AUSTRALIA POST CONNECTING PEOPLE EVERY DAY ANNUAL REPORT 2007/08

CONTENTS

Australia Post is part of the fabric of Australian life. Through our people, products and services, and through our community involvement, we are connecting people every day.

David A Mortimer AO
Chairman

NEWS AND HIGHLIGHTS

We delivered 95.9 per cent of domestic letters on time or early. See page 17.

We earned a net profit of $432.2 million for the year (an increase of $31.5 million). See page 10.

We handled 5.6 billion items of mail – 1.6 per cent more than last year. See page 140.

We paid $548.1 million in rates and taxes – and paid the Commonwealth Government a dividend of $306.3 million. See page 51.

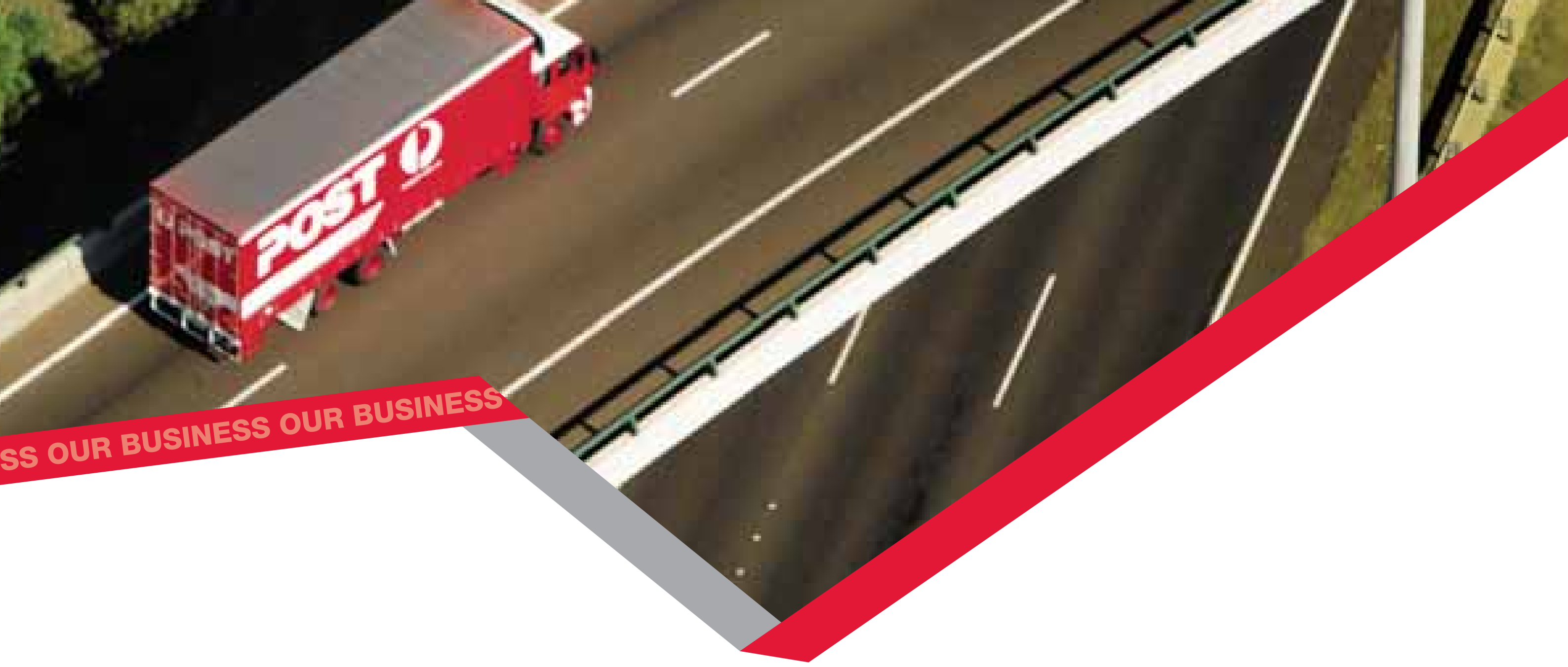
We achieved a record low of 6.6 lost time injuries per million work hours (7.4 last year). See page 39.

Indigenous literacy project

We established the Australia Post Indigenous Literacy Project, with the endorsement and support of Queensland's nine universities, to assist remote Indigenous communities. See page 42.

Line Manager As Coach

We embarked on a major learning and development initiative called the Line Manager As Coach program. The program aims to develop the coaching skills of approximately 7,000 managers throughout our business. See page 39.



Australian legends honoured

In recognition of their generosity and their contribution to our nation, five Australians were celebrated as Australia Post Australian Legends in a commemorative stamp issue and a book published to coincide with the stamp issue. See page 44.

Part of every day

The "Part of every day" brand campaign continued, with tracking research showing that it is helping to revitalise our brand and position Australia Post for the future. See page 50.

Mobile phone recycling

In partnership with MobileMuster, we became the first business in Australia to provide free, Reply Paid mobile phone recycling satchels through our retail outlets. See page 47.

World Mail Awards

Our Letters Group won the Growth category in the World Mail Awards, which celebrate best practice within the global mail industry. Applicants were judged on innovation and a track record of sustained achievement. See page 18.

CONNECTING PEOPLE EVERY DAY

Australia Post is, by its very nature, a people-driven organisation that touches all Australians. Our business is about connecting people every day.

There are many ways in which Australia Post keeps its customers, staff and communities connected – locally, nationally and globally. We have maintained our traditional community service values and commitment to our core businesses while evolving as a corporation and embracing new and changing markets.

Our retail staff, posties and contractors are constantly seen by the public. Less visible, but no less vital, are the thousands of staff who work around the clock in delivery centres, mail sorting facilities and offices in Australia.

As the world undergoes rapid change we are also changing – and we are developing new and surprising ways of connecting people every day.

Our history

One of Australia's most trusted and enduring businesses, Australia Post will celebrate its bicentenary in 2009. The story of our business and the people who built it began when former convict Isaac Nichols was appointed postmaster to the colony of New South Wales in 1809. Other colonies subsequently established their own postal services, which were united in 1849 through an agreement to set standardised inter-colony postal rates.

When Australia became a Federation in 1901, the colonial postal services merged to form one national Postmaster General's Department (PMG), which was in charge of telegraph, telephone and mail services.

In 1975, the PMG was reorganised into two separate entities: the Australian Postal Commission (trading as Australia Post) and the Australian Telecommunications Commission (trading initially as Telecom Australia, then Telstra).

Fourteen years later, the Australian Postal Commission became the Australian Postal Corporation, a government business enterprise, under the *Australian Postal Corporation Act 1989*, with the Commonwealth Government as its sole shareholder.

Since becoming a government business enterprise, Australia Post has conducted its affairs as a self-funding business with a commercial charter. The profits that we earn are reinvested in our business or returned as dividends to our shareholder, the Commonwealth Government.

Our future

Our business is constantly evolving to meet the changing needs of our customers and the realities of today's rapidly changing communications market.

While conscious of our heritage and our central role in nation building, we are focused on the future. As a result of major change programs that began in the 1990s, Australia Post is now one of the world's most efficient and progressive postal enterprises.

We have achieved this by pursuing a strategy that involves preserving and extending our three core business areas – letters; agency services & retail products; and parcels & logistics. Our core business strategies involve:

> supporting and promoting all aspects of the creation and delivery of letters, and developing opportunities in the wider communications market

> providing multi-channel service offers to our customers, with the emphasis on our agency services, supported by retail merchandise

> maximising the returns from our unique set of distribution and logistics businesses, while extending our reach and capability to meet market demand.

Our values

We conduct our business with integrity and fairness and in accordance with all relevant laws, regulations, codes and corporate standards. We require that our employees adopt the highest ethical standards of behaviour in their dealings with customers, with the corporation and with each other.

We are also committed to adopting and promoting principles of sustainable development. That is why we report openly on our sustainability performance, in addition to integrating social, environmental and economic considerations into our decision-making processes, and why we seek continuous improvement in everything we do.

As we prepare for our bicentenary year in 2009, we remain committed to fulfilling our primary task of connecting people every day.

OUR CAPABILITIES

In all parts of Australia Post's national and international operations, our people are working constantly to strengthen and build on our capabilities and expand our product and service offerings. Among our consumers, among small to medium-sized businesses and major corporations, and among our suppliers and business partners, we are connecting people every day in their personal and professional lives.

Letters

> We collect, process and distribute letters for the entire Australian community, and between Australia and overseas.

> We offer businesses and community organisations cost savings on bulk mail – including invoices and statements, promotional mail and magazines.

> We provide research, advice, consumer list rental, and profiling and segmentation services to help businesses target their best prospects and customers – and achieve solid returns on their marketing investments.

> We help businesses make the most of their databases (and reduce errors and costs) through our address updating services.

> We make mail easy to use by preparing, printing and lodging documents.

> We create software that allows our customers to create and lodge mail from their desktops.

> We provide "smart" mailroom services for businesses – including security screening, sorting, imaging, data capture and electronic transmission of inbound mail.

> We help businesses manage their customers' replies to mailings more efficiently – receiving and sorting them, using technology to capture relevant data automatically, and organising transfer of the information.

> We provide a range of associated services, including ticket production and internet-based archiving and retrieval.

Agency services & retail products

We provide the following products and services through our retail network:

> mail services and packaging products, including Postpak products and a range of gift boxes

> third-party agency services that connect consumers, businesses and government bodies, including:
- identity services
- a range of services for travellers, including passport applications, passport photos, travellers' cheques and foreign currency
- money orders and money transfers
- agency banking services, which provide access to more than 75 financial institutions
- bill payment services – in person, by phone and online

> post office boxes and locked bags

> collectable stamps, coins and associated products

> a variety of complementary products, including stationery, office supplies, communications products, gifts and cards.

Parcels & logistics

- We collect, process and deliver parcels all over Australia, and between Australia and overseas.
- We offer quality, worldwide delivery, as well as sophisticated parcels & logistics services between Australia and the Asia–Pacific region.
- We offer complete end-to-end supply chain capability, from manufacturer (domestic or international) to consumer.
- We provide a choice of domestic and international distribution options – from economical road deliveries to express and time-critical services. Track and trace, proof of delivery and compensation are available with many of these services.
- We offer competitive delivery for single parcels and multi-parcel consignments.
- We provide domestic and international integrated logistics services, including order processing, warehousing, fulfilment, distribution, returns management, freight forwarding and co-ordinating of customs clearance.

Our business partners

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

CONTRACTORS, FRANCHISEES AND LICENSEES

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

JOINT VENTURES

- Australian air Express – a joint venture with Qantas to provide time-critical air and linehaul delivery.
- Star Track Express – a joint venture with Qantas to provide time-critical business-to-business transport.
- Sai Cheng Logistics International – a joint venture with China Post to provide supply chain management and logistics services between China, Australia and the rest of the world.
- iPrint – a joint venture with Wellcom to provide internal print management, including stamps, retail catalogues and publications.

SUBSIDIARY COMPANIES

- Post Logistics Australasia – a third-party logistics provider specialising in the appliance and home entertainment sectors.
- Post Logistics Hong Kong – freight forwarding services.
- Decipha – mailroom and document workflow services.
- PrintSoft – software solutions for producing letters and documents.

CHAIRMAN'S REPORT

I am delighted to report that Australia Post experienced another year of significant achievements and solid results in 2007/08, despite some more difficult economic conditions emerging. The corporation's solid financial and community service performance vindicates our strategic focus on strengthening our core businesses.

Next year, we will celebrate 200 years of providing postal services to the nation. While our core activities have remained remarkably consistent throughout those two centuries, our business has been constantly evolving to meet the ever-changing needs of Australian businesses, governments and consumers.

Each of our three core business areas (letters; agency services & retail products; and parcels & logistics) again achieved growth and implemented important changes during 2007/08. These changes involved adopting new systems, processes and technologies that will help Australia Post to connect people every day – well into the future.

Letters

We are focused on ensuring that letters remain an easy and effective way for businesses and governments to communicate with their customers and constituents. Our strategy is based on the well-founded belief that physical mail has a distinct ability to communicate that simply cannot be matched by electronic messaging technologies. However, we are also embracing complementary technologies and hybrid-mail solutions that make the experience of physical mail more rewarding for our customers.

During 2007/08 we launched several new letters-related products and services designed to stimulate the use of mail. Many of these initiatives focused on the promotional (direct) mail segment, and they are part of our strategy to reposition mail as a highly effective advertising channel.

During 2007/08 we applied to the Australian Competition and Consumer Commission (ACCC) to increase the basic postage rate. In July 2008 (after the conclusion of the 2007/08 financial year), the ACCC handed down its decision and will not object to a five-cent increase in the basic postage rate (BPR), as well as a small increase in the price of PreSort business letters. These increases have become necessary because the profit we are earning from the letters business is now marginal. This is the result of a five-year freeze in the BPR and a 16-year freeze in the cost of bulk-lodged PreSort letters. Despite successful efforts to lift volumes, rising costs, such as the price of fuel, have taken a toll on the profitability of our letters business.

Agency services & retail products

Our nationwide network of postal outlets is an ideal means for Australians to connect with hundreds of businesses, financial institutions and government bodies. With this in mind, we are placing greater emphasis on providing agency-based services on behalf of businesses and governments via our retail network.

As many Australians shift to online banking and bill payment, we have introduced several new agency-based services that can be conducted over the counter in our outlets. For example, we made important progress during the year in expanding the range of identity-related services that we offer via our retail network.

We will continue to capitalise on the strength of our brand and our unrivalled network by adding new agency-based services over coming years.

Parcels & logistics

We expect that our parcels & logistics operations will be the lynchpin of our business well into the future, so we have been investing a great deal of effort and resources in developing our capabilities in this area.

In 2007/08, we achieved healthy volume and revenue growth in all of our domestic and international parcels products. Domestically, parcels growth was driven by the continuing popularity of online trading sites (such as eBay) and mail order. The growth in international parcels was mainly a result of the improvements we have been able to make in the speed and reliability of our overseas delivery, as a result of close co-operation with our international postal partners.

Our stated goal is to be the "essential partner" for domestic parcels & logistics services – and a facilitator for Australian businesses operating in the Asia–Pacific region. In pursuit of this goal, we have a joint-venture partnership with China Post called Sai Cheng Logistics International. This partnership is now well established and it enables us to offer a seamless end-to-end supply chain solution for businesses operating between China and Australia.

Thank you

Australia Post's management, staff, licensees, franchisees and contractors must all share in the credit for this year's strong results. I thank them for the crucial role they play in running our business every day. I would also like to thank our loyal customers for their continuing support. And, finally, I would like to acknowledge the contribution made by my fellow board members and thank them for their support and encouragement in my role as chairman of Australia Post.

David A Mortimer AO
Chairman

MANAGING DIRECTOR'S REPORT

Australia Post continues to perform impressively in financial terms while delivering first-class service to the Australian community. The main factors contributing to these very strong results are the dedication of our people, the strength of our brand and our enduring ability to adapt to our customers' changing needs.

Record financial results

I am delighted to report that Australia Post's pre-tax profit increased by 5.4 per cent to a new record of $592.2 million in 2007/08. Total revenue earned by the corporation increased by 5.3 per cent to $4.9 billion in 2007/08. We will deliver ordinary dividends of $334.6 million to our shareholder, plus an additional $150 million in special dividend payments next year.

Our improved financial returns are the result of strong revenue performances in each of the three core business areas, and of our ongoing focus on reducing costs through process improvements and productivity gains. Overall, return on revenue was 11.9 per cent.

Core businesses remain strong

Our letters business continues to perform solidly in the face of widespread changes in communications technology and behaviour. During 2007/08 domestic letter volumes showed a slight increase of 2 per cent, continuing the growth trend of the previous four years. Profit earned from the letters business declined by 7.2 per cent because rising costs (due to wage increases, fuel charges and the addition of 192,233 new delivery points) outstripped revenue growth (which has been restricted by a fixed basic postage rate). We expect that the letters business will earn higher profits in 2008/09, as a result of the first increase in the basic postage rate since January 2003.

Even in the digital era, physical mail remains a vital communications channel, especially for businesses seeking the most effective way of communicating with their customers – and selling to potential customers. We remain focused on developing new letters-based products and services, as well as exploring new digital communications opportunities.

We have maintained the largest retail presence of any company in Australia and we continue to offer new and innovative products and services via our nationwide network of outlets. In 2007/08, our agency services & retail products business experienced revenue growth of 4.8 per cent. Tightening consumer discretionary spending naturally has an impact on our business, but we are responding to this challenge by adding innovative products and new agency-based services to our retail offering.

The parcels & logistics business had another strong year, with revenue increasing by an impressive 9.7 per cent on the previous year. We continued to experience strong growth in parcel volumes across all of our domestic and international services. Our suite of parcel services combines delivery reliability and competitive pricing with the ability to deliver to just about anywhere (in Australia and internationally). During 2007/08, we continued to develop our overseas logistics capability, building on our expertise in providing reliable and cost-effective services that are tailored to the specific needs of our customers.

People and performance

I am immensely proud of the performance of our diverse and dynamic workforce. As one of Australia's largest employers, we recognise that the health and wellbeing of our workforce are vital to the success of our business. So I'm encouraged by the continuing improvement in our workplace safety performance. In 2007/08, the incidence of work-related injuries at Australia Post was lower than it has ever been, with our lost time injuries per million work hours (LTIFR) falling to 6.6.

Our on-time delivery performance for domestic letters (95.9 per cent) was once again an outstanding result, and it is a credit to the efficiency, dedication and commitment of our people. This is an especially strong result when you consider the enormity of the task involved in delivering around 20 million items every business day.

Our people have a real say in our future and it is always pleasing to see practical action plans – such as those that address environmental issues – being developed at workplace level in response to our Staff Attitude Survey. A major new initiative, the Line Manager As Coach program, is evidence of our commitment to developing our people, sharing corporate knowledge and creating a productive team-based culture.

Business Integration Program

We have begun introducing a new program that looks at our business as a whole, rather than as a series of separate groups and facilities. This Business Integration Program will create greater business cohesion and will enable us to respond more rapidly to market demands.

Thank you

Our business connects millions of people every day in what is, by any measure, a massive logistical operation. There is no doubt that the outstanding commitment of our people is the single biggest influence on our reputation, performance and financial results. I would like to thank every one of our people, as well as our customers, contractors, licensees and franchisees, for their contribution to a highly successful year.

Graeme T John AO
Managing Director

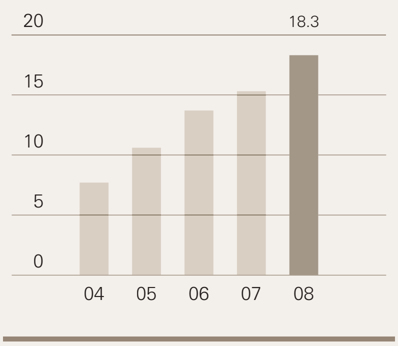
FINANCIAL RESULTS

Five-year trends [1]

	AGAAP [1]	A-IFRS [1]			
	2004	2005	2006	2007	2008
Revenue ($ million) [2]	4161.1	4325.9	4530.1	4711.1	4959.2
Profit before tax ($ million)	521.1	469.8	515.6	561.7	592.2
Profit after income tax ($ million)	371.1	341.3	367.9	400.7	432.2
Return on revenue (%)	12.5	10.9	11.4	11.9	11.9
Return on average operating assets (%)	18.7	17.9	18.7	19.6	19.4
Debt to debt plus equity (%)	25.4	21.2	18.3	15.9	15.4
Ordinary dividend ($ million) [3]	220.9	286.2	267.3	296.9	334.6
Special dividend declared ($ million)	0.0	0.0	0.0	0.0	111.6
Interest cover	17.2	15.1	17.2	18.4	15.6
Cumulative labour productivity improvement (%) [4]	7.7	10.6	13.7	15.3	18.3
Mail volumes (millions)	5307.5	5363.1	5418.1	5515.8	5609.4
Capital expenditure (millions)	209.9	159.4	230.6	283.7	295.1

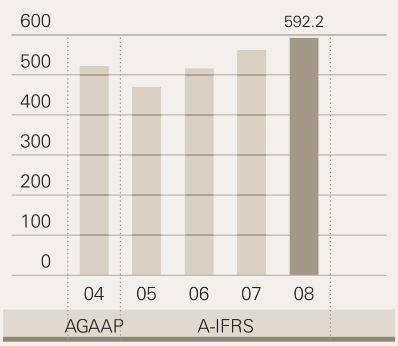
Labour productivity

(% illustrating five-year cumulative growth)



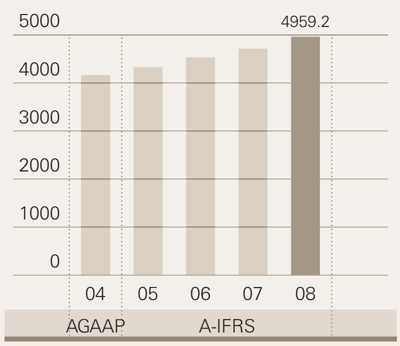
Operating profit before tax

($ million)



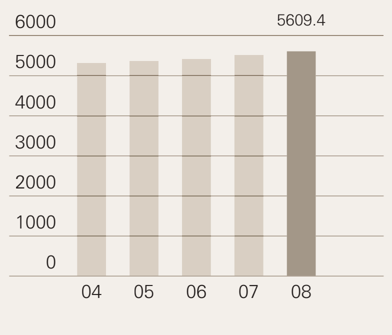
Revenue

($ million)

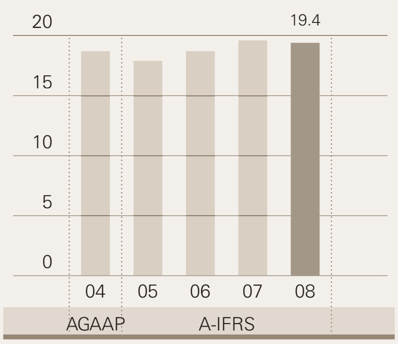


Mail volumes

(million)

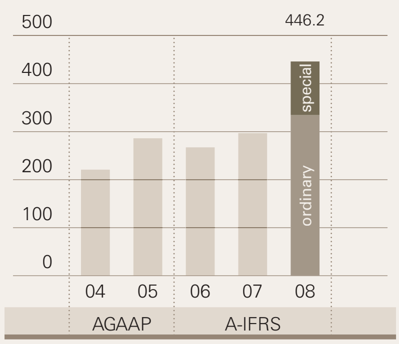


Return on average operating assets (%)



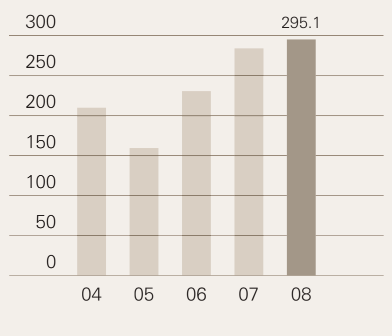
Dividends declared

($ million)



Capital expenditure

(million)



(1) Financial information for 2005, 2006, 2007 and 2008 is presented under Australian equivalents of International Financial Reporting Standards (A-IFRS). Financial information for 2004 is presented under accounting standards applicable to these periods (AGAAP).

(2) Includes the corporation's share of net profits of jointly controlled entities.

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

(4) Current and comparative periods have been rebased to include subsidiary information and all employee services provided to Australia Post under contract.

Performance

Australia Post delivered another year of revenue and profit growth in 2007/08. The before-tax profit of $592.2 million highlights the strength of our core businesses, with excellent ongoing performance continuing as the corporation lifts efficiency and volumes throughout the network.

The three-core business portfolios (letters; agency services & retail products; and parcels & logistics) all contributed to the corporation's revenue growth of $248.1 million, or 5.3 per cent.

Solid revenue growth in the letters portfolio (of 1.9 per cent) was driven by growth in domestic letter volumes. The corporation's focus on positioning physical mail as a cost-effective and vital form of contemporary communication contributed to this positive result.

The increase in revenue from the agency services & retail products portfolio (4.8 per cent) can be attributed to our continuing focus on introducing new retail products and services that help our customers get important things done. We are constantly adjusting our portfolio of products and services to reflect our customers' changing expectations and buying behaviours.

Growth in revenue from the parcels & logistics portfolio (9.7 per cent) was driven mainly by strong volume growth across all of our domestic and international parcel delivery services.

Profit growth of 5.4 per cent on the previous year has been achieved without any increase in the basic postage rate for the fifth straight year. This is despite significant operational cost pressure from a tight labour market, spiralling transport costs and an increase in delivery points.

Return on revenue remained constant at 11.9 per cent. This was a strong result given the ongoing price freeze for the reserved services products. The result reflects continued productivity improvement throughout the network, as well as an ongoing focus on reducing operating costs throughout the corporation. Productivity improvement is increasingly difficult to achieve, but the gain of 2.6 per cent this year builds on the solid gains of recent years, with the five-year cumulative improvement being well above the national average.

Dividends

Australia Post's record before-tax profit ensures that the corporation will continue its high level of dividend returns to the Commonwealth. Based on the distribution of 75 per cent of the corporation's after-tax profit, ordinary dividends payable from the 2007/08 result are expected to total $334.6 million.

Further to this, the corporation will also provide the shareholder with a further $150 million in dividend payments in 2008/09. This additional dividend amounts to $111.6 million from 2007/08 earnings, with a further amount to be paid from 2008/09 profits. Total dividends declared have exceeded the previous year's by $149.3 million (50 per cent), highlighting our continuing strong business performance and sound cash management practices.

Capital expenditure

With $295.1 million of capital expenditure for the year (an increase of $11.4 million on the previous year), we are continuing to invest in expanding our asset base to support core business activities. While we continue to invest in sustaining our existing operations, 2007/08 provided increased activity on property-related investment. In particular, we made notable investments in the redevelopment of the Perth GPO and land acquisitions in South East Queensland that will enhance our mail network.

A significant expenditure of $111.7 million was also invested in information technology. This will enhance our current SAP enterprise foundation, which enables systems and business processes to support the introduction of new services, improve time to market and ensure ongoing reliability and efficiency.

Cash management

Australia Post was able to fund all of its capital expenditure, dividend and other cash-related obligations through current cash reserves during the year, with little impact on the corporation's key balance sheet and cash flow indicators. Debt to debt plus equity again improved during the year (gearing dropped to 15.4 per cent) and interest cover reduced marginally, to 15.6 times.

Outlook

Although the outlook for the Australian economy remains positive in some segments, there is substantial risk from the recent instability of global finance markets, fuel prices and rising interest rates. Further drops in consumer confidence and any resulting economic slowdown would undoubtedly threaten our profitability levels.

Australia Post is working to adapt to these challenges through the diversity of its businesses and the predominant focus on the Australian market (and to a lesser extent the Asian market).

Revenue growth from domestic letters will be supported by the first increase in the basic postage rate for five years, while the strategy to position cost-effective physical mail as a vital part of contemporary communication continues to provide volume growth opportunities. Australia Post will continue to benefit from being an essential partner for parcels & logistics services both within Australia and also in the wider Asia–Pacific region. And we will ensure that our retail network remains accessible so that our customers, nationwide, can utilise our diverse range of products and services to get important things done.

As we pursue our strategies over the coming years, we will continue to deliver long-term sustainable value for all of our stakeholders.

KEY BUSINESS RESULTS

	Letters (pages 16–21)	Agency services & retail products (pages 22–7)	Parcels & logistics (pages 28–33)
Revenue	> Revenue from domestic letters increased by 1.4 per cent. > Revenue from unaddressed letters grew by 5.5 per cent.	> Retail revenue increased by 5.6 per cent. > Financial services revenue increased by 4.0 per cent.	> Revenue from domestic parcels increased by 7.5 per cent. > Post Logistics revenue increased by 17 per cent.
Results and highlights	> Domestic letter volumes increased by 2.0 per cent. > Unaddressed Mail volumes grew by 3.6 per cent. > Promotional letter volumes increased by 9.4 per cent. > Delivered 95.9 per cent of domestic letters on time or early. > First Direct Solutions, eLetter Solutions and Decipha again achieved record results. > Continued to operate one of the most inexpensive and reliable letters services in the world.	> Maintained Australia's largest retail network, with 4,453 postal outlets (including 2,561 in rural and remote areas). > Conducted over 1.3 million passport interviews for Australians travelling overseas. > Processed 177 million agency-based banking and bill payment transactions. > Served around a million customers every business day in our retail outlets. > Produced Australia's first stamp coin.	> Domestic parcel volumes increased by 1.9 per cent. > International parcel volumes increased by 5.6 per cent. > Express Courier International achieved volume growth of 7.8 per cent. > Express Post continued to achieve strong growth. > Introduced Registered Post International Parcels. > Launched Post Logistics New Zealand.
Outlook	> We will continue to develop innovative mail products. > We will stimulate mail volumes by continuing to promote physical mail. > Letters profit is expected to rise following an increase in the basic postage rate.	> We will continue to work with our suppliers to realise supply chain efficiencies. > We will test a variety of different retail formats and introduce a more diverse range of agency services.	> We will continue to provide innovative technology and supply chain solutions for our customers. > We will focus on seizing global and domestic opportunities to extend and develop our business. > Volume and profit growth is expected to continue in both domestic and international parcels.

PERFORMANCE AGAINST TARGETS

	Target	Performance
Financial	> Revenue base of $4.96 billion. > Profit before tax of $555 million. > Return on average operating assets of 18.7 per cent. > Return on equity of 25.4 per cent.(1)	✓ We earned revenue of $4.96 billion. ✓ We made a before-tax profit of $592.2 million. ✓ We achieved a return on average operating assets of 19.4 per cent. ✓ We achieved return on equity of 27.6 per cent.(1)
Service	> Deliver 94 per cent of domestic letters on time. > Maintain 4,000 postal outlets, including 2,500 in rural and remote areas. > Maintain 10,000 street posting boxes.	✓ We delivered 95.9 per cent of domestic letters on time. ✓ We maintained 4,453 postal outlets, with 2,561 of these in rural and remote areas. ✓ We maintained 15,878 street posting boxes.
People	> Achieve attendance rates of 94 per cent. > Reduce our lost time injury frequency rate to 7.2. > Achieve employment of 616 Indigenous Australians.	✓ We achieved attendance rates of 94.6 per cent. ✓ We reduced lost time injuries to 6.6 per million work hours. ✓ We employed 616 Indigenous Australians (1.7 per cent of our total workforce).

