1809 2009

Australia Post
Annual Report 2008–09

Celebrating 200 years

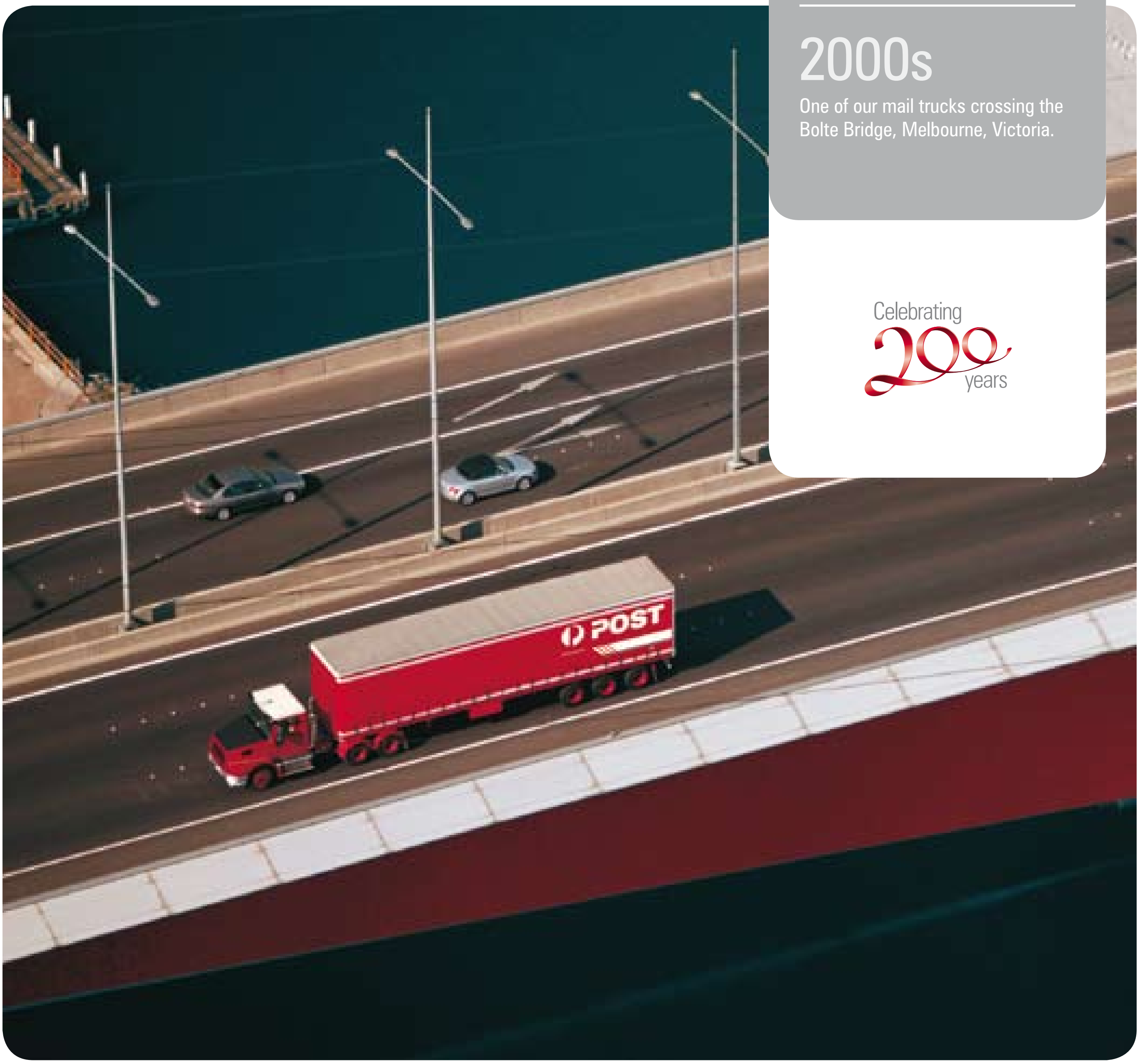
In this report

1809

Over the past 200 years, Australians have developed a genuine trust in Australia Post, thanks to the quality and reliability of our people, products and services. These invaluable assets, as well as our continuing focus on innovation, are carrying us into the future.

David A Mortimer AO, Chairman

2009



1930s

Early mail flight over Rushcutters Bay, Sydney Harbour, New South Wales.

2000s

One of our mail trucks crossing the Bolte Bridge, Melbourne, Victoria.

Celebrating 200 years

Our business

Celebrating 200 years

At Australia Post, we're celebrating. Australia's postal service began in 1809, so in 2009 we are honouring our rich and remarkable history. But we are also celebrating the present and the bright future that awaits. We have come a long way to become one of the most progressive postal services in the world – and with a solid record of adaptation and innovation, we are looking forward to the next 200 years of success.

At the heart of Australia Post's success are two centuries of commitment by our people – come flood, fire, war or (as we are experiencing today) tough economic times. Across the nation, posties, contractors and retail staff are visible to the public, day in, day out. Behind the scenes, others are working around the clock in delivery centres, mail sorting facilities and offices. Together, they are ensuring that Australia Post continues to meet the community's changing needs.

Our history

On 26 June 2009, Australia Post celebrated its 200th anniversary. The business that we are today is a far cry from the Australian postal service's beginnings back in 1809. On 26 June 1809, two months after former convict Isaac Nichols was appointed the first postmaster for the colony of New South Wales, his work began in earnest when the ship *Experiment* arrived in Sydney Harbour. Among its cargo was precious mail for this isolated community.

Other postmasters were appointed as settlements sprang up across the continent. Throughout the nineteenth century, post offices were invariably among the first significant structures built in the towns and cities established around the land. Increasingly symbols of prosperity, they were often grand edifices that remain important parts of Australia's heritage today.

To deliver and collect mail across this vast network, Australia's first posties overcame enormous challenges. On horseback, then guiding horse-drawn coaches, they played a vital role in establishing overland routes connecting what became, in 1901, the Federation of Australia. The various colonial postal services merged to form the federal Postmaster General's Department (PMG), which managed mail as well as telegraph and telephone operations.

Already, the postal service was evolving by managing these new forms of communication, while also progressively exchanging horsepower for trains and motor vehicles. Soon after federation, the PMG was quick to see the potential in aviation – Australia's first airmail deliveries were made in 1914. The PMG's – and the public's – interest in the Air Mail service only grew in the years to come, as pioneers such as Charles Kingsford-Smith carried mailbags further and faster around the globe.

The innovations continued until, in 1975, the PMG became two separate entities: the Australian Postal Commission (trading as Australia Post) and the Australian Telecommunications Commission (trading as Telecom Australia, now Telstra). Fourteen years later, the Australian Postal Commission became the Australian Postal Corporation under the *Australian Postal Corporation Act 1989* (Cwlth).

Since becoming a government business enterprise, Australia Post has been required to operate as a fully commercial business. We reinvest profits in our operations or return them as dividends to our sole shareholder, the Commonwealth Government.

Our future

We are proud of our rich heritage but are always looking to the future. The history of Australia Post has involved constant change, as we have adapted to the evolving needs of our customers and responded to shifts in the communications market. Over the past 200 years, a series of major change programs has transformed Australia Post into one of the world's most efficient and progressive postal enterprises.

This work is ongoing, as we invest in the people, technology, innovations and partnerships that will take us into the future. Central to our strategy for continued growth are our three core businesses: letters & associated services; agency services & retail merchandise; and parcels & logistics.

We will continue to capitalise on our traditional strengths in these areas, while extending our capabilities, by:

- ensuring that letters remain viable and relevant while actively pursuing opportunities in a digitally enabled marketplace
- enhancing our suite of diverse multi-channel services and supporting these offerings with a compelling range of retail merchandise
- extending our already substantial reach in domestic distribution and logistics while targeting further international opportunities.

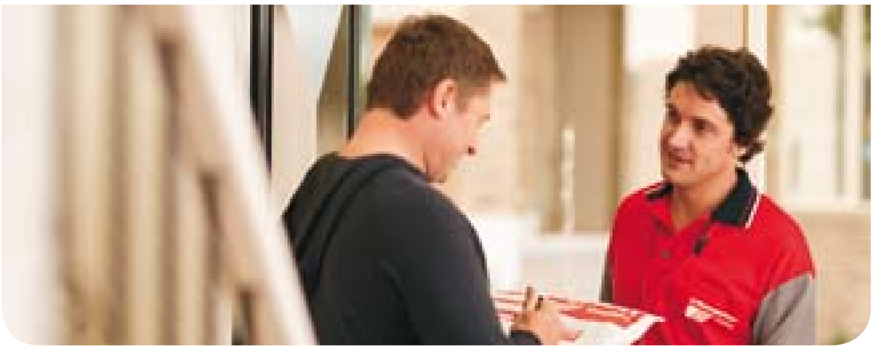
Our values

We conduct our business with integrity and in compliance with all laws, regulations, codes and corporate standards relevant to our operations. We require our employees and contractors to commit to the highest ethical standards of behaviour in their dealings with customers, the corporation and each other.

We are also committed to adopting and promoting principles of sustainable development. Therefore, we report openly on our sustainability performance; integrate social, environmental and economic considerations into our decision-making; and strive to make continuous improvements in all that we do. In 2008–09, that improvement has included the introduction of a stand-alone corporate responsibility report (released in conjunction with this annual report), which strengthens our commitment to sustainable business success.

We have come a long way: from one man operating the postal service at his home in colonial Sydney to a diverse and dynamic business employing tens of thousands of people across Australia and, increasingly, around the world. Much has changed between 1809 and 2009, but our commitment to the community and our customers' trust in our ability to deliver have remained constant.

Our capabilities



Letters & associated services

- Collecting, processing and distributing letters for the entire Australian community and between Australia and overseas.
- Offering bulk mail delivery services for businesses and community organisations.
- Providing research, advice, consumer list rental, and profiling and segmentation services to help businesses target their best prospects and customers – and achieve solid returns on their 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.
- Providing 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
  - a range of services for travellers, including passport applications, passport photos, travellers' cheques and foreign currency
  - money orders and money transfers.
- A variety of complementary products, including stationery, office supplies, communications products, gifts and cards.
- Packaging products, 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.
- The 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.
- Offering worldwide delivery, as well as sophisticated parcels and logistics services between Australia and the Asia–Pacific region.
- Providing complete end-to-end supply chain capability, from manufacturer (domestic or international) to consumer.
- Providing domestic and international integrated logistics services, including order processing, warehousing, fulfilment, distribution, returns management, freight forwarding and co-ordination of customs clearance.

For 200 years, we have developed our capabilities, and expanded our range of products and services, to meet the changing needs of individual consumers, small-to-medium sized businesses and major corporations. Our core capabilities enable us to deliver a diverse and efficient service to our customers. We are continuing to broaden our capabilities as we prepare for the future.

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.

Joint ventures

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.

News and highlights

We delivered 95.5 per cent of domestic letters on time or early.

See page 19.

During difficult economic conditions, we earned a net profit of $260.6 million.

See page 11.

Stamp of approval for 200 years

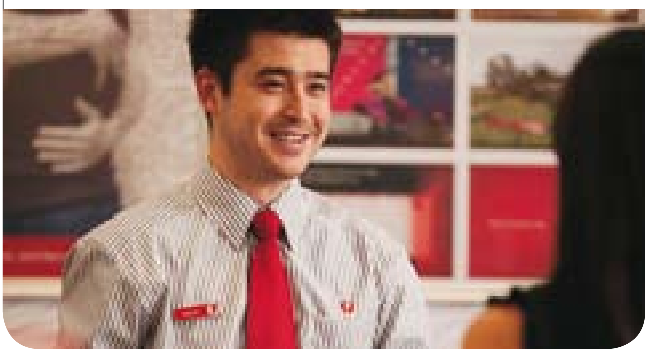
We celebrated our bicentenary year with two significant stamp issues. First, ten stamps depicting the postal service's past and present were released in March 2009. Then, following a national poll, the five Australian stamps voted the nation's all-time favourites were re-issued in June. See page 26.

Lending a helping hand

In response to the devastating Victorian bushfires in February 2009, we donated $1 million to the Red Cross Victorian Bushfire Appeal and also collected $4.8 million in donations from the public at our retail outlets. See page 38 for further details about our community involvement.

Passport to success

Building on our dominant and trusted position in identity services, we became the first external entity permitted to process British passport applications. This expanded the number of Australian locations where British citizens can apply for passports from four to 119. See page 24.



We handled 5.3 billion items of mail and delivered to 10.7 million Australian addresses.

See page 128.

We paid $499.5 million in rates and taxes, and paid the Commonwealth Government a dividend of $427.8 million.

See pages 11 and 91.

We served around a million customers every business day in our 4,433 retail outlets.

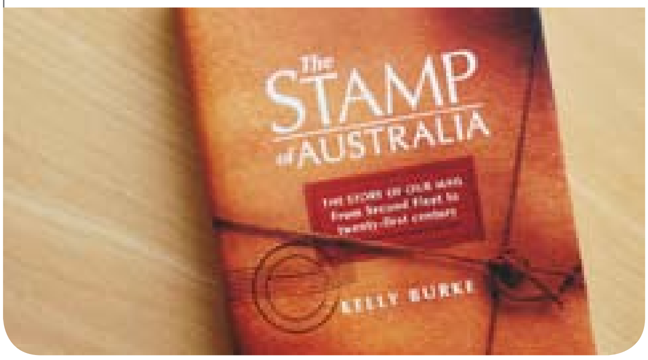
See page 23.

A sustainable future

We introduced our first enterprise-wide corporate responsibility strategy, resulting in significant changes to the way we manage the social, environmental and economic impacts of our business. Part of this improved approach is the introduction of a separate corporate responsibility report, in addition to this annual report. See page 37.

The Stamp of Australia

Two hundred years of Australia's postal service was celebrated in *The Stamp of Australia*, a two-part documentary that screened on The History Channel and was later released on DVD. There was also a companion book of the same name, published by Allen & Unwin.



Online innovation

The Click and Send service was launched, enabling our suite of international parcels services to be processed online, including documentation, payments and the option of courier pickup and management of shipment details. This service will be rolled out to our domestic parcels services in 2009–10. See page 30.

Our business

Chairman's Report

Just as the world has changed dramatically over the past 200 years, so has Australia Post. We have continued to serve the community by evolving to meet its changing needs, tackling new challenges as they emerge. In our recent history, those challenges have included meeting the dual objectives of earning a profit and fulfilling our community service obligations.

Achieving these dual objectives requires an increasingly dynamic approach, as our traditional business of letters is under mounting pressure from electronic alternatives. However, new communications technologies also open up new opportunities, and we have seen this in the boost to our parcels business caused by online trading.

Like many other businesses around the world, Australia Post has experienced an extremely difficult year as a result of the global financial crisis. The challenges we encountered are reflected in our financial results, but the underpinnings of our business remain robust.

Our dedicated people will ensure that we maximise the opportunities future economic growth will bring by remaining focused on our three core business areas: letters; agency services & retail merchandise; and parcels & logistics. We continue to build on our strengths in these areas by investing in the people, processes, innovations and technology that will carry us into the future – just as we have done throughout our history.

Letters & associated products

While letter volumes have been falling around the world for some time, that has not been the case in Australia, thanks to Australia Post's commitment to promoting letters as an effective communications option. However, given the tough economic times experienced this financial year, it is no surprise that our letter volumes have declined – though at somewhat lower rates than for comparable postal organisations.

Our ongoing promotion of the unique qualities of paper-based communications is supported by the high service standards and value for money we offer. Innovative digital solutions are increasingly important in improving that service quality and cost-effectiveness, especially for our business customers.

Australia Post has been able to maintain the third-lowest basic postage rate in the OECD over the past decade because of our investment in mail sorting technology and the effective implementation of efficiency programs that have brought significant productivity gains. However, the combination of volume decline and rising costs associated with an ever-expanding number of delivery points necessitated an increase in the price of postage during 2008–09. We have applied to the Australian Competition and Consumer Commission for an additional increase in 2009–10, so that we can continue to meet our community service obligations.

Agency services & retail merchandise

Our retail network is the largest in Australia, serving around one million customers every day. The extraordinary national reach of this network is one of Australia Post's most formidable assets, as is the trust that Australians place in our brand. This sense of trust has provided us with an ideal platform from which to expand our range of agency-based services. In particular, we have made great strides in identity services this financial year – and this is an area that we will continue to develop into the future.

This capacity to adapt our products and services to meet our customers' changing needs has enabled the agency services & retail merchandise business to perform well in what is an extremely challenging and competitive market. In fact, during 2008–09 we outperformed our financial forecasts in this area of the business. We look forward to introducing new products and services that complement our core business activities and that are enhanced by increased electronic capabilities.

Parcels & logistics

Australia Post's parcels & logistics business continues to be the powerhouse of our profit generation. Over recent years, growth in the volume of parcels we have handled has been built on a range of factors, including the extensive reach of our network, service reliability, increasingly sophisticated delivery offerings and our investment in new technology. While volumes were down marginally in 2008–09, we expect growth to return as economic conditions improve.

The success of our parcels & logistics business has not been limited to the domestic market: most significantly, our joint-venture operation Sai Cheng continues to grow. It enables us to source our own merchandise, and that of our customers, out of China and reliably deliver it in Australia. Our ability to grasp growth opportunities in a changing world is also demonstrated by the expanding role our parcels & logistics business is playing in facilitating Internet trade and the development of our online capabilities.

Thank you

I am grateful for the efforts of our management, staff, contractors, licensees and franchisees, who have not only faced but also overcome unprecedented challenges this financial year. I thank them and our loyal customers, who together have made Australia Post the successful business that it is today. I would also like to acknowledge the invaluable contribution of my fellow board members, whom I thank for their ongoing support in my role as chairman of Australia Post.

David A Mortimer AO
Chairman

Our business

Managing Director's Report

Just as we have done throughout the past 200 years, in 2008–09 Australia Post delivered first-class community service, while responding dynamically to changes in the marketplace.

Financial results and core businesses

Like many businesses around the world, the 2008–09 financial year proved to be a challenging period for Australia Post. We earned total revenue of $4.99 billion this year, which is marginally higher than last year's result (up 0.5 per cent).

However, the slower economic conditions seriously affected our bottom line, with our pre-tax profit falling by 35.7 per cent to $380.9 million. While this was a disappointing result, it still indicates that our business is robust and diverse enough to maintain profitability, even in tough economic times.

Reductions in discretionary spending were mostly felt in our letters portfolio, which is already under pressure from electronic alternatives to physical mail. Addressed domestic letter volumes declined by 4.1 per cent in 2008–09. This, together with rising costs and the addition of approximately 200,000 delivery points, resulted in our profit from the letters portfolio declining.

Our parcels & logistics business remained strong and continues to contribute around half of our profit. Revenue grew by 2.5 per cent, mainly because of the popularity of parcel services with enhanced tracking and delivery verification capabilities (such as Post eParcel), which are valued by online traders. There was a noticeable shift away from courier and express services to slower, more affordable delivery options during the year. While domestic logistics revenue declined as a result of the slowdown in local retail trade, our Asia–Pacific logistics operations continued to perform strongly.

Despite the tightening of belts during 2008–09, the revenue earned by our agency services & retail merchandise portfolio rose by 3.2 per cent. Our expanding suite of identity services continues to be the key driver of revenue growth in this portfolio.

People and performance

There is no other Australian corporation that has the kind of daily interaction with the community that Australia Post does, and it is our 35,509 people who provide the foundation of our success. Their commitment and dedication, whether working behind the scenes or serving customers directly, has made our brand one of the most trusted in the nation. On-time letter delivery of 95.5 per cent for domestic letters is just one indicator of the excellent service our people provide.

I am proud to report that, despite the difficult economic conditions, there were no forced redundancy programs at Australia Post during this financial year. We will continue to seek productivity improvements, but our change programs will be managed in a way that maintains our high service standards and respects the contribution that our people have made to Australia Post's success.

We value input from our people, which is why staff in Melbourne have contributed to decisions about the fit-out of our new headquarters. We will begin to occupy this 5-star green office building in late 2009 and, ultimately, these new headquarters will replace five existing Melbourne offices.

Technology and innovation

Improving the technology we use to operate our business and serve our customers has been a major focus this financial year. We are currently upgrading our major IT platforms, from our HR system to mail production and article-tracking systems. We are also investing in our mail network, with new mail processing equipment and improvements to our transport fleet. And, as part of our plans to serve our customers more effectively, we are upgrading our point-of-sale system and our online services.

Throughout our 200-year history, we have always promptly adopted new technology and we have continually evolved our products and services to meet the needs of contemporary Australians. This commitment to innovation and change remains a hallmark of our business today. We continued to deliver innovative products and services such as Click and Send, a service that offers low-volume customers online access to our international parcels services. We are in the early stages of implementing a secure digital communications platform that will satisfy the total communications needs of our customers while lowering their costs. This service will provide surety and confidence in digital communications for businesses and their customers.

This year, our reporting has been expanded with the introduction of our first corporate responsibility report which details our vision and strategy for building a sustainable future.

Thank you

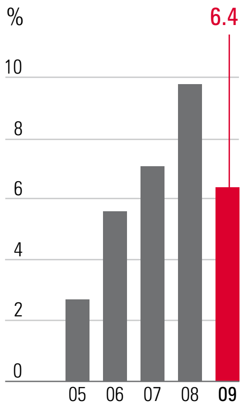
The postal service has provided vital communications and fulfilment services for communities throughout Australia for 200 years now. Undoubtedly, we have always been a "people-driven" business – sustained by the commitment of our staff and the loyalty of our customers. And this dedication to connecting people remains absolutely fundamental to Australia Post today. So, I would like to sincerely thank every one of our dedicated people, our business partners, our suppliers and our customers for giving us so much to celebrate in this our bicentenary year.

Graeme T John AO
Managing Director

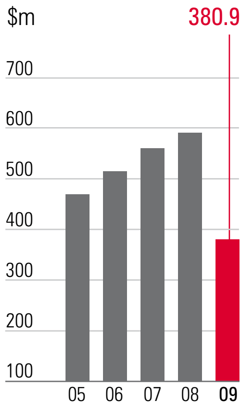
Our business

Financial Results

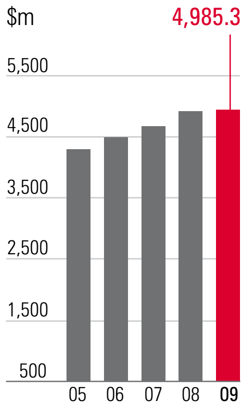
Labour productivity (illustrating five-year cumulative growth)



Operating profit before tax



Revenue



Performance

Following a decade of consistent profit growth, Australia Post's financial results were hit heavily this financial year by the global economic crisis and a slowing economy in Australia. As a direct result of the economic slowdown, the corporation's profit before tax declined by 35.7 per cent (from last year's record high of $592.2 million).

However, our pre-tax profit of $380.9 million for 2008–09 is still a solid outcome, given that many international postal organisations have reported substantial losses over the past year. This result has ensured that our operating cashflows continue to support capital investment in the postal network and the maintenance of our strategic business projects.

Despite the challenging trading conditions, our three core business portfolios – letters & associated services; parcels & logistics; and agency services & retail merchandise – all managed to achieve some revenue growth in 2008–09. The corporation's overall revenue growth of $21.6 million (or 0.5 per cent) for the year was achieved with a contribution from all three core businesses.

The letters & associated services portfolio achieved marginal revenue growth this year (0.7 per cent), mainly as a result of the five cent increase in the basic postage rate in September 2008. The volume of domestic letters declined from a peak of 5.2 billion last year to 4.9 billion this year.

While this decline can be partly attributed to non-recurring election-related mailings as well as ongoing electronic substitution, letters were not immune from the sudden deterioration in global economic activity. In particular, transactional mail lodgements from small businesses contracted sharply during the year. The overall decline in addressed domestic letter volumes was 4.1 per cent. Compared with postal administrations overseas, however, Australia Post's letter volumes have remained resilient, and we are confident that physical mail remains a highly effective and vital form of contemporary communication.

Agency services & retail merchandise was the strongest performing portfolio this year, recording revenue growth of 3.2 per cent. This growth was fuelled by the growing demand for in-person identity services and by aligning our range of retail products to meet the changing needs of our customers.

Parcels & logistics achieved revenue growth of 2.5 per cent, which is well below the strong growth trend of recent years. More than any other segment, demand for our parcels and logistics services fluctuates according to broader economic activity. Overall, the volume of parcels we delivered declined marginally in 2008–09. The downturn in economic activity was most evident in our logistics business, which serves the business-to-business and business-to-consumer sectors.

The fall in our letter volumes was the major factor contributing to our return on revenue declining to 7.6 per cent this year (from 11.9 per cent last year). This result mainly reflects the impact of rising costs, especially the addition of approximately 200,000 delivery points to our nationwide mail delivery network.

Dividends

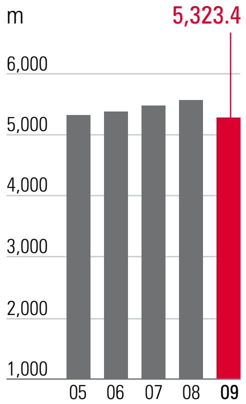
Based on the distribution of 75 per cent of the corporation's after-tax profit, ordinary dividends payable from the 2008–09 result are expected to total $184 million. Total ordinary dividends declared have reduced by $150.6 million, highlighting the impact of the volatile economic environment.

During the year, the corporation met its obligation to provide the Commonwealth with an additional $150 million dividend payment. This additional dividend related to earnings from both the current and prior years.

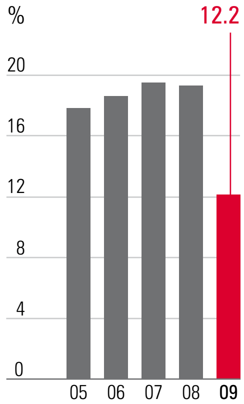
Capital expenditure

Australia Post continues to invest in growing its asset base to support core business activities. Our capital expenditure for the year was $270.1 million, which is $25 million less than the previous year. The bulk of this investment went towards critical information technology infrastructure assets. We made important investments during the year in our SAP enterprise system, HR systems, event management systems and an upgrade to our point-of-sale system. These investments will

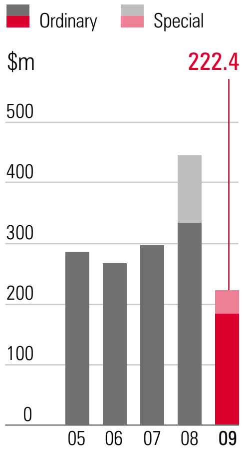
Mail volumes



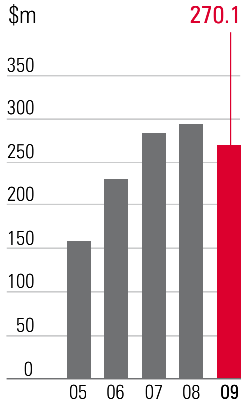
Return on average operating assets



Declared dividends



Capital expenditure



enhance our SAP enterprise foundation and enable our systems to support the introduction of new services, improve time to market and ensure ongoing reliability and efficiency gains.

Cash management

Despite weakening consumer demand and volatility in global credit markets, Australia Post maintained a strong cash position of $507 million. Although this is down $203.2 million on last year, there was still sufficient cash in reserve to fund dividend payments of $427.8 million and capital expenditure of $270.1 million.

In March 2009, $300 million of bonds matured and the corporation refinanced these, plus an additional $25 million, at market rates until March 2014. This has had an impact on the corporation's key balance sheet and cashflow indicators. Debt to debt plus equity increased to 23.3 per cent (15.4 per cent last year) and interest cover reduced to 11 times (from 15.6 times last year).

Outlook

The immediate outlook for the Australian economy remains uncertain and we face ongoing risks from a prolonged economic slowdown, rising interest rates and potentially rising input costs. However, given the diversity of the corporation's businesses and our focus in the Australian and (to a lesser extent) the Asian markets, we are well placed to deliver acceptable financial returns in the future.

While we don't expect to see a free-fall in letter volumes, there does appear to be a systemic decline in the letters market (based on international trends over recent years). With the projected expansion of the delivery network and the associated increase in costs, the corporation will be able to maintain the viability of the reserved service on letters only by increasing the basic postage rate.

