Over five years	410.5	433.3	183.3	211.6
Total operating lease commitments	1,059.9	1,011.9	552.1	521.2
Other commitments due:				
Within one year	650.2	558.3	646.1	555.2
From one to five years	875.8	687.7	875.8	687.6
Over five years	0.1	0.2	0.1	0.2
Total other commitments	1,526.1	1,246.2	1,522.0	1,243.0
Total commitments payable by maturity	2,671.8	2,364.3	2,159.3	1,858.2
Net commitments	2,316.2	2,029.2	1,850.2	1,569.0

(1) This relates to sub-lease rent receivables and operating lease receivables.
(2) Of these commitments, $38.5 million (2009: $31.6 million) relates to jointly controlled entities.
(3) Of these commitments, $419.9 million (2009: $387.5 million) relates to jointly controlled entities.
(4) The majority of these commitments relate to carriage and delivery of letters and parcels by contractors. $4.0 million (2009: $2.9 million) relates to jointly controlled entities.

SCHEDULE OF CONTINGENCIES
as at 30 June 2010

	Guarantees (1) (2)		Claims for damages or other costs (3)		Total	
	2010 $m	2009 $m	2010 $m	2009 $m	2010 $m	2009 $m
Consolidated						
Balance from previous period	191.1	186.0	24.4	5.9	215.5	191.9
New	4.1	5.4	0.4	4.0	4.5	9.4
Re-measurement	(6.6)	4.5	0.8	18.6	(5.8)	23.1
Liabilities recognised	–	–	(3.1)	(3.1)	(3.1)	(3.1)
Obligations expired	(5.9)	(4.8)	(20.0)	(1.0)	(25.9)	(5.8)
Total contingent liabilities	182.7	191.1	2.5	24.4	185.2	215.5
Balance from previous period	7.7	7.5	55.4	0.9	63.1	8.4
New	–	7.6	0.1	54.6	0.1	62.2
Re-measurement	–	0.1	–	(0.1)	–	–
Assets recognised	–	–	(3.8)	–	(3.8)	–
Obligations expired	–	(7.5)	(50.6)	–	(50.6)	(7.5)
Total contingent assets	7.7	7.7	1.1	55.4	8.8	63.1
Net contingent liabilities/(assets)	175.0	183.4	1.4	(31.0)	176.4	152.4

	Guarantees (1) (2)		Claims for damages or other costs (3)		Total	
	2010 $m	2009 $m	2010 $m	2009 $m	2010 $m	2009 $m
Corporation						
Balance from previous period	151.3	146.8	24.1	5.3	175.4	152.1
New	–	–	0.4	4.0	0.4	4.0
Re-measurement	(5.2)	4.5	0.7	18.1	(4.5)	22.6
Liabilities recognised	–	–	(2.9)	(2.3)	(2.9)	(2.3)
Obligations expired	–	–	(20.0)	(1.0)	(20.0)	(1.0)
Total contingent liabilities	146.1	151.3	2.3	24.1	148.4	175.4
Balance from previous period	7.5	7.5	54.5	0.2	62.0	7.7
New	–	7.5	0.1	54.5	0.1	62.0
Re-measurement	–	–	–	(0.2)	–	(0.2)
Assets recognised	–	–	(3.8)	–	(3.8)	–
Obligations expired	–	(7.5)	(50.6)	–	(50.6)	(7.5)
Total contingent assets	7.5	7.5	0.2	54.5	7.7	62.0
Net contingent liabilities/(assets)	138.6	143.8	2.1	(30.4)	140.7	113.4

(1) Relates to non-financial guarantees, including bank guarantees over projected workers' compensation claims liabilities and other guarantees provided by jointly controlled entities.
(2) The group also provides financial guarantees not included in this schedule, as these amounts are provided in note 18.
(3) Relates to legal liability claims that have been lodged against the corporation and subsidiaries, including motor vehicle accident and personal injury claims. Included within contingent assets is an amount recorded in 2009 that represents a counter claim linked to an amount disclosed within contingent liabilities, this amount has been settled in 2010.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

for the year ended 30 June 2010

1 Summary of significant accounting policies

(a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with:

- Finance Minister's Orders (being the Commonwealth Authorities and Companies (Financial Statement) Orders) for reporting periods ending on or after 1 July 2009;
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board.

The financial report has been prepared on a historical cost basis, except for investment properties and derivative financial instruments, which have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and are otherwise carried at cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged.

The financial report is presented in Australian dollars and all values are rounded to the nearest one hundred thousand dollars ($0.1 million) unless otherwise stated.

(b) Statement of compliance

The Australian Postal Corporation (the corporation) is incorporated under the provisions of the *Australian Postal Corporation Act 1989* as amended. Financial statements are required by clause 1 (b) of Schedule 1 to the *Commonwealth Authorities and Companies Act 1997*. The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted for the annual reporting period ending 30 June 2010. These standards are as follows:

Reference	Title	Nature of change to accounting policy	Application date of standard	Application date for group
AASB 2009-5	Further amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASBs 5, 8, 101, 107, 117, 118, 136 and 139]	These amendments are not expected to have any impact on the group's financial report.	1 January 2010	1 July 2010
AASB 2009-8	Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2]	These amendments are not expected to have any impact on the group's financial report.	1 January 2010	1 July 2010
AASB 2009-9	Amendments to Australian Accounting Standards – Additional Exemptions for First-time Adopters [AASB 1]	These amendments are not expected to have any impact on the group's financial report.	1 January 2010	1 July 2010
AASB 2009–10	Amendments to Australian Accounting Standards – Classifications of Rights Issues [AASB 132]	These amendments are not expected to have any impact on the group's financial report.	1 February 2010	1 July 2010
AASB 2009-11	Amendments to Australian Accounting Standard arising from AASB 9 [AASBs 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023, 1038, Interpretations 10 and 12]	These amendments are not expected to have any material impact on the group's financial report.	1 January 2013	1 July 2013
AASB 2009-12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023, 1031, Interpretation 2, 4, 16, 1039 and 1052]	These amendments are not expected to have any impact on the group's financial report.	1 January 2011	1 July 2011
AASB 2009-13	Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1]	These amendments are not expected to have any impact on the group's financial report.	1 July 2010	1 July 2010
AASB 2009-14	Amendments to Australian Interpretations – Prepayments of a Minimum Funding Requirement [Interpretation 14]	These amendments are not expected to have any impact on the group's financial report.	1 January 2011	1 July 2011
AASB 2010-1	Amendments to Australian Accounting Standards – Limited Exemption from Comparative AASB 7 Disclosures for First-time Adopters [AASBs 1 and 7]	These amendments are not expected to have any impact on the group's financial report.	1 July 2010	1 July 2010

Reference	Title	Nature of change to accounting policy	Application date of standard	Application date for group
AASB 9	Financial Instruments (Replacing AASB 139)	AASB 9 aims to simplify the approach for classification and measurement of financial assets. There are only two categories of financial assets instead of four, being amortised cost and fair value through profit or loss (or through other comprehensive income for equity instruments). This eliminates tainting and most of the impairment issues associated with the four categories in AASB 139. These amendments are not expected to have any material impact on the group's financial report.	1 January 2013	1 July 2013
AASB 124	Related Party Disclosures (Revised December 2009)	These amendments simplify the related party definition. The definition now identifies a subsidiary and an associate with the same investor as related parties of each other. These amendments are not expected to have any material impact on the group's financial report.	1 January 2011	1 July 2011
Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	The interpretation is unlikely to have any impact on the group's financial report.	1 July 2010	1 July 2010

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the corporation and its subsidiaries (the group) as at and for the period ended 30 June each year. Interests in jointly controlled entities are equity accounted and are not part of the consolidated group.

Subsidiaries are all those entities over which the group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full. Subsidiaries are fully consolidated from the date on which control is obtained by the group and cease to be consolidated from the date on which control is transferred out of the group.

Investments in subsidiaries held by the corporation are accounted for at cost in the separate financial statements of the parent entity less any impairment charges. Dividends received from subsidiaries are recorded as a component of other revenues in the separate statement of comprehensive income of the parent entity and do not affect the recorded cost of the investment. Receipt of dividend payments from subsidiaries is one of the factors considered by the parent entity when assessing whether any indicators of impairment of the carrying value of the investment in the subsidiary exist. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree and any contingent consideration) is goodwill or a discount on acquisition. A change in ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction.

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and are presented within equity in the consolidated balance sheet, separately from parent shareholders' equity.

Losses are attributed to the non-controlling interest, even if that results in a deficit balance.

(d) Significant accounting judgements, estimates and assumptions

(i) Significant accounting estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, contingent assets, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which forms the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Investment property

The group obtains independent third party valuations of its investment property portfolio annually. The basis of these valuations is outlined in note 15 and includes certain significant assumptions.

Impairment of jointly controlled entities, goodwill and intangibles with indefinite useful lives

The group determines whether jointly controlled entities, goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of jointly controlled entities and cash generating units, to which the goodwill and intangibles with indefinite useful lives are allocated. Recoverable amount is assessed using a value in use discounted cashflow methodology. The assumptions used in the estimation of recoverable amount of goodwill and intangibles with indefinite useful lives are discussed in note 16.

Make good provisions

Management have made assumptions in arriving at their best estimate of the likely costs to "make good" premises which are currently occupied under operating lease. Such estimates involve management forecasting the average restoration cost per square metre and are dependent on the nature of the premises occupied. The provision recognised is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs are recognised in the balance sheet by adjusting both the expense or asset (if applicable) and provision. The related carrying amounts are disclosed in note 20.

Employee benefits

Various assumptions are required when determining the group's superannuation, separation and redundancy, long service leave, annual leave and workers' compensation obligations. Note 12 describes the key assumptions used in calculating the group's superannuation obligation, whilst note 1(ee) details the basis and certain significant assumptions for the other employee benefits.

Unearned postage revenue

The group makes allowance for the assessed amount of revenue from postage sales as at balance date in respect of which service has not yet been provided. Actuarial valuations are obtained every three years and the provision is reassessed every six months based on factors provided by the group's external actuaries.

(ii) Significant accounting judgements

Investment property classification

The group has determined that those properties classified as investment properties are primarily held to earn rentals or for capital appreciation. Where a property is also used for internal use, the group has determined whether this is an insignificant portion of total floor space and, if so, classified the property as investment property.

Operating lease commitments – group as lessor

The group has commercial property leases on its investment property portfolio. The group has determined that it retains all the significant risks and rewards of ownership of these properties and has thus classified the leases as operating leases.

(e) Business combinations

Subsequent to 1 January 2009

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is measured at fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognised in accordance with AASB 139: *Financial Instruments: Recognition and Measurement*, either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

Prior to 1 January 2009

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

(f) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods and services

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer. Recognition is at point of sale in the case of postage items and provision of agency services, point of lodgement in the case of bulk mail and when control of goods has passed to the buyer in the case of retail products. Allowance is made for the assessed amount of revenue from postage sales as at balance date in respect of which service had not yet been provided.

(ii) Interest revenue

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(iii) Dividends
Revenue is recognised when the group's right to receive the payment is established.

(iv) Rental income
Rental income from investment properties is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the periods in which it is earned. Lease incentives granted are recognised as an integral part of the total rental income.

(g) Operating segment

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. Management will also consider other factors in determining operating segments, such as the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision-makers – being the executive management team.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category as an "Unallocated" segment.

(h) Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. The grants are not credited directly to shareholders' equity. When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of comprehensive income over the expected useful life of the relevant asset by equal annual instalments.

(i) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement. It also requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(i) Group as a lessee
Finance leases, which transfer to the group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expenditure and reduction of the liability.

(ii) Group as a lessor
Leases in which the group retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income.

(j) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purposes of the cashflow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any outstanding bank overdrafts. Bank overdrafts are included within interest-bearing liabilities in current liabilities on the balance sheet.

(k) Trade and other receivables

Trade receivables, which generally have 30–90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment. Other receivables are initially recorded at the fair value of the amounts to be received and are subsequently measured at amortised cost.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or outstanding debts more than 60 days overdue may be considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cashflows, discounted at the original effective interest rate.

(l) Inventories

Inventories including raw materials, work in progress and finished goods are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- raw materials – purchase cost on a first-in, first-out basis. The cost of purchase comprises the purchase price, including the transfer from equity of gains and losses on qualifying cashflow hedges of purchases of raw materials, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), transport, handling and other costs directly attributable to the acquisition or raw materials. Volume discounts and rebates are included in determining the cost of purchase; and
- finished goods and work-in-progress – cost of direct materials and labour and a proportion of variable and fixed manufacturing overheads based on normal operating capacity. Costs are assigned on the basis of weighted average costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(m) Derivative financial instruments and hedging

The group uses derivative financial instruments (including forward currency contracts, oil swap contracts and interest rate swaps) to hedge its risks associated with interest rate, foreign currency and oil/diesel price fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as cashflow hedges, are taken directly to net profit or loss for the year.

Derivative assets and liabilities are classified as non-current when the remaining maturity is more than 12 months or as current when the remaining maturity is less than 12 months.

The fair value of non-optional derivatives is determined based on discounted cashflow analysis using the applicable yield curve or forward curve (currency or commodity) for the duration of the instrument.

For the purposes of hedge accounting, hedges are classified as:

- fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability or unrecognised firm commitments;
- cashflow hedges when they hedge exposure to variability in cashflows that is attributable either to a particular risk associated with a recognised asset or liability or to a highly probable forecast transaction; or
- hedges of a net investment in a foreign operation (the group does not currently have such hedges in place).

Hedges that meet the strict criteria for hedge accounting are accounted for as follows:

(i) Fair value hedges

Fair value hedges are hedges of the group's exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss. For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured to fair value and gains and losses from both are taken to profit or loss.

The group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the group revokes the designation. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to profit or loss. Amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

(ii) Cashflow hedges

Cashflow hedges are hedges of the group's exposure to variability in cashflows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss.

The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecast transaction occurs.

For cashflow hedges if the risk is over-hedged, the ineffective portion is taken immediately to other income/expense in the statement of comprehensive income.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the statement of comprehensive income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs.

(n) Foreign currency translation

(i) Functional and presentation currency

Both the functional and presentation currency of the corporation and its Australian subsidiaries is Australian dollars ($). Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(iii) Translation of group companies functional currency to presentation currency

The results of the overseas subsidiaries are translated into Australian dollars as at the date of each transaction. Assets and liabilities are translated at exchanges rates prevailing at balance date.

On consolidation, exchange differences arising from the translation of the net investment in overseas subsidiaries are taken to the foreign currency translation reserve. If an overseas subsidiary were sold, the proportionate share of exchange differences would be transferred out of equity and recognised in the statement of comprehensive income.

(o) Investment in jointly controlled entities

The group's investments in jointly controlled entities are accounted for using the equity method of accounting in the consolidated financial statements and at cost less any impairment loss in the corporation's financial statements. Jointly controlled entities are entities where decisions regarding the financial and operating policies essential to the activities, economic performance and financial position of that venture require the consent of each of the venturers that together jointly control the entity.

Under the equity method, the investment in the jointly controlled entity is carried in the consolidated balance sheet at cost plus post-acquisition changes in the group's share of net assets of the jointly controlled entities. Goodwill relating to a jointly controlled entity is included in the carrying amount of the investment and is not amortised. After application of the equity method, the group determines whether it is necessary to recognise any additional impairment loss with respect to the group's net investment in the jointly controlled entities. Goodwill included in the carrying amount in the investment in jointly controlled entities is not tested separately; rather, the entire carrying amount of the investment is tested for impairment as a single asset. If an impairment is recognised, the amount is not allocated to the goodwill of the jointly controlled entity.

The consolidated statement of comprehensive income reflects the group's share of the results of operations of the jointly controlled entity, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from jointly controlled entities are recognised in the parent entity's statement of comprehensive income as a component of other income.

Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the corporation. Where reporting dates of jointly controlled entities differ to the corporation, necessary adjustments have also been made.

(p) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries or jointly controlled entities and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries or jointly controlled entities, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation legislation

Australian Postal Corporation and its wholly owned Australian resident subsidiaries have implemented the tax consolidation legislation as of 1 July 2004. The head entity, Australian Postal Corporation, and the Australian resident subsidiaries in the tax consolidated group continue to account for their own current and deferred tax amounts. The members of the tax consolidated group have entered into a tax sharing agreement in order to allocate income tax expense across the group on a pro-rata basis. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote. Refer to note 5 for further tax consolidation disclosures.

(q) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable;
- in the case of receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cashflows are included in the cashflow statement on a gross basis and the GST component of cashflows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, is classified as part of operating cashflows.

Commitments and contingencies are disclosed inclusive of GST recoverable from, or payable to, the taxation authority.

(r) Acquisition of assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor authority's accounts immediately prior to the restructuring.

(s) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in the profit or loss as incurred.

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year in which the asset is derecognised.

Depreciable property, plant and equipment assets are written off to their estimated residual values over their estimated useful lives using the straight-line method of depreciation.

Depreciation rates (useful lives) and methods are reviewed annually and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to items in each class of depreciable asset are based on the following useful lives:

	2010	2009
Buildings – GPOs	70 years	70 years
Buildings – other facilities	40–50 years	40–50 years
Leasehold improvements	Lower of lease term and 10 years	Lower of lease term and 10 years
Motor vehicles	3–10 years	3–10 years
Specialised plant and equipment	10–20 years	10–20 years
Other plant and equipment	3–10 years	3–10 years

The aggregate amount of depreciation allocated for each class of asset during the reporting period is disclosed in note 3.

(t) Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are measured at fair value, which is based on active market prices, adjusted if necessary, for any difference in the nature, location or condition of the specific asset at the reporting date. Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

Transfers are made to investment property when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party. Transfers are made from investment property when and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

For a transfer from investment property to owner-occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the group as an owner-occupied property becomes an investment property, the group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

(u) Investments and other financial assets

Investments and financial assets in the scope of AASB 139: *Financial Instruments: Recognition and Measurement* are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired or originated. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories. When financial assets are recognised initially, they are measured at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transactions costs.

Recognition and derecognition

All regular way purchases and sales of financial assets are recognised on the trade date; that is, the date on which the group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace. Financial assets are derecognised when the right to receive cashflows from the financial assets have expired or when the entity transfers substantially all the risks and rewards of the financial assets. If the entity neither retains nor transfers substantially all of the risks and rewards, it derecognises the asset if it has transferred control of the asset.

Subsequent measurement

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on financial assets held for trading are recognised in profit or loss.

(ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process. These are included in current assets, except those with maturities greater than 12 months after balance date, which are classified as non-current.

(iv) Available-for-sale securities

Available-for-sale securities are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for-sale securities are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

(v) Impairment of financial assets

An assessment is made at each reporting date whether a financial asset or group of financial assets is impaired.

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cashflows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (that is, the effective interest rate computed at initial recognition). The criteria used to determine that there is objective evidence that an impairment loss has occurred include whether the financial asset is past due and whether there is any other information regarding increased credit risk associated with the financial asset. The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

The group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(ii) Available-for-sale investments

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the statement of comprehensive income. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

(w) Derecognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cashflows from the asset have expired; or
- the group retains the right to receive cashflows from the asset but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the group has transferred its rights to receive cashflows from the asset and either (a) has transferred substantially all the risks and rewards of the asset or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability and the difference in the respective carrying amounts is recognised in profit or loss.

(x) Goodwill

Goodwill acquired in a business combination is initially measured at cost of the business combination, being the excess of the consideration transferred over the fair value of the group's net identifiable assets acquired and liabilities assumed. If this consideration transferred is lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised in profit or loss. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes and is not larger than an operating segment determined in accordance with AASB 8, and includes:

- Messenger Post
- the PrintSoft eLetter Group
- other.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. The corporation performs its impairment testing annually or more frequently when events or changes in circumstances indicate that the balance may be impaired. The corporation uses a value in use, discounted cashflow methodology for the above listed cash generating units to which goodwill and indefinite life intangibles have been allocated. Further details on the methodology and assumptions used are outlined in note 16.

When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

(y) Intangible assets

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit and loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over their useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level consistent with the methodology outlined for goodwill above. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

Computer software is carried at cost and is amortised on a straight-line basis over its anticipated useful life, being four to eight years.

Research and development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefits from the related project.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use or more frequently when an indication of impairment arises during the reporting period.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(z) Impairment of non-financial assets (other than goodwill and indefinite life intangibles)

The group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists or when annual impairment testing for an asset is required, the group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cashflows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss, unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(aa) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the group before the end of the financial year that are unpaid and arise when the group becomes obliged to make future payments in respect of the purchase of these goods and services.

(bb) Interest-bearing liabilities

All borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of borrowings.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(cc) Finance costs

Finance costs directly attributable to the acquisition, construction or production of a qualifying asset (that is, an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. The group does not currently hold qualifying assets.

All other borrowing costs are expensed in the period in which they occur. Finance costs consist of interest and other costs that an entity incurs in connection with the borrowings of funds.

(dd) Provisions (excluding employee benefits)

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the group expects some or all of a provision to be reimbursed – for example, under an insurance contract – the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a financing cost.

(ee) Employee leave benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries (including non-monetary benefits), expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date.

Liabilities for annual leave where the corporation does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date are recognised in current provisions at the amounts expected to be paid when the liabilities are settled.

No liability is recognised for sick leave as benefits lapse with termination of employment and experience indicates that the pattern of sick leave taken is less than the entitlement accumulating.

(ii) Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(iii) Workers' compensation

The corporation is a licence holder under the *Safety, Rehabilitation and Compensation Act 1988* (SRC Act). The corporation self-insures its liability for workers' compensation. Claims are recognised in the financial statements and measured by the discounted value of an annuity. The adequacy of the provision is established by reference to the work of an actuary as at balance date, with the estimate of present value taking into account pay increases, attrition rates, interest rates and the time over which settlement is made.