(1) Return on equity excludes the corporation's superannuation asset.


AUSTRALIA
POST
AUSTRALIA
POST
xpress COURIER
ternational
1800 007 678

Connecting people every day

Australia Post's activities all involve connecting Australian businesses, communities and people with each other – and with the rest of the world – every day.

In essence, we have three core business activities: delivering letters, handling parcels and operating retail outlets.

We're perhaps best known for our nationwide letters service, which reliably delivers mail to some 10.5 million Australian addresses. Moving so many essential letters is a massive logistical task, but it's a role we've been performing every day for almost 200 years.

With 4,453 postal outlets nationwide, we have Australia's largest physical retail network. Today, as always, our outlets act as a welcoming community hub, where Australians can conveniently connect with businesses, financial institutions and government agencies.

Our parcels & logistics business provides a broad choice of distribution services so that Australian consumers and businesses can send vital deliveries to their friends or customers – both here in Australia and around the world.

These core business activities place Australia Post at the heart of Australian life. So, no matter where you are, we're nearby – connecting people every day.

Transforming transactional mail

Moving customers to renewable energy sources is of strategic importance to Origin Energy, a major supplier of gas and electricity to more than 3 million homes and businesses in Australia, New Zealand and the Pacific. Sustainability of the company's business and effectiveness in meeting the global challenge of reducing greenhouse gas emissions requires green energy marketing messages to be targeted with maximum effectiveness. New digital technology enables Origin to directly communicate customised offers within its large volumes of transactional mail such as customer bills and rate information. Transactional mail is thus transformed into a powerful customer-focused marketing channel.

Highlights

- We continued to operate one of the most affordable and reliable letter services in the world.
- We delivered 95.9 per cent of domestic letters on time or early.
- We delivered 98.0 per cent of bulk business mail on time or early.
- Direct mail volumes increased by 9.4 per cent.
- We won the Growth category of the World Mail Awards.

INESSES CORE BUSINESSES CORE BUSINESSES CORE BUSINESSES CORE BUSIN

LETTERS

Letters remain a reliable, efficient and highly personal way of connecting people every day. In 2007/08, we met all of our community service obligations and continued to provide one of the world's most efficient and cost-effective letters services.

Our place in the market

In broad terms, there are three main categories of mail that Australia Post handles:

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

Throughout the world, letters are under pressure from electronic alternatives and an ever-growing choice of communications media. However, mail remains a highly effective communication channel with unique physical qualities that can't be replicated by new messaging technologies. Many Australian businesses are now combining mail with electronic messaging technologies as a means of improving the effectiveness of their customer communications.

Letter volumes and revenue

This was another year of solid performance for Australia Post given that many postal enterprises around the world have experienced declines in letter volumes since 2000.

Overall, domestic letter volumes grew by 2.0 per cent and revenue from domestic letters was 1.4 per cent higher than last year. The 2.0 per cent growth in volume means Australia Post delivered 103.2 million additional letters in 2007/08.

Two major factors contributed to letter volume growth. The 2007 Federal election boosted letter volumes by approximately 35 million items; and there was strong growth of 9.4 per cent in the promotional (direct) mail category.

Individual letters delivery services experienced varying results during 2007/08, with volume growth in PreSort Letters up by 5.4 per cent, Print Post up by 0.6 per cent, and Unaddressed Mail up by 3.6 per cent – but a decline in the volume of ordinary letters (down by 2.0 per cent).

Basic postage rate increase application

Following a five-year price freeze, in February 2008 Australia Post lodged a draft notification to the Australian Competition and Consumer Commission (ACCC) proposing an increase of five cents in the basic postage rate (BPR). This is the first proposed increase since 2003 and it would bring the BPR to 55 cents. Even after the proposed price increase, Australia would still have the third-lowest BPR of countries in the OECD.

Increases were also sought for PreSort Letters, which make up more than half of domestic reserved letter volumes and have not had a general price rise since 1992.

The price of a basic postage stamp

	AS IS	+ VAT
Korea	0.42	0.46
New Zealand	0.46	0.46
Australia	0.50	0.50
United States	0.60	0.60
Canada	0.61	0.61
Spain	0.58	0.67
Netherlands	0.71	0.85
Sweden	0.85	0.85
Luxembourg	0.77	0.89
United Kingdom	0.79	0.92
Switzerland	0.86	0.93
Ireland	0.78	0.94
Japan	0.97	0.97
Iceland	0.79	0.98
France	0.87	1.04
Finland	1.05	1.05
Belgium	0.87	1.05
Germany	0.90	1.07
Austria	0.91	1.09
Portugal	0.91	1.10
Norway	1.13	1.13
Denmark	0.92	1.15
Czech Republic	0.98	1.17
Italy	0.99	1.19
Turkey	1.22	1.22
Poland	1.01	1.23
Greece	1.04	1.24
Mexico	1.27	1.27
Hungary	1.05	1.31
Slovak Republic	1.34	1.60

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

The proposed increases for this category are, on average, 2.6 cents for small letters and 3.5 cents for large letters.

Although the BPR has been frozen for five years, the cost of running our business has increased significantly during that time, as has inflation. During 2007/08, despite small increases in letter volumes and revenue, the profit earned from domestic reserved letters decreased (by 62.7 per cent).

On 20 June 2008, the ACCC released a preliminary view of its assessment of Australia Post's draft pricing proposal. The ACCC stated that its preliminary view is to not object to the proposed price increases. At the end of the reporting period, the ACCC was seeking submissions from interested parties on their preliminary view.*

Growth through innovation

WORLD MAIL AWARDS

Australia Post's commitment to innovation was recognised at the 2008 World Mail Awards, where the Letters Group won the Growth category. The awards are designed to encourage, celebrate and publicise best practice within the mail industry. Our submission highlighted the range of initiatives that Australia Post has implemented to stimulate growth in promotional mail volumes and the mail industry in general. Many of these initiatives are detailed in this section.

CREATING DELIVERY SOLUTIONS

Over recent years, Australia Post has introduced a number of new letters products and services that are designed to make letters a more convenient, flexible and effective communications medium for businesses. These initiatives include the following.

> Impact Mail has enabled our customers to send virtually any shape or design they wish in the mail.

> eLetter Access is a state-of-the-art, Internet-based archive and retrieval service offering swift, user-friendly access to electronic copies of mailed documents.

> eLetter Ticket is a unique solution that enables the automated production of tickets, incorporating direct marketing and critical event information.

> eLetter Desktop is a user-friendly desktop mail solution that enables professional-looking mail that is consistent with corporate design standards to be sent direct from a desktop computer.

> Express eLetter is an interface that enables customers to send eLetter desktop items via Express Post.

> eLetter Wrap is an A4 sheet of paper that folds in on itself to form an envelope. It can be fully personalised, inside and out, to create outstanding creative cut-through.

> LiveLetter is a desktop tool for producing one-off letters using eLetter Solutions production facilities.

ENCOURAGING MAIL USE

Australia Post has a dedicated Mail Marketing Unit (MMU) to encourage the use of promotional mail as an effective and measurable medium for marketing communications. The MMU offers a range of research reports, information services and campaign tools for the advertising and marketing industry. These resources are available via the MMU website (www.mailmarketing.com.au), which was relaunched during 2007/08.

Developed by the MMU team, a new campaign, "Open Up To Mail", was launched in May 2008 and will run throughout the 2008/09 year. Supported by the direct mail industry, the campaign focuses on the effectiveness of mail as a promotional channel.

Australia Post has a number of mail marketing consultants, located in all Australian states, who provide advice to advertisers and marketing professionals about planning and implementing direct mail campaigns.

Some of the solutions that are contributing to increased use of promotional mail by businesses and community organisations are as follows.

> Mail-driven cross-media solutions. Established in September 2007, this initiative advocates combining mail with the Internet, SMS and email to improve the effectiveness of campaigns.

* In July 2008 the ACCC released its final decision, which was to not object to Australia Post's proposed price increases. These are scheduled to occur in September 2008.

> **The ourcommunity.com.au website**. Australia Post continued its sponsorship of the Marketing, Media & Post Centre of Excellence located on the ourcommunity website. The website is used by some 700,000 Australian community groups and schools.

> **Innovative envelopes**. Australia Post worked with leading envelope manufacturers to produce marketing collateral to highlight innovative envelopes, such as the Offerlope, Advelopes™, CustomCut®, Enviromail™ and reusable envelopes.

DATA ENABLING MAIL

The availability of customer data is essential for supporting growth in promotional mail. Australia Post has undertaken a wide range of initiatives that are aimed at making it easier for businesses to access reliable, accurate and relevant customer data.

> **The Data Co-operative** supports the direct mail activities of the fundraising, publishing and mail order sectors. Customer data and transactional information are pooled in a single database. All participants use this central database to prospect for new customers or to gain a better understanding of their existing customers.

> The **Mover's Marketing** service allows marketers to make contact with the three million individuals who move home every year in Australia, while the **Re-Connect** service enables organisations to re-establish contact with lost customers.

> **The Transaction Universe** is a mailing database of 1.2 million individuals who have purchased goods or services by mail order or donated by mail over the last two years.

Delivery performance and community service

Letters is Australia Post's only business that is partially protected. Under the *Australian Postal Corporation Act 1989* (Cwlth), letters that weigh 250 grams or less – or that cost less than four times the basic postage rate – are reserved to Australia Post. In return for this protected service, we are required to meet a series of community service obligations (CSOs). In 2007/08, we met or exceeded all of our CSO-related targets. (See page 120 for a full description of our CSO performance standards and how we performed against them.)

One of the CSO performance standards we must meet is 94 per cent on-time delivery of non-bulk letters. In 2007/08 we again exceeded that target, delivering 95.9 per cent of domestic letters on time or early (compared with 96.3 per cent the previous year). Nearly all of the remaining 4.1 per cent of letters were delivered the following day.

We also monitor our delivery performance for bulk-lodged business mail. In 2007/08, we delivered 98.0 per cent of bulk letters on time or early.

Our delivery performance figures are measured against timetables in the regulated standards and they are also independently monitored and audited. Global monitoring company Research International is scrutinising our performance, and audit firm Deloitte Touche Tohmatsu provides independent certification of the results.

The 2007/08 financial year was our second full year of mail monitoring using radio frequency identification (RFID) technology. Every month Research International inserts RFID tags into a variety of bulk and basic test letters. A network of people across Australia records when letters are sent and when they are received, and equipment in our mail centres and delivery centres registers the RFID tags as they pass through those facilities. The resulting data is used to identify potential problems, which has in turn helped to boost our service performance.

International letters

In a time of global economic uncertainty, rising fuel costs and increased competition, our total international letter volumes decreased by 0.4 per cent during the year. The decline was due mainly to a decrease in outbound business mail as a stronger Australian dollar made Australia a less attractive option for regional mail production.

There was, however, strong growth in the volume of Express Courier International and Express Post International items carried. These services are used for the international delivery of both letters and parcels. (See page 31 for more details.)

In 2007/08, we again exceeded our on-time delivery target for inward international letters. This target is set by the Universal Postal Union.

Bulk mail services

Our bulk mail services generate more than 52.2 per cent of our domestic letters revenue. When it comes to sending large volumes of mail, our customers have a wide range of options – including Impact Mail, Unaddressed Mail, PreSort Letters, Charity Mail and Print Post. The Letters Group has developed an online training program and other aids to give staff all the information they need to help customers make the best choice.

The Bulk Mail Partner (BMP) program was designed by Australia Post and Major Mail Users of Australia (MMUA) to recognise those mail houses that have invested in quality systems and processes. A Bulk Mail Partner is a mail house that has met the quality and process improvement criteria for recognition within the BMP program. Since the program's inception in 2004, 61 mail house sites around Australia have successfully completed it.

Mail production and handling

MAILROOM SERVICES

Our Decipha subsidiary provides a broad spectrum of document management services, from mailroom management through to document imaging, automated document categorisation and automated data capture solutions. Decipha's clients are major organisations from a wide range of industry sectors – including government, financial services, manufacturing and retail.

In 2007/08, Decipha worked to extend its influence in both traditional and electronic document management by:

- acquiring a number of new clients
- implementing recently acquired technologies that automate the imaging and data capture processes
- extending our experience in back-scanning projects for delivery of images to electronic archive.

Revenue for 2007/08 is 16.2 per cent above that for the previous year.

PRINTSOFT

Our subsidiary company PrintSoft develops specialised software for letter and document production. PrintSoft employs approximately 200 people in 10 offices around the globe.

During 2007/08, PrintSoft in the United Kingdom developed and launched DeskDirect Global, a service that provides multiple benefits to mail originators, particularly targeted at desktop mail. The service provides a cost-efficient mail service. It captures desktop and short run articles and distributes them via a hybrid mail network that produces the mail item at a point closer to the delivery destination.

eLETTER SOLUTIONS

eLetter Solutions had another strong year, with volumes increasing to 104 million mail items (93.5 million in 2006/07) and revenue increasing by 14 per cent (5.9 per cent last year).

The focus on innovation continued to deliver exciting new products and services during the 2007/08 year. The most significant innovation during the year was the launch of the eLetter Easy Peel product. The technology was developed in Japan and is being utilised in Australia for use with variable data and digital colour printing technology.

Easy Peel is a cost-effective, high-impact way of sending direct mail. It looks like a traditional postcard but it can be peeled open to become an expandable direct mail piece.

eLetter Solutions also started upgrading its hybrid mail infrastructure network. The upgrade project will deliver a state-of-the-art network that connects all six eLetter Solutions production facilities across Australia and will enable full connectivity to PrintSoft's global hybrid mail network.

DATA SERVICES

First Direct Solutions is a division of Australia Post that provides data and media services targeted at the business-to-consumer market.

The current data assets include five databases: Lifestyle, Movers, Data Co-operative, Transaction Universe and Australian Address Reference Files. In 2007/08, First Direct Solutions launched the Prospect File, which increases both the breadth and depth of data held in our core data assets. The division earned revenue growth of 4 per cent in 2007/08, while the size of our database increased by 10 per cent and we distributed 15 per cent more records to market.

The Mail Redirection and Mail Hold services, both managed by First Direct Solutions, continued to perform solidly, with combined revenue growth of 10 per cent.

Future Delivery Design program

Future Delivery Design (FDD) is a complex, five year change program that will set the direction of our delivery operations in the future and assist in maintaining and strengthening our position in a rapidly changing marketplace.

The program will extend the benefits gained through the introduction of innovations such as barcode sorters; multi line optical character readers and Vsort equipment to help us better manage delivery costs, achieve processing efficiencies, tackle recruitment challenges and enhance customer service.

The program's scope includes extending the use of our existing sorting machinery to reduce the overall indoor sorting time in our delivery centres, upgrading our address recognition software and computer hardware in mail processing, introducing a new national sequence sort plan system and investigating alternative modes of delivery to attract a wider pool of potential recruits to mail delivery roles.

The future

Despite the growth in electronic communication, letters remain a viable and relevant form of communication, and we are working actively to stimulate letter volume growth through the promotion of physical mail. Our promotional campaigns will continue to focus on the effectiveness of transactional and promotional mail and the emotional impact of social mail.

We will continue to work with our customers and industry suppliers to find new ways to improve the mail production process and develop innovative products. This effort will include finding new ways to combine electronic media with the unique qualities of physical mail. Targeting small business, we will continue to offer information and tools to provide businesses with useful databases and encourage them to try a variety of direct mail products.

Simplifying parking permits

With six campuses and more than 35,000 students, the University of Western Sydney (UWS) faced a complex and time-consuming task when it came to issuing student parking permits. The staff responsible turned to Australia Post for the ideal solution.

Our eLetter Desktop service enabled UWS to create a letter template so that staff can simply upload files each day. These are then electronically transferred to eLetter Solutions for printing, enveloping and posting, along with the parking permit itself.

Checking identities made easy

In today's world, checking identities is a serious business – and increasingly important for two statutory authorities concerned with ensuring workplace safety.

Aware of our reputation for providing identity services, such as passport interviews and the 100-point identity check, WorkCover NSW and WorkSafe Victoria met with their Australia Post account managers to develop an identity and verification solution for new licences to operate industrial plant and equipment.

The forms and design team at our eLetter Solutions Group created the user-friendly application forms, each of which is printed with a unique barcode to assist in tracking individual applications. Our extensive network provides face-to-face service and a personal contact point for licence applicants.

Highlights

- > We carried out more than 2 million identity checks (24 per cent volume growth) on behalf of Australian businesses and government bodies.
- > Our people continue to serve around a million customers every business day in our 4,453 postal outlets.
- > We conducted 1.3 million passport interviews and now handle around 90 per cent of all Australian passport applications.
- > We have sold over 300,000 gift cards since they were introduced to our outlets in October 2007.

INESSES CORE BUSINESSES CORE BUSINESSES CORE BUSINESSES CORE BUSIN

AGENCY SERVICES & RETAIL PRODUCTS

Australia Post's retail outlets provide a vital and convenient nationwide network for connecting customers, businesses, financial institutions and government agencies. We remain committed to serving the entire Australian community and evolving our retail network across a range of channels to meet changing consumer needs and market conditions.

Our place in the market

Australia Post's network of postal outlets remains the largest physical retail network in the nation. We have a community service obligation mandated under the *Australian Postal Corporation Act 1989* (Cwlth) to maintain a minimum of 4,000 postal outlets – including 2,500 in rural and remote areas. Consistent with previous years, we exceeded that requirement with a total of 4,453 postal outlets, including 2,561 in rural and remote locations (see table on page 24).

Australia Post outlets are most recognisable as the retail front of our letters and parcels services. We also offer identity services; financial services, including bill payments, agency banking and money transfers; and a range of retail merchandise.

Our main goal in the agency services & retail products portfolio is to maximise returns from our existing products and services while repositioning ourselves to deliver future sustainable growth.

We are doing this by:

- > making existing products and services more relevant
- > reducing costs
- > continually improving customer service
- > developing new service opportunities in the financial and identity services markets.

Agency services & retail products revenue

A number of successful product initiatives resulted in revenue growth of 4.8 per cent during 2007/08. This was a pleasing result given the pressures on the traditional business and it indicates the success of our business replacement initiatives.

Our business partners

Licensed post offices (LPOs) continue to constitute the major part of our retail network, comprising two-thirds of all postal outlets. We had 2,950 LPOs as at 30 June 2008, and revenue from the LPO network increased by 4.6 per cent for the year.

LPOs are independently run small businesses that play an important economic role in the local community. The Licensee Advisory Council (LAC) was established in 2003 as a forum for licensees and Australia Post to identify business opportunities and address relevant matters of concern. The LAC plays an integral role in providing feedback to Australia Post on a range of product and operational issues and proactively participates in state LPO conferences.

Our newest business partners in the retail network are our franchisees. As at 30 June 2008, we had 27 franchised postal outlets.

Delivering quality customer service

Our people again achieved an excellent customer service rating of 97 per cent in our priorityCustomer mystery shopping program (compared with 96 per cent last year) – our fifth consecutive year of improvement.

The Retail Star Performance program (established in 2003) remains instrumental in maintaining customer service levels and ensuring the accurate performance of agency services. The program provides cash incentives for staff in corporate outlets who meet or exceed specified performance targets.

Key measures for the program are set each year, in line with our corporate and commercial strategic objectives.

In 2007/08, we also undertook a trial of theme-based store layouts with recognisable product category zones to improve product presentation, facilitate merchandising and enhance the in-store experience for our customers. These new layouts will be progressively rolled out to other retail outlets across the country in 2008/09.

RETAIL XP FIELD DEPLOYMENT

During the year, Australia Post completed one of its largest ever business technology initiatives with the successful national roll-out of a new XP software and hardware platform within the retail network. The program deployed 8,500 new PCs to 3,305 outlets across Australia.

The Retail XP (RXP) program started in 2005 to protect our over-the-counter revenue stream. In addition to ensuring ongoing support for our retail operating system and updating hardware, RXP has enabled us to provide business continuity and improved security in the retail environment. Most importantly, RXP will also allow us to build future revenue streams by providing a technology platform that will support further growth and innovation.

More than 350 staff and contractors across Australia Post were involved in the program.

Agency services

More than half the customer visits to Australia Post retail outlets are made specifically to conduct agency services transactions. We undertake agency transactions, including identity services, bill payments and banking transactions, on behalf of more than 700 Australian businesses and government bodies. We also offer a range of money transfer services, including paper and electronic money orders, travellers' cheques, stored-value cards and cash-out services. At the end of the 2007/08 financial year, 3,305 of our outlets were part of our online network.

BILL PAYMENTS

In addition to being the pre-eminent in-person bill payment provider, Australia Post offers easily accessible and efficient credit card payment services, available via the internet at www.postbillpay.com.au and by phone (13 18 16). These Australia Post branded services are ideal for regular credit card users seeking a convenient, reliable, secure and trusted way to pay the majority of household bills using their credit card.

Advances in technology – particularly the take-up of broadband – have caused a shift away from "over the counter" bill payments and we experienced a decline during 2007/08, with the number of transactions falling to 151 million (3.3 per cent fewer than last year). Nevertheless, Australia Post's highly trusted Postbillpay service remains a favourite among customers and one of the major channels available to billers to collect customer payments.

Australia Post retail outlets at 30 June 2008

	NSW/ACT	QLD	SA/NT	VIC/TAS	WA	AUSTRALIA
Corporate offices	273	172	75	223	88	831
Licensed post offices and franchises	915	464	321	978	299	2,977
Community postal agents	102	192	190	75	86	645
TOTAL OUTLETS	1,290	828	586	1,276	473	4,453

Note: This table uses Australia Post administrative states, not geographic states (which form the basis of Table 4 on page 136).

Major state and national billers in a wide range of industries, as well as local government, rely on Postbillpay to securely collect and manage customer payments. Customers enjoy the convenience of the service, the accessibility of Australia Post's network, the friendliness of our staff, the security of receiving a transaction receipt, and the knowledge that the biller will be notified promptly of their payment.

IDENTITY SERVICES

Building upon our extensive experience in conducting passport interviews and 100-point checks, we are developing an expanding range of identity services that help our clients meet their business needs and regulatory requirements.

Growth in demand is being driven by the tightening of industry and government regulations and by efforts to prevent fraud. In 2007/08, our identity services business achieved 24 per cent growth in identity check transactions and a 97 per cent growth in Instant Passport Photo transactions. Overall, revenue grew by 51 per cent.

To support this growth, our key focus in 2007/08 was to build our capability and introduce a number of major operational, system and procedural changes to ensure the highest levels of compliance and customer satisfaction. These changes include introduction of the netPOS function ID Wizard, standardisation of our 100-point check process and introduction of a standard Anti-Money Laundering (AML) check to help organisations meet their requirements under the Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) legislation passed in December 2006. This check provides a secure and proven solution that is straightforward to implement and provides overnight electronic transfer of data back to our business partners. We now have 15 agency clients using our AML identity check service.

We carry out 100-point identification checks for 34 financial institutions and we perform a variety of other identity services for a further 28 businesses and government bodies. Major new identity services clients in 2007/08 included WA Police, WA Department of Consumer and Employment Protection (DOCEP), and Department of Employment and Industrial Relations in Queensland.

During 2007/08 we increased to 1.3 million the number of passport interviews we conducted on behalf of the Department of Foreign Affairs and Trade (DFAT) and we now handle around 90 per cent of all Australian passport applications.

Australia Post has more than 1,300 cameras located in outlets throughout the nation. These cameras deliver a Polaroid® instant passport photograph which is compliant with DFAT requirements for passports. They can also be used for other identity-related purposes and provide a low-cost, instant and high-quality output.

BANKING SERVICES

Our Bank@Post agency banking service allows personal banking customers of more than 75 financial institutions (including the Commonwealth Bank of Australia, NAB and St.George) to make transactions such as deposits and withdrawals at their local Australia Post outlet.

Our 3,305 online outlets help these organisations dramatically extend the reach of their own networks, with over 44.6 per cent of our national network situated in rural and remote locations.

Australia Post also provides an agency business banking service through 1,400 of these outlets. Customers of 11 different financial institutions can perform business banking transactions within this network. Over the 2007/08 period, two new financial institutions started using this service: Rabobank and Holiday Coast Credit Union.

In 2007/08, we processed 26 million banking transactions – 5.3 per cent fewer than last year – which reflects the continuing effects of online banking and the expansion of EFTPOS cash-out and ATM networks around the country.

MONEY TRANSFER SERVICES

Our domestic Money Order product experienced a continuing decline in sales in 2007/08, primarily due to substitution to a wide range of other payment methods now available to consumers.

Western Union Money Transfer transaction volumes have continued to rise steeply, with growth of over 25 per cent achieved during 2007/08. Australia Post has the largest Western Union agency network in Australia.

Sales of our Travel Money products are strong, with our newest Travel Money product, Travelex Cash Passport, exceeding our sales expectations. The range of currencies available for this product has been expanded to include NZD cards, with plans to introduce further currencies in early 2008/09.

We also entered into an arrangement with the Department of Education and Early Childhood Development Victoria that enables parents eligible for the School Start Bonus to claim their payment through Australia Post outlets utilising our Cash Rewards service.

Retail products

MERCHANDISE

While most merchandise customers visit our retail outlets specifically for packaging and philatelic products, other product categories (including stationery, greeting cards and office products) are purchased on impulse or for convenience.

In 2007/08 we achieved retail product revenue growth of 5.6 per cent. This was driven by favourable economic conditions for much of the year, the introduction of successful product programs and an improvement in the end-to-end execution of the retail offer. Stand-out achievements included:

> the successful launch of the gift card mall in October 2007, which has secured a market-leading positioning for Australia Post

> general merchandise revenue increasing by 17.1 per cent on the back of another successful Christmas campaign and robust growth in our book range

> expansion of the technology range, with computer storage and printers generating significant revenue

> redefining our advertising and promotional campaigns to deliver greater certainty and consistency.

OUR PHILATELIC PROGRAM

The Philatelic Group designs and produces postage stamps and a variety of products for stamp enthusiasts and souvenir collectors. In line with growing interest in specialist collectables, we increased the number of special events and licensed products in 2007/08.

The release of a spring/summer catalogue in the Impressions series represented a further extension to the range of collectable products. The series offers collectors a wide range of specialist limited edition and base philatelic products, which also supports collectors with an interest outside the traditional philatelist market segment.

Stamp highlights of the year included:

> 50 Years of Australian Christmas Stamps since 1957 (issued November 2007).

> Lunar New Year (Christmas Island) stamps (issued January 2008). Australia Post produces the stamps for the Australian territories – Cocos (Keeling) Islands, Australian Antarctic Territory and Christmas Island. This year saw the release of the first of a new series to celebrate the 12-year cycle of the Chinese zodiac (Year of the Rat).

> Beijing Olympics dragon stamp (issued June 2008). This was the first of our stamp issues to celebrate Australia's participation in the Beijing Olympic Games. The issue also allowed Australia Post, in collaboration with the Perth Mint, to produce Australia's first stamp coin. The legal tender 50c rectangular coin used the dragon imagery of the stamp and only 8,000 were produced.

See the inside back cover for a selection of the year's stamp issues and page 43 for information about our philatelic exhibitions.

The future

In the year ahead we will seek to consolidate the growth in identity services while continuing to introduce new products and services across a range of channels that will complement Australia Post's existing businesses.

We will work with our major suppliers to optimise the efficiency of our supply chain and we will continue to invest in new system infrastructure and develop the skills and competencies of our people.

Packaging that makes cents

Working six days a week as an electrician in South East Queensland, John Albiez needs a reliable and efficient parcel service to assist his thriving eBay business.

Trading in out-of-circulation Australian notes and coins, John has seen what began as a hobby in 2001 grow into a business with hundreds of customers throughout Australia, many of whom do repeat business. Everything that John needs to quickly and securely despatch the goods sold online is available at his local post office in Geebung – from packaging requirements to Registered Post labels.

"I like that they're professional at what they do. I've never had a thing lost."

Spreading festive cheer

When it comes to Christmas gift giving, no one connects people like Australia Post.

Offering a selection of 428 items in its 2007 Christmas catalogue, mail-order company Chrisco seamlessly fulfilled more than 50,000 customer orders in just 41 days. This was achieved thanks to our unparalleled supply chain management expertise and capability across Asia and Australia.

Our competitive advantage in international logistics ensured that many thousands of Australians and New Zealanders could look forward to a more enjoyable and less stressful festive season.

According to Chrisco Chief Operating Officer Mark Thompson, "Australia Post was able to operate effectively under tight delivery pressures and achieve the results we wanted in terms of customer satisfaction."

Highlights

- > Domestic parcel volumes increased by 1.9 per cent.
- > We delivered 96.7 per cent of large parcels on time.
- > Express Post volumes continued to grow strongly and revenue increased.
- > International parcel volumes increased by 5.6 per cent and revenue increased by 7.3 per cent.
- > Express Courier International achieved volume growth of 7.8 per cent and revenue growth of 10.1 per cent.
- > In its first full year of operation, Express Post International generated $10.5 million in revenue.

INESSES CORE BUSINESSES CORE BUSINESSES CORE BUSINESSES CORE BUSIN

PARCELS & LOGISTICS

In addition to offering the most extensive nationwide delivery network, Australia Post is increasingly a key player within the Asia–Pacific region. In 2007/08 we strengthened our local parcels & logistics capability while expanding our operations in countries like China and New Zealand.

Our place in the market

The parcels & logistics market is a fiercely competitive, high-value international marketplace that is characterised by rapid changes in customer behaviour.