Australia Post remains well placed for future growth, but we need to be financially cautious and ensure that we have sufficient reserves to invest in the right opportunities as they arise. This will enable us to pursue our business strategies and continue to deliver long-term sustainable value to our shareholder.

Five-year trends [1]

	2005	2006	2007	2008	2009
Revenue ($ million) [2]	4,325.9	4,530.1	4,711.1	4,959.2	4,985.3
Profit before tax ($ million)	469.8	515.6	561.7	592.2	380.9
Profit after income tax ($ million)	341.3	367.9	400.7	432.2	260.6
Return on revenue (%)	10.9	11.4	11.9	11.9	7.6
Return on average operating assets (%)	17.9	18.7	19.6	19.4	12.2
Debt to debt plus equity (%)	21.2	18.3	15.9	15.4	23.3
Ordinary dividend declared ($ million) [3]	286.2	267.3	296.9	334.6	184.0
Special dividend declared ($ million)	0.0	0.0	0.0	111.6	38.4
Interest cover	15.1	17.2	18.4	15.6	11.0
Cumulative labour productivity	2.7	5.6	7.1	9.8	6.4
Mail volumes (millions)	5,363.1	5,418.1	5,515.8	5,609.4	5,323.4
Capital expenditure ($ million)	159.4	230.6	283.7	295.1	270.1

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.
3 The 2006, 2007, 2008 and 2009 dividends were determined under A-IFRS. The 2005 dividend was based on accounting standards applicable at the time (AGAAP).

Our business

Key business results and the year ahead

Our core businesses

Letters & associated services
(see pages 16–21)

Revenue
- Revenue from domestic letters increased by 0.7 per cent.
- eLetter Solutions, PrintSoft and Decipha again achieved revenue growth.

Results and highlights
- Delivered 95.5 per cent of domestic letters on time or early.
- Delivered 97.5 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 continue to develop innovative mail products and services, including complementary digital solutions.
- We will stimulate mail volumes by continuing to promote physical mail.
- As costs outstrip letter revenue, new revenue sources will be sought for the letters & associated services portfolio.

Agency services & retail merchandise
(see pages 22–7)

Revenue
- Retail merchandise and philatelic products revenue increased by 4.8 per cent.
- Agency services revenue increased by 1.7 per cent.

Results and highlights
- Maintained Australia's largest retail network, with 4,433 outlets (including 2,541 in rural and remote areas).
- Served around a million customers every business day in our retail outlets.
- Conducted 1.3 million Australian passport interviews and became the first external entity permitted to process British passport applications.
- Sold our millionth gift card.

The year ahead
- We will continue to invest in new technology to enhance our point-of-sale and multi-channel capabilities.
- We will further develop our diverse range of agency services, with an emphasis on identity services.

Parcels & logistics
(see pages 28–33)

Revenue
- Revenue from domestic parcels increased by 4.5 per cent.
- Express Post revenue increased by 8.5 per cent.
- Revenue for Sai Cheng, our joint venture in China, increased by 56.4 per cent.

Results and highlights
- Delivered 96.4 per cent of large parcels on time or early.
- Delivered 99 per cent of Express Post items on time or early.
- Post eParcel volumes increased by 13 per cent.
- Online processing of our international parcel services became available with the launch of our Click and Send service.

The year ahead
- We will continue to invest in technology that will improve our efficiency and the customer experience.
- We will expand further into the business-to-business parcels market.
- We will expand our Sai Cheng operations in China and look to further extend our international logistics activities.

Our business

Performance against targets

2008–09 Targets	2008–09 Performance
Financial	
Revenue base of $5.24 billion.	We earned revenue of $4.99 billion.
Profit before tax of $575.1 million.	We made a before-tax profit of $380.9 million.
Return on average operating assets of 17.8 per cent.	We achieved a return on average operating assets of 12.2 per cent.
Return on equity of 24.6 per cent.[1]	We achieved return on equity of 15.4 per cent.[1]
Service	
Deliver 94 per cent of domestic letters on time.	We delivered 95.5 per cent of domestic letters on time.
Maintain 4,000 retail outlets, including 2,500 in rural and remote areas.	We maintained 4,433 retail outlets, with 2,541 of these in rural and remote areas.
Maintain 10,000 street posting boxes.	We maintained 16,055 street posting boxes.
People	
Achieve attendance rates of 94.4 per cent.	We achieved attendance rates of 94.6 per cent.
Reduce our lost-time injury frequency rate to 6.6.	We sustained 7.1 lost-time injuries per million work hours.
Achieve employment of 605 Indigenous Australians (including trainees).	We employed 605 Indigenous Australians (including 33 trainees) (1.7 per cent of our total workforce).

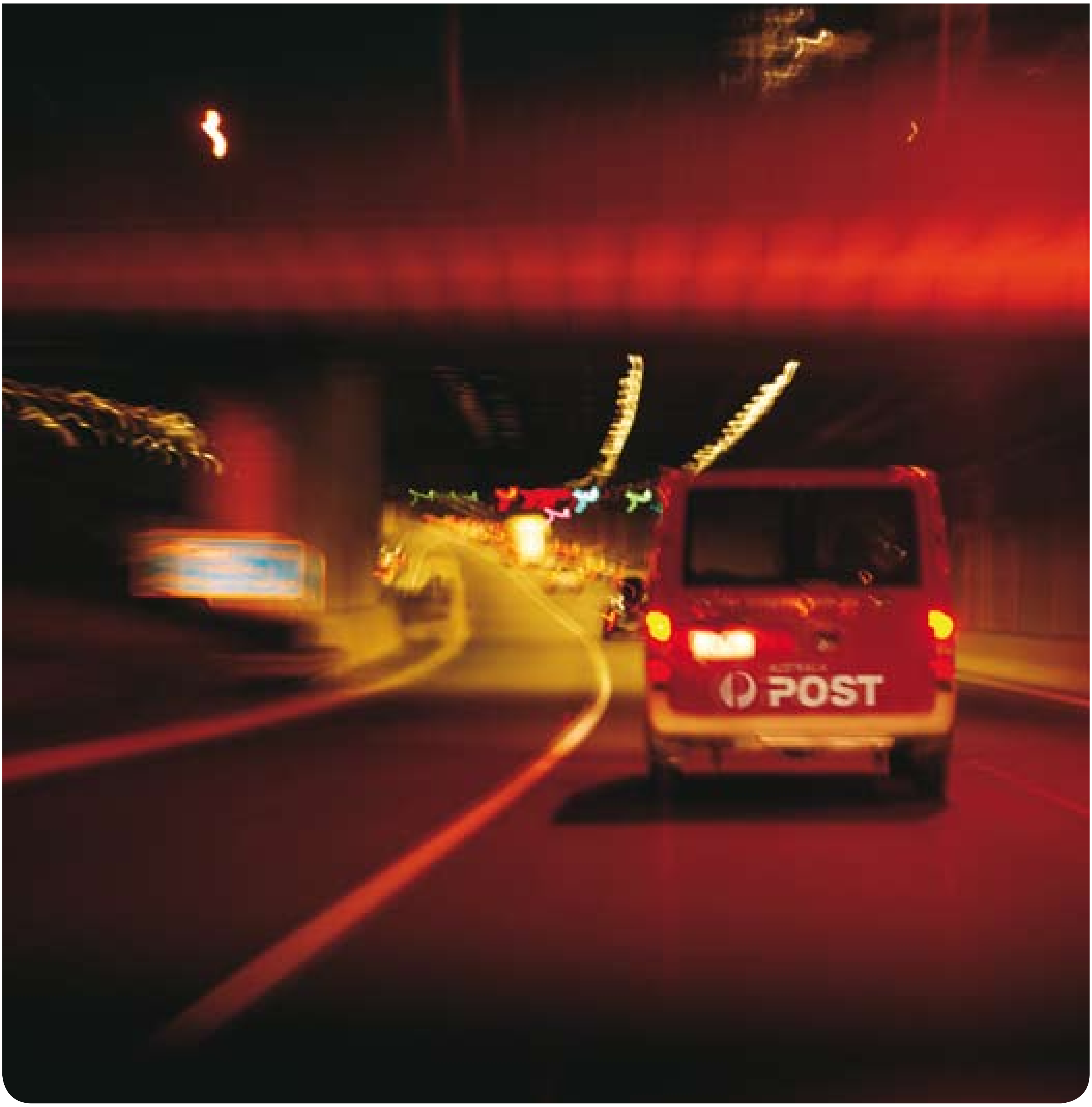
1 Return on equity excludes the corporation's superannuation assets.

1920s | 2000s

A PMG mail van on the corner of Martin Place and Castlereagh Street, Sydney, in the early 1920s. Today, Australia Post mail vans are still part of everyday life, seen on roads all over Australia.

Core businesses

Australia's postal service was founded 200 years ago so that mail in the fledgling colony of New South Wales could be reliably sent and received. The reliable delivery of mail is still at the heart of what we do, but our network and our products and services have expanded dramatically since 1809. Essentially, Australia Post has three core businesses – delivering letters, handling parcels and operating retail outlets. Tens of thousands of people keep our diverse operations humming. From collection to delivery, many hands ensure that letters arrive promptly at 10.7 million Australian addresses – and counting. Others provide a diverse range of products and services at 4,433 retail outlets, from the big cities to the smallest country towns. More and more of our people and partners deliver increasingly important parcel and logistics services across the nation and around the globe. From humble beginnings in 1809, Australia Post has grown to become one of the world's most successful postal enterprises.



Supporting on-field success

In partnership with Australia Post, AFL club St Kilda recently analysed where its Melbourne-based members are concentrated so that other households likely to include fans of the team could be identified. The next challenge was selecting the most effective way to communicate with these high-potential households about becoming St Kilda Football Club members or registering as supporters and receiving regular updates.

Australia Post's Acquisition Mail service was chosen because it was a cost-effective semi-addressed mail solution that enabled current members to be excluded from the campaign while potential new members were targeted. It was a fresh approach as, according to Ben Hall, the club's manager of Marketing & Membership Services, "we traditionally only market to our database".

Several hundred respondents either became new members or registered their support. "We've had a tangible response at a fairly substantial level that's good value to us," says Ben, who also sees long-term benefits from a campaign that has identified supporter "hot spots". In addition to the letter services St Kilda uses for membership and promotional purposes, Australia Post also supports the club's off-field activities with mail marketing, Express Post and other parcel offerings for merchandise sales and with Postbillpay as a membership payment channel.

Core businesses

Letters & associated services

In 1809, when Australia's postal service began, letters were crucial to keeping in touch across town and around the world. While other forms of communication have long since become options, letters continue to play an important communications role for business, government and the wider community. Australia Post has maintained its place as a global leader in promoting letters as a reliable, efficient and personal way of connecting people. Despite difficult economic conditions, we continue to deliver a cost-effective and trusted letters service that meets our community service obligations.

Highlights of 2008–09

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

We delivered 95.5 per cent of domestic letters on time or early.

We delivered 97.5 per cent of bulk mail on time or early.

Our innovative letters businesses defied market conditions: Decipha's revenue rose by 13 per cent, PrintSoft's by 11.3 per cent, and eLetter Solutions' by 16 per cent.

Our place in the market

Australia Post handles three key letter categories:

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

Over many years, letters have faced competition from other forms of communication such as the telegraph, telephone and fax. In more recent times, the speed and cost-effectiveness of an increasing number of electronic alternatives have undoubtedly put letters under pressure. However, mail remains an effective and reliable communication channel with unique physical qualities appreciated by both senders and receivers.

Letter volumes and revenue

After experiencing positive volume growth in recent years – in contrast to many overseas countries where letter volumes had declined – in 2008–09 the challenging economic climate triggered a decline in Australian letter volumes.

The volume of addressed domestic letters fell by 4.1 per cent this year. This was due to the slowdown in economic activity and ongoing electronic substitution as well as the lack of federal election mailings, which boosted volumes to record levels in the previous period.

Overall revenue for the letters and associated services portfolio increased marginally – by 0.7 per cent, mainly as a result of the five cent increase in the basic postage rate in September 2008.

Basic postage rate increase

Every year, Australia Post must deliver to approximately 200,000 new points around the nation, adding substantially to costs. As letter volumes are unlikely to grow significantly into the future, these costs cannot be met without increasing the basic postage rate (BPR). Following an application to the Australian Competition and Consumer Commission (ACCC), the BPR was raised from 50 to 55 cents in September 2008. Even after this increase, Australia still has the third-lowest BPR of OECD countries. See page 18.

Growth through innovation

In 2008–09, mail innovation was driven by specialisation and collaboration.

Australia Post actively works with all areas of the mail industry to develop, support and promote mail solutions that add value to, and improve the effectiveness of, the mail channel.

We continued to add strength to our core delivery products, extend our range of specialist services and stimulate growth through the introduction of collaborative solutions across the entire mail value chain.

Innovative delivery products and specialist services

In recent years, Australia Post has taken to market many innovations that make letters a more convenient, flexible and effective communications option for businesses and other organisations. Key initiatives include the following.

- **Acquisition Mail:** an unaddressed, non-personalised delivery service that allows businesses to send mail to every residential address in a specified area, with the option to exclude existing customers.
- **eLetter Easy Peel:** a high-impact direct mail product unique in Australia. A special varnish forms a light seal on a postcard-like mail piece, which the recipient can peel open to reveal a personalised message.
- **eLetter Wrap:** an A4 full-colour page that folds in on itself to form an envelope. It allows customers to use all the visible area of their mail piece, which can be fully personalised.
- **Mail Channel Response Devices:** Australia Post worked with external organisations to promote new, innovative mail response devices. This assists companies to select mail-based response devices that can be more effective than non-mail channels, help increase response rates and enable recipients to respond in a convenient and simple way.
- **Innovative and environmental envelopes:** work was undertaken with envelope manufacturers to provide innovative envelope solutions and inform marketers of the range of envelopes that are available that minimise impact on the environment.
- **eLetter Ticket:** has opened up a new market in the ticketing industry by both increasing automation and significantly enhancing direct-marketing capabilities.
- **Sensory mail:** highlights the unique ability of mail to reach all five senses – touch, sight, smell, hearing and taste. Australia Post provides information on the latest range of direct mail creative production techniques and the suppliers that can produce these types of campaigns.

Specialist data products

The availability of customer data is crucial to the success of promotional mail. Australia Post has undertaken a wide range of activities that enable businesses to access reliable, accurate and relevant customer data. Key products and solutions include:

- **Australian Address Reference Files:** a nationwide collection of deliverable addresses for marketing purposes maintained by Australia Post, which includes residential, non-residential and "no advertising material" indicators.
- **Customer Locator:** a user-friendly online service enabling small-to-medium-sized enterprises to access primary address data for marketing campaigns.
- **Re-Connect:** a service that enables organisations to re-establish contact with lost customers who have consented to make their data available.
- **Prospect File:** a database of approximately 8.7 million prospective data records that is built from Australia Post's residential address database (the Australian Address Reference File), overlaid with lifestyle data that is collected from the Australian Lifestyle Survey.
- **Movers Marketing:** allows marketers to make contact with the three million individuals who move home every year in Australia. We provide businesses with an opportunity to mail (and email) to consumers at a time when they are open to products and services as they settle in to their new home.
- **Data Co-operative:** supports the direct mail activities of the fundraising, publishing and mail order sectors. Customer data and transactional information are pooled into a single database. All participants use this central database to prospect for new customers and reactivate lapsed customers or donors.
- **Transaction Universe:** a mailing database of 1.2 million individuals who have purchased goods or services by mail order or donated by mail over the last two years.
- **National Change of Address:** a service that helps businesses update addresses on their databases, minimising the risk of relocation losing customers as a result of relocation and reducing the costs of processing return-to-sender mail.

The price of a basic postage stamp

	As is (A$)	+VAT
Korea	0.43	0.47
New Zealand	0.48	0.48
Australia	**0.55**	**0.55**
United States	0.66	0.66
Canada	0.67	0.67
Spain	0.64	0.74
Netherlands	0.75	0.90
Luxembourg	0.80	0.92
Iceland	0.75	0.94
Sweden	0.97	0.97

	As is (A$)	+VAT
Switzerland	0.91	0.98
United Kingdom	0.88	1.01
Japan	1.05	1.05
Ireland	0.88	1.07
France	0.93	1.11
Austria	0.94	1.13
Germany	0.98	1.16
Denmark	0.95	1.19
Belgium	0.99	1.20
Mexico	1.20	1.20

	As is (A$)	+VAT
Finland	1.21	1.21
Turkey	1.21	1.21
Czech Republic	1.05	1.25
Italy	1.04	1.25
Hungary	1.05	1.26
Portugal	1.05	1.26
Norway	1.27	1.27
Poland	1.11	1.35
Greece	1.17	1.39
Slovak Republic	1.35	1.61

Note: The VAT-inclusive rate (equivalent to Australia's GST) is the rate that would apply if national VAT exemptions were removed.

Collaborative solutions across the mail value chain

Australia Post actively works with business and the community to develop collaborative solutions and a wide variety of tools and information resources that encourage more efficient and effective mail use. The following are some examples.

- *Local Area Mail Made Easy:* a brochure supported by online material highlighting a range of local-area mail solutions, including One-Call Customer Mail and youGROW, which Australia Post has developed and supported to help business networks and franchise organisations implement and manage mail campaigns.
- eLetter Prospect Package: a complete mail solution that combines Acquisition Mail with eLetter Easy Peel or eLetter Wrap, used by businesses to target potential customers.
- Council Community Update: developed by Australia Post with Our Community and the Municipal Association of Victoria, the Community Update mail pack concept was launched in Victoria at the end of 2008–09. By using the services of Australia Post and consolidating communications into an identifiable pack, it assists councils in engaging constituents with maximum efficiency and effectiveness.
- Transpromotional mail: a program that helps organisations to increase the effectiveness of their mail communications by adding targeted promotional messages to the bills and statements they already mail to their customers.

Established programs also continued, 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).

Delivery performance and community service

Letters is Australia Post's only business that is 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). In 2008–09, we met or exceeded all of our CSO-related performance standards. (See page 110 for a complete description of our obligations and how we performed against them.)

One of the key performance standards we must meet is 94 per cent on-time delivery for non-bulk letters. Once again, we exceeded this target, delivering 95.5 per cent on time or early. Almost all of the remaining 4.5 per cent of letters were delivered the following day. We also monitor our delivery of bulk-lodged business mail, 97.5 per cent of which was delivered on time during 2008–09.

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

Since 2006–07, Research International has inserted radio frequency identification (RFID) tags into a sample of bulk and basic test letters each month. A national network of people record when these items are sent and received, while equipment in our mail and delivery centres registers the RFID tags as they pass through. The resulting data not only verifies that we are meeting our performance standards, it also aids in identifying potential problems, which in turn enhances our service performance.

Bulk mail services

Bulk mail services, which generate 52 per cent of our domestic letters volume, showed lower volumes than last financial year. This reflects the negative impact economic conditions have had on business behaviour throughout Australia. However, customers continue to value the convenience and cost savings of our bulk mail services.

The Bulk Mail Partner (BMP) program continues to grow, with over 60 mail houses now accredited. Bulk Mail Partners meet defined standards for quality mail production.

International letters

At a time of global economic downturn, when use of digital communication has increased due to its relatively low cost, our total international letter volumes decreased by 12.5 per cent. The major areas of decline were in postcards, greeting cards, aerogrammes and business mail.

In 2008–09, we again exceeded our on-time delivery target set by the Universal Postal Union for inward international letters.

Operational optimisation programs

In order to continue delivering a letters service that is both reliable and affordable, Australia Post continuously invests in programs designed to improve our operational efficiency and flexibility.

A key initiative currently under way is Future Delivery Design (FDD). This program comprises several change projects aimed at improving the efficiency of our delivery operations, tackling recruitment challenges and enhancing customer service while maintaining and strengthening Australia Post's position in a rapidly changing marketplace.

Among its achievements during 2008–09, the FDD program has:

- continued the roll-out of automated sorting of letters into delivery sequence order (approximately 15 per cent of all rounds will be sequenced by the end of 2009)
- begun implementation of an upgrade to the address recognition software and hardware in our mail centres with the aim of improving our address recognition on the mail sorting machinery by more than 10 per cent and reducing missorts
- successfully tested alternative modes of delivery equipment, such as electric-power-assisted bicycles and tricycles, as well as new walk buggies, for implementation in delivery.

Another major program, PostMaster, made significant progress this financial year in modernising Australia Post's core address, network and mapping systems, processes and support.

Among PostMaster program activities during 2008–09 was the establishment of an enterprise Geographic Information System (GIS) Unit to implement an enterprise software licence agreement and national standards for mapping services. In May 2009, the Australia Post board approved the Address Replatform project, which will consolidate seven applications and five databases into one integrated IT solution to assist in managing address information more effectively.

Mail production and handling

Decipha

Our subsidiary business Decipha provides a broad range of document management services tailored to meet specific client requirements.

Decipha's services include mailroom management, document imaging, data capture, automated document categorisation, and electronic workflow and storage solutions. Decipha's clients are major organisations from a wide range of industry sectors, including government, financial services, manufacturing and retail.

In 2008–09, Decipha continued its strong growth by:

- winning new contracts with a range of key clients, including Telstra, Optus and Vodafone
- establishing imaging and data capture capability at its Canberra operations
- successfully responding to the federal government's requirements for nationwide health declaration card processing (urgently initiated for the H1N1 influenza pandemic)
- extending its capability into the delivery of electronic workflow, storage and retrieval solutions
- introducing online "smart" form services to extend its data capture capabilities.

This positive activity led to a 13 per cent increase in revenue this financial year.

PrintSoft

Our subsidiary company PrintSoft develops specialised software for the delivery of communications to the corporate and service bureau sectors.

PrintSoft employs around 160 people in nine offices around the globe, with sales activities in Europe, the Middle East, North America, the Asia–Pacific region and South Africa.

Its products address the key elements in the document life-cycle process, from document origination and design, approval and release management to production-data input and transformation, and final communication delivery, through to paper-based and other electronic multi-channel delivery mechanisms.

PrintSoft is a leader in hybrid mail, which collects the small short-run personalised jobs created throughout a company, applies postal sorting and data cleansing, and organises them into efficient high-volume production print jobs. These jobs can either be printed centrally or subdivided electronically to printing locations around the world, close to the points of mail delivery.

PrintSoft's revenue increased by 11.3 per cent in 2008–09.

eLetter Solutions

Letters meet digital technology through the eLetter suite of products, allowing businesses to send mail from their computers to their customers' physical letterboxes. Despite the challenging economic environment, eLetter Solutions had another outstanding year: volumes increased by 9.6 per cent and revenue was up by 16 per cent.

These excellent results are due to the innovative new products introduced over recent years. A number of these are outlined on page 18, including eLetter Easy Peel, which was launched this financial year, and eLetter Ticket, which was enhanced during the year.

Other significant activities during 2008–09 included:

- development of the Advertising Management System for use with direct mail and tickets (this will deliver new revenue opportunities and assist the mail industry in maximising the benefits of transpromotional mail)
- completion of the infrastructure upgrade project, delivering cost savings and a state-of-the-art platform for the hybrid mail network
- completion of a successful pilot for WA Police On-Line Forms for their national police checking process.

Data services

First Direct Solutions, Australia Post's consumer data and media division, offers paper-based and digital communications targeted at the business-to-consumer market. First Direct Solutions also manages the Mail Redirection and Mail Holding services. It manages the following databases to help organisations acquire and target customers: Lifestyle, Movers, Data Co-operative, Transaction Universe, Australian Address Reference File and National Change of Address.

In 2008–09, First Direct Solutions' revenue was maintained.

Over the past 12 months, the division has seen a shifting emphasis from customer acquisition to customer retention strategies. First Direct Solutions has focused on continuing to support the industry with its retention products and services, as well as developing opportunities in the digital communications market.

Economic conditions have also affected consumers' decisions to relocate or travel, and, as a result, revenue for the Mail Redirection & Mail Holding Services declined by 0.5 per cent.

Among the highlights of 2008–09, First Direct Solutions:

- increased the distribution of data for direct mail marketing by 24 per cent
- exceeded the data generation target of 8 per cent growth, as we continue to generate data volumes for our core data assets through direct mail and online channels
- brought the Australian Lifestyle Survey website in-house, providing for greater flexibility and control in the collection of data
- as a result of bringing the Australian Lifestyle Survey website in-house, also developed real-time data collection, significantly increasing speed to market for data collected
- launched a movers inserts service to provide organisations with move-related offers to insert their marketing messages into Mail Redirection confirmation and renewal letters.

The future

The decline in overall letter volumes this financial year has emphasised the importance of Australia Post's ongoing promotion of the benefits of physical mail. Through specialisation and collaboration we will continue to deliver innovative products, services and campaigns that highlight the effectiveness of mail as a transactional and promotional tool. We will also maintain a strong focus on making all aspects of the network more efficient and flexible in order to minimise costs.

While ensuring that paper-based communication remains viable and relevant, the letters & associated services portfolio will continue to develop products and services that appeal to a digitally enabled generation. Innovative businesses, such as First Direct Solutions and eLetter Solutions (which will move to an advanced, purpose-built facility in late 2009), will be an important part of our dynamic response to changing market trends.

We remain committed to providing our customers with value, as well as products and services that meet their changing needs.

Rewarding customer loyalty

Australia Post has long supported the Myer department store group with various mail and courier services, but our recent involvement in their MYER one loyalty program has been particularly significant.

"Since its inception five years ago, MYER one has had a strong partnership with Australia Post," says Adam Stapleton, Myer's general manager of marketing. The program's multi-channel communications strategy includes email, media advertising and in-store signage, but "direct mail is still our strongest driver of response", says Adam. Furthermore, it is the "delivery mechanism for gift card rewards, which are at the heart of the program".

Myer's strategy is to invest further in this program, as it caters to the stores' most loyal customers. According to Adam, "part of that investment was our increased commitment in physical mail in the 2008–09 financial year", when Australia Post delivered more than 11 million MYER one direct mail pieces across the nation.

"From large-volume mailers to smaller, more targeted communications, Australia Post has facilitated the relationship we have with our loyal members," says Adam. "They deliver on time and accurately."

Fuelling a fast solution

Late in 2008, the Western Australian Government announced its intention to provide financial assistance to age pensioners with limited access to public transport. The Country Age Pension Fuel Card would provide $500 each year, over four years, to assist with fuel and taxi costs. The challenge was to enable applications to be submitted and processed easily.

Australia Post was engaged to facilitate the program because of our extensive network of retail outlets, a solid reputation in identity services, and the brand's association with service and trust among our customers. Working closely with the government, Australia Post rapidly implemented a user-friendly application process.

It is estimated that up to 35,000 age pensioners will lodge their applications in the first year. "Take-up has been outstanding," says Andrew Wiseman, group manager of Australia Post's Financial & Agency Services, Commercial Division.

Andrew adds that the fuel card is just one example of how Australia Post can assist in distributing money, efficiently and with appropriate controls, to the right people at the right time.

Core businesses

Agency services & retail merchandise

In cities and towns across the nation, our retail outlets continue to be focal points for the community and, in many cases, significant heritage icons. Over the past 200 years, our retail network, products and services have continuously evolved to meet changing consumer needs. Today, our growing range of agency services provides a vital and convenient connection between customers, businesses, government agencies and financial institutions.

Highlights of 2008–09

Our people continue to serve around a million customers every business day in our 4,433 retail outlets.

Despite challenging economic conditions, revenue from the portfolio increased by 3.2 per cent.

Building on our trusted position in identity services, we became the first external entity to process British passport applications.

In April 2009, we sold our millionth gift card, a highly successful product offering introduced in 2007.

Our place in the market

Australia Post's thousands of retail outlets continue to form the largest physical retail network in the nation. According to the community service obligations mandated under the *Australian Postal Corporation Act 1989* (Cwlth), we are required to maintain a minimum of 4,000 retail outlets, including 2,500 in rural and remote areas. Once again, we have exceeded that requirement, with a total of 4,433 retail outlets, including 2,541 in rural and remote Australia.