In accordance with its SRC Act licensing conditions, the corporation has a bank guarantee to cover its outstanding actuarial established claims liability (see Schedule of Contingencies). The corporation also complies with a requirement to maintain reinsurance to limit its workers' compensation liabilities.

The corporation has recognised a liability for workers' compensation of $106.7 million at balance date (refer note 20) of which $8.7 million relates to claims made in the 2009–10 financial year (2008–09: $7.8 million).

(iv) Separation and redundancy

A liability is recognised for separation and redundancy benefit payments for ongoing major restructuring only where the corporation is demonstrably committed to the restructuring and the cost can be reliably measured (refer note 20). Generally such assessments do not exceed the certainty of initiatives planned for the following year.

(ff) Pensions and other post-employment benefits

The defined benefit plan requires contributions to be made to a separately administered fund. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised in retained earnings.

Past service costs are recognised immediately to the extent that the benefits are already vested, and otherwise are amortised on a straight-line basis over the average period until the benefits become vested.

The defined benefit asset or liability recognised in the balance sheet represents the present value of the defined benefit obligation, adjusted for unrecognised past service cost, net of the fair value of the plan assets. Any asset resulting from this calculation is limited to past service costs plus the present value of available refunds and reductions in future contributions to the plan.

(gg) Financial guarantees

Financial guarantees are initially measured at fair value. At each subsequent reporting date, they are carried at the higher of the initial fair value amount less cumulative amortisation or the amount determined under AASB 137: *Provisions, Contingent Assets and Contingent Liabilities*. The fair value of financial guarantee contracts discussed in note 18 has been assessed using a probability weighted discounted cashflow approach. In order to estimate the initial fair value under this approach, the following assumptions are made:

- Probability of Default (PD): represents the likelihood of the guaranteed party defaulting over the terms of relevant agreements and is assessed based on historical default rates of companies rated by Standard & Poor's. The range used in the model is between 0% and 5%.
- Loss Given Default (LGD): represents the proportion of the exposure that is not expected to be recovered in the event of a default by the guaranteed party and is based on the result of studies into the recovery rate for unsecured debt obligations. The range used in the model is between 0% and 50%.
- Exposure at Default (EAD): represents the maximum loss that the corporation is exposed to if the guaranteed party was to default and is the maximum possible exposure at the time of default and hence equates to the values disclosed in note 18.
- The discount rate adopted was based on the Commonwealth Government bond yield.

When the uncertainty associated with an assumption was sufficient to warrant consideration of a range of possible assumptions, the maximum in the range was used for valuation purposes.

(hh) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(ii) Insurance

Generally, the corporation self-insures its own risks. However, with respect to catastrophic losses, appropriate insurance coverage for both the corporation and its controlled entities has been arranged with general insurers. Payments on account of losses and insurance premiums paid in any year are charged against revenue for the year. Where appropriate, the controlled entities insure their other risks with general insurers.

(jj) Contingent liabilities and contingent assets

Contingent liabilities and contingent assets are not recognised in the balance sheet but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or an asset or may represent an existing liability or asset in respect of which settlement is not probable or the amount cannot be reliably measured. Contingent assets are reported when settlement is probable, and contingent liabilities are recognised when settlement is not considered remote.

(kk) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

	Consolidated		Corporation	
	2010 $m	2009 $m	2010 $m	2009 $m
2 Revenues and other income				
Revenue:				
Rendering of services to:				
Related entities [1]	184.6	186.9	184.6	186.9
External entities [2]	4,224.8	4,288.6	4,119.3	4,159.5
	4,409.4	4,475.5	4,303.9	4,346.4
Sale of goods to external entities [2]	344.0	370.9	339.7	361.9
	4,753.4	4,846.4	4,643.6	4,708.3
Interest income calculated using the effective interest method from:				
Cash on hand and promissory notes	15.4	24.1	15.1	23.9
Loans and receivables	10.3	10.3	11.4	11.7
	25.7	34.4	26.5	35.6
Dividends received or receivable from jointly controlled entities	–	–	15.0	15.1
Total revenue	4,779.1	4,880.8	4,685.1	4,759.0
Other income and gains:				
Rents from operating leases	32.6	32.4	33.1	32.9
Other revenues and gains				
Other services:				
Related entities (government grants) [1]	3.0	3.2	3.0	3.2
External entities [2]	19.0	17.0	18.6	16.3
	22.0	20.2	21.6	19.5
Net gain on disposal of assets:				
Land and buildings	22.5	35.6	22.5	35.6
Investment property	–	2.2	–	2.2
	22.5	37.8	22.5	37.8
Change in fair value of interest rate swaps	–	1.8	–	1.8
Net foreign exchange gains – non-speculative	–	1.5	–	1.2
Total other revenues and gains	44.5	61.3	44.1	60.3
Total other income and gains	77.1	93.7	77.2	93.2
Total income	4,856.2	4,974.5	4,762.3	4,852.2

(1) Related entities – related to the Commonwealth Government.
(2) External entities – not related to the Commonwealth Government.

3 Expenses (excluding finance costs)

	Consolidated 2010 $m	Consolidated 2009 $m	Corporation 2010 $m	Corporation 2009 $m
Employees:				
Wages and salaries	1,713.6	1,709.9	1,662.4	1,653.3
Defined benefit superannuation expense	129.3	46.9	129.3	46.9
Payroll tax	107.3	105.9	104.5	102.9
Leave and other entitlements	216.7	224.8	212.3	221.4
Separation and redundancy	8.6	26.2	8.2	24.8
Workers' compensation	24.5	32.3	23.3	30.8
Other employee expenses	25.3	27.5	18.7	20.3
	2,225.3	**2,173.5**	**2,158.7**	**2,100.4**
Suppliers:				
Purchase of services from:				
External entities [1]	1,704.7	1,750.1	1,673.8	1,697.3
	1,704.7	1,750.1	1,673.8	1,697.3
Cost of sales – goods purchased from external entities [1]	212.8	221.8	211.2	219.0
Operating lease rentals (refer note 30 (i))	137.1	128.5	118.4	104.8
	2,054.6	**2,100.4**	**2,003.4**	**2,021.1**
Depreciation and amortisation:				
Depreciation:				
Buildings	52.3	51.7	52.0	51.5
Plant and equipment	92.0	93.3	88.5	89.2
Plant and equipment under finance lease	9.2	8.6	9.2	8.6
Amortisation:				
Computer software	57.6	52.6	56.7	49.2
Other intangibles	2.4	1.2	–	–
	213.5	207.4	206.4	198.5
Net loss on disposal of assets:				
Plant and equipment	4.3	4.6	4.1	3.9
Intangibles	0.3	0.7	0.3	–
	4.6	**5.3**	**4.4**	**3.9**
Net foreign exchange losses – non-speculative	4.1	–	4.1	–
Write-down and impairment of assets:				
Inventory	3.3	0.2	3.3	0.2
Investment property	–	18.8	–	18.8
Plant and equipment	2.2	–	–	–
Intangibles	24.6	–	23.6	–
Financial:				
Receivables	0.2	0.8	0.1	1.3
Related party loan	1.3	–	14.5	16.6
Investments	1.7	–	25.8	49.4
Goodwill	19.1	24.4	10.0	–
	52.4	**44.2**	**77.3**	**86.3**
Restructuring costs [2]	150.2	–	147.0	–
Other expenses	34.4	35.6	30.6	30.7
Total expenses	**4,739.1**	**4,566.4**	**4,631.9**	**4,440.9**

(1) External entities – not related to the Commonwealth Government.
(2) On 20 April 2010, Australia Post announced its business renewal program to streamline the existing business structure, with the new structure to take effect from 1 July 2010. Restructuring costs relate to separation and redundancy costs associated with this restructure.

	Consolidated		Corporation	
	2010 $m	2009 $m	2010 $m	2009 $m
4 Finance costs				
Bonds [1]	31.9	33.9	31.9	33.9
Interest rate swaps [1]	(6.3)	2.8	(6.3)	2.8
(Gain)/loss arising on interest rate swaps in a designated fair value hedge relationship	(3.3)	(4.3)	(3.3)	(4.3)
(Gain)/loss on adjustment to hedged item in a designated fair value hedge relationship	5.3	3.3	5.3	3.3
Unwinding of discount (refer note 20)	1.1	1.6	1.1	1.4
Other [1]	(0.2)	0.7	(0.5)	0.1
Total finance costs	**28.5**	**38.0**	**28.2**	**37.2**

(1) Interest expense calculated using the effective interest method.

	Consolidated		Corporation	
	2010 $m	2009 $m	2010 $m	2009 $m
5 Income tax				
Major components of income tax expense for the years ended 30 June are:				
(a) Statement of comprehensive income				
Current income tax				
Current income tax charge	60.5	119.7	66.0	123.9
Adjustments in respect of current income tax of previous years	(4.3)	(0.4)	(3.6)	–
Deferred income tax benefit				
Relating to origination and reversal of temporary differences	(42.7)	1.1	(41.8)	4.8
Income tax expense reported in the statement of comprehensive income	13.5	120.4	20.6	128.7
(b) Amounts charged directly to equity				
Deferred income tax related to items charged or credited directly to equity				
Net gain/(loss) on revaluation of cashflow hedges	0.3	(0.2)	0.3	(0.2)
Net gain on revaluation of land and buildings	0.8	–	0.8	–
Net actuarial gains/(losses)	(87.5)	(338.0)	(87.5)	(338.0)
Income tax expense reported in equity	(86.4)	(338.2)	(86.4)	(338.2)

(c) Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the group's applicable income tax rate is as follows:

	Consolidated 2010 $m	Consolidated 2009 $m	Corporation 2010 $m	Corporation 2009 $m
Accounting profit before income tax	103.0	380.9	102.2	374.1
At the group's statutory income tax rate of 30% (2009: 30%)	30.9	114.3	30.7	112.2
Adjustments in respect of current income tax of previous years	(4.3)	(0.4)	(3.6)	–
Investment property	0.4	2.2	0.4	2.2
Unrecognised tax losses	1.5	0.9	–	–
Income not assessable for income tax purposes	(16.9)	(0.2)	(17.2)	(0.4)
Write-down and impairment not allowable for income tax purposes	6.6	7.3	15.1	19.8
Share of net profits of jointly controlled entities	(4.3)	(3.2)	–	–
Dividend rebate	–	–	(4.3)	(4.4)
Sundry items	(0.4)	(0.5)	(0.5)	(0.7)
At effective income tax rate of 13.2% (Corp: 20.2%) (2009: 31.6%, Corp: 34.4%)	13.5	120.4	20.6	128.7
Income tax expense reported in the statement of comprehensive income	13.5	120.4	20.6	128.7

5 Income tax (continued)

(d) Recognised deferred income tax

Deferred income tax at 30 June relates to the following:

Consolidated	Balance sheet 2010 $m	Balance sheet 2009 $m	Statement of comprehensive income 2010 $m	Statement of comprehensive income 2009 $m
(i) Deferred income tax liabilities				
Accelerated depreciation for tax purposes	(39.5)	(49.1)	(10.4)	8.5
Superannuation asset	(51.8)	(140.4)	(1.1)	–
Sydney GPO lease receivable	(31.0)	(31.0)	–	–
International income	(43.4)	(53.9)	(10.5)	20.3
Net gain on revaluation of cashflow hedges	0.1	–	(0.1)	–
Fair value adjustments on acquisition	–	–	–	–
Sundry	(5.5)	(3.1)	2.4	(0.2)
Gross deferred income tax liabilities	**(171.1)**	**(277.5)**	**(19.7)**	**28.6**
(ii) Deferred income tax assets				
Provisions	256.5	219.1	(37.4)	(21.0)
Capital losses available for offset against future taxable income	6.0	8.0	2.0	(1.0)
Sydney GPO refurbishment	5.3	5.5	0.2	0.2
International expenditure	21.1	34.4	13.3	(4.2)
Government grant	1.5	2.4	0.9	1.0
Make good	14.0	13.6	(0.4)	0.8
Net loss on revaluation of cashflow hedges	(0.1)	0.2	0.3	–
Sundry	10.7	8.8	(1.9)	(3.3)
Gross deferred income tax assets	**315.0**	**292.0**	**(23.0)**	**(27.5)**
Deferred income tax (benefit)/expense			**(42.7)**	**1.1**

Corporation	Balance sheet 2010 $m	Balance sheet 2009 $m	Statement of comprehensive income 2010 $m	Statement of comprehensive income 2009 $m
(i) Deferred income tax liabilities				
Accelerated depreciation for tax purposes	(40.0)	(49.6)	(10.4)	9.1
Superannuation asset	(51.8)	(140.4)	(1.1)	–
Sydney GPO lease receivable	(31.0)	(31.0)	–	–
International income	(43.4)	(53.9)	(10.5)	20.3
Net gain on revaluation of cashflow hedges	0.1	–	(0.1)	–
Sundry	(5.6)	(3.1)	2.5	0.1
Gross deferred income tax liabilities	**(171.7)**	**(278.0)**	**(19.6)**	**29.5**
(ii) Deferred income tax assets				
Provisions	252.4	214.7	(37.7)	(19.7)
Capital losses available for offset against future taxable income	6.0	8.0	2.0	(1.0)
Sydney GPO refurbishment	5.3	5.5	0.2	0.2
International expenditure	21.1	34.4	13.3	(4.2)
Government grant	1.5	2.4	0.9	1.0
Make good	12.9	12.6	(0.3)	1.3
Net loss on revaluation of cashflow hedges	(0.1)	0.2	0.3	–
Sundry	7.6	6.7	(0.9)	(2.3)
Gross deferred income tax assets	**306.7**	**284.5**	**(22.2)**	**(24.7)**
Deferred income tax (benefit)/expense			**(41.8)**	**4.8**

5 Income tax (continued)

(e) Unrecognised temporary differences

At 30 June 2010, there were no unrecognised temporary differences (2009: $nil) associated with the group's investments in controlled entities or jointly controlled entities, as the group has no liability for additional taxation should unremitted earnings be remitted.

(f) Tax consolidation

Australian Postal Corporation and its 100% owned Australian resident subsidiaries have formed a tax consolidated group with effect from 1 July 2004. Australian Postal Corporation is the head entity of the tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned subsidiaries on a pro-rata basis. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

Tax effect accounting by members of the tax consolidated group

Members of the tax consolidated group have entered into a tax funding agreement. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated group in accordance with their contribution to the actual tax payable by the head entity for the period, while deferred taxes are allocated to members of the tax consolidated group in accordance with the principles of AASB 112: *Income Taxes* and *UIG 1052: Tax Consolidation Accounting*. Allocations under the tax funding agreement are made on an annual basis.

The allocation of taxes under the tax funding agreement is recognised as an increase/decrease in the subsidiaries' intercompany accounts with the tax consolidated group head company, Australian Postal Corporation. Because under UIG 1052: *Tax Consolidation Accounting* the allocation of current taxes to tax consolidated group members on the basis of accounting profits is not an acceptable method of allocation given the group's circumstances, the difference between the current tax amount that is allocated under the tax funding agreement and the amount that is allocated under an acceptable method is recognised as a contribution/distribution of the subsidiaries' equity accounts. The group has applied the group allocation approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidated group.

The amounts receivable or payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

All tax related contingencies are included in the schedule of contingencies.

	Consolidated		Corporation	
	2010 $m	2009 $m	2010 $m	2009 $m
6 Current assets – trade and other receivables				
Goods and services receivable [1]	351.4	350.7	333.9	325.7
Allowance for doubtful debts	(4.2)	(5.0)	(3.2)	(4.0)
	347.2	345.7	330.7	321.7
Proceeds receivable	–	24.2	–	24.2
Finance lease receivable (refer note 30 (ii))	6.5	6.5	6.5	6.5
Interest receivable	0.9	1.2	0.9	1.2
Trade receivables from controlled and jointly controlled entities (refer note 28)	1.4	1.5	3.5	2.3
Income tax receivable	5.5	–	5.5	–
Other receivables [2]	7.7	11.3	7.1	10.7
Total current assets	369.2	390.4	354.2	366.6
Receivables not impaired are aged as follows				
Not past due	337.8	342.3	327.9	329.5
Past due less than 30 days	11.5	14.1	8.0	7.5
Past due 30–60 days	8.8	2.7	8.1	1.8
Past due 61–90 days	0.8	4.8	0.6	4.0
Past due more than 90 days	10.3	26.5	9.6	23.8
	369.2	390.4	354.2	366.6
Receivables individually determined to be impaired are aged as follows				
Not past due	0.4	0.1	0.3	–
Past due less than 30 days	–	0.1	–	0.1
Past due 30–60 days	–	–	–	–
Past due 61–90 days	0.2	–	0.1	–
Past due more than 90 days	3.6	4.8	2.8	3.9
	4.2	5.0	3.2	4.0
Movements in the allowance for doubtful debts during the financial year, are set out below				
Balance at 1 July	5.0	4.5	4.0	3.5
Charge for the year	0.2	0.8	0.1	1.3
Amounts written off	(1.0)	(0.3)	(0.9)	(0.8)
Balance at 30 June	4.2	5.0	3.2	4.0

(1) Goods and services receivable are interest-free and are normally on settlement terms of between 10 and 30 days. Included within goods and services receivable are international debtors, which are settled in accordance with Universal Postal Union (UPU) arrangements, which may be longer than 30 days.
(2) Receivables are interest-free with various maturities.

7 Current assets – inventories (held for sale)				
Raw materials (at net realisable value)	1.1	1.2	1.1	1.2
Work in progress (at cost)	1.1	1.2	1.1	1.2
Finished goods (at net realisable value)	41.9	47.7	41.9	47.7
Total current inventories at lower of cost and net realisable value	44.1	50.1	44.1	50.1

Inventory write-down expense recognised totalled $3.3 million (2009: $0.2 million) for the group and $3.3 million (2009: $0.2 million) for the corporation. This expense is included in the write-down of inventory. Refer to note 3.

8 Other current assets				
Prepayments	77.7	62.6	75.4	61.3
Foreign currency exchange contracts	0.4	0.1	0.4	0.1
Total other current assets	78.1	62.7	75.8	61.4

	Consolidated		Corporation	
	2010 $m	2009 $m	2010 $m	2009 $m
9 Non-current assets – trade and other receivables [(1)]				
Loans to controlled and jointly controlled entities (refer note 28)	130.7	130.7	160.7	147.5
Provision for impairment of loans to controlled and jointly controlled entities	(1.3)	–	(31.1)	(16.6)
	129.4	**130.7**	**129.6**	**130.9**
Finance lease receivable (refer note 30 (ii))	97.0	97.0	97.0	97.0
Other receivables	0.7	0.9	0.7	0.9
Total non-current assets	227.1	228.6	227.3	228.8

(1) There are no non-current trade and other receivables that are past due (2009: $nil). There are no non-current trade and other receivables whose terms have been renegotiated that would otherwise be past due (2009: $nil). The terms of loans agreements with controlled entities are reviewed and updated prior to expiry or on an as-needs basis to ensure they are appropriate in light of the current financial position of the controlled entity.

			Australian Postal Corporation investment amount		% of equity held by immediate parent	
	Note	Country of incorporation	2010 $m	2009 $m	2010 %	2009 %
10 Investments in controlled entities						
Sprintpak Pty Ltd	(1)	Australia	1.0	1.0	100.0	100.0
Postcorp Developments Pty Ltd	(1)	Australia	0.1	0.1	100.0	100.0
Geospend Pty Ltd	(1)	Australia	1.2	1.2	100.0	100.0
corProcure Pty Ltd	(1)	Australia	0.1	0.1	100.0	100.0
Post Fulfilment Online Pty Ltd	(1)	Australia	–	–	100.0	100.0
SnapX Pty Ltd	(1)	Australia	0.7	0.7	100.0	100.0
Decipha Pty Ltd	(2)	Australia	2.4	2.4	100.0	100.0
AP International Holdings Pty Ltd	(1) (4)	Australia	2.0	4.0	100.0	100.0
PostLogistics Pte Ltd	(3)	Hong Kong	–	–	100.0	100.0
Australia Post Transaction Services Pty Ltd	(1)	Australia	–	–	100.0	100.0
Post Logistics Australasia Pty Ltd	(2) (5)	Australia	10.0	20.0	100.0	100.0
Lakewood Logistics Pty Ltd	(1)	Australia	–	–	100.0	100.0
PrintSoft Holdings Pty Ltd	(2) (6)	Australia	–	13.8	100.0	100.0
PrintSoft Development Pty Ltd	(1)	Australia	–	–	100.0	100.0
PrintSoft Products Pty Ltd	(1)	Australia	–	–	100.0	100.0
PrintSoft Americas, Inc	(3)	USA	–	–	100.0	100.0
PrintSoft Systems Ltd	(3)	UK	–	–	100.0	100.0
PrintSoft Solutions Ltd	(3)	UK	–	–	100.0	100.0
Program Products Services Ltd	(3)	UK	–	–	100.0	100.0
PrintSoft SAS	(3)	France	–	–	100.0	100.0
PrintSoft Systems GmbH	(3)	Germany	–	–	100.0	100.0
PrintSoft Slovenska Republika S.R.O	(3)	Slovak Republic	–	–	68.0	68.0
PrintSoft Ceska Republika S.R.O	(3)	Czech Republic	–	–	72.0	72.0
PrintSoft Italia SRL	(3)	Italy	–	–	100.0	100.0
Investments in controlled entities			17.5	43.3		

(1) These entities are incorporated in Australia and are small proprietary companies. As such, they are not required to prepare and lodge audited financial statements with the Australian Securities and Investments Commission (ASIC).
(2) These entities are incorporated in Australia and are large proprietary companies required to lodge audited financial statements with ASIC.
(3) These entities are not audited by the Australian National Audit Office.
(4) During the year, the corporation provided $2.0 million against its investment (2009: $nil).
(5) During the year, the corporation provided $10.0 million against its investment (2009: the corporation raised a provision of $33.1 million against its initial investment and invested a further $20.0 million).
(6) During the year, the corporation provided $13.8 million against its investment (2009: the corporation provided $16.3 million against its investment).