Increasing the profit we earn from the parcels & logistics market, both domestically and in the Asia–Pacific region, is vital to Australia Post's future business prospects. For the second successive year, in 2007/08 the parcels & logistics business made the largest contribution to Australia Post's profit (out of the three core business areas).

Our aim is to be a key partner for domestic parcels & logistics services and a leading distribution provider for Australian businesses that manufacture and trade in the Asia–Pacific region. We are realising this aim by:

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

Domestic parcels

PARCEL POST

Parcel Post is Australia's market leader for parcel deliveries from business to consumer (B2C) and consumer to consumer (C2C). Our success in these segments of the parcels market is due to our ability to provide reliable service, nationwide reach and competitive pricing for single parcels.

We delivered 95.9 per cent of small parcels on time or early in 2007/08 (compared with 95.8 per cent last year) and we maintained our on-time delivery performance for large parcels at 96.7 per cent (the same as last year).

The 2007/08 financial year was our sixth consecutive year of growth in Parcel Post, with volumes increasing by 1.9 per cent and revenue increasing by 7.5 per cent. These results were not quite as strong as last year (when volumes increased by 3.7 per cent) – mainly because of the tighter economic conditions experienced in 2007/08. Nevertheless, online purchases continue to account for growth in the parcels market.

POST ePARCEL

The Post eParcel service provides electronic consignment management and tracking via a barcode and proof-of-delivery system. During 2007/08, we made important progress in extending our Post eParcel offer to the business-to-business (B2B) market by providing consignment-based pricing and more effective management of multi-parcel consignments.

Express and courier services

EXPRESS POST

Despite softer economic conditions in the second half of the year, our Express Post service continued to grow strongly in 2007/08.

The downturn in the financial and housing industries restrained the growth of the Express Post envelope products, but our Express Post satchels and parcels services continue to grow strongly, driven by online commerce.

The Express Post eParcel service performed particularly well this year, with growth of more than 60 per cent on the previous year.

MESSENGER POST COURIERS

Messenger Post Couriers is Australia Post's courier business. It provides customers with a national courier service to complement our range of domestic and international distribution services. With a focus on speed, security and reliability, Messenger Post Couriers provides reliable on-demand and customised regular courier services.

The bulk of Messenger Post Couriers' business comes from delivery agreements with the banking and telecommunications sectors, as well as office stationery suppliers. There are now almost 1,000 vehicles in our Messenger Post fleet. Over the past three years the unit's business has grown by 31 per cent, considerably above industry growth rates.

In 2007/08, real time track event and despatch management systems were upgraded to help sustain current growth and to ensure robust business recovery capability. The upgrade of these systems will enable us to maintain high standards

in reporting and performance transparency for our range of courier services. Messenger Post Couriers has received safe hands accreditation (SCEC endorsement) for handling sensitive or secret material.

International parcels

Despite difficult trading conditions, with a rising Australian dollar and record fuel prices, total international parcel volumes grew by 5.6 per cent. This performance was driven by the strong performance of Express Courier International.

EXPRESS COURIER INTERNATIONAL

Express Courier International (ECI) is a cost-effective courier service that provides trackable door-to-door delivery to more than 200 countries and territories, with deliveries between most major cities taking between two and four business days. The service continued to achieve good growth during 2007/08, with volumes increasing by 7.8 per cent and revenue by 10.1 per cent.

The strong and sustained growth of ECI since 2005 is due to its popularity among business customers (especially small business), who are using ECI to reduce their international courier costs. ECI offers very competitive prices with no hidden surcharges, reliability on par with private couriers and full end-to-end visibility from lodgement to delivery.

The ECI service is underpinned by Australia Post's membership of the KPG alliance – a partnership we have formed with nine other postal enterprises. Our membership in the alliance has enabled us to have more control over delivery in key destination countries, dramatically improving the reliability and performance standards of the ECI service.

AIR MAIL

Our Air Mail service continued to enjoy strong growth, with total volumes rising by 5.6 per cent. The Air Parcels service is a reliable and affordable way to transfer a broad range of business and consumer items between Australia and almost any address in the world.

EXPRESS POST INTERNATIONAL PARCELS

In its first full year of operation, the Express Post International Parcels service generated $10.5 million in revenue. The service offers customers priority handling, basic tracking and signature on delivery, with delivery between metropolitan areas of major cities within three to seven business days.

REGISTERED POST INTERNATIONAL – PARCELS

Launched in June 2008 following the success of Express Courier International and Express Post International products, this new specialised service gives customers documented proof that they have posted an item as well as proof of delivery. It can be used to send items weighing up to 2 kilograms. Service features that are valued by people selling goods online are both a receipt at the lodgement point and proof of delivery.

Logistics services

POST LOGISTICS

Post Logistics achieved revenue growth of 17 per cent in 2007/08. International supply chain revenue increased by 251 per cent and orders and lines picked in our warehouses increased by 15 per cent. We achieved order accuracy in excess of 99.5 per cent, and 98.7 per cent of all orders were despatched on time.

Post Logistics's Australian operation includes some 240,000 square metres of high-quality warehousing space in 19 logistics facilities in metropolitan locations.

In 2007/08, Post Logistics increased its customer base by securing several national warehousing and distribution customers who were seeking greater efficiency and cost savings from our integrated supply chain service.

Post Logistics offers business customers a complete end-to-end supply chain capability, from the manufacturer (domestic or international) to the end consumer. The diagram below depicts the complete range of supply chain services we offer.

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

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

LOGISTICS SUPPORT IN THE ASIA–PACIFIC REGION

Our business customers are increasingly looking for a whole-of-supply-chain partner with global reach, who can provide simple distribution solutions that are complemented by Australia Post's more traditional delivery network capabilities.

For this reason, we have invested heavily in developing facilities and alliances in the Asia–Pacific region to offer a "one-stop shop" for customers operating supply chains between China, Australia and New Zealand.

Our international supply chain is supported by our wholly owned Hong Kong subsidiary (Post Logistics Hong Kong) as well as our joint-venture partnership with China Post – Sai Cheng Logistics International. This means that we can adopt local knowledge and expertise in Australia and China as well as in our agency network in other countries.

Post Logistics New Zealand, which started trading in December 2007, is Post Logistics's second wholly owned offshore outpost, following the establishment of Post Logistics Hong Kong in 2006. The business is located near Auckland Airport and services customers throughout New Zealand.

JOINT-VENTURE PARTNERS

Star Track Express, Australian air Express

Australia Post is a joint-venture partner, with Qantas, in Australian air Express and Star Track Express.

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

Sai Cheng

Established in early 2005, Sai Cheng Logistics International is a joint venture with China Post. The business philosophy behind Sai Cheng was simple: create a reliable supply chain solution between China and Australia that allows for more cost-effective and efficient distribution from the manufacturers in China directly to customers in Australia and New Zealand.

This capability now extends into the United States, Europe and Japan.

Sai Cheng's revenue increased by 215 per cent in 2007/08. In December 2007 an additional facility in Guangzhou joined those in Shanghai, Shenzhen, Qingdao and Nanjing.

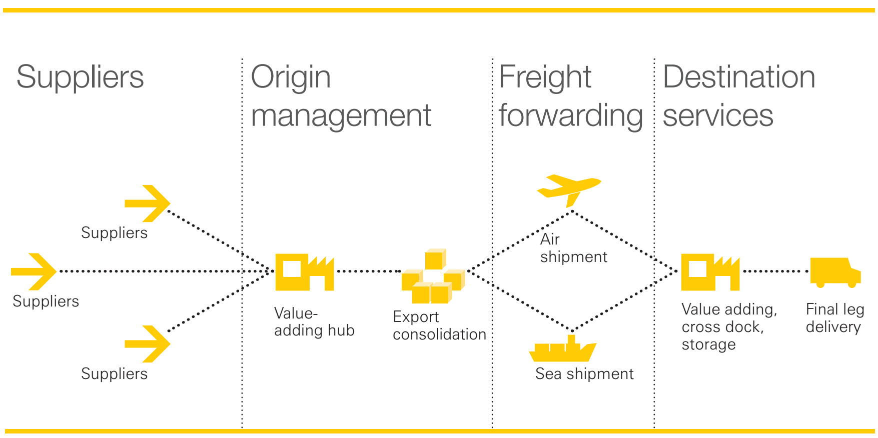
A great example of how Sai Cheng and Post Logistics work seamlessly together can be seen in the supply chain support we offer to mail order company Chrisco, which sources toys and gifts from China for its Christmas catalogue. For Christmas 2007, Sai Cheng received half a million products from around 60 different manufacturing plants in China (and other countries). The Chrisco gift hampers were consolidated, picked and packed at one of Sai Cheng's Shenzhen warehouses before being shipped to five Australian ports and our Post Logistics New Zealand facility. Australia Post delivered more than 50,000 of these Christmas hampers for Chrisco in Australia and New Zealand.

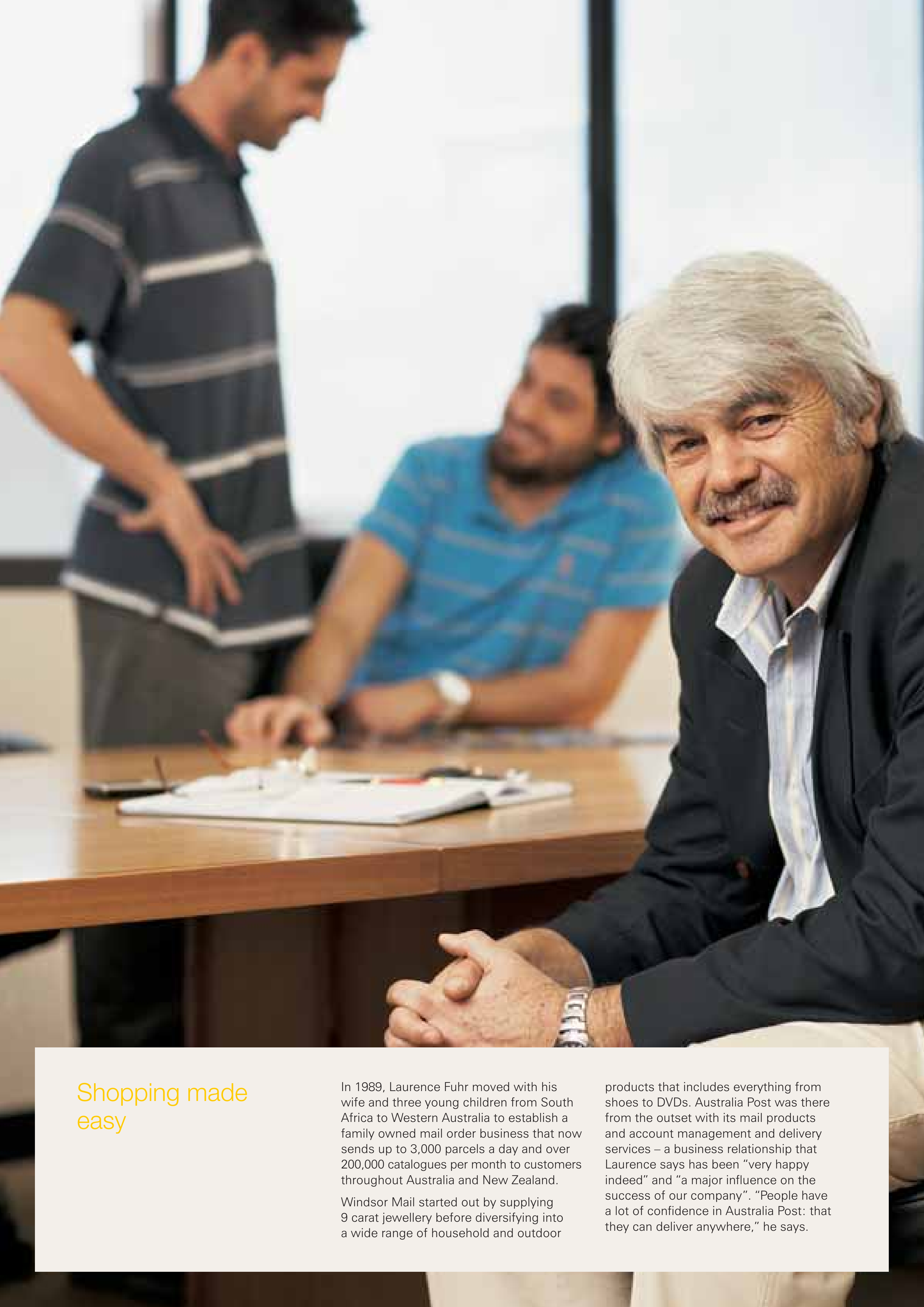
The future

Our long-term focus will be to extract maximum value from Australia Post's comprehensive and complementary range of assets and capabilities. In this way, we will offer our customers integrated solutions across the parcels & logistics portfolio with the flexibility to satisfy their domestic and international distribution and delivery needs.

We will continue to expand our infrastructure, develop our people's skills and build our customer bases to constantly improve our service offer.

Our supply chain – end-to-end capability





Shopping made easy

In 1989, Laurence Fuhr moved with his wife and three young children from South Africa to Western Australia to establish a family owned mail order business that now sends up to 3,000 parcels a day and over 200,000 catalogues per month to customers throughout Australia and New Zealand.

Windsor Mail started out by supplying 9 carat jewellery before diversifying into a wide range of household and outdoor products that includes everything from shoes to DVDs. Australia Post was there from the outset with its mail products and account management and delivery services – a business relationship that Laurence says has been "very happy indeed" and "a major influence on the success of our company". "People have a lot of confidence in Australia Post: that they can deliver anywhere," he says.

Elegance with an environmental edge

This illustration shows how the Perth GPO – which has undergone a major 18-month refurbishment program – will appear when the building is officially re-opened in October 2008. The landmark building has retained its significant heritage-listed features and incorporates new environmentally sustainable design elements in its refurbishment. The Perth GPO will be an elegant and practical addition to the city's heart.

Developing tomorrow's leaders

Eva Winberg (pictured above left) says participating in our Industry Based Learning (IBL) program has been "a wonderful learning experience, both professionally and personally". Eva is undertaking a combined Science (biotechnology/biochemistry) and Business (marketing and accounting) degree. "Working in the Commercial Division has enabled me to experience a wide range of areas of the business world, especially in marketing and retail. I have also increased my computer abilities and many other skills," she says. Eva regards the IBL as "a great way for Australia Post to get an enthusiastic worker and for students like me to learn invaluable skills which cannot be taught in the classroom".

Highlights

- We embarked on a major learning and development initiative, our Line Manager As Coach program.
- The incidence of work-related injuries fell to a record low of 6.6 lost time injuries per million work hours.
- The representation of women in our workforce and in management roles increased.
- Our Enterprise Graduate Recruitment program began, offering development placements for 40 graduates in 2009.
- The Commercial Division launched the Retail Industry Qualification, which gives our 5,500 frontline retail employees the opportunity to obtain nationally recognised qualifications.
- We employed 616 Indigenous Australians (1.7 per cent of our total workforce).

ATE RESPONSIBILITY CORPORATE RESPONSIBILITY CORPORATE RESPONSIBILITY

PEOPLE

Our people are critical to the success of all our business areas. We strive to ensure that their skills, knowledge and customer relationships are utilised in the most rewarding, engaging and effective ways possible.

Our diverse workforce

At Australia Post we are justly proud of the diversity of our workforce. Our 35,256 staff members are aged between 16 and 79 – and they represent over 135 different nationalities.

The diversity of our workforce means that we look and sound like the community we serve. Valuing and utilising the individual skills, talents and abilities of our diverse workforce provides significant business benefits and contributes to the corporation being an employer of choice.

The *Workforce Diversity Business Strategy 2005–2008* concluded at the end of this reporting period. This strategy has seen diversity awareness move from compliance-based Equal Employment Opportunity (EEO) knowledge to a broader understanding of the business value of productive diversity. The cornerstone of this approach has been the *Diversity@Post Kit,* which is available to all Australia Post managers. It is designed to help reinforce diversity in day-to-day management practice and encourage creative responses to new challenges.

The *Workforce Diversity Business Strategy 2005–2008* maintained our strong commitment to EEO, anti-discrimination and harassment principles, and this approach will continue under an ongoing strategy spanning 2008–2011.

EQUAL EMPLOYMENT OPPORTUNITY

The representation of women in our workforce increased from 39.8 per cent to 40.3 per cent of the total workforce. The promotion of women to executive roles also increased, with women now filling 19.9 per cent of executive positions (19.4 per cent in 2006/07) – thus maintaining a trend over the past five years. The representation of women in management roles also continued to increase: women now fill 31.1 per cent of all management positions (30.2 per cent in 2006/07).

The representation of employees from non–English-speaking backgrounds increased to 22.1 per cent (up from 21.1 per cent last year), while the representation of people with disabilities remained constant at 8.5 per cent.

Our workplace profile at 30 June 2008

	NUMBER OF EMPLOYEES	% OF TOTAL WORKFORCE
Total staff	**35,256**	**100%**
Men	21,057	59.7%
Women	14,199	40.3%
Full-time staff	25,093	71.2%
Part-time staff	10,163	28.8%
Indigenous Australians	616	1.7%
People with disabilities	3,000	8.5%
People from non–English-speaking backgrounds	7,809	22.1%

We have a long-standing commitment to providing Aboriginal and Torres Strait Islander people with real jobs and opportunities, having had dedicated strategies in place since 1988. During this reporting period, the representation of Indigenous Australians increased to 1.7 per cent of our workforce (1.6 per cent in 2006/07).

Workforce sustainability

WORKFORCE PLANNING

Understanding our current and future workforce needs has never been more critical, as we face the challenges of increasing labour shortages in both skilled and semi-skilled job areas; an older-than-average workforce (the average age of our employees is 44 while the national average is 37); and the lowest unemployment rates in more than 34 years.

Workforce planning is the first step in articulating our workforce needs based on our strategic business requirements. A detailed gap assessment uses both internal and external indicators to inform the actions we take to fill those gaps in the medium to longer term. A full workforce planning process has been designed as part of the HRenabled initiative. HRenabled is a significant change program being undertaken to ensure that our human resources systems and processes are robust enough to deliver effective HR services to the business.

The *age management@post strategy* was developed to improve Australia Post's approach to attracting and retaining employees of all ages. This will be critical, given that 30 per cent of our current workforce is likely to have retired in 10 years' time.

Engaging our people

STAFF ATTITUDE SURVEY

There was an excellent response to the 2007 Staff Attitude Survey, with 73 per cent of staff completing it. Information gathered via the survey has contributed to a range of HR initiatives in 2007/08, including our Employment Value Proposition, our Age and Youth Strategy, the Line Manager As Coach program and our sustainability strategies. It has also assisted in the development of new initiatives, such as Performance Optimisation and Talent Management.

To ensure that our employees' opinions are properly considered, we conducted focus groups and solutions workshops to address the issues that were raised in the survey. The action plans implemented as a result of the Staff Attitude Survey have included process improvements, improved staff amenities, facility-based engagement programs and facility-based environmental initiatives involving paper recycling, water and energy usage. Other local plans have been implemented to improve reward and recognition programs, career development and training programs.

The next survey will be conducted in February 2009.

Employee health and wellbeing

Our Employee Health and Wellbeing Strategy takes a preventive, evidence-based approach to providing education and support. During the past year, our initiatives have focused on building personal resilience and on understanding depression and anxiety.

New initiatives this year included Mental Health at Work guidelines, which were developed for managers and supervisors to help them manage any work environment risks arising from the effects of untreated mental illness. The guidelines are also designed to help affected employees access appropriate support services and return to full work participation as soon as possible.

Other initiatives included an educational campaign coinciding with International Men's Health Week and our continued support and promotion of the dedicated Mensline Australia telephone support service.

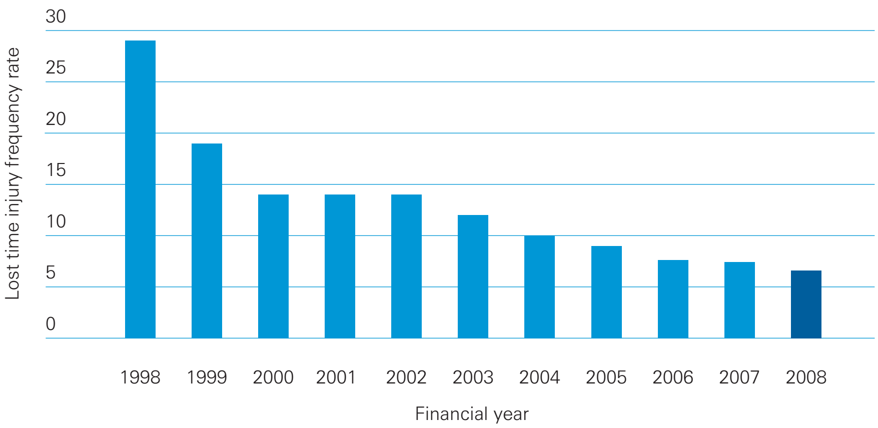
OCCUPATIONAL HEALTH AND SAFETY

The incidence of work-related lost time injuries fell by 10.8 per cent this year. The consistent, decade-long decline in our lost time injury frequency rate (LTIFR) continued, with LTIFR reaching a record low of 6.6 lost time injuries per million work hours.

We continued to focus on injury prevention and workplace safety through a range of initiatives, including training for motorcyclists and safety supervisors, OHS auditing and safe equipment design. New workplace-based safety improvements included the implementation of revised procedures for the daily pre-ride roadworthy inspection of motorcycles.

Our successful rehabilitation and return-to-work program continued as well. We also developed a new policy, with the assistance of the Australian Radiation Protection and Nuclear Safety Agency (ARPANSA), to protect our outdoor workers. This resulted in measures such as improved clothing and shelter and promoting awareness of the effects of exposure to the sun among our staff and contractors under Australia Post control.

Decline in lost time injuries per million work hours



Change management

Our business success is largely due to our ability to bring about effective change at both a national and a local level. This year we introduced a range of change management initiatives, including the development of the Small Change Toolkit; the creation of "success profiles" as a common reference point for recruitment; development and succession of the change and project manager roles; and the launch of a change management website to house our change management tools.

Learning and development

LINE MANAGER AS COACH PROGRAM

After successful pilot programs in two states, we embarked on what is thought to be one of Australia's largest learning and development initiatives. Based on two years of research and testing, the Line Manager As Coach (LMAC) program was designed and tailored for Australia Post by Development Dimensions International (DDI) in response to employees wanting more feedback on their performance (identified in the Staff Attitude Survey).

The LMAC program aims to develop the coaching skills of some 7,000 managers and supervisors who provide feedback on performance and development to their team members. Every line manager (including project managers, retail managers, process managers and senior executives) will complete the four LMAC modules: Essentials of management; Coaching basics; Building coaching skills; and Developing others.

INDUSTRY BASED LEARNING

The Australia Post Industry Based Learning (IBL) program involves recruiting local and international third-year undergraduate students and placing them in full-time, paid positions for 12 months. Seventeen IBL students were given placements in 2007 and this was increased to 19 placements in 2008. A number of these students have taken up ongoing positions with us since completing their degrees.

The IBL program helps build Australia Post's reputation as an employer of choice among university students – a fact already reflected in the successful launch of our Enterprise Graduate Recruitment program this year. Most importantly, the IBL program demonstrates Australia Post's commitment to developing tomorrow's business leaders.

GRADUATE RECRUITMENT PROGRAM

Australia Post's new Enterprise Graduate Recruitment program offered 40 development placements for 2009. The main objectives of the program are to inform university students about career opportunities at Australia Post and to stimulate the recruitment of new talent to help address the problem of tight labour supply.

As a result of our focused recruitment campaign, 934 graduates from across the country applied for positions in various disciplines, including finance, business development, marketing, IT, HR and logistics. Our line managers have been involved in the recruitment and selection process and will continue to be involved in the day-to-day development of our graduates.

RETAIL INDUSTRY QUALIFICATION

Early in 2007/08, our Commercial Division's Human Resources Group launched the Retail Industry Qualification (RIQ). The RIQ gives Australia Post's 5,500 frontline retail employees an opportunity to obtain nationally recognised qualifications in retail operations and supervision, based largely on workplace assessment of their on-the-job learning.

The RIQ was developed and implemented partly in response to feedback from staff attitude surveys related to opportunities for personal development and growth, and partly to enhance Australia Post's retail employment offer and retention strategies. The take-up rate for the RIQ exceeded expectations, with 729 retail staff achieving formal qualifications in the first year of operation.

FUTURE LEADERS

The 2007 Australia Post Corporate Management Conference specifically focused on identifying tomorrow's leaders and targeted managers at all age levels. The conference provided an opportunity for 81 senior and middle managers from all states and territories (one-third of whom were aged under 40) to consider strategic issues and to network with other managers. Teams considered opportunities for the business in the next five to 10 years, and they developed presentations identifying new initiatives. The outcomes were presented to the Australia Post board for consideration during the formulation of our long-term business strategy.

POSTlibrary AND KNOWLEDGE CENTRE

Our corporate library – which connects our people with the crucial knowledge and information they need – underwent a transformation in 2007/08. It now offers an extended range of publications, as well as multi-media and online resources. This means that the complete range of library services can now be accessed via the corporation's Intranet site, Postnet.

OUR EMPLOYMENT VALUE PROPOSITION – "WITH AUSTRALIA POST I CAN…"

The Employment Value Proposition (EVP), or employment "brand", educates current and future employees about what kind of employment experience they can expect at Australia Post, overcoming misconceptions and reinforcing strengths. By articulating our EVP, we can provide candidates with a clear and consistent message about Australia Post that differentiates us from other organisations. It will also be a key to retention, as it helps us ensure that the employment experience of every employee is consistent with the promise we make.

That promise, "With Australia Post I can…", emerged from a series of workshops with a cross-section of our employees. While our employees had markedly individual and personal reasons for working at Australia Post, they all used the same starting point: "With Australia Post I can..."

Our EVP has also been a reference point in the design of our new headquarters. It will continue to inform decisions affecting future people policies, practices and investment to ensure that we deliver what we promise to every employee.

ETHICS TRAINING

Following endorsement by Australia Post's Audit & Risk Committee, our senior executives attended an interactive workshop designed to build on our strong reputation for good corporate governance and decision making. Attendees discussed scenarios that clarified the difference between personal values and Australia Post's core values of one team, customer and community, respect, integrity and responsibility. They were also trained in the use of an ethical decision-making model to assist in issues resolution.

Recognising winning performance

The Australia Post National Excellence Awards are designed to reward, celebrate and promote excellence throughout our business. As a result of a review conducted in 2006/07, new standards and rewards were introduced for the 2007 National Excellence Awards.

Improvements included the introduction of a Bulk Docks category, which ensured that important activities with major impacts on our efficiency and commercial success were recognised in the awards. Award prize money was increased from $200 to $300 per employee in winning facilities; and from $100 to $150 for those employees working in facilities that receive a special commendation.

Of the 86 teams nominated for the 2007 awards, 25 were named as category winners and 17 received special commendations. For the first time, a single category (Innovative Achievement) produced a three-way tie for first place.

Pay and conditions

NEW ENTERPRISE BARGAINING AGREEMENT (EBA7)

After lengthy negotiations in October 2007, Australia Post reached agreement on EBA7 with the two key unions that represent our workforce, the CEPU and the CPSU. However, the CEPU and CPSU subsequently withdrew their support and halted the employee ballot on EBA7. In the absence of a new agreement being finalised, EBA6 continues to operate.

Despite the unions' decision to withdraw from the agreement, Australia Post committed to paying staff in accordance with the EBA7 pay offer. In September 2007, employees received a 4 per cent pay increase. A further 4 per cent pay increase is due in August 2008, followed by three pay increases (of 4, 2 and 2 per cent each) that are due to be paid in August 2009, August 2010 and December 2010 respectively. Staff will also be eligible for a $500 performance bonus in September 2009 if the 94 per cent on-time letter delivery performance target is met or exceeded in the 2008/09 financial year.

Highlights

- We ran the Australia Post Indigenous Literacy Project, with the endorsement and support of Queensland's nine universities, to assist remote Aboriginal communities.
- We contributed to the development of young Australians' literacy skills.
- Over 45,000 people attended one of the four exhibitions held at the Post Master Gallery.
- We recognised 24 of our people with the Australia Post Community Champion Award.
- Our workforce raised more than $300,000 from the Be Seen in Red and Green program.
- We honoured five leading philanthropists as Australia Post Legends with a special commemorative stamp and book.

ATE RESPONSIBILITY CORPORATE RESPONSIBILITY CORPORATE RESPONSIBILITY

COMMUNITY

Throughout Australia, we play an important part in connecting people every day through our activities in local communities. We are committed to making a real contribution to local communities and investing in the future of all Australians.

Stakeholders

Responsibility for timely and effective communication with employee groups, unions, customers, suppliers, community groups, government representatives and the media lies with various areas of Australia Post.

STAKEHOLDER ENGAGEMENT

We have dedicated account managers who are responsible for managing relations with our major business customers. These managers focus on matching our products and services to each customer's individual needs and priorities.

We also consult directly with a number of stakeholder organisations, including the Australian Business and Specialist Publishers (ABSP), the Australian Direct Marketing Association (ADMA) and the Major Mail Users of Australia (MMUA).

Chaired by a member of the board and representative of private and business customer interests, the Postal Services Consultative Council (PSCC) advises Australia Post on matters relating to postal services and improving communication with its customers. The council met three times in 2007/08.

Council members within the period were: **Peter McLaughlin**, Director, Australia Post (PSCC Chairman); **Brian Baulk**, former Divisional Secretary, CEPU (Qld); **Bill Blair**, former Group General Manager, Queensland United Foods (NSW); **Sommers Botha**, General Manager Retail, Scholastic Australia (NSW); **Colin Brideson OAM**, retired school principal (SA); **George Etrelezis**, Small Business Consultant (WA); **Allan Garcia**, Chief Executive Officer, Local Government Association of Tasmania (Tas); **Tom Greene**, Managing Director, Ortega Publishing (NSW); **Marie McGrath-Kerr AM**, Chairman, Post Office Agents Association Ltd (Tas); **Gabrielle Nagle**, Health & Aged Care Consultant (Vic); **Margaret Smith AO**, former National President, Country Women's Association (NSW); and **Rob Tolmie**, Director, Australian Direct Marketing Association (Qld).