Australia Post outlets have traditionally been the place where consumers can access letter and parcel services. However, they also offer an extensive range of complementary products and services: identity services, such as passport applications; financial services, including bill payments, agency banking and money transfers; and a range of retail merchandise such as packaging.

Our main goal is to maximise returns from our existing products and services while repositioning ourselves to deliver future sustainable growth. This is being achieved by:

- making existing products and services more relevant while also developing new, complementary offerings
- reducing costs
- continually improving customer service.

Our business partners

Licensed post offices (LPOs) continue to play a major role in connecting with our customers, as they comprise two-thirds of our total retail network. As at 30 June 2009, we had 2,941 LPOs contributing 40 per cent of total agency services and retail merchandise revenue in the physical channel.

Each LPO is an independently run small business playing an important economic role in the local community. Central to Australia Post's ongoing communication with our licensees is the Licensee Advisory Council (LAC), which was established in 2002. This forum provides an opportunity for licensees to participate in decision-making related to matters affecting both them and Australia Post, such as marketing, advertising and new product development. Directors for the one national council and six state councils are elected by licensees and appointed by Australia Post management. They meet up to six times a year.

Our newest partners in the retail network are franchisees, who operated 28 outlets as at 30 June 2009.

Delivering quality customer service

Across our network, which serves around a million customers every business day, our people once again achieved an excellent rating of 95.9 per cent in our priorityCustomer mystery shopping program. This result is slightly lower than the record high of 97 per cent recorded last year. A new measure, customer engagement, was added to the program, to measure the ability of our staff to assess customers' needs and match them to relevant product or service solutions.

From a store design perspective, it is expected that, by the end of the 2009–10 financial year, approximately 170 stores will have been refurbished with consistent retail themes such as "Home and Office" and "Gift and Celebrate". This program is designed to enhance customers' in-store shopping experiences through improved product and outlet presentation and also enables more accurate measurement and management of product performance.

Agency services & retail merchandise revenue

Despite the economic downturn and continuing pressures on our traditional business, the portfolio's revenue grew by 3.2 per cent in 2008–09. This impressive result is due to the success of new products and services initiatives.

Agency services

Because of Australia Post's vast network of retail outlets, including in remote areas where services are otherwise limited, we perform an extensive range of agency services for more than 750 Australian businesses and government bodies. More than half of the customers visiting our outlets do so to conduct agency transactions such as identity services, bill payments and money transfers. At the end of the 2008–09 financial year, 3,297 of our outlets had the technological capability to conduct these services.

In 2008–09, revenue from agency services increased by 1.7 per cent.

Bill payments

Difficult economic conditions led many customers back to over-the-counter bill payment as cash-payments and part-payment became more attractive. This, plus the 56 new billers that joined after the demise of Bill Express, resulted in better-than-expected results in 2008–09 – transactions remained relatively steady at 149 million, while revenue rose slightly.

While Australia Post remains the leading over-the-counter bill payment provider, our branded credit card payment services, available online at www.postbillpay.com.au and by phone on 13 18 16, are also performing well. As the longer-term shift away from over-the-counter bill payment continues, such multi-channel services will continue to attract credit card users seeking a reliable, efficient and trusted means of paying the majority of household bills.

The security and accessibility of Postbillpay also make it highly attractive to large state and national billers. Furthermore, after outsourcing the management of the operations platform to a specialist provider, introducing and managing new clients became a more streamlined process as of May 2009. The change means Postbillpay is now a realistic option for smaller billers.

Identity services

Our trusted and well-established position in processing Australian passport applications has led to Australia Post playing an increasingly significant role in the expanding identity services market. During the year, we achieved a 29.8 per cent increase in identity-related transactions, with revenue growth of 17.6 per cent.

We carry out 100-point identification checks for 39 financial institutions and undertake various other identity services for an additional 48 businesses and government bodies. These services include a standardised anti-money-laundering check, which enables organisations to quickly and conveniently meet the requirements of legislation introduced in 2006. A highlight of the year was the development of a high-quality online form service, which was successfully piloted by the WA Police.

Despite the drop in international travel during the first half of the financial year, Australian passport applications increased due to the growth in travel prompted by cheap airfares in the second half of the year. During 2008–09, we conducted 1.3 million passport interviews on behalf of the Department of Foreign Affairs and Trade, or 92.7 per cent of all Australian-lodged passport applications.

Building on this strong position, we also began processing British passport applications in June, becoming the first external entity permitted to do so. By contracting Australia Post to handle passport applications, the British Government has expanded the number of Australian locations where citizens can apply for passports from four to 119.

Over the coming year, Australia Post will invest in new technology and introduce new processes that will extend our identity and verification service offering. This project aims to further position Australia Post as the leading provider of identity services to businesses and government agencies across the nation.

Australia Post retail outlets at 30 June 2009

	NSW/ACT	Vic/Tas	Qld	WA	SA/NT	Australia
Corporate offices	273	224	167	88	75	827
Licensed post offices and franchises	911	976	465	298	319	2,969
Community postal agents	101	71	190	84	191	637
Total outlets	1,285	1,271	822	470	585	4,433

Note: This table uses Australia Post administrative states, not geographic states (which form the basis of Table 4 on page 126).

1968

Behind the front counter of the new Renmark Post Office, South Australia.

2009

Today, we serve around one million customers every business day.

Celebrating 200 years

Banking services

Personal banking customers of numerous credit unions, building societies and banks can make transactions, such as deposits and withdrawals, at their local retail outlet via the Bank@Post agency banking service. With 3,297 outlets offering Bank@Post, more than half of which are in rural and remote locations, over 70 financial institutions choose to expand their network through Australia Post.

In line with trends in recent years, the volume of personal banking transactions conducted in our outlets declined slightly due to the growing popularity of online banking, EFTPOS cash-out and ATMs. More than 2,500 outlets offer business banking services on behalf of 10 financial institutions, including the Commonwealth Bank and National Australia Bank.

In 2008–09, we processed 25 million banking transactions, which is 4 per cent fewer than last year.

Money transfer services

Our domestic Money Order revenue remained steady, despite a soft economy and the trend towards other payment methods, such as gift cards. As a first step in making domestic Money Orders more relevant to consumers, the limit was raised from $1,000 to $5,000.

International money transfer services continue to grow dramatically, comprising 4 per cent of our agency services business, with transactions up 17 per cent this year. We remain the largest distributor of Western Union money transfer services in Australia, while our Travel Money products, such as the Travelex Cash Passport, continue to perform well.

Australia Post also disperses cash on behalf of various government agencies, a significantly cheaper and more convenient alternative to other options. In 2008–09, these included Victoria's School Start Bonus and the Western Australian Country Age Pension Fuel Card.

Retail merchandise

There was solid revenue growth of 3.2 per cent in 2008–09 for retail merchandise. This result was significant considering the tough economic conditions, which prompted a reduction in discretionary spending. The merchandise business is particularly exposed to spending patterns (with the exception of packaging). Retail merchandise products (including mobile phones, gifts, greeting cards and office products) are primarily purchased in our outlets based on impulse or convenience.

A number of business initiatives contributed to this positive result, including:

- book and audiovisual products, which achieved significant growth during the year
- a successful 2008 Christmas campaign, assisted by the use of our Sai Cheng logistics capability in China to package and distribute products direct to our outlets
- the continuing demand for gift cards, including the launch of a business-to-business gift card service
- the successful introduction of wireless broadband products, with a corresponding increase in demand for recharge products
- the refinement of promotional planning and execution, allowing delivery of our original planned promotions calendar at a lower cost.

Our philatelic program

The Philatelic Group produces postage stamps and various other products for stamp enthusiasts and collectors of memorabilia. In 2008–09, major events such as the Beijing Olympics and World Youth Day in Australia helped to deliver one of the most successful years for our philatelic business since 2000.

The strength of our traditional stamp program has in recent times been augmented by continued growth in licensed collectibles which attract customers outside our traditional markets. These include high-quality limited edition products which appear in the yearly "Impressions" catalogue. These products also became available to purchase online for the first time when the stamp shop website was upgraded in October 2008.

This financial year's stamp highlights included:

- Beijing Olympics commemorative issues in August 2008. In addition to those representing Australia's participation in Olympic basketball, cycling and gymnastics, stamps were also issued to celebrate our gold medal winners.
- Favourite Australian Films, issued in November 2008. In partnership with the Australian Film Institute, stamps representing the top five films selected via our first online public poll were issued amid considerable media interest.
- Ten stamps were released in the Australia Post – 200 Years issue in March 2009. In addition, following a national poll conducted in partnership with News Limited newspapers, the five most popular stamps ever were released in the Australia's Favourite Stamps issue.

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

The future

During the coming year, the challenges of a weaker economy are expected to continue. However, over the past two centuries our network has continuously expanded and community trust in our people has remained steadfast. This is an ideal base from which to further develop products and services that meet the needs of our customers into the future.

We will continue to develop new products, services and multi-channel offerings. In particular, identity services will be extended into a range of trust-based services, facilitated by increased electronic functionality, and our website will be significantly enhanced. We will continue to increase revenue while focusing on greater efficiencies in order to reduce costs.

Sending home comforts to the world

It's a rare weekday that Perth's Jenny Zorich doesn't visit her local post office. "The staff there tell me I could jump over the counter and just about serve myself," says Jen, who despatches 150 parcels on average every week. But there is no need to switch places, as she is delighted with the staff's service, product knowledge and advice. "They're the best – they look after me," she says.

Since 2004, Jen has operated the online retail business Jen's Manchester Gallery and the website The Linen Gallery. "It started in one room, and over time it expanded till I had the whole house," she says. Since early 2009, her ever-growing manchester business has operated from a warehouse/retail outlet.

From the Joondalup Business Centre's parcel packaging and stationery to our unmatched delivery network, Australia Post has been behind every product despatched by Jen's Manchester Gallery.

"Australia Post's service has been outstanding – they're reliable and they deliver the goods safely," says Jen, who now has thousands of customers throughout Australia and around the world.

Delivering the goods

GraysOnline is an Australian online business that sells 120,000 items – from perfume to mining equipment each month. Although sales and profits were growing rapidly in recent years, managing freight logistics was detracting from the company's core focus of driving volume and cashflow.

"We were transporting different product categories with different carriers," says GraysOnline Chief Executive Officer Cameron Poolman. "It was a very fractured supply chain."

In late 2008, that problem was solved when GraysOnline engaged Australia Post as its sole national distributor of both standard and oversize products. The partnership delivered not only goods but also a streamlined end-to-end experience that includes single billing and one interface point for customers.

"GraysOnline's vision to be the most efficient channel between vendors and online buyers is about delighting vendors and customers with their selling and buying experiences," says Cameron. "Australia Post is a critical element of that experience."

Core businesses

Parcels & logistics

Over its 200-year history, Australia Post has expanded dramatically across Australia and into the Asia–Pacific region. Furthermore, what was originally a letters-focused service is now deriving most of its profit from the parcels & logistics portfolio. We have been successful in the highly competitive international parcels and logistics market because of our extensive network capabilities and our customers' ongoing trust in Australia Post's ability to deliver.

Highlights of 2008–09

We delivered 96.4 per cent of large parcels and 99 per cent of Express Post items on time.

Despite the difficult economic climate, parcel revenue continued to grow, particularly from domestic parcels (up by 4.5 per cent), Express Post parcels (8.5 per cent) and international parcels (10.5 per cent).

The Click and Send service was launched, enabling our suite of international parcels services to be processed online.

Our joint venture in China, Sai Cheng Logistics International, defied global logistics trends, with revenue increasing by 56.4 per cent.

Our place in the market

Parcels and logistics is a fiercely competitive multi-billion dollar international market, characterised by rapid changes in customer behaviour. Increasing our share of this lucrative market, both in Australia and overseas, is vital to Australia Post's future profit growth. In 2008–09, for the third consecutive year, parcels & logistics was the primary profit generator of our three core businesses.

Now and into the future, our aim 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 recognised, reliable and competitively priced products
- enhancing partnerships with our customers and suppliers
- containing network costs while maintaining our high service standards.

Overall revenue for the portfolio increased by 2.5 per cent in 2008–09, mainly as a result of growth in revenue from domestic parcels (up 4.5 per cent), Express Post parcels (up 8.5 per cent) and international parcels (up 10.5 per cent).

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 2008–09, with 95.8 per cent of small parcels and 96.4 per cent of large parcels arriving on time or early. Volumes were down marginally (by 0.7 per cent) due to the challenging economic environment, although business generated by online purchasing remained buoyant. We are actively supporting ecommerce through our relationships with businesses such as eBay and GraysOnline (see page 28).

Post eParcel

Post eParcel provides electronic consignment management and tracking via a barcode and delivery verification system. Online trading is also generating momentum for this service, but the strongest growth has been in the B2B market. At the start of this financial year, we introduced an enhanced barcoded parcel service that improved the cost and price structure of multi-parcel consignments, extending our share in what has been a non-traditional market for Australia Post. Post eParcel experienced the highest growth in our parcels portfolio, delivering a 13 per cent increase in volumes.

Express and courier services

Express Post

Revenue from our Express Post service rose once again this financial year. However, as some consumers switched to slower, cheaper alternatives due to the difficult economic conditions, growth was not as vigorous as in recent years. Satchels and parcels performed well again, driven by online commerce and an increasing demand for the tracking and proof-of-delivery capabilities of the Express Post eParcel service. Speed and reliability are central to the success of Express Post, and in 2008–09 we delivered 99 per cent of items on time or early.

Messenger Post Couriers

In 2008–09, Messenger Post Couriers consolidated its position after years of significant growth. Investment in technology and information systems was a key focus and fundamental to our continued status as a leading provider for businesses needing premium metropolitan distribution services.

The real-time nature of presenting signature and proof of delivery to customers requires a significant dependence on technology. Business continuity processes and systems upgrades were necessary during the year to sustain our growth requirements with high levels of service performance.

Our secure courier service, which has been endorsed by the Commonwealth Government's Security Construction & Equipment Committee (SCEC) for handling sensitive and national security classified material, was expanded between all state capital cities and is now our flagship premium service.

While Messenger Post Couriers continued to expand its customer base, trading conditions were difficult for many of our larger clients, which muted overall growth for the business. However, the service is well positioned to pursue its strategy of growth. The pipeline of prospective clients indicates that businesses are keenly seeking options to improve supply chain cost and performance. To address this, Messenger Post Couriers has developed a range of tailored distribution solutions. These include electronic manifesting and returns management that interface with warehouse systems, smart deliveries, such as 100-point identification check capture, and desktop deliveries.

International parcels

Despite a general market downturn, international parcel volumes remained stable. As with domestic parcels, major growth in online trading has offset decline in some markets and is expected to contribute to an upward trend in volumes as conditions improve. Fluctuations in the exchange rate have affected global purchasing patterns, inward delivery revenue and outward delivery costs. As Australia Post is a net importer of international parcels, profitability benefited from the weaker dollar during 2008–09.

The launch of the Click and Send service in March 2009 means that our suite of international parcels services can now be processed online, including documentation, payment, management of shipment details and the option of courier pickup. The introduction of Click and Send provides an alternative channel for consumers and businesses looking for efficiencies and convenience. This, as well as the upgraded eParcel service for larger contract customers, adds value to the existing services and bolsters our future growth prospects across the international parcels portfolio.

Express Courier International

Express Courier International (ECI) is a cost-effective courier service that provides door-to-door delivery to more than 200 countries and territories, with deliveries between most major cities taking between two and four business days. The outward service continued to grow during 2008–09.

The ECI service is underpinned by Australia Post's membership of the KPG alliance, a partnership we have formed with nine other postal enterprises. Our membership has enabled us to have more control over delivery in key destination countries, dramatically improving the reliability and performance standards of the ECI service. Since the alliance began in 2003 with six members, four additional postal administrations have joined, including Singapore Post in July 2008. All members continue to improve their service performance and integrated network capabilities. Despite the economic downturn, which has had a significant impact on the entire express industry, the KPG alliance has sustained growth in volumes – 9.3 per cent during 2008–09.

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 second full year of operation and continues to deliver very strong revenue growth.

Air Mail

The Air Mail service is a reliable and affordable way to transfer a broad range of business and consumer items between Australia and almost any address in the world. During the year, the outward Air Mail service experienced a small downturn in revenue. This decline was largely in the consumer segment, driven in part by reduced discretionary spending during difficult economic times. Conversely, some customers, particularly those selling goods online, 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 documented proof that they have posted an item, as well as proof of delivery. 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 that are valued by people selling goods online. There was significant growth in RPI volumes in its first full year, with many customers migrating from our Air Mail service to this product.

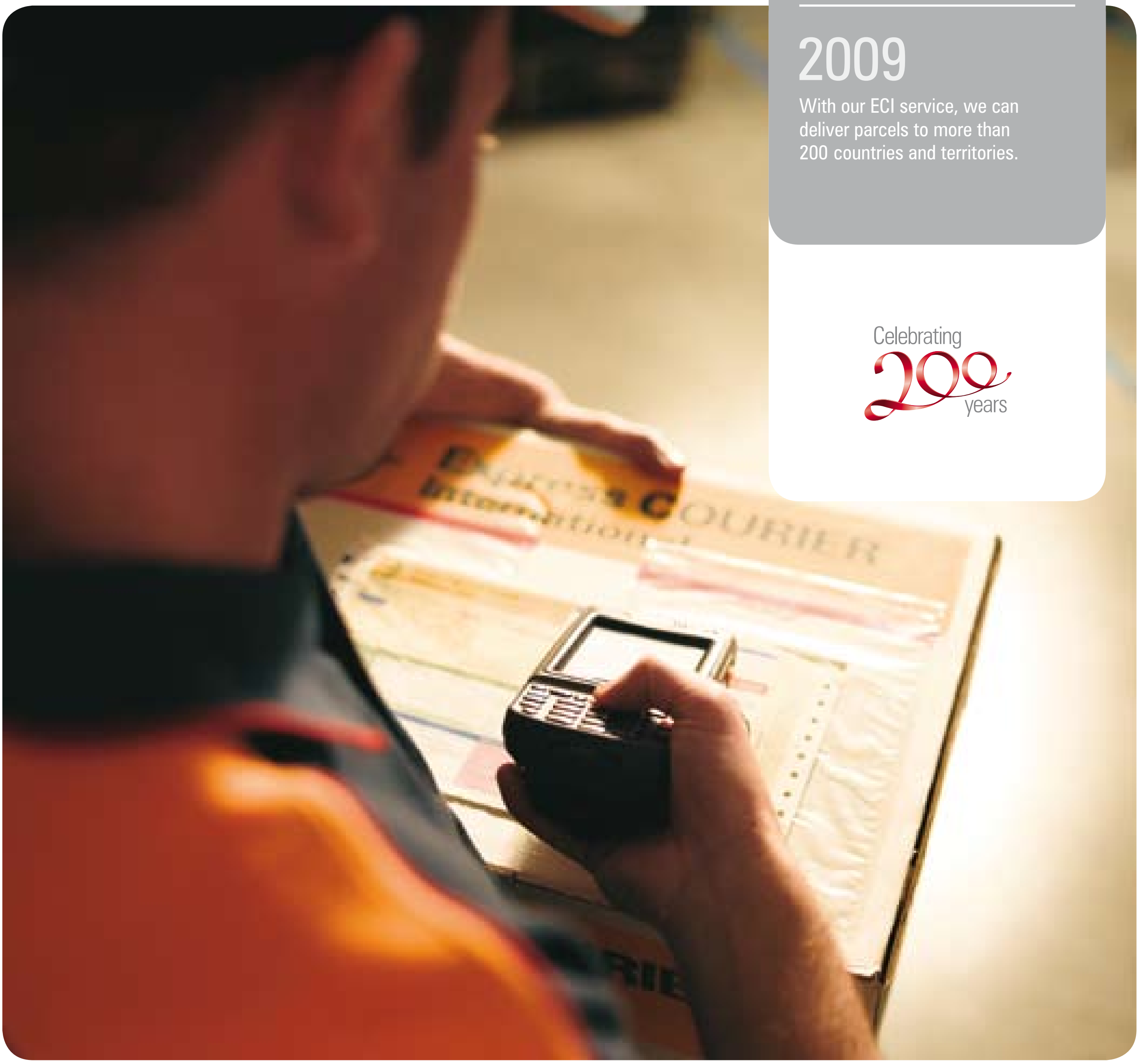
1936

Transporting mail from the *SS Monterey* on Dalgety's Wharf, Sydney.

2009

With our ECI service, we can deliver parcels to more than 200 countries and territories.

Celebrating 200 years



Logistics services

Post Logistics

Post Logistics offers business customers a complete end-to-end supply chain capability, from the domestic or international manufacturer to the end consumer.

Some of the value-added services that Post Logistics provides at various points along the supply chain include:

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

After seven years of growth, Post Logistics recorded a decline in revenue due to the downturn in the retail distribution sector during 2008–09. International supply chain revenue rose for the third consecutive year. Customer service remained strong – order accuracy was 99 per cent and overall on-time despatch 98 per cent.

While a program of cost reduction and warehouse consolidation was undertaken to bring Post Logistics into line with the industry model, we continued to build the business around opportunities for growth. In November 2008, the new South Australian facility in Pooraka became operational. It was established to meet the increasing needs of an existing client, household appliance designer and manufacturer Fisher & Paykel. Overall, Post Logistics' Australian operations include 219,000 square metres of high-quality warehousing at 17 facilities.

Other new business secured during 2008–09 included a total supply-chain solution for greeting card company John Sands, one of many major companies that seek greater efficiency and cost savings by choosing our integrated supply-chain service. Those requiring a partner with global reach also benefit from our international agency network, as well as our wholly owned subsidiary Post Logistics Hong Kong and our branch in New Zealand, and Sai Cheng Logistics International, a joint-venture partnership in China.

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 and Star Track Express. Australian air Express offers complementary time-critical express linehaul and air delivery services. Star Track Express specialises in transporting time-critical B2B freight. The majority of its business comes from its national express road freight service.

Sai Cheng

Sai Cheng Logistics International is our joint-venture partnership with China Post. Sai Cheng 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.

Sai Cheng defied logistics trends, with revenue increasing by 56.4 per cent (based on Australian dollars) this financial year. Though the joint venture was only established in 2005, it has rapidly expanded its supply lines. This means Sai Cheng now provides services to one of the largest computer manufacturers in the world, having already established a relationship with ASUS in China.

Sai Cheng directly assists Australia Post's other businesses and partnerships, such as Post Logistics and Star Track Express, which worked together to deliver an integrated supply-chain solution for homewares business Villeroy & Boch during 2008–09. Some 90,000 items were delivered from suppliers across China to retailers in Australia and New Zealand. This partnership resulted in significant international supply-chain efficiencies and cost savings for Villeroy & Boch and enhanced retailer satisfaction.

Australia Post's retail business also utilised the Sai Cheng integrated distribution model to deliver Christmas merchandise to our customers. Multiple vendor deliveries were consolidated in China and shipped directly to our outlets via our parcel delivery network. This industry-leading distribution model continues to develop its capabilities and deliver significant business benefit.

Enterprise event management project

In June 2009, the Event Management Product Tracking Implementation Project deployed an event management capability that tracks barcoded products through the Australia Post network. This has enabled legacy applications to be decommissioned, and it is the first step in expanding the IT platform's capacity to process large-scale transaction volumes. This will allow us to manage internal processes more effectively, improve tracking efficiency, enhance the customer experience and attract more customers.

The new event management capabilities will enable us to implement further releases to track additional products and assets, as well as supply chain, finance and HR information. This will increase availability of data (both internally and externally) about products flowing through the network.

The project was delivered on time and under budget, while providing a quality operational system. The solution is now being used for:

- day-to-day queries on parcel delivery information by registered call centre, facility and customer users, and by the public via anonymous user queries at auspost.com.au/track
- supporting customer delivery reports, driver delivery forms and customer service notes
- processing over 1.5 million transactions a day in a four-hour peak period
- measuring and improving delivery quality and timelines to enhance the customer experience.

The future

The short-term future of parcels and logistics around the world depends on the health of the economy, as consumer spending directly affects demand for the movement of goods. After rapid growth in recent years, our parcels & logistics portfolio will continue to consolidate its position in readiness for an upturn. This will be done by reducing costs, seeking greater efficiencies and investing in improved systems. Developing our people's skills, encouraging innovation and improving our service remain critical to our long-term focus of delivering flexible integrated solutions to an expanding customer base.

Parcels will continue to benefit from online commerce, which remains buoyant even in difficult times as consumers become more price conscious. We will continue to enhance the sophistication of our parcels services by expanding further into the B2B market and rolling out Click and Send online parcel processing into our domestic offerings.

Logistics will continue to attract and grow profitable customers, particularly on the back of our international capabilities. We will significantly expand Sai Cheng's operations and carry this successful model into North America and Europe, directly benefiting many aspects of Australia Post's activities.

Expanding Business, *Naturally*

When Abraham Thomas (pictured) and Domenic Ardino established their natural skin care company, New Directions, in 1987, they did everything from creating product formulas to designing their own product labels.

Today, New Directions employs hundreds of staff around the world, produces more than 4,000 different product items, and has a customer base of over 45,000 consumers and businesses – servicing everyone from home shoppers to some of the most trusted and respected companies in the world.

"Australia Post was the sole method of despatch from day one," says Abraham, founder and group managing director for New Directions.

"From our Sydney office alone we are servicing 45,000 active customers," he says, "so we have people constantly requesting samples – and the most cost-effective way to send them is via Express Post."

The new Click and Send online international parcel processing service has also helped get the job done: "It has really saved time, reduced errors and increased efficiency."

In 2008–09, New Directions' spend with Australia Post grew by 33 per cent. Quite simply, "The business wouldn't function without Australia Post," says Abraham.

1950s | 2000s

Our iconic posties have helped deliver mail all over Australia for 200 years.

Corporate responsibility

From a workforce of one person in 1809 to a team of 35,509 in 2009, Australia Post is now one of the nation's largest employers. We touch the lives of millions of Australians – staff, partners, customers and the wider community – every day, which is why we take our responsibilities as a corporate citizen very seriously. We have a strong record of operating in a way that is both fiscally and ethically sound, but this financial year we raised the bar by introducing our first corporate responsibility strategy. This sets even higher standards for the way we do business, making social and environmental factors as central to our decision-making as economic considerations. More than ever, we are employing sustainable business practices today, for a better tomorrow.

1965

Sorting large letters at the Adelaide Mail Exchange.

2009

Modern technology allows us to move thousands of parcels every business day.

Celebrating 200 years

Corporate responsibility

This was a landmark year at Australia Post, not only because of our 200-year milestone but also in terms of adopting a more strategic, rigorous approach to corporate responsibility issues. At the heart of all that we do is our nationwide team of people who have literally millions of personal interactions with our customers every day. Their commitment to Australia Post is a fundamental aspect of our business performance and brand strength, now and into the future.

Highlights of 2008–09

The Australia Post board endorsed our first enterprise-wide corporate responsibility strategy.

We donated $1 million to the Red Cross Victorian Bushfire Appeal and collected $4.8 million in public donations via our retail outlets.

Our total greenhouse gas emissions fell by 2 per cent.

We contributed $4.3 billion to the economy in labour and operating expenses, and employed 35,509 people.

Corporate responsibility strategy

In October 2008, the board of Australia Post endorsed our first enterprise-wide corporate responsibility strategy. The introduction of this strategy and a more formal approach to corporate responsibility governance has resulted in major changes in the way we are managing the social, environmental and economic impacts of our business.

The vision of our corporate responsibility strategy is to contribute "every day for a sustainable tomorrow" and our stated desire is to "be recognised as a corporation and workforce that creates 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

This year, in accordance with our seventh strategic goal – to ensure effective governance and reporting – we have produced our first stand-alone corporate responsibility report. This is also the first year in which our corporate responsibility reporting aligns with the Global Reporting Initiative's sustainability reporting framework.

To read a full account of Australia Post's corporate responsibility performance in 2008–09, please refer to the *Australia Post Corporate Responsibility Report 2008-09*, 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 is a generous supporter of Australian communities. This financial year as part of our broader review of corporate responsibility issues, we developed a community investment strategy that will create more opportunities for staff involvement and align our activities with our brand values and business objectives.

As a result of these changes, our community investment programs will increasingly focus on:

- educating young Australians
- supporting community environmental programs
- sustaining rural and regional communities.

Some key results for 2008–09:

- We invested $7.46 million in community investment activities.
- We donated $1 million to the Red Cross Victorian Bushfire Appeal and collected $4.8 million in public donations via our outlets.
- We recognised another 29 staff as Community Champions for their tireless efforts in giving back to the community.

Products and services

We are actively seeking to develop new products and services that demonstrate our commitment to sustainability and that also deliver social and environmental benefits to our customers and the Australian community.

As the provider of the nation's letters service, we have a responsibility to lead the mail industry in ensuring that the environmental impact of that letters service is minimised. Hence, we have begun working with the broader mail industry on a range of initiatives that will reduce waste and encourage the use of recycled materials in the production of bulk mail.

During 2008–09, we changed our procurement procedures and tendering templates in an effort to deliver on the fourth goal of our corporate responsibility strategy – to "integrate sustainable sourcing across our supply chain". We also developed a code of conduct, which is being included in all of our major contracts, and which requires our suppliers to meet a range of social, ethical and environmental standards.

Some key results for 2008–09:

- We maintained very high levels of customer approval, with overall business customer satisfaction at 96 per cent.
- We increased the recycled content, and the recyclability, of our mail packaging products.
- We began to phase out plastic shopping bags at our retail outlets.

Environmental performance

At Australia Post, we acknowledge that our operations and activities generate greenhouse gas emissions, which contribute to climate change. For this reason, we have committed to minimising our environmental footprint as the first goal of our corporate responsibility strategy.

In the 2008 calendar year, our total Scope 1 and 2 emissions (combining our direct emissions and emissions from electricity consumption) amounted to 302,612 tonnes of carbon dioxide equivalent (CO_2-e). This represents a 2 per cent reduction in emissions on the previous year, mainly due to a contraction in overall business activity.

This year, we emitted 9.7 tonnes of CO_2-e per full-time equivalent employee, which is an improvement on last year's figure of 9.9.

Some key results for 2008–09:

- We developed a Green Building Strategy, which will guide our approach to managing the environmental performance of our real estate portfolio.
- There were no incidents or penalties related to our environmental performance during the year.

Financial and economic impacts

As one of the nation's largest employers, we paid our 35,509 staff a total of $2.17 billion in wages and benefits in 2008–09.

Indirectly, Australia Post employs another 2,941 licensees, 28 franchisees, 637 postal agents and 5,137 mail contractors. In turn, our franchisees and licensees employ thousands more Australians in the running of their small businesses.

Members of this indirect workforce make an invaluable – and unquantifiable – contribution to sustaining the socio-economic life of their communities.

Some key results for 2008–09:

- We contributed $4.3 billion to the economy in labour and operating expenses.
- We provided indirect economic support for 8,743 small businesses (licensees, franchisees, postal agents and mail contractors) around Australia.

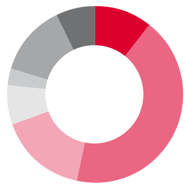
The future

In the area of community investment, we will encourage our people to contribute to the community by launching a Workplace Giving program.

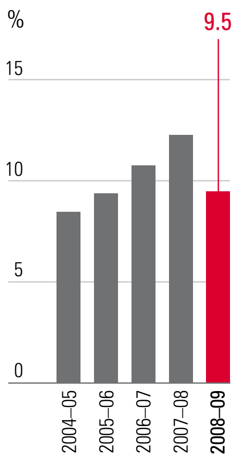
Over the coming year, Australia Post will actively seek to develop new products and services that demonstrate our commitment to sustainability, and that deliver social and environmental benefits to our customers and the Australian community.

We will also seize on our greatest opportunity for reducing our carbon footprint by implementing a number of facility-based energy efficiency initiatives.

Employment by occupation



Employee turnover (five-year comparison)



Our people

People management

The people employed by the postal service have shown an unyielding commitment to serving the Australian community throughout the past 200 years. At Australia Post today, we are constantly seeking to repay the dedication of our staff by creating a safe, harmonious and rewarding work environment.

Over recent decades, we have developed a range of policies and programs that are designed to promote a progressive industrial relations environment; proactive management of occupational health and safety; a strong commitment to diversity; structured workplace learning; and effective grievance procedures.

Workforce composition

The total number of people working at Australia Post increased slightly during the year to 35,509 – up 0.7 per cent on last year. At 30 June 2009, we employed 25,149 full-time staff and 10,360 part-time staff.

The small increase in staff this year was mainly due to growth in mail delivery requirements (because of the expanding number of delivery points) and additional work in the IT Group (as the result of a major IT transition project).

Age management

Like many other Australian businesses, Australia Post has an ageing workforce, which presents us with ongoing challenges in attracting and retaining the staff and skills needed to sustain our operations. For this reason, we have adopted a multifaceted age management strategy, which is aimed at creating a flexible workplace that offers genuine opportunities for learning and career progression.

Following several years of steadily increasing staff turnover, the trend was reversed in 2008–09, with staff turnover falling to 9.5 per cent (down from 12.3 per cent last year). This change reflects the fact that our business is regarded as a secure employer during a period of rising unemployment.

Diversity and equal opportunity

With some 135 nationalities represented in our workplaces, we acknowledge that business performance and productivity are enhanced when equitable employment practices are promoted and individual difference is valued. Our commitment to creating an inclusive and diverse workplace is enshrined in our Workforce Diversity Business Strategy 2008–2011.

In 2008–09, the representation of women in our workforce remained relatively consistent at 40.1 per cent of all staff (40.3 per cent last year). Indigenous Australians employed or undertaking traineeships comprise 1.7 per cent of all employees (1.7 per cent last year), and people with disabilities make up 8.4 per cent of our workforce (8.5 per cent last year). The proportion of staff from non-English-speaking backgrounds increased to 22.6 per cent (up from 22.1 per cent last year).

A more complete account of Australia Post's people management policies and performance is included in the corporate responsibility report that is being released in conjunction with this annual report. Our corporate responsibility report can be viewed online at: auspost.com.au/cr

Diversity profile at 30 June 2009

	Number of employees	Proportion of all employees %
Total staff	**35,509**	**100**
Men	21,274	59.9
Women	14,235	40.1
Indigenous Australians*	605	1.7
People with disabilities	2,983	8.4
People from non-English-speaking backgrounds	8,036	22.6

*Includes 33 trainees.

Occupational health and safety

Our occupational health and safety (OH&S) program has helped Australia Post to achieve consistent year-on-year reductions in our lost time injury frequency rate (LTIFR) throughout the past decade.

Unfortunately, this year, our LTIFR increased for the first time since 1997. The number of lost time injuries per million work hours was 7.1 in 2008–09 (compared with 6.6 last year). The major factor contributing to this rise was an increase in the number of incidents involving our motorcycle posties.

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

- training motorcyclists in safe riding behaviour, reinforcing existing safe work practices, including regular motorcycle maintenance inspections and undertaking risk reviews of motorcycle rounds
- introducing a new uniform for our mail delivery staff that incorporates high levels of protection from solar UV, high levels of visibility, as well as thermal comfort while staff are performing mail delivery work outdoors
- conducting the Safe Postie Campaign to raise the public's awareness about postie safety through newspaper and letterbox drop publicity
- introducing a fatigue management plan for transport drivers, which outlines the corporation's approach to controlling OH&S risks associated with heavy vehicle driver fatigue
- implementing new Health and Safety Management Arrangements (HSMAs) that enable managers to work in consultation with employees in effectively managing workplace health and safety hazards and risks.

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). We also conducted seminars during the year for managers and supervisors to improve their awareness of domestic violence and mental health issues.

Our successful rehabilitation and return-to-work program continued as well.

Attendance

Staff attendance at Australia Post remained steady during the year at 94.6 per cent (the same as last year). We continued our focus on managing absenteeism by using national attendance guidelines and focusing on initiatives that promote workforce flexibility and staff engagement.

Labour relations

Back in late 2007, the two key unions that represent our staff – the Communications Electrical Plumbing Union (CEPU) and the Community and Public Sector Union (CPSU) – withdrew their support for our seventh enterprise bargaining agreement (EBA7).

In the absence of a new enterprise agreement, EBA6 continues to apply to our employees, and it establishes the framework for our consultations with the CEPU and the CPSU. Approximately 96 per cent of our staff are covered by this collective agreement.

Despite the unions' decision to withdraw their support for EBA7, Australia Post has continued to pay the salary increases that were outlined in the original EBA7 pay offer. Eligible staff, therefore, received a 4 per cent pay rise in August 2008. All eligible staff are also due to receive a $500 performance bonus in September 2009 as reward for their role in helping the corporation to exceed its 94 per cent target for on-time letter delivery during 2008–09.

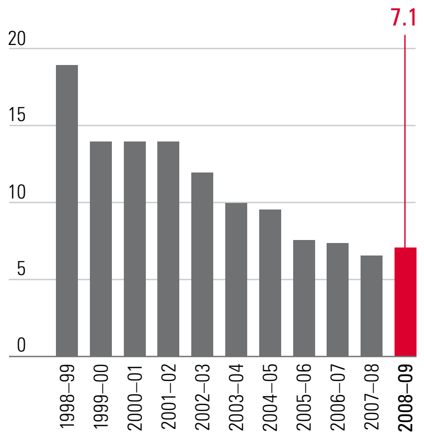
Staff engagement

A total of 25,587 staff (73.5 per cent of all our people) voluntarily participated in the Staff Attitude Survey that we conducted in February 2009. The survey results showed significant improvement in staff attitudes when compared with previous years. In particular, 70 per cent of staff responded favourably to the questions related to employee engagement.

The future

As we seek to improve employee retention and attendance rates, we will endeavour to create greater workforce flexibility over the coming year. We will also renew our focus on occupational health and safety in an effort to once again reduce the incidence of lost time injuries in our workplaces.

Lost time injury frequency rate (LTIFR) per million work hours



1950s

A postie delivering mail in suburban Sydney.

2009

Messenger Post Couriers provides businesses with a premium distribution service.

Celebrating 200 years

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 (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 MP.

The board

The board of Australia Post comprises up to nine directors. With the exception of the managing director, 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 is appointed by the board.

Board membership during 2008–09 was:

David Mortimer (Chairman)
Mark Birrell (Deputy Chairman)
Graeme John (Managing Director)
Mark Darras (appointed 31 October 2008)
Margaret Gibson
William Mansfield (appointed 31 October 2008)
Sandra McPhee (retired 12 April 2009)
Tom Phillips (retired 22 November 2008)
Ian Warner.

Profiles of each director and details of their relevant skills, experience and expertise are provided on pages 46–7.

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

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 2008–09 was:

Margaret Gibson (Chairman)
Sandra McPhee (retired 12 April 2009)
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, 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 2008–09 are provided in the table on page 45.

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 2008–09 was:

Mark Birrell (Chairman)
Graeme John
William Mansfield (appointed 17 December 2008)
Tom Phillips (retired 22 November 2008).

The committee charter can be accessed in the corporate governance section of the Australia Post website (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 2008–09 are provided in the table on page 45.

Board performance

An externally facilitated board performance appraisal is undertaken biennially, focusing on board, board committee and individual director effectiveness. The next such review will be in May/June 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 and fairness, and in compliance with all relevant laws, regulations, codes, and corporate policies and procedures.

A new *Our Ethics* guide was launched in 2009 and is being promulgated through every level of the business.

Our Ethics 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 consistently with 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

The Commonwealth Remuneration Tribunal determines remuneration for Australia Post's non-executive directors. For 2008–09 this was:

Chairman	$153,600
Deputy Chairman	$85,685
Directors	$76,810
Audit Committee Chairman	$17,750
Audit Committee Member	$8,875

Details of individual amounts received in 2008–09 by each non-executive director are provided in Note 27 to the financial statements (page 96).

Executive remuneration

The board is responsible for setting the remuneration arrangements for the managing director. 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, 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 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 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.

The managing director 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's or other senior executives' employment for reasons other than performance or misconduct, they are entitled in the case of the managing director to:

- 60 days' payment in lieu of notice and a termination payment of 1.5 times annual base salary

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 other key executives are provided in Note 27 to the financial statements (page 96).

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 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 policy framework covering significant business risks and strategic considerations. The underpinning processes are consistent with the principles of the relevant Standard (AS/NZS 4360).

As part of the risk management 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 board Audit & Risk Committee each quarter.

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 in specific areas, such as fraud, the environment, injury prevention and management, trade practices, privacy, fire safety and 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 framework is reviewed annually by the board. To ensure the maintenance of better practice, independent external reviews of risk management processes across the corporation are undertaken every four years. The most recent such review – which also covered compliance practice – 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 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 liquidity, interest rate, foreign exchange and fuel price risk. 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 determines appropriate hedging strategies within policy parameters. Treasury activities are reported quarterly to the board and are subject to annual review by auditors.

Corporate security

The Corporate Security Group has responsibility for ensuring the integrity of the mail and the safety of Australia Post's personnel and other assets. 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 also has a full-time chief privacy officer responsible for the maintenance of a national privacy compliance program. Detailed policies, processes and procedures are in place to safeguard customers' personal information and to foster a corporate culture that values privacy.

Directors' attendance at meetings – 2008–09

	Board		Audit & Risk Committee		Human Resources Committee	
	(a)	(b)	(a)	(b)	(a)	(b)
David Mortimer	10	10	5	5		
Mark Birrell	10	10			4	4
Graeme John	10	9			4	4
Mark Darras	7	7				
Margaret Gibson	10	9	5	4		
William Mansfield	7	7			3	3
Sandra McPhee	6	6	4	4		
Tom Phillips	3	3			1	1
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). Formerly the managing director of TNT, Mr Mortimer is chairman of Crescent Capital Partners Limited and Leighton Holdings Limited. He is also a director of Petsec Energy Limited and Macquarie Infrastructure Investment Management Limited.

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

Mark Birrell is a company director with deep 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 (current term expires in March 2010). Mr Birrell is the chairman of Infrastructure Partnerships Australia and of Evans & Peck Proprietary Limited. He is a special counsel with Minter Ellison and the national leader of its infrastructure group. He was recently appointed by the Federal Government to the statutory board of Infrastructure Australia.

Graeme T John AO
FCILT
Managing Director

Graeme John joined Australia Post as chief manager national operations in 1990 and was appointed managing director in 1993. He is a director of West Australian Newspaper Holdings Limited and Road Transport Forum, director and alternative chairman of Australian air Express and Star Track Express and vice-chairman of Sai Cheng Logistics based in China. Mr John is a commissioner of the Australian Football League, a fellow of the Chartered Institute of Logistics & Transport and a councillor on the Australian Business Arts Foundation. He is also a member of the Australian Institute of Company Directors and the Committee for Melbourne.

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.

Sandra V McPhee
DipEd, FAICD
Director (non-executive)

Sandra McPhee is an experienced non-executive director and senior executive in the retail, tourism and aviation industries. She was appointed to the board of Australia Post in October 2001. Ms McPhee is vice-president of the Art Gallery of New South Wales and a director of AGL Energy Limited, and St Vincent's & Mater Health. Her previous appointments include deputy chair South Australian Water, and director of the Coles Group Limited, Perpetual Limited and CARE Australia. Ms McPhee retired from the board in April 2009.

Thomas R Phillips AM
MBA, FAICD
Director (non-executive)

Tom Phillips has had a successful career in the automotive industry. A former CEO of Mitsubishi Motors Australia, he was appointed to the Australia Post board in November 2005. He is chairman of Safework SA Authority, Archer Exploration Limited and Uranium SA. Mr Phillips is a director of the Workcover Corporation and Intercast & Forge Proprietary Limited. He is also a board member of the Flinders University Council and the Flinders Medical Centre Foundation. Mr Phillips retired from the board in November 2008.

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

Mark Darras has significant experience in senior counsel and executive positions. Appointed to the Australia Post board in October 2008 (current term expires in October 2011), Mr Darras is a special counsel at Sparke Helmore Lawyers and a director at John Holland Engineering Proprietary Limited. His previous appointments include Human Resources Strategy executive with Goodman Fielder Limited.

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 and chair of the Audit & Risk Committee for both Airtrain Holdings Proprietary Limited and the Northern Territory Power & Water Corporation. Ms Gibson is 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 in his capacity as a Commissioner of the Australian Industrial Relations Commission (now Fair Work Australia). He was appointed to the Australia Post board in October 2008 (current term expires in October 2011). Mr Mansfield has previously served as a director at Telstra Corporation Limited, CSIRO and Comcare.

Executive committee

Graeme T John	Managing Director
Mark Howard	General Manager, Corporate Infrastructure Services Division
Jim Marshall	General Manager, Mail & Networks Division
Michael McCloskey	Corporate Secretary
Rod McDonald	Group Manager, Human Resources
Peter Meehan	Chief Finance Officer
Bill Mitchell	General Manager, Commercial Division
Shane Morris	Group Manager, Corporate Strategy
Terry Sinclair	General Manager, Corporate Development
Stephen Walter	Group Manager, Corporate Public Affairs
Paul Burke	Manager, Board & Shareholder Liaison

Organisational structure

The board

The board – which 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.

The managing director

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

The executive committee

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

The senior management team

The senior management team is responsible for key business and support functions. Its members are listed below.

Mail & Networks Division

General Manager: Jim Marshall

Managers: National Logistics – Don Newman; Major Change (Acting) – Peter McBride; Finance & Business Performance – Les Pradd; Human Resources – Ron Corner; Business Planning – Mike Forster

State Operations Managers: Terry Taylor (NSW/ACT), William Wilson (Qld), Gary Prior (SA/NT), Steve Ousley (Vic/Tas), Mike Owen (WA)

Products & Customised Services

Letters Group Manager: Allan Robinson

International Group Manager: Peter Morrison

Courier and Mailroom Services Group Manager: Geoff Cook

eLetter Solutions General Manager: Frank Forgione

First Direct Solutions Manager: Vicki Miller

General Manager International Supply Chain: Alec Ceselli

Commercial Division

General Manager: Bill Mitchell

Group Managers: Retail Services – Rowan Howarth; Retail Channels & Infrastructure – Elizabeth Button; Financial Services – Andrew Wiseman; Commercial Services – David Eaton; Planning, Systems & Governance – Mark Crawford; Philatelic – Noel Leahy; Parcels – Chris Koo

State Commercial Managers: Mark Warren (NSW/ACT), Helen Brodie (Qld), Paul Lecher (SA/NT), Peter Lavis (Vic/Tas), Dean Nalder (WA)

Human Resources Manager: Peter Godfrey

Finance

Chief Finance Officer: Peter Meehan

Group Financial Controller: Michael Tenace

Group Managers: Finance, Commercial – Brian McCraith; Superannuation – Angus McKenzie; Revenue Protection – Peter Clarke; Financial Strategy & Sustainability – Alan Marshall; Taxation – Peter Dimech; Product & Commercial Analysis – Scott Cumbrae-Stewart; Shared Services General Manager – Arthur Skipitaris

Managers: Treasury – Errol Dorfan; Finance, Corporate Infrastructure Services – Martin Lobb; Finance, Information Technology – Howard Tuxworth

Corporate Infrastructure Services

General Manager: Mark Howard

Legal Services Group: Heads of Legal – Nick Macdonald, Scott Staunton

Group Managers: Corporate Sourcing – Rob Loats; Corporate Real Estate – Adam Treffry; Human Resources – Anton Grodeck

Corporate Development

General Manager: Terry Sinclair

General Manager Post Logistics: Brendan Boyd

CEO PrintSoft: Sean Farrell

Managers: Derek Jones, Samantha Hannah-Rankin, David Bland, Clive Yoxall

Business Support

Human Resources Group Manager: Rod McDonald

Chief Information Officer: Wayne Saunders

Corporate Secretary: Michael McCloskey

Corporate Strategy Group Manager: Shane Morris

Corporate Public Affairs Group Manager: Stephen Walter

Strategic Transformation Group Manager: Kelly Heintz

Corporate Audit Group Manager: David Mallard

Corporate Security Group Manager: Bob Croxford

Contents – Financial and statutory reports

Financial and statutory reports

for the year ended 30 June 2009

Understanding our reports

Australia Post's 2008–09 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 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 income statement 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 2008–09 results, the financial report should be read in conjunction with the accompanying explanatory notes.

Statements by directors
for the year ended 30 June 2009

2008–09 Financial report

In the opinion of the directors:

(a) the accompanying financial report for the year ended 30 June 2009:
   (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*; 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
27 August 2009

G T John
Managing Director
Melbourne
27 August 2009

2008–09 Financial report certification

Prior to the adoption of the 2008–09 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
27 August 2009

2008–09 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 2–48) and in the Statutory Report (pages 118–124).

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

D A Mortimer
Chairman
Melbourne
27 August 2009

Financial statements audit report
for the year ended 30 June 2009

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 2009, which comprise a statement by the directors; income statement; balance sheet; statement of recognised income and expense; cash flow statement; schedule of commitments; schedule of contingencies and notes to and forming part of the financial statements, including a summary of significant accounting policies.

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 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 controls 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 effectiveness of the Corporation and the Group's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of

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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 2009 and of 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 as disclosed in note 10 to the financial statements.

Australian National Audit Office

Ian McPhee

Auditor-General

Melbourne

27 August 2009

Income statement
for the year ended 30 June 2009

	Note	Consolidated 2009 $m	Consolidated 2008 $m	Corporation 2009 $m	Corporation 2008 $m
Revenue	2, 26				
Goods and services		4,846.4	4,759.1	4,708.3	4,607.4
Interest		34.4	48.6	35.6	50.1
Dividends		0.0	0.0	15.1	21.1
		4,880.8	4,807.7	4,759.0	4,678.6
Other income					
Rents		32.4	28.0	32.9	28.4
Other income and gains		61.3	101.2	60.3	100.3
		93.7	129.2	93.2	128.7
Total income		**4,974.5**	**4,936.9**	**4,852.2**	**4,807.3**
Expenses (excluding finance costs)	3				
Employees		2,173.5	2,044.2	2,100.4	1,978.6
Suppliers		2,100.4	2,041.9	2,021.1	1,951.8
Depreciation and amortisation		207.4	186.1	198.5	173.7
Net loss on disposal of property, plant & equipment		5.3	7.8	3.9	7.7
Net foreign exchange losses		0.0	2.8	0.0	2.4
Write-down and impairment of assets		44.2	12.6	86.3	13.4
Other expenses		35.6	31.0	30.7	28.1
Total expenses (excluding finance costs)		**4,566.4**	**4,326.4**	**4,440.9**	**4,155.7**
Profit before income tax, finance costs and share of net profits of jointly controlled entities		**408.1**	**610.5**	**411.3**	**651.6**
Finance costs	4	38.0	40.6	37.2	40.3
Share of net profits of jointly controlled entities	11	10.8	22.3	0.0	0.0
Profit before income tax		**380.9**	**592.2**	**374.1**	**611.3**
Income tax expense	5(c)	120.4	160.1	128.7	165.1
Net profit for period		**260.5**	**432.1**	**245.4**	**446.2**
Loss attributable to minority interests		0.1	0.1	0.0	0.0
Profit attributable to members of parent		**260.6**	**432.2**	**245.4**	**446.2**

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

Balance sheet
as at 30 June 2009

	Note	Consolidated 2009 $m	Consolidated 2008 $m	Corporation 2009 $m	Corporation 2008 $m
Assets					
Current assets					
Cash and cash equivalents	31(a)	507.0	710.2	496.2	703.0
Trade and other receivables	6	390.4	357.5	366.6	337.4
Inventories	7	50.1	49.2	50.1	49.2
Accrued revenues		159.8	129.2	159.8	129.1
Other current assets	8	62.7	61.3	61.4	59.4
Total current assets		**1,170.0**	**1,307.4**	**1,134.1**	**1,278.1**
Non-current assets					
Trade and other receivables	9	228.6	228.8	228.8	244.0
Investments in controlled entities	10	0.0	0.0	43.3	80.6
Investments in jointly controlled entities	11	298.3	309.7	263.6	263.6
Superannuation asset	12	468.0	1,594.7	468.0	1,594.7
Land and buildings	13	815.5	777.0	813.7	772.7
Plant and equipment	13	541.0	534.2	529.5	520.0
Intangible assets	14	223.8	218.4	210.5	169.9
Investment property	15	219.5	238.4	219.5	241.3
Deferred income tax assets	5(d)	292.0	264.5	284.5	259.8
Other non-current assets	17	13.5	3.9	13.4	3.8
Total non-current assets		**3,100.2**	**4,169.6**	**3,074.8**	**4,150.4**
Total assets		**4,270.2**	**5,477.0**	**4,208.9**	**5,428.5**
Liabilities					
Current liabilities					
Trade and other payables	18	798.9	804.0	773.1	785.0
Interest-bearing liabilities	19	0.9	301.0	0.0	300.0
Provisions	20	590.1	529.6	583.0	523.0
Income tax payable		15.5	38.8	15.4	38.6
Total current liabilities		**1,405.4**	**1,673.4**	**1,371.5**	**1,646.6**
Non-current liabilities					
Interest-bearing liabilities	19	560.6	229.5	560.6	229.5
Provisions	20	170.2	167.2	165.3	164.0
Deferred tax liabilities	5(d)	277.5	586.9	278.0	586.5
Other non-current liabilities	21	11.4	10.1	14.3	11.3
Total non-current liabilities		**1,019.7**	**993.7**	**1,018.2**	**991.3**
Total liabilities		**2,425.1**	**2,667.1**	**2,389.7**	**2,637.9**
Net assets		**1,845.1**	**2,809.9**	**1,819.2**	**2,790.6**
Equity					
Contributed equity	22	400.0	400.0	400.0	400.0
Reserves	23	3.8	4.5	4.2	4.5
Retained profits	22	1,441.3	2,405.2	1,415.0	2,386.1
Parent interest		**1,845.1**	**2,809.7**	**1,819.2**	**2,790.6**
Minority interest	22	**0.0**	**0.2**	**0.0**	**0.0**
Total equity		**1,845.1**	**2,809.9**	**1,819.2**	**2,790.6**

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

Statement of recognised income and expense

for the year ended 30 June 2009

	Note	Consolidated 2009 $m	Consolidated 2008 $m	Corporation 2009 $m	Corporation 2008 $m
Exchange differences on translation of foreign operations	23	(0.1)	0.5	0.0	0.0
Actuarial loss on defined benefit plans	12	(1,126.7)	(183.1)	(1,126.7)	(183.1)
Movement in hedging reserve	23	(0.4)	(1.3)	(0.4)	(1.3)
Income tax on items taken directly to or transferred directly from equity	5(b)	338.2	55.3	338.2	55.3
Acquisition of minority interest	22	(1.3)	0.0	0.0	0.0
Movements in joint-venture reserves and actuarial gains and losses (net of tax)	22	(7.1)	0.3	0.0	0.0
Net loss recognised directly in equity		**(797.4)**	**(128.3)**	**(788.9)**	**(129.1)**
Net profit for period		**260.5**	**432.1**	**245.4**	**446.2**
Total recognised income and expense for the period		**(536.9)**	**303.8**	**(543.5)**	**317.1**
Attributable to:					
Equity holders of the parent		(536.8)	303.9	(543.5)	317.1
Minority interest		(0.1)	(0.1)	0.0	0.0
Total recognised income and expense for the period		**(536.9)**	**303.8**	**(543.5)**	**317.1**

Other movements in equity arising from transactions with owners as owners are set out in note 22.
The above statement of recognised income and expense should be read in conjunction with the accompanying notes.

Cashflow statement

for the year ended 30 June 2009

	Note	Consolidated 2009 $m	Consolidated 2008 $m	Corporation 2009 $m	Corporation 2008 $m
Operating activities					
Cash received					
Goods and services		5,286.1	5,174.8	5,125.8	5,013.0
Interest		35.6	48.4	36.8	49.9
Dividends		15.0	21.6	15.1	21.1
Total cash received		**5,336.7**	**5,244.8**	**5,177.7**	**5,084.0**
Cash used					
Employees		2,101.4	2,020.7	2,029.9	1,955.9
Suppliers		2,411.1	2,258.7	2,320.3	2,158.9
Financing costs		39.1	36.6	38.4	36.2
Income tax		142.4	186.0	142.2	186.5
GST paid		208.4	215.6	204.4	212.7
Total cash used		**4,902.4**	**4,717.6**	**4,735.2**	**4,550.2**
Net cash from operating activities	31(b)	**434.3**	**527.2**	**442.5**	**533.8**
Investing activities					
Cash received					
Proceeds received from repayment of related party loans		0.0	0.0	9.6	0.0
Proceeds from sales of property, plant and equipment		37.1	20.6	36.7	19.1
Total cash received		**37.1**	**20.6**	**46.3**	**19.1**
Cash used					
Loans to related parties		0.4	1.2	8.4	12.1
Payments for investments in controlled entities (net of cash acquired)		1.3	0.0	20.0	0.0
Payments for investment property		0.5	0.3	0.5	0.3
Purchase of property, plant and equipment		214.9	210.5	211.8	207.5
Purchase of intangibles		54.7	84.3	52.1	78.8
Total cash used		**271.8**	**296.3**	**292.8**	**298.7**
Net cash used by investing activities		**(234.7)**	**(275.7)**	**(246.5)**	**(279.6)**
Financing activities					
Cash received					
Proceeds from borrowings		325.0	0.0	325.0	0.0
Total cash received		**325.0**	**0.0**	**325.0**	**0.0**
Cash used					
Repayment of borrowings		300.0	0.0	300.0	0.0
Dividends paid	24	427.8	306.3	427.8	306.3
Total cash used		**727.8**	**306.3**	**727.8**	**306.3**
Net cash used by financing activities		**(402.8)**	**(306.3)**	**(402.8)**	**(306.3)**
Net decrease in cash and cash equivalents		**(203.2)**	**(54.8)**	**(206.8)**	**(52.1)**
Cash and cash equivalents at beginning of reporting period		710.2	765.0	703.0	755.1
Cash and cash equivalents at end of reporting period	31(a)	**507.0**	**710.2**	**496.2**	**703.0**

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

Schedule of commitments
as at 30 June 2009

	Consolidated		Corporation	
	2009 $m	2008 [3] $m	2009 $m	2008 [3] $m
By type				
Commitments receivable:				
Sub-lease rental receivables	4.3	6.3	3.8	6.0
GST recoverable on commitments	208.2	205.1	167.7	156.0
Total commitments receivable	**212.5**	**211.4**	**171.5**	**162.0**
Capital commitments:				
Land and buildings	14.2	15.1	13.8	15.1
Plant and equipment	91.1	67.1	79.3	65.2
Other	0.9	0.8	0.9	0.8
Total capital commitments	**106.2**	**83.0**	**94.0**	**81.1**
Other commitments:				
Operating leases [1]	1,056.9	1,066.7	566.1	536.2
Other commitments [2]	1,241.2	1,164.9	1,237.9	1,155.1
Total other commitments	**2,298.1**	**2,231.6**	**1,804.0**	**1,691.3**
Total commitments payable	**2,404.3**	**2,314.6**	**1,898.0**	**1,772.4**
Net commitments	**2,191.8**	**2,103.2**	**1,726.5**	**1,610.4**
By maturity				
Commitments receivable:				
Within one year	72.3	69.9	66.8	62.3
From one to five years	101.5	98.7	85.6	80.3
Over five years	38.7	42.8	19.1	19.4
Total commitments receivable by maturity	**212.5**	**211.4**	**171.5**	**162.0**
Capital commitments due:				
Within one year	104.5	83.0	92.3	81.1
From one to five years	1.7	0.0	1.7	0.0
Total capital commitments	**106.2**	**83.0**	**94.0**	**81.1**
Operating lease commitments due:				
Within one year	162.5	153.2	94.5	83.1
From one to five years	462.3	446.4	261.3	243.4
Over five years	432.1	467.1	210.3	209.7
Total operating lease commitments	**1,056.9**	**1,066.7**	**566.1**	**536.2**
Other commitments due:				
Within one year	558.3	532.3	555.1	522.8
From one to five years	682.7	632.5	682.6	632.2
Over five years	0.2	0.1	0.2	0.1
Total other commitments	**1,241.2**	**1,164.9**	**1,237.9**	**1,155.1**
Total commitments payable by maturity	**2,404.3**	**2,314.6**	**1,898.0**	**1,772.4**
Net commitments	**2,191.8**	**2,103.2**	**1,726.5**	**1,610.4**

(1) Of these commitments, $387.5 million ($378.3 million in 2008) relates to jointly controlled entities.
(2) The majority of these commitments relate to carriage and delivery of letters and parcels by contractors. $2.9 million ($8.3 million in 2008) relates to jointly controlled entities.
(3) Comparatives have been restated to now reflect GST-inclusive amounts.

Schedule of contingencies
as at 30 June 2009

	Guarantees [1]		Claims for damages or other costs [2]		Total	
	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m
Consolidated						
Balance from previous period	186.0	196.2	5.9	10.7	191.9	206.9
New	5.4	4.8	4.0	3.0	9.4	7.8
Re-measurement	4.5	(11.1)	18.6	(0.8)	23.1	(11.9)
Liabilities recognised	–	–	(3.1)	(6.8)	(3.1)	(6.8)
Obligations expired	(4.8)	(3.9)	(1.0)	(0.2)	(5.8)	(4.1)
Total contingent liabilities	**191.1**	**186.0**	**24.4**	**5.9**	**215.5**	**191.9**
Balance from previous period	7.5	7.5	0.9	1.0	8.4	8.5
New	7.6	–	54.6	0.7	62.2	0.7
Re-measurement	0.1	–	(0.1)	0.1	–	0.1
Assets recognised	–	–	–	(0.4)	–	(0.4)
Obligations expired	(7.5)	–	–	(0.5)	(7.5)	(0.5)
Total contingent assets	**7.7**	**7.5**	**55.4**	**0.9**	**63.1**	**8.4**
Net contingent liabilities/(assets)	**183.4**	**178.5**	**(31.0)**	**5.0**	**152.4**	**183.5**
Corporation						
Balance from previous period	146.8	157.2	5.3	10.7	152.1	167.9
New	–	–	4.0	3.0	4.0	3.0
Re-measurement	4.5	(10.4)	18.1	(1.4)	22.6	(11.8)
Liabilities recognised	–	–	(2.3)	(6.8)	(2.3)	(6.8)
Obligations expired	–	–	(1.0)	(0.2)	(1.0)	(0.2)
Total contingent liabilities	**151.3**	**146.8**	**24.1**	**5.3**	**175.4**	**152.1**
Balance from previous period	7.5	7.5	0.2	1.0	7.7	8.5
New	7.5	–	54.5	–	62.0	–
Re-measurement	–	–	(0.2)	0.1	(0.2)	0.1
Assets recognised	–	–	–	(0.4)	–	(0.4)
Obligations expired	(7.5)	–	–	(0.5)	(7.5)	(0.5)
Total contingent assets	**7.5**	**7.5**	**54.5**	**0.2**	**62.0**	**7.7**
Net contingent liabilities/(assets)	**143.8**	**139.3**	**(30.4)**	**5.1**	**113.4**	**144.4**

(1) Relate to non-financial guarantees, including bank guarantees over projected workers' compensation claims liabilities, and other guarantees provided by joint-venture entities.
(2) 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 counterclaim linked to an amount disclosed within contingent liabilities.

Notes to and forming part of the Financial Report
for the year ended 30 June 2009

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 2008; and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board.

The financial report has been prepared on an 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* (Cwlth) 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 2009. The standards are as follows.

Reference	Title	Nature of change to accounting policy	Application date of standard	Application date for group
AASB 2007-3	Amendments to Australian Accounting Standards arising from AASB 8 [AASBs 5, 6, 102, 107, 199, 127, 134, 136, 1023 & 1038]	The amendments are not expected to have any material impact on the group's financial report.	1 January 2009	1 July 2009
AASB 2007-6	Amendments to Australian Accounting Standards arising from AASB 123 [AASBs 1, 101, 107, 111, 116, 138 and Interpretations 1 & 12]	The amendments are not expected to have any impact on the group's financial report.	1 January 2009	1 July 2009
AASB 2007-8	Amendments to Australian Accounting Standards arising from AASB 101 [AASBs 1, 4, 5, 7, 8, 107, 108, 110, 111, 112, 114, 116, 119, 120, 121, 124, 127, 128, 129, 132, 133, 134, 136, 137, 138, 139, 140, 141, 1039 and Interpretations 1, 7, 10, 107, 110, 113, 125 & 132]	These amendments are expected to affect only the presentation of the group's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report. The group has not determined at this stage whether to present a single statement of comprehensive income or two separate statements.	1 January 2009	1 July 2009
AASB 2007-10	Further Amendments to Australian Accounting Standards arising from AASB 101 [AASBs 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 111, 112, 116, 119, 120, 121, 124, 127, 128, 129, 131, 133, 134, 136, 137, 138, 139, 140, 141, 1023, 1031, 1038 and Interpretations 7, 10, 107, 129, 1001, 1002, 1013, 1017, 1019, 1031, 1039, 1042, 1047, 1052 & 1055]	These amendments are expected to affect only the presentation of the group's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report.	1 January 2009	1 July 2009
AASB 2008-2	Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation [AASBs 7, 101, 132, 139, and Interpretation 2]	These amendments are not expected to have any impact on the group's financial report as the group does not have on issue or expect to issue any puttable instruments as defined by the amendments.	1 January 2009	1 July 2009
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASBs 1, 2, 4, 5, 7, 101, 107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138, 139 and Interpretations 9 & 107]	These amendments are not expected to have any impact on the group's financial report.	1 July 2009	1 July 2009
AASB 2008-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASBs 5, 7, 101, 102, 107, 108, 110, 116, 118, 119, 120, 123, 127, 128, 129, 131, 132, 134, 136, 138, 139, 140, 141, 1023 & 1038]	These amendments are not expected to have any impact on the group's financial report.	1 January 2009	1 July 2009

Reference	Title	Nature of change to accounting policy	Application date of standard	Application date for group
AASB 2008-6	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASBs 1 & 5]	These amendments are not expected to have any impact on the group's financial report.	1 July 2009	1 July 2009
AASB 2008-7	Amendments to Accounting for the Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [AASBs 1, 118, 121, 127 & 136]	These amendments are not expected to have any material impact on the group's financial report.	1 January 2009	1 July 2009
AASB 2008-8	Amendments to Accounting for Eligible Hedged Items [AASB 139]	These amendments are not expected to have any material impact on the group's financial report.	1 July 2009	1 July 2009
AASB 2008-9	Amendments to AASB 1049 for consistency with AASB 101	These amendments are not expected to have any material impact on the group's financial report.	1 January 2009	1 July 2009
AASB 2008-13	Amendments to Australian Accounting Standards arising from AASB Interpretation 17 [AASBs 5 & 110]	These amendments are not expected to have any material impact on the group's financial report.	1 July 2009	1 July 2009
AASB 2009-2	Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments [AASBs 4, 7, 1023 & 1038]	These amendments are not expected to have any material impact on the group's financial report.	1 January 2009	1 July 2009
AASB 2009-4	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASBs 2, 138 and Interpretations 9 & 16]	These amendments are not expected to have any material impact on the group's financial report.	1 July 2009	1 July 2009
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASBs 5, 8, 101, 107, 117, 118, 136 & 139]	These amendments are not expected to have any material impact on the group's financial report.	1 January 2010	1 July 2010
AASB 3	*Business Combinations* (Revised)	The impact of this standard is not currently considered material to the group.	1 July 2009	1 July 2009
AASB 8	*Operating Segments*	AASB 8 is a disclosure standard, so will have no direct impact on the measurement and recognition of amounts included in the group's financial statements.(1)	1 January 2009	1 July 2009
AASB 101	*Presentation of Financial Statements* (revised September 2007)	These amendments are expected to affect only the presentation of the group's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report. The group has not determined at this stage whether to present a single statement of comprehensive income or two separate statements.	1 January 2009	1 July 2009
AASB 123	*Borrowing Costs* (revised June 2007)	These amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised. The amendments are not expected to have any impact on the group's financial report.	1 January 2009	1 July 2009
AASB 127	*Consolidated and Separate Financial Statements* (revised)	If the group changes its ownership interest in existing subsidiaries in the future, the change will be accounted for as an equity transaction. This will have no impact on goodwill, nor will it give rise to a gain or a loss in the group's income statement.	1 July 2009	1 July 2009
Interpretation 15	*Agreements for the Construction of Real Estate* [AASB 118]	The Interpretation is unlikely to have any impact on the group, as the group does not perform the construction of real estate.	1 January 2009	1 July 2009
Interpretation 16	*Hedges of a Net Investment in a Foreign Operation*	The Interpretation is unlikely to have any impact on the group, as the group does not hedge foreign operation investments.	1 January 2009	1 July 2009
Interpretation 17	*Distributions of Non-Cash Assets to Owners*	The Interpretation is unlikely to have any impact on the group, as the group does not distribute non-cash assets to owners.	1 July 2009	1 July 2009
Interpretation 18	*Transfers of Assets from Customers*	The Interpretation is unlikely to have any impact on the group, as the group does not receive assets from customers.	1 July 2009	1 July 2009

(1) The amendments are not expected to have any material impact on the group's financial report.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the corporation and its subsidiaries (the group) as at 30 June each year. Interests in associates 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.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

Minority interests not held by the group are allocated their share of net profit after tax in the income statement and are presented within equity in the consolidated balance sheet, separately from parent shareholders' equity.

(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 intangible assets 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 has made assumptions in arriving at its best estimate of the likely costs to "make good" premises that 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, long-service leave, annual leave and workers' compensation obligations. Note 12 describes the key assumptions used in calculating the group's superannuation obligation.

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 entered into 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

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the combination. Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price as at the date of exchange. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Except for non-current assets or disposal groups classified as held for sale (which are measured at fair value less costs to sell), all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of the business combination over the net fair value of the group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the group's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of the consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(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, and at 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) Segment reporting

A business segment is a distinguishable component of the entity engaged in providing products or services that are subject to risks and returns that differ from those of other operating business segments. A geographical segment is a distinguishable component of the entity that is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environment.

(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 costs 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 income statement 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 income statement 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 uncollectable 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 with 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 of raw materials. Volume discounts and rebates are included in determining the cost of purchase.
- 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.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair values of interest rate swap contracts and oil swap contracts are determined by reference to market values for similar instruments.

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
- 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, if the hedge no longer meets the criteria for hedge accounting or if 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 that is a firm commitment and 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.

The group tests each of the designated cashflow hedges for effectiveness on a quarterly basis – prospectively using regression analysis and retrospectively using either regression analysis or ratio offset approaches, as defined in the respective hedge designation documentation. A minimum of 24 data points is used for regression analysis and if the testing falls within the 80:125 range, the hedge is considered highly effective and continues to be designated as a cashflow hedge.

At each balance date, the group measures ineffectiveness using the regression analysis or ratio offset method. For cashflow hedges, if the risk is over-hedged, the ineffective portion is taken immediately to other income and gains/expense in the income statement. For interest rate cashflow hedges, any ineffective portion is taken to other expenses in the income statement.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked (due to its being ineffective), 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 (A$). 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 balance sheet 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 exchange rates prevailing at balance date.

Exchange variations resulting from the translation are recognised in the foreign currency translation reserve in equity.

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 income statement.

(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. The consolidated income statement reflects the group's share of the results of operations of the jointly controlled entity.

Where a change has been recognised directly in the jointly controlled entity's equity, the group recognises its share of any changes and discloses this in the consolidated statement of recognised income and expense.

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 are different from those of 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 balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet 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
- 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 taxable profit is likely to 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
- the deductible temporary difference is associated with investments in subsidiaries or jointly controlled entities, in which case a deferred tax asset is recognised only 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 balance sheet 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 balance sheet 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 balance sheet 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

The Australian Postal Corporation and its wholly owned Australian resident subsidiaries have implemented the tax consolidation legislation as of 1 July 2004. The head entity, the 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. See 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
- for 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 before 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 or 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 profit or loss 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.

	2009	2008
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 stated 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 balance sheet 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 or ending of construction or development. 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. When the group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

(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. Designation is re-evaluated at each financial year end, but there are restrictions on classifying 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, ie 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 has expired or been transferred.

(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 and the related assets are classified as current assets in the balance sheet.

(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 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.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's-length market transactions, reference to the current market value of another instrument that is substantially the same, discounted cashflow analysis and option pricing models – making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

(v) Impairment of financial assets

At each balance sheet date an assessment is made as to 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 (ie 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 income statement. 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
- 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, is 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, being the excess of the cost of the business combination over the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. 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 includes:

- Post Logistics Group
- 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 lived 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 (or 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 (or 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 charged against profits 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 the useful life and assessed 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)

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 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 payables and other payables are carried at amortised cost; however, 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.

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 are recognised as an expense when incurred. The group does not currently hold qualifying assets but, if it did, the borrowing costs directly associated with this asset would be capitalised (including any other associated costs directly attributable to the borrowing and temporary investment income earned on the borrowing).

(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 income statement 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 balance sheet date using a discounted cashflow methodology. The risks specific to the provision are factored in to the cashflows and hence a risk-free government bond rate relative to the expected life of the provision is used as a discount rate. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects 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. The increase in the provision resulting from the passage of time is recognised in finance costs.

(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 $111.3 million at balance date (see note 20), of which $7.8 million relates to claims made in the 2008–09 financial year (2007–08: $4.8 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 (see 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 plans is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised in retained earnings.

Past service cost is recognised immediately to the extent that the benefits are already vested; otherwise it is 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 cost, 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 fair value under this approach the following assumptions are made.

Probability of Default (PD): This 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): This 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): This represents the maximum loss that the corporation is exposed to if the guaranteed party was to default. The model assumes that the guaranteed loan/facility contract is at maximum possible exposure at the time of default and hence, equates to the values disclosed in note 18.

When the uncertainty associated with an assumption is sufficient to warrant consideration of a range of possible assumptions, the maximum in the range was used for valuation purposes. The value of the financial guarantee over each future year of the guarantees' life is then equal to PD x LGD x EAD, which is discounted over the contractual term of the guarantee, to reporting date, to determine the fair value. The discount rate adopted was based on the Commonwealth government bond yield. The contractual term of the guarantee matches the underlying obligation to which it relates.

(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 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	
	2009 $m	2008 $m	2009 $m	2008 $m
2 Revenues and other income				
Revenue				
Rendering of services to:				
Related entities [1]	186.9	168.4	186.9	164.3
External entities [2]	4,288.6	4,213.6	4,159.5	4,096.0
	4,475.5	4,382.0	4,346.4	4,260.3
Sale of goods to external entities [2]	370.9	377.1	361.9	347.1
	4,846.4	4,759.1	4,708.3	4,607.4
Interest income calculated using the effective interest method from:				
Cash on hand and promissory notes	24.1	38.2	23.9	37.6
Loans and receivables	10.3	10.4	11.7	12.5
	34.4	48.6	35.6	50.1
Dividends received or receivable from joint ventures	0.0	0.0	15.1	21.1
Total revenue	4,880.8	4,807.7	4,759.0	4,678.6
Other income and gains				
Rents from operating leases	32.4	28.0	32.9	28.4
Other revenues and gains				
Other services:				
Related entities (government grants) [1]	3.2	4.3	3.2	4.3
External entities [2]	17.0	22.5	16.3	22.4
	20.2	26.8	19.5	26.7
Net gain on disposal of assets:				
Land and buildings	35.6	8.3	35.6	7.5
Investment property	2.2	1.7	2.2	1.7
	37.8	10.0	37.8	9.2
Change in fair value of interest rate swaps	1.8	0.0	1.8	0.0
Change in fair value of investment properties	0.0	64.4	0.0	64.4
Net foreign exchange gains – non-speculative	1.5	0.0	1.2	0.0
Total other revenues and gains	61.3	101.2	60.3	100.3
Total other income and gains	93.7	129.2	93.2	128.7
Total income	4,974.5	4,936.9	4,852.2	4,807.3

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

	Consolidated 2009 $m	Consolidated 2008 $m	Corporation 2009 $m	Corporation 2008 $m
3 Expenses (excluding finance costs)				
Employees				
Wages and salaries	1,709.9	1,653.8	1,653.3	1,602.0
Defined benefit superannuation expense	46.9	34.7	46.9	34.7
Payroll tax	105.9	103.9	102.9	100.6
Leave and other entitlements	224.8	192.6	221.4	188.6
Separation and redundancy	26.2	15.0	24.8	14.1
Workers' compensation	32.3	15.3	30.8	14.5
Other employee expenses	27.5	28.9	20.3	24.1
	2,173.5	2,044.2	2,100.4	1,978.6
Suppliers				
Purchase of services from:				
External entities [1]	1,750.1	1,689.4	1,697.3	1,639.4
	1,750.1	1,689.4	1,697.3	1,639.4
Cost of sales – goods purchased from external entities [1]	221.8	236.8	219.0	215.1
Operating lease rentals (see note 30(i))	128.5	115.7	104.8	97.3
	2,100.4	2,041.9	2,021.1	1,951.8
Depreciation and amortisation				
Depreciation				
Buildings	51.7	47.4	51.5	47.1
Plant and equipment	93.3	86.3	89.2	82.4
Plant and equipment under finance lease	8.6	8.9	8.6	8.9
Amortisation:				
Computer software	52.6	35.9	49.2	35.3
Other intangibles	1.2	7.6	0.0	0.0
	207.4	186.1	198.5	173.7
Net loss on disposal of assets				
Plant and equipment	4.6	6.9	3.9	6.8
Intangibles	0.7	0.9	0.0	0.9
	5.3	7.8	3.9	7.7
Net foreign exchange losses – non-speculative	0.0	2.8	0.0	2.4
Write-down and impairment of assets				
Inventory	0.2	0.2	0.2	0.2
Investment property	18.8	0.0	18.8	0.0
Financial				
Receivables	0.8	0.4	1.3	1.2
Related party loan	0.0	0.0	16.6	0.0
Investments	0.0	0.0	49.4	12.0
Goodwill	24.4	12.0	0.0	0.0
	44.2	12.6	86.3	13.4
Other expenses	35.6	31.0	30.7	28.1
Total expenses	4,566.4	4,326.4	4,440.9	4,155.7

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

	Consolidated		Corporation	
	2009 $m	2008 $m	2009 $m	2008 $m
4 Finance costs				
Bonds [1]	33.9	32.4	33.9	32.4
Interest rate swaps [1]	2.8	5.6	2.8	5.6
(Gain)/loss arising on interest rate swaps in a designated fair value hedge relationship	(4.3)	5.3	(4.3)	5.3
Loss/(gain) on adjustment to hedged item in a designated fair value hedge relationship	3.3	(5.4)	3.3	(5.4)
Unwinding of discount (see note 20)	1.6	2.1	1.4	2.0
Other [1]	0.7	0.6	0.1	0.4
Total finance costs	**38.0**	**40.6**	**37.2**	**40.3**

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

5 Income tax

Major components of income tax expense for the years ended 30 June are:

(a) Income statement

	Consolidated 2009 $m	Consolidated 2008 $m	Corporation 2009 $m	Corporation 2008 $m
Current income tax				
Current income tax charge	119.7	168.1	123.9	170.5
Adjustments in respect of current income tax of previous years	(0.4)	(0.1)	0.0	0.4
Deferred income tax				
Relating to origination and reversal of temporary differences	1.1	(7.9)	4.8	(5.8)
Income tax expense reported in the income statement	**120.4**	**160.1**	**128.7**	**165.1**

(b) Statement of recognised income and expense

	Consolidated 2009 $m	Consolidated 2008 $m	Corporation 2009 $m	Corporation 2008 $m
Deferred income tax related to items charged or credited directly to equity				
Net loss on revaluation of cashflow hedges	(0.2)	(0.4)	(0.2)	(0.4)
Net loss on actuarial gains/losses	(338.0)	(54.9)	(338.0)	(54.9)
Income tax expense reported in equity	**(338.2)**	**(55.3)**	**(338.2)**	**(55.3)**

(c) Numerical reconciliation between aggregate tax expense recognised in the income statement 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 2009 $m	Consolidated 2008 $m	Corporation 2009 $m	Corporation 2008 $m
Accounting profit before income tax from continuing operations	380.9	592.2	374.1	611.3
Accounting profit before income tax	**380.9**	**592.2**	**374.1**	**611.3**
At the group's statutory income tax rate of 30% (2008: 30%)	114.3	177.7	112.2	183.4
Adjustments in respect of current income tax of previous years	(0.4)	(0.1)	0.0	0.4
Investment property	2.2	(14.2)	2.2	(14.2)
Unrecognised tax losses	0.9	1.3	0.0	0.0
Expenditure not allowable for income tax purposes	(0.2)	0.9	(0.4)	1.2
Write-down and impairment not allowable for income tax purposes	7.3	3.6	19.8	3.6
Share of net profits of jointly controlled entities	(3.2)	(6.7)	0.0	0.0
Dividend rebate	0.0	0.0	(4.4)	(6.2)
Sundry items	(0.5)	(2.4)	(0.7)	(3.1)
At effective income tax rate of 31.6% (Corp: 34.4%) (2008: 27.0%, Corp: 27.0%)	120.4	160.1	128.7	165.1
Income tax expense reported in income statement	**120.4**	**160.1**	**128.7**	**165.1**

5 Income tax (continued)

(d) Recognised deferred income tax

Deferred income tax at 30 June relates to the following:

	Consolidated			
	Balance Sheet		Income Statement	
	2009 $m	2008 $m	**2009 $m**	2008 $m
(i) Deferred income tax liabilities				
Accelerated depreciation for tax purposes	(49.1)	(40.6)	8.5	5.1
Superannuation asset	(140.4)	(478.4)	0.0	0.0
Sydney GPO lease receivable	(31.0)	(31.0)	0.0	(0.2)
International income	(53.9)	(33.6)	20.3	2.8
Fair value adjustments on acquisition	0.0	0.0	0.0	(1.8)
Sundry	(3.1)	(3.3)	(0.2)	0.9
Gross deferred income tax liabilities	**(277.5)**	**(586.9)**	**28.6**	**6.8**
(ii) Deferred income tax assets				
Provisions	219.1	198.1	(21.0)	(4.5)
Capital losses available for offset against future taxable income	8.0	7.0	(1.0)	(0.1)
Sydney GPO refurbishment	5.5	5.7	0.2	0.3
International expenditure	34.4	30.2	(4.2)	(6.5)
Government grant	2.4	3.4	1.0	0.8
Make good	13.6	14.4	0.8	(0.9)
Net loss on revaluation of cashflow hedges	0.2	0.2	0.0	0.0
Sundry	8.8	5.5	(3.3)	(3.8)
Gross deferred income tax assets	**292.0**	**264.5**	**(27.5)**	**(14.7)**
Deferred income tax benefit/(expense)			**1.1**	**(7.9)**

	Corporation			
	Balance Sheet		Income Statement	
	2009 $m	2008 $m	**2009 $m**	2008 $m
(i) Deferred income tax liabilities				
Accelerated depreciation for tax purposes	(49.6)	(40.5)	9.1	4.7
Superannuation asset	(140.4)	(478.4)	0.0	0.0
Sydney GPO lease receivable	(31.0)	(31.0)	0.0	(0.2)
International income	(53.9)	(33.6)	20.3	2.8
Sundry	(3.1)	(3.0)	0.1	0.7
Gross deferred income tax liabilities	**(278.0)**	**(586.5)**	**29.5**	**8.0**
(ii) Deferred income tax assets				
Provisions	214.7	195.0	(19.7)	(4.1)
Capital losses available for offset against future taxable income	8.0	7.0	(1.0)	(0.1)
Sydney GPO refurbishment	5.5	5.7	0.2	0.3
International expenditure	34.4	30.2	(4.2)	(6.5)
Government grant	2.4	3.4	1.0	0.8
Make good	12.6	13.9	1.3	(0.9)
Net loss on revaluation of cashflow hedges	0.2	0.2	0.0	0.0
Sundry	6.7	4.4	(2.3)	(3.3)
Gross deferred income tax assets	**284.5**	**259.8**	**(24.7)**	**(13.8)**
Deferred income tax benefit/(expense)			**4.8**	**(5.8)**

5 Income tax (continued)

(e) Unrecognised temporary differences

At 30 June 2009, there were no unrecognised temporary differences (2008: $nil) associated with the group's investments in controlled entities or jointly controlled entities, as the group had no liability for additional taxation should unremitted earnings be remitted.

(f) Tax consolidation

The Australian Postal Corporation and its 100% owned Australian resident subsidiaries formed a tax consolidated group with effect from 1 July 2004. The 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, the 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	
	2009 $m	2008 $m	2009 $m	2008 $m
6 Current assets – trade and other receivables				
Goods and services receivable [(1)]	350.7	338.9	325.7	319.5
Allowance for doubtful debts	(5.0)	(4.5)	(4.0)	(3.5)
	345.7	334.4	321.7	316.0
Proceeds receivable	24.2	0.0	24.2	0.0
Finance lease receivable (see note 30(ii))	6.5	6.5	6.5	6.5
Interest receivable	1.2	2.4	1.2	2.4
Trade receivables from controlled and jointly controlled entities (see note 28)	1.5	1.7	2.3	1.7
Other receivables [(2)]	11.3	12.5	10.7	10.8
Total current assets	**390.4**	**357.5**	**366.6**	**337.4**
Receivables not impaired are aged as follows				
Not past due	342.3	314.9	329.5	305.8
Past due less than 30 days	14.1	19.4	7.5	12.6
Past due 30–60 days	2.7	5.5	1.8	4.1
Past due 61–90 days	4.8	4.3	4.0	3.8
Past due more than 90 days	26.5	13.4	23.8	11.1
	390.4	357.5	366.6	337.4
Receivables individually determined to be impaired are aged as follows				
Not past due	0.1	0.3	0.0	0.3
Past due less than 30 days	0.1	0.0	0.1	0.0
Past due 30–60 days	0.0	0.0	0.0	0.0
Past due 61–90 days	0.0	0.1	0.0	0.1
Past due more than 90 days	4.8	4.1	3.9	3.1
	5.0	4.5	4.0	3.5
Movements in the allowance for doubtful debts during the financial year are set out below				
Balance at 1 July	4.5	4.8	3.5	4.1
Charge for the year	0.8	0.8	1.3	0.3
Amounts written off	(0.3)	(1.1)	(0.8)	(0.9)
Balance at 30 June	**5.0**	**4.5**	**4.0**	**3.5**

(1) Denominated in Australian dollars, 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.

	Consolidated		Corporation	
	2009 $m	2008 $m	2009 $m	2008 $m
7 Current assets – inventories (held for sale)				
Raw materials (at net realisable value)	1.2	1.1	1.2	1.1
Work in progress (at cost)	1.2	0.8	1.2	0.8
Finished goods (at net realisable value)	47.7	47.3	47.7	47.3
Total current inventories at lower of cost and net realisable value	**50.1**	**49.2**	**50.1**	**49.2**

Inventory write-down expense recognised totalled $0.2 million (2008: $0.2 million) for the group and $0.2 million (2008: $0.2 million) for the corporation. This expense is included in the cost-of-sales line item as a cost of inventories. See note 3.

	Consolidated		Corporation	
	2009 $m	2008 $m	2009 $m	2008 $m
8 Other current assets				
Prepayments	62.6	61.3	61.3	59.4
Foreign currency exchange contracts	0.1	0.0	0.1	0.0
Total other current assets	**62.7**	**61.3**	**61.4**	**59.4**

	Consolidated		Corporation	
	2009 $m	2008 $m	2009 $m	2008 $m

9 Non-current assets – trade and other receivables [1]

	Consolidated 2009 $m	Consolidated 2008 $m	Corporation 2009 $m	Corporation 2008 $m
Loans to controlled and jointly controlled entities (see note 28)	130.7	130.3	147.5	146.0
Provision for impairment of loans to controlled entities	0.0	0.0	(16.6)	0.0
	130.7	**130.3**	**130.9**	**146.0**
Finance lease receivable (see note 30 (ii))	97.0	97.0	97.0	97.0
Other receivables	0.9	1.5	0.9	1.0
Total non-current assets	**228.6**	**228.8**	**228.8**	**244.0**

(1) There are no non-current trade and other receivables that are past due (2008: $0.6 million of the corporation's loans to controlled entities were past due by four months but not impaired). There are no non-current trade and other receivables whose terms have been renegotiated that would otherwise be past due (2008: $16.1 million of the corporation's loans to controlled entities had terms that were renegotiated that would otherwise be past due. 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).

10 Investments in controlled entities

	Note	Country of incorporation	Australian Postal Corporation investment amount 2009 $m	Australian Postal Corporation investment amount 2008 $m	% of equity held by immediate parent 2009 %	% of equity held by immediate parent 2008 %
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)(6)	Australia	0.7	8.6	100.0	100.0
Decipha Pty Ltd	(2)	Australia	2.4	2.4	100.0	100.0
AP International Holdings Pty Ltd	(1)	Australia	4.0	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)(4)	Australia	20.0	33.1	100.0	100.0
Lakewood Logistics Pty Ltd	(1)	Australia	–	–	100.0	75.0
Chainlink Computer Systems Pty Ltd	(1)	Australia	–	–	0.0	60.0
Printsoft Holdings Pty Ltd	(2)(5)	Australia	13.8	30.1	100.0	100.0
Printsoft Development Pty Ltd	(2)	Australia	–	–	100.0	100.0
Printsoft Products Pty Ltd	(1)	Australia	–	–	100.0	100.0
Printsoft Americas, Inc	(3)	USA	–	–	100.0	100.0
Prinsoft 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			**43.3**	**80.6**		

(1) These entities are incorporated in Australia and are small proprietary companies that have not been subjected to a statutory audit as 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 raised a provision of $33.1 million against its initial investment and invested a further $20.0 million.
(5) During the year, the corporation provided $16.3 million against its investment.
(6) During the year, the corporation transferred $7.9 million of its investment to goodwill, in line with the transfer of the underlying business from the legal entity to the corporation.

	Consolidated		Corporation	
	2009 $m	2008 $m	**2009 $m**	2008 $m

11 Investments in jointly controlled entities

Carrying amounts of investments

	Consolidated 2009 $m	Consolidated 2008 $m	Corporation 2009 $m	Corporation 2008 $m
Balance at the beginning of the financial year	309.7	308.7	263.6	263.6
Share of profits for the year	10.8	22.3	0.0	0.0
Actuarial loss on defined benefit plans	(6.8)	0.0	0.0	0.0
Share of hedging reserve	(0.3)	0.3	0.0	0.0
Dividends received/receivable	(15.1)	(21.6)	0.0	0.0
Balance at the end of the financial year	**298.3**	**309.7**	**263.6**	**263.6**

Name	Principal activity	Country of incorporation	Balance date	Ownership interest 2009 %	Ownership interest 2008 %
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.

	Consolidated	
	2009 $m	2008 $m
11 Investments in jointly controlled entities (continued)		
Share of jointly controlled entities' profits		
Revenues	635.2	657.5
Expenses	(622.9)	(626.4)
Net profits before income tax	12.3	31.1
Income tax expense	(1.5)	(8.8)
Net profits after income tax	**10.8**	**22.3**
Share of assets and liabilities		
Current assets	83.0	93.1
Non-current assets	441.7	454.0
Total assets	524.7	547.1
Current liabilities	(65.6)	(77.4)
Non-current liabilities	(160.8)	(160.0)
Total liabilities	(226.4)	(237.4)
Net assets	**298.3**	**309.7**
Retained profits of the consolidated entity attributable to jointly controlled entities		
Balance at the beginning of the financial year	42.5	41.8
Share of profits for the year	10.8	22.3
Actuarial loss	(6.8)	0.0
Dividends received/receivable	(15.1)	(21.6)
Balance at the end of the financial year	**31.4**	**42.5**

The group's investments in the above-mentioned jointly controlled entities were not impaired during the year (2008: $nil).
The consolidated entity's share of the jointly controlled entities' net commitment payable is $370.3 million (2008: $388.0 million) and is included in the Schedule of Commitments.
The consolidated entity's share of the jointly controlled entities' contingent liabilities is $34.5 million (2008: $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	
	2009 $m	2008 $m
(ii) Amount recognised in the income statement		
Current service cost	191.8	187.8
Interest cost on benefit obligation	360.3	329.0
Expected return on plan assets	(522.3)	(496.8)
Plan expenses	11.8	11.2
Contributions tax reserve	5.3	3.5
Defined benefit superannuation expense	46.9	34.7

					Consolidated
	2009 $m	2008 $m	2007 $m	2006 $m	2005 $m
(iii) Amount recognised in the balance sheet					
Present value of benefit obligation (wholly funded)	(5,298.0)	(5,333.3)	(5,003.4)	(4,544.9)	(4,171.0)
Fair value of plan assets	5,695.8	6,688.8	6,514.5	5,693.4	4,922.1
Contributions tax reserve	70.2	239.2	266.7	202.8	132.5
Net superannuation asset – non-current (1)	468.0	1,594.7	1,777.8	1,351.3	883.6

(1) 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.

	2009 $m	2008 $m
(iv) Reconciliations		
Changes in the present value of the defined benefit obligation is as follows:		
Opening defined benefit obligation at 1 July	5,333.3	5,003.4
Interest cost	360.3	329.0
Current service cost	191.8	187.8
Benefits paid	(271.3)	(290.0)
Member contributions	69.5	65.5
Actuarial losses on obligation	(385.6)	37.6
Closing defined benefit obligation at 30 June (1)	5,298.0	5,333.3
Changes in the fair value of the plan assets is as follows:		
Opening fair value of plan assets at 1 July	6,688.8	6,514.5
Expected return on plan assets	522.3	496.8
Contributions by employer	46.9	34.7
Member contributions	69.5	65.5
Benefits paid	(271.3)	(290.0)
Actuarial losses	(1,343.3)	(118.0)
Plan expenses	(11.8)	(11.2)
Contributions tax reserve	(5.3)	(3.5)
Fair value of plan assets at 30 June (1)	5,695.8	6,688.8

(1) Included in the obligation and plan assets above is $2,489.5 million (2008: $2,763.5 million) relating to member-financed accumulation benefits.

The group expects to contribute approximately $129.3 million to its defined benefit pension plan in 2009–10.

12 Superannuation (continued)

	Consolidated 2009[1] %	2008 %
(v) Categories of plan assets		
The major categories of plan assets as a percentage of the fair value of total plan assets is as follows:		
Public market equities	3	11
Public market debt	6	15
Cash	18	12
Real estate	35	31
Other	38	31

(1) Within the Real Estate and Other categories included in the 2009 year above, approximately 6% of the assets were valued at or before 31 December 2008, 89.4% were valued between 31 March and 30 June 2009, 4.6% were valued at 30 June 2009 and 0% were valued at cost. All Public market equities and debt were valued at 30 June 2009.

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 Australia Post shops.

	2009 $m	2008 $m
(vi) Actual return on plan assets		
Actual (loss)/return on plan assets	(944.2)	389.8
(vii) Cumulative actuarial gains and losses		
Actuarial losses recognised in the year in the statement of recognised income and expense	957.7	155.6
Contributions tax	169.0	27.5
	1,126.7	183.1
Cumulative actuarial losses/(gains) recognised in the statement of recognised income and expense	405.7	(721.0)

	Consolidated 2009 $m	2008 $m	2007 $m	2006 $m	2005 $m
(viii) Experience adjustments					
Experience adjustments on plan liabilities	377.6	(68.7)	(308.8)	(240.0)	(171.2)
Experience adjustments on plan assets	(1,343.3)	(118.0)	547.1	521.7	312.7

(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 2009 %	2008 %
Discount rate [1]	5.5	5.5
Expected after-tax rate of return on assets	8.3	8.0
Future salary increases	5.0	5.0

(1) In 2008, an allowance was made in the discount rate for 15% investment tax. The 2009 rate is a pre-tax rate. The change occurs prospectively and has arisen due to a change in the industry interpretation of the accounting standard.

(x) Superannuation Act 1976

The superannuation 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.

					Consolidated
	Land $m	Buildings $m	Total land & buildings $m	Plant & equipment $m	Total $m
13 Analysis of property, plant & equipment					
Reconciliation of the opening and closing balances of property, plant & equipment					
Gross book value	213.6	950.4	1,164.0	1,252.0	2,416.0
Accumulated depreciation	0.0	(390.9)	(390.9)	(717.8)	(1,108.7)
Net book value at 30 June 2007	**213.6**	**559.5**	**773.1**	**534.2**	**1,307.3**
Additions	10.0	91.7	101.7	108.8	210.5
Depreciation	0.0	(47.4)	(47.4)	(95.2)	(142.6)
Disposals	(0.5)	(2.1)	(2.6)	(13.3)	(15.9)
Transfers to intangibles	0.0	0.0	0.0	(0.3)	(0.3)
Transfers to investment properties	(5.4)	(42.4)	(47.8)	0.0	(47.8)
Gross book value	217.7	988.8	1,206.5	1,310.2	2,516.7
Accumulated depreciation	0.0	(429.5)	(429.5)	(776.0)	(1,205.5)
Net book value at 30 June 2008 (1)	**217.7**	**559.3**	**777.0**	**534.2**	**1,311.2**
Additions	4.5	102.2	106.7	119.7	226.4
Depreciation	0.0	(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)	0.0	(2.9)
Gross book value	217.8	1,061.5	1,279.3	1,367.4	2,646.7
Accumulated depreciation	0.0	(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**

(1) Were the entity to apply the fair value methodology, the net book value of land and buildings would be $1,465.9 million (2008: $1,579.5 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 2007	0.0	0.0	0.0	67.6	67.6
Depreciation	0.0	0.0	0.0	(8.9)	(8.9)
As at 30 June 2008	0.0	0.0	0.0	58.7	58.7
Depreciation	0.0	0.0	0.0	(8.6)	(8.6)
As at 30 June 2009	**0.0**	**0.0**	**0.0**	**50.1**	**50.1**

					Corporation
	Land $m	Buildings $m	Total land & buildings $m	Plant & equipment $m	Total $m

13 Analysis of property, plant & equipment (continued)

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

	Land $m	Buildings $m	Total land & buildings $m	Plant & equipment $m	Total $m
Gross book value	211.1	947.8	1,158.9	1,222.8	2,381.7
Accumulated depreciation	0.0	(390.6)	(390.6)	(704.3)	(1,094.9)
Net book value at 30 June 2007	**211.1**	**557.2**	**768.3**	**518.5**	**1,286.8**
Additions	10.0	91.6	101.6	105.9	207.5
Depreciation	0.0	(47.1)	(47.1)	(91.3)	(138.4)
Disposals	(0.5)	(1.8)	(2.3)	(13.1)	(15.4)
Transfers to investment properties	(5.4)	(42.4)	(47.8)	0.0	(47.8)
Gross book value	215.2	986.5	1,201.7	1,278.6	2,480.3
Accumulated depreciation	0.0	(429.0)	(429.0)	(758.6)	(1,187.6)
Net book value at 30 June 2008 (1)	**215.2**	**557.5**	**772.7**	**520.0**	**1,292.7**
Additions	4.5	101.4	105.9	117.3	223.2
Depreciation	0.0	(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	0.0	(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**

(1) Were the entity to apply the fair value methodology, the net book value of land and buildings would be $1,464.1 million (2008: $1,575.2 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 2007	0.0	0.0	0.0	67.6	67.6
Depreciation	0.0	0.0	0.0	(8.9)	(8.9)
As at 30 June 2008	0.0	0.0	0.0	58.7	58.7
Depreciation	0.0	0.0	0.0	(8.6)	(8.6)
As at 30 June 2009	**0.0**	**0.0**	**0.0**	**50.1**	**50.1**

14 Analysis of intangibles

	Computer software $m	Goodwill $m	Other intangibles $m	Total intangibles $m
				Consolidated
Reconciliation of the opening and closing balances of intangibles				
Gross book value	545.0	67.8	14.6	627.4
Accumulated amortisation	(429.1)	0.0	(5.7)	(434.8)
Net book value as at 30 June 2007	**115.9**	**67.8**	**8.9**	**192.6**
Additions by purchase	82.6	1.0	0.7	84.3
Amortisation expense	(35.9)	0.0	(7.6)	(43.5)
Impairment loss	0.0	(12.0)	0.0	(12.0)
Settlement of contingent consideration	0.0	(2.0)	0.0	(2.0)
Disposals	(1.3)	0.0	0.0	(1.3)
Transfers	0.3	0.0	0.0	0.3
Gross book value	634.7	66.8	15.3	716.8
Accumulated amortisation	(473.1)	(12.0)	(13.3)	(498.4)
Net book value as at 30 June 2008	**161.6**	**54.8**	**2.0**	**218.4**
Additions by purchase	83.3	0.0	1.0	84.3
Amortisation expense	(52.6)	0.0	(1.2)	(53.8)
Impairment loss	0.0	(24.4)	0.0	(24.4)
Disposals	(0.7)	0.0	0.0	(0.7)
Gross book value	716.1	66.8	16.3	799.2
Accumulated amortisation	(524.5)	(36.4)	(14.5)	(575.4)
Net book value as at 30 June 2009	**191.6**	**30.4**	**1.8**	**223.8**

	Computer software $m	Goodwill $m	Other intangibles $m	Total intangibles $m
				Corporation
Reconciliation of the opening and closing balances of intangibles				
Gross book value	542.5	12.4	0.0	554.9
Accumulated amortisation	(427.5)	0.0	0.0	(427.5)
Net book value as at 30 June 2007	**115.0**	**12.4**	**0.0**	**127.4**
Additions by purchase	77.8	1.0	0.0	78.8
Amortisation expense	(35.3)	0.0	0.0	(35.3)
Disposals	(1.0)	0.0	0.0	(1.0)
Gross book value	618.6	13.4	0.0	632.0
Accumulated amortisation	(462.1)	0.0	0.0	(462.1)
Net book value as at 30 June 2008	**156.5**	**13.4**	**0.0**	**169.9**
Additions by purchase	81.9	0.0	0.0	81.9
Amortisation expense	(49.2)	0.0	0.0	(49.2)
Transfers from investment	0.0	7.9	0.0	7.9
Gross book value	699.3	21.3	0.0	720.6
Accumulated amortisation	(510.1)	0.0	0.0	(510.1)
Net book value as at 30 June 2009	**189.2**	**21.3**	**0.0**	**210.5**

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

	Consolidated		Corporation	
	2009 $m	2008 $m	2009 $m	2008 $m
15 Investment properties				
Opening balance as at 1 July	238.4	127.1	241.3	130.0
Additions	0.5	0.3	0.5	0.3
Net transfer to investment property	2.9	47.8	0.0	47.8
Disposals	(3.5)	(1.2)	(3.5)	(1.2)
Net (loss)/gain from fair value adjustments	(18.8)	64.4	(18.8)	64.4
Closing balance as at 30 June	219.5	238.4	219.5	241.3

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 2009 and 30 June 2008. 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	
	2009 $m	2008 $m	2009 $m	2008 $m
16 Impairment testing of goodwill				
Goodwill acquired through business combinations has been allocated to individual cash-generating units as follows:				
Post Logistics Group	0.0	24.4	0.0	0.0
Messenger Post	19.9	19.9	19.9	12.0
The Printsoft eLetter Group	9.1	9.1	0.0	0.0
Other	1.4	1.4	1.4	1.4
	30.4	54.8	21.3	13.4

The recoverable amount of all goodwill 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% (2008: 2.5% to 4.0%). After this period a 1.5% to 2.5% (2008: 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 13.1% and 13.2% (2008: 11.4% and 12.0%).

At 30 June 2009, the carrying value of Goodwill for the Post Logistics Group CGU was tested for impairment based on value in use. This test resulted in an impairment charge of $24.4 million (2008: $12 million) being recognised in the consolidated accounts against goodwill and $33.1 million (2008: $12 million) in the corporation's accounts against the investment balance (see note 10).

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	
	2009 $m	2008 $m	2009 $m	2008 $m
17 Other non-current assets				
Interest rate swap contracts	9.7	0.0	9.7	0.0
Prepayments	3.8	3.9	3.7	3.8
Total other non-current assets	**13.5**	**3.9**	**13.4**	**3.8**

18 Current liabilities – trade and other payables

	2009 $m	2008 $m	2009 $m	2008 $m
Trade creditors (1)	299.5	295.4	282.9	281.2
Other:				
Agency creditors (1)	168.9	222.9	168.9	222.9
Salaries and wages	49.0	43.3	47.1	42.2
Borrowing costs (2)	5.6	10.8	5.6	10.8
Unearned postage revenue	59.4	56.7	59.4	56.7
Other advance receipts	84.4	81.2	80.4	77.6
Deferred government grant income	8.0	11.2	8.0	11.2
Payables to controlled and jointly controlled entities (see note 28)	17.9	17.6	20.5	24.9
Goods and services tax payable	20.1	14.8	20.1	14.8
Financial guarantees (3)	0.1	0.3	0.1	0.3
Forward exchange contracts	1.2	0.4	1.2	0.4
Other payables	84.8	49.4	78.9	42.0
	499.4	508.6	490.2	503.8
Total current payables	**798.9**	**804.0**	**773.1**	**785.0**

(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, 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 during 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 $66.1 million (2008: $140.9 million) and is included within the disclosures of note 29(i).

19 Interest-bearing liabilities

	2009 $m	2008 $m	2009 $m	2008 $m
Current				
Bank overdraft and other loans	0.6	0.2	0.0	0.0
Fixed rate unsecured bonds payable – within one year	0.0	295.8	0.0	295.8
Interest rate swaps – within one year	0.0	4.2	0.0	4.2
Finance lease and hire purchase liabilities payable – within one year	0.3	0.8	0.0	0.0
Total current interest-bearing liabilities	**0.9**	**301.0**	**0.0**	**300.0**
Non-current				
Fixed-rate unsecured bonds payable – in one to five years	541.7	218.4	541.7	218.4
Interest rate swaps – in one to five years	18.9	11.1	18.9	11.1
Total non-current interest-bearing liabilities	**560.6**	**229.5**	**560.6**	**229.5**

$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	
	2009 $m	2008 $m	2009 $m	2008 $m
20 Provisions				
Current provisions				
Annual leave	183.2	188.0	179.0	183.9
Long service leave	316.0	275.8	314.9	274.8
Workers' compensation	24.4	25.2	24.4	25.2
Separations and redundancies	20.2	8.4	18.9	7.5
Other employee	46.3	32.2	45.8	31.6
Balance at 30 June 2009	**590.1**	**529.6**	**583.0**	**523.0**
Non-current provisions				
Long-service leave	37.9	37.4	36.5	36.3
Workers' compensation	86.9	81.5	86.9	81.5
Make good (1)	45.4	48.3	41.9	46.2
Balance at 30 June 2009	**170.2**	**167.2**	**165.3**	**164.0**
Total provisions	**760.3**	**696.8**	**748.3**	**687.0**

(1) 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:

	Consolidated 2009 $m	Consolidated 2008 $m	Corporation 2009 $m	Corporation 2008 $m
Make good provision				
Balance at 1 July	48.3	45.6	46.2	43.2
Reassessments and additions	4.0	2.4	2.8	2.4
Unused amount reversed	(4.1)	(1.0)	(4.1)	(1.0)
Payments made	(4.4)	(0.8)	(4.4)	(0.4)
Unwinding and discount rate adjustment	1.6	2.1	1.4	2.0
Balance at 30 June	**45.4**	**48.3**	**41.9**	**46.2**

21 Other non-current liabilities

	Consolidated 2009 $m	Consolidated 2008 $m	Corporation 2009 $m	Corporation 2008 $m
Deferred interest	0.0	0.1	0.0	0.1
Loans from controlled entities (see note 28)	0.0	0.0	2.9	1.2
Other payables	11.4	10.0	11.4	10.0
Total other non-current liabilities	**11.4**	**10.1**	**14.3**	**11.3**

					Consolidated
	Total reserves (note 23) $m	Contributed equity $m	Retained profits $m	Minority interest $m	Total equity $m

22 Analysis of total equity

	Total reserves (note 23) $m	Contributed equity $m	Retained profits $m	Minority interest $m	Total equity $m
Balance at 1 July 2007	4.6	400.0	2,407.5	0.3	2,812.4
Operating profit	–	–	432.2	(0.1)	432.1
Translation differences on group operations	0.5	–	–	–	0.5
Actuarial losses (superannuation asset)	–	–	(183.1)	–	(183.1)
Deferred tax	–	–	54.9	–	54.9
Movement in jointly controlled entities reserves	0.3	–	–	–	0.3
Revaluation of cashflow hedge – gross	4.0	–	–	–	4.0
Deferred tax	(1.2)	–	–	–	(1.2)
Transfer to suppliers expense in net profit on cashflow hedge – gross	(5.4)	–	–	–	(5.4)
Deferred tax	1.6	–	–	–	1.6
Transfer to initial cost of computer software and equipment on cashflow hedge – gross	0.1	–	–	–	0.1
Dividends (see note 24)	–	–	(306.3)	–	(306.3)
Balance at 30 June 2008	**4.5**	**400.0**	**2,405.2**	**0.2**	**2,809.9**
Operating profit	–	–	260.6	(0.1)	260.5
Translation differences on group operations	(0.1)	–	–	–	(0.1)
Actuarial losses (superannuation asset)	–	–	(1,126.7)	–	(1,126.7)
Deferred tax	–	–	338.0	–	338.0
Jointly controlled entities actuarial gains and losses	–	–	(6.8)	–	(6.8)
Minority interest acquired (1)	–	–	(1.2)	(0.1)	(1.3)
Movement in jointly controlled entities reserves	(0.3)	–	–	–	(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
Dividends (see note 24)	–	–	(427.8)	–	(427.8)
Balance at 30 June 2009	**3.8**	**400.0**	**1,441.3**	**–**	**1,845.1**

(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
	Total reserves (note 23) $m	Contributed equity $m	Retained profits $m	Minority interest $m	Total equity $m

22 Analysis of total equity (continued)

	Total reserves (note 23) $m	Contributed equity $m	Retained profits $m	Minority interest $m	Total equity $m
Balance at 1 July 2007	5.4	400.0	2,374.4	–	2,779.8
Operating profit	–	–	446.2	–	446.2
Actuarial losses (superannuation asset)	–	–	(183.1)	–	(183.1)
Deferred tax	–	–	54.9	–	54.9
Revaluation of cashflow hedge – gross	4.0	–	–	–	4.0
Deferred tax	(1.2)	–	–	–	(1.2)
Transfer to suppliers expense in net profit on cashflow hedge – gross	(5.4)	–	–	–	(5.4)
Deferred tax	1.6	–	–	–	1.6
Transfer to initial cost of computer software and equipment on cashflow hedge – gross	0.1	–	–	–	0.1
Dividends (see note 24)	–	–	(306.3)	–	(306.3)
Balance at 30 June 2008	**4.5**	**400.0**	**2,386.1**	**–**	**2,790.6**
Operating profit	–	–	245.4	–	245.4
Actuarial losses (superannuation asset)	–	–	(1,126.7)	–	(1,126.7)
Deferred tax	–	–	338.0	–	338.0
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
Dividends (see note 24)	–	–	(427.8)	–	(427.8)
Balance at 30 June 2009	**4.2**	**400.0**	**1,415.0**	**–**	**1,819.2**

23 Analysis of reserves

	Asset revaluation reserve (1) $m	Foreign currency translation reserve (2) $m	Hedging reserve (3) $m	Total reserves $m
	Consolidated			
Balance at 1 July 2007	4.8	(0.3)	0.1	4.6
Translation differences on group operations	–	0.5	–	0.5
Movement in jointly controlled entities reserves	–	–	0.3	0.3
Revaluation of cashflow hedge – gross	–	–	4.0	4.0
Deferred tax	–	–	(1.2)	(1.2)
Transfer to suppliers' expense in net profit on cashflow hedge – gross	–	–	(5.4)	(5.4)
Deferred tax	–	–	1.6	1.6
Transfer to initial cost of computer software and equipment on cashflow hedge – gross	–	–	0.1	0.1
Balance at 30 June 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**

	Asset revaluation reserve (1) $m	Foreign currency translation reserve (2) $m	Hedging reserve (3) $m	Total reserves $m
	Corporation			
Balance at 1 July 2007	4.8	–	0.6	5.4
Revaluation of cashflow hedge – gross	–	–	4.0	4.0
Deferred tax	–	–	(1.2)	(1.2)
Transfer to suppliers' expense in net profit on cashflow hedge – gross	–	–	(5.4)	(5.4)
Deferred tax	–	–	1.6	1.6
Transfer to initial cost of computer software and equipment on cashflow hedge – gross	–	–	0.1	0.1
Balance at 30 June 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**

(1) The asset revaluation reserve relates to the revaluation of land and buildings before its 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	
	2009 $m	2008 $m	2009 $m	2008 $m
24 Dividends paid				
Final ordinary dividend (from prior-year results)	186.6	158.3	186.6	158.3
Interim ordinary dividend	91.2	148.0	91.2	148.0
Special dividend	150.0	0.0	150.0	0.0
Total dividends paid	**427.8**	**306.3**	**427.8**	**306.3**
Dividend not recognised as a liability (see note 33)	92.8	298.2	92.8	298.2

	Consolidated		Corporation	
	2009 $	2008 $	2009 $	2008 $
25 Auditor's remuneration [1]				
Amounts received or due and receivable by the corporation's auditor for:				
• an audit or review of the financial report of the entity and any other entity in the consolidated entity	1,335,700	1,207,000	1,156,400	1,020,000
• other services in relation to the entity and any other entity in the consolidated entity				
– assurance related	159,000	170,000	159,000	170,000
– special audits required by regulators [2]	100,000	100,000	100,000	100,000
Total auditor's remuneration	**1,594,700**	**1,477,000**	**1,415,400**	**1,290,000**

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

26 Segment information

The group's primary segment reporting format is business segments, as the group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary segment information is reported geographically.

The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated on consolidation.

The following represent the segments the group operates in:

Letters & associated services
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.

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

26 Segment information (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 2009 and 30 June 2008.

2009	Letters & associated services $m	Parcels & logistics $m	Agency services & retail merchandise $m	Other and 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	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 joint ventures	–	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 intangible assets	–	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

26 Segment information (continued)

2008	Letters & associated services $m	Parcels & logistics $m	Agency services & retail merchandise $m	Other and unallocated $m	Total $m
Revenue					
Revenue and other income	2,731.2	1,315.1	713.4	128.6	4,888.3
Inter-segment sales	–	–	–	–	–
Total segment revenue	2,731.2	1,315.1	713.4	128.6	4,888.3
Interest revenue					48.6
Consolidated revenue					4,936.9
Result					
Segment result	148.5	224.1	86.5	102.8	561.9
Share of net profits of equity-accounted jointly controlled entities	–	22.3	–	–	22.3
Profit before interest and income tax expense	148.5	246.4	86.5	102.8	584.2
Income tax expense					(160.1)
Net interest					8.0
Net profit for period					432.1
Assets					
Segment assets [(1)]	1,331.0	720.0	458.5	1,063.1	3,572.6
Superannuation asset	–	–	–	1,594.7	1,594.7
Investments in joint ventures	–	308.2	–	1.5	309.7
Total assets	1,331.0	1,028.2	458.5	2,659.3	5,477.0
Liabilities					
Segment liabilities	932.3	235.5	346.5	1,152.8	2,667.1
Other segment information					
Capital expenditure	187.2	54.0	21.1	32.5	294.8
Depreciation and amortisation expense	118.1	49.4	14.2	4.4	186.1
Impairment loss on intangible assets	–	12.0	–	–	12.0
Change in value of investment properties	–	–	–	(64.4)	(64.4)
Other non-cash expenses	118.1	61.4	14.2	(60.0)	133.7

(1) To ensure consistency with the current-year asset allocation, prior-year amounts have been reclassified. The revised allocation results in assets under construction remaining in Other and unallocated until completion of construction, at which time the asset is transferred to the appropriate segment.

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

Accounting policies
Segment accounting policies are the same as described in note 1.

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.

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 information (continued)

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.

	2009 $m	2008 $m
Letters & associated services	1,676.6	1,858.1
Parcels & logistics	1,130.6	1,151.7
Agency services & retail merchandise	484.6	552.2
Other and unallocated	1628.8	2,717.5
Total	**4920.6**	**6,279.5**

27 Key management personnel remuneration and retirement benefits

(a) Details of key management personnel

(i) Directors

David Mortimer	Chairman (non-executive)
Mark Birrell	Deputy Chairman (non-executive)
Graeme John	Managing Director
Margaret Gibson	Director (non-executive)
Sandra McPhee	Retired as Director (non-executive) 12 April 2009
Thomas Phillips	Retired as Director (non-executive) 22 November 2008
Ian Warner	Director (non-executive)
Mark Darras	Appointed as Director (non-executive) 31 October 2008
William Mansfield	Appointed as Director (non-executive) 31 October 2008

(ii) Executives

Alec Ceselli	General Manager, Post Logistics – resigned from role 17 April 2009
Mark Howard	General Manager, Corporate Infrastructure Services Division
James Marshall	General Manager, Mail & Networks Division
Rodney McDonald	Group Manager, Human Resources
Peter Meehan	Chief Finance Officer
Bill Mitchell	General Manager, Commercial Division
Terry Sinclair	General Manager, Corporate Development – appointed 1 January 2008

(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's compensation arrangements.

Remuneration levels for Australia Post's non-executive directors for 2008–09 were as follows:

	$
Chairman	153,600
Deputy Chairman	85,685
Directors	76,810
Audit Committee Chairman	17,750
Audit Committee Member	8,875

Details of individual amounts received in 2008–09 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). Compensation arrangements for senior executives are reviewed and determined by the managing director, 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. In doing so 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 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 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 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's or another senior executive's employment for reasons other than performance or misconduct, they are entitled to: in the case of the managing director, 60 days' payment in lieu of notice and a termination payment of 1.5 times 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 on annual base salary.

(c) Other transactions 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	
	2009 $	2008 $	2009 $	2008 $
Short-term benefits	7,670,058	7,936,377	7,670,058	7,936,377
Post-employment benefits	1,091,362	1,048,301	1,091,362	1,048,301
Other long-term benefits	199,051	290,846	199,051	290,846
Termination benefits	–	–	–	–
Total compensation	**8,960,471**	**9,275,524**	**8,960,471**	**9,275,524**

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 was as follows.

	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
	2,022,199	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	**5,352,494**	**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 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 reflects 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 the executive occupied a key management position.

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 2008 [6]	Cash salary [1] $	At-risk component [2] $	Non-monetary benefits [3] $	Superannuation benefits [4] $	Long-service leave $	Termination $	Total $
Directors							
David Mortimer	155,765	–	1,856	22,274	–	–	179,895
Mark Birrell	82,145	–	–	11,747	–	–	93,892
Graeme John	1,333,322	1,064,560	71,571	337,871	83,479	–	2,890,803
Margaret Gibson	90,650	–	–	12,963	–	–	103,613
Peter McLaughlin	67,604	–	–	9,667	–	–	77,271
Sandra McPhee	82,145	–	–	11,747	–	–	93,892
Thomas Phillips	73,640	–	1,883	10,531	–	–	86,054
Ian Warner	82,145	–	–	11,747	–	–	93,892
	1,967,416	1,064,560	75,310	428,547	83,479	–	3,619,312
Executives							
Alec Ceselli	377,277	44,328	48,358	55,070	15,281	–	540,314
Mark Howard	428,522	238,544	3,648	89,294	15,673	–	775,681
James Marshall	655,176	350,664	1,175	131,049	57,367	–	1,195,431
Rodney McDonald	390,119	212,244	4,847	79,304	21,029	–	707,543
Peter Meehan	484,607	277,334	4,323	103,694	29,277	–	899,235
Bill Mitchell	504,735	289,144	88,760	107,928	63,413	–	1,053,980
Terry Sinclair [5]	243,164	149,763	32,359	53,415	5,327	–	484,028
	3,083,600	1,562,021	183,470	619,754	207,367	–	5,656,212
Total key management personnel	**5,051,016**	**2,626,581**	**258,780**	**1,048,301**	**290,846**	**–**	**9,275,524**

(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 reflects 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 the executive occupied a key management position.
(6) Where necessary, comparatives have been restated for consistency with current-year disclosures or to reflect the availability of more accurate information.

28 Related parties

The consolidated financial statements include the financial statements of the 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	
	2009 $m	2008 $m	2009 $m	2008 $m
Other transactions with related parties				
Payments for collection and delivery services				
Jointly controlled entities	59.9	67.0	59.7	67.0
Controlled entities	–	–	0.1	0.7
Payments for management and administrative services				
Jointly controlled entities	56.4	54.9	41.3	42.0
Controlled entities	–	–	24.4	23.8
Payments for accommodation				
Jointly controlled entities	2.0	2.3	2.0	2.3
Revenue from collection and delivery services				
Jointly controlled entities	16.1	14.4	14.1	14.4
Controlled entities	–	–	5.0	9.1
Revenue from administrative services				
Jointly controlled entities	12.0	11.4	11.4	10.7
Controlled entities	–	–	0.7	3.8
Dividends received or receivable (see note 2)				
Jointly controlled entities	–	–	15.1	21.1
Interest received				
Jointly controlled entities	10.3	11.4	10.3	10.3
Controlled entities	–	–	1.6	1.9
Aggregate amounts receivable from and payable to other related parties at balance date				
Current receivables				
Jointly controlled entities	1.5	1.7	1.2	1.7
Controlled entities	–	–	1.1	–
Current payables				
Jointly controlled entities	17.9	17.6	14.4	17.6
Controlled entities	–	–	6.1	7.3
Loans advanced to:				
Jointly controlled entities	130.7	130.3	130.7	130.3
Controlled entities	–	–	16.8	15.7
Loans advanced from:				
Controlled entities	–	–	2.9	1.2

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 2009 is $16.5 million (2008: $16.0 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 2009, the corporation expensed $16.6 million with respect to amounts owed by related parties (2008: $1.1 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 that have transacted with the Australian Postal Corporation Group. These transactions have occurred on terms and conditions no more favourable than those that 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 that are likely to adversely affect the financial performance, continued growth and its survival. In terms of financial and commodity risk management, the corporation takes a risk-averse approach to financial risk management in that it seeks 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 continues to hold the AAA rating from the independent ratings agency Standard & Poor's achieved when first rated in 1994.

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	
	2009 $m	2008 $m	**2009 $m**	2008 $m
Financial assets				
Loans and receivables (including cash and cash equivalents)	1,285.8	1,425.7	1,251.4	1,413.5
Derivative instruments in designated hedge accounting relationships	9.8	0.0	9.8	0.0
Financial liabilities				
Other financial liabilities at amortised cost	626.5	640.4	606.8	625.2
Other financial liabilities designated in fair value hedge relationships at amortised cost and adjusted by the gain/loss attributable to interest rate risk	541.7	514.2	541.7	514.2
Derivative instruments in designated hedge accounting relationships	20.1	15.7	20.1	15.7
Financial guarantee contracts	0.1	0.3	0.1	0.3

(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	
	2009 $m	2008 $m	**2009 $m**	2008 $m
Interest revenue (see note 2)	34.4	48.6	35.6	50.1
Foreign exchange gain/(loss)	6.2	(8.6)	6.2	(8.6)
Impairment loss (see note 3)	(0.8)	(0.4)	(17.9)	(1.2)
Net gain on loans and receivables	**39.8**	**39.6**	**23.9**	**40.3**

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	
	2009 $m	2008 $m	**2009 $m**	2008 $m
Interest expense (see note 4)	34.6	33.0	34.0	32.8
Foreign exchange gain/(loss)	4.7	(5.8)	5.0	(6.2)
Net loss on financial liabilities measured at amortised cost	**39.3**	**27.2**	**39.0**	**26.6**

(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 (see note 29(f)), commodity prices (see note 29(g)) and interest rates (see 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 amounts are currently relatively immaterial to the corporation in terms of net cashflows and profit and loss impact arising from foreign exchange fluctuations and therefore are not hedged.

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

	Corporation and Consolidated	
	2009 (AUD) $m	2008 (AUD) $m
Trade and other receivables	191.7	160.6
Trade and other payables	(128.5)	(111.3)
Net exposure	**63.2**	**49.3**

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 of 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 exchange contracts.

Forward exchange contracts

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

	Corporation and Consolidated			
	2009		2008	
	Average exchange rate	Notional amount (US) $m	Average exchange rate	Notional amount (US) $m
Buy US$				
0–6 months	0.744	11.0	0.933	5.0
7–12 months	0.654	–	0.858	2.2
12 months+	–	–	0.850	1.4
		11.0		**8.6**

All forward exchange 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 exchange contracts designated as hedging instruments is a liability of $1.1 million (2008: asset of $0.4 million) for the corporation and the group. The portion of the gain or loss on the designated forward exchange 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 exchange 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 9 months (2008: 13 months) after balance date, at which stage the amount deferred in equity will be included in the initial cost of the inventory, intangible or 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 15 years after the assets are available for use.

Foreign exchange translation exposures for foreign subsidiaries and joint ventures 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 12% (2008: 10%) favourable/unfavourable change in the Australian dollar against the SDR 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 and the stipulated change taking place at the beginning of the financial year and being held constant throughout the reporting period.

The method used to arrive at the possible risk of 12% was based on both statistical and non-statistical analyses. The statistical analysis has been based on the currency movement for the last five years. This information is then revised and adjusted for reasonableness under the current economic circumstances. A rate of 12% is considered reasonable because it is reasonably possible that there will be a greater volatility compared to that experienced in recent years, however, not to the extent of the extraordinary volatility experienced in the year ended 30 June 2009.

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	
	2009 $m	2008 $m	**2009 $m**	2008 $m
Impact on profit after tax at reporting date, with all other variables held constant of a:				
12% (2008: 10%) strengthening of the Australian dollar against the SDR from:				
Financial assets	(14.4)	(10.2)	(14.4)	(10.2)
Financial liabilities	9.6	7.1	9.6	7.1
	(4.8)	(3.1)	(4.8)	(3.1)
12% (2008: 10%) weakening of the Australian dollar against the SDR from:				
Financial assets	16.1	11.2	16.1	11.2
Financial liabilities	(10.8)	(7.8)	(10.8)	(7.8)
	5.3	3.4	5.3	3.4

The receivables and payables denominated in SDR, on which the sensitivity is shown in the table above, are not necessarily representative of the corporation's and the group's exposure to currency risk for the years ended 30 June 2008 and 30 June 2009. 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. There were no oil swap contracts outstanding as at 30 June 2008 and 30 June 2009. The hedging strategy is set annually as part of the planning process and the hedging activities are evaluated monthly.

Commodity price sensitivity

There was no sensitivity from financial instruments to commodity prices as at 30 June 2008 and 30 June 2009 as there were no outstanding commodity swap contracts outstanding at reporting date. There were fuel swap contracts in place during the years ended 30 June 2008 and 30 June 2009 which matured before to reporting date, hence the sensitivity on equity as at 30 June 2008 and 30 June 2009 is not representative of the commodity price risk inherent in the use of fuel swap contracts during the current and prior year.

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	
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	0.0	0.0	0.2	6.4
Financial liabilities					
Fixed rate					
Bonds payable	19	541.7	6.0	541.7	6.0
Interest rate swaps		(541.7)	6.0	(541.7)	6.0
Floating rate					
Interest rate swaps		550.9	6.5	550.9	6.5

		Consolidated		Corporation	
2008	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	130.3	8.0	130.3	8.0
Floating rate					
Cash and cash equivalents		427.2	7.2	420.0	7.2
Loans to controlled entities	9	0.0	0.0	15.7	7.0
Financial liabilities					
Fixed rate					
Bonds payable	19	514.2	6.1	514.2	6.1
Interest rate swaps		(514.2)	6.1	(514.2)	6.1
Floating rate					
Interest rate swaps		529.5	7.2	529.5	7.2

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			
	2009		2008	
	Fixed interest rate	Notional principal amount $m	Fixed interest rate	Notional principal amount $m
Fixed for floating interest				
1–2 years	0.00	0.0	6.00	300.0
2–5 years	5.66	555.0	6.25	230.0
		555.0		**530.0**

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. (2008: $300 million tranche was six-monthly BBSW.)

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 earnings 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.

Interest rate sensitivity

The table below details the interest rate sensitivity analyses of the corporation and the group at the reporting date, holding all other variables constant. A 75 (2008: 50) basis point change is deemed to be reasonably possible and is used when reporting interest rate risk. The sensitivity analyses below have 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.

The method used to arrive at the possible change of 75 (2008: 50) basis points was based on both statistical and non-statistical analysis. The statistical analysis has been based on the cash rate for the past five years issued by the Reserve Bank of Australia as the underlying dataset. This information is then revised and adjusted for reasonableness under the current economic circumstances.

75 (2008: 50) basis points is considered reasonable because it is reasonably possible that there will be greater volatility compared to that which has been experienced in recent years, yet not to the extent of the extraordinary volatility experienced in the year ended 30 June 2009.

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	
	2009 $m	2008 $m	2009 $m	2008 $m
Impact on profit after tax at reporting date,with all other variables held constant of a:				
75 (2008: 50) basis point increase in interest rates	1.8	1.7	1.8	1.7
75 (2008: 50) basis point decrease in interest rates	(1.8)	(1.7)	(1.8)	(1.7)

The interest-bearing assets and liabilities on which the sensitivity is shown in the table above are considered representative of the corporation's and group's average interest rate exposure for the years ended 30 June 2008 and 30 June 2009.

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 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 (2008: BBB+ or better) by Standard & 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 joint-venture entity, of $128.2 million (2008: $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	
	2009 $m	2008 $m	**2009 $m**	2008 $m
Maximum credit risk from financial assets and other credit exposures				
Drawn loans to controlled and jointly controlled entities [1]	131.8	131.6	132.0	149.6
Undrawn loan commitments to controlled and jointly controlled entities	4.3	4.3	29.4	26.0
Guarantees provided [2]	256.4	326.9	217.4	287.7

(1) The carrying amount of loans to controlled entities and joint ventures 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.

29 Financial and capital risk management (continued)

(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 and liquidity analysis for derivative financial assets and liabilities. The tables have been drawn up based on the undiscounted cashflows and the earliest date on which the corporation or the group can be required to pay. For derivative financial instruments, the tables have been drawn up 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 tables include both interest and principal cashflows. When the amount payable is not fixed:

- for derivative financial assets and liabilities, the amount disclosed has been determined by reference to the projected cash outflows as illustrated by the yield curve or forward curves existing at balance date
- for financial guarantee contracts and undrawn loan commitments, the amount disclosed has been determined based on the cash outflow that is expected to occur.

								Consolidated
	As at 30 June 2009 Contractual maturity (nominal cashflows)				As at 30 June 2008 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	0.0	626.2	0.0	0.0	0.0	639.6	0.0	0.0
Finance lease and hire purchase liabilities payable	0.0	0.3	0.0	0.0	0.0	0.8	0.0	0.0
Forward exchange contracts	0.0	14.9	0.0	0.0	0.0	7.9	1.7	0.0
Bonds payable	0.0	23.0	31.5	620.6	0.0	323.8	14.4	258.8
Interest rate swaps	0.0	(7.1)	(2.7)	22.8	0.0	7.2	3.5	6.6
	0.0	**657.3**	**28.8**	**643.4**	**0.0**	**979.3**	**19.6**	**265.4**

								Corporation
	As at 30 June 2009 Contractual maturity (nominal cashflows)				As at 30 June 2008 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	0.0	603.9	0.0	0.0	0.0	624.0	0.0	0.0
Forward exchange contracts	0.0	14.9	0.0	0.0	0.0	7.9	1.7	0.0
Bonds payable	0.0	23.0	31.5	620.6	0.0	323.8	14.4	258.8
Interest rate swaps	0.0	(7.1)	(2.7)	22.8	0.0	7.2	3.5	6.6
Loans from controlled entities	2.9	0.0	0.0	0.0	1.2	0.0	0.0	0.0
Undrawn loan commitments to controlled entities	12.0	0.0	0.0	0.0	19.6	0.0	0.0	0.0
	14.9	**634.7**	**28.8**	**643.4**	**20.8**	**962.9**	**19.6**	**265.4**

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. The fair value of cash and cash equivalents and short-term receivables and payables approximates their carrying value.

Except as detailed in the following table, the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximates their fair value.

	Consolidated				Corporation			
	2009		2008		2009		2008	
	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	84.4	103.5	92.2	103.5	84.4	103.5	92.2
Loans to controlled and jointly controlled entities	130.7	133.8	130.3	121.7	130.9	134.0	146.0	137.3
Financial liabilities								
Bonds payable	541.7	537.1	514.2	514.2	541.7	537.1	514.2	514.2

30 Leases

(i) Operating leases

The corporation leases a total of 814 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 32 commercial, 225 industrial, 10 residential, 542 retail and five 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	
	2009 $m	2008 $m
Minimum lease payments	127.0	111.6
Contingent rentals	1.5	4.1
Operating lease rentals (see note 3)	**128.5**	**115.7**

Full details of the ageing of the group's operating leases is contained in the commitments note.

(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.

	2009 $m	2008 $m
Reconciliation of minimum lease payments to lease receivable:		
Gross minimum finance lease rentals receivable	562.2	568.7
Lease finance revenue not yet recognised	(458.7)	(465.2)
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	529.7	536.2
Total	**562.2**	**568.7**

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.

30 Leases (continued)

(iii) Finance lease payable

The group has certain hire purchase and finance lease agreements. The present value of these minimum lease payments is $0.3 million (2008: $0.8 million). $0.3 million (2008: $0.8 million) will be made within a year and the remainder between one to five years.

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	
	2009 $m	2008 $m	2009 $m	2008 $m
Cash on hand	405.5	435.2	394.7	428.0
Promissory notes [1]	101.5	275.0	101.5	275.0
Total cash and cash equivalents	**507.0**	**710.2**	**496.2**	**703.0**

(1) There are no (2008: $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	
	2009 $m	2008 $m	2009 $m	2008 $m
Net profit for the period	**260.5**	**432.1**	**245.4**	**446.2**
Depreciation and amortisation	207.4	186.1	198.5	173.7
Changes in joint ventures not received as dividends	4.3	(0.7)	0.0	0.0
Net revaluation loss/(gain) on investment property	18.8	(64.4)	18.8	(64.4)
Write-down of goodwill/investment	24.4	12.0	49.4	12.0
Write-down of receivables/related party loans	0.8	0.4	17.9	1.2
Net gain from sales of property, plant and equipment	(32.5)	(2.2)	(33.9)	(1.5)
	223.2	131.2	250.7	121.0
Changes in assets and liabilities adjusted for the acquisition of businesses				
Decrease/(increase) in debtors	(50.3)	(56.1)	(49.0)	(56.0)
(Increase)/decrease in inventories	(0.9)	(2.7)	(0.9)	(2.7)
(Increase)/decrease in interest receivable	1.2	(0.2)	1.2	(0.2)
(Increase)/decrease in other current assets	(1.4)	(8.5)	(2.0)	(8.7)
(Increase)/decrease in deferred income tax asset	(27.5)	(14.9)	(24.7)	(14.0)
Increase/(decrease) in creditors and other payables	(39.7)	33.7	(47.2)	35.5
Increase/(decrease) in accrued interest expenditure	(5.2)	2.1	(5.2)	2.1
Increase/(decrease) in advance receipts	2.7	6.2	2.3	6.2
Increase/(decrease) in employee entitlements	66.4	15.3	65.6	14.1
Increase/(decrease) in income tax payable	(23.3)	(18.0)	(23.2)	(17.9)
Increase/(decrease) in deferred income tax liability	28.6	7.0	29.5	8.2
	173.8	95.1	197.1	87.6
Net cash from operating activities	**434.3**	**527.2**	**442.5**	**533.8**

Loan facilities

Fully drawn loan facilities of $555.0 million (2008: $530.0 million) and $0.3 million (2008: $0.8 million) hire purchase and finance leases were held at 30 June 2009 (see note 19).

32 Corporate information

The financial report of the Australian Postal Corporation for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the directors on 27 August 2009.

The Australian Postal Corporation is 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.

Registered office:
321 Exhibition Street
Melbourne Vic 3000
Australia

33 Events after balance date

On 27 August 2009, the directors of the Australian Postal Corporation declared a final dividend in respect of the 2009 financial year. The total amount of the dividend is $92.8 million and this has not been provided for in the 30 June 2009 financial statements.

Community service obligations
for the year ended 30 June 2009

CSOs
Australia Post's Community Service Obligations (CSOs) are set out in s27 of the *Australian Postal Corporation Act 1989* (Cwlth) (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 2008–09. The actual result for each standard is outlined in the table below. The associated ANAO Audit Report is reproduced on pages 111–112.

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 letters service.

For 2008–09, calculated on the avoidable cost methodology, CSO "costs" are estimated to have been $122.3 million.

Performance standards

Standard	2008–09 performance
Lodgement	
10,000 street posting boxes	16,055 ^
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	95.5%
Access	
4,000 retail outlets (2,500 in rural and remote areas)	4,433 ^ (2,541 ^ 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	93.4% ^
• in non-metropolitan areas at least 85% of residences are within 7.5km of an outlet	87.5% ^
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% ^
Complaints (1)	
To be resolved within 10 days on average	Resolved within an average of 5.06 days

^ Results as at 30 June 2009.
(1) Not part of performance regulations, this is a Customer Service Charter commitment.

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 2009

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 2009.

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 Australian Auditing Standards 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
Phone (02) 6203 7500 Fax (02) 6273 5355
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.

These procedures have been undertaken to form an opinion whether, in all material respects, the Corporation has complied with the prescribed performance standards.

The audit opinion expressed in this report has been formed on the above basis.

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. I have provided a report to the Corporation on exceptions noted, potential performance improvements, the Corporation's performance compared with best practice and the positive assurance report on compliance. Nothing in that report has caused me to modify my opinion presented below.

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, as amended, during the year ended 30 June 2009.

Australian National Audit Office

Ian McPhee

Auditor-General

Melbourne

27 August 2009

Domestic letter service monitor
for the year ended 30 June 2009

RESEARCH INTERNATIONAL

LEVEL 1
290 Burwood Road
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VIC 3122
AUSTRALIA

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July 22, 2009

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 2009 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 313,387 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 2009 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 have not been calculated in accordance with the business rules or do not fairly represent the performance of Australia Post's domestic letter service for the year ended 30/06/2009."

Results

For the year ended June 2009, the monitor showed that Australia Post delivered 95.5 per cent of all letters early or on time, and 98.8 per cent of letters were delivered on time or not more than one working day after your delivery undertakings.

Domestic letter service monitor (continued)

for the year ended 30 June 2009

RESEARCH INTERNATIONAL

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290 Burwood Road
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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 2009 against the scope provided.

Yours faithfully,

Tania Kullmann
Managing Director
Research International Ltd

Margaret Persico
Account Director
Research International Ltd

Survey certification
for the year ended 30 June 2009

Deloitte.

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Tania Kullman
Managing Director
Research International
48 Pyrmont Bridge Road
Pyrmont NSW 2009
Australia

22 July 2009

Dear Tania

Re: Research International / Australia Post Performance Metric: Deloitte Certification Period 01/07/2008 to 30/06/2009 – for Basic Letters

Research International is performing an external mail monitoring service for Australia Post within a defined set of parameters that have been agreed between Australia Post and Research International.

The external mail monitor covers basic (domestic) letters carried across the Australia Post network.

Deloitte has re-performed the calculation of the delivery performance figure by using the data output from the CIS system and the associated business rules which are integral to the Research International monitor in order to provide assurance regarding the accuracy of the measurements calculated by Research International. This letter sets out the results of the Deloitte re-performance of Research International's calculation for the period 01/07/2008 to 30/06/2009.

Scope and Objective

The management of Research International is responsible for the calculation and delivery of the performance metrics to Australia Post. We have conducted an independent assessment of the calculation of the delivery performance metric for the period, in order to form an opinion whether, in all material respects, the delivery performance metric calculation is in accordance with the business rules agreed between Research International and Australia Post.

The engagement was performed in accordance with Australian Standard on Assurance Engagements ASAE 3000, "Assurance Engagements Other than Audits or Reviews of Historical Financial Information." Our procedures were designed to provide limited assurance as defined by ASAE 3000 which recognises the fact that absolute assurance is rarely attainable due to such factors as the use of judgement in gathering and evaluating and forming conclusions, the use of selective testing, the inherent limitations of internal control, and because much of the evidence available to the auditors is persuasive rather than conclusive in nature. Further information in relation to the extent of the procedures performed and the scope of our engagement is detailed in our engagement letter dated 01/08/2006, updated on 15/08/2008.

This report has been prepared for distribution to Research International. 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 any other persons or users, or for any purpose other than that for which it was prepared.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of
Deloitte Touche Tohmatsu

Deloitte.

Page 2
22 July 2009

Inherent Limitations

Because of the inherent limitations of any internal control structure it is possible that fraud, error, or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure, within which the processes that we have audited operate, has not been audited and no opinion is expressed as to its effectiveness.

An assurance engagement 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 evaluation of Deloitte's re-performance of this year's results 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 opinion expressed in this report has been formed on the above basis.

Findings

Based upon the data and business rules provided by Research International as at 16/07/2009, Deloitte has re-performed the Overall Letter Service Performance for basic letters.

The table below outlines 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	95.5% ±0.1	95.5%

Deloitte chose a random sample of invalidated ('dudded') transactions, and obtained 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. No exceptions were noted.

Conclusion

Based on the work performed, nothing has come to our attention that would suggest that the results reported by Research International have not been calculated in accordance with the business rules or do not fairly represent the performance of Australia Post's domestic letter service for the year ended 30/06/2009.

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 2009

Estimated results of product dissection between reserved and non-reserved services

	Reserved		Non-reserved		Total	
	$m	%	$m	%	$m	%
Consolidated results						
Revenue	1,912.2	38.7	3,027.9	61.3	4,940.1	100.0
Expense	1,981.4	43.4	2,585.0	56.6	4,566.4	100.0
Profit from ordinary activities before net interest and income tax	**(69.2)**	**(18.5)**	**442.9**	**118.5**	**373.7**	**100.0**
Interest and net profits related to joint ventures					21.1	100.0
Profit before third party interest and tax					**394.8**	
Return on revenue [1]		(3.6)		14.6		7.6
Average operating assets [2]	1,096.4	33.8	2,146.6	66.2	3,243.0	100.0
Return on average operating assets [3]		(6.3)		20.6		12.2

(1) Excludes interest and share of net profits of joint ventures.
(2) Assets reflect average operating assets for 2007–08 and 2008–09.
(3) Total return on average operating assets includes interest and share of net profits relating to joint ventures. Reserved and non-reserved return on average operating assets excludes all interest and share of net profits of joint ventures.

Statutory reporting requirements index

for the year ended 30 June 2009

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 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 2008–09 Annual Report.

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 13 121
s.44(d)	Dividend payable to the Commonwealth	Financial results Financial statements Statutory report	10–11 91 121
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	110
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	121
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	122
s.8(1)(a)(ii)	Consultative arrangements	Statutory report	123
s.8(1)(a)(iii)	Categories of documents	Statutory report	123
s.8(1)(a) (iv)&(v)	Access to documents and initial inquiries	Statutory report	123

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	122
s.74(1)(d)	Measures taken to ensure health, safety and welfare of employees and contractors	Our People Statutory report	40 122
s.74(1)(e)	Statistics requiring the giving of notice under s.68	Statutory report	122
s.74(1)(f)&(g)	Details of investigations and other matters as prescribed	Statutory report	122

Superannuation Benefits (Supervisory Mechanisms) Act 1990

s.6(1)(b)	Report on operation of superannuation arrangement	Statutory report	122

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	37–40

Commonwealth Authorities and Companies (Report of Operations) Orders 2008

Division 2 – General information about operations and activities

s.8(a)	Enabling legislation	Statutory report	121
s.8(b)	Ministers responsible	Corporate governance	42
s.9	Organisational structure	Corporate governance Board of directors Organisational structure	42 46–47 48
s.10(1)(a)(i)	Performance measured against statutory objectives	Community service obligations	110
s.10(1)(a)(ii)	Corporate plan	Statutory report	121

Statutory reporting requirements index (continued)

for the year ended 30 June 2009

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	3–5 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	News and highlights Managing director's report Financial results	6–7 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	10–11 110 121
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 Performance standards audit	52–53 111–112
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	121
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	News and highlights Financial results Financial statements	6–7 10–11 91
s.13(1)(c)	Community service obligations	Community service obligations	110

Division 3 – Specific information

s.14(1)(a)	Directors' details	Corporate governance Board of directors	42 46–47
s.14(1)(b)	Directors' meetings	Corporate governance	45
s.15(1)	Main governance practices	Corporate governance	42–45
s.15(2)	Board committee details (including Audit Committee)	Corporate governance	42–43
s.16(1)(a)	Indemnity for officers	Statutory report	121
s.16(1)(b)	Premium paid	Statutory report	121

Statutory reporting requirements
for the year ended 30 June 2009

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 118–120 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 14–19 of the *Australian Postal Corporation Act 1989* (Cwlth) (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 2009, 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 2017, 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 2008–09 plan and associated Statement of Corporate Intent were submitted to the shareholder Ministers in June 2008.

Objective
Our objective is to support profits through further diversification of our business into emerging areas of opportunity.

Strategies
The corporation has pursued three strategies designed to maintain and grow revenue from our existing operations in letters, agency services & retail merchandise, and parcels & logistics. 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:
   - promoting and encouraging the use of the mail channel
   - maximising returns and ensuring all aspects (price, design and processes) of our current products remain relevant to our customers
   - developing opportunities in digital communications.
2. Reposition our agency services and retail merchandise business to provide multi-channel service offers supported by retail merchandise. This will be achieved by becoming a service-based business and by maximising EBIT and product performance during a period of transition.
3. Maximise our return from our unique set of distribution and logistics businesses and extend our reach and capability to meet market demand by:
   - optimising returns from each of the individual portfolio businesses
   - driving synergies between the portfolio businesses
   - extending the capability and reach of the portfolio through strategic partnerships (including Sai Cheng and Kahala).

These three strategies were also influenced by a number of company-wide strategic themes relating to corporate social responsibility, our online strategy and how the corporation engages the youth market.

Targets
Key financial and non-financial performance measures set out in the plan were:
- profit before tax of $575.1 million in the first year of the plan
- dividends declared of $301.8 million in the first year of the plan.

Specific targets for 2008–09 and performance against these targets were:

Performance Indicator	Target	Performance
On-time letter delivery	94%	95.5%
Profit before tax	$575.1m	$380.9m
Return on average operating assets	17.8%	12.2%
Ordinary dividend declared for 2008–09*	$301.8m	$184m

* A special dividend of $38.4 million was also declared.

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 the introduction in 1997 of the code and guidelines, made compliance 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 2008–09 is estimated at approximately $1.5 million.

Postal industry ombudsman
During 2008–09, the PIO has estimated the costs of investigating complaints relating to Australia Post to be $265,000.

ACCC Record keeping
The cost of the regulatory audit and compliance with the ACCC's record keeping rules in 2008–09 is estimated at $330,000.

Maintaining heritage properties
The cost of repairing and maintaining heritage listed properties in 2008–09 was $1.45 million.

Statutory reporting requirements (continued)

for the year ended 30 June 2009

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 2008–09 reporting period, revenue foregone is estimated at $145,350.

Superannuation

During 2008–09, 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* (OHS 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:

- implementing a Health and Safety Management Arrangements document to enable managers to work in consultation with employees to effectively manage workplace health and safety hazard issues
- implementing a new Australia Post OH&S Policy
- 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
- introducing a new uniform for our mail delivery staff that incorporates high levels of protection from solar UV, high levels of visibility, and thermal comfort while the staff are performing mail delivery work outdoors
- conducting the Safe Postie Campaign to raise public awareness of the issue of postie safety through newspaper and letterbox drop publicity
- training motorcyclists in safe riding behaviour and reinforcing existing safe work practices, including regular motorcycle maintenance inspections and risk reviews of motorcycle rounds
- continuing to operate a range of employee health and wellbeing programs, including a financial education program and confidential staff counselling service
- implementing a Transport Driver Fatigue Management Plan to control OH&S risks associated with driver fatigue
- continuing to implement our Harassment Discrimination Bullying Policy and procedures to help managers and employees understand these issues and provide a guide for managers to assist in preventing and managing bullying
- continuing to ensure that new and modified equipment and work practices were compliant with safety requirements before activation
- 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.

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:

- 859 incidents were notified to Comcare in accordance with s68 of the *OHS Act 1991*
- 27 Provisional Improvement Notices (s29) were given
- 2 Improvement Notices (s47) were given
- 1 Prohibition Notices (s46) was given
- 33 investigations were conducted relating to:
  – plant and machinery safety (15)
  – mail delivery, including motorcycle operations (12)
  – transport (trucks and vans) operations (3)
  – incidents involving members of the public (2)
  – electrical safety (1).

Freedom of information report

In the year to 30 June 2009, Australia Post received 40 applications under the *Freedom of Information Act 1982* (Cwlth).

These applications were managed as follows:

Access granted in full	11
Access granted in part	12
Access denied under the Act	14
Applications withdrawn	3
Applications on hand at 30 June 2009	0

Of the eight applications for internal review of decisions during the year:

- three applications resulted in the decision of the Freedom of Information Officer being substantially affirmed
- in three applications, the reviewer's decision granted greater access, though not in full
- in one application, the reviewer's decision granted greater access in full
- in one application, access was granted in another form.

The application that was lodged with the Administrative Appeals Tribunal in the financial year 2007–2008 was withdrawn by the applicant.

Two applications were lodged with the Administrative Appeals Tribunal in the 2008–2009 financial year. One application was withdrawn by the applicant. In the other application, Australia Post had its decision substantially affirmed.

The estimated cost of handling Freedom of Information requests and related responsibilities in 2008–2009 was $31,415. Application fees and charges of $1,962 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 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.

Consultative arrangements

The Stakeholder Council (formerly the Postal Services Consultative Council) provides an external forum for discussing Australia Post's services and performance. In recognition of the development of our corporate responsibility strategy and the importance of stakeholder feedback, the council's charter now includes a corporate responsibility review role.

Australia Post also 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. 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 Group
Australia Post Headquarters
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 135.

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:

Chief Privacy Officer
Legal Services Group
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 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
- 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. (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 consists of or contains 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 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 2009

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)]	11	Australian Customs Service, Australian Federal Police, State Police (QLD)
Disclosure under a law of the Commonwealth [s. 90J(5)]	4,781	Australian Crime Commission, Australian Customs Service, Australian Taxation Office, Centrelink, Child Support Agency, Department of Immigration and Citizenship, Department of Veteran's Affairs, Insolvency & Trustees Services Aust, Medicare Australia
Disclosures under certain laws establishing commissions [s. 90J(6)]	56	Crime Commission (NSW), Independent Commission against Corruption (NSW)

* 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)]	42	Australian Security Intelligence Organisation
Disclosure for the enforcement of laws or protection of public revenue [s. 90K(5)]	6,863	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 & Business Affairs (SA), Comcare Australia (Federal), Crime & Misconduct Commission (QLD), Department of Corrective Service (NSW), Crown Solicitor's Office (SA), 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 Protection (WA), 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), Office of State Revenue (NSW), Office of State Revenue (QLD), State Revenue Office (VIC), Revenue SA (SA) formerly State Taxation Office SA, Police (Tasmania), Police (Victoria), Police (Western Australia), Workcover New South Wales (NSW), WorkCover Queensland (QLD), Workcover Corporation (SA)

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 2009

1 Five-year statistical summary

	2004–05	2005–06	2006–07	2007–08	**2008–09**
Consolidated					
Revenue ($m)	4,325.9	4,530.1	4,711.1	4,959.2	4,985.3
Expenditure ($m)	3,856.1	4,014.5	4,149.4	4,367.0	4,604.4
Profit before income tax	469.8	515.6	561.7	592.2	380.9
Total assets ($m)	4,192.7	4,808.4	5,490.0	5,477.0	4,270.2
Return on average operating assets (%)	17.9%	18.7%	19.6%	19.4%	12.2%
Cost of community service obligations ($m)	81.0	87.8	97.3	104.3	122.3
Total taxes and government charges	527.4	514.2	474.9	548.1	499.5
Ordinary and special dividends ($m) (1)	286.2	267.3	296.9	446.2	222.4
Corporation					
Total mail articles (m)	5,363.1	5,418.1	5,515.8	5,609.4	5,323.4
Full-time employees	25,851	25,387	25,026	25,042	25,107
Part-time employees	8,953	9,196	9,497	9,936	10,196
Labour productivity improvement (2)	2.70	2.80	1.40	2.60	(3.10)
Number of corporate outlets	863	857	846	831	827
Number of licensed post offices (3)	2,979	2,975	2,969	2,977	2,969
Number of postpoints	740	679	614	559	529
Number of delivery points (m)	9.9	10.0	10.3	10.5	10.7

(1) The 2006 to 2009 dividends were determined under A-IFRS. Earlier dividends were based on accounting standards applicable at the time.
(2) Current and comparative periods have been rebased to include subsidiary information and all employee services provided to Australia Post under contract.
(3) Includes 28 franchised post offices.

2 Basic postage rate* (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

* Postage rates applicable to standard letters carried within Australia by ordinary post.

Australia Post – the statistics (continued)

for the year ended 30 June 2009

3 Australia Post outlets at 30 June 2009

	NSW/ACT	Vic/Tas	Qld	WA	SA/NT	**Australia 2009**	Australia 2008
Corporate Offices							
At 1 July 2008	273	223	172	88	75	831	846
Changes during 2008–09							
Opened	0	2	0	0	0	2	1
Changed from LPO	0	0	1	0	0	1	1
Changed to LPO	0	0	3	0	0	3	15
Closed	0	1	3	0	0	4	2
Total at 30 June 2009	**273**	**224**	**167**	**88**	**75**	**827**	**831**
Licensed post offices/franchises							
At 1 July 2008	915	978	464	299	321	2,977	2,969
Changes during 2008–09							
Opened	0	1	1	0	0	2	4
Changed from corporate office	0	0	3	0	0	3	15
Changed from community postal agency	0	0	0	0	0	0	1
Changed to corporate office	0	0	1	0	0	1	1
Changed to community postal agency	2	0	2	0	1	5	4
Closed	2	3	0	1	1	7	7
Total at 30 June 2009	**911**	**976**	**465**	**298**	**319**	**2,969**	**2,977**
Grand total at 30 June 2009	**1,184**	**1,200**	**632**	**386**	**394**	**3,796**	**3,808**
Community postal agencies at 30 June 2009	**101**	**71**	**190**	**84**	**191**	**637**	**645**
Total outlets at 30 June 2009	**1,285**	**1,271**	**822**	**470**	**585**	**4,433**	**4,453**

4 Australia Post outlets by state[1] and geographic classification

Outlet type	Geographic[2] classification	NSW	ACT	Vic	Qld	SA	WA	Tas	NT	Other Territories	Australia
Corporate offices	Metro	185	17	142	94	44	62	11	4	0	559
	Rural	71	0	53	62	23	16	17	0	0	242
	Remote	1	0	1	10	1	10	0	3	0	26
		257	**17**	**196**	**166**	**68**	**88**	**28**	**7**	**0**	**827**
LPOs[3]	Metro	421	37	382	174	128	123	27	5	0	1,297
	Rural	413	1	430	200	143	94	111	3	0	1,395
	Remote	43	0	16	91	27	79	5	13	3	277
		877	**38**	**828**	**465**	**298**	**296**	**143**	**21**	**3**	**2,969**
CPAs[4]	Metro	10	0	3	6	9	1	6	1	0	36
	Rural	80	0	34	108	103	39	21	5	0	390
	Remote	11	0	2	76	23	49	1	45	4	211
		101	**0**	**39**	**190**	**135**	**89**	**28**	**51**	**4**	**637**
Totals	Metro	616	54	527	274	181	186	44	10	0	1,892
	Rural	564	1	517	370	269	149	149	8	0	2,027
	Remote	55	0	19	177	51	138	6	61	7	514
		1,235	**55**	**1,063**	**821**	**501**	**473**	**199**	**79**	**7**	**4,433**

(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) LPOs = Licensed post offices. This figure includes franchised PostShops and post office agencies.
(4) CPAs = Community postal agencies.

5 Mail delivery network

	NSW/ACT	Vic/Tas	Qld	WA	SA/NT	Australia 2009	Australia 2008
Private households receiving mail via:							
Street delivery	2,751,009	2,143,222	1,490,387	828,285	651,791	7,864,694	7,705,008
Private boxes/locked bags	266,649	212,783	223,907	110,880	134,054	948,273	935,248
Private and community bags	5,273	1,165	2,867	3,491	10,609	23,405	23,717
Roadside delivery	175,537	146,918	145,216	14,969	9,522	492,162	483,195
Counter delivery	39,819	54,269	41,565	30,332	44,760	210,745	203,492
Total	**3,238,287**	**2,558,357**	**1,903,942**	**987,957**	**850,736**	**9,539,279**	**9,350,660**
Businesses receiving mail via:							
Street delivery	220,191	163,570	119,133	56,490	43,466	602,850	590,220
Private boxes/locked bags	167,791	108,449	111,896	51,449	39,202	478,787	480,839
Private and community bags	313	423	634	414	1,051	2,835	2,766
Roadside delivery	5,558	5,314	4,610	172	506	16,160	16,196
Counter delivery	3,356	7,146	2,802	2,516	3,237	19,057	18,189
Total	**397,209**	**284,902**	**239,075**	**111,041**	**87,462**	**1,119,689**	**1,108,210**
Total delivery points	**3,635,496**	**2,843,259**	**2,143,017**	**1,098,998**	**938,198**	**10,658,968**	**10,458,870**

6 Letters senders' access to postal network

	Metro areas	Rural areas	Remote areas	Total
Access to stamps and postage assessment (number of facilities)				
Total retail outlets	1,892	2,027	514	4,433
Other outlets (1)	1,173	1,733	279	3,185
Total outlets (2)	**3,065**	**3,760**	**793**	**7,618**
Access to posting facilities (number of facilities)				
Total retail outlets	1,892	2,027	514	4,433
Community mail agents	4	31	68	103
Street posting boxes	10,925	4,587	543	16,055
Roadmail contractors (3)	762	2,229	444	3,435
Posting facilities (4)	**13,583**	**8,874**	**1,569**	**24,026**
Distance from retail outlets				
Average household distance from outlets (km)	1.1	3.2	11.1	1.9
Dispersion:				
Percentage of households within 2.5km of a retail outlet	93.4	68.7	58.7	86.1
Percentage of households within 7.5km of a retail outlet	99.7	88.6	75.1	96.2

(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.

Australia Post – the statistics (continued)

for the year ended 30 June 2009

7 Letter recipients' access to postal network (000 delivery points)

	Metro areas	Rural areas	Remote areas	Total
Households				
Delivery to residence via:				
Street delivery	6,151.8	1,617.0	95.9	7,864.7
Roadside delivery	138.9	338.5	14.8	492.2
Total to residence	**6,290.7**	**1,955.5**	**110.7**	**8,356.9**
Delivery to postal premises via:				
Post office boxes and bags	448.8	414.1	88.1	951.0
Counter delivery	30.4	123.7	56.7	210.8
Total at postal premises	**479.2**	**537.8**	**144.8**	**1,161.8**
Delivery to intermediate point via:				
Community bags	1.1	10.8	8.7	20.6
Total households	**6,771.0**	**2,504.1**	**264.2**	**9,539.3**
Business				
Delivery via:				
Street delivery	476.6	121.2	5.1	602.9
Roadside delivery	7.3	8.5	0.4	16.2
Post office boxes and bags	328.5	130.1	22.3	480.9
Counter delivery	3.9	12.8	2.3	19.0
Delivery to intermediate point via:				
Community bags	0.1	0.4	0.2	0.7
Total business	**816.4**	**273.0**	**30.3**	**1,119.7**
Total delivery points served	**7,587.4**	**2,777.1**	**294.5**	**10,659.0**

8 Frequency of service to delivery points (% of total delivery points as at 30 June 2009)

Frequency per week	Metro areas	Rural areas	Remote areas	Total
One per week	0	0	0.3	0
Two to four	0.1	3.8	5.0	1.2
Five or more	99.9	96.2	94.7	98.8
Total	**100.0**	**100.0**	**100.0**	**100.0**

9 Overall letter service performance in 2008–09

	Full Year 2008–2009	Quarter Ended 30/6/2009	Quarter Ended 31/3/2009	Quarter Ended 31/12/2008	Quarter Ended 30/9/2008
Based on letters delivered in the following					
Per cent on time					
NSW	95.8	96.5	95.1	94.8	96.8
Vic	95.4	96.0	95.1	94.4	96.0
Qld	95.5	96.0	96.2	94.4	95.5
SA	95.0	95.7	96.6	94.4	94.2
WA	94.7	96.2	93.5	94.1	95.5
Tas	97.3	97.4	97.3	96.7	97.8
NT	94.6	97.1	94.9	94.5	92.0
ACT	96.9	96.9	96.7	97.1	96.6
National averages	**95.5**	**96.2**	**95.3**	**94.6**	**96.1**
Per cent + one day					
NSW	98.7	99.0	98.6	98.3	98.8
Vic	99.0	99.2	98.8	99.1	98.9
Qld	98.8	99.0	98.9	98.5	98.8
SA	98.9	98.9	99.4	98.8	98.6
WA	98.9	99.3	98.9	98.9	98.7
Tas	99.1	99.0	99.1	98.7	99.5
NT	99.0	99.6	98.9	99.3	98.3
ACT	99.3	99.5	99.1	99.1	99.4
National averages	**98.8**	**99.1**	**98.8**	**98.6**	**98.8**

10 Summary of Australia Post property portfolio as at 30 June 2009

	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	36	16	53	18	170
Other	0	0	0	0	0	0
Residential	1	6	0	0	3	10
Retail	117	39	34	74	28	292
Total	**168**	**83**	**51**	**130**	**50**	**482**
Property Types – Leased (1)						
Commercial	7	2	1	12	3	25
GPO	1	0	1	0	0	2
Industrial	89	34	10	67	23	223
Other	1	1	0	3	0	5
Residential	0	0	1	0	8	9
Retail	151	128	38	154	62	533
Total	**249**	**165**	**51**	**236**	**96**	**797**
Property Types – Total						
Commercial	9	3	1	13	3	29
GPO	2	1	2	2	1	8
Industrial	136	70	26	120	41	393
Other	1	1	0	3	0	5
Residential	1	6	1	0	11	19
Retail	268	167	72	228	90	825
Total	**417**	**248**	**102**	**366**	**146**	**1,279**

(1) The corporation has 814 individual leases with respect to these properties.

Australia Post – the statistics (continued)

for the year ended 30 June 2009

11 Total articles through Australia Post's network (millions) (1)

	2004–05	2005–06	2006–07	2007–08	2008–09
Posted in Australia for delivery in Australia	5,102.1	5,125.7	5,224.1	5,330.6	5,074.9
Posted in Australia for delivery overseas	141.8	151.3	141.6	115.9	103.4
Total posted	**5,243.9**	**5,277.0**	**5,365.7**	**5,446.5**	**5,178.3**
Posted overseas for delivery in Australia	119.2	141.1	150.1	162.8	145.1
Total articles through network	**5,363.1**	**5,418.1**	**5,515.8**	**5,609.3**	**5,323.4**

(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 2009

	HQ	Mail & 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 2009	June 2008	% of Movement
Full time																			
Permanent	330	6,988	4,680	2,782	1,577	1,150	671	17,848	1,606	1,206	859	556	355	272	4,854	1,664	24,696	24,540	0.6
Fixed term	6	90	7	65	41	10	12	225	55	6	48	17	10	8	144	36	411	502	(18.1)
Total Full Time	**336**	**7,078**	**4,687**	**2,847**	**1,618**	**1,160**	**683**	**18,073**	**1,661**	**1,212**	**907**	**573**	**365**	**280**	**4,998**	**1,700**	**25,107**	**25,042**	**0.3**
Part time																			
Permanent	14	1,913	1,763	715	497	346	42	5,276	1,346	1,281	842	423	258	7	4,157	62	9,509	9,012	5.5
Fixed term	0	132	41	80	34	84	5	376	51	28	104	42	76	2	303	8	687	924	(25.6)
Total part time	**14**	**2,045**	**1,804**	**795**	**531**	**430**	**47**	**5,652**	**1,397**	**1,309**	**946**	**465**	**334**	**9**	**4,460**	**70**	**10,196**	**9,936**	**2.6**
Others																			
Casuals	0	31	8	8	7	2	0	56	69	23	42	12	4	0	150	0	206	278	(25.9)
Agency*	16	14	88	20	23	67	1	213	17	29	7	22	5	7	87	118	434	589	(26.3)
LPOs/ Franchisees**									911	976	465	298	319	0	2,969	0	2,969	2977	(0.3)
Mail contracts**	0	1,360	1,439	1,553	469	316	0	5,137									5,137	5189	(1.0)
Total Others	**16**	**1,405**	**1,535**	**1,581**	**499**	**385**	**1**	**5,406**	**997**	**1,028**	**514**	**332**	**328**	**7**	**3,206**	**118**	**8,746**	**9033**	**(3.2)**
TOTAL	**366**	**10,528**	**8,026**	**5,223**	**2,648**	**1,975**	**731**	**29,131**	**4,055**	**3,549**	**2,367**	**1,370**	**1,027**	**296**	**12,664**	**1,888**	**44,049**	**44,011**	**0.1**

* 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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Graphs, tables and charts

Notes: Information that satisfies a statutory reporting requirement is indexed separately (see pages 118–20).
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Stamp gallery 2008–09

Australia Post – 200 Years

25 March 2009

Australia's Favourite Stamps

26 June 2009

Note: The £2 Kangaroo and Map (1913) was voted Australia's favourite by the general public in the Australia's Favourite Stamp competition.

Inventive Australia 19 February 2009 (selected stamps)

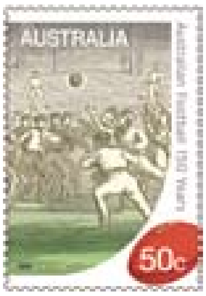
Earth Hour 11 March 2009 (selected stamps)

Stamp Collecting Month – Megafauna 1 October 2008 (selected stamps)

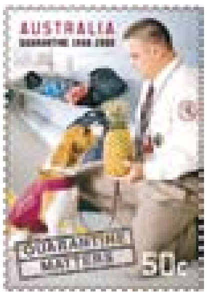
Waterfalls Australia 8 September 2008 (selected stamps)

Stamp gallery 2008–09

150 Years of Australian Football 29 July 2008



100 Years of Quarantine 15 July 2008



Beijing 2008 Olympic Games 1 August 2008

Queen's Birthday 15 April 2009

Christmas 2008 31 October 2008

Queensland – 150 Years 9 June 2009

AAT: South Magnetic Pole 1909–2009 8 January 2009 (selected stamps)

Australian Legends of the Screen
22 January 2009 (selected stamps)

Favourite Australian Films
3 November 2008

Note: *The Castle* was voted by the Australian public as their favourite local film.

AAT: International Polar Year 2007–2008 16 September 2008

Not Just Desserts 15 May 2009

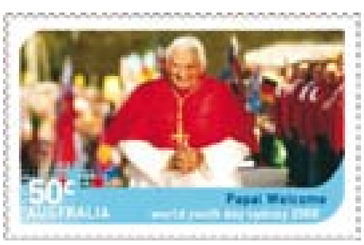
Aviation 5 August 2008

Living Green 8 July 2008

Indigenous Culture 1 April 2009 (selected stamps)

WWF: Dolphins of the Australian Coastline 26 May 2009

World Youth Day 15–20 July 2009 (selected stamps)



Beijing 2008 Olympic Games Gold Medallists 8–24 August 2008 (selected stamps)

Celebrating 200 years

AUSTRALIA POST

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