Future Ready

Australia Post
Annual Report 2012

This is the second year Australia Post has produced an integrated annual report. It discusses our overall sustainability performance including our financial, social and environmental achievements for the 2012 financial year.

The report provides information for our four primary stakeholders – our shareholder (the Australian Government), our people, our customers and the broader community. The material issues we cover in this report, and our process for identifying these topics this year, are discussed on page 17.

Our integrated report is prepared according to legislative requirements, the Global Reporting Initiative (GRI) G3.1 Guidelines and the GRI Transport and Logistics Sector Supplement, and the principles of the United Nations Global Compact.

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Digitising Australia Post

The digital economy is growing at a rapid pace, and Australian businesses, consumers and the broader community require services that are relevant to how they live and work today – and how they will communicate and transact in the future.

Our Future Ready business renewal program involves adapting our products and services, in fact our whole business model, in response to this trend. Australia Post is finding opportunities to better connect people, in both the physical and the digital world.

This transformation journey is ongoing, but this year we have made important progress in re-engineering our business by improving digital access and adding a range of new services.

Australia Post Managing Director and CEO, Ahmed Fahour, is spearheading the corporation's Future Ready business renewal program.

77%

of customers are very satisfied with our service

We've improved the way we serve our customers and our satisfaction results reflect this. All of our customers – consumers, small businesses and mid-to-large businesses – rated Australia Post positively for customer service this year, with 77* per cent rating us 7 out of 10 or higher.

(*Average score across consumer and business customer segments.)

#1

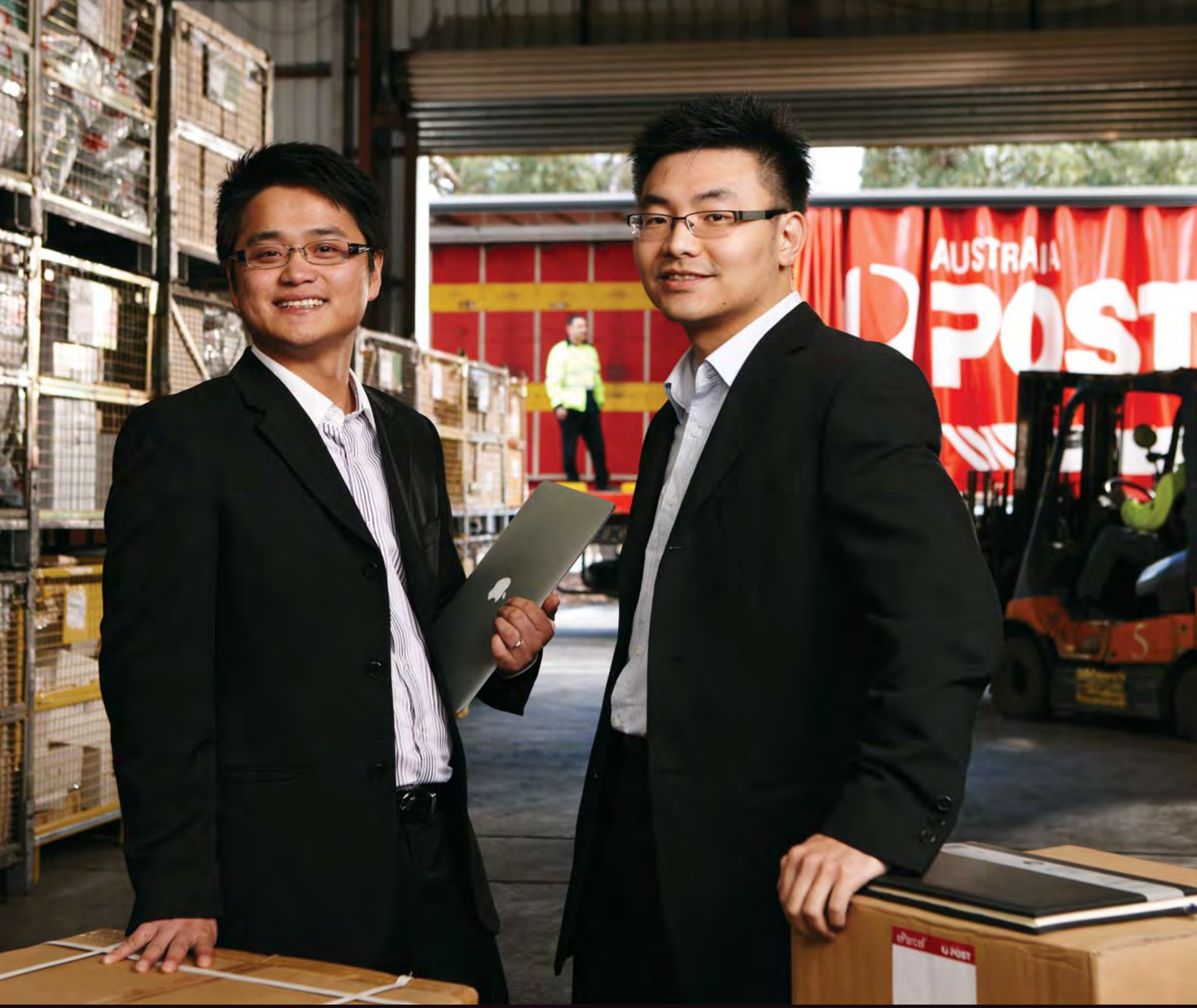
fresh business idea

In December 2011, *BRW* magazine listed our 24/7 parcel lockers the "freshest business idea" for 2012. Our 24/7 parcel lockers are a convenient new way for customers to pick up their parcel – at a time and place that suits them. Parcel lockers are available at six locations across the country, and there are plans for many more in the future.

24/7

access for customers

An important focus this year has been on giving our customers access to our services at a time that suits them. One way we are doing this is by offering a 24/7 zone in our new retail superstores, where customers can pay a bill, pick up or post a parcel, withdraw cash from an ATM or purchase postal products like Express Post envelopes and stamps.



Connecting your business

Customers are central to our business. After all, if they don't succeed, how can we? So being customer focused and meeting the needs of Australian businesses are at the heart of all that we do.

We recognise that the needs of our business customers are changing, and we're reshaping our business in response. Australia Post has many customers – from small-to-medium sized online retailers to large multinational enterprises and government agencies. One thing is common to them all: the digital economy is changing the way they do business.

Much of the work we've done this year has focused on understanding the needs of our customers and offering them greater choice and convenience. New initiatives like our Business Hubs, parcel lockers, 24/7 retail zones and delivery choices are all designed to give Australian businesses and their customers more options for when and how they access our services.

Australia Post has earned a reputation for delivering trusted services. For the second consecutive year we were ranked the second most reputable brand in Australia (2012 AMR RepTrack study). We cherish that brand value and we aim to honour the Australian community's faith in our service. We recognise that our future success will be built on providing great service to all our customers. That means being easy to deal with, having friendly and knowledgable staff and, importantly, offering relevant and secure products and services that better connect your business.

David Yin and Kenneth Chan, Directors of CrazySales, the first company to offer Australia Post's full suite of delivery choices.

Gordon Jones of Jones Potatoes is one of 70 Victorian producers expanding their customer base by selling online through Farmhouse Direct.

73.4%
employee engagement score

This year we achieved an employee engagement score of 73.4 per cent (this is an improvement of 4.6 per cent on last year's score). Future Ready is an ambitious change program, so taking our people along the journey and maintaining an engaged workforce are critical to our success.

$165.2 million
spent meeting our CSOs

Australia Post delivers a reliable and accessible mail service to all Australians, wherever they reside. But the cost of sending some items outweighs what we charge to deliver them. This year, the cost of meeting our community service obligations was 14.2 per cent higher than last year.

AFL Community Camps

This year we became the Community Inclusion Partner of the Australian Football League, a long-term partnership that connects individuals and communities across the nation through their love of Australian Rules football.

Connecting your community

Australia Post's contribution to the Australian community is broad and multi-faceted. As a service provider, we are focused on offering products, services and initiatives that connect Australian communities.

The most significant contribution we make is through the provision of a reliable and accessible mail service to all Australians – wherever they reside. We take this responsibility very seriously – because providing an essential community service has been the core role of our business for more than 200 years. Every year we honour our community service commitments by meeting all of the performance standards related to accessing our networks and on-time mail delivery.

We also have an important role to play in helping the nation to become more productive and competitive. For instance, we're helping Australian businesses take advantage of the growth in online retailing, through new products such as Pack and Track International and by trialling new marketplace initiatives, such as Farmhouse Direct.

Equally critical is our place in people's lives as a reliable, familiar and trusted point of contact. We have the opportunity through our iconic brand and nationwide presence to galvanise people and offer channels for communication and community support – especially during times of emergency or disaster.

Through our corporate community investment program we are also striving to build vibrant communities. We have a diverse range of partnerships and initiatives that are increasingly focused on connecting communities and promoting social cohesion.

Australia Post Digital MailBox

a new way to connect

This year we announced the Australia Post Digital MailBox. This innovative new product will revolutionise the mail industry and provide Australian consumers with a way to manage all their information in a secure online portal. When we introduce the Australia Post Digital MailBox in 2012, we'll give consumers, businesses and government agencies a secure, efficient and cost-effective way to connect.

5%

reduction in greenhouse gas emissions

This year we reduced our greenhouse gas emissions by a further 5 per cent (or 14,026 tonnes) thanks to a range of fuel and energy-saving initiatives, such as the introduction of more electric bikes to our delivery fleet. We're tracking well to meet our 25 per cent carbon reduction target by 2020.

$281.2 million

profit after tax

Despite another challenging year, we increased our profit after tax by 16.6 per cent. This positive result is largely due to growth in parcels and trusted services and effective cost management.

Connecting your future

Australia Post is the nation's oldest, continually operating organisation. For more than 200 years we have serviced Australian communities, right across our vast nation.

Our business has always evolved to adapt to the changing needs of Australians. Change has been a consistent theme throughout our history and it's especially important today as new technologies transform the way we live, work and connect.

Over the coming years we will work hard to maintain our high levels of service and community trust, while completing the digitisation of our services and embedding a safe, efficient and customer-focused culture. A critical focus for us will be adapting our network to cope with the continued trend of fewer letters, more parcels, and customer expectations of digital access to our full range of services.

Australia Post will set the benchmark as a modern and sustainable postal organisation that makes a positive contribution to Australian society, well into the future. In doing so, we will preserve Australia Post as a vital piece of national infrastructure.

Bree Berg is one of the many Australians enjoying the choice and convenience of buying online.

Our business
Chairman's message

All around the world digital communications technology is changing the way that people communicate, shop and do business. This shift in customer behaviour is having a marked impact on a range of industries – and it's particularly noticeable in the postal, distribution, logistics and retail sectors, which are all undergoing major structural change.

At Australia Post, the impact of digital substitution on our traditional core business reached a tipping point in 2008–09, when the combination of the global financial crisis and electronic substitution contributed to the first significant year-on-year decline in the volume of mail posted by Australians (up until 2000, our letter volumes had grown – or contracted – in tandem with GDP). Unfortunately, Australian mail volumes have not recovered since – and this year our total addressed mail volumes were 17 per cent lower than the mail peak of 2007–08. While the Internet and digital communications are causing the steady erosion of our mail volumes, we are also realising benefits from the emerging digital economy – and there is clear potential for future growth. Just one example is the surge in parcel volumes that we have enjoyed over the past two years as a growing number of Australians do their shopping online.

In response to these market trends, we launched our business renewal program, Future Ready, in April 2010. In essence, Future Ready is about re-engineering Australia Post to be an enabler of the digital economy. It is underpinned by a significant investment in building new digital capabilities and services and a relentless focus on the needs of our customers. We now have three Future Ready strategic goals. We aim to:

- build a sustainable communications business – both physically and digitally
- build a world-class parcels business – with excellence in service performance
- build a multi-channel trusted services offer for consumers.

A year of progress and achievement

This year we made important progress with strategic execution by launching a range of new business initiatives that will contribute to our business for many years to come. The opening of our flagship superstore at the Brisbane GPO in November 2011 was a landmark event – and we have since opened superstores in Cairns and Melbourne, with many more to come. We successfully trialled 24/7 parcel lockers at three sites initially, and our customers clearly relished the opportunity to collect their parcels at a time that was convenient for them. We also opened 23 Business Hubs to provide dedicated customer service and distribution support to small- and medium-sized businesses in their local area.

Another highlight of this year was the March announcement of our Digital MailBox – a secure, online digital mail service that will be free for all Australians. By launching this new service, we are embracing our customers' preference for digital communications and offering them a secure portal through which to receive and manage all of their personal information online. When our Digital MailBox is launched in 2012, our combined physical and digital mail offering will be unique.

Future-proofing our business

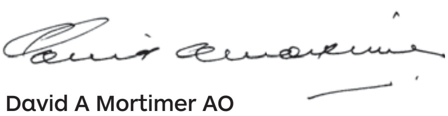
During this "rebuild" phase of Future Ready, the focus of the Board of Directors has been on the capital investment required to meet our strategic objectives over the next three years, including the development and rollout of our new services. These are all important investments that are designed to provide greater convenience and choice for our customers. Another big challenge for our business over the coming years will be the reconfiguration of our mail and parcel networks so that we are equipped to efficiently handle the growing volume of larger items, as Australian e-commerce takes off.

Building a sustainable business

At Australia Post, sustaining our assets, our operations and our services for the benefit of the Australian community is at the very core of what we do. We have again returned a good profit this year and our people, across all levels of the business, are taking responsibility for actively managing our broader social impacts. We made some good progress with safety (our incident rate was down by 21 per cent this year) but there is still much to do. We are also on track to meet our 25 per cent carbon reduction target by 2020, with our emissions down by 14,026 tonnes this year.

Thank you

I have had the enormous privilege of serving on the Australia Post board, in the role of deputy chairman and chairman, for the past 11 years. This annual report marks my last as a director with my second term as chairman expiring on 11 September this year. I believe we have made real progress over these years. The corporation is well placed to respond to the continuing challenges it faces as a rapidly growing business in a fiercely competitive marketplace. I would like to sincerely thank the many wonderful people I've met over the years. I especially want to acknowledge Graeme John, Ahmed Fahour, my fellow directors and the executive team who have led Australia Post with passion, ambition and a genuine sense of community service. Finally, I want to acknowledge the nationwide team of 40,000-plus staff, licensees, franchisees and contractors who deliver essential services and keep Australia connected day in and day out. It has been an absolute pleasure to work with them.



David A Mortimer AO
Chairman

Managing Director and CEO's message

I'm proud to report that Australia Post has again achieved its important milestones this year for its community service and commercial obligations.

Balancing community service and commercial returns

Our business is unique in that it has a "dual purpose": (1) we provide a very important community service to all Australians, and (2) we run a competitive business that must deliver a commercial rate of return. I am very proud that, despite the difficult business environment and the structural decline in our traditional letters business, we have again achieved these objectives this year.

We honoured our community service obligations, such as delivering 95.6 per cent of domestic letters on time or early (our target is 94 per cent) and increasing the number of retail outlets that service metropolitan, regional and remote communities to 4,428 stores (up nine from last year).

We also had a solid year commercially, with trading revenue up 2.8 per cent (to $5.1 billion) and our profit after tax increasing by 16.6 per cent to $281.2 million. While this result is pleasing, the ongoing decline in domestic letter volumes (down 4.4 per cent this year) continued to put significant pressure on the corporation. The two-speed nature of our business was again evident this year with our regulated business returning an operating loss of $148.1 million, while our non-regulated business returned a strong operating result of $545.6 million with parcels and retail services both performing well. Overall, we achieved a satisfactory return on equity of 18.7 per cent (up from 13.4 per cent last year).

Digitising our business

Australia Post is uniquely positioned to enable connections between the physical and digital worlds, and we are transforming our communications, parcels and retail businesses to deliver this. We are planning $1.6 billion of capital investment over the next four years to ensure we remain relevant in a digital world and meet changing customer preferences, while maintaining our world-class mail service.

With the continued decline in mail volumes, the greatest opportunity to make our communications business sustainable is to add digital alternatives to our formidable physical offerings for our customers. This year we announced the Australia Post Digital MailBox, which will be offered as a free service to all Australian consumers in 2012.

Helping small- and medium-sized Australian businesses to transact online (e-commerce) is an important part of our parcels growth strategy. This year, we opened 23 Business Hubs where we have co-located our transport and delivery operations and sales expertise to provide dedicated support to our business customers in their local community.

We continue to see declining customer visitations to our retail outlets, as Australians send fewer letters and move to online bill payment and banking. However, we are continually finding new ways to attract people to our stores by adding new, relevant and valued services. Prime examples of this in 2011–12 were the introduction of the popular Load&Go reloadable Visa Prepaid card and in-store distribution partnerships with American Express and Rural Bank.

We want to offer Australians more choice in how they interact with our business, and we are delivering on this promise across all our customer touch points. Some examples this year include the launch of our retail superstores with 24/7 zones which feature parcel lockers, self-service terminals for paying bills and lodging parcels and vending machines for purchasing postage products.

A safe and engaged workforce

I am very proud that this year we have improved our employee engagement levels, with an engagement score of 73.4 per cent (up 4.6 per cent on last year). Safety remains a priority and we continued to invest in programs to raise awareness and change behaviour. While we have been successful in lowering the number of workplace incidents, we still have a way to go to reduce the severity of those injuries.

We will continue to focus on these important areas as we strive to embed a world-class safety culture, maintain an engaged workforce and achieve our sustainability targets.

Looking forward

Australia Post is a nationwide, community-based brand. Our role will continue to be to provide essential services that connect Australian businesses, government agencies and consumers. However, our business continues to face great challenges. As a self-funding business, Australia Post returns most of its profit as a dividend to our shareholder, the Australian Government. The rest of our profit is reinvested in our business for the benefit of our customers and the community.

Over the coming year we move into the next phase of Future Ready, which involves growing our business so that we remain viable and can continue to fulfil our community service promise.

On behalf of the board and our people, I would like to thank David Mortimer for the incredible contribution he has made to Australia Post over the past 11 years. He has been a key driver of the strategies that have helped us become the most successful postal corporation in the world. I would also like to personally thank David for his guidance and counsel over the last two and a half years. I wish him all the very best for the future.

Ahmed Fahour
Managing Director and CEO

Our business
Financial report

Australia Post has now completed the second year of its Future Ready strategy. During 2011–12, our focus has been on establishing a strong financial platform so we can leverage the growth opportunities that emerge as Australians continue to communicate, transact and shop online.

Performance

During 2011–12, we achieved significant improvements across all our important financial metrics. Despite the continued decline in our letter volumes and fewer people visiting our stores, revenue increased by $139.7 million to $5.1 billion, achieving year-on-year growth of 2.8 per cent. For the second consecutive year, we increased our return on revenue by constraining costs to a rate lower than revenue growth.

Our statutory profit before tax achieved double-digit growth, up $34.4 million to $366.7 million, and our underlying trading profit returned the strongest result since the global financial crisis in 2008. Our post-tax profit of $281.2 million (which is $40 million higher than last year) underpinned a higher dividend of $213.7 million to be declared to the Australian Government. We've grown the value of our shareholder's investment achieving a return on equity of 18.7 per cent.

Investment

Our capital investment program has focused on providing innovative new services to customers, such as our 24/7 parcel lockers and Business Hubs, which co-locate transport and delivery operations with sales expertise. We also commenced investment in a digital mailbox platform which will be launched in 2012.

Taxes

We paid a total of $369.3 million of taxes through both federal and state jurisdictions.

Segment performance

Our parcel and express services business achieved 12.6 per cent revenue growth as the shift to online trading continued. A strong Australian dollar drove higher volumes of international parcels into the country, and this created service challenges as our two major gateway facilities in New South Wales and Victoria neared their peak operating capacity.

Revenue generated by our retail services business increased, mainly through an extended range of identity, payment and money services. New initiatives include our Load&Go reloadable Visa Prepaid card and in-store distribution partnership with American Express, which provides currency exchange. We commenced rollout of our next-generation retail model, launching new retail superstores with 24/7 zones to provide customers with greater choice and convenience.

Our core domestic letters business again experienced volume declines exceeding 4 per cent, influencing further financial losses in this segment. Our domestic reserved letters business lost $114.4 million this year. However, combined with the losses from our regulated inward international letters and small packets business, our regulated business returned a total loss of $184.9 million. This result would have been far worse had we not tightly managed costs this year.

This year, the corporation was impacted by $65 million of non-cash expense due to the unprecedented declines in the 10-year government bond rate. This rate, which is used to discount the value of employee entitlements, fell 220 basis points to 3 per cent resulting in higher employee provisions and a lower profit result for Australia Post.

Cash management

Our cash management and balance sheet strength provides scope for the business to leverage counter-cyclical opportunities through investment and acquisition during a period of economic uncertainty.

While our debt level increased, our key gearing ratios have been maintained at last year's levels: our debt to debt plus equity is 29.1 per cent and our interest cover remains healthy at 10.8. This year we maintained our healthy AA+ credit rating.

Superannuation

This year we ceased to offer our defined benefit superannuation fund to new employees who commence with Australia Post, to prevent the corporation being exposed to unacceptable investment risk over time. An accumulation fund will be offered to employees who join from 1 July 2012.

Capital expenditure

In addition to strategic investment in assets and capability designed to benefit our customers by enhancing their online and in-store experiences, we invested $227 million in capital investment during the year. This investment was predominantly concentrated on our fleet assets, information technology and property, plant and equipment. Total investment in asset replacement exceeded our in-year depreciation expense of $201.6 million.

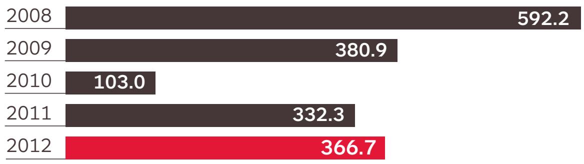
Outlook

The global economic outlook remains uncertain and, on the domestic front, Australia continues to adapt to the digital economy and high exchange rate. Despite these external forces, we remain firmly focused on executing our enterprise strategies and achieving high levels of operational excellence across our business. We will continue to invest in initiatives to achieve our sustainability goals, including our safety and carbon reduction targets.

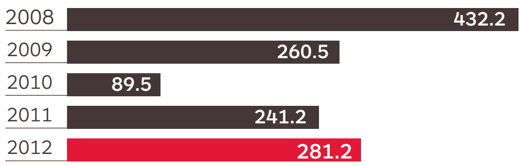
Despite the continued decline in our letter volumes and fewer people visiting our stores, revenue increased by $139.7 million to $5.1 billion, achieving year-on-year growth of 2.8 per cent.

Revenue
($m)

Profit before tax
($m)

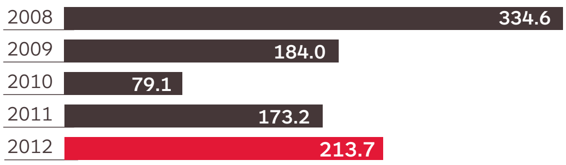


Profit after tax
($m)



Shareholder return on equity
(%)

Declared dividends
($m)



Capital expenditure
($m)

Five-year trends

	2008	2009	2010	2011	2012
Mail volumes (m)	5,609.4	5,323.4	5,145.0	5,038.2	4,843.0
Revenue ($m)	4,936.9	4,974.5	4,856.2	4,986.5	5,126.2
Return on revenue (%)	12.0	7.7	2.1	6.7	7.2
Profit before tax ($m)	592.2	380.9	103.0	332.3	366.7
Profit after tax ($m)	432.2	260.5	89.5	241.2	281.2
Profit/(loss) from reserved services[1] ($m)	(1.7)	(69.2)	(250.1)	(66.5)	(114.4)
Operating profit/(loss) from regulated services[2] ($m)	N/A	N/A	N/A	(123.0)	(148.1)
Operating profit/(loss) from non-regulated services[3] ($m)	N/A	N/A	N/A	451.5	545.6
Return on equity (%)	15.4	14.1	5.7	13.4	18.7
Return on average operating assets (%)	19.4	12.2	3.8	10.9	11.5
Debt to debt plus equity	15.4	23.3	26.4	23.6	29.1
Ordinary dividend declared ($m)	334.6	184.0	79.1	173.2	213.7
Special dividend declared ($m)	111.6	38.4	0.0	0.0	0.0
Interest cover (times)	15.6	11.0	4.6	10.9	10.8

(1) Amounts prior to 2011 included the collection, processing and distribution of international inbound letters and packets (weighing less than 2kg) in accordance with the arrangements of the Universal Postal Union. This is now included within regulated services.

(2) On a total basis (including non-operating items) the regulated services loss was $184.9 million (2011: 120.7 million).

(3) On a total basis (including non-operating items) the non-regulated services profit was $551.3 million (2011: $454.9 million).

Our business
About Australia Post

Australia Post has a long history of providing an essential community service to people across our nation. Ranked the second most reputable brand in Australia this year, we continue to hold a position of trust with the Australian community.

Our business model

Australia Post is the oldest continually operating organisation in Australia. From our humble beginnings delivering mail to the colonies of Australia, we've evolved our business by embracing new technology and offering new products and services that meet the changing needs of businesses, consumers and communities.

We operate under the *Australian Postal Corporation Act 1989* and our underlying purpose is to:

- operate according to sound commercial practice
- meet our community service promise, which is to provide an accessible, affordable and reliable service for all Australians, wherever they reside.

We are a self-funding business. The profit we earn is used to pay a dividend to our sole shareholder, the Australian Government, and to reinvest in the business to develop new capabilities, products and services.

Delivering a reliable and accessible service

Our commitment to the nation is defined by the performance standards associated with our community service obligations (CSOs). Once again, this year, we've exceeded all of these. See page 115 for full performance data.

CSO performance standards	Target	Actual	
Retail outlets (total)	4,000	4,428	✔
Retail outlets in regional and remote areas	2,500	2,560	✔
Street posting boxes	10,000	15,995	✔
On-time delivery (domestic letters)	94.0%	95.6%	✔
Addresses receiving deliveries:			
Five days a week	98.0%	98.8%	✔
At least twice a week	99.7%	99.9%	✔

Our strategy

Our Future Ready strategy is about ensuring the sustainability of our business in a rapidly changing market in which our customers are choosing to communicate and transact online. We are adapting our business to respond to this trend. Our strategy also involves maintaining strong relations with our key stakeholder groups (our customers, our people, the government and the Australian community) and responsibly managing the environmental impacts of our operations.

Our enterprise strategy

Build a sustainable communications business, both physically and digitally

Build a world-class parcels business with excellence in service performance

Build a multi-channel trusted services offer for consumers

Support the execution of our enterprise strategy and programs
Embed culture, align and engage the workforce to execute our enterprise strategy in a safe way

Customers
Build strong customer relationships so we can deliver valued products and services

People
Invest in our people to achieve an inclusive, engaged and capable workforce

Community
Build healthier and more vibrant communities across urban, regional and remote Australia

Environment
Embed sustainable practices across our business to achieve positive environmental outcomes

Our corporate responsibility strategy

15,995 street posting boxes

1,868 metropolitan retail outlets

2,560 outlets servicing regional and remote Australia

23 Business Hubs

We've evolved our business by embracing new technology and offering new products and services that meet the changing needs of businesses, consumers and communities.

Our operating model

Australia Post Board

Managing Director & CEO

Strategic business units →	Communication Management Services; Parcel & Express Services; Retail Services
Network →	Physical/digital network
Functional business units →	Corporate Affairs & People; Finance & Business Services

Our Culture Pillars

Facts

2nd
most reputable brand in Australia (2012 AMR RepTrak study)

93.1 million
items delivered every week to 11 million delivery points

33,031
people and some 10,000 licensees, franchisees and contractors

134
different nationalities represented in our workforce

35.5%
of managers and 33.2% of executives are female

10,380+ trucks, vans and motorbikes/ebikes

498 mail and parcel processing facilities

4 gateway facilities

Our business
Board and leadership team

Board of Directors

Seated from left: David A Mortimer AO, Ahmed Fahour **Standing from left:** Peter Carne, Penny Bingham-Hall, Mark Darras, the Hon. Trish White, Brendan Fleiter

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

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

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

Mark Darras has been a member of the Australia Post board since October 2008, and was appointed deputy chairman in June 2010 (current term expires in June 2013). Mr Darras has significant experience as a senior counsel and human resources executive. He is currently a special counsel with Sparke Helmore Lawyers and a director at John Holland Engineering Proprietary Limited, South Australian Forestry Corporation and Amanie Advisors Australia. Mr Darras is also chairman of the Australia Post Human Resources Committee.

Ahmed Fahour
BEcon (Hons), MBA
Managing Director and CEO

Ahmed Fahour has held a number of senior executive positions within the finance and banking industries in Australia and overseas. He was appointed managing director and CEO of Australia Post in February 2010. He was previously CEO of Citigroup (Australia and New Zealand) and National Australia Bank (Australia). Mr Fahour is chairman of Rip Curl Group and the Council for Australian-Arab Relations, and a director of Murdoch Children's Research Institute and Methodist Ladies College.

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

Penny Bingham-Hall has experience across business, government, the investment community and the media and is currently a director of BlueScope Steel Limited, Sydney Ports Corporation and SCEGGS Darlinghurst Limited. Appointed to the Australia Post board in May 2011 (current term expires in May 2014), she is a former executive general manager strategy at Leighton Holdings Limited and a former director of the Tourism & Transport Forum and Infrastructure Partnerships Australia.

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

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

The Hon. Trish White
BE, BA, FAICD, FIEAust
Director (non-executive)

Trish White has broad experience in the public and private sectors across a number of industries, including resources and energy, defence, transport and communications. Appointed to the Australia Post board in July 2010 (current term expires in July 2013), Ms White is an engineer and former cabinet minister of the South Australian Government. She is currently the executive strategic advisor for Worley Parsons, a director of the Motor Accident Commission, chair of the Centre for Energy Technology and serves on the Resources and Energy Sector Infrastructure Council, as well as university business and engineering advisory boards.

Brendan Fleiter
LLB, B.Juris
Director (non-executive)

Brendan Fleiter was appointed to the Australia Post board in October 2011 (current term expires in October 2014). A qualified lawyer with extensive retail and telecommunications business experience, Mr Fleiter is a former CEO of Crazy John's Group, director of People Telecom Limited and chairman of Titan Media Group Limited. He is currently a director of Consegna Group Limited, Ilhan Food Allergy Foundation and Volleyball Victoria, chairman of Methodist Ladies' College Foundation and deputy chairman of Methodist Ladies' College.

Retirements

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

Ian Warner was appointed to the Australia Post board in June 2001. A distinguished legal practitioner with extensive commercial experience, Mr Warner is a former senior partner of Jackson McDonald Lawyers in Perth. He is currently deputy chairman of Amcom Telecommunications Limited and a director of Cape Bouvard Investments Proprietary Limited. Mr Warner retired from the Australia Post board in May 2012.

Executive General Managers

Pictured left to right

Christine Corbett
Executive General Manager
Retail Services

Ewen Stafford
Chief Operating Officer
Executive General Manager
Finance & Business Services

Ahmed Fahour
Managing Director and CEO
Acting Executive General Manager
Communication Management Services

Chris Blake
Executive General Manager
Corporate Affairs & People

Steve Ousley
Executive General Manager
Operations Network

Richard Umbers
Executive General Manager
Parcel & Express Services

Our business
Stakeholder management

Australia Post is undergoing unprecedented change in response to a rapidly shifting external environment. Our success hinges on effectively engaging with our stakeholders.

Our Future Ready program is complex. For it to be successful, we need to better understand those stakeholders who have a high degree of influence over our business, and ensure that they understand the drivers behind what we are doing and how this may affect them over time.

Understanding our stakeholders

Our primary stakeholder groups include customers, our workforce, government and the broader community. Others include regulatory bodies, suppliers, industry organisations and peak bodies, environmental groups and the media.

To better understand our stakeholders' needs and perceptions, we conduct research throughout the year. For example, we undertake a comprehensive annual employee engagement survey to understand our employees' opinions about how we are tracking as an organisation, what is working well and what we need to improve (see page 32). We also conduct Voice of our Customer surveys across our consumer, small business and medium-to-large business customer segments to measure satisfaction levels, obtain feedback on our business and measure the degree to which they support changes to our business (see page 19). This year we also completed the largest social research project ever undertaken by Australia Post to measure the attitudes of the general community towards our business, and examine their expectations of a postal agency in the future.

The research methodology included telephone interviews and focus groups to collate the views of more than 1,800 Australians from metropolitan, regional and remote areas, and across all age groups, to give a representative sample of the Australian community. (See page 38 for more details.)

Insights obtained through these initiatives are used to inform our strategies and improve our business, including our systems and processes, products and services and our network.

Details of other activities undertaken this year to engage with each stakeholder group are provided on our website (auspost.com.au/2012annualreport).

Taking a co-ordinated approach

It is no longer enough for different parts of the business to engage with their stakeholders independently: as the transformation of Australia Post affects multiple parts of the business simultaneously, we need to manage the impacts on our stakeholders in a more co-ordinated way.

This year, we changed our approach to stakeholder management, undertaking comprehensive mapping to develop a clearer view of the different groups, including their changing needs, their issues and their expectations of our business.

An integrated model ensures that business planning and decisions take into consideration all the groups that may be impacted. This enables us to balance their different needs and proactively develop engagement plans to gain their support. To support the new model, a regular forum has been established to bring together key leaders across the business.

Australia Post Stakeholder Council

Our Stakeholder Council is an external advisory group of 10 individuals whose role is to help us improve our communication and engagement with stakeholders. The council meets three times a year and members offer a diverse range of views and opinions that reflect their expertise and experience in small- and medium-sized business, industrial relations, direct marketing and corporate responsibility.