COMMUNITY CONSULTATION

As a result of changing demographics, postal outlets occasionally need to be relocated or closed. When this happens, Australia Post has a formal process of consultation for responding to customers' concerns. This process involves communicating the reasons for the change, consulting with local stakeholders, and gathering and analysing community feedback and addressing any concerns.

In addition, when it becomes necessary to remove or relocate a red street posting box (SPB), the local federal MP and businesses likely to use the SPB are informed of the proposal and the rationale behind it. Other users are advised by a sign on the SPB and an advertisement in the local newspaper.

CUSTOMER CONTACT CENTRES

Our six customer contact centres are the focal point for Australia Post customers seeking advice and clarification by telephone, mail and email. Consultants handle a wide range of queries about our facilities, products and services – and they also handle complaints. The contact centres generate revenue through activities such as telephone account management for business customers, order processing, handling third party contracts and taking bookings for the Unaddressed Mail service.

Australia Post's customer contact centres also play a valuable role in helping identify opportunities to improve our business. A range of reports are available to assist product groups, marketing, security and Mail & Networks Division teams to better understand the customer experience.

During 2007/08, our customer contact centres received around 4.5 million telephone enquiries, with customer complaints being resolved within an average of 5.9 days.

CUSTOMER RESEARCH

Every year we commission independent research companies to conduct a variety of research projects so we can understand more about customer perceptions of our image and brand. In this year's Corporate Image Monitor, 1,501 residential customers and 2,400 business customers were randomly selected and then interviewed to measure customer satisfaction. We continued to perform extremely well in key measures, particularly the "Overall satisfaction with Australia Post" measure (see table below).

We also conduct research within the small and medium enterprise sector regarding product and service satisfaction. In our major customer monitor, in-depth interviews were conducted with some of our largest business customers. This type of research allows us to monitor and improve these important business relationships.

POSTAL INDUSTRY OMBUDSMAN

The Federal Government's Postal Industry Ombudsman (PIO) began operations in October 2006 specifically to investigate complaints about the postal industry. The establishment of the PIO did not represent a significant change for Australia Post, as our customers previously had the option of referring complaints to the Commonwealth Ombudsman.

The PIO website can be accessed at www.pio.gov.au.

Community support

Australia Post supports a variety of programs and events that complement its business and provide assistance to the Australian community. We place particular emphasis on supporting events and programs in rural and regional areas.

We spent more than $2.6 million on community investment programs in 2007/08, shared among the following areas:

- education and literacy
- the arts
- community groups and events
- the environment (see page 47)
- philanthropy
- health.

EDUCATION AND LITERACY

Australia Post is committed to contributing to the development of literacy, numeracy and computer literacy skills among young Australians. A number of the education activities that we are undertaking give outback students the opportunity to enhance their learning skills.

Teachers and students all over Australia can order free educational materials on the Australia Post education website: auspost.com.au/education. These are designed to give students from pre-school to lower secondary level an insight into Australia's postal services as well as reinforcing literacy skills.

We have been a sponsor of National Literacy and Numeracy Week for the past nine years. This event recognises the work of schools in raising literacy and numeracy standards in Australia.

We support another program run by science teacher Phill Higgins, who is better known as "Phiggles The Flying Scientist". In 2007, Phiggles took to the skies in his seventh annual "hands on" science program to share the fun and logic of science with kids at remote stations and schools in South Australia, Queensland, New South Wales and Victoria. This year, Phiggles covered more than 6,500 kilometres and visited 15 stations and small schools, including the Port Augusta School of the Air. Since launching the program in 2000, Phiggles has visited over 1,100 children living in some of the most isolated areas of Australia.

More than 84,000 children wrote letters to Santa over the 2007 Christmas season in response to our popular Santa Mail program.

INDIGENOUS LITERACY PROJECT

In 2007/08, the new Australia Post Indigenous Literacy Project was undertaken with the endorsement and support of Queensland's nine universities. The project provides assistance to the remote Aboriginal communities of Aurukun, Palm Island, Lockhart River, Doomadgee and Mornington Island. Under this project, Australia Post has donated books to students and electronic whiteboards to schools, as well as giving prizes in a series of age-based writing competitions.

THE ARTS

For the past five years, Australia Post has been a "Hero Partner" and sponsor of Opera Australia, the national opera company. This was our third year of sponsoring the Young Artists' Development Program, which gives young singers, conductors and accompanists the opportunity to spend a year training and performing with Opera Australia.

Part of our sponsorship of the company's touring arm, Oz Opera, covers a regional tour undertaken every year. In 2007, Oz Opera conducted a six-week regional tour of *Carmen* that visited 19 towns throughout the Northern Territory and Western Australia. During the tour of *Carmen*, we conducted research to help us assess the value of our Oz Opera sponsorship. Sweeney Research undertook three studies involving residential customers in rural and regional areas to which *Carmen* travelled, business customers who attended as our guests, and postal managers who were involved at a local level. The findings confirmed that our sponsorship has a significant positive influence on the perceptions of Australia Post among people in these categories.

Oz Opera's Schools Company productions of *The Barber of Seville* and *The Magic Flute* performed to over 80,000 primary school children in Victoria and New South Wales.

Overall satisfaction with Australia Post

	2007/08	2006/07	2005/06	2004/05
Business	96%	98%	97%	97%
Residential	97%	98%	97%	98%

Corporate Image Monitor 2007/08, 2006/07 and 2005/06 conducted by Sweeney research. 2004/05 conducted by TNS.

Delivering opera to Australia

More than 11,000 opera lovers brought their picnic baskets and rugs to the Sidney Myer Music Bowl in Melbourne to enjoy glorious music under the night sky when Opera Australia presented the inaugural Australia Post Opera in the Bowl on 23 November 2007. A free performance of Bizet's much-loved *The Pearlfishers* was greeted with rapturous applause. In the audience were 250 of our people selected by ballot to receive tickets.

Oz Opera undertook three special performances for our staff and their families at the Sydney West Letters Facility, Melbourne Opera Centre and Sydney Opera House.

Australia Post is also a founding member and major partner of Australia Business Arts Foundation (AbaF) and a financial supporter of many arts festivals and organisations, including the Western Australian Symphony Orchestra, the Queensland Performing Arts Centre and the Adelaide Festival of the Arts.

NATIONAL PHILATELIC COLLECTION AND POST MASTER GALLERY

Australia Post maintains the National Philatelic Collection – Australia's most significant collection of philatelic heritage and artwork. It is also one of the nation's foremost design archives. The collection, which is administered under the *Archives Act 1983* (Cwlth) and forms part of the National Archives of Australia, is exhibited at the Post Master Gallery in Melbourne and in touring exhibitions.

In 2007/08, we staged four exhibitions at the Post Master Gallery in Melbourne. These exhibitions were *The Art of Ornament: Australian Design, Decoration and the Stamp 1850–2007*; *Blast off: 50 Years in Space*; *Lest We Forget: ANZAC Day Remembrances*; *and Play On: 150 Years of Australian Football*. A touring exhibition – *Artists of Steel: the Art of Australian Stamp Engraving* – went to the Dubbo Regional Gallery at the Western Plains Cultural Centre in New South Wales.

During the year more than 45,000 visitors experienced a Post Master Gallery exhibition.

HEALTH

Since 1998 we have supported the Australia Post Medical Research Fellowship through the Royal Australasian College of Physicians. This fellowship provides continued support for melanoma research. We also continued to support research into a number of medical conditions, including juvenile diabetes, Friedreich's ataxia, prostate cancer and breast cancer.

PHILANTHROPY

Be Seen in Red and Green is a program of fundraising activities run by staff and contractors throughout the year. It became a national event in 2005 after starting in Queensland in 2000. This year's proceeds of more than $300,000 were distributed among a number of charities, including the Salvation Army, Starlight Foundation, Guide Dogs SA/NT, Camp Quality, Wheelchairs for Kids and Sydney Children's Hospital.

In recognition of their generosity and their contribution to our nation, five Australians were honoured as Australia Post Australian Legends, a series now in its eleventh year. Five leading philanthropists – Loti and Victor Smorgon, Dame Elisabeth Murdoch, Lady (Mary) Fairfax and Frank Lowy – were celebrated in a commemorative stamp issue and *A Lasting Legacy*, a book published to coincide with the stamp issue.

COMMUNITY GROUPS AND EVENTS

In 2007/08 we continued to sponsor ourcommunity.com.au, an organisation that provides a range of resources and tools for Australia's 700,000 community groups and schools. It also provides practical support and links between community networks and the general public, businesses and government. Australia Post is the sponsor of the site's Marketing, Media and Post Centre, which is where community groups can access professional advice on how to better market their activities.

This financial year marked our fourteenth year of sponsoring the Australia Post Stawell Gift athletic carnival. We also supported a wide range of youth sporting programs, including Junior Boomers Clinics at primary schools around the country. (See Commercial sponsorships, this page, for more details about support of the Boomers team.)

NAIDOC week (8–15 July) celebrated the survival of Indigenous culture and the Indigenous contribution to modern Australia. The week is celebrated not just in the Indigenous community but also in many government agencies, schools, local councils and workplaces – including Australia Post. We participated in a range of activities to celebrate NAIDOC week, including flag raising ceremonies, tree planting, concerts, cultural festivals, competitions and marches.

Our people in the community

The Australia Post Community Champion Award recognises the voluntary work undertaken by our staff, contractors and licensees in their local communities. Winners of the award receive a $100 gift voucher for their personal use and a $1,000 cheque to donate to their chosen charity or community organisation.

In 2007/08 we presented 24 of our people with the Community Champion Award. Some of the organisations that have benefited from this award include Camp Quality, Delta Society of Australia, Suicide Awareness, the SES and various community-based lifesaving clubs, sporting clubs, animal shelters, scout groups, rotary groups and community health services.

Commercial sponsorships

During 2007/08, we prepared a range of activities to support our sponsorship of the Australian team competing at the Beijing Olympics. As part of this sponsorship we produced stamps (after the conclusion of this reporting period) that celebrated the heroics of our nation's gold medal winners. Three posties were appointed to work at the Games, delivering more than 100,000 letters generated through our Letter Link program to the Australian athletes in the Olympic Village. The Australian men's basketball team, known as the Australia Post Boomers, supported our marketing and promotional activities for the 2008 Olympics.

We continued our sponsorship of the Australian Open tennis championship. We also maintained our association as principal sponsor of Australia Day. Again this year, the sponsorship centred on official Australia Day functions in each capital city.

Australia Post also sponsors a number of events, activities and organisations that provide commercial opportunities to market our products and services or communicate key messages and themes.

Human rights

Australia Post observes all conventions ratified by the Commonwealth Government. We believe that people everywhere should be treated fairly and with dignity and respect. We adhere to the conventions and covenants made under the United Nations Universal Declaration of Human Rights – including those relating to civil and political rights; economic, social and cultural rights; elimination of all forms of discrimination; and the rights of the child.

Highlights

- We teamed with MobileMuster to be the first business in Australia to provide free, Reply Paid mobile phone recycling satchels through our retail outlets.
- We began auditing our facilities and fleet to find energy efficiency opportunities.
- After a massive restoration, the Perth GPO partially reopened in April as one of Western Australia's most environmentally friendly refurbished buildings.
- The environmental management system framework was externally audited and found to meet its requirements. No significant issues were identified.
- There was a significant rise in the number of Christmas cards and toner cartridges collected through the Planet Ark recycling programs.

ENVIRONMENT

Australia Post aims to meet or exceed all regulatory or community standards related to the environment and to embed the principles of sustainable development in its business systems and organisational culture. In 2007/08 we made considerable progress against our environmental goals.

Carbon reporting

Australia Post has long recognised the threat of climate change. We have continued to monitor our carbon emissions since we committed to the Federal Government's Greenhouse Challenge Program in 1997. Over that period we have generated savings of 358,817 tonnes of CO_2 equivalent, including a reduction of 72,059 tonnes of CO_2 equivalent in 2007. The table on page 46 shows our progress since 1998.

For the 2007 calendar year, our total greenhouse gas emissions were 366,990 tonnes of CO_2 equivalent. This result is a 2 per cent decrease from our 2006 results. The decrease was due mainly to initiatives implemented by Australia Post to reduce energy consumption and waste to landfill, as well as changes to the conversion factors used to calculate carbon emissions. The Australia Greenhouse Office advised us that these changes occurred as a result of changes to fuel composition and methods of energy production in that year. Even though Australia Post experienced growth in its core products and services, our emissions during the year actually decreased. This positive result is clearly evident in our key performance indicator, tonnes of CO_2 per million dollars of revenue, which decreased from 83 to 77. (Refer to the graph on page 46.)

Future reporting

Almost every organisation that reports on its greenhouse gas emissions limits that report to its direct emissions, such as its consumption of energy and fuel and the waste it sends to landfill. Having publicly reported our direct emissions for the past 10 years, we are now actively trying to measure our indirect emissions as well. Indirect emissions derive from products and services that are integral to our business but not owned or controlled by Australia Post, such as those emissions generated by contractors and licensees and the use of air freight services. Given the size and complexity of our business, this is a very difficult task, so we are concentrating on capturing the major indirect emissions such as contractor delivery and air services. Australia Post has no alternative to using air services to ensure that its delivery service meets its regulated performance standards. In 2007, the use of planes to transfer mail generated approximately 206,000 tonnes of CO_2 equivalent.

Environmental Management System external audit

An audit of Australia Post's Environmental Management System (EMS) framework was undertaken from June to September 2007. The audit, which is conducted every five years, aims to ensure that the EMS reflects management's objectives, complies with legislation and assures due diligence. The EMS satisfied these criteria and no significant issues were identified.

Reduction of greenhouse gas emissions per $ million revenue

Note: The reporting period for the Greenhouse Challenge changed in 2003 from financial year reporting to calendar year reporting.

Perth GPO building restoration

After a major restoration, the Perth GPO partially reopened in April as one of Western Australia's most environmentally friendly refurbished buildings. The refurbishment, which revealed some original architectural features, delivered a 4-star Green Star rating, making the GPO Western Australia's first refurbished building to achieve that rating.

The main environmental features of the refurbishment are:

> 68 per cent of materials removed during the refurbishment were recycled rather than sent to landfill.

> Water-efficient plumbing fixtures have been installed to minimise water use. For example, the urinals use a waterless oil-trap system. The GPO is expected to use 20 to 25 per cent less water than a conventional office building.

> The GPO is thought to be the first building in Western Australia to use passive chilled beams that cool rooms by using natural air movement, rather than fans. Hot air rises to the ceiling and is replaced by cool air that drops from the chilled beam.

> The quality of indoor air has been improved through the use of low-volatility organic compound carpets and paints throughout the building.

> The building includes facilities for cyclists such as a secure bike storage area, lockers, showers and change rooms.

> High-efficiency lighting has been installed throughout the building.

> A large glass lightwell directs natural light into the building, reducing the need for electric lighting.

Energy efficiency – facilities

Australia Post is using the Federal Government's Energy Efficiency Opportunities (EEO) Program as the mechanism for delivering energy efficiency improvements to our 1,298 facilities.

Energy audits started in September 2007 and approximately 80 sites are due to be audited over a three-year period. The selected sites include all major facilities and a representative sample of our smaller retail shops and delivery centres.

Thirteen audits have now been completed, with significant energy-saving opportunities identified.

Earth Hour

In 2008 Australia Post signed up to participate in Earth Hour, an initiative run by the conservation organisation WWF to encourage companies, individuals and families to turn off their lights for just one hour to raise awareness about climate change.

Taking part in the Earth Hour campaign reinforces Australia Post's commitment to the environment and supports the work we are already doing under the Energy Efficiency Opportunities Act.

Lighting initiative

In line with our obligation under the Energy Efficiency Opportunities Act, and to meet the requirements for lighting efficiency required under Section J6 of the Building Code of Australia, we have begun a new initiative to reduce electricity consumption in our retail outlets.

An independent electrical engineering consulting firm has been appointed to assess the lighting requirements for our retail network to determine the most efficient and economical lighting design. This assessment will deliver a consistent lighting solution for all future shop refurbishments, ensure that we meet all legislative requirements and assist in the reduction of carbon emissions.

Energy efficiency – transport

A key part of the EEO program is the review of our transport practices. The transport assessment process involves:

> modelling the major transport tasks

> establishing the overall energy use of each type of vehicle

> establishing the average energy use for each vehicle

> considering opportunities that will reduce energy use

> evaluating and ranking these opportunities

> implementing approved opportunities and monitoring their effectiveness.

Due to the size of Australia Post's fleet, we will undertake assessments using a representative sample of vehicles in six vehicle categories. The first of these assessments (looking at sedans and wagons) is currently underway.

During 2007, a full evaluation of the Australia Post passenger fleet (974 vehicles in service) was undertaken. Following on from the evaluation, a tender was issued requesting that vehicle suppliers propose vehicles with the lowest total cost of ownership and best performance in accordance with the Australia Green Vehicle Guide.

EURO 4 SPECIFICATION

Where possible from 2008, heavy vehicles purchased by Australia Post will be EURO 4 compliant. This will ensure that the exhaust emissions from these vehicles will be significantly reduced. Specifically, the reported improvement from EURO 3 to EURO 4 vehicles is a 30 per cent reduction of nitrous oxide (which contributes to smog and acid rain) and an 80 per cent cut in particulates (which cause respiratory problems and are potentially carcinogenic).

Community environment programs

LANDCARE

In 2007/08, we continued our partnership with Landcare Australia. The Australia Post–Landcare partnership provided 53 Community Development Grants (valued at up to $3,300 each) and 85 Junior Landcare Grants (of $550 each) to schools and youth groups. The grants either directly fund community projects, help buy tools and equipment or are used to raise awareness and encourage community members to get involved. Some of the environmental initiatives funded by the grants include soil management, erosion, grazing, water quality and providing habitats for native animals.

PLANET ARK

Cartridges 4 Planet Ark

In association with Planet Ark, Australia Post has been collecting used printer, fax and copier cartridges since 2003. During that time our outlets have helped recycle over 1.5 million cartridges. In 2007, we collected 137 tonnes of printer cartridges – a significant increase over the 121 tonnes collected the previous year.

Cards 4 Planet Ark

Approximately 100 million Christmas cards are sent around the country each year. To encourage people to recycle their cards, Australia Post stocks one million postage paid Cards 4 Planet Ark envelopes in its stores each year. Used cards can be placed inside the envelope and posted for free at any street posting box. In 2007/08, Australia Post collected 132 tonnes of cards, a significant jump from the 98 tonnes collected last year.

MOBILEMUSTER

MobileMuster is the official recycling program of the Australian mobile phone industry. Australia Post has now teamed up with MobileMuster to be the first business in Australia to provide free Reply Paid mobile phone recycling satchels through its retail outlets. Customers simply collect a satchel from their local Australia Post outlet, place the battery in one section of the satchel and the phone and accessories in the other section and post the satchel in any street posting box. This simple process will assist in decreasing the volume of mobile phones and accessories going to landfill.

World Wide Fund for Nature (WWF) stamp issue

The WWF Conservation Stamp Collection is one of the world's largest thematic stamp collections. Over 165 countries are involved and up to 16 stamp sets have been issued.

The species depicted on WWF stamps are typically at risk of extinction in the country of issue. Australia Post released the Australian Antarctic Territory (AAT) Royal Penguin (WWF) stamp in August 2007 as part of their official collection.

Heritage management

Australia Post has a responsibility to identify and care for heritage places under its control, in line with sound practice in heritage conservation and property management. Therefore, we have developed a heritage strategy that integrates heritage conservation and management within the property planning and management framework, including planning for future works, development, and property divestment.

In 2007/08, all owned properties were assessed for heritage values and 157 of these properties were inspected by one of Australia's leading heritage architecture firms. The assessment and identification of properties that exhibit Commonwealth heritage values continue and are a key undertaking of Australia Post's heritage strategy. On acceptance of the nominations to the Commonwealth Heritage List, Australia Post will undertake a program of preparing conservation management plans for each property.

WaterMAP

To help secure the state's water supplies, the Victorian Government requires non-residential water users who consume more than 10 megalitres of water annually to implement a water Management Action Plan (waterMAP).

Dandenong Letters Centre (DLC) fell into this category and submitted a waterMAP in December 2007. Regardless of the official plan, water-reduction initiatives were already underway, including installing low flow valves to taps and showers. In addition, rainwater tanks will soon be installed, with the tank water to be used for flushing toilets and watering gardens, and a truck wash re-use system will treat and store water from the truck wash so that it can be recycled for further truck washing.

A waterMAP was completed for our major parcel centre at Ardeer in Melbourne which also identified water saving opportunities.

Life Cycle Assessments

Life Cycle Assessments (LCAs) are a means of identifying all of the environmental impacts from a product or service throughout its life. Australia Post is conducting LCAs on specific product lines, and we are beginning to conduct an LCA on each of our operational activities. This will help us and our customers to better understand our environmental impact and identify ways of reducing our footprint. LCAs will also help us to identify our indirect greenhouse gas emissions for the purpose of reporting our carbon emissions.

National Packaging Covenant

We have been a signatory to the National Packaging Covenant since 2002 and thus have a long-term commitment to reducing the environmental impact of our packaging. We undertook several initiatives during 2007/08 that demonstrate this commitment.

> Waste and recycling audits were carried out at six Australia Post facilities. The primary objectives of the audits were to establish the composition of the waste and recycling streams and to use this data to identify opportunities to reduce waste to landfill.

> We advised the National Packaging Covenant Council of our research and development needs pertaining to the use of degradable plastics and plastic film – namely, to improve guidance on current best practice and decision making.

> We undertook an assessment of in-store packaging at two postal outlets to identify opportunities to eliminate unnecessary in-store packaging.

> We began LCA studies of some of our equipment, starting with the large letter mail tray that is used internally.

> We contributed to the Buy Recycled Business Alliance (BRBA) by assisting in the launch of its Recycled Product Directory.

Our environmental performance

	GRI MEASURE	UNIT OF MEASURE	2003/04	2004/05	2005/06	2006/07	2007/08
Energy consumption							
Electricity	EN3	kilowatt hours	211,785,126	208,695,339	215,948,904	228,280,466	225,075,197
Natural gas	EN3	gigajoules	104,326	110,798	106,192	102,484	92,358
Fuel consumption							
Linehaul – diesel	EN3	litres	8,202,460	10,227,198	10,930,527	11,546,187	12,299,808
Large trucks – diesel	EN3	litres	7,914,356	7,940,960	7,771,599	7,720,879	7,551,183
Small trucks – diesel	EN3	litres	1,408,991	1,327,270	1,296,066	1,190,790	978,452
Mail vans – diesel	EN3	litres	4,531,659	4,300,600	4,174,869	4,073,459	4,006,073
Sedans – petrol	EN3	litres	2,857,197	2,773,562	2,762,058	2,836,331	2,858,842
Motorbikes – petrol	EN3	litres	2,928,961	3,011,404	3,046,878	3,135,298	3,198,095
Miscellaneous	EN3	litres	364,265	834,667	865,949	959,566	1,089,660
Waste generation							
Non-recycled waste	EN22	tonnes	17,519	17,838	19,689	18,213	17,234
Recycled waste (cardboard and paper)	EN22	tonnes	2,488	4,766	4,018	5,274	6,267
Greenhouse gas emissions							
Annual greenhouse gas emissions	EN16	tonnes CO_2 equivalent	345,812	349,492	361,791	376,210	366,990
Tonnes of CO_2 equivalent per $1m revenue	KPI	tonnes CO_2 equivalent	89	84	83	83	77
Emissions savings	EN18	tonnes CO_2 equivalent	33,451	44,144	49,061	61,066	72,059
Total number and volume of significant spills	EN23	–	0	0	0	0	0
Community initiatives							
Cards 4 Planet Ark (Christmas card recycling)		tonnes	81	62	79	98	132
Cartridges 4 Planet Ark (Cartridge recycling)		tonnes	27	87	107	121	137

Note: Improvements in energy data capture have improved accuracy. As a result, last year's figures have been amended to ensure more meaningful comparisons with this year's performance.

Highlights

- We provided direct employment for 35,256 people and indirect employment for tens of thousands more – our contractors, and our licensees and their employees.
- We paid $548.1 million in local, state and Commonwealth rates and taxes.
- We paid our shareholder, the Commonwealth Government, a dividend of $306.3 million.
- We contributed $2.6 billion to the Australian economy by paying for goods and services ($2.3 billion), and capital assets and business acquisitions ($295.1 million).

ATE RESPONSIBILITY CORPORATE RESPONSIBILITY CORPORATE RESPONSIBILITY

ECONOMY

With more than 34,000 staff, Australia Post is one of the country's largest employers. In addition to this, our retail and delivery operations are indirectly responsible for employing thousands of people in community-based small businesses (such as licensed postal outlets and mail contractors) that play a vital role in stimulating local economies. Australia Post also makes a significant contribution to the national economy through the payment of taxes and rates – and an annual dividend to our shareholder, the Commonwealth Government.

Shareholder relations and value

Australia Post is a wholly owned government business enterprise whose shareholder is the Commonwealth Government. The relationship between Australia Post and its shareholder is governed by the requirements of the *Australian Postal Corporation Act 1989* and the *Commonwealth Authorities and Companies Act 1997*.

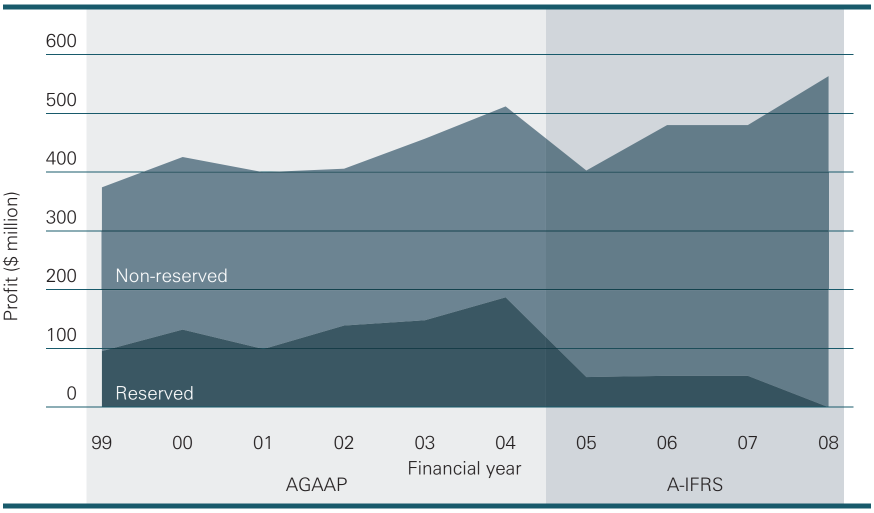
Shareholder responsibilities are jointly assigned to the Minister for Broadband, Communications and the Digital Economy and the Minister for Finance and Deregulation.

We provide our shareholder with a corporate plan each year. This plan sets out our key strategies and targets for the next three years. Within 60 days of receipt of the plan, our shareholder may call for changes to the financial targets or community service obligation strategies. Progress against the plan is subject to formal reporting and subsequent review with the relevant shareholder departments.

We also continuously disclose to our shareholder any matters relating to the proposed formation of a company, trust or joint venture, as well as any proposals for significant acquisitions or divestments.

Dividend recommendations are made to our shareholder ministers twice each year: in February (interim) and August (final). Consistent with standard business practice, our target dividend ratio is 75 per cent of corporation after-tax profits. Dividends payable from the 2007/08 result will be $446.2 million.

Profit from reserved and non-reserved services ($ million)



Note: Profit before interest, income from joint ventures and tax.

Return on investment

All of our return-on-investment results were positive in 2007/08.

Revenue per dollar of fixed assets fell from 3.0 to 2.9. Capital investment (including business acquisitions) of $295.1 million exceeded the annual depreciation charge of $186.1 million.

Profit after tax increased by 7.9 per cent to $432.2 million ($400.7 million last year).

Return on average operating assets was 19.4 per cent, well above the comparable weighted average cost of capital of 9.5 per cent.

Sustainability in commercial decisions

It is Australia Post policy that all major business cases must include an assessment of environmental, social, economic and risk impacts in addition to the financial appraisal.

All such business cases also require endorsement by members of the Sustainability Working Group and the Risk Management Unit.

Our procurement policy considers the sustainability of our general purchasing practices as well. The policy includes extensive guidelines on probity, open and effective competition, environmental considerations, ethics and fair dealing.

Protecting our assets

The protection of our assets – including cash, long-term fixed assets, intellectual property and the Australia Post brand – is crucial to the sustainability and growth of our business.

Revenue collection in all three business portfolios is supported by a formal program overseen by the Revenue Collection Steering Committee and managed by the Revenue Collection Group.

Our fixed assets are protected by an asset recording process at each work centre as well as an annual stocktake process. The management of stock, cash and related items in our retail outlets is the responsibility of postal managers and is carried out in accordance with the Financial Integrity Control system. In addition to normal reconciliation processes, regular stock checks are undertaken to protect businesses from high-risk losses.

Our Corporate Security Group conducts regular security risk assessments at all of our retail outlets and we provide a variety of security measures based on the needs of individual offices. These include CCTV, time-delay locks and (in special circumstances) security guards or mobile security patrols.

Cash management plans for all of our outlets are designed to minimise the amount of cash holdings at our counters and on our premises, making us an unattractive target for robbery. As a result of these measures, robberies at Australia Post outlets have been reduced by two-thirds over the past decade and in 2007/08 this trend continued. (See page 57 for more about our Corporate Security Group.)