11 Investments in jointly controlled entities

Carrying amounts of investments

	Consolidated 2010 $m	Consolidated 2009 $m	Corporation 2010 $m	Corporation 2009 $m
Balance at the beginning of the financial year	298.3	309.7	263.6	263.6
Share of profits for the year	14.4	10.8	–	–
Actuarial loss	(2.0)	(6.8)	–	–
Impairment of investment	(1.7)	–	–	–
Share of hedging reserve	0.8	(0.3)	–	–
Dividends received/receivable	(14.2)	(15.1)	–	–
Balance at the end of the financial year	**295.6**	**298.3**	**263.6**	**263.6**

Name	Principal Activity	Country of Incorporation	Balance Date	Ownership Interest 2010 %	Ownership Interest 2009 %
Australian air Express Pty Ltd – ordinary shares	Express air freight	Australia	30 June	50.0	50.0
iPrint Corporate Pty Ltd – ordinary shares	Printing services	Australia	30 June	50.0	50.0
Star Track Express Holdings Pty Ltd – ordinary shares	Express freight	Australia	30 June	50.0	50.0
Sai Cheng Logistics International Company Limited – ordinary shares (1)	International 4PL logistics services	China	31 Dec	49.0	49.0
Multi Media Logistics Pty Ltd – ordinary shares (2)	Logistics services	Australia	30 June	50.0	50.0
Wetherill Park Partnership	Warehousing facilities	Australia	30 June	50.0	50.0

(1) This investment is held by the corporation's 100% owned subsidiary AP International Holdings Pty Ltd.
(2) This investment is held by the corporation's 100% owned subsidiary Post Logistics Australasia Pty Ltd and was sold on 1 July 2010.

	Consolidated	
	2010 $m	2009 $m
11 Investments in jointly controlled entities (continued)		
Share of jointly controlled entities' profits		
Revenues	614.1	635.2
Expenses	(593.5)	(622.9)
Net profits before income tax	20.6	12.3
Income tax expense	(6.2)	(1.5)
Net profits after income tax	14.4	10.8
Share of assets and liabilities		
Current assets	90.8	83.0
Non-current assets	436.1	441.7
Total assets	526.9	524.7
Current liabilities	(73.4)	(65.6)
Non-current liabilities	(157.9)	(160.8)
Total liabilities	(231.3)	(226.4)
Net assets	**295.6**	**298.3**
Retained profits of the consolidated entity attributable to jointly controlled entities		
Balance at the beginning of the financial year	31.4	42.5
Share of profits for the year	14.4	10.8
Actuarial loss	(2.0)	(6.8)
Dividends received/receivable	(14.2)	(15.1)
Balance at the end of the financial year	**29.6**	**31.4**

The group's investment in Multi Media Logistics Pty Ltd was impaired during the year by $1.7 million. All other of the above-mentioned jointly controlled entities were not impaired (2009: $nil).

The consolidated entity's share of the jointly controlled entities' net commitment payable is $385.5 million (2009: $365.5 million) and is included in the schedule of commitments. The consolidated entity's share of the jointly controlled entities' contingent liabilities is $31.1 million (2009: $34.5 million) and is included in the schedule of contingencies.

12 Superannuation

(i) Superannuation plan

The corporation is an employer sponsor of the Australia Post Superannuation Scheme (APSS) of which almost all of its employees are members. The APSS provides employer-financed defined benefits to all employees who are members and member-financed accumulation benefits to those who elect. Some of the corporation's current and past employees are also entitled to benefits under the *Superannuation Act 1976,* but the corporation has no contribution obligation in respect of these benefits. A small percentage of Australia Post employees have elected not to be members of the APSS and are not entitled to benefits under the *Superannuation Act 1976*. Australia Post pays the Superannuation Guarantee contribution to the nominated superannuation funds of these employees. The consolidated amounts shown below are materially consistent with the corporation.

	Consolidated	
	2010 $m	2009 $m
(ii) Amount recognised in the statement of comprehensive income		
Current service cost	200.9	191.8
Interest cost on benefit obligation	363.5	360.3
Expected return on plan assets	(465.0)	(522.3)
Plan expenses	12.3	11.8
Contributions tax reserve	17.6	5.3
Defined benefit superannuation expense (1)	129.3	46.9

(1) The defined benefit superannuation expense excludes $3.3 million (net of tax) of curtailment costs, included as part of the restructuring costs.

	Consolidated				
	2010 $m	2009 $m	2008 $m	2007 $m	2006 $m
(iii) Amount recognised in the balance sheet					
Present value of benefit obligation (wholly funded)	(5,347.2)	(5,298.0)	(5,333.3)	(5,003.4)	(4,544.9)
Fair value of plan assets	5,493.9	5,695.8	6,688.8	6,514.5	5,693.4
Contributions tax reserve	25.9	70.2	239.2	266.7	202.8
Net superannuation asset – non-current (2)	172.6	468.0	1,594.7	1,777.8	1,351.3

(2) Australia Post's entitlement to any surplus in the Fund is limited by the terms of the relevant Trust Deed and applicable superannuation laws. On termination, any money and other assets remaining in the fund after the payment of benefits and expenses of the fund would ultimately be realised and the proceeds distributed to the employers (including Australia Post) in such shares as determined by Australia Post. Outside termination, there is scope for Australia Post to request a return of surplus, which may be no more than the amount (as determined by the fund's actuary) by which the total fund value exceeds the total accrued benefit value. In addition, Australia Post benefits from the surplus through reduction in future superannuation expense and contributions.

	2010 $m	2009 $m
(iv) Reconciliations		
Changes in the present value of the defined benefit obligation is as follows:		
Opening defined benefit obligation at 1 July	5,298.0	5,333.3
Interest cost	363.5	360.3
Current service cost	200.9	191.8
Benefits paid	(617.4)	(271.3)
Curtailment costs (net of tax)	3.3	–
Member contributions	67.9	69.5
Actuarial loss/(gain)	31.0	(385.6)
Closing defined benefit obligation at 30 June (3)	5,347.2	5,298.0
Changes in the fair value of the plan assets is as follows:		
Opening fair value of plan assets at 1 July	5,695.8	6,688.8
Expected return on plan assets	465.0	522.3
Contributions by employer	129.3	46.9
Member contributions	67.9	69.5
Benefits paid	(617.4)	(271.3)
Actuarial losses	(216.8)	(1,343.3)
Plan expenses	(12.3)	(11.8)
Contributions tax reserve (4)	(17.6)	(5.3)
Fair value of plan assets at 30 June (3)	5,493.9	5,695.8

The group expects to contribute approximately $135.3 million to its defined benefit pension plan in 2010–11.

(3) Included in the obligation and plan assets above is $2,467.2 million (2009: $2,489.5 million) relating to member financed accumulation benefits.
(4) A curtailment cost of $3.8 million has been included in the consolidated restructuring costs of $150.2 million and of this amount $0.5 million relates to contributions tax.

12 Superannuation (continued)

	Consolidated 2010 [5] %	2009 %
(v) Categories of plan assets		
The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:		
Public Market Equities	3	3
Public Market Debt	6	6
Cash	20	18
Private Market Real Estate	29	35
Private Market Equities and Debt	42	38

The expected rate of return on assets is determined based on the valuation of assets prevailing on that date, applicable to the period over which the obligation is to be settled. There are no in-house assets included in the fair value of the APSS assets; however, there may be an immaterial amount of indirect investments in shopping centres where the corporation has leased certain areas for Post shops.

(5) Within the Private Market Real Estate and Private Market Equities and Debt categories included in the 2010 year above, approximately 5.2% of the assets were valued at or prior to 31 December 2009, 82.1% were valued between 31 March and 31 May 2010, 12.7% were valued at 30 June 2010 and 0% were valued at cost. All Public Market Equities and Debt were valued at 30 June 2010.

	2010 $m	2009 $m
(vi) Actual return on plan assets		
Actual return/(loss) on plan assets	248.2	(944.2)
(vii) Cumulative actuarial gains and losses		
Actuarial losses recognised in the year in the statement of comprehensive income	247.8	957.7
Contributions tax	43.7	169.0
	291.5	1,126.7
Cumulative actuarial losses recognised in the statement of comprehensive income	697.2	405.7

	Consolidated 2010 $m	2009 $m	2008 $m	2007 $m	2006 $m
(viii) Experience adjustments					
Experience adjustments on plan liabilities	58.9	377.6	(68.7)	(308.8)	(240.0)
Experience adjustments on plan assets	(216.8)	(1,343.3)	(118.0)	547.1	521.7

(ix) Actuarial assumptions

The principal actuarial assumptions used in determining superannuation obligations for the group's plan are shown below (expressed as weighted averages):

	Consolidated 2010 %	2009 %
Discount rate	5.1	5.5
Expected after tax rate of return on assets	8.3	8.3
Future salary increases	5.0	5.0

(x) Superannuation Act 1976

The superannuation asset or liability under the *Superannuation Act 1976* is recognised in the financial statements of the Commonwealth and is settled by the Commonwealth in due course. The Commonwealth takes full responsibility for the Commonwealth Superannuation Scheme (CSS) liabilities for any Australia Post employees (past and present) remaining in the CSS.

Disclosures regarding the CSS Scheme are located in the Department of Finance and Deregulation (Finance) Annual Financial Report.

13 Analysis of property, plant and equipment

Reconciliation of the opening and closing balances of property, plant and equipment

	Land $m	Buildings $m	Total land & buildings $m	Plant & equipment $m	Consolidated Total $m
Gross book value	217.7	988.8	1,206.5	1,310.2	2,516.7
Accumulated depreciation	–	(429.5)	(429.5)	(776.0)	(1,205.5)
Net book value at 30 June 2008	**217.7**	**559.3**	**777.0**	**534.2**	**1,311.2**
Additions	4.5	102.2	106.7	119.7	226.4
Depreciation	–	(51.7)	(51.7)	(101.9)	(153.6)
Disposals	(4.0)	(9.6)	(13.6)	(11.0)	(24.6)
Transfers to investment properties	(0.4)	(2.5)	(2.9)	–	(2.9)
Gross book value	217.8	1,061.5	1,279.3	1,367.4	2,646.7
Accumulated depreciation	–	(463.8)	(463.8)	(826.4)	(1,290.2)
Net book value at 30 June 2009 (1)	**217.8**	**597.7**	**815.5**	**541.0**	**1,356.5**
Additions	2.6	33.0	35.6	80.3	115.9
Depreciation	–	(52.3)	(52.3)	(101.2)	(153.5)
Impairment loss	–	–	–	(2.2)	(2.2)
Disposals	(1.6)	(0.8)	(2.4)	(8.3)	(10.7)
Transfers to investment properties	(0.1)	(0.9)	(1.0)	–	(1.0)
Gross book value	218.7	1,069.2	1,287.9	1,338.5	2,626.4
Accumulated depreciation	–	(492.5)	(492.5)	(828.9)	(1,321.4)
Net book value at 30 June 2010 (1)	**218.7**	**576.7**	**795.4**	**509.6**	**1,305.0**

(1) Were the entity to apply the fair value methodology, the net book value of land and buildings would be $1,430.2 million (2009: $1,465.9 million).

Reconciliation of the opening and closing balances of plant and equipment assets held under finance lease included in the net book value of assets

	Land $m	Buildings $m	Total land & buildings $m	Plant & equipment $m	Total $m
As at 30 June 2008	–	–	–	58.7	58.7
Depreciation	–	–	–	(8.6)	(8.6)
As at 30 June 2009	–	–	–	50.1	50.1
Depreciation	–	–	–	(9.2)	(9.2)
As at 30 June 2010	**–**	**–**	**–**	**40.9**	**40.9**

					Corporation
	Land $m	Buildings $m	Total land & buildings $m	Plant & equipment $m	Total $m
13 Analysis of property, plant and equipment (continued) Reconciliation of the opening and closing balances of property, plant and equipment					
Gross book value	215.2	986.5	1,201.7	1,278.6	2,480.3
Accumulated depreciation	–	(429.0)	(429.0)	(758.6)	(1,187.6)
Net book value at 30 June 2008	**215.2**	**557.5**	**772.7**	**520.0**	**1,292.7**
Additions	4.5	101.4	105.9	117.3	223.2
Depreciation	–	(51.5)	(51.5)	(97.8)	(149.3)
Disposals	(4.0)	(9.4)	(13.4)	(10.0)	(23.4)
Gross book value	215.7	1,061.1	1,276.8	1,337.1	2,613.9
Accumulated depreciation	–	(463.1)	(463.1)	(807.6)	(1,270.7)
Net book value at 30 June 2009 (1)	**215.7**	**598.0**	**813.7**	**529.5**	**1,343.2**
Additions	2.6	32.9	35.5	74.8	110.3
Depreciation	–	(52.0)	(52.0)	(97.7)	(149.7)
Disposals	(1.6)	(0.8)	(2.4)	(7.9)	(10.3)
Transfers to investment properties	(0.1)	(0.9)	(1.0)	–	(1.0)
Gross book value	216.6	1,068.7	1,285.3	1,305.2	2,590.5
Accumulated depreciation	–	(491.5)	(491.5)	(806.5)	(1,298.0)
Net book value at 30 June 2010 (1)	**216.6**	**577.2**	**793.8**	**498.7**	**1,292.5**

(1) Were the entity to apply the fair value methodology, the net book value of land and buildings would be $1,428.6 million (2009: $1,464.1 million).

Reconciliation of the opening and closing balances of plant and equipment assets held under finance lease included in the net book value of assets

As at 30 June 2008	–	–	–	58.7	58.7
Depreciation	–	–	–	(8.6)	(8.6)
As at 30 June 2009	–	–	–	50.1	50.1
Depreciation	–	–	–	(9.2)	(9.2)
As at 30 June 2010	–	–	–	**40.9**	**40.9**

14 Analysis of intangibles

Reconciliation of the opening and closing balances of intangibles

	Consolidated			
	Computer software $m	Goodwill $m	Other intangibles $m	Total intangibles $m
Gross book value	634.7	54.8	15.3	704.8
Accumulated amortisation	(473.1)	–	(13.3)	(486.4)
Net book value as at 30 June 2008	**161.6**	**54.8**	**2.0**	**218.4**
Additions by purchase	83.3	–	1.0	84.3
Amortisation expense	(52.6)	–	(1.2)	(53.8)
Impairment loss	–	(24.4)	–	(24.4)
Disposals	(0.7)	–	–	(0.7)
Gross book value	716.1	30.4	16.3	762.8
Accumulated amortisation	(524.5)	–	(14.5)	(539.0)
Net book value as at 30 June 2009	**191.6**	**30.4**	**1.8**	**223.8**
Additions by purchase	113.2	–	1.8	115.0
Amortisation expense	(57.6)	–	(2.4)	(60.0)
Impairment loss	(24.6)	(19.1)	–	(43.7)
Disposals	(0.3)	–	–	(0.3)
Gross book value	804.4	11.3	18.1	833.8
Accumulated amortisation	(582.1)	–	(16.9)	(599.0)
Net book value as at 30 June 2010	**222.3**	**11.3**	**1.2**	**234.8**

Reconciliation of the opening and closing balances of intangibles

	Corporation			
	Computer software $m	Goodwill $m	Other intangibles $m	Total intangibles $m
Gross book value	618.6	13.4	–	632.0
Accumulated amortisation	(462.1)	–	–	(462.1)
Net book value as at 30 June 2008	**156.5**	**13.4**	**–**	**169.9**
Additions by purchase	81.9	–	–	81.9
Amortisation expense	(49.2)	–	–	(49.2)
Transfers from investment	–	7.9	–	7.9
Gross book value	699.3	21.3	–	720.6
Accumulated amortisation	(510.1)	–	–	(510.1)
Net book value as at 30 June 2009	**189.2**	**21.3**	**–**	**210.5**
Additions by purchase	112.6	–	–	112.6
Amortisation expense	(56.7)	–	–	(56.7)
Impairment loss	(23.6)	(10.0)	–	(33.6)
Disposals	(0.4)	–	–	(0.4)
Gross book value	787.8	11.3	–	799.1
Accumulated amortisation	(566.7)	–	–	(566.7)
Net book value as at 30 June 2010	**221.1**	**11.3**	**–**	**232.4**

Goodwill is not amortised but is subject to annual impairment testing (refer note 16).

	Consolidated		Corporation	
	2010 $m	2009 $m	2010 $m	2009 $m
15 Investment property				
Opening balance as at 1 July	219.5	238.4	219.5	241.3
Additions	1.7	0.5	1.7	0.5
Net transfer to investment property	3.7	2.9	3.7	–
Disposals	–	(3.5)	–	(3.5)
Net (loss) from fair value adjustments	–	(18.8)	–	(18.8)
Closing balance as at 30 June	224.9	219.5	224.9	219.5

Investment properties are stated at fair value, which has been determined based on valuations performed by Savills Pty Ltd for all property as at 30 June 2010 and 30 June 2009. Savills is an industry specialist in valuing these types of investment property. The fair value considers the capitalised rental streams where the property is leased to a third party and the amount at which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the date of valuation, in accordance with Australian Valuation Standards.

In determining fair value, the expected net cashflows applicable to each property have been discounted to their present value using a market determined, risk-adjusted, discount rate applicable to the respective asset.

	Consolidated		Corporation	
	2010 $m	2009 $m	2010 $m	2009 $m
16 Impairment testing of goodwill				
Goodwill acquired through business combinations has been allocated to individual cash generating units as follows:				
Messenger Post	9.9	19.9	9.9	19.9
The PrintSoft eLetter Group	–	9.1	–	–
Other	1.4	1.4	1.4	1.4
	11.3	30.4	11.3	21.3

The recoverable amount of all CGUs has been determined based on a value in use calculation using cashflow forecasts extracted from three year corporate plans approved by senior management and the board. The forecasts are extrapolated for a further two years and a terminal value is applied. These forecasts use management estimates to determine income, expenses, capital expenditure and cashflows for each CGU. Revenue growth rates applied by all cash generating units to the two year period outside the corporate plan are 4.0% (2009: 4.0%). After this period a 1.5% to 2.5% (2009: 1.5% to 2.5%) revenue growth rate is applied. A pre-tax discount rate applicable to the specific cash generating unit has been applied. These rates are between 11.8% and 12.5% (2009: 13.1% and 13.2%).

At 30 June 2010, the carrying value of goodwill for the Messenger Post and the PrintSoft eLetter Group CGUs were tested for impairment based on value in use. This test resulted in an impairment charge of $19.1 million (2009: $24.4 million) being recognised in the consolidated accounts against goodwill and $10.0 million (2009: $33.1 million) in the corporation's accounts.

Management believes that any reasonably possible change in the key assumptions would not cause the carrying amount of any cash generating units containing goodwill to exceed their recoverable amount.

	Consolidated		Corporation	
	2010 $m	2009 $m	2010 $m	2009 $m
17 Other non-current assets				
Interest rate swap contracts	5.5	9.7	5.5	9.7
Prepayments	5.2	3.8	5.1	3.7
Total other non-current assets	10.7	13.5	10.6	13.4
18 Current liabilities – trade and other payables				
Trade creditors (1)	244.4	299.5	222.2	282.9
Other:				
Agency creditors (1)	145.1	168.9	145.1	168.9
Salaries and wages	53.9	49.0	52.8	47.1
Borrowing costs (2)	8.1	5.6	8.1	5.6
Unearned postage revenue	68.0	59.4	67.7	59.4
Other advance receipts	91.5	84.4	88.3	80.4
Deferred government grant income	4.9	8.0	4.9	8.0
Payables to controlled and jointly controlled entities (refer note 28)	8.7	17.9	14.9	20.5
Goods and services tax payable	20.7	20.1	20.7	20.1
Financial guarantees (3)	0.0	0.1	0.0	0.1
Forward exchange contracts	–	1.2	–	1.2
Other payables	81.4	84.8	78.3	78.9
	482.3	499.4	480.8	490.2
Total current payables	726.7	798.9	703.0	773.1

(1) Trade creditors and agency creditors are non-interest bearing and normally settled on 30-day and next business day terms respectively. Included within trade creditors are international creditors which are settled in accordance with Universal Postal Union (UPU) arrangements, which may be longer than 30 days.
(2) Borrowing costs are normally settled on a half-yearly basis throughout the financial year.
(3) As described in note 1(gg), the group has provided financial guarantees to third parties, which commit the group to make payments on behalf of these parties upon their failure to perform under the terms of the relevant contracts. The account estimates and/or assumptions used in determining the fair value of the guarantees has been disclosed in note 1(gg). The maximum credit risk associated with these contracts is $64.3 million (2009: $66.1 million) and is included within the disclosures of note 29(i).

	Consolidated		Corporation	
	2010 $m	2009 $m	2010 $m	2009 $m
19 Interest-bearing liabilities				
Current				
Bank overdraft and other loans	–	0.6	–	–
Oil commodity swaps – within one year	0.5	–	0.5	–
Finance lease and hire purchase liabilities payable – within one year	0.1	0.3	–	–
Total current interest-bearing liabilities	0.6	0.9	0.5	–
Non-current				
Fixed-rate unsecured bonds payable – in one to five years	547.0	541.7	547.0	541.7
Interest rate swaps – in one to five years	11.4	18.9	11.4	18.9
Total non-current interest-bearing liabilities	558.4	560.6	558.4	560.6

$555 million bonds

These bonds are unsecured and repayable in full, with $230 million maturing on 23 March 2012 and the remaining $325 million due on 25 March 2014.

	Consolidated		Corporation	
	2010 $m	2009 $m	2010 $m	2009 $m
20 Provisions				
Current provisions				
Annual leave	174.8	183.2	170.3	179.0
Long service leave	338.8	316.0	337.6	314.9
Workers' compensation	23.7	24.4	23.7	24.4
Separations and redundancies (1)	141.9	20.2	138.8	18.9
Other employee	32.6	46.3	32.1	45.8
Balance at 30 June	711.8	590.1	702.5	583.0
Non-current provisions				
Long service leave	38.0	37.9	36.4	36.5
Workers' compensation	83.0	86.9	83.0	86.9
Make good (2)	46.6	45.4	43.2	41.9
Balance at 30 June	167.6	170.2	162.6	165.3
Total provisions	879.4	760.3	865.1	748.3

(1) The current year separations and redundancies provision primarily relates to the business renewal program announced on 20 April 2010 (2009: $nil). The provision recognised comprises the expected severance payments, employee entitlements (including notice period), outplacement costs and payroll tax based on the location of the employee, staff level affected by the restructuring and their anticipated years of service. In estimating the expected severance payments, historical severance payments have also been considered.
(2) Provision is made for the estimated cost to make good operating leases entered into by the group. The estimated cost is based on management's best estimate of the cost to restore a square metre of floor space and is dependent on the nature of the building being leased. The expected timing of the make good cost is based on the expiry of each underlying individual lease agreement.

Movements in provisions

Movements in the make good provision during the financial year are set out below:

Make good provision				
Balance at 1 July	45.4	48.3	41.9	46.2
Reassessments and additions	3.4	4.0	3.5	2.8
Unused amount reversed	(1.9)	(4.1)	(1.9)	(4.1)
Payments made	(1.4)	(4.4)	(1.4)	(4.4)
Unwinding and discount rate adjustment	1.1	1.6	1.1	1.4
Balance at 30 June	46.6	45.4	43.2	41.9
21 Other non-current liabilities				
Loans from controlled entities (refer note 28)	–	–	2.9	2.9
Other payables	19.9	11.4	19.4	11.4
Total other non-current liabilities	19.9	11.4	22.3	14.3
22 Movements in retained profits				
Balance at 1 July	1,441.3	2,405.2	1,415.0	2,386.1
Net profit	89.8	260.6	81.6	245.4
Dividends paid	(171.9)	(427.8)	(171.9)	(427.8)
Net actuarial losses (superannuation asset)	(204.0)	(788.7)	(204.0)	(788.7)
Other movements in retained profits	(2.0)	(8.0)	–	–
Balance at 30 June	1,153.2	1,441.3	1,120.7	1,415.0

23 Analysis of reserves

	Consolidated			
	Asset revaluation reserve (1) $m	Foreign currency translation reserve (2) $m	Hedging reserve (3) $m	Total reserves $m
Balance at 1 July 2008	4.8	0.2	(0.5)	4.5
Translation differences on group operations	–	(0.1)	–	(0.1)
Movement in jointly controlled entities reserves	–	0.1	(0.4)	(0.3)
Revaluation of cashflow hedge – gross	–	–	0.2	0.2
Deferred tax	–	–	(0.1)	(0.1)
Transfer to initial cost of computer software and equipment on cashflow hedge – gross	–	–	(0.6)	(0.6)
Deferred tax	–	–	0.2	0.2
Balance at 30 June 2009	**4.8**	**0.2**	**(1.2)**	**3.8**
Translation differences on group operations	–	(0.7)	–	(0.7)
Movement in jointly controlled entities reserves	–	(0.1)	0.7	0.6
Revaluation – land and buildings	2.7	–	–	2.7
Deferred tax	(0.8)	–	–	(0.8)
Revaluation of fuel cashflow hedge – gross	–	–	(0.3)	(0.3)
Deferred tax	–	–	0.1	0.1
Revaluation of foreign exchange cashflow hedge – gross	–	–	1.2	1.2
Deferred tax	–	–	(0.4)	(0.4)
Balance at 30 June 2010	**6.7**	**(0.6)**	**0.1**	**6.2**

	Corporation			
	Asset revaluation reserve (1) $m	Foreign currency translation reserve (2) $m	Hedging reserve (3) $m	Total reserves $m
Balance at 1 July 2008	4.8	–	(0.3)	4.5
Revaluation of cashflow hedge – gross	–	–	0.2	0.2
Deferred tax	–	–	(0.1)	(0.1)
Transfer to initial cost of computer software and equipment on cashflow hedge – gross	–	–	(0.6)	(0.6)
Deferred tax	–	–	0.2	0.2
Balance at 30 June 2009	**4.8**	**–**	**(0.6)**	**4.2**
Revaluation – land and buildings	2.7	–	–	2.7
Deferred tax	(0.8)	–	–	(0.8)
Revaluation of fuel cashflow hedge – gross	–	–	(0.3)	(0.3)
Deferred tax	–	–	0.1	0.1
Revaluation of foreign exchange cashflow hedge – gross	–	–	1.2	1.2
Deferred tax	–	–	(0.4)	(0.4)
Balance at 30 June 2010	**6.7**	**–**	**–**	**6.7**

(1) The asset revaluation reserve relates to the revaluation of land and buildings before their reclassification as investment property.
(2) The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.
(3) This hedging reserve records the portion of the gain or loss on a hedging instrument in a cashflow hedge that is determined to be an effective hedge.

	Consolidated		Corporation	
	2010 $m	2009 $m	2010 $m	2009 $m
24 Dividends paid				
Final ordinary dividend (from prior year results)	92.8	186.6	92.8	186.6
Interim ordinary dividend	79.1	91.2	79.1	91.2
Special dividend	–	150.0	–	150.0
Total dividends paid	**171.9**	**427.8**	**171.9**	**427.8**
Dividend not recognised as a liability	–	92.8	–	92.8

	Consolidated		Corporation	
	2010 $	2009 $	2010 $	2009 $
25 Auditor's remuneration [1]				
Amounts received or due and receivable by the corporation's auditors for:				
An audit or review of the financial report of the entity and any other entity in the consolidated group	1,467,900	1,335,700	1,283,300	1,156,400
Other services in relation to the entity and any other entity in the consolidated group				
– assurance related	165,700	159,000	165,700	159,000
– special audits required by regulators [2]	100,000	100,000	100,000	100,000
Total auditor's remuneration	**1,733,600**	**1,594,700**	**1,549,000**	**1,415,400**

(1) The corporation's auditor is the Australian National Audit Office who has retained Ernst & Young (Australia) to assist with the assignment.
(2) This audit is performed by Ernst & Young (Australia) directly.

26 Segment reporting

The group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the manner in which the product is sold and the nature of the services provided. Discrete financial information about each of these operating businesses is reported to the executive management team on at least a monthly basis.

The reportable segments are based on aggregated operating segments determined by the similarity of the products sold and/or the services provided, as these are the sources of the group's major risks and have the most effect on the rates of return.

The following represent the segments the group operates in:

Letters
The collection, processing and distribution of letters and associated services.

Parcels & Logistics
The processing and distribution of parcels and the provision of associated logistical services.

Agency Services & Retail Merchandise
Provision of postal products and services, agency services and other retail merchandise, principally stationery, telephony, greeting cards, gifts and souvenirs.

Unallocated
Includes other non-product services, none of which constitutes a separately reportable segment, and unallocated items.

26 Segment reporting (continued)

Business segments

The following tables present revenue and profit information and certain asset and liability information regarding business segments for the years ended 30 June 2010 and 30 June 2009.

2010	Letters $m	Parcels & Logistics $m	Agency Services & Retail Merchandise $m	Unallocated $m	Total $m
Revenue					
Revenue and other income	2,658.1	1,361.7	712.0	98.7	4,830.5
Inter-segment sales	–	–	–	–	–
Total segment revenue	2,658.1	1,361.7	712.0	98.7	4,830.5
Interest revenue					25.7
Consolidated revenue					4,856.2
Result					
Segment result [1]	(176.1)	156.4	78.9	32.2	91.4
Share of net profits of equity accounted jointly controlled entities	–	14.4	–	–	14.4
Profit before interest and income tax expense	(176.1)	170.8	78.9	32.2	105.8
Income tax expense					(13.5)
Net interest					(2.8)
Net profit for period					89.5
Assets					
Segment assets	1,231.2	745.6	395.2	1,075.0	3,447.0
Superannuation asset	–	–	–	172.6	172.6
Investments in jointly controlled entities	–	295.3	–	0.3	295.6
Total assets	1,231.2	1,040.9	395.2	1,247.9	3,915.2
Liabilities					
Segment liabilities	948.0	360.2	260.9	787.0	2,356.1
Other segment information					
Capital expenditure	130.8	53.0	43.1	5.7	232.6
Depreciation and amortisation expense	133.4	56.1	21.0	3.0	213.5
Impairment loss on goodwill	9.1	10.0	–	–	19.1
Change in value of investment properties	–	–	–	–	–
Other non-cash expenses	142.5	66.1	21.0	3.0	232.6

(1) Included in the Letters segment is $250.1 million of losses from reserved services.

26 Segment reporting (continued)

2009	Letters $m	Parcels & Logistics $m	Agency Services & Retail Merchandise $m	Unallocated $m	Total $m
Revenue					
Revenue and other income	2,750.6	1,348.5	736.2	104.8	4,940.1
Inter-segment sales	–	–	–	–	–
Total segment revenue	2,750.6	1,348.5	736.2	104.8	4,940.1
Interest revenue					34.4
Consolidated revenue					4,974.5
Result					
Segment result [1]	52.0	175.8	94.5	51.4	373.7
Share of net profits of equity-accounted jointly controlled entities	–	10.8	–	–	10.8
Profit before interest and income tax expense	52.0	186.6	94.5	51.4	384.5
Income tax expense					(120.4)
Net interest					(3.6)
Net profit for period					260.5
Assets					
Segment assets	1,290.0	746.1	406.2	1,061.6	3,503.9
Superannuation asset	–	–	–	468.0	468.0
Investments in jointly controlled entities	–	296.9	–	1.4	298.3
Total assets	1,290.0	1,043.0	406.2	1,531.0	4,270.2
Liabilities					
Segment liabilities	935.6	297.7	289.2	902.6	2,425.1
Other segment information					
Capital expenditure	210.9	57.5	29.5	13.3	311.2
Depreciation and amortisation expense	137.1	51.1	15.9	3.3	207.4
Impairment loss on goodwill	–	24.4	–	–	24.4
Change in value of investment properties	–	–	–	18.8	18.8
Other non-cash expenses	137.1	75.5	15.9	22.1	250.6

(1) Included in the Letters segment is $69.2 million of losses from reserved services.

Geographical segments
The group primarily operates in Australia with no significant portion of assets or operations located outside of Australia.

Accounting policies
The accounting policies used by the group in reporting the segments internally are the same as those contained in note 1(g) to the accounts.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, inventories, property, plant and equipment, computer software and goodwill, net of related provisions. Segment liabilities consist primarily of trade and other creditors, employee entitlements and advance receipts.

Corporate charges comprise of support costs that are allocated to each business segment using an activity based costing methodology.

Inter-segment sales and transfers
Segment revenue, expenses and results include sales and transfers between segments. Such transactions generally are priced on an arm's-length basis and are eliminated on consolidation.

26 Segment reporting (continued)

Unallocated items

It is the corporation's policy that if items of revenue and expense are not allocated to operating segments then any associated assets and liabilities are also not allocated to segments. This is to avoid asymmetrical allocations within segments which management believes would be inconsistent.

The following are not allocated to operating segments as they are not considered part of the core operations of any segments:

- revenues include miscellaneous revenue, rent received, revaluation of investment properties, licence fees received and net gains on disposal of available-for-sale investments
- expenses represent costs that are attributable to unallocated revenues
- assets include investment properties, assets under construction and cash investments
- liabilities include interest-bearing liabilities and deferred tax.

Use of fair value accounting

As outlined in note 1 to these accounts, the group uses cost as the basis for valuing land and buildings for its statutory accounts.
Were fair values applied to land and buildings, the total segment assets would be as follows:

	2010 $m	2009 $m
Letters	1,592.8	1,676.6
Parcels & Logistics	1,140.4	1,130.6
Agency Services & Retail Merchandise	472.4	484.6
Unallocated	1,344.4	1,628.8
Total	4,550.0	4,920.6

27 Key management personnel remuneration and retirement benefits

(a) Details of key management personnel

(i) Directors

David Mortimer	Chairman (non-executive)
Mark Birrell	Retired as Deputy Chairman (non-executive) 28 February 2010
Ahmed Fahour	Appointed as Managing Director and Chief Executive Officer 1 February 2010
Graeme John	Retired as Managing Director 31 January 2010
Margaret Gibson	Director (non-executive)
Ian Warner	Director (non-executive)
Mark Darras	Director (non-executive), appointed Deputy Chairman (non-executive) 15 June 2010
William Mansfield	Director (non-executive)
Peter Carne	Appointed as director (non-executive) 14 December 2009
Jennifer Seabrook	Appointed as director (non-executive) 8 July 2010
Patricia White	Appointed as director (non-executive) 8 July 2010

(ii) Executives

Mark Howard	Retired as General Manager, Corporate Infrastructure Services Division 30 April 2010
James Marshall	Chief Operating Officer
Rodney McDonald	Group Manager, Human Resources
Peter Meehan	Chief Finance Officer
Bill Mitchell	General Manager, Commercial Division
Terry Sinclair	General Manager, Corporate Development

(b) Compensation policies for key management personnel

The performance of the group depends on the quality of its directors and executives. To achieve its financial and operational objectives, the group must attract, motivate and retain highly skilled directors and executives. In accordance with best practice corporate governance, the structure of non-executive director and executive compensation is separate and distinct.

Director compensation

The compensation of the corporation's non-executive directors is determined independently by the Commonwealth Remuneration Tribunal. Refer to the executive compensation section below for details of the managing director and chief executive officer's compensation arrangements.

Remuneration levels for Australia Post's non-executive directors for 2009–10 were as follows:

	$
Chairman	158,210
Deputy Chairman	88,270
Directors	79,120
Audit Committee Chairman	18,290
Audit Committee Member	9,150

Details of individual amounts received in 2009–10 by each non-executive director are provided in part (e) of this note.

27 Key management personnel remuneration and retirement benefits (continued)

(b) Compensation policies for key management personnel (continued)

Executive compensation

Executive officers are those who are concerned with, or take part in, the management of entities in the consolidated group (excluding the managing director and chief executive officer). Compensation arrangements for senior executives are reviewed and determined by the managing director and chief executive officer, within parameters set by the Human Resources Committee. Advice is sought from independent specialised compensation consultants to ensure that payments to executives are in line with market practice and are competitively placed to attract and retain necessary talent for the work required by these roles.

The board is responsible for the remuneration arrangements for the managing director and chief executive officer. In this role it has adopted a set of principles approved by the Remuneration Tribunal designed to link the level of remuneration with the financial and operational performance of the corporation.

On a periodic basis advice is sought from independent specialised remuneration consultants on the structure of remuneration packages and the quantum of increases that apply in other comparable Australian corporations. On the basis of this advice, the managing director and chief executive officer ensures that payments to other senior executives are in line with market practice and are competitively placed to attract and retain the necessary talent for the work required by these roles. Incentive rewards for the managing director and chief executive officer and other senior executives for meeting or exceeding specific key annual business objectives are linked to the annual business plan at a corporate and individual level.

Measures and targeted achievement levels are reviewed each year to reflect changes in the business priorities for the forthcoming year. The measures include financial, customer satisfaction, employee engagement and other individual measures that support the key business objectives. Before a reward is payable, a threshold must be reached, according to predefined measures. Both the managing director and chief executive officer and other senior executives are employed under individual contracts of employment that are not limited to a specific duration. Continuation of employment is subject to ongoing satisfactory performance.

Where Australia Post terminates the managing director and chief executive officer's or other senior executive's employment for reasons other than performance or misconduct, they are entitled to: in the case of the managing director and chief executive officer, six months' payment in lieu of notice and at the board's discretion, a termination payment which, including any payment in lieu of notice, cannot exceed 12 months' annual base salary; and for other senior executives, 90 days' payment in lieu of notice and a termination payment calculated on four weeks for each of the first five years of employment and three weeks for every year thereafter to a maximum of 84 weeks, including the payment in lieu of notice. All of the above payments are based upon annual base salary.

(c) Other transaction and balances with key management personnel

There were no significant transactions between the corporation and key management personnel. Any transactions were of a trivial nature.

(d) Compensation of key management personnel by category

	Consolidated		Corporation	
	2010 $	2009 $	2010 $	2009 $
Short-term benefits	8,231,632	7,670,058	8,231,632	7,670,058
Post-employment benefits	1,567,138	1,091,362	1,567,138	1,091,362
Other long-term benefits	143,448	199,051	143,448	199,051
Termination benefits	–	–	–	–
Total compensation	**9,942,218**	**8,960,471**	**9,942,218**	**8,960,471**

27 Key management personnel remuneration and retirement benefits (continued)

(e) Compensation of key management personnel

The remuneration received or due and receivable directly or indirectly by the corporation's directors and executives is as follows:

			Short-term benefits	Post-employment benefits	Other long-term benefits	Termination benefits	
Year ended 30 June 2010	Cash salary (1) $	At risk component (2) $	Non-monetary benefits (3) $	Superannuation benefits (4) $	Long service leave $	Termination $	Total $
Directors							
David Mortimer	167,360	–	9,224	23,932	–	–	200,516
Mark Birrell	58,766	–	–	8,404	–	–	67,170
Ahmed Fahour (5)	592,867	656,250	3,572	172,592	17,238	–	1,442,519
Graeme John (6)	976,049	420,000	29,957	600,762	59,942	–	2,086,710
Margaret Gibson	97,410	–	–	13,930	–	–	111,340
Ian Warner	88,270	–	4,555	12,623	–	–	105,448
Mark Darras	79,496	–	–	11,368	–	–	90,864
William Mansfield	79,120	–	–	11,314	–	–	90,434
Peter Carne (7)	43,137	–	–	6,169	–	–	49,306
	2,182,475	1,076,250	47,308	861,094	77,180	–	4,244,307
Executives							
Mark Howard (8)	518,186	165,337	3,948	126,723	16,824	–	831,018
James Marshall	590,662	616,400	–	172,916	9,308	–	1,389,286
Rodney McDonald	400,970	179,400	7,443	79,304	8,990	–	676,107
Peter Meehan	500,940	215,664	15,369	103,694	9,065	–	844,732
Bill Mitchell	509,217	371,488	91,454	123,021	7,032	–	1,102,212
Terry Sinclair	485,748	234,000	19,373	100,386	15,049	–	854,556
	3,005,723	1,782,289	137,587	706,044	66,268	–	5,697,911
Total key management personnel	**5,188,198**	**2,858,539**	**184,895**	**1,567,138**	**143,448**	**–**	**9,942,218**

(1) Included in cash salary are movements in the executives' annual leave entitlement and allowances paid in cash.
(2) Represents a cash incentive reward that is payable subject to the employee meeting or exceeding specific key annual business objectives linked to the annual business plan at a corporate and individual level.
(3) Non-monetary benefits include spouse travel, motor vehicles and other expenses paid on behalf of the directors and executives.
(4) The above amount for superannuation approximates the benefit to be received by the directors and executives (calculated at 14.3% of the directors' and executives' salary for superannuation purposes) and cannot decrease from previous years.
(5) Commenced the role of Managing Director and Chief Executive Officer on 1 February 2010.
(6) While Graeme John ceased to be the Managing Director on 31 January 2010, he continues to be employed by the corporation, utilising accrued leave benefits. The total remuneration disclosed relates to the benefits received or receivable to the planned exit date.
(7) Commenced the role of a Director on 14 December 2009.
(8) While Mark Howard ceased to be the General Manager, Corporate Infrastructure Services Division on 30 April 2010, he continues to be employed by the corporation, utilising accrued leave benefits. The total remuneration disclosed relates to the benefits received or receivable to the planned exit date.

27 Key management personnel remuneration and retirement benefits (continued)

(e) Compensation of key management personnel (continued)

	Short-term benefits			Post employment benefits	Other long-term benefits	Termination benefits	
Year Ended 30 June 2009	Cash salary [1] $	At risk component [2] $	Non-monetary benefits [3] $	Superannuation benefits [4] $	Long service leave $	Termination $	Total $
Directors							
David Mortimer	162,475	–	3,847	23,234	–	–	189,556
Mark Birrell	85,685	–	4,579	12,253	–	–	102,517
Graeme John	1,400,821	604,151	175,133	337,871	57,734	–	2,575,710
Margaret Gibson	94,560	–	–	13,522	–	–	108,082
Sandra McPhee	60,185	–	1,979	8,607	–	–	70,771
Thomas Phillips	30,514	–	2,004	4,363	–	–	36,881
Ian Warner	85,685	–	4,637	12,253	–	–	102,575
Mark Darras	51,137	–	–	7,313	–	–	58,450
William Mansfield	51,137	–	–	7,313	–	–	58,450
	2,022,200	604,151	192,179	426,729	57,734	–	3,302,992
Executives							
Alec Ceselli [5]	273,499	–	32,239	55,070	11,194	–	372,002
Mark Howard	458,740	190,339	3,539	89,294	14,226	–	756,138
James Marshall	672,906	279,802	1,017	131,049	35,032	–	1,119,806
Rodney McDonald	385,537	169,354	25,471	79,304	14,750	–	674,416
Peter Meehan	517,505	221,290	25,621	103,694	15,999	–	884,109
Bill Mitchell	511,621	230,714	102,558	107,928	31,358	–	984,179
Terry Sinclair	510,487	220,896	18,394	98,294	18,758	–	866,829
	3,330,295	1,312,395	208,839	664,633	141,317	–	5,657,479
Total key management personnel	**5,352,495**	**1,916,546**	**401,018**	**1,091,362**	**199,051**	**–**	**8,960,471**

(1) Included in cash salary are movements in the executives' annual leave entitlement and allowances paid in cash.
(2) Represents a cash incentive reward that is payable subject to the employee meeting or exceeding specific key annual business objectives linked to the annual business plan at a corporate and an individual level.
(3) Non-monetary benefits include spouse travel, motor vehicles and other expenses paid on behalf of the directors and executives.
(4) The above amount for superannuation approximates the benefit to be received by the directors and executives (calculated at 14.3% of the directors' and executives' salary for superannuation purposes) and cannot decrease from previous years.
(5) Compensation reflects the period of the year during which the executive occupied a key management position.

28 Related parties

The consolidated financial statements include the financial statements of Australian Postal Corporation and the subsidiaries listed in note 10.

Remuneration and retirement benefits

Information on remuneration of directors and amounts paid in connection with the retirement of directors is disclosed in note 27.

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year (for information regarding outstanding balances at year-end, refer to notes 6, 9, 18 and 21).

	Consolidated		Corporation	
	2010 $m	2009 $m	2010 $m	2009 $m
Other transactions with related parties				
Payments for collection and delivery services				
Jointly controlled entities	58.3	59.9	58.3	59.7
Controlled entities	–	–	0.2	0.1
Payments for management and administrative services				
Jointly controlled entities	49.0	56.4	35.9	41.3
Controlled entities	–	–	25.7	24.4
Payments for accommodation				
Jointly controlled entities	1.9	2.0	1.9	2.0
Revenue from collection and delivery services				
Jointly controlled entities	17.4	16.1	13.7	14.1
Controlled entities	–	–	8.8	5.0
Revenue from administrative services				
Jointly controlled entities	9.4	12.0	9.1	11.4
Controlled entities	–	–	1.2	0.7
Dividends received or receivable (refer note 2)				
Controlled and jointly controlled entities	–	–	15.0	15.1
Interest received				
Jointly controlled entities	10.3	10.3	10.3	10.3
Controlled entities	–	–	1.1	1.6
Aggregate amounts receivable from and payable to other related parties at balance date were as follows:				
Current receivables				
Jointly controlled entities	1.4	1.5	1.2	1.2
Controlled entities	–	–	2.3	1.1
Current payables				
Jointly controlled entities	8.7	17.9	7.4	14.4
Controlled entities	–	–	7.5	6.1
Loans advanced to:				
Jointly controlled entities	130.7	130.7	130.7	130.7
Controlled entities	–	–	30.0	16.8
Loans advanced from:				
Controlled entities	–	–	2.9	2.9

Australia Post performs administrative services on behalf of its superannuation fund, APSS. These services are provided on normal commercial terms. Payment received by Australia Post for these services for year ended 30 June 2010 is $16.5 million (2009: $16.5 million).

28 Related parties (continued)

Transactions entered into directly by directors or director-related entities with the Australian Postal Corporation have been either domestic or trivial in nature.

For the year ended 30 June 2010, the corporation has expensed $14.5 million with respect to amounts owed by related parties (2009: $16.6 million). An impairment assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates to determine whether there is objective evidence that a related party receivable is impaired. When such objective evidence exists, the group recognises an allowance for the impairment loss.

A number of directors of the Australian Postal Corporation are also directors of other entities which have transacted with the Australian Postal Corporation Group. These transactions have occurred on terms and conditions no more favourable than those which it is reasonable to expect the group would have adopted if dealing with any third party on normal commercial terms.

Ultimate controlling entity

The Commonwealth is the ultimate parent and controlling entity of the Australian Postal Corporation Group. The Australian Postal Corporation is the parent entity in the group comprising Australia Post and its controlled entities.

29 Financial and capital risk management

(a) Financial risk management objectives

The corporation's risk management policy is to identify, assess and manage risks, which are likely to adversely affect the corporation's financial performance, continued growth and survival. In terms of financial and commodity risk management, the corporation will take a risk-averse approach to financial risk management in that it will seek to minimise risk, provided it is cost effective to do so.

The group's principal financial instruments, other than derivatives, comprise bonds, finance leases and hire purchase contracts, cash and short-term deposits. The main purpose of these financial instruments is to provide finance for the group's operations. The group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The group also enters into derivative transactions, including interest rate swaps, forward currency contracts and commodity swap contracts. The purpose is to manage the interest rate, currency and commodity risks arising from the group's operations and its sources of finance. It is, and has been throughout the period under review, the group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the group's financial instruments are interest rate risk, liquidity risk, commodity risk, foreign currency risk and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument, are disclosed in note 1 to the financial report.

(b) Capital risk management

The group's objectives when managing capital are to safeguard the ability to continue as a going concern while maximising the return to the Commonwealth Government. The group recognises the impact on shareholder returns of the level of equity capital employed and seeks to maintain a prudent balance between the advantages and flexibility afforded by a strong capital position and the higher returns on equity possible with some leverage. A further consideration when managing capital is maintenance of an investment grade rating. The group holds a AA+ rating (2009: AAA) from the independent ratings agency Standard & Poor's.

The capital structure of the group consists of debt, which includes the bonds payable disclosed in note 19, cash and cash equivalents disclosed in note 31(a) and equity attributable to equity holders of the corporation, comprising contributed equity, reserves and retained profits disclosed in notes 22 and 23.

The capital structure is reviewed annually as part of the corporate plan, which includes analysis of the return on equity, return on average operating assets and debt to debt plus equity ratios implicit in the corporate plan.

29 Financial and capital risk management (continued)

(c) Categories of financial instruments

	Consolidated		Corporation	
	2010 $m	2009 $m	2010 $m	2009 $m
Financial assets				
Loans and receivables (including cash and cash equivalents)	1,228.9	1,285.8	1,202.2	1,251.4
Derivative instruments in designated hedge accounting relationships	5.9	9.8	5.9	9.8
Financial liabilities				
Other financial liabilities at amortised cost	529.9	626.5	512.0	606.8
Other financial liabilities designated in fair value hedge relationships at amortised cost and adjusted by the gain/loss attributable to interest rate risk	547.0	541.7	547.0	541.7
Derivative instruments in designated hedge accounting relationships	11.9	20.1	11.9	20.1
Financial guarantee contracts	0.0	0.1	0.0	0.1

(d) Net gain or loss on loans and receivables and financial liabilities measured at amortised cost and held-to-maturity investments

The net gain or net loss on the loans and receivables category of financial instruments (including cash and cash equivalents) is determined as interest revenue, plus or minus foreign exchange gains or losses arising from the revaluation of the financial asset and minus any impairment recognised in profit or loss as shown below.

	Consolidated		Corporation	
	2010 $m	2009 $m	2010 $m	2009 $m
Interest revenue (refer note 2)	25.7	34.4	26.5	35.6
Foreign exchange gain/(loss)	(13.6)	6.2	(13.6)	6.2
Impairment loss (refer note 3)	(1.5)	(0.8)	(14.6)	(17.9)
Net gain/(loss) on loans and receivables	**10.6**	**39.8**	**(1.7)**	**23.9**

The net gain or net loss on financial liabilities measured at amortised cost is determined as interest expense, plus or minus foreign exchange gains or losses arising from the revaluation of financial liabilities measured at amortised cost as shown below.

	Consolidated		Corporation	
	2010 $m	2009 $m	2010 $m	2009 $m
Interest expense (refer note 4)	31.7	34.6	31.4	34.0
Foreign exchange (gain)/loss	(9.5)	4.7	(9.5)	5.0
Net loss on financial liabilities measured at amortised cost	**22.2**	**39.3**	**21.9**	**39.0**

(e) Market risk

The corporation's and the group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (refer note 29(f)), commodity prices (refer note 29(g)) and interest rates (refer note 29(h)). The corporation is a party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in foreign exchange rates, commodity prices and interest rates. Reference should also be made to note 1(m) relating to derivative financial instruments. At a corporation and group level, market risk exposures are managed through sensitivity analysis and stress scenario analysis.

29 Financial and capital risk management (continued)

(f) Foreign currency risk management

Foreign currency risk refers to the risk that the fair value or future cashflows of a financial instrument will fluctuate due to changes in foreign exchange rates. The corporation and the group are exposed to foreign currency risk primarily through undertaking certain transactions denominated in foreign currency. A major source of foreign exchange transaction risk is as a result of obligations with overseas postal administrations which are invoiced in Special Drawing Rights (SDR) and settled in Euros (EUR) and United States dollars (US$). The SDR is a basket currency composed of fixed quantities of the four major traded currencies (US$, Japanese Yen, EUR and Pound Sterling). The composition of the basket is set by the International Monetary Fund. International mail receipts and payments are highly variable in amount and timing, as well as being ongoing in nature.

The corporation and the group operate foreign currency–denominated bank accounts. Immaterial bank account balances are not included.

The carrying amount of monetary assets and monetary liabilities as at balance date is as follows:

	Corporation and Consolidated	
	2010 (AUD) $m	2009 (AUD) $m
Trade and other receivables	161.5	191.7
Trade and other payables	(82.7)	(128.5)
Cash on hand	5.5	0.2
Net exposure	**84.3**	**63.4**

Other major sources of foreign exchange transaction risk are as a result of foreign sourced and priced capital equipment, purchases or sales in foreign currencies (including fuel purchases), commitments in respect to overseas jointly controlled entities and foreign currency bank accounts. Each foreign currency exposure, other than SDR, is measured and managed on an item by item basis and individual exposures over $500,000 are hedged through the use of forward currency contracts.

Forward currency contracts

The following table details the forward currency contracts outstanding as at balance date.

	Corporation and Consolidated			
	2010		2009	
	Average exchange rate	Notional amount US$m	Average exchange rate	Notional amount US$m
BUY USD				
0–6 months	0.880	8.4	0.744	11.0
7–12 months	0.780	0.3	0.654	–
12 months +	–	–	–	–
		8.7		**11.0**

All forward currency contracts are entered into on the basis of known or projected exposures. The corporation has elected to adopt cashflow hedge accounting in respect of some of its foreign currency hedging activities. The fair value of forward currency contracts designated as hedging instruments is an asset of $0.4 million (2009: liability of $1.1 million) for the corporation and the group. The portion of the gain or loss on the designated forward currency contracts that are determined to be effective hedges are deferred and will be recognised in the measurement of the underlying transaction.

As at balance date, the aggregate amount of unrealised gains/losses under forward currency contracts deferred in the hedging reserve related to contracted future payments for inventory, computer software and computer equipment. It is anticipated that the payments will take place in the 12 months (2009: 9 months) after reporting date at which stage the amount deferred in equity will be included in the initial cost of the inventory, computer software and equipment. It is anticipated that the amounts in relation to inventory will affect profit or loss over the next year and amounts in relation to computer software and equipment will affect profit or loss over the next 5 to 20 years after the assets are available for use.

Foreign exchange translation exposures for foreign subsidiaries and jointly controlled entities are currently immaterial and therefore not hedged.

29 Financial and capital risk management (continued)

(f) Foreign currency risk management (continued)

Foreign currency sensitivity

The following table details the effect on profit after tax as at 30 June from a 14% (2009: 12%) favourable/unfavourable change in the Australian dollar with all other variables held constant. The sensitivity analyses below have been determined based on the exposure to SDR from financial instruments at the reporting date.

The possible risk of 14% is based on Australian Government Department of Finance and Deregulation guidance.

A positive number indicates an increase in profit after tax, while a negative number indicates a reduction in profit after tax.

	Consolidated		Corporation	
	2010 $m	2009 $m	2010 $m	2009 $m
Impact on profit after tax at reporting date, with all other variables held constant of a:				
14% (2009: 12%) strengthening of the Australian dollar from:				
Financial assets	(14.6)	(14.4)	(14.6)	(14.4)
Financial liabilities	7.1	9.6	7.1	9.6
	(7.5)	(4.8)	(7.5)	(4.8)
14% (2009: 12%) weakening of the Australian dollar from:				
Financial assets	16.6	16.1	16.6	16.1
Financial liabilities	(8.1)	(10.8)	(8.1)	(10.8)
	8.5	5.3	8.5	5.3
Impact on equity after tax at reporting date, with all other variables held constant of a:				
14% (2009: 12%) strengthening of the Australian dollar from:				
Financial assets	(0.6)	(0.2)	(0.6)	(0.2)
Financial liabilities	–	(0.7)	–	(0.7)
	(0.6)	(0.9)	(0.6)	(0.9)
14% (2009: 12%) weakening of the Australian dollar from:				
Financial assets	0.7	0.2	0.7	0.2
Financial liabilities	0.1	0.8	0.1	0.8
	0.8	1.0	0.8	1.0

The receivables and payables denominated in SDR, on which the sensitivity is shown in the table above, are not necessarily representative of the corporation and the group's exposure to currency risk for the years ended 30 June 2009 and 30 June 2010. The receivables and payables denominated in SDR are highly variable in amount and timing, in particular due to the timing of receipts and settlements with overseas postal administrations.

(g) Commodity price risk management

Commodity price risk refers to the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in commodity prices. The corporation's objective on commodity price risk management is to ensure that movements in commodity prices do not adversely affect operating costs. The corporation and the group are exposed to commodity prices through the use of fuel. The risk is measured by reviewing forecast commodity exposures monthly and managed by entering into long-term supply contracts and through the use of commodity swap contracts. The hedging strategy is set annually as part of the planning process and the hedging activities are evaluated monthly.

29 Financial and capital risk management (continued)

(g) Commodity price risk management (continued)

Commodity price sensitivity

There were fuel swap contracts in place during the years ended 30 June 2009 and 30 June 2010 which matured prior to reporting date; hence the sensitivity analysis on profit after tax and equity as at 30 June 2009 and 30 June 2010 is not representative of the commodity price risk inherent in the use of fuel swap contracts during the current and prior year.

The following table details the commodity contracts outstanding as at balance date.

	Corporation and Consolidated	
	2010	2009
	Exposure amount (AUD) $m	Exposure amount (AUD) $m
Buy barrels		
0–6 months	9.8	–
7–12 months	10.3	–
	20.1	–

All commodity swap contracts are entered into on the basis of known or projected exposures. The corporation has elected to adopt cashflow hedge accounting in respect of some of its commodity hedging activities. The fair value of commodity swap contracts designated as hedging instruments is a liability of $0.5 million (2009: $nil) for the corporation and the group. The portion of the gain or loss on the designated commodity swap contracts that are determined to be effective hedges are deferred and will be recognised in the measurement of the underlying transaction.

As at balance date, the aggregate amount of unrealised gains/losses under commodity swap contracts deferred in the hedging reserve related to contracted future payments for fuel expenses. It is anticipated that the payments will take place within 12 months after reporting date, at which stage the amount deferred in equity will be reclassified as an expense.

The following table details the effect on profit and equity after tax as at 30 June from a 14% favourable/unfavourable change in the fuel price with all other variables held constant. The sensitivity analysis below has been determined based on the exposure to fuel from financial instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and being held constant throughout the reporting period.

A positive number indicates an increase in profit or equity after tax, while a negative number indicates a reduction in profit or equity after tax.

	Corporation and Consolidation	
	2010 $m	2009 $m
Impact on profit after tax at reporting date, with all other variables held constant of a:		
14% increase in fuel prices	0.8	–
14% decrease in fuel prices	(0.8)	–
Impact on equity after tax at reporting date, with all other variables held constant of a:		
14% increase in fuel prices	1.2	–
14% decrease in fuel prices	(1.2)	–

29 Financial and capital risk management (continued)

(h) Interest rate risk management

Interest rate risk refers to the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in market interest rates. The corporation and the group are exposed to interest rate risk from interest-bearing cash and cash equivalent balances, receivables and payables, with the main exposure from bonds payable. The corporation's objective in managing interest rate risk is to minimise interest rate exposure by matching, as far as practical, the interest rate profile or re-pricing of investments (financial) and borrowings to achieve a natural hedge while ensuring that an appropriate level of flexibility exists to accommodate potential changes in funding requirements. Interest rate risk is measured by regularly reviewing the net exposure from interest-bearing assets and liabilities. The risk is managed by the use of interest rate swap contracts on the basis of known borrowing obligations.

The group's exposure to interest rate risks and the effective interest rates of interest-bearing financial assets and financial liabilities are set out below. Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until maturity of the instrument.

		Consolidated		Corporation	
2010	Note	Carrying amount $m	Weighted average effective interest rate %	Carrying amount $m	Weighted average effective interest rate %
Financial assets					
Fixed rate					
Loans to jointly controlled entities	9	129.4	8.0	129.6	8.0
Floating rate					
Cash and cash equivalents		500.7	4.2	488.8	4.2
Loans to controlled entities	9	–	–	0.2	4.5
Financial liabilities					
Fixed rate					
Bonds payable	19	547.0	5.7	547.0	5.7
Interest rate swaps		(547.0)	5.7	(547.0)	5.7
Floating rate					
Interest rate swaps		552.9	4.5	552.9	4.5

		Consolidated		Corporation	
2009	Note	Carrying amount $m	Weighted average effective interest rate %	Carrying amount $m	Weighted average effective interest rate %
Financial assets					
Fixed rate					
Loans to jointly controlled entities	9	130.7	8.0	130.7	8.0
Floating rate					
Cash and cash equivalents		507.0	5.2	496.2	5.2
Loans to controlled entities	9	–	–	0.2	6.4
Financial liabilities					
Fixed rate					
Bonds payable	19	541.7	5.7	541.7	5.7
Interest rate swaps		(541.7)	5.7	(541.7)	5.7
Floating rate					
Interest rate swaps		550.9	6.5	550.9	6.5

29 Financial and capital risk management (continued)

(h) Interest rate risk management (continued)

Interest rate swap contracts

Under interest rate swap contracts the corporation agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the corporation to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held.

The following table details the notional principal amounts and remaining terms of interest rate swap contracts as at balance date.

	Corporation and Consolidated			
	2010		2009	
	Fixed interest rate %	Notional principal amount $m	Fixed interest rate %	Notional principal amount $m
Fixed for floating interest				
1–2 years	6.25	230.0	–	–
2–5 years	5.25	325.0	5.66	555.0
		555.0		**555.0**

The interest rate swap contracts settle on a six-monthly basis. The floating rate on the $230 million tranche is six-monthly BBSW minus 6.75 basis points, and the floating rate on the $325 million tranche is six-monthly BBSW plus 118.125 basis points.

Interest rate swap contracts are designated as fair value hedges in respect of interest rates. The gain or loss from remeasuring the hedging instrument at fair value is recorded in profit or loss and, to the extent that the hedge is effective, the carrying amount of the borrowing is adjusted by the gain or loss attributable to the hedged risk through profit or loss.

Interest rate sensitivity

The table below details the interest rate sensitivity analysis of the corporation and the group at the reporting date, holding all other variables constant. A 150 (2009: 75) basis point change is used to quantify the possible risk based on Australian Government Department of Finance and Deregulation guidance. The sensitivity analysis below has been determined based on the exposure to interest rates from financial instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and being held constant throughout the reporting period.

A positive number indicates an increase in profit after tax, while a negative number indicates a reduction in profit after tax. There is no sensitivity on equity.

	Consolidated		Corporation	
	2010 $m	2009 $m	2010 $m	2009 $m
Impact on profit after tax at reporting date, with all other variables held constant of a:				
150 (2009: 75) basis point increase in interest rates	4.7	1.8	4.7	1.8
150 (2009: 75) basis point decrease in interest rates	(4.7)	(1.8)	(4.7)	(1.8)

The interest-bearing assets and liabilities on which the sensitivity is shown in the table above, are considered representative of the corporation and group's average interest rate exposure for the years ended 30 June 2009 and 30 June 2010.

29 Financial and capital risk management (continued)

(i) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the corporation or the group. Counterparty exposure is measured as the total value of the exposures to all obligations of any single legal or economic entity (eg a group of companies). It is the group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The carrying amount of trade and other receivables reflects the maximum credit exposure when collateral held and other credit enhancements are not considered. Bank guarantees, parent company guarantees, directors' personal guarantees, deposits, property mortgages and fixed or floating charges over assets are held in respect of receivable balances from some customers. In addition, receivable balances are monitored on an ongoing basis with the result that the exposure to bad debts is not significant.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are high investment grade as rated by Standard & Poor's, bank counterparties are all rated A- or better (2009: A- or better) by Standard and Poor's and counterparty limits have been established and are endorsed annually by the board and reviewed regularly by the Treasury Group.

The credit risk on derivative financial instruments is managed using the principle of the APRA "Current Exposure Method" as described in its guidance note AGN 112.2, which takes into account both the current credit exposure and the potential future credit exposure from derivative financial instruments.

The corporation and the group have a significant credit risk exposure from the long term loan advanced to Star Track Express, a jointly controlled entity, of $128.2 million (2009: $128.2 million). There are no other significant credit risk exposures to any single counterparty or any group of counterparties having similar characteristics.

Except as detailed in the following table, the carrying amount of financial assets recorded in the financial statements as summarised in Note 29 (c), net of any allowances for losses, represents the corporation's and the group's maximum exposure to credit risk without taking account of any collateral held or other credit enhancements.

	Consolidated		Corporation	
	2010 $m	2009 $m	**2010 $m**	2009 $m
Maximum credit risk from financial assets and other credit exposures				
Drawn loans to controlled and jointly controlled entities (1)	130.5	131.8	130.6	132.0
Undrawn loan commitments to controlled and jointly controlled entities	4.3	4.3	16.2	29.4
Guarantees provided (2)	247.0	256.4	210.4	217.4

(1) The carrying amount of loans to controlled entities and jointly controlled entities differs from the maximum exposure to credit risk, as a loan advanced to a jointly controlled entity is non-interest bearing and the loan carrying amount has been discounted under the effective interest method.
(2) Relate to bank guarantees over projected workers' compensation claims liabilities, financial guarantee contracts and other guarantees provided by jointly controlled entities.

(j) Liquidity risk management

Liquidity risk refers to the risk of encountering difficulties in meeting obligations associated with financial liabilities. Liquidity risk management is associated with ensuring that there are sufficient funds available to meet financial commitments in a timely manner and planning for unforeseen events which may curtail cashflows and cause pressure on liquidity. The corporation and the group measure and manage liquidity risk by forecasting liquidity and funding requirements for the next three years as a minimum, which is reviewed annually by the board as part of the Treasury Strategy Paper. In addition, the corporation prepares and reviews on a daily basis a rolling daily cash forecast for the quarter.

Liquidity risk tables

The following tables detail the corporation's and the group's remaining contractual maturity for its non-derivative financial liabilities. The tables are based on the undiscounted cashflows based on the earliest date on which the corporation or the group can be required to pay. The tables include both interest and principal cashflows. Where interest flows are floating rate, the undiscounted amount is derived from the interest rate curves at the end of the reporting period. For financial guarantee contracts and undrawn loan commitments, the maximum amount of the guarantee and undrawn loan commitment is allocated to the earliest period in which the guarantee or loan commitment can be called.

The tables also include cash outflows arising from derivative financial instruments. The tables are based on the undiscounted net cash outflows on derivative instruments that settle on a net basis and the undiscounted gross cash outflows on those derivatives that require gross settlement. The amount disclosed has been determined by reference to the projected cash outflows illustrated by the yield or forward curves existing at reporting date.

29 Financial and capital risk management (continued)

(j) Liquidity risk management (continued)

Consolidated

	As at 30 June 2010 Contractual maturity (nominal cashflows)				As at 30 June 2009 Contractual maturity (nominal cashflows)			
	On demand $m	Less than 1 year $m	1 to 2 years $m	2 to 5 years $m	On demand $m	Less than 1 year $m	1 to 2 years $m	2 to 5 years $m
Trade and other payables	–	529.8	–	–	–	626.2	–	–
Finance lease and hire purchase liabilities payable	–	0.1	–	–	–	0.3	–	–
Forward exchange contracts	–	10.1	–	–	–	14.9	–	–
Bonds payable	–	23.0	261.5	359.1	–	23.0	31.5	620.6
Interest rate swaps	–	(1.0)	(0.1)	8.0	–	(7.1)	(2.7)	22.8
Financial guarantee contracts [(1)]	–	64.3	–	–	–	66.1	–	–
Undrawn loan commitments to jointly controlled entities	4.3	–	–	–	4.3	–	–	–
	4.3	626.3	261.4	367.1	4.3	723.4	28.8	643.4

Corporation

	As at 30 June 2010 Contractual maturity (nominal cashflows)				As at 30 June 2009 Contractual maturity (nominal cashflows)			
	On demand $m	Less than 1 year $m	1 to 2 years $m	2 to 5 years $m	On demand $m	Less than 1 year $m	1 to 2 years $m	2 to 5 years $m
Trade and other payables	–	509.1	–	–	–	603.9	–	–
Forward exchange contracts	–	10.1	–	–	–	14.9	–	–
Bonds payable	–	23.0	261.5	359.1	–	23.0	31.5	620.6
Interest rate swaps	–	(1.0)	(0.1)	8.0	–	(7.1)	(2.7)	22.8
Loans from controlled entities	2.9	–	–	–	2.9	–	–	–
Undrawn loan commitments to controlled entities	–	–	–	–	12.0	–	–	–
Financial guarantee contracts [(1)]	–	64.3	–	–	–	66.1	–	–
Undrawn loan commitments to jointly controlled entities	16.2	–	–	–	29.4	–	–	–
	19.1	605.5	261.4	367.1	44.3	700.8	28.8	643.4

(1) This represents the maximum amount that could be called upon by the corporation.

29 Financial and capital risk management (continued)

(k) Fair value of financial assets and liabilities

The fair value of financial assets and financial liabilities is based on market prices (where a market exists) or by discounting back the expected future cashflows using the applicable yield curve for assets and liabilities with similar risk profiles.

Fair value of financial instruments not measured at fair value in the balance sheet

Except as detailed in the following table, the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the balance sheet approximates their fair value.

	Consolidated				Corporation			
	2010		2009		2010		2009	
	Carrying Amount $m	Fair Value $m	Carrying Amount $m	Fair Value $m	Carrying Amount $m	Fair Value $m	Carrying Amount $m	Fair Value $m
Financial assets								
Finance lease receivable	103.5	83.5	103.5	84.4	103.5	83.5	103.5	84.4
Loans to controlled and jointly controlled entities	129.4	133.5	130.7	133.8	129.6	133.7	130.9	134.0
Financial liabilities								
Bonds payable	547.0	550.1	541.7	537.1	547.0	550.1	541.7	537.1

Fair value measurements recognised in the balance sheet

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable from the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Corporation and Consolidated					
	2010			2009		
	Level 1 $m	Level 2 $m	Level 3 $m	Level 1 $m	Level 2 $m	Level 3 $m
Financial assets at fair value through profit or loss						
Foreign currency exchange contracts	–	0.4	–	–	0.1	–
Interest rate swaps	–	5.5	–	–	9.7	–
Financial liabilities at fair value through profit or loss						
Foreign currency exchange contracts	–	–	–	–	1.2	–
Interest rate swaps	–	11.4	–	–	18.9	–
Commodity swaps	–	0.5	–	–	–	–

There were no transfers between levels 1, 2 and 3 during the year.

30 Leases

(i) Operating leases

The corporation leases a total of 794 properties. These are under operating leases with various occupancy terms that are due to expire in the next one to ten years. The leased property portfolio comprises 19 commercial, 222 industrial, 8 residential, 537 retail and 8 general sites. Leases generally provide the corporation with a right of renewal, at which time the commercial terms are renegotiated. Lease payments generally comprise a base amount plus an incremental contingent rental based on movements in the Consumer Price Index and reviews to market-based levels.

	Consolidated	
	2010 $m	2009 $m
Minimum lease payments	135.6	127.0
Contingent rentals	1.5	1.5
Operating lease rentals (refer note 3)	**137.1**	**128.5**

Full details of the ageing of the group's operating leases are contained in the Schedule of Commitments.

(ii) Finance lease receivable

The corporation has a finance lease receivable relating to the disposal in 1996–97 of the Sydney GPO heritage site under a 99-year lease. The agreement includes a seven-year rent-free period to the lessee, followed by a guaranteed minimum rental.

	2010 $m	2009 $m
Reconciliation of minimum lease payments to lease receivable:		
Gross minimum finance lease rentals receivable	555.7	562.2
Finance lease revenue not yet recognised	(452.2)	(458.7)
Finance lease receivable (notes 6 and 9)	**103.5**	**103.5**
Minimum finance lease rentals receivable:		
(a) within one year	6.5	6.5
(b) from one year to five years	26.0	26.0
(c) over five years	523.2	529.7
Total	**555.7**	**562.2**

The lease commitments receivable at year-end equal the minimum lease payments, as there are no material contingent payments or unguaranteed residual value relating to this lease agreement.

(iii) Finance lease payable

The group has certain hire purchase and finance lease agreements. The present value of these minimum lease payments is $0.1 million (2009: $0.3 million), which will be made within a year.

31 Notes to the cashflow statement

(a) Reconciliation of cash and cash equivalents

For the purposes of the cashflow statement, cash and cash equivalents includes cash on hand and in banks, promissory notes and floating rate notes. Cash and cash equivalents on hand at the end of the period as shown in the cashflow statement are reconciled to the related items in the balance sheet as follows:

	Consolidated		Corporation	
	2010 $m	2009 $m	2010 $m	2009 $m
Cash on hand	447.1	405.5	435.2	394.7
Promissory notes [1]	53.6	101.5	53.6	101.5
Total cash and cash equivalents	**500.7**	**507.0**	**488.8**	**496.2**

(1) There are no (2009: $nil) promissory notes that are past due or impaired.

(b) Reconciliation of net profit after tax to net cash provided by operating activities

	Consolidated		Corporation	
	2010 $m	2009 $m	2010 $m	2009 $m
Net profit for the period	**89.5**	**260.5**	**81.6**	**245.4**
Depreciation and amortisation	213.5	207.4	206.4	198.5
Changes in jointly controlled entities not received as dividends	(0.4)	4.3	–	–
Net revaluation loss on investment property	–	18.8	–	18.8
Write-down of goodwill/investment	20.8	24.4	35.8	49.4
Write-down of plant and equipment/intangibles	26.8	–	23.6	–
Write-down of receivables/related party loan	1.5	0.8	14.6	17.9
Net gain from sales of property, plant and equipment	(17.9)	(32.5)	(18.1)	(33.9)
	244.3	223.2	262.3	250.7
Changes in assets and liabilities adjusted for the acquisition of businesses				
(Increase)/decrease in debtors	25.6	(50.3)	16.8	(49.0)
(Increase)/decrease in inventories	6.0	(0.9)	6.0	(0.9)
(Increase)/decrease in interest receivable	0.3	1.2	0.3	1.2
(Increase)/decrease in other current assets	(15.0)	(1.4)	(14.0)	(2.0)
(Increase)/decrease in deferred income tax asset	(21.9)	(27.5)	(21.1)	(24.7)
Increase/(decrease) in creditors and other payables	(54.8)	(39.7)	(52.4)	(47.2)
Increase/(decrease) in accrued interest expenditure	2.5	(5.2)	2.5	(5.2)
Increase/(decrease) in advance receipts	12.6	2.7	13.1	2.3
Increase/(decrease) in employee entitlements	121.7	66.4	119.3	65.6
Increase/(decrease) in income tax payable	(21.0)	(23.3)	(20.9)	(23.2)
Increase/(decrease) in deferred income tax liability	(18.9)	28.6	(18.6)	29.5
	281.4	173.8	293.3	197.1
Net cash from operating activities	**370.9**	**434.3**	**374.9**	**442.5**

Loan facilities

Fully drawn loan facilities of $555.0 million (2009: $555.0 million) and $0.1 million (2009: $0.3 million) hire purchase and finance leases were held at 30 June 2010 (refer note 19).

32 Corporate information

The financial report of Australian Postal Corporation for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the directors on 26 August 2010.

Australian Postal Corporation is a for-profit entity and a Government Business Enterprise (GBE) established pursuant to the *Postal Services Act 1975*, the existence of which is continued by section 12 of the *Australian Postal Corporation Act 1989*. The nature of the operations and principal activities of the group are outlined in the corporation's annual report.

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Melbourne VIC 3000
Australia

33 Events after balance date

There are no matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the group, the result of those operations or the state affairs of the group in future financial years.

COMMUNITY SERVICE OBLIGATIONS
for the year ended 30 June 2010

CSOs
Australia Post's Community Service Obligations (CSOs) are set out in s27 of the *Australian Postal Corporation Act 1989* (the Act), which requires that:
• the corporation provide a letter service for both domestic and international letter traffic
• the service be available at a single uniform rate within Australia for standard letters
• the service be reasonably accessible to all Australians, wherever they reside
• the performance standards for the service reasonably meet the social, industrial and commercial needs of the community.

Performance standards
Regulations made under s28C of the Act detail the particular standards required to meet these obligations. Performance against these standards is subject to independent audit by the Australian National Audit Office (ANAO).

All of the prescribed standards were met or exceeded in 2009–10. The actual result for each standard is outlined in the table below. The associated ANAO Audit Report is reproduced at pages 99–100.

Organisational arrangements
To maintain an appropriate ongoing focus on CSO compliance, Australia Post has a national CSO co-ordinator in its headquarters organisation, as well as nominated CSO co-ordinators at the state level.

CSO costs
There is a financial "cost" associated with meeting CSOs. That "cost" arises when the charge made for any mandated service does not recover the cost of its delivery. The "cost" is measured on a net basis, ie after reduction of related revenue, and is funded by internal cross-subsidy within the letter service.

For 2009–10, calculated on the avoidable cost methodology, CSO "costs" are estimated to have been $120.5 million.

Performance standards

Standard	2009–10 performance
Lodgement	
10,000 street posting boxes	16,039 ^
Delivery timetables	
Same state	
Metro – next business day	Maintained
Metro to country – second business day	Maintained
Between country areas – second business day	Maintained
Interstate	
Metro to metro – second business day	Maintained
Between metro and country – third business day	Maintained
Between country areas – fourth business day	Maintained
On-time delivery	
94% of non-bulk letters	96.1%
Access	
4,000 retail outlets (2,500 in rural and remote areas)	4,415 ^ (2,531 ^ in rural and remote areas)
Retail outlets located so that:	
• in metropolitan areas at least 90% of residences are within 2.5km of an outlet	93.7% ^
• in non-metropolitan areas at least 85% of residences are within 7.5km of an outlet	87.7% ^
Delivery frequency	
98% of delivery points to receive deliveries five days a week	98.8% ^
99.7% of delivery points to receive deliveries no less than twice a week	99.9% ^

^ Results as at 30 June 2010.

Auditor-General for Australia

Australian National Audit Office

Independent Audit Report on the Extent to which the Australian Postal Corporation has complied with the Australian Postal Corporation (Performance Standards) Regulations for the year ended 30 June 2010

To the Minister for Broadband, Communications and the Digital Economy and the Board of the Australian Postal Corporation

Scope

I have audited the Australian Postal Corporation's (the Corporation) compliance with the performance standards prescribed in the Australian Postal Corporation (Performance Standards) Regulations, as amended, for the year ended 30 June 2010.

The performance standards require the Corporation to:

(a) service 98% of all postal delivery points at least five days per week and 99.7% of all postal delivery points at least two days per week (Regulation 5);

(b) deliver at least 94% of reserved services letters to the indicated or appropriate address according to the prescribed timetable (Regulation 6);

(c) maintain mail lodgement points for postal articles (other than bulk mail) at each of its 4,000 retail outlets and maintain at least 10,000 street posting boxes (Regulation 8); and

(d) make a selection of its products or services available for purchase at each of the retail outlets. At least half of the retail outlets must be in zones classified as rural or remote, and in any event, not fewer than 2,500. At least 90% of residences within metropolitan areas must be within 2.5 kilometres of a retail outlet and an average of at least 85% of residences in rural or remote zones must be within 7.5 kilometres of a retail outlet (Regulation 9).

The directors of the Corporation are responsible for ensuring that adequate systems are in place to monitor compliance with the performance standards. I have conducted an independent audit of compliance with the performance standards in order to express an opinion to you.

The audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the standards on assurance engagements and relevant ethical requirements relating to audit engagements and accordingly included such tests and other procedures considered necessary.

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19 National Circuit BARTON ACT
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Email ian.mcphee@anao.gov.au

Audit procedures included:

(a) examination and assessment of the key mail management systems;

(b) examination, on a test basis, of supporting evidence; and

(c) examination of the work performed by the independent reviewer contracted by the Corporation.

As part of the audit, I have considered, solely for the purpose of determining the nature, timing and extent of my audit procedures, the Corporation's system of internal controls. This consideration has not entailed a detailed study and evaluation of any of the elements of the system for the purpose of providing the assurances thereon.

These procedures have been undertaken to form an opinion whether, in all material respects, the Corporation has complied with the prescribed performance standards.

Because of the inherent limitations of any audit, including limitations in evidence gathering procedures and limitations in the internal control framework, it is possible that fraud, error or non-compliance may occur and not be detected as an audit is not performed continuously throughout the period and the audit procedures performed are undertaken on a test basis.

The audit opinion expressed in this report has been formed on the above basis.

Opinion

In my opinion, the Australian Postal Corporation was, in all material respects, in compliance with the performance standards prescribed in the Australian Postal Corporation (Performance Standards) Regulations during the year ended 30 June 2010.

Australian National Audit Office

Ian McPhee
Auditor-General

Melbourne
26 August 2010

DOMESTIC LETTER SERVICE MONITOR
for the year ended 30 June 2010

RESEARCH INTERNATIONAL

LEVEL 1
290 Burwood Road
HAWTHORN
VIC 3122
AUSTRALIA

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July 21, 2010

To The Board of the Australian Postal Corporation

Re: Yearly Basic Monitor Result Certification

We have undertaken an independent monitor of Australia Post's domestic letter service against its delivery undertakings for the year ended June 2010 in accordance with the requirements of the Australian Postal Corporations Act 1989.

Our monitor was based on a properly prepared, statistically valid sample of approximately 311,597 test letters. The sample size was determined with regard to information that Australia Post supplied about the postal network design parameters.

Our testing involves comparing the delivery time taken for each test letter with Australia Post's delivery undertaking for the mail path concerned.

Test letters represented the full range of letter sizes and types recognised as ordinary mail, posted in locations having a daily clearance to locations having a daily delivery, from small to large and including window-faced envelopes. They were addressed by hand and machine fonts, reflecting the varied mailing practices of postal users.

All addressing was in accordance with Australia Post's specifications for the proper preparation of letter mail. The letters, as specified under the terms of our contract, were indistinguishable from other mail flowing through the Australia Post network.

Our process for calculating the delivery performance was independently audited by Deloitte.

For the year ending June 2010 the sample used by Research International was consistent with the sample frame provided by Australia Post. The attached certification from Deloitte states that "nothing has come to our attention that would suggest that the results reported by Research International for the year ended 30/06/2010 have not been calculated in accordance with the agreed business rules or do not fairly represent the performance of Australia Post's basic letter service for that period."

Results

For the year ended June 2010, the monitor showed that Australia Post delivered 96.1 per cent of all letters early or on time, and 98.9 per cent of letters were delivered on time or not more than one working day after your delivery undertakings.

RESEARCH INTERNATIONAL

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Opinion

In our opinion based upon the audit procedures conducted, at a 95 per cent confidence level and with a maximum weighted actual precision limit of 0.1 per cent, these results present fairly the performance of Australia Post's domestic letter service for the year ended June 2010 against the scope provided.

Yours faithfully,

Tania Kullmann
Managing Director
Research International Ltd

Margaret Persico
Director
Research International Ltd

Deloitte.

Deloitte Touche Tohmatsu
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Tania Kullmann
Managing Director
Research International
48 Pyrmont Bridge Road
Pyrmont NSW 2009
Australia

21 July 2010

Independent Assurance Report on Research International calculation of Australia Post Performance Metric for Basic Letters for the period 01/07/2009 to 30/06/2010

Research International perform an external mail monitoring service covers basic (domestic) letters carried across the Australia Post Network for Australia Post within a defined set of parameters that have been agreed between Australia Post and Research International.

Research International's Responsibilities

The management of Research International is responsible for the calculation and delivery of the performance metrics to Australia Post in accordance with the agreed business rules. This responsibility includes the design and operation of controls intended to monitor the accuracy of the calculation of the performance metrics.

Deloitte's Responsibilities

At the request of Research International, Deloitte has re-performed the calculation of the delivery performance metric using the data output from the Computer Information System (CIS) system in order to express a conclusion on whether, based on the work we have performed, anything comes to our attention to indicate that the calculations performed by Research International have not, in all material respects, been calculated in accordance with the business rules set out in the agreement between Research International and Australia Post dated 03/07/2006 and do not fairly represent the performance of Australia Post's basic letter service.

Our procedures were performed in accordance with Australian Standard on Assurance Engagements ASAE 3000, "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" in order to provide limited assurance as defined by that standard. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with ASAE 3000 and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an opinion providing reasonable assurance.

Considering the risk of material error, we planned and performed our procedures to obtain the information and explanations considered necessary to provide sufficient evidence to support our limited assurance conclusion. Key procedures included:

- Interviewing the process owners for the preparation of the Australia Post Performance Metrics
- An evaluation of the implementation of key controls used by management in the preparation of the Australia Post Performance Metrics
- Independent re-performance of the calculation of the delivery performance metric using data extracted from the CIS system
- Choosing a random sample of invalidated ('dudded') transactions, and obtaining supporting evidence to identify for those transactions in the sample, whether the process (as agreed to between Research International and Australia Post) for 'dudding' transactions was adhered to.

Deloitte.

Page 2
21 July 2010

Inherent Limitations

Because of the inherent limitations of any internal control structure it is possible that fraud, error, or non-compliance with the agreed business rules may occur and not be detected. Further, the internal control structure, within which the processes that we have reviewed operate, has not been reviewed and no opinion is expressed as to its effectiveness.

A review is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed are on a sample basis.

Any projection of the operation of the monitoring processes to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

The conclusion expressed in this report has been formed on the above basis.

Independence

In conducting our engagement, we have complied with the independence requirements of APES 110 Code of Ethics for Professional Accountants, issued by the Accounting Professional and Ethical Standards Board.

Use of report

This report has been prepared for distribution to Research International in terms of our engagement letter dated 01/08/2006, updated on 14/08/2009. We understand that a copy of this report will be provided to Australia Post by Research International. We disclaim any assumption of responsibility for any reliance on this report to Australia Post or to any other persons or users, other than Research International, or for any purpose other than that for which it was prepared.

Findings

The table below compares the national average of the delivery performance metric as calculated by Research International and by Deloitte.

Type of Letter	Research International figure	Deloitte figure
Basic	96.1% (±0.1)	96.0%

Conclusion

Based on the work performed, nothing has come to our attention that would suggest that the results reported by Research International for the year ended 30/06/2010 have not been calculated in accordance with the agreed business rules or do not fairly represent the performance of Australia Post's basic letter service for that period.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Kevin Nevrous
Partner

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RESERVED/NON-RESERVED SERVICES
for the year ended 30 June 2010

Estimated results of product dissection between reserved and non-reserved services

	Reserved		Non-reserved		Total	
	$m	%	$m	%	$m	%
Consolidated results						
Revenue	1,829.3	37.9	3,001.2	62.1	4,830.5	100.0
Expense	2,079.4	43.9	2,659.7	56.1	4,739.1	100.0
Profit from ordinary activities before net interest and income tax	**(250.1)**	**(273.6)**	**341.5**	**373.6**	**91.4**	**100.0**
Interest and net profits related to jointly controlled entities					24.7	100.0
Profit before third party interest and tax					**116.1**	
Return on revenue (1)		(13.7)		11.4		1.9
Average operating assets (2)	997.3	32.8	2,045.0	67.2	3,042.3	100.0
Return on average operating assets (3)		(25.1)		16.7		3.8

(1) Excludes interest and share of net profits of jointly controlled entities.
(2) Assets reflect average operating assets for 2008–09 and 2009–10.
(3) Total return on average operating assets includes interest and share of net profits relating to jointly controlled entities. Reserved and non-reserved return on average operating assets excludes all interest and share of net profits of jointly controlled entities.

STATUTORY REPORTING REQUIREMENTS INDEX

for the year ended 30 June 2010

Australia Post has reported in accordance with the requirements of the *Commonwealth Authorities and Companies Act 1997*, the *Australian Postal Corporation Act 1989*, the *Freedom of Information Act 1982*, the *Occupational Health and Safety (Commonwealth Employment) Act 1991*, the *Superannuation Benefits (Supervisory Mechanisms) Act 1990*, and the *Environment Protection and Biodiversity Conservation Act 1999*. This index shows where the relevant information can be found in the 2009–10 Annual Report.

Commonwealth Authorities and Companies Act 1997 – Schedule 1 Reporting Requirements

Section	Subject	Location	Pages
s.1(a)	Report of Operations	Report of operations Financial statements Statutory report	1–35 38–39 109–112
s.1(b)	Financial Statements	Financial statements	42–97
s.1(c)	Financial Statements	Financial statements Audit report	40–41
s.2(3)	Directors' Statement	Financial statements	39

Australian Postal Corporation Act 1989 – General Reporting Requirements

Section	Subject	Location	Pages
s.43(a)	Statement of corporate objectives under the corporate plan	Statutory report	109
s.43(b)(i)	Overall strategies and policies under the corporate plan	Chairman's report Statutory report	8 109
s.43(b)(ii)	Performance indicators and targets under the corporate plan	Statutory report	109
s.43(c)	Assessment of extent to which objectives under s.43(a) have been achieved	Chairman's report Managing director's report Financial results Performance against targets Community service obligations Statutory report	8 9 10–11 13 98 109
s.43(d)	Strategies and policies relating to Community Service Obligations (CSOs)	Letters Community service obligations	15 98
s.43(e)	Directions by the Minister under s.40(1)(CSOs)	N/A	
s.43(f)	Assessment of appropriateness and adequacy of strategies and policies for CSOs	Letters Community service obligations	15 98
s.43(fa)	Performance standards relating to CSOs	Performance against targets Letters Community service obligations Statistical summary	13 15 98 114–116
s.43(g)(i)	Notifications by the Minister under s.28 of the CAC Act (general policies of the Commonwealth)	Statutory report	109
s.43(g)(ii)	Directions by the Minister under s.49 of the APC Act (public interest)	N/A	
s.43(h)(i)	Impact of Ministerial notifications under s.28 of the CAC Act and directions under s.49 of the APC Act	Statutory report	109
s.43(h)(ii)	Impact of other Government obligations	Statutory report	109–110
s.43(j)	Ministerial power under s.33(3) to disapprove postage determinations	N/A	
s.43(k)	Companies and other associations established or sold	N/A	
s.43(m)(i)&(ii)	Shares purchased and disposed of	Financial statements	65
s.43(m)(iii)	Subsidiaries	Our business partners Parcels & logistics Financial statements	5 24 65–66
s.43(n)	Authority to open or examine the contents of postal articles	Statutory report	111
s.43(o)	Disclosure of information	Statutory report	111–112
s.44(a)	Financial targets	Financial results Performance against targets Statutory report	10–11 13 109

Australian Postal Corporation Act 1989 – General Reporting Requirements (continued)

Section	Subject	Location	Pages
s.44(b)	Ministerial direction under s.40(i) to vary the financial targets	N/A	
s.44(c)	Progress in achieving the financial targets	Financial results Performance against targets Statutory report	10–11 13 109
s.44(d)	Dividend payable to the Commonwealth	Financial results Financial statements Statutory report	10 77 109
s.44(e)	Ministerial direction under s.54(3) as to dividend	N/A	
s.44(f)	Capital repaid to the Commonwealth	N/A	
s.44(g)(i)	Cost impact of CSOs	Community service obligations	98
s.44(g)(ii)	Cost impact of Ministerial notifications under s.28 of CAC Act	N/A	
s.44(g)(iii)	Cost impact of Ministerial directions under s.49 of APC Act	N/A	
s.44(g)(iv)	Cost impact of other Government obligations	Statutory report	109–110
s.44(h)(i)&(ii)	Financial information requested by the Minister in relation to the reserved services and other activities	N/A	

Freedom of Information Act 1982 – Reporting Requirements

s.8(1)(a)(i)	Information on organisation and functions	Statutory report	110
s.8(1)(a)(ii)	Consultative arrangements	Statutory report	110
s.8(1)(a)(iii)	Categories of documents	Statutory report	111
s.8(1)(a) (iv)&(v)	Access to documents and initial inquiries	Statutory report	111

Occupational Health and Safety (Commonwealth Employment) Act 1991 – Reporting Requirements

s.74(1)(c)	Occupational health and safety policies, including agreement with employees, establishment of committees and selection of health and safety representatives	Statutory report	110
s.74(1)(d)	Measures taken to ensure health, safety and welfare of employees and contractors	Corporate responsibility Statutory report	29 110
s.74(1)(e)	Statistics requiring the giving of notice under s.68	Statutory report	110
s.74(1)(f)&(g)	Details of investigations and other matters as prescribed	Statutory report	110

Superannuation Benefits (Supervisory Mechanisms) Act 1990

s.6(1)(b)	Report on operation of superannuation arrangement	Statutory report	110

Environment Protection and Biodiversity Conservation Act 1999

s.516A(3)(6)	Report on the implementation of the Ecologically Sustainable Development program within Australia Post, including social, economic, cultural and environmental performance	Corporate responsibility	27–28

Commonwealth Authorities and Companies (Report of Operations) Orders 2008

Division 2 – General information about operations and activities

s.8(a)	Enabling legislation	Statutory report	109
s.8(b)	Ministers responsible	Corporate governance	30
s.9	Organisational structure	Corporate governance Board of directors Organisational structure	30 34–35 3
s.10(1)(a)(i)	Performance measured against statutory objectives	Community service obligations	98
s.10(1)(a)(ii)	Corporate plan	Statutory report	109

STATUTORY REPORTING REQUIREMENTS INDEX (CONTINUED)

for the year ended 30 June 2010

Division 2 – General information about operations and activities (continued)

Section	Subject	Location	Pages
s.10(1)(a)(iii)	Principal outputs and contributions	Chairman's report Managing director's report Financial results Key business results	8 9 10–11 12
s.10(1)(b)	Current and future events and trends, including risks and opportunities	Our business Chairman's report Managing director's report Financial results	4–7 8 9 10–11
s.10(1)(c)	Significant events under s.15 of CAC Act	Managing director's report Financial results	9 10–11
s.10(1)(d)(i)	Operational and financial results - principal outputs	Managing director's report Financial results	9 10–11
s.10(1)(d)(ii)	Major investing and financial activities	Chairman's report Managing director's report Financial results	8 9 10–11
s.10(1)(d)(iii)	Financial and non-financial performance indicators	Financial results Community service obligations Statutory report	10–11 98 109–110
s.10(1)(e)	Significant changes in affairs or principal activities during the year	N/A	
s.10(1)(f)	Significant developments since end of financial year	N/A	
s.11(a)	Judicial tribunal decisions that have had a significant impact	N/A	
s.11(b)	Reports by the Auditor-General, a Parliamentary Committee or Commonwealth Ombudsman	Financial statements Audit report Performance standards audit	40–41 99–100
s.12(1)(a)(i)	Any directions by responsible ministers during the financial year	N/A	
s.12(1)(a)(ii)	Since the end of the financial year	N/A	
s.12(1)(a)(iii)	Continuing from previous financial years	N/A	
s.12(1)(b)(i)	Government policies under s.28 of the CAC Act during the financial year	N/A	
s.12(1)(b)(ii)	Since the end of the financial year	N/A	
s.12(1)(b)(iii)	Continuing from previous financial years	Statutory report	109
s.13(1)(a)(i)	Significant changes in financial structure	N/A	
s.13(1)(a)(ii)	Events that may affect future operating results	N/A	
s.13(1)(b)	Dividends paid or recommended	Financial results Financial statements	10 77
s.13(1)(c)	Community service obligations	Community service obligations	98

Division 3 – Specific information

s.14(1)(a)	Directors' details	Corporate governance Board of directors	30 34–35
s.14(1)(b)	Directors' meetings	Corporate governance	33
s.15(1)	Main governance practices	Corporate governance	30–33
s.15(2)	Board committee details (including Audit Committee)	Corporate governance	30
s.16(1)(a)	Indemnity for officers	Statutory report	109
s.16(1)(b)	Premium paid	Statutory report	109

STATUTORY REPORTING REQUIREMENTS

for the year ended 30 June 2010

Introduction

Australia Post is subject to various statutory reporting requirements under the *Australian Postal Corporation Act 1989*, the *Commonwealth Authorities and Companies Act 1997*, the *Freedom of Information Act 1982*, the *Occupational Health and Safety (Commonwealth Employment) Act 1991*, the *Superannuation Benefits (Supervisory Mechanisms) Act 1990*, and the *Environment Protection and Biodiversity Act 1999*.

The index on pages 106–108 shows where the relevant information can be found in this annual report.

A number of matters are dealt with in the main body of the report. Others are covered below.

Legislation

The powers and functions of Australia Post are set out in Sections 14 to 19 of the *Australian Postal Corporation Act 1989* (the Act).

Australia Post's principal function is to supply postal services within Australia and between Australia and other countries. Australia Post may also carry on any business or activity, either domestically or internationally, that relates or is incidental to the supply of postal services.

Indemnities and insurance premiums for directors and officers

Australia Post has in place a directors' and officers' liability insurance policy. The policy, which expires on 31 October 2010, provides cover in respect of any person who is or was a director or officer of Australia Post when acting in these capacities. Australia Post also maintains a separate insurance policy which provides cover to all former directors or officers of the corporation. This policy, which expires on 31 October 2019, provides cover in respect of any matters arising from the time such persons were a director or officer of Australia Post. Confidentiality requirements within the insurance contracts prohibit any additional disclosures.

Directors of Australia Post are also indemnified by the corporation to the extent permitted by law against any liability incurred in their capacity as a director.

Corporate plan

Each year, Australia Post prepares a rolling three-year corporate plan. The 2009–10 plan and associated Statement of Corporate Intent were submitted to the shareholder ministers in June 2009.

Objective

Our primary objective is to provide high-quality, efficient services to the community. As much as possible, we will also grow dividends and enhance shareholder value.

Strategies

The corporation has pursued strategies aimed at revenue growth and cost restraint within our three product portfolios: letters & associated services, parcels & logistics, and agency services & retail merchandise. The strategies and their main programs of work are as follows.

1. Support and promote the letter value chain, and develop opportunities in the wider communications market by:
   - extracting costs from the letter business
   - protecting our existing mail volumes
   - developing an identity-verified secure communications capability.
2. Optimise our return from our unique set of distribution and logistics businesses and extend our reach and capability to meet market demand by:
   - growing parcels revenue from our enhanced eParcel service, enhanced product features and price increases
   - continuing our logistics cost reduction and warehouse consolidation programs
   - exploiting international growth opportunities through our Kahala Postal Group alliance and our Sai Cheng operations.
3. Reposition our agency services and retail merchandise business to provide multi-channel service offers supported by retail merchandise.

This will be achieved by expanding our existing identity and trust-based services to offset a decline in over-the-counter bill payments.

Targets

Key financial and non-financial performance measures set out in the plan were:

- profit before tax of $290.1 million in the first year of the plan
- dividends paid of $157 million in the first year of the plan.

Specific targets for 2009–10 and performance against these targets were as follows.

Performance Indicator	Target	Performance
On-time letter delivery	94%	96.1%
Profit before tax	$290.1 million	$103 million
Return on average operating assets	8.5%	3.8%
Ordinary dividend declared for 2009–10	$158.2 million	$79.1 million

Government policies

In February 2004, the Minister of Communications, Information Technology and the Arts provided formal notification under section 28 of the *Commonwealth Authorities and Companies Act 1997* that the Government's National Code for the Construction Industry and associated implementation guidelines were to apply to all construction-related activity undertaken by and on behalf of Australia Post. The notification has had no major impact on the corporation as Australia Post had, since their introduction in 1997, made compliance with the code and guidelines a condition of all of its construction related tenders.

Section 49 of the *Australian Postal Corporation Act 1989* empowers the Minister to give the board written directions in relation to the performance of Australia Post's functions as appear to be necessary in the public interest. No notification or direction has been issued under this provision.

Other government obligations

Administrative law

The cost of meeting Commonwealth administrative requirements in 2009–10 is estimated at approximately $1.5 million.

Postal Industry Ombudsman

During 2009–10, the PIO has estimated the cost of investigating complaints relating to Australia Post to be $240,000.

ACCC record keeping

The cost of the regulatory audit and compliance with the ACCC's record keeping rules in 2009–10 is estimated at $520,000.

Maintaining heritage properties

The cost of repairing and maintaining heritage-listed properties in 2009–10 was $1.5 million.

Medical/Educational Remote Area Parcel service

The Medical/Educational Remote Area Parcel service provides reduced postage rates for parcels containing health and educational material that are sent to and from people living in remote communities. In the 2009–10 reporting period, revenue foregone is estimated at $126,260.

Superannuation

During 2009–10 Australia Post complied with all relevant guidelines and made no significant changes to superannuation arrangements for employees.

Occupational health and safety (OH&S) report

The following information is presented in accordance with the requirements of s74 of the *Occupational Health and Safety Act 1991* (OH&S Act 1991).

A number of measures were taken during the year to assist in providing for the health, safety and welfare at work of employees and contractors of the corporation. These included:

- directing OH&S improvements through OH&S plans at national, state and workplace facility levels. These plans provide for OH&S management systems and supervisory accountability; auditing the effectiveness of the OH&S management system; induction and skills training; compliance with corporate and statutory OH&S requirements; workplace safety audits for hazard identification and control; accident prevention initiatives targeted at priority accident types; and employee involvement in OH&S
- auditing OH&S legislative and corporation OH&S policy compliance through the Australia Post Occupational Health and Safety Management System Quality Assurance Program. The corporation recorded an overall high level of conformance with OH&S audit criteria
- maintaining OH&S committees throughout the corporation
- providing OH&S related training for Health and Safety Representatives, managers, supervisors and staff throughout Australia Post to develop a greater understanding of corporate and statutory requirements
- conducting the Safe Postie Campaign to raise awareness of the issue of postie safety through newspaper and letter box drop publicity
- training motorcyclists in safe riding behaviour, undertaking risk reviews of motorcycle rounds; reinforcing existing safe work practices, including regular motorcycle maintenance inspections and auditing compliance with procedures
- implementing new high-visibility clothing for motorcyclist postal delivery officers (PDOs) and coloured panniers for motorcycles to further improve the visibility of PDOs to other road users
- continuing to implement our Harassment Discrimination Bullying Policy and procedures to assist managers and employees to understand these issues and provide a guide for managers to assist in preventing and managing bullying
- implementing initiatives under the enforceable undertaking entered into with Comcare in relation to an alleged failure by Australia Post to observe it duties under the OH&S Act
- advising contractors on safe work practices
- continuing the implementation of the corporation's Employee Health and Wellbeing Strategy, including confidential staff counselling services for our employees.

As a result of these and other initiatives, the corporation met the injury prevention performance targets of the Safety, Rehabilitation and Compensation Commission.

During the year:

- 659 incidents were notified to Comcare in accordance with s68 of the *OHS Act 1991*.
- 12 Provisional Improvement Notices (s29) were given.
- No Improvement Notices (s47) were given.
- No Prohibition Notices (s46) were given.
- 15 investigations were conducted relating to:
  - motor vehicle fatality (1)
  - alleged harassment (2)
  - amenities (1)
  - fire and emergency procedures (1)
  - mail delivery, including motorcycle operations (1)
  - incidents involving members of the public (2)
  - plant and machinery safety (7).

Freedom of Information report

In the year to 30 June 2010, Australia Post received 33 applications under the *Freedom of Information Act 1982* (Cwlth).

These were handled as follows:

Granted in full	11
Granted in part	8
Access refused	9
Withdrawn	1
On hand at 30 June 2010	4

There were two applications for internal review during the year. Both applications resulted in the decision of the Freedom of Information Officer being substantially affirmed.

No additional costs were incurred in the handling of Freedom of Information requests and related responsibilities in 2009–10. Application fees and charges of $570.00 were collected.

Freedom of Information Act, Section 8

The following information is presented in accordance with section 8 of the *Freedom of Information Act 1982*.

Organisation and functions

Australia Post has a Melbourne based headquarters, five state based commercial administrations and four joint ventures. Headquarters is responsible for strategic planning, policy and support activities. State based commercial administrations direct day-to-day business activities within the states.

Consultative arrangements

Australia Post consults directly with major mail users, customers and various bodies to respond to customers needs.

A joint Mailing Industry Advisory Committee operates with the Major Mail Users Association for the purpose of enhancing relationships between Australia Post and its major customers.

The Stakeholder Council provides a further external forum for discussing Australia Post's services and performance. The council's charter also includes a corporate responsibility role.

Australia Post also consults extensively with private mail users through local managers and customer contact services.

Market research is undertaken regularly to monitor how well Australia Post is satisfying customer needs and how the postal system is regarded by the public.

Australia Post's letter delivery performance is independently audited. Formal reports are published on a quarterly basis.

Categories of documents

The categories of documents maintained by Australia Post include those relating to:

- corporate organisation and administration
- Australia Post's financial management
- management of assets
- internal administration, including policy development and program administration, reports, briefings, correspondence, minutes, submissions, statistics and other documents
- board submissions relating to the business of Australia Post
- reference material used by staff including guidelines and manuals
- working files
- legal advice.

The categories of documents listed above are maintained by Australia Post in a variety of formats. Some of these documents, along with information on Australia Post's organisation, structure and activities, can be obtained free of charge by accessing Australia Post's website at auspost.com.au.

Access to documents

Access to documents under the Freedom of Information Act can be obtained by forwarding a written request together with the prescribed fee to:

National Freedom of Information Officer
Legal Services
Corporate Services – Australia Post
GPO Box 1777
MELBOURNE VIC 3001

Alternatively, access to documents can be obtained by writing to the Freedom of Information Officer in the relevant State administrations. The addresses of Australia Post's state administrations are provided on page 123.

Privacy and access to personal information

Under the *Commonwealth Privacy Act 1988* individuals have, subject to certain exceptions permitted by law, a right to request access to their personal information that is held by Commonwealth agencies and private-sector organisations.

Individuals may apply for access to their personal information held by Australia Post by writing to:

Privacy Contact Officer
Corporate Services
Australia Post Headquarters
GPO Box 1777
MELBOURNE VIC 3001

Fraud control

Australia Post has in place a number of measures designed to deter and detect instances of fraud. These are further supported by the maintenance of a National Fraud Control Policy and Code of Ethics.

The Corporate Audit Services Group applies a risk-based methodology to review business operations and related systems including policies and procedures, which make up the control environment. This review is undertaken on a programmed basis to ensure that the corporation's assets are safeguarded and business risks minimised.

The Corporate Security Group is a specialised unit responsible for ensuring the integrity of the mail and the safety of Australia Post's personnel and other assets. It works closely with law enforcement agencies both within Australia and internationally.

Annual reviews of conventional, computer and computer-related crime risk exposures are undertaken by the Risk Management Unit.

Enterprise IT Security section has a specialist role of ensuring security of Australia Post's information technology systems.

Examination of mail

International Mail

Australia Post is authorised under the Australia Postal Corporation Act to open mail, as required by the Australian Customs Service in the following circumstances:

- when it is suspected that articles may contain prohibited substances; or
- to determine that appropriate duties/taxes are met.

Australian Customs Service personnel have also been authorised under section 90T to remove and open articles of a particular weight that they reasonably believe may contain certain drugs or other chemical compounds being carried in contravention of a law of the Commonwealth. They have also been authorised under section 90FB (3) for the purpose of examining mail without opening it (ie by x-ray or with drug detection dogs).

Domestic Mail

Quarantine inspection officers from a prescribed state or territory (ie Western Australia, Tasmania or Northern Territory) are authorised under section 90U to request Australia Post to open, for inspection, any article for delivery in that prescribed state or territory; where the inspection officer has reasonable grounds to believe the item consists of, or contains, quarantine material.