Council members are:

- John Bergin, former Managing Director, Yakka Australia
- Sommers Botha, former General Manager, Retail Scholastic Australia
- Helen Christie, State President, Country Women's Association of Victoria
- Graz van Egmond, Executive Director, Banksia Environmental Foundation
- George Etrelezis, small business consultant
- Allan Garcia, CEO, Local Government Association Tasmania
- Dennis Jenner, Director, Post Office Agents Association Limited
- Gabrielle Nagle, CEO, Glastonbury Child & Family Services
- Cameron Thiele, formerly of the Communications, Electrical and Plumbing Union
- Rob Tolmie, Director, Australian Direct Marketing Association

Stakeholder Council statement

This is the second year that Australia Post has produced an integrated annual report. In reviewing the document, the Stakeholder Council agrees that Australia Post has achieved better integration this year, and that the material presented demonstrates the corporation's continued commitment to aligning its business and corporate responsibility strategies.

To be successful with its Future Ready change program and achieve long-term success, the corporation appears to be focused on financial viability and fostering strong relationships with its primary stakeholders – the federal government, its customers, its workforce and the communities in which it operates. The report contains detailed quality information about its progress in these areas. It also clearly articulates the challenges the corporation faces, and the strategies and action plans in place to respond to these pressures.

The document provides accessible and clearly integrated material in relation to Australia Post's performance.

Australia Post Stakeholder Council
August 2012

Australia Post is undergoing unprecedented change in response to a rapidly shifting external environment. Our success hinges on effectively engaging with our stakeholders.

Material sustainability issues

A key element of best practice sustainability reporting involves a comprehensive process to determine the issues that are of greatest impact for our business and concern to our stakeholders. Those issues identified as "material" are covered in depth in this report.

Focused on our four key stakeholder groups, we undertook a rigorous materiality assessment process this year. The process used a range of source materials, including the corporate risk register and insights from a broad range of stakeholder research and media reporting, to identify the issues that were most relevant to our business and our stakeholders. The issues we identified were rated according to the degree of impact on our business and the level of concern to our stakeholders. We then tested these issues and ratings with our Stakeholder Council to ensure that they represented the views of our stakeholder groups.

The diagram below shows the topics that ranked the highest on both scales, and provides page references for the sections in which they are addressed in this report.

The issues that matter

Talented people
Workplace relations – **p 32**
Management/leadership – **p 32**

Systems & processes
Security and privacy – **p 18**
Network – **p 30**
Legal compliance – **pp 18, 126**
Fuel and energy use – **p 39**

The right behaviour
Stakeholder engagement – **p 16**
Resource constraints – **p 39**
Financial performance – **p 10**
Transparency and disclosure – **p 49**
OH&S – **pp 32, 127**
Ethical behaviour – **p 32**

Strategy & action
Servicing the community – **pp 18, 22, 36**
Clear business purpose – **p 12**
Parcels growth – **p 22**
Customer satisfaction – **p 18**
Carbon emissions – **p 39**
Product and service innovation – **p 22**

Our performance
Customers

Highlights

- Achieving high customer satisfaction levels across all customer sectors
- Increasing choice and convenience through access to new products and services
- Improving access for our customers through web, mobile and social media

Challenges

- Matching the pace of technological change with the right products and services
- Ensuring our relevance in an increasingly digitised world

Outlook

- Offering our customers 24/7 access to many of our products and services and greater choice in the way they shop, transact and communicate with Australia Post
- Creating new products and services to keep up with shifting customer preferences, including more online options for accessing our services

At the heart of Australia Post are the people we serve. Our customers include all Australians – from people living on remote cattle stations to those living in inner-city apartments. We also cater for a broad range of organisations – from small home-office businesses through to large corporations and government departments.

Traditionally, our core services have been based around sending letters and parcels, as well as giving people access to a range of services such as bill payments and financial and identity services. Today, our services have evolved to offer customers greater access through digital channels such as our smartphone application, website and customer contact centres.

Australia Post's services are provided through a national network which is made up of 498 mail and parcel processing facilities, 4,428 retail outlets, 23 Business Hubs and 15,995 street posting boxes that span rural, regional and metropolitan Australia. (See page 30 for more details about our network.)

Our strategy centres on developing deeper connections with our customers and consumers so we can better understand and respond to their needs, now and into the future.

Changing customer preferences

As technology has changed, so has the way people connect and communicate. Our customers increasingly buy and sell online, so our business focus is shifting too. We are listening to our customers and the broader community, who are increasingly embracing digital technology and telling us that we need to offer greater convenience, access and choice. The most exciting opportunity for our business is in offering trusted services that connect the digital economy with the physical world.

Servicing regional and remote areas

Our business operates within a tightly controlled regulatory environment and our core commitment is to provide a reliable service, accessible to all. The details of our community service obligations and performance standards are on page 115, along with results of how we performed this year.

Australia Post is uniquely placed to support regional and remote communities by providing essential everyday services, contributing to local economies, fostering communities and developing our role as the access point for the digital economy.

Our retail network includes 2,560 outlets located in these areas. This enables us to provide a range of government and financial services that would otherwise not be available. For example, approximately 500 of our outlets are located in areas where there is no bank, Medicare or Centrelink outlet. Part of our strategy involves developing partnerships with other businesses and government departments so we can help them connect with their customers in regional and remote Australia. One example is our partnership with Rural Bank, which was announced this year. (See page 28 for more details.)

Farmhouse Direct goes to market

Uniquely positioned to provide our customers with access to the online boom, we are increasing our connections with suppliers to offer more convenience and choice to customers. For example, in April 2012 we launched Farmhouse Direct, bringing together a range of Victorian suppliers who usually trade at local farmers' markets and allowing them to sell goods online. We provide the website, the payment capability through SecurePay and handle the delivery, which helps smaller businesses to sell to a wider customer base online.

We now have around 70 producers selling their locally produced goods such as potatoes, olive oil, bread, tea and chocolate, across Australia through Farmhouse Direct (farmhousedirect.com.au).

Our strategy centres on developing deeper connections with our customers and consumers so we can better understand and respond to their needs.

Customer satisfaction

During the year we changed the design and methodology of our customer satisfaction research to support our increased focus on customers. The surveys now capture additional detail and provide more robust data about our customer experience touch points. This year, our Voice of our Customer program, which is conducted by an independent market research company, interviewed more than 10,500 customers across Australia including consumers, small businesses and medium-to-large businesses.

Research results show that satisfaction with Australia Post is high, with 77.6 per cent of consumers, 80.1 per cent of small businesses and 73.3 per cent of medium-to-large business customers rating us seven out of 10 or higher.

Customer satisfaction with our retail stores is very positive with 43.2 per cent of consumers and 45.7 per cent of small businesses giving us a high score of nine or 10 out of 10.

2012 customer satisfaction results (score of 7 out of 10 or higher)

Consumer	Small business	Medium-to-large business
77.6%	80.1%	73.3%

Note: as the research methodology changed this year results are not directly comparable to those reported in past annual reports.

Investigating the customer experience

To measure our customer relationships across the whole business and gain insights into customers' experiences with specific brand touch points, we use a variety of research techniques including tracking, transactional feedback programs and customer queries, observations and assessments. This information is used to understand the customer journey by identifying the "pain points" so we can make targeted improvements to our service and measure the change.

An example of how this approach is being used to benefit our customers is when the end-to-end customer journey was mapped for customers of our parcels service. This process identified some areas for improvement in our customer communications and opportunities to improve customer product knowledge. New processes are currently being developed and will be implemented in 2012–13.

We also trialled a retail customer experience program across 155 corporate, licensed and franchised retail outlets. The study gathered around 14,000 pieces of customer feedback during a four-week period and this has been used to make improvements, such as reducing queue times. A highlight of the program was learning that 81 per cent of customers rated Australia Post nine or 10 out of 10 for staff friendliness.

Australia Post Business Hubs

During the year we introduced 23 Business Hubs around the country, offering small- and medium-sized businesses (SMBs) operational, sales and services support in their local area.

By co-locating transport and delivery operations with sales expertise, the Business Hubs provide convenient business services including parcel lodgement and pickup.

The local Business Hub model enables us to get closer to our customers (especially emerging e-commerce SMBs) so we are in a better position to support the growth of their business.

Australia Post's new Business Hubs provide sales, transport and delivery support to local businesses.

Given our brand is founded on providing a range of trusted services, the protection of our customers' personal information is a business priority.

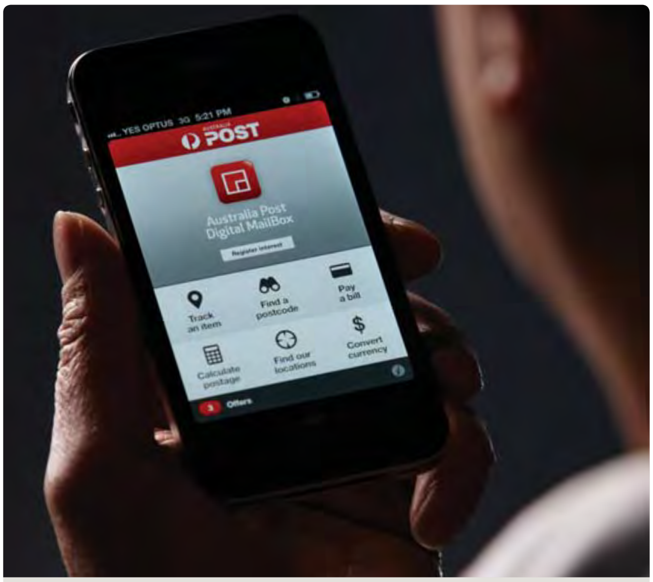
Customer enquiries and complaint resolution

We continue to add more channels for our customers to connect with Australia Post. This customer care activity now includes social media via Twitter, Facebook and YouTube.

We also continually monitor customer feedback on the quality of our service so we can improve our business.

For example, we have surveyed more than 300,000 customers to measure and improve the online services we offer. This feedback has allowed us to make enhancements to our products, services and the training we provide our staff. Examples this year include improvements to our online parcel tracking and post code finder tools.

This year our customer service performance improved. Our Customer Service Charter states that we will resolve escalated enquiries within an average of 10 days. We achieved an average of 8.6 days, which is down from 9.6 days in 2010–11.



Australia Post app tops the list

Australia Post's free iPhone, iPad and Android applications have proven extremely popular with customers.

This year, the app was enhanced with new features including: secure payment storage, barcode scanning that allows customers to track selected parcels, and Postbillpay to pay eligible bills.

One of the nation's top free business applications, our app has become one of the most popular ways our customers choose to connect with Australia Post.

The Australia Post smartphone app was upgraded this year to include additional features for customers.

Customers who are dissatisfied with the outcome of the Australia Post complaint handling process can refer the matter to the Postal Industry Ombudsman (PIO) for investigation. Details of the volume and nature of complaints investigated by the PIO are published in the Ombudsman's annual report and findings of investigations are reported on the Ombudsman's website (www.pio.gov.au).

Security and privacy of information

Given our brand is founded on providing a range of trusted services, the protection of our customers' personal information is a business priority. This is increasingly important in the digital world, where information security is critical to managing the risk of fraud and corruption.

To put this in context, Australia Post processes millions of credit and debit card transactions annually through our retail outlets, Business Hubs, online and through other business channels. It is critical that we maintain the security of information and the trust of our customers by handling this data with the utmost integrity. As such, we are undertaking an enterprise-wide program to enhance the security of our customer payment card information to comply with the Payment Card Industry Data Security Standard (PCI DSS). This program aims to reduce the risks of fraud and improve the security of customer information.

Our National Privacy Compliance program aims to ensure employees comply with our internal privacy policy, the *Australian Postal Corporation Act 1989, Privacy Act 1988,* the *Spam Act 2003* and the *Do Not Call Register Act 2007*. This is achieved through employee training and education, the ongoing review of policies and procedures and the maintenance of a privacy issues register.

Our board-approved fraud control policy sets out responsibilities and principles for all employees and business partners. Activities that continued throughout the year include regular reviews of enterprise-wide procedures, the review of business units to monitor fraud and risk-related activity, local fraud control plans and staff awareness programs.

Compliance with competition and consumer law

Australia Post's internal compliance policy ensures information about our products and services is honest and not misleading, and meets the legislative requirements of the *Competition and Consumer Act 2010*.

To ensure our people clearly understand their responsibilities in this area, we have a National Competition and Consumer Compliance program which comprises staff training and a clearance process for all promotional material.

During the year more than 1,180 employees completed the online training module, over 8,620 retail staff across corporate, licensee and franchisee outlets completed the consumer law workbook, and more than 670 individual promotional items were cleared. There were no reported incidents of material non-compliance and no significant fines.

Improving access for customers – around the clock

Consumers have been telling us that they want more delivery options and convenience, particularly for collecting parcels outside business hours. In response, Australia Post has introduced a range of new services that provide greater flexibility.

For example, the introduction of 24/7 parcel lockers this year provides a convenient new way to pick up parcels, with SMS and email notification when the item is ready for collection. In response to feedback that a parcel delivered to a home address was not always convenient, we now enable people to have items delivered to a secure parcel locker which is accessible at all times.

Consumers register for the free service on the Australia Post website and then nominate a parcel locker location as the delivery destination when placing an order with an online retailer.

During the year, parcel lockers were implemented in six locations in Melbourne, Sydney and Brisbane. We are currently planning a national rollout. Dedicated parcel lockers for post office box customers have also been introduced in 38 locations across Australia.

Another new initiative is the Australia Post superstores which feature a dedicated 24/7 zone for people who want to access services outside regular business hours. The zones provide access to:

- parcel lockers
- post office boxes
- self-service terminals to weigh, assess and post parcels and pay bills
- vending machines stocked with stamps and packaging products
- Australia Post-branded ATM.

Three superstores were opened during the year, and another 27 will be completed by September 2012.

Our new 24/7 zones provide customers and consumers with access to products and services outside business hours.

Our performance
Products and services

Highlights

- Launching 24/7 parcel lockers to provide customers with a convenient way to collect parcels
- Launching new retail superstores with 24/7 service zones
- Announcing the Australia Post Digital MailBox

Challenges

- Declining letter volumes and the impact on our financial performance
- Digital substitution resulting in declining foot traffic through retail outlets

Outlook

- Continuing to support customers located in regional and remote areas
- Continuing to grow the e-commerce options in our business
- Creating more partnerships to expand our trusted service offering in our outlets and online

Our Future Ready business renewal program is underpinned by three key strategies that are helping Australia Post adapt to the external pressures impacting our business. These strategies are to:

- build a sustainable communications business, physically and digitally
- build a world-class parcels business with excellence in service performance
- build a multi-channel trusted services offer for consumers.

Our customers, whether they are consumers, small-to-medium businesses or large companies, continue to select digital channels to communicate and transact. As a customer-focused enterprise we are therefore re-engineering our business to offer people greater choice in the way they interact with Australia Post. This will ensure that we can continue to deliver an essential community service for many years to come.

This year we made great strides in the execution of these strategies. The following pages (22 to 29) outline the major activities and achievements this year.

Multi-channel communications

A critical aspect of our business is our commitment to providing an essential service. Our community service obligations (CSOs) ensure that our letter delivery service reaches 11 million addresses in Australia, and that we deliver mail five days a week to 98.0 per cent of these addresses and at least twice a week to 99.7 per cent of addresses. Our extensive network covers metropolitan, regional and remote areas and our letter service includes both domestic and international items.

The transition to online communications and electronic transactions means the volume of letters continues to decline year after year. The rapid shift to digital forms of communication is demonstrated by the 17 per cent decline in addressed letters posted in the past four years. Australia Post has moved from nearly 100 per cent market share of written or text-based communications to less than one per cent – in less than one generation. Our letter volumes reflect this. They peaked in 2007–08 and have steadily declined since, to a level on par with 1995–96 volumes. Like postal organisations worldwide, this is a trend that will continue for Australia Post.

Meeting our challenges

Australia's population growth, particularly in regional areas, continues at a rapid pace – we deliver to approximately 200,000 new addresses every year. It is commercially challenging to meet the prescribed performance standards set out under our CSOs, when we are delivering fewer letters to a growing network of delivery points.

This has resulted in a total loss of $184.9 million in our regulated business this year. Our biggest opportunity to ensure that our communications business remains sustainable is to offer a digital channel that enables Australian consumers, businesses and government agencies to connect in a secure, trusted online environment. For this reason, this year we announced the Australia Post Digital MailBox.

Product and service performance

Despite the challenges facing our communications business with overall addressed letter volumes declining by 4.9 per cent, we again exceeded our legislated CSO performance for non-bulk on-time letter delivery (95.6 per cent against our target of 94 per cent).

Transactional mail volumes declined this year by 6.1 per cent, as large businesses continued to seek cost efficiencies and more consumers opted to receive these types of communications online. Promotional mail, including addressed and unaddressed items, increased by 6.1 per cent due to large mailing campaigns from key customers including flybuys (see box at right), Qantas, AGL, Medibank and Bupa.

As a customer-focused enterprise we are re-engineering our business to offer people greater choice in the way they interact with Australia Post.

Australia Post Digital MailBox

Australia Post Digital MailBox

In response to Australians choosing to manage many forms of communication and an increasing number of transactions online, we announced the Australia Post Digital MailBox in March this year. This will be free for all Australian consumers. We believe a personal digital mailbox is the perfect complement to the physical letterbox. The Digital MailBox will allow government departments and corporations to communicate with their customers via a secure online portal.

Using the Australia Post Digital MailBox, customers can connect with service providers with whom they have relationships – such as banks, telecommunications and government entities. Telstra and AMP were among the first partners to sign up to use this exciting new platform.

Australians can use their digital mailbox to receive and store important documents, set reminders and make payments online, using a fixed or mobile device anywhere in the world. The Australia Post Digital MailBox, accessible 24 hours a day, seven days a week, will be launched in 2012.

We delivered mail

five days a week

to 98.8% of delivery points

at least twice a week

to 99.9% of delivery points

++++++

We exceeded our on-time delivery targets

95.6%

Non-bulk letters (target 94%)

96.7%

Bulk mail (target 94%)

Flybuys direct mail campaign

This year Australia Post worked with Coles on one of the nation's largest-ever acquisition and promotional mail campaigns. With the launch of its new flybuys reward program, Coles set out to deliver more than eight million new card and membership packs to Australian households.

Backed by a high-profile advertising campaign which put Australian mailboxes centre stage, the success of flybuys depended on getting the cards into the hands of customers. Mail was chosen as the most appropriate channel as it would enable flybuys to reach existing customers as well as people who weren't already signed up to the program. Australia Post provided advice to flybuys during the planning of the campaign, delivered the items and provided daily updates and delivery estimates. This enabled flybuys to anticipate call centre and website customer traffic so they could effectively manage the channels.

Roger Sniezek, general manager of flybuys, said: "The launch of flybuys was massive for Coles. We invested many months of hard work and millions of dollars in getting it right for our customers, and it all came down to a letter landing in the right mail box at the right time. Australia Post worked closely with us to make this happen. In the eight weeks following the launch we activated an extra two million cards."

Pictured: Roger Sniezek

Online sales in Australia for the year to April 2012 were valued at $11.1 billion – growing by 15 per cent over the past 12 months.

Promotional mail solutions

Enabling targeted, meaningful and cost-effective connections between businesses and their customers is a primary focus for Australia Post. Promotional mail continues to be an effective channel for organisations to acquire and retain customers.

This year we strengthened our direct marketing offer by merging our eLetter mail house with our First Direct Solutions data profiling business to offer customers an end-to-end specialist direct marketing capability.

Inbound communications

Decipha is a subsidiary business of Australia Post that provides information management services such as workflow and electronic archiving, document imaging, data capture, automated document categorisation, mailroom management and online forms.

With revenue equally split between mailroom services and electronic data processing services, the growth area for Decipha is further automation of electronic processing as customers move from paper-based forms to digital data services.

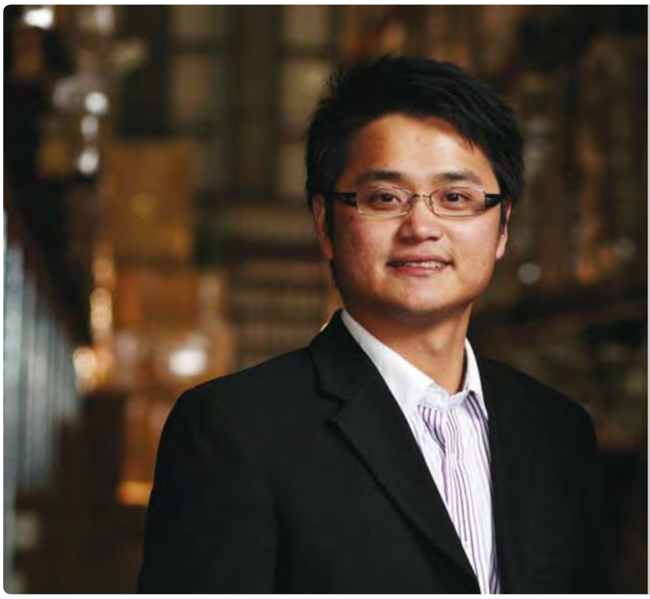
Parcel and express services

Changing customer preferences are transforming the nature of our core business, and nowhere is this more apparent than in the demand for parcel delivery. The digital revolution has brought with it online shopping, which has had a major impact on the growth of our parcels business. Seventy per cent of all parcels delivered by Australia Post originate from an e-commerce transaction. According to the NAB Online Retail Sales Index, online sales in Australia for the year to April 2012 were valued at $11.1 billion – growing by 15 per cent over the past 12 months. This trend has resulted in Australia Post's overall parcel revenue growing by 12.6 per cent this year.

Embracing online shopping

Australia Post is the natural partner for online retailers; our extensive delivery networks are supported by experienced people, quality infrastructure and our trusted brand. The online retail marketplace is competitive, so we are keenly focused on providing value through reliable and cost-effective delivery services. Customers also increasingly expect a seamless experience across retail stores, contact centres and fixed and mobile Internet.

Developing partnerships with significant e-commerce customers is a crucial part of our strategy for meeting the needs of online shoppers and retailers. For example, we have further expanded our online footprint by launching an online store within the eBay website. We are committed to working closely with partners like eBay to design new customer solutions that make it easier to trade online. Strengthening these relationships also gives customers more choice, with the option to now pay bills directly from a PayPal account via the Australia Post Postbillpay website.



"At CrazySales, product quality, user experience and the fast delivery of products are of great importance. Australia Post's Delivery Choices helps us deliver that promise and gives our customers more flexibility in how they choose to receive their parcel."

David Yin
Director, CrazySales

Providing delivery choices

Last Christmas was our busiest ever as we saw record numbers of Australians shopping online, resulting in a significant increase in parcel volumes. As a result, our business delivered three million more parcels in December than in a typical month (see page 31 for more).

The parcel delivery market is highly competitive and our focus is on making it easier for people to do business with us. Convenience and choice represent the essence of all our parcel products and we're currently working on innovative solutions to make it easy for customers to select a delivery option that suits their needs.

We are adding new digital services and capabilities to make parcel delivery and collection more convenient for Australians. One example of responding to customer preferences is the 24/7 parcel lockers. Instead of having a parcel delivered to a home address, customers can choose to have items delivered to a secure parcel locker, accessible at all times.

Currently on trial at several locations across Sydney, Melbourne and Brisbane, the service has proved extremely popular, with 60 per cent of all parcels being collected outside of regular business hours. Customers can register for the free service via the Australia Post website and use their nominated parcel locker location as their delivery address when placing an order online. A full national rollout is planned towards the end of 2012.

We're also making it easier and more convenient for people to receive their online shopping by giving online retailers the chance to offer their customers the choice of a specific day, date or time to have their parcels delivered. Customers can nominate to receive their delivery at home, work, a convenient Australia Post retail outlet (many with extended trading hours), or the 24/7 parcel lockers.

This flexibility is supported by a new online tool My Deliveries, which makes tracking parcels simple. Using My Deliveries, customers can track and control their parcel delivery, such as changing the delivery address, via our website.

We now have over 100 businesses using these new delivery choices. CrazySales was the first company to offer the full suite of new parcel delivery choices, which have been well received by their customers.

Domestic parcels

Our domestic parcels business continues to deliver strong results, with Express Post, Parcel Post and eParcel all performing well this year. Our market-leading Express Post product, which offers guaranteed next-business-day delivery, achieved a 99.1 per cent on-time or early delivery rate. This is a great achievement given the challenges of providing a rapid parcel delivery service across a country the length and breadth of Australia.

International parcels

International online shopping continues to demonstrate strong growth and we saw a steady increase in the number of inbound parcels in 2011–12.

This year we have focused on creating new and innovative products and services aimed at the international market. This includes our new Pack and Track International service (see box below) and inbound ePacket service (trackable small parcels under 2 kilograms) from China, Singapore, the UK and Ireland, with service soon to commence from the US.

We also successfully trialled an Express Courier International Platinum service, which provides guaranteed two-business-day delivery to 130 cities across 26 countries. This service was launched in early July, just outside the reporting period.

We are continuing to strengthen our international parcels business through a range of initiatives including new infrastructure to cope with inbound volume growth and improved customer service.

Pack and Track International

One of our major initiatives this year was Pack and Track International, a new product that offers customers an economical and reliable way of sending parcels under 2 kilograms from Australia to international destinations. Currently available for small items sent to the US, the UK and New Zealand, the product includes proof of postage and tracking from lodgement to delivery. We are looking to extend this service to other key locations including north-east Asia next year.

Pack and Track International is an economical way to send small parcels to the US, the UK and New Zealand.

Online payment capability

SecurePay was acquired by Australia Post in December 2010 to offer online payment capability for our e-commerce customers. The acquisition of SecurePay has enabled us to develop new products such as My Shop in a Box, which contains everything needed to start an online store – without the need for in-depth technical knowledge. An all-in-one e-commerce solution, My Shop in a Box has been designed to support small businesses with tools to maximise their online presence and grow their business.

SecurePay now provides gateway services to multiple Australia Post products, including our online shop and Click and Send online parcel delivery service.

In 2011–12 SecurePay delivered strong revenue growth, exceeding all profit and revenue forecasts.

Express courier services

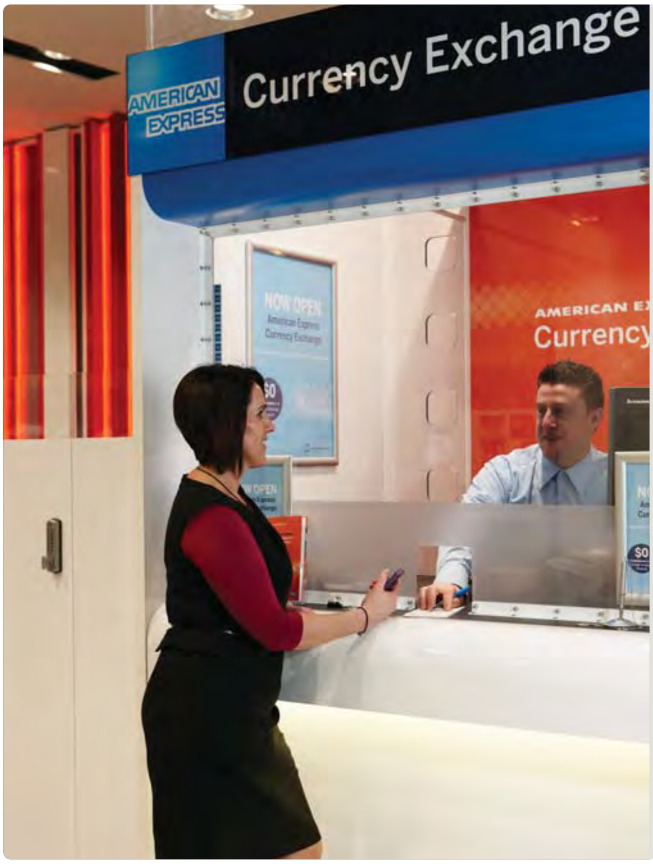
Messenger Post Couriers, Australia Post's cross-town courier division, enjoyed significant revenue growth of 21 per cent this year. Factors contributing to this success include growth in the online retail sector, the introduction of our 24/7 courier services to offer customers an afterhours delivery option, and an increase in the volume of oversize deliveries.

Joint venture partners

Australia Post has three joint venture partnerships that provide our customers with complementary services including freight, logistics and supply chain solutions.

AUX Investments is the holding company established to oversee Australia Post and Qantas's joint venture businesses Star Track Express and Australian air Express. Star Track Express is a retail-focused business that offers market-leading freight and logistics services via road and air across Australia. Australian air Express provides airport-to-airport linehaul services and cargo terminal operations. AUX Investments has continued to deliver strong increases in revenue and earnings this year.

Sai Cheng Logistics International (SCLI) is our joint venture partnership with China Post. Focused on delivering value-added integrated supply chain solutions to targeted industries, SCLI helps Australian businesses access global markets by reducing their total supply chain costs. SCLI has delivered strong results this year with revenue up 22 per cent.



Preparing for travel – all in one place

Customers can now conduct all their travel business at Australia Post. Long known for passport and visa applications and mail redirection and hold services, the travel offer now extends to a whole-of-category solution including travel insurance, travel accessories, SIM cards, phone cards, flight and accommodation bookings, currency exchange and a range of secure and convenient money options.

During the year Australia Post announced a new partnership with American Express to offer currency exchange outlets staffed by American Express foreign exchange specialists in selected stores across the country. This will complement our existing over-the-counter foreign currency services where customers can order online or in person for collection at more than 3,200 stores.

We also announced our Australia Post Travel Insurance product, which can be purchased online and over the phone, and will soon be offered over the counter in more than 3,200 stores. Competitively priced and delivering quality cover, the product offers an easy and convenient way for customers to get travel insurance.

Our retail strategy is focused on providing customers with greater access, convenience and choice in the way they transact with Australia Post.

Retail services

Our retail network of 4,428 stores is one of the largest in Australia. It comprises 778 corporate outlets, 2,934 licensed and franchised post offices and 716 community postal agencies which are dispersed across metropolitan, regional and remote Australia.

Every year we serve more than 200 million customers, providing access to a vast range of products and services including mail and parcel lodgement and collection, postal and general merchandise, and financial and identity services on behalf of more than 750 businesses and government agencies.

Our retail strategy is focused on providing customers with greater access, convenience and choice in the way they transact with Australia Post. It is designed to complement the other aspects of our business by providing customers with a range of options to conduct their transactions in-store and online.

Despite the tough trading conditions impacting the Australian retail sector, and declining foot traffic in our retail outlets as consumers shift to digital channels, our retail business delivered revenue growth of 3 per cent.

For our retail outlets to remain sustainable and to thrive in this environment, it is essential that we remain relevant to our customers and offer many of our services online and in-store. For example, a customer can now order their foreign currency online, select their most convenient post office and have it waiting for them to collect in-store.

The cornerstone of our next-generation retail strategy is about providing new ways for customers to access our services. For instance, many of our identity service customers can now download and complete the relevant third-party forms and visit one of our retail outlets to complete the required in-person identity check.

Providing greater access and choice through next-generation retailing

In what is one of the biggest changes to our retail network since the introduction of electronic point of sale (EPOS) technology in 1992, this year we commenced the rollout of our next-generation retail model.

The new superstores, which opened in Melbourne, Cairns and Brisbane, feature digital media screens, self-service terminals, counters segmented by transaction type, an online essentials zone where customers can shop online in-store, a dedicated area for financial and identity-related services, and a travel zone featuring an American Express currency exchange outlet and Harvey World Travel agency. The stores also feature a secure area, which is accessible 24 hours a day, seven days a week, where customers can purchase stamps and packaging products, pay bills and post parcels, access cash via an ATM and collect their parcel any time of the day or night.

A total of 30 stores will open by September 2012, and many more are planned for the coming years.

Channel enablement program

Now running since 2009, the Channel Enablement program represents a $200 million investment to enable our multi-channel offering. It focuses on the technical backbone that allows Australia Post to bring new services to market quickly – incorporating new systems, streamlining back-end processes, and improving point-of-sale technology and product reporting.

Key activities this year include working on the rollout of new PIN pads across the network, further migration of major transactions including bill payment to the new WebPos web-based point-of-sale system, and preparing the network for compliance with the Payment Card Industry Data Security Standards (PCI DSS). Future focus areas include enhancing customer convenience and security.

Extended trading hours

During Christmas 2011, an additional 300 postal outlets offered extended trading hours, and more than 2,400 outlets traded on a Saturday to provide greater access and convenience for customers.

Extended trading was well received by customers and the research results will be used to plan the most appropriate trading arrangements for Christmas 2012.

Our reach is extensive

4,428
retail stores across Australia

2,560
stores in regional and remote areas

200+ million
customer visits each year

750+
businesses and government entities we are an agent for, including over 70 financial institutions

1.5 million
passport transactions each year

4.5 million
identity services transactions

Trusted services

Financial and commercial services

Australia Post acts as an agent for over 750 businesses and government entities. In reviewing our offering, it has been important that we align our brand with relevant partners and ensure our strategy meets the needs of our regional and remote customers.

For example, a major initiative this year was our new distribution partnership with Rural Bank, a wholly owned subsidiary of Bendigo and Adelaide Bank. The rollout of Rural Bank services began in November 2011, with 39 stores offering a limited range of personal banking products including transaction, savings and term deposit accounts, as well as referrals for lending products.

Australia Post's Load&Go reloadable Visa Prepaid card provides a secure way for people to shop online.