Intellectual property belonging to Australia Post is protected by a formal policy administered by the Legal Services Group. The integrity of the Australia Post brand is protected by a brand management system overseen by our Corporate Public Affairs Group.

The "Part of every day" brand advertising campaign continued during targeted periods in 2007/08. The campaign's effectiveness is being tracked through research involving both business and residential customers. This research shows that the campaign is delivering on its objectives, with positive shifts in Australia Post brand attributes. (See page 3.)

Competing vigorously and fairly

Australia Post has the exclusive right to deliver letters weighing up to 250 grams unless they are carried for a price more than four times the basic postage rate. However, the vast majority of our business revenue and the bulk of our profit comes from the other goods and services that we offer, and these are sold in fully competitive markets.

Each year the Australian Competition and Consumer Commission (ACCC) issues a report assessing cross-subsidy in Australia Post. The ACCC was originally given this role in response to complaints that we could be cross-subsidising our competitive services with revenue from our reserved services.

In April 2008, the ACCC issued its third cross-subsidy monitoring report, which analysed the 2006/07 regulatory accounts of Australia Post to establish whether our competitive activities (non-reserved services) are being cross-subsidised with revenue from our monopoly activities (reserved services). The ACCC found that the regulatory accounts did not provide evidence that Australia Post is subsidising its non-reserved services from its reserved services.

For more information about trade practices compliance, see page 57.

Our credit rating

Independent ratings agency Standard & Poors conducts an annual review of Australia Post's financial results and outlook to establish our credit rating. We continue to maintain the AAA rating we have held since we were first rated in 1994.

Contribution to economic development – finances

	2006/07	2007/08
Revenue	**$4,711.1m**	**$4,959.2m**
Australian	$4,561.0m	$4,806.1m
Export	$150.1m	$153.1m
Payments		
to employees	$1,978.0m	$2,020.7m
to goods and services suppliers	$2,078.1m	$2,258.7m
for capital assets and business acquisitions	$283.7m	$295.1m
Taxes and rates paid	**$474.9m**	**$548.1m**
Commonwealth government	$356.3m	$423.7m
State and local government	$118.6m	$124.4m
Cost of community service obligations	**$97.3m**	**$104.3m**
Access to bill payments and financial services		
Number of banks/financial institutions	77	77
Basic postage rate (ranking in OECD)	**3rd lowest**	**3rd lowest**
Revenue foregone through letter price restraint (compared with CPI):		
last 10 years	$2,672m	$3,341m
last 5 years	$822m	$807m
Shareholder value		
Profit after tax	$400.7m	$432.2m
Dividends declared	$296.9m	$446.2m

Contribution to economic development – people

	2006/07	2007/08
Direct employment	**34,732**	**35,256**
Full-time employees	25,026	25,093
Part-time employees	9,498	10,163
Agency staff	744	589
Labour productivity growth	**3.2%**	**2.6%**
Small businesses directly supported	**7,127**	**7,074**
Licensed and franchised post offices	2,969	2,977
Metropolitan	1,283	1,297
Rural and remote areas	1,686	1,680
Mail contractors	3,524	3,452
Metropolitan	723	758
Rural and remote areas	2,801	2,694
Community postal agencies	634	645
Metropolitan	35	32
Rural and remote areas	599	613
Delivery points (at 30 June)	**10.3m**	**10.5m**
Outlets with online banking facilities	**3,291**	**3,305**
Metropolitan	1,824	1,830
Rural and remote areas	1,467	1,475

Reducing our energy use

In September 2007 we began carrying out energy audits designed to deliver energy efficiency to our entire network of facilities, including our retail shops and delivery centres. Using the Federal Government's Energy Efficiency Opportunities (EEO) Program, we started a large-scale three-year process of audits that has already resulted in the immediate implementation of significant changes designed to reduce consumption and costs. Thanks to the EEO Program, our staff have found different ways to save millions of mega-joules of natural gas every year.

CORPORATE GOVERNANCE

General

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

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

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

Shareholder ministers

Under a dual shareholder model, federal government responsibility for Australia Post is exercised jointly by the communications and finance ministers. Since the change of government in November 2007 these positions have been held respectively by Senator the Hon. Stephen Conroy and the Hon. Lindsay Tanner MP. Before the federal election they were occupied by Senators the Hon. Helen Coonan and Nick Minchin.

The board

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

Non-executive directors are appointed by the Governor-General on the nomination of the Communications minister. Appointments are for up to five years, with reappointment permissible. Terms of appointment have generally been of three years' duration.

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

The managing director is appointed by the board.

Board membership during 2007/08 was:

> David Mortimer (Chairman)
> Mark Birrell (Deputy Chairman)
> Graeme John (Managing Director)
> Margaret Gibson
> Peter McLaughlin (retired 31 May 2008)
> Sandra McPhee
> Tom Phillips
> Ian Warner.

Profiles of each director and details of their relevant skills, experience and expertise are provided on pages 58–9 of this report.

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
- to ensure that Australia Post performs its functions in a manner that is proper, efficient and, as far as practicable, consistent with sound commercial practice.

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

Board committees

Two committees assist the board in the discharge of its responsibilities.

AUDIT & RISK COMMITTEE

The Audit & Risk Committee provides a forum for regular communication between the board and the corporation's external and internal auditors. The committee consists entirely of non-executive directors. Membership during 2007/08 was:

- Margaret Gibson (Chairman)
- Sandra McPhee
- David Mortimer
- Ian Warner.

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

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

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

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

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

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

Meeting attendance details for 2007/08 are provided in the table on page 57.

HUMAN RESOURCES COMMITTEE

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

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

Membership during 2007/08 was:

> Mark Birrell (Chairman)
> Graeme John
> Peter McLaughlin (retired 31 May 2008)
> Tom Phillips.

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

Meeting attendance details for 2007/08 are provided in the table on page 57.

Board performance

An externally facilitated board performance appraisal is undertaken on a biennial basis, focusing on board, board committee and individual director effectiveness. The most recent such review was in May/June 2007.

Director induction and education

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

Independent professional advice

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

Conflict of interest

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

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

Code of Ethics

Australia Post seeks to conduct its business with integrity, honesty and fairness and in compliance with all relevant laws, regulations, codes and corporate standards. The corporation's Code of Ethics sets out clearly the ethical standards expected of directors, employees, licensees and contractors in their dealings with customers, suppliers, the corporation and each other.

Any action or omission that contravenes the Code of Ethics constitutes misconduct and is subject to counselling or disciplinary action appropriate to the circumstances and seriousness of the behaviour. Disciplinary action may include dismissal.

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

A corporation-wide management ethics training program was launched in early 2008.

Director remuneration

Remuneration levels for Australia Post's non-executive directors are determined by the Commonwealth Remuneration Tribunal. For 2007/08 these were:

Chairman – $147,260
Deputy Chairman – $82,145
Directors – $73,640
Audit Committee Chairman – $17,010
Audit Committee Member – $8,505.

Details of individual amounts received in 2007/08 by each non-executive director are provided in Note 27 to the financial statements (page 104).

Remuneration levels for holders of part-time public offices (including Australia Post non-executive directors) were increased by the Remuneration Tribunal by 4.3 per cent, with effect from 1 July 2008.

Executive remuneration

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

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

Advice is sought on an annual basis from independent specialised remuneration consultants on:

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

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

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

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

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

and, for other senior executives, to:

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

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

Remuneration details for the managing director and other key executives are provided in Note 27 to the financial statements (page 104).

External audit

Under Section 8 of the CAC Act, the Auditor-General is responsible for auditing Australia Post's financial statements as well as those of 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 subject to annual endorsement by the Audit & Risk Committee, with the results, progress and performance regularly reviewed by both the committee and the external auditors.

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

Risk management

The board has established a comprehensive risk management policy framework covering all significant business risks and strategic considerations. The underpinning processes are consistent with the principles of the relevant Standard (AS/NZS 4360).

As part of the risk management framework all business units provide a presentation annually to an internal Risk Management Committee on their existing and emerging risks, associated mitigation strategies and progress against their implementation. The status of higher rated risks is reported to the board Audit & Risk Committee each quarter.

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

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

The ongoing effectiveness of the corporation's risk management framework is reviewed annually by the board. To ensure the maintenance of best practice, independent external reviews of risk management processes across the corporation are undertaken every four years. The next such review is due in late 2008.

Internal control framework

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

Before adopting the 2007/08 financial statements the board received written confirmation from the managing director and the chief finance officer that the integrity of the statements was founded on a sound system of risk management and internal compliance and control, and that all material risks had been managed effectively.

Treasury

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

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

Corporate security

The Corporate Security Group has responsibility for ensuring the integrity of the mail and the safety of Post's personnel and other assets. This specialist group maintains close internal working relationships with the legal, risk and audit areas, as well as externally with international, national, state and territory law enforcement services and agencies.

Trade practices

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

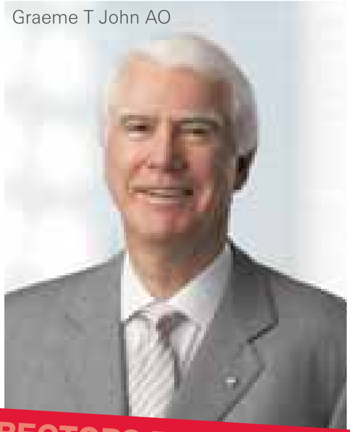
Privacy

The corporation also has a full-time chief privacy officer responsible for the maintenance of a national privacy compliance program. Detailed policies, processes and procedures are in place to safeguard customers' personal information and to foster a corporate culture that values privacy.

Directors' attendance at meetings – 2007/08

	BOARD		AUDIT & RISK COMMITTEE		HUMAN RESOURCES COMMITTEE	
	(a)	(b)	(a)	(b)	(a)	(b)
David Mortimer	10	10	5	5		
Mark Birrell	10	9			4	4
Graeme John	10	9			4	4
Margaret Gibson	10	6	5	3		
Peter McLaughlin	9	9			3	3
Sandra McPhee	10	10	5	5		
Tom Phillips	10	10			4	4
Ian Warner	10	10	5	5		

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



OF DIRECTORS BOARD OF DIRECTORS BOARD OF DIRECTORS BOARD OF DIRECTORS BOARD OF DIRECTORS BOARD OF DIR

BOARD OF DIRECTORS

David A Mortimer AO

BEcon (Hons), FCPA

Chairman (non-executive)

David Mortimer has extensive experience in the fields of banking, finance and transportation. Deputy chairman of Australia Post since June 2001, he was appointed chairman in September 2006 (current term expires in September 2009). Formerly the managing director and chief executive officer of TNT, Mr Mortimer is chairman of Crescent Capital Partners and Leighton Holdings. He is also a director of Petsec Energy and Macquarie Infrastructure Investment Management.

Mark Birrell

LLB, BEc, FAICD

Deputy Chairman (non-executive)

Mark Birrell is a company director with significant experience in public policy and the law. A member of the Australia Post board since August 2003, he was appointed deputy chairman in March 2007 (current term expires in March 2010). He was recently appointed by the Australian Government to the board of Infrastructure Australia. Mr Birrell is chairman of Evans & Peck Pty Ltd and a special counsel with Minter Ellison Lawyers, where he is leader of the infrastructure group. He serves as chairman of Infrastructure Partnerships Australia and as a director of the Victorian Employers' Chamber of Commerce & Industry.

Graeme T John AO

FCILT

Managing Director

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

Margaret Gibson

LLB (Hons), BCom, FCA, FTIA, FAICD

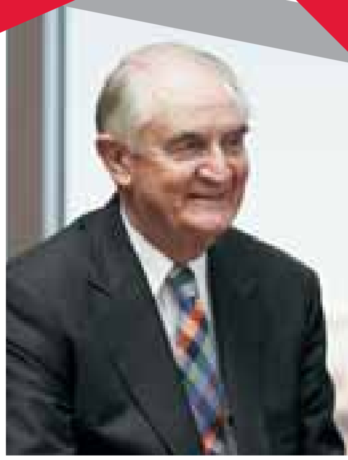
Director (non-executive)

Margaret Gibson is a retired partner of PricewaterhouseCoopers where she was a member of the Board of Partners. Ms Gibson was appointed to the Australia Post board in September 2004 (current term expires in September 2010). She is chairman of DLA Piper Phillips Fox, a director and chair of the Audit and Risk Committee of Airtrain Holdings Pty Ltd and director of the Northern Territory Power & Water Corporation. Ms Gibson is also a member of the Australia & New Zealand Corporate Advisory Board of Unisys (Australia) Pty Ltd and a councillor and the treasurer of the RSPCA (Queensland).


Peter A McLaughlin


Sandra V McPhee


Thomas R Phillips AM


Ian K Warner

Peter A McLaughlin
BCom (Hons)

Director (non-executive)

Peter McLaughlin has had a distinguished career as an economic adviser and human resources consultant. He was appointed to the Australia Post board in November 1997. Mr McLaughlin is a former executive vice-president Asia Pacific for the Empower Group and former executive director of the Business Council of Australia. He was also first assistant secretary of the departments of Prime Minister and Cabinet (1982–83) and Treasury (1983–86).

Mr McLaughlin retired from the board in May 2008.

Sandra V McPhee
DipEd, FAICD

Director (non-executive)

Sandra McPhee has extensive experience as a non-executive director and senior executive in the retail, tourism and aviation industries, most recently with Qantas Airways Limited. She was appointed to the Australia Post board in October 2001 (current term expires in April 2009). She is vice-president of the Art Gallery of New South Wales and a director of AGL Energy Ltd and St Vincent's & Mater Health. Ms McPhee's previous appointments include deputy chair South Australian Water, and director of the Coles Group Limited, Perpetual Limited and CARE Australia.

Thomas R Phillips AM
MBA (University of New England), FAICD

Director (non-executive)

Tom Phillips has had a successful career in the automotive industry. A former CEO of Mitsubishi Motors Australia, he was appointed to the Australia Post board in November 2005 (current term expires in November 2008). He is chairman of the South Australian Training and Skills Commission, Safework SA Authority, Archer Exploration Ltd and Uranium SA. Mr Phillips is a director of the Workcover Corporation and Intercast & Forge Pty Ltd. He is also a board member of the Flinders University Council and the Flinders Medical Centre Foundation.

Ian K Warner
RFD, LLM, FAICD

Director (non-executive)

Ian Warner is a distinguished legal practitioner with extensive commercial experience. He was appointed to the Australia Post board in June 2001 (current term expires in March 2009). Mr Warner is a former senior partner and currently senior consultant at Jackson McDonald Barristers and Solicitors. He is chairman of Rivaknar Properties (WA), deputy chairman of Amcom Telecommunications and a director of Cape Bouvard Investments.

Executive Committee

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

ORGANISATIONAL STRUCTURE

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

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

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

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

Mail & Networks Division	> **General Manager:** Jim Marshall > **Managers:** National Logistics (Acting) – Don Newman, Major Change – Peter McBride, Finance & Business Performance – Les Pradd, Human Resources – Peter Rogan, Business Planning – Mike Forster	> **State Mail & Networks Division Managers:** Terry Taylor (NSW/ACT), William Wilson (Qld), Gary Prior (SA/NT), Steve Ousley (Vic/Tas), Mike Owen (WA)
Commercial Division	> **General Manager:** Bill Mitchell > **Group Managers:** Retail Services – Rowan Howarth, Retail Channels & Infrastructure – Elizabeth Button, Financial Services – Andrew Wiseman, Commercial Services – David Eaton, Planning, Systems & Governance – Mark Crawford, Philatelic – Noel Leahy, Parcels – Chris Koo	> **State Commercial Managers:** Mark Warren (NSW/ACT), Helen Brodie (Qld), Bevan Adams (SA/NT), Peter Lavis (Vic/Tas), Jeff Healy (Acting) (WA) > Human Resources Manager – Peter Godfrey
Products & customised services	> **Letters Group Manager:** Allan Robinson > **International Group Manager:** Peter Morrison > **Post Logistics General Manager:** Alec Ceselli	> **Courier and Mailroom Services General Manager:** Geoff Cook > **First Direct Solutions General Manager:** Vicki Miller > **eLetter Solutions General Manager:** Frank Forgione
Finance	> **Chief Finance Officer:** Peter Meehan > **Group Financial Controller:** Michael Tenace > **Group Managers:** Finance, Commercial – Brian McCraith, Superannuation – Angus McKenzie, Revenue Protection – Peter Clarke, Financial Strategy & Sustainability – Alan Marshall, Taxation – Peter Dimech, Product & Commercial Analysis – Scott Cumbrae-Stewart, Shared Services General Manager – Arthur Skipitaris	> **Managers:** Treasury – Errol Dorfan, Finance, Corporate Infrastructure Services – Martin Lobb, Finance, Information Technology – Howard Tuxworth
Corporate Infrastructure Services	> **General Manager:** Mark Howard > **Legal Services Group:** Deputy Legal Counsels – Ronniet Milliken, Nick MacDonald, Scott Staunton	> **Group Managers:** Corporate Sourcing – Rob Loats, Corporate Real Estate – Adam Treffry, Human Resources – Anton Grodeck
Business Support	> **General Manager Corporate Development:** Terry Sinclair > **Human Resources Group Manager:** Rod McDonald > **Chief Information Officer:** Wayne Saunders > **Corporate Secretary:** Michael McCloskey > **Corporate Strategy Group Manager:** Shane Morris > **Corporate Public Affairs Group Manager:** Stephen Walter	> **Corporate Audit Group Manager:** David Mallard > **Corporate Security Group Manager:** John Sharp > **International Treaty & Policy Group Manager:** Chris Grosser

CONTENTS FINANCIAL AND STATUTORY REPORTS

UNDERSTANDING OUR REPORTS

Australia Post's 2007/08 financial report enables readers to assess the corporation's results for the year, its present financial position, its future outlook and the value of its assets. Comparable measures are provided for the previous year.

The Statements by Directors and the Auditor-General's Report are standard legal declarations that are required in all annual financial reports.

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

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

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

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

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

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

To gain a complete understanding of Australia Post's 2007/08 results, the financial report should be read in conjunction with the accompanying explanatory notes.

STATEMENTS BY DIRECTORS FOR THE YEAR ENDED 30 JUNE 2008

2007/08 FINANCIAL REPORT

In the opinion of the directors:

(a) the accompanying financial report for the year ended 30 June 2008:

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

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

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

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

D A Mortimer
Chairman

G T John
Managing Director

Melbourne
28 August 2008

2007/08 FINANCIAL REPORT CERTIFICATION

Prior to the adoption of the 2007/08 financial report the board received and considered a written statement from the managing director and chief finance officer to the effect:

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

D A Mortimer
Chairman

Melbourne
28 August 2008

2007/08 REPORT OF OPERATIONS

In the opinion of the directors, the requirements under Section 9 of the *Commonwealth Authorities and Companies Act 1997* for the preparation and content of the Report of Operations as specified in orders issued by the Minister for Finance and Administration are met in the general body of this report (pages 2–60) and in the Statutory Report (pages 128–134).

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

D A Mortimer
Chairman

Melbourne
28 August 2008

Auditor-General for Australia

Australian National Audit Office

INDEPENDENT AUDITOR'S REPORT

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

Scope

I have audited the accompanying financial statements of the Australian Postal Corporation (the Corporation) and the consolidated entity (the Group) for the year ended 30 June 2008, which comprise a statement by the directors; income statement; balance sheet; statement of recognised income and expenditure; cash flow statement; schedules of commitments, contingencies; notes to and forming part of the financial statements, including a summary of significant accounting policies.

The Responsibility of the Board of Directors for the Financial Statements

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

Auditor's Responsibility

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

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

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

accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Independence

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

Auditor's Opinion

In my opinion:

1. the financial statements of the Australian Postal Corporation and the consolidated entity:

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

   (b) give a true and fair view of the matters required by the Finance Minister's Orders including the Australian Postal Corporation and the consolidated entity's financial position as at 30 June 2008 and of its financial performance and its cash flows for the year then ended.

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

Report on Other Legal and Regulatory Requirements

I have not acted as auditor of, or audited the financial statements of subsidiaries as indicated in Note 10 of the financial statements.

Ian McPhee

Auditor-General

Canberra

28 August 2008

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	Consolidated 2008 $m	Consolidated 2007 $m	Corporation 2008 $m	Corporation 2007 $m
REVENUE	2, 26				
Goods and services		4,759.1	4,566.8	4,607.4	4,429.7
Interest		48.6	40.6	50.1	41.4
		4,807.7	4,607.4	4,657.5	4,471.1
OTHER INCOME					
Dividends		0.0	0.0	21.1	23.5
Rents		28.0	23.8	28.4	24.2
Other revenues and gains		101.2	47.2	100.3	46.4
		129.2	71.0	149.8	94.1
Total Income		4,936.9	4,678.4	4,807.3	4,565.2
EXPENSES (EXCLUDING FINANCING COSTS)	3				
Employees		2,044.2	1,998.6	1,978.6	1,935.2
Suppliers		2,041.9	1,904.5	1,951.8	1,836.2
Depreciation and amortisation		186.1	174.3	173.7	165.9
Net loss on disposal of property, plant & equipment		7.8	1.6	7.7	1.6
Net foreign exchange losses		2.8	3.1	2.4	3.0
Write-down and impairment of assets		12.6	0.8	13.4	0.7
Other expenses		31.0	34.3	28.1	33.0
Total Expenses (excluding financing costs)		4,326.4	4,117.2	4,155.7	3,975.6
Profit before income tax, financing costs and share of net profits of jointly controlled entities		610.5	561.2	651.6	589.6
Financing costs	4	40.6	32.2	40.3	31.9
Share of net profits of jointly controlled entities	11	22.3	32.7	0.0	0.0
Profit before income tax		592.2	561.7	611.3	557.7
Income tax expense	5 (c)	160.1	161.1	165.1	161.8
Net profit for period		432.1	400.6	446.2	395.9
(Profit)/loss attributable to minority interests		0.1	0.1	–	–
Profit attributable to members of parent		432.2	400.7	446.2	395.9

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

BALANCE SHEET AS AT 30 JUNE 2008

	Note	Consolidated 2008 $m	Consolidated 2007 $m	Corporation 2008 $m	Corporation 2007 $m
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	*31(a)*	710.2	765.0	703.0	755.1
Trade and other receivables	*6*	357.5	333.8	337.4	309.5
Inventories	*7*	49.2	46.5	49.2	46.5
Accrued revenues		129.2	96.7	129.1	98.8
Other current assets	*8*	61.3	53.8	59.4	51.7
Total current assets		**1,307.4**	**1,295.8**	**1,278.1**	**1,261.6**
NON-CURRENT ASSETS					
Trade and other receivables	*9*	228.8	227.6	244.0	248.9
Investments in controlled entities	*10*	0.0	0.0	80.6	77.8
Investments in jointly controlled entities	*11*	309.7	308.7	263.6	263.6
Superannuation asset	*12*	1,594.7	1,777.8	1,594.7	1,777.8
Land and buildings	*13*	777.0	773.1	772.7	768.3
Plant and equipment	*13*	534.2	534.2	520.0	518.5
Intangible assets	*14*	218.4	192.6	169.9	127.4
Investment property	*15*	238.4	127.1	241.3	130.0
Deferred income tax assets	*5 (d)*	264.5	249.6	259.8	245.8
Other non-current assets	*17*	3.9	4.0	3.8	3.9
Total non-current assets		**4,169.6**	**4,194.7**	**4,150.4**	**4,162.0**
Total assets		**5,477.0**	**5,490.5**	**5,428.5**	**5,423.6**
LIABILITIES					
CURRENT LIABILITIES					
Trade and other payables	*18*	804.0	769.7	785.0	746.6
Interest-bearing liabilities	*19*	301.0	0.8	300.0	0.0
Provisions	*20*	529.6	513.3	523.0	507.8
Income tax payable		38.8	56.8	38.6	56.5
Total current liabilities		**1,673.4**	**1,340.6**	**1,646.6**	**1,310.9**
NON-CURRENT LIABILITIES					
Interest-bearing liabilities	*19*	229.5	530.4	229.5	529.6
Provisions	*20*	167.2	165.5	164.0	162.1
Deferred tax liabilities	*5 (d)*	586.9	635.2	586.5	633.6
Other non-current liabilities	*21*	10.1	6.4	11.3	7.6
Total non-current liabilities		**993.7**	**1,337.5**	**991.3**	**1,332.9**
Total liabilities		**2,667.1**	**2,678.1**	**2,637.9**	**2,643.8**
Net assets		**2,809.9**	**2,812.4**	**2,790.6**	**2,779.8**
EQUITY					
Contributed equity	*22*	400.0	400.0	400.0	400.0
Reserves	*23*	4.5	4.6	4.5	5.4
Retained profits	*22*	2,405.2	2,407.5	2,386.1	2,374.4
Parent interest		**2,809.7**	**2,812.1**	**2,790.6**	**2,779.8**
Minority interest	*22*	**0.2**	**0.3**	**–**	**–**
Total equity		**2,809.9**	**2,812.4**	**2,790.6**	**2,779.8**

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

	Note	Consolidated 2008 $m	Consolidated 2007 $m	Corporation 2008 $m	Corporation 2007 $m
STATEMENT OF RECOGNISED INCOME AND EXPENSE					
Exchange differences on translation of foreign operations	*23*	0.5	(0.2)	0.0	0.0
Actuarial gain/(loss) on defined benefit plans	*12*	(183.1)	426.6	(183.1)	426.6
Fair value revaluation of land and buildings	*23*	0.0	6.8	0.0	6.8
Movement in hedging reserve	*23*	(1.3)	(1.9)	(1.3)	(1.9)
Income tax on items taken directly to or transferred directly from equity	*5 (b)*	55.3	(129.3)	55.3	(129.3)
Movements in joint venture reserves and actuarial gains and losses (net of tax)	*22*	0.3	1.8	0.0	0.0
Net income/(loss) recognised directly in equity		**(128.3)**	**303.8**	**(129.1)**	**302.2**
Net profit for period		**432.1**	**400.6**	**446.2**	**395.9**
Total recognised income and expense for the period		**303.8**	**704.4**	**317.1**	**698.1**
Attributable to:					
Equity holders of the parent		303.9	704.5	317.1	698.1
Minority interest		(0.1)	(0.1)	0.0	0.0
Total recognised income and expense for the period		**303.8**	**704.4**	**317.1**	**698.1**

Other movements in equity arising from transactions with owners as owners are set out in Note 22.

The above statement of recognised income and expense should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	Consolidated 2008 $m	Consolidated 2007 $m	Corporation 2008 $m	Corporation 2007 $m
OPERATING ACTIVITIES					
CASH RECEIVED					
Goods and services		5,174.8	5,030.6	5,013.0	4,886.1
Interest		48.4	39.5	49.9	40.3
Dividends		21.6	23.5	21.1	23.5
Total cash received		**5,244.8**	**5,093.6**	**5,084.0**	**4,949.9**
CASH USED					
Employees		2,020.7	1,978.0	1,955.9	1,916.1
Suppliers		2,258.7	2,078.1	2,158.9	2,002.7
Financing costs		36.6	32.3	36.2	32.1
Income tax		186.0	125.3	186.5	125.1
GST paid		215.6	208.2	212.7	206.0
Total cash used		**4,717.6**	**4,421.9**	**4,550.2**	**4,282.0**
Net cash from operating activities	*31(b)*	**527.2**	**671.7**	**533.8**	**667.9**
INVESTING ACTIVITIES					
CASH RECEIVED					
Proceeds from sales of property, plant and equipment		20.6	14.9	19.1	14.9
Total cash received		**20.6**	**14.9**	**19.1**	**14.9**
CASH USED					
Loans to related parties		1.2	0.0	12.1	7.9
Payments for investment property		0.3	4.0	0.3	4.0
Purchase of property, plant and equipment		210.5	205.2	207.5	195.6
Purchase of intangibles		84.3	74.5	78.8	71.1
Total cash used		**296.3**	**283.7**	**298.7**	**278.6**
Net cash used by investing activities		**(275.7)**	**(268.8)**	**(279.6)**	**(263.7)**
FINANCING ACTIVITIES					
CASH RECEIVED					
Proceeds from borrowings		0.0	230.0	0.0	230.0
Total cash received		0.0	230.0	0.0	230.0
CASH USED					
Repayment of borrowings		0.0	230.0	0.0	230.0
Dividends paid	*24*	306.3	279.4	306.3	279.4
Total cash used		**306.3**	**509.4**	**306.3**	**509.4**
Net cash used by financing activities		**(306.3)**	**(279.4)**	**(306.3)**	**(279.4)**
Net increase /(decrease) in cash and cash equivalents		**(54.8)**	**123.5**	**(52.1)**	**124.8**
Cash and cash equivalents at beginning of reporting period		765.0	641.5	755.1	630.3
Cash and cash equivalents at end of reporting period	*31(a)*	**710.2**	**765.0**	**703.0**	**755.1**

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

SCHEDULE OF COMMITMENTS

	Consolidated 2008 $m	Consolidated 2007 $m	Corporation 2008 $m	Corporation 2007 $m
BY TYPE				
Commitments receivable				
Sub-lease rental receivables	5.8	6.0	5.5	6.0
Total commitments receivable	**5.8**	**6.0**	**5.5**	**6.0**
Capital commitments				
Land and buildings	13.7	32.6	13.7	32.2
Plant and equipment	61.0	64.3	59.3	49.7
Other	0.7	0.1	0.7	0.1
Total capital commitments	**75.4**	**97.0**	**73.7**	**82.0**
Other commitments				
Operating leases (1)	969.9	765.7	487.4	269.9
Other commitments (2)	1,063.5	988.1	1,054.6	987.8
Total other commitments	**2,033.4**	**1,753.8**	**1,542.0**	**1,257.7**
Total commitments payable	**2,108.8**	**1,850.8**	**1,615.7**	**1,339.7**
Net commitments by type	**2,103.0**	**1,844.8**	**1,610.2**	**1,333.7**
BY MATURITY				
Commitments receivable				
Within one year	1.7	1.7	1.5	1.7
From one to five years	3.7	3.9	3.6	3.9
Over five years	0.4	0.4	0.4	0.4
Total commitments receivable by maturity	**5.8**	**6.0**	**5.5**	**6.0**
Capital commitments due				
Within one year	75.4	95.5	73.7	82.0
From one to five years	0.0	1.5	0.0	0.0
Total capital commitments	**75.4**	**97.0**	**73.7**	**82.0**
Operating lease commitments due				
Within one year	139.3	127.7	75.5	67.4
From one to five years	405.9	325.8	221.2	138.8
Over five years	424.7	312.2	190.7	63.7
Total operating lease commitments	**969.9**	**765.7**	**487.4**	**269.9**
Other commitments due				
Within one year	485.5	412.3	476.9	412.2
From one to five years	577.9	574.0	577.6	573.8
Over five years	0.1	1.8	0.1	1.8
Total other commitments	**1,063.5**	**988.1**	**1,054.6**	**987.8**
Total commitments payable by maturity	**2,108.8**	**1,850.8**	**1,615.7**	**1,339.7**
Net commitments by maturity	**2,103.0**	**1,844.8**	**1,610.2**	**1,333.7**

(1) Of these commitments, $378.3 million ($393.8 million in 2007) relates to jointly controlled entities.

(2) The majority of these commitments relate to carriage and delivery of letters and parcels by contractors. $8.3 million ($0.3 million in 2007) relates to jointly controlled entities.

SCHEDULE OF CONTINGENCIES

	Guarantees (1)		Claims for damages or other costs (2)		Total	
	2008 $m	2007 $m	2008 $m	2007 $m	2008 $m	2007 $m
CONSOLIDATED						
Balance from previous period	196.2	205.9	10.7	10.8	206.9	216.7
New	4.8	1.8	3.0	5.8	7.8	7.6
Re-measurement	(11.1)	(9.5)	(0.8)	(0.6)	(11.9)	(10.1)
Liabilities crystallised	–	–	(0.2)	(5.3)	(0.2)	(5.3)
Obligations expired	(3.9)	(2.0)	(6.8)	–	(10.7)	(2.0)
Total contingent liabilities	**186.0**	**196.2**	**5.9**	**10.7**	**191.9**	**206.9**
Balance from previous period	7.5	–	1.0	–	8.5	0.0
New	–	7.5	0.7	1.0	0.7	8.5
Re-measurement	–	–	0.1	–	0.1	0.0
Liabilities crystallised	–	–	(0.4)	–	(0.4)	0.0
Obligations expired	–	–	(0.5)	–	(0.5)	0.0
Total contingent assets	**7.5**	**7.5**	**0.9**	**1.0**	**8.4**	**8.5**
Net contingencies	**178.5**	**188.7**	**5.0**	**9.7**	**183.5**	**198.4**
CORPORATION						
Balance from previous period	157.2	166.4	10.7	10.8	167.9	177.2
New	–	–	3.0	5.8	3.0	5.8
Re-measurement	(10.4)	(9.2)	(1.4)	(0.6)	(11.8)	(9.8)
Liabilities crystallised	–	–	(0.2)	(5.3)	(0.2)	(5.3)
Obligations expired	–	–	(6.8)	0.0	(6.8)	0.0
Total contingent liabilities	**146.8**	**157.2**	**5.3**	**10.7**	**152.1**	**167.9**
Balance from previous period	7.5	–	1.0	–	8.5	0.0
New	–	7.5	–	1.0	0.0	8.5
Re-measurement	–	–	0.1	–	0.1	0.0
Liabilities crystallised	–	–	(0.4)	–	(0.4)	0.0
Obligations expired	–	–	(0.5)	–	(0.5)	0.0
Total contingent assets	**7.5**	**7.5**	**0.2**	**1.0**	**7.7**	**8.5**
Net contingencies	**139.3**	**149.7**	**5.1**	**9.7**	**144.4**	**159.4**

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

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

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 2007;
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that apply for the reporting period.

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

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

(b) Statement of compliance

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

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ending 30 June 2008. The standards are as set out in the following table.

Reference	Title	Nature of change to accounting policy	Application date of standard	Application date for group
AASB Interpretation 4 (Revised)	*Determining whether an Arrangement contains a Lease*	The revised Interpretation specifically scopes out arrangements that fall within the scope of AASB Interpretation 12. Refer to AASB Interpretation 12 and AASB 2007–2 below.	1 January 2008	1 July 2008
AASB Interpretation 12 and AASB 2007–2	*Service Concession Arrangements* and consequential amendments to other Australian Accounting Standards.	As the group currently has no service concession arrangements or public private partnerships (PPP), it is expected that this Interpretation and amendments will have no impact on the financial report.	1 January 2008	1 July 2008
AASB Interpretation 13	*Customer Loyalty Programmes*	The group does not have any customer loyalty programmes and as such this interpretation is not expected to have any impact on the group's financial report.	1 July 2008	1 July 2008
AASB Interpretation 14	AASB 119 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*	The group has a defined benefit pension plan; however, the amendments are not expected to have any impact on the group's financial report.	1 January 2008	1 July 2008
AASB Interpretation 129	*Service Concession Arrangements: Disclosures*	Refer to AASB Interpretation 12 and AASB 2007–2 above.	1 January 2008	1 July 2008
AASB Interpretation 1038 (Revised)	*Contributions by Owners Made to Wholly-Owned Public Sector Entities*	This Interpretation has been revised as a consequence of the revised AASB 1004, which largely relocates industry-based standards to topic-based standards for public sector entities.	1 July 2008	1 July 2008
AASB 8 and AASB 2007–3	*Operating Segments* and consequential amendments to other Australian Accounting Standards	AASB 8 is a disclosure standard, so will have no direct impact on the amounts included in the group's financial statements. The amendments are not expected to have any impact on the group's financial report.	1 January 2009	1 July 2009
AASB 123 (Revised) and AASB 2007–6	*Borrowing Costs* and consequential amendments to other Australian Accounting Standards	These amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised. The amendments are not expected to have any impact on the group's financial report.	1 January 2009	1 July 2009
AASB 101 (Revised) and AASB 2007–08	*Presentation of Financial Statements* and consequential amendments to other Australian Accounting Standards	These amendments are only expected to affect the presentation of the group's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report. The group has not determined at this stage whether to present a single statement of comprehensive income or two separate statements.	1 January 2009	1 July 2009
AASB 2008–2	Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation	These amendments are not expected to have any impact on the group's financial report as the group does not have on issue or expect to issue any puttable instruments as defined by the amendments.	1 January 2009	1 July 2009
AASB 3 (Revised)	*Business Combinations*	The group may enter into some business combinations during the next financial year and may therefore consider early adopting the revised standard. The impact of this standard is not currently considered material to the group.	1 July 2009	1 July 2009

Reference	Title	Nature of change to accounting policy	Application date of standard	Application date for Group
AASB 127 (Revised)	*Consolidated and Separate Financial Statements*	If the group changes its ownership interest in existing subsidiaries in the future, the change will be accounted for as an equity transaction. This will have no impact on goodwill, nor will it give rise to a gain or a loss in the group's income statement.	1 July 2009	1 July 2009
AASB 2008–3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	Refer to AASB 3 (Revised) and AASB 127 (Revised) above.	1 July 2009	1 July 2009
Amendments to International Financial Reporting Standards	*Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*	If the group enters into any group reorganisation establishing new parent entities, an assessment will need to be made to determine if the reorganisation meets the conditions imposed to be effectively accounted for on a "carry-over basis" rather than at fair value.	1 January 2009	1 July 2009
Amendments to International Financial Reporting Standards	Improvements to IFRSs	The group has not yet determined the extent of the impact of the amendments, if any.	1 January 2009 except for amendments to IFRS 5, which are effective from 1 July 2009	1 July 2009
IFRIC 16	*Hedges of a Net Investment in a Foreign Operation*	The Interpretation is unlikely to have any impact on the group.	1 January 2009	1 July 2009

Adoption of new accounting standard

The consolidated group has adopted AASB 7 *Financial Instruments: Disclosures* and all consequential amendments that became applicable on 1 January 2007. The adoption of this standard has only affected the disclosure in these financial statements. There has been no effect on profit and loss or the financial position of the entity.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the corporation and its subsidiaries as at 30 June each year (the 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. Investments in subsidiaries are carried at cost less any impairment losses. 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, 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 transferred to the group and cease to be consolidated from the date on which control is transferred out of the group.

(d) Significant accounting judgements, estimates and assumptions

(i) Significant accounting estimates and assumptions

In applying the group's accounting policies, management continually evaluates judgements, estimates and assumptions based on experiences and other factors, including expectations of future events that may have an impact on the group. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below.

Investment property

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

Impairment of goodwill and intangibles with indefinite useful lives

The group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are discussed in Note 16.

Make good provisions

Management have made assumptions in arriving at their best estimate of the likely costs to "make good" premises that 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.

Employee benefits

Various assumptions are required when determining the group's superannuation, long service leave, annual leave and workers' compensation obligations. Note 12 describes the assumptions used in calculating the group's superannuation obligation.

(ii) Significant accounting judgements

Investment property classification

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

Operating lease commitments – group as lessor

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

(e) Business combinations

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

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

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

(f) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

(i) Sale of goods and services

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

(ii) Interest income

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

(iii) Dividends

Revenue is recognised when the group's right to receive the payment is established. Dividends received from joint ventures are accounted for in accordance with the equity method of accounting.

(iv) Rental income

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

(g) Segment reporting

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

(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. They are not credited directly to shareholder's equity. When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

(i) Leases

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

(i) Group as a lessee

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

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

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Lease incentives are recognised in the income statement as an integral part of the total lease expense.

(ii) Group as a lessor

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

(j) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity of three months or less. For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any outstanding bank overdrafts.

(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. Individual debts that are known to be uncollectable are written off when identified. An impairment provision is recognised when there is objective evidence that the group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or outstanding debts more than 60 days overdue may be considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared with the present value of estimated future 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. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

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

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

(m) Derivative financial instruments and hedging

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

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

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

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

- fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability or unrecognised firm commitments;
- 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.

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

(i) Fair value hedges

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

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

(ii) 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 that is a firm commitment or a highly probable forecast transaction and that could affect profit or loss.

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

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

(n) Foreign currency translation

(i) Functional and presentation currency

Both the functional and presentation currency of the corporation and its Australian subsidiaries is Australian dollars ($). 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.

As at the reporting date the assets and liabilities of subsidiaries with a different functional currency to the Australian dollar are translated into the presentation currency of the corporation at the rate of exchange ruling at the balance sheet date and their income statements are translated at the weighted average exchange rate for the year. The exchange differences arising on the translation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

(ii) Transactions and balances

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

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

(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. 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. Goodwill relating to a jointly controlled entity is included in the carrying amount of the investment and is not amortised. After application of the equity method, the group determines whether it is necessary to recognise any additional impairment loss with respect to the group's net investment. The consolidated income statement reflects the group's share of the results of operations of the jointly controlled entity.

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

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

(p) Taxation

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

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

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

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

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

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

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

Tax consolidation legislation

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

(q) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except: when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and 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, are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(r) Acquisition of assets

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

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

(s) Property, plant and equipment

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

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

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

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

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

	2008	2007
Buildings – GPOs	70 years	70 years
Buildings – other facilities	40–50 years	40–50 years
Leasehold improvements	Lower of lease term and 10 years	Lower of lease term and 10 years
Motor vehicles	3–10 years	3–10 years
Specialised plant and equipment	10–20 years	10–20 years
Other plant and equipment	3–10 years	3–10 years

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

(t) Investment properties

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

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

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

For a transfer from investment property to owner-occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the group as an owner-occupied property becomes an investment property, the group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. When the group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

(u) Investments and other financial assets

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on classifying to other categories. When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable to transaction costs. Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

Recognition and derecognition

All regular way purchases and sales of financial assets are recognised on the trade date, i.e. the date on which the group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or been transferred.

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

Financial assets are classified as financial assets at fair value through profit or loss where the financial asset:

- has been acquired principally for the purpose of selling in the near future;
- is a part of an identified portfolio of financial instruments that is managed together and has a recent actual pattern of short-term profit taking; or
- is a derivative that is not designated and effective as a hedging instrument.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss.

(ii) Held-to-maturity investments

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

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iv) Available-for-sale investments

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

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

(v) Impairment of financial assets

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

(i) Financial assets carried at amortised cost

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

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

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

(ii) Available-for-sale investments

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

(w) Derecognition of financial assets and financial liabilities

(i) Financial assets

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

- the rights to receive cash flows from the asset have expired;
- the group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the group has transferred its rights to receive 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.

(ii) Financial liabilities

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

(x) Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

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

- Post Logistics Group
- Messenger Post
- the PrintSoft eLetter Group
- other.

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

Impairment losses recognised for goodwill are not subsequently reversed.

(y) Intangible assets

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

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

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

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

Research and development costs

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

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

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

(z) Impairment of non-financial assets (other than goodwill)

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

In such cases, the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future 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. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

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

(aa) Trade and other payables

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

(bb) Interest-bearing loans and liabilities

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised and through the amortisation process.

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) Financing costs

Financing costs are recognised as an expense when incurred.

(dd) Provisions (excluding employee benefits)

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

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date using a discounted cash flow methodology. The risks specific to the provision are factored in to the cash flows and as such a risk-free government bond rate relative to the expected life of the provision is used as a discount rate. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a financing cost.

(ee) Employee leave benefits

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

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

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

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

(ii) Long service leave

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

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

(iii) Workers' compensation

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

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

The corporation has recognised a liability for workers' compensation of $106.7 million at balance date (see Note 20) of which $4.8 million relates to claims made in the 2007/08 financial year (2006/07: $6.0 million).

(iv) Separation and redundancy

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

(ff) Pensions and other post-employment benefits

The group has a defined benefit plan. The cost of providing benefits under the defined benefit plans is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised in retained earnings.

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

(gg) Financial guarantees

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

- Probability of Default (PD) – This represents the likelihood of the guaranteed party defaulting over the terms of relevant agreements and is assessed based on historical default rates of companies rated by Standard & Poors. The range used in the model is between 0% and 5%.
- Loss Given Default (LGD) – This represents the proportion of the exposure that is not expected to be recovered in the event of a default by the guaranteed party. The range used in the model is between 0% and 50%.
- Exposure at Default (EAD) – This represents the maximum loss that the corporation would be exposed to if the guaranteed party were to default. The model assumes that the guaranteed loan/facility contract is at maximum possible exposure at the time of default and hence equates to the values disclosed in Note 18.

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

(hh) Contributed equity

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

(ii) Insurance

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

(jj) Contingent liabilities and contingent assets

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

(kk) Comparatives

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

2 REVENUES AND OTHER INCOME

	Consolidated 2008 $m	Consolidated 2007 $m	Corporation 2008 $m	Corporation 2007 $m
REVENUE				
Rendering of services to				
Related entities [1]	168.4	161.7	164.3	160.5
External entities [2]	4,213.6	4,068.3	4,096.0	3,940.2
	4,382.0	4,230.0	4,260.3	4,100.7
Sale of goods to external entities [2]	377.1	336.8	347.1	329.0
	4,759.1	4,566.8	4,607.4	4,429.7
Interest income calculated using the effective interest method from				
Cash on hand and promissory notes	38.2	30.3	37.6	29.8
Loans and receivables	10.4	10.3	12.5	11.6
	48.6	40.6	50.1	41.4
Total revenue	4,807.7	4,607.4	4,657.5	4,471.1
OTHER INCOME AND GAINS				
Dividends received or receivable from joint ventures	0.0	0.0	21.1	23.5
Rents from operating leases	28.0	23.8	28.4	24.2
Other revenues and gains				
Other services				
Related entities (government grants) [1]	4.3	4.5	4.3	4.5
External entities [2]	22.5	20.8	22.4	19.6
	26.8	25.3	26.7	24.1
Net gain on disposal of assets				
Land and buildings	10.0	3.7	9.2	3.7
Change in fair value of investment properties	64.4	18.2	64.4	18.6
Total other revenues and gains	101.2	47.2	100.3	46.4
Total other income and gains	129.2	71.0	149.8	94.1
Total income	4,936.9	4,678.4	4,807.3	4,565.2

(1) Related entities – related to the Commonwealth Government.

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

	Consolidated		Corporation	
	2008 $m	2007 $m	2008 $m	2007 $m
3 EXPENSES (excluding financing costs)				
EMPLOYEES				
Wages and salaries	1,653.8	1,566.8	1,602.0	1,518.8
Superannuation (defined benefit expense)	34.7	73.4	34.7	73.4
Payroll tax	103.9	101.5	100.6	98.0
Leave and other entitlements	192.6	188.6	188.6	184.2
Separation and redundancy	15.0	17.3	14.1	17.1
Workers' compensation	15.3	22.8	14.5	21.6
Other employee expenses	28.9	28.2	24.1	22.1
	2,044.2	**1,998.6**	**1,978.6**	**1,935.2**
SUPPLIERS				
Purchase of services from				
External entities [1]	1,689.4	1,603.7	1,639.4	1,551.3
	1,689.4	1,603.7	1,639.4	1,551.3
Cost of sales – goods purchased from external entities [1]	236.8	193.4	215.1	192.3
Operating lease rentals (see Note 30 (i))	115.7	107.4	97.3	92.6
	2,041.9	**1,904.5**	**1,951.8**	**1,836.2**
DEPRECIATION AND AMORTISATION				
Depreciation				
Buildings	47.4	47.4	47.1	47.0
Plant and equipment	86.3	79.4	82.4	74.9
Plant and equipment under finance lease	8.9	9.4	8.9	9.4
Amortisation				
Computer software	35.9	35.2	35.3	34.6
Other intangibles	7.6	2.9	0.0	0.0
	186.1	**174.3**	**173.7**	**165.9**
NET LOSS ON DISPOSAL OF ASSETS				
Plant and equipment	6.9	1.3	6.8	1.3
Intangibles	0.9	0.3	0.9	0.3
	7.8	**1.6**	**7.7**	**1.6**
NET FOREIGN EXCHANGE LOSSES – NON-SPECULATIVE	**2.8**	**3.1**	**2.4**	**3.0**
WRITE-DOWN/(BENEFIT) AND IMPAIRMENT OF ASSETS				
Inventory	0.2	(0.2)	0.2	(0.2)
Financial				
Receivables	0.4	1.0	1.2	0.9
Investments	0.0	0.0	12.0	0.0
Goodwill	12.0	0.0	0.0	0.0
	12.6	**0.8**	**13.4**	**0.7**
OTHER EXPENSES	**31.0**	**34.3**	**28.1**	**33.0**
Total expenses	**4,326.4**	**4,117.2**	**4,155.7**	**3,975.6**

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

	Consolidated		Corporation	
	2008 $m	2007 $m	2008 $m	2007 $m

4 FINANCING COSTS

	2008 $m	2007 $m	2008 $m	2007 $m
Interest expense – bonds (1)	32.4	31.1	32.4	31.1
Interest expense – interest rate swaps (1)	5.6	1.7	5.6	1.7
Interest expense – other (1)	0.6	0.5	0.4	0.3
Loss arising on interest rate swaps in a designated fair value hedge relationship	5.3	6.6	5.3	6.6
Gain on adjustment to hedged item in a designated fair value hedge relationship	(5.4)	(8.3)	(5.4)	(8.3)
Unwinding of discount (see Note 20)	2.1	0.6	2.0	0.5
Total financing costs	**40.6**	**32.2**	**40.3**	**31.9**

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

5 INCOME TAX

Major components of income tax expense for the years ended 30 June 2008 and 2007 are:

(a) Income statement

	2008 $m	2007 $m	2008 $m	2007 $m
CURRENT INCOME TAX				
Current income tax charge	168.1	165.7	170.5	165.0
Adjustments in respect of current income tax of previous years	(0.1)	0.4	0.4	0.0
DEFERRED INCOME TAX				
Relating to origination and reversal of temporary differences	(7.9)	(5.0)	(5.8)	(3.2)
Income tax expense reported in the income statement	160.1	161.1	165.1	161.8

(b) Statement of recognised income and expense

	2008 $m	2007 $m	2008 $m	2007 $m
DEFERRED INCOME TAX RELATED TO ITEMS CHARGED OR CREDITED DIRECTLY TO EQUITY				
Net loss on revaluation of cash flow hedges	(0.4)	(0.6)	(0.4)	(0.6)
Net gain on revaluation of land and buildings	0.0	2.0	0.0	2.0
Net gain/(loss) on actuarial gains/losses	(54.9)	127.9	(54.9)	127.9
Income tax expense reported in equity	(55.3)	129.3	(55.3)	129.3

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

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

	2008 $m	2007 $m	2008 $m	2007 $m
Accounting profit before income tax from continuing operations	592.2	561.7	611.3	557.7
Accounting profit before income tax	592.2	561.7	611.3	557.7
At the group's statutory income tax rate of 30% (2007: 30%)	177.7	168.5	183.4	167.3
Adjustments in respect of current income tax of previous years	(0.1)	0.4	0.4	0.0
Investment property	(14.2)	(1.4)	(14.2)	(1.4)
Unrecognised tax losses	1.3	0.5	0.0	0.0
Expenditure not allowable for income tax purposes	0.9	1.1	1.2	1.1
Write-down and impairment not allowable for income tax purposes	3.6	0.0	3.6	0.0
Share of net profits of jointly controlled entities	(6.7)	(9.8)	0.0	0.0
Dividend rebate	0.0	0.0	(6.2)	(6.9)
Sundry items	(2.4)	1.8	(3.1)	1.7
At effective income tax rate of 27% (Corp: 27%) (2007: 28.7%, Corp: 29.0%)	160.1	161.1	165.1	161.8
Income tax expense reported in income statement	160.1	161.1	165.1	161.8

5 INCOME TAX (CONT.)

(d) Recognised deferred income tax

Deferred income tax at 30 June relates to the following:

	Balance sheet		Income statement	
	2008 $m	2007 $m	2008 $m	2007 $m
CONSOLIDATED				
(i) Deferred income tax liabilities				
Accelerated depreciation for tax purposes	(40.6)	(35.5)	5.1	4.0
Superannuation asset	(478.4)	(533.3)	0.0	0.0
Sydney GPO lease receivable	(31.0)	(31.2)	(0.2)	0.0
International income	(33.6)	(30.8)	2.8	(2.1)
Net gain on revaluation of cash flow hedges	0.0	(0.2)	0.0	0.0
Fair value adjustments on acquisition	0.0	(1.8)	(1.8)	(0.4)
Sundry	(3.3)	(2.4)	0.9	(0.4)
Gross deferred income tax liabilities	**(586.9)**	**(635.2)**	**6.8**	**1.1**
(ii) Deferred income tax assets				
Provisions	198.1	193.6	(4.5)	(6.6)
Capital losses available for offset against future taxable income	7.0	6.9	(0.1)	0.6
Sydney GPO refurbishment	5.7	6.0	0.3	0.2
International expenditure	30.2	23.7	(6.5)	(1.0)
Government grant	3.4	4.2	0.8	0.3
Make good	14.4	13.5	(0.9)	0.9
Net loss on revaluation of cash flow hedges	0.2	0.0	0.0	0.0
Sundry	5.5	1.7	(3.8)	(0.5)
Gross deferred income tax assets	**264.5**	**249.6**	**(14.7)**	**(6.1)**
Deferred income tax benefit/(expense)			**(7.9)**	**(5.0)**
CORPORATION				
(i) Deferred income tax liabilities				
Accelerated depreciation for tax purposes	(40.5)	(35.8)	4.7	4.4
Superannuation asset	(478.4)	(533.3)	0.0	0.0
Sydney GPO lease receivable	(31.0)	(31.2)	(0.2)	0.0
International income	(33.6)	(30.8)	2.8	(2.1)
Net gain on revaluation of cash flow hedges	0.0	(0.2)	0.0	0.0
Sundry	(3.0)	(2.3)	0.7	(0.1)
Gross deferred income tax liabilities	**(586.5)**	**(633.6)**	**8.0**	**2.2**
(ii) Deferred income tax assets				
Provisions	195.0	190.9	(4.1)	(5.3)
Capital losses available for offset against future taxable income	7.0	6.9	(0.1)	0.6
Sydney GPO refurbishment	5.7	6.0	0.3	0.2
International expenditure	30.2	23.7	(6.5)	(1.0)
Government grant	3.4	4.2	0.8	0.3
Make good	13.9	13.0	(0.9)	0.8
Net loss on revaluation of cash flow hedges	0.2	0.0	0.0	0.0
Sundry	4.4	1.1	(3.3)	(1.0)
Gross deferred income tax assets	**259.8**	**245.8**	**(13.8)**	**(5.4)**
Deferred income tax benefit/(expense)			**(5.8)**	**(3.2)**

5 INCOME TAX (CONT.)

(e) Unrecognised temporary differences

At 30 June 2008, there is $nil recognised or unrecognised deferred income tax liability (2007: $nil) for taxes that would be payable on the unremitted earnings of certain of the group's subsidiaries, associate or joint venture, as the group has no liability for additional taxation should such amounts be remitted.

(f) Tax consolidation

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

Tax effect accounting by members of the tax consolidated group

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

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

All tax-related contingencies are included in the Schedule of Contingencies on page 71.

	Consolidated		Corporation	
	2008 $m	2007 $m	2008 $m	2007 $m

6 CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	2008 $m	2007 $m	2008 $m	2007 $m
Goods and services receivable [(1)]	338.6	314.6	319.2	288.6
Allowance for doubtful debts	(4.5)	(4.8)	(3.5)	(4.1)
	334.1	**309.8**	**315.7**	**284.5**
Finance lease receivable (see Note 30 (ii))	6.5	6.5	6.5	6.5
Interest receivable	2.4	2.2	2.4	2.2
Trade receivables from controlled and jointly controlled entities (see Note 28)	1.7	2.9	1.7	4.8
Other receivables [(2)]	12.8	12.4	11.1	11.5
Total current assets	**357.5**	**333.8**	**337.4**	**309.5**
Receivables not impaired are aged as follows				
Not past due	314.9	311.3	305.8	298.2
Past due less than 30 days	19.4	15.4	12.6	6.8
Past due 30–60 days	5.5	1.8	4.1	1.2
Past due 61–90 days	4.3	1.1	3.8	0.6
Past due more than 90 days	13.4	4.2	11.1	2.7
	357.5	**333.8**	**337.4**	**309.5**
Receivables individually determined to be impaired are aged as follows				
Not past due	0.3	0.3	0.3	0.3
Past due less than 30 days	0.0	0.0	0.0	0.0
Past due 30–60 days	0.0	0.1	0.0	0.1
Past due 61–90 days	0.1	0.0	0.1	0.0
Past due more than 90 days	4.1	4.4	3.1	3.7
	4.5	**4.8**	**3.5**	**4.1**
Movements in the allowance for doubtful debts during the financial year are set out below				
Balance at 1 July	4.8	4.7	4.1	3.5
Increase/(decrease) in allowance recognised in profit or loss	(0.3)	0.1	(0.6)	0.6
Balance at 30 June	**4.5**	**4.8**	**3.5**	**4.1**

(1) Denominated in Australian dollars, are interest-free, and are on settlement terms of between 10 and 30 days.

(2) Receivables are interest-free with various maturities.

7 CURRENT ASSETS – INVENTORIES (HELD FOR SALE)

	2008 $m	2007 $m	2008 $m	2007 $m
Raw materials (at net realisable value)	1.1	0.6	1.1	0.6
Work in progress (at cost)	0.8	0.8	0.8	0.8
Finished goods (at net realisable value)	47.3	45.1	47.3	45.1
Total current inventories at lower of cost and net realisable value	**49.2**	**46.5**	**49.2**	**46.5**

Inventory write-down expense recognised totalled $0.2 million (2007: $0.2 million benefit) for the group and $0.2 million (2007: $0.2 million benefit) for the corporation. This expense (2007: benefit) is included in the cost of sales line item as a cost of inventories. See Note 3.

8 OTHER CURRENT ASSETS

	2008 $m	2007 $m	2008 $m	2007 $m
Prepayments	61.3	52.9	59.4	50.8
Commodity swap contracts	0.0	0.9	0.0	0.9
Total other current assets	**61.3**	**53.8**	**59.4**	**51.7**

	Consolidated		Corporation	
	2008 $m	2007 $m	2008 $m	2007 $m

9 NON-CURRENT ASSETS – TRADE AND OTHER RECEIVABLES (1)

	Consolidated 2008 $m	Consolidated 2007 $m	Corporation 2008 $m	Corporation 2007 $m
Loans to controlled and jointly controlled entities (see Note 28) (2)	130.3	129.0	146.0	150.3
Finance lease receivable (see Note 30 (ii))	97.0	97.6	97.0	97.6
Other receivables	1.5	1.0	1.0	1.0
Total non-current assets	**228.8**	**227.6**	**244.0**	**248.9**

(1) The corporation's loans to controlled entities include $0.6 million (2007: $nil) that are past due by four months but not impaired. There are no other (2007: $nil) non-current trade or other receivables that are past due or impaired.

(2) The corporation's loans to controlled entities include $16.1 million (2007: $14.9 million) whose terms have been renegotiated that would otherwise be past due. The terms of loan agreements with controlled entities are reviewed and updated prior to expiry or on an as needs basis to ensure that they are appropriate in light of the current financial position of the controlled entity.

10 INVESTMENTS IN CONTROLLED ENTITIES

			Australian Postal Corporation investment amount		% of equity held by immediate parent	
	Note	Country of Incorporation	2008 $m	2007 $m	2008 %	2007 %
Sprintpak Pty Ltd	*(1)*	Australia	**1.0**	1.0	**100.0**	100.0
Postcorp Developments Pty Ltd	*(1)*	Australia	**0.1**	0.1	**100.0**	100.0
Geospend Pty Ltd	*(1)*	Australia	**1.2**	1.2	**100.0**	100.0
corProcure Pty Ltd	*(1)*	Australia	**0.1**	0.1	**100.0**	100.0
Post Fulfilment Online Pty Ltd	*(2)*	Australia	**–**	–	**100.0**	100.0
SnapX Pty Ltd	*(1)*	Australia	**8.6**	8.6	**100.0**	100.0
Decipha Pty Ltd	*(2)*	Australia	**2.4**	1.9	**100.0**	100.0
AP International Holdings Pty Ltd	*(1)*	Australia	**4.0**	4.0	**100.0**	100.0
PostLogistics Pte Ltd	*(3)*	Hong Kong	**–**	–	**100.0**	100.0
Australia Post Transaction Services Pty Ltd	*(1)*	Australia	**–**	–	**100.0**	100.0
Post Logistics Australasia Pty Ltd	*(2)(4)*	Australia	**33.1**	47.2	**100.0**	100.0
Lakewood Logistics Pty Ltd	*(1)*	Australia	**–**	–	**75.0**	75.0
Chainlink Computer Systems Pty Ltd	*(1)*	Australia	**–**	–	**60.0**	60.0
Printsoft Holdings Pty Ltd	*(2)(5)*	Australia	**30.1**	13.7	**100.0**	100.0
Printsoft Development Pty Ltd	*(2)*	Australia	**–**	–	**100.0**	100.0
Printsoft Products Pty Ltd	*(2)*	Australia	**–**	–	**100.0**	100.0
Printsoft Americas, Inc	*(3)*	USA	**–**	–	**100.0**	100.0
Printsoft Systems Ltd	*(3)*	UK	**–**	–	**100.0**	100.0
PrintSoft Solutions Ltd	*(3)*	UK	**–**	–	**100.0**	100.0
Prinsoft Services Ltd	*(3)*	UK	**–**	–	**100.0**	100.0
Program Products SA	*(3)*	France	**–**	–	**100.0**	100.0
Printsoft Systems GmbH	*(3)*	Germany	**–**	–	**100.0**	100.0
Printsoft Slovenska Republic S.R.O	*(3)*	Slovak Republic	**–**	–	**68.0**	68.0
Printsoft Ceska Republic S.R.O	*(3)*	Czech Republic	**–**	–	**72.0**	72.0
Printsoft Italia SRL	*(3)*	Italy	**–**	–	**100.0**	100.0
Investments in controlled entities			**80.6**	**77.8**		

(1) These entities are incorporated in Australia and are small proprietary companies that have not been audited as they are not required to prepare and lodge audited financial statements with the Australian Securities and Investments Commission (ASIC).

(2) These entities are incorporated in Australia and are large proprietary companies required to lodge audited financial statements with ASIC.

(3) These entities are not audited by the Australian National Audit Office.

(4) The movement comprises a $12m reduction associated with an impairment (see Note 16) and a $2.1m reduction due to the settlement of contingent consideration.

(5) During the year ended 30 June 2008 the corporation converted a loan receivable of $16.4m to equity.

11 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	Consolidated		Corporation	
	2008 $m	2007 $m	2008 $m	2007 $m
CARRYING AMOUNTS OF INVESTMENTS				
Balance at the beginning of the financial year	308.7	297.7	263.6	263.6
Share of profits for the year	22.3	32.7	0.0	0.0
Actuarial gain on defined benefit plans	0.0	2.6	0.0	0.0
Share of foreign currency translation reserve	(0.0)	(0.2)	0.0	0.0
Share of hedging reserve	0.3	(0.6)	0.0	0.0
Dividends received/receivable	(21.6)	(23.5)	0.0	0.0
Balance at the end of the financial year	**309.7**	**308.7**	**263.6**	**263.6**

				Ownership Interest	
Name	Principal Activity	Country of Incorporation	Balance Date	2008 %	2007 %
Australian air Express Pty Ltd – ordinary shares	Express air freight	Australia	30 June	50.0	50.0
iPrint Corporate Pty Ltd – ordinary shares	Printing services	Australia	30 June	50.0	50.0
Star Track Express Holdings Pty Ltd – ordinary shares	Express freight	Australia	30 June	50.0	50.0
Sai Cheng Logistics International Company Limited – ordinary shares (2)	International 4PL logistics services	China	31 Dec	49.0	49.0
Multi Media Logistics Pty Ltd – ordinary shares (1)	Logistics services	Australia	30 June	50.0	50.0
Wetherill Park Partnership	Warehousing facilities	Australia	30 June	50.0	50.0

(1) This investment is held by the corporation's 100% owned subsidiary Post Logistics Australasia Pty Ltd.

(2) This investment is held by the corporation's 100% owned subsidiary AP International Holdings Pty Ltd.

11 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES (CONT.)

	Consolidated 2008 $m	Consolidated 2007 $m
SHARE OF JOINTLY CONTROLLED ENTITIES' PROFITS		
Revenues	657.5	611.6
Expenses	(626.4)	(564.9)
Net profits before income tax	31.1	46.7
Income tax expense	(8.8)	(14.0)
Net profits after income tax	**22.3**	**32.7**
SHARE OF ASSETS AND LIABILITIES		
Current assets	93.1	88.7
Non-current assets	454.0	434.1
Total assets	547.1	522.8
Current liabilities	(77.4)	(67.2)
Non-current liabilities	(160.0)	(146.9)
Total liabilities	(237.4)	(214.1)
Net assets	**309.7**	**308.7**
RETAINED PROFITS OF THE CONSOLIDATED ENTITY ATTRIBUTABLE TO JOINTLY CONTROLLED ENTITIES		
Balance at the beginning of the financial year	41.8	30.0
Share of profits for the year	22.3	32.7
Actuarial gains	0.0	2.6
Dividends received/receivable	(21.6)	(23.5)
Balance at the end of the financial year	**42.5**	**41.8**

The group's investments in the above-mentioned jointly controlled entities were not impaired during the year (2007: $nil).

The consolidated entity's share of the jointly controlled entities' commitments and contingent liabilities are included in the Schedule of Commitments and the Schedule of Contingencies respectively (pages 70 and 71).

12 SUPERANNUATION

(i) *Superannuation plan*

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

(ii) *Amount recognised in the income statement*

	Consolidated	
	2008 $m	2007 $m
Current service cost	187.8	191.5
Interest cost on benefit obligation	329.0	279.8
Expected return on plan assets	(496.8)	(418.5)
Plan expenses	11.2	11.3
Contributions tax reserve	3.5	9.3
Net superannuation expense	34.7	73.4

(iii) *Amount recognised in the balance sheet*

	Consolidated			
	2008 $m	2007 $m	2006 $m	2005 $m
Present value of benefit obligation (wholly funded)	(5,333.3)	(5,003.4)	(4,544.9)	(4,171.0)
Fair value of plan assets	6,688.8	6,514.5	5,693.4	4,922.1
Contribution tax reserve	239.2	266.7	202.8	132.5
Net superannuation asset – non-current [1]	1,594.7	1,777.8	1,351.3	883.6

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

(iv) *Reconciliations*

	2008 $m	2007 $m
Changes in the present value of the defined benefit obligation is as follows		
Opening defined benefit obligation at 1 July	5,003.4	4,544.9
Interest cost	329.0	279.8
Current service cost	187.8	191.5
Benefits paid	(290.0)	(256.4)
Member contributions	65.5	59.1
Actuarial losses on obligation	37.6	184.5
Closing defined benefit obligation at 30 June	5,333.3	5,003.4
Changes in the fair value of the plan assets is as follows		
Opening fair value of plan assets at 1 July	6,514.5	5,693.4
Expected return	496.8	418.5
Contributions by employer	34.7	73.4
Member contributions	65.5	59.1
Benefits paid	(290.0)	(256.4)
Actuarial gains/(losses)	(118.0)	547.1
Plan expenses	(11.2)	(11.3)
Contribution tax	(3.5)	(9.3)
Fair value of plan assets at 30 June	6,688.8	6,514.5

12 SUPERANNUATION (CONT.)

(v) *Categories of plan assets*

	Consolidated	
	2008 (%) (1)	2007 (%)
The major categories of plan assets as a percentage of the fair value of total plan assets are as follows.		
Public Market Equities	11%	19%
Public Market Debt	15%	25%
Cash (2)	12%	–
Real Estate	31%	29%
Other	31%	27%

(1) Within the Real Estate and Other categories included in the 2008 year above, approximately 9% of the assets were valued at or prior to 31 December 2007, 67% were valued between 31 March and 30 June 2008, 22% were valued at 30 June 2008 and 2% were valued at cost. All Public Market Equities and Debt were valued at 30 June 2008.

(2) As at 1 July 2007 the APSS made available a cash alternative to its members.

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 PostShops.

(vi) *Actual return on plan assets*

	2008 $m	2007 $m
Actual return on plan assets	389.8	1,065.0

(vii) *Cumulative actuarial gains and losses*

Actuarial (gains)/losses recognised in the year in the statement of recognised income and expense	155.6	(362.6)
Contributions tax	27.5	(64.0)
	183.1	(426.6)
Cumulative actuarial gains recognised in the statement of recognised income and expense	(721.0)	(904.1)

(viii) *Experience adjustments*

	Consolidated			
	2008 $m	2007 $m	2006 $m	2005 $m
Experience adjustments on plan liabilities	(68.7)	(308.8)	(240.0)	(171.2)
Experience adjustments on plan assets	(118.0)	547.1	521.7	312.7

(ix) *Actuarial assumptions*

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

	Consolidated	
	2008 %	2007 %
Discount rate after tax	5.5	5.3
Expected after tax rate of return on assets	8.0	7.8
Future salary increases	5.0	5.0

(x) *Superannuation Act 1976*

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

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

13 ANALYSIS OF PROPERTY, PLANT & EQUIPMENT

	Land $m	Buildings $m	Total Land & Buildings $m	Plant & Equipment $m	Total $m
Consolidated					
Reconciliation of the opening and closing balances of property, plant & equipment					
Gross book value	190.1	911.5	1,101.6	1,191.0	2,292.6
Accumulated depreciation	0.0	(361.7)	(361.7)	(678.6)	(1,040.3)
Net book value at 30 June 2006 (1)	**190.1**	**549.8**	**739.9**	**512.4**	**1,252.3**
Additions	26.6	58.0	84.6	120.6	205.2
Depreciation	0.0	(47.4)	(47.4)	(88.8)	(136.2)
Disposals	(0.1)	(0.9)	(1.0)	(9.5)	(10.5)
Net revaluation increment	6.8	0.0	6.8	0.0	6.8
Transfers to intangibles	0.0	0.0	0.0	(0.5)	(0.5)
Transfers to investment properties	(9.8)	0.0	(9.8)	0.0	(9.8)
Gross book value	213.6	950.4	1,164.0	1,252.0	2,416.0
Accumulated depreciation	0.0	(390.9)	(390.9)	(717.8)	(1,108.7)
Net book value at 30 June 2007 (1)	**213.6**	**559.5**	**773.1**	**534.2**	**1,307.3**
Additions	10.0	91.7	101.7	108.8	210.5
Depreciation	0.0	(47.4)	(47.4)	(95.2)	(142.6)
Disposals	(0.5)	(2.1)	(2.6)	(13.3)	(15.9)
Transfers to intangibles	0.0	0.0	0.0	(0.3)	(0.3)
Transfers to investment property	(5.4)	(42.4)	(47.8)	0.0	(47.8)
Gross book value	217.7	988.8	1,206.5	1,310.2	2,516.7
Accumulated depreciation	0.0	(429.5)	(429.5)	(776.0)	(1,205.5)
Net book value at 30 June 2008 (1)	**217.7**	**559.3**	**777.0**	**534.2**	**1,311.2**

(1) Were the entity to apply the fair value methodology, the net book value of land and buildings would be $1,579.5 million ($1,480.4 million in 2007).

	Land $m	Buildings $m	Total Land & Buildings $m	Plant & Equipment $m	Total $m
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 2006	0.0	0.0	0.0	77.0	77.0
Depreciation	0.0	0.0	0.0	(9.4)	(9.4)
As at 30 June 2007	0.0	0.0	0.0	67.6	67.6
Depreciation	0.0	0.0	0.0	(8.9)	(8.9)
As at 30 June 2008	0.0	0.0	**0.0**	**58.7**	**58.7**

13 ANALYSIS OF PROPERTY, PLANT & EQUIPMENT (CONT.)

	Land $m	Buildings $m	Total Land & Buildings $m	Plant & Equipment $m	Total $m
Corporation					
Reconciliation of the opening and closing balances of property, plant & equipment					
Gross book value	190.1	910.2	1,100.3	1,169.6	2,269.9
Accumulated depreciation	0.0	(361.8)	(361.8)	(669.6)	(1,031.4)
Net book value at 30 June 2006 (1)	190.1	548.4	738.5	500.0	1,238.5
Additions	26.6	56.7	83.3	112.3	195.6
Depreciation	0.0	(47.0)	(47.0)	(84.3)	(131.3)
Disposals	(0.1)	(0.9)	(1.0)	(9.5)	(10.5)
Net revaluation increment	6.8	0.0	6.8	0.0	6.8
Transfers to investment properties	(12.3)	0.0	(12.3)	0.0	(12.3)
Gross book value	211.1	947.8	1,158.9	1,222.8	2,381.7
Accumulated depreciation	0.0	(390.6)	(390.6)	(704.3)	(1,094.9)
Net book value at 30 June 2007 (1)	211.1	557.2	768.3	518.5	1,286.8
Additions	10.0	91.6	101.6	105.9	207.5
Depreciation	0.0	(47.1)	(47.1)	(91.3)	(138.4)
Disposals	(0.5)	(1.8)	(2.3)	(13.1)	(15.4)
Transfers to investment properties	(5.4)	(42.4)	(47.8)	0.0	(47.8)
Gross book value	215.2	986.5	1,201.7	1,278.6	2,480.3
Accumulated depreciation	0.0	(429.0)	(429.0)	(758.6)	(1,187.6)
Net book value at 30 June 2008 (1)	215.2	557.5	772.7	520.0	1,292.7

(1) Were the entity to apply the fair value methodology, the net book value of land and buildings would be $1,575.2 million ($1,475.6 million in 2007).

	Land $m	Buildings $m	Total Land & Buildings $m	Plant & Equipment $m	Total $m
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 2006	0.0	0.0	0.0	77.0	77.0
Depreciation	0.0	0.0	0.0	(9.4)	(9.4)
As at 30 June 2007	0.0	0.0	0.0	67.6	67.6
Depreciation	0.0	0.0	0.0	(8.9)	(8.9)
As at 30 June 2008	0.0	0.0	0.0	58.7	58.7

14 ANALYSIS OF INTANGIBLES

	Computer software $m	Goodwill $m	Other intangibles $m	Total intangibles $m
Consolidated				
Reconciliation of the opening and closing balances of intangibles				
Gross book value	509.6	56.6	12.1	578.3
Accumulated amortisation	(419.5)	0.0	(2.8)	(422.3)
Net book value as at 30 June 2006	**90.1**	**56.6**	**9.3**	**156.0**
Additions by purchase	60.8	11.2	2.5	74.5
Amortisation expense	(35.2)	0.0	(2.9)	(38.1)
Disposals	(0.3)	0.0	0.0	(0.3)
Transfers	0.5	0.0	0.0	0.5
Gross book value	545.0	67.8	14.6	627.4
Accumulated amortisation	(429.1)	0.0	(5.7)	(434.8)
Net book value as at 30 June 2007	**115.9**	**67.8**	**8.9**	**192.6**
Additions by purchase	82.6	1.0	0.7	84.3
Amortisation expense	(35.9)	0.0	(7.6)	(43.5)
Impairment loss	0.0	(12.0)	0.0	(12.0)
Settlement of contingent consideration	0.0	(2.0)	0.0	(2.0)
Disposals	(1.3)	0.0	0.0	(1.3)
Transfers	0.3	0.0	0.0	0.3
Gross book value	634.7	66.8	15.3	716.8
Accumulated amortisation	(473.1)	(12.0)	(13.3)	(498.4)
Net book value as at 30 June 2008	**161.6**	**54.8**	**2.0**	**218.4**

	Computer software $m	Goodwill $m	Other intangibles $m	Total intangibles $m
Corporation				
Reconciliation of the opening and closing balances of intangibles				
Gross book value	507.8	1.9	0.0	509.7
Accumulated amortisation	(418.5)	0.0	0.0	(418.5)
Net book value as at 30 June 2006	**89.3**	**1.9**	**0.0**	**91.2**
Additions by purchase	60.6	10.5	0.0	71.1
Amortisation expense	(34.6)	0.0	0.0	(34.6)
Disposals	(0.3)	0.0	0.0	(0.3)
Gross book value	542.5	12.4	0.0	554.9
Accumulated amortisation	(427.5)	0.0	0.0	(427.5)
Net book value as at 30 June 2007	**115.0**	**12.4**	**0.0**	**127.4**
Additions by purchase	77.8	1.0	0.0	78.8
Amortisation expense	(35.3)	0.0	0.0	(35.3)
Disposals	(1.0)	0.0	0.0	(1.0)
Gross book value	618.6	13.4	0.0	632.0
Accumulated amortisation	(462.1)	0.0	0.0	(462.1)
Net book value as at 30 June 2008	**156.5**	**13.4**	**0.0**	**169.9**

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

15 INVESTMENT PROPERTIES

	Consolidated		Corporation	
	2008 $m	2007 $m	2008 $m	2007 $m
Opening balance as at 1 July	127.1	95.6	130.0	95.6
Additions	0.3	5.5	0.3	5.5
Net transfer to investment property	47.8	9.8	47.8	12.3
Disposals	(1.2)	(2.0)	(1.2)	(2.0)
Net gain from fair value adjustments	64.4	18.2	64.4	18.6
Closing balance as at 30 June	**238.4**	**127.1**	**241.3**	**130.0**

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 2008 (2007: Savills Pty Ltd and Chesterton International (Qld) Pty Ltd). 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.

16 IMPAIRMENT TESTING OF GOODWILL

	Consolidated		Corporation	
	2008 $m	2007 $m	2008 $m	2007 $m
Goodwill acquired through business combinations has been allocated to individual cash generating units as follows.				
Post Logistics Group	24.4	38.4	0.0	0.0
Messenger Post	19.9	19.9	12.0	12.0
The PrintSoft eLetter Group	9.1	9.1	0.0	0.0
Other	1.4	0.4	1.4	0.4
	54.8	**67.8**	**13.4**	**12.4**

The recoverable amount of all goodwill has been determined based on a value in use calculation using cash flow forecasts extracted from three year corporate plans approved by senior management and the board. The forecasts are extrapolated for a further two years and a terminal value is applied. These forecasts use management estimates to determine income, expenses, capital expenditure and cash flows for each cash generating unit (CGU). Revenue growth rates applied by all CGUs to the two-year period outside the corporate plan are 2.5% to 4.0%. After this period a 1.5% to 2.5% revenue growth rate is applied. A pre-tax discount rate applicable to the specific CGU has been applied. These rates are between 11.4% and 12.0%.

At 30 June 2008 the carrying value of goodwill for the Post Logistics Group CGU was tested for impairment based on value in use. This test resulted in an impairment charge of $12 million being recognised in the consolidated accounts against goodwill and $12m in the corporation's accounts against the investment balance (see Note 10). Changes in the key assumptions used in determining the forecast cash flows could result in changes to future cash flows and further adjustments to the carrying value.

17 OTHER NON-CURRENT ASSETS

	Consolidated		Corporation	
	2008 $m	2007 $m	2008 $m	2007 $m
Prepayments	3.9	4.0	3.8	3.9
Total other non-current assets	**3.9**	**4.0**	**3.8**	**3.9**

18 CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated 2008 $m	Consolidated 2007 $m	Corporation 2008 $m	Corporation 2007 $m
Trade creditors (1)	313.0	281.7	306.1	274.5
OTHER:				
Agency creditors (1)	222.9	229.8	222.9	229.8
Salaries and wages	43.3	35.1	42.2	33.6
Borrowing costs (2)	10.8	8.7	10.8	8.7
Unearned postage revenue	56.7	55.4	56.7	55.4
Other advance receipts	81.2	73.6	77.6	70.0
Deferred government grant income	11.2	13.9	11.2	13.9
Payables to controlled and jointly controlled entities (see Note 28)	17.6	14.1	24.9	14.1
Goods and services tax payable	14.8	16.0	14.8	16.0
Financial guarantees (3)	0.3	0.3	0.3	0.3
Forward exchange contracts	0.4	0.0	0.4	0.0
Other payables	31.8	41.1	17.1	30.3
	491.0	488.0	478.9	472.1
Total current payables	**804.0**	**769.7**	**785.0**	**746.6**

(1) Trade creditors and agency creditors are non-interest bearing and normally settled on 30-day and next business day terms respectively. International creditors are settled in accordance with Universal Postal Union (UPU) arrangements.

(2) Borrowing costs are normally settled on a half-yearly basis throughout the financial year.

(3) As described in Note 1(gg), the group has provided financial guarantees to third parties, which commit the group to make payments on behalf of these parties upon their failure to perform under the terms of the relevant contracts. The account estimates and/or assumptions used in determining the fair value of the guarantees has been disclosed in Note 1(gg). The maximum credit risk associated with these contracts is $140.9 million (2007: $170.0 million) and is included within the disclosures of Note 29(i).

19 INTEREST-BEARING LIABILITIES

	Consolidated 2008 $m	Consolidated 2007 $m	Corporation 2008 $m	Corporation 2007 $m
CURRENT				
Bank overdraft and other loans	0.2	0.0	0.0	0.0
Fixed rate unsecured bonds payable – within one year	295.8	0.0	295.8	0.0
Interest rate swaps – within one year	4.2	0.0	4.2	0.0
Finance lease and hire purchase liabilities payable – within one year	0.8	0.8	0.0	0.0
Total current interest-bearing liabilities	**301.0**	**0.8**	**300.0**	**0.0**
NON-CURRENT				
Fixed-rate unsecured bonds payable – in one to five years	218.4	519.6	218.4	519.6
Interest rate swaps – in one to five years	11.1	10.0	11.1	10.0
Finance lease and hire purchase liabilities payable – in one to five years	0.0	0.8	0.0	0.0
Total non-current interest-bearing liabilities	**229.5**	**530.4**	**229.5**	**529.6**

$530 million bonds

These bonds are unsecured and repayable in full, with $300 million maturing on 25 March 2009 and the remaining $230 million due on 23 March 2012.

20 PROVISIONS

	Consolidated		Corporation	
	2008 $m	2007 $m	2008 $m	2007 $m
CURRENT PROVISIONS				
Annual leave	188.0	182.4	183.9	178.5
Long service leave	275.8	265.3	274.8	264.3
Workers' compensation	25.2	32.5	25.2	32.5
Separations and redundancies	8.4	4.5	7.5	4.4
Other employee	32.2	28.6	31.6	28.1
Balance at 30 June	**529.6**	**513.3**	**523.0**	**507.8**
NON-CURRENT PROVISIONS				
Long service leave	37.4	37.5	36.3	36.5
Workers' compensation	81.5	82.4	81.5	82.4
Make good (1)	48.3	45.6	46.2	43.2
Balance at 30 June	**167.2**	**165.5**	**164.0**	**162.1**
Total provisions	**696.8**	**678.8**	**687.0**	**669.9**

(1) Provision is made for the estimated cost to make good operating leases entered into by the group. The estimated cost is based on management's best estimate of the cost to restore a square metre of floor space and is dependent on the nature of the building being leased. The expected timing of the make-good cost is based on the expiry of each underlying individual lease agreement.

MOVEMENTS IN PROVISIONS

	Consolidated 2008 $m	Consolidated 2007 $m	Corporation 2008 $m	Corporation 2007 $m
Movements in the make good provision during the financial year, are set out below.				
MAKE GOOD PROVISION				
Balance at 1 July	45.6	48.0	43.2	46.0
Reassessments and additions	2.4	(0.2)	2.4	(0.6)
Unused amount reversed	(1.0)	(2.3)	(1.0)	(2.2)
Payments made	(0.8)	(0.5)	(0.4)	(0.5)
Unwinding and discount rate adjustment	2.1	0.6	2.0	0.5
Balance at 30 June	**48.3**	**45.6**	**46.2**	**43.2**

21 OTHER NON-CURRENT LIABILITIES

	Consolidated 2008 $m	Consolidated 2007 $m	Corporation 2008 $m	Corporation 2007 $m
Deferred interest	0.1	0.3	0.1	0.3
Loans from controlled entities (see Note 28)	0.0	0.0	1.2	1.2
Other payables	10.0	6.1	10.0	6.1
Total other non-current liabilities	**10.1**	**6.4**	**11.3**	**7.6**

22 ANALYSIS OF TOTAL EQUITY

	Total reserves (Note 23) $m	Contributed equity $m	Retained profits $m	Minority interest $m	Total equity $m
CONSOLIDATED					
Balance at 1 July 2006	2.1	400.0	1,985.1	0.4	2,387.6
Operating profit	–	–	400.7	(0.1)	400.6
Translation differences on group operations	(0.2)	–	–	–	(0.2)
Net actuarial gains and losses	–	–	298.5	–	298.5
Jointly controlled entities actuarial gains and losses	–	–	2.6	–	2.6
Movement in jointly controlled entities reserves	(0.8)	–	–	–	(0.8)
Revaluation – land and buildings	6.8	–	–	–	6.8
Deferred tax	(2.0)	–	–	–	(2.0)
Revaluation of cash flow hedge – gross	(2.6)	–	–	–	(2.6)
Deferred tax	0.8	–	–	–	0.8
Transfer to suppliers expense in net profit on cash flow hedge – gross	0.7	–	–	–	0.7
Deferred tax	(0.2)	–	–	–	(0.2)
Dividends (see Note 24)	–	–	(279.4)	–	(279.4)
Balance at 30 June 2007	**4.6**	**400.0**	**2,407.5**	**0.3**	**2,812.4**
Operating profit	–	–	432.2	(0.1)	**432.1**
Translation differences on group operations	0.5	–	–	–	**0.5**
Net actuarial gains and losses	–	–	(128.2)	–	**(128.2)**
Jointly controlled entities actuarial gains and losses	–	–	0.0	–	**0.0**
Movement in jointly controlled entities reserves	0.3	–	–	–	**0.3**
Revaluation of cash flow hedge – gross	4.0	–	–	–	**4.0**
Deferred tax	(1.2)	–	–	–	**(1.2)**
Transfer to suppliers expense in net profit on cash flow hedge – gross	(5.4)	–	–	–	**(5.4)**
Deferred tax	1.6	–	–	–	**1.6**
Transfer to initial cost of computer software and equipment on cash flow hedge – gross	0.1	–	–	–	**0.1**
Dividends (see Note 24)	–	–	(306.3)	–	**(306.3)**
Balance at 30 June 2008	**4.5**	**400.0**	**2,405.2**	**0.2**	**2,809.9**

22 ANALYSIS OF TOTAL EQUITY (CONT.)

	Total reserves (Note 23) $m	Contributed equity $m	Retained profits $m	Minority interest $m	Total equity $m
CORPORATION					
Balance at 1 July 2006	1.9	400.0	1,959.4	–	2,361.3
Operating profit	–	–	395.9	–	395.9
Net actuarial gains and losses	–	–	298.5	–	298.5
Revaluation – land and buildings	6.8	–	–	–	6.8
Deferred tax	(2.0)	–	–	–	(2.0)
Revaluation of cash flow hedge – gross	(2.6)	–	–	–	(2.6)
Deferred tax	0.8	–	–	–	0.8
Transfer to suppliers expense in net profit on cash flow hedge – gross	0.7	–	–	–	0.7
Deferred tax	(0.2)	–	–	–	(0.2)
Dividends (see Note 24)	–	–	(279.4)	–	(279.4)
Balance at 30 June 2007	**5.4**	**400.0**	**2,374.4**	**–**	**2,779.8**
Operating profit	–	–	446.2	–	**446.2**
Net actuarial gains and losses	–	–	(128.2)	–	**(128.2)**
Revaluation of cash flow hedge – gross	4.0	–	–	–	**4.0**
Deferred tax	(1.2)	–	–	–	**(1.2)**
Transfer to suppliers expense in net profit on cash flow hedge – gross	(5.4)	–	–	–	**(5.4)**
Deferred tax	1.6	–	–	–	**1.6**
Transfer to initial cost of computer software and equipment on cash flow hedge – gross	0.1	–	–	–	**0.1**
Dividends (see Note 24)	–	–	(306.3)	–	**(306.3)**
Balance at 30 June 2008	**4.5**	**400.0**	**2,386.1**	**–**	**2,790.6**

23 ANALYSIS OF RESERVES

	Asset revaluation reserve [1] $m	Foreign currency translation reserve [2] $m	Hedging reserve [3] $m	Total reserves $m
CONSOLIDATED				
Balance at 1 July 2006	–	0.1	2.0	2.1
Translation differences on group operations	–	(0.2)	–	(0.2)
Movement in jointly controlled entities reserves	–	(0.2)	(0.6)	(0.8)
Revaluation – land and buildings	6.8	–	–	6.8
Deferred tax	(2.0)	–	–	(2.0)
Revaluation of cash flow hedge – gross	–	–	(2.6)	(2.6)
Deferred tax	–	–	0.8	0.8
Transfer to suppliers expense in net profit on cash flow hedge – gross	–	–	0.7	0.7
Deferred tax	–	–	(0.2)	(0.2)
Balance at 30 June 2007	**4.8**	**(0.3)**	**0.1**	**4.6**
Translation differences on group operations	–	0.5	–	0.5
Movement in jointly controlled entities reserves	–	(0.0)	0.3	0.3
Revaluation of cash flow hedge – gross	–	–	4.0	4.0
Deferred tax	–	–	(1.2)	(1.2)
Transfer to suppliers expense in net profit on cash flow hedge – gross	–	–	(5.4)	(5.4)
Deferred tax	–	–	1.6	1.6
Transfer to initial cost of computer software and equipment on cash flow hedge – gross	–	–	0.1	0.1
Balance at 30 June 2008	**4.8**	**0.2**	**(0.5)**	**4.5**

	Asset revaluation reserve [1] $m	Foreign currency translation reserve [2] $m	Hedging reserve [3] $m	Total reserves $m
CORPORATION				
Balance at 1 July 2006	–	–	1.9	1.9
Revaluation – land and buildings	6.8	–	–	6.8
Deferred tax	(2.0)	–	–	(2.0)
Revaluation of cash flow hedge – gross	–	–	(2.6)	(2.6)
Deferred tax	–	–	0.8	0.8
Transfer to suppliers expense in net profit on cash flow hedge – gross	–	–	0.7	0.7
Deferred tax	–	–	(0.2)	(0.2)
Balance at 30 June 2007	**4.8**	**–**	**0.6**	**5.4**
Revaluation of cash flow hedge – gross	–	–	4.0	4.0
Deferred tax	–	–	(1.2)	(1.2)
Transfer to suppliers expense in net profit on cash flow hedge – gross	–	–	(5.4)	(5.4)
Deferred tax	–	–	1.6	1.6
Transfer to initial cost of computer software and equipment on cash flow hedge – gross	–	–	0.1	0.1
Balance at 30 June 2008	**4.8**	**–**	**(0.3)**	**4.5**

(1) The asset revaluation reserve relates to the revaluation of land and buildings prior to their reclassification as investment property.

(2) The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

(3) This hedging reserve records the portion of the gain or loss on a cash flow hedge that is determined to be effective.

24 DIVIDENDS PAID

	Consolidated		Corporation	
	2008 $m	2007 $m	2008 $m	2007 $m
Final ordinary dividend (from prior year results)	158.3	140.8	158.3	140.8
Interim ordinary dividend	148.0	138.6	148.0	138.6
Total dividends paid	**306.3**	**279.4**	**306.3**	**279.4**
Dividend not recognised as a liability, including special dividend (see Note 33)	298.2	158.3	298.2	158.3

25 AUDITOR'S REMUNERATION

	2008 $	2007 $	2008 $	2007 $
Amounts received or due and receivable by the corporation's auditor [(1)] for:				
• an audit or review of the financial report of the entity and any other entity in the consolidated entity	1,207,000	1,137,000	1,020,000	1,024,000
• other services in relation to the entity and any other entity in the consolidated entity				
◦ assurance related	170,000	200,000	170,000	200,000
◦ special audits required by regulators.	100,000	110,000	100,000	110,000
Total auditor's remuneration	**1,477,000**	**1,447,000**	**1,290,000**	**1,334,000**

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

26 SEGMENT INFORMATION

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

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

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

The following represent the segments the group operates in:

Letters

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

Parcels & logistics

The processing and distribution of parcels, and the provision of associated logistical services.

Agency services & retail products

Provision of postal products and services, agency services and other retail merchandise, principally stationery, telephony, greeting cards, gifts and souvenirs.

Other & unallocated

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

26 SEGMENT INFORMATION (CONT.)

Business segments

The following tables present revenue and profit information and certain asset and liability information regarding business segments for the years ended 30 June 2008 and 30 June 2007.

2008	Letters $m	Parcels & logistics $m	Agency services & retail products $m	Other & unallocated $m	Total $m
REVENUE					
Revenue and other income	2,731.2	1,315.1	713.4	128.6	4,888.3
Inter-segment sales	–	–	–	–	–
Total segment revenue	2,731.2	1,315.1	713.4	128.6	4,888.3
Interest revenue					48.6
Consolidated revenue					4,936.9
RESULT					
Segment result	148.5	224.1	86.5	102.8	561.9
Share of net profits of equity accounted joint ventures	–	22.3	–	–	22.3
Profit before interest and income tax expense	148.5	246.4	86.5	102.8	584.2
Income tax expense					(160.1)
Net interest					8.0
Net profit for period					432.1
ASSETS					
Segment assets	1,375.9	729.1	464.2	1,003.4	3,572.6
Superannuation asset	–	–	–	1,594.7	1,594.7
Investments in joint ventures	–	308.2	–	1.5	309.7
Total assets	1,375.9	1,037.3	464.2	2,599.6	5,477.0
LIABILITIES					
Segment liabilities	932.3	235.5	346.5	1,152.8	2,667.1
Acquisitions of PP&E and intangible assets	187.2	54.0	21.1	32.5	294.8
Depreciation and amortisation expense	118.1	49.4	14.2	4.4	186.1
Impairment loss on intangible assets	–	12.0	–	–	12.0
Change in value of investment properties	–	–	–	(64.4)	(64.4)
Other non-cash expenses	118.1	61.4	14.2	(60.0)	133.7

26 SEGMENT INFORMATION (CONT.)

2007	Letters $m	Parcels & logistics $m	Agency services & retail products $m	Other & unallocated $m	Total $m
REVENUE					
Revenue and other income	2,679.0	1,198.9	681.0	78.9	4,637.8
Inter-segment sales	–	–	–	–	–
Total segment revenue	2,679.0	1,198.9	681.0	78.9	4,637.8
Interest revenue					40.6
Consolidated revenue					4,678.4
RESULT					
Segment result	160.0	223.2	86.6	50.8	520.6
Share of net profits of equity accounted joint ventures	–	32.7	–	–	32.7
Profit before interest and income tax expense	160.0	255.9	86.6	50.8	553.3
Income tax expense					(161.1)
Net interest					8.4
Net profit for period					400.6
ASSETS					
Segment assets	1,257.8	757.3	463.4	925.5	3,404.0
Superannuation asset	–	–	–	1,777.8	1,777.8
Investments in joint ventures	–	307.4	–	1.3	308.7
Total assets	1,257.8	1,064.7	463.4	2,704.6	5,490.5
LIABILITIES					
Segment liabilities	847.7	264.4	355.4	1,210.6	2,678.1
Acquisitions of PP&E and intangible assets	156.7	81.2	18.8	28.5	285.2
Depreciation and amortisation expense	111.6	43.7	15.9	3.1	174.3
Change in value of investment properties	–	–	–	(18.2)	(18.2)
Other non-cash expenses	111.6	43.7	15.9	(15.1)	156.1

Geographical segments

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

Accounting policies

Segment accounting policies are the same as described in Note 1.

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

Inter-segment sales and transfers

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

Use of fair value accounting

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

	2008 $m	2007 $m
Letters	1,858.1	1,665.1
Parcels & logistics	1,151.7	1,162.4
Agency services & retail products	552.2	553.6
Other and unallocated	2,717.5	2,816.7
Total	**6,279.5**	**6,197.8**

27 KEY MANAGEMENT PERSONNEL REMUNERATION AND RETIREMENT BENEFITS

(a) Details of key management personnel

(i) Directors

David Mortimer	Chairman (non-executive)
Mark Birrell	Deputy Chairman (non-executive)
Graeme John	Managing Director
Margaret Gibson	Director (non-executive)
Peter McLaughlin	Retired as director (non-executive) 31 May 2008
Sandra McPhee	Director (non-executive)
Thomas Phillips	Director (non-executive)
Ian Warner	Director (non-executive)

(ii) Executives

Alec Ceselli	General Manager, Post Logistics
Mark Howard	General Manager, Corporate Infrastructure Services Division
James Marshall	General Manager, Mail & Networks Division
Rodney McDonald	Group Manager, Human Resources
Peter Meehan	Chief Finance Officer
Bill Mitchell	General Manager, Commercial Division

(b) Compensation policies for key management personnel

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

Director compensation

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

	$
Remuneration levels for Australia Post's non-executive directors for 2007/08 were as follows:	
Chairman	147,260
Deputy Chairman	82,145
Directors	73,640
Audit Committee Chairman	17,010
Audit Committee Member	8,505

Details of individual amounts received in 2007/08 by each non-executive director are provided in part (e) of this note.
Remuneration levels for holders of part-time public offices (including Australia Post non-executive directors) have been increased by the Remuneration Tribunal by 4.3 per cent (1 July 2007: 4.2 per cent), with effect from 1 July 2008.

27 KEY MANAGEMENT PERSONNEL REMUNERATION AND RETIREMENT BENEFITS (CONT.)

(b) Compensation policies for key management personnel (cont.)

Executive compensation

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

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

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

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

Where Australia Post terminates the managing director's or other senior executive's employment for reasons other than performance or misconduct, they are entitled to: in the case of the managing director, 60 days' payment in lieu of notice and a termination payment of 1.5 times annual base salary and for other senior executives, 90 days' payment in lieu of notice and a termination payment calculated on four weeks for each of the first five years of employment and three weeks for every year thereafter to a maximum of 84 weeks, including the payment in lieu of notice. All of the above payments are based upon annual base salary.

(c) Other transactions and balances with key management personnel

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

(d) Compensation of key management personnel by category

	Consolidated		Corporation	
	2008 $	2007 $	2008 $	2007 $
Short term	7,638,895	7,058,089	7,638,895	7,058,089
Post employment	1,006,147	929,845	1,006,147	929,845
Other long term	277,308	193,118	277,308	193,118
Termination benefits	–	–	–	–
	8,922,350	8,181,052	8,922,350	8,181,052

27 KEY MANAGEMENT PERSONNEL REMUNERATION AND RETIREMENT BENEFITS (CONT.)

(e) Compensation of key management personnel

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

	Short-term benefits			Post employment benefits	Other long-term benefits	Termination benefits	
Year ended 30 June 2008 ($)	Cash salary (1)	Cash bonus	Non-monetary benefits (2)	Superannuation benefits (3)	Long service leave	Termination	Total
DIRECTORS							
David Mortimer	155,765	–	–	22,274	–	–	178,039
Mark Birrell	82,145	–	–	11,747	–	–	93,892
Graeme John	1,396,629	1,064,560	23,788	337,871	80,823	–	2,903,671
Margaret Gibson	90,650	–	–	12,963	–	–	103,613
Peter McLaughlin	67,604	–	–	9,667	–	–	77,271
Sandra McPhee	82,145	–	–	11,747	–	–	93,892
Thomas Phillips	73,640	–	–	10,531	–	–	84,171
Ian Warner	82,145	–	–	11,747	–	–	93,892
	2,030,723	1,064,560	23,788	428,547	80,823	–	3,628,441
EXECUTIVES							
Alec Ceselli	377,277	123,075	48,358	66,331	14,989	–	630,030
Mark Howard	428,522	238,544	3,648	89,294	14,768	–	774,776
James Marshall	655,176	350,664	–	131,049	55,452	–	1,192,341
Rodney McDonald	390,119	212,244	4,847	79,304	19,833	–	706,347
Peter Meehan	484,607	277,334	4,323	103,694	28,358	–	898,316
Bill Mitchell	550,860	289,144	81,082	107,928	63,085	–	1,092,099
	2,886,561	1,491,005	142,258	577,600	196,485	–	5,293,909
Total key management personnel	**4,917,284**	**2,555,565**	**166,046**	**1,006,147**	**277,308**	**–**	**8,922,350**

(1) Included in cash salary are movements in the executives' annual leave entitlement and allowances paid in cash.

(2) Non-monetary benefits include spouse travel, motor vehicles and other expenses paid on behalf of the directors and executives.

(3) The above amount for superannuation reflects the benefit to be received by the directors and executives (calculated at 14.3% of the directors' and executives' salary for superannuation purposes).

27 KEY MANAGEMENT PERSONNEL REMUNERATION AND RETIREMENT BENEFITS (CONT.)

(e) Compensation of key management personnel

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

	Short-term benefits			Post employment benefits	Other long-term benefits	Termination benefits	
Year ended 30 June 2007 ($)	Cash salary [1]	Cash bonus	Non-monetary benefits [2]	Superannuation benefits [3]	Long service leave	Termination	Total
DIRECTORS							
Linda Nicholls	29,896	–	6,460	4,275	–	–	40,631
David Mortimer	142,690	–	–	20,405	–	–	163,095
Mark Birrell	73,397	–	–	10,496	–	–	83,893
Graeme John	1,286,335	982,020 [4]	22,461	311,238	53,056	–	2,655,110
Margaret Gibson	81,088	–	–	11,596	–	–	92,684
Peter McLaughlin	70,670	–	–	10,106	–	–	80,776
Sandra McPhee	78,830	–	–	11,273	–	–	90,103
Thomas Phillips	70,670	–	2,333	10,106	–	–	83,109
Ian Warner	72,928	–	4,343	10,429	–	–	87,700
	1,906,504	982,020	35,597	399,924	53,056	–	3,377,101
EXECUTIVES							
Alec Ceselli	336,628	100,492	60,581 [5]	60,575	11,197	–	569,473
Mark Howard	373,693	226,765	4,594	84,538	10,927	–	700,517
James Marshall	615,720	322,400	–	119,734	63,834	–	1,121,688
Rodney McDonald	353,225	194,370	5,823	72,461	12,391	–	638,270
Peter Meehan	454,596	257,505	3,986	95,998	13,125	–	825,210
Bill Mitchell	487,035	259,160	77,395	96,615	28,588	–	948,793
	2,620,897	1,360,692	152,379	529,921	140,062	–	4,803,951
Total key management personnel	**4,527,401**	**2,342,712**	**187,976**	**929,845**	**193,118**	**–**	**8,181,052**

(1) Included in cash salary are movements in the executives' annual leave entitlement and allowances paid in cash.

(2) Non-monetary benefits include spouse travel, motor vehicles and other expenses paid on behalf of the directors and executives.

(3) The above amount for superannuation reflects the benefit to be received by the directors and executives (calculated at 14.3% of the directors' and executives' salary for superannuation purposes).

(4) Amount disclosed in prior year financial statements of $955,573 reflected the best estimate at the time.

(5) Amount disclosed in prior year financial statements of $13,018 reflected the best estimate at the time.

28 RELATED PARTIES

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

Remuneration and retirement benefits

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

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

	Consolidated		Corporation	
	2008 $m	2007 $m	2008 $m	2007 $m
OTHER TRANSACTIONS WITH RELATED PARTIES				
Payments for collection and delivery services				
Jointly controlled entities	67.0	51.6	67.0	51.6
Controlled entities	–	–	0.7	–
Payments for management and administrative services				
Jointly controlled entities	54.9	42.9	42.0	42.9
Controlled entities	–	–	23.8	26.5
Payments for accommodation				
Jointly controlled entities	2.3	2.1	2.3	2.1
Revenue from collection and delivery services				
Jointly controlled entities	14.4	12.3	14.4	12.3
Controlled entities	–	–	9.1	14.2
Revenue from administrative services				
Jointly controlled entities	11.4	28.5	10.7	12.9
Controlled entities	–	–	3.8	0.3
Dividends received or receivable (see Note 2)				
Jointly controlled entities	–	–	21.1	23.5
Interest received				
Jointly controlled entities	11.4	10.3	10.3	10.3
Controlled entities	–	–	1.9	1.0
AGGREGATE AMOUNTS RECEIVABLE FROM AND PAYABLE TO OTHER RELATED PARTIES AT BALANCE DATE WERE AS FOLLOWS:				
Current receivables				
Jointly controlled entities	1.7	2.9	1.7	1.1
Controlled entities	–	–	–	3.7
Current payables				
Jointly controlled entities	17.6	14.1	17.6	14.1
Controlled entities	–	–	7.3	–
Loans advanced to				
Jointly controlled entities	130.3	129.0	130.3	129.0
Controlled entities	–	–	15.7	21.3
Loans advanced from				
Controlled entities	–	–	1.2	1.2

Australia Post performs administrative services on behalf of its Superannuation Fund APSS. These services are provided on normal commercial terms. Payment received by Australia Post for these services for year ended 30 June 2008 is $16.0 million ($18.1 million in 2007).

28 RELATED PARTIES (CONT.)

All transactions with other related parties are made both at normal market prices and on normal commercial terms. Transactions entered into directly by directors or director-related entities with the Australian Postal Corporation have been either domestic or trivial in nature.

For the year ended 30 June 2008, the group has expensed $1.1 million with respect to amounts owed by related parties (2007: $nil). An impairment assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates to determine whether there is objective evidence that a related party receivable is impaired. When such objective evidence exists, the group recognises an allowance for the impairment loss.

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

Ultimate controlling entity

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

29 FINANCIAL AND CAPITAL RISK MANAGEMENT

(a) Financial risk management objectives

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

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

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

(b) Capital risk management

The group's objectives when managing capital are to safeguard the ability to continue as a going concern while maximising the return to the Commonwealth Government. The group recognises the impact on shareholder returns of the level of equity capital employed and seeks to maintain a prudent balance between the advantages and flexibility afforded by a strong capital position and the higher returns on equity possible with some leverage. A further consideration when managing capital is maintenance of an investment grade rating. The group continues to hold the AAA rating from the independent ratings agency Standard & Poor's achieved when first rated in 1994.

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

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

29 FINANCIAL AND CAPITAL RISK MANAGEMENT (CONT.)

(c) Categories of financial instruments

	Consolidated		Corporation	
	2008 $m	2007 $m	2008 $m	2007 $m
Financial assets				
Loans and receivables (including cash and cash equivalents)	1,425.7	1,423.1	1,413.5	1,412.3
Derivative instruments in designated hedge accounting relationships	0.0	0.9	0.0	0.9
Financial liabilities				
Other financial liabilities at amortised cost	640.4	612.1	625.2	592.2
Other financial liabilities designated in fair value hedge relationships at amortised cost and adjusted by the gain/loss attributable to interest rate risk	514.2	519.6	514.2	519.6
Derivative instruments in designated hedge accounting relationships	15.7	10.0	15.7	10.0
Financial guarantee contracts	0.3	0.3	0.3	0.3

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

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

	Consolidated		Corporation	
	2008 $m	2007 $m	2008 $m	2007 $m
Interest revenue (see Note 2)	48.6	40.6	50.1	41.4
Foreign exchange loss (see Note 3)	(8.6)	(14.0)	(8.6)	(14.0)
Impairment loss (see Note 3)	(0.4)	(1.0)	(1.2)	(0.9)
Net gain on loans and receivables	**39.6**	**25.6**	**40.3**	**26.5**

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

	Consolidated		Corporation	
	2008 $m	2007 $m	2008 $m	2007 $m
Interest expense	33.0	31.6	32.8	31.4
Foreign exchange gain (see Note 3)	(5.8)	(10.9)	(6.2)	(11.0)
Net loss on financial liabilities measured at amortised cost	**27.2**	**20.7**	**26.6**	**20.4**

(e) Market risk

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

29 FINANCIAL AND CAPITAL RISK MANAGEMENT (CONT.)

(f) Foreign currency risk management

The corporation and the group undertake certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. 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 amounts are currently relatively immaterial to the corporation in terms of net cash flows and profit and loss impact arising from foreign exchange fluctuations and are not hedged.

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

	Corporation and Consolidated	
	2008 (AUD) $m	2007 (AUD) $m
Trade and other receivables	160.6	108.3
Trade and other payables	(111.3)	(90.6)
Net Exposure	**49.3**	**17.7**

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 with 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 exchange contracts.

Forward exchange contracts

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

	Corporation and Consolidated			
	2008		2007	
	Average exchange rate	Notional amount (USD) $m	Average exchange rate	Notional amount (USD) $m
BUY USD				
0–6 months	0.933	5.0	–	–
7–24 months	0.854	3.6	–	–
		8.6		–

All forward exchange contracts are entered into on the basis of known or projected exposures. The corporation has elected to adopt cash flow hedge accounting in respect of some of its foreign currency hedging activities. The fair value of forward exchange contracts designated as hedging instruments is $0.4m (2007: $nil) for the corporation and the group. Any gains and losses on the designated contracts are deferred and will be recognised in the measurement of the underlying transaction.

As at balance date, the aggregate amount of unrealised gains/losses under forward exchange contracts deferred in the hedging reserve related to contracted future payments for computer software and equipment. It is anticipated that the payments will take place in the 13 months after balance date, at which stage the amount deferred in equity will be included in the initial cost of the intangible and equipment. It is anticipated that the amounts will affect profit or loss over the next 5 to 15 years after the computer software and equipment are available for use.

Foreign exchange translation exposures for foreign subsidiaries and joint ventures are currently immaterial and therefore not hedged.

29 FINANCIAL AND CAPITAL RISK MANAGEMENT (CONT.)

(f) Foreign currency risk management (cont.)

Foreign currency sensitivity

The corporation and the group are mainly exposed to Special Drawing Rights. The sensitivity analyses below have been determined based on the exposure to SDR from financial instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and being held constant throughout the reporting period. A 10% (2007: 5%) increase and decrease in the Australian dollar against the SDR represents management's assessment of the possible change in foreign exchange rates as at the respective balance dates. A positive number indicates an increase in profit after tax, while a negative number indicates a reduction in profit after tax. There is no sensitivity on equity.

	Consolidated		Corporation	
	2008 $m	2007 $m	2008 $m	2007 $m
Impact on profit after tax at reporting date, with all other variables held constant of a:				
10% (2007: 5%) strengthening of the Australian dollar against the SDR from:				
Financial assets	(11.2)	(3.8)	(11.2)	(3.8)
Financial liabilities	7.8	3.2	7.8	3.2
	(3.4)	(0.6)	(3.4)	(0.6)
10% (2007: 5%) weakening of the Australian dollar against the SDR from:				
Financial assets	11.2	3.8	11.2	3.8
Financial liabilities	(7.8)	(3.2)	(7.8)	(3.2)
	3.4	0.6	3.4	0.6

The receivables and payables denominated in SDR, on which the sensitivity is shown in the table above, are not necessarily representative of the corporation's and the group's exposure to currency risk for the years ended 30 June 2007 and 30 June 2008. The receivables and payables denominated in SDR are highly variable in amount and timing, in particular due to the timing of receipts and settlements with overseas postal administrations.

(g) Commodity price risk management

The corporation's objective on commodity price risk management is to ensure that movements in commodity prices do not adversely affect operating costs. The corporation and the group are exposed to commodity prices through the use of fuel. The risk is measured by reviewing forecast commodity exposures monthly and managed by entering into long-term supply contracts and through the use of commodity swap contracts. The hedging strategy is set annually as part of the Corporate Plan and the hedging activities are evaluated quarterly.

Commodity swap contracts

The following table details the oil swap contracts outstanding as at balance date. The contracts are timed to mature on a monthly basis and are transacted in Australian dollars.

	Corporation and Consolidated			
	2008		2007	
Commodity	Average price (AUD)	Notional amount (AUD) $m	Average price (AUD)	Notional amount (AUD) $m
BUY OIL				
0–6 months	–	–	94.64	7.9
7–24 months	–	–	94.64	7.9
		–		**15.8**

All swap contracts are entered into on the basis of known or projected exposures. The corporation has elected to adopt cash flow hedge accounting in respect of its commodity hedging activities. Fair value of swap contracts designated as hedging instruments is $nil (2007: $0.9m) for the group and corporation. Consequently any gains and losses on the contracts, together with the cost of the contracts, are deferred and will be recognised in the measurement of the underlying transaction.

As at 30 June 2007, the aggregate amount of unrealised gains under oil swap contracts deferred in the hedging reserve related to anticipated future purchase of fuel. It was anticipated that the purchase would take place in the 12 months after 30 June 2007 at which stage the amount deferred in equity affects profit or loss.

29 FINANCIAL AND CAPITAL RISK MANAGEMENT (CONT.)

(g) Commodity price risk management (cont.)

Commodity price sensitivity

The sensitivity analyses below have been determined based on the exposure to commodity prices 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. There is no sensitivity from financial instruments to commodity prices as at 30 June 2008 as there were no outstanding commodity swap contracts. A 15% increase or decrease in fuel prices in Australian dollars represents management's assessment of the possible change in fuel prices as at 30 June 2007. A positive number indicates an increase in equity, net of the impact of deferred tax, while a negative number indicates a reduction in equity, net of the impact of deferred tax. There was no sensitivity on profit after tax.

	Corporation and Consolidated	
	2008 $m	2007 $m
Impact on equity, net of the impact of deferred tax at reporting date, with all other variables held constant of a:		
15% increase in fuel prices	–	1.8
15% decrease in fuel prices	–	(1.7)

The notional amount of fuel swap contracts, on which the sensitivity is shown in the table above, is considered representative of the corporation and group's exposure to commodity price risk for the year ended 30 June 2007. There were fuel swap contracts in place during the financial year ended 30 June 2008 which matured before reporting date and hence the sensitivity on equity as at 30 June 2008 is not representative of the commodity price risk inherent in the use of fuel swap contracts during the year ended 30 June 2008.

(h) Interest rate risk management

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

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

		Consolidated		Corporation	
	Note	Carrying amount $m	Weighted average effective interest rate %	Carrying amount $m	Weighted average effective interest rate %
2008					
FINANCIAL ASSETS					
Fixed rate					
Loans to jointly controlled entities	*9*	130.3	8.0	130.3	8.0
Floating rate					
Cash and cash equivalents		427.2	7.2	420.0	7.2
Loans to controlled entities	*9*	0.0	0.0	15.7	7.0
FINANCIAL LIABILITIES					
Fixed rate					
Bonds payable	*19*	514.2	6.1	514.2	6.1
Interest rate swaps		(514.2)	6.1	(514.2)	6.1
Floating rate					
Interest rate swaps		529.5	7.2	529.5	7.2

29 FINANCIAL AND CAPITAL RISK MANAGEMENT (CONT.)

(h) Interest rate risk management (cont.)

	Note	Consolidated Carrying amount $m	Consolidated Weighted average effective interest rate %	Corporation Carrying amount $m	Corporation Weighted average effective interest rate %
2007					
Financial assets					
Fixed rate					
Loans to jointly controlled entities	9	129.0	8.0	129.0	8.0
Floating rate					
Cash and cash equivalents		477.4	6.2	467.5	6.2
Loans to controlled entities	9	0.0	0.0	21.3	6.8
Financial liabilities					
Fixed rate					
Bonds payable	19	519.6	5.9	519.6	5.9
Interest rate swaps		(519.6)	5.9	(519.6)	5.9
Floating rate					
Interest rate swaps		529.6	6.2	529.6	6.2

Interest rate swap contracts

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

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

	Corporation and Consolidated			
	2008		2007	
	Fixed interest rate	Notional principal amount $m	Fixed interest rate	Notional principal amount $m
FIXED FOR FLOATING INTEREST				
1-2 years	6.00	300.0	6.00	300.0
2-5 years	6.25	230.0	6.25	230.0
		530.0		530.0

The interest rate swap contracts settle on a six-monthly basis. The floating rate on the $300m tranche is six-monthly BBSW, and the floating rate on the $230m tranche is six-monthly BBSW minus 6.75 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 earnings and, to the extent that the hedge is effective, the carrying amount of the borrowing is adjusted by the gain or loss attributable to the hedged risk.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates from financial instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and being held constant throughout the reporting period. A 50 (2007:50) basis point increase and decrease in Australian interest rates represents management's assessment of the possible change in interest rates. A positive number indicates an increase in profit after tax, while a negative number indicates a reduction in profit after tax. There is no sensitivity on equity.

	Consolidated 2008 $m	Consolidated 2007 $m	Corporation 2008 $m	Corporation 2007 $m
Impact on profit after tax at reporting date, with all other variables held constant of a:				
50 (2007:50) basis point increase in interest rates	1.7	1.9	1.7	1.9
50 (2007:50) basis point decrease in interest rates	(1.7)	(1.9)	(1.7)	(1.9)

The interest-bearing assets and liabilities on which the sensitivity is shown in the table above are considered representative of the corporation and group's average interest rate exposure for the years ended 30 June 2007 and 30 June 2008.

29 FINANCIAL AND CAPITAL RISK MANAGEMENT (CONT.)

(i) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the corporation or the group. Counterparty exposure is measured as the total value of the exposures to all obligations of any single legal or economic entity (eg a group of companies). It is the group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis, with the result that the exposure to bad debts is not significant. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with a credit rating of BBB or above as rated by Standard & Poor's, and counterparty limits have been established and are endorsed annually by the Board and reviewed regularly by the Treasury Group. The credit risk on derivative financial instruments is managed using the principle of the APRA Current Exposure Method as described in its guidance Note AGN 112.2, which takes into account both the current credit exposure and the potential future credit exposure from derivative financial instruments.

The corporation and the group have a significant credit risk exposure from the long-term loan advanced to Star Track Express, a joint-venture entity, of $128.2m (2007:$128.2m). There are no other significant credit risk exposures to any single counterparty or any group of counterparties having similar characteristics.

Except as detailed in the following table, the carrying amount of financial assets recorded in the financial statements as summarised in Note 29 (c), net of any allowances for losses, represents the corporation's and the group's maximum exposure to credit risk. No collateral has been obtained as the group only trades with reputable third parties.

	Consolidated		Corporation	
	2008 $m	2007 $m	2008 $m	2007 $m
Maximum credit risk from financial assets and other credit exposures				
Drawn loans to controlled and jointly controlled entities [(1)]	131.6	130.5	149.6	154.7
Undrawn loan commitments to controlled and jointly controlled entities	4.3	4.3	26.0	23.5
Guarantees provided [(2)]	326.9	366.2	287.7	327.2

(1) The carrying amount of loans to controlled entities and joint ventures differs from the maximum exposure to credit risk as a loan advanced to a jointly controlled entity is non-interest bearing and the loan carrying amount has been discounted under the effective interest method.

(2) These relate to bank guarantees over projected workers' compensation claims liabilities, financial guarantee contracts and other guarantees provided by jointly controlled entities.

29 FINANCIAL AND CAPITAL RISK MANAGEMENT (CONT.)

(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 corporation and the group measure and manage liquidity risk by forecasting liquidity and funding requirements for the next three years as a minimum, which is reviewed annually by the board as part of the Treasury Strategy Paper. In addition, the corporation prepares and reviews a rolling daily cash forecast for the quarter, on a daily basis.

Liquidity risk tables

The following tables detail the corporation's and the group's remaining contractual maturity for their financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the corporation or the group can be required to pay. For derivative financial instruments, the table has been drawn up based on the undiscounted net cash outflows on derