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UNDERSTANDING OUR STATEMENTS

Australia Post's 1998-99 financial statements enable readers to assess the Corporation's results for the year, its present financial position, its future outlook and the value of its assets. Comparable measures are provided for the previous year.

The Statement by Directors and the Auditor's Report are standard legal declarations which are required in all annual financial reports.

The 'Corporation' figures are for Post alone, while the 'Consolidated' figures include transactions that Post and its subsidiary companies (Sprintpak Pty Ltd, GEOSPEND Pty Ltd and Postcorp Developments Pty Ltd) have had with third parties. All figures in these statements are rounded to the nearest one hundred thousand dollars.

The Profit and Loss Statement shows the income and running costs of the Corporation for the financial year.

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

Assets listed in the Balance Sheet as 'current' are likely to be converted to cash within the next twelve months. Liabilities that are 'current' are due and payable within twelve months. 'Non-current' refers to long-term assets or liabilities.

Equity is the Corporation's total capital plus profits which have been reinvested over the years. The Statement of Cash Flows shows the derivation of the Corporation's cash resources during the financial year and its cash outlays.

To gain a complete understanding of Post's 1998-99 results, the financial statements should be read in conjunction with the accompanying explanatory notes.

STATEMENT

STATEMENT BY DIRECTORS

AUSTRALIAN POSTAL CORPORATION

In the opinion of the directors:

- (a) the accompanying financial statements give a true and fair view of the matters required by Orders issued by the Minister for Finance and Administration; and
- (b) at the date of this statement, 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.



L B Nicholls

CHAIRMAN



G T John

MANAGING DIRECTOR

Melbourne

26 August 1999

In the opinion of the directors:

- (a) the requirements under section 9 of the CAC Act for the preparation and content of the 'Report of Operations' as specified in orders issued by the Minister for Finance are met in the general body of this report (pages 2 to 43 as specified) and Statutory Report (pages 82 to 87); and
- (b) the 'Report of Operations' is made to 30 June 1999.



L B Nicholls

CHAIRMAN

Melbourne

26 August 1999



INDEPENDENT AUDIT REPORT

To the Minister for Communications, Information Technology and the Arts and the Board of the Australian Postal Corporation

Scope

I have audited the financial statements of the Australian Postal Corporation for the year ended 30 June 1999. The financial statements include the consolidated financial statements of the economic entity comprising the Corporation and the entities it controlled at the year's end or from time to time during the year. The statements comprise:

- > Statement by Directors;
- > Balance Sheet;
- > Profit and Loss Statement;
- > Statement of Cash Flows
- > Schedule of Commitments;
- > Schedule of Contingencies; and
- > Notes to and forming part of the financial statements.

The members of the Board of the Corporation are responsible for the preparation and presentation of the financial statements and the information they contain. I have conducted an independent audit of the financial statements in order to express an opinion on them to you.

The audit has been conducted in accordance with Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards, to provide reasonable assurance as to whether the financial statements are free of material misstatement. Audit procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and statutory requirements so as to present a view which is consistent with my understanding of the Australian Postal Corporation's and the economic entity's financial position, the results of their operations and their cash flows.

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

Audit Opinion

In my opinion,

- (i) the financial statements have been prepared in accordance with the Schedule 2 of the Finance Minister's Orders; and
- (ii) the financial statements give a true and fair view, in accordance with applicable Accounting Standards, other mandatory professional reporting requirements and Schedule 2 of the Finance Minister's Orders, of the financial position of the Australian Postal Corporation and the economic entity as at 30 June 1999 and the results of their operations and their cash flows for the year then ended.



PJ Barrett
AUDITOR-GENERAL

Melbourne
26 August 1999



Independent Audit Report on the extent to which the Australian Postal Corporation has complied with the Australian Postal Corporation (Performance Standards) Regulations for the year ended 30 June 1999.

To the Minister for Communications, Information Technology and the Arts and the Board of the Australian Postal Corporation.

Scope

I have audited the Australian Postal Corporation's compliance with the performance standards prescribed in the Australian Postal Corporation (Performance Standards) Regulations, as amended, for the year ended 30 June 1999.

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 a prescribed timetable (Regulation 6);
- c) maintain mail lodgement points for postal articles (other than bulk mail) at each of its 4,000 retail outlets and maintain at least 10,000 street posting boxes (Regulation 8); and
- d) make a selection of its products or services available for purchase at each of the retail outlets. At least half of the retail outlets must be in zones classified as rural or remote. 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 members of the Board of the Corporation are responsible for ensuring that adequate systems are in place to monitor compliance with the performance standards. I have conducted an independent audit of compliance with the performance standards in order to express an opinion to you.

The audit has been conducted in accordance with Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards and accordingly included such tests and other procedures considered necessary.

Audit procedures included:

- examination and assessment of the key mail management systems;
- examination, on a test basis, of supporting evidence; and
- examination of the work performed by the independent reviewer contracted by the Australian Postal Corporation.

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

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

As part of the audit, I have considered, solely for the purpose of determining the nature, timing and extent of our audit procedures, the Corporation's system of internal control. This consideration has not entailed a detailed study and evaluation of any of the elements of the system for the purpose of providing assurances thereon. I have provided a report to the Corporation on exceptions noted, potential performance improvements, the Corporation's performance compared with global best practice and the positive assurance report on compliance. Nothing in that report has caused me to modify my opinion presented below.

Opinion

In my opinion the Australian Postal Corporation was, in all material respects, in compliance with the performance standards prescribed in the Australian Postal Corporation (Performance Standards) Regulations, as amended, during the year ended 30 June 1999.



PJ Barrett
AUDITOR-GENERAL

Melbourne
26 August 1999

PROFIT AND LOSS STATEMENT

FOR THE YEAR ENDED 30 JUNE 1999

AUSTRALIAN POSTAL CORPORATION

		Consolidated		Corporation
		1999	1998	1999
	Note	\$m	\$m	\$m
Operating revenue (before abnormal items)	28			
Domestic mail services		2,542.8	2,448.5	2,542.8
International mail services		380.6	382.6	380.6
Philatelic products	2	58.7	50.2	58.7
Financial and retail products		400.2	360.2	400.2
Other non-mail products and services		66.4	58.8	66.4
Total		3,448.7	3,300.3	3,448.7
Operating expenses (before abnormal items)				
Labour and related		1,664.9	1,616.1	1,664.9
Ongoing restructuring costs		75.9	55.0	75.9
Licensees' fees		179.2	162.8	179.2
Carriage of mail by contractors		262.2	234.4	262.2
Accommodation		137.4	141.1	137.4
Merchandise	4	105.3	89.2	105.3
Depreciation and amortisation		178.3	169.3	178.3
Interest expense		25.2	20.9	25.2
Miscellaneous		446.0	435.1	446.0
Total		3,074.4	2,923.9	3,074.4
Operating profit before abnormal items and income tax		374.3	376.4	374.3
Abnormal items	6	(1.3)	(41.2)	(1.3)
Operating profit before income tax		373.0	335.2	373.0
Income tax attributable to operating profit	7	125.2	110.2	125.2
Operating profit after income tax		247.8	225.0	247.8
Accumulated profits at beginning of reporting period		451.8	441.9	451.2
Dividends provided for and dividends paid	8	148.7	215.1	148.7
Accumulated profits at end of reporting period		550.9	451.8	550.3

The accompanying notes form an integral part of these financial statements.

BALANCE SHEET

AS AT 30 JUNE 1999

AUSTRALIAN POSTAL CORPORATION

		Consolidated		Corporation
	Note	1999 \$m	1998 \$m	1999 \$m
Current assets				
Cash	27	299.7	249.0	298.6
Receivables	9, 27	399.5	507.5	399.1
Inventories	10	42.6	39.2	42.6
Other	11	33.0	30.1	33.0
Total current assets		774.8	825.8	773.3
Non-current assets				
Investments	12	12.3	12.3	14.6
Land and buildings	13, 26	1,024.3	971.5	1,024.3
Plant and equipment	13, 26	730.9	623.5	730.9
Other	14, 27	311.2	302.7	311.2
Total non-current assets		2,078.7	1,910.0	2,081.0
Total assets		2,853.5	2,735.8	2,854.3
Current liabilities				
Provisions and payables	15	881.9	911.4	881.9
Total current liabilities		881.9	911.4	881.9
Non-current liabilities				
Debt	16, 27	530.0	447.5	530.0
Provisions and payables	17	472.1	518.9	473.5
Total non-current liabilities		1,002.1	966.4	1,003.5
Total liabilities		1,884.0	1,877.8	1,885.4
Net assets		969.5	858.0	968.9
Equity				
Capital	18	400.0	400.0	400.0
Reserves	18	18.6	6.2	18.6
Accumulated profits	18	550.9	451.8	550.3
Total equity		969.5	858.0	968.9

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 1999

AUSTRALIAN POSTAL CORPORATION

	Consolidated		Corporation	
	1999	1998	1999	1998
	\$m	\$m	\$m	\$m
OPERATING ACTIVITIES				
Cash received				
Sales of goods and services	3,395.2	3,183.4	3,394.4	3,181.0
Interest received	13.7	14.4	13.7	14.4
Dividends received	4.1	4.4	4.1	4.4
Total cash received	3,413.0	3,202.2	3,412.2	3,199.8
Cash used				
Payments to employees	1,705.9	1,631.2	1,705.9	1,630.5
Payments to suppliers	1,181.8	1,067.2	1,181.5	1,065.6
Interest paid	25.3	20.8	25.3	20.9
Income tax paid	137.5	99.6	137.1	99.6
Total cash used	3,050.5	2,818.8	3,049.8	2,816.6
Net cash from operating activities	362.5	383.4	362.4	383.2
INVESTING ACTIVITIES				
Cash received				
Proceeds from sale of property, plant and equipment	51.9	152.7	51.9	152.7
Total cash received	51.9	152.7	51.9	152.7
Cash used				
Purchase of property, plant and equipment	369.9	286.8	370.3	286.4
Payment for purchase of controlled entity, net of cash acquired	–	3.2	–	4.0
Total cash used	369.9	290.0	370.3	290.4
Net cash from investing activities	(318.0)	(137.3)	(318.4)	(137.7)
FINANCING ACTIVITIES				
Cash received				
Proceeds from borrowings	530.0	80.0	530.0	80.0
Total cash received	530.0	80.0	530.0	80.0
Cash used				
Repayment of debt	447.5	0.0	447.5	0.0
Dividends paid	216.5	217.0	216.5	217.0
Total cash used	664.0	217.0	664.0	217.0
Net cash from financing activities	(134.0)	(137.0)	(134.0)	(137.0)
Net increase/(decrease) in cash held	(89.5)	109.1	(90.0)	108.5
Cash at beginning of reporting period	484.0	374.9	483.4	374.9
Cash at end of reporting period	394.5	484.0	393.4	483.4

The accompanying notes form an integral part of these financial statements.

NOTES TO THE STATEMENT OF CASH FLOWS

AUSTRALIAN POSTAL CORPORATION

Reconciliation of cash

For the purpose of the statement of cash flows, cash includes substantial amounts held as advance payments for service, third party cash collections, unpresented money orders and funds required to meet the payment of income tax, dividends and restructuring costs, and is reconciled to the related items in the balance sheet, ie cash and short-term investments included in receivables (refer note 9), as follows:

	Consolidated		Corporation	
	1999	1998	1999	1998
	\$m	\$m	\$m	\$m
Cash	299.7	249.0	298.6	248.4
Short-term investments	94.8	235.0	94.8	235.0
Cash at end of reporting period	394.5	484.0	393.4	483.4
Reconciliation of operating result with net cash provided by operating activities				
Operating profit after income tax	247.8	225.0	247.8	224.6
Depreciation and amortisation	178.3	169.3	178.3	169.2
Increase in debtors	(39.7)	(45.9)	(40.9)	(46.2)
(Increase)/decrease in inventories	(3.4)	1.9	(3.4)	1.9
(Increase)/decrease in interest receivable	0.6	(0.3)	0.6	(0.3)
Increase/(decrease) in creditors	(23.7)	4.3	(23.4)	5.7
Increase/(decrease) in accrued interest expenditure	(0.1)	0.1	(0.1)	0.1
Increase/(decrease) in income tax payable	(9.7)	18.4	(9.3)	18.0
Increase in deferred income tax	2.5	18.3	2.5	18.3
Increase in future income tax benefit	(5.1)	(26.0)	(5.1)	(26.0)
Increase/(decrease) in advance receipts	5.5	(41.5)	5.8	(41.8)
Increase in prepayments	(2.9)	(2.5)	(2.9)	(2.5)
Increase in employee entitlements	17.0	66.9	17.1	66.8
(Profit)/loss on sale of property, plant and equipment	(4.6)	1.9	(4.6)	1.9
Profit arising on revaluation of special purpose property	0.0	(6.5)	0.0	(6.5)
	114.7	158.4	114.6	158.6
Net cash from operating activities	362.5	383.4	362.4	383.2

Loan facilities

Fully drawn loan facilities of \$530.0 million were held at 30 June 1999 (1997-98, \$447.5 million) (refer note 16).

SCHEDULE 5

SCHEDULES OF COMMITMENTS AND CONTINGENCIES

AS AT 30 JUNE 1999

AUSTRALIAN POSTAL CORPORATION

	Consolidated		Corporation	
	1999	1998	1999	1998
	\$m	\$m	\$m	\$m
SCHEDULE OF COMMITMENTS				
By Type				
Capital commitments:				
Land and buildings	25.0	99.0	25.0	99.0
Plant and equipment	32.7	57.9	32.7	57.9
Total capital commitments	57.7	156.9	57.7	156.9
Other commitments:				
Operating leases	225.0	244.3	225.0	244.3
Other	538.2	469.8	538.2	469.8
Total other commitments	763.2	714.1	763.2	714.1
Total commitments	820.9	871.0	820.9	871.0
By Maturity				
Total commitments:				
(a) one year or less	319.9	360.4	319.9	360.4
(b) from one to two years	160.5	184.1	160.5	184.1
(c) from two to five years	250.9	229.5	250.9	229.5
(d) over five years	89.6	97.0	89.6	97.0
Total commitments	820.9	871.0	820.9	871.0
Operating lease commitments:				
(a) one year or less	64.1	64.7	64.1	64.7
(b) from one to two years	47.3	54.1	47.3	54.1
(c) from two to five years	78.5	86.2	78.5	86.2
(d) over five years	35.1	39.3	35.1	39.3
Operating lease commitments	225.0	244.3	225.0	244.3
SCHEDULE OF CONTINGENCIES				
Contingent losses:				
Bank guarantee (i)	155.9	155.9	155.9	155.9
Year 2000 (ii)	8.9	29.6	8.9	29.6
Ongoing restructuring costs (iii)	-	-	-	-
Total contingent losses	164.8	185.5	164.8	185.5

(i) The Corporation is liable for a bank guarantee to cover the outstanding workers' compensation claims liability, which includes a contingency margin of 15 per cent.

(ii) The Corporation has replaced the majority of its financial systems with an integrated product (SAP R3), which is Year 2000 compliant. The Corporation is continually evaluating its systems to identify any issues which may affect ongoing operations after 31 December 1999.

(iii) Whilst it is highly likely that Australia Post will continue its restructuring beyond 30 June 2000, no provision has been created for this contingency due to the untested nature of the specialised technology implicit in the current restructuring and the unknown potential for retraining/redeploying of employees.

The accompanying notes form an integral part of these financial statements.

AUSTRALIAN POSTAL CORPORATION

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The economic entity consists of the Australian Postal Corporation (the Corporation) and the wholly owned controlled entities Sprintpak Pty Ltd, Postcorp Developments Pty Ltd and GEOSPEND Pty Ltd.

The Corporation is incorporated under the provisions of the *Australian Postal Corporation Act 1989* as amended, and is required by the *Commonwealth Authorities and Corporations Act 1997* (CAC Act) to keep accounting records that properly record and explain its transactions and financial position. The Corporation uses full accrual accounting to fulfill this requirement.

The significant policies, which have been adopted in the preparation of this report, are as follows:

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, Schedule 2 of Orders issued by the Minister for Finance and Administration titled *The Financial Statements of CAC Bodies*, and Statements of Accounting Concepts and Urgent Issues Group Consensus Views.

The financial statements have been prepared on the basis of historical costs and, except where stated, do not take into account changing money values or current valuations of non-current assets or non-current liabilities.

These accounting policies have been consistently applied by each entity in the consolidated entity and, except where there is a change in accounting policy, are consistent with those of the previous year.

Comparative information is reclassified where appropriate to achieve consistency in disclosure with current financial year amounts and other disclosures. Amounts shown in the financial statements have been rounded to the nearest one hundred thousand dollars unless otherwise stated.

(b) Principles of consolidation

The consolidated financial statements of the economic entity incorporate the results, assets and liabilities of the Australian Postal Corporation and its controlled entities. Transactions between the Australian Postal Corporation and its controlled entities have been eliminated in the consolidated financial statements.

Where control of an entity is obtained during a financial year, its results are included in the consolidated profit and loss statement from the date on which control commences.

(c) Accounting for associated companies

Associated companies are those entities over which the Corporation exercises significant influence, but not control. Interests in associated companies are included in non-current investments. The economic entity has adopted AAS14 Accounting for Investments in Associates which specifies the application of the equity method of accounting where information resulting from its application is material. As the impact from associated companies is immaterial to the economic entity, the

investments are carried at cost and the related dividend income is included in profits when receivable. Details of investments in associated companies are disclosed in note 25.

(d) Property asset values

(i) General principles

The Corporation's assets are independently valued progressively every three years and included in the financial statements at the revalued amounts. By agreement with the Department of Finance and Administration, revaluations are confined to land and buildings having regard to the nature and materiality of the Corporation's other asset classes. The property assets selected for valuation represent one-third of each property class in the portfolio (special purpose and general), by facility function (residential, commercial and industrial) and their location (metropolitan and rural) to ensure proportional representation in the mix of properties thus valued.

Valuations are carried out by independent valuers and are brought to account at the date of valuation. Revaluation increments are credited directly to the revaluation reserve, unless they are reversing a previous decrement charged to the profit and loss statement, in which case the increment is credited to the profit and loss statement. No provision has been made for capital gains tax against the carrying values of property assets, as realisation at such values would not be expected to produce a capital gains tax liability.

Adequate tests are undertaken to ensure that property assets are not stated at amounts in excess of their recoverable amounts. Properties scheduled for disposal in the coming year are included in the progressive revaluation and are valued on the basis of highest and best use/vacant possession adjusted down for estimated selling costs.

Buildings under construction at balance date are carried at cost.

The valuation principles adopted accord with the deprival methodology of valuing property, plant and equipment as prescribed by Schedule 2 of the Orders outlined in 1(a).

(ii) Special purpose properties

This class comprises facilities purpose built to meet the mail processing and network requirements of the Corporation's mail services. Special purpose properties are valued on the basis of market value existing use, being market value of land and depreciated replacement cost of buildings and improvements.

(iii) General properties

This class comprises other freehold properties and improvements to those properties leased by the Corporation. It includes post offices, administrative and operational support properties not included in the special purpose class.

Freehold general properties are valued on the basis of highest and best use/vacant possession. Leasehold improvements are carried at cost less depreciation.

AUSTRALIAN POSTAL CORPORATION

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Depreciation accounting

Property, plant and equipment assets owned by the Corporation, other than freehold land, are depreciated over their estimated useful lives to the Corporation using the straight-line method. Depreciation is calculated from the point of time a depreciable asset is first put into use or held ready for use or, in the case of property from the last date of valuation.

The expected useful lives are as follows:

Buildings – GPOs	70 years
Buildings – other facilities	40-50 years
Operational plant and equipment	10-20 years
Other equipment	3-10 years

Fitout improvements to owned and leased buildings are depreciated over the lease term to a maximum of 10 years.

(f) Revenue recognition

(i) Sales revenue

Sales revenue comprises revenue earned (net of returns, discounts and allowances) from the major business activities and is recognised at point of sale or lodgement. 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 (refer note 15).

(ii) Interest revenue

Interest revenue is recognised as it accrues.

(iii) Asset sales

Sales of property generally are recognised on exchange of title. However, in certain circumstances when the Corporation has a contractual obligation to complete a property sale and settlement is assured, the sale is recognised when the underlying contract becomes unconditional.

(g) Receivables

Trade debtors to be settled within 14 days are carried at amounts due. The collectibility of debts is assessed at balance date and specific provision is made for any doubtful accounts.

Financial instruments such as bills of exchange and promissory notes are purchased in the market at a discount to face value. The discount brought to account each period is accounted for as interest earned.

(h) Leased assets

The lease of assets is restricted to operational leases, under which the risks and benefits remain with the lessor. Operating lease payments are charged to the profit and loss statement in the periods in which they are incurred.

(i) Taxation

The Corporation is subject to all Federal, State and local government taxes and charges. Income tax has been brought to account using the liability method of tax effect accounting, whereby the income tax expense in the profit and loss statement is matched with the accounting profit after allowing for permanent differences. Income tax on net cumulative timing differences is set aside to the deferred income tax and future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

(j) International transactions

The Corporation has transactions with overseas postal administrations relating to the carriage of mail to and from Australia and may purchase plant and equipment from overseas suppliers. Routinely, currency hedging arrangements are put in place for the majority of mail services, for major equipment purchases and for sales of products and services to ensure certainty at the point of settlement.

At balance date, amounts receivable and payable in foreign currencies are included in the balance sheet at the current rates or, when hedging is in place, at the rates applicable to the hedging contracts. Any variation arising between the date a transaction originates and balance date is recognised in the profit and loss statement except where it relates to purchases of plant and equipment, in which case the variation is adjusted against the capital cost.

(k) Derivatives

The Corporation does not enter into derivative transactions for speculative purposes. However, hedging arrangements using derivative instruments are established to limit risk as noted in note 1(j) above and to fix interest earnings and expense expectations on short-term investments and borrowings.

Gains and losses on interest rate hedges are accounted for on the same basis as the underlying physical exposures that are being hedged. Accordingly, hedge gains and losses are brought to account when the gains and losses arising on the related physical exposures are recognised in the profit and loss statement.

(l) Research and development expenditure

Included in non-current assets are certain research and development costs in relation to the planning and design of a range of new Information Technology projects with a view to providing significant improvements and expansion in existing products offered by the Corporation. These costs are deferred to the extent that the directors consider the future benefits are expected to equal or exceed these costs. These deferred costs are amortised over future periods where benefits are expected to accrue.

Given the nature and timing of research and development activities, the directors periodically assess the carrying value of these assets.

(m) Employee entitlements

(i) Superannuation

Australia Post meets its superannuation obligations (including those imposed under the *Superannuation Guarantee (Administration) Act 1992*) through the Australia Post Superannuation Scheme (APSS) and the Commonwealth Superannuation Scheme (CSS) (refer note 24).

Employees who are members of the CSS receive benefits as set out in the *Superannuation Act 1976*. In addition, the Corporation meets an additional statutory obligation for CSS members through APSS. All other employees are entitled to statutory minimum or higher benefits, which are provided through APSS.

Amounts paid or payable by the Corporation are charged to expense. As at balance date the APSS is fully funded. In respect of the CSS, the Corporation believes it has no liability to recognise since periodic actuarial assessments carried out by the Commonwealth have consistently indicated that the Corporation's assessed future liabilities have been met out of payments made to the Commonwealth prior to 1990, ie at the date when APSS came into existence and the majority of staff transferred to the new fund. Accordingly, the Corporation has no liability to recognise.

(ii) Long service leave

In accordance with AAS30 Accounting for Employee Entitlements, a liability for long service leave is recognised and is measured as the present value of expected future payments on entitlements outstanding at balance date. Actuarial consideration is given to future wage and salary levels, interest rates and experience of employee departures, period of service and the time over which settlements will be made.

(iii) Recreation leave

A liability for recreation leave is recognised and is measured at current pay rates for services provided to balance date.

(iv) Sick leave

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

(v) Workers' compensation

The Corporation is a Class 3 self insurer and licensee 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. Actuarial consideration is given to future wage and salary levels, interest rates and the time over which settlements will be made. The adequacy of the provision is reviewed annually.

In accordance with the SRC Act, the Corporation is required to obtain a bank guarantee to cover its outstanding claims liability which includes a contingency margin of 15 per cent (refer Schedule of Contingencies).

(vi) Ongoing restructuring costs

A liability is recognised for ongoing major restructuring where the Corporation is demonstrably committed to the restructuring and the cost can be reliably measured. Generally such assessments do not exceed the certainty of initiatives planned for the following year. The amount charged is shown under the heading "Ongoing restructuring costs" in the profit and loss statement.

(n) Trade and other creditors

Liabilities are recognised for goods or services received by the economic entity prior to the end of the reporting period and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(o) Borrowings

Medium-term notes including floating rate facilities and coupons are carried in the balance sheet at their principal amount. Interest expense is accrued at the contracted rate.

(p) Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. For those products manufactured by the Corporation, cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure. Costs are assigned to inventory quantities on hand at balance date on the basis of weighted average costs.

(q) Year 2000 software modification costs

Costs relating to the modification of computer software for Year 2000 compatibility are charged to expense when incurred and are disclosed as an abnormal item (refer note 6).

AUSTRALIAN POSTAL CORPORATION

	Consolidated		Corporation	
	1999	1998	1999	1998
	\$m	\$m	\$m	\$m
2. PHILATELIC PRODUCTS				
Includes sale of annual collection and stamp heritage books, first day covers, stamp packs and other packaged products and the assessed value of postage stamps sold to collectors.				
3. OPERATING REVENUE				
Sales and services revenue				
Sales of goods	167.4	138.5	167.4	138.5
Rendering of services	3,220.1	3,093.6	3,220.1	3,093.6
Other operating revenue				
Profit/(loss) on asset disposals ^(a)				
Land and buildings	11.4	4.9	11.4	4.9
Plant and equipment	(6.8)	(6.8)	(6.8)	(6.8)
Profit arising on revaluation of special purpose property	–	6.5	–	6.5
Net foreign exchange gain/(loss) – non-speculative	(1.8)	8.4	(1.8)	8.4
Interest earned:				
Deposits	4.9	5.6	4.9	5.6
Bills receivable	8.2	9.1	8.2	9.1
Dividends received or receivable from associated companies	4.1	4.4	4.1	4.4
Rent	10.4	8.5	10.4	8.5
Other	30.8	27.6	30.8	25.9
Total	3,448.7	3,300.3	3,448.7	3,298.6
(a) Gross proceeds from asset disposals	51.9	152.7	51.9	152.7
4. MERCHANDISE				
Includes the cost of printing postage stamps, philatelic material, postal stationery and other items for resale.				
5. OPERATING EXPENSES				
Employees				
Remuneration	1,571.0	1,523.1	1,571.0	1,522.4
Payroll tax	93.9	93.0	93.9	93.0
Ongoing restructuring costs	75.9	55.0	75.9	55.0
Suppliers				
Supply of goods and services	1,037.8	963.8	1,037.8	963.4
Operating lease rentals	76.8	73.0	76.8	73.0
Depreciation and amortisation	178.3	169.3	178.3	169.2
Write-down of assets				
Financial assets				
Receivables	1.4	1.2	1.4	1.2
Non-financial assets				
Inventories	0.6	1.6	0.6	1.6
Net foreign exchange (gain)/loss – non-speculative	(1.3)	6.4	(1.3)	6.4
Interest expense – loans	25.2	20.9	25.2	21.0
Other expenses	14.8	16.6	14.8	16.6
Total	3,074.4	2,923.9	3,074.4	2,922.8

AUSTRALIAN POSTAL CORPORATION

	Consolidated		Corporation	
	1999	1998	1999	1998
	\$m	\$m	\$m	\$m
6. ABNORMAL ITEMS INCLUDED IN OPERATING PROFIT BEFORE INCOME TAX				
Charge resulting from Year 2000 software modification costs	(20.2)	(14.7)	(20.2)	(14.7)
Income tax applicable	7.1	5.1	7.1	5.1
(Charge)/credit resulting from bond rate movement effect on employee entitlement provisions	18.9	(26.5)	18.9	(26.5)
Income tax applicable	(6.6)	9.3	(6.6)	9.3
Total abnormal items	(1.3)	(41.2)	(1.3)	(41.2)
Income tax applicable	0.5	14.4	0.5	14.4
7. INCOME TAX				
The prima facie tax on operating profit is reconciled to the income tax provided in the accounts as follows:				
Operating profit before income tax	373.0	335.2	373.0	334.6
Prima facie tax expense at 36%	134.3	120.7	134.3	120.4
Income tax effect of permanent differences:				
Increase tax payable				
Depreciation of buildings	5.3	4.5	5.3	4.5
Sundry items	4.2	3.1	4.2	3.1
	9.5	7.6	9.5	7.6
Decrease tax payable				
Sale of non-current assets	6.4	4.2	6.4	4.2
Special buildings write-off	4.2	4.2	4.2	4.2
Research and development allowance	1.9	1.9	1.9	1.9
Sundry items	5.2	6.4	5.2	6.3
	17.7	16.7	17.7	16.6
Prima facie tax adjusted for permanent differences	126.1	111.6	126.1	111.4
Over provision in prior year	(0.9)	(1.4)	(0.9)	(1.4)
Income tax expense attributable to operating profit	125.2	110.2	125.2	110.0
After allowing for				
Increase in deferred income tax provision	(5.4)	(17.3)	(5.4)	(17.3)
Increase in future income tax benefit	4.8	26.7	4.8	26.7
Over provision in prior year	0.9	1.4	0.9	1.4
Income tax paid/payable on current year taxable income	125.5	121.0	125.5	120.8

AUSTRALIAN POSTAL CORPORATION

	Consolidated		Corporation	
	1999	1998	1999	1998
	\$m	\$m	\$m	\$m
8. DIVIDENDS PROVIDED FOR AND DIVIDENDS PAID				
Dividends provided for:				
Normal dividend	83.2	71.0	83.2	71.0
Special dividend	–	80.0	–	80.0
Dividends paid	65.5	64.1	65.5	64.1
Total dividends	148.7	215.1	148.7	215.1
<p>The final dividend provided for in 1997-98 of \$71.0 million was paid on 30 October 1998. From the 1998-99 operating result, an interim dividend of \$65.5 million was declared and subsequently paid on 30 April 1999. A further \$83.2 million has been recommended as a final normal dividend payment for the 1998-99 year to be paid at a later time. In response to a measure announced in the 1997-98 Federal Budget, \$80.0 million was provided for as a special dividend from the 1997-98 operating result and was paid on 31 March 1999.</p>				
9. CURRENT ASSETS – RECEIVABLES				
Goods and services receivable	292.0	267.6	291.9	266.7
Bills of exchange and promissory notes, maturing within 90 days	94.8	235.0	94.8	235.0
Interest receivable	0.7	1.3	0.7	1.3
Other	17.2	8.1	16.9	7.8
Provision for doubtful debts	(5.2)	(4.5)	(5.2)	(4.5)
Balance sheet total	399.5	507.5	399.1	506.3
Ageing of goods and services receivable:				
– current	264.3	255.3	264.3	254.4
– overdue less than 30 days	16.8	9.1	16.8	9.1
– overdue 30-60 days	3.2	2.2	3.2	2.2
– overdue more than 60 days	7.7	1.0	7.6	1.0
	292.0	267.6	291.9	266.7

AUSTRALIAN POSTAL CORPORATION

	Consolidated		Corporation	
	1999	1998	1999	1998
	\$m	\$m	\$m	\$m
10. CURRENT ASSETS – INVENTORIES				
Work in progress	1.0	0.6	1.0	0.6
Finished goods at cost	46.5	43.6	46.5	43.6
Provision for diminution of finished goods	(4.9)	(5.0)	(4.9)	(5.0)
Balance sheet total	42.6	39.2	42.6	39.2
11. CURRENT ASSETS – OTHER				
Prepayments	33.0	30.1	33.0	30.1
Balance sheet total	33.0	30.1	33.0	30.1
12. NON-CURRENT ASSETS – INVESTMENTS				
Shares in controlled entities				
Sprintpak Pty Ltd *	–	–	1.0	1.0
Postcorp Developments Pty Ltd *	–	–	0.1	0.1
GEOSPEND Pty Ltd *	–	–	1.2	4.6
	–	–	2.3	5.7
Shares in associated companies				
Australian air Express Pty Ltd	0.9	0.9	0.9	0.9
AUSTRAPAY Ltd	10.2	10.2	10.2	10.2
	11.1	11.1	11.1	11.1
Shares in other companies				
International Data Post	1.2	1.2	1.2	1.2
Balance sheet total	12.3	12.3	14.6	18.0

Investments in controlled entities comprise 100 per cent shareholdings. International Data Post is incorporated in Denmark; all other entities are incorporated in Australia. Investments in associated companies are detailed in note 25.

* These are small proprietary companies which have not been audited as they are not required to prepare and lodge audited financial statements with the Australian Securities & Investments Commission.

AUSTRALIAN POSTAL CORPORATION

	Consolidated		Corporation	
	1999	1998	1999	1998
	\$m	\$m	\$m	\$m
13. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT				
Land and buildings:				
Special purpose properties (refer note 1(d)(ii))				
Additions at cost	166.6	84.3	166.6	84.3
Accumulated depreciation	(2.8)	–	(2.8)	–
	163.8	84.3	163.8	84.3
At independent valuation – 1997	140.0	218.3	140.0	218.3
At independent valuation – 1998	102.3	107.1	102.3	107.1
At independent valuation – 1999	92.0	–	92.0	–
Accumulated depreciation	(14.7)	(9.8)	(14.7)	(9.8)
	319.6	315.6	319.6	315.6
General properties (refer note 1(d)(iii))				
Additions at cost	82.2	60.9	82.2	60.9
Accumulated depreciation	(9.1)	–	(9.1)	–
	73.1	60.9	73.1	60.9
At independent valuation – 1997	289.3	491.1	289.3	491.1
At independent valuation – 1998	96.7	112.1	96.7	112.1
At independent valuation – 1999	181.7	–	181.7	–
Accumulated depreciation	(99.9)	(92.5)	(99.9)	(92.5)
	467.8	510.7	467.8	510.7
Balance sheet total	1,024.3	971.5	1,024.3	971.5
Plant and equipment:				
Motor vehicles				
At cost	162.4	155.2	162.4	155.2
Accumulated depreciation	(55.3)	(49.2)	(55.3)	(49.2)
	107.1	106.0	107.1	106.0
Computers, software, mail processing and other equipment				
At cost	1,154.3	962.5	1,154.3	962.1
Accumulated depreciation	(530.5)	(445.0)	(530.5)	(445.0)
	623.8	517.5	623.8	517.1
Balance sheet total	730.9	623.5	730.9	623.1

The progressive revaluation was carried out at 30 June 1999 by registered valuers through the following organisations: CB Richard Ellis, Colliers Jardine, DTZ-Bristow & Associates, DTZ Debenham International, First Pacific Davies (VIC) Pty Ltd, Saunders & Pitt Pty Ltd and Scott Fullarton Valuations Pty Ltd.

Refer to note 26 for a further analysis of property, plant and equipment assets.

Included in property, plant and equipment are amounts for capital works in progress totalling \$348.7 million, including research and development costs of \$27.5 million.

AUSTRALIAN POSTAL CORPORATION

	Consolidated		Corporation	
	1999	1998	1999	1998
	\$m	\$m	\$m	\$m
14. NON-CURRENT ASSETS – OTHER				
Finance lease receivable	78.9	74.3	78.9	74.3
Future income tax benefit	229.3	224.2	229.3	224.2
Other	3.0	4.2	3.0	0.4
Balance sheet total	311.2	302.7	311.2	298.9

The finance lease receivable relates to disposal of the Sydney GPO heritage site under a 99 year lease. No part of the future income tax benefit is attributable to previous tax losses and the realisation of the benefit is considered as being assured beyond any reasonable doubt.

15. CURRENT LIABILITIES – PROVISIONS AND PAYABLES

Provisions

Employee leave	159.9	141.2	159.9	141.2
Employee separations and redundancies	61.7	45.7	61.7	45.7
Other employee related	32.8	32.4	32.8	32.4
Dividends	83.2	151.0	83.2	151.0
Income tax	64.0	73.7	64.0	73.3
	401.6	444.0	401.6	443.6

Payables

Employees – salaries, wages and related	45.1	42.7	45.1	42.6
Suppliers – trade creditors (unsecured)	329.1	324.1	329.1	324.2
Other				
Interest payable	0.3	0.4	0.3	0.4
Unearned postage revenue	47.2	46.7	47.2	46.7
Other advance receipts	45.0	40.0	45.0	39.7
Miscellaneous	13.6	13.5	13.6	13.5
	480.3	467.4	480.3	467.1
Balance sheet total	881.9	911.4	881.9	910.7

16. NON-CURRENT LIABILITIES – DEBT

Medium-term notes – unsecured				
Fixed rate bond coupon 5.5%, maturing March 2004	230.0	–	230.0	–
Fixed rate bond coupon 6.0%, maturing March 2009	300.0	–	300.0	–
Floating rate note facility payable within one to two years	–	447.5	–	447.5
Balance sheet total	530.0	447.5	530.0	447.5

17. NON-CURRENT LIABILITIES – PROVISIONS AND PAYABLES

Provisions

Employee leave	180.3	186.6	180.3	186.6
Other employee related	83.1	97.3	83.1	97.3
Deferred income tax	208.6	206.1	208.6	206.1
	472.0	490.0	472.0	490.0

Payables

Other	0.1	28.9	1.5	29.9
Balance sheet total	472.1	518.9	473.5	519.9

AUSTRALIAN POSTAL CORPORATION

	Capital	Asset Revaluation Reserve	Accumulated Profits	Total Equity
18. ANALYSIS OF EQUITY (CONSOLIDATED)				
Balance as at 1 July 1997	400.0	13.6	441.9	855.5
Operating profit	–	–	225.0	225.0
Dividends paid/payable	–	–	(215.1)	(215.1)
Net revaluation decrease	–	(7.4)	–	(7.4)
Balance as at 30 June 1998	400.0	6.2	451.8	858.0
Operating profit	–	–	247.8	247.8
Dividends paid/payable	–	–	(148.7)	(148.7)
Net revaluation increase	–	12.4	–	12.4
Balance as at 30 June 1999	400.0	18.6	550.9	969.5

19. AUDITOR'S REMUNERATION

Audit fees paid or payable related to financial statements \$605,000 (1997-98, \$735,000), for other services \$129,500 (1997-98, \$nil).

20. EXECUTIVES' REMUNERATION

Executive officers are those who are concerned with, or take part in, the management of the Corporation or economic entity. Remuneration received from the Corporation and the economic entity in 1998-99 by executive officers (including the Managing Director) whose remuneration was at least \$100,00 totalled \$11,151,466 (1997-98, \$9,512,757). Included now in this and in the respective remuneration bands is at risk performance based pay which for this group of officers amounted in total to \$989,457 (1997-98, \$928,910). The remuneration also includes the Corporation's contribution to the superannuation plans (refer note 24).

The number of executive officers whose remuneration was at least \$100,00 are shown below in the relevant bands:

	Consolidated		Corporation	
	1999	1998	1999	1998
Remuneration between				
\$100,001 and \$110,000	2	8	2	8
\$110,001 and \$120,000	7	13	7	13
\$120,001 and \$130,000	10	9	10	9
\$130,001 and \$140,000	10	7	10	7
\$140,001 and \$150,000	7	7	7	7
\$150,001 and \$160,000	4	3	4	3
\$160,001 and \$170,000	4	3	4	3
\$170,001 and \$180,000	5	4	5	4
\$180,001 and \$190,000	2	5	2	5
\$190,001 and \$200,000	1	–	1	–
\$200,001 and \$210,000	4	2	4	2
\$210,001 and \$220,000	2	1	2	1
\$220,001 and \$230,000	3	–	3	–
\$230,001 and \$240,000	–	1	–	1
\$250,001 and \$260,000	1	1	1	1
\$260,001 and \$270,000	1	–	1	–
\$280,001 and \$290,000	–	1	–	1
\$290,001 and \$300,000	1	–	1	–
\$330,001 and \$340,000	1	1	1	1
\$390,001 and \$400,000	1	–	1	–
\$530,001 and \$540,000	–	1	–	1
\$690,001 and \$700,000	1	–	1	–

AUSTRALIAN POSTAL CORPORATION

21. DIRECTORS' REMUNERATION AND RETIREMENT BENEFITS

The remuneration of the Corporation's directors is determined by the Commonwealth Remuneration Tribunal. The remuneration received or due and receivable directly or indirectly by the Corporation's directors (excluding the Managing Director) totalled \$340,400 (1997-98, \$308,100).

The number of directors included in these figures are shown below in the relevant bands:

	Corporation	
	1999	1998
Remuneration between		
\$10,001 and \$20,000	–	1
\$20,001 and \$30,000	1	1
\$30,001 and \$40,000	5	4
\$40,001 and \$50,000	–	–
\$50,001 and \$60,000	1	1
\$70,001 and \$80,000	1	1

Directors of the Corporation are eligible for membership of the Australia Post Superannuation Scheme. An amount of \$25,525 was provided in connection with the retirement of the Corporation's directors (1997-98, \$13,201).

22. RELATED PARTIES

Directors

The names of persons who were directors of the Australian Postal Corporation during the financial year are as follows: L B Nicholls, A G Rydge, G T John, K C Allen, R M Cameron, M A Cornelius, M S Keating, K Lahey and P A McLaughlin.

Remuneration and Retirement Benefits

Information on remuneration of directors and amounts paid in connection with the retirement of directors is disclosed in note 21.

Other Transactions of Directors and Director-related Entities

A number of directors are also directors of other entities which has transacted with the Australian Postal Corporation Group. However, in the event this has occurred, no special or material contractual arrangements or understandings have been entered into with a director (or their director-related entities). Furthermore, if transactions have occurred with the Group, the relevant director (or their director-related entities) have not transacted with the Group on terms or conditions more favourable than those which it is reasonable to expect the Group would have adopted if dealing at arm's length with any third party. These transactions, if any, would have been trivial in nature.

Other Related Parties

Aggregate amounts included in the operating profit before income tax that resulted from transactions with other related parties were as follows:

		Consolidated		Corporation	
Transaction	Class of	1999	1998	1999	1998
Type	Related Party	\$m	\$m	\$m	\$m
Loans from Other Related Parties					
Loans received	Controlled entities	–	–	1.7	1.3
Other Transactions					
Payments for collection and delivery services	Associated companies	46.5	47.1	46.5	47.1
Payments for cheque processing services	Associated companies	2.0	1.5	2.0	1.5
Revenue from commissions	Associated companies	2.5	2.7	2.5	2.7
Dividends received	Associated companies	4.1	4.4	4.1	4.4
Amounts due to and receivable from other related parties					
Current receivables	Associated companies	0.3	0.4	0.3	0.4
Current payables	Associated companies	9.4	9.9	9.4	9.9

All transactions with other related parties are conducted on commercial terms and conditions.

Ownership Interests in Related Parties

Interests held in each related party class are set out in the following notes:

- (i) controlled entities – note 12; and
- (ii) associated companies – note 25.

AUSTRALIAN POSTAL CORPORATION

23. 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.

24. SUPERANNUATION

The Corporation participates in two superannuation schemes. Both schemes separately accumulate entitlements attributable to employee contributions. Details of employer provided benefits are as follows:

	Commonwealth Superannuation Scheme (CSS)	Australia Post Superannuation Scheme (APSS)
Principal type of benefit	Pension – defined benefit	Lump sum – defined benefit
Basis of employer contribution	As determined by the Minister for Finance and Administration	<p>As determined by the Corporation on the advice of the scheme's actuary and after consultation with the trustee, having regard to the Corporation's future liability to meet entitlements</p> <p>Contributions reflect the actuarially assessed long-term average cost for contributing APSS members, together with statutory benefits of 3 per cent of superannuable salaries of CSS members and 7 per cent of superannuable salaries of other members (employees in the first six months of employment and casuals).</p> <p>Amounts which have been contributed over time by the Corporation in respect of its employees' membership of the CSS are in excess of liabilities. Under a Ministerial determination, this residual surplus is paid over time to APSS. The scheme's actuary takes this into account in forming a view of the level of contributions payable by the Corporation to meet its scheme obligations.</p>
Amounts paid or payable by the Corporation	Not required	<p>1998-99 \$80.5 million</p> <p>1997-98 \$76.8 million</p>

The actuary to the APSS is Dr A J Goddard FIAA, FIA of Towers Perrin Forster & Crosby, Inc.

In accordance with standard practice and legislative requirements, actuarial reviews are scheduled every three years. The actuarial review currently used to assess scheme affairs was carried out as at 30 June 1997. The next review is scheduled as at 30 June 2000.

Member contributions to both schemes are maintained separately and attract attributable earnings from investments. The Corporation has no liability in respect of members' accumulation accounts.

AUSTRALIAN POSTAL CORPORATION

24. SUPERANNUATION (CONT'D)

Information relating to the APSS based on the latest actuarial assessment is set out below:

	Consolidated		Corporation	
	1999	1998	1999	1998
	\$m	\$m	\$m	\$m
Net market value of assets held by the APSS to meet future benefit payments	3,213.3	2,939.6	3,213.3	2,939.6
Present value of employees' accrued benefits	2,356.7	2,268.5	2,356.7	2,268.5
Excess of assets held to meet future benefit payments over the present value of employees' accrued benefits	856.6	671.1	856.6	671.1
Employer contributions to the APSS	80.5	76.8	80.5	76.8
Vested benefits	2,344.1	2,256.4	2,344.1	2,256.4

25. INVESTMENTS IN ASSOCIATED COMPANIES

Name of Associated Company	Principal Activity	Ownership Interest	Carrying Amount	Equity Accounted Amount	Dividends Received/Receivable
		1999	1998	1999	1998
		%	\$m	\$m	\$m
Australian air Express Pty Ltd	Express air freight	50	0.9	12.5	4.1
AUSTRAPAY Ltd	Payment processing	50	10.2	7.3	7.7
GEOSPEND Pty Ltd ⁽¹⁾	Direct mail marketing system	—	—	—	—
					0.2

All the above investments are held by the Australian Postal Corporation and comprise interests in the ordinary share capital. The balance date of each company is 30 June.

(1) On 12 December 1997, the Corporation acquired the remaining 50 per cent interest in GEOSPEND Pty Ltd. Post acquisition results are consolidated.

	Corporation	
	1999	1998
	\$m	\$m
Retained Profits Attributable to Associated Companies		
Share of operating profit after income tax	5.7	6.3
Amortisation of goodwill	(0.9)	(0.9)
Share of operating profit	4.8	5.4
Retained profit attributable to associated companies:		
At beginning of reporting period	13.5	8.1
At end of reporting period	18.3	13.5

AUSTRALIAN POSTAL CORPORATION

26. ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

Summary of movements for the year (Consolidated)

	Land	Buildings	Total Land and Buildings	Plant and Equipment	Total
	\$m	\$m	\$m	\$m	\$m
Gross value as at 1 July 1998	388.2	685.6	1,073.8	1,117.7	2,191.5
Additions	4.4	111.6	116.0	253.9	369.9
Revaluations	4.3	0.8	5.1	0.0	5.1
Disposals	(24.7)	(19.4)	(44.1)	(54.9)	(99.0)
Gross value as at 30 June 1999	372.2	778.6	1,150.8	1,316.7	2,467.5
Accumulated depreciation as at 1 July 1998	0.0	102.3	102.3	494.2	596.5
Depreciation charge for reporting period	0.0	40.4	40.4	134.4	174.8
Adjustment for revaluations	0.0	(7.3)	(7.3)	0.0	(7.3)
Adjustment for disposals	0.0	(8.9)	(8.9)	(42.8)	(51.7)
Accumulated depreciation as at 30 June 1999	0.0	126.5	126.5	585.8	712.3
Net book value as at 30 June 1999	372.2	652.1	1,024.3	730.9	1,755.2
Net book value as at 30 June 1998	388.2	583.3	971.5	623.5	1,595.0
Summary of asset balances at valuation (Consolidated)					
As at 30 June 1999					
Gross value	372.2	778.6	1,150.8	1,316.7	2,467.5
Accumulated depreciation	0.0	(126.5)	(126.5)	(585.8)	(712.3)
Net book value as at 30 June 1999	372.2	652.1	1,024.3	730.9	1,755.2
As at 30 June 1998					
Gross value	388.2	685.6	1,073.8	1,117.7	2,191.5
Accumulated depreciation	0.0	(102.3)	(102.3)	(494.2)	(596.5)
Net book value as at 30 June 1998	388.2	583.3	971.5	623.5	1,595.0

AUSTRALIAN POSTAL CORPORATION

27. FINANCIAL INSTRUMENTS

(a) Derivative Instruments

The Corporation is a party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates. Reference should also be made to note 1(k) relating to derivative financial instruments.

Forward Exchange Contracts

With respect to capital equipment sourced internationally, the Corporation has entered into forward exchange contracts to purchase United States dollars (USD) and New Zealand dollars (NZD). The contracts are timed to mature when major shipments of equipment are scheduled for delivery and payment.

Trading exposures arise as a result of obligations with overseas postal administrations (refer note 1(j)) and are invoiced in Special Drawing Rights (SDR) and settled in USD. The contracts are timed to mature when the underlying major accounts are settled by overseas postal administrations.

The SDR is a basket currency composed of fixed quantities of the four major traded currencies (USD, Yen, Euro and Pound Sterling). The composition of the basket is set by the International Monetary Fund.

In the following table, the "buy" amounts represent the Australian dollar (AUD) equivalent of commitments to purchase foreign currencies, and the "sell" amount represents the AUD equivalent of commitments to sell foreign currencies.

At balance date, the details of outstanding contracts are:

Currency	1999		1998	
	Average Exchange Rate	AUD \$m	Average Exchange Rate	AUD \$m
Buy USD				
0-6 months	0.6629	(2.9)	0.6620	(13.7)
6-12 months	—	—	0.6560	(16.7)
Sell SDR				
0-6 months	2.2190	31.1	2.0610	27.8
12-18 months	2.2120	15.5	2.2390	15.7
Buy NZD				
0-6 months	1.1840	(1.7)	—	—
		42.0		13.1

All foreign exchange contracts are entered into on the basis of known or projected obligations. As some of these contracts are to hedge anticipated future purchases of capital equipment, any unrealised gains and losses on the contracts, together with the cost of the contracts, are deferred and will be recognised in the measurement of the underlying transaction. The unrealised gains or losses on the remaining contracts are accounted for in accordance with note 1(j).

The following gains, losses and costs have been deferred:

AUD Equivalents	1999	1998
	\$m	\$m
Unrealised gains	—	2.4
Unrealised losses	(0.1)	—
Costs of contracts	—	(0.1)
Net gain/(loss) *	(0.1)	2.3

Gains and losses relating to plant and equipment are included in the capitalised cost.

* Shown on the balance sheet as non-current assets plant and equipment.

AUSTRALIAN POSTAL CORPORATION

27. FINANCIAL INSTRUMENTS (CONT'D)**(b) Credit Risk Exposures**

The credit risk on financial assets of the Corporation which have been recognised in the balance sheet is generally the carrying amount, net of any provisions for doubtful debts. The financial assets recognised in the Corporation's balance sheet include amounts receivable arising from unrealised gains and losses on derivative financial instruments.

For financial instruments, including derivatives, credit risk also arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity. Counterparties are entities of at least "investment grade" as rated by Standard & Poor's (Australia). A material exposure may arise from financial instruments and the Corporation may become exposed to loss in the event that counterparties fail to deliver the contracted amount. At balance date, the following amounts are receivable:

AUD Equivalents	1999 \$m	1998 \$m
Foreign exchange contracts	51.2	73.9
Interest rate swaps	7.2	–
	58.4	73.9

(c) Interest Rate Risk Exposures

The Corporation's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and liabilities is set out below.

Exposures arise from assets and liabilities bearing variable and fixed interest rates.

AUD Equivalents		Floating Interest Rate \$m	Fixed Interest Rate Maturing In Over 1 to 5 Years \$m	More Than 5 years \$m	Non-Interest Bearing \$m	Total \$m
Note						
Financial assets						
Cash and deposits		100.9	–	–	198.8	299.7
Receivables	9	94.8	–	–	304.7	399.5
Other	14	–	–	78.9	232.3	311.2
Total		195.7	–	78.9	735.8	1,010.4
Weighted average interest rate		4.78%		6.50%		
Financial liabilities						
Suppliers – trade creditors	15	–	–	–	329.1	329.1
Debt	16	–	230.0	300.0	–	530.0
Interest rate swaps		280.0	(60.0)	(220.0)	–	–
Total		280.0	170.0	80.0	329.1	859.1
Weighted average interest rate		5.22%	5.88%	6.39%		
Net financial assets		(84.3)	(170.0)	(1.1)	406.7	151.3

27. FINANCIAL INSTRUMENTS (CONT'D)

Reconciliation of Net Financial Assets to Net Assets	Note	\$m
Net financial assets as above		151.3
Non-financial assets and liabilities:		
Inventories	10	42.6
Other current assets	11	33.0
Shares in associated companies	12	12.3
Property, plant and equipment	13, 26	1,755.2
Provisions	15, 17	(873.6)
Other liabilities	15, 17	(151.3)
Net assets per balance sheet		969.5

(d) Net Fair Value of Financial Assets and Liabilities*(i) On-balance Sheet*

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities approximates their carrying value. Where the individual carrying value of debt and interest rate swap transactions has changed, the items have not been restated as the total still approximates the total carrying value.

The net fair value of other monetary financial assets and financial liabilities is based upon market prices (where a market exists) or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

For forward exchange contracts, the net fair value represents the unrealised gain or loss recognised at balance date, calculated by reference to the current spot rates.

(ii) Off-balance Sheet

The Corporation has potential financial liabilities which may arise as described in the Schedule of Contingencies. No material loss is anticipated in respect of any of those contingencies and the net fair value disclosed below is the estimated amount which would be payable by the Corporation as consideration for the assumption of those contingencies by another party.

AUSTRALIAN POSTAL CORPORATION

27. FINANCIAL INSTRUMENTS (CONT'D)

The carrying amounts and net fair values of financial assets and liabilities at balance date are as follows:

	1999		1998	
	Carrying	Net Fair	Carrying	Net Fair
	Amount	Value	Amount	Value
	\$m	\$m	\$m	\$m
On-balance sheet financial instruments				
Financial assets				
Cash and deposits	299.7	299.7	249.0	249.0
Bills of exchange and promissory notes	94.8	94.7	235.0	235.7
Other receivables	304.7	304.7	272.5	272.5
Finance lease receivable	78.9	78.9	74.3	74.3
Other non-current assets	232.3	232.3	228.4	228.4
	1,010.4	1,010.3	1,059.2	1,059.9
Financial liabilities				
Suppliers - trade creditors	329.1	330.1	324.1	324.1
Debt	530.0	513.6	447.5	447.8
	859.1	843.7	771.6	771.9
Derivatives				
Financial assets				
Forward exchange contracts	–	–	2.5	2.5
Interest rate swaps	5.6	(11.6)	–	–
Financial liabilities				
Forward exchange contracts	0.1	0.1	2.0	2.0
Off-balance sheet financial instruments				
Contingencies	164.8	164.8	185.5	185.5

28. SEGMENT INFORMATION

Industry Segments

	Segment Revenue	Segment Result	Segment Assets
1999	\$m	\$m	\$m
Domestic mail services	2,542.8	276.6	2,010.8
International mail services	380.6	57.3	352.5
Philatelic products	58.7	18.9	28.8
Financial and retail products	400.2	39.5	370.2
Other non-mail products and services	66.4	5.9	91.2
Unallocated interest expense	–	(25.2)	–
Consolidated	3,448.7	373.0	2,853.5
	Segment Revenue	Segment Result	Segment Assets
1998	\$m	\$m	\$m
Domestic mail services	2,448.5	260.1	1,940.8
International mail services	382.6	59.6	321.9
Philatelic products	50.2	10.0	29.9
Financial and retail products	360.2	34.2	356.6
Other non-mail products and services	58.8	(7.8)	86.6
Unallocated interest expense	–	(20.9)	–
Consolidated	3,300.3	335.2	2,735.8

Explanatory Notes:

- (a) The Corporation's business comprises a number of related activities which to varying degrees share common assets and support services. Activity based statistical methods are used to estimate segment results and assets employed.
- (b) The Corporation's predominant operation is the provision of mail services, mainly within Australia. In addition, Philatelic products and Financial and retail products are offered at retail outlets located throughout Australia with Philatelic products also available through mail order. Mail services can be further segregated between domestic and international. International mail services comprise outgoing mail for delivery in other countries and incoming mail for delivery in Australia. Financial and retail products comprise commissions from bill pay, banking and money order transactions, merchandise sales, interest received and rental. Other non-mail products and services includes local initiatives representing specialised services and miscellaneous activities.



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To: The Board of the Australian Postal Corporation

Report on Australia Post's Domestic Letter Service Performance

In accordance with the terms of our contract with you, we have undertaken an independent audit of Australia Post's domestic letter service (excluding letters posted under bulk pre-sorted conditions) against its general delivery undertakings for the year ended 30 June 1999. The independent audit has now been operational for 6.5 years.

We consider that our audit is one of the most rigorous and comprehensive tests of its kind in the world.

Scope

The audit was based on properly prepared, statistically valid quarterly samples of approximately 80,000 test letters. Sample sizes were determined in conjunction with the Australian Bureau of Statistics, having regard to information that you supplied about the postal network design parameters.

Our assessment 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, 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 your network.

Results

For the year ended 30 June 1999, the audit showed that Australia Post delivered 94.4 per cent of all letters early or on time, and 98.8 per cent of letters were delivered on time or not more than one working day after your delivery undertakings. The comparable figures for the twelve months ended 30 June 1998, were 94.2 and 98.7 per cent respectively.

In our opinion at a 95 per cent confidence level and with a maximum weighted actual precision limit of 0.1 per cent, these results represent fairly the performance of your domestic letter service for the year ended 30 June 1999.

The quarterly results from the independent audit show a high level of consistency in letter delivery performance.

In this regard, we note the Corporation's commitment to the achievement of world's best practice and continuous improvement as powerful forces driving letter delivery performance.

KPMG

MM Craig
Partner

Melbourne, Australia
31 August 1999.



KPMG, KPMAC, an Australian partnership, is a member of KPMG International, a Swiss Association



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To: The Board of the Australian Postal Corporation

AUSTRALIAN BUREAU OF STATISTICS

SURVEY CERTIFICATION

We designed statistically valid samples of test letters for the surveys undertaken by KPMG for the quarters ended 30 September 1998; 31 December 1998; 31 March 1999; and 30 June 1999. The samples were designed to enable the accurate testing of your letter delivery performance, having regard to the postal network design parameters provided by you. For the financial year ended 30 June 1999, the sample was representative and the estimation procedure used ensures the year's national results are unbiased and accurate within the actual limits of precision set out in KPMG's report.

Bill Allen

Australian Bureau of Statistics

Canberra, Australia

2 September 1999

AS AT 30 JUNE 1999

AUSTRALIAN POSTAL CORPORATION

1. FIVE-YEAR STATISTICAL SUMMARY

	1998-99	1997-98	1996-97	1995-96	1994-95
Consolidated					
Revenue (\$m)	3,448.7	3,300.3	3,123.6	2,915.8	2,787.9
Expenditure (\$m)	3,074.4	2,923.9	2,781.0	2,576.3	2,450.3
Operating profit before income tax (\$m)	373.0	335.2	353.1	368.0	337.6
Total assets (\$m)	2,853.5	2,735.8	2,588.6	2,382.0	2,327.3
Return on assets (%)	13.8	12.8	14.6	15.5	14.8
Cost of Community Service Obligations (\$m)	70.0	71.0	67.0	72.0	65.0
Total taxes and government charges (\$m)	327.6	294.6	307.6	305.9	253.5
Dividends (\$m)	148.7	215.1	219.9	142.6	120.0
Corporation					
Total mail articles handled (m)	4,530.1	4,372.0	4,205.7	4,047.4	3,827.7
On-time letter delivery performance (%)	94.4	94.2	93.9	93.2	93.6
Full-time employees	28,205	29,564	31,111	32,040	31,621
Labour productivity improvement (%)	5.1	6.0	5.7	4.0	6.4
Number of Corporate Outlets	905	957	1,009	1,084	1,132
Number of Licensed Post Offices	2,998	2,965	2,925	2,873	2,822
Number of Postpoints	881	843	899	888	803
Number of delivery points	8,506,152	8,170,731	8,130,498	7,920,622	7,670,010

2. MAIL DELIVERY NETWORK

	NSW/ACT	VIC/TAS	QLD	WA	SA/NT	Aust 1999	Aust 1998
Private households receiving mail via:							
Street delivery	2,300,310	1,727,862	1,151,095	634,371	553,462	6,367,100	6,091,700
Private boxes/locked bags	206,226	158,474	157,102	76,671	94,245	692,718	673,069
Private and community bags	8,111	5,729	16,768	3,432	16,676	50,716	40,472
Roadside delivery	159,843	120,258	101,171	16,393	10,492	408,157	392,508
Counter delivery	34,503	47,482	28,470	13,619	25,378	149,452	150,570
Total	2,708,993	2,059,805	1,454,606	744,486	700,253	7,668,143	7,348,319
Businesses receiving mail via:							
Street delivery	142,735	118,509	62,706	35,768	33,839	393,557	387,733
Private boxes/locked bags	145,074	100,786	88,462	42,311	33,497	410,130	400,348
Private and community bags	742	1,193	609	529	1,495	4,568	5,149
Roadside delivery	5,254	5,800	2,761	589	571	14,975	14,036
Counter delivery	3,499	5,719	2,158	1,676	1,727	14,779	15,146
Total	297,304	232,007	156,696	80,873	71,129	838,009	822,412
Total delivery points	3,006,297	2,291,812	1,611,302	825,359	771,382	8,506,152	8,170,731

AS AT 30 JUNE 1999

AUSTRALIAN POSTAL CORPORATION

3. AUSTRALIA POST OUTLETS

	NSW/ACT	VIC/TAS	QLD	WA	SA/NT	Aust 1999	Aust 1998
Corporate Offices							
– as at 1 July 1998	310	267	192	101	87	957	1,009
Changes during 1998-99							
– Opened	0	2	1	0	0	3	9
– Changed from LPO	0	1	0	0	0	1	1
– Changed to LPO	(14)	(23)	(4)	(3)	(4)	(48)	(57)
– Closed	(2)	(3)	(2)	(1)	0	(8)	(5)
Total as at 30 June 1999	294	244	187	97	83	905	957
Licensed Post Offices							
– as at 1 July 1998	913	986	446	294	326	2,965	2,925
Changes during 1998-99							
– Opened	3	1	0	2	0	6	7
– Changed from Corporate Office	14	23	4	3	4	48	57
– Changed to Corporate Office	0	(1)	0	0	0	(1)	(1)
– Changed to Community Postal Agency	(1)	(2)	0	(1)	0	(4)	(10)
– Closed	(7)	(3)	(3)	(1)	(2)	(16)	(13)
Total at 30 June 1999	922	1,004	447	297	328	2,998	2,965
Grand total at 30 June 1999	1,216	1,248	634	394	411	3,903	3,922
Community Postal Agencies at 30 June 1999	84	46	160	95	137	522	559
Total outlets at 30 June 1999	1,300	1,294	794	489	548	4,425	4,481

4. AUSTRALIA POST OUTLETS BY STATE AND GEOGRAPHIC CLASSIFICATION

Geographic ⁽¹⁾										
Outlet Type	Classification	NSW	ACT	VIC	QLD	SA	WA	TAS	NT	Aust
Corporate Offices	Metro	204	16	151	109	49	67	12	4	612
	Rural	73	0	61	62	23	18	19	0	256
	Remote	2	0	1	15	3	12	0	4	37
		279	16	213	186	75	97	31	8	905
LPO/POA ⁽²⁾	Metro	403	38	374	164	128	118	27	5	1,257
	Rural	438	2	460	199	152	95	116	3	1,465
	Remote	47	0	17	84	26	84	5	13	276
		888	40	851	447	306	297	148	21	2,998
CPA ⁽³⁾	Metro	11	0	0	4	7	3	4	0	29
	Rural	68	0	22	100	76	33	13	4	316
	Remote	6	0	2	56	20	59	4	30	177
		85	0	24	160	103	95	21	34	522
Totals	Metro	618	54	525	277	184	188	43	9	1,898
	Rural	579	2	543	361	251	146	148	7	2,037
	Remote	55	0	20	155	49	155	9	47	490
		1,252	56	1,088	793	484	489	200	63	4,425

Notes:

1. Geographic classifications use DPIE/HSN November 1994, Rural, Remote and Metropolitan Areas Classification by 1991 Census SLA.

2. LPO/POA = Licensed Post Offices and Post Office Agencies.

3. CPA = Community Postal Agencies.

4. This table uses geographic States, not Australia Post administrative States.

AS AT 30 JUNE 1999

AUSTRALIAN POSTAL CORPORATION

5. BASIC POSTAGE RATE * (BPR) AND THE CONSUMER PRICE INDEX

	BPR ¢	CPI All Groups 8 Capitals Base 1989-90 = 100	Year on Year		
			Change in BPR %	Change in CPI %	Change in Real Postage %
As at 30 June					
1995	45	116.2	–	–	–
1996	45	119.8	0.0	3.1	–3.1
1997	45	120.2	0.0	0.3	–0.3
1998	45	121.0	0.0	0.7	–0.7
1999	45	122.3	0.0	1.1	–1.1

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

6. LETTER SENDERS' ACCESS TO POSTAL NETWORK

	Metro Areas	Rural Areas	Remote Areas	Total
Access to stamps and postage assessment				
(Number of facilities)				
Total retail outlets	1,898	2,037	490	4,425
Other outlets ⁽¹⁾	4,688	4,300	516	9,504
Total outlets⁽²⁾	6,586	6,337	1,006	13,929
Access to posting facilities				
(Number of facilities)				
Total retail outlets	1,898	2,037	490	4,425
Community mail agents	7	66	122	195
Street posting boxes	10,730	3,350	364	14,444
Roadmail contractors ⁽³⁾	675	2,465	498	3,638
Posting facilities⁽⁴⁾	13,310	7,918	1,474	22,702
Comparative access measures				
Outlets per 10,000 residents ⁽⁵⁾	4.9	13.2	16.9	7.4
Posting facilities per 10,000 residents ⁽⁶⁾	10.0	16.5	24.7	12.1
Distance from postal outlets				
Average household distance from outlets (km)	1.1	3.4	12.7	2.0
Dispersion:				
% of households within 2.5km of a retail outlet	94.2	68.3	58.1	86.4
% of households within 7.5km of a retail outlet	99.6	87.2	71.3	95.5

Notes:

1. Including postpoints, licensed stamp vendors, off-site vending machines, etc.
2. Does not include roadmail contractors, all of whom, on request, would arrange supply of stamps.
3. Roadmail contractors, on request, accept letters for posting.
4. In addition, Postal Delivery Officers, on request, accept letters for posting.
5. Based on ABS estimated resident population for June 1998.
6. Does not include access to posting through Postal Delivery Officers.
7. Includes six outlets external to Australia (attributed to administrative State and zoned Remote).

AS AT 30 JUNE 1999

AUSTRALIAN POSTAL CORPORATION

7. LETTER RECIPIENTS' ACCESS TO POSTAL NETWORK (000 DELIVERY POINTS)

	Metro Areas	Rural Areas	Remote Areas	Total
Households				
Delivery to residence via:				
Street delivery	5,000.3	1,268.6	98.1	6,367.0
Roadside delivery	107.7	285.5	15.0	408.2
Total to residence	5,108.0	1,554.1	113.1	6,775.2
Delivery at postal premises via:				
Private boxes and bags	314.3	311.4	70.2	695.9
Counter delivery	28.2	98.6	22.7	149.5
Total at postal premises	342.5	410.0	92.9	845.4
Delivery to intermediate point via:				
Community bags	9.0	30.7	7.8	47.5
Total households	5,459.5	1,994.8	213.8	7,668.1
Business				
Delivery via:				
Street delivery	303.4	85.9	4.3	393.6
Roadside delivery	6.8	7.8	0.4	15.0
Private boxes and bags	282.4	110.1	20.5	413.0
Counter delivery	3.3	9.7	1.7	14.7
Delivery to intermediate point via:				
Community bags	0.4	1.1	0.2	1.7
Total business	596.3	214.6	27.1	838.0
Total delivery points served	6,055.8	2,209.4	240.9	8,506.1

8. FREQUENCY OF SERVICE TO DELIVERY POINTS (PER CENT OF TOTAL DELIVERY POINTS)

Frequency per Week	Metro Areas	Rural Areas	Remote Areas	Total
One per week	0.0	0.1	0.4	0.0
Two to four	0.3	5.8	5.7	1.9
Five or more	99.7	94.1	93.9	98.1
Total	100.0	100.0	100.0	100.0

<div> <div>STATISTICAL SUMMARY</div> <div> <div>AS AT 30 JUNE 1999</div> <div>AUSTRALIAN POSTAL CORPORATION</div> </div> </div>					
<div> <div>9. DELIVERY TIMETABLE</div> <div> <div> <div>Posted for Delivery</div> <div>Delivery by</div> </div> <div> <div>Intrastate</div> <div> <div>Within metropolitan areas of capital cities (*) or within the same city or town environs</div> <div>Between metropolitan areas of capital cities and country locations</div> <div>Between country locations</div> </div> <div> <div>Next business day after posting</div> <div>2nd business day after posting</div> <div>2nd business day after posting</div> </div> </div> <div> <div>Interstate</div> <div> <div>Between metropolitan areas of capital cities</div> <div>Between metropolitan areas of capital cities and country locations</div> <div>Between country locations</div> </div> <div> <div>2nd business day after posting</div> <div>3rd business day after posting</div> <div>4th business day after posting (**)</div> </div> </div> <div> <div>Note:</div> <div>Letters to and from remote country areas, including those without a daily service, may take more than the nominated number of elapsed days indicated above.</div> <div>(*) Capital cities include Canberra and Darwin. (**) Earlier delivery timetables apply to a nominated State border location.</div> </div> </div> </div>					
<div> <div>10. OVERALL LETTER SERVICE PERFORMANCE IN 1998-99</div> <div> <div> <div>Full</div> <div>Quarter</div> <div>Quarter</div> <div>Quarter</div> <div>Quarter</div> </div> <div> <div>Year</div> <div>Ended</div> <div>Ended</div> <div>Ended</div> <div>Ended</div> </div> <div> <div>1998-99</div> <div>30/6/99</div> <div>31/3/99</div> <div>31/12/98</div> <div>30/9/98</div> </div> </div> </div>					
<div> <div>Based on letters delivered in the following areas:</div> <div> <div>Per cent on-time</div> <div> <div>Australian Capital Territory</div> <div>95.7</div> <div>94.8</div> <div>96.4</div> <div>95.7</div> <div>96.0</div> </div> <div> <div>New South Wales</div> <div>93.2</div> <div>94.1</div> <div>93.8</div> <div>91.2</div> <div>93.7</div> </div> <div> <div>Victoria</div> <div>93.8</div> <div>93.8</div> <div>93.3</div> <div>93.6</div> <div>94.7</div> </div> <div> <div>Queensland</div> <div>96.2</div> <div>96.5</div> <div>96.3</div> <div>96.3</div> <div>95.7</div> </div> <div> <div>Western Australia</div> <div>94.6</div> <div>95.2</div> <div>94.5</div> <div>94.2</div> <div>94.6</div> </div> <div> <div>South Australia</div> <div>96.8</div> <div>97.6</div> <div>97.4</div> <div>95.8</div> <div>96.2</div> </div> <div> <div>Tasmania</div> <div>97.1</div> <div>96.6</div> <div>96.9</div> <div>96.7</div> <div>98.0</div> </div> <div> <div>Northern Territory</div> <div>95.0</div> <div>96.9</div> <div>95.7</div> <div>93.9</div> <div>93.4</div> </div> <div> <div>National averages</div> <div>94.4</div> <div>94.9</div> <div>94.5</div> <div>93.5</div> <div>94.7</div> </div> </div> </div> <div> <div>Per cent + one day</div> <div> <div>Australian Capital Territory</div> <div>99.2</div> <div>99.5</div> <div>99.3</div> <div>99.0</div> <div>99.1</div> </div> <div> <div>New South Wales</div> <div>98.4</div> <div>98.7</div> <div>98.7</div> <div>97.9</div> <div>98.4</div> </div> <div> <div>Victoria</div> <div>98.7</div> <div>98.9</div> <div>98.7</div> <div>98.6</div> <div>98.6</div> </div> <div> <div>Queensland</div> <div>99.2</div> <div>99.2</div> <div>99.2</div> <div>99.2</div> <div>99.2</div> </div> <div> <div>Western Australia</div> <div>99.1</div> <div>99.3</div> <div>99.1</div> <div>98.8</div> <div>99.1</div> </div> <div> <div>South Australia</div> <div>99.3</div> <div>99.5</div> <div>99.4</div> <div>99.1</div> <div>99.1</div> </div> <div> <div>Tasmania</div> <div>99.3</div> <div>99.5</div> <div>98.9</div> <div>99.3</div> <div>99.4</div> </div> <div> <div>Northern Territory</div> <div>99.3</div> <div>99.5</div> <div>99.2</div> <div>99.3</div> <div>99.2</div> </div> <div> <div>National averages</div> <div>98.8</div> <div>99.0</div> <div>98.9</div> <div>98.5</div> <div>98.8</div> </div> </div>					
<div> <div>78</div> </div>					

AS AT 30 JUNE 1999

AUSTRALIAN POSTAL CORPORATION

11. SUMMARY OF THE AUSTRALIA POST PROPERTY PORTFOLIO

	NSW/ACT	VIC/TAS	QLD	SA/NT	WA	Aust 1999
Owned						
Commercial ^(a)	1	8	0	0	4	13
GPOs ^(b)	2	2	1	2	1	8
Industrial ^(c)	59	63	46	17	19	204
Residential	3	4	19	3	16	45
Retail ^(d)	172	116	62	40	30	420
	237	193	128	62	70	690
Leased						
Commercial ^(a)	15	17	10	2	3	47
GPOs ^(b)	0	0	0	0	0	0
Industrial ^(c)	90	63	19	11	14	197
Residential	0	8	1	10	9	28
Retail ^(d)	138	126	108	38	54	464
	243	214	138	61	80	736
Total						
Commercial ^(a)	16	25	10	2	7	60
GPOs ^(b)	2	2	1	2	1	8
Industrial ^(c)	149	126	65	28	33	401
Residential	3	12	20	13	25	73
Retail ^(d)	310	242	170	78	84	884
	480	407	266	123	150	1,426

Note:

This table format has been altered substantially from previous years to more accurately describe the composition of the portfolio using property industry standard terminology:

(a) Commercial includes National Headquarters and State head office/regional office administrative accommodation;

(b) GPOs are those General Post Offices located in capital city central business districts;

(c) Industrial includes mail, mail delivery, parcels and transport centres and some stand-alone or collocated business centres; and

(d) Retail includes retail post shops, traditional post offices, post shops and some stand-alone or collocated business centres. This description also includes post offices with residential accommodation or detached residences sharing the same site as an official post office building.

12. TOTAL ARTICLES THROUGH AUSTRALIA POST'S NETWORK (m) *

	1998-99	1997-98	1996-97	1995-96	1994-95
Posted in Australia for delivery in Australia	4,193.8	4,046.1	3,888.1	3,733.7	3,529.9
Posted in Australia for delivery overseas	172.1	165.1	157.3	159.1	146.4
Total articles posted in Australia	4,365.9	4,211.2	4,045.4	3,892.8	3,676.3
Articles posted overseas for delivery in Australia	164.2	160.8	160.3	154.6	151.4
Total articles through the mail network	4,530.1	4,372.0	4,205.7	4,047.4	3,827.7

* Mail volume statistics exclude unaddressed advertising items and incoming international mail and articles which do not generate revenue, eg official mail, redirected mail and international mail in transit (eg Singapore to New Zealand, via Australia).

AS AT 30 JUNE 1999

AUSTRALIAN POSTAL CORPORATION

13. OCCUPATIONS OF FULL-TIME STAFF, EXCLUDING CASUALS

Function	HQ	NSW	VIC/TAS	QLD	WA	SA	Sprintpak	Property	Geospend	Corporate Services	Aust 1999	Aust 1998
Full-time												
Administration	325	873	661	280	242	210	51	72	12	412	3,138	2,772
Delivery	1	3,344	2,801	1,344	832	805	0	0	0	0	9,127	9,321
Engineer	14	5	7	1	1	1	0	0	0	0	29	29
Executive	78	22	15	9	5	7	5	9	1	12	163	161
Facility Manager	0	39	33	12	10	10	0	0	0	0	104	85
Miscellaneous	3	39	3	15	8	4	5	0	0	0	77	228
Mail Processing	0	2,978	1,548	1,132	353	476	0	0	0	0	6,487	7,322
Parcels	1	294	167	2	135	7	0	0	0	0	606	695
Postal Manager	4	465	423	295	171	134	0	0	0	0	1,492	1,302
Postal Sorting	0	423	233	166	51	53	0	0	0	0	926	971
Retail	2	1,153	832	475	308	293	0	0	0	0	3,063	3,647
Sprintpak	0	0	0	0	0	0	129	0	0	0	129	132
Support Services	1	128	52	15	7	9	1	0	0	0	213	307
Technical	21	218	198	74	69	52	3	1	0	0	636	556
Transport	0	957	606	247	111	94	0	0	0	0	2,015	2,036
Total full-time	450	10,938	7,579	4,067	2,303	2,155	194	82	13	424	28,205	29,564

14. PEOPLE ENGAGED IN PROVIDING POSTAL SERVICES

Function	HQ	NSW	VIC/TAS	QLD	WA	SA	Sprintpak	Property	Geospend	Corporate Services	Aust 1999	Aust 1998
Full-time												
Permanent	441	10,695	7,431	3,972	2,208	2,120	193	81	13	422	27,576	29,322
Fixed term	9	243	148	95	95	35	1	1	0	2	629	242
Total full-time	874	10,938	7,579	4,067	2,303	2,155	194	82	13	424	28,205	29,564
Part-time												
Permanent	7	1,578	1,891	906	462	372	4	0	0	10	5,230	5,238
Fixed term	4	478	466	207	205	166	0	0	0	0	1,526	1,723
Total part-time	11	2,056	2,357	1,113	667	538	4	0	0	10	6,756	6,961
Total staff	461	12,994	9,936	5,180	2,970	2,693	198	82	13	434	34,961	36,525
Others												
Casuals *	0	639	449	249	196	66	0	0	0	0	1,599	1,262
Post Office Licensees	0	922	1,004	446	297	328	0	0	0	0	2,997	2,964
Post Office Agents	0	0	0	1	0	0	0	0	0	0	1	1
Mail Contracts#	0	1,685	1,184	1,395	562	353	0	0	0	0	5,179	4,924
Total others	0	3,246	2,637	2,091	1,055	747	0	0	0	0	9,776	9,151
Grand total	461	16,240	12,573	7,271	4,025	3,440	198	82	13	434	44,737	45,676

* Casual staff paid in the last pay period in June 1999.

Denotes the number of mail contracts: a contractor may hold more than one contract.

STATUTORY

STATUTORY REPORTING REQUIREMENTS INDEX

Australia Post has reported in accordance with the *Commonwealth Authorities and Companies Act 1997*, *Australia Postal Corporation Act 1989*, the *Freedom of Information Act 1992* and the *Occupational Health and Safety (Commonwealth Employment) Act 1991*. This index shows where the relevant information can be found in the 1998-99 Annual Report.

Commonwealth Authorities and Companies (CAC) Act 1997 – Schedule 1 Reporting Requirements

Section	Subject	Location	Page Reference
s.1(b)	Financial statements	Financial statements	48-71
s.1(c)	Auditor general's report	Financial statements	46
s.2(3)	Director's statement	Financial statements	45

Australian Postal Corporation Act 1989 – General Reporting Requirements

Section	Subject	Location	Page Reference
s.43(a)	Statement of corporate objectives under the Corporate Plan	Introducing Post	1
s.43(b)(i)	Overall strategies and policies under the Corporate Plan	Statutory report	83
s.43(b)(ii)	Performance indicators and targets under the Corporate Plan	Introducing Post	1
s.43(c)	Assessment of extent to which objectives under s.43(a) have been achieved	Statutory report	83
s.43(d)	Strategies and policies relating to Community Service Obligations (CSOs)	Statutory report	83-84
s.43(e)	Directions by the Minister under s.40(1) (CSOs)	Financial review	4-5
s.43(f)	Assessment of appropriateness and adequacy of strategies and policies for CSOs	The year in review	2-3
s.43(fa)	Performance standards relating to CSOs	Statutory report	83-84
s.43(g)(i)	Notifications by the Minister under s.28 of the CAC Act (general policies of the Commonwealth)	Statutory report	84
s.43(g)(ii)	Directions by the Minister under s.49 of the APC Act (public interest)	N/A	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	N/A	N/A
s.43(h)(ii)	Impact of other Government obligations	N/A	N/A
s.43(i)	Ministerial power under s.33(3) to disapprove postage determinations	Statutory report	84
s.43(k)	Companies and other associations established or sold	N/A	N/A
s.43(m)(i)&(ii)	Shares purchased and disposed of	Financial statements	59, 65
s.43(m)(iii)	Subsidiaries	Financial statements	59, 65
s.43(n)	Authority to open or examine the contents of postal articles	Financial statements	59, 65
s.43(o)	Disclosure of information	Statutory report	86
s.44(a)	Financial targets	Statutory report	86-87
s.44(b)	Ministerial direction under s.40(1) to vary the financial targets	Statutory report	83-84
s.44(c)	Progress in achieving the financial targets	N/A	N/A
s.44(d)	Dividend payable to the Commonwealth	Statutory report	84
s.44(e)	Ministerial direction under s.54(3) as to dividend	Financial review	4-5
s.44(f)	Capital repaid to the Commonwealth	Financial statements	58
s.44(g)(i)	Cost impact of CSOs	Statutory report	84
s.44(g)(ii)	Cost impact of Ministerial notifications under s.48 of CAC Act	N/A	N/A
s.44(g)(iii)	Cost impact of Ministerial directions under s.49 of APC Act	N/A	N/A
s.44(g)(iv)	Cost impact of other Government obligations	Statutory report	84
s.44(h)(i)&(ii)	Financial information requested by the Minister in relation to the reserved services and other activities	N/A	N/A

Freedom of Information Act 1982 – Reporting requirements

Section	Subject	Location	Page Reference
s.8(1)(a)(i)	Information on organisation and functions	Statutory report	86
s.8(1)(a)(ii)	Consultative arrangements	Statutory report	86
s.8(1)(a)(iii)	Categories of documents	Statutory report	86
s.8(1)(a)(iv)&(v)	Access to documents and initial inquiries	Statutory report	86

Occupational Health and Safety (Commonwealth Employment) Act 1991 – Reporting requirements

Section	Subject	Location	Page Reference
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	85
s.74(1)(d)	Measures taken to ensure health, safety and welfare of employees and contractors	Delivering more through our employees	32-33
s.74(1)(e)	Statistics requiring the giving of notice under 2.68	Statutory report	85
s.74(1)(f)&(g)	Details of investigations and other matters as prescribed	Statutory report	85

STATUTORY REPORTING REQUIREMENTS INDEX

COMMONWEALTH AUTHORITIES AND COMPANIES ORDERS 1998 DIVISION 2 - GENERAL INFORMATION ABOUT OPERATIONS AND ACTIVITIES

Enabling legislation and responsible Minister

Section	Subject	Location	Page Reference
(a)	Australia Post's enabling legislation	Statutory report	83
(b)	Ministers responsible	Statutory report	83

Outline of organisational structure

Section	Subject	Location	Page Reference
(a)	Organisational structure	The Organisation	36

Review of operations and future prospects

Section	Subject	Location	Page Reference
(a)(i)	Performance measured against statutory objectives	Statutory report	84-85
(ii)	Corporate plan	Statutory report	83-84
(iii)	Principal outputs and contributions	Year in review	2-3
		Financial review	4-5
		Post at a glance	8-9
(b)	Current and future events and trends, including risks and opportunities	Year in review	2-3
		Financial review	4-5
		Business environment	6-7
		Post at a glance	8-9
		Year 2000	43
		N/A	N/A
(c)	Section 15 (CAC Act) – significant events	Year in review	2-3
(d)(i)	Operational and financial results – principal outputs	Financial review	4-5
		Post at a glance	8-9
(ii)	Major investing and financing activities	Year in review	2-3
(iii)	Financial and non-financial performance indicators	Financial review	4-5
		Financial review	4-5
		Statutory report	84-85
(e)	Significant changes in Australia Post's affairs or principal activities during the year	N/A	N/A
(f)	Significant developments since end of financial year	N/A	N/A

Judicial decisions and reviews by outside bodies

Section	Subject	Location	Page Reference
(a)	Judicial/tribunal decisions that have had a significant impact	N/A	N/A
(b)	Reports by the Auditor-General, a Parliamentary Committee or Commonwealth Ombudsman	Performance standards audit	47

Effects of ministerial directions

Section	Subject	Location	Page Reference
(a)(i)	Any directions by responsible ministers during the financial year	N/A	N/A
(ii)	Since the end of the financial year	N/A	N/A
(iii)	Continuing from previous financial years	N/A	N/A
(b)(i)	Government policies under Section 28 of the CAC Act during the financial year	N/A	N/A
(ii)	Since the end of the financial year	N/A	N/A
(iii)	Continuing from previous financial years	N/A	N/A

Disclosure requirements of GBEs

Section	Subject	Location	Page Reference
(a)(i)	Significant changes in financial structure	N/A	N/A
(ii)	Events that may affect future operating results	Year in review	3
(b)	Dividends paid	Financial review	4-5
		Financial statements	58
(c)	Community service obligations	Delivering more to Australia	28
		Statutory report	84-856

DIVISION 3 - SPECIFIC INFORMATION

Directors

Section	Subject	Location	Page Reference
1(a)	Directors' details	Board of Directors	38-39
(b)	Directors' meetings	Corporate governance	42
(c)	Committee meetings	Corporate governance	42

Audit committee

Section	Subject	Location	Page Reference
(a)	Audit committee members	Corporate governance	42
(b)	Audit committee meetings	Corporate governance	42

Indemnities and insurance premiums for officers

Section	Subject	Location	Page Reference
(a)	Indemnity for officers	Statutory report	83
(b)	Premium paid	Statutory report	83

STATUTORY REPORTING REQUIREMENTS

AUSTRALIAN POSTAL CORPORATION

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* and the *Occupational Health and Safety (Commonwealth Employment) Act 1991*.

The index at page 81 shows where the relevant information can be found in this annual report.

A number of matters are dealt with elsewhere in the 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).

Post's principal function is to supply postal services within Australia and between Australia and other countries. Australia Post may also carry on any business or activity, either domestically or internationally, that relates or is incidental to the supply of postal services.

SHAREHOLDER MINISTERS

Senator the Hon. Richard Alston, Minister for Communications, Information Technology and the Arts, has portfolio responsibility for Australia Post.

Shareholder responsibility for the enterprise is exercised jointly by Senator Alston and the Minister for Finance and Administration, the Hon. John Fahey MP.

BOARD OF DIRECTORS

The Board consists of up to nine directors.

Membership at 30 June 1999 was:

- Linda B Nicholls - Chairman
- Alan G Rydge - Deputy Chairman
- Graeme T John - Managing Director
- Kenneth C Allen
- Rodney M Cameron
- Megan A Cornelius
- Michael S Keating, AC
- Katie Lahey
- Peter A McLaughlin

Appointments during the year were:

- Megan A Cornelius (24 November 1998)

INDEMNITIES AND INSURANCE

Australia Post has in place a multi-year Directors' and Officers' Liability Insurance policy. The policy, which expires in February 2002, provides cover in respect of any person who is or was a director or officer of Australia Post, when acting in these capacities, against costs and expenses in successfully defending certain proceedings. Confidentiality requirements within the insurance contract prohibit disclosure of the premium.

Directors of Australia Post are also indemnified by the Corporation to the extent permitted by law against any liability incurred in that capacity.

CORPORATE PLAN

Post prepares, annually, a rolling 3-year corporate plan. The 1998-99 plan, covering the period to 30 June 2001, was submitted to the Shareholder Ministers in May 1998.

OBJECTIVES

The main objectives of the plan, over the triennium, were:

- the maintenance of the high levels of service currently being achieved;
- the maintenance of a high level of profitability in the face of possible major shifts in the regulatory environment; and
- the continuance of the balance as far as possible of the returns from the profitability of the enterprise amongst major stakeholders.

STRATEGIES AND POLICIES

The principal strategies and policies directed towards achieving the plan's objectives were:

- striving towards world's best practice in all areas of the enterprise;
- introducing customer barcoding of business originating small letters to budgeted costs and times and with the support and commitment of major mailers;
- commissioning, on time and to budget, new mail processing facilities and associated equipment;
- growing business in the core areas of letters and parcels by the progressive introduction of innovative products and services;
- continuing to encourage involvement and participation of employees in workplace issues and in the development of future leadership capabilities and effectiveness at first line management level;
- increasing involvement in electronic commerce and financial services;
- managing the change resulting from the impacts of regulatory reform so that the viability of the enterprise remained intact and disruption in any area was manageable; and
- maximising shareholder value.

TARGETS

Key financial targets and non-financial performance measures set out in the plan were:

- profit before net interest and tax averaging \$371 million per year;
- ordinary dividends totalling \$401 million (60 per cent of after tax profit) over the three years of the plan,
- capital investment of \$1,103 million over the life of the plan;
- 94% of letters to be delivered to advertised timetables;
- continuation of the price 'freeze' for the 45 cents basic letter rate for the duration of the plan – subject to no unforeseen circumstances; and
- cumulative labour productivity increase of 19.2 per cent over the period, an annual average of 6.0 per cent.

AUSTRALIAN POSTAL CORPORATION

Specific targets for 1998-99 were:

- › no increase in the basic postage rate;
- › 94 per cent on-time letter delivery;
- › labour productivity growth of 4.0 per cent;
- › profit before net interest and tax of \$331.0 million;
- › return on average assets of 12.1 per cent; and
- › dividend of 60 per cent of profit after abnormal items and tax.

PERFORMANCE

Performance against these key targets was as follows:

- › standard letter rate maintained at 45 cents (unchanged since January 1992);
- › 94.4 per cent on-time letter delivery;
- › productivity growth of 5.1 per cent;
- › profit before net interest and tax of \$385.1 million;
- › return on average assets of 13.8 per cent; and
- › ordinary dividend for 1998-99 of \$148.7 million (60 per cent of profit after abnormal items and tax).

GOVERNMENT POLICIES

Under s28 of the *Commonwealth Authorities and Companies Act 1997*, the Minister may notify the directors of a Commonwealth authority of general policies of the Commonwealth Government that are to apply to that authority.

S49 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 notifications or directions have been issued under either of these provisions.

OTHER GOVERNMENT OBLIGATIONS

ADMINISTRATIVE LAW

The cost of meeting Commonwealth administrative requirements in 1998-99 including the auditing of accounts by the Auditor General, was estimated at around \$1 million.

PENSIONER MAIL REDIRECTION

The cost of providing pensioner mail redirection concessions for the year was estimated at around \$7.5 million.

COMMUNITY SERVICE OBLIGATIONS

POLICIES AND STRATEGIES

As defined in s27 of the Act, Post's Community Service Obligations (CSOs) require that:

- › the Corporation provide a letter service for both domestic and international letter traffic;
- › the letter service be available at a single uniform price for standard letters carried within Australia by ordinary post;

- › the letter service be reasonably accessible to all people in Australia on an equitable basis, wherever they reside or carry on business; and
- › performance standards (including delivery times) for the letter service reasonably meet the social, industrial and commercial needs of the Australian community.

Post's fulfilment of its CSOs is influenced by its concurrent commercial and general governmental obligations, in particular the requirement that it perform its functions, as far as practicable, in a manner consistent with sound commercial practice (s26 of the Act).

COSTS

CSO 'costs' arise when the charge made for any mandated service does not recover the cost of its delivery. This 'cost' is measured on a net basis, ie after deduction of related revenue. It is funded by internal cross-subsidy within the letter service and from a lower than otherwise return on the business.

Calculated on the avoidable cost method, CSO 'costs' were estimated at some \$70 million for 1998-99.

PERFORMANCE STANDARDS

By regulations under s28C of the Act, the Minister has prescribed particular performance standards to be met by Australia Post, namely:

- › 94 per cent of letters by ordinary post to be delivered on time in accordance with the prescribed timetable;
- › 98 per cent of delivery points to receive a minimum of five deliveries a week, with 99.7 per cent of all delivery points to receive no less than two deliveries a week;
- › a minimum retail presence of 4000 outlets of which at least 2500 must be in rural or remote areas;
- › retail outlets to be located so that
 - in metropolitan areas, at least 90 per cent of residences are within 2.5 kilometres of an outlet; and
 - in non-metropolitan areas, at least 85 per cent of residences are within 7.5 kilometres of an outlet;
- › a minimum of 10,000 street posting boxes.

Performance against these standards is subject to audit by the Auditor General, whose report for 1998-99 can be found on page 47.

COMPLIANCE REPORTING

Pursuant to s43(fa) of the Act, Tables 4 to 10 in the Statistical Summary outline the facilities and services provided by Australia Post in compliance with its CSOs. Key points are:

- › The price of basic postage remained at 45 cents, unchanged for seven and a half years. In real terms, the price has fallen by 13.6 per cent since January 1992;
- › Delivery performance continued at high levels during the 1998-99 year, with on-time delivery of letters by ordinary post averaging a best ever 94.4 per cent;
- › At 30 June 1999, 98.1 per cent of delivery points received five or more deliveries a week, with 99.97 per cent receiving at least two deliveries a week;

AUSTRALIAN POSTAL CORPORATION

- › Access to postal goods and services was provided through a retail network of 4,425 outlets nationally, of which 2,527 were located in rural or remote areas;
- › In metropolitan areas, some 94.2 per cent of residences were within 2.5 kilometres of an outlet, while in non-metropolitan areas 85.7 per cent of residences were within 7.5 kilometres of a retail outlet; and
- › There were 14,444 street posting boxes nationally.

Note: Metropolitan, rural and remote geographical classifications used are sourced from Rural, Remote and Metropolitan Areas Classification, 1991 Census Edition Department of Primary Industries and Energy, Department of Human Services and Health, AGPS 1994.

SUPERANNUATION

In 1998-99, the Australia Post Superannuation Scheme (APSS) completed its ninth year of operation.

The APSS's governing rules are set out in a legally binding Trust Deed, which complies with all aspects of Superannuation Industry Supervision (SIS) legislation. Under SIS legislation, superannuation funds must have equal numbers of employer and member representative directors.

The Board of PostSuper Pty Ltd, the APSS Trustee, is constituted as follows:

- › three directors appointed by Australia Post;
- › three directors appointed by staff associations to represent employees; and
- › an independent director appointed as Chairperson by the other directors.

In accordance with guidelines issued by the Minister for Finance, under s.6(3) of the *Superannuation Benefits (Supervisory Mechanisms) Act 1990*, during 1998-99 the Corporation:

- › complied with all relevant guidelines; and
- › made no significant changes to superannuation arrangements for employees.

REHABILITATION AND WORKERS' COMPENSATION

As a Class 3 Licence holder under the Safety, Rehabilitation and Compensation Act 1988, Post self-insures and self-administers employee claims for workers' compensation benefits.

The Corporation's current licence runs to 30 June 2000.

During the year:

- › 3905 workers' compensation claims were received for incidents occurring in 1998-99, a decrease of 284 or 7 per cent on the previous year;
- › 86 per cent of new claims were determined within 10 working days of receipt, and 86 per cent of reconsideration requests were decided within 30 working days of receipt; and
- › a total of 1726 people were assessed for rehabilitation and, of all participants in rehabilitation programs, 837 returned to work.

Workers' compensation expenditure for the year totalled \$23.2 million, a reduction of \$2.4 million on 1997-98.

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*

(*Commonwealth Employment*) Act 1991 (OH&S Act 1991).

A number of measures were taken during the year to implement the objectives of Australia Post's OH&S policy. These measures assist in providing a safer workplace for staff and contractors and in improving quality and productivity within the Corporation.

They included:

- › maintaining OH&S committees throughout the Corporation;
- › selecting Health and Safety Representatives (HSRs);
- › providing OH&S-related training for HSRs, managers, supervisors and staff throughout Australia Post to develop a greater understanding of corporate and statutory requirements;
- › 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; induction and skills training; compliance with corporate and statutory OH&S requirements; workplace safety audits for hazard identification and control; accident prevention initiatives targeted at priority accident types; and employee involvement in OH&S;
- › working to reduce the number and severity of major accident types, including motorcycle and manual handling incidents, through staff training, and identifying and controlling accident risks;
- › incorporating safety requirements into the design of new and modified equipment and work practices before their implementation;
- › advising contractors on safe work practices; and
- › integrating OH&S management into mainstream business management.

During the year:

- › 477 incidents were notified and 798 incidents were reported to Comcare in accordance with s68 of the *OH&S Act 1991*;
- › 11 Provisional Improvement Notices were given;
- › one Improvement Notice was given and is under appeal;
- › 13 investigations were conducted, relating to:
 - forklift truck safety (4);
 - machinery and building safety (3);
 - licence (prevention evaluation) compliance (2);
 - security (2);
 - OH&S policies and procedures (1); and
 - manual handling (1)
- › no tests under s45 were required and no s44 actions were taken.

FREEDOM OF INFORMATION REPORT

In the year to 30 June 1999 Post received 35 applications, under the *Freedom of Information Act 1982 (Cth)*.

These were handled as follows:

Granted in full	15
Granted in part	8
Access refused	10
On hand 30 June 1999	2
Total	35

STATUTORY

REPORTING REQUIREMENTS

AUSTRALIAN POSTAL CORPORATION

There were six applications for internal review during the year, four of which resulted in the decision of the Freedom of Information Officer being confirmed. In one of the remaining cases access was granted in full, while in the other access was granted in another form.

The estimated cost of handling Freedom of Information requests and related responsibilities in 1998-99 was \$17,000. Application fees of \$750 were collected.

FREEDOM OF INFORMATION ACT, SECTION 8

The following information is presented in accordance with s8 of the *Freedom of Information Act 1982*:

Organisation and functions – The Corporation has a Melbourne-based headquarters, five State-based profit centres and four joint venture partners and associated businesses.

Headquarters is responsible for strategic, policy, planning, and support activities. State-based profit centres direct daily business activities within the States.

Consultative arrangements – Australia Post consults directly with major mail users, customers and various bodies to help meet customers' needs.

The Postal Services Consultative Council provides a forum for discussing Australia Post's services and performance. Australia Post also consults extensively with private mail users through local managers.

Market research is undertaken regularly to monitor how well Australia Post is satisfying customer needs and how the postal system is regarded generally.

Australia Post's letter delivery performance is independently audited by KPMG. Formal reports are published on a quarterly basis.

FREEDOM OF INFORMATION ACT, SECTION 9

A list of documents available for inspection and purchase has been lodged with the Freedom of Information Controller at Australian Archives in Canberra.

ACCESS TO DOCUMENTS

Access to documents under the *Freedom of Information Act* can be obtained by making a request in writing, together with the prescribed fee, to:

Freedom of Information Officer
Legal Services Unit
Australia Post Headquarters
GPO Box 1777Q
MELBOURNE VIC 3001

Alternatively, access to documents can be obtained by writing to the Freedom of Information Officer in the relevant State administrations. The addresses of Post's State administrations are set out on page 92.

FRAUD CONTROL

Post employs measures consistent with sound commercial practice for the control and detection of fraud.

A comprehensive fraud control policy and associated employee awareness program are in place.

The Corporate Audit Services Group reviews business operations and related systems including policies procedures, which make up the control

environment. It does so on a programmed basis to ensure that the Corporation's assets are safeguarded and business risks minimised.

The Corporate Security Group is a specialised unit charged with the responsibility of ensuring the integrity of the mail and the safety of Australia Post's personnel and other assets. It works closely with law enforcement agencies both within Australia and internationally.

Annual reviews of conventional computer and computer-related crime risk exposures are undertaken by the Risk Management Unit.

A Systems Security section has the specialist role of ensuring the security of Post's information technology systems.

EXAMINATION OF MAIL

Australia Post is authorised under the Act to open mail, as required by the Australian Customs Service, where it is suspected that articles may contain prohibited substances or to ensure that appropriate duties/taxes are met.

Authorised examiners have been appointed under s90FB of the Act at designated locations where mail can be so opened.

Australian Customs Service personnel have also been authorised under s90FB(3) of the Act for the purpose of examining mail without opening (ie by x-ray or with drug detection dogs).

Finally, 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

Post is authorised to disclose information to agencies with the legislative power to obtain such information. This includes instances relating to enforcement of the criminal law, the protection of public revenue, the reduction of threats to life and notification of next of kin.

As required under s43(o) of the Act, Tables 1 and 2 following, detail the number of times that such information was disclosed during the year and the authorities or bodies receiving that information.

AUSTRALIAN POSTAL CORPORATION

TABLE 1. DISCLOSURE OF INFORMATION/DOCUMENTS (SECTION 90J 'AUTHORITY')

(Applies to all information or documents)

Authority for Disclosure (1)	Number of Disclosures	Disclosures made to (2)
Disclosure under warrants [s90(3)]	76	Aust. Security Intelligence Organisation, Aust. Federal Police, National Crime Authority, State Police (Qld, SA, Tas, Vic, WA).
Disclosure under a law of the Commonwealth [s90(5)]	8205	Aust. Competition & Consumer Comm., Aust. Customs Service, Aust. Taxation Office, Centrelink, Child Support Agency, Dept. of Education Training & Youth Affairs, Dept. of Immigration & Multicultural Affairs, Dept. of Veterans' Affairs, Insolvency & Trustee Services Aust., National Crime Authority.
Disclosures under certain laws establishing commissions [s90(6)]	82	Crimes Commission (NSW), Criminal Justice Commission (QLD).

(1) There were no disclosures made under s90(7) (8) or (9).

(2) Commonwealth Agencies, unless otherwise indicated

TABLE 2. DISCLOSURE OF INFORMATION/DOCUMENTS (SECTION 90K 'AUTHORITY')

(Applies to information or documents not specially protected)

Authority for Disclosure (1)	Number of Disclosures	Disclosures Made to (2)
Disclosure to authorised ASIO officer [s90K(4)]	114	Australian Security Intelligence Organisation.
Disclosure for the enforcement of laws or protection of public revenue [s90K(5)]	5093	Anti-Corruption Commission (WA), Attorney-General's Office, Attorney-General's Office (WA), Aust Communications Authority, Aust Government Solicitor, Aust Quarantine Inspection Service, Aust Securities & Investments Commission, Civil Aviation Safety Authority Aust, Comcare Aust, Consumer Affairs Bureau (ACT), Crown Law Division (QLD), Dept of Corrective Services (NSW), Dept of Fair Trading (NSW), Dept of Gaming & Racing (NSW), Dept of Health & Family Services, Dept of Justice (QLD), Dept of Primary Industries (SA) & (QLD), Dept of Transport, Director of Public Prosecutions, Directorate of Operational Security & Policing, Health Insurance Commission, Liquor & Adult Services Regulation Branch (ACT), Ministry of Fair Trading (WA), Ministry of Justice (WA), NSW Fisheries (NSW), Office of Consumer Affairs (QLD), Office of Consumer Affairs & Fair Trading (NT), Office of Consumer & Business Affairs (SA), Office of Fair Trading & Business Affairs (VIC), Office of Gaming Regulation (QLD), Office of State Revenue (NSW) & (QLD), Australian Federal Police, Defence Force Police, State Police (QLD) (NSW) (VIC) (TAS) (SA) (WA) (NT), Police Integrity Commission (NSW), Portable Long Service Leave Authority (QLD), Public Trustee (WA), Queensland Crime Commission (QLD), Residential Tenancies Authority (QLD), RSPCA, Sherriff's Office (VIC), State Revenue (VIC), State Taxation Office (SA), Transport Accident Commission (VIC), Victorian Casino & Gaming Authority (VIC), WorkCover (QLD), WorkCover Corporation (SA).

(1) There were no disclosures made under s90K (2) or (3)

(2) Commonwealth agencies, unless otherwise indicated.

RESERVED

RESERVED/NON-RESERVED SERVICES

Estimated Results of Product Dissection between Reserved and Non-reserved Services

	Reserved		Non-reserved		Total	
	\$m	%	\$m	%	\$m	%
CORPORATION RESULTS						
Revenue	1,691.2	49.0	1,757.5	51.0	3,448.7	100.0
Expenses	1,595.7	51.9	1,478.7	48.1	3,074.4	100.0
Operating profit	95.5	25.5	278.8	74.5	374.3	100.0
Return on revenue		5.6		15.9		
Abnormal items					(1.3)	
Operating profit before income tax					373.0	
Return on revenue						10.8
Estimated average assets employed	1,388.9	51.4	1,313.4	48.6	2,702.3	100.0
Investments and non-trading assets					92.6	
Total average assets					2,794.9	
Return on assets ⁽¹⁾		6.9		21.2		13.8
CONSOLIDATED RESULTS						
Profits in subsidiaries					0.0	
Consolidated operating profit before income tax					373.0	
Return on revenue						10.8
Assets in subsidiaries					(0.3)	
Consolidated total average assets					2,794.6	
Return on assets ⁽¹⁾						13.8

(1) Operating profit before net interest and income tax divided by total average assets.

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