

FUTURE READY

Annual Report 2010–11
Our financial, social and
environmental performance



Australia Post can be very proud of the progress it has made towards achieving its Future Ready vision. I'm genuinely excited about the transformation the corporation is undergoing to become a modern postal enterprise that is equipped to grasp the opportunities of the digital economy.

David A Mortimer AO Chairman

About this report

This year we have integrated our annual report and corporate responsibility report within one document. Our 2010–11 annual report covers our financial, social and environmental performance and discusses issues that are important to our broad range of stakeholders. You can read more about our materiality process, and how we identify significant issues to report, on page 16.

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Our trusted brand, customer-focused approach and eParcel online fulfilment and tracking system are key reasons why multi-channel retailer Gazman selected Australia Post as its parcel delivery partner.

FUTURE READY

In this our first year of Future Ready, I am delighted that we have achieved our main aim of stabilising business performance. Despite the challenges of our rapidly changing marketplace, we have increased profitability, sharpened our customer focus and exceeded all of our community service standards.

Ahmed Fahour Managing Director and CEO

THE PAST

Continuous improvements to the efficiency of our delivery network.

A trusted and iconic Australian brand.

Consistently exceeded our prescribed performance standards.

An unrivalled retail and distribution network.

BUT ...

Digital substitution reducing letter volumes and retail foot traffic.

Traditional revenue declining while the cost of servicing an expanding delivery network is increasing.

THE PRESENT

Established clear and simple enterprise strategies to guide us to future growth.

Returned to profit growth, delivering a profit before tax of \$332.3 million.

Exceeded our CSOs, with 96 per cent of domestic letters delivered on time or early.

Increased the number of retail outlets to 4,419.

Reached agreement for, and implemented, our Fair Work Agreement.

Announced a \$20 million Future Skills program to develop skills of award-level employees.

Reduced greenhouse gas emissions by 5 per cent.

THE FUTURE

Rebuild the business and achieve sustainable growth.

Continue to deliver a reliable and accessible letters service to the Australian community.

Grow our share of the e-commerce market and provide greater customer convenience and choice for delivery.

Roll out our next-generation retail model to provide customers with greater access, convenience and choice.

Continue to manage costs, build our capabilities and support and reward our people.

In 2010, we launched the Future Ready business transformation program, setting an exciting new direction of customer-driven, sustainable growth for Australia Post. During the financial year, we took great strides in making that vision a reality as we stabilised the business and laid solid foundations for a dynamic future.

Until just a few years ago, Australia Post enjoyed ever-increasing revenue and profits. As Australia's population and economy grew, so too did our core business. But over the past few years, the rapid shifts by consumers to digital communications and transactions sharply eroded our letter volumes and customer numbers and began to put stress on the cost base of our traditional mail delivery infrastructure. As a result, our profits have fallen – to the point where, last financial year, we returned our lowest profit in 20 years.

It was apparent that a new direction was essential if we were to not only survive but also thrive in the era of the digital economy.

In April 2010, we began stepping boldly in that new direction under a business renewal program that we call Future Ready. It involves transforming Australia Post so that we are ready to tackle the challenges, and embrace the opportunities, of the future.

Of course, we began this change journey with some enviable strengths and real competitive advantages. We are an iconic and trusted brand with unrivalled retail and distribution networks.

Now, as Australia Post brings an even greater focus to the needs of twenty-first century customers, we are strengthening our digital capabilities and seizing the considerable opportunities that growth in the global e-commerce market presents for our parcel delivery business.

An important part of our plan is the maintenance of our commitment to providing a reliable and accessible service to every Australian, wherever they live or work.

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Stabilising the business

In 2010–11, we achieved what we set out to do in the initial phase of Future Ready: we stabilised the business. This has established a solid foundation for the next Future Ready phase, which is to rebuild the business.

As proof of our achievements this year, our revenue (up 2.8 per cent on last year) grew faster than our costs (up 1.2 per cent). This was the first time in four years that our revenue growth outstripped cost growth. We also returned to profit growth (up 31.3 per cent on last year): with a before-tax profit of \$332.3 million this financial year, compared with profit (before restructuring) of \$253.2 million in 2009–10.

Every day, people throughout our business have responded to the challenges facing Australia Post. Among the many highlights of this financial year, we signed a new Fair Work Agreement which gives our people certainty for their future. Central to the agreement was the announcement of our \$20 million Future Skills program, which offers targeted training in business and employability skills to award-level employees.

On 1 July 2010, we implemented our restructured business model focused on strategic business units with profit-and-loss accountability and supported by lean, high-performing functional business units. In their first full year of operation, our new business units successfully implemented a range of efficiency improvements and cost reduction measures.

During the year, we also established our four culture pillars – safety, accountability, customer focus and speed of action – and launched several programs to ensure that these are at the heart of our business. The key programs we launched this year are Performance Ready, which drives accountability across the business; and Safety.

Another highlight this year was the board's endorsement of our new enterprise strategy, which is essentially a Future Ready action plan. It retains Australia Post's three enterprise strategies established in October 2010:

- restoring a self-sustaining letters business
- growing our parcels business by winning in e-commerce
- building a multi-channel services offer in digital and retail.

Underpinning these strategies are a focus on business efficiency and service quality and a commitment to building the capabilities and engagement of our people.

We recognise that putting our customers at the centre of all that we do will be critical to becoming Future Ready. So we are refreshing our approach to sales and marketing to better meet our customers' needs.

The next phase

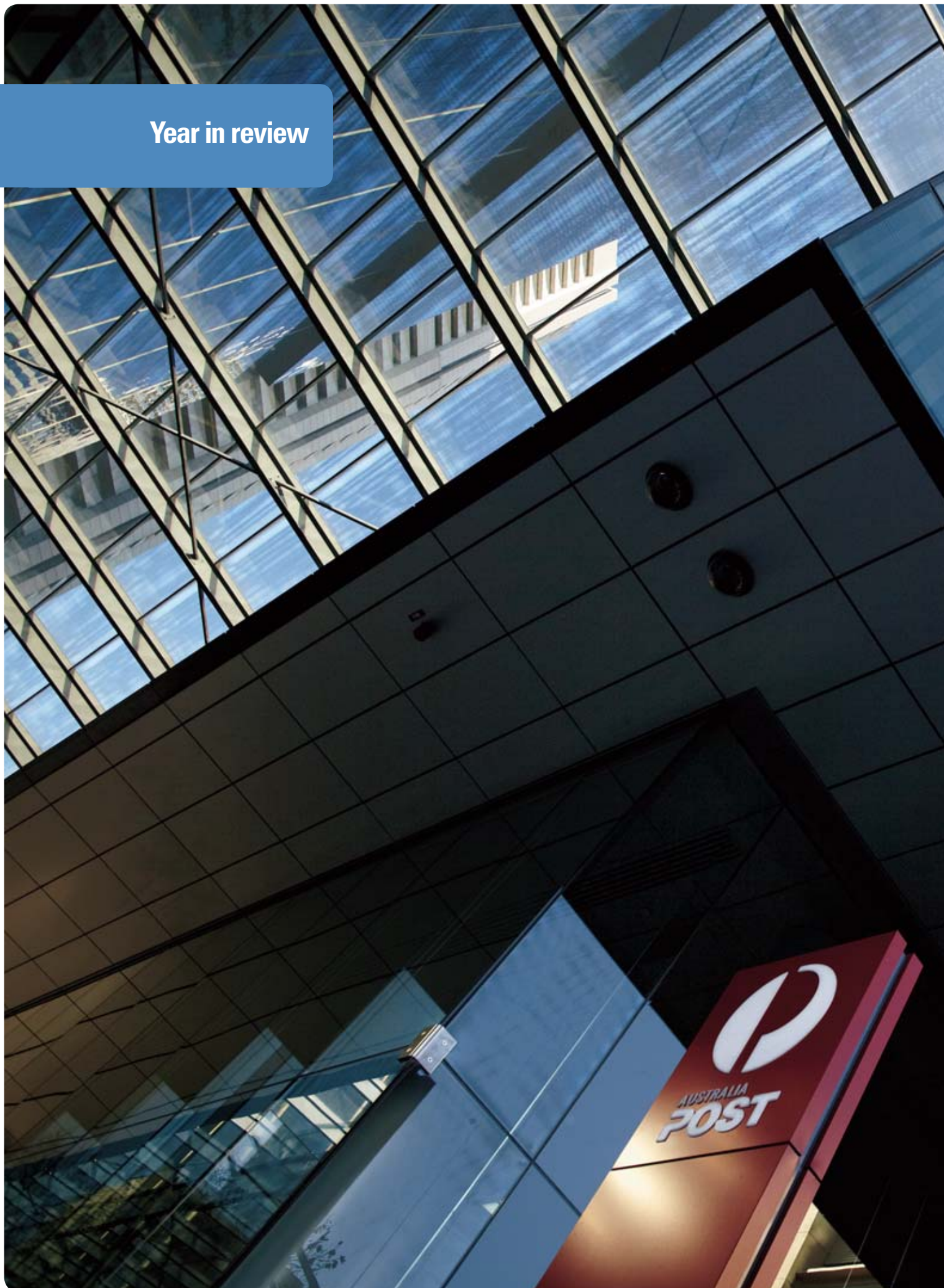
While there is much to be proud of in the first year of our transformation program, we cannot lose sight of the fact that we are only part of the way along our journey of renewal. There's still much to be done.

Over the next year, there will be a concerted focus on executing our enterprise strategies. This means enhancing and refining some existing capabilities and developing new ones. It means identifying new revenue opportunities as we respond to customer and market needs.

Our stakeholders are critical to our achievement of our aspirations. We will deepen our engagement with them so that their expectations inform our priorities – and so that they support us on our change journey.

The future holds many challenges for postal services around the world. Australia Post is embracing change so that we can not only overcome those challenges but also grasp the opportunities that lie ahead.

Year in review



During 2010–11, Australia Post stabilised its business and laid the foundations for future growth by balancing the financial, social and environmental imperatives of its operations. This was a year of change and challenge but also one of achievement.

BUSINESS

\$332.3 million

PROFIT BEFORE TAX

96%

OF DOMESTIC LETTERS
DELIVERED ON TIME OR EARLY
(CSO TARGET 94%)

4,419

OUTLETS IN OUR RETAIL NETWORK,
UP FOUR ON LAST YEAR

PEOPLE

73%

OF AWARD-LEVEL EMPLOYEES
VOTED "YES" FOR OUR NEW FAIR
WORK AGREEMENT

\$20 million

INVESTED IN OUR FUTURE SKILLS
PROGRAM TO PROVIDE SKILLS
FOR AWARD-LEVEL EMPLOYEES

29.1%

OF OUR EXECUTIVE WORKFORCE
IS FEMALE

COMMUNITY

\$142.1 million

THE COST OF MEETING OUR
COMMUNITY SERVICE OBLIGATIONS

\$2.9 million

IN PUBLIC DONATIONS COLLECTED
THROUGH OUR OUTLETS

\$458,903

DONATED TO CHARITIES
THROUGH OUR WORKPLACE
GIVING PROGRAM

ENVIRONMENT

15,002

TONNES LESS GREENHOUSE GASES
PRODUCED (TARGET: ACHIEVE 25%
REDUCTION BY 2020)

31%

OF NON-HAZARDOUS WASTE
RECYCLED (TARGET: INCREASE
TO 70% BY 2016)

539,035

CARTRIDGES AND 7,460 KG
OF MOBILE PHONE PRODUCTS
COLLECTED FOR RECYCLING
THROUGH OUR OUTLETS

Chairman's report

Like postal businesses around the world, Australia Post is now operating in a rapidly changing (and increasingly competitive) marketplace as a result of the generational shift towards electronic forms of communicating and transacting.

David A Mortimer AO Chairman



The development of new applications making communications technology more intuitive, reliable, mobile and user-friendly is having a huge impact on every area of our core business. In letters, for example, our volumes continue to fall as consumers and businesses increasingly adopt digital alternatives. Likewise, in our retail network, customer foot traffic is falling as Australians shift to online methods of bill payment and banking. In the parcels marketplace, the Internet is having the opposite effect: driving volume growth as consumers increasingly shop online.

In 2009–10, we acknowledged that we needed to change our approach to doing business in order to remain relevant to our customers and to thrive in the digital era. The manifestation of our new approach is the Future Ready business renewal program, which we began implementing at the beginning of this financial year – under the direction of our new chief executive, Ahmed Fahour.

Future Ready in action

I am immensely proud of the progress we have made this year towards achieving our Future Ready vision. Our priorities for 2010–11 – the first year of our change program – involved establishing a new strategic agenda, implementing a new business structure and stabilising our financial performance.

The board endorsed the new Future Ready enterprise strategy in November 2010. This strategy aims to address the many competitive challenges facing the corporation and harness customer growth opportunities of the digital economy. There are three simple points to our strategy:

- 1 Restore a self-sustaining letters business.
- 2 Grow the full-value chain in parcels and win in e-commerce.
- 3 Build our trusted multi-channel services offer in retail and digital.

While they sound simple, these strategies are actually very ambitious. The next great challenge for Australia Post's leadership team is to engage our workforce in all of the operational change and new service initiatives underpinning these three strategies. I have every confidence that our talented team will implement our strategy successfully over the coming years.

The other really significant achievement this year is the return to profit growth, with our revenue growing at a greater rate than our cost growth (2.8 per cent and 1.2 per cent respectively) for the first time in several years. The turnaround in the financial trajectory of our business during 2010–11 was remarkable, and it has been achieved while maintaining very high standards of community service.

Importantly, being a Future Ready business is about much more than bottom-line financial results. We also have an ongoing commitment to social and environmental responsibility. We have some fantastic initiatives in place that ensure that we reduce our environmental footprint and give back to the communities in which we operate.

A new initiative I am particularly proud of this year is our Reconciliation Action Plan. Launched in February, the plan provides a long-term commitment to providing sustainable employment opportunities to Indigenous Australians.

As a government business enterprise with a set of community service standards, we remain fully committed to meeting our two primary objectives: (1) earning enough profit to ensure the sustainability of our business while returning an appropriate dividend to our shareholder, and (2) continuing to serve the entire Australian community, from the largest cities to the smallest towns, for many years to come.

Finally, I am excited about the new initiatives our management team is investigating to enhance our service levels and offer customers greater flexibility and choice for delivery. These initiatives will demonstrate how nimble and responsive Australia Post has become to changes in the market, and that we are a service leader in parcel delivery in Australia.

My thanks

I'd like to pay tribute to Bill Mansfield, who passed away in February this year. Bill made an invaluable contribution to the Australia Post board since joining in 2008. He will be sadly missed.

I'd like to express my sincere thanks to the many people who have made this year a success. Management, staff, licensees, franchisees, partners and contractors around the country are making a tremendous contribution to Australia Post's current stability and future growth. I also thank my fellow board members for their continued support of me as chairman and their commitment to the future prosperity of our business. We have much to look forward to.

A handwritten signature in black ink, which appears to read 'David A Mortimer AO'. The signature is written in a cursive style.

David A Mortimer AO
Chairman

Managing Director and CEO's report

I am very proud of what the corporation has achieved in 2010–11. We have just completed the first year of our Future Ready business renewal program, which is focused on transforming Australia Post into a more customer-centric and higher performing enterprise.

Ahmed Fahour Managing Director and CEO



Our two goals are to deliver on our community service obligations (CSOs) and to earn a commercial rate of return for our shareholder. I am pleased to report that these have both been achieved. Delivering on our CSOs is not easy. I am proud that this year we have again met our target for domestic letter delivery (96 per cent on time or early against our target of 94 per cent) and we have finished the year with 4,419 outlets, up four on last year.

Financial performance

After declines in both revenue and profit last year, we have returned to growth. Trading revenue was \$5.0 billion (an improvement of 2.8 per cent on 2009–10) and we delivered profit before tax of \$332.3 million. This is up \$79.1 million on last year's result of \$253.2 million (excluding restructuring costs). While this is 31.3 per cent higher than in 2010, it only brings us back into line with our 2009 profit result. The direction is positive, but there is still much to be done.

Key factors contributing to our positive profit result included the additional revenue we gained from the full-year impact of the increase in the basic postage rate (from 55 to 60 cents), and the strong performance of our parcels business on the back of online trade and growth in identity and money transfer services.

The increase to the stamp price helped to reduce losses in our reserved letters business, from \$250.1 million in 2010 to \$91.3 million in 2011. However, this was offset by the continued decline in the volume of domestic addressed letters mailed in Australia (down 3.7 per cent this year), while the cost of servicing Australia's expanding delivery network continued to rise.

Electronic substitution is having an impact beyond our letters business; it is also contributing to declines in the number of agency-based bill payment and banking transactions conducted via our retail network.

Another factor that had a detrimental effect on this year's results was the strength of the Australian dollar. Our inbound international

parcels volumes boomed this year as more consumers took advantage of the strong Aussie dollar to shop offshore, but we lost money on the delivery of inbound parcels weighing under 2 kilograms because of the structure of international payments to us under the Universal Postal Union's global rate-setting agreements.

Major achievements

The signing of our new Fair Work Agreement was a major highlight of this year. It provides an industrial relations framework while we rebuild the business and, importantly, gives employees stability and security for the future as we continue to carefully manage costs in our loss-making reserved services activities. The fact that 73 per cent of our people voted "yes" to the FWA demonstrates that they support the Future Ready program and are committed to our future success.

Another pleasing aspect of this year was the work we did on revitalising the corporation's culture. We introduced four new culture pillars – safety, accountability, customer focus and speed of action – to guide our behaviour and launched a number of programs to start embedding these behaviours in our business. Of particular note is our new Safety strategy, which will guide us towards a world-class safety culture. The health and wellbeing of our people are a top priority and we are working very hard across all areas of the corporation to achieve an injury- and incident-free workplace.

We also clearly articulated our plan for future growth with an enterprise strategy that builds on our traditional strengths while also embracing the digital economy. The December acquisition of payment gateway company SecurePay is a perfect example of how this strategy is already driving decisive action aimed at growth.

Other future-focused initiatives this year include the launch of our smartphone app, partnerships with eBay and PayPal and the trial of flexible new service options such as 24/7 parcel collection.

We also conducted a strategic review to ensure that we had the right capabilities in place to achieve our Future Ready goals. As a result, we divested two companies – iPrint and PrintSoft – so that we could focus our resources on achieving our three core strategies in our letters, parcels and retail businesses.

Overall, it was pleasing to see our commercial non-reserved services business make a profit of \$405.3 million (up 18.7 per cent on last year). This was largely driven by growth in parcels and trusted services such as financial and identity services.

Future headwinds

Despite our many achievements this year, we cannot lose sight of the ongoing challenges that face our business. Digital substitution will continue to cause a decline in our letter volumes and retail foot traffic. Australia's "two-speed" economy also means there is strong growth in sectors such as mining and agriculture, but the services sectors (to which our products and services are more aligned) are growing at a much slower rate. These factors will continue to weigh heavily on our future results.

Thank you

I extend my thanks to everyone across the corporation, from posties to directors, for embracing the Future Ready business renewal program and putting in the hard work to make it a reality. We have now completed the first year and we are ready to move into the next phase, which is focused on rebuilding our business. There is hard work ahead of us, but there are great rewards too. I look forward to another year of achievements in 2011–12.

Ahmed Fahour
Managing Director and CEO

Financial report

Australia Post has made great progress towards stabilising business performance, despite being faced with some significant challenges. The continued decline in letter volumes, an uncertain economic environment (particularly with regard to the Australian retail sector) and environmental factors, such as the Queensland floods, have all had an impact on the corporation.

Performance

Our efforts to improve business performance contributed to our statutory profit before tax increase of \$229.3 million (from last year's \$103.0 million).

The improved statutory result is partly attributable to the restructuring costs recognised last year. These costs have been incurred to reposition our business portfolios to be more responsive to our customers' needs and preferences in a digital economy. Excluding the one-off restructuring costs recognised in 2009–10, earnings before tax have increased by \$79.1 million, from \$253.2 million last year to \$332.3 million this year.

The improved earnings were boosted by federal and state election mailings and the increase to the basic postage rate (BPR). This was partially offset by the foreign exchange impacts on our international inbound postages due to the strong Australian dollar, and subdued retail conditions.

Revenue from our letters portfolio grew by 2.6 per cent, mainly as a result of the five cent increase in the BPR in July 2010. The volume of addressed domestic letters declined by 3.7 per cent this year (but excluding the federal election showed a 4.6 per cent decline), representing 89 million fewer articles passing through our network. While an improvement on last year's 5.5 per cent contraction, this is an ongoing challenge as our customers will continue to move to digital methods for communicating and transacting.

Although we remain Australia's largest retail network, this year we continued to experience a decline in the number of customers visiting our outlets. Weak consumer confidence and economic uncertainty, especially within the

retail sector, resulted in a decline in revenue for our retail, agency and merchandise portfolio. We have continued to expand and improve our proof of identity services through image capture and authentication, and this resulted in an increase in revenue within identity services.

The strength of the Australian dollar throughout 2010–11 encouraged Australian consumers to purchase from overseas online retailers and this increased our international inbound parcel volumes. This, together with a modest increase in domestic volumes, resulted in overall parcel volume growth of 10.9 per cent.

Dividends

Dividends payable from the 2010–11 result are expected to total \$173.2 million, which is in line with a 75 per cent payout ratio of the corporation's after-tax result. This dividend is well above last year's level of \$79.1 million and returns payments broadly to the level experienced in 2008–09.

Cash management

Cash at 30 June 2011 is \$101.5 million higher than last year. This is due to the enhanced operating cashflow during the current period and the fact that no final dividend was paid this year for the 2009–10 financial year. These cash levels are adequate to support targeted capital investment and ongoing capital maintenance.

In line with the stronger cash position, key gearing metrics have improved with debt to debt plus equity falling to 23.6 per cent (from 26.4 per cent last year) and interest cover improving to 10.9 times (from 4.6 times in 2009–10), which is approximate to 2008–09 levels.

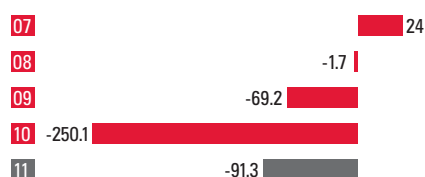
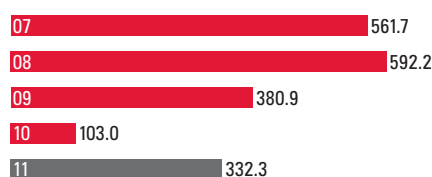
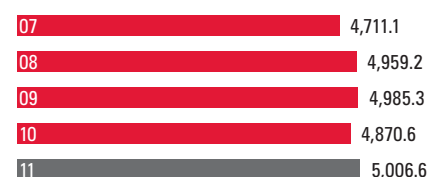
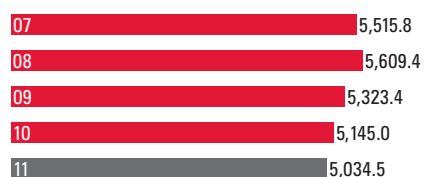
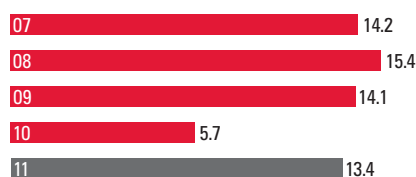
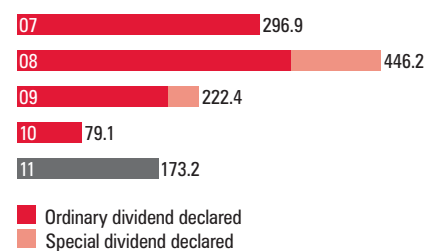
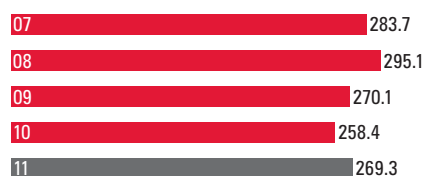
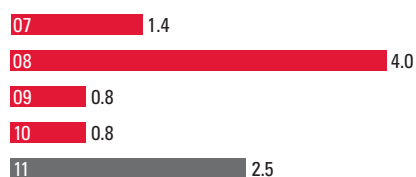
Capital expenditure

As we shift our focus to rebuilding our business, an assessment of our investment expenditure was made. Total consolidated capital investment expenditure for 2010–11 was \$269.3 million. We have continued to direct approximately half of our annual expenditure towards the maintenance and replacement of assets (predominately in our postal and retail networks), with the balance of expenditure being directed towards cost reduction initiatives and management systems to position Australia Post for growth in the parcels market.

Outlook

Although the Australian economy continues to benefit from a strong and dominant resources sector, consumer confidence and retail uncertainty will continue to affect our overall performance.

As we pursue our strategies over the coming year and adapt to these challenges, Australia Post will begin to rebuild its business model to underpin new revenue with sustainable cost structures. We will implement our parcel strategy to grow market share and expand our range of financial and other services delivered through physical and online channels.

Profit/(loss) from reserved services \$m**Operating profit before tax \$m****Revenue \$m****Mail volumes m****Shareholder return on equity %****Declared dividends \$m****Capital expenditure \$m****Labour productivity (illustrating five-year cumulative growth) %****Five-year trends**

	2007	2008	2009	2010	2011
Mail volumes m	5,515.8	5,609.4	5,323.4	5,145.0	5,034.5
Revenue \$m	4,711.1	4,959.2	4,985.3	4,870.6	5,006.6
Return on revenue %	11.9	11.9	7.6	2.1	6.6
Profit before tax \$m	561.7	592.2	380.9	103.0	332.3
Profit after income tax \$m	400.7	432.2	260.5	89.5	241.2
Profit/(loss) from reserved services \$m	24.0	(1.7)	(69.2)	(250.1)	(91.3)
Shareholder return on equity %	14.2	15.4	14.1	5.7	13.4
Return on average operating assets %	19.6	19.4	12.2	3.8	10.9
Debt to debt plus equity %	15.9	15.4	23.3	26.4	23.6
Ordinary dividend declared \$m	296.9	334.6	184.0	79.1	173.2
Special dividend declared \$m	0.0	111.6	38.4	0.0	0.0
Interest cover (times)	18.4	15.6	11.0	4.6	10.9
Cumulative labour productivity %	1.4	4.0	0.8	0.8	2.5
Capital expenditure \$m	283.7	295.1	270.1	258.4	269.3

Corporate responsibility report

Given the Future Ready transformation, this year has been challenging and much of our CR program has focused on supporting our people through the change. Considerable effort has also gone into reducing our greenhouse gas emissions to achieve our 2020 carbon reduction target.

2010–11 highlights

This year marks the end of our three-year corporate responsibility (CR) program, which was launched in 2007. All of the initiatives established under the program have been completed or are ongoing. An overview of our major achievements during the three-year period is provided on page 33.

A number of new initiatives were launched to bring about cultural change and engage and equip our people with the skills and capabilities that will be needed to execute our enterprise strategy successfully. These include Future Skills, Future Leaders, Performance Ready and our new Safety program, I Am for Zero. (See pages 34 to 37 for more details.)

We also achieved a significant reduction in our greenhouse gas emissions to a level on par with the emissions we produced in 2000 – more than a decade ago. We are on track to meet our board-endorsed carbon reduction target of 25 per cent by 2020. Reducing our emissions is now a key performance indicator (KPI) for the CEO and a gateway KPI for all employees, so each and every one of our people

has a role to play in helping us to achieve our target. (See pages 46 to 49 for more details on our environmental performance.)

Meanwhile, we revised our community engagement strategy to reflect the new strategic direction of the corporation and ensure that we continue to make a positive contribution to Australian society. This year we began implementing the strategy, which saw the launch of a new partnership with Foundation House to support their UCan2 program to promote social cohesion. We also achieved our Workplace Giving participation target of 5 per cent and provided a broad range of support for communities affected by the Queensland floods. (See pages 38 to 41.)

Challenges this year

This year, we faced two main challenges. The first was maintaining employee engagement and morale through significant change, something that all organisations face when they embark on a transformation process. But we have been proactive in monitoring this and developing initiatives to support our people.

Achieving our Workplace Giving target also proved a challenge as our people made generous personal donations to the various natural disaster relief funds established in the wake of the Queensland and Victorian floods, the Japan and Pacific disaster and the New Zealand earthquake.

Outlook

Work is now underway to review our CR performance against best practice. The outcomes of this review will be used in the development of a revised CR strategy, which will determine our long-term approach to monitoring our environmental and social performance and managing the various risks and challenges facing our business. The views of our stakeholders will inform the strategy to ensure that our future approach to CR addresses their needs and concerns.

We will also focus on ensuring that all areas of the corporation not only have a clear understanding of our long-term sustainability goals and commitments but also consider these in their business planning and day-to-day activities.

Stakeholder Council statement

By integrating its annual and corporate responsibility reports this year, Australia Post has demonstrated its commitment to long-term sustainability, from a financial, social and environmental viewpoint.

The council recognises that the corporation is in a major transition period as it adapts its business to respond to the many challenges it faces. With this in mind, we congratulate Australia Post on showing leadership in integrating its reports and providing its stakeholders with a balanced account of its overall performance this year.

In closing, we believe that the report is a factual representation of the corporation's financial, social and environmental performance and that it is well written and easy to understand. We appreciate that, as part of its Future Ready program, Australia Post is revisiting its CR strategy and we expect to see greater integration across all its business areas as this new approach is implemented over the coming years.

Australia Post Stakeholder Council
August 2011

Performance summary at a glance

This first year of our Future Ready renewal program saw achievements that had a positive impact not only within the corporation but also on the communities in which we operate. The corporation's transformation continues and, while challenges remain, the outlook is very much one of sustainable, customer-driven growth.

Highlights

Challenges

Outlook

Our business

Improved the efficiency of our network by sequencing more than 3,000 delivery rounds under our Future Delivery Design program.

The parcels portfolio achieved 5.3 per cent revenue growth.

Sold our 3 millionth gift card and introduced new Australia Post-branded gift and online shopping cards.

We are delivering fewer letters to an expanding network of delivery points each year.

Inbound international parcels weighing less than 2 kilograms operate at a loss because the cost of delivering them outweighs the reimbursement we receive from overseas postal operators.

Retail foot traffic continues to decline as Australians send fewer letters and increasingly use digital channels for bill payment and banking.

Continue to improve network efficiency and promote the benefits of physical mail.

Continue to improve our network efficiency and flexibility, including providing greater customer choice for sending and receiving parcels.

Build our trusted services offering, particularly through further development of multi-channel and self-service capabilities, and equip stores for online sellers.

Our people

Launched Performance Ready, to drive a culture of accountability, and I Am for Zero, to improve our safety culture and performance.

Maintaining staff focus and morale through the first year of our transformation.

Embed our culture pillars – safety, accountability, customer focus and speed of action – with particular focus on safety.

Our communities

Revised our community engagement strategy to align with our Future Ready enterprise strategy.

Ensuring that we continue to meet the needs of the community as we adapt our business to the changing marketplace.

Establish new programs and partnerships to reflect our revised community engagement strategy.

Our customers

Refocused our sales force to better meet customer needs and deliver relevant and valued solutions.

Maintaining customer satisfaction levels through a period of significant change.

Offer our customers sustainable products and services and adapt to the changing marketplace.

Our environment

Reduced greenhouse gas emissions by 5 per cent during the year.

Finding new strategies to further reduce our dependence on energy and fuel derived from non-renewable sources.

Undertake trials of new building and vehicle technology to identify long-term strategies to reduce carbon emissions.

About Australia Post



Australia Post continued to provide an accessible service to Australians, expanding its network of retail outlets to 4,419 this year.

An iconic and trusted brand

For more than 200 years Australia Post has been an integral part of the community, from the nation's largest cities to its smallest towns. Despite a changing world, we have continued to provide a reliable and accessible letters service to all Australians. But to remain financially sustainable, we must use our reputation as a trusted services provider to deliver products, services and capabilities to achieve growth, well into the future.

Australia Post is a government business enterprise which operates under the *Australian Postal Corporation Act 1989*.

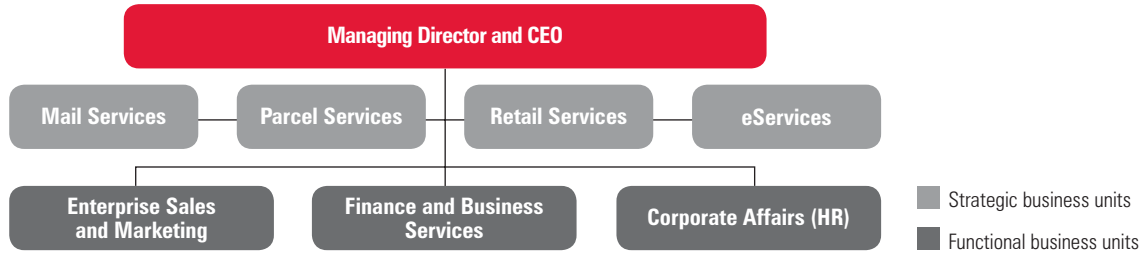
A completely self-funding business, we have a dual responsibility to operate according to sound commercial practice and to meet our community service obligations (CSOs). Under our CSOs, we are committed to providing an accessible, affordable and reliable letters service for all Australians, wherever they reside.

Our profits are used for two purposes. The first is to return a dividend to our sole shareholder, the federal government. The second is to reinvest in developing new products, services and capabilities so that our business can meet the changing needs of Australians.

Our vision is to be a trusted services provider for the real and digital economy. With Australia's largest retail and distribution network and the second most trusted brand in Australia

(2011 AMR Reprtrak brand reputation study), we are in a good position to achieve this. But we need to develop new capabilities and a product and service offering that will enable us to compete in the digital world. Our Future Ready renewal program will enable us to achieve this.

Our corporate structure



Australia Post was restructured outside of the reporting period to better align its corporate structure with its enterprise strategy. These changes are reflected in this organisational chart.

Our products and services

- Domestic and international letter delivery.
- On-time international, domestic and express parcel delivery services.
- Trusted financial, government and identity services.
- Data and customer acquisition services.
- Document management and processing.
- Cross-town courier services.
- Post office boxes and locked bags.
- Collectable stamps, coins and associated products.
- Complementary retail products, including packaging, stationery, communications, gifts and cards.
- Secure business-to-business and business-to-customer payment gateway.

Our business partners (at 30 June 2011)

Joint ventures

Australian air Express (with Qantas): domestic air linehaul and cargo terminal operations.

Star Track Express (with Qantas): market-leading road and air delivery service.

Sai Cheng Logistics International (with China Post): supply chain management and logistics.

Subsidiary companies

SecurePay: secure business-to-business and business-to-customer payment gateway.

Decipha: mailroom and document workflow services.

Post Logistics Hong Kong: freight forwarding services.

Key facts

- We operate 4,419 outlets, including 2,552 in rural and remote areas.
- We maintain 16,036 street posting boxes.
- We have a diverse workforce of more than 33,000 people speaking 50 languages.
- We consistently exceed our community service obligations, including letter delivery to 98.8 per cent of Australian addresses five days per week.
- Every week we deliver on average 97.8 million items to more than 10.9 million delivery points.
- We are ranked the second most trusted brand in Australia.
- Having celebrated our bicentenary in 2009, we are the oldest continuously running organisation in Australia.