Section 90UA authorises Australia Post to remove articles from the mail stream where it is suspected that the article consist of, or contain, scam mail. Suspected scam mail may also be withdrawn from the mail upon receipt of a written request from a consumer protection agency.

In accordance with Section 90FB, Australia Post has appointed authorised examiners at designated locations where mail can be opened for inspection.

Authorised Australia Post staff may open undeliverable articles at approved locations for the purpose of identifying intended or return addresses. They may also open mail to repair an article or its contents so that the article can be made safe for carriage by post.

Disclosure of information

The corporation is authorised to disclose information to agencies with the legislative power to obtain such information. This includes instances relating to enforcement of the criminal law, the protection of the public revenue, the reduction of threats to life and notification of next of kin.

As required under s.43 (o) (i) (ii) of the Australian Postal Corporation Act, tables 1 and 2 overleaf detail the number of times that such information was disclosed during the year and the authorities or bodies to which it was disclosed.

STATUTORY REPORTING REQUIREMENTS (CONTINUED)
for the year ended 30 June 2010

Table 1. Disclosure of Information/documents (Section 90J "Authority")*

(Applies to all information or documents)

Authority for disclosure	Number of disclosures	Disclosures made to
Disclosure under warrants [s. 90J(3)]	10	Australian Security Intelligence Organisation, Australian Federal Police, State Police (QLD), State Police (NT)
Disclosure under a law of the Commonwealth [s. 90J(5)]	4,973	Australian Crime Commission, Australian Competition & Consumer Commission, Australian Customs Service, Australian Taxation Office, Centrelink, Civil Aviation Authority, Child Support Agency, Department of Immigration and Citizenship, Department of Veteran's Affairs, Insolvency & Trustees Services Australian, Medicare Australia.
Disclosures under certain laws establishing commissions [s. 90J(6)]	54	Crime Commission (NSW), Independent Commission against Corruption (NSW), Corruption & Crime Commission (WA)

* There were no disclosures made under s. 90J (7) (8) or (9).

Table 2. Disclosure of Information/Documents (Section 90K "Authority")

(Applies to information or documents not specially protected)

Authority for disclosure	Number of disclosures	Disclosures made to
Disclosure to authorised ASIO officer [s. 90K(4)]	56	Australian Security Intelligence Organisation
Disclosure for the enforcement of laws or protection of public revenue [s. 90K(5)]	7,504	Australian Communications Authority (Federal), Australian Fisheries Management Authority (Federal), Police (Australian Federal), Attorney General's Department (Federal), Australian Quarantine Inspection Service (Federal), Australian Securities & Investments Commission (Federal), Office of Fair Trading (QLD), Office of Consumer Affairs (Tas), Office of Consumer & Business Affairs (SA), Comcare Australia (Federal), Crime & Misconduct Commission (QLD), Department of Corrective Service (NSW), Crown Solicitor's Office (SA), Department of Environment & Conservation WA, Department of Education, Training & Youth Affairs (Federal), Department of Environment & Heritage (Federal) (Incorp. EPA), Department of Employment and Workplace Relations and Small Business (Federal), Police (Defence Force - Including Military, RAAF) (Federal), Department of Fisheries (WA), Department of Justice (QLD), Department of Agriculture, Fisheries & Forestry (Federal), Department of Fair Trading (NSW), Consumer Affairs Victoria (VIC), Department of Consumer & Employment Protect. (WA), Department of Gaming and Racing (NSW), Office of Gaming Regulation (QLD), Queensland Health (QLD), Department of Health & Aged Care (Federal), Inspector General Division (Federal), Liquor Licensing Division (QLD), NSW National Parks and Wildlife Services (NSW), Department of Primary Industries (VIC), Police (New South Wales), Police (Northern Territory), Corrections Victoria, Passport Fraud Section (DFAT), Police Integrity Commission (NSW), Department of Primary Industries (QLD), Department of Primary Industries (SA), Office of Police Integrity (VIC), Police (Queensland), RSPCA (Federal), Residential Tenancies Authority (QLD), Police (South Australia), Department of Sustainability and Environment (VIC), Fisheries Compliance Unit (SA), Sheriff's Office (WA), Office of State Revenue (NSW), Office of State Revenue (QLD), State Revenue Office (VIC), Revenue SA (SA), Police (Tasmanian), Police (Victoria), Police (Western Australia), WorkCover New South Wales (NSW), WorkCover Queensland (QLD), WorkCover Corporation (SA), WorkCover Authority (VIC)

Table 1. There were no disclosures made under s. 90K (2) or (3).
Table 2. Commonwealth agencies, unless otherwise indicated.

AUSTRALIA POST – THE STATISTICS
for the year ended 30 June 2010

1 Five-year statistical summary

	2005–06	2006–07	2007–08	2008–09	2009–10
Consolidated					
Revenue ($m)	4,530.1	4,711.1	4,959.2	4,985.3	4,870.6
Expenditure ($m)	4,014.5	4,149.4	4,367.0	4,604.4	4,767.6
Profit before income tax ($m)	515.6	561.7	592.2	380.9	103.0
Total assets ($m)	4,808.4	5,490.0	5,477.0	4,270.2	3,909.7
Return on average operating assets (%)	18.7%	19.6%	19.4%	12.2%	3.8%
Cost of community service obligations ($m)	87.8	97.3	108.5	113.8	120.5
Total taxes and government charges ($m)	514.2	474.9	548.1	499.5	448.6
Ordinary and special dividends ($m)	267.3	296.9	446.2	222.4	79.1
Corporation					
Total mail articles (m)	5,418.1	5,515.8	5,609.4	5,323.4	5,145.0
Full-time employees (excluding casuals)	25,387	25,026	25,042	25,107	24,172
Part-time employees (excluding casuals)	9,196	9,497	9,936	10,196	10,086
Labour productivity improvement	2.80	1.40	2.60	(3.10)	0.0
Number of corporate outlets	857	846	831	827	810
Number of licensed post offices [1]	2,975	2,969	2,977	2,969	2,963
Number of postpoints	679	614	559	529	504
Number of delivery points (m)	10.0	10.3	10.5	10.7	10.7

(1) Includes 29 franchised post offices.

2 Basic postage rate [1] (BPR) and the Consumer Price Index (CPI)

		Year on year			
As at 30 June	BPR cents	CPI all groups	Change in BPR %	Change in CPI %	Change in real postage %
2002	45	137.6	0	2.8	-2.8
2003	50	141.3	11.1	2.7	8.2
2004	50	144.8	0	2.5	-2.5
2005	50	148.4	0	2.5	-2.5
2006	50	154.3	0	4.0	-3.8
2007	50	157.5	0	2.1	-2.0
2008	50	164.6	0	4.5	-4.3
2009	55	167.0	10.0	1.5	8.5
2010 [2]	60	172.1	9.1	3.1	6.0

(1) Postage rates applicable to standard letters carried within Australia by ordinary post.
(2) The BPR increase to 60 cents was effective 28 June 2010.

3 Australia Post outlets at 30 June 2010

	NSW/ACT	Vic/Tas	Qld	WA	SA/NT	Australia 2010	Australia 2009
Corporate offices							
at 1 July 2009	273	224	167	88	75	827	831
Changes during 2009–10							
Opened	0	0	0	0	0	0	2
Changed from LPO	0	0	0	0	0	0	1
Changed to LPO	0	1	4	1	1	7	3
Closed	5	2	3	0	0	10	4
Total at 30 June 2010	**268**	**221**	**160**	**87**	**74**	**810**	**827**
Licensed post offices/franchises							
at 1 July 2009	911	976	465	298	319	2,969	2,977
Changes during 2009–10							
Opened	2	2	1	0	0	5	2
Changed from corporate office	0	1	4	1	1	7	3
Changed from community postal agency	1	0	1	0	0	2	0
Changed to corporate office	0	0	0	0	0	0	1
Changed to community postal agency	8	0	2	1	0	11	5
Closed	2	3	2	1	1	9	7
Total at 30 June 2010	**904**	**976**	**467**	**297**	**319**	**2,963**	**2,969**
Grand total at 30 June 2010	**1,172**	**1,197**	**627**	**384**	**393**	**3,773**	**3,796**
Community postal agencies at 30 June 2010	**107**	**73**	**188**	**82**	**192**	**642**	**637**
Total outlets at 30 June 2010	**1,279**	**1,270**	**815**	**466**	**585**	**4,415**	**4,433**

4 Australia Post outlets by state and geographic classification(1)

Outlet type	Geographic (2) classification	NSW	ACT	Vic	Qld	SA	WA	Tas	NT	Other Territories	Australia
Corporate offices	Metro	180	17	140	91	43	61	11	4	0	547
	Rural	71	0	53	59	23	16	17	0	0	239
	Remote	1	0	0	9	1	10	0	3	0	24
		252	**17**	**193**	**159**	**67**	**87**	**28**	**7**	**0**	**810**
LPO (3)	Metro	420	37	383	176	128	124	27	5	0	1,300
	Rural	408	1	430	199	143	92	109	3	0	1,385
	Remote	42	0	17	92	27	79	5	13	3	278
		870	**38**	**830**	**467**	**298**	**295**	**141**	**21**	**3**	**2,963**
CPA (4)	Metro	12	0	3	5	9	1	6	1	0	37
	Rural	84	0	35	110	104	40	22	5	0	400
	Remote	11	0	2	73	23	46	1	45	4	205
		107	**0**	**40**	**188**	**136**	**87**	**29**	**51**	**4**	**642**
Totals	Metro	612	54	526	272	180	186	44	10	0	1,884
	Rural	563	1	518	368	270	148	148	8	0	2,024
	Remote	54	0	19	174	51	135	6	61	7	507
		1,229	**55**	**1,063**	**814**	**501**	**469**	**198**	**79**	**7**	**4,415**

(1) This table uses geographic states, not Australia Post administrative states.
(2) Geographic classifications use DPIE/HSH November 1994 Metropolitan, Rural Remote Areas Classifications by 1991 Census SLA.
(3) LPO = Licensed post offices. This figure includes franchised PostShops and post office agencies.
(4) CPA = Community postal agents.

5 Mail delivery network as at 30 June 2010

	NSW/ACT	Vic/Tas	Qld	WA	SA/NT	Australia 2010	Australia 2009
Private households receiving mail via:							
Street delivery	2,698,437	2,173,481	1,509,925	850,343	674,737	7,906,923	7,800,294
Private boxes/locked bags	266,536	215,648	229,635	113,051	137,762	962,632	948,273
Private and community bags	5,129	1,160	2,789	3,360	10,626	23,064	23,405
Roadside delivery	179,699	150,630	141,507	15,419	9,022	496,277	492,162
Counter delivery	37,835	54,054	39,289	30,962	42,307	204,447	210,745
Total	3,187,636	2,594,973	1,923,145	1,013,135	874,454	9,593,343	9,474,879
Businesses receiving mail via:							
Street delivery	217,002	161,017	119,982	54,452	43,914	596,367	597,250
Private boxes/locked bags	166,522	108,759	114,268	52,439	39,421	481,409	478,787
Private and community bags	304	430	631	442	997	2,804	2,835
Roadside delivery	5,517	5,034	4,936	119	529	16,135	16,160
Counter delivery	3,304	7,267	2,621	2,578	3,157	18,927	19,057
Total	392,649	282,507	242,438	110,030	88,018	1,115,642	1,114,089
Total delivery points	3,580,285	2,877,480	2,165,583	1,123,165	962,472	10,708,985	10,588,968*

* Adjusted due to a correction in the June 2009 total.

6 Letter senders' access to postal network

	Metro areas	Rural areas	Remote areas	Total
Access to stamps and postage assessment (number of facilities)				
Total retail outlets	1,884	2,024	507	4,415
Other outlets (1)	1,070	1,685	263	3,018
Total outlets (2)	2,954	3,709	770	7,433
Access to posting facilities (number of facilities)				
Total retail outlets	1,884	2,024	507	4,415
Community mail agents	4	27	64	95
Street posting boxes	10,910	4,589	540	16,039
Roadmail contractors (3)	780	2,145	407	3,332
Posting facilities (4)	13,578	8,785	1,518	23,881
Distance from postal outlets				
Average household distance from outlets (km)	1.1	3.1	10.7	1.9
Dispersion:				
% of households within 2.5km of a retail outlet	93.7	68.9	59.3	86.4
% of households within 7.5km of a retail outlet	99.7	88.8	75.7	96.3

(1) Includes postpoints, licensed stamp vendors, off-site vending machines, etc (self assessment only).
(2) Does not include roadmail contractors, all of whom, on request, would arrange supply of stamps.
(3) Roadmail contractors, on request, accept letters for posting.
(4) In addition, postal delivery officers, on request, accept letters for posting.

7 Letter recipients' access to postal network (000 delivery points)

	Metro areas	Rural areas	Remote areas	Total
Households				
Delivery to residence via:				
Street delivery	6,216.3	1,592.8	97.8	7,906.9
Roadside delivery	146.7	336.4	13.2	496.3
Total to residence	6,363.0	1,929.2	111.0	8,403.2
Delivery to postal premises via:				
Post office boxes and bags	456.3	420.6	88.4	965.3
Counter delivery	28.9	118.5	57.0	204.4
Total at postal premises	485.2	539.1	145.4	1,169.7
Delivery to intermediate point via:				
Community bags	1.0	10.8	8.7	20.5
Total households	6,849.2	2,479.1	265.1	9,593.4
Business				
Delivery via:				
Street delivery	473.2	117.3	5.9	596.4
Roadside delivery	7.1	8.7	0.3	16.1
Post office boxes and bags	329.9	131.1	22.5	483.5
Counter delivery	3.7	12.8	2.4	18.9
Delivery to intermediate point via:				
Community bags	0.1	0.5	0.1	0.7
Total business	814.0	270.4	31.2	1,115.6
Total delivery points served	7,663.2	2,749.5	296.3	10,709.0

8 Frequency of service to delivery points (% of total delivery points as at 30 June 2010)

Frequency per week	Metro areas	Rural areas	Remote areas	Total
One per week	0.0	0.0	0.3	0.0
Two to four	0.1	3.8	4.6	1.1
Five or more	99.9	96.2	95.1	98.9
Total	100.0	100.0	100.0	100.0

9 Overall letter service performance in 2009–10

	Full year 2009–2010	Quarter ended 30/6/2010	Quarter ended 31/3/2010	Quarter ended 31/12/2009	Quarter ended 30/9/2009
Based on letters delivered in the following					
Per cent on time					
NSW	96.3	96.4	96.9	96.2	96.2
Vic	95.8	96.1	96.4	95.5	95.5
Qld	96.1	95.9	96.4	95.3	95.3
SA	95.8	96.4	95.6	95.9	95.9
WA	95.8	96.5	95.8	95.7	95.7
Tas	97.7	97.8	97.8	97.5	97.5
NT	96.2	95.5	96.5	96.9	96.9
ACT	96.7	96.1	97.9	96.7	96.7
National averages	96.1	96.3	96.5	95.8	95.7
Per cent + one day					
NSW	98.8	99.0	99.0	98.8	98.4
Vic	98.9	99.2	99.2	98.8	98.5
Qld	99.1	99.1	99.1	99.0	98.9
SA	98.6	98.7	98.7	98.6	98.1
WA	98.9	99.1	99.1	98.8	98.8
Tas	99.4	99.4	99.4	99.5	99.4
NT	99.1	99.0	99.0	99.1	99.1
ACT	99.2	99.2	99.2	99.2	99.0
National averages	98.9	99.1	99.0	98.8	98.6

10 Summary of Australia Post property portfolio as at 30 June 2010

	NSW/ACT	Qld	SA/NT	Vic/Tas	WA	Total
Property Types – Owned						
Commercial	2	1	0	1	0	4
GPO	1	1	1	2	1	6
Industrial	47	38	16	52	18	171
Other	0	0	0	0	0	0
Residential	1	6	0	0	3	10
Retail	114	38	33	73	28	286
Total	**165**	**84**	**50**	**128**	**50**	**477**
Property Types – Leased (1)						
Commercial	6	3	1	7	2	19
GPO	1	0	1	0	0	2
Industrial	86	36	10	68	22	222
Other	1	2	0	3	0	6
Residential	0	0	1	0	7	8
Retail	153	124	39	161	60	537
Total	**247**	**165**	**52**	**239**	**91**	**794**
Property Types – Total						
Commercial	8	4	1	8	2	23
GPO	2	1	2	2	1	8
Industrial	133	74	26	120	40	393
Other	1	2	0	3	0	6
Residential	1	6	1	0	10	18
Retail	267	162	72	234	88	823
Total	**412**	**249**	**102**	**367**	**141**	**1,271**

(1) The corporation has 810 individual leases with respect to these properties.

AUSTRALIA POST – THE STATISTICS (CONTINUED)

for the year ended 30 June 2010

11 Total articles through Australia Post's network (millions) (1)

	2004–05	2005–06	2006–07	2007–08	2008–09	2009–10
Posted in Australia for delivery in Australia	5,102.1	5,125.7	5,224.1	5,330.6	5,074.9	4,867.2
Posted in Australia for delivery overseas	141.8	151.3	141.6	115.9	103.4	91.7
Total posted	**5,243.9**	**5,277.0**	**5,365.7**	**5,446.5**	**5,178.3**	**4,958.9**
Posted overseas for delivery in Australia	119.2	141.1	150.1	162.8	145.1	186.1
Total articles through network	**5,363.1**	**5,418.1**	**5,515.8**	**5,609.3**	**5,323.4**	**5,145.0**

(1) Mail volume statistics exclude articles that do not generate revenue, eg official mail, redirected mail and international mail in transit (eg Singapore to New Zealand via Australia).

12 Persons engaged in providing postal services at 30 June 2010

	HQ	Mail and Networks Division							Commercial Division							Other	Total		
	HQ	NSW/ACT	Vic/Tas	Qld	WA	SA/NT	Head Office	Total	NSW/ACT	Vic/Tas	Qld	WA	SA/NT	Head Office	Total	Other Operating Divisions	June 10	June 09	% of Movement
Full Time																			
Permanent	333	6,758	4,541	2,679	1,558	1,135	654	17,325	1,433	1,011	720	481	304	756	4,705	1,618	23,981	24,696	(2.9)
Fixed term	2	42	6	28	30	12	2	120	4	3	8	12	2	10	39	30	191	411	(53.5)
Total Full Time	**335**	**6,800**	**4,547**	**2,707**	**1,588**	**1,147**	**656**	**17,445**	**1,437**	**1,014**	**728**	**493**	**306**	**766**	**4,744**	**1,648**	**24,172**	**25,107**	**(3.7)**
Part Time																			
Permanent	18	1,959	1,734	753	518	354	47	5,365	1,296	1,230	797	413	270	76	4,082	64	9,529	9,509	0.2
Fixed term	1	116	32	101	33	93	6	381	32	13	56	30	43	1	175	0	557	687	(18.9)
Total Part Time	**19**	**2,075**	**1,766**	**854**	**551**	**447**	**53**	**5,746**	**1,328**	**1,243**	**853**	**443**	**313**	**77**	**4,257**	**64**	**10,086**	**10,196**	**(1.1)**
Others																			
Casuals	0	35	4	6	1	4	0	50	64	32	41	10	2	0	149	0	199	206	(3.4)
Agency*	10	24	155	3	57	70	3	312	5	21	2	7	3	3	41	131	494	434	13.8
LPOs/ Franchisees**									904	976	467	297	319	0	2,963	0	2,963	2,969	(0.2)
Mail contracts**	0	1,309	1,429	1,563	452	315	0	5,068									5,068	5,137	(1.3)
Total Others	**10**	**1,368**	**1,588**	**1,572**	**510**	**389**	**3**	**5,430**	**973**	**1,029**	**510**	**314**	**324**	**3**	**3,153**	**131**	**8,724**	**8,746**	**0.1**
TOTAL	**364**	**10,243**	**7,901**	**5,133**	**2,649**	**1,983**	**712**	**28,621**	**3,738**	**3,286**	**2,091**	**1,250**	**943**	**846**	**12,154**	**1,843**	**42,982**	**44,049**	**(2.3)**

* Agency – Persons working in award level positions under contract arrangements with preferred employment providers.
** Denotes the number of LPOs/mail contracts and does not reflect the number of persons who may be involved in providing postal services.

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STAMP GALLERY 2009–10

Australia Post – 200 Years Everyday People 13 October 2009

Species at Risk – Joint Territories 4 August 2009

Adopted and Adored
29 June 2010 (selected stamps)

Australian World Heritage Sites
25 May 2010 (selected stamps)

Come to the Show 23 March 2010 (selected stamps)

Classic Toys 25 September 2009 (selected stamps)

STAMP GALLERY 2009–10

Kokoda 20 April 2010

Christmas
2 November 2009

Shanghai World Expo
18 May 2010

Christmas Island Lunar New Year –
Year of the Tiger 12 January 2010

2010 Olympic Winter Games Vancouver
Australian Gold Medallists 12–28 February 2010

Let's Get Active
6 October 2009 (selected stamps)

Voted the most favourite stamp issue of 2009 – People's Choice Award
Australian Songbirds 9 September 2009

Australian Legends of the Written Word 21 January 2010 (selected stamps)

Stargazing: The Southern Skies 25 August 2009 (selected stamps)

Australian Commonwealth Coinage 23 February 2010

Great Australian Railway Journeys
7 May 2010 (selected stamps)

Queen's Birthday
6 April 2010

Centenary of Powered Flight 9 March 2010

Corrugated Landscapes 11 August 2009

A Bicentenary: Governor Lachlan Macquarie 16 February 2010

Micro Monsters 28 July 2009 (selected stamps)

Australian Parks and Gardens 14 July 2009 (selected stamps)

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