The Load&Go reloadable Visa Prepaid card, a new Australia Post product introduced in November 2011, proved successful beyond expectation with sales for 2011–12 above target by 50 per cent. A reloadable card that requires no personal details, Load&Go gives people a safe way to buy online and is an ideal "pocket money" option for young people. Load&Go is available in more than 3,200 outlets.

Through a range of new service offerings, revenue for the financial and commercial services category grew by 3.9 per cent.

Identity and government services

The identity and government services portfolio delivered strong growth for 2011–12, with revenue up 12 per cent.

This year, new services were introduced for a range of clients including the Australian Qualifications Network, Pegasus, Optus (see box below) and the New South Wales Office of Liquor, Gaming and Racing.

We continued to invest in the Extended Identity Services (EIS) technology platform, which enables a range of services to be provided in-store, such as document scanning, electronic signature and photo capture, and the ability to "batch load" enrolment and application forms and their associated proof of identity documents. EIS technology is now available in 222 stores and will be rolled out to a further 700 outlets in 2012–13.

Optus Secure Collect Service

Currently Optus delivers devices directly to customers who place their order via phone or online. Australia Post designed a solution for Optus where Australia Post retail outlets are used as a secure collection point for a proportion of these orders.

Australia Post conducts an in-person identity check on behalf of Optus, prior to releasing the goods to the customer. We then provide Optus with hourly notification (via an automated over-the-counter workflow system) of collected devices to enable them to be automatically activated. This ensures a seamless experience for Optus customers as their new device is operational within a short period of time, without the need to call the Optus call centre.

John Duffy, Head of Billing & Supply Chain, Optus said: "The secure collect service is a great offering for our customers. They can collect their handset at a secure and convenient location, and our auto-activation service means their handset is fully operational just a short time after it has been collected from an Australia Post store. Feedback from our customers on this service has been very positive."

The Load&Go reloadable Visa Prepaid card proved successful beyond expectation with sales for 2011–12 above target by 50 per cent.

Merchandise services

Despite challenging retail conditions, the overall merchandise portfolio achieved marginal revenue growth. Declines in the general merchandise category were offset by revenue growth for philatelic and high post office box occupancy rates.

Successful stamp issues this year included the Australian Legends series, which honoured past and present champions from the four football codes (soccer, AFL, rugby union and rugby league), Bush Babies, Golf, Remembrance Day, Queen Elizabeth II's Diamond Jubilee and racehorse Black Caviar. Our philatelic business continued to deliver solid revenue results through innovations such as the Mythical Creatures issue, which was the first ever 3D stamp in Australia, and taking advantage of historic Australian sporting achievements including Cadel Evans' and Samantha Stosur's individual triumphs.

A range of confectionery products was introduced in 700 corporate outlets and 15 licensed post offices (LPOs) to encourage impulse purchases at the counter and increase transaction values. Based on the success of the initiative, it will be rolled out extensively across the LPO network over the coming months.

To provide our post office box customers with 24/7 access to collect their parcels, PO Box parcel lockers were introduced at 38 locations across the country. A card is placed in the customer's post office box with a key and locker number. The customer collects their parcel and drops the key in the returns box. These lockers will be installed at 70 locations by September 2012.

Mythical Creatures and Queen Elizabeth II's Diamond Jubilee were popular stamp issues this year.

Licensed post offices

Our 2,934 licensed post offices (LPOs) make up approximately two thirds of our retail network and they are vital to Australia Post delivering an essential community service to all Australians.

A key focus this year has been on increasing the collaboration between our LPO partners and Australia Post so that we have a deeper understanding of their needs.

Initiatives such as the annual LPO conference, licensee engagement program and tailored product and service offers are key to helping our licensees to run successful businesses. More details can be found on page 34.

Jodie and Scott Dennis operate the Terang licensed post office in Victoria.

Our performance
Network

Highlights
- Thirty retail superstores underway as part of our next-generation retail strategy
- Committing significant expenditure to develop the future design of our network
- Christmas Ready program underway to prepare for increased parcel volumes

Challenges
- Adapting our operations to deal with fewer letters, more parcels and a growing number of delivery points across Australia

Outlook
- Delivering network efficiencies
- Continuing to build our digital network capabilities

We have an unrivalled retail and distribution network made up of 1,868 metropolitan retail outlets, 2,560 outlets that service regional and remote areas, 15,995 street posting boxes, 23 Business Hubs, around 10,380 trucks, vans and motorbikes/ebikes, 4 gateway facilities and 498 mail and parcel processing centres. This network capability enables us to deliver a broad range of products and services to people in every city, region and remote area in Australia.

As the population grows and more Australians choose to shop online, our operations network must have the capacity to meet the needs of our customers and Australian communities, now and in the future.

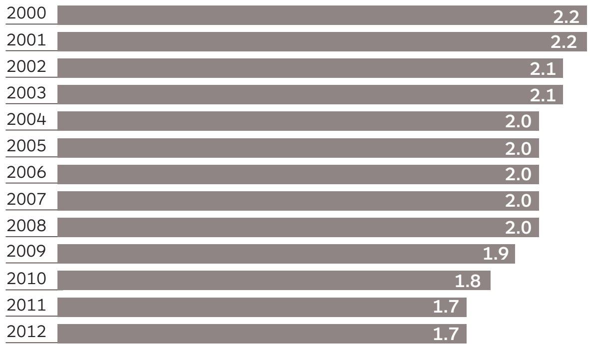
Not only is the volume of parcels changing through the increase in online shopping, so is the range in shape and size of items Australians are now ordering online. More televisions, furniture, books and wine are being handled through our delivery network every day. Larger parcels and odd shapes present both an opportunity and a challenge for our delivery network as we consider how best to respond to this new trend.

The transition to a digital economy is resulting in more parcels and fewer letters each year. We have to adapt our network to meet these changing needs.

Declining mail volumes

In 2000, Australia Post was delivering an average of 2.2 mail items each day to the 8.8 million delivery points across Australia. In just one decade, this has decreased to 1.7 items while the number of delivery points has increased to 11 million. With the continued decline in letter volumes, equating to around 4–5 per cent every year, we forecast that by 2016 this will decrease to 1.3 items per delivery point. Adapting our network to cater for fewer letters and many more parcels is critical.

Total mail items per delivery point per day*



*Excludes international outbound

Future network design

As our e-commerce program moves into its second year, we have commenced a critical piece of work. The Future Network Design project is an initiative to adapt our network to cater for declining letter volumes and the unprecedented growth in parcels. Our plan is to design a world-class parcel network with high standards of service and delivery.

The Future Network Design project aims to deliver an end-to-end network blueprint which will determine how our network is structured and will operate into the future. The design will be complex as it incorporates both processing and customer-facing elements to meet the current and future business aspirations of Australia Post and our customers.

The detailed network design will be finalised by the end of 2012.

The transition to a digital economy is resulting in more parcels and fewer letters each year. We have to adapt our network to meet these changing needs.

Preparing our network for Christmas

Christmas is always our busiest time and in 2011 we delivered unprecedented volumes of parcels due to a record number of Australians saving time and money by purchasing presents online. In fact, we delivered an extra three million parcels compared to a regular month.

To prepare for Christmas 2011 we hired more staff, extended our customer contact centre hours and had more stores operating at extended hours than ever before.

We understand the importance of Australians sending and receiving parcels during the festive season. Detailed operational planning is underway to prepare our entire network for Christmas 2012 and the anticipated further increase in parcel volumes during this time. We will, in particular, focus on creating additional capacity in the network and improving productivity and customer service.

This year our Christmas program will include weekend parcel deliveries, extended retail hours and extended weekend operating hours for our customer contact centres to assist with enquiries. We will also help our online retail customers educate their buyers about the delivery options and delivery windows to ensure their goods arrive in time, and promote Express Post as a preferred delivery option.

Consulting with local communities

We understand the important role our vast network has in delivering products and services to the Australian community, particularly those located in regional and remote areas. We have processes and procedures in place to ensure that community consultation occurs before we make any adjustments to our retail and delivery network.

For example, we consult with residents and local community members according to a formal process, the National Community Participation Procedure, to ensure we consider the local impact of changes we are planning for our operations network. It is critical that we understand at the local level what our customers' issues are so we can continue to service the needs of those communities.

We also include local communities and stakeholders in our planning and decision-making processes. The conversations may involve proposed changes to delivery arrangements or retail outlets that potentially impact the community. With regard to the relocation or removal of street posting boxes, we have a Street Posting Box policy, which is available on our website.

Australia Post is adapting its retail network to provide customers with greater convenience and choice. In November 2011 we opened our first superstore in Brisbane as part of our next-generation retail strategy. By the end of September 2012 there will be 30 superstores operating across the nation.

Our performance
People

Highlights

- Building the skills and capabilities of our people through the Future Skills investment
- Exceeding our employee engagement target through a time of significant change

Challenges

- Managing the safety risks of motorcycle delivery and manual handling
- Maintaining high levels of employee engagement through a major transformation

Outlook

- Increasing focus on injury prevention and building a world-class safety culture
- Focusing on the priority areas identified through our staff attitude survey

Australia Post's workforce is made up of 33,031 employees and some 10,000 licensees, franchisees and mail contractors. Our strategy is to invest in our people to achieve an inclusive, diverse, engaged and capable workforce.

We have a range of policies supporting the culture and behaviours in our workplace, including our ethics, equal employment opportunity and diversity policies, and our Fair Work Agreement.

Our ethical standards are contained in the policy document *Our ethics: The way we do things at Australia Post*. Available on our website, this document details how we conduct our business with integrity, honesty and fairness and in compliance with all relevant laws, regulations, codes and societal standards.

Our four culture pillars – safety, customer focus, accountability and speed of action – create the foundation for how we do things at Australia Post. Embedding these behaviours across the enterprise is critical to us executing our strategic priorities. In 2011–12 the focus shifted from building awareness and understanding of the culture pillars to embedding them into our core systems, processes and programs of work.

Building a safety culture

The highest priority for our people is to ensure a safe working environment. As our journey towards a workplace with zero injuries, zero harm and zero tolerance of unsafe acts continues, we have developed a number of programs to support this goal.

Safety Time sessions continued to raise awareness and involve employees across the enterprise in safety discussions. This complements national initiatives geared towards cultural change and supports a range of specific programs addressing hazards relevant to different business units.

We implemented our enterprise-wide Stop Think Do campaign which involved every team across the business – from retail outlets to distribution centres and corporate offices – taking time to stop work and discuss ideas that could reduce hazards and risk of injury.

Stop Think Do resulted in lists of actions posted in high-visibility areas in every Australia Post workplace. The actions were the outcome of each team discussion. Examples of common topics discussed include manual handling of large and heavy parcels, hazards around slips and trips and space or storage constraints.

Another program introduced this year was Auto Pilot, a safety initiative that aims to develop appropriate behaviours to ensure we remain conscious of hazards when performing familiar jobs or tasks.

We recognise behavioural change takes time. Our safety performance this year reflects our journey and demonstrates that we still have a way to go in this critically important area. This year, we achieved an improvement in our incident rate, recording 2.5 incidents (per 100 full-time employees) against our target of 2.6. This is down 21 per cent on last year's result. However, our Lost Time Injury Frequency Rate (LTIFR) of 11.5 (up from 10.3 last year) is disappointing and requires continued focus.

Safety performance (2012 vs 2011)

	2010–11	2011–12
Injury rate[1]	3.5	2.8
Occupational disease rate (ODR)[2]	2.3	2.0
Fatalities (number)	0	0
Fatality rate (per million km)	0	0

1 The number of injuries divided by the number of hours worked (per 200,000 hours).

2 The number of diseases divided by the number of hours worked (per 200,000 hours).

Engaging our employees

We define "engagement" as: the extent to which employees believe in and support the goals and values of Australia Post, how they feel about our business, their sense of belonging, pride and attachment, and their willingness to go the extra mile.

In May this year we conducted say2action, our employee engagement survey, to measure employee engagement levels and understand how we are performing as a business. For the first time, the survey was offered online in the four primary languages spoken by our people – English, Vietnamese, Cantonese and Tagalog – to promote accessibility for our culturally and linguistically diverse workforce. Our participation rate was higher than in previous years, with 25,378 people (or 78.5 per cent of our workforce) responding.

Our strategy is to invest in our people to achieve an inclusive, diverse, engaged and capable workforce.

The survey results were extremely positive, returning an engagement score of 73.4 per cent (up 4.6 per cent on last year). We also achieved improvements in the four focus areas our people identified in last year's survey as key areas for improvement: "leadership", "performance management", "career development" and "co-operation and collaboration".

The survey also measured how we are progressing with our culture change program. The results were positive, with 76 per cent of people believing we demonstrate safety and speed of action and 77 per cent of people agreeing that we demonstrate customer focus and accountability. This baseline will enable us to measure our progress in future years.

Employee engagement score

73.4% (↑4.6%)

↑12% Leadership	**↑8%** Performance management
↑8% Co-operation and collaboration	**↑9%** Career development

Turnover rates (%)

Data based on average headcount for permanent full-time and part-time employees only.

Enterprise capability

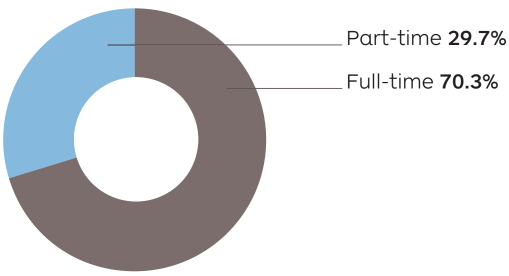
Successfully delivering our customer service promises, our community commitments and our strategic business objectives requires the best from our people. This means developing the right skills and capabilities and creating an appropriate culture to enable people to do what is asked of them.

This year, we focused on building capability through four key initiatives: Future Skills, Future Leaders, Learning and Development, and Enterprise Talent and Succession.

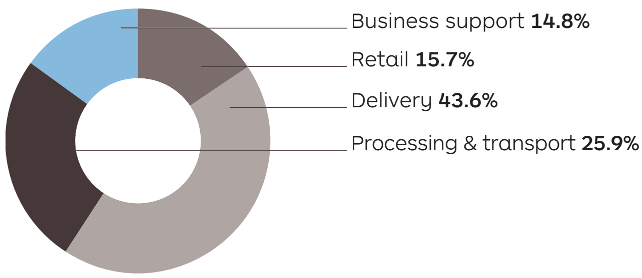
The **Future Skills** investment of $20 million over three years provides our award-level employees with a range of programs that aim to equip them with the skills that will be increasingly required as our core business continues to change.

Employment profile (total workforce 33,031)

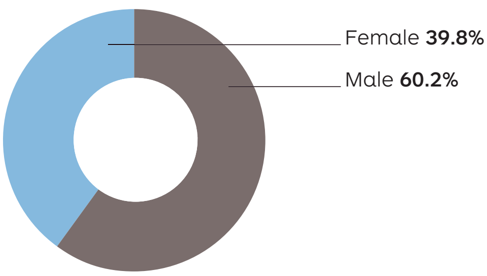
By type



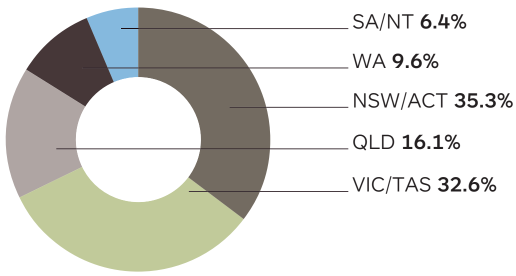
By occupation



By gender



By region



Data based on average headcount for permanent full-time and part-time employees only.

The priority areas for 2011–12 included Sales and Service programs specifically targeted to retail, customer contact and other relevant roles. Frontline leaders were also a focus with relevant training programs to enable these employees to successfully lead through a period of change, maintain a safe workplace and support cultural transformation. Another priority was employability and transition skills, which included computer training, career management support, and mentoring opportunities for women.

The **Future Leaders** programs at Australia Post aim to build the capabilities of our leaders across a number of areas including: thinking commercially, operating collaboratively, optimising talent, championing change and driving execution. Future Leaders programs include:

- Frontline Leadership – a program to develop the capabilities of our frontline leaders
- Leadership Essentials – a modular program targeted at middle management
- Peak Leadership – a program targeted at senior leaders.

Learning and Development comprises the range of training programs available to employees. This year, we introduced the Sales Academy Foundational Skills initiative, an accredited sales education program, and Frontline Sales and Service, which is targeted at retail customer service employees. In addition to these capability programs, significant investment has been made in online learning management systems to enable us to centrally manage training data and deploy online learning more effectively across the enterprise. In total, 18 learning hours were completed per full-time equivalent employee. This exceeded our target of 15 hours.

Enterprise Talent and Succession has focused on developing a consistent approach to identifying and developing high-potential talent to support our strategic objectives. This year we implemented an enterprise-wide talent management framework including new tools for managers to optimise their talent.

Our broader workforce

The people of Australia Post include our licensees, or LPO community, and mail and parcel contractors who make a vital contribution to our community connection and service delivery.

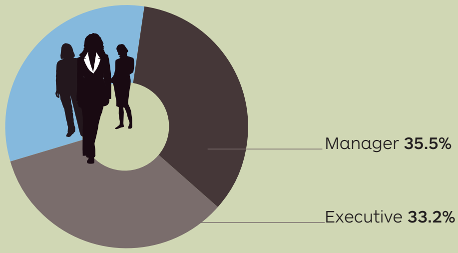
Our focus this year has been strengthening our relationships and growing the licensee businesses, working together with the Post Office Agents Association Limited (POAAL) and the Australia Post Licensee Advisory Council to make them more profitable. Two-way feedback is critical to our relationships and opportunities are available at the annual conference and roadshow presentations. Network partnership managers representing licensees are involved in twice-yearly meetings and regular phone hookups. The Licensee Engagement Exchange Program (LEEP) was developed this year to improve co-operation between our network partnership managers and our licensed business operators.

We have one of the most culturally and linguistically diverse workforces in Australia

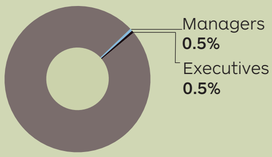
33,031 employees
134 nationalities
65+ languages

Women in workforce
39.8%

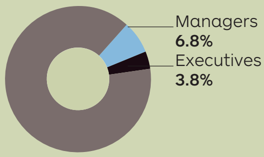
Women in management positions



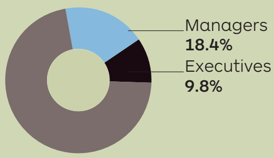
Indigenous Australians
1.7% (includes 58 traineeships)



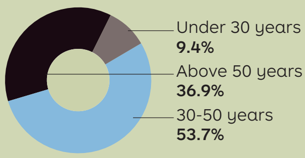
People with a disability
7.3%



Culturally and linguistically diverse
22.3%



Age



We also supported our licensee family with many new offers and tailored products to assist their businesses. For example, we provided licensees with fixtures and fittings, such as signage and dummy phones, to sell telecommunications products and services and we successfully trialled the sale of confectionery items and an extended range of merchandise. We now also produce a promotional calendar that shows upcoming activities and promotions, and there is a dedicated website for licensees.

A diverse and inclusive workforce

Our Workforce Diversity business strategy aims to maintain an inclusive and diverse workplace where individual differences – including ideas, opinions and backgrounds – are celebrated, valued and managed in a way that maximises our business performance. During 2011–12, our strategy focused on four areas – talent, strategic partnerships, communication and engagement, and diversity as a business practice – and our goal was to maintain, at a minimum, our current diversity profile.

To measure our diversity performance we track four indicators: gender, Indigenous Australians, culturally and linguistically diverse persons, and people with disability. This year, we maintained our diversity levels with 39.8 per cent women, 1.7 per cent Indigenous Australians, 22.3 per cent culturally and linguistically diverse persons and 7.3 per cent people with disability.

We actively promote gender equality through our strong support of International Women's Day and initiatives such as mymentor, a program designed to develop women's personal and professional skills. Now in its second intake, 600 employees have participated in the initiative. The mymentor program has been very successful, with 61 per cent of women who completed the first intake promoted or given higher duties within 12 months of completion.

Women in leadership has been another focus this year and we've made great progress in this area. Women now make up 33.2 per cent of our executive workforce (up from 29.1 per cent last year), 35.5 per cent are in management roles and 442 were promoted to more senior positions (which is 42.5 per cent of all promotions this year).

Health and wellbeing

We have a number of initiatives in place to promote productivity and reduce absenteeism. For example, Australia Post employees can access confidential counselling services, including a telephone service and workshops for fathers who have limited access to their children. We also offer reasonable working hours, meal breaks and leave entitlements and support flexible working arrangements. This year, our attendance rate was 94.0 per cent, which is similar to previous years, and 94.6 per cent of employees returned to employment with us from parental leave.

Employee relations

Award-level employees, who make up 95.3 per cent of our workforce, are covered by our Fair Work Agreement (FWA). The FWA provides a framework for consulting with our people and outlines various employment benefits including incremental pay increases, penalty rates, the option to cash out annual leave, 14 weeks' maternity leave and flexible working arrangements. We also support the right of all employees to exercise freedom of association.

"mymentor is a wonderful program that encourages women to achieve success. The program has helped me to develop my confidence and has definitely empowered me to achieve my best."

Makarla Cole
Regular Parcels Product Analyst
Australia Post

Our performance
Community

Highlights

- Introducing a new community engagement framework
- Launching a new partnership with the AFL focused on social inclusion
- Providing opportunities for Australians to connect with Australian Olympic and Paralympic athletes by delivering messages of support via Letterlink and Postcode Pride
- Relaunching our education website to provide an interactive site for teachers and school children centred on developing literacy skills and, in particular, letter writing

Challenges

- Continuing to deliver community initiatives that are relevant and impactful to the broad range of communities across Australia
- Getting our vast workforce and our LPO partners actively involved in our community engagement programs

Outlook

- Implementing the new community framework and increasing our impact through more relevant and focused initiatives that actively engage our employees and local communities

Australia Post's role has always been about "connecting communities". The biggest contribution we make to the community is providing a reliable and accessible mail service and access to postal, financial and identity services through our extensive retail network. It cost Australia Post $165.2 million to meet our community service obligations (CSOs) this year. For details on our CSOs, and our performance against them, see page 115.

We also support communities through investment in a number of community programs and partnerships. This year we reviewed our approach to determine how we can best meet the changing needs of the metropolitan, regional and remote communities that we serve. With a vision to build healthier and more vibrant communities, our new strategy involves a whole-of-business approach which aims to engage communities through locally relevant programs, partnerships and initiatives. To maximise our impact, the strategy also aims to increase the participation of our broad workforce and community members in our community programs and activities.

Focus areas

Our new community strategy aims to better align our community investment with our business strategy and the changing needs of our communities, our customers and our workforce.

Our new community approach focuses on social inclusion and will be underpinned by five programs of work. These are:

- inclusive products and services
- education
- workforce participation
- community support and investment
- employment.

This year we aligned existing programs and partnerships to these focus areas and identified a number of new initiatives for the future. This included a new partnership with the Australian Football League (AFL), which uses football as a vehicle to drive more inclusive communities. Our partnership with the AFL includes community camps, which take the game to all parts of Australia, as well as the multicultural program. (See page 38 for more details.) A range of initiatives will be introduced as we continue to implement our community strategy throughout 2012–2013.

Inclusive products and services

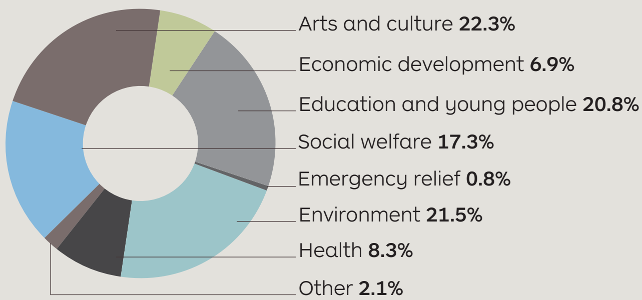
We aim to provide all Australians with access to essential products and services. This includes communities located in geographically isolated areas, and culturally diverse and socially disadvantaged people.

Measuring our impact

Australia Post is a member of the London Benchmarking Group (LBG) and we use their internationally recognised approach to measure our community investment. The data we report are verified by LBG each year.

This year we invested $4.4 million in the community, which equates to 1.6 per cent of our net profit (up from 1.4 per cent in 2010–11). The chart at right outlines how we focus our community investment expenditure, which includes cash, time and in-kind contributions, across seven key categories.

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



With a vision to build healthier and more vibrant communities, our new strategy involves a whole-of-business approach which aims to engage communities through locally relevant programs, partnerships and initiatives.

We are an essential services provider and our retail and distribution network reaches every community in Australia. In many of these areas we connect communities with business and government services that would otherwise not be available (see page 18 for more details).

We also provide direct support for the not-for-profit sector through the continued provision of postage discounts to charitable organisations, and the ongoing sponsorship of the ourcommunity.com.au website, which offers mail-related tools, marketing advice and template resources to community-based groups.

Australia Post's new interactive education website has proven popular with teachers.

Education

This year we relaunched our education website (auspost.com.au/education). The website offers free resources that are curriculum appropriate and contain lesson plans and activity ideas for teachers and students. Letter writing is a key focus, as is teaching kids about Australia Post and our role in the community. The new website has been promoted through schools across Australia in the lead-up to the London 2012 Olympic and Paralympic Games, encouraging students to send messages of support to Australian Olympic and Paralympic athletes. The website and supporting materials have been well received by teachers with more than 9,000 additional information packs requested and sent to schools across Australia.

Workforce participation

Australia Post is committed to supporting our people in making a genuine contribution to their local communities. There are a number of ways we achieve this, including our Workplace Giving program.

Our Workplace Giving program provides a channel through which our employees can donate to charitable organisations, and we match individual contributions dollar for dollar (up to a maximum of $200). Through Workplace Giving this year we raised $513,580 for our nine charity partners (up 11.9 per cent from last year), which includes $207,828 in matched donations.

Mentoring provides another avenue through which employees can get involved in the community. The benefits of this are two-fold: our employees have the opportunity to make a real difference while at the same time developing mentoring skills. Mentoring programs continued this year in partnership with UCan2 (see box below) and The Crunch (a partnership with Social Traders, which is a not-for-profit organisation) through which a number of employees provided business mentoring to start-up social enterprises.

UCan2

UCan2 is a mentoring and work experience program run by Foundation House, Victoria's leading refugee support organisation. Australia Post works with Foundation House to provide work experience opportunities for young people of refugee background, and to connect them with Australia Post employees who act as mentors.

The UCan2 program had another successful year, with 30 participants involved in work experience at Australia Post and 50 young people mentored.

Rosemary Matera has been mentoring Fahmo Farah through the UCan2 program this year.

Community support and investment

Participation in arts, culture and sporting activities can foster more socially inclusive communities. Australia Post continues to support a range of such activities. We are also committed to providing essential support in time of need such as major disasters like floods and bushfires.

This year we became the Community Inclusion Partner of the Australia Football League, a partnership that connects individuals and communities through their love of Australian Rules football. The program has three main components:

- **Australia Post AFL Community Camps**, where more than 800 players from across the 18 AFL teams visit communities throughout Australia to promote social cohesion, encourage participation in Australia Rules football, conduct training sessions and visit schools, nursing homes and hospitals.
- **Schools Letter Writing program**, which aims to help develop students' literacy through letter writing.
- **Australia Post Schools Cup**, where students from more than 300 primary schools participate in state-based football carnivals. Ten high-profile players were chosen as multicultural ambassadors to teach kids about the importance of diversity, working together and, most importantly, that anyone can achieve success regardless of their background.

We also rolled out our $600,000 partnership with the State Emergency Service, which was announced last year. The initiative provided replacement emergency equipment to the SES units who were most affected by the floods, bushfires and Tropical Cyclone Yasi that occurred during the 2010–11 summer. Around 200 SES flood boats in Queensland received spine boards and first aid kits, while units in Victoria, New South Wales and Western Australia were given chainsaws, flood boat motors and other rescue equipment.

Employment

The most significant impact we have in this area is through the employment we provide in our retail and distribution network, which is dispersed across regional and remote Australia.

There is also an employment focus in our Reconciliation Action Plan, which aims to provide sustainable employment opportunities to Indigenous Australians. This year, more than 100 people were provided with career development or employment through the program.

Tyler and Damon Lewis read books with Essendon's Dyson Heppell during the Essendon Bombers 2012 Community Camp at Maryborough Education Centre in Victoria. (© Australian Football League)

Measuring community expectations

During 2011–12 Australia Post undertook a comprehensive social research study to better understand how the community views the corporation. The research gave us valuable insights into how the community wants Australia Post to evolve in the future.

The study, which included 21 community-based focus groups held across metropolitan, regional and remote areas and targeted a broad range of demographic groups, identified that the community:

- has high levels of satisfaction (particularly in regional and remote areas) with the products and services offered by Australia Post across all of our businesses
- believes that Australia Post is an essential service provider and that our products and services support the economic development of local communities
- has a strong desire to see the type and levels of services offered by Australia Post maintained for those perceived to have the greatest need (the elderly and businesses)
- has a broad sense of the declining importance of letters, expects that digital migration will occur and supports us in developing a comprehensive online capability
- expects that, in the future, parcel delivery will be the core business of Australia Post.

The results of this work will be used to inform the evolution of our business and stakeholder engagement strategies to ensure that we continue to meet the needs and expectations of the broader Australian community.

Our performance
Environment

Highlights

- Reducing carbon emissions by a further 5% this year – we are tracking well to meet our 25% reduction target by 2020
- Developing a new three-year Carbon Reduction strategy and an implementation action plan

Challenges

- Continuing to reduce our overall carbon emissions as parcel volumes grow

Outlook

- Ensuring that we grow our business in the most sustainable way and minimise future environmental impacts
- Continuing to identify viable energy efficiency solutions and alternative energy and fuels
- Working with our people to implement our carbon reduction program

Our environment strategy focuses on the areas where Australia Post has the greatest impact, which is the greenhouse gas emissions we produce through our use of fuel and energy to run our nationwide retail and delivery network. Across Australia we have 1,113 buildings that are operated by Australia Post, and our fleet comprises some 10,380 vehicles.

Managing environmental impacts starts with understanding the effects of our business activities on the environment and measuring and mitigating them. Since establishing our environmental management system (EMS) in 1997, it has remained a priority to reduce our environmental footprint. As a signatory to the United Nations Global Compact we adhere to global principles and align our activities with the international standards framework ISO14001.

Our environmental management is focused on the impacts that result from the operations over which we have full control, including our owned and leased facilities, our fleet and our subsidiaries. We consider the impacts resulting from operations that are outside our direct control and provide support and communication to our licensees, franchisees and contractors.

Details of our EMS, compliance standards and performance against targets are provided on our website. Our performance, including our legal obligations, is monitored by the Australia Post board Audit and Risk Committee. During the 2011–12 reporting period there were no significant environmental incidents, fines or prosecutions.

Carbon reduction strategy

Australia Post has been measuring and reporting carbon emissions (tonnes CO_2-e) and developing initiatives to reduce them since 1997. In 2010 we replaced one-off initiatives with a strategic approach to carbon reduction.

Endorsed by the Australia Post board, our carbon reduction strategy is the cornerstone of our environmental management efforts. The strategy is focused on achieving a 25 per cent reduction in carbon emissions by 2020 (using our 2000 emission levels as a baseline).

We have now completed the second year of the carbon reduction strategy's initial three-year action plan and we are well ahead of our original projection, achieving a total reduction in carbon emissions of 29,028 tonnes. The relatively mild weather conditions over the last two summers (which have reduced our use of air conditioning) and the divestment this year of one of our subsidiaries had a positive impact on our emission levels. However, this has been offset by the increase in processing due to greater parcel volumes.

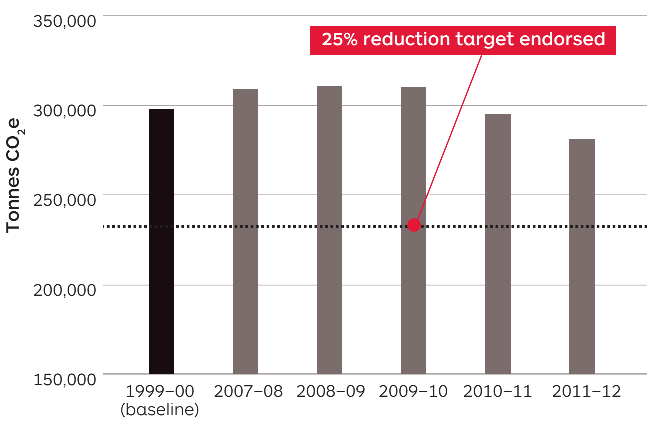
Next year, we will complete our initial three-year plan and anticipate that we will achieve an overall reduction in carbon emissions of 12 per cent. The key to this success has been the investment of more than $11.6 million in fuel and energy initiatives that will reduce our emission levels and deliver approximately $15 million in electricity and fuel cost savings over the three-year period.

Carbon reduction performance (tonnes CO_2-e)

2010–11 = **15,002 (↓5%)**

2011–12 = **14,026 (↓5%)**

Emission levels



Managing environmental impacts starts with understanding the effects of our business activities on the environment and measuring and mitigating them.

Reducing our fuel and energy use

Australia Post uses the Efficiency Opportunities program to identify and assess options to reduce fuel and energy consumption. One of the key outcomes of this program was identifying the initiatives that are being implemented as part of the National Energy Management Plan (NEMP). These include air-conditioning and lighting upgrades, installation of motion sensors, light sensors and skylights, as well as heating and cooling system changes. To date, this program has reduced energy consumption at our major processing and delivery facilities by 8 per cent. When completed next financial year, the NEMP program is expected to achieve a total reduction of 10 per cent and some 20,000 tonnes of carbon emissions.

A number of new initiatives were introduced, including an upgrade to the motors and rollers on our conveyor belts in our major processing facilities and the introduction of water-cooled IT server racks in our data centre.

The key factor contributing to our reduced fuel consumption this year was the continued purchase of hybrid vehicles and electric postie bikes, with 889 bikes rolled out to delivery facilities across Australia. This helped reduce our petrol consumption by 7 per cent.

Waste management

Our waste management program is focused on recycling non-hazardous waste from our operations, mostly comprising cardboard and paper. Our recycling efforts are geared towards reducing the amount of waste going to landfill.

In collaboration with our property and waste services providers we developed a waste reduction plan for 2011–12 that enabled us to reduce total waste this year by 15 per cent. Reductions were achieved through several initiatives, including the trial installation of a general waste compactor and cardboard baler at two of our major sites.

We also have long-standing partnerships with two community recycling programs – MobileMuster and Cartridges 4 Planet Ark. Through our retail outlets we help the community recycle old mobile phones and accessories and printer cartridges to divert them from going into landfill. We provide free Reply-Paid satchels and encourage our people and customers to drop off used inkjet and laser toner cartridges in special collection boxes located at more than 1,300 of our outlets, and across our workplaces. This year, we have collected 491,263 cartridges and 6,314 kilograms of mobile phones and accessories for recycling.

Product packaging stewardship

In March 2011 we introduced our new five-year action plan under the Australian Packaging Covenant. An important part of achieving our actions involves integrating sustainable packaging guidelines into our design and procurement process. Our primary focus this year has been working with various business units, including procurement and retail product managers, to determine the most effective means of achieving that integration.

This year the recycled content of our packaging was 49 per cent and our product to packaging ratio was 22.1:1 kilogram (21.1:1 kilogram in 2011).

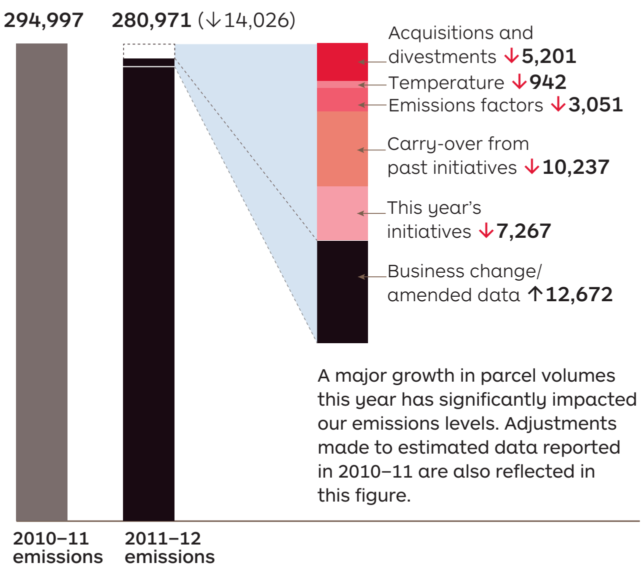
Developing a new three-year Carbon Reduction strategy

To find new opportunities for reducing greenhouse gas emissions we identified and assessed everything that consumes energy and fuel and applied the carbon reduction hierarchy – "avoid, reduce, replace, offset".

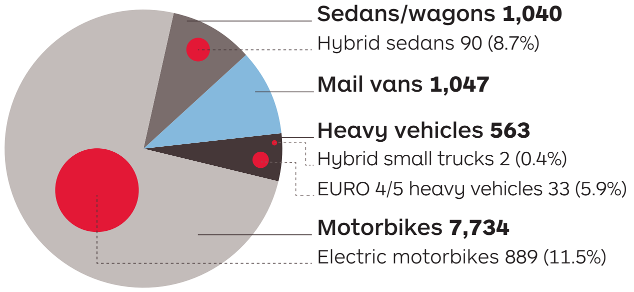
The review considered a wide range of approaches including new lighting and air-conditioning technologies, efficiency improvements for existing equipment, alternative fuels, business process change and behaviour change. The opportunities identified were evaluated and prioritised against strategic criteria such as the cost–benefit, alignment with our enterprise strategy and the complexity of implementation.

From this evaluation, 22 initiatives were found to be technically and financially viable with the potential to deliver real benefits to the business. These opportunities form the basis of our next three-year Carbon Reduction strategy which we will begin implementing in 2013–14.

2011–12 carbon emissions (tonnes CO_2-e) profile



Fleet composition



Employee views of sustainability

In March 2012 we conducted a sustainability survey to find out what employees thought of the work Australia Post does to manage its environmental impacts. Of the 1,050 people who responded to the survey, 66 per cent agreed that Australia Post is an environmentally responsible organisation. Our people also told us that the issues of greatest importance were energy use and waste management.

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

	Emission source	1999–00 (baseline)	2009–10	2010–11	2011–12
Scope 1 Direct emissions	Natural gas	5,444	5,095	5,972	5,308
	LPG	75	2,395	2,322	2,876
	Heating oil	68	0	0	0
	Diesel	57,258	67,978	65,344	67,116
	Petrol	15,443	12,807	12,279	11,439
	Total	**78,288**	**88,275**	**85,917**	**86,739**
Scope 2 Indirect emissions	Electricity	219,597	221,724	209,080	194,232
	Total	**219,597**	**221,724**	**209,080**	**194,232**
	Total Scope 1 and Scope 2 Direct and indirect emissions	**297,885**	**309,999**	**294,997**	**280,971**

Greenhouse gas emissions (tonnes CO_2-e) per $m of operating cost

Building energy efficiency (kilograms CO_2-e) per square metre floor space

Greenhouse gas emissions (tonnes CO_2-e) per full-time employee

Fleet efficiency (kilograms CO_2-e) per 100 kilometres

The emissions data in this section have been externally audited and exceed a 95 per cent accuracy level.
Carbon emission data are reported as tonnes CO_2-e, unless otherwise stated.

GRI index

GRI standard disclosures		Page(s)	Report section(s)
Strategy and analysis	1.1, 1.2	8 9	Chairman's message Managing Director and CEO's message
Organisational profile	2.1–2.9 2.10	12–13 10–11 Inside back cover	About Australia Post Financial report Awards
Report profile	3.1–3.4	Inside front cover Inside back cover	 Contact details
Report scope and boundary	3.5–3.11	16–17 136	Stakeholder management About this report
GRI content index	3.12	42	GRI index
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Governance	4.1–4.10	44–48	Corporate governance
Commitments to external initiatives	4.11–4.13	47 Inside back cover	Risk management Commitment to external initiatives
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Disclosure on management approach		136	About this report – full disclosure on website

GRI performance indicators		Indicator	Page(s)	Report section(s)	Coverage
Environmental performance indicators	Materials	**EN1**	40	Environment	Partial
	Materials	**EN2**	40	Environment	Full
	Energy	**EN3**	39–41	Environment	Full
	Energy	**EN4**	39–41	Environment	Full
	Energy	**EN5**	39–41	Environment	Full
	Emissions, effluents and waste	**EN16**	39–41	Environment	Full
	Emissions, effluents and waste	**EN18**	39–41	Environment	Full
	Emissions, effluents and waste	**EN22**	40	Environment	Partial
	Emissions, effluents and waste	**EN23**	39	Environment	Full
	Products and services	**EN26**	40	Environment	Full
	Products and services	**EN27**	40	Environment	Full
	Compliance	**EN28**	39	Environment	Full
Labor practices and decent work	Employment	**LA1**	32–33	People	Full
	Employment	**LA2**	33	People	Partial
	Labour/management relations	**LA4**	35	People	Full
	Occupational health and safety	**LA7**	32	People	Partial
	Diversity and equal opportunity	**LA13**	34–35	People	Partial
Human rights	Investment and procurement practices	**HR3**	34	People	Partial
	Non-discrimination	**HR4**	32	People	Partial
	Freedom of association and collective bargaining	**HR5**	35	People	Full
Society	Community		16–17 36–38	Stakeholder management Community	Full
	Corruption	**SO2**	20	Customers	Partial
	Compliance	**SO8**	20	Customers	Partial
Product responsibility	Product and service labelling	**PR5**	20	Customers	Full
	Marketing communications	**PR6**	20	Customers	Full
	Marketing communications	**PR7**	20	Customers	Full
	Customer privacy	**PR8**	20	Customers	Partial
	Compliance	**PR9**	20	Customers	Full
Economic performance indicators	Economic performance	**EC1**	10–11	Financial report	Full
	Economic performance	**EC2**	47	Risk management	Partial
	Economic performance	**EC3**	10–11 126–130	Financial report Statutory reporting requirements	Full
Transport and Logistics Sector Supplement (Pilot, 2006)	Fleet compositions	**LT2**	41	Environment	Full
	Mobile worker working patterns	**LT9**	32	People	Partial
	Road safety	**LT12**	32	People	Full
	Access to mail	**LT14**	12	About Australia Post	Full

Note: the full GRI content index is available on the Australia Post website at auspost.com.au/2012annualreport.

Assurance statement

Beca independent assurance report to Australia Post

Beca Pty Limited (Beca) was engaged by Australia Post to provide independent limited assurance of the Customer section of its 2012 Annual Report to the scope of work outlined below.

Scope of work

The 2012 Annual Report (the report) covers Australia Post's operations for the 12 months to 30 June 2012, unless stated otherwise in the text. The work was performed using Beca's assurance methodology which is based on ISAE 3000, the International Standard on Assurance Engagements used for assurance engagements other than audits or review of historical financial information.

During the assurance process, Beca interviewed a number of personnel and reviewed relevant documentation at Australia Post's offices in Melbourne. The subject matter for the assurance consisted of the following two aspects in relation to the dataset from the Customer section of the report:

- Provision of a balanced representation of material customer issues in the Customer section of the report.
- Accuracy of the customer metrics in the report.

Beca also reviewed the scope of the internal audit assurance process at Australia Post, to guide the assurance scope for future years.

Beca's independence

Australia Post was responsible for preparing the report. Established in 1918, Beca is one of the largest employee-owned engineering and related consultancy groups in Asia Pacific. It has more than 2,500 employees and 17 offices across the region. The Beca assurance auditors are experienced in the determination of materiality and the assurance of sustainability data. They were responsible for expressing assurance conclusions in line with the scope of work agreed with Australia Post. During 2011–12, Beca did not work with Australia Post on other consulting engagements.

Our conclusion

Beca concludes that, based on the scope of work and related limitations for the specified subject matter, Australia Post's 2012 Annual Report:

- Provides a balanced representation of the material customer issues concerning Australia Post
- Reports accurate customer metrics

based on the limitations outlined above for the 12 months to 30 June 2012.

Key observations

Based on the scope of work and without affecting our assurance conclusion, Beca identified this good practice:

- Internal audit provides a valuable check of selected non-financial data, related processes and calculations.
- Internal systems for the management and analysis of key customer data and information are robust.
- Data owners have been established and can substantiate key customer data and information.

The following opportunities for improvement were identified:

- Expansion of the external independent assurance scope to cover material non-financial data and information throughout the report would enhance transparency and credibility in future years.
- A procedure outlining the report development process would aid consistency year-on-year by detailing data owners and sources, the communication process for assurance requirements and the need for screen shots when data are extracted from live systems.

Beca congratulates Australia Post on its high level of commitment and performance in reporting.

21 August 2012
Beca Pty Limited

Beca has prepared this statement for Australia Post in accordance with Beca's standard terms and the standard practised by members of the consulting profession performing this type of service at the same time. No other warranty, express or implied, is given by Beca as a result of the provision of this statement. To the extent permitted by law, this statement is provided for informational purposes only, without the right to rely, and Beca will not be liable for any reliance which may be placed on this statement by a third party. This statement may not be used by any third party without Beca's express written permission.

Corporate governance

General

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

These practices derive principally from the provisions of the *Australian Postal Corporation (APC) Act 1989*, the *Commonwealth Authorities and Companies (CAC) Act 1997* and the *Commonwealth Government Business Enterprise Governance and Oversight Guidelines (2011)*. They are also guided by the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

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

Shareholder ministers

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

The board

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

Non-executive directors are nominated by the portfolio minister and appointed by the Governor-General for a period of up to five years. Reappointment is permissible. In practice, terms of appointment are generally three years.

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

The managing director and CEO is appointed by the board.

Board membership during 2011–12 was:

David Mortimer (Chairman)
Mark Darras (Deputy Chairman)
Ahmed Fahour (Managing Director and CEO)
Penny Bingham-Hall
Peter Carne
Brendan Fleiter (appointed 19 October 2011)
Ian Warner (retired 11 May 2012)
The Hon. Trish White

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

Role of the board

Under Section 23 of the APC Act the role of the board is to:

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

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

Board committees

Three permanent committees – the Audit and Risk Committee, the Human Resources Committee and the Nomination and Remuneration Committee – assist the board in the discharge of its responsibilities.

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

Audit and Risk Committee

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

Membership during 2011–12 was:

Peter Carne (Chairman)
David Mortimer
Brendan Fleiter (appointed 1 December 2011)
The Hon. Trish White (appointed 28 July 2011)
Ian Warner (retired 11 May 2012)

The committee focuses in particular on the areas of financial reporting, risk management and internal controls. Among other things it reviews:

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

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

Prior to each meeting, the committee holds separate private discussions with the external auditors, the internal auditor and the chief financial officer.

The committee meets four times a year. Meeting attendance details for 2011–12 are provided in the table on page 48.

Human Resources Committee

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

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

Membership during 2011–12 was:

Mark Darras (Chairman)
Ahmed Fahour
Penny Bingham-Hall (appointed 1 December 2011)
Brendan Fleiter (appointed 3 May 2012)
The Hon. Trish White

The committee meets four times a year. Meeting attendance details for 2011–12 are provided in the table on page 48.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee was established by the board on 21 June 2012 and met for the first time in July 2012. The committee will provide shareholder ministers with recommendations on board composition and membership, and performance and succession management for the managing director and CEO.

Specifically, the role of the committee is to:

- provide a recommendation to shareholder ministers on board composition and membership
- develop an annual board plan
- undertake a board effectiveness review, on a triennial basis
- inform shareholder ministers prior to any board / managing director and CEO vacancies
- review and make recommendation to the board in relation to managing director and CEO remuneration
- establish and maintain succession arrangements for the managing director and CEO
- consider the managing director and CEO's recommendations around recruitment, performance, remuneration and succession planning for executive general managers.

Superannuation Committee

The Superannuation Committee was temporarily established to review Australia Post's strategy regarding superannuation programs and associated obligations. The committee's responsibilities were reverted to the board from 21 June 2012, following its disbanding.

Membership during 2011–12 was:

David Mortimer (Chairman)
Ahmed Fahour
Mark Darras
Peter Carne

The committee met four times during the year. Meeting attendance details for 2011–12 are provided in the table on page 48.

Board performance

An externally facilitated board performance appraisal was undertaken during the reporting period. The focus of the comprehensive evaluation was on board and board committee effectiveness, and individual director performance. The review was completed in April 2012 with the directors briefed on the outcome and findings of the review at the subsequent board meeting (May 2012).

Director induction and education

A comprehensive induction program provides newly appointed directors with an understanding of their role and responsibilities, and exposes them to key features of the corporation including operations, policies and strategies. Additional supplements are tailored to meet particular needs or interests.

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

Independent professional advice

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

Conflict of interest

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

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

Ethical standards

At Australia Post, everything we do can have social, environmental and economic impacts. Australians trust us with the delivery of their essential products and services every day, and our retail footprint places us at the heart of communities across the country. As such, it is important that our people represent Australia Post in an ethical way by conducting business with integrity, honesty, fairness and in compliance with all relevant laws, regulations, codes and corporate policies and procedures so that we continue to be a trusted brand. When we demonstrate ethical behaviour, we show respect for each other, our customers and the community.

The Australia Post *Our Ethics* booklet, which was launched in 2009, details the minimum ethical standards of expected behaviour that help guide us through possible ethical dilemmas and dealings with customers, suppliers, the corporation and each other.

In 2011 *Our Ethics* was refreshed to incorporate our culture pillars – safety, accountability, customer focus and speed of action. These are our core beliefs and create a shared understanding of how we do things at Australia Post. All Australia Post employees are accountable for demonstrating the behaviours in their daily work to help make Australia Post a better place to work, and ensure a strong future for the corporation.

When people ask our employees what it is like to work at Australia Post, they are able to describe the behaviours within the culture pillars. We always put safety first, take accountability for our actions, remain focused on delivery and exceptional service to our customers and seek to deliver timely outcomes.

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

Director remuneration

Remuneration for Australia Post's non-executive directors is determined by the Commonwealth Remuneration Tribunal. For 2011–12 this was:

Chairman	$169,650
Deputy chairman	$94,670
Directors	$84,850
Audit and Risk Committee chairman	$19,620
Audit and Risk Committee member	$9,820

Total amounts received or receivable in 2011–12 by each non-executive director are provided in Note 28 to the financial statements (see page 96).

Executive remuneration

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

Remuneration arrangements for other senior executives are reviewed and determined by the managing director and CEO within parameters set by the Human Resources Committee and, from 21 June 2012, the newly established board Nomination and Remuneration Committee.

Advice is sought annually from independent specialised remuneration consultants on the:

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

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

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

Before a reward is payable, a threshold must be reached, according to predefined measures. In the case of the managing director and CEO and some senior executives, part of their incentive payment is deferred and expensed over the deferral period.

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

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

and, for other senior executives, to:

- 90 days payment in lieu of notice and a termination payment calculated based on length of service and capped at 12 months fixed annual remuneration including the payment in lieu of notice.

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

Remuneration details for the managing director and CEO and other senior executives are provided in Note 28 to the financial statements (see page 96).

External audit

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

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

Internal audit

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

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

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

Risk management

The board has established a comprehensive risk management and compliance policy framework covering significant operational, strategic and compliance-related business risks. The framework and underpinning processes are consistent with the principles of the Australian Risk Management Standard (AS/NZS ISO 31000:2009) and the Australian Standard 3806-2006 Compliance programs.

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

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

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

The effectiveness of the corporation's risk management and compliance framework is reviewed annually by the board. To ensure the maintenance of better practice, independent external reviews of risk management and compliance processes across the corporation are undertaken every four years. The most recent review was undertaken by Deloitte and presented to the board Audit and Risk Committee in May 2009.

Internal control framework

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

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

Treasury

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

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

Security and investigation

Security and Investigation is an internal service group that provides security and crime risk consultancy and investigation services for Australia Post. It is chartered to identify, analyse, and advise on mitigation strategies for all security and crime risks relevant to Australia Post's people, property, information and reputation. This specialist group maintains close internal working relationships with the legal, risk and audit units, and externally with international, national, state and territory law enforcement services and agencies.

Competition and consumer law

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

Privacy

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

Corporate responsibility

Australia Post's corporate responsibility (CR) program is an important element of the corporation's strategy. The policy that underpins this provides for clear accountability in meeting the program's goals and objectives. Performance is continually monitored by a manager, whose responsibility is the CR strategy development, implementation and assessment across the enterprise.

CR governance is integrated across the corporation through key business focus groups. Our people needs and subsequent programs are governed by the Human Resources Committee. Our environmental carbon reduction commitment is managed by the carbon stakeholder group and led by the Operations Network executive general manager. The Customer Action Council is made up of general managers and prioritises actions to improve the customer experience. The Australia Post Stakeholder Council, which provides an external perspective to the CR program, comprises representatives ranging from small, medium and large business, direct marketing and corporate responsibility, as well as Australia Post senior executives.

Directors' attendance at meetings during 2011–12

	Board		Audit and Risk Committee		Human Resources Committee		Superannuation Committee	
	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)
David Mortimer	7	7	4	4	–	–	3	3
Ahmed Fahour	7	7	–	–	4	4	3	3
Penny Bingham-Hall	7	6	–	–	2	2	–	–
Peter Carne	7	7	4	4	–	–	3	3
Mark Darras	7	7	–	–	4	4	3	3
Brendan Fleiter	5	4	2	2	1	1	–	–
Ian Warner	6	6	3	3	–	–	–	–
The Hon. Trish White	7	7	4	4	4	4	–	–

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

Financial and statutory reports

Understanding our reports

This financial report enables readers to assess the corporation's results for the year, including our present financial position, future outlook and the value of our assets. To gain a complete understanding the financial report should be read in conjunction with the accompanying explanatory notes. The financial report includes consolidated reports only, which reflect transactions between Australia Post or its subsidiary companies and third parties. The statements by directors, chief executive officer, and chief financial officer, and the Auditor-General's Report are standard legal declarations that are required in all annual financial reports. Comparative measures are provided for the previous year and all figures are rounded to the nearest $100,000 (unless otherwise stated).

Contents

Statements by directors, chief executive officer and chief financial officer

2011–12 Financial Report

In our opinion:

(a) the accompanying financial report for the year ended 30 June 2012:

(i) gives a true and fair view of the matters required by the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*, as amended

(ii) has been prepared based on properly maintained financial records.

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

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

D A Mortimer AO
Chairman

Melbourne
30 August 2012

A Fahour
Managing Director and CEO

Melbourne
30 August 2012

A Harrop
Chief Financial Officer

Melbourne
30 August 2012

2011–12 Financial Report Certification

Prior to the adoption of the 2011–12 financial report, the board received and considered a written statement from the managing director and CEO and chief financial officer to the effect that the:

- report presented a true and fair view, in all material respects, of the corporation and the consolidated entity's financial position and performance, and was in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia as required by the Finance Minister's Orders under the *Commonwealth Authorities and Companies Act 1997*
- integrity of the financial report is founded on a sound system of risk management, internal compliance and control that operated effectively and efficiently in all material respects, consistent with the Australian Standard on Risk Management (AS/NZS 31000:2009) and policies adopted by the board of directors.

D A Mortimer AO
Chairman

Melbourne
30 August 2012

2011–12 Report of Operations

In the opinion of the directors, the requirements under s9 of the *Commonwealth Authorities and Companies Act 1997* for the preparation and content of the "report of operations" as specified in orders issued by the Minister for Finance and Deregulation are met in the general body of this report (pages 1–41) and in the statutory report (pages 123–130).

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

D A Mortimer AO
Chairman

Melbourne
30 August 2012

Auditor-General for Australia

Australian National Audit Office

INDEPENDENT AUDITOR'S REPORT

To the Minister for Broadband, Communications and the Digital Economy

Report on the Financial Report

I have audited the accompanying financial report of the Australian Postal Corporation (the Corporation) for the year ended 30 June 2012, which comprises: the Statement by directors, chief executive officer and chief financial officer; Statement of comprehensive income; Balance sheet; Cash flow statement; Statement of changes in equity; Schedule of commitments; Schedule of contingencies; and Notes to and forming part of the Financial Report comprising a summary of significant accounting policies and other explanatory information of the consolidated entity. The consolidated entity comprises the Corporation and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the Australian Postal Corporation are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997,* including the Australian Accounting Standards, and for such internal control as is necessary to enable the preparation of the financial report that gives a true and fair view and are free from material misstatement, whether due to fraud or error. In note 1(b) to the financial report, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report complies with *International Financial Reporting Standards*.

Auditor's Responsibility

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

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

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the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Opinion

In my opinion:

1. the financial report of the Australian Postal Corporation:

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

   (b) gives a true and fair view of the matters required by the Finance Minister's Orders including the consolidated entity's financial position as at 30 June 2012 and of its financial performance and cash flows for the year then ended.

2. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(b).

Report on Other Legal and Regulatory Requirements

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

Australian National Audit Office

Ian McPhee
Auditor-General

Canberra
30 August 2012

Statement of comprehensive income

for the year ended 30 June 2012

	Note	Consolidated 2012 $m	2011 $m
Revenue			
Goods and services	2	5,025.6	4,864.8
Interest		37.6	31.8
		5,063.2	4,896.6
Other income	2		
Rents		36.5	38.2
Other income and gains		26.5	51.6
		63.0	89.8
Total income	27	**5,126.2**	**4,986.4**
Expenses (excluding finance costs)			
Employees	3	2,322.9	2,254.0
Suppliers		2,162.2	2,047.1
Depreciation and amortisation		201.6	198.4
Net loss on disposal of property, plant and equipment		2.7	1.0
Write-down and impairment of assets		14.1	42.8
Restructuring		–	42.0
Other expenses		35.5	55.3
Total expenses (excluding finance costs)		**4,739.0**	**4,640.6**
Profit before income tax, finance costs and share of net profits of jointly controlled entities		**387.2**	**345.8**
Finance costs	4	37.3	33.7
Share of net profits of jointly controlled entities	11	16.8	20.2
Profit before income tax		**366.7**	**332.3**
Income tax expense	5(a),(c)	85.5	91.1
Net profit for the year		**281.2**	**241.2**
Other comprehensive income			
Exchange differences on translation of foreign operations	23	–	0.7
Actuarial (loss)/gain on defined benefit plans	12	(541.3)	114.8
Movement in hedging reserve	23	(1.7)	0.5
Income tax on items of other comprehensive income	5(b)	162.8	(34.5)
Movements in jointly controlled entity reserves and actuarial losses		(7.8)	0.9
Income tax on jointly controlled entity reserves and actuarial losses		2.8	(0.3)
Other comprehensive income for the year, net of tax		**(385.2)**	**82.1**
Total comprehensive income for the year		**(104.0)**	**323.3**
Net profit for the year is attributable to:			
Equity holders of the parent		281.2	240.8
Non-controlling interest		–	0.4
		281.2	**241.2**
Total comprehensive income for the year is attributable to:			
Equity holders of the parent		(104.0)	323.0
Non-controlling interest		–	0.3
		(104.0)	**323.3**

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

Balance sheet

as at 30 June 2012

	Note	Consolidated 2012 $m	Consolidated 2011 $m
Assets			
Current assets			
Cash and cash equivalents	32(a)	775.6	602.2
Held to maturity investments		59.1	–
Trade and other receivables	6	435.4	465.3
Inventories	7	55.2	49.7
Accrued revenues		129.6	126.1
Other current assets	8	81.1	83.2
Total current assets		**1,536.0**	**1,326.5**
Non-current assets			
Trade and other receivables	9	227.6	226.8
Investments in jointly controlled entities	11	284.7	292.1
Superannuation asset	12	–	287.4
Land and buildings	13	736.4	739.6
Plant and equipment	13	481.3	474.7
Intangible assets	14	351.9	317.2
Investment property	15	195.7	183.3
Deferred tax assets	5(d)	343.6	279.1
Other non-current assets	17	18.6	5.6
Total non-current assets		**2,639.8**	**2,805.8**
Total assets		**4,175.8**	**4,132.3**
Liabilities			
Current liabilities			
Trade and other payables	18	812.2	723.5
Interest-bearing liabilities	19	–	232.5
Provisions	20	594.3	636.4
Income tax payable		48.2	–
Total current liabilities		**1,454.7**	**1,592.4**
Non-current liabilities			
Interest-bearing liabilities	19	617.5	323.6
Provisions	20	188.9	164.8
Superannuation liability	12	233.9	–
Deferred tax liabilities	5(d)	147.0	224.5
Other non-current liabilities	21	27.8	23.1
Total non-current liabilities		**1,215.1**	**736.0**
Total liabilities		**2,669.8**	**2,328.4**
Net assets		**1,506.0**	**1,803.9**
Equity			
Contributed equity		400.0	400.0
Reserves	23	5.7	6.8
Retained profits	22	1,100.3	1,397.1
Parent interest		1,506.0	1,803.9
Total equity		**1,506.0**	**1,803.9**

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

Cash flow statement

for the year ended 30 June 2012

	Note	Consolidated 2012 $m	2011 $m
Operating activities			
Cash received			
Goods and services		5,496.6	5,329.5
Interest		37.2	31.2
Dividends		14.8	18.2
Income tax refund		48.8	18.0
Total cash received		**5,597.4**	**5,396.9**
Cash used			
Employees		2,361.3	2,315.3
Suppliers		2,373.2	2,343.9
Financing costs		34.9	32.5
Income tax		46.6	72.1
Goods and services tax paid		230.2	225.7
Total cash used		**5,046.2**	**4,989.5**
Net cash from operating activities	32(b)	**551.2**	**407.4**
Investing activities			
Cash received			
Proceeds from sales of property, plant and equipment		52.1	47.2
Total cash received		**52.1**	**47.2**
Cash used			
Payments for investments in controlled entities (net of cash acquired)	32(c)	–	43.7
Payments for investment property		3.5	0.7
Purchase of property, plant and equipment		134.0	107.0
Purchase of intangibles		89.5	117.9
Purchase of held to maturity investments		59.0	–
Total cash used		**286.0**	**269.3**
Net cash used by investing activities		**(233.9)**	**(222.1)**
Financing activities			
Cash received			
Proceeds from borrowings		280.0	–
Total cash received		**280.0**	**–**
Cash used			
Repayment of borrowings	32(c)	230.0	5.3
Dividends paid	25	193.9	78.5
Total cash used		**423.9**	**83.8**
Net cash used by financing activities		**(143.9)**	**(83.8)**
Net increase in cash and cash equivalents		**173.4**	**101.5**
Cash and cash equivalents at beginning of the year		602.2	500.7
Cash and cash equivalents at end of the year	32(a)	**775.6**	**602.2**

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

Statement of changes in equity

as at 30 June 2012

	Consolidated							
	Contributed equity	Asset revaluation reserve	Foreign currency translation reserve	Hedging reserve	Retained profits	Parent interest	Non-controlling interest	Total equity
	$m	$m	$m	$m	$m	$m	$m	$m
Balance at 1 July 2010	400.0	6.7	(0.6)	0.1	**1,153.2**	1,559.4	(0.3)	**1,559.1**
Comprehensive income								
Profit for the year	–	–	–	–	**240.8**	240.8	0.4	**241.2**
Other comprehensive income	–	–	0.7	0.5	**114.8**	116.0	–	**116.0**
Tax on other comprehensive income	–	–	–	(0.1)	**(34.4)**	(34.5)	–	**(34.5)**
Transfer net of tax	–	–	(0.1)	–	**0.2**	0.1	(0.1)	**–**
Share of jointly controlled entity items	–	–	(0.1)	(0.4)	**1.4**	0.9	–	**0.9**
Tax on share of jointly controlled entity items	–	–	–	0.1	**(0.4)**	(0.3)	–	**(0.3)**
Total comprehensive income for the year	**–**	**–**	**0.5**	**0.1**	**322.4**	**323.0**	**0.3**	**323.3**
Transactions with owners								
– Distribution to owners								
Dividends (refer note 25)	–	–	–	–	**(78.5)**	(78.5)	–	**(78.5)**
Balance at 30 June 2011	**400.0**	**6.7**	**(0.1)**	**0.2**	**1,397.1**	**1,803.9**	**–**	**1,803.9**
Comprehensive income								
Profit for the year	–	–	–	–	**281.2**	281.2	–	**281.2**
Other comprehensive income	–	–	–	(1.7)	**(541.3)**	(543.0)	–	**(543.0)**
Tax on other comprehensive income	–	–	–	0.4	**162.4**	162.8	–	**162.8**
Share of jointly controlled entity items	–	–	0.0	0.3	**(8.1)**	(7.8)	–	**(7.8)**
Tax on share of jointly controlled entity items	–	–	–	(0.1)	**2.9**	2.8	–	**2.8**
Total comprehensive income for the year	–	**–**	**0.0**	**(1.1)**	**(102.9)**	**(104.0)**	**–**	**(104.0)**
Transactions with owners								
– Distribution to owners								
Dividends (refer note 25)	–	–	–	–	**(193.9)**	(193.9)	–	**(193.9)**
Balance at 30 June 2012	**400.0**	**6.7**	**(0.1)**	**(0.9)**	**1,100.3**	**1,506.0**	**–**	**1,506.0**

Schedule of commitments

as at 30 June 2012

	Consolidated[3] 2012 $m	2011 $m
By type		
Commitments receivable:		
Lease rental receivables[1]	154.8	157.4
GST recoverable on commitments	203.4	173.6
Total commitments receivable	**358.2**	**331.0**
Commitments payable:		
Capital commitments:		
Land and buildings	7.1	3.7
Plant and equipment	53.9	40.2
Other	4.7	34.6
Total capital commitments	**65.7**	**78.5**
Other commitments		
Operating leases	513.9	564.0
Other commitments[2]	1,875.7	1,578.6
Total other commitments	**2,389.6**	**2,142.6**
Total commitments payable	**2,455.3**	**2,221.1**
Net commitments	**2,097.1**	**1,890.1**
By maturity		
Commitments receivable:[1]		
Within one year	114.4	99.8
From one to five years	211.4	197.8
Over five years	32.4	33.4
Total commitments receivable by maturity	**358.2**	**331.0**
Commitments payable:		
Capital commitments due:		
Within one year	61.8	78.5
From one to five years	3.9	–
Total capital commitments	**65.7**	**78.5**
Operating lease commitments due:		
Within one year	109.5	122.9
From one to five years	267.5	292.4
Over five years	136.9	148.7
Total operating lease commitments	**513.9**	**564.0**
Other commitments due:		
Within one year	740.7	564.9
From one to five years	1,134.4	1,013.3
Over five years	0.6	0.4
Total other commitments	**1,875.7**	**1,578.6**
Total commitments payable by maturity	**2,455.3**	**2,221.1**
Total other commitments	**2,097.1**	**1,890.1**

(1) This relates to $42.1 million (2011: $44.9 million) of sub-lease rent receivables and operating lease receivables.
(2) The majority of these commitments relate to carriage and delivery of letters and parcels by contractors. Commitments are recognised for these items when it is considered probable that outflow will occur.
(3) The consolidated entity's share of jointly controlled entities' commitments comprise $48.4 million (2011: $46.3 million) in commitment receivables, $6.6 million (2011: $0.9 million) in capital commitments and $524.0 million (2011: $551.3 million) in operating leases and other commitments.

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

Schedule of contingencies

as at 30 June 2012

	Guarantees[1]		Claims for damages or other costs[2]		Total[3],[4]	
	Consolidated					
	2012 $m	2011 $m	2012 $m	2011 $m	2012 $m	2011 $m
Balance from previous year	148.0	151.6	2.7	2.5	150.7	154.1
New	–	–	3.3	2.4	3.3	2.4
Remeasurement	17.5	(2.6)	0.3	0.5	17.8	(2.1)
Liabilities recognised	–	–	(2.6)	(2.7)	(2.6)	(2.7)
Obligations expired	(4.2)	(1.0)	(0.2)	–	(4.4)	(1.0)
Total contingent liabilities	**161.3**	**148.0**	**3.5**	**2.7**	**164.8**	**150.7**
Balance from previous year	7.6	7.7	1.0	1.1	8.6	8.8
New	–	–	–	0.7	–	0.7
Assets recognised	–	–	(0.5)	–	(0.5)	–
Obligation expired	–	(0.1)	–	(0.8)	–	(0.9)
Total contingent assets	**7.6**	**7.6**	**0.5**	**1.0**	**8.1**	**8.6**
Net contingent liabilities	**153.7**	**140.4**	**3.0**	**1.7**	**156.7**	**142.1**

(1) Relates to non-financial guarantees, including bank guarantees over projected workers' compensation claims liabilities. Financial guarantees have also been provided by the corporation in addition to the above disclosures with maximum credit risk of $59.0 million (2011: $52.0 million). These are included in note 30(i).
(2) Relates to legal liability claims that have been lodged against the corporation and subsidiaries, including motor vehicle accident and personal injury claims.
(3) The consolidated entity's share of jointly controlled entities' contingent liabilities is $31.5 million (2011: $32.0 million).
(4) As at 30 June 2012, due to the nature of group's contingent liabilities, the group is not able to ascertain with any certainty the expected timing of any cash outflow that may arise, or the probability of reimbursement.

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

1 Summary of significant accounting policies

(a) Basis of preparation

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

- Finance Minister's Orders (being the Commonwealth Authorities and Companies (Financial Statement) Orders) for reporting periods ending on or after 1 July 2011; and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board.

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

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

(b) Statement of compliance

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ending 30 June 2012. The standards are as follows:

Reference	Title	Nature of change to accounting policy	Application date of standard	Application date for group
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement). These amendments are not expected to have any impact on the group's financial report.	1 January 2013	1 July 2013
AASB 10	Consolidated Financial Statements	AASB 10 establishes a new control model that applies to all entities. These amendments are not anticipated to have a material impact on the structure of the group as it currently stands. The impact of this standard on any future acquisitions by the group will be assessed as and when they arise.	1 January 2013	1 July 2013
AASB 11	Joint Arrangements	AASB 11 replaces AASB 131 Interests in Joint Ventures and UIG-113 Jointly-controlled Entities – Non-monetary Contributions by Ventures. The group does not expect these amendments to impact the accounting policies used by the group to account for its investments in jointly controlled entities.	1 January 2013	1 July 2013

Reference	Title	Nature of change to accounting policy	Application date of standard	Application date for group
AASB 12	Disclosure of Interests in Other Entities	New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements. These amendments are not expected to have any material impact on the group's financial report.	1 January 2013	1 July 2013
AASB 13	Fair Value Measurement	AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. These amendments are not expected to have any material impact on the group's financial report.	1 January 2013	1 July 2013
AASB 119	Employee Benefits	Revising the accounting for defined benefit plans which requires any liabilities arising from such plans to be recognised in full with actuarial gains and losses disclosed within other comprehensive income and returns on assets to be calculated with reference to the discount rate applied. These amendments are expected to have a significant impact on the group's financial report and the group is working through the quantification of this change.	1 January 2013	1 July 2013
AASB 1053	Application of Tiers of Australian Accounting Standards	This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements: Tier 1: Australian Accounting Standards Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements The new framework is not expected to have any impact on the group's financial report.	1 July 2013	1 July 2013
AASB 2010-8	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	These amendments are not expected to have any material impact on the group's financial report.	1 January 2012	1 July 2012
AASB 2011-4	Amendments to Australian Accounting Standards – To Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	These amendments are not expected to have any material impact on the group's financial report.	1 July 2013	1 July 2013

Reference	Title	Nature of change to accounting policy	Application date of standard	Application date for group
AASB 2011-9	Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	These amendments whilst impacting the presentation of the statement of comprehensive income are not expected to have a material impact on the group's financial report.	1 July 2012	1 July 2012
Annual improvements 2009-2011 Cycle	Annual improvements to IFRSs 2009-2011 Cycle [IFRS 1, IAS 1, 16, 32 & 34]	Sets out amendments to International Financial Reporting Standards and the related bases for conclusions and guidance made during Accounting Standards Board's Annual Improvement process. Amendments not yet adopted by the AASB. These amendments are not expected to have any material impact on the group's financial report.	1 January 2013	1 July 2013

(c) Basis of consolidation

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

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

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

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

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

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

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

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

(d) Significant accounting judgements, estimates and assumptions

(i) Significant accounting estimates and assumptions

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

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

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

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

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

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

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

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

(ii) Significant accounting judgements

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

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

(e) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in other expenses.

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

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 Financial Instruments: Recognition and Measurement either in the statement of comprehensive income or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of AASB 139, it is measured in accordance with the appropriate Australian Accounting Standard.

(f) Revenue recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods and services

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer. Revenue from services rendered is recognised when the right to be compensated has been attained and the stage of completion can be reliably measured.

Recognition is at point of sale in the case of postage items and provision of agency services, point of lodgement in the case of bulk mail and when control of goods has passed to the buyer in the case of retail products.

Allowance is made for the assessed amount of revenue from postage sales as at balance date in respect of which service had not yet been provided. The group recognises an accrual for the amount of revenue earned from delivery of international mail in respect of which statements have not been received. Revenue is determined based on a number of factors including the volume of articles delivered, the international postal organisation for which we are delivering mail and with reference to the International Postal Union guidelines.

Revenue is recognised on a commission basis where the group acts as an agent rather than a principal in the transaction.

(ii) Interest revenue

For all financial instruments measured at amortised cost, interest income or expense is recorded using the effective interest rate, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

(iii) Dividends

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

(iv) Rental income

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

(g) Operating segments

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

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team. Activities that are not considered part of the core operations of any segments are disclosed within the "Unallocated segment".

(h) Government grants

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

(i) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date. It also requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

(i) Group as a lessee

Finance leases that transfer to the group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised within finance costs in the statement of comprehensive income.

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

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

(ii) Group as a lessor

Leases in which the group does not transfer substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(j) Cash and cash equivalents

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

(k) Trade and other receivables

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

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

(l) Inventories

Inventories including raw materials, work in progress and finished goods are valued at the lower of cost and net realisable value. Initial cost of inventories also includes the transfer of gains and losses on qualifying cash flow hedges, recognised in other comprehensive income. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials – purchase cost on a first-in, first-out basis. The cost of purchase comprises the purchase price including import duties and other taxes (other than those subsequently recoverable by the group from the taxing authorities), transport, handling and other costs directly attributable to the acquisition or raw materials. Volume discounts and rebates are included in determining the cost of purchase; and
- Finished goods and work-in-progress – cost of direct materials and labour and a proportion of variable and fixed manufacturing overheads based on normal operating capacity but excluding borrowing costs.

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

(m) Derivative financial instruments and hedge accounting

The group uses derivative financial instruments (including forward currency contracts, fuel swap contracts, fuel option contracts and interest rate swaps) to hedge its interest rate risk, foreign currency risk and fuel price fluctuations, respectively. Such derivative financial instruments are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured to fair value.

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the statement of comprehensive income, except for the effective portion of cash flow hedges which are recognised in other comprehensive income.

The fair value of non-optional derivatives is determined based on discounted cash flow analysis using the applicable yield curve or forward curve (commodity) for the duration of the instrument. The fair value of optional derivatives is determined based upon valuation techniques consistent with accepted market practice.

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

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

At the inception of a hedge relationship, the group formally designates and documents the hedge relationship to which the group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

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

(i) Fair value hedges

The change in the fair value of a hedging derivative is recognised in the statement of comprehensive income in finance costs; the change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statement of comprehensive income in finance costs.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through the statement of comprehensive income over the remaining term of the hedge using the effective interest rate method. Effective interest rate amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedge item is derecognised, the unamortised fair value is recognised immediately in the statement of comprehensive income.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the statement of comprehensive income.

(ii) Cash flow hedges

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

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of comprehensive income.

Amounts recognised as other comprehensive income are transferred to the statement of comprehensive income when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale or purchase occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity is transferred to the statement of comprehensive income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects the statement of comprehensive income.

(iii) Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into a current and non-current portion based on an assessment of the facts and circumstances pertaining to the derivative (i.e., the underlying contracted cash flows):

- When the group will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistent with the cash flow of the host contract.
- Derivative instruments that are designated in a hedging relationship, and are assessed as effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and a non-current portion only if a reliable allocation can be made.

(n) Foreign currency translation

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

(i) Transactions and balances

Transactions in foreign currencies are initially recorded by the group at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in the fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or the statement of comprehensive income is also recognised in other comprehensive income or the statement of comprehensive income, respectively).

(ii) Translation of group companies

On consolidation, the assets and liabilities of foreign operations are translated into Australian dollars at the rate of exchange prevailing at the reporting date and their statements of comprehensive income are translated at exchange rates prevailing at the dates of the transactions. The exchange rate differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of comprehensive income.

Any goodwill arising on acquisition of a foreign operation subsequent to 1 July 2005 and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

(o) Investment in jointly controlled entities

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

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

The consolidated statement of comprehensive income reflects the group's share of the results of operations of the jointly controlled entity, and its share of post-acquisition movements in reserves is recognised in other comprehensive income.

The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from jointly controlled entities are recognised in the parent entity's statement of comprehensive income as a component of other income.

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

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

(p) Income tax

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

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

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

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

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or in the statement of comprehensive income.

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

(q) Other taxes

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST) except:

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

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

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

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

(r) Acquisition of assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken.

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

(s) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance are recognised in the statement of comprehensive income as incurred. The expected cost for decommissioning an asset after its use is included in the cost of the respective asset at present value, if the recognition criteria for a provision are met. Refer to significant accounting judgements, estimates and assumptions (note 1(d)) and provisions (note 20) for further information about the recorded decommissioning provision.

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

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

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

	2012	2011
Buildings-GPOs	70 years	70 years
Buildings-other facilities	40-50 years	40-50 years
Leasehold improvements	Lower of lease term and 10 years	Lower of lease term and 10 years
Motor vehicles	3-10 years	3-10 years
Specialised plant and equipment	10-20 years	10-20 years
Other plant and equipment	3-10 years	3-10 years

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

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

(t) Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred, if the recognition criteria are met, but excludes the costs of day-to-day servicing.

Subsequent to initial recognition, investment properties are measured at fair value, which is based on active market prices, adjusted if necessary, for any difference in the nature, location or condition of the specific asset at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the statement of comprehensive income in the period in which they arise. Fair values are evaluated annually by an accredited, external, independent valuer, applying a valuation model recommended by the Australian Valuation Standards.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the statement of comprehensive income in the period of derecognition.

Transfers are made to investment property when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party. For a transfer from investment property to owner-occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If an owner-occupied property becomes an investment property, the group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

(u) Financial instruments

(i) Financial assets

Initial recognition and measurement

Financial assets within the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of assets not at fair value through profit or loss where transaction costs are expensed.

Purchase or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular trades) are recognised on the trade date, i.e., the date that the group commits to purchase or sell the asset.

The group's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables, quoted and unquoted financial instruments and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

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

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by AASB 139.

Financial assets at fair value through profit or loss are carried in the balance sheet at fair value with net changes in fair value recognised in the statement of comprehensive income.

Financial assets designated upon initial recognition at fair value through profit and loss are designated by the group at their initial recognition date and only if criteria under AASB 139 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of comprehensive income. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

(ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the group has the positive intention and ability to hold to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest rate, less any impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Effective interest rate amortisation is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Effective interest rate amortisation is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income for both loans and receivables.

(iv) Available-for-sale investments
Available-for-sale investments include equity investments and debt securities. Equity investments classified as available-for-sale are those that are neither classified as held for trading not designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time but may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other income and gains, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for-sale reserve to the statement of comprehensive income. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the effective interest rate method.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to the statement of comprehensive income over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of comprehensive income.

(ii) Financial liabilities

Initial recognition and measurement
Financial liabilities within the scope of AASB 139 are classified as either financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge relationship, as appropriate. The group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value, plus in the case of loans and borrowings, directly attributable transaction costs. The group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts, and derivative financial instruments.

Subsequent measurement
The measurement of financial liabilities depends on their classification, described as follows:

(i) Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and designated upon initial recognition as fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the group that are not designated as hedging instruments in hedge relationships as defined by AASB 139. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of comprehensive income.

Financial liabilities designated upon initial recognition at fair value through profit and loss are so designated only if the criteria of AASB 139 are satisfied. The group has not designated any financial liability as at fair value through profit or loss.

(ii) Loans and borrowings
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of comprehensive income when liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of comprehensive income.

(v) Impairment of financial assets

The group assesses, at each reporting period, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets, and can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(i) Financial assets carried at amortised cost
For financial assets carried at amortised cost, the group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the group determines no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the statement of comprehensive income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases, because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited in the statement of comprehensive income.

(ii) Available-for-sale investments
For available-for-sale investments, the group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant prolonged decline in the fair value of the investment below its cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on the investment previously recognised in the statement of comprehensive income – is removed from other comprehensive income and recognised in the statement of comprehensive income. Impairment losses on equity investments are not reversed through the statement of comprehensive income; increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on the investment previously recognised in the statement of comprehensive income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of interest revenue. If, in a subsequent year, the fair value of the debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of comprehensive income, the impairment loss is reversed through the statement of comprehensive income.

(w) Derecognition of financial assets and financial liabilities

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

- the rights to receive cash flows from the asset have expired;
- the group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control to the asset, the asset is recognised to the extent of the group's continuing involvement in the asset. In that case, the group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the group has retained.

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

(x) Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration transferred is lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised in the statement of comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the group are assigned to those units or groups of units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

(y) Intangible assets

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Internally generated intangible assets including brands and customer lists are not capitalised. Any expenditure incurred in developing these assets is recognised in the statement of comprehensive income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

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

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or as part of a cash-generating unit. An assessment of indefinite useful life is performed annually to determine whether the indefinite useful life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

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

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

Trademarks and trade-names are carried at cost and amortised on a straight-line basis over their anticipated useful life, not exceeding 10 years.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- Its intention to complete and its ability to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset; and
- The ability to measure reliably the expenditure during development

Following the initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested annually for impairment.

(z) Impairment of non-financial assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of comprehensive income in expense categories consistent with the function of the impaired asset except for a property previously revalued and the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Goodwill
Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units), to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed. The corporation performs its impairment testing annually or more frequently when events or changes in circumstances indicate that the balance may be impaired. The corporation uses a value in use, discounted cash flow methodology for the cash generating units to which goodwill and indefinite useful life intangibles have been allocated. Further details on the methodology and assumptions used are outlined in note 16.

(aa) Trade and other payables

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

(bb) Interest-bearing liabilities

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

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

(cc) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Qualified assets are defined as those assets that necessarily take a substantial period of time to get ready for intended use or sale. The group does not currently hold qualifying assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowings of funds.

(dd) Provisions (excluding employee benefits)

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

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

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

(ee) Employee leave benefits

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

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

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

The corporation has recognised a liability for workers' compensation of $118.0 million at balance date (refer note 20) of which $10.0 million relates to claims made in the 2012 financial year (2011: $9.6 million).

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

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

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

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

(iv) Separation and redundancy
Restructuring provisions are only recognised when general recognition criteria provisions are fulfilled. Additionally, the group needs to follow a detailed formal plan about the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and appropriate time line. The employees affected have a valid expectation that the restructuring is being carried out or the implementation has been initiated already. Refer note 20.

(ff) Pensions and other post-employment benefits

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

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

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

Defined contribution post-employment benefits
Defined contribution post employment benefits are expensed by the group as service is rendered by the group's employees.

(gg) Financial guarantees

Financial guarantees are initially measured at fair value. At each subsequent reporting date, they are carried at the higher of the initial fair value amount less cumulative amortisation or the best estimate of the expenditure required to settle the present obligation. The fair value of financial guarantee contracts discussed in note 18 has been assessed using a probability weighted discounted cash flow approach. In order to estimate the initial fair value under this approach the following assumptions are made:

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

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

(hh) Contributed equity

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

(ii) Insurance

Generally, the corporation self-insures its own risks. However, with respect to catastrophic losses appropriate insurance coverage for both the corporation and its subsidiaries has been arranged with general insurers. Payments received on account of losses in any year are recognised in other income or as an offset against cost incurred, as is appropriate. Insurance premiums are recognised in other expenses as incurred. Where appropriate, the subsidiaries insure their other risks with general insurers.

(jj) Contingent liabilities and contingent assets

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

(kk) Comparatives

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

No material reclassifications have been made to the prior year disclosures.

	Consolidated	
	2012 $m	**2011** $m
2 Revenues and other income		
Revenue:		
Rendering of services to:		
Related entities[1]	184.4	185.8
External entities[2]	4,523.4	4,349.6
	4,707.8	4,535.4
Sale of goods to external entities[2]	317.8	329.4
	5,025.6	4,864.8
Interest income calculated using the effective interest method from:		
Cash and cash equivalents	27.2	21.5
Held to maturity investments	0.1	–
Loans and receivables	10.3	10.3
	37.6	31.8
Total revenue	**5,063.2**	**4,896.6**
Rents:		
Rents from operating leases	27.9	28.1
Income from investment properties	8.6	10.1
	36.5	**38.2**
Other income and gains		
Other services:		
Related entities (government grants)[1]	0.9	1.8
External entities[2]	21.8	20.7
	22.7	22.5
Net gain on disposal of assets:		
Land and buildings	3.2	6.5
Investment property	0.6	16.5
	3.8	23.0
Change in fair value of investment properties	–	6.1
Total other income and gains	**26.5**	**51.6**
Total other income	**63.0**	**89.8**
Total income	**5,126.2**	**4,986.4**

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

	Consolidated 2012 $m	Consolidated 2011 $m
3 Expenses (excluding finance costs)		
Employees:		
Salaries and wages	1,861.7	1,851.1
Defined benefit superannuation expense	129.3	135.3
Leave and other entitlements	229.5	187.0
Other employee expenses	102.4	80.6
	2,322.9	**2,254.0**
Suppliers:		
Purchase of supplies and services from:		
External entities[1]	1,816.1	1,713.5
	1,816.1	1,713.5
Cost of sales – goods purchased from external entities[1]	207.8	192.2
Investment property expenditure	10.0	8.4
Operating lease rentals (refer note 31 (i))	128.3	133.0
	2,162.2	**2,047.1**
Depreciation and amortisation:		
Depreciation:		
Buildings/leasehold improvements	48.9	50.9
Plant and equipment	88.7	87.4
Plant and equipment under finance lease	4.3	4.3
Amortisation:		
Computer software	58.1	54.2
Other intangibles	1.6	1.6
	201.6	**198.4**
Net loss on disposal of assets:		
Plant and equipment	2.7	1.0
	2.7	**1.0**
Write-down/(benefit) and impairment of assets:		
Inventory	5.1	7.2
Investment property	1.6	–
Land and buildings	–	14.9
Intangibles	–	13.6
Financial:		
Receivables	6.5	2.6
Related party loan	0.1	(0.3)
Investments	0.4	4.5
Goodwill	0.4	0.3
	14.1	**42.8**
Restructuring costs[2]	**–**	**42.0**
Net foreign exchange losses – non-speculative	0.8	13.0
Ineffectiveness arising from cash flow hedges	1.0	–
Sundry expenses	33.7	42.3
Other expenses	**35.5**	**55.3**
Total expenses	**4,739.0**	**4,640.6**

(1) External entities – not related to the Commonwealth Government.
(2) Costs relate to impairment of property, plant and equipment, redundancy and other restructuring costs.

	Consolidated 2012 $m	Consolidated 2011 $m
4 Finance costs		
Bonds[1]	33.7	31.8
Interest rate swaps[1]	(0.5)	(0.2)
(Gain)/Loss arising on interest rate swaps in a designated fair value hedge relationship	(20.9)	0.8
Loss on adjustment to hedged item in a designated fair value hedge relationship	21.4	0.0
Unwinding of discount (refer note 20)	2.9	0.7
Other[1]	0.7	0.6
Total finance costs	**37.3**	**33.7**

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

	Consolidated 2012 $m	Consolidated 2011 $m
5 Income tax		
Major components of income tax expense for the years ended 30 June are:		
(a) Statement of comprehensive income		
Current income tax		
Current income tax charge	103.3	53.5
Adjustments in respect of current income tax of previous years	(38.8)	(17.0)
Deferred income tax benefit		
Relating to origination and reversal of temporary differences	21.0	54.6
Income tax expense reported in the statement of comprehensive income	85.5	91.1
(b) Amounts charged directly to equity		
Deferred income tax related to items charged or credited directly to equity		
Net gain on revaluation of cash flow hedges	(0.4)	0.1
Net actuarial (losses)/gains	(162.4)	34.4
Income tax expense reported in equity	**(162.8)**	34.5
(c) Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate		
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the group's applicable income tax rate is as follows:		
Accounting profit before income tax	**366.7**	**332.3**
At the group's statutory income tax rate of 30% (2011: 30%)	110.0	99.7
Adjustments in respect of current income tax of previous years	(17.5)	(5.9)
Investment property	–	0.8
Unrecognised tax losses	–	0.2
Tax incentives	–	(4.5)
Items not allowable/(assessable) for income tax purposes	0.5	(3.0)
Write-down and impairment not allowable for income tax purposes	–	5.8
Share of net profits of jointly controlled entities	(5.0)	(6.1)
Sundry items	(2.5)	4.1
At effective income tax rate of 23.3% (2011: 27.4%)	85.5	91.1
Income tax expense reported in the statement of comprehensive income	**85.5**	**91.1**

	Balance sheet		Statement of Comprehensive Income	
	2012 $m	**2011** $m	**2012** $m	**2011** $m
5 Income tax (continued)				
(d) Recognised deferred income tax				
Deferred income tax at 30 June relates to the following:				
(i) Deferred income tax liabilities				
Accelerated depreciation for tax purposes	(43.7)	(43.9)	(0.2)	4.4
Superannuation asset	–	(86.2)	–	–
Sydney GPO lease receivable	(31.0)	(31.0)	–	–
International income	(45.5)	(50.9)	(5.4)	7.5
Net loss/(gain) on revaluation of cash flow hedges	0.3	(0.3)	–	–
Accelerated R&D depreciation for tax purposes	(22.6)	(13.2)	9.4	9.9
Sundry	(4.5)	1.0	5.5	(3.2)
Gross deferred income tax liabilities	**(147.0)**	**(224.5)**	**9.3**	**18.6**
(ii) Deferred income tax assets				
Provisions	225.4	227.7	2.3	28.8
Superannuation liability	70.2	–	6.0	–
Capital losses available for offset against future taxable income	6.2	2.4	(3.8)	3.6
Sydney GPO refurbishment	4.8	5.3	0.5	–
International expenditure	12.4	21.1	8.7	–
Government grant	0.6	0.9	0.3	0.6
Make good	15.3	13.8	(1.5)	0.2
Sundry	8.7	7.9	(0.8)	2.8
Gross deferred income tax assets	**343.6**	**279.1**	**11.7**	**36.0**
Deferred income tax expense			**21.0**	**54.6**

(e) Unrecognised temporary differences

At 30 June 2012, there were $nil unrecognised temporary differences (2011: $nil) associated with the group's investments in controlled entities or jointly controlled entities, as the group has no liability for additional taxation should unremitted earnings be remitted.

(f) Tax consolidation

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

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

Tax effect accounting by members of the tax consolidated group

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

5 Income tax (continued)

(f) Tax consolidation (continued)

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

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

All tax related contingencies are included in the Schedule of Contingencies.

	Consolidated	
	2012 $m	**2011** $m
6 Current assets – trade and other receivables		
Goods and services receivable[1]	416.1	383.4
Allowance for doubtful debts	(8.8)	(5.9)
	407.3	**377.5**
Proceeds receivable	1.1	43.8
Finance lease receivable (refer note 31 (ii))	6.4	6.5
Interest receivable	1.7	1.5
Trade receivables from jointly controlled entities (refer note 29)	2.9	1.4
Income tax receivable	–	18.6
Other receivables[2]	16.0	16.0
Total current assets	**435.4**	**465.3**
Receivables not impaired are aged as follows:		
Not past due	340.4	430.4
Past due less than 30 days	29.9	12.2
Past due 30–60 days	6.5	10.8
Past due 61–90 days	30.0	2.1
Past due more than 90 days	28.6	9.8
	435.4	**465.3**
Receivables individually determined to be impaired are aged as follows:		
Not past due	0.1	0.5
Past due less than 30 days	0.2	0.2
Past due 30–60 days	2.0	0.2
Past due 61–90 days	1.6	0.5
Past due more than 90 days	4.9	4.5
	8.8	**5.9**
Movements in the allowance for doubtful debts during the financial year, are set out below:		
Balance at 1 July	5.9	4.2
Charge for the year	6.5	2.6
Acquisition of subsidiary	–	0.1
Disposal of subsidiary	–	(0.4)
Amounts written off	(3.6)	(0.6)
Balance at 30 June	**8.8**	**5.9**

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

	Consolidated	
	2012 $m	**2011** $m
7 Current assets – inventories (held for sale)		
Raw materials (at net realisable value)	1.2	0.6
Work in progress (at cost)	1.0	1.0
Finished goods (at net realisable value)	53.0	48.1
Total current inventories at lower of cost and net realisable value	**55.2**	**49.7**

Inventory write-down expense recognised totalled $0.2 million (2011: of $0.2 million) for the group. This expense is included in the write-down of inventory in note 3.

	Consolidated	
	2012 $m	**2011** $m
8 Other current assets		
Prepayments	81.0	79.9
Foreign currency exchange contracts	0.1	–
Fuel commodity swaps	–	1.0
Interest rate swap contracts	–	2.3
Total other current assets	**81.1**	**83.2**

	Consolidated	
	2012 $m	**2011** $m
9 Non-current assets – trade and other receivables(1)		
Loans to jointly controlled entities (refer note 29)	130.8	130.5
Provision for impairment of loans to jointly controlled entities	(1.1)	(1.0)
	129.7	**129.5**
Finance lease receivable (refer note 31 (ii))	97.0	97.0
Other receivables	0.9	0.3
Total non-current assets	**227.6**	**226.8**

(1) There are no non-current trade and other receivables that are past due (2011: $nil). The terms of loans agreements with jointly controlled entities are reviewed and updated prior to expiry or on an as needs basis to ensure they are appropriate in light of the current financial position of the jointly controlled entity.

	Note	Country of Incorporation	% of equity held by immediate parent 2012 %	2011 %
10 Investments in controlled entities				
Sprintpak Pty Ltd	(1)	Australia	100.0	100.0
Postcorp Developments Pty Ltd	(1)	Australia	100.0	100.0
Geospend Pty Ltd	(1)	Australia	100.0	100.0
corProcure Pty Ltd	(1)	Australia	100.0	100.0
Post Fulfilment Online Pty Ltd	(1)	Australia	100.0	100.0
SnapX Pty Ltd	(1)	Australia	100.0	100.0
Decipha Pty Ltd	(2)	Australia	100.0	100.0
AP International Holdings Pty Ltd	(1)	Australia	100.0	100.0
PostLogistics Pte Ltd	(3)	Hong Kong	100.0	100.0
Australia Post Transaction Services Pty Ltd	(2)	Australia	100.0	100.0
Post Redbox Pty Ltd	(1)	Australia	100.0	–
SecurePay Holdings Pty Ltd	(1)	Australia	100.0	100.0
SecurePay Pty Ltd	(2)	Australia	100.0	100.0
Post Logistics Australasia Pty Ltd	(1)	Australia	100.0	100.0
Lakewood Logistics Pty Ltd	(1)	Australia	100.0	100.0

(1) These entities are incorporated in Australia and are small proprietary companies. As such, they are not required to prepare and lodge audited financial statements with the Australian Securities and Investments Commission (ASIC).
(2) These entities are incorporated in Australia and are large proprietary companies required to lodge audited financial statements with ASIC.
(3) This entity is not audited by the Australian National Audit Office.

	Consolidated 2012 $m	2011 $m
11 Investments in jointly controlled entities		
Carrying amounts of investments		
Balance at the beginning of the financial year	292.1	295.6
Share of profits for the year	16.8	20.2
Net actuarial (loss)/gain	(5.2)	0.8
Impairment of investment	(0.4)	(4.5)
Disposal of investments	–	(0.7)
Share of reserves	0.2	(0.3)
Dividends received/receivable	(18.8)	(19.0)
Balance at the end of the financial year	**284.7**	**292.1**

	Principal activity	Country of incorporation	Balance date	Ownership Interest 2012 %	2011 %
AUX Investments(1)	Express air freight	Australia	30 June	50.0	50.0
Wetherill Park Partnership	Warehousing facilities	Australia	30 June	50.0	50.0
Sai Cheng Logistics International Company Limited – ordinary shares(2)	International 4PL logistics services	China	31 Dec	49.0	49.0

(1) Australian Postal Corporation holds a 50% investment in AUX Investments, which holds the 100% investment in Star Track Express Holdings Pty Ltd and Australian air Express Pty Ltd.
(2) This investment is held by the corporation's 100% owned subsidiary AP International Holdings Pty Ltd.

	Consolidated 2012 $m	2011 $m
Share of jointly controlled entities' profits		
Revenues	674.1	664.7
Expenses	(654.1)	(645.4)
Net profits before income tax	20.0	19.3
Income tax expense	(3.2)	0.9
Net profits after income tax	**16.8**	**20.2**
Share of assets and liabilities		
Current assets	100.4	98.3
Non-current assets	421.9	420.8
Total assets	522.3	519.1
Current liabilities	(78.1)	(75.8)
Non-current liabilities	(159.5)	(151.2)
Total liabilities	(237.6)	(227.0)
Net assets	**284.7**	**292.1**
Retained profits of the consolidated entity attributable to Jointly controlled entities		
Balance at the beginning of the financial year	31.6	29.6
Share of profits for the year	16.8	20.2
Net actuarial (loss)/gain	(5.2)	0.8
Dividends received/receivable	(18.8)	(19.0)
Balance at the end of the financial year	**24.4**	**31.6**

The group's investment in the Wetherill Park Partnership was impaired by $0.4 million during the year ended 30 June 2012 (2011: $4.5 million).

12 Superannuation

(a) Superannuation plan

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

	Consolidated	
	2012 $m	**2011** $m
(b) Amount recognised in the statement of comprehensive income		
Current service cost	197.2	199.0
Interest cost on benefit obligation	376.4	353.3
Expected return on plan assets	(474.6)	(447.8)
Plan expenses	12.8	12.3
Contributions tax reserve	17.5	18.5
Defined benefit superannuation expense	129.3	135.3

	Consolidated				
	2012 $m	**2011** $m	**2010** $m	**2009** $m	**2008** $m
(c) Amount recognised in the balance sheet					
Present value of benefit obligation (wholly funded)	(6,322.1)	(5,584.7)	(5,347.2)	(5,298.0)	(5,333.3)
Fair value of plan assets	6,123.3	5,829.0	5,493.9	5,695.8	6,688.8
Contributions tax reserve	(35.1)	43.1	25.9	70.2	239.2
Net superannuation (liability)/asset – non-current[1]	(233.9)	287.4	172.6	468.0	1,594.7

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

	Consolidated	
	2012 $m	**2011** $m
12 Superannuation (continued)		
(d) Reconciliations		
Changes in the present value of the defined obligation is as follows:		
Opening defined benefit obligation at 1 July	5,584.7	5,347.2
Interest cost	376.4	353.3
Current service cost	197.2	199.0
Benefits paid and payable	(316.9)	(282.5)
Member contributions	58.9	60.1
Actuarial loss/(gain)	421.8	(92.4)
Closing defined benefit obligation at 30 June[(2)]	6,322.1	5,584.7
Changes in the fair value of the plan assets is as follows:		
Opening fair value of plan assets at 1 July	5,829.0	5,493.9
Expected return on plan assets	474.6	447.8
Contributions by employer	149.3	135.3
Member contributions	58.9	60.1
Benefits paid and payable	(316.9)	(282.5)
Actuarial (loss)/gain	(38.3)	5.2
Plan expenses	(12.8)	(12.3)
Contributions tax reserve	(20.5)	(18.5)
Fair value of plan assets at 30 June[(2)]	6,123.3	5,829.0

The group has been advised by its actuaries of a potential cash contribution of approximately $178 million to its defined benefit plan in 2012–13.

(2) Included in the obligation and plan assets above is $2,928.9 million (2011: $2,702.8 million) relating to member financed accumulation benefits.

	Consolidated	
	2012[(3)] (%)	**2011** (%)
(e) Categories of plan assets		
The major categories of plan assets as a percentage of the fair value of total plan assets is as follows:		
Public market equities	6	5
Public market debt	12	10
Cash	23	20
Private market real estate	24	28
Private market equities and debt	35	37

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

(3) Within the Private Market Real Estate and Private Market Equities and Debt category included in the 2012 year above, approximately 10% of the assets were valued at or prior to 31 December 2011, 75% were valued between 31 March and 31 May 2012, 15% were valued at 30 June 2012 and 0% were valued at cost. All Public Market Equities and Debt were valued at 30 June 2012.

	Consolidated	
	2012 $m	**2011** $m
12 Superannuation (continued)		
(f) Actual return on plan assets		
Actual return on plan assets	358.3	429.9
(g) Cumulative actuarial loss/(gain)		
Actuarial loss/(gain) recognised in the year in the statement of comprehensive income	460.1	(97.6)
Contributions tax	81.2	(17.2)
	541.3	(114.8)
Cumulative actuarial loss recognised in the statement of comprehensive income	1,123.7	582.4

	Consolidated				
	2012 $m	**2011** $m	**2010** $m	**2009** $m	**2008** $m
(h) Experience adjustments					
Experience adjustments on plan liabilities	(67.6)	(21.5)	58.9	377.6	(68.7)
Experience adjustments on plan assets	(38.5)	5.2	(216.8)	(1,343.3)	(118.0)

(i) Actuarial assumptions

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

	Consolidated	
	2012 (%)	**2011** (%)
Discount rate	3.0	5.2
Expected after tax rate of return on assets	8.3	8.3
Future salary increases (for 2 years to 30 June 2014)	3.5	3.5
Future salary increases (the period thereafter)	4.0	5.0

(j) Superannuation Act 1976

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

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

	Land	Buildings	Total land & buildings	Plant & equipment	Total
					Consolidated
	$m	$m	$m	$m	$m
13 Analysis of property, plant and equipment					
Reconciliation of the opening and closing balances of property, plant and equipment					
Gross book value	216.4	1,066.9	1,283.3	1,338.5	**2,621.8**
Accumulated depreciation	–	(490.7)	(490.7)	(828.9)	**(1,319.6)**
Net book value at 30 June 2010	**216.4**	**576.2**	**792.6**	**509.6**	**1,302.2**
Additions	1.1	26.2	27.3	83.0	**110.3**
Acquisition of subsidiary	–	–	–	1.7	**1.7**
Depreciation	–	(50.9)	(50.9)	(91.7)	**(142.6)**
Disposals	(0.8)	(5.2)	(6.0)	(14.3)	**(20.3)**
Impairment loss	(14.9)	(8.5)	(23.4)	(13.1)	**(36.5)**
Transfers to investment properties	–	–	–	(0.4)	**(0.4)**
Gross book value	201.8	1,067.8	1,269.6	1,346.4	**2,616.0**
Accumulated depreciation	–	(530.0)	(530.0)	(871.7)	**(1,401.7)**
Net book value at 30 June 2011(1)	**201.8**	**537.8**	**739.6**	**474.7**	**1,214.3**
Additions	0.6	57.7	58.3	105.6	**163.9**
Depreciation	–	(48.9)	(48.9)	(93.0)	**(141.9)**
Disposals	(0.1)	(0.5)	(0.6)	(6.0)	**(6.6)**
Transfers to investment properties	(5.8)	(6.2)	(12.0)	–	**(12.0)**
Gross book value	196.5	1,107.7	1,304.2	1,410.4	**2,714.6**
Accumulated depreciation	–	(567.8)	(567.8)	(929.1)	**(1,496.9)**
Net book value at 30 June 2012(1)	**196.5**	**539.9**	**736.4**	**481.3**	**1,217.7**

(1) Were the entity to apply the fair value methodology, the net book value of land and buildings would be $1,409.0 million (2011: $1,422.4 million).

	Land	Buildings	Total land & buildings	Plant & equipment	Total
Reconciliation of the opening and closing balances of plant and equipment assets held under finance lease included in the net book value of assets					
As at 30 June 2010	–	–	–	40.9	**40.9**
Depreciation	–	–	–	(4.3)	**(4.3)**
As at 30 June 2011	–	–	–	36.6	**36.6**
Depreciation	–	–	–	(4.3)	**(4.3)**
As at 30 June 2012	**–**	**–**	**–**	**32.3**	**32.3**

14 Analysis of intangibles

	Consolidated			
	Computer software	Goodwill	Other intangibles	Total intangibles
	$m	$m	$m	$m
Reconciliation of the opening and closing balances of intangibles				
Gross book value	804.4	11.3	18.1	**833.8**
Accumulated amortisation	(582.1)	–	(16.9)	**(599.0)**
Net book value at 30 June 2010	**222.3**	**11.3**	**1.2**	**234.8**
Additions	109.2	–	2.0	**111.2**
Acquisition of subsidiary	0.9	32.2	10.8	**43.9**
Amortisation	(54.2)	–	(1.6)	**(55.8)**
Impairment loss	(13.6)	(0.3)	–	**(13.9)**
Disposals	(0.3)	–	–	**(0.3)**
Disposal of subsidiary	(0.2)	–	(2.5)	**(2.7)**
Gross book value	886.7	43.2	28.4	**958.3**
Accumulated amortisation	(622.6)	–	(18.5)	**(641.1)**
Net book value at 30 June 2011	**264.1**	**43.2**	**9.9**	**317.2**
Additions	94.9	–	–	**94.9**
Amortisation	(58.1)	–	(1.6)	**(59.7)**
Impairment loss	–	(0.4)	–	**(0.4)**
Disposals	(0.1)	–	–	**(0.1)**
Gross book value	956.9	42.8	28.4	**1,028.1**
Accumulated depreciation	(656.1)	–	(20.1)	**(676.2)**
Net book value at 30 June 2012	**300.8**	**42.8**	**8.3**	**351.9**

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

15 Investment property

	Consolidated	
	2012 $m	**2011** $m
Opening balance as at 1 July	183.3	224.9
Additions	3.5	0.7
Net transfer to investment property	12.0	–
Disposals	(1.5)	(48.4)
Net (loss)/gain from fair value adjustments	(1.6)	6.1
Closing balance as at 30 June	**195.7**	**183.3**

Investment properties are stated at fair value, which has been determined based on valuations performed by Savills Pty Ltd for all property as at 30 June 2012 and 30 June 2011. Savills is an industry specialist in valuing these types of investment property. The fair value considers the capitalised rental streams where the property is leased to a third party and the amount at which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the date of valuation, in accordance with Australian Valuation Standards.

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

16 Impairment testing of goodwill	Consolidated 2012 $m	Consolidated 2011 $m
Goodwill acquired through business combinations has been allocated to individual cash generating units as follows:		
Messenger Post	9.9	9.9
SecurePay	32.2	32.2
Other	0.7	1.1
	42.8	**43.2**

The recoverable amount of all CGUs has been determined based on a value in use calculation using cash flow forecasts extracted from four year corporate plans approved by senior management and the board. The forecasts are extrapolated for a further one year and a terminal value applied. These forecasts use management estimates to determine income, expenses, capital expenditure and cash flows for each CGU. The revenue growth rates applied by all cash generating units to the one year period outside the corporate plan are between 3.5%–5.0% (2011: 3.5%). After this period a 2.5%–3.0% (2011: 2.5%) revenue growth rate is applied. A pre-tax discount rate applicable to the specific cash generating unit has been applied. These rates are between 13.3%–14.0% (2011: 12.5%).

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

17 Other non-current assets	Consolidated 2012 $m	Consolidated 2011 $m
Interest rate swap contracts	12.6	–
Prepayments	6.0	5.6
Total other non-current assets	**18.6**	**5.6**

18 Current liabilities – trade and other payables

	Consolidated 2012 $m	Consolidated 2011 $m
Trade creditors[1]	249.0	224.3
Other:		
Agency creditors[1]	184.2	162.9
Salaries and wages	74.0	61.9
Borrowing costs[2]	7.1	8.6
Unearned postage revenue	59.1	62.5
Other advance receipts	108.6	101.4
Deferred government grant income	2.1	3.1
Payables to jointly controlled entities (refer note 29)	6.4	5.0
Goods and services tax payable	17.9	19.7
Financial guarantees[3]	0.0	0.0
Capital expenditure	36.5	12.8
Fuel commodity swaps and options	2.7	–
Forward exchange contracts	0.2	0.3
Other payables	64.4	61.0
	563.2	499.2
Total current payables	**812.2**	**723.5**

(1) Trade creditors and agency creditors are non-interest bearing and normally settled on 30-day and next business day terms respectively. Included within trade creditors are international creditors which are settled in accordance with Universal Postal Union (UPU) arrangements, which may be longer than 30 days.
(2) Borrowing costs are normally settled on a half-yearly basis throughout the year.
(3) As described in note 1(gg), the group has provided financial guarantees to third parties, which commit the group to make payments on behalf of these parties upon their failure to perform under the terms of the relevant contracts. The account estimates and/or assumptions used in determining the fair value of the guarantees has been disclosed in note 1(ff). The maximum credit risk associated with these contracts is $59.0 million (2011: $52.0 million) and is included within the disclosures of note 30(i).

19 Interest-bearing liabilities

	Consolidated 2012 $m	Consolidated 2011 $m
Current		
Fixed rate unsecured bonds payable – within one year	–	232.5
Total current interest-bearing liabilities	**–**	**232.5**
Non-current		
Fixed-rate unsecured bonds payable – in one to five years	617.5	314.6
Interest rate swaps – in one to five years	–	9.0
Total non-current interest-bearing liabilities	**617.5**	**323.6**

The corporation's $605 million bonds

These bonds are unsecured and repayable in full, with $325 million due on 25 March 2014 and the remaining $280 million maturing on 6 February 2017.

20 Provisions

	Consolidated 2012 $m	Consolidated 2011 $m
Current		
Annual leave	163.7	168.6
Long service leave	343.7	314.9
Workers' compensation	25.7	24.3
Separations and redundancies(1)	20.3	65.4
Other employee	40.9	46.3
Restructuring(2)	–	16.9
Balance at 30 June	**594.3**	**636.4**
Non-current		
Long service leave	38.2	39.9
Workers' compensation	92.3	79.0
Property make good(3)	51.0	45.9
Surplus lease(4)	7.4	–
Balance at 30 June	**188.9**	**164.8**
Total provisions	**783.2**	**801.2**

(1) The provision recognised comprises the expected severance payments, employee entitlements (including notice period), outplacement costs and payroll tax based on the location of the employee, staff level affected by the restructuring and their anticipated years of service. In estimating the expected severance payments, historical severance payments have also been considered.
(2) Provision is made for the restructuring of non core operations.
(3) Provision is made for the estimated cost to make good operating leases entered into by the group. The estimated cost is based on management's best estimate of the cost to restore a square metre of floor space and is dependent on the nature of the building being leased. The expected timing of the make good cost is based on the expiry of each underlying individual lease agreement.
(4) Provision is made for the estimated lease cost of property leases surplus to the group's requirements or where sub-let agreements are on terms substantially below market rates. The estimated cost is based on the contractually required lease payments over the remaining term of each lease agreement, less any amounts received through sub-lease agreements where applicable.

	Consolidated		
	Restructuring provision $'m	**Property make good provision** $'m	**Surplus lease provision** $'m
Movements in provisions			
Movements in the restructuring, property make good and surplus lease provisions during the year, are set out below:			
Balance at 1 July 2010	–	46.6	–
Reassessments and additions	42.0	2.5	–
Unused amount reversed	–	(1.4)	–
Amounts utilised/transferred(1)	(21.6)	–	–
Payments made	(3.5)	(2.5)	–
Unwinding and discount rate adjustment	–	0.7	–
Balance at 30 June 2011	**16.9**	**45.9**	**–**
Reassessments and additions	–	9.8	–
Unused amount reversed	–	(5.6)	–
Amounts transferred(2)	(12.2)	–	12.2
Payments made	(4.7)	(2.0)	(4.8)
Unwinding and discount rate adjustment	–	2.9	–
Balance at 30 June 2012	**–**	**51.0**	**7.4**

The corporation has recognised a liability for workers' compensation of $118.0 million at balance date of which $10.0 million relates to claims made in the current year (2011: $9.6 million).

(1) For the year ended 30 June 2011 these relate to $8.5 million of property impairment and $13.1 million of fixed asset write downs which are included in note 13. There have been no amounts during the current year.
(2) $12.2 million of restructuring was transferred to a surplus lease provision to provide for a number of leases surplus to the group's requirements following the restructure of the group's non core operations.

	Consolidated 2012 $m	Consolidated 2011 $m
21 Other non-current liabilities		
Lease incentives	15.3	10.5
Other non current payables	12.5	12.6
Total other non-current liabilities	**27.8**	**23.1**

	Consolidated 2012 $m	Consolidated 2011 $m
22 Movements in retained profits		
Balance at 1 July	1,397.1	1,153.2
Net profit	281.2	240.8
Dividends paid	(193.9)	(78.5)
Net actuarial (loss)/gain on superannuation liability/asset	(378.9)	80.4
Other movements in retained profits	(5.2)	1.2
Balance at 30 June	**1,100.3**	**1,397.1**

	Consolidated			
	Asset revaluation reserve(1)	**Foreign currency translation reserve(2)**	**Hedging reserve(3)**	**Total reserves**
	$m	$m	$m	$m
23 Analysis of reserves				
Balance at 1 July 2010	6.7	(0.6)	0.1	**6.2**
Translation differences on group operations	–	0.7	–	**0.7**
Disposals of group operations	–	(0.1)	–	**(0.1)**
Net movement in jointly controlled entities' reserves	–	(0.1)	(0.3)	**(0.4)**
Revaluation of fuel cash flow hedge – gross	–	–	1.0	**1.0**
Deferred tax	–	–	(0.3)	**(0.3)**
Revaluation of foreign exchange cash flow hedge – gross	–	–	(0.5)	**(0.5)**
Deferred tax	–	–	0.2	**0.2**
Balance at 30 June 2011	**6.7**	**(0.1)**	**0.2**	**6.8**
Net movement in jointly controlled entities' reserves	–	0.0	0.2	**0.2**
Revaluation of fuel cash flow hedge – gross	–	–	(1.9)	**(1.9)**
Deferred tax	–	–	0.5	**0.5**
Revaluation of foreign exchange cash flow hedge – gross	–	–	0.2	**0.2**
Deferred tax	–	–	(0.1)	**(0.1)**
Balance at 30 June 2012	**6.7**	**(0.1)**	**(0.9)**	**5.7**

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

	Corporation	
	2012 $m	**2011** $m
24 Information relating to Australian Postal Corporation ("the parent entity")		
Current assets	1,517.7	1,298.8
Total assets	3,924.9	4,069.4
Current liabilities	1,470.1	1,574.7
Total liabilities	2,453.3	2,308.9
Issued capital	400.0	400.0
Retained earnings	1,065.6	1,353.4
Asset revaluation reserve	6.7	6.7
Hedging reserve	(0.7)	0.5
Net equity	**1,471.6**	**1,760.6**
Net profit of the parent entity	285.0	230.9
Total comprehensive income of the parent entity	(95.2)	311.8

The parent has contingent liabilities which relate to legal liability claims that have been lodged against the corporation, including motor vehicle accident and personal injury claims in the amount of $3.4 million (2011: $2.7 million).

The parent has contractual obligations which relate to sub-lease rent receivables and operating lease receivables in the amount of $154.8 million (2011: $157.3 million). Capital commitments of the parent entity in relation to land and buildings and plant and equipment amount to $65.2 million (2011: $78.4 million). The parent has operating lease commitments of $510.1 million (2011: $455.0 million) and other commitments relating to carriage and delivery of letters and parcels by contractors of $1,864.2 million (2011: $1,578.6 million).

	Consolidated	
	2012 $m	**2011** $m
25 Dividends paid		
Final ordinary dividend (from prior year results)	94.7	–
Interim ordinary dividend	99.2	78.5
Total dividends paid	**193.9**	**78.5**
Dividend not recognised as a liability	114.5	94.7

	Consolidated	
	2012 $	**2011** $
26 Auditor's remuneration(1)		
Amounts received or due and receivable by the corporation's auditors for:		
An audit or review of the financial report of the entity and any other entity in the consolidated entity	1,542,900	1,541,300
Other services in relation to the entity and any other entity in the consolidated entity		
– assurance related	179,500	174,200
– special audits required by regulators(2)	97,900	95,000
– other non-audit related(2)	102,300	726,000
Total auditor's remuneration	**1,922,600**	**2,536,500**

(1) The corporation's auditor is the Australian National Audit Office who has retained Ernst & Young (Australia) to assist with the assignment.
(2) These services are performed by Ernst & Young (Australia) directly and include due diligence, governance, compliance and research services.

27 Operating segments

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

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

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

Certain products have been realigned to different segments in the current period to better reflect the way the business unit results are analysed internally. The primary change has been to move the express letters and parcels products into the retitled "Parcel and Express" segment and the change in classification of the Boxes and Bags product which is now classified in the "Retail" segment. Comparatives have been restated for this change. In addition, where trends in volume information has resulted in a change to cost allocations, the prior year information has also been restated to enable like for like comparisons.

The current year segmentation also provides information on the internal revenue and profit associated with services performed by the Retail unit on behalf of the other segments. Comparatives have also been adjusted for this item.

The following represent the primary segments the group operates in:

Mail

The collection, processing and distribution of mail items, digital communications and associated services

Retail

Provision of postal products and services, agency services, mail boxes and bags, financial services and other retail merchandise, principally philatelic, stationery, telephony, greeting cards, gifts and souvenirs.

Parcel & Express

The processing and distribution of parcel and express products along with freight forwarding operations.

Unallocated and eliminations

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

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

- Activities incidental to the corporation's core product and service offerings, principally those which generate rental income, licence fees and other miscellaneous amounts.
- Non trading items including net gains arising on disposal of fixed assets and available for sale investments, amounts arising on re-measurement of the group's investment property portfolio, gains or losses arising from movements in discount rates, share of net profits of equity accounted jointly controlled entities and divested operations.
- Expenses represent costs that are attributable to unallocated revenues;
- Assets include assets under construction, investment property, cash and held to maturity investments;
- Liabilities include interest bearing liabilities and deferred tax.

Inter-segment revenue

A core function of the corporation's Retail segment is to distribute mail and parcel products through its network of retail stores. A market price for this distribution service applies through licensed post office (LPO) agreements. In respect of corporate-owned stores, an internal transfer price has been established between the Retail, Mail and Parcel & Express segments, equivalent to the market price paid to LPOs.

The following additional segmentation is also provided:

Regulated mail

Regulated mail is comprised of the collection, processing and distribution of domestic letters defined as reserved by the *Australia Postal Corporation Act 1989* and the processing and distribution of international inbound letters and packets (< 2kg) in accordance with the arrangements of the Universal Postal Union (UPU) (where Australia Post has been nominated by the Australian Government to fulfil its obligations in Australia).

Non regulated commercial

Non regulated commercial comprises all other services performed by the group.

27 Operating segments (continued)

Operating segments

The following table presents revenue and profit information regarding the group's operating segments for the years ended 30 June 2012 and 30 June 2011.

	Mail	Parcel & Express	Retail	Total	Unallocated & Eliminations	Total
	$m	$m	$m	$m	$m	$m
2012						
Revenue						
– Regulated mail segment	1,923.6	–	–	1,923.6	–	**1,923.6**
– Non-regulated commercial segment	501.0	1,706.7	865.3	3,073.0	92.0	**3,165.0**
– Inter-segment revenue	–	–	457.4	457.4	(457.4)	**–**
Total segment revenue	2,424.6	1,706.7	1,322.7	5,454.0	(365.4)	**5,088.6**
Interest revenue						**37.6**
Consolidated revenue						**5,126.2**
Result						
– Regulated mail segment result	(148.1)	–	–	(148.1)	(36.8)	**(184.9)**
– Non-regulated commercial segment result	10.3	354.9	180.4	545.6	5.7	**551.3**
– Inter-segment result	(8.7)	6.6	2.1	–	–	–
Profit before interest and income tax expense	(146.5)	361.5	182.5	397.5	(31.1)	**366.4**
Income tax expense						**(85.5)**
Net interest						**0.3**
Net profit for period						**281.2**
Assets						
Segment assets	1,236.1	622.5	470.8	2,329.4	1,561.7	**3,891.1**
Investment in jointly controlled entities	–	–	–	–	284.7	**284.7**
Total assets	**1,236.1**	**622.5**	**470.8**	**2,329.4**	**1,846.4**	**4,175.8**
Liabilities						
Segment liabilities	831.0	300.7	434.2	1,565.9	870.0	**2,435.9**
Superannuation liability	–	–	–	–	233.9	**233.9**
Total liabilities	**831.0**	**300.7**	**434.2**	**1,565.9**	**1,103.9**	**2,669.8**
Other segment information						
Capital expenditure	132.2	84.0	45.1	261.3	0.9	**262.2**
Depreciation and amortisation expense	125.2	52.4	14.2	191.8	9.8	**201.6**
Other non-cash expenses	**125.2**	**52.4**	**14.2**	**191.8**	**9.8**	**201.6**

Included in the above is revenue of $1,806.4 million (2011: $1,844.1 million) and a loss of $114.4 million (2011: $66.5 million) relating to reserved services.

27 Operating segments (continued)

	Mail	Parcel & Express	Retail	Total	Unallocated & Eliminations	Total
	$m	$m	$m	$m	$m	$m
2011						
Revenue						
– Regulated mail segment	1,949.6	–	–	1,949.6	–	**1,949.6**
– Non-regulated commercial segment	479.5	1,516.3	835.6	2,831.4	173.6	**3,005.0**
– Inter-segment revenue	–	–	449.1	449.1	(449.1)	**–**
Total segment revenue	2,429.1	1,516.3	1,284.7	5,230.1	(275.5)	**4,954.6**
Interest revenue						**31.8**
Consolidated revenue						**4,986.4**
Result						
– Regulated mail segment result	(123.0)	–	–	(123.0)	2.3	**(120.7)**
– Non-regulated commercial segment result	5.2	310.3	136.0	451.5	3.4	**454.9**
– Inter-segment result	(9.9)	(2.0)	11.9	–	–	**–**
Profit before interest and income tax expense	(127.7)	308.3	147.9	328.5	5.7	**334.2**
Income tax expense						**(91.1)**
Net interest						**(1.9)**
Net profit for period						**241.2**
Assets						
Segment assets	1,239.6	610.8	438.4	2,288.8	1,264.0	**3,552.8**
Superannuation asset	–	–	–	–	287.4	**287.4**
Investment in jointly controlled entities	–	–	–	–	292.1	**292.1**
Total assets	**1,239.6**	**610.8**	**438.4**	**2,288.8**	**1,843.5**	**4,132.3**
Liabilities						
Segment liabilities	788.7	313.4	368.8	1,470.9	857.5	**2,328.4**
Other segment information						
Capital expenditure	115.2	69.5	32.5	217.2	5.0	**222.2**
Depreciation and amortisation expense	124.8	48.0	19.5	192.3	6.1	**198.4**
Other non-cash expenses	**124.8**	**48.0**	**19.5**	**192.3**	**6.1**	**198.4**

27 Operating segments (continued)

Geographical segments

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

Accounting policies

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

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

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

Use of fair value accounting

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

	Consolidated	
	2012 $m	**2011** $m
Mail	1,556.3	1,583.6
Parcel & express	770.6	739.8
Retail	557.3	558.5
Unallocated & eliminations	1,964.2	1,933.2
Total	**4,848.4**	**4,815.1**

28 Remuneration and retirement benefits

(a) Senior executive and director remuneration by category

The remuneration received directly or indirectly by senior executives and directors is as follows:

	Corporation and consolidated			
	Senior executives 2012 $	Senior executives 2011 $	Directors 2012 $	Directors 2011 $
Short-term employee benefits				
Cash salary	4,751,592	4,873,411	651,375	652,348
Committee fees	–	–	52,712	38,763
Annual leave	352,240	353,744	–	–
At risk component	4,291,804	3,510,096	–	–
Non-monetary benefits	183,598	465,421	6,947	5,799
Total short-term employee benefits	9,579,234	9,202,672	711,034	696,910
Post-employment benefits				
Superannuation benefits	508,355	536,013	54,699	56,823
Total post employment benefits	508,355	536,013	54,699	56,823
Other long-term benefits				
Long service leave	230,940	306,603	–	–
At risk component	958,457	385,363	–	–
Total other long-term benefits	1,189,397	691,966	–	–
Termination/retirement benefits	–	978,982	–	–
Total senior executive and director remuneration(1)	**11,276,986**	**11,409,633**	**765,733**	**753,733**

(1) For the purposes of this note, the group has defined senior executives as those employees who report directly to the managing director and CEO. These employees are the only employees considered to have the capacity and responsibility for decision making that can have a significant and direct impact on the strategic direction and financial performance of the group. Executive directors are classified as senior executives and are disclosed in sections (a) and (c) of this note.

(b) Directors' remuneration

The remuneration received directly or indirectly by non-executive directors is as follows:

	Corporation and consolidated	
	2012 No.	2011 No.
Total remuneration		
Less than $30,000	–	2
$30,000 to $59,999	–	1
$60,000 to $89,999	2	2
$90,000 to $119,999	4	3
$180,000 to $209,999	1	1
Total	**7**	**9**

28 Remuneration and retirement benefits (continued)

(c) Senior executive annual reportable remuneration paid

The remuneration received directly or indirectly by the corporation's and group's senior executives is as follows. Total reportable remuneration disclosed is the average total compensation received by senior executives in each band, where applicable, from the date of appointment to the date the senior executive resigns from their position.

	Number of senior executives	Reportable salary(1)	Superannuation(2)	At risk component(3)	Total reportable remuneration
Year ended 30 June 2012					
Less than $150,000	1	121,538	9,233	–	130,771
$720,000 to $749,999	1	413,004	44,869	265,449	723,322
$1,020,000 to $1,049,999	1	554,824	71,080	419,375	1,045,279
$1,170,000 to $1,199,999	1	616,131	48,229	510,938	1,175,298
$1,200,000 to $1,229,999	2	686,261	31,160	497,292	1,214,713
$2,760,000 to $2,789,999	1	1,713,418	189,881	874,200	2,777,499
Total	7				

	Number of senior executives	Reportable salary(1)	Superannuation(2)	At risk component(3)	Total reportable remuneration
Year ended 30 June 2011					
$510,000 to $539,999	1	294,122	28,861	215,664	538,647
$570,000 to $599,999	1	538,351	45,286	–	583,637
$600,000 to $629,999	1	588,373	36,423	–	624,796
$630,000 to $659,999	2	485,945	43,530	117,000	646,475
$660,000 to $689,999	1	541,115	42,454	78,800	662,369
$1,320,000 to $1,349,999	1	786,956	97,842	456,400	1,341,198
$2,190,000 to $2,219,999	1	1,394,095	162,264	656,250	2,212,609
Total	8				

(1) Reportable salary comprises the average cash salary paid and non-monetary benefits provided to senior executives in each band. Non-monetary benefits include vehicle allowances, relocation, spouse travel and other expenses paid on behalf of senior executives. Amounts disclosed also include leave entitlements paid on resignation.

(2) Superannuation disclosed approximates the cost to the group, estimated by reference to the group's superannuation expense as a percentage of the group's total salaries and wages. If the senior executive is not a member of the APSS, this benefit is calculated at 9% in accordance with applicable legislation. The amount disclosed also includes any employee salary sacrificed contributions paid to the employee's nominated superannuation fund on behalf of senior executives in each band.

(3) Represents the average cash incentive reward received by senior executives in that band. Incentive rewards are based on the senior executives meeting or exceeding individual objectives linked to key annual business objectives and performance measures.

28 Remuneration and retirement benefits (continued)

(d) Highly paid employee annual reportable remuneration paid

The remuneration received directly or indirectly by the group's highly paid employees is as follows. Total reportable remuneration disclosed is the average total compensation received by employees in each band, where applicable, from the date of employment to the date the employee resigns from their employment with the group.

	Number of parent entity employees	Number of group employees	Reportable salary(1)	Super-annuation(2)	At risk comp-onent(3)	Total reportable remun-eration
Year ended 30 June 2012						
$150,000 to $179,999	173	178	131,293	15,061	15,048	161,402
$180,000 to $209,999	96	98	156,322	16,921	20,334	193,577
$210,000 to $239,999	70	74	171,768	19,706	34,206	225,680
$240,000 to $269,999	37	38	187,728	24,274	41,408	253,410
$270,000 to $299,999	13	13	185,514	20,132	76,690	282,336
$300,000 to $329,999	15	16	219,707	22,986	71,940	314,633
$330,000 to $359,999	11	11	233,316	26,500	85,610	345,426
$360,000 to $389,999	8	10	252,163	25,146	97,206	374,515
$390,000 to $419,999	12	12	278,961	27,457	99,621	406,039
$420,000 to $449,999	5	5	299,481	28,231	104,009	431,721
$450,000 to $479,999	3	3	304,218	31,075	131,542	466,835
$480,000 to $509,999	2	2	404,152	84,199	–	488,351
$510,000 to $539,999	3	3	327,392	41,645	146,838	515,875
$570,000 to $599,999	3	3	323,880	34,297	229,559	587,736
$600,000 to $629,999	2	2	500,084	26,310	86,013	612,407
$750,000 to $779,999	1	1	502,669	45,311	224,733	772,713
Total(4)(5)	**454**	**469**				

(1) Reportable salary comprises the average cash salary paid and non-monetary benefits provided to employees in each band. Non-monetary benefits include vehicle allowances, relocation and other expenses paid on behalf of employees. Amounts disclosed also include leave entitlements paid on resignation.
(2) Superannuation disclosed approximates the cost to the group, estimated by reference to the group's superannuation expense as a percentage of the group's total salaries and wages. If the employee is not a member of APSS, this benefit is calculated at 9% in accordance with applicable legislation. The amount disclosed also includes any employee salary sacrificed contributions paid to the employee's nominated superannuation fund on behalf of employees in each band.
(3) Represents the average cash incentive reward received by employees in that band. Incentive rewards are based on the employee meeting or exceeding individual objectives linked to key annual business objectives and performance measures.
(4) For the purposes of this note senior executives disclosed in section (c) are not disclosed as part of section (d).
(5) Included in total highly paid employees for the year ended 30 June 2012 are 100 highly paid employees who were employed by the group during the 2011 financial year. As a result of partial services rendered during this financial year these employees did not receive total reportable remuneration above $150,000 and were therefore not disclosed as highly paid as at 30 June 2011.

28 Remuneration and retirement benefits (continued)

(d) Highly paid employee annual reportable remuneration paid (continued)

	Number of parent entity employees	Number of group employees	Reportable salary[1]	Super-annuation[2]	At risk comp-onent[3]	Total reportable remun-eration
Year ended 30 June 2011						
$150,000 to $179,999	118	123	128,740	18,291	12,626	159,657
$180,000 to $209,999	42	43	147,465	20,594	25,148	193,207
$210,000 to $239,999	45	46	168,484	23,923	34,060	226,467
$240,000 to $269,999	28	30	189,825	25,231	38,775	253,831
$270,000 to $299,999	25	25	210,945	23,597	49,124	283,666
$300,000 to $329,999	9	10	232,656	25,330	55,106	313,092
$330,000 to $359,999	10	10	248,889	25,088	65,112	339,089
$360,000 to $389,999	5	6	292,185	25,727	60,247	378,159
$390,000 to $419,999	6	6	269,155	32,182	105,222	406,559
$420,000 to $449,999	4	4	285,120	35,661	109,824	430,605
$450,000 to $479,999	3	3	315,425	31,402	112,409	459,236
$480,000 to $509,999	2	2	334,238	45,970	112,647	492,855
$540,000 to $569,999	2	2	420,561	50,312	89,668	560,541
$570,000 to $599,999	1	1	409,545	43,600	125,120	578,265
$600,000 to $629,999	1	1	377,280	43,594	179,400	600,274
$630,000 to $659,999	1	1	441,809	49,751	158,537	650,097
$660,000 to $689,999	1	1	442,879	51,273	194,245	688,397
$870,000 to $899,999	1	1	452,972	69,683	371,488	894,143
$1,320,000 to $1,349,999	1	1	1,227,517	95,559	–	1,323,076
Total[4]	**305**	**316**				

(1) Reportable salary comprises the average cash salary paid and non-monetary benefits provided to employees in each band. Non-monetary benefits include vehicle allowances, relocation and other expenses paid on behalf of employees. Amounts disclosed also include leave entitlements paid on resignation.
(2) Superannuation disclosed approximates the cost to the group, estimated by reference to the group's superannuation expense as a percentage of the group's total salaries and wages. If the employee is not a member of APSS, this benefit is calculated at 9% in accordance with applicable legislation. The amount disclosed also includes any employee salary sacrificed contributions paid to the employee's nominated superannuation fund on behalf of employees in each band.
(3) Represents the average cash incentive reward received by employees in that band. Incentive rewards are based on the employee meeting or exceeding individual objectives linked to key annual business objectives and performance measures.
(4) For the purposes of this note senior executives disclosed in section (c) are not disclosed as part of section (d).

29 Related parties

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

Remuneration and retirement benefits

Information on remuneration of directors and amounts paid in connection with the retirement of directors is disclosed in note 28(a).

Transactions with jointly controlled entities

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

	Consolidated	
	2012 $m	**2011** $m
Other transactions with jointly controlled entities		
Payments for collection and delivery services	67.8	66.1
Payments for management and administrative services	–	36.1
Payments for accommodation	2.5	2.1
Revenue from collection and delivery services	21.3	18.1
Revenue from administrative services	11.7	12.4
Interest received	10.3	10.3
Aggregate amounts receivable from and payable to jointly controlled entities at balance date were as follows:		
Current receivables	2.9	1.4
Current payables	6.4	5.0
Loans receivable(1)	130.8	130.5

(1) Refer note 30(i) for details of credit risk on loans to jointly controlled entities.

Other related party transactions

Australia Post performs administrative services on behalf of its Superannuation Fund APSS. These services are provided on normal commercial terms. Payment received by Australia Post for these services for the year ended 30 June 2012 is $11.4 million (2011: $15.5 million).

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

Transactions with directors

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

Ultimate controlling entity

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

30 Financial and capital risk management

(a) Financial risk management objectives

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

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

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

(b) Capital risk management

The group's objectives when managing capital are to safeguard the ability to continue as a going concern while maximising the return to the Commonwealth Government. The group recognises the impact on shareholder returns of the level of equity capital employed and seeks to maintain a prudent balance between the advantages and flexibility afforded by a strong capital position and the higher returns on equity possible with some leverage. A further consideration when managing capital is maintenance of an investment grade rating. The group holds a AA+ rating (2010: AA+) from the independent ratings agency Standard & Poor's.

The capital structure of the group consists of debt, which includes the bonds payable disclosed in note 19, cash and cash equivalents disclosed in note 32(a) and equity attributable to equity holders of the corporation, comprising contributed equity, reserves and retained profits disclosed in notes 22 and 23.

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

	Consolidated	
	2012 $m	**2011** $m
(c) Categories of financial instruments		
Financial assets		
Loans and receivables (including cash and cash equivalents)	1,567.1	1,358.0
Held to maturity investments	59.1	–
Derivative instruments in designated hedge accounting relationships	12.7	3.3
Financial liabilities		
Other financial liabilities at amortised cost	547.6	474.6
Other financial liabilities designated in fair value hedge relationships at amortised cost and adjusted by the gain/loss attributable to interest rate risk	617.5	547.1
Derivative instruments in designated hedge accounting relationships	2.9	9.3

30 Financial and capital risk management (continued)

(d) Net gain or loss on financial assets and financial liabilities measured at amortised cost

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

	Consolidated	
	2012 $m	**2011** $m
Interest revenue (refer note 2)	37.6	31.8
Foreign exchange gain/(loss)	2.6	(19.9)
Impairment loss (refer note 3)	(6.6)	(2.3)
Net gain on financial assets	**33.6**	**9.6**

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

	Consolidated	
	2012 $m	**2011** $m
Interest expense (refer note 4)	34.4	31.8
Foreign exchange gain	(1.8)	(6.9)
Net loss on financial liabilities measured at amortised cost	**32.6**	**24.9**

(e) Market risk

The group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (refer note 30(f)), commodity prices (refer note 30(g)) and interest rates (refer note 30(h)). The group is a party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in foreign exchange rates, commodity prices and interest rates. Reference should also be made to note 1(m) relating to derivative financial instruments. At a group level, market risk exposures are managed through sensitivity analysis and stress scenario analysis.

30 Financial and capital risk management (continued)

(f) Foreign currency risk management

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

The group operates foreign currency denominated bank accounts. Immaterial bank account balances are not included.

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

	Consolidated	
	2012 (AUD) $m	**2011** (AUD) $m
Trade and other receivables	172.6	187.8
Trade and other payables	(51.5)	(57.9)
Cash on hand	0.3	1.5
Net exposure	**121.4**	**131.4**

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

Forward currency contracts.

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

	Consolidated			
	2012		**2011**	
	Average exchange rate	**Notional amount (foreign currency)** $m	**Average exchange rate**	**Notional amount (foreign currency)** $m
Buy USD				
0–6 months	1.000	11.9	1.050	12.0
7–12 months	0.949	0.2	0.936	0.9
		12.1		**12.9**
Buy EUR				
0–6 months		–	0.685	0.4
		–		**0.4**
Buy GBP				
0–6 months	1.579	1.3		–
7–12 months	1.602	1.0		–
		2.3		**–**

All forward currency contracts are entered into on the basis of known or projected exposures. The group has elected to adopt cash flow hedge accounting in respect of some of its foreign currency hedging activities. The fair value of forward currency contracts designated as hedging instruments is a net liability of $0.1 million (2011: net liability of $0.3 million) for the group. The portion of the gain or loss on the designated forward currency contracts that are determined to be effective hedges are deferred and will be recognised in the measurement of the underlying transaction.

As at balance date, the aggregate amount of unrealised gains/losses under forward currency contracts deferred in the hedging reserve related to contracted future payments for inventory, computer software and computer equipment. It is anticipated that the payments will take place in the 12 months (2011: 12 months) after reporting date at which stage the amount deferred in equity will be included in the initial cost of the inventory, computer software and equipment. It is anticipated that the amounts in relation to inventory will impact profit or loss over the next one year and amounts in relation to computer software and equipment will impact profit or loss over the next five to 20 years after the assets are available for use.

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

30 Financial and capital risk management (continued)

Foreign currency sensitivity

The following table details the effect on profit after tax as at 30 June from a 15 per cent (2011: 15 per cent) favourable/unfavourable change in the Australian dollar with all other variables held constant. The sensitivity analyses below have been determined based on the exposure to foreign currencies from financial instruments at the reporting date.

The possible risk of 15 per cent is based on Australian Government Department of Finance and Deregulation guidance.

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

	Consolidated	
	2012 $m	**2011** $m
Impact on profit after tax at reporting date, with all other variables held constant of a:		
Strengthening of the Australian dollar from:		
Financial assets	(15.7)	(17.3)
Financial liabilities	4.7	5.3
	(11.0)	(12.0)
Weakening of the Australian dollar from:		
Financial assets	21.3	23.3
Financial liabilities	(6.4)	(7.2)
	14.9	16.1
Impact on equity after tax at reporting date, with all other variables held constant of a:		
Strengthening of the Australian dollar from:		
Financial assets	–	–
Financial liabilities	(1.4)	(1.2)
	(1.4)	(1.2)
Weakening of the Australian dollar from:		
Financial assets	–	–
Financial liabilities	1.9	1.1
	1.9	1.1

The receivables and payables denominated in SDR, on which the sensitivity is shown in the table above, are not necessarily representative of the group's exposure to currency risk for the years ended 30 June 2011 and 30 June 2012. The receivables and payables denominated in SDR are highly variable in amount and timing, in particular due to the timing of receipts and settlements with overseas postal administrations.

30 Financial and capital risk management (continued)

(g) Commodity price risk management

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

Commodity price sensitivity

There were fuel swap contracts in place during the years ended 30 June 2011 and 30 June 2012, which matured prior to reporting date and as such the sensitivity analysis on profit after tax and equity as at 30 June 2011 and 30 June 2012 is not representative of the commodity price risk inherent in the use of fuel swap contracts during the current and prior year. In addition the group have entered into some fuel option contracts during the year to 30 June 2012 to hedge the group's future exposure to commodity price sensitivity.

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

	Consolidated	
	2012 exposure amount (AUD) $m	**2011 exposure amount** (AUD) $m
Buy barrels		
0–6 months	12.8	5.5
7–12 months	12.8	5.5
	25.6	**11.0**

All fuel swap contracts and fuel option contracts are entered into on the basis of known or projected exposures. The group has elected to adopt cash flow hedge accounting in respect of some of its commodity hedging activities. The fair value of fuel swap contracts and fuel option contracts designated as hedging instruments is a liability of $2.7 million (2011: asset of $1.0 million) for the group. The portion of the gain or loss on the designated fuel swap contracts and fuel option contracts that are determined to be effective hedges are deferred and will be recognised in the measurement of the underlying transaction.

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

The following table details the effect on profit and equity after tax as at 30 June from a 15 per cent (2011: 15 per cent) favourable/unfavourable change in the fuel price with all other variables held constant. The sensitivity analysis below have been determined based on the exposure to fuel from the group's fuel swap contracts and fuel option contracts entered into at the reporting date and the stipulated change taking place at the beginning of the financial year and being held constant throughout the reporting period.

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

	Consolidation	
	2012 $m	**2011** $m
Impact on profit after tax at reporting date, with all other variables held constant of a:		
Increase in fuel prices	2.8	–
Decrease in fuel prices	(2.8)	–
Impact on equity after tax at reporting date, with all other variables held constant of a:		
Increase in fuel prices	0.3	1.2
Decrease in fuel prices	(0.3)	(1.2)

30 Financial and capital risk management (continued)

(h) Interest rate risk management

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

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

		Consolidated			
		2012		2011	
	Note	Carrying amount $m	Weighted average effective interest rate %	Carrying amount $m	Weighted average effective interest rate %
Financial assets					
Fixed rate					
Loans to jointly controlled entities	9	130.8	8.0	130.5	8.0
Held to maturity investments		59.1	4.9	–	–
Floating rate					
Cash and cash equivalents		578.8	5.5	359.2	5.1
Financial liabilities					
Fixed rate					
Bonds payable	19	617.5	5.6	547.1	5.7
Interest rate swaps		(617.5)	5.6	(547.1)	5.7
Floating rate					
Interest rate swaps		604.9	5.6	553.8	5.7

30 Financial and capital risk management (continued)

Interest rate swap contracts

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

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

	Consolidated			
	2012		2011	
	Fixed interest rate %	Notional principal amount $m	Fixed interest rate %	Notional principal amount $m
Fixed for floating interest				
1–2 years	5.25	325.0	6.25	230.0
2–5 years	5.50	280.0	5.25	325.0
		605.0		**555.0**

The interest rate swap contracts settle on a quarterly and six-monthly basis. The floating rate on the $280 million interest rate swaps is quarterly BBSW plus 131 basis points, and the floating rate on the $325 million is six-monthly BBSW plus 118.125 basis points.

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

Interest rate sensitivity

The table below details the interest rate sensitivity analysis of the group at the reporting date, holding all other variables constant. A 140 basis point (2011: 175) change is used to quantify the possible risk based on Australian Government Department of Finance and Deregulation guidance. The sensitivity analysis below have been determined based on the exposure to interest rates from financial instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and being held constant throughout the reporting period.

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

	Consolidated	
	2012 $m	2011 $m
Impact on profit after tax at reporting date, with all other variables held constant of a:		
140 (2011: 175) basis point increase in interest rates	7.3	3.1
140 (2011: 175) basis point decrease in interest rates	(7.3)	(3.1)

The interest-bearing assets and liabilities on which the sensitivity is shown in the table above, are considered representative of the group's average interest rate exposure for the years ended 30 June 2011 and 30 June 2012.

30 Financial and capital risk management (continued)

(i) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. Counterparty exposure is measured as the total value of the exposures to all obligations of any single legal or economic entity (eg. a group of companies). It is the group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The carrying amount of trade and other receivables reflects the maximum credit exposure when collateral held and other credit enhancements are not considered. Bank guarantees, parent company guarantees, directors personal guarantees, deposits, property mortgages and fixed or floating charges over assets are held in respect of receivable balances from some customers. In addition, receivable balances are monitored on an ongoing basis with the result that the exposure to bad debts is not significant. For the year ended 30 June 2012 the total value of collateral held amounts to $76.3 million (2011: $74.8 million).

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are high investment grade as rated by Standard & Poor's, bank counterparties are all rated A- or better (2011: A- or better) by Standard and Poor's and counterparty limits have been established and are endorsed annually by the board and reviewed regularly by the Treasury Group.

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

The group has a significant credit risk exposure from the long term loan advanced to Star Track Express, a jointly controlled entity, of $128.2 million (2011: $128.2 million). Additionally, the group has a credit exposure to third parties with respect to a finance lease arrangement for $59 million (2011: $52 million). This exposure is collateralised with US treasury notes or AAA-rated securities.

Except as detailed in the following table, the carrying amount of financial assets recorded in the financial statements as summarised in Note 30(c), net of any allowances for losses, represents the group's maximum exposure to credit risk without taking account of any collateral held or other credit enhancements.

	Consolidated	
	2012 $m	**2011** $m
Maximum credit risk from financial assets and other credit exposures		
Drawn loans to jointly controlled entities(1)	130.8	130.5
Undrawn loan commitments to jointly controlled entities	5.1	4.3
Financial guarantee contracts(2)	59.0	52.0
Guarantees provided(3)	161.3	148.0

(1) The carrying amount of loans to jointly controlled entities differs from the maximum exposure to credit risk as a loan advanced to a jointly controlled entity is non-interest bearing and the loan carrying amount has been discounted under the effective interest method.
(2) Relates to undertakings by the group to make payments to third parties upon the failure of the intermediate counterparty to meet the terms of its contractual obligations.
(3) Relate to bank guarantees over projected workers' compensation claims liabilities, provided by the group.

The consolidated entity's share of jointly controlled entities' contingent liabilities is $31.5 million (2011: $32.0 million).

30 Financial and capital risk management (continued)

(j) Liquidity risk management

Liquidity risk refers to the risk of encountering difficulties in meeting obligations associated with financial liabilities. Liquidity risk management is associated with ensuring that there are sufficient funds available to meet financial commitments in a timely manner and planning for unforeseen events which may curtail cash flows and cause pressure on liquidity. The group measures and manages liquidity risk by forecasting liquidity and funding requirements for the next three years as a minimum, which is reviewed annually by the board as part of the Treasury Strategy Paper. In addition, the group prepares and reviews a rolling daily cash forecast for the quarter, on a daily basis.

Liquidity risk tables

The following tables detail the group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows based on the earliest date on which the group can be required to pay. The tables include both interest and principal cash flows. Where interest flows are floating rate, the undiscounted amount is derived from the interest rate curves at the end of the reporting period. For financial guarantee contracts and undrawn loan commitments, the maximum amount of the guarantee and undrawn loan commitment is allocated to the earliest period in which the guarantee or loan commitment can be called.

The tables also include cash outflows arising from derivative financial instruments. The tables have been drawn up based on the undiscounted net cash outflows on derivative instruments that settle on a net basis and the undiscounted gross cash outflows on those derivatives that require gross settlement. The amount disclosed has been determined by reference to the projected cash outflows illustrated by the yield or forward curves existing at reporting date.

	Consolidated							
	As at 30 June 2012 Contractual maturity (nominal cash flows)				As at 30 June 2011 Contractual maturity (nominal cash flows)			
	On demand $m	Less than 1 year $m	1 to 2 years $m	2 to 5 years $m	On demand $m	Less than 1 year $m	1 to 2 years $m	2 to 5 years $m
Trade and other payables	–	547.6	–	–	–	474.6	–	–
Finance lease and hire purchase liabilities payable	–	–	–	–	–	–	–	–
Forward exchange contracts	–	0.2	–	–	–	0.3	–	–
Commodity swaps and options		2.7	–	–	–	–	–	–
Bonds payable	–	32.5	357.5	326.2	–	261.4	17.1	342.1
Interest rate swaps	–	(2.8)	(6.1)	(9.2)	–	(0.2)	3.1	4.6
Financial guarantee contracts(1)	–	66.2	–	–	–	67.0	–	–
Undrawn loan commitments to jointly controlled entities	5.1	–	–	–	4.3	–	–	–
	5.1	**646.4**	**351.4**	**317.0**	**4.3**	**803.1**	**20.2**	**346.7**

(1) This represents the maximum amount that could be called on by the counterparty. The present value of this amount is $59 million (2011: $52 million)

30 Financial and capital risk management (continued)

(k) Fair value of financial assets and liabilities

The fair value of financial assets and financial liabilities is based on market prices (where a market exists) or by discounting back the expected future cash flows using the applicable yield curve for assets and liabilities with similar risk profiles.

Fair value of financial instruments not measured at fair value in the balance sheet

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

	Consolidated			
	2012		2011	
	Carrying amount $m	Fair value $m	Carrying amount $m	Fair value $m
Financial assets				
Finance lease receivable	103.4	89.4	103.5	73.9
Loans to jointly controlled entities	129.7	130.9	129.5	132.2
Financial liabilities				
Bonds payable	617.5	618.3	547.1	548.2

Fair value measurements recognised in the balance sheet

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable from the asset or liability, either directly (as prices) or indirectly (derived from prices);
- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Consolidated					
	2012			2011		
	Level 1 $m	Level 2 $m	Level 3 $m	Level 1 $m	Level 2 $m	Level 3 $m
Financial assets at fair value through profit or loss						
Foreign currency exchange contracts	–	0.1	–	–	–	–
Interest rate swaps	–	12.6	–	–	2.3	–
Commodity swaps	–	–	–	–	1.0	–
Financial liabilities at fair value through profit or loss						
Foreign currency exchange contracts	–	0.2	–	–	0.3	–
Interest rate swaps	–	–	–	–	9.0	–
Commodity swaps	–	2.7	–	–	–	–

There were no transfers between level 1, 2 and 3 during the year to 30 June 2012 or 30 June 2011.

31 Leases

(i) Operating leases

The group leases a total of 778 properties. These are under operating leases with various occupancy terms that are due to expire in the next one to ten years. The leased property portfolio comprises 19 commercial, 228 industrial, 7 residential, 517 retail and 7 general sites. Leases generally provide the group with a right of renewal, at which time the commercial terms are renegotiated. Lease payments generally comprise a base amount plus an incremental contingent rental based on movements in the Consumer Price Index and reviews to market-based levels.

	Consolidated	
	2012 $m	**2011** $m
Minimum lease payments	127.5	131.7
Contingent rentals	0.8	1.3
Operating lease rentals (refer note 3)	**128.3**	**133.0**

Full details of the ageing of the group's operating lease commitments is contained in the schedule of commitments.

(ii) Finance lease receivable

The group has a finance lease receivable relating to the disposal in 1996-97 of the Sydney GPO heritage site under a 99 year lease. The agreement includes a seven-year rent-free period to the lessee, followed by a guaranteed minimum rental.

	Consolidated	
	2012 $m	**2011** $m
Reconciliation of minimum lease payments to lease receivable:		
Gross minimum finance lease rentals receivable	542.9	549.3
Finance lease revenue not yet recognised	(439.5)	(445.8)
Finance lease receivable (notes 6 and 9)	**103.4**	**103.5**
Minimum finance lease rentals receivable:		
(a) within one year	6.4	6.4
(b) from one year to five years	25.3	25.5
(c) over five years	511.2	517.4
Total	**542.9**	**549.3**

The lease commitments receivable at year-end equals the minimum lease payments, as there are no material contingent payments or unguaranteed residual value relating to this lease agreement.

32 Notes to the cash flow statement

(a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks, promissory notes and floating rate notes. Cash and cash equivalents on hand at the end of the year as shown in the cash flow statement are reconciled to the related items in the balance sheet as follows:

	Consolidated	
	2012 $m	**2011** $m
Cash on hand	639.7	556.5
Promissory notes[1]	135.9	45.7
Total cash and cash equivalents	**775.6**	**602.2**

(1) There are $nil (2011: $nil) promissory notes that are past due or impaired.

(b) Reconciliation of net profit after tax to net cash provided by operating activities

	Consolidated	
	2012 $m	**2011** $m
Net profit for the year	**281.2**	**241.2**
Depreciation and amortisation	201.6	198.4
Changes in jointly controlled entities not received as dividends	(2.0)	(1.2)
Net revaluation loss/(gain) on investment property	1.6	(6.1)
Write-down of investments	0.4	4.5
Write-down of property, plant and equipment	–	36.5
Write-down of intangibles (including goodwill)	0.4	13.9
Write-down of receivables and inventory	11.7	2.2
Net gain from sales of property, plant and equipment	(1.1)	(22.0)
Hedge ineffectiveness and other non cash finance costs	2.9	1.4
	215.5	227.6
Changes in assets and liabilities adjusted for the acquisition and disposal of businesses		
(Increase)/decrease in debtors	(48.9)	(28.2)
(Increase)/decrease in inventories	(11.2)	(5.6)
(Increase)/decrease in interest receivable	(0.2)	(0.6)
(Increase)/decrease in other current assets	(0.1)	(1.2)
(Increase)/decrease in deferred income tax asset	(65.0)	34.2
Increase/(decrease) in superannuation liability	(20.0)	–
Increase/(decrease) in creditors and other payables	77.4	0.3
Increase/(decrease) in accrued interest expenditure	(1.5)	0.5
Increase/(decrease) in advance receipts	2.8	2.6
Increase/(decrease) in employee entitlements	(30.5)	(69.3)
Increase/(decrease) in income tax payable	66.8	(13.1)
Increase/(decrease) in deferred income tax liability	84.9	19.0
	270.0	166.2
Net cash from operating activities	**551.2**	**407.4**

32 Notes to the cash flow statement (continued)

(c) Details of the acquisition of controlled entities in the year ended 30 June 2011

On 23 December 2010, the corporation acquired 100% of the issued share capital of SecurePay Holdings Pty Ltd. SecurePay operated as an independent provider of electronic business to business (B2B) and business to consumer (B2C) payment gateway services at the date of acquisition.

Details of the acquisition are as follows:

The fair value of identifiable assets and liabilities of SecurePay Holdings Pty Ltd as at the date of acquisition were:

	Consolidated fair value at acquisition date
	$m
Cash	0.3
Receivables and accrued income	1.4
Property, plant and equipment	1.7
Intangible assets	11.7
	15.1
Payables	1.1
Loans	5.3
Deferred tax liability	0.4
	6.8
Provisional fair value of identifiable net assets	8.3
Goodwill arising on acquisition (note 16)	32.2
Consideration transferred	**40.5**
The cash outflow on acquisition is as follows:	
Net cash acquired with the subsidiary	(0.3)
Cash paid	44.0
Payments for investments in controlled entities (net of cash acquired)	43.7
Repayment of debt	5.3
Total consolidated cash outflow	**49.0**

The consolidated statement of comprehensive income includes sales revenue and net profit for the year ended 30 June 2011 of $6.3 million and $1.4 million respectively, relating to SecurePay Holdings Pty Ltd. Had the acquisition of SecurePay Holdings Pty Ltd occurred at the beginning of the reporting period, the consolidated statement of comprehensive income would have included revenue and profit of $12.1 million and $3.1 million respectively. Direct costs of $2.1 million relating to the acquisition and integration of SecurePay Holdings Pty Ltd were incurred and are disclosed as part of supplier expenses.

Key factors contributing to the $32.2 million of goodwill are the synergies existing within the acquired business, and synergies expected to be achieved as a result of combining SecurePay Holdings Pty Ltd with the rest of the group. Included in the business acquired were receivables with a gross contractual and fair value of $1.2 million resulting from trade sales with customers.

33 Corporate information

The financial report of Australian Postal Corporation for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the directors on 30 August 2012.

Australian Postal Corporation is a for-profit entity and a Government Business Enterprise (GBE) established pursuant to the *Postal Services Act 1975*, the existence of which is continued by s12 of the *Australian Postal Corporation Act 1989*. The nature of the operations and principal activities of the group are outlined in the corporation's annual report.

National head office:

111 Bourke Street
Melbourne VIC 3000
Australia

34 Events after balance date

There are no matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the group, the result of those operations, or the state affairs of the group in future financial years.

Community service obligations

for the year ended 30 June 2012

Australia Post's community service obligations (CSOs) are set out in s27 of the *Australian Postal Corporation Act 1989* (the Act) which requires that:

- the corporation provide a letter service for both domestic and international letter traffic
- the service be available at a single uniform rate within Australia for standard letters
- the service be reasonably accessible to all Australians wherever they reside
- the performance standards for the service reasonably meet the social, industrial and commercial needs of the community.

Performance standards

Regulations made under s28C of the Act detail the particular standards required to meet these obligations. Performance against these standards is subject to independent audit by the Australian National Audit Office (ANAO).

All of the prescribed standards were met or exceeded in 2011–12. The actual result for each standard is outlined in the table below. The associated ANAO Audit Report is reproduced on pages 116 to 117.

Organisational arrangements

The ongoing focus on CSO compliance is maintained by Australia Post's manager shareholder relations and governance in its headquarters and nominated CSO representatives nationally.

CSO costs

There is a financial cost associated with meeting CSOs. That cost arises when the charge made for any mandated service does not recover the cost of its delivery. The cost is measured on a net basis (that is, after reduction of related revenue) and is funded by internal cross-subsidy within the letters service.

For 2011–12 (calculated on the avoidable cost methodology), CSO costs are estimated to be $165.2 million.

Performance standards

Standard	2011–12 performance
Lodgement	
10,000 street posting boxes	15,995^
Delivery timetables	
Same state	
Metro – next business day	Maintained
Metro to country – second business day	Maintained
Between country areas – second business day	Maintained
Interstate	
Metro to metro – second business day	Maintained
Between metro and country – third business day	Maintained
Between country areas – fourth business day	Maintained
On-time delivery	
94.0% of non-bulk letters	95.6%^
Access	
4,000 retail outlets (2,500 in rural and remote areas)	4,428^ (2,560^ in rural and remote areas)
Retail outlets located so that:	
• in metropolitan areas at least 90% of residences are within 2.5km of an outlet	93.8%^
• in non-metropolitan areas at least 85% of residences are within 7.5km of an outlet	87.9%^
Delivery frequency	
98.0% of delivery points to receive deliveries five days a week	98.8%^
99.7% of delivery points to receive deliveries no less than twice a week	99.9%^

^ Results as at 30 June 2012

Auditor-General for Australia

Australian National
Audit Office

Independent Audit Report on the Extent to which the Australian Postal Corporation has complied with the *Australian Postal Corporation (Performance Standards) Regulations 1998* for the year ended 30 June 2012

To the Minister for Broadband, Communications and the Digital Economy

<u>Scope</u>

I have audited the Australian Postal Corporation's (the Corporation) compliance with the performance standards prescribed in the *Australian Postal Corporation (Performance Standards) Regulations 1998*, as amended, for the year ended 30 June 2012.

The performance standards require the Corporation to:

(a) service 98% of all postal delivery points at least five days per week and 99.7% of all postal delivery points at least two days per week (Regulation 5);

(b) deliver at least 94% of reserved services letters to the indicated or appropriate address according to the prescribed timetable (Regulation 6);

(c) maintain at least 4000 retail outlets for mail lodgement points for postal articles (other than bulk mail) and maintain at least 10,000 street posting boxes (Regulation 8); and

(d) make a selection of its products or services available for purchase at each of the retail outlets. At least half of the retail outlets must be in zones classified as rural or remote, and in any event, not fewer than 2,500. At least 90% of residences within metropolitan areas must be within 2.5 kilometres of a retail outlet and an average of at least 85% of residences in rural or remote zones must be within 7.5 kilometres of a retail outlet (Regulation 9).

The directors of the Corporation are responsible for ensuring that adequate systems are in place to monitor compliance with the performance standards. I have conducted an independent audit of compliance with the performance standards in order to express an opinion to you.

The audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the standards on assurance engagements and relevant ethical requirements relating to audit engagements and accordingly included such tests and other procedures considered necessary.

GPO Box 707 CANBERRA ACT 2601
19 National Circuit BARTON ACT
Phone (02) 6203 7500 Fax (02) 6273 5355
Email ian.mcphee@anao.gov.au

Audit procedures included:

(a) examination and assessment of the key mail management systems;

(b) examination, on a test basis, of supporting evidence; and

(c) examination of the work performed by the independent reviewer contracted by the Corporation.

As part of the audit, I have considered, solely for the purpose of determining the nature, timing and extent of my audit procedures, the Corporation's system of internal controls. This consideration has not entailed a detailed study and evaluation of any of the elements of the system for the purpose of providing the assurances thereon.

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

Because of the inherent limitations of any audit, including limitations in evidence gathering procedures and limitations in the internal control framework, it is possible that fraud, error or non-compliance may occur and not be detected as an audit is not performed continuously throughout the period and the audit procedures performed are undertaken on a test basis.

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

Conclusion

In my opinion, the Australian Postal Corporation was, in all material respects, in compliance with the performance standards prescribed in the *Australian Postal Corporation (Performance Standards) Regulations 1998* during the year ended 30 June 2012.

Australian National Audit Office

Ian McPhee
Auditor-General

Canberra
30 August 2012

TNS

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www.tnsglobal.com

July 23, 2012

To The Board of the Australian Postal Corporation

Re: Yearly Basic Monitor Result Certification

We have undertaken an independent monitor of Australia Post's domestic letter service against its delivery undertakings for the year ended June 2012 in accordance with the requirements of the Australian Postal Corporations Act 1989.

Our monitor was based on a properly prepared, statistically valid sample of approximately 313,558 test letters. The sample size was determined with regard to information that Australia Post supplied about the postal network design parameters.

Our testing involves comparing the delivery time taken for each test letter with Australia Post's delivery undertaking for the mail path concerned.

Test letters represented the full range of letter sizes and types recognised as ordinary mail, posted in locations having a daily clearance to locations having a daily delivery, from small to large and including window-faced envelopes. They were addressed by hand and machine fonts, reflecting the varied mailing practices of postal users.

All addressing was in accordance with Australia Post's specifications for the proper preparation of letter mail. The letters, as specified under the terms of our contract, were indistinguishable from other mail flowing through the Australia Post network.

Our process for calculating the delivery performance was independently audited by Deloitte.

For the year ending June 2012 the sample used by TNS Australia was consistent with the sample frame provided by Australia Post. The attached certification from Deloitte states that "nothing has come to our attention that would suggest that the results reported by TNS Australia for the year ended 30/06/2012 have not been calculated in accordance with the agreed business rules or do not fairly represent the performance of Australia Post's basic letter service for that period."

Results

For the year ended June 2012, the monitor showed that Australia Post delivered 95.6 per cent of all letters early or on time, and 98.7 per cent of letters were delivered on time or not more than one working day after your delivery undertakings.

Taylor Nelson Sofres Australia Pty Ltd
ACN 000 601 221
TNS is a trade mark of Taylor Nelson Sofres plc

Opinion

In our opinion based upon the audit procedures conducted, at a 95 per cent confidence level and with a maximum weighted actual precision limit of 0.1 per cent, these results present fairly the performance of Australia Post's domestic letter service for the year ended June 2012 against the scope provided.

Yours faithfully,

Jacqui Von Hirschberg
Executive Director
TNS

Margaret Persico
Director
TNS

Survey certification

for the year ended 30 June 2012

Deloitte.

Deloitte Touche Tohmatsu
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Jacqueline Von Hirschberg
Executive Director
TNS Australia Pty Ltd
Level 1, 290 Burwood Rd
Hawthorn 3122 VIC

20 July 2012

Independent Assurance Report on TNS Australia calculation of Australia Post Performance Metric for Basic Letters for the period 01/07/2011 to 30/06/2012

TNS Australia perform an external mail monitoring service covering basic (domestic) letters carried across the Australia Post Network for Australia Post within a defined set of parameters that have been agreed between Australia Post and TNS Australia.

TNS Australia's Responsibilities

The management of TNS Australia is responsible for the calculation and delivery of the performance metrics to Australia Post in accordance with the agreed business rules. This responsibility includes the design and operation of controls intended to monitor the accuracy of the calculation of the performance metrics.

Deloitte's Responsibilities

At the request of TNS Australia, Deloitte has re-performed the calculation of the delivery performance metric using the data output from the Computer Information System (CIS) in order to express a conclusion on whether, based on the work we have performed, anything comes to our attention to indicate that the calculations performed by TNS Australia have not, in all material respects, been calculated in accordance with the business rules set out in the agreement between TNS Australia and Australia Post dated 01/07/2011 and do not fairly represent the performance of Australia Post's basic letter service.

Our procedures were performed in accordance with Australian Standard on Assurance Engagements ASAE 3000, "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" in order provide limited assurance as defined by that standard. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with ASAE 3000 and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an opinion providing reasonable assurance.

Considering the risk of material error, we planned and performed our procedures to obtain the information and explanations considered necessary to provide sufficient evidence to support our limited assurance conclusion. Key procedures included:

- Interviewing the process owners for the preparation of the Australia Post Performance Metrics
- An evaluation of the implementation of key controls used by management in the preparation of the Australia Post Performance Metrics

Deloitte.

- Independent re-performance of the calculation of the delivery performance metric using data extracted from the CIS system
- Choosing a random sample of invalidated ('dudded') transactions, and obtaining supporting evidence to identify for those transactions in the sample, whether the process (as agreed to between TNS Australia and Australia Post) for 'dudding' transactions was adhered to.

Inherent Limitations

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

A review is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed are on a sample basis.

Any projection of the operation of the monitoring processes to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

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

Independence

In conducting our engagement, we have complied with the independence requirements of APES 110 Code of Ethics for Professional Accountants, issued by the Accounting Professional and Ethical Standards Board.

Use of report

This report has been prepared for distribution to TNS Australia in terms of our engagement letter dated 01/07/2011 We understand that a copy of this report will be provided to Australia Post by TNS Australia. We disclaim any assumption of responsibility for any reliance on this report to Australia Post or to any other persons or users, other than TNS Australia, or for any purpose other than that for which it was prepared.

Findings

The table below compares the national average of the delivery performance metric as calculated by TNS Australia and by Deloitte.

Type of Letter	TNS Australia figure	Deloitte figure
Basic	95.6% (±0.1)	95.6%

Conclusion

Based on the work performed, nothing has come to our attention that would suggest that the results reported by TNS Australia for the year ended 30/06/2012 have not been calculated in accordance with the agreed business rules or do not fairly represent the performance of Australia Post's basic letter service for that period.

Yours sincerely,

Kevin Nevrous
Partner
Deloitte Touche Tohmatsu

Reserved/non-reserved services

for the year ended 30 June 2012

	Consolidated					
	Reserved		Non-reserved		Total	
	$m	%	$m	%	$m	%
For the year ended 30 June 2012						
Revenue (excluding interest income)	1,806.4	35.5%	3,282.2	64.5%	5,088.6	100.0%
Expenditure	1,920.8	40.5%	2,818.2	59.5%	4,739.0	100.0%
Profit before interest and jointly controlled entity profits	**(114.4)**	**-32.7%**	**464.0**	**132.7%**	**349.6**	**100.0%**
Net interest					0.3	100.0%
Share of jointly controlled entities profits					16.8	100.0%
					366.7	
Income tax expense					85.5	
Profit after income tax expense					**281.2**	

	Consolidated					
	Reserved		Non-reserved		Total	
	$m	%	$m	%	$m	%
For the year ended 30 June 2011						
Revenue (excluding interest income)	1,844.1	37.2%	3,110.5	62.8%	4,954.6	100.0%
Expenditure	1,910.6	41.2%	2,730.0	58.8%	4,640.6	100.0%
Profit before interest and jointly controlled entity profits	**(66.5)**	**-21.2%**	**380.5**	**121.2%**	**314.0**	**100.0%**
Net interest					(1.9)	100.0%
Share of jointly controlled entities profits					20.2	100.0%
					332.3	
Income tax expense					91.1	
Profit after income tax expense					**241.2**	

Statutory reporting requirements index

for the year ended 30 June 2012

Australia Post has reported in accordance with the requirements of the *Commonwealth Authorities and Companies Act 1997*, the *Australian Postal Corporation Act 1989*, the *Freedom of Information Act 1982*, the *Work Health and Safety Act 2011*, the *Superannuation Benefits (Supervisory Mechanisms) Act 1990*, and the *Environment Protection and Biodiversity Conservation Act 1999*. This index shows where the relevant information can be found in the 2011–12 Annual Report.

Statutory reporting requirements index

for the year ended 30 June 2012

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s.44(c)	Progress in achieving the financial targets	Statutory reporting requirements	126
s.44(d)	Dividend payable to the Commonwealth	Financial report	10–11
		Financial statements	55–56, 91
		Statutory reporting requirements	126
s.44(e)	Ministerial direction under s.54(3) as to dividend	N/A	
s.44(f)	Capital repaid to the Commonwealth	N/A	
s.44(g)(i)	Cost impact of CSOs	Community service obligations	115
s.44(g)(ii)	Cost impact of Ministerial notifications under s.28 of CAC Act	N/A	
s.44(g)(iii)	Cost impact of Ministerial directions under s.49 of APC Act	N/A	
s.44(g)(iv)	Cost impact of other Government obligations	Statutory reporting requirements	126
s.44(h)(i)&(ii)	Financial information requested by the Minister in relation to the reserved services and other activities	N/A	
Freedom of Information Act 1982 – reporting requirements			
s.8(1)(a)(i)	Information on organisation and functions	Our business – About Australia Post	12–13
		Statutory reporting requirements	128
s.8(1)(a)(ii)	Consultative arrangements	Statutory reporting requirements	128
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s.8(1)(a) (iv)&(v)	Access to documents and initial inquiries	Statutory reporting requirements	128–129
Work Health and Safety Act 2011 – reporting requirements			
Sch. 2, s.4(2)(a)	Health, safety and welfare initiatives	Statutory reporting requirements	127–128
Sch. 2, s.4(2)(b)	Health and safety outcomes	Statutory reporting requirements	127–128
Sch. 2, s.4(2)(c)	Statistics requiring the giving of notice	Statutory reporting requirements	127–128
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Superannuation Benefits (Supervisory Mechanisms) Act 1990			
s.6(1)(b)	Report on operation of superannuation arrangement	Statutory reporting requirements	127
Environment Protection and Biodiversity Conservation Act 1999			
s.516A(3)(6)	Report on the implementation of the Ecologically Sustainable Development program within Australia Post, including social, economic, cultural and environmental performance	Our performance – Environment	39–41
Commonwealth Authorities and Companies (Report of Operations) Orders 2008 *Division 2 – General information about operations and activities*			
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s.10(1)(a)(i)	Performance measured against statutory objectives	Community service obligations	115
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s.10(1)(c)	Significant events under s.15 of CAC Act	Chairman's message	8
		Managing Director and CEO's message	9
		Financial report	10–11
s.10(1)(d)(i)	Operational and financial results – principal outputs	Managing Director and CEO's message	9
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s.10(1)(d)(ii)	Major investing and financial activities	Chairman's message	8
		Managing Director and CEO's message	9
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s.10(1)(d)(iii)	Financial and non-financial performance indicators	Financial report	10–11
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s.10(1)(e)	Significant changes in affairs or principal activities during the year	N/A	
s.10(1)(f)	Significant developments since end of financial year	N/A	
s.11(a)	Judicial tribunal decisions that have had a significant impact	N/A	
s.11(b)	Reports by the Auditor-General, a Parliamentary Committee or Commonwealth Ombudsman	Financial statements audit report	51–52
		Performance standards audit report	116–117
s.12(1)(a)(i)	Any directions by responsible ministers during the financial year	N/A	
s.12(1)(a)(ii)	Since the end of the financial year	N/A	
s.12(1)(a)(iii)	Continuing from previous financial years	N/A	
s.12(1)(b)(i)	Government policies under s.28 of the CAC Act during the financial year	N/A	
s.12(1)(b)(ii)	Since the end of the financial year	N/A	
s.12(1)(b)(iii)	Continuing from previous financial years	Statutory reporting requirements	126
s.13(1)(a)(i)	Significant changes in financial structure	N/A	
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s.13(1)(b)	Dividends paid or recommended	Financial report	10–11
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s.16(1)(a)	Indemnity for officers	Statutory reporting requirements	126
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Statutory reporting requirements

for the year ended 30 June 2012

Introduction

Australia Post is subject to various statutory reporting requirements under the *Australian Postal Corporation Act 1989, the Commonwealth Authorities and Companies Act 1997, the Freedom of Information Act 1982, the Work Health and Safety Act 2011, the Superannuation Benefits (Supervisory Mechanisms) Act 1990 and the Environment Protection and Biodiversity Act 1999.*

The index on pages 123 to 125 shows where the relevant information can be found in this annual report.

A number of matters are dealt with in the main body of the report. Others are covered below.

Legislation

The powers and functions of Australia Post are set out in Sections 14–19 of the *Australian Postal Corporation Act 1989* (the Act).

Indemnities and insurance premiums for directors and officers

Australia Post has in place a directors' and officers' liability insurance policy. The policy provides cover in respect of any person who is or was a director or officer of Australia Post, when acting in these capacities. Confidentiality requirements within the insurance contracts prohibit any additional disclosures.

Directors of Australia Post are also indemnified by the corporation to the extent permitted by law against any liability incurred in their capacity as a director.

Corporate plan

Each year, Australia Post provides a rolling three-year corporate plan. The 2011–12 plan and associated Statement of Corporate Intent were submitted to the shareholder ministers in June 2011, detailing Australia Post's strategic direction under the Future Ready program.

Objective

Our primary objective is to provide high-quality, efficient services to the community. As much as possible, we will grow dividends and enhance shareholder value.

Strategies

The corporation has developed three enterprise strategies, aimed at achieving volume growth and positioning us to win in a highly competitive environment. The strategies and their main programs of work are:

1. Restoring a self-sustaining letters business:
   - Extracting costs out of the mail network through our Future Delivery Design program, achieving price rises on our letter services, growing promotional mail and introducing multi-channel and digital mail solutions.
2. Growing our parcels business by winning in e-commerce:
   - Providing consumers with convenient low-cost delivery and returns solutions, simplifying our product offers, automating our processes so it is easier for customers to do business with us, and establishing capabilities to grow profitability from international parcels.
3. Building a trusted multi-channel services offer in digital and retail:
   - Delivering more services through both physical and electronic channels to increase convenience, access and choice for customers, and extracting costs from the retail network and defining how a future network will be structured.

Targets

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

- profit before tax of $345.4 million in the first year of the plan
- dividends paid of $177.4 million in the first year of the plan, based on the existing dividend policy.

Specific targets for 2011–12 and performance against these targets were as follows:

Performance indicator	Target	Performance
On-time letter delivery	94%	95.6%
Profit before tax	$345.4 million	$366.7 million
Shareholder return on equity	13.9%	18.7%
Ordinary dividend declared for 2011–12	$181.8 million	$213.7 million

Government policies

In February 2004, the Minister of Communications, Information Technology and the Arts provided formal notification under section 28 of the *Commonwealth Authorities and Companies Act 1997,* that the Government's National Code for the Construction Industry and associated implementation guidelines were to apply to all construction-related activity undertaken by and on behalf of Australia Post. The notification has had no major impact on the corporation as Australia Post had, since their introduction in 1997, made compliance with the code and guidelines a condition of all of its construction-related tenders.

Section 49 of the *Australian Postal Corporation Act 1989* empowers the Minister to give the board written directions in relation to the performance of Australia Post's functions, as appear to be necessary in the public interest. No notification or direction has been issued under this provision.

Other government obligations

Administrative Law

The cost of meeting Commonwealth administrative requirements in 2011–12 is estimated at approximately $1.5 million.

Postal Industry Ombudsman (PIO)

During 2011–12 the PIO has estimated the costs of investigating complaints relating to Australia Post to be $340,000.

ACCC record keeping

The cost of the regulatory audit and compliance with the ACCC's record keeping rules in 2011–12 is estimated at $500,000.

Maintaining heritage properties

Australia Post owns a number of buildings that have been nominated for inclusion on the Commonwealth Heritage list. Our National Heritage strategy ensures that we conserve the heritage of these sites through appropriate management and maintenance.

The cost of repairing and maintaining heritage listed properties in 2011–12 was $2.4 million.

Medical/Educational Remote Area Parcel service

The Medical/Educational Remote Area Parcel service provides reduced postage rates for parcels containing health and educational material that are sent to and from people living in remote communities. In the 2011–12 reporting period, revenue foregone is estimated at $148,800.

Superannuation

All Australia Post employees are covered by superannuation. During 2011–12, Australia Post complied with all relevant guidelines.

From 1 January 2012, Australia Post ceased to offer membership of the Australia Post Superannuation Scheme, which pays a defined benefit, to new employees engaged under a management contract of employment. From 1 July 2012, this decision was extended to all new employees. New employees may instead join a new default defined contribution superannuation fund, the Australia Post Superannuation Plan, or nominate a complying superannuation fund of their choice.

Work Health and Safety (WHS) report

The following information is presented in accordance with the requirements of Part 3 and Part 4 of the *Work Health and Safety Act 2011* (WHS Act 2011).

Australia Post updated its Enterprise Safety strategy to focus on the key safety and health risks to the business. These are: workers' health and wellbeing (health and fitness or preparedness for work), the elimination of harm, and care for people who may have been injured at work. During the year, a number of measures were taken to reduce the incidence of work-related injuries and illnesses, and to comply with WHS regulatory requirements. These included:

- continuing to implement the National and Strategy Business Units WHS plans at national, state and workplace facility levels. These plans build on our safety cultural transformation initiative, which is designed to enhance safety leadership through the enterprise, and include: further implementation of the I Am for Zero campaign led by the managing director and CEO to focus on the need to reduce injury and included work stoppage and safety initiatives at all facilities, followed by the Safety Time sessions focused on Stop Think Do (a program where employees discuss ways to reduce hazards and risk of injury); retraining managers, including senior executives, in safety interactions and in setting targets in relation to the conduct of safety observations; rollout of an enhanced incident investigations training module for all operational managers; and the development of "risk networks" to address high injury risk types.
- auditing WHS legislative and Corporation WHS policy compliance through the Australia Post Occupational Health and Safety Management System Quality Assurance program. The Corporation recorded an overall very high level of conformance with the WHS audit criteria
- maintaining WHS committees throughout the corporation
- obtaining re-accreditation of the Australia Post Health and Safety Representative course from Comcare
- providing WHS-related training for health and safety representatives, managers, supervisors and staff throughout Australia Post to develop a greater understanding of corporate and statutory requirements
- establishing injury and illness reduction targets, namely an Incident Rate (number of occupational incidents per 100 full time equivalent employees) and transitioning to the use of the new WHS lead and current indicators around safety interactions and quality of incident investigation and action
- implementing a program designed to reduce the risk of incidents caused by vehicles reversing out of driveways
- continuing the national audit program to confirm compliance with the Australia Post Motorcycle Daily Pre-ride Inspection program, using random and unannounced site audits
- continuing to implement the motorcycle visibility enhancement program which incorporated hi-visibility shirts, flags, decals, panniers and front letter carriers
- continuing with the pre-ride inspection gauge and revised motorcycle daily pre-ride inspection instruction
- continuing with the Delivery Round Hazard Profile Procedure to ensure proactive steps to identify hazards on rounds, assess risks and introduce controls to mitigate hazards
- continuing to implement initiatives to address incidents associated with manual handling, load shifting operations and use of motorcycles
- continuing to implement new electric power assisted bicycles and tricycles (eBikes) to reduce the use of motorcycles, where practicable, to improve safety
- finalising the introduction of new mail processing equipment to sequence mail to minimise repetitive manual sequencing work
- investigating recent developments in body armour for motorcycle delivery officers
- investigating recent developments in day-running vehicle lights using shaped LED technology
- developing WHS specifications, assessing compliance with the specifications and undertaking WHS risk assessment relating to a range of work practice changes and plant. These included modified mail processing arrangements in mail delivery operations; continued introduction of alternative mail delivery, such as buggies for walk rounds, bicycles and tricycles including electric power-assisted cycles; numerous modifications to a variety of electromechanical mail processing equipment compliant with the "Plant" regulations with Technical Maintenance Plan reviews; and installation of new parcel lockers to give customers 24/7 access.

- advising contractors on safe work practices
- continuing to implement *Our Ethics* policies and procedures to assist managers and employees to understand these issues, providing diagnostic tools to help determine if a situation might be bullying, and developing a guide for managers to assist in preventing and managing bullying
- continuing implementation of the corporation's Employee Health and Wellbeing strategy, including confidential staff counselling services for our employees.

As a result of these and other initiatives, the corporation met the injury prevention performance targets of the Safety, Rehabilitation and Compensation Commission.

During the year:

- 390 incidents were notified to Comcare in accordance with s38 of the WHS Act 2011
- No seizures made (s175 or s176)
- 1 Improvement Notice (s191) given
- No Prohibition Notices (s195) given
- No non-disturbance notices (s198) given
- No remedial action taken (s211 or s212)
- No written undertakings accepted by Comcare (s216)
- No applications for internal review (s224)
- No applications for external review (s229)
- No Infringement Notices (s243) given
- 1 prosecution instituted under the Act
- 10 Health and Safety Representative training courses run with a total of 102 participants
- No directions given under s90 of the *Safety, Rehabilitation and Compensation Act 1988,* being details of any directions given by the Minister under s73 of that Act
- 12 investigations were conducted by Comcare relating to:
  - plant and machinery safety (9)
  - access/egress (2)
  - emergency and fire procedures (1).

Freedom of information report

During 2011–12, Australia Post received 119 applications under the *Freedom of Information Act 1982 (Cth)*.

These were handled as follows:

Granted in full	101
Granted in part	4
Access refused	11
Withdrawn	1
On hand at 30 June 2012	2

Five applications for internal review were received during the year.

No additional costs were incurred in the handling of Freedom of Information requests and related responsibilities.

Freedom of Information Act, Section 8

The following information is presented in accordance with section 8 of the *Freedom of Information Act 1982*.

Organisation and functions

Australia Post's headquarters, which is based in Melbourne, is currently made up of strategic business units supported by a number of functional business units. There are also two joint ventures.

Consultative arrangements

Australia Post consults directly with major mail users, customers and various bodies to respond to customers' needs.

A joint Mailing Industry Advisory Committee operates with the Major Mail Users Association for the purpose of enhancing relationships between Australia Post and its major customers.

The Stakeholder Council provides a further external forum for discussing Australia Post's services and performance. The council's charter also includes a corporate responsibility role.

Australia Post consults extensively with private mail users through local managers and customer contact services.

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

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

Categories of documents

The categories of documents maintained by Australia Post include those relating to:

- corporate organisation and administration
- Australia Post's financial management
- management of assets
- internal administration including policy development and program administration, reports, briefings, correspondence, minutes, submissions, statistics and other documents
- board submissions relating to the business of Australia Post
- reference material used by staff including guidelines and manuals
- working files
- legal advice.

The categories of documents listed above are maintained by Australia Post in a variety of formats. Some of these documents, along with information on Australia Post's organisation, structure and activities, can be obtained free of charge by accessing Australia Post's website (auspost.com.au).

Access to documents

Access to documents under the Freedom of Information Act can be obtained by forwarding a written request to:

Freedom of Information Officer
Governance & Assurance
Australia Post Headquarters
GPO Box 1777
MELBOURNE VIC 3001

Privacy and access to personal information

Under the *Commonwealth Privacy Act 1988* individuals have, subject to certain exceptions permitted by law, a right to request access to their personal information held by Commonwealth agencies and private-sector organisations.

Individuals can apply to access their personal information held by Australia Post by writing to:

Privacy Contact Officer
Legal Services
Governance & Assurance
Australia Post Headquarters
GPO Box 1777
MELBOURNE VIC 3001

During 2011–12, there were no determinations against Australia Post by any of the federal, state or territory commissioners.

Fraud control

Australia Post has in place an internal control framework which includes strategic, financial, operational and compliance elements designed to deter and detect instances of fraud. This framework is supported by a national fraud control policy and the corporation's *Our Ethics* policy.

The corporation's Governance & Assurance group comprises a number of specialist units responsible for providing risk and compliance, audit, assurance, legal, and security and investigation services to Australia Post.

The Corporate Risk Management group is responsible for an enterprise-wide approach to risk management, including identification, measurement and mitigation of business risks across all areas of the business. The framework and underpinning processes are consistent with the principles of the relevant standards.

The Corporate Audit Services group applies a systematic risk-based, control and governance methodology to review business operations and related systems, including policies and procedures, which make up the control environment.

The Security and Investigation group is a specialised internal group that provides security consultancy, crime analysis and investigative services to Australia Post. The Security and Investigation group works closely with law enforcement agencies both within Australia and internationally. There are number of programs in place to manage risk and compliance in specific areas, including fraud.

Examination of mail

International mail

Australia Post is authorised under the *Australian Postal Corporation Act* to open mail, as required by the Australian Customs Service, in the following circumstances:

- when it is suspected that articles may contain prohibited substances
- to determine that appropriate duties/taxes are met.

Australian Customs Service personnel have been authorised under section 90T of the Act to remove and open articles in excess of a particular weight that Customs reasonably believes may contain certain drugs or other chemical compounds being carried in contravention of a law of the Commonwealth. Customs has also been authorised under section 90FB (3) of the Act to act as an authorised examiner for the purpose of examining mail without opening (ie, by X-ray or with drug detection dogs).

Domestic mail

Quarantine inspection officers from a prescribed state or territory (ie, Western Australia, Tasmania or Northern Territory) are authorised under section 90U of the Act to request Australia Post to open, for inspection, any article for delivery in that prescribed state or territory where the inspection officer has reasonable grounds to believe the item consists of, or contains, quarantine material.

Section 90UA authorises Australia Post to remove articles from the mail stream where it is suspected that the article consists of, or contains, scam mail. Suspected scam mail may also be withdrawn from the mail upon receipt of a written request from a consumer protection agency.

In accordance with Section 90FB, Australia Post has appointed authorised examiners at designated locations where mail can be opened for inspection.

Authorised Australia Post staff may open undeliverable articles at approved locations for the purpose of identifying intended or return addresses. They may also open mail to repair an article or its contents so that the article can be made safe for carriage by post.

Disclosure of information

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

As required under s.43 (o) (i) (ii) of the *Australian Postal Corporation Act 1989,* Tables 1 and 2 overleaf, detail the number of times that such information was disclosed during the year and the authorities or bodies to which it was disclosed.

Statutory reporting requirements

for the year ended 30 June 2012

Table 1. Disclosure of information/documents (Section 90J "Authority")*

(Applies to all information or documents)

Authority for disclosure	Number of disclosures	Disclosures made to
Disclosure under warrants [s. 90J(3)]	27	Australian Customs Service (Federal), Police (Australian Federal), State Police (QLD), State Police (SA)
Disclosure under a law of the Commonwealth [s. 90J(5)]	3,461	Australian Crime Commission (Federal), Australian Commission for Law Enforcement Integrity (Federal), Australian Competition & Consumer Commission (Federal), Australian Customs Service (Federal), Australian Electoral Commission (Federal), Australian Government Solicitor (Federal), Australian Taxation Office (Federal), Child Support Agency (Federal), Centrelink (Federal), Department of Immigration and Citizenship (Federal), Family Court of Australia (Federal), Insolvency & Trustee Services Australia (Federal), Department of Veterans Affairs (Federal, Medicare Australia (Federal)
Disclosures under certain laws establishing commissions [s. 90J(6)]	18	Crime Commission (NSW), Corruption & Crime Commission (WA), Independent Commission Against Corruption (NSW)

* There were no disclosures made under s. 90J (7) (8) or (9).

Table 2. Disclosure of information/documents (Section 90K "Authority") *

(Applies to information or documents not specially protected)

Authority for disclosure	Number of disclosures	Disclosures made to
Disclosure to authorised ASIO officer [s. 90K(4)]	56	Australian Security Intelligence Organisation
Disclosure for the enforcement of laws or protection of public revenue [s. 90K(5)]	4,644	Australian Fisheries Management Authority (Federal), Attorney General's Department (Federal), Australian Quarantine Inspection Service (Federal), Australian Securities & Investments Commission (Federal), Consumer Affairs Victoria (VIC), Corrections Victoria (VIC), Crime & Misconduct Commission (QLD), Crown Solicitor's Office (SA), Department of Consumer & Employment Protect. (WA), Department of Education, Employment and Workplace Relations (Federal), Department of Environment & Conservation (WA), Department of Fair Trading (NSW), Department of Health & Ageing (Federal), Department of Justice (QLD), Department of Primary Industries (VIC), Department of Sustainability, Environment, Water, Population and Communities (Federal), Department of Sustainability and Environment (VIC), Inspector General Division (Federal), NSW National Parks and Wildlife Services (NSW), Office of Consumer & Business Affairs (SA), Office of Fair Trading (QLD), Office of Police Integrity (VIC), Office of State Revenue (NSW), Office of State Revenue (QLD), Passport Fraud Section (DFAT), Police (Australian Federal), Police (Defence Force – Including Military, RAAF) (Federal), Police (NSW), Police (NT), Police (Qld), Police (SA), Police (TAS), Police (VIC), Police (WA), Public Trustee (WA), Residential Tenancies Authority (QLD), Revenue SA (SA), RSPCA (Federal), Revenue Office (VIC), Transport Accident Commission (VIC), Workcover Corporation (SA), Workcover New South Wales (NSW), WorkSafe Victoria (VIC)

* There were no disclosures made under s. 90K (2) or (3).
Note: *Commonwealth agencies, unless otherwise indicated.*

Australia Post – the statistics

for the year ended 30 June 2012

1 Five-year statistical summary

	2007–08	2008–09	2009–10	2010–11	2011–12
Consolidated					
Revenue ($m)	4,936.9	4,974.5	4,856.2	4,986.5	5,126.2
Expenditure ($m)	4,367.0	4,604.4	4,767.6	4,674.3	4,776.3
Profit before income tax ($m)	592.2	380.9	103.0	332.3	366.7
Total assets ($m)	5,477.0	4,270.2	3,915.2	4,135.1	4,175.8
Return on average operating assets (%)	19.4	12.2	3.8	10.9	11.9
Community service obligations ($m)	108.5	113.8	147.7	144.7	165.2
Total taxes and government charges ($m)	548.1	499.5	448.5	436.2	369.3
Dividends declared ($m)	446.2	222.4	79.1	173.2	213.7
Operations					
Total mail articles (m)	5,609.4	5,323.4	5,145.0	5,038.2	4,843.0
Full-time employees (excluding casuals)	25,042	25,107	24,172	23,323	23,184
Part-time employees (excluding casuals)	9,936	10,196	10,086	9,865	9,398
Corporate outlets	831	827	810	786	778
Licensed/franchised post offices	2,977	2,969	2,963	2,948	2,934
Community postal agencies	645	637	642	685	716
Delivery points (m)	10.5	10.6	10.7	10.9	11.0

2 Basic postage rate[1] (BPR) and consumer price index (CPI)

	2008	2009	2010	2011	2012
BPR cents	50	55	60	60	60
CPI all groups 8 capitals base 1989–90=100	164.6	167.0	172.1	178.3	180.4
Year-on-year change in BPR (%)	0.0	10.0	9.1	0.0	0.0
Year-on-year change in CPI (%)	4.5	1.5	3.1	3.6	1.2
Change in real postage (%)	(4.3)	8.5	6.0	(3.6)	(1.2)

[1] Postage rates applicable to standard letters carried within Australia by ordinary post.

3 Australia Post outlets at 30 June 2012

	NSW/ACT	VIC/TAS	QLD	WA	SA/NT	Total
Corporate offices						
1 July 2011	263	213	151	86	73	**786**
30 June 2012	**264**	**212**	**146**	**85**	**71**	**778**
Licensed post offices/franchises						
1 July 2011*	903	964	466	298	317	**2,948**
30 June 2012	**893**	**964**	**464**	**296**	**317**	**2,934**
Community postal agencies						
1 July 2011	112	79	192	95	207	**685**
30 June 2012	**122**	**81**	**201**	**94**	**218**	**716**
Total outlets						
1 July 2011	**1,278**	**1,256**	**809**	**479**	**597**	**4,419**
30 June 2012	**1,279**	**1,257**	**811**	**475**	**606**	**4,428**

* 1 July 2011 figures for licensed post office/franchises have been amended for WA and SA/NT which were incorrectly stated in the 2010–11 Annual Report.

4 Australia Post outlets by state and geographic classification

Geographic [1] classification	NSW	ACT	VIC	QLD	SA	WA	TAS	NT	Oth terr	Australia
Metro	610	53	521	260	175	195	45	9	0	1,868
Rural	565	1	511	373	271	157	145	8	1	2,032
Remote	54	0	19	170	55	134	6	83	7	528
	1,229	**54**	**1,051**	**803**	**501**	**486**	**196**	**100**	**8**	**4,428**

[1] Geographic classifications use DPIE/HSH November 1994 Metropolitan, Rural Remote Areas Classifications by 1991 Census SLA.
Note: This table uses Geographic States, not Australia Post Administrative States.

5 Frequency of service to delivery points (% of total points at 30 June 2012)

Frequency per week	Metro areas	Rural areas	Remote areas	Total
One	0.0	0.1	0.3	0.0
Two to four	0.1	3.9	4.7	1.2
Five or more	99.9	96.0	95.0	98.8
Total	**100.0**	**100.0**	**100.0**	**100.0**

6 Overall letter service performance

	YTD 2011–2012	Qtr ended 30/06/2012	Qtr ended 31/03/2012	Qtr ended 31/12/2011	Qtr ended 30/09/2011
Per cent on time					
NSW	96.3	96.6	96.6	95.1	96.6
VIC	95.9	95.9	97.0	95.0	95.4
QLD	93.2	95.1	94.8	87.9	94.5
SA	95.9	96.9	96.4	94.1	96.0
WA	95.1	96.0	96.8	91.8	96.2
TAS	97.0	97.3	97.3	96.1	97.3
NT	95.4	95.4	96.6	94.9	94.4
ACT	97.4	97.3	97.2	97.0	97.8
NAT	**95.6**	**96.2**	**96.4**	**93.6**	**95.9**
Per cent + one day					
NSW	98.8	98.7	98.9	98.7	98.8
VIC	98.7	98.7	98.9	98.3	98.7
QLD	98.4	98.5	99.0	96.9	99.3
SA	98.8	99.2	99.1	98.1	98.7
WA	98.6	99.0	99.1	97.7	98.9
TAS	99.3	99.7	99.4	99.3	99.0
NT	99.1	99.2	99.4	98.9	98.8
ACT	99.2	99.0	99.3	99.2	99.3
NAT	**98.7**	**98.8**	**99.0**	**98.2**	**98.9**

7 Total articles through Australia Post's network (millions) [1]

Frequency per week	2007–8	2008–9	2009–10	2010–11	2011–12
Posted in Australia for delivery in Australia	5,330.7	5,074.9	4,867.2	4,784.2	4,586.8
Posted in Australia for delivery overseas	115.9	103.4	91.7	81.5	73.5
Total posted	**5,446.6**	**5,178.3**	**4,958.9**	**4,865.7**	**4,660.3**
Posted overseas for delivery in Australia	162.8	145.1	186.1	172.5	182.7
Total articles through network	**5,609.4**	**5,323.4**	**5,145.0**	**5,038.2**	**4,843.0**

[1] Mail volume statistics exclude articles that do not generate revenue, eg official mail, redirected mail and international mail (eg Singapore to New Zealand via Australia)

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Glossary

balance sheet A statement of Australia Post's assets and liabilities and the amount of the Commonwealth Government's investment at the end of the financial year.

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

CO_2-e There are six greenhouse gases that are converted to units of carbon dioxide to provide a more simplified measure. Collectively these are called carbon dioxide equivalents or CO_2-e.

community service obligations A set of legal obligations imposed on an enterprise to provide additional services to the community in which it operates. These are usually loss-making services based on human need or quality of life.

current assets Assets that are likely to be converted to cash within the next 12 months.

current liabilities Liabilities that are due and payable within the next 12 months.

digital economy The economy that derives from global economic and social connection and collaboration between individuals and businesses. This activity is made possible by the Internet as well as mobile and sensor networks. A successful digital economy is essential for Australia's economic growth and our ability to maintain our international standing.

digital substitution The replacement of traditional forms of communication with those generated electronically – for example, replacing letters with email.

e-commerce Business activity based on electronic forms of communication such as online transactions.

equity The corporation's total capital and reserves plus profits that have been reinvested over the years.

hedging A risk-management strategy used to limit or offset a likely loss from fluctuations in the prices of currencies, commodities or securities.

multi-channel services Services whereby a customer uses a combination of means (or "channels") to complete a transaction – for example, government application forms accessed and completed online then printed and lodged in person at an Australia Post retail outlet.

non-current assets Assets that will be held for a long-term period.

non-current liabilities Liabilities that will be owed for a long period.

reserved services Services reserved to Australia Post under Division 2, Part 3 of the *Australian Postal Corporation Act 1989*.

regulated services Includes reserved letter services and incoming overseas mail services, as defined in s32C of the *Australian Postal Corporation Act 1989*, that are provided under the Universal Postal Convention and the Letter Post Regulations.

Scope 1 emissions Direct emissions generated by Australia Post through its use of gas or diesel and petrol.

Scope 2 emissions Direct emissions generated by Australia Post through its use of electricity.

Scope 3 emissions Indirect emissions generated by other organisations on Australia Post's behalf, eg. outsourced transport.

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

About this report

Reporting aims and rationale

Australia Post's 2012 Annual Report provides a detailed account of our financial, social and environmental performance. The purpose of the report is to communicate to our stakeholders our overall business performance and how we address and manage our social, environmental and economic issues and impacts.

To produce a report that is in line with best practice, information is prepared according to legislative requirements, the GRI G3.1 Guidelines and its Transport and Logistics Sector Supplement, and the principles of the UN Global Compact.

Target audience

Our annual report has been produced for our primary stakeholders, which are our people, our customers, our shareholder (the Australian Government) and the broader Australian community. However, the content would be of interest to a broader range of stakeholders including regulators, suppliers, industry bodies, community groups and non-government organisations, the media and key opinion leaders.

Reporting period

The information contained in this report covers the 2011–12 financial year.

Report scope and boundary

The report covers the activities of the Australian Postal Corporation and its associated companies. Our licensees, franchisees, community postal agents and mail contractors fall outside the parameters of this report. However, we provide some information about them on pages 13, 29, 34, 36, 39 and 131.

Assurance process

Our assurance process includes the following activities.

- The Australia Post board Audit and Risk Committee checks the financial statements to ensure they are accurate and complete.
- Our financial statements and our performance against the prescribed performance standards set out under our community service obligations are independently audited by the Australian National Audit Office.
- TNS Australia verifies the delivery performance of our domestic letters service and Deloitte Touche Tohmatsu independently assures TNC Australia's findings.
- Beca Pty Ltd provided limited external assurance of the data contained in the Customer section of the report.
- Our carbon emission data are independently verified by Genesis Now.
- London Benchmarking Group assured our community investment data.
- Our internal audit group checked the accuracy of the remaining non-financial data, including the data sources and associated commentary.

GRI application level

Our 2012 Annual Report has been self-declared a B+ application level. A summary GRI table is provided on page 42. Our full GRI table, UN Global Compact table and our disclosure on management approach are available on our website at auspost.com.au/2012annualreport.

Copies of the report

The 2012 Annual Report and supporting documentation can be viewed online at auspost.com.au/2012annualreport. To order a printed copy of the report, email annualreport@auspost.com.au or phone 13 POST (13 7678).

Feedback

We'd like to hear your feedback so we can continue to improve our business, including how we report our performance. To provide feedback, visit auspost.com.au/2012annualreport or email annualreport@auspost.com.au.

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Awards

Established in 1950

Australia Post received a gold award for its 2011 Annual Report at the 2012 Australasian Reporting Awards.

www.arawards.com.au

Commitment to external initiatives

Australia Post is an active supporter of leading international initiatives in sustainability and community investment.

A signatory since 2010.
www.unglobalcompact.org
www.thehub.ethics.org.au/ungc

A supporter since 2007.
www.earthhour.org

A member since 2009.
www.lbg-australia.com

Credits

Editor/project manager
Mary Gillman

Design
C&M Because...

This document was produced by an ISO14001 compliant and FSC-certified printer using Ecostar 100 per cent recycled stock.

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