Our board and executive committee



Australia Post Board

1 2 3 4 5 6 7

1 David A Mortimer AO

BEcon (Hons), FCPA, FAICD
Chairman (non-executive)

David Mortimer has extensive experience in banking, finance and transportation. He was appointed chairman of Australia Post in September 2006 (current term expires in September 2012) after serving as deputy chairman from June 2001. Formerly the managing director and CEO of TNT, Mr Mortimer is chairman of Crescent Capital Partners Limited, Leighton Holdings Limited and the Defence Industry Innovation Board, and a director of Petsec Energy Limited and Clayton Utz Foundation.

2 Mark Darras

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

Mark Darras has significant experience as a senior counsel and human resources executive. A member of the Australia Post board since October 2008, he was appointed deputy chairman in June 2010 (current term expires in June 2013). Mr Darras previously served as a human resources and strategy executive manager with Goodman Fielder Limited. He is currently a special counsel with Sparke Helmore Lawyers and a director at John Holland Engineering Proprietary Limited. Mr Darras is also chairman of the Australia Post Human Resources Committee.

3 Ahmed Fahour

BEcon (Hons), MBA, FAIM
Managing Director and CEO

Ahmed Fahour has held a number of senior executive positions within the finance and banking industries in Australia and overseas. He was appointed managing director and CEO of Australia Post in February 2010. He was previously CEO of Citigroup (Australia and New Zealand), National Australia Bank (Australia) and Gulf Finance Group (Bahrain). Mr Fahour is a senior fellow of the Financial Services Institute of Australia and chairman of the Rip Curl Group and the Council for Australian–Arab Relations. He is also chairman of AUX Investments, deputy chairman of Sai Cheng Logistics and a director of International Post Corporation (IPC) and Murdoch Children's Research Institute.

4 Penelope Bingham-Hall

BA (Ind Des), FAICD, SA (Fin)
Director (non-executive)

Penelope Bingham-Hall is a company director with experience across business, government, the investment community and the media. Appointed to the Australia Post board in May 2011 (current term expires in May 2014), she is a former executive general manager strategy at Leighton Holdings Limited and a former director of Infrastructure Partnerships

Australia and the Tourism and Transport Forum. Ms Bingham-Hall is currently chairman of Advocacy Services Australia and a director at BlueScope Steel Limited, The Global Foundation and SCEGGS Darlinghurst Limited.

5 Peter Carne

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

Peter Carne has served in both the public and private sectors and is a former CEO of the Queensland Law Society and a former director of Lexon Insurance Proprietary Limited and Tarong Energy Corporation. Appointed to the Australia Post board in December 2009 (current term expires in December 2012), Mr Carne is currently the Public Trustee of Queensland where he is the chairman of its investment board.



Ahmed Fahour
Managing Director and CEO



Jim Marshall
Executive General Manager,
Postal Services & Distribution
and Express Services



Christine Corbett
Executive General Manager,
Retail Services



Richard Umbers
Executive General Manager,
eServices & Strategy
and Marketing



Ewen Stafford
Executive General Manager,
Corporate Services & Finance



Chris Blake
Executive General Manager,
People and Community

Australia Post executive committee

6 Ian K Warner

RFD, LLM, FAICD
Director (non-executive)

Ian Warner is a distinguished legal practitioner with extensive commercial experience. Appointed to the Australia Post board in June 2001 (current term expires in May 2012), he is a former senior partner of Jackson McDonald Lawyers in Perth. Mr Warner is currently deputy chairman of Amcom Telecommunications Limited and a director of Cape Bouvard Investments Proprietary Limited.

7 The Hon. Trish White

BE, BA, GAICD, FIEAust
Director (non-executive)

Trish White has broad experience in the public and private sectors across a number of industries, including resources and energy, defence, transport and communications. Appointed to the Australia Post board in July 2010 (current term expires in July 2013), Ms White is a former cabinet minister and chair of the South Australian Parliament's Economic and Finance Committee. She is currently the executive strategic adviser for Worley Parsons and a director of the Motor Accident Commission.

Retirements

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 and is an external member of the Australian Taxation Office's Audit Committee and a director of the RSPCA (Queensland). Ms Gibson retired from the board in September 2010.

Jennifer Seabrook

BCom FAICD
Director (non-executive)

Jennifer Seabrook has held a variety of senior executive positions within the finance industry in her executive career. Appointed to the Australia Post board in July 2010, Ms Seabrook retired from the board in June 2011. Currently a special adviser for Gresham Partners Limited, she is also a non-executive director of the Bank of Western Australia Limited, Export Finance & Insurance Corporation, IRESS Market Technology Limited and Iuka Resources Limited.

William Mansfield

LLB
Director (non-executive)

William Mansfield passed away in February 2011. He was a well-respected practitioner in the industrial relations field who served as a commissioner of the Australian Industrial Relations Commission (now Fair Work Australia). Appointed to the Australia Post board in October 2008, Mr Mansfield was a former director of Telstra Corporation Limited, CSIRO and Comcare.

Stakeholder engagement

Australia Post is an iconic brand with a long history and high levels of trust among the Australian public. So the community and our stakeholders have high expectations about what we do and how we conduct our business. We are committed to building strong relationships with our stakeholders so that we can understand their needs and expectations and use those to inform our strategies and activities.

Broadly, Australia Post defines its stakeholders as employees, customers, regulators, shareholder (the federal government), suppliers, industry bodies, community groups, the media, opinion leaders and the broader Australian community.

Our approach to stakeholder engagement is based on developing a sound understanding of the views and expectations of individuals, organisations and community representatives who are critical to helping us achieve our goals. This engagement occurs through a variety of channels. A summary of the activities undertaken this year is provided opposite.

Our stakeholder council

Australia Post's stakeholder council is an external advisory body of 12 individuals whose role is to help us improve our stakeholder engagement and communications.

Council members (a list of whom is available on our website) offer a range of views and are drawn from various professions, including small, medium and large business, industrial relations, direct marketing and corporate responsibility (CR) across rural and regional Australia. The council is chaired by an Australia Post board member, and meetings are attended by senior Australia Post executives.

As per its charter, the stakeholder council met three times during the 2010–11 financial year. Members discussed and advised on a number of issues relating to our services, customer communication and corporate responsibility. The council also conducted a formal review of our CR performance this year, about which there is a statement on page 10.

Stakeholder research

In July 2010, Australia Post commissioned independent firm Allen Consulting Group to conduct research that measures our reputation with key external stakeholders. This included in-depth interviews and an online survey.

The results provided valuable insights into the views of our stakeholders, including their satisfaction with Australia Post's communication and engagement. The research found that overall we have a strong or good reputation with stakeholders across most of the dimensions of corporate reputation, and this includes comparison with competitors and peers. However, the research made a number of observations and identified areas where improvements could be made. These included:

- we perform strongly for products and services but rate low for innovation
- compared with competitors and peers, we have a strong reputation across all dimensions except leadership
- stakeholders have a high expectation of Australia Post in terms of governance and they expect more from us.

These findings are being used to review our strategy and how we engage and communicate with stakeholders.

Materiality

We identify the material issues associated with our business and our strategy through a formal materiality assessment, which includes consultation with stakeholders. Stakeholders' views are taken into consideration when developing our CR strategy and determining the material issues to report on.

To identify material issues for this year's annual report, we conducted a materiality assessment with support from independent consultancy Halcrow. To inform this process, we used the results of our 2010 stakeholder research, as well as feedback received directly from stakeholders on our 2009–10 standalone CR report. As a result of this process, five new indicators were identified for reporting this year. See the GRI table on page 136 for the full list of indicators covered in this report.

Being Future Ready

Critical to Australia Post's Future Ready transformation program is the ability to adapt and improve our approach to stakeholder engagement. This year we began developing an enterprise-wide approach to stakeholder engagement to help us better understand and coordinate the various stakeholder interactions across our business.

A number of initiatives are underway to support and promote stakeholder engagement throughout the corporation, including stakeholder and key project mapping, reviewing engagement methodology and the establishment of a unit dedicated to this critical aspect of our business. We are confident that this will lead to a greater understanding of our stakeholders' expectations of Australia Post and to improved business and stakeholder outcomes.

Our focus next year will be on effectively embedding these management processes in the business and establishing an appropriate stakeholder management system to efficiently collect, manage and monitor our engagement activities.

Material issues for Australia Post stakeholders

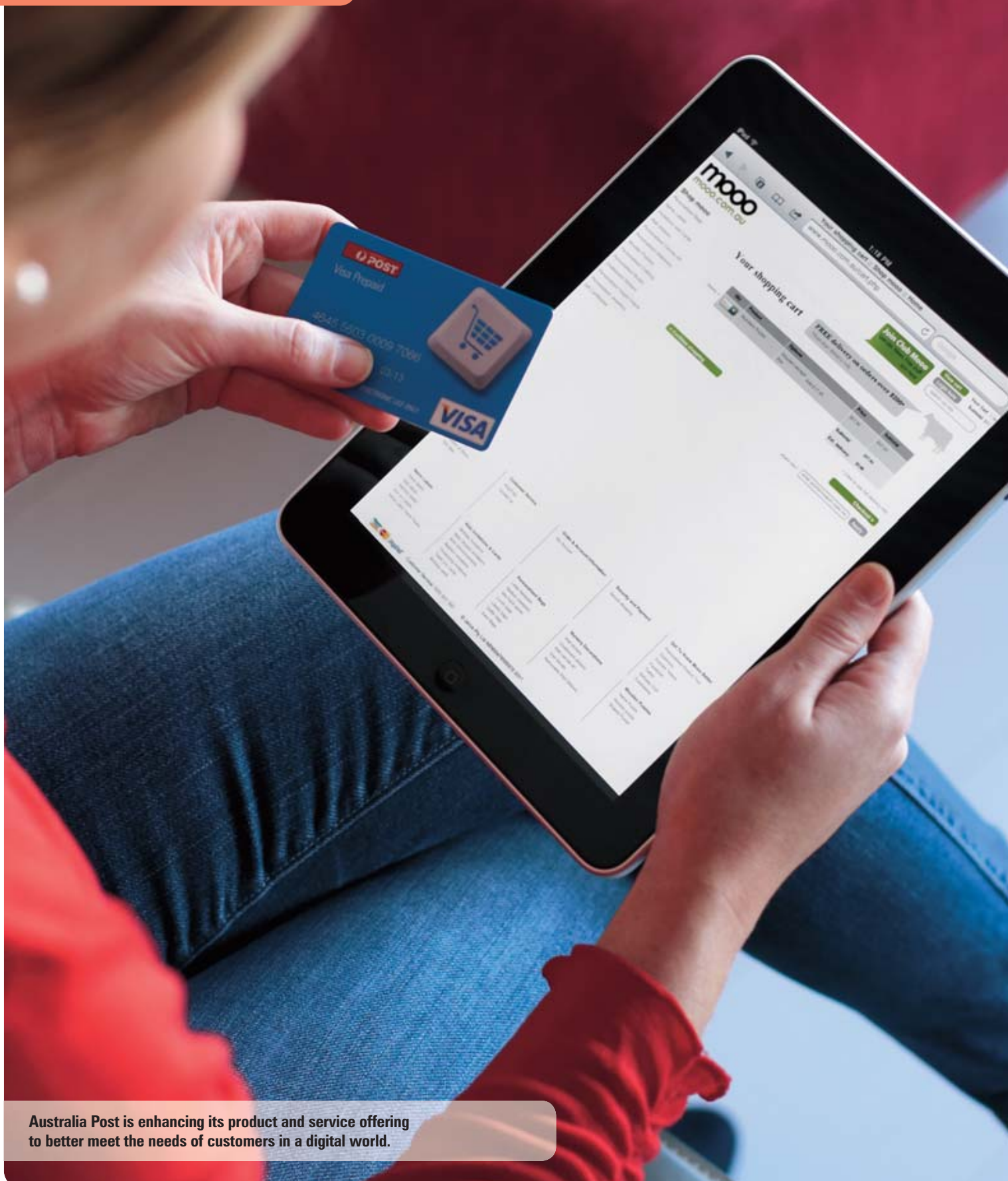
ENERGY USE MATERIAL USE FREEDOM OF ASSOCIATION **ACCESS TO MAIL** LABELLING
FLEET COMPOSITION WORKFORCE FLEXIBILITY LOCAL ECONOMY BIODIVERSITY
 PRODUCTS AND SERVICES **GREENHOUSE GAS EMISSIONS** COMPLIANCE WATER EMPLOYMENT
 PROCUREMENT **CORRUPTION** LABOUR RELATIONS **OH&S** MARKETING **TRANSPORT** TRAINING AND EDUCATION
LOCAL COMMUNITY IMPACTS DIVERSITY **ECONOMIC PERFORMANCE**

Our stakeholders: who they are

2010–11 engagement activities

Government	
Our shareholder and portfolio ministers.	Consultation on our rolling three-year business plan.
Federal, state and territory members of parliament.	Provision of quarterly shareholder briefings.
Commonwealth departments and agencies, local government and special organisations that oversee portfolios relevant to Australia Post and its business.	Participation of senior executives in Senate Estimates hearings. Provision of reports under the National Greenhouse and Energy Reporting System and <i>Energy Efficiencies Opportunities Act 2006</i> .
Customers	
Major corporate and government customers.	Launched Driving Business Online initiative.
Small to medium-sized business customers.	Introduced localised sales model based at business centres to work with the local small-business community.
General public who contribute to our success by purchasing our products and services.	Conducted industry sector-based workshops to showcase our business solutions and obtain feedback. Undertook customer briefing sessions with the managing director and CEO.
Regulators	
Federal and state bodies responsible for the control and supervision of the postal industry and organisational compliance matters.	Notification to ACCC to change bulk business mail services. Provided a submission to the Productivity Commission's inquiry into the retail sector.
Workforce	
Employees, contractors and licensees.	Reached agreement for, and implemented, our new Fair Work Agreement.
Unions that represent our employees.	Gave Future Ready strategy briefings to all staff. Launched our Safety awareness campaign, I Am for Zero. Launched Future Skills, a \$20 million employee training and development program. Launched our Reconciliation Action Plan. Held International Women's Day events for employees across the country. Regularly delivered <i>Post Journal</i> (Australia Post's employee magazine) to employees, contractors and other key stakeholders. Conducted Staff Attitude Survey pulse-check. Provided regular management and staff updates on environmental issues, including energy efficiency and carbon reduction program. Held annual licensed post office conference in major capital cities. Held a national sales conference for 200-plus members of the sales team.
Suppliers	
Manufacturers, packagers, distributors, wholesalers and other providers who generate the goods and/or services critical to Australia Post's daily operations and ongoing ability to service both residential and business markets.	Continued to engage with suppliers to increase the number covered by our supplier code of conduct. Wrote to suppliers outlining our Future Ready program.
Industry	
Organisations that act as industry peak bodies for the sectors and markets in which we operate, as well as sectors and markets affecting our suppliers and competitors.	Achieved a 3 per cent improvement on last year's performance documented in the international IPC Sustainability Report. Australia Post is a member of several industry groups. A full list is provided on our website (www.auspost.com.au/2011annualreport).
Community groups	
A diverse group of non-government organisations (NGOs) involved in an array of social issues, including education, health and welfare, sport, the arts, rural and regional development and small business.	Began a refresh of our Community Engagement strategy and framework. Had ongoing communication with community groups in relation to changes to our network, facilities, products or services. Launched our SES partnership and continued to support community-based initiatives.
Environmental groups	
A diverse group of government and NGOs involved in a range of environmental issues relevant to our business.	Sponsored Banksia Environmental Foundation's People's Choice Award. Continued support of initiatives such as MobileMuster and Cartridges 4 Planet Ark.
Media	
Individuals who represent print, broadcast and online media organisations that engage with business and/or consumer markets and publish and broadcast at the international, national, metropolitan, regional or rural levels.	Developed a comprehensive national and state media relations strategy. Held media briefings on annual results with the Australia Post chairman and managing director and CEO.

Core businesses



Australia Post is enhancing its product and service offering to better meet the needs of customers in a digital world.

A platform for growth

Our Future Ready transformation program is underpinned by three board-endorsed strategies that will help us rebuild the corporation and achieve ongoing profit growth.

These three strategies are:

- Restore a self-sustaining letters business.
- Grow the full-value chain in parcels and win in e-commerce.
- Build a trusted multi-channel offer in digital and retail.

These clear and simple strategies are helping us overcome the challenges facing our business and driving us to seek new revenue opportunities that respond to customer and market needs. Supported by our trusted brand and unrivalled delivery network, we are in a strong position to realise these strategies over the coming years.

While our primary focus this year has been on stabilising the corporation and building a solid foundation for the next phase of our Future Ready transformation, which is to rebuild our business, our strategic business units have started to execute these strategies during 2010–11.

This year we delivered some exciting new products and services and we trialled a number of pilot programs designed to further improve customer access, convenience and choice – from third party stores-in-store that expand our retail outlets' offering through to various 24/7 service options (see page 30) and greater flexibility in our parcel delivery service (see page 27).

A major step towards making our letters business self-sustaining was the continuation of Future Delivery Design, a multi-faceted program that has been boosting operational efficiency and flexibility throughout the delivery network (see page 23). Also pointing to a sustainable future for letters was the ongoing success of our businesses that combine the benefits of physical mail and digital technology (see pages 22 to 23).

This year's acquisition of SecurePay is an example of how Australia Post is positioning itself to capture a share of the e-commerce market. Providing multi-channel business-to-business and business-to-customer payment services, the SecurePay platform is particularly attractive to small to medium-sized businesses selling goods online (see page 26). Another e-commerce win was our partnership with Australia's most popular online shopping destination, eBay. Several initiatives, including co-branded satchels and boxes, generated substantial business for Australia Post (see page 26).

The completion of the first two phases of the Channel Enablement – Point of Sale project this year greatly improved our ability to deliver trusted services via multiple channels, making us even more attractive to customers and clients (see page 31). From the launch of Australia Post's smartphone app to a significantly enhanced online shopping experience (see pages 29 to 30), we continued to augment our unrivalled physical reach.

Next year, we will continue to trial new products and services and introduce those that best suit Australian businesses and consumers. We will look for other opportunities to grow, especially by developing our digital capabilities. Reducing costs is another important focus, but optimising the performance of our retail and delivery networks is also about enhancing the quality of our service.

We have now established a stable platform for growth. Our talented workforce is dedicated to helping us realise the full potential of our Future Ready program so that we can continue to provide valued, trusted and reliable services to all Australians – today, tomorrow and well in the future.

Our primary focus this year has been on stabilising the corporation and building a solid foundation for the next phase of our Future Ready transformation, which is to rebuild our business.

LETTERS: A SUSTAINABLE LETTERS SERVICE



Express Post delivery is a valuable service for our customers, particularly small-to-medium businesses.

Australia Post recognises that the role of letters in the communications marketplace is changing and that we must reshape our letters business to adapt to the realities of a digital-enabled world.

Our first enterprise strategy – to restore a self-sustaining letters business – is all about adapting our letters operations and our services to align with changing customer and community needs.

The generational shift to digital forms of communicating is the main reason for the decline in our letter volumes for a third consecutive year in 2010–11. Over that three-year period, the number of domestic letters posted in Australia has fallen by around 12 per cent.

This year alone, addressed domestic letter volumes fell 3.7 per cent, but this was less than in the previous year, when volumes fell 5.5 per cent. This year's slower rate of volume decline can be partly explained by a series of major mailings associated with federal and state elections (in NSW and Victoria).

While our letter volumes are falling, our delivery network keeps growing as Australia's population expands. This year, around 200,000 new addresses were added to our nationwide delivery network. (See graph opposite.)

Under our community service obligations (CSOs) performance standards, we are committed to delivering letters five days a week to 98 per cent of Australian addresses.

We honour these performance standards as part of our commitment to providing a letters service that is accessible to all Australians – wherever they reside.

Highlights and challenges

With our letter volumes falling again this year, the June 2010 increase in the basic postage rate (BPR) – from 55 to 60 cents – was the main factor contributing to overall revenue growth of 2.6 per cent in the letters portfolio. (Despite the BPR increase, Australia's postage rate remains the third cheapest among OECD countries.)

Once again this year, we met or exceeded all of the prescribed CSO performance standards, including our on-time delivery target for domestic letters, bulk mail and international inbound letters. (See page 115 for more details.)

The great challenge for our letters business is to become financially self-sustaining at a time when we are delivering fewer letters to a wider network of delivery points.

In response to this challenge, we made great strides this year in the roll-out of our Future Delivery Design program. The program has improved operational efficiency and reduced costs through a combination of automation, process redesign and improvement to network systems. (See page 23.)

The generational shift to digital forms of communicating is the main reason for the decline in our letter volumes for a third consecutive year in 2010–11.

Highlights

Challenges

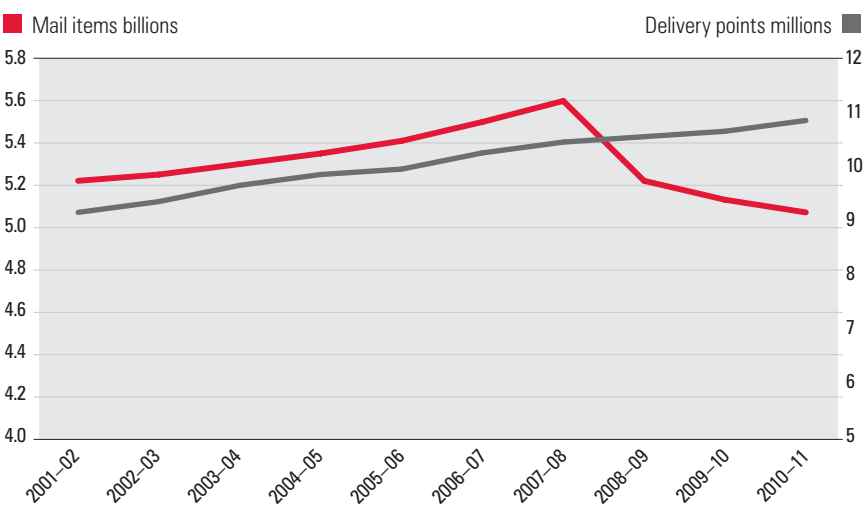
Outlook

- Improved the efficiency of our network by sequencing more than 3,000 delivery rounds under our Future Delivery Design program.
- Delivered 96 per cent of domestic letters on time or early.
- Delivered 96.3 per cent of bulk mail on time or early.
- Serviced more than 98.8 per cent of Australia's delivery points five days a week.
- Unaddressed Mail volumes rose by 12 per cent.
- Our Decipha subsidiary enjoyed revenue growth of 11 per cent.

- We are delivering fewer letters.
- Our delivery network is expanding each year as our population grows.

- Further improve the efficiency of our network.
- Promote and enhance the benefits of physical mail and the relationship between print and online.
- Make more products available online.

Trends over a decade: letter volumes against delivery points



Product and service performance

During 2010–11, electronic substitution continued to have an impact on our volumes, with the number of addressed domestic letters sent falling by 3.7 per cent. Despite the volume decline, the increase in the basic postage rate resulted in revenue growth of 3.3 per cent for domestic letters.

Among bulk mail, PreSort volumes declined by 1.7 per cent while Print Post volumes declined by 5.5 per cent.

Due to federal and state elections, Unaddressed Mail volumes rose by 12 per cent, resulting in an increase in revenue of 13 per cent.

96%
 ON-TIME DELIVERY
 FOR DOMESTIC LETTERS

96.3%
 ON-TIME DELIVERY
 FOR BULK MAIL

98.8%
 DELIVERY POINTS SERVICED
 FIVE DAYS A WEEK

Letters: A sustainable letters service



FROM ORIGIN TO LETTERBOX

Our Postbillpay service has been the basis of a long and successful partnership with Origin Energy. Building on this, in April 2010 Origin Energy invited us to tender for the print production of its outbound mail.

Our tender was successful, and we began producing Origin's printed material in South Australia in June 2011. Nationwide roll-out is expected by November. The three-year contract will involve Australia Post preparing some 21 million articles each year for Origin.

Key to our successful tender was our ability to offer greater efficiency in printing, distribution and payment processing. The breadth of our products and services, both physical and digital, meant that Australia Post was the strategic, whole-of-business partner that Origin was looking for.

"We need partners like Australia Post who can help us make a difference to our customers." Christina Wilson, Executive Customer Sales and Operations, Origin Energy.

The decline in international mail volumes was most pronounced in outward mail (down 11.6 per cent). While this category remains profitable, the Australian dollar's strength continues to reduce revenue from inward items, which was down 4.4 per cent this year. When we deliver inbound mail we are reimbursed by overseas postal services according to a rate set by the Universal Postal Union. However, the value of this rate has reduced as our currency has strengthened.

Despite this challenging environment, both domestically and internationally, our independently monitored and audited delivery performance met all targets in 2010–11. One of our key performance standards under our community service obligations is that we must deliver 94 per cent of non-bulk domestic mail on time. Once again, we exceeded this target in 2010–11 by delivering 96 per cent of domestic letters on time or early. We also exceeded our targets for the on-time delivery of bulk-lodged business mail (96.3 per cent) and for international inbound letters (tracking at 93.4 per cent).

Price changes

In June 2011, the Australian Competition and Consumer Commission announced that it had no objection to our proposed changes

to some of our reserved letters services used by businesses. The changes predominantly relate to our PreSort letters service. While this did include a price increase, a key objective of the change was to encourage the use of the Off-Peak service by making it more attractive to customers. These changes came into effect on 4 July 2011, just outside of the reporting period.

New service developments

Throughout 2010–11, we continued to market our range of letter products and extend our multi-channel delivery options to increase revenue growth. Among our most significant achievements was the expansion of Send Me, a service that enables consumers to request samples, brochures and other advertiser information via mobile phone. And we launched Sample Post, a service that has enabled clients such as Nestlé and Proctor & Gamble to have addressed product samples sent to customers.

We relaunched Community Update mail (a service that enables councils to communicate with their constituents with maximum efficiency and value), which is expected to deliver additional revenue next year. We also successfully launched the Unaddressed Mail online booking system.

Digital communications and data services

Australia Post is capitalising on the ever-expanding capabilities of digital technology to maintain letters as a convenient, flexible and effective communication option.

Decipha

Our Decipha subsidiary (www.decipha.com.au) is a provider of inbound information management services, including document imaging, data capture, automated document categorisation, mailroom management, online forms, and workflow and electronic archive solutions.

During 2010–11, Decipha experienced strong revenue growth of 11 per cent. Highlights for the year included:

- pilots for new clients Telstra, World Vision and Ford
- organic growth with major clients, including Westpac, Suncorp, the Australian Taxation Office and NAB, through the development of new projects
- extending our capabilities in hosted image and data archiving, advanced document categorisation and workflow
- improving payment processing security by making strong progress towards independent certification to the PCI DSS (Payment Card Industry Data Security Standard).

Despite this challenging environment, both domestically and internationally, our independently monitored and audited delivery performance met all targets in 2010–11.

First Direct Solutions

First Direct Solutions (FDS) is a division of Australia Post that helps businesses attract and retain customers by giving them access to accurate and relevant address and profiling data. It maintains four major databases: Lifestyle, Movers, the Australian Address Reference File and the National Change of Address File.

FDS (www.fdsolutions.com.au) achieved 4.4 per cent revenue growth in 2010–11. This was due to the strong performance of our Mail Redirection and Mail Holding services, coupled with data collection increases of approximately 8.4 per cent.

The division’s primary focus this financial year was on making the Mail Redirection and Mail Hold services available online. Since its launch in August 2011 (just after the current reporting period), households have been able to go online to lodge and pay for mail redirection or mail hold applications, extend existing arrangements and notify participating suppliers of their change-of-address details.

FDS has improved its capability in delivering email campaigns by implementing processes to cleanse recipient lists to maximise the number of messages received. The division is also offering customers an email design-and-build service.

eLetter

Australia Post’s eLetter mail house (www.auspost.com.au/eletter) offers a comprehensive suite of direct marketing products and services that enable businesses to reach current and potential customers effectively.

Revenue rose by 5.5 per cent in 2010–11, with strong returns for innovative solutions

launched in recent years. Premium offerings such as eLetter Easy Peel, eLetter Wrap and full digital colour performed particularly well as customers migrated towards targeted, high-return direct marketing strategies.

A highlight of the year was our successful tender for Origin Energy’s mail house solution, which gave us an opportunity to develop a whole-of-business approach (see case study opposite).

PrintSoft

Following a strategic review as part of the Future Ready program, a decision was made to divest PrintSoft. The review identified that PrintSoft’s suite of software services was not core to the Australia Post business. It also established that there are a number of organisations in the market that are better aligned with PrintSoft’s future strategy.

Objectif Lune International, a company based in Montreal, Canada, purchased PrintSoft on 30 June 2011.

Outlook

In 2011–12 and beyond, we will focus on returning to a self-sustaining letters business. Critical to this is the separation of parcels and letters into two profit-and-loss-accountable business units, effective 1 July 2011.

We will continue to invest in technology and systems that streamline our delivery processes and improve the efficiency and flexibility of our network.

We also remain committed to promoting the tangible benefits of the physical letter and expect positive results from this year’s reorganisation of our sales force from state to industry-aligned teams.

We expect promotional mail to continue to perform well as businesses recognise that consumers continue to respond positively to physical communications.

We will make the Off-Peak service more attractive to customers seeking value for money, including an update of the indicia to read “Surface Mail” (this better reflects the transport method, which is by road rather than air).

Future delivery design

Through automation, process redesign and improved network systems, our multi-faceted Future Delivery Design program has been increasing operational productivity and flexibility across our delivery network for several years.

During 2010–11, the program:

- further improved round optimisation, reducing posties’ delivery time by 4 per cent
- installed proprietary geographical information software that calculates optimal delivery rounds and the labour resources required (more than 3,000 delivery rounds have now been sequenced)
- delivered phase two of the Recognition Improvement project, in which upgraded software enhanced the automated recognition of fonts and handwriting on addressed mail.

The roll-out of efficiency initiatives identified by the Future Delivery Design program will continue in 2011–12.



PARCELS: WINNING IN E-COMMERCE



Business partnerships with small to medium-sized online retailers, like Nadia Watson of Fancy Flats, are critical to the success of our parcels business.

Our trusted brand, extensive nationwide delivery infrastructure and global reach mean that Australia Post is ready to deliver on its second enterprise strategy: to grow the full-value chain in parcels and win in e-commerce.

Access Economics' report *Household E-Commerce Activity and Trends in Australia* (published in November 2010) estimates that in Australia alone the value of online purchases is worth between \$19 billion and \$24 billion a year, with growth forecast at up to 12 per cent per annum for the next few years.

Australia Post is the natural partner for e-commerce in Australia, with millions of parcels delivered annually on behalf of online sellers, both domestically and internationally.

We are ideally positioned to support online traders, from individuals with small, ad hoc items to large enterprises needing fulfilment services that reach customers nationwide and around the globe.

This year, we took some important steps to protect our position as a reliable, cost-effective provider of delivery services well into the future. Our customers' needs and expectations are evolving, so we have focused on giving them more flexible delivery options and greater choice. We have trialled and implemented many new and augmented products and services and formed strategic partnerships that further enhance our offer.

Building relationships within the broader postal industry is crucial to overcoming the many challenges we face in the extremely competitive parcels and logistics market. By working with the Universal Postal Union (UPU) and forging alliances with postal services, carriers and sellers, we are tackling one of our greatest challenges: the losses incurred by inbound international parcels weighing under 2 kilograms because of the way we are reimbursed for them.

Highlights and challenges

Our parcels portfolio enjoyed 5.3 per cent revenue growth in 2010–11 – a very positive result in a highly competitive marketplace. This was largely due to our success in attracting e-commerce customers, and many of the year's highlights centred on enhancing our role in this area.

We improved our position in the e-commerce marketplace by strengthening our relationship with eBay, acquiring the payment gateway company SecurePay (read more on page 26), and partnering with PayPal to launch Driving Business Online (www.drivingbusinessonline.com.au). This program, which includes a regional bus roadshow, actively assists Australian businesses in reaping the rewards of online shopping's global reach.

Australia Post is the natural partner for e-commerce in Australia, with millions of parcels delivered annually on behalf of online sellers, both domestically and internationally.

Highlights

- The parcels portfolio achieved 5.3 per cent revenue growth.
- We forged a strong partnership with eBay, attracting considerable business from its 8 million registered Australian sellers through several initiatives during the year.
- We acquired SecurePay, which provides multi-channel payment services that are particularly attractive to small to medium-sized businesses selling goods online.

Challenges

- Inbound international parcels weighing less than 2 kilograms operate at a loss because the cost of delivering them outweighs the reimbursement we receive.
- US-bound parcels incur higher freight costs due to aviation security measures.

Outlook

- Enhance our role in e-commerce through even better products, services and partnerships.
- Continue to improve our network efficiency and flexibility, including greater customer choice when sending and receiving parcels.
- Provide convenient, low-cost delivery and returns solutions.
- Address the losses incurred through the delivery of international inbound parcels.

Other notable achievements during the year included the launch of Australia Post's smartphone app (see page 29) and the reconfiguration of our joint ventures with Qantas, which enables Star Track Express and Australian air Express to focus on their respective strengths in express freight.

Our Enterprise Event Management project also continued to deliver major service improvements, through enhancements to multiple-parcel consignment management, identity capture on delivery and parcel tracking infrastructure.

While our international inbound parcel volumes increased significantly due to the strong Australian dollar, we lost money on small packets as the cost to deliver them is greater than the payment we receive from overseas postal organisations. The stricter aviation security measures imposed by the United States also created a challenge due to the additional screening processes that were required for US-bound parcels.

Domestic delivery

After two years of marginal volume decline, our domestic parcels business achieved growth in 2010–11. We maintained our excellent service performance, with 96.2 per cent of Parcel Post and 99.3 per cent of Express Post items delivered on time or early.

The strong revenue growth in eParcels was particularly notable, driven by e-commerce market growth for key clients, including eBay, JB Hi-Fi, Deals Direct, Grays Online, Catch of the Day and emerging e-commerce retailers and small to medium-sized businesses. The eParcel Post Returns product (part of our popular suite of returns services) has delivered strong growth with clients such as Apple and Austar.

The revenue growth in eParcels was particularly notable, driven by e-commerce market growth for key clients.

5.3%

REVENUE GROWTH FOR THE PARCELS PORTFOLIO

99.3%

ON-TIME OR EARLY DELIVERY OF EXPRESS POST

96.2%

ON-TIME OR EARLY DELIVERY OF PARCEL POST

Parcels: **Winning in e-commerce**

Securing the future

A highlight of 2010–11 was our acquisition of SecurePay – an Australian payment gateway company offering billing and shopping cart capability – to expand our online services and win in e-commerce.

SecurePay extends Australia Post's multi-channel capability, allowing business and government customers to provide secure business-to-business and business-to-consumer payment services via the Internet, phone or custom software.

The SecurePay platform is particularly attractive to small and medium-sized online businesses as it allows them to offer customers both an online payment service and the ability to buy products and services via a shopping cart on their website.

The SecurePay offering complements our existing Australia Post-branded online payment channel, Postbillpay, and positions us to take advantage of the rapid growth of e-commerce in Australia.

Established in 1999, SecurePay has around 19,000 business customers and offices in Melbourne, Sydney and Adelaide.

International delivery

Our international outbound parcel product enjoyed its most profitable year in 2010–11, despite substantial external pressures.

We met all of our delivery service targets, including those set by the UPU.

Price and productivity gains offset falls in outbound volumes that were mainly caused by the strong Australian dollar and subdued global economy. Express Courier International, Express Post International and Registered Post International all had modest volume declines, while Air Mail parcel volumes held steady.

There was historically high volume growth for international inbound parcels as Australian consumers reaped the benefits of buying from overseas online retailers. Unfortunately, this dramatic volume growth was not profitable for Australia Post. In fact, inward small parcels operated at a loss due to the rate at which we are reimbursed for deliveries by overseas postal services. Determined by the UPU, this rate is unfavourable when the Australian dollar is high, particularly for items weighing less than 2 kilograms. Although these items are deemed by the UPU to be letters, we deliver them as parcels and they incur higher costs, from gateway to delivery.

Another challenge during 2010–11 involved parcels destined for the United States (US). In November 2010, during the pre-Christmas peak, the US introduced heightened security restrictions on inward parcels at short notice. Specialised X-ray machines and higher freight costs were among the imposts on Australia Post, necessitating a \$9 surcharge on US-bound parcels. The US is currently reviewing these new aviation security measures.

Australia Post continues to address such challenges in the complex and constantly evolving international parcels environment. These include bilateral agreements with the postal services of our four major trading lanes (New Zealand, the United Kingdom, the US and China), and partnerships with international online retailers that target parcels at the source.

Strategic partnerships

An important aspect of Australia Post's expanding role in e-commerce this year is our partnership with eBay, the nation's most popular online shopping destination. In July 2010, our Click and Send service was integrated into the eBay Australia website and in December 2010 our co-branded satchel became available. When we launched our online store within the eBay site in May 2011, some 85,000 of these flat-rate satchels were ordered in the first 24 hours. The launch of flat-rate co-branded boxes in the first week in July rounded out a year in which we significantly improved our partnership with eBay.

Australia Post continues to be a market leader in last-mile delivery solutions to Australian households. Our comprehensive last-mile capabilities are also key to partnerships with intermediaries such as Australian Mail Services and source customers like Reader's Digest, and these capabilities will continue to be an important focus in generating future business.





SEIZE THE DAY

One of Australia's most popular online retailers, Catch of the Day offers a single, low-price deal every day for goods as diverse as chocolates and televisions. Established in 2006, the business has increased by 100 per cent over the past four years.

Australia Post delivers 98 per cent of Catch of the Day's orders – which range from 2,000 to 10,000 parcels a day – via our eParcel service. eParcel is a reliable and secure option, which features scheduled pickups, proof of delivery and a suite of management reports.

This partnership is just one example of how Australia Post is growing its parcels business by winning in e-commerce.

"Australia Post is the only way to ship goods... They've been partners of ours in growth from day one." Gabby Leibovich, Director, Catch of the Day.

Service trials

In order to offer our customers more choice and convenience when sending or receiving parcels, we conducted various service trials during 2010–11. These included:

- 24/7 retail zones featuring parcel collection lockers for post office box customers and self-service terminals for weighing and lodging parcels
- dedicated areas in our outlets where online traders can purchase packaging products and despatch parcels
- a 24-hour parcel collection facility at the St Leonards Delivery Centre in NSW.

These and other trials will continue in 2011–12.

Joint ventures and associated companies

AUX Investments

In May 2011, Australia Post and Qantas reconfigured their joint ventures to create two new express freight businesses with distinct capabilities. Overseen by holding company AUX Investments, the changes enable each business to focus on key strengths: Star Track Express has become a business-to-business road and air service, while Australian air Express will focus on domestic air linehaul and cargo terminal operations.

The reconfiguration of these entities will improve their value and competitiveness and position them for growth.

Messenger Post Couriers

Messenger Post Couriers (MPC), Australia Post's courier division, enjoyed revenue growth of 5.0 per cent in 2010–11. Highlights for the year included extended delivery windows (Saturday morning and 6am–8pm Monday–Friday) for its major new client Optus, and the introduction of a 24/7 service for the healthcare industry. This led to a successful tender for the Red Cross emergency blood service. We also began providing point-to-point and scheduled services for The Alfred Hospital and Peter MacCallum Cancer Centre in Victoria.

During 2011–12, MPC will relaunch two services, making them more customer friendly. The improved ad hoc courier service will offer extended metro delivery reach, later booking deadlines and simpler service selection: standard, express and immediate priority. The oversize solution, which is currently being used by online retailers such as Grays Online and Big W, will be extended to all capital cities.

Sai Cheng

Sai Cheng Logistics International (SCLI), our joint-venture partnership with China Post, has continued to grow despite the slow global economic conditions, with revenue up by 2.4 per cent.

Focused on delivering high-end integrated supply chain solutions to target industries, SCLI has helped organisations to reduce their total supply chain costs and allowed Australian customers to access global markets in a cost-effective way.

SCLI is supporting Australia Post to achieve its enterprise strategy, specifically to manage distribution from the source, and will continue to be a critical partnership throughout 2011–12.

Outlook

During 2011–12 and beyond we will continue to improve customer choice for parcel delivery and returns and lower network costs through greater productivity.

We will build strategic relationships that enhance our place in online trade, leverage our strengths in last-mile delivery and improve returns on international deliveries. We will further strengthen our place in e-commerce through the Kahala Postal Group (an alliance of 10 international postal services) and the development of an international ePacket product designed for small, ad hoc items traded online. ePacket will be launched in 2011–12.

To provide a greater focus on achieving our strategies, our letters and parcels businesses will be split into separate business units with profit-and-loss accountability, effective 1 July 2011.

RETAIL: PROVIDING TRUSTED SERVICES



Through initiatives such as third party stores-in-store, Australia Post is changing its retail outlets to offer customers greater choice.

With our strong brand, unrivalled retail network and understanding of customers' evolving needs, Australia Post is perfectly placed to deliver on its third enterprise strategy: building our trusted multi-channel services offering in digital and retail.

Australia Post has one of Australia's largest physical retail networks. At 30 June 2011, our network comprised 4,419 outlets, with 2,552 of these located in rural and remote areas.

We also hold an enviable position as one of the nation's most trusted brands, ranking second in the 2011 AMR Reprak brand reputation study – up three places from last year.

This powerful combination of trust, convenience and accessibility is the reason why so many businesses and government agencies choose to reach their customers through Australia Post.

This year, more than ever before, we have been actively improving our customers' experience by adapting to their changing needs. Our retail network's reach may be vast, but the future demands that we continuously enhance our multi-channel offerings, from in-person service to telephone, online, hand-held and self-service options.

The various service-delivery trials undertaken during 2010–11 are part of our shift from a one-size-fits-all, 9-to-5 operating environment. Developing 24-hour service offerings, for example, and designing stores that meet local needs are integral to providing greater access, convenience and choice for our customers – now and into the future.

Highlights and challenges

While Australia Post's outlets experienced the same market pressures as other Australian retailers this year, our trusted services once again performed strongly. This resulted in 2.8 per cent revenue growth for agency services, which is a pleasing result given current consumer caution.

There was particularly strong revenue and volume growth in identity and money transfer services. This was partly driven by new travel-related products, pre-paid and online shopping cards. We also substantially expanded our online stationery offering with the launch of a dedicated office supplies online store.

Our greatest challenge continues to be declining retail foot traffic due to digital substitution and cautious consumer spending.

Financial and commercial services

Bill payment, banking and money transfer are among Australia Post's leading financial and commercial service offerings.

Money orders and money transfer services performed strongly during the year, while sales of travel-related products were particularly robust. This included the new Amex Global Travelcard and Travelex Cash Passport debit card, which provide secure, pre-paid access to foreign currency. Other new offerings that performed strongly are the Australia Post-branded pre-paid Visa gift cards and online shopping cards.

Improving traditional products and services was an important feature of 2010–11.

This powerful combination of trust, convenience and accessibility is the reason why so many businesses and government agencies choose to reach their customers through Australia Post.

Highlights

- **Enhanced our online shopping offer with extra product lines, including stamps, Express Post and Parcel Post, and we extended our stationery partnership with OfficeMax.**
- **Stamp releases commemorating the royal wedding and Mary MacKillop's canonisation delivered strong results for the philatelic business.**
- **Sold our 3 millionth gift card, and introduced new Australia Post-branded gift and online shopping cards.**
- **Processed more than 120 million bill payments in-store.**

Challenges

- **Continued decline in retail foot traffic as Australians send fewer letters and increasingly use digital channels for bill payment and banking.**
- **Australia Post, and the entire retail sector, faced pressure as consumers shifted from discretionary spending to a culture of saving.**

Outlook

- **Roll out our next-generation retail model.**
- **Build our trusted services offering, particularly through further development of multi-channel and self-service capabilities, and equip stores for online sellers.**
- **Open our first full-service flagship store at Brisbane GPO.**

Postbillpay became available to consumers on the move via our new smartphone app. Meanwhile, we expanded our range of banking services for more than 70 financial institution partners and their customers.

We continued to increase the number of outlets that facilitate NAB business banking during the year, reaching 1,300. Our agreement with ING Direct to act as an agent for opening term deposits also came into effect (in August 2011, just after the 2010–11 reporting period).

Our new and improved offerings contributed to slight revenue growth of 0.6 per cent.

Identity and government services

Australia Post offers an extensive suite of highly secure, accessible identity services, including the processing of passports and various government, occupational and business

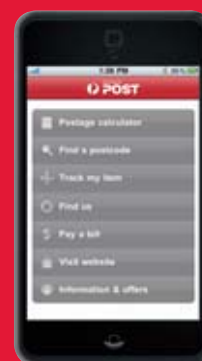
licensing applications. During 2010–11, we conducted in excess of 4 million transactions on behalf of more than 90 clients, which resulted in 11.7 per cent revenue growth in this area. Image capture and passports performed particularly well, with transactions up 10 and 2 per cent respectively.

The strength of our multi-channel identity certification capabilities was confirmed in 2010–11. After last year's successful pilot program for birth, death and marriage certificate applications on behalf of the NSW Government, this offering was formally rolled out to 57 outlets statewide. Another pilot, for the Australian Taxation Office, was undertaken at 18 outlets. Survey results showed 100 per cent customer satisfaction with our Tax File Number application process, which combines online forms with in-person identity document scanning and certification.

Mobile access to services

This year Australia Post launched its iPhone and smartphone application to provide customers with convenient access to its most popular services.

The simple app allows customers to track parcels, calculate postage, search for a postcode, retail outlet or street posting box, and pay their bills using Postbillpay.



4,419

THE NUMBER OF AUSTRALIA POST RETAIL OUTLETS, WITH 2,552 IN RURAL AND REMOTE AREAS.

750+

THE NUMBER OF BUSINESSES AND GOVERNMENT BODIES WE ARE AN AGENT FOR.

4 million+

THE NUMBER OF TRANSACTIONS WE CONDUCTED FOR OUR IDENTITY SERVICES CLIENTS.

Retail: Providing trusted services

The future is here

Critical to Australia Post's focus on providing customers with greater access, convenience and choice were the numerous service-option trials conducted in our retail outlets during 2010–11. These included:

- self-service terminals that enable customers to pay bills and weigh, assess and lodge parcels
- 24/7 parcel lockers, which allow post office box customers to collect parcels at a time that is convenient to them
- Q-matic queue segmentation, which reduces customer waiting times by separating complex transactions
- digital media screens delivering helpful customer information, advice and promotions
- stores-in-store operated by Telstra and Travelex, offering customers access to a broader range of products and services, including contract-based mobile phone services and foreign exchange ATMs
- Australia Post ATMs.

These trials delivered extremely positive results and a number of the initiatives will be included in our first full-service flagship store when it opens at Brisbane GPO in December 2011.

This high level of consumer satisfaction with our trusted services is key to client retention and growth.

We enhanced the customer experience during 2010–11, thanks to improvements delivered by the Channel Enablement – Point of Sale project, and the introduction of digital image-capture capabilities to 800 outlets. This fast, efficient digital technology will be rolled out to more outlets in 2011–12, when we will also focus on building awareness of Australia Post's service delivery and identity capabilities, including proprietary end-to-end solutions.

Merchandise and other services

Like most of the retail sector, Australia Post outlets experienced a difficult year, as consumers continued to spend cautiously. The shift to online for communications, banking and bill payment also contributed to declining foot traffic. This, in turn, affected the predominantly impulse nature of our merchandise sales. Other than for our philatelic products, we are not regarded as a destination retailer. Our pre-paid mobile phone offerings also faced pressure from price deflation.

There were positive results for greeting cards and gifts, which benefited from event-driven promotions (such as Back-To-School and Mother's Day) and the convenience

of one-stop buying, packing and posting. Bulk discounts on packaging also delivered good results, while post office boxes continued to perform well, with 1.5 million (or nearly 90 per cent) occupied.

Philatelic had another strong year, with sales up 3.9 per cent on 2009–10. The most successful stamps and other collectibles were issued for the royal wedding, Mary MacKillop's canonisation and the 150th anniversary of the Melbourne Cup, while Christmas issues again enjoyed strong sales.

Australia Post's online shopping offer was further enhanced, particularly with the August 2010 launch of our online stationery store (www.auspost.com/stationery) in partnership with OfficeMax. The online store has 10,000 lines of office products including stationery, technology and furniture, all of which are delivered to the customer's door by Australia Post. At the end of the financial year, there were 10,000 registered users of the site. The upgrade of Australia Post's primary online shop (www.shop.auspost.com.au) in December featured improved navigation and an extended range (such as Express Post products), and resulted in an immediate doubling of site traffic.

Philatelic had another strong year, with sales up 3.9 per cent on 2009–10.





TRAVELLER'S CHECKLIST

Our suite of travel-related products and services has made us a leading destination for people heading overseas. Our range includes: secure and convenient money options, such as American Express GlobalTravel Cards and Travelex Cash Passport debit cards; Australian and British passport applications and renewals; visa and passport photos; Registered Post and money orders; travel accessories; travel SIM cards and phone cards; and Mail Redirection and Mail Holding services.

This year, we began installing currency rate boards and have begun trials of Travelex branded booths and foreign exchange ATMs in six CBD locations. Initial customer feedback is encouraging and additional stores are being considered for 2011–12 roll-out. We will evaluate other partner-branded in-store trials in the travel category over the coming year.

"Australia Post's suite of travel products and services is just one example of how we are expanding our trusted multi-channel services offer." Andrew Maitland, General Manager Financial and Commercial Services, Australia Post.

Upgrading our network

This year saw great progress in the Channel Enablement – Point of Sale (CE-POS) project, which is a critical investment in our multi-channel capabilities. Centred on streamlining back-end processes and retiring old systems, Phase 1 was successfully delivered in late 2010, while Phase 2 was completed at the end of the financial year. This second phase focused on key capabilities at the point of sale, including enhanced verification and article scanning, improved product reporting and greater speed to market for new services.

Technology upgrades and new products are just part of the work we are undertaking to ensure the sustainability of our vast physical network. We know that Australians are sending fewer letters and going online for

bill payment and banking and that this is reducing our foot traffic in an already difficult retail market. But we also have a very good understanding of what our customers and clients do want today – and what they will want tomorrow.

Outlook

In 2011–12, Australia Post's retail network and offering will continue to adapt and evolve. We will leverage our enviable brand and network presence to build and grow our suite of trusted services.

As part of our evolution towards truly multi-channel operations, we will strive to make everything offered in-store also available online. We will roll out our next-generation retailing model and begin the next phase of our CE-POS upgrade.

All of these enhancements are designed to provide greater access, convenience and choice for our customers.

Technology upgrades and new products are just part of the work we are undertaking to ensure the sustainability of our vast physical network.

Stamps commemorating the royal wedding, the canonisation of Mary MacKillop and the 150th anniversary of the Melbourne Cup were particularly popular this year.

Corporate responsibility



The safety of our people is a number one priority: we aim to achieve zero incidents through our new Safety strategy.

Managing our impacts

Our goal under our Future Ready program is to build a sustainable, customer-focused and high-performing business that provides trusted services for all Australians. Understanding and managing our economic, social and environmental impacts, across all areas of our business, is fundamental to achieving this.

Our corporate responsibility (CR) vision is to contribute every day for a sustainable tomorrow and to be recognised as a corporation and a workforce that creates success via sustainable business practices.

To realise this vision, we have a board-endorsed CR strategy and policy (available on our website), which guides our day-to-day business practices and decisions. This strategy is underpinned by 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 the needs and expectations of our stakeholders.
- 7 Ensure effective governance and reporting.

This year marks the end of our initial three-year CR strategy. The table below provides an overview of our journey and what has been achieved during the three years, while the following pages (34 to 49) describe in detail the key achievements of 2010–11.

We are now focused on developing a new long-term CR strategy to support our Future Ready enterprise strategy, one that will embed sustainable principles more deeply in our

business. This will involve benchmarking our performance against industry best practice, engaging with our stakeholders so that we can respond to their needs and concerns and establishing a new governance framework. We will begin implementation in 2011–12.

A summary of our disclosure on management approach, which is in line with the Global Reporting Initiative (GRI), is available on our website.

We recognise that climate change poses some risks to our business, in particular the likely future increases in fuel and energy costs. We have a work program in place to manage and reduce our exposure to this risk. Additional risks associated with climate change are reported quarterly to our Audit and Risk Committee and annually to the board.

Performance highlights of our three-year CR strategy

Goal	2008–09	2009–10	2010–11
1	Reduced total greenhouse gas emissions by 5 per cent for the year.	Set a target to reduce our greenhouse gas emissions by 25 per cent on our year 2000 emission levels by 2020.	Completed the first year of our carbon reduction target, reducing emissions by 5 per cent. Completed our five-year Energy Efficiency Opportunities program.
2	Contributed a total of \$7.46 million to the community, including a \$1 million donation to the Red Cross Victorian Bushfire Appeal. Facilitated the collection of \$4.8 million in public donations.	Achieved our Workplace Giving program participation target of 3 per cent. Donated \$387,777 to our eight staff-nominated charities.	Achieved our Workplace Giving program participation target of more than 5 per cent. Invested \$3.35 million in the community.
3	Began to phase out the use of plastic bags in our retail outlets. Exceeded our CSOs.	Launched a trial of our “eco” stationery range in selected Australia Post outlets in Victoria. Exceeded our CSOs.	Increased the recycling content of our packaging to 49 per cent. Exceeded our CSOs.
4	Reduced the amount of packaging used within our supply chain.	Met our target of 70 per cent of contracted suppliers covered by our supplier code of conduct.	Exceeded our target of 90 per cent of contracted suppliers covered by our supplier code of conduct.
5	Achieved improvements in employee engagement and job satisfaction.	Won the Diversity@Work National Diversity and Inclusion Champion Award.	Launched our Reconciliation Action Plan. Rolled out our I Am for Zero safety program. Launched our Performance Ready program.
6	Completed our first comprehensive stakeholder review to better understand stakeholder needs and views.	Developed new community participation procedures.	Began the development of an enterprise-wide approach to stakeholder engagement.
7	Established an enterprise-wide CR strategy endorsed by the board.	Became a signatory to the United Nations Global Compact.	Began revising our CR strategy and governance framework as part of our Future Ready enterprise strategy.

SUPPORTING OUR PEOPLE



Female senior leaders, like Catherine Walsh, General Manager HR, account for almost 30 per cent of our executive workforce, up nearly 8 per cent this year.

As we continue to grow our business, our people are critical to the delivery of our Future Ready strategy. To achieve our goals, we need talented people who behave in the right ways, supported by good systems and processes and guided by a clear strategy and action plan. This combination enables our people to achieve successful outcomes and will ultimately build a high-performing workforce.

This year, we continued to support our people through a range of programs, with particular focus on the development of ways to support the corporation through its transformation.

Our culture pillars

A key focus this year was ensuring that our people demonstrate the behaviours that are critical to the successful execution of our Future Ready strategy.

Hence we introduced our new culture pillars – safety, accountability, customer focus and speed of action – to help Australia Post achieve a performance-driven culture.

Two key initiatives were launched to establish our culture pillars throughout the enterprise: Performance Ready, which aims to build a culture of accountability; and Safety, which aims to protect the health and wellbeing of our people.

We will continue building commitment to our four culture pillars by engaging our people and recognising role models who display these behaviours.

Performance Ready

Launched this year, Performance Ready is a key initiative to develop individual accountability. Performance Ready provides clarity for individual employees on their objectives and how they contribute to the priorities of the business. Accountability, one of our culture pillars, is reinforced by improving the alignment of reward and performance. Over the next three years we will focus on entrenching the process as business-as-usual.

Safety

The health and safety of our people and contractors continue to be our first priority as our lost time injury frequency rate (LTIFR) again increased this year to 10.3 (up from 8.8 in 2009–10). While our LTIFR has increased, the incident rate per 100 full-time employees has reduced (see chart at right).

In October 2010, we began implementing our Safety strategy to achieve a world-class safety culture across the enterprise. The strategy has seven key elements, which aim to:

- 1 demonstrate senior leadership commitment to safety, particularly through the CEO-led safety campaign, I Am for Zero (see case study on page 37)

- 2 enhance our current safety observation feedback program
- 3 improve safety leadership capability through expert training programs
- 4 address specific high risk safety issues through staff involvement, particularly in our retail and delivery networks
- 5 improve existing safety processes for incident investigation and training
- 6 introduce more appropriate safety metrics to support ongoing improvement
- 7 improve the quality of information provided to doctors to facilitate rehabilitation after work-related injury.

Through the realisation of this initiative, we aim to improve our safety performance next year.

Injury prevention and management

An important safety initiative that continued this year was the visibility enhancement program, which aims to improve the safety of our posties by increasing the visibility of their motorcycles and apparel. In 2010–11, we achieved a 37 per cent reduction in visibility-related injuries.

Our occupational health and safety (OH&S) management system is regularly audited and continues to achieve excellent results for compliance. This year, a new IT system was introduced to help us better monitor our regulatory compliance.

Highlights

Challenges

Outlook

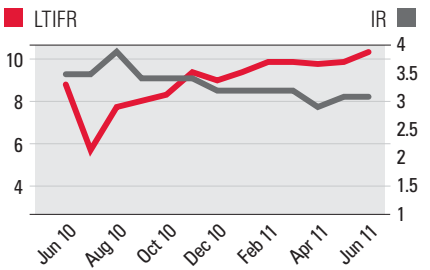
- Reached agreement, and implemented, our new Fair Work Agreement.
- Launched Performance Ready, to drive a culture of accountability.
- Launched our safety program I Am for Zero, to improve our safety culture and performance.
- Launched our Reconciliation Action Plan.

- Maintaining employee focus and morale throughout the first year of our transformation.
- Meeting safety targets across our changing business.

- Maintain our diversity profile.
- Embed our culture pillars, with a particular focus on safety.
- Build capability and engage our workforce.
- Roll out the Future Skills and Future Leaders programs.

More detail on OH&S, including our performance this year, is provided on page 127.

Safety performance:
LTIFR against incident rate



LTIFR = lost time injuries per million hours worked.
IR = number of incidents per 100 FTE (hours worked).

Building enterprise capability

We aim to continuously strengthen the skills and capabilities of our people to support our plans for future growth. This year, our enterprise capability program focused on three key initiatives: Future Skills, Future Leaders and Sales Capability.

The Future Skills initiative commits \$20 million, which will be invested in programs to provide skills for our award-level workforce. The programs will focus on critical capabilities such as leadership, sales and customer service in the areas of our business that are likely to experience significant change. Re-skilling opportunities will also be provided for employees affected by role redundancy. Future Skills will be rolled out over the next three years.

Future Leaders is designed to build our leadership capability and grow our pipeline of future leaders at all levels. This year, the program focused on supporting the development of front-line managers as well as enhancing the abilities of our senior leaders to manage the complexities of our changing business. In 2011–12, we will focus on identifying and fast-tracking high potential talent, from operations through to senior executive levels.

The Sales Capability program aims to build the sales and servicing skills of our customer-facing employees, including business-to-business account managers, retail customer service officers and contact centre operators.

Employee engagement

The link between a highly engaged workforce and stronger business performance is well established. In May this year we conducted a survey to measure how engaged our people are at work. The result was an engagement score of 69 per cent. While slightly lower than our 2009 result (down 2 per cent), this is a good outcome considering the significant changes in the business over the year.

Rates of injury, occupational disease, lost days and fatalities

	2009–10	2010–11
Injury rate ¹	4.8	3.5
Occupational disease rate (ODR) ²	1.13	2.3
Lost-day rate (LDR) ³	0.0016	0.0017
Fatalities (number)	1	0
Fatality rate (per million km)	0.005	0

1 The number of injuries divided by the number of hours worked (per 200,000 hours).
2 The number of diseases divided by the number of hours worked (per 200,000 hours).
3 The number of days lost to injury and disease divided by the number of days worked.

Supporting our people

Results of the survey show that our people:

- understand the need for change (88 per cent, up 7 per cent)
- are willing to help each other and the business to succeed (70 per cent, up 4 per cent)
- believe we are making progress in addressing unsafe conditions (80 per cent, up 4 per cent).

However, there are opportunities for improvement. These include: the way we share information and collaborate across business units; our responsiveness to market changes; and recognising and rewarding our people.

We will continue to focus on engaging our employees by addressing the issues that matter. Next year we will conduct a full census survey to measure our progress.

Certainty for the future

Australia Post worked closely with the two key unions operating in the postal industry to establish an agreement that recognised not only the fundamental domestic and international challenges facing our business, but also the needs of our workforce.

The result was the Fair Work Agreement (FWA) and in October 2010 Australia Post's award-level employees were invited to vote on the proposal. The outcome was a 73 per cent "yes" vote for the agreement, which formally came into effect on 28 October 2010 following approval by Fair Work Australia.

The signing of the FWA is a key achievement this year as it has given job security and stability to award-level employees.

Labour relations and freedom of association

The FWA provides an improved framework for consulting with our workforce and offers employees a number of benefits, including pay increases of up to 10 per cent over three years, the protection of penalty rates, cashing out of annual leave, an increase to maternity leave (from 13 weeks to 14 weeks) and more flexible workplace arrangements. This year, 32,046 (or 95.7 per cent) of employees were covered by the agreement.

Australia Post complies with the *Fair Work Act 2009*, which declares that employees have the right to exercise freedom of association.

Diversity and inclusion

We are committed to an inclusive, diverse and flexible workplace and aim to maintain and promote diversity and inclusion as part of our normal business practice.

Through our Workforce Diversity Business Strategy, we monitor and report on four indicators of diversity: women, Indigenous Australians, people with disabilities and people from non-English-speaking backgrounds.

The groundwork has been done to act on a new Diversity and Inclusion strategy in 2011–12.

As the business has undergone considerable change, our focus this year was on maintaining our 2009–10 diversity profile. This was achieved with 39.8 per cent women, 1.8 per cent Indigenous Australians, 7.8 per cent people with disabilities and 22.7 per cent people from non-English-speaking backgrounds.

Promoting diversity and inclusion

A key achievement this year was the launch of our Reconciliation Action Plan, which demonstrates our long-term commitment to employing Indigenous Australians and provides a solid platform for closer working relationships with Indigenous communities.

Other activities undertaken include the following:

- International Women's Day (IWD) – Australia Post became an Amethyst Partner of IWD and held numerous events across the corporation to celebrate the economic, political and social achievements of women.
- My Mentor – this career development program was delivered to 90 women for the second year running.
- The Ucan2 program – provided work experience opportunities and mentoring support to 38 young people of refugee background (see page 40 for more details).
- The signing of a memorandum of understanding with Work Focus – which strengthens our commitment to employing people with a disability.

Promoting tolerance and respect

To promote a workplace that is free of harassment, discrimination and bullying, we provide staff training at induction and regularly reinforce our policies, which aim to prevent anti-social behaviour.

This year 30 internal complaints relating to harassment or discrimination were lodged. Of these, only 11 were substantiated, while 10 are still being investigated. Appropriate remedial action was recommended to address breaches by employees, such as training and the implementation of our employee counselling and discipline process.

Workforce profile

On 1 July 2010, Australia Post was restructured into four strategic business units and four supporting functional business units to enable the delivery of our strategic objectives.

At the end of the reporting period, our total number of employees was 33,472 (2.9 per cent lower than in the previous year). The mix of our workforce, in terms of permanent and part-time employment, did not change significantly.

Our indirect workforce, which includes contractors, licensees, franchisees and agents, is not included in the employment data.

Attendance

Despite a period of transition, we have continued to achieve a good rate of employee attendance this year. At 94.0 per cent, this is similar to previous years' rates (94.3 per cent in 2009–10 and 94.6 per cent in 2008–09).

Diversity profile

	Number	Proportion (%)
Women (Total)	13,336	39.8
Managers	649	33.7
Executives	95	29.1
Indigenous Australians (Total) (Includes 48 traineeships)	588	1.8
Managers	10	0.5
Executives	3	0.9
People with a disability (Total)	2,616	7.8
Managers	152	7.9
Executives	23	7.0
People from non-English-speaking backgrounds (Total)	7,612	22.7
Managers	355	18.4
Executives	31	9.5
Age (Total under 30 years)	3,047	9.1
Age (Total 30–50 years)	18,537	55.4
Age (Total above 50 years)	11,888	35.5



I AM FOR ZERO: DEVELOPING A SAFETY CULTURE

In May 2011, as part of our Safety strategy, we launched our new safety campaign I Am for Zero.

The multi-channel campaign reached every employee through a DVD sent to homes, posters displayed at all sites and stories in our internal magazine *Post Journal*. A dedicated intranet site was established to ensure that safety information is relevant, up-to-date and easy to find. Our people were invited to provide ideas and ask safety-related questions through a number of channels. In the last two weeks of June, safety workshops focusing on local issues and priorities were held across the country for all employees to “down tools” and focus solely on safety.

Championed by our managing director and CEO, I Am for Zero aims for every employee to adopt safe practices and collectively build a workplace with zero injuries.

“I think this is a fantastic initiative to really make us stop and think about our actions and how they will impact on those around us.” Feedback from employee workshop session.

To support our people, Australia Post uses national guidelines to maintain attendance rates across the business.

Turnover and retention

Staff turnover rates were higher this year, increasing from 9.4 per cent to 11.5 per cent.

Due to the changes occurring across our business, this year turnover rates were comparable between full-time and part-time employees, genders and age groups.

We acknowledge that the changes across the business have presented a range of challenges for our people this year. In anticipation of these challenges, we implemented a number of programs to provide support for our people.

Health and wellbeing

We continuously strive to improve our workplace, including practices that support the health and wellbeing of our people. Australia Post’s employment conditions reflect reasonable working hours, meal breaks and leave entitlements.

We provide supportive and flexible working arrangements, particularly for employees returning from leave. This year 89 per cent of employees returned to employment with us after parental leave.

Through our Health and Wellbeing strategy, we aim to promote productivity and address absenteeism through a range of programs.

These include a financial education program, confidential staff counselling services, Mensline (a telephone counselling service for men) and Staying Connected (workshops for fathers who have limited access to their children).

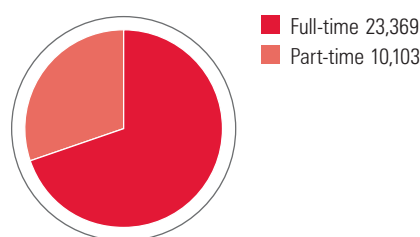
Under our new FWA 2010, we have a number safety-related conditions – including meal break entitlements and a limit on work hours – that are designed to protect our drivers from fatigue-related accidents.

For full people data, please visit www.auspost.com.au/2011annualreport.

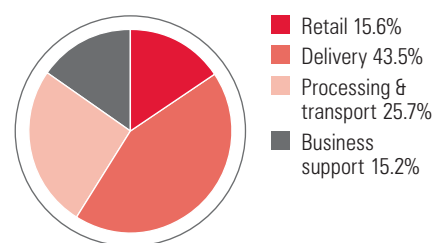
People policies

Our employee programs are managed through a policy framework which comprises diversity and inclusion, occupational health and safety, ethics, workplace flexibility, whistleblower, grievance procedures and our human resources manual. These policies are governed by the Human Resources Committee of the board and managed by the People and Community functional business unit.

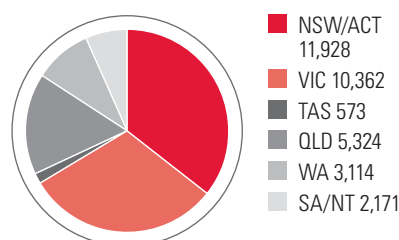
Employment by type



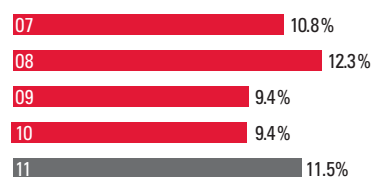
Employment by occupation



Employment by region



Overall turnover rates



Note: Data is based on average headcount for permanent full-time and part-time staff only.

INVESTING IN COMMUNITIES



Through our UCan2 program young people of refugee background, like Achol Majok, can access mentoring support and work experience opportunities.

Australia Post is committed to being an active member of the communities in which it operates. Through our community engagement program we aim to build support for our business activities, ensuring that we make a positive contribution to Australian society.

Supporting sustainable communities

This year, our program focused on educating young Australians, sustainability, social cohesion and disaster relief.

As part of our Future Ready business transformation, we reviewed our approach to community engagement to ensure that the program aligned with our enterprise strategy. As a result, we refreshed our approach to community engagement and established new goals, which are to:

- continue investing in initiatives that are relevant to our business and our people
- contribute positively to the wider community
- more closely align our community engagement and sponsorship programs.

Implementing these goals will be a priority during 2011–12.

Measuring our reach and impact

This year, we invested \$3.35 million in the community (or 1.4 per cent of net profit) which includes cash, time and in-kind contributions. While this was lower than in 2009–10 (when we invested \$4.37 million or 4.9 per cent of net profit) it reflects our new approach to community involvement, which aims to identify ways in which we can use our vast retail and delivery network and iconic brand to add greater value to our community partnerships.

Our investment covers a range of community programs, as shown in the chart at right.

We are a member of the London Benchmarking Group (LBG) and use their internationally recognised approach to measure our community investment. This provides us with a consistent and comparable method for reporting and verifying our investment figures.

Our community engagement program is managed by our community engagement team, which regularly report activities to the Australia Post executive committee.

Workplace Giving

Australia Post is committed to helping employees support charities through our Workplace Giving program. Our nine staff-nominated charities include:

- Heart Foundation
- McGrath Foundation
- World Wildlife Fund
- State Emergency Service (SES)
- RSPCA
- Red Kite
- Cancer Council
- Children's Hospital Foundations Australia
- Red Cross Victorian Floods Appeal 2011.

Since launching the program on 1 July 2009, we have exceeded our annual employee participation targets. Last year, we achieved a 3.2 per cent participation rate against our target of 3 per cent. This year's target of 5 per cent was also surpassed, with 5.9 per cent of our people participating in the program*.

*This figure includes donations made to our Queensland Floods Employee Relief Fund, which provided support to employees affected by the natural disasters.

Highlights

- Revised our approach to community engagement to align with our enterprise strategy.
- Achieved our target 5 per cent employee participation rate for our Workplace Giving program.
- Contributed \$600,000 to the State Emergency Service to support disaster relief efforts.

Challenges

- Ensuring that our community investment and partnerships are relevant to our business and align with our values.
- Increasing participation in our Workplace Giving program as our employees gave personally to a variety of natural disaster relief appeals.
- Ensuring that we continue to meet the needs of the community as we adapt our business to the changing marketplace.

Outlook

- Achieve a greater level of staff engagement across our programs.
- Expand our Workplace Giving program to include volunteering activities.
- Establish new programs and partnerships to reflect our revised community engagement strategy.

This year, our people donated a total of \$458,903 to our charity partners. Employee donations were matched by Australia Post (up to a cap of \$200 per person), which contributed \$190,688 to the total.

Our goal next year is to maintain our participation rate and to expand the scheme to include volunteering opportunities.

Educating young Australians

Australia Post has a long history of encouraging learning and literacy within schools, and supporting initiatives that educate young people across Australia.

Kids Teaching Kids

Since 2009, we have played a key role in supporting Kids Teaching Kids, a national school-based education program that aims to increase young Australians' awareness of local environmental issues and encourage learning and personal development through peer education.

This year, we piloted Kids Teaching Kids Week with extremely successful results. The week achieved a participation rate of 15,997 students and 886 teachers – higher than the cumulative participation total since the Kids Teaching Kids program was launched a decade ago. We also provided 23 grants to the value of \$500 each to assist schools with the cost of running the events.

Allocation of community investment
 (includes cash, time and in-kind contributions)



- Arts and culture 24.8%
- Economic development 9.4%
- Education and young people 5.9%
- Emergency relief 19.1%
- Environment 27.6%
- Health 5.0%
- Social welfare 8.2%

This year, we invested \$3.35 million in the community (or 1.4 per cent of net profit) which includes cash, time and in-kind contributions.

Note: This data has been verified by London Benchmarking Group Australia/New Zealand.

Investing in communities



Photo courtesy of Paul Wheeler.

SUPPORTING COMMUNITIES AFFECTED BY THE QUEENSLAND FLOODS

In January, Queensland experienced one of its worst floods in history, with more than 75 per cent of the state affected.

Australia Post quickly developed a multi-faceted response to the disaster. Employees in the field provided support to affected areas and worked hard to ensure that mail still reached its destination. This was achieved through deliveries by boat where possible and the provision of free mail redirection and mail hold services. Through our postal network, disaster relief funds were distributed on behalf of the Queensland Department of Communities to people affected by flood. Australia Post donated \$100,000 to the Premier's Flood Relief Appeal and released its first ever charity stamp, which generated \$135,758 in donations.

"At a time when people had lost so much, it was wonderful to be able to provide support to our customers, our colleagues and the Queensland community." Anita Britcher, Area Manager Southern Region (QLD), Australia Post.

Oz Opera

Australia Post is a Hero Partner of Opera Australia, one of the nation's flagship arts organisations. Through the partnership we are principal sponsor of Oz Opera. A key highlight this year was the introduction of the Oz Opera Community Program, through which the Oz Opera Schools Company delivered free performances to six primary schools affected by the 2009 Black Saturday bushfires in Victoria.

Free opera workshops were also provided to Indigenous youth in regional Victoria. Next year, we will expand the Oz Opera Community Program to include a stage concert in flood-affected regions of Queensland.

Education programs

We continued our support of National Literacy and Numeracy Week and provided free curriculum-based education resources for

teachers and students through our education website (www.auspost.com.au/education). Next year, we plan to relaunch our education program so that it is relevant in today's digital world and supports the focus areas of our community engagement program.

We also co-ordinated more than 150 school visits to our facilities located in capital cities.

Promoting social cohesion

With more than 33,000 employees, Australia Post has one of the most diverse workforces in Australia. We recognise that social cohesion is important to our employees and their families, and to the wider Australian community. Through our focus on social cohesion, we aim to provide support and assistance to those most in need and promote a more tolerant and inclusive society. We have a number of programs in place to help us achieve this.

UCan2

One of the key highlights this year was the signing of a memorandum of understanding (MOU) with Foundation House (also known as the Victorian Foundation for the Survivors of Torture) to support its UCan2 program.

Through the partnership, Australia Post provides young people of refugee background with valuable work experience opportunities and access to Australia Post volunteer employees who act as business mentors.

Since signing the MOU, casual work opportunities for 24 program participants were provided at our Dandenong Letters Centre and Melbourne Parcels Facility and 14 young people were mentored.

Funds raised for charity through employee activities (including auctions)

Charities	HQ	NSW	VIC	QLD	SA	WA	TAS	TOTAL
Starlight Foundation (National)	\$22,255	\$8,930	\$30,934	\$33,538	\$16,506	\$246	\$3,044	\$115,454
Victorian Cancer Council (VIC)	–	–	\$30,934	–	–	–	–	\$30,934
Children with Disability (TAS)	–	–	–	–	–	–	\$3,044	\$3,044
AEIOU (QLD)	–	–	–	\$32,000	–	–	–	\$32,000
Multiple Sclerosis Australia (QLD)	–	–	–	\$32,000	–	–	–	\$32,000
Australian Leukodystrophy Support Group (NSW)	–	\$8,930	–	–	–	–	–	\$8,930
Special Olympics (NSW)	–	\$8,930	–	–	–	–	–	\$8,930
Jane McGrath (SA)	–	–	–	–	\$16,506	–	–	\$16,506
Newel Foundation (SA)	–	–	–	–	\$16,506	–	–	\$16,506
UN Women Australia	\$1,671	–	–	–	–	–	–	\$1,671
TOTAL	\$23,926	\$26,790	\$61,868	\$97,538	\$49,518	\$246	\$6,088	\$265,975

We also commissioned Foundation House to conduct a study into the impacts of social cohesion through sport. The results will be used to inform the further development of our social cohesion program.

Next year, we will strengthen our partnership with Foundation House, which will include funding to expand the UCan2 program.

Supporting charities

We continued to support a number of charities through over-the-counter donations and merchandise sales across our national retail network (\$2.9 million), as well as fundraising activities undertaken by our people (\$265,975).

As a result of these combined activities we were able to distribute a total of \$3,165,975 to a number of not-for-profit organisations. The table opposite provides a breakdown of funds raised for charity by our employees during the year.

We also donated 50 used Australia Post motorcycles to the Rotary Club of Kew to assist in the delivery of medical aid and education to remote communities in Cambodia as part of its Cambodia Rural Poor project.

Supporting disaster relief efforts

A key highlight this year was our response to the natural disasters that occurred along the east coast of Australia and in Western Australia.

With the state of Queensland worst hit, we executed a multi-faceted program to support our employees, our customers and the broader community. (See the case study for more details.)

Community donations were accepted through our retail outlets for a number of appeals, including the Queensland and Victorian floods, the Japan and Pacific disaster and the New Zealand earthquake. Through this initiative, we were able to facilitate the collection of almost \$3 million in community donations.

We added the Red Cross Victorian Floods Appeal 2011 as the ninth charity partner in our Workplace Giving program. And we deepened our partnership with the State Emergency Service (SES). Announced in June 2011, the \$600,000 investment will provide replacement emergency equipment for SES units at the forefront of the disaster recovery. Australia Post and the SES will work together in 2011–12 to deliver the equipment to the units in most need.

Preserving our national heritage

We are one of the nation's oldest continually operating organisations and we own more than 70 buildings that have been nominated for inclusion in the Commonwealth Heritage List.

We are committed to preserving our national heritage and have a National Heritage strategy (available on our website), which ensures that we conserve the heritage of these sites through appropriate management and maintenance.

During 2010–11, Australia Post invested \$2.5 million in works to conserve the heritage of buildings. A further \$2.5 million has been earmarked for heritage works during 2011–12.

Supporting the environment

One of the most significant ways we support the environment is through our community recycling programs in partnership with Cartridges 4 Planet Ark and Mobile Muster.

This year we collected 539,035 cartridges and 7,460 kilograms of mobile phones and accessories for recycling through our retail outlets.

We continued our partnership with Banksia Environmental Foundation, which includes naming rights sponsorship of its People's Choice Award, in recognition of inspirational environmental initiatives or actions.

More information on our environmental performance is provided on pages 46 to 49.

This year we collected 539,035 cartridges and 7,460 kilograms of mobile phones and accessories for recycling through our retail outlets.



CONNECTING WITH OUR CUSTOMERS



Our new approach to sales and marketing is delivering valuable whole-of-business solutions for customers like Greg Curcio of Origin Energy.

Australia Post is committed to providing relevant and high-quality products and services that meet its customers' needs and expectations, now and into the future. And we recognise that we have a duty to do this in a responsible and ethical way.

To achieve this, we have guidelines in place to monitor and measure our customer performance standards, community service obligations and complaint resolution procedures. These are outlined within our customer service charter, which is available on our website. Our corporate responsibility program also manages and monitors the environmental performance of our Australia Post-branded products and our corporate sourcing procedures.

Responding to customer needs

This year, we consulted with our customer segments, in particular small and medium-sized businesses, to assess how well we are meeting their needs and expectations. This process has enabled us to identify potential for improvement in the areas of sales, service and value.

As a result, we restructured our sales force into a national sales segmentation model that aligns with industry verticals and customer size. This approach ensures that our product, sales and marketing team have a much more targeted understanding of customer needs to enable the delivery of more relevant and valued solutions. We also established a team dedicated to managing the overall customer experience so as to enhance the value for our customers in choosing Australia Post as a trusted partner.

Improving the overall customer experience and how we engage with our business and government customers will help us to build stronger and more valuable relationships.

Providing a reliable and accessible service

We aim to provide a reliable and accessible service to all Australians, wherever they reside. To achieve this, we maintain a high standard of network services and meet the prescribed performance standards set out under the

Australian Postal Corporation (Performance Standards) Regulations 1998 that form part of our community service obligations (CSOs). See page 115 for more details on these standards and our CSOs and how we performed against them this year.

Community consultation

Occasionally, as the marketplace and customer needs change, we modify our network, facilities, products and services.

We have a commitment to include the community and local stakeholders in our planning and decision-making process. This involves advising relevant groups of the proposed change and what it means to them, and considering their views before a decision is made. We also provide adequate notice before the change takes effect.

To guide our consultation process, we have in place a National Community Participation Procedure to ensure that relevant managers consider the impact of a proposed change on the community. We also have a Community Mail Polling Process, which aims to quantify community support for local delivery arrangements, and a Street Posting Box policy (available on our website), which covers the removal or relocation of street posting boxes.

Improving the overall customer experience and how we engage with our business and government customers will help us to build stronger and more valuable relationships.

Highlights

- Met our target to have 90 per cent of contracted suppliers covered by our supplier code of conduct.
- Restructured our sales force to better meet customer needs and deliver relevant and valued solutions.
- Achieved high customer satisfaction levels for business and residential customers.
- Reduced the time it takes to respond to customer queries and complaints by 8 per cent.

Challenges

- Engaging with the large number of suppliers through our supply chain program.
- Maintaining customer satisfaction levels throughout a period of significant change.

Outlook

- Continue to focus on achieving high customer satisfaction results.
- Provide our customers with sustainable products and services and adapt to the changing marketplace.

Managing customer enquiries

This year, we reviewed customer interactions across our business to ensure that we provide a consistent, accessible and quality service.

Key improvement initiatives included:

- investing in new technology to broaden our range of self-service options and deliver a better online experience for customers using our corporate website (This included improved track and trace capability, a frequently asked questions library and improved email management technology.)
- expanding our customer care activity into social media, including Twitter (@auspost), Facebook, YouTube and blogs (We now connect with a greater proportion of our customers via digital channels, which enables us to manage customer feedback in a more immediate and effective way.)
- introducing the Voice of Our Customer program, which provides valuable insights into the service quality of our telephone and online channels. (Since December 2010 we have sought feedback from more than 135,000 customers.)

Since we moved to a national model for our customer contact centres, we have improved our customer service performance, with the number of escalated queries or complaints falling by 8 per cent. The time taken to resolve escalated enquiries was 9.7 days (our customer service charter stipulates an average of 10 days).

Postal Industry Ombudsman

Customers who are not satisfied with the outcome of the Australia Post complaint handling process have the option of referring the matter to the Postal Industry Ombudsman (PIO) for investigation.

Established in 2006, the PIO is an independent authority whose role is to investigate customer complaints relating to Australia Post and other postal or courier operators that have registered as private postal operators under the *Commonwealth Ombudsman Act 1976*.

Details on the volume and nature of complaints investigated by the PIO are published in the Commonwealth Ombudsman's annual report.

In addition to dealing with complaints, the Ombudsman may also conduct its own major investigations into aspects of the operations of the agencies under its jurisdiction. The findings of these investigations are published in a report on the Ombudsman's website (www.pio.gov.au).

Preventing fraud and corruption

Implemented in 1997, our board-approved fraud control policy aims to protect Australia Post from fraudulent and corrupt activity by setting out responsibilities and principles that all employees and business partners must comply with.

Our corporate security group manages fraud-related issues and conducts regular reviews of our business units to monitor fraud and risk-related activity. Our corporate risk and compliance teams continually review procedures across the corporation and provide staff with awareness programs and local fraud control plans.

Protecting customer privacy

As one of Australia's most trusted organisations, Australia Post recognises the importance of protecting its customers' information.

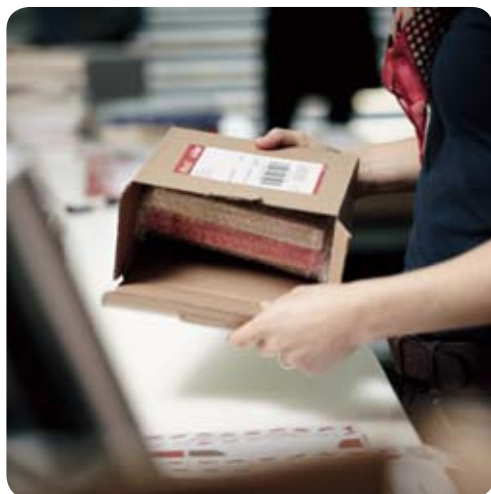
We maintain a national privacy compliance program, which aims to ensure that our employees comply with the *Privacy Act 1988*, the *Spam Act 2003* and the *Do Not Call Register Act 2007*, as well as our internal privacy policy.

During 2010–11, there were no determinations against Australia Post by any of the federal, state or territory privacy commissioners.

Competition and consumer compliance

One of our key obligations to customers is to ensure that information about our products and services is not misleading or deceptive. Such conduct is required by the *Competition and Consumer Act 2010* (which replaced the *Trade Practices Act 1974*) and our internal compliance policy.

Connecting with our customers



To ensure that we comply with our obligations, we operate a comprehensive national competition and consumer compliance program that comprises biennial staff training and an advertising clearance procedure for all materials. The procedure requires all promotional material to be checked and endorsed by an executive from the corporate secretariat, the strategy and marketing group and our legal services team. This year, more than 632 clearances were processed.

During the year, there were no reported incidents of material non-compliance.

Our online training program was also updated this year to bring it into line with recent changes to competition and consumer legislation. The new training schedule will be rolled out in 2011–12.

Measuring customer satisfaction

Australia Post commissions Sweeney Research to survey a representative sample of our customers to measure satisfaction and perceptions of our brand image. Surveys are conducted continuously throughout the year.

This year, 1,476 residential and 2,363 business customers were surveyed. Results show that we maintained high levels of customer satisfaction, similar to those of previous years. (See tables below for survey results.)

Next financial year, we will expand our customer satisfaction research to reflect our renewed focus on improving customer experience.

Responsible sourcing

Australia Post's suppliers are vital to the success of our business. With our annual

expenditure on goods and services amounting to approximately \$1.9 billion, we recognise that the conduct of our suppliers can have a significant environmental and social impact.

We promote sustainable sourcing across the supply chain and have in place a supplier code of conduct (available on our website) to encourage our suppliers to meet ethical, social and environmental standards of conduct.

Our target this year was to ensure that 90 per cent of contracted suppliers are covered by our code. We exceeded this target, with 93 per cent of suppliers covered.

Our procurement team is continuing to develop and implement evaluation and decision-making tools that assist in assessing product and service sustainability criteria.

Business customer satisfaction with Australia Post

	2007–08	2008–09	2009–10	2010–11
Satisfaction with letter and postal services (%)	96	96	94	94
Satisfaction with retail outlets (%)	97	96	94	94
Satisfaction with customer contact centres (%)	89	85	83	84
Overall satisfaction with Australia Post (%)	96	96	90*	93

*Previously reported as 96.

Residential customer satisfaction with Australia Post

	2007–08	2008–09	2009–10	2010–11
Satisfaction with letter and postal services (%)	97	97	97	97
Satisfaction with retail outlets (%)	96	95	96	95
Satisfaction with customer contact centres (%)	79	84	89	82
Overall satisfaction with Australia Post (%)	98	97	97	97

Source: Australia Post Corporate Image Monitor conducted by Sweeney Research.

Note: Results for 2007–08 vary slightly from this year as we are now reporting on financial year results, rather than year ending April, as has been reported previously.

Product packaging

This year, we completed our five-year action plan developed under the National Packaging Covenant (now known as the Australian Packaging Covenant) to minimise the impact of Australia Post-branded packaging.

Since implementing this action plan, we have successfully increased the recycled content in our packaging from an average of 28 per cent in 2005–06 to 49 per cent in 2010–11. Australia Post-branded packaging is 91 per cent recyclable and our product-to-packaging

ratio has improved from 20.1:1 kilograms to 21.1:1 kilograms. This indicates that many of our products have minimal packaging or none at all.

A number of activities this year helped to improve the environmental performance of our products. We re-branded our Postpak packaging products and Post Office Supplies stationery, which are sold through our retail outlets. The re-branded products use fewer inks, and highlight the recycled content and recyclability of the packaging. We reduced the amount of plastic packaging used for

our gift box range by removing the individual packaging and grouping the boxes into packs of five. And we continued to work with our suppliers to review our pallet configurations and reduce the number of pallets required for transportation.

Our new five-year plan under the Australian Packaging Covenant will be rolled out from 2011–12. This plan demonstrates our ongoing commitment to reducing the environmental impact of our products. Targets under the five-year plan are to:

- increase the amount of packaging that is recyclable to 94 per cent
- increase our overall waste diversion from landfill of non-hazardous solid waste to 70 per cent.

We have successfully increased the recycled content in our packaging from an average of 28 per cent in 2005–06 to 49 per cent in 2010–11.

Recycled input materials in Australia Post-branded products

	2008–09	2009–10	2010–11
Percentage of input materials that are recycled (%)	41	44	49
Percentage of packaging and packaging products that are recyclable (%)	90	92	91

Tonnes of material used in Australia Post-branded products

	Recyclable/ non-recyclable	Locally produced packaging	Imported packaging	Total materials used	Recycled content %
Paper	Recyclable	3,912.11	504.95	4,417.06	43.38
Cardboard	Recyclable	1,942.05	201.25	2,143.30	67.57
Plastic 3 – PVC	Recyclable	0.08	0.57	0.65	0
Plastic 4 – LDPE/LLDPE	Non-recyclable	263.54	342.78	606.32	20.96
Plastic 5 – PP	Non-recyclable	21.24	8.86	30.10	45.71
Plastic 6 – PS/EPS	Non-recyclable	–	0.11	0.11	–
Plastic 7 – Other	Non-recyclable	–	0.02	0.02	–
Composites	Non-recyclable	–	2.56	2.56	48.68

Note: Data in this table has been collected and measured in accordance with the Australian Packaging Covenant guidelines. Our suppliers provide a detailed analysis of the packaging materials used on each product, and the volumes are captured through the recording of sales transactions for all products at our retail counters.



MANAGING OUR ENVIRONMENTAL IMPACT

Through our energy management program and other important initiatives, we're on track to meet our carbon reduction target of 25 per cent by 2020.

Part of being Future Ready is having a good understanding of how our business affects the environment and introducing measures to manage these effects. Due to the nature of our business, our key impact is through the energy that we use to run our vast retail and delivery network. This year we made good progress in achieving our carbon reduction targets and minimising other environmental impacts of our business.

Reporting period

This year, due to improved data collection processes, we have been able to report our Scope 1 and 2 emissions on a financial year basis. In previous years, we were only able to report on calendar year performance. We have converted our Scope 1 and 2 data from previous years to a financial year basis so that it can be compared year-on-year in this report.

To ensure that our data is complete and correct we engaged a third party auditor to validate the data within this section. The audit confirmed that the data (at the time of reporting) exceeds a 95 per cent accuracy level, and the data management, calculations and conversions have been verified as accurate.

Environmental management

Reducing our environmental footprint and building an environmentally sustainable business has been a high priority for the corporation since the implementation of our environmental management system (EMS) in 1997.

Australia Post's EMS, which is aligned with the International Standard ISO14001, provides the framework required to effectively manage our environmental footprint according to our board-endorsed environment policy and the principles under the UN Global Compact.

Our EMS is focused on the environmental impacts resulting from the operations over which we have full control, including our owned and operated facilities, our fleet and our subsidiaries. Impacts resulting from operations outside our direct control are still considered, and we provide regular communication and support to our licensees, franchisees and mail contractors.

The EMS is overseen by our sustainability team, which is responsible for communicating our policy and objectives to staff, licensees, franchisees and contractors and educating them in how they can reduce their environmental impacts.

Monitoring and reporting

Our EMS is regularly audited to ensure that it helps us manage Australia Post's environmental risks and opportunities effectively and to achieve high standards of compliance. As a result, there were no significant environmental incidents, fines or prosecutions during the reporting period.

Reporting on our performance, including our legal requirements, is a key aspect of our commitment to environmental improvement, and this is monitored by the board's Audit and Risk Committee.

This year, we continued to meet our environmental reporting obligations under the *National Greenhouse and Energy Reporting Act 2007* (NGERS), the *Energy Efficiency Opportunities Act 2006* (EEO), the National Environmental Protection Measures (NEPM), and the Australian Packaging Covenant (formerly the National Packaging Covenant). (See page 45 for information related to the packaging of Australia Post-branded products.)

Our monitoring and reporting of greenhouse gases is undertaken in accordance with the international standard for corporate greenhouse gas reporting (the Greenhouse Gas Protocol) and with standards defined by the Federal Government in its National Greenhouse Accounts (NGA) factors.

Highlights

- **Reduced greenhouse gas emissions by 5 per cent for the year.**
- **On track to meet our 25 per cent carbon reduction target by 2020.**
- **Completed our first five-year Energy Efficiency Opportunities program.**

Challenges

- **Finding new strategies to further reduce our dependence on energy and fuel derived from non-renewable resources.**
- **Successfully aligning our carbon reduction strategy with our business transformation program.**

Outlook

- **Continue to increase our energy efficiency through the National Energy Management program.**
- **Undertake trials of new building and vehicle technology to identify long-term strategies to reduce carbon emissions.**
- **Promote an understanding of our carbon reduction strategy and show our people how they can help us to achieve our targets.**

Carbon reduction target

This year, we made good progress towards achieving our carbon reduction target of 25 per cent by 2020 (based on our year 2000 levels). This 2020 target was endorsed by the Australia Post board in June 2010.

Our total Scope 1 and 2 emissions produced this year was 294,997 tonnes of CO₂. Through our carbon reduction strategy we have reduced our emission levels by 15,002 tonnes of CO₂, or 5 per cent. We achieved this by reducing our energy consumption by 14.2 million kilowatt-hours and fuel use by 1.2 million litres. Our emissions are now on par with our year 2000 levels, which is a significant milestone in our drive to achieve our 2020 target.

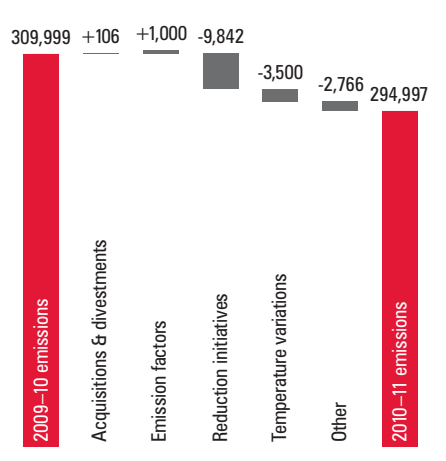
The main indicator that we use to measure our performance is tonnes of CO₂-e per million dollars of operating cost. This year, this has decreased from 60 to 56.

The graph at right outlines the various impacts on our 2010–11 emission levels.

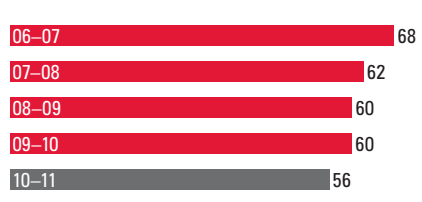
Next year, we will continue to implement our carbon reduction strategy and introduce initiatives to reduce our carbon emissions further. This will include the launch of a staff awareness program to ensure that our people understand what we are doing to reduce emissions and how they can contribute to the program. While these activities were identified for implementation this year, the Future Ready transformation program was given priority and the initiatives were put on hold.

We will also implement our new environmental reporting tool, which will enable us to efficiently and accurately assess our performance and make improvements.

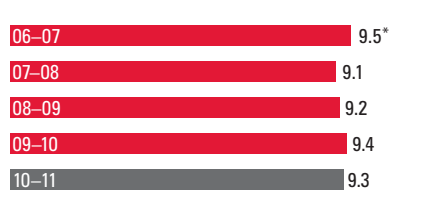
2010–11 greenhouse gas emissions profile (CO₂-e tonnes)



Greenhouse gas emissions (CO₂-e tonnes) per \$ million of operating cost

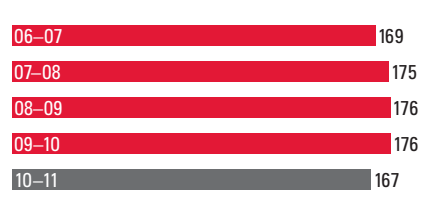


Greenhouse gas emissions (CO₂-e tonnes) per full-time employee



Note: Figure has been restated to be consistent with data in later years.

Building energy efficiency – kg CO₂-e/m² of floor space



Managing our environmental impact



ELECTRIC POWER

In 2009–10, Australia Post undertook a trial of electronically assisted pushbikes and tricycles at various delivery centres in an effort to reduce its greenhouse gas emissions. The trial was a success and this year 200 bikes and trikes were introduced nationally, with a further 1,000 currently being deployed.

By the end of June 2012 it is anticipated that the initiative will have saved 390 tonnes of CO₂-e by reducing the amount of fuel consumed by some 200 kilolitres. These savings will increase year on year as we continue to add 500 bikes and trikes to the delivery fleet annually.

This long-term initiative will be an important factor contributing to Australia Post achieving its 25 per cent carbon reduction target by 2020.

“The scheme demonstrates our ongoing commitment to reducing the environmental impact of our operations.” Andy Trott, Head of Sustainability, Australia Post.

Our facilities

Across Australia there are 1,258 facilities owned or operated by Australia Post, and these account for 73 per cent of our total Scope 1 and 2 emissions. During 2010–11, the amount of energy consumed by our facilities decreased by 4 per cent.

Our key performance indicator for building energy efficiency, which is kilograms of CO₂-e emitted per square metre of floor space, improved this year from 176 kilograms to 167 kilograms. (See chart on page 47.)

The reduction in this year’s emissions can be attributed to the mild summer, which made us less reliant on air conditioning. Further reductions were achieved through energy efficiency initiatives at our major mail facilities and delivery centres and an upgrade to our air conditioning systems at a number of sites.

Next year we will continue to develop our energy efficiency program and build on the energy saving initiatives implemented following the completion of our five-year Energy Efficiency Opportunities program (part of the *Energy Efficiency Opportunities Act 2006*).

Our fleet

Australia Post operates one of the nation’s largest transport fleets, with around 9,845 vehicles. We also rely on a number of contractor vehicles – both road and air – to transport mail via interstate routes and to deliver parcels into metropolitan areas.

Carbon emissions produced by the vehicles under our direct control – that is, from Australia Post’s own fleet – account for 27 per cent of our Scope 1 and 2 emissions. This year, we reduced fuel consumption by 1.2 million litres (or 4 per cent relative to last year) and by 3,200 tonnes of CO₂-e. A breakdown of our fuel consumption and fleet is available on our website.

To manage our emissions, we maintain our fleet to a high standard and regularly replace vehicles with hybrid models or ones that are more fuel efficient and provide greater pollution control. Currently, 56 per cent of our heavy vehicles are Euro 4 or Euro 5 compliant (which is the European standard for engine emissions) and 10 per cent of our sedans are hybrid vehicles.

To maximise our fuel efficiency, we implemented a number of programs during the year, including a driver training course and a program to optimise delivery routes (which in some cases reduced the number of vehicles needed). We also introduced electronically assisted pushbikes and tricycles as replacements for some motorbikes (see the case study for more details).

Australia Post’s contractor fleet, which is reflected in our Scope 3 emissions, accounts for the highest proportion of our greenhouse gas emissions. While we don’t have direct control over our contractors, we are investigating ways in which we can encourage them to adopt fuel efficient practices.

Noise

Another environmental impact of our fleet is noise. As suburban areas expand, we find that our facilities are increasingly surrounded by residential housing. We aim to resolve in a consultative and timely manner any complaints or issues raised by the community.

Facility energy consumption (gigajoules)

Energy source	2006–07	2007–08	2008–09	2009–10	2010–11
Electricity	840,126	819,963	820,417	837,222	786,134
Natural gas	101,232	105,033	122,493	99,259	116,352
LPG – non-transport	7,893	11,575	12,025	11,770	12,185
Diesel – non-transport	0	0	0	630	573
Heating oil	19	10	0	0	0
Total energy	949,270	936,581	954,935	948,881	915,244

Note: Figures have been adjusted to reflect the change to financial year reporting and to include consumption data that was not billed by energy retailers in previous years.

Fleet efficiency – kg CO₂ per 100 km

06–07	47
07–08	46
08–09	47
09–10	47
10–11	46

Waste

We have in place an enterprise-wide waste management program to help maximise the recycling of non-hazardous waste from our operations. This year, the total waste produced by our corporation was 233,957 cubic metres, a 2 per cent decrease on last year's figure.

This year we sent 160,295 cubic metres of our general waste to landfill and 73,662 cubic metres (or 31 per cent) of our non-hazardous waste for recycling.

Hazardous waste, including printer cartridges, tyres, computers, batteries and light globes is recycled through specific programs, some of which are community-based initiatives such as Mobile Muster and Cartridges 4 Planet Ark. (See page 41 for more details.)

Next year we will continue to focus on increasing our recycling rate through a number of initiatives, including a staff awareness program.

Water

During 2010–11, 366,295 kilolitres of potable water (or approximately 11.5 litres per full-time equivalent employee) were consumed at our facilities (up 13 per cent on last year). This increase is due to improvements made to the data capturing process.

Water is mainly consumed through amenities and air conditioning, with a small proportion used for washing vehicles and landscaping. We have reduced consumption at several facilities by replacing air conditioning systems, and we will continue to monitor water usage and improve water efficiency.

Biodiversity

Australia Post undertakes surveys of areas within its sites that are protected or have high biodiversity, so that endangered species are identified and protected. Currently, two of our sites have endangered species in the vicinity.

Dandenong Letters Centre in Melbourne has two protected species – the growling grass frog and galaxia fish – living in the wetlands area, which was established when the site was constructed more than a decade ago. The health of the wetland is monitored and managed by Melbourne Water.

The protected acacia pubescens grows at the Sydney West Letters Facility. Unfortunately, the area was affected by last year's bushfires. We are currently monitoring the revegetation of the species.

For full environment data, please visit www.auspost.com.au/2011annualreport.

Scope 1 and 2 greenhouse gas emissions (tonnes) – by source

Emission source		1999–2000	2006–07	2007–08	2008–09	2009–10	2010–11
Scope 1 – Direct emissions	Natural gas	5,444	5,243	5,424	6,288	5,095	5,972
	LPG – non-transport	75	467	690	720	705	730
	Diesel – non-transport	0	0	0	0	44	40
	Heating oil	68	49	26	0	0	0
	Diesel	57,258	69,610	67,811	69,103	67,934	65,304
	Petrol	15,443	15,589	15,002	14,053	12,807	12,279
	LPG transport	0	8	490	1,724	1,690	1,592
	Total	78,288	90,966	89,443	91,888	88,275	85,917
Scope 2 – Indirect emissions	Electricity	219,597	226,813	219,756	218,885	221,724	209,080
Scope 1 and 2 – Direct and indirect emissions	Total of all Scope 1 and 2 emissions	297,885	317,779	309,199	310,773	309,999	294,997

Note: The emission factors used to calculate this data were sourced from the Federal Government's National Greenhouse Accounts workbook.

Scope 3 greenhouse gas emissions (tonnes) – by source

Emission source		1999–2000	2006–07	2007–08	2008–09	2009–10	2010–11
Scope 3 – Other indirect emissions	Electricity generation and transfer	31,128	32,804	29,890	29,145	32,554	30,557
	Natural gas production and transfer	1,577	1,573	1,375	1,333	1,039	839
	Fuel production	7,871	9,442	7,854	6,460	6,387	5,605
	Subcontracted road transport	*	*	*	122,897	139,788	108,673
	Subcontracted rail transport	*	*	*	414	684	709
	Subcontracted air transport	*	*	*	325,511	294,911	341,033
	Subcontracted ship transport	*	*	*	70	63	58
	Business travel	*	*	*	13,814	4,376	4,146
	LPOs electricity consumption	*	*	*	13,932	18,031	16,704
	Waste disposal	29,031	12,482	22,510	20,243	17,830	14,106
	Total	69,607	56,301	61,629	533,819	515,663	522,430

Note: Scope 3 emissions are based on calendar-year period due to time constraints (except energy and fuel production/transfer as data was available).

* Data not available.

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Understanding our reports

Australia Post’s 2010–11 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. To gain a complete understanding, the financial report should be read in conjunction with the accompanying explanatory notes.

The report includes consolidated reports only which reflect transactions between Australia Post or its subsidiary companies and third parties.

The statements by directors, chief executive officer, executive general manager finance and business services and the Auditor-General’s Report are standard legal declarations that are required in all annual financial reports.

Comparative measures are provided for the previous year and all figures are rounded to the nearest \$100,000 (unless otherwise stated).

Financial and statutory reports



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 (www.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, Senator the Hon Penny Wong.

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 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 2010–11 was:

David Mortimer (Chairman)
Mark Darras (Deputy Chairman)
Ahmed Fahour (Managing Director and CEO)
Penelope Bingham-Hall (appointed 12 May 2011)
Peter Carne
Margaret Gibson (retired 1 September 2010)
William Mansfield (deceased 3 February 2011)
Jennifer Seabrook (appointed 8 July 2010 – retired 20 June 2011)
Ian Warner
The Hon Trish White (appointed 8 July 2010).

Profiles of each director and details of their relevant skills, experience and expertise are provided on pages 14 to 15.

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
- 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 permanent committees assist the board in the discharge of its responsibilities.

The committee's charters, which are reviewed annually by the board, can be accessed in the corporate governance section of the Australia Post website.

Both committees meet five times a year. Meeting attendance details for 2010–11 are provided in the table on page 55.

Audit and Risk Committee

Consisting entirely of non-executive directors, the Audit and Risk Committee provides a forum for regular communication between the board and the corporation's external and internal auditors.

Membership during 2010–11 was:

Margaret Gibson (Chairman – retired 1 September 2010)
Peter Carne (Chairman – appointed 27 October 2010)
David Mortimer
Ian Warner
Jennifer Seabrook (appointed 15 February 2011 – retired 20 June 2011).

The committee focuses 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, executive general manager finance and business services, and chief finance officer.

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

Human Resources Committee

The Human Resources Committee provides a governance framework for the consideration of strategic matters relating to Australia Post's staff and culture. Matters that the committee particularly address and make recommendations to the board about, as appropriate, are:

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

Membership during 2010–11 was:

Mark Darras (Chairman)
Ahmed Fahour
William Mansfield (deceased 3 February 2011)
The Hon Trish White (appointed 24 March 2011).

Superannuation Committee

The Superannuation Committee has been temporarily established to review Australia Post's strategy regarding superannuation programs and associated obligations. It is anticipated that this responsibility will revert to the board Human Resources Committee once the review is complete.

Membership during 2010–11 was:

David Mortimer (Chairman)
 Ahmed Fahour
 Mark Darras
 Peter Carne.

The committee meets at least quarterly or more frequently as required.

Board performance

An externally facilitated board performance appraisal is undertaken biennially focusing on board, board committee and individual director effectiveness. The next review will occur towards the end of 2011.

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 corporation including operations, policies and strategies. Additional supplements are tailored to meet particular needs or interests.

Ongoing director education is provided through facility visits and presentations on matters of interest.

Independent professional advice

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

Conflict of interest

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

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

Ethical standards

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

The *Our Ethics* guide, which was launched in 2009 and has been promulgated through every level of the business, makes it clear that directors, employees, licensees and contractors of Australia Post are responsible for leading by example, upholding the corporation's values and always acting 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

Remuneration for Australia Post's non-executive directors is determined by the Commonwealth Remuneration Tribunal. For 2010–11 this was:

Chairman	\$164,550
Deputy chairman	\$91,800
Directors	\$82,280
Audit and Risk Committee chairman	\$19,020
Audit and Risk Committee member	\$9,515

In addition, fees will now be paid to the Human Resources and Superannuation subcommittees. Annual amounts for committee members are expected to be \$12,000 and for the chairman \$18,000. Amounts shown in the disclosures above reflect these subcommittee entitlements from 1 January 2011. Total amounts received or receivable in 2010–11 by each non-executive director are provided in Note 28 to the financial statements (see page 99).

Details of amounts received in 2010–11 by each non-executive director are provided in Note 28.

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 which are 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
- 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. In the case of the managing director and some senior executives, part of their incentive payment is deferred and expensed over the deferral period.

Corporate governance

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

- a payment of 12 months fixed annual remuneration in lieu of notice and a termination payment of 12 months fixed annual remuneration less any payments in lieu of notice and, for other senior executives, to:
- 90 days payment in lieu of notice and a termination payment calculated based on length of service and capped at 12 months fixed annual remuneration including the payment in lieu of notice.

All of the above payments are based on the total fixed annual remuneration.

Remuneration details for the managing director and other key executives are provided in Note 28 to the financial statements (see page 99).

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 and Risk Committee, with results, progress and performance regularly reviewed by both the committee and the external auditors.

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

Risk management

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

As part of the risk management and compliance framework all business units maintain a risk profile detailing their material business risks, associated mitigation strategies and progress against their implementation. The status of higher rated risks is reported to the executive committee and the board Audit and Risk Committee each quarter. In addition, each year the status of each major compliance program is provided to the board's Audit and Risk Committee.

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

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

The effectiveness of the corporation's risk management and compliance framework is reviewed annually by the board. To ensure the maintenance of better practice, independent external reviews of risk management and compliance processes across the corporation are undertaken every four years. The most recent review was undertaken by Deloitte 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 cash and liquidity, interest rate, foreign exchange, fuel price, counterparty and operational risks. Reviewed by the board at least annually, the policy provides for the use of hedging instruments to protect the corporation against adverse movements in interest rates and minimise the impact of volatility in foreign exchange rate and oil price movements. The aim is to ensure reasonable certainty against budget estimates and in the cost of imported capital equipment and other supplies.

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

Corporate security

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

Competition and consumer law

To facilitate compliance with relevant legislation, Australia Post has a national competition and consumer law compliance program which is maintained by legal. In addition to undertaking comprehensive biennial competition and consumer law training, the corporation has in place a detailed formal clearance process for all promotional and advertising material.

Privacy

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

Corporate responsibility

Australia Post's corporate responsibility (CR) program is an important element of the corporation's strategy. The policy that underpins this provides for clear accountability in meeting the program's goals and objectives. Performance is continually monitored.

As part of the Future Ready business renewal program, the CR strategy and governance framework are currently being reviewed with a view to implementing a new approach next year.

Directors' attendance at meetings – 2010–11

	Board		Audit and Risk Committee		Human Resources Committee		Superannuation Committee	
	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)
David Mortimer	8	8	5	5	–	–	2	2
Ahmed Fahour	8	8	–	–	5	5	2	2
Penelope Bingham-Hall	1	1	–	–	–	–	–	–
Peter Carne	8	8	4	4	–	–	2	2
Mark Darras	8	8	–	–	5	5	2	2
Margaret Gibson	2	2	1	1	–	–	–	–
William Mansfield	4	2	–	–	1	1	–	–
Jennifer Seabrook	8	8	2	2	–	–	–	–
Ian Warner	8	8	5	5	–	–	–	–
The Hon Trish White	8	7	–	–	1	1	–	–

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

(b) Number of meetings attended.

Statements by directors, chief executive officer and executive general manager finance and business services

2010–11 Financial report

In our opinion:

- (a) the accompanying financial report for the year ended 30 June 2011:
- (i) gives a true and fair view of the matters required by the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*, as amended
 - (ii) has been prepared based on properly maintained financial records
- (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 AO
Chairman
Melbourne
25 August 2011



A Fahour
Managing Director and Chief Executive Officer
Melbourne
25 August 2011

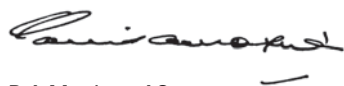


E K Stafford
EGM Finance and Business Services
Melbourne
25 August 2011

2010–11 Financial report certification

Prior to the adoption of the 2010–11 financial report, the board received and considered a written statement from the managing director and chief executive officer and executive general manager finance and business services 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*
- 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 31006:2009) and policies adopted by the board of directors.

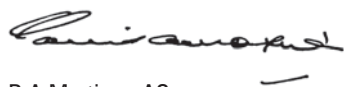


D A Mortimer AO
Chairman
Melbourne
25 August 2011

2010–11 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 Deregulation are met in the general body of this report (pages 2 to 49) and in the statutory report (pages 123 to 129).

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



D A Mortimer AO
Chairman
Melbourne
25 August 2011

Finance statements audit report



Auditor-General for Australia



INDEPENDENT AUDITOR'S REPORT

To the Minister for Broadband, Communications and the Digital Economy

Report on the Financial Report

I have audited the accompanying financial report of the Australian Postal Corporation (the Corporation) for the year ended 30 June 2011, which comprises: the Statement by Directors, Chief Executive Officer and EGM Finance and Business Services; Statement of Comprehensive Income; Balance Sheet; Cash Flow Statement; Statement of Changes in Equity; Schedule of Commitments; Schedule of Contingencies; and Notes to and forming part of the financial report comprising a Summary of Significant Accounting Policies and other explanatory information of the consolidated entity comprising the Corporation and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the Australian Postal Corporation are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*, including Australian Accounting Standards, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 1(b) to the financial report, the directors also state that the financial report complies 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 report based on my audit. I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate 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 about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal controls. An audit also includes

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Finance statements audit report

evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Opinion


In my opinion:

1. the financial report of the Australian Postal Corporation:
 - (a) has been prepared in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*, including Australian Accounting Standards; and
 - (b) gives a true and fair view of the matters required by the Finance Minister's Orders including the Australian Postal Corporation's financial position as at 30 June 2011 and its financial performance and cash flows for the year then ended.
2. the financial report also complies with *International Financial Reporting Standards* as issued by the International Accounting Standards Board as disclosed in note 1(b) to the financial report.

Report on Other Legal and Regulatory Requirements

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

Australian National Audit Office



Ian McPhee
Auditor-General

Canberra

25 August 2011

Statement of comprehensive income

for the year ended 30 June 2011

	Note	Consolidated	
		2011 \$m	2010 \$m
Revenue	2,27		
Goods and services		4,864.8	4,753.4
Interest		31.8	25.7
		4,896.6	4,779.1
Other income			
Rents		38.2	32.6
Other income and gains		51.6	44.5
		89.8	77.1
Total income		4,986.4	4,856.2
Expenses (excluding finance costs)	3		
Employees		2,254.0	2,225.3
Suppliers		2,054.1	2,054.6
Depreciation and amortisation		198.4	213.5
Net loss on disposal of property, plant and equipment		1.0	4.6
Net foreign exchange losses		13.0	4.1
Write-down and impairment of assets		35.8	52.4
Restructuring		42.0	150.2
Other expenses		42.3	34.4
Total expenses (excluding finance costs)		4,640.6	4,739.1
Profit before income tax, finance costs and share of net profits of jointly controlled entities		345.8	117.1
Finance costs	4	33.7	28.5
Share of net profits of jointly controlled entities	11	20.2	14.4
Profit before income tax		332.3	103.0
Income tax expense	5(c)	91.1	13.5
Net profit for period		241.2	89.5
Other comprehensive income			
Exchange differences on translation of foreign operations	23	0.7	(0.7)
Actuarial gain/(loss) on defined benefit plans	12	114.8	(291.5)
Fair value revaluation of land and buildings	23	–	2.7
Movement in hedging reserve	23	0.5	0.9
Income tax on items of other comprehensive income	5(b)	(34.5)	86.4
Movements in jointly controlled entity reserves and actuarial losses		0.9	(2.0)
Income tax on jointly controlled entity reserves and actuarial losses		(0.3)	0.6
Other comprehensive income for the period, net of tax		82.1	(203.6)
Total comprehensive income for the period		323.3	(114.1)
Net profit for the period is attributable to:			
Equity holders of the parent		240.8	89.8
Non-controlling interest		0.4	(0.3)
		241.2	89.5
Total comprehensive income for the period is attributable to:			
Equity holders of the parent		323.0	(113.8)
Non-controlling interest		0.3	(0.3)
		323.3	(114.1)

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

Balance sheet

as at 30 June 2011

	Note	Consolidated	
		2011 \$m	2010 \$m
Assets			
Current assets			
Cash and cash equivalents	32(a)	602.2	500.7
Trade and other receivables	6	465.3	369.2
Inventories	7	49.7	44.1
Accrued revenues		126.1	137.4
Other current assets	8	83.2	78.1
Total current assets		1,326.5	1,129.5
Non-current assets			
Trade and other receivables	9	226.8	227.1
Investments in jointly controlled entities	11	292.1	295.6
Superannuation asset	12	287.4	172.6
Land and buildings	13	742.4	795.4
Plant and equipment	13	474.7	509.6
Intangible assets	14	317.2	234.8
Investment property	15	183.3	224.9
Deferred tax assets	5(d)	279.1	315.0
Other non-current assets	17	5.6	10.7
Total non-current assets		2,808.6	2,785.7
Total assets		4,135.1	3,915.2
Liabilities			
Current liabilities			
Trade and other payables	18	726.3	726.7
Interest-bearing liabilities	19	232.5	0.6
Provisions	20	636.4	711.8
Total current liabilities		1,595.2	1,439.1
Non-current liabilities			
Interest-bearing liabilities	19	323.6	558.4
Provisions	20	164.8	167.6
Deferred tax liabilities	5(d)	224.5	171.1
Other non-current liabilities	21	23.1	19.9
Total non-current liabilities		736.0	917.0
Total liabilities		2,331.2	2,356.1
Net assets		1,803.9	1,559.1
Equity			
Contributed equity		400.0	400.0
Reserves	23	6.8	6.2
Retained profits	22	1,397.1	1,153.2
Parent interest		1,803.9	1,559.4
Non-controlling interest		–	(0.3)
Total equity		1,803.9	1,559.1

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

Cashflow statement

for the year ended 30 June 2011

	Note	Consolidated	
		2011 \$m	2010 \$m
Operating activities			
Cash received			
Goods and services		5,329.5	5,264.3
Interest		31.2	26.0
Dividends		18.2	14.0
Total cash received		5,378.9	5,304.3
Cash used			
Employees		2,315.3	2,248.9
Suppliers		2,343.9	2,364.4
Financing costs		32.5	24.9
Income tax		54.1	77.5
GST paid		225.7	217.7
Total cash used		4,971.5	4,933.4
Net cash from operating activities	32(b)	407.4	370.9
Investing activities			
Cash received			
Proceeds from sales of property, plant and equipment		47.2	53.1
Total cash received		47.2	53.1
Cash used			
Payments for investments in controlled entities (net of cash acquired)	32(c)	43.3	–
Payments for investment property		0.7	1.7
Purchase of property, plant and equipment		107.0	127.2
Purchase of intangibles		117.9	129.5
Total cash used		269.3	258.4
Net cash used by investing activities		(222.1)	(205.3)
Financing activities			
Cash used			
Repayment of borrowings	32(c)	5.3	–
Dividends paid	25	78.5	171.9
Total cash used		83.8	171.9
Net cash used by financing activities		(83.8)	(171.9)
Net decrease in cash and cash equivalents		101.5	(6.3)
Cash and cash equivalents at beginning of the reporting period		500.7	507.0
Cash and cash equivalents at end of the reporting period	32(a)	602.2	500.7

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

Year in review

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Statement of changes in equity

for the year ended 30 June 2011

	Consolidated							
	Contributed equity \$m	Asset revaluation reserve \$m	Foreign currency translation reserve \$m	Hedging reserve \$m	Retained profits \$m	Owners of the parent \$m	Non- controlling Interest \$m	Total equity \$m
Balance at 1 July 2009	400.0	4.8	0.2	(1.2)	1,441.3	1,845.1	–	1,845.1
Comprehensive income								
Profit for the period	–	–	–	–	89.8	89.8	(0.3)	89.5
Other comprehensive income	–	2.7	(0.7)	0.9	(291.5)	(288.6)	–	(288.6)
Tax on other comprehensive income	–	(0.8)	–	(0.3)	87.5	86.4	–	86.4
Jointly controlled entity items	–	–	(0.1)	1.0	(2.9)	(2.0)	–	(2.0)
Tax on jointly controlled entity items	–	–	–	(0.3)	0.9	0.6	–	0.6
Total comprehensive income for the period	–	1.9	(0.8)	1.3	(116.2)	(113.8)	(0.3)	(114.1)
Transactions with owners								
Distributions to owners								
Dividends (refer note 25)	–	–	–	–	(171.9)	(171.9)	–	(171.9)
Balance at 30 June 2010	400.0	6.7	(0.6)	0.1	1,153.2	1,559.4	(0.3)	1,559.1
Comprehensive income								
Profit for the period	–	–	–	–	240.8	240.8	0.4	241.2
Other comprehensive income	–	–	0.7	0.5	114.8	116.0	–	116.0
Tax on other comprehensive income	–	–	–	(0.1)	(34.4)	(34.5)	–	(34.5)
Transfer net of tax	–	–	(0.1)	–	0.2	0.1	(0.1)	–
Jointly controlled entity items	–	–	(0.1)	(0.4)	1.4	0.9	–	0.9
Tax on jointly controlled entity items	–	–	–	0.1	(0.4)	(0.3)	–	(0.3)
Total comprehensive income for the period	–	–	0.5	0.1	322.4	323.0	0.3	323.3
Transactions with owners								
Distributions to owners								
Dividends (refer note 25)	–	–	–	–	(78.5)	(78.5)	–	(78.5)
Balance at 30 June 2011	400.0	6.7	(0.1)	0.2	1,397.1	1,803.9	–	1,803.9

Schedule of commitments

as at 30 June 2011

	Consolidated	
	2011 \$m	2010 \$m
By type		
Commitments receivable:		
Lease rental receivables ⁽¹⁾	210.3	131.9
GST recoverable on commitments ⁽²⁾	210.7	223.7
Total commitments receivable	421.0	355.6
Commitments payable:		
Capital commitments:		
Land and buildings	3.9	10.3
Plant and equipment	40.9	75.4
Other	34.6	0.1
Total capital commitments	79.4	85.8
Other commitments:		
Operating leases ⁽³⁾	1,265.8	1,059.9
Other commitments ⁽⁴⁾	1,590.6	1,526.1
Total other commitments	2,856.4	2,586.0
Total commitments payable	2,935.8	2,671.8
Net commitments	2,514.8	2,316.2
By maturity		
Commitments receivable: ⁽¹⁾		
Within one year	116.4	105.0
From one to five years	237.5	182.5
Over five years	67.1	68.1
Total commitments receivable by maturity	421.0	355.6
Commitments payable:		
Capital commitments due:		
Within one year	79.4	85.8
Total capital commitments	79.4	85.8
Operating lease commitments due:		
Within one year	226.4	173.1
From one to five years	709.2	476.3
Over five years	330.2	410.5
Total operating lease commitments	1,265.8	1,059.9
Other commitments due:		
Within one year	576.9	650.2
From one to five years	1,013.3	875.8
Over five years	0.4	0.1
Total other commitments	1,590.6	1,526.1
Total commitments payable by maturity	2,935.8	2,671.8
Net commitments	2,514.8	2,316.2

(1) This relates to \$50.2 million (2010: \$14.0 million) of sub-lease rent receivables and operating lease receivables.

(2) Of these commitments, \$45.9 million (2010: \$38.5 million) relates to jointly controlled entities.

(3) Of these commitments, \$539.2 million (2010: \$419.9 million) relates to jointly controlled entities.

(4) The majority of these commitments relate to carriage and delivery of letters and parcels by contractors. \$11.9 million (2010: \$4.0 million) relates to jointly controlled entities.

This schedule is prepared in accordance with the requirements of the Finance Minister's Orders published by the Department of Finance and Deregulation.

Schedule of contingencies

as at 30 June 2011

	Consolidated					
	Guarantees ⁽¹⁾		Claims for damages or other costs ⁽²⁾		Total	
	2011 \$m	2010 \$m	2011 \$m	2010 \$m	2011 \$m	2010 \$m
Balance from previous period	182.7	191.1	2.5	24.4	185.2	215.5
New	1.2	4.1	2.4	0.4	3.6	4.5
Re-measurement	(2.9)	(6.6)	0.5	0.8	(2.4)	(5.8)
Liabilities recognised	–	–	(2.7)	(3.1)	(2.7)	(3.1)
Obligations expired	(1.0)	(5.9)	–	(20.0)	(1.0)	(25.9)
Total contingent liabilities	180.0	182.7	2.7	2.5	182.7	185.2
Balance from previous period	7.7	7.7	1.1	55.4	8.8	63.1
New	–	–	0.7	0.1	0.7	0.1
Assets recognised	–	–	–	(3.8)	–	(3.8)
Obligations expired	(0.1)	–	(0.8)	(50.6)	(0.9)	(50.6)
Total contingent assets	7.6	7.7	1.0	1.1	8.6	8.8
Net contingent liabilities	172.4	175.0	1.7	1.4	174.1	176.4

(1) Relates to non-financial guarantees, including bank guarantees over projected workers' compensation claims liabilities and other guarantees provided by jointly controlled entities.

(2) Relates to legal liability claims that have been lodged against the corporation and subsidiaries, including motor vehicle accident and personal injury claims.

This schedule is prepared in accordance with the requirements of the Finance Minister's Orders published by the Department of Finance and Deregulation.

Notes to and forming part of the financial report

for the year ended 30 June 2011

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 2010; and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board.

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

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

(b) Statement of compliance

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ending 30 June 2011. The standards are as follows:

Reference	Title	Nature of change to accounting policy	Application date of standard	Application date for group
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement). These amendments are not expected to have any impact on the group's financial report.	1 January 2013	1 July 2013
AASB 2009–11	Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	These amendments are not expected to have any impact on the group's financial report.	1 January 2013	1 July 2013
AASB 124 (Revised)	Related Party Disclosures (December 2009)	The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition. These amendments are not expected to have any impact on the group's financial report.	1 January 2011	1 July 2011
AASB 2009–12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	These amendments are not expected to have any impact on the group's financial report.	1 January 2011	1 July 2011
AASB 2009–14	Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement	These amendments are not expected to have any impact on the group's financial report.	1 January 2011	1 July 2011
AASB 1053	Application of Tiers of Australian Accounting Standards	This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements: <ul style="list-style-type: none"> • Tier 1: Australian Accounting Standards • Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements The new framework is not expected to have any impact on the group's financial report.	1 July 2013	1 July 2013

Notes to and forming part of the financial report

for the year ended 30 June 2011

Reference	Title	Nature of change to accounting policy	Application date of standard	Application date for group
AASB 1054	Australian Additional Disclosures	This standard is as a consequence of Phase 1 of the joint Trans–Tasman Convergence project of the AASB and FRSB and is not expected to have any impact on the group's financial report.	1 July 2011	1 July 2011
AASB 2010–4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]	These amendments are not expected to have any material impact on the group's financial report.	1 January 2011	1 July 2011
AASB 2010–5	Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]	These amendments are not expected to have any material impact on the group's financial report.	1 January 2011	1 July 2011
AASB 2010–6	Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7]	These amendments are not expected to have any material impact on the group's financial report.	1 July 2011	1 July 2011
AASB 2010–7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023, & 1038 and interpretations 2, 5, 10, 12, 19 & 127]	These amendments are not expected to have any material impact on the group's financial report.	1 January 2013	1 July 2013
AASB 2010–8	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	These amendments are not expected to have any material impact on the group's financial report.	1 January 2012	1 July 2012
AASB 2011–1	Amendments to Australian Accounting Standards arising from the Trans–Tasman Convergence project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132, AASB 134, Interpretation 2, Interpretation 112, Interpretation 113]	These amendments are not expected to have any material impact on the group's financial report.	1 July 2011	1 July 2011
IFRS 10	Consolidated Financial Statements	IFRS 10 establishes a new control model that applies to all entities. These amendments are not expected to have any material impact on the group's financial report.	1 January 2013	1 July 2013
IFRS 11	Joint Arrangements	IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities – Non-monetary Contributions by Ventures. These amendments are not expected to have any material impact on the group's financial report.	1 January 2013	1 July 2013
IFRS 12	Disclosure of Interests in Other Entities	New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements. These amendments are not expected to have any material impact on the group's financial report.	1 January 2013	1 July 2013
IFRS 13	Fair Value Measurement	IFRS 13 establishes a single source of guidance under IFRS for determining the fair value of assets and liabilities. These amendments are not expected to have any material impact on the group's financial report.	1 January 2013	1 July 2013

(c) Basis of consolidation

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

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

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

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

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

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

After 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 that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquirer are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the 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 circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

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

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

(d) Significant accounting judgements, estimates and assumptions

(i) Significant accounting estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, contingent assets, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form 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 are outlined in note 15 and include certain significant assumptions.

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

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

Make good provisions

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

Employee benefits

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

Unearned postage revenue

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

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(ii) Significant accounting judgements

Investment property classification

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

Operating lease commitments – group as lessor

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

(e) Business combinations

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

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

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

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

(f) Revenue recognition

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

(i) Sale of goods and services

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

The group recognises an accrual for the amount of revenue earned from delivery of international mail in respect of which statements have not been received. Revenue is determined based on a number of factors including the volume of articles delivered, the international postal organisation for which we are delivering mail and with reference to the International Postal Union guidelines.

(ii) Interest revenue

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

(iii) Dividends

Revenue is recognised when the group's right to receive the payment is established.

(iv) Rental income

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

(g) Operating segments

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

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

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

(h) Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of comprehensive income over the expected useful life of the relevant asset by equal annual instalments.

(i) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date. 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, even if that right is not explicitly specified in an arrangement.

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

(ii) Group as a lessor

Leases in which the group retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(j) Cash and cash equivalents

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

(k) Trade and other receivables

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

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

(l) Inventories

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

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

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

(m) Derivative financial instruments and hedging

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

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

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

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

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

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

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

(i) Fair value hedges

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

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

(ii) Cashflow hedges

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

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

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

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

(n) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

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

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

(o) Investment in jointly controlled entities

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

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

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

After application of the equity method, the group determines whether it is necessary to recognise an additional impairment loss on the group's investment in its jointly controlled entities. The group determines at each reporting date whether there is any objective evidence that the investment in the jointly controlled entity is impaired. If this is the case the group calculates the amount of impairment as the difference between the recoverable amount of the jointly controlled entity and its carrying value and recognises the amount in the "share of net profits of jointly controlled entities" in the Statement of comprehensive income.

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

(p) Income tax

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

Current income tax relating to items recognised directly in equity is recognised directly in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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

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

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

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

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

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

Tax consolidation legislation

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

(q) Other taxes

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

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

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

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

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

(r) Acquisition of assets

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

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

(s) Property, plant and equipment

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

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

	2011	2010
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.

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(t) Investment properties

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

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

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

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

(u) Investments and other financial assets

Investments and financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired or originated. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories. When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transactions costs.

Recognition and derecognition

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

Subsequent measurement

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

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

(ii) Held-to-maturity investments

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

(iii) Loans and receivables

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

(iv) Available-for-sale securities

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

(v) Impairment of financial assets

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

(i) Financial assets carried at amortised cost

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

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

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

(ii) Available-for-sale investments

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

(w) Derecognition of financial assets and financial liabilities

(i) Financial assets

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

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

(ii) Financial liabilities

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

(x) Goodwill

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

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

- Messenger Post
- SecurePay
- Other

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

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

Impairment losses recognised for goodwill are not subsequently reversed.

(y) Intangible assets

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

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

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

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

Customer contracts are carried at cost and amortised on a straight-line basis over the contract terms, being an average of seven years.

Trademarks and trade names are carried at cost and amortised on a straight-line basis over its anticipated useful life, not exceeding ten years.

Research and development costs

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

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

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

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

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

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

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

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset

is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(aa) Trade and other payables

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

(bb) Interest-bearing liabilities

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

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

(cc) Finance costs

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

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

(dd) Provisions (excluding employee benefits)

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

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

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

(ee) Employee leave benefits

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

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

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

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

(ii) Long service leave

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

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

(iii) Workers' compensation

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

In accordance with its SRC Act licensing conditions, the corporation has a bank guarantee to cover its outstanding actuarial established claims liability (refer 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 \$103.3 million at balance date (refer note 20) of which \$9.6 million relates to claims made in the 2010–11 financial year (2009–10: \$8.7 million).

(iv) Separation and redundancy

Restructuring provisions are only recognised when general recognition criteria provisions are fulfilled. Additionally, the group needs to follow a detailed formal plan about the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and appropriate timeline. The employees affected have a valid expectation that the restructuring is being carried out or the implementation has been initiated already. Refer note 20.

(ff) Pensions and other post-employment benefits

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

Past service costs are recognised immediately to the extent that the benefits are already vested, and otherwise 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 costs, plus the present value of available refunds and reductions in future contributions to the plan.

(gg) Financial guarantees

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

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

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

(hh) Contributed equity

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

(ii) Insurance

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

(jj) Contingent liabilities and contingent assets

Contingent liabilities and contingent assets are not recognised in the balance sheet but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset, or 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.

Notes to and forming part of the financial report

for the year ended 30 June 2011

	Consolidated	
	2011 \$m	2010 \$m
2 Revenues and other income		
Revenue:		
Rendering of services to:		
Related entities ⁽¹⁾	185.8	184.6
External entities ⁽²⁾	4,349.6	4,224.8
	4,535.4	4,409.4
Sale of goods to external entities ⁽²⁾	329.4	344.0
	4,864.8	4,753.4
Interest income calculated using the effective interest method from:		
Cash on hand and promissory notes	21.5	15.4
Loans and receivables	10.3	10.3
	31.8	25.7
Total revenue	4,896.6	4,779.1
Other income and gains:		
Rents from operating leases	28.1	26.8
Income from investment properties	10.1	5.8
	38.2	32.6
Other revenues and gains		
Other services:		
Related entities (government grants) ⁽¹⁾	1.8	3.0
External entities ⁽²⁾	20.7	19.0
	22.5	22.0
Net gain on disposal of assets:		
Land and buildings	6.5	22.5
Investment property	16.5	–
	23.0	22.5
Change in fair value of investment properties	6.1	–
Total other revenues and gains	51.6	44.5
Total other income and gains	89.8	77.1
Total income	4,986.4	4,856.2

(1) Related entities – related to the Commonwealth Government.

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

	Consolidated	
	2011 \$m	2010 \$m
3 Expenses (excluding finance costs)		
Employees:		
Salaries and wages	1,851.1	1,820.9
Defined benefit superannuation expense	135.3	129.3
Leave and other entitlements	187.0	216.7
Separation and redundancy	30.6	8.6
Workers' compensation	24.6	24.5
Other employee expenses	25.4	25.3
	2,254.0	2,225.3
Suppliers:		
Purchase of services from:		
External entities ⁽¹⁾	1,733.6	1,698.4
	1,733.6	1,698.4
Cost of sales – goods purchased from external entities ⁽¹⁾	179.1	212.8
Investment property expenditure	8.4	6.3
Operating lease rentals (refer note 31 (i))	133.0	137.1
	2,054.1	2,054.6
Depreciation and amortisation:		
Depreciation:		
Buildings	50.9	52.3
Plant and equipment	87.4	92.0
Plant and equipment under finance lease	4.3	9.2
Amortisation:		
Computer software	54.2	57.6
Other intangibles	1.6	2.4
	198.4	213.5
Net loss on disposal of assets:		
Plant and equipment	1.0	4.3
Intangibles	–	0.3
	1.0	4.6
Net foreign exchange losses – non-speculative	13.0	4.1
Write-down and impairment of assets:		
Inventory	0.2	3.3
Land and buildings	14.9	–
Plant and equipment	–	2.2
Intangibles	13.6	24.6
Financial:		
Receivables	2.6	0.2
Related party loan	(0.3)	1.3
Investments	4.5	1.7
Goodwill	0.3	19.1
	35.8	52.4
Restructuring costs ⁽²⁾	42.0	150.2
Other expenses	42.3	34.4
Total expenses	4,640.6	4,739.1

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

(2) Costs related to impairment of property, plant and equipment, redundancy and other restructuring costs. (2010: costs related to separation and redundancy costs attributable to the business renewal program to streamline the Australia Post structure.)

Notes to and forming part of the financial report

for the year ended 30 June 2011

	Consolidated	
	2011 \$m	2010 \$m
4 Finance costs		
Bonds ⁽¹⁾	31.8	31.7
Interest rate swaps ⁽¹⁾	0.4	(6.3)
Loss/(Gain) arising on interest rate swaps in a designated fair value hedge relationship	0.8	(3.3)
Loss on adjustment to hedged item in a designated fair value hedge relationship	–	5.3
Unwinding of discount (refer note 20)	0.7	1.1
Total finance costs	33.7	28.5

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

	Consolidated	
	2011 \$m	2010 \$m
5 Income tax		
Major components of income tax expense for the years ended 30 June are:		
(a) Statement of comprehensive income		
Current income tax		
Current income tax charge	53.5	60.5
Adjustments in respect of current income tax of previous years	(5.9)	(4.3)
Deferred income tax benefit		
Relating to origination and reversal of temporary differences	54.6	(42.7)
Adjustments in respect of deferred income tax of previous years	(11.1)	–
Income tax expense reported in the statement of comprehensive income	91.1	13.5
(b) Amounts charged directly to equity		
Deferred income tax related to items charged or credited directly to equity		
Net gain on revaluation of cashflow hedges	0.1	0.3
Net gain on revaluation of land and buildings	–	0.8
Net actuarial gains/(losses)	34.4	(87.5)
Income tax expense reported in equity	34.5	(86.4)
(c) Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate		
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the group's applicable income tax rate is as follows:		
Accounting profit before income tax	332.3	103.0
At the group's statutory income tax rate of 30% (2010: 30%)	99.7	30.9
Adjustments in respect of current income tax of previous years	(5.9)	(4.3)
Investment property	0.8	0.4
Unrecognised tax losses	0.2	1.5
Tax incentives	(4.5)	(8.8)
Income not assessable for income tax purposes	(3.0)	(8.1)
Write-down and impairment not allowable for income tax purposes	5.8	6.6
Share of net profits of jointly controlled entities	(6.1)	(4.3)
Sundry items	4.1	(0.4)
At effective income tax rate of 27.4% (2010: 13.1%)	91.1	13.5
Income tax expense reported in the statement of comprehensive income	91.1	13.5

	Balance Sheet		Statement of Comprehensive Income	
	2011 \$m	2010 \$m	2011 \$m	2010 \$m
5 Income tax (continued)				
(d) Recognised deferred income tax				
Deferred income tax at 30 June relates to the following:				
Consolidated				
(i) Deferred income tax liabilities				
Accelerated depreciation for tax purposes	(43.9)	(39.5)	4.4	(10.4)
Superannuation asset	(86.2)	(51.8)	–	(1.1)
Sydney GPO lease receivable	(31.0)	(31.0)	–	–
International income	(50.9)	(43.4)	7.5	(10.5)
Net gain on revaluation of cashflow hedges	(0.3)	0.1	–	(0.1)
Sundry	(12.2)	(5.5)	6.7	2.4
Gross deferred income tax liabilities	(224.5)	(171.1)	18.6	(19.7)
(ii) Deferred income tax assets				
Provisions	227.7	256.5	28.8	(37.4)
Capital losses available for offset against future taxable income	2.4	6.0	3.6	2.0
Sydney GPO refurbishment	5.3	5.3	–	0.2
International expenditure	21.1	21.1	–	13.3
Government grant	0.9	1.5	0.6	0.9
Make good	13.8	14.0	0.2	(0.4)
Net loss on revaluation of cashflow hedges	–	(0.1)	–	0.3
Sundry	7.9	10.7	2.8	(1.9)
Gross deferred income tax assets	279.1	315.0	36.0	(23.0)
Deferred income tax expense/(benefit)			54.6	(42.7)

(e) Unrecognised temporary differences

At 30 June 2011, there were no unrecognised temporary differences (2010: \$nil) associated with the group's investments in controlled entities or jointly controlled entities, as the group has no liability for additional taxation should unremitted earnings be remitted.

(f) Tax consolidation

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

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

Tax effect accounting by members of the tax consolidated group

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

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

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

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

Notes to and forming part of the financial report

for the year ended 30 June 2011

	Consolidated	
	2011 \$m	2010 \$m
6 Current assets – trade and other receivables		
Goods and services receivable ⁽¹⁾	383.4	351.4
Allowance for doubtful debts	(5.9)	(4.2)
	377.5	347.2
Proceeds receivable	43.8	–
Finance lease receivable (refer note 31 (ii))	6.5	6.5
Interest receivable	1.5	0.9
Trade receivables from jointly controlled entities (refer note 29)	1.4	1.4
Income tax receivable	18.6	5.5
Other receivables ⁽²⁾	16.0	7.7
Total current assets	465.3	369.2
Receivables not impaired are aged as follows:		
Not past due	430.4	337.8
Past due less than 30 days	12.2	11.5
Past due 30–60 days	10.8	8.8
Past due 61–90 days	2.1	0.8
Past due more than 90 days	9.8	10.3
	465.3	369.2
Receivables individually determined to be impaired are aged as follows:		
Not past due	0.5	0.4
Past due less than 30 days	0.2	–
Past due 30–60 days	0.2	–
Past due 61–90 days	0.5	0.2
Past due more than 90 days	4.5	3.6
	5.9	4.2
Movements in the allowance for doubtful debts during the financial year, are set out below:		
Balance at 1 July	4.2	5.0
Charge for the year	2.6	0.2
Acquisition of subsidiary	0.1	–
Disposal of subsidiary	(0.4)	–
Amounts written off	(0.6)	(1.0)
Balance at 30 June	5.9	4.2

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

(2) Receivables are interest-free with various maturities.

	Consolidated	
	2011 \$m	2010 \$m
7 Current assets – inventories (held for sale)		
Raw materials (at net realisable value)	0.6	1.1
Work in progress (at cost)	1.0	1.1
Finished goods (at net realisable value)	48.1	41.9
Total current inventories at lower of cost and net realisable value	49.7	44.1

Inventory write-down expense recognised totalled \$0.2 million (2010: \$3.3 million) for the group. This expense is included in the write-down of inventory. Refer to note 3.

	Consolidated	
	2011 \$m	2010 \$m
8 Other current assets		
Prepayments	79.9	77.7
Foreign currency exchange contracts	–	0.4
Oil commodity swaps	1.0	–
Interest rate swap contracts	2.3	–
Total other current assets	83.2	78.1

	Consolidated	
	2011 \$m	2010 \$m
9 Non-current assets – trade and other receivables⁽¹⁾		
Loans to jointly controlled entities (refer note 29)	130.5	130.7
Provision for impairment of loans to jointly controlled entities	(1.0)	(1.3)
	129.5	129.4
Finance lease receivable (refer note 31 (ii))	97.0	97.0
Other receivables	0.3	0.7
Total non-current assets	226.8	227.1

(1) There are no non-current trade and other receivables that are past due (2010: \$nil). There are no non-current trade and other receivables whose terms have been renegotiated that would otherwise be past due (2010: \$nil). The terms of loans agreements with jointly 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 jointly controlled entity.

Notes to and forming part of the financial report

for the year ended 30 June 2011

	Note	Country of Incorporation	% of equity held by immediate parent	
			2011 %	2010 %
10 Investments in controlled entities				
Sprintpak Pty Ltd	(1)	Australia	100.0	100.0
Postcorp Developments Pty Ltd	(1)	Australia	100.0	100.0
Geospend Pty Ltd	(1)	Australia	100.0	100.0
corProcure Pty Ltd	(1)	Australia	100.0	100.0
Post Fulfilment Online Pty Ltd	(1)	Australia	100.0	100.0
SnapX Pty Ltd	(1)	Australia	100.0	100.0
Decipha Pty Ltd	(2)	Australia	100.0	100.0
AP International Holdings Pty Ltd	(1)	Australia	100.0	100.0
PostLogistics Pte Ltd	(3)	Hong Kong	100.0	100.0
Australia Post Transaction Services Pty Ltd	(2)	Australia	100.0	100.0
SecurePay Holdings Pty Ltd	(1)	Australia	100.0	–
SecurePay Pty Ltd	(1)	Australia	100.0	–
Post Logistics Australasia Pty Ltd	(2)	Australia	100.0	100.0
Lakewood Logistics Pty Ltd	(1)	Australia	100.0	100.0
PrintSoft Holdings Pty Ltd	(4)	Australia	–	100.0
PrintSoft Development Pty Ltd	(4)	Australia	–	100.0
PrintSoft Products Pty Ltd	(4)	Australia	–	100.0
PrintSoft Americas, Inc	(4)	USA	–	100.0
PrintSoft Systems Ltd	(4)	UK	–	100.0
PrintSoft Solutions Ltd	(4)	UK	–	100.0
Program Products Services Ltd	(4)	UK	–	100.0
PrintSoft SAS	(4)	France	–	100.0
PrintSoft Systems GmbH	(4)	Germany	–	100.0
PrintSoft Slovenska Republika S.R.O	(4)	Slovak Republic	–	68.0
PrintSoft Ceska Republika S.R.O	(4)	Czech Republic	–	72.0
PrintSoft Italia SRL	(4)	Italy	–	100.0

(1) These entities are incorporated in Australia and are small proprietary companies. As such, they are not required to prepare and lodge audited financial statements with the Australian Securities and Investments Commission (ASIC).

(2) These entities are incorporated in Australia and are large proprietary companies required to lodge audited financial statements with ASIC.

(3) These entities are not audited by the Australian National Audit Office.

(4) On 30 June 2011, Australia Post disposed of its investment in the PrintSoft group.

	Consolidated	
	2011 \$m	2010 \$m
11 Investments in jointly controlled entities		
Carrying amounts of investments		
Balance at the beginning of the financial year	295.6	298.3
Share of profits for the year	20.2	14.4
Net actuarial gain/(loss)	0.8	(2.0)
Impairment of investment	(4.5)	(1.7)
Disposal of investments	(0.7)	–
Share of reserves	(0.3)	0.8
Dividends received/receivable	(19.0)	(14.2)
Balance at the end of the financial year	292.1	295.6

	Principal activity	Country of incorporation	Balance date	Ownership interest	
				2011 %	2010 %
AUX Investments ⁽¹⁾	Express air freight	Australia	30 June	50.0	–
Australian air Express Pty Ltd – ordinary shares ⁽¹⁾	Express air freight	Australia	30 June	–	50.0
Star Track Express Holdings Pty Ltd – ordinary shares ⁽¹⁾	Express freight	Australia	30 June	–	50.0
Wetherill Park Partnership	Warehousing facilities	Australia	30 June	50.0	50.0
Sai Cheng Logistics International Company Limited – ordinary shares ⁽²⁾	International 4PL logistics services	China	31 Dec	49.0	49.0
iPrint Corporate Pty Ltd – ordinary shares ⁽³⁾	Printing services	Australia	30 June	–	50.0
Multi Media Logistics Pty Ltd – ordinary shares ⁽⁴⁾	Logistics services	Australia	30 June	–	50.0

(1) Australia Post holds a 50% investment in AUX Investments, which holds the 100% investment in Star Track Express Holdings Pty Ltd and Australian air Express Pty Ltd.

(2) This investment is held by the corporation's 100% owned subsidiary AP International Holdings Pty Ltd.

(3) This investment was sold on 30 June 2011.

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

Notes to and forming part of the financial report

for the year ended 30 June 2011

	Consolidated	
	2011 \$m	2010 \$m
11 Investments in jointly controlled entities (continued)		
Share of jointly controlled entities' profits		
Revenues	664.7	614.1
Expenses	(645.4)	(593.5)
Net profits before income tax	19.3	20.6
Income tax expense	0.9	(6.2)
Net profits after income tax	20.2	14.4
Share of assets and liabilities		
Current assets	98.3	90.8
Non-current assets	420.8	436.1
Total assets	519.1	526.9
Current liabilities	(75.8)	(73.4)
Non-current liabilities	(151.2)	(157.9)
Total liabilities	(227.0)	(231.3)
Net assets	292.1	295.6
Retained profits of the consolidated entity attributable to jointly controlled entities		
Balance at the beginning of the financial year	29.6	31.4
Share of profits for the year	20.2	14.4
Net actuarial gain/(loss)	0.8	(2.0)
Dividends received/receivable	(19.0)	(14.2)
Balance at the end of the financial year	31.6	29.6

The group's investment in the Wetherill Park Partnership was impaired during the year by \$4.5 million (2010: \$1.7 million impairment of Multi Media Logistics Pty Ltd).

The consolidated entity's share of the jointly controlled entities' net commitment payable is \$501.8 million (2010: \$385.5 million) and is included in the schedule of commitments. The consolidated entity's share of the jointly controlled entities' contingent liabilities is \$32.0 million (2010: \$31.1 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	
	2011 \$m	2010 \$m
(ii) Amount recognised in the statement of comprehensive income		
Current service cost	199.0	200.9
Interest cost on benefit obligation	353.3	363.5
Expected return on plan assets	(447.8)	(465.0)
Plan expenses	12.3	12.3
Contributions tax reserve	18.5	17.6
Defined benefit superannuation expense	135.3	129.3

12 Superannuation (continued)

	Consolidated				
	2011 \$m	2010 \$m	2009 \$m	2008 \$m	2007 \$m
(iii) Amount recognised in the balance sheet					
Present value of benefit obligation (wholly funded)	(5,584.7)	(5,347.2)	(5,298.0)	(5,333.3)	(5,003.4)
Fair value of plan assets	5,829.0	5,493.9	5,695.8	6,688.8	6,514.5
Contributions tax reserve	43.1	25.9	70.2	239.2	266.7
Net superannuation asset – non-current ⁽¹⁾	287.4	172.6	468.0	1,594.7	1,777.8

(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.

	Consolidated	
	2011 \$m	2010 \$m
(iv) Reconciliations		
Changes in the present value of the defined benefit obligation is as follows:		
Opening defined benefit obligation at 1 July	5,347.2	5,298.0
Interest cost	353.3	363.5
Current service cost	199.0	200.9
Benefits paid and payable	(282.5)	(617.4)
Curtailed costs (net of tax)	–	3.3
Member contributions	60.1	67.9
Actuarial (gain)/loss	(92.4)	31.0
Closing defined benefit obligation at 30 June ⁽²⁾	5,584.7	5,347.2
Changes in the fair value of the plan assets is as follows:		
Opening fair value of plan assets at 1 July	5,493.9	5,695.8
Expected return on plan assets	447.8	465.0
Contributions by employer	135.3	129.3
Member contributions	60.1	67.9
Benefits paid and payable	(282.5)	(617.4)
Actuarial gain/(loss)	5.2	(216.8)
Plan expenses	(12.3)	(12.3)
Contributions tax reserve	(18.5)	(17.6)
Fair value of plan assets at 30 June ⁽²⁾	5,829.0	5,493.9

The group expects to contribute approximately \$129.3 million to its defined benefit pension plan in 2011–12.

(2) Included in the obligation and plan assets above is \$2,702.8 million (2010: \$2,467.2 million) relating to member financed accumulation benefits.

Notes to and forming part of the financial report

for the year ended 30 June 2011

12 Superannuation (continued)

	Consolidated	
	2011 ⁽³⁾ %	2010 %
(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	5	3
Public Market Debt	10	6
Cash	20	20
Private Market Real Estate	28	29
Private Market Equities and Debt	37	42

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 retail outlets.

(3) Within the Private Market Real Estate and Private Market Equities and Debt category included in the 2011 year above, approximately 1% of the assets were valued at or prior to 31 December 2010, 82% were valued between 31 March and 31 May 2011, 17% were valued at 30 June 2011 and 0% were valued at cost. All Public Market Equities and Debt were valued at 30 June 2011.

	Consolidated	
	2011 \$m	2010 \$m
(vi) Actual return on plan assets		
Actual return on plan assets	429.9	248.2
(vii) Cumulative actuarial (gains) and losses		
Actuarial (gains)/loss recognised in the year in the statement of comprehensive income	(97.6)	247.8
Contributions tax	(17.2)	43.7
	(114.8)	291.5
Cumulative actuarial losses recognised in the statement of comprehensive income	582.4	697.2

	Consolidated				
	2011 \$m	2010 \$m	2009 \$m	2008 \$m	2007 \$m
(viii) Experience adjustments					
Experience adjustments on plan liabilities	(21.5)	58.9	377.6	(68.7)	(308.8)
Experience adjustments on plan assets	5.2	(216.8)	(1,343.3)	(118.0)	547.1

(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	
	2011 %	2010 %
Discount rate	5.2	5.1
Expected after tax rate of return on assets	8.3	8.3
Future salary increases (for 3 years to 30 June 2014)	3.5	5.0
Future salary increases (the period thereafter)	5.0	5.0

(x) Superannuation Act 1976

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

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

Consolidated

	Land \$m	Buildings \$m	Total land & buildings \$m	Plant & equipment \$m	Total \$m
13 Analysis of property, plant and equipment					
Reconciliation of the opening and closing balances of property, plant and equipment					
Gross book value	217.8	1,061.5	1,279.3	1,367.4	2,646.7
Accumulated depreciation	–	(463.8)	(463.8)	(826.4)	(1,290.2)
Net book value at 30 June 2009	217.8	597.7	815.5	541.0	1,356.5
Additions	2.6	33.0	35.6	80.3	115.9
Depreciation	–	(52.3)	(52.3)	(101.2)	(153.5)
Disposals	(1.6)	(0.8)	(2.4)	(8.3)	(10.7)
Impairment loss	–	–	–	(2.2)	(2.2)
Transfers to investment properties	(0.1)	(0.9)	(1.0)	–	(1.0)
Gross book value	218.7	1,069.2	1,287.9	1,338.5	2,626.4
Accumulated depreciation	–	(492.5)	(492.5)	(828.9)	(1,321.4)
Net book value at 30 June 2010⁽¹⁾	218.7	576.7	795.4	509.6	1,305.0
Additions	1.1	26.2	27.3	83.0	110.3
Acquisition of subsidiary	–	–	–	1.7	1.7
Depreciation	–	(50.9)	(50.9)	(91.7)	(142.6)
Disposals	(0.8)	(5.2)	(6.0)	(14.3)	(20.3)
Impairment loss	(14.9)	(8.5)	(23.4)	(13.1)	(36.5)
Disposal of subsidiary	–	–	–	(0.4)	(0.4)
Gross book value	204.1	1,070.1	1,274.2	1,346.4	2,620.6
Accumulated depreciation	–	(531.8)	(531.8)	(871.7)	(1,403.5)
Net book value at 30 June 2011⁽¹⁾	204.1	538.3	742.4	474.7	1,217.1

(1) Were the entity to apply the fair value methodology, the net book value of land and buildings would be \$1,422.4 million (2010: \$1,430.2 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

As at 30 June 2009	–	–	–	50.1	50.1
Depreciation	–	–	–	(9.2)	(9.2)
As at 30 June 2010	–	–	–	40.9	40.9
Depreciation	–	–	–	(4.3)	(4.3)
As at 30 June 2011	–	–	–	36.6	36.6

Notes to and forming part of the financial report

for the year ended 30 June 2011

	Consolidated			
	Computer software \$m	Goodwill \$m	Other intangibles \$m	Total intangibles \$m
14 Analysis of intangibles				
Reconciliation of the opening and closing balances of intangibles				
Gross book value	716.1	30.4	16.3	762.8
Accumulated amortisation	(524.5)	–	(14.5)	(539.0)
Net book value as at 30 June 2009	191.6	30.4	1.8	223.8
Additions by purchase	113.2	–	1.8	115.0
Amortisation expense	(57.6)	–	(2.4)	(60.0)
Impairment loss	(24.6)	(19.1)	–	(43.7)
Disposals	(0.3)	–	–	(0.3)
Gross book value	804.4	11.3	18.1	833.8
Accumulated amortisation	(582.1)	–	(16.9)	(599.0)
Net book value as at 30 June 2010	222.3	11.3	1.2	234.8
Additions by purchase	109.2	–	2.0	111.2
Acquisition of subsidiary	0.9	32.2	10.8	43.9
Amortisation expense	(54.2)	–	(1.6)	(55.8)
Impairment loss	(13.6)	(0.3)	–	(13.9)
Disposals	(0.3)	–	–	(0.3)
Disposal of subsidiary	(0.2)	–	(2.5)	(2.7)
Gross book value	886.7	43.2	28.4	958.3
Accumulated amortisation	(622.6)	–	(18.5)	(641.1)
Net book value as at 30 June 2011	264.1	43.2	9.9	317.2

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

	Consolidated	
	2011 \$m	2010 \$m
15 Investment property		
Opening balance as at 1 July	224.9	219.5
Additions	0.7	1.7
Net transfer to investment property	–	3.7
Disposals	(48.4)	–
Net gain from fair value adjustments	6.1	–
Closing balance as at 30 June	183.3	224.9

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 2011 and 30 June 2010. 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	
	2011 \$m	2010 \$m
16 Impairment testing of goodwill		
Goodwill acquired through business combinations has been allocated to individual cash-generating units as follows:		
Messenger Post	9.9	9.9
SecurePay	32.2	–
Other	1.1	1.4
	43.2	11.3

The recoverable amount of all cash-generating units (CGUs) has been determined based on a value in use calculation using cashflow forecasts extracted from three year corporate plans approved by senior management and the board. The forecasts are extrapolated for a further two years and a terminal value applied. These forecasts use management estimates to determine income, expenses, capital expenditure and cashflows for each CGU. Revenue growth rates applied by all CGUs to the two year period outside the corporate plan is 3.5% (2010: 4.0%). After this period a 2.5% (2010: 1.5% to 2.5%) revenue growth rate is applied. A pre-tax discount rate applicable to the specific CGU has been applied. This rate is 12.5% (2010: between 11.8% and 12.5%).

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	
	2011 \$m	2010 \$m
17 Other non-current assets		
Interest rate swap contracts	–	5.5
Prepayments	5.6	5.2
Total other non-current assets	5.6	10.7

	Consolidated	
	2011 \$m	2010 \$m
18 Current liabilities – trade and other payables		
Trade creditors ⁽¹⁾	224.3	244.4
Other:		
Agency creditors ⁽¹⁾	162.9	145.1
Salaries and wages	61.9	53.9
Borrowing costs ⁽²⁾	8.6	8.1
Unearned postage revenue	62.5	68.0
Other advance receipts	101.4	91.5
Deferred government grant income	3.1	4.9
Payables to jointly controlled entities (refer note 29)	5.0	8.7
Goods and services tax payable	19.7	20.7
Financial guarantees ⁽³⁾	0.0	0.0
Forward exchange contracts	0.3	–
Other payables	76.6	81.4
	502.0	482.3
Total current payables	726.3	726.7

(1) Trade creditors and agency creditors are non-interest bearing and normally settled on 30-day and next business day terms respectively. Included within trade creditors are international creditors which are settled in accordance with Universal Postal Union (UPU) arrangements, which may be longer than 30 days.

(2) Borrowing costs are normally settled on a half-yearly basis throughout the 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 \$52.0 million (2010: \$64.3 million) and is included within the disclosures of note 30(i).

Notes to and forming part of the financial report

for the year ended 30 June 2011

	Consolidated	
	2011 \$m	2010 \$m
19 Interest-bearing liabilities		
Current		
Fixed-rate unsecured bonds payable – within one year	232.5	–
Oil commodity swaps – within one year	–	0.5
Finance lease and hire purchase liabilities payable – within one year	–	0.1
Total current interest-bearing liabilities	232.5	0.6
Non-current		
Fixed-rate unsecured bonds payable – in one to five years	314.6	547.0
Interest rate swaps – in one to five years	9.0	11.4
Total non-current interest-bearing liabilities	323.6	558.4

\$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	
	2011 \$m	2010 \$m
20 Provisions		
Current provisions		
Annual leave	168.6	174.8
Long service leave	314.9	338.8
Workers' compensation	24.3	23.7
Separations and redundancies ⁽¹⁾	65.4	141.9
Other employee	46.3	32.6
Restructuring ⁽²⁾	16.9	–
Balance at 30 June	636.4	711.8
Non-current provisions		
Long service leave	39.9	38.0
Workers' compensation	79.0	83.0
Property make good ⁽³⁾	45.9	46.6
Balance at 30 June	164.8	167.6
Total provisions	801.2	879.4

(1) The provision recognised comprises the expected severance payments, employee entitlements (including notice period), outplacement costs and payroll tax based on the location of the employee, staff level affected by the restructuring and their anticipated years of service. In estimating the expected severance payments, historical severance payments have also been considered.

(2) Provision is made for the restructuring of non-core operations and primarily consists of redundancies and surplus lease costs.

(3) 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 dependant 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.

	Consolidated	
	2011 \$m	2010 \$m
20 Provisions (continued)		
Movements in provisions		
Movements in the property make good and restructuring provisions during the year, are set out below:		
Property make good provision		
Balance at 1 July	46.6	45.4
Reassessments and additions	2.5	3.4
Unused amount reversed	(1.4)	(1.9)
Payments made	(2.5)	(1.4)
Unwinding and discount rate adjustment	0.7	1.1
Balance at 30 June	45.9	46.6
Restructuring provision		
Balance at 1 July	–	–
Additions	42.0	–
Amounts utilised/transferred ⁽¹⁾	(21.6)	–
Payments made	(3.5)	–
Balance at 30 June	16.9	–

(1) These relate to \$8.5 million of property impairment and \$13.1 million of fixed asset write downs which are included in note 13.

	Consolidated	
	2011 \$m	2010 \$m
21 Other non-current liabilities		
Other payables	23.1	19.9
Total other non-current liabilities	23.1	19.9

	Consolidated	
	2011 \$m	2010 \$m
22 Movements in retained profits		
Balance at 1 July	1,153.2	1,441.3
Net profit	240.8	89.8
Dividends paid	(78.5)	(171.9)
Net actuarial gain/(loss) on superannuation asset	80.4	(204.0)
Other movements in retained profits	1.2	(2.0)
Balance at 30 June	1,397.1	1,153.2

Notes to and forming part of the financial report

for the year ended 30 June 2011

	Consolidated			
	Asset revaluation reserve ⁽¹⁾ \$m	Foreign currency translation reserve ⁽²⁾ \$m	Hedging reserve ⁽³⁾ \$m	Total reserves \$m
23 Analysis of reserves				
Balance at 1 July 2009	4.8	0.2	(1.2)	3.8
Translation differences on group operations	–	(0.7)	–	(0.7)
Movement in jointly controlled entities' reserves	–	(0.1)	0.7	0.6
Revaluation – land and buildings	2.7	–	–	2.7
Deferred tax	(0.8)	–	–	(0.8)
Revaluation of fuel cashflow hedge – gross	–	–	(0.3)	(0.3)
Deferred tax	–	–	0.1	0.1
Revaluation of foreign exchange cashflow hedge – gross	–	–	1.2	1.2
Deferred tax	–	–	(0.4)	(0.4)
Balance at 30 June 2010	6.7	(0.6)	0.1	6.2
Translation differences on group operations	–	0.7	–	0.7
Disposal of group operations	–	(0.1)	–	(0.1)
Movement in jointly controlled entities' reserves	–	(0.1)	(0.3)	(0.4)
Revaluation of fuel cashflow hedge – gross	–	–	1.0	1.0
Deferred tax	–	–	(0.3)	(0.3)
Revaluation of foreign exchange cashflow hedge – gross	–	–	(0.5)	(0.5)
Deferred tax	–	–	0.2	0.2
Balance at 30 June 2011	6.7	(0.1)	0.2	6.8

(1) The asset revaluation reserve relates to the revaluation of land and buildings prior to 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.

	2011 \$m	2010 \$m
24 Information relating to Australian Postal Corporation ("the parent entity")		
Current assets	1,298.8	1,100.3
Total assets	4,069.4	3,848.4
Current liabilities	1,574.7	1,406.0
Total liabilities	2,308.9	2,321.0
Issued capital	400.0	400.0
Retained earnings	1,353.4	1,120.7
Asset revaluation reserve	6.7	6.7
Hedging reserve	0.5	–
Net equity	1,760.6	1,527.4
Net profit of the parent entity	230.9	81.6
Total comprehensive income of the parent entity	311.8	(119.9)

The parent has contingent liabilities which relate to legal liability claims that have been lodged against the corporation, including motor vehicle accident and personal injury claims in the amount of \$2.7 million (2010: \$2.3 million).

The parent has contractual obligations which relate to sub-lease rent receivables and operating lease receivables in the amount of \$210.0 million (2010: \$131.5 million). Capital commitments of the parent entity in relation to land and buildings and plant and equipment amount to \$78.4 million (2010: \$85.2 million). The parent has operating lease commitments of \$617.5 million (2010: \$552.1 million) and other commitments relating to carriage and delivery of letters and parcels by contractors of \$1,578.6 million (2010: \$1,522.0 million).

	Consolidated	
	2011 \$m	2010 \$m
25 Dividends paid		
Final ordinary dividend (from prior year results)	–	92.8
Interim ordinary dividend	78.5	79.1
Total dividends paid	78.5	171.9
Dividend not recognised as a liability	94.7	–

	Consolidated	
	2011 \$	2010 \$
26 Auditor's remuneration ⁽¹⁾		
Amounts received or due and receivable by the corporation's auditors for:		
An audit or review of the financial report of the entity and any other entity in the consolidated entity	1,468,800	1,467,900
Other services in relation to the entity and any other entity in the consolidated entity		
– assurance related	174,200	165,700
– special audits required by regulators ⁽²⁾	95,000	100,000
– other non-audit related ⁽²⁾	726,000	–
Total auditor's remuneration	2,464,000	1,733,600

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

(2) These services are performed by Ernst & Young (Australia) directly and include due diligence, governance, compliance and research services.

27 Operating segments

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

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

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

The following represent the segments the group operates in:

Letters

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

Parcels

The processing and distribution of parcels, and the provision of associated logistical services.

Retail, agency and merchandise services

Provision of postal products and services, agency services and other retail merchandise, principally stationery, telephony, greeting cards, gifts and souvenirs.

Unallocated

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

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

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

Notes to and forming part of the financial report

for the year ended 30 June 2011

27 Operating segments (continued)

Operating segments

The following tables present revenue and profit information and certain asset and liability information regarding operating segments for the years ended 30 June 2011 and 30 June 2010.

	Letters \$m	Parcels \$m	Retail, agency and merchandise services \$m	Unallocated \$m	Total \$m
2011					
Revenue					
Revenue and other income – Reserved Letter Services	1,887.5	–	–	–	1,887.5
Revenue and other income – Non-Reserved Services	840.6	1,434.0	708.5	84.0	3,067.1
Total segment revenue	2,728.1	1,434.0	708.5	84.0	4,954.6
Interest revenue					31.8
Consolidated revenue					4,986.4
Result					
Segment result – Reserved Letter Services	(91.3)	–	–	–	(91.3)
Segment result – Non-Reserved Services	116.8	212.1	80.1	(3.7)	405.3
Share of net profits of equity accounted jointly controlled entities	–	20.2	–	–	20.2
Profit before interest and income tax expense	25.5	232.3	80.1	(3.7)	334.2
Income tax expense					(91.1)
Net interest					(1.9)
Net profit for period					241.2
Assets					
Segment assets	1,208.7	834.3	422.0	1,090.6	3,555.6
Superannuation asset	–	–	–	287.4	287.4
Investments in jointly controlled entities	–	292.1	–	–	292.1
Total assets	1,208.7	1,126.4	422.0	1,378.0	4,135.1
Liabilities					
Segment liabilities	892.3	363.3	271.2	804.4	2,331.2
Other segment information					
Capital expenditure	122.2	66.7	31.1	2.2	222.2
Depreciation and amortisation expense	131.8	50.0	14.1	2.5	198.4
Other non-cash expenses	131.8	50.0	14.1	2.5	198.4

27 Operating segments (continued)

	Letters \$m	Parcels \$m	Retail, agency and merchandise services \$m	Unallocated \$m	Total \$m
2010					
Revenue					
Revenue and other income – Reserved Letter Services	1,829.3	–	–	–	1,829.3
Revenue and other income – Non-Reserved Services	828.8	1,361.7	712.0	98.7	3,001.2
Total segment revenue	2,658.1	1,361.7	712.0	98.7	4,830.5
Interest revenue					25.7
Consolidated revenue					4,856.2
Result					
Segment result – Reserved Letter Services	(250.1)	–	–	–	(250.1)
Segment result – Non-Reserved Services	74.0	156.4	78.9	32.2	341.5
Share of net profits of equity accounted jointly controlled entities	–	14.4	–	–	14.4
Profit before interest and income tax expense	(176.1)	170.8	78.9	32.2	105.8
Income tax expense					(13.5)
Net interest					(2.8)
Net profit for period					89.5
Assets					
Segment assets	1,231.2	745.6	395.2	1,075.0	3,447.0
Superannuation asset	–	–	–	172.6	172.6
Investments in jointly controlled entities	–	295.3	–	0.3	295.6
Total assets	1,231.2	1,040.9	395.2	1,247.9	3,915.2
Liabilities					
Segment liabilities	948.0	360.2	260.9	787.0	2,356.1
Other segment information					
Capital expenditure	130.8	53.0	43.1	5.7	232.6
Depreciation and amortisation expense	133.4	56.1	21.0	3.0	213.5
Impairment loss on goodwill	9.1	10.0	–	–	19.1
Other non-cash expenses	142.5	66.1	21.0	3.0	232.6

Notes to and forming part of the financial report

for the year ended 30 June 2011

27 Operating segments (continued)

Geographical segments

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

Accounting policies

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

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

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

Inter-segment sales and transfers

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

Use of fair value accounting

As outlined in note 1(s) 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:

	Consolidated	
	2011 \$m	2010 \$m
Letters	1,604.8	1,592.8
Parcels	1,226.2	1,140.4
Retail, agency and merchandise services	505.0	472.4
Unallocated	1,479.1	1,344.4
Total	4,815.1	4,550.0

28 Key management personnel remuneration and retirement benefits

(a) Details of key management personnel

(i) Directors

David Mortimer	Chairman (non-executive)
Ahmed Fahour	Managing Director and Chief Executive Officer
Penelope Bingham-Hall	Appointed as director (non-executive) 12 May 2011
Peter Carne	Director (non-executive)
Mark Darras	Deputy Chairman (non-executive)
Margaret Gibson	Retired as director (non-executive) 1 September 2010
William Mansfield	Director (non-executive) – deceased 3 February 2011
Jennifer Seabrook	Appointed as director (non-executive) 8 July 2010 and retired 20 June 2011
Ian Warner	Director (non-executive)
The Hon Trish White	Appointed as director (non-executive) 8 July 2010

(ii) Executives

Chris Blake	Appointed Executive General Manager People and Community 5 July 2010
Christine Corbett	Appointed Executive General Manager Retail Services 1 July 2010
James Marshall	Executive General Manager Postal and Distribution & Express Services
Peter Meehan	Resigned as Chief Finance Officer 8 October 2010
Terry Sinclair	Resigned as Executive General Manager Distribution & Express Services 28 January 2011
Ewen Stafford	Appointed Executive General Manager Corporate Services 23 August 2010 and Executive General Manager Finance and Corporate Services 9 October 2010
Richard Umbers	Appointed Executive General Manager eServices and Strategy & Marketing 5 October 2010

(b) Compensation policies for key management personnel

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

Director compensation

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

Remuneration levels for Australia Post's non-executive directors for 2010–11 were as follows (rates were effective 1 August 2010):

	\$
Chairman	164,550
Deputy Chairman	91,800
Directors	82,280
Audit Committee Chairman	19,020
Audit Committee Member	9,515

In addition the board has a Human Resources subcommittee and a Superannuation subcommittee for which fees will now be paid. Annual amounts for committee members are expected to be \$12,000 and for the Chairman \$18,000. Amounts shown in the disclosures above reflect these subcommittee entitlements from 1 January 2011. Total amounts received or receivable in 2010–11 by each non-executive director are provided in part (e) of this note.

Notes to and forming part of the financial report

for the year ended 30 June 2011

28 Key management personnel remuneration and retirement benefits (continued)

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

Executive compensation

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

The board is responsible for the remuneration arrangements for the managing director and chief executive officer and senior executives. 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 and chief executive officer ensures that payments to other senior executives are in line with market practice and are competitively placed to attract and retain the necessary talent for the work required by these roles. Incentive rewards for the managing director and chief executive officer and other senior executives for meeting or exceeding specific key annual business objectives are linked to the annual business plan at a corporate and individual level.

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

Where Australia Post terminates the managing director and chief executive officer's or other senior executive's employment for reasons other than performance or misconduct, they are entitled to: in the case of the managing director and chief executive officer, 12 months' notice or payment in lieu of notice and a termination payment which, including any payment in lieu of notice, cannot exceed 12 months' fixed annual remuneration; and for other senior executives, generally 90 days' notice or payment in lieu of notice and a termination payment based on years of employment but not exceeding 52 weeks fixed annual remuneration, including the payment in lieu of notice.

(c) Other transaction and balances with key management personnel

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

	Consolidated	
	2011	2010
	\$	\$
(d) Compensation of key management personnel by category		
Short-term benefits	9,896,431	8,308,193
Post-employment benefits	758,419	1,567,138
Other long-term benefits	691,966	143,448
Termination benefits	978,982	–
Total compensation	12,325,798	10,018,779
Less: Executives retiring in 2010–11	(1,638,861)	–
Adjusted total compensation	10,686,937	10,018,779

28 Key management personnel remuneration and retirement benefits (continued)

(e) Compensation of key management personnel

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

Year ended 30 June 2011 (\$)	Short-term benefits				Post employment benefits		Other long-term benefits		Termination/retirement benefits	Total
	Cash salary ⁽¹⁾	Committee fees ⁽²⁾	Annual leave ⁽³⁾	At risk component ⁽⁴⁾	Non-monetary benefits ⁽⁵⁾	Super-annuation benefits ⁽⁶⁾	Long service leave ⁽³⁾	At risk component ⁽⁷⁾	Termination/retirement	
Directors										
David Mortimer	164,012	18,484	–	–	5,799	26,097	–	–	–	214,392
Ahmed Fahour ⁽⁸⁾	1,390,508	–	118,192	874,200	35,406	192,622	36,416	242,833	–	2,890,177
Penelope Bingham-Hall ⁽⁹⁾	11,271	–	–	–	–	1,014	–	–	–	12,285
Peter Carne	82,012	18,871	–	–	–	14,426	–	–	–	115,309
Mark Darras	91,500	15,000	–	–	–	15,230	–	–	–	121,730
Margaret Gibson ⁽¹⁰⁾	13,933	3,221	–	–	–	2,453	–	–	–	19,607
William Mansfield ⁽¹¹⁾	48,423	1,118	–	–	–	7,084	–	–	–	56,625
Jennifer Seabrook ⁽⁹⁾⁽¹²⁾	78,691	3,702	–	–	–	7,415	–	–	–	89,808
Ian Warner	82,012	9,484	–	–	–	13,084	–	–	–	104,580
Patricia White ⁽⁹⁾	80,494	3,255	–	–	–	11,976	–	–	–	95,725
	2,042,856	73,135	118,192	874,200	41,205	291,401	36,416	242,833	–	3,720,238
Executives										
Chris Blake ⁽⁹⁾	605,712	–	10,443	533,750	9,273	86,617	11,680	21,875	–	1,279,350
Christine Corbett	486,320	–	18,097	419,375	129,790	63,681	63,482	17,187	–	1,197,932
James Marshall	792,531	–	98,279	711,000	9,375	107,469	128,583	40,500	–	1,887,737
Peter Meehan ⁽¹³⁾	139,681	–	9,849	–	12,626	18,368	4,335	–	426,121	610,980
Terry Sinclair ⁽¹⁴⁾	356,479	–	5,105	–	24,961	47,571	40,904	–	552,861	1,027,881
Ewen Stafford ⁽⁹⁾	550,833	–	10,422	510,938	8,014	78,769	11,654	36,718	–	1,207,348
Richard Umbers ⁽⁹⁾	551,347	–	24,901	460,833	256,909	64,543	9,549	26,250	–	1,394,332
	3,482,903	–	177,096	2,635,896	450,948	467,018	270,187	142,530	978,982	8,605,560
Total key management personnel										
	5,525,759	73,135	295,288	3,510,096	492,153	758,419	306,603	385,363	978,982	12,325,798

(1) Included in cash salary are allowances paid in cash.

(2) Consists of fees paid to directors who were members of additional committees.

(3) Represents movements in executives' annual leave and long service leave entitlements.

(4) 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.

(5) Non-monetary benefits include relocation, car parking, spouse travel and other expenses paid on behalf of the directors and executives. Amount also includes fringe benefits tax paid by the corporation on these benefits.

(6) The above amount for superannuation approximates the benefit to be received by the directors and executives (calculated at 14.3% of the directors' and executives' salary for superannuation purposes) and cannot decrease from previous years. If a director is not a member of APSS, this benefit is calculated at 9%.

(7) The at risk component of other long-term benefits relates to deferred bonus payments which are recognised for reporting purposes proportionally over the deferral period and paid at the end of the relevant period. In the case of the managing director, the total deferred amount represents 40% of his eligible bonus.

(8) The Fixed Annual Remuneration of the managing director increased from \$1,575,000 to \$1,900,000, effective 22 June 2011.

(9) Remuneration disclosed from date of commencement in the role.

(10) Retired as director 1 September 2010.

(11) Deceased 3 February 2011.

(12) Retired as director 20 June 2011.

(13) While Peter Meehan ceased to be Chief Finance Officer on 8 October 2010, he continued to be employed by the corporation until 6 January 2011. The total remuneration disclosed includes salary up to the date he ceased to be Chief Finance Officer.

(14) Compensation reflects the period of the year during which the executive occupied a key management position.

Notes to and forming part of the financial report

for the year ended 30 June 2011

28 Key management personnel remuneration and retirement benefits (continued)

(e) Compensation of key management personnel (continued)

Year ended 30 June 2010 (\$)	Short-term benefits					Post employment benefits	Other long-term benefits	Termination benefits	Total
	Cash salary ⁽¹⁾	Committee fees ⁽²⁾	Annual leave ⁽³⁾	At risk component ⁽⁴⁾	Non-monetary benefits ⁽⁵⁾	Superannuation benefits ⁽⁶⁾	Long service leave ⁽³⁾	Termination	
Directors									
David Mortimer	158,210	9,150	–	–	9,224	23,932	–	–	200,516
Mark Birrell	58,766	–	–	–	–	8,404	–	–	67,170
Ahmed Fahour ⁽⁷⁾	568,562	–	42,182	656,250	7,425	172,592	17,238	–	1,464,249
Graeme John ⁽⁸⁾	1,366,998	–	(390,949)	420,000	37,790	600,762	59,942	–	2,094,543
Margaret Gibson	79,120	18,290	–	–	–	13,930	–	–	111,340
Ian Warner	79,120	9,150	–	–	4,555	12,623	–	–	105,448
Mark Darras	79,496	–	–	–	–	11,368	–	–	90,864
William Mansfield	79,120	–	–	–	–	11,314	–	–	90,434
Peter Carne ⁽⁹⁾	43,137	–	–	–	–	6,169	–	–	49,306
	2,512,529	36,590	(348,767)	1,076,250	58,994	861,094	77,180	–	4,273,870
Executives									
Mark Howard ⁽¹⁰⁾	512,759	–	5,427	165,337	11,781	126,723	16,824	–	838,851
James Marshall	633,800	–	(43,138)	616,400	7,833	172,916	9,308	–	1,397,119
Rodney McDonald	391,300	–	9,670	179,400	15,276	79,304	8,990	–	683,940
Peter Meehan	509,834	–	(8,894)	215,664	23,202	103,694	9,065	–	852,565
Bill Mitchell	529,800	–	(20,583)	371,488	99,287	123,021	7,032	–	1,110,045
Terry Sinclair	509,000	–	(23,252)	234,000	27,206	100,386	15,049	–	862,389
	3,086,493	–	(80,770)	1,782,289	184,585	706,044	66,268	–	5,744,909
Total key management personnel	5,599,022	36,590	(429,537)	2,858,539	243,579	1,567,138	143,448	–	10,018,779

(1) Included in cash salary are movements in the executives' annual leave entitlement and allowances paid in cash.

(2) Consists of additional fees paid to directors who are also members of the audit committee.

(3) Represents movements in executives' annual leave and long service leave entitlements.

(4) 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.

(5) Non-monetary benefits include relocation, car parking, spouse travel, motor vehicles and other expenses paid on behalf of the directors and executives. Amount also includes fringe benefits tax paid by the corporation on these benefits.

(6) The above amount for superannuation approximates the benefit to be received by the directors and executives (calculated at 14.3% of the directors' and executives' salary for superannuation purposes) and cannot decrease from previous years.

(7) Commenced the role of Managing Director and Chief Executive Officer on 1 February 2010.

(8) While Graeme John ceased to be the Managing Director on 31 January 2010, he continued to be employed by the corporation, utilising accrued leave benefits. The total remuneration disclosed relates to the benefits received or receivable to the planned exit date.

(9) Commenced the role of a director on 14 December 2009.

(10) While Mark Howard ceased to be the General Manager, Corporate Infrastructure Services Division, on 30 April 2010, he continued to be employed by the corporation, utilising accrued leave benefits. The total remuneration disclosed relates to the benefits received or receivable to the planned exit date.

29 Related parties

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

Remuneration and retirement benefits

Information on remuneration of directors and amounts paid in connection with the retirement of directors is disclosed in note 28.

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

	Consolidated	
	2011 \$m	2010 \$m
Other transactions with jointly controlled entities		
Payments for collection and delivery services	66.1	58.3
Payments for management and administrative services	36.1	49.0
Payments for accommodation	2.1	1.9
Revenue from collection and delivery services	18.1	17.4
Revenue from administrative services	12.4	9.4
Interest received	10.3	10.3
Aggregate amounts receivable from and payable to jointly controlled entities at balance date were as follows:		
Current receivables	1.4	1.4
Current payables	5.0	8.7
Loans receivable ⁽¹⁾	130.5	130.7

(1) Refer Note 30(i) for details of credit risk on loans to jointly controlled entities.

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 2011 is \$15.5 million (2010: \$16.5 million).

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 2011, the group has expensed \$29.3 million with respect to amounts owed by related parties (2010: \$14.5 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.

Transactions with directors

A number of directors of the Australian Postal Corporation are also directors of or have interests in other entities which have transacted with the Australian Postal Corporation Group. One of these entities, Gresham Partners Limited is considered to be a director-related entity of Jennifer Seabrook. Gresham Partners Limited was entitled to fees of \$0.2 million for services performed to 30 June 2011. These transactions have occurred on terms and conditions no more favourable than those which it is reasonable to expect the group would have adopted if dealing with any third party on normal commercial terms.

Ultimate controlling entity

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

Notes to and forming part of the financial report

for the year ended 30 June 2011

30 Financial and capital risk management

(a) Financial risk management objectives

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

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

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

(b) Capital risk management

The group's objectives when managing capital are to safeguard the ability to continue as a going concern while maximising the return to the Commonwealth Government. The group recognises the impact on shareholder returns of the level of equity capital employed and seeks to maintain a prudent balance between the advantages and flexibility afforded by a strong capital position and the higher returns on equity possible with some leverage. A further consideration when managing capital is maintenance of an investment grade rating. The group holds a AA+ rating (2010: AA+) from the independent ratings agency Standard & Poor's.

The capital structure of the group consists of debt, which includes the bonds payable disclosed in note 19, cash and cash equivalents disclosed in note 32(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.

	Consolidated	
	2011 \$m	2010 \$m
(c) Categories of financial instruments		
Financial assets		
Loans and receivables (including cash and cash equivalents)	1,420.1	1,233.7
Derivative instruments in designated hedge accounting relationships	3.3	5.9
Financial liabilities		
Other financial liabilities at amortised cost	726.0	726.8
Other financial liabilities designated in fair value hedge relationships at amortised cost and adjusted by the gain/loss attributable to interest rate risk	547.1	547.0
Derivative instruments in designated hedge accounting relationships	9.3	11.9

30 Financial and capital risk management (continued)

(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	
	2011 \$m	2010 \$m
Interest revenue (refer note 2)	31.8	25.7
Foreign exchange loss	(19.9)	(13.6)
Impairment loss (refer note 3)	(2.3)	(1.5)
Net gain on loans and receivables	9.6	10.6

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	
	2011 \$m	2010 \$m
Interest expense (refer note 4)	31.8	31.7
Foreign exchange gain	(6.9)	(9.5)
Net loss on financial liabilities measured at amortised cost	24.9	22.2

(e) Market risk

The group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (refer note 30(f)), commodity prices (refer note 30(g)) and interest rates (refer note 30(h)). The group 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 group level, market risk exposures are managed through sensitivity analysis and stress scenario analysis.

Notes to and forming part of the financial report

for the year ended 30 June 2011

30 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 group is 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 (USD). The SDR is a basket currency composed of fixed quantities of the four major traded currencies (USD, 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 group operates foreign currency denominated bank accounts. Immaterial bank account balances are not included.

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

	Consolidated	
	2011 (AUD) \$m	2010 (AUD) \$m
Trade and other receivables	187.8	161.5
Trade and other payables	(57.9)	(82.7)
Cash on hand	1.5	5.5
Net exposure	131.4	84.3

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 to overseas jointly controlled entities and foreign currency bank accounts. Each foreign currency exposure, other than SDR, is measured and managed on an item by item basis and individual exposures over \$500,000 are hedged through the use of forward currency contracts.

Forward currency contracts

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

	Consolidated			
	2011		2010	
	Average exchange rate	Notional amount (USD) \$m	Average exchange rate	Notional amount (USD) \$m
BUY USD				
0–6 months	1.050	12.0	0.880	8.4
7–12 months	0.936	0.9	0.780	0.3
		12.9		8.7
BUY EUR				
0–6 months	0.685	0.4	–	–
		0.4		–

All forward currency contracts are entered into on the basis of known or projected exposures. The group has elected to adopt cashflow hedge accounting in respect of some of its foreign currency hedging activities. The fair value of forward currency contracts designated as hedging instruments is a liability of \$0.3 million (2010: asset of \$0.4 million) for the group. The portion of the gain or loss on the designated forward currency contracts that are determined to be effective hedges are deferred and will be recognised in the measurement of the underlying transaction.

As at balance date, the aggregate amount of unrealised gains/losses under forward currency contracts deferred in the hedging reserve related to contracted future payments for inventory, computer software and computer equipment. It is anticipated that the payments will take place in the 12 months (2010: 12 months) after reporting date at which stage the amount deferred in equity will be included in the initial cost of the inventory, computer software and equipment. It is anticipated that the amounts in relation to inventory will impact profit or loss over the next one year and amounts in relation to computer software and equipment will impact profit or loss over the next 5 to 20 years after the assets are available for use.

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

30 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 15 per cent (2010: 14 per cent) favourable/unfavourable change in the Australian dollar with all other variables held constant. The sensitivity analyses below have been determined based on the exposure to foreign currencies from financial instruments at the reporting date.

The possible risk of 15 per cent is based on Australian Government Department of Finance and Deregulation guidance.

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

	Consolidated	
	2011 \$m	2010 \$m
Impact on profit after tax at reporting date, with all other variables held constant of a:		
Strengthening of the Australian dollar from:		
Financial assets	(17.3)	(14.6)
Financial liabilities	5.3	7.1
	(12.0)	(7.5)
Weakening of the Australian dollar from:		
Financial assets	23.3	16.6
Financial liabilities	(7.2)	(8.1)
	16.1	8.5
Impact on equity after tax at reporting date, with all other variables held constant of a:		
Strengthening of the Australian dollar from:		
Financial assets	–	(0.6)
Financial liabilities	(1.2)	–
	(1.2)	(0.6)
Weakening of the Australian dollar from:		
Financial assets	–	0.7
Financial liabilities	1.1	0.1
	1.1	0.8

The receivables and payables denominated in SDR, on which the sensitivity is shown in the table above, are not necessarily representative of the group's exposure to currency risk for the years ended 30 June 2010 and 30 June 2011. 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.

Notes to and forming part of the financial report

for the year ended 30 June 2011

30 Financial and capital risk management (continued)

(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 group's objective on commodity price risk management is to ensure that movements in commodity prices do not adversely affect operating costs. The group is exposed to commodity prices through the use of fuel. The risk is measured by reviewing forecast commodity exposures monthly and managed by entering into long-term supply contracts and through the use of commodity swap contracts. The hedging strategy is set annually as part of the planning process and the hedging activities are evaluated monthly.

Commodity price sensitivity

There were fuel swap contracts in place during the years ended 30 June 2010 and 30 June 2011, which matured prior to reporting date and as such the sensitivity analysis on profit after tax and equity as at 30 June 2010 and 30 June 2011 is not representative of the commodity price risk inherent in the use of fuel swap contracts during the current and prior year.

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

	Consolidated	
	2011 Exposure amount (AUD) \$m	2010 Exposure amount (AUD) \$m
BUY BARRELS		
0–6 months	5.5	9.8
7–12 months	5.5	10.3
	11.0	20.1

All commodity swap contracts are entered into on the basis of known or projected exposures. The group has elected to adopt cashflow hedge accounting in respect of some of its commodity hedging activities. The fair value of commodity swap contracts designated as hedging instruments is an asset of \$1.0 million (2010: liability of \$0.5m) for the group. The portion of the gain or loss on the designated commodity swap contracts that are determined to be effective hedges are deferred and will be recognised in the measurement of the underlying transaction.

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

The following table details the effect on profit and equity after tax as at 30 June from a 15 per cent (2010: 14%) favourable/unfavourable change in the fuel price with all other variables held constant. The sensitivity analysis below have been determined based on the exposure to fuel from financial instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and being held constant throughout the reporting period.

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

	Consolidated	
	2011 \$m	2010 \$m
Impact on profit after tax at reporting date, with all other variables held constant of a:		
Increase in fuel prices	–	0.8
Decrease in fuel prices	–	(0.8)
Impact on equity after tax at reporting date, with all other variables held constant of a:		
Increase in fuel prices	1.2	1.2
Decrease in fuel prices	(1.2)	(1.2)

30 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 group is exposed to interest rate risk from interest-bearing cash and cash equivalent balances, receivables and payables, with the main exposure from bonds payable. The group'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 whilst 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.

	Note	Consolidated			
		2011		2010	
		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	130.5	8.0	130.7	8.0
Floating rate					
Cash and cash equivalents	32(a)	602.2	5.1	500.7	4.2
Financial liabilities					
Fixed rate					
Bonds payable	19	547.1	5.7	547.0	5.7
Interest rate swaps		(547.1)	5.7	(547.0)	5.7
Floating rate					
Interest rate swaps		553.8	5.7	552.9	4.5

Interest rate swap contracts

Under interest rate swap contracts the group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the group 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.

	Consolidated			
	2011		2010	
	Fixed interest rate %	Notional principal amount \$m	Fixed interest rate %	Notional principal amount \$m
Fixed for floating interest				
1–2 years	6.25	230.0	6.25	230.0
2–5 years	5.25	325.0	5.25	325.0
		555.0		555.0

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

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

Notes to and forming part of the financial report

for the year ended 30 June 2011

30 Financial and capital risk management (continued)

(h) Interest rate risk management (continued)

Interest rate sensitivity

The table below details the interest rate sensitivity analysis of the group at the reporting date, holding all other variables constant. A 175 basis point (2010: 150) change is used to quantify the possible risk based on Australian Government Department of Finance and Deregulation guidance. The sensitivity analysis 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.

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

	Consolidated	
	2011 \$m	2010 \$m
Impact on profit after tax at reporting date, with all other variables held constant of a:		
175 (2010: 150) basis point increase in interest rates	3.1	4.7
175 (2010: 150) basis point decrease in interest rates	(3.1)	(4.7)

The interest-bearing assets and liabilities on which the sensitivity is shown in the table above, are considered representative of the group's average interest rate exposure for the years ended 30 June 2010 and 30 June 2011.

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

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are high investment grade as rated by Standard & Poor's, bank counterparties are all rated A- or better (2010: A- or better) by Standard and Poor's and counterparty limits have been established and are endorsed annually by the board and reviewed regularly by the Treasury Group.

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

The group has a significant credit risk exposure from the long-term loan advanced to Star Track Express, a jointly controlled entity, of \$128.2 million (2010: \$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 30 (c), net of any allowances for losses, represents the group's maximum exposure to credit risk without taking account of any collateral held or other credit enhancements.

	Consolidated	
	2011 \$m	2010 \$m
Maximum credit risk from financial assets and other credit exposures		
Drawn loans to jointly controlled entities ⁽¹⁾	130.5	130.5
Undrawn loan commitments to jointly controlled entities	4.3	4.3
Guarantees provided ⁽²⁾	232.0	247.0

(1) The carrying amount of loans to jointly controlled entities differs from the maximum exposure to credit risk as a loan advanced to a jointly controlled entity is non-interest bearing and the loan carrying amount has been discounted under the effective interest method.

(2) Relate to bank guarantees over projected workers' compensation claims liabilities, financial guarantee contracts and other guarantees provided by jointly controlled entities.

30 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 group measures and manages 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 group prepares and reviews a rolling daily cash forecast for the quarter, on a daily basis.

Liquidity risk tables

The following tables detail the group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cashflows based on the earliest date on which the group can be required to pay. The tables include both interest and principal cashflows. Where interest flows are floating rate, the undiscounted amount is derived from the interest rate curves at the end of the reporting period. For financial guarantee contracts and undrawn loan commitments, the maximum amount of the guarantee and undrawn loan commitment is allocated to the earliest period in which the guarantee or loan commitment can be called.

The tables also include cash outflows arising from derivative financial instruments. The tables 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 amount disclosed has been determined by reference to the projected cash outflows illustrated by the yield or forward curves existing at reporting date.

	Consolidated							
	As at 30 June 2011				As at 30 June 2010			
	Contractual maturity (nominal cashflows)				Contractual maturity (nominal cashflows)			
On demand	Less than 1 year	1 to 2 years	2 to 5 years	On demand	Less than 1 year	1 to 2 years	2 to 5 years	
\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	
Trade and other payables	–	726.3	–	–	–	726.7	–	–
Finance lease and hire purchase liabilities payable	–	–	–	–	–	0.1	–	–
Forward exchange contracts	–	0.3	–	–	–	10.1	–	–
Bonds payable	–	261.4	17.1	342.1	–	23.0	261.5	359.1
Interest rate swaps	–	(0.2)	3.1	4.6	–	(1.0)	(0.1)	8.0
Financial guarantee contracts ⁽¹⁾	–	52.0	–	–	–	64.3	–	–
Undrawn loan commitments to jointly controlled entities	4.3	–	–	–	4.3	–	–	–
	4.3	1,039.8	20.2	346.7	4.3	823.2	261.4	367.1

(1) This represents the maximum amount that could be called on by the group.

Notes to and forming part of the financial report

for the year ended 30 June 2011

30 Financial and capital risk management (continued)

(k) Fair value of financial assets and liabilities

The fair value of financial assets and financial liabilities is based on market prices (where a market exists) or by discounting back the expected future cashflows using the applicable yield curve for assets and liabilities with similar risk profiles.

Fair value of financial instruments not measured at fair value in the balance sheet

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

	Consolidated			
	2011		2010	
	Carrying amount \$m	Fair value \$m	Carrying amount \$m	Fair value \$m
Financial assets				
Finance lease receivable	103.5	73.9	103.5	83.5
Loans to jointly controlled entities	129.5	132.2	129.4	133.5
Financial liabilities				
Bonds payable	547.1	548.2	547.0	550.1

Fair value measurements recognised in the balance sheet

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable from the asset or liability, either directly (as prices) or indirectly (derived from prices)
- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Consolidated					
	2011			2010		
	Level 1 \$m	Level 2 \$m	Level 3 \$m	Level 1 \$m	Level 2 \$m	Level 3 \$m
Financial assets at fair value through profit or loss						
Foreign currency exchange contracts	–	–	–	–	0.4	–
Interest rate swaps	–	2.3	–	–	5.5	–
Commodity swaps		1.0				
Financial liabilities at fair value through profit or loss						
Foreign currency exchange contracts	–	0.3	–	–	–	–
Interest rate swaps	–	9.0	–	–	11.4	–
Commodity swaps	–	–	–	–	0.5	–

There were no transfers between level 1, 2 and 3 during the year.

31 Leases

(i) Operating leases

The group leases a total of 787 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 17 commercial, 226 industrial, 8 residential, 527 retail and 9 general sites. Leases generally provide the group 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	
	2011 \$m	2010 \$m
Minimum lease payments	131.7	135.6
Contingent rentals	1.3	1.5
Operating lease rentals (refer note 3)	133.0	137.1

Full details of the ageing of the group's operating lease commitments is contained in the schedule of commitments.

(ii) Finance lease receivable

The group 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.

	Consolidated	
	2011 \$m	2010 \$m
Reconciliation of minimum lease payments to lease receivable:		
Gross minimum finance lease rentals receivable	549.3	555.7
Finance lease revenue not yet recognised	(445.8)	(452.2)
Finance lease receivable (notes 6 and 9)	103.5	103.5
Minimum finance lease rentals receivable:		
(a) within one year	6.4	6.5
(b) from one year to five years	25.5	26.0
(c) over five years	517.4	523.2
Total	549.3	555.7

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.

(iii) Finance lease payable

The group has certain hire purchase and finance lease agreements. The present value of these minimum lease payments is \$nil (2010: \$0.1 million) which will be made within a year.

Notes to and forming part of the financial report

for the year ended 30 June 2011

32 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	
	2011 \$m	2010 \$m
Cash on hand	556.5	447.1
Promissory notes ⁽¹⁾	45.7	53.6
Total cash and cash equivalents	602.2	500.7

(1) There are \$nil (2010: \$nil) promissory notes that are past due or impaired.

(b) Reconciliation of net profit after tax to net cash provided by operating activities

	Consolidated	
	2011 \$m	2010 \$m
Net profit for the period	241.2	89.5
Depreciation and amortisation	198.4	213.5
Changes in jointly controlled entities not received as dividends	(1.2)	(0.4)
Net revaluation gain on investment property	(6.1)	–
Write-down of investments	4.5	1.7
Write-down of property, plant and equipment	36.5	2.2
Write-down of intangibles (including goodwill)	13.9	43.7
Write-down of receivables and inventory	2.2	1.5
Net gain from sales of property, plant and equipment	(22.0)	(17.9)
	226.2	244.3
Changes in assets and liabilities adjusted for the acquisition and disposal of businesses		
(Increase)/decrease in debtors	(28.2)	25.6
(Increase)/decrease in inventories	(5.6)	6.0
(Increase)/decrease in interest receivable	(0.6)	0.3
(Increase)/decrease in other current assets	(3.5)	(15.0)
(Increase)/decrease in deferred income tax asset	34.2	(21.9)
Increase/(decrease) in creditors and other payables	4.0	(54.8)
Increase/(decrease) in accrued interest expenditure	0.5	2.5
Increase/(decrease) in advance receipts	2.6	12.6
Increase/(decrease) in employee entitlements	(69.3)	121.7
Increase/(decrease) in income tax payable	(13.1)	(21.0)
Increase/(decrease) in deferred income tax liability	19.0	(18.9)
	166.2	281.4
Net cash from operating activities	407.4	370.9

Loan facilities

Fully drawn loan facilities of \$555 million (2010: \$555.0 million) and \$nil (2010: \$0.1 million) hire purchase and finance leases were held at 30 June 2011 (refer note 19).

32 Notes to the cashflow statement (continued)

(c) Details of the acquisition of controlled entities

On 23 December 2010, the corporation acquired 100% of the issued share capital of SecurePay Holdings Pty Ltd. SecurePay operated as an independent provider of electronic business-to-business (B2B) and business-to-consumer (B2C) payment gateway services at the date of acquisition.

Details of the acquisition are as follows:

The fair value of identifiable assets and liabilities of SecurePay Holdings Pty Ltd as at the date of acquisition were:

	Consolidated fair value at acquisition date \$m
Cash	0.3
Receivables and accrued income	1.4
Property, plant and equipment	1.7
Intangible assets	11.7
	15.1
Payables	1.1
Loans	5.3
Deferred tax liability	0.4
	6.8
Provisional fair value of identifiable net assets	8.3
Goodwill arising on acquisition (note 16)	32.2
Consideration transferred	40.5
The cash outflow on acquisition is as follows:	
Net cash acquired with the subsidiary	(0.3)
Cash paid	44.0
Payments for investments for controlled entities (net of cash acquired)	43.7
Repayment of debt	5.3
Total consolidated cash outflow	49.0

The consolidated statement of comprehensive income includes sales revenue and net profit for the year ended 30 June 2011 of \$6.3 million and \$1.4 million respectively, relating to SecurePay Holdings Pty Ltd. Had the acquisition of SecurePay Holdings Pty Ltd occurred at the beginning of the reporting period, the consolidated statement of comprehensive income would have included revenue and profit of \$12.1 million and \$3.1 million respectively. Direct costs of \$2.1 million relating to the acquisition and integration of SecurePay Holdings Pty Ltd were incurred and are disclosed as part of supplier expenses.

Key factors contributing to the \$32.2 million of goodwill are the synergies existing within the acquired business, and synergies expected to be achieved as a result of combining SecurePay Holdings Pty Ltd with the rest of the group.

Included in the business acquired were receivables with a gross contractual and fair value of \$1.2 million resulting from trade sales with customers. Management expects these amounts to be collected in full and converted to cash consistent with customer terms.

Notes to and forming part of the financial report

for the year ended 30 June 2011

33 Corporate information

The financial report of Australian Postal Corporation for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the directors on 25 August 2011.

Australian Postal Corporation is a for-profit entity and a government business enterprise (GBE) established pursuant to the *Postal Services Act 1975*, the existence of which is continued by section 12 of the *Australian Postal Corporation Act 1989*. The nature of the operations and principal activities of the group are outlined in the corporation's annual report.

National head office:
111 Bourke Street
Melbourne VIC 3000
Australia

34 Events after balance date

There are no matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the group, the result of those operations, or the state affairs of the group in future financial years.

Community service obligations

for the year ended 30 June 2011

Australia Post's community service obligations (CSOs) are set out in s27 of the *Australian Postal Corporation Act 1989* (the Act), which requires that:

- the corporation provide a letter service for both domestic and international letter traffic
- the service be available at a single uniform rate within Australia for standard letters
- the service be reasonably accessible to all Australians wherever they reside
- the performance standards for the service reasonably meet the social, industrial and commercial needs of the community.

Performance standards

Regulations made under s28C of the Act detail the particular standards required to meet these obligations. Performance against these standards is subject to independent audit by the Australian National Audit Office (ANAO).

All of the prescribed standards were met or exceeded in 2010–11. The actual result for each standard is outlined in the table below. The associated ANAO Audit Report is reproduced on pages 116 to 117.

Organisational arrangements

To maintain an appropriate ongoing focus on CSO compliance, Australia Post has a national CSO manager at its headquarters and nominated CSO representatives nationally.

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 (that is, after reduction of related revenue) and is funded by internal cross-subsidy within the letters service.

For 2010–11 (calculated on the avoidable cost methodology), CSO costs are estimated to be \$142.1 million.

Performance standards

Standard	2010–11 performance
Lodgement	
10,000 street posting boxes	16,036 ^
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	
94.0% of non-bulk letters	96.0% ^
Access	
4,000 retail outlets (2,500 in rural and remote areas)	4,419 ^ (2,552 ^ in rural and remote areas)
Retail outlets located so that:	
• in metropolitan areas at least 90.0% of residences are within 2.5km of an outlet	93.7% ^
• in non-metropolitan areas at least 85.0% of residences are within 7.5km of an outlet	87.9% ^
Delivery frequency	
98.0% of delivery points to receive deliveries five days a week	98.8% ^
99.7% of delivery points to receive deliveries no less than twice a week	99.9% ^

^ Results as at 30 June 2011.

Auditor-general's report – performance standards

for the year ended 30 June 2011



Auditor-General for Australia



Independent Audit Report on the Extent to which the Australian Postal Corporation has complied with the *Australian Postal Corporation (Performance Standards) Regulations 1998* for the year ended 30 June 2011

To the Minister for Broadband, Communications and the Digital Economy

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 1998*, as amended (the Regulations), for the year ended 30 June 2011.

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 4,419 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 a conclusion to you.

The audit has been conducted in accordance with ASAE 3100 Compliance Engagement, which incorporate the standards on assurance engagements and relevant ethical requirements relating to audit engagements and accordingly included such tests and other procedures considered necessary.

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Audit procedures included:

- (a) examination and assessment of the key mail management systems;
- (b) examination, on a test basis, of supporting evidence; and
- (c) examination of the work performed by the independent reviewer contracted by the Corporation.

As part of the audit, I have considered, solely for the purpose of determining the nature, timing and extent of my audit procedures, the Corporation's system of internal controls. This consideration has not entailed a detailed study and evaluation of any of the elements of the system for the purpose of providing the assurances thereon.

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

Because of the inherent limitations of any audit, including limitations in evidence gathering procedures and limitations in the internal control framework, it is possible that fraud, error or non-compliance may occur and not be detected. An audit is not designed to detect all instances of non compliance with the Regulations, as an audit is not performed continuously throughout the year ended 30 June 2011 and the audit procedures performed in respect of compliance with the Regulations are undertaken on a test basis.

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

Conclusion

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 1998* during the year ended 30 June 2011.

Australian National Audit Office



Ian McPhee
Auditor-General

Canberra
25 August 2011

Domestic letter service monitor

for the year ended 30 June 2011



RESEARCH INTERNATIONAL

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290 Burwood Road
HAWTHORN
VIC 3122
AUSTRALIA

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FAX +61 3 9819 8401
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July 21, 2011

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 2011 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 314,804 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 2011 the sample used by Research International was consistent with the sample frame provided by Australia Post. The attached certification from Deloitte states that "nothing has come to our attention that would suggest that the results reported by Research International for the year ended 30/06/2011 have not been calculated in accordance with the agreed business rules or do not fairly represent the performance of Australia Post's basic letter service for that period."

Results

For the year ended June 2011, the monitor showed that Australia Post delivered 96.0 per cent of all letters early or on time, and 99.0 per cent of letters were delivered on time or not more than one working day after your delivery undertakings.



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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 2011 against the scope provided.

Yours faithfully,

Jacqui Von Hirschberg
Managing Director
Research International Ltd

Tina Katsinikas
Service Measurement Manager
Research International Ltd

Survey certification

for the year ended 30 June 2011

Deloitte.

Deloitte Touche Tohmatsu
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Jacqueline Von Hirschberg
Executive Director
TNS Australia Pty Ltd
Level 1, 290 Burwood Rd
Hawthorn 3122 VIC
Australia

21 July 2011

Independent Assurance Report on Research International calculation of Australia Post Performance Metric for Basic Letters for the period 01/07/2010 to 30/06/2011

Research International perform an external mail monitoring service covering basic (domestic) letters carried across the Australia Post Network for Australia Post within a defined set of parameters that have been agreed between Australia Post and Research International.

Research International's Responsibilities

The management of Research International is responsible for the calculation and delivery of the performance metrics to Australia Post in accordance with the agreed business rules. This responsibility includes the design and operation of controls intended to monitor the accuracy of the calculation of the performance metrics.

Deloitte's Responsibilities

At the request of Research International, Deloitte has re-performed the calculation of the delivery performance metric using the data output from the Computer Information System (CIS) system in order to express a conclusion on whether, based on the work we have performed, anything comes to our attention to indicate that the calculations performed by Research International have not, in all material respects, been calculated in accordance with the business rules set out in the agreement between Research International and Australia Post dated 03/07/2006 and do not fairly represent the performance of Australia Post's basic letter service.

Our procedures were performed in accordance with Australian Standard on Assurance Engagements ASAE 3000, "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" in order to provide limited assurance as defined by that standard. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with ASAE 3000 and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an opinion providing reasonable assurance.

Considering the risk of material error, we planned and performed our procedures to obtain the information and explanations considered necessary to provide sufficient evidence to support our limited assurance conclusion. Key procedures included:

- Interviewing the process owners for the preparation of the Australia Post Performance Metrics
- An evaluation of the implementation of key controls used by management in the preparation of the Australia Post Performance Metrics
- Independent re-performance of the calculation of the delivery performance metric using data extracted from the CIS system

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Member of Deloitte Touche Tohmatsu Limited

- Choosing a random sample of invalidated ('dudged') transactions, and obtaining supporting evidence to identify for those transactions in the sample, whether the process (as agreed to between Research International and Australia Post) for 'dudging' transactions was adhered to.

Inherent Limitations

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

A review is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed are on a sample basis.

Any projection of the operation of the monitoring processes to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

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

Independence

In conducting our engagement, we have complied with the independence requirements of APES 110 Code of Ethics for Professional Accountants, issued by the Accounting Professional and Ethical Standards Board.

Use of report

This report has been prepared for distribution to Research International in terms of our engagement letter dated 01/08/2006, updated on 25/08/2010. We understand that a copy of this report will be provided to Australia Post by Research International. We disclaim any assumption of responsibility for any reliance on this report to Australia Post or to any other persons or users, other than Research International, or for any purpose other than that for which it was prepared.

Findings

The table below compares the national average of the delivery performance metric as calculated by Research International and by Deloitte.

Type of Letter	Research International figure	Deloitte figure
Basic	96.0% (± 0.1)	96.0%

Conclusion

Based on the work performed, nothing has come to our attention that would suggest that the results reported by Research International for the year ended 30/06/2011 have not been calculated in accordance with the agreed business rules or do not fairly represent the performance of Australia Post's basic letter service for that period.

Yours sincerely



Alastair Banks
Partner
DELOITTE TOUCHE TOHMATSU

Reserved/non-reserved services

for the year ended 30 June 2011

Results of product dissection between reserved and non-reserved services

	Reserved		Non-reserved		Total	
	\$m	%	\$m	%	\$m	%
Consolidated results						
Revenue	1,887.5	38.1	3,067.1	61.9	4,954.6	100.0
Expense	1,978.8	42.6	2,661.8	57.4	4,640.6	100.0
Profit from ordinary activities before net interest and income tax	(91.3)	(29.1)	405.3	129.1	314.0	100.0
Interest and net profits related to jointly controlled entities					30.5	100.0
Profit before third party interest and tax					344.5	
Return on revenue ⁽¹⁾		(4.8)		13.2		6.3
Average operating assets ⁽²⁾	953.5	30.3	2,196.3	69.7	3,149.8	100.0
Return on average operating assets ⁽³⁾		(9.6)		18.5		10.9

(1) Excludes interest and share of net profits of jointly controlled entities.

(2) Assets reflect average operating assets for 2009–10 and 2010–11.

(3) Total return on average operating assets includes interest and share of net profits relating to jointly controlled entities. Reserved and non-reserved return on average operating assets excludes all interest and share of net profits of jointly controlled entities.

Statutory reporting requirements index

for the year ended 30 June 2011

Australia Post has reported in accordance with the requirements of the *Commonwealth Authorities and Companies Act 1997*, the *Australian Postal Corporation Act 1989*, the *Freedom of Information Act 1982*, the *Occupational Health and Safety (Commonwealth Employment) Act 1991*, the *Superannuation Benefits (Supervisory Mechanisms) Act 1990*, and the *Environment Protection and Biodiversity Conservation Act 1999*. This index shows where the relevant information can be found in the 2010–11 Annual Report.

Commonwealth Authorities and Companies Act 1997 – Schedule 1 reporting requirements

Section	Subject	Location	Pages
s.1(a)	Report of operations	Report of operations	1–49
		Financial statements	56
		Statutory report	126–129
s.1(b)	Financial statements	Financial statements	59–114
s.1(c)	Financial statements	Financial statements audit report	57–58
s.2(3)	Directors' statement	Financial statements	56

Australian Postal Corporation Act 1989 – general reporting requirements

s.43(a)	Statement of corporate objectives under the corporate plan	Statutory report	126
s.43(b)(i)	Overall strategies and policies under the corporate plan	Chairman's report	6
		Statutory report	126
s.43(b)(ii)	Performance indicators and targets under the corporate plan	Statutory report	126
s.43(c)	Assessment of extent to which objectives under s.43(a) have been achieved	Chairman's report	6
		Managing director's report	7
		Financial report	8–9
		Community service obligations	115
		Statutory report	126
s.43(d)	Strategies and policies relating to Community Service Obligations (CSOs)	Letters	20
		Community service obligations	115
s.43(e)	Directions by the Minister under s.40(1)(CSOs)	N/A	
s.43(f)	Assessment of appropriateness and adequacy of strategies and policies for CSOs	Letters	20
		Community service obligations	115
s.43(fa)	Performance standards relating to CSOs	Letters	20
		Community service obligations	115
		Statistical summary	130–131
s.43(g)(i)	Notifications by the Minister under s.28 of the CAC Act (general policies of the Commonwealth)	Statutory report	126
s.43(g)(ii)	Directions by the Minister under s.49 of the APC Act (public interest)	N/A	
s.43(h)(i)	Impact of Ministerial notifications under s.28 of the CAC Act and directions under s.49 of the APC Act	Statutory report	126
s.43(h)(ii)	Impact of other Government obligations	Statutory report	126
s.43(j)	Ministerial power under s.33(3) to disapprove postage determinations	N/A	
s.43(k)	Companies and other associations established or sold	N/A	
s.43(m)(i)&(ii)	Shares purchased and disposed of	Financial statements	82, 113
s.43(m)(iii)	Subsidiaries	Our business partners	13
		Letters	22–23
		Financial statements	82
s.43(n)	Authority to open or examine the contents of postal articles	Statutory report	128
s.43(o)	Disclosure of information	Statutory report	128–129
s.44(a)	Financial targets	Statutory report	126

Statutory reporting requirements index

for the year ended 30 June 2011

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	Statutory report	126
s.44(d)	Dividend payable to the Commonwealth	Financial report	8–9
		Statutory report	126
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	115
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	126
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	About Australia Post	13
		Statutory report	127
s.8(1)(a)(ii)	Consultative arrangements	Statutory report	127
s.8(1)(a)(iii)	Categories of documents	Statutory report	128
s.8(1)(a)(iv)&(v)	Access to documents and initial inquiries	Statutory report	128

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	127
s.74(1)(d)	Measures taken to ensure health, safety and welfare of employees and contractors	Statutory report	127
s.74(1)(e)	Statistics requiring the giving of notice under s.68	Statutory report	127
s.74(1)(f)&(g)	Details of investigations and other matters as prescribed	Statutory report	127

Superannuation Benefits (Supervisory Mechanisms) Act 1990

s.6(1)(b)	Report on operation of superannuation arrangement	Statutory report	126
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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	32–49
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Commonwealth Authorities and Companies (Report of Operations) Orders 2008

Division 2 – General information about operations and activities

s.8(a)	Enabling legislation	Statutory report	126
s.8(b)	Ministers responsible	Corporate governance	52
s.9	Organisational structure	Corporate governance	52
		Board of directors	14–15
		About Australia Post	13
		Statutory report	127
s.10(1)(a)(i)	Performance measured against statutory objectives	Community service obligations	115
s.10(1)(a)(ii)	Corporate plan	Statutory report	126

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	6
		Managing director's report	7
		Financial report	8–9
		Year in review, Performance summary at a glance	5,11
s.10(1)(b)	Current and future events and trends, including risks and opportunities	Future ready	2–3
		Chairman's report	6
		Managing director's report	7
		Financial report	8–9
s.10(1)(c)	Significant events under s.15 of CAC Act	Managing director's report	7
		Financial report	8–9
s.10(1)(d)(i)	Operational and financial results – principal outputs	Managing director's report	7
		Financial report	8–9
s.10(1)(d)(ii)	Major investing and financial activities	Chairman's report	6
		Managing director's report	7
		Financial report	8–9
s.10(1)(d)(iii)	Financial and non-financial performance indicators	Financial report	8–9
		Community service obligations	115
		Statutory report	126
s.10(1)(e)	Significant changes in affairs or principal activities during the year	N/A	
s.10(1)(f)	Significant developments since end of financial year	N/A	
s.11(a)	Judicial tribunal decisions that have had a significant impact	N/A	
s.11(b)	Reports by the Auditor-General, a Parliamentary Committee or Commonwealth Ombudsman	Financial statements audit report	57–58
		Performance standards audit	116–117
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	126
s.13(1)(a)(i)	Significant changes in financial structure	N/A	
s.13(1)(a)(ii)	Events that may affect future operating results	N/A	
s.13(1)(b)	Dividends paid or recommended	Financial statements	93
s.13(1)(c)	Community service obligations	Community service obligations	115

Division 3 – Specific information

s.14(1)(a)	Directors' details	Board of directors	14–15
s.14(1)(b)	Directors' meetings	Corporate governance	55
s.15(1)	Main governance practices	Corporate governance	52–55
s.15(2)	Board committee details (including Audit and Risk Committee)	Corporate governance	52–53
s.16(1)(a)	Indemnity for officers	Statutory report	126
s.16(1)(b)	Premium paid	Statutory report	126

Statutory reporting requirements

for the year ended 30 June 2011

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 123 to 125 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* (the Act).

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 August 2011, 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 August 2020, 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 provides a rolling three-year corporate plan. The 2010–11 plan and associated Statement of Corporate Intent were submitted to the shareholder ministers in June 2010. As pre-agreed with the shareholder ministers, a revised 2010–11 corporate plan was submitted in December 2010, detailing Australia Post's strategic direction under the Future Ready program.

Objective

Our primary objective is to provide high-quality, efficient services to the community. As much as possible, we will grow dividends and enhance shareholder value.

Strategies

The corporation has developed three enterprise strategies, aimed at achieving volume growth and positioning us to win in a highly competitive environment. The strategies and their main programs of work are as follows.

- 1 Restore a self-sustaining letters business:
 - Reduce letter costs through our Future Delivery Design program, realigning our delivery services to our CSO performance standards and reducing overhead costs. Generate letters revenue growth through price movements, volume and new product development.
- 2 Grow across the full value chain in parcels and win in e-commerce:
 - Increase market share in our business-to-consumer and consumer-to-consumer parcel offer. Restore value in our business-to-business offer, predominantly through our joint venture businesses.
- 3 Build a trusted services offer with multi-channel delivery:
 - Build a more convenient and efficient retail network. Grow the identity and financial services businesses. Grow our digital and telecommunications offer.

Targets

Key financial and non-financial performance measures set out in the plan were:

- profit before tax of \$303.8 million in the first year of the plan
- dividends paid of \$85 million in the first year of the plan, based on the existing dividend policy.

Specific targets for 2010–11 and performance against these targets were as follows:

Performance indicator	Target	Performance
On-time letter delivery	94%	96%
Profit before tax	\$303.8 million	\$332.3 million
Shareholder return on equity	11.8%	13.4%
Ordinary dividend declared for 2010–11	\$169.8 million	\$173.2 million

Government policies

In February 2004, the Minister of Communications, Information Technology and the Arts provided formal notification under section 28 of the *Commonwealth Authorities and Companies Act 1997* that the Government's National Code for the Construction Industry and associated implementation guidelines were to apply to all construction-related activity undertaken by and on behalf of Australia Post. The notification has had no major impact on the corporation as Australia Post had, since their introduction in 1997, made compliance with the code and guidelines a condition of all of its construction related tenders.

Section 49 of the *Australian Postal Corporation Act 1989* empowers the Minister to give the board written directions in relation to the performance of Australia Post's functions as appear to be necessary in the public interest. No notification or direction has been issued under this provision.

Other government obligations

Administrative law

The cost of meeting Commonwealth administrative requirements in 2010–11 is estimated at approximately \$1.5 million.

Postal Industry Ombudsman

During 2010–11, the PIO has estimated the costs of investigating complaints relating to Australia Post to be \$270,000.

ACCC record keeping

The cost of the regulatory audit and compliance with the ACCC's record keeping rules in 2010–11 is estimated at \$500,000.

Maintaining heritage properties

The costs of repairing and maintaining heritage listed properties in 2010–11 was \$2.5 million.

Medical/Educational Remote Area Parcel service

The Medical/Educational Remote Area Parcel service provides reduced postage rates for parcels containing health and educational material that are sent to and from people living in remote communities. In the 2010–11 reporting period, revenue foregone is estimated at \$149,500.

Superannuation

All Australia Post employees are covered by superannuation. During 2010–11, Australia Post complied with all relevant guidelines and made no significant changes to superannuation arrangements for employees.

Occupational health and safety (OH&S) report

The following information is presented in accordance with the requirements of s74 of the *Occupational Health and Safety Act 1991* (OH&S Act 1991).

A number of measures were taken during the year to assist in providing for the health, safety and welfare at work of employees and contractors of the Corporation.

These included:

- directing OH&S improvements through OH&S plans at national, state and workplace facility levels. These plans provide for OH&S management systems and supervisory accountability; auditing the effectiveness of the OH&S management system; induction and skills training; compliance with corporate and statutory OH&S requirements; workplace safety audits for hazard identification and control; accident prevention initiatives targeted at priority accident types; and OH&S communication and consultation with employees and contractors
- 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 the 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
- implementation of high-visibility clothing and coloured panniers for motorcycles to improve the visibility of Postal Delivery Officers to other road users
- training motorcyclists in safe riding behaviour, undertaking risk reviews of motorcycle rounds; reinforcing existing safe work practices, including regular motorcycle maintenance inspections and auditing compliance with procedures
- launch of the I Am for Zero safety campaign led by the managing director and CEO
- implementation of safety cultural transformation program through the I Am for Zero initiatives
- introduction of a new IT system to replace the ageing Incident Management and Workers Compensation/Rehabilitation systems
- introduction of new capability for OH&S governance and OH&S risk management on the new IT system
- enhanced "Safety Observation and Feedback Program" training to managers and supervisors encouraging a two way interaction
- implementation of sequence machinery to improve safety in mail processing, in addition with separate mail bundling processes and bags
- development of electric bicycles and tricycles to improve safety
- continuing raising awareness through the "Safe Postie Campaign" and understanding about common hazards
- continuing to implement "Our Ethics" policies and procedures to assist managers and employees understand these issues and provide for diagnostic tools to determine if a situation might be bullying and a guide for managers to assist in preventing and managing bullying
- finalisation of obligations under an enforceable undertaking entered into with Comcare in relation to an alleged failure by Australia Post to observe its duties under the OH&S Act
- advising contractors on safe work practices
- continuing implementation of the corporation's Employee Health and Wellbeing strategy, including confidential staff counselling services for our employees.

As a result of these and other initiatives, the corporation met the injury prevention performance targets of the Safety, Rehabilitation and Compensation Commission.

During the year:

- 552 incidents were notified to Comcare in accordance with s68 of the *OH&S Act 1991*.
- 18 Provisional Improvement Notices (s29) given.
- No Prohibition Notices (s46) given.
- No Improvement Notices (s47) given.
- 8 investigations were conducted relating to:
 - plant and machinery safety (5)
 - emergency and fire procedures (1)
 - mail delivery including motorcycle operations (1)
 - incidents involving contractors (1).

Freedom of information report

In the year to 30 June 2011, Australia Post received 46 applications under the *Freedom of Information Act 1982* (Cth).

These were handled as follows:

Granted in full	26
Granted in part	2
Access refused	12
Withdrawn	3
On hand at 30 June 2011	3

There were two applications for internal review during the year – both applications resulted in the decision of the Freedom of Information Officer being substantially affirmed.

No additional costs were incurred in the handling of Freedom of Information requests and related responsibilities in 2010–11.

Freedom of Information Act, Section 8

The following information is presented in accordance with section 8 of the *Freedom of Information Act 1982*.

Organisation and functions

Australia Post has a Melbourne based headquarters, which is currently made up of strategic business units supported by a number of functional business units. There are also two joint ventures.

Consultative arrangements

Australia Post consults directly with major mail users, customers and various bodies to respond to customers needs.

A joint Mailing Industry Advisory Committee operates with the Major Mail Users Association for the purpose of enhancing relationships between Australia Post and its major customers.

The Stakeholder Council provides a further external forum for discussing Australia Post's services and performance. The council's charter also includes a corporate responsibility role.

Australia Post also consults extensively with private mail users through local managers and customer contact services.

Market research is undertaken regularly to monitor how well Australia Post is satisfying customer needs and how the postal system is regarded by the public.

Australia Post's letter delivery performance is independently audited. Formal reports are published on a quarterly basis.

Statutory reporting requirements

for the year ended 30 June 2011

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 www.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:

Freedom of Information Officer
Legal Services
Governance and Assurance
Australia Post Headquarters
GPO Box 1777
MELBOURNE VIC 3001

Privacy and access to personal information

Under the *Commonwealth Privacy Act 1988* individuals have, subject to certain exceptions permitted by law, a right to request access to their personal information that is held by Commonwealth agencies and private-sector organisations.

Individuals may apply for access to their personal information held by Australia Post by writing to:

Privacy Contact Officer
Legal Services
Governance and Assurance
Australia Post Headquarters
GPO Box 1777
MELBOURNE VIC 3001

Fraud control

Australia Post has in place an internal control framework, which includes strategic, financial, operational and compliance elements designed to deter and detect instances of fraud. This framework is supported by a national fraud control policy and the corporation's *Our Ethics* policy.

The corporation's Governance and Assurance Group comprises a number of specialist groups responsible for providing risk and compliance, audit, assurance, legal, and security and investigation services to Australia Post.

The Corporate Risk Management Group is responsible for an enterprise-wide approach to risk management, including identification, measurement and mitigation of business risks across all areas of the business. The framework and underpinning processes are consistent with the principles of the relevant standards.

The Corporate Audit Services Group applies a systematic risk-based, control and governance methodology to review business operations and related systems, including policies and procedures, which make up the control environment.

The Corporate Security Group is a specialised internal group that provides security consultancy, crime analysis and investigative services to Australia Post. The Corporate Security Group works closely with law enforcement agencies both within Australia and internationally. There are a number of programs in place to manage risk and compliance in specific areas, including fraud.

Examination of mail

International mail

Australia Post is authorised under the *Australia Postal Corporation Act* to open mail, as required by the Australian Customs Service, in the following circumstances:

- when it is suspected that articles may contain prohibited substances; or
- to determine that appropriate duties/taxes are met.

Australian Customs Service personnel have also been authorised under section 90T of the Act to remove and open articles in excess of a particular weight that Customs reasonably believes may contain certain drugs or other chemical compounds being carried in contravention of a law of the Commonwealth. Customs has also been authorised under section 90FB (3) of the Act to act as an authorised examiner 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 of the Act to request Australia Post to open, for inspection, any article for delivery in that prescribed state or territory; where the inspection officer has reasonable grounds to believe the item consists of, or contains, quarantine material.

Section 90UA authorises Australia Post to remove articles from the mail stream where it is suspected that the article consist of, or contain scam mail. Suspected scam mail may also be withdrawn from the mail upon receipt of a written request from a consumer protection agency.

In accordance with Section 90FB, Australia Post has appointed authorised examiners at designated locations where mail can be opened for inspection.

Authorised Australia Post staff may open undeliverable articles at approved locations for the purpose of identifying intended or return addresses. They may also open mail to repair an article or its contents so that the article can be made safe for carriage by post.

Disclosure of information

The corporation is authorised to disclose information to agencies that have the legislative power to obtain such information. This includes instances relating to enforcement of the criminal law, the protection of the public revenue, the reduction of threats to life and notification of next of kin.

As required under s.43 (o) (i) (ii) of the *Australian Postal Corporation Act 1989*, 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.

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)]	40	Australian Customs Service, State Police (QLD), State Police (VIC)
Disclosure under a law of the Commonwealth [s. 90J(5)]	2,724	Australian Crime Commission (Federal), Australian Competition & Consumer Commission (Federal), Australian Customs Service (Federal), Australian Taxation Office (Federal), Civil Aviation Authority (Federal), Child Support Agency (Federal), Centrelink (Federal), Medicare Australia (Federal), Department of Immigration and Citizenship (Federal), Insolvency & Trustee Services Australia (Federal), Department of Veterans Affairs (Federal)
Disclosures under certain laws establishing commissions [s. 90J(6)]	18	Crime Commission (NSW), Corruption & Crime Commission (WA), 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)]	27	Australian Security Intelligence Organisation
Disclosure for the enforcement of laws or protection of public revenue [s. 90K(5)]	4,706	Australian Communications Authority (Federal), Australian Fisheries Management Authority (Federal), Police (Australian Federal), Attorney General’s Department (Federal), Australian Quarantine Inspection Service (Federal), Australian Securities & Investments Commission (Federal), Office of Fair Trading (QLD), Office of Consumer Affairs (TAS), Office of Consumer & Business Affairs (SA), Comcare Australia (Federal), Crime & Misconduct Commission (QLD), Victorian Casino and Gaming Authority (VIC), Crown Law Division (QLD), Department of Corrective Service (NSW), Crown Solicitor’s Office (SA), Department of Environment & Conservation WA, Department of Education, Training & Youth Affairs (Federal), Department of Environment & Heritage (Federal) (Incorp. EPA), Department of Employment and Workplace Relations and Small Business (Federal), Police (Defence Force – Including Military, RAAF) (Federal), Department of Fisheries (WA), Department of Justice (QLD), Department of Agriculture, Fisheries & Forestry (Federal), Department of Fair Trading (NSW), Consumer Affairs Victoria (VIC), Department of Consumer & Employment Protect. (WA), Department of Gaming and Racing (NSW), Office of Gaming Regulation (QLD), Queensland Health (QLD), Department of Health & Aged Care (Federal), Inspector General Division (Federal), Liquor Licensing Division (QLD), Department of Justice (WA), NSW National Parks and Wildlife Services (NSW), National Parks & Wildlife (Federal), Department of Primary Industries (VIC), Police (New South Wales), Police (Northern Territory), Corrections Victoria, Passport Fraud Section (DFAT), Police Integrity Commission (NSW), Department of Primary Industries (Qld), Department of Primary Industries (SA), Office of Police Integrity (VIC), Police (Queensland), RSPCA (Federal), Residential Tenancies Authority (QLD), Police (South Australia), Department of Sustainability and Environment (VIC), Fisheries Compliance Unit (SA), Sheriff’s Office (VIC), Sheriff’s Office (WA), Office of State Revenue (NSW), Office of State Revenue (QLD), State Revenue Office (VIC), Revenue SA (SA) formerly State Taxation Office SA, Police (Tasmanian), Police (Victoria), Police (Western Australia), WorkCover New South Wales (NSW), WorkCover Queensland (QLD), Workcover Corporation (SA), WorkCover Authority (VIC)

* There were no disclosures made under s. 90K (2) or (3).
Note: Commonwealth agencies, unless otherwise indicated.

Australia Post – the statistics

for the year ended 30 June 2011

1 Five-year statistical summary

	2006–07	2007–08	2008–09	2009–10	2010–11
Consolidated					
Revenue (\$m)	4,711.1	4,959.2	4,985.3	4,870.6	5,006.6
Expenditure (\$m)	4,149.4	4,367.0	4,604.4	4,767.6	4,674.3
Profit before income tax (\$m)	561.7	592.2	380.9	103.0	332.3
Total assets (\$m)	5,490.0	5,477.0	4,270.2	3,915.2	4,135.1
Return on average operating assets (%)	19.6%	19.4%	12.2%	3.8%	10.9%
Unprofitable cost of community service obligations (\$m)	97.3	108.5	113.8	147.7	142.1
Total taxes and government charges (\$m)	474.9	548.1	499.5	448.6	436.2
Ordinary and special dividends (\$m)	296.9	446.2	222.4	79.1	173.2
Corporation					
Total mail articles (m)	5,515.8	5,609.4	5,323.4	5,145.0	5,034.5
Full-time employees (excluding casuals)	25,027	25,042	25,107	24,172	23,369*
Part-time employees (excluding casuals)	9,497	9,936	10,196	10,086	10,103*
Labour productivity improvement (%)	1.40	2.60	(3.10)	0.0	1.70
Number of corporate outlets	846	831	827	810	786
Number of licensed post offices ⁽¹⁾	2,969	2,977	2,969	2,963	2,948
Number of community postal agencies	634	645	637	642	685
Delivery points (m)	10.3	10.5	10.6	10.7	10.9

(1) Includes 29 franchised post offices.

* Excludes fixed-term employees.

2 Basic postage rate⁽¹⁾ (BPR) and the consumer price index (CPI)

	2007	2008	2009	2010	2011
BPR cents	50	50	55	60	60
Year on year change in CPI all groups	157.5	164.6	167.0	172.1	178.3
BPR index (base 1989–90 = 100)	122.0	122.0	134.1	146.3	146.3
Year on year change in BPR	0.0%	0.0%	10.0%	9.1%	0.0%
Year on year change in CPI	2.1%	4.5%	1.5%	3.1%	3.6%
Change in real postage	(2.0)%	(4.3)%	8.5%	6.0%	(3.6)%

(1) Postage rates applicable to standard letters carried within Australia by ordinary post.

3 Australia Post outlets at 30 June 2011

	NSW/ACT	VIC/TAS	QLD	WA	SA/NT	Total
Corporate offices						
1 July 2010	268	221	160	87	74	810
30 June 2011	263	213	151	86	73	786
Licensed post offices/franchises						
1 July 2010	904	976	467	297	319	2,963
30 June 2011	903	964	466	297	318	2,948
Community postal agencies						
1 July 2010	107	73	188	82	192	642
30 June 2011	112	79	192	95	207	685
Total outlets						
1 July 2010	1,279	1,270	815	466	585	4,415
30 June 2011	1,278	1,256	809	478	598	4,419

4 Australia Post outlets by state and geographic classification

Geographic ⁽¹⁾ classification	NSW	ACT	VIC	QLD	SA	WA	TAS	NT	Oth Terr	Australia
Metro	610	55	518	266	178	187	43	10	0	1,867
Rural	563	1	515	374	271	157	145	8	0	2,034
Remote	54	0	19	168	53	137	6	73	8	518
	1,227	56	1,052	808	502	481	194	91	8	4,419

(1) Geographic Classifications use DPIE/HSH November 1994 Metropolitan, Rural Remote Areas Classifications by 1991 Census SLA.
Note: This table uses Geographic States, not Australia Post Administrative States.

5 Frequency of service to delivery points (% of total points as at 30 June 2011)

Frequency per week	Metro areas	Rural areas	Remote areas	Total
One	0	0.1	0.3	0
Two to four	0.1	3.9	4.7	1.2
Five or more	99.9	96.0	95.0	98.8
Total	100.0	100.0	100.0	100.0

6 Overall letter service performance in 2010–11

	Full year 2010–2011	Quarter ended 30/6/11	Quarter ended 31/3/11	Quarter ended 31/12/10	Quarter ended 30/9/10
Per cent on time					
NSW	96.4	96.4	97.4	96.0	96.0
Vic	96.0	95.9	96.7	95.3	96.3
Qld	94.9	95.1	95.5	93.5	95.3
SA	95.5	96.3	95.9	94.2	95.6
WA	96.1	96.4	96.6	94.9	96.4
Tas	97.7	97.9	98.3	97.2	97.5
NT	95.6	94.1	96.9	94.9	96.0
ACT	96.3	96.8	96.5	94.5	96.7
National averages	96.0	96.1	96.7	95.2	96.0
Per cent + One day					
NSW	98.9	98.7	99.5	98.7	98.8
Vic	99.1	99.0	99.4	98.8	99.3
Qld	98.9	99.0	99.2	98.7	98.6
SA	98.7	99.0	98.8	98.4	98.7
WA	99.1	99.0	99.1	99.0	99.4
Tas	99.5	99.4	99.7	99.4	99.4
NT	99.2	99.2	99.6	99.2	99.0
ACT	99.2	98.9	99.6	98.3	99.7
National averages	99.0	98.9	99.3	98.7	99.0

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

	2006–7	2007–8	2008–9	2009–10	2010–11
Posted in Australia for delivery in Australia	5,224.1	5,330.6	5,074.9	4,867.2	4,780.3
Posted in Australia for delivery overseas	141.6	115.9	103.4	91.7	81.7
Total posted	5,365.7	5,446.5	5,178.3	4,958.9	4,862.0
Posted overseas for delivery in Australia	150.1	162.8	145.1	186.1	172.5
Total articles through network	5,515.8	5,609.3	5,323.4	5,145.0	5,034.5

(1) Mail volume statistics exclude articles that do not generate revenue, eg official mail, redirected mail and international mail (eg Singapore to New Zealand via Australia).

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IFC = inside front cover

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Glossary

balance sheet A statement of Australia Post's assets and liabilities and the amount of the Commonwealth Government's investment at the end of the financial year.

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

CO₂-e There are six greenhouse gases that are converted to units of carbon dioxide to provide a more simplified measure. Collectively these are called carbon dioxide equivalents or CO₂-e.

community service obligations A set of legal obligations imposed on an enterprise to provide additional services to the community in which it operates. These are usually loss-making services based on human need or quality of life.

current assets Assets that are likely to be converted to cash within the next 12 months.

current liabilities Liabilities that are due and payable within the next 12 months.

digital economy The economy that derives from global economic and social connection and collaboration between individuals and businesses. This activity is made possible by the Internet as well as mobile and sensor networks. A successful digital economy is essential for Australia's economic growth and our ability to maintain our international standing.

digital substitution The replacement of traditional forms of communication with those generated electronically – for example, replacing letters with email.

e-commerce Business activity based on electronic forms of communication such as online transactions.

equity The corporation's total capital and reserves plus profits that have been reinvested over the years.

hedging A risk-management strategy used to limit or offset a likely loss from fluctuations in the prices of currencies, commodities or securities.

multi-channel services Services whereby a customer uses a combination of means (or "channels") to complete a transaction – for example, government application forms accessed and completed online then printed and lodged in person at an Australia Post retail outlet.

non-current assets Assets that will be held for a long-term period.

non-current liabilities Liabilities that that will be owed for a long period.

reserved services Letter services that Australia Post is required to perform as part of its community service obligations and that may not be offered by any other business. These services are subject to price constraints and operate at a loss. (Conversely, non-reserved services are offered in a competitive environment and are profitable for Australia Post.)

Scope 1 emissions Direct emissions generated by Australia Post through its use of gas or diesel and petrol.

Scope 2 emissions Direct emissions generated by Australia Post through its use of electricity.

Scope 3 emissions Indirect emissions generated by other organisations on Australia Post's behalf, eg outsourced transport.

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

store-in-store A third-party retail "shop" within an Australia Post retail outlet, offering customers the convenience of purchasing related products and services at the one location.

two-speed economy An economy such as Australia's in which one sector (such as mining) is booming and others are suffering a downturn said to be exacerbated by higher interest and exchange rates associated with the boom.

Abbreviations

24/7	24 hours a day, seven days a week
ACCC	Australian Competition and Consumer Commission
APRA	Australian Prudential Regulation Authority
ATM	automated teller machine
B2B	business-to-business
B2C	business-to-customer
BPR	basic postage rate
CBD	central business district
CEO	chief executive officer
CE-POS	Channel Enablement – Point of Sale
CGUs	cash-generating units
CPI	consumer price index
CR	corporate responsibility
CSO	community service obligation
EMS	environmental management system
FDS	First Direct Solutions
FWA	Fair Work Agreement
GRI	Global Reporting Initiative
IPC	International Postal Corporation
LTIFR	lost time injury frequency rate
MOU	memorandum of understanding
MPC	Messenger Post Couriers
NGA	National Greenhouse Accounts
NEPM	National Environmental Protection Measures
NGERS	National Greenhouse Energy Rating Scheme
OH&S	occupational health and safety
PIO	Postal Industry Ombudsman
SCLI	Sai Cheng Logistics International
UPU	Universal Postal Union

About this report

Reporting aims and rationale

Our first integrated annual report provides a detailed account of our financial, social and environmental performance. The purpose of the report is to communicate to our stakeholders our overall performance, and how we address and manage our social, environmental and economic issues.

To produce a report that is in line with best-practice, information is prepared according to legislative requirements, GRI G3.1 Guidelines and the GRI Transport and Logistics Sector Supplement, and the principles of the UN Global Compact Initiative.

Target audience

Our integrated annual report is targeted at key stakeholders, including our people, our customers, the Australian community and our shareholder, the federal government. However, the content in this report would also be of interest to a broader range of stakeholders, including regulators, suppliers, industry bodies, community and non-government organisations, the media and opinion leaders.

More information on our stakeholders, including our materiality process and the engagement activities we undertook this year, are provided on pages 16 to 17.

Reporting period

The information contained in this annual report covers the 2010–11 financial year.

In previous years, environmental data has been reported in calendar years. This year, due to improved data collection processes, our environment data has been reported for the financial year. Unless otherwise stated, figures from previous years have been adjusted to a financial year basis to allow for year-on-year comparison.

Report scope and boundary

This report covers the activities of the Australian Postal Corporation and its associated companies. Our licensees, franchisees, community postal agents and mail contractors fall outside the parameters of this report. However, there are some references to them in the people section (see page 36), the environment section (see pages 46 to 49) and in Australia Post – the statistics (see page 130).

Assurance

We undertake a thorough assurance process for our integrated annual report, which includes the following:

- The board Audit and Risk Committee checks the financials statements to ensure that they are accurate and complete.
- Our financial statements and our performance against our prescribed performance standards are independently audited by the Australian National Audit Office.
- Research International verifies the delivery performance of our domestic letters service and Deloitte Touche Tohmatsu independently assures Research International's report.
- Our internal audit group checks the accuracy of most of the data reported in the sections on people, community and customer, and some data in the environment section.
- Most of our environmental data is independently verified by Genesis Now to ensure that it is complete and correct.
- Halcrow Pacific Pty Ltd provides independent quality assurance of our application level and our report against the GRI framework.

GRI application level

Our integrated annual report has been self-declared and third party checked as a B application level. A summary GRI table is provided on the following page. Our full GRI table, UN Global Compact table and our disclosure to management approach is available on our website at www.auspost.com.au/2011annualreport.

Stakeholder Council review

Our Stakeholder Council conducted a review of our integrated report and our corporate responsibility performance. Their statement is provided on page 10 of this report.

Assurance statement



Quality assurance

Australia Post commissioned Halcrow Pacific Pty Ltd (Halcrow) to provide it with external quality assurance on its *Integrated Annual Report 2010–11*. This is Australia Post's first integrated report covering its financial, social and environmental performance.

Halcrow based this quality assurance assignment on the Global Reporting Initiative (GRI) sustainability reporting guidelines and best practice corporate responsibility reporting. Halcrow has not assured underlying data or systems that supported the preparation of the *Integrated Annual Report 2010–11*, or the accompanying financial statements or statutory reporting.

Key conclusions

Halcrow considers that Australia Post is actively demonstrating leadership on integrated annual and corporate responsibility reporting through preparation of its first *Integrated Annual Report 2010–11*. Australia Post can build off this process, and further integrate and embed corporate responsibility within its corporate strategy, systems, processes and operations. Australia Post is setting a leading example for other corporations to follow in terms of integrated reporting.

Halcrow considers that Australia Post has reported against key corporate responsibility impacts, risks and opportunities. Halcrow recommends that Australia Post further refine its materiality assessment process to continue to report against material corporate responsibility topics of interest to stakeholders. Over time, Australia Post will also be able to develop and report against a broad suite of measures and targets for all material corporate responsibility topics.

Halcrow has also performed a "Third Party Check" of the GRI Application Level and confirms that Australia Post has achieved a GRI "B Application Level" through this Integrated Annual Report.

Our opinion

Halcrow considers that Australia Post's *Integrated Annual Report 2010–11* provides an appropriate and balanced representation of its response to, and performance on, corporate responsibility. Halcrow has also prepared a detailed quality assurance statement and commentary for Australia Post.

Halcrow Pacific Pty Ltd

Phil Hughes
Principal Consultant: Sustainability & Water Management
12 August 2011

GRI index

GRI Standard Disclosures	Number	Page(s)	Report sections
Strategy and analysis	1.1, 1.2	6–7	Chairman’s report; and Managing Director and CEO’s report
Organisational profile	2.1–2.10	2–3 12–13 Inside back cover	Future Ready About Australia Post Awards and acknowledgements
Report profile	3.1–3.4	135 16–17	About this report Stakeholder engagement
Report scope and boundary	3.5–3.11	135	About this report
GRI index	3.12	136	GRI index – full GRI index on website
Assurance	3.13	135	Quality assurance
Governance	4.1–4.10	52	Corporate governance
Commitments to external initiatives	4.11–4.13	54 Inside back cover	Risk management Global sustainability initiatives
Stakeholder engagement	4.14–4.17	16–17	Stakeholder engagement
Disclosure on management approach		33	Managing our impacts – full disclosure on website

GRI Performance Indicators		Page(s)	Report section	Coverage
Environmental	EN1	45	Connecting with our customers	Partial
	EN2	45	Connecting with our customers	Full
	EN3	46–48	Managing our environmental impact	Full
	EN4	46–48	Managing our environmental impact	Full
	EN5	47–48	Managing our environmental impact	Full
	EN8	49	Managing our environmental impact	Full
	EN11	49	Managing our environmental impact	Full
	EN12	49	Managing our environmental impact	Full
	EN16	46–47	Managing our environmental impact	Full
	EN18	46–47	Managing our environmental impact	Full
	EN22	49	Managing our environmental impact	Full
	EN23	46	Managing our environmental impact	Full
	EN26	45	Managing our environmental impact	Full
	EN27	45	Managing our environmental impact	Full
EN28	46	Managing our environmental impact	Full	
Human rights	HR3	36	Supporting our people	Partial
	HR4	36	Supporting our people	Partial
	HR5	36	Supporting our people	Full
Labor practices and decent work	LA1	36–37	Supporting our people	Full
	LA2	37	Supporting our people	Full
	LA4	36	Supporting our people	Full
	LA7	35	Supporting our people	Partial
	LA13	36–37	Supporting our people	Partial
	LA15	37	Supporting our people	Partial
Society	SO1	16–17	Stakeholder engagement	Full
		42	Connecting with our customers	
		48	Managing our environmental impact	
	SO2	43	Connecting with our customers	Partial
SO8	44	Connecting with our customers	Partial	
Product responsibility	PR5	44	Connecting with our customers	Full
	PR6	43–44	Connecting with our customers	Full
	PR7	44	Connecting with our customers	Full
	PR8	43	Connecting with our customers	Partial
	PR9	44	Connecting with our customers	Full
Economic	EC1	51	Financial report	Full
	EC2	33	Managing our environmental impact	Partial
	EC3	84, 126	Financial and statutory reports	Full
Transport and Logistics Sector Supplement (Pilot, 2006)	LT2	48	Managing our environmental impact	Full
	LT9	37	Supporting our people	Partial
	LT12	35	Supporting our people	Partial
	LT14	28–31 115	Retail: Providing trusted services Community service obligations	Full

GRI indicator EC9: Indirect economic impacts has not been reported in 2010–11.

Copies of the report

This report can be viewed online as an interactive PDF at www.auspost.com.au/2011annualreport. If you'd like to receive a printed copy, please email annualreport@auspost.com.au

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Feedback

We would like to hear your feedback so that we can continue to improve our business, including how we report on our performance. Feedback can be provided online at www.auspost.com.au/2011annualreport.

Credits

Editor/project manager

Mary Gillman

Design

Amanda Roach Design

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Jamie MacFadyen

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Gunn & Taylor Printers:
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Vegetable-based

Paper

Front section: ENVI super smooth
Financial statements: ENVI 50/50



australian
made



carbon
neutral



elemental
chlorine
free



ISO
14001



processed
chlorine
free



recycled



sustainable
forest



Awards



Established in 1950

Australia Post received a gold award for its 2009–10 annual report at the 2011 Australasian Reporting Awards. www.arawards.com.au

Commitment to external initiatives

Australia Post is an active supporter of leading international initiatives in sustainability and community investment.



This integrated annual report is based on the GRI G3.1 Guidelines. www.globalreporting.org



WE SUPPORT

A signatory since 2010.
www.unglobalcompact.org
www.thehub.ethics.org.au/ungc



A supporter since 2007.
www.earthhour.org



A member since 2009.
www.lbg-australia.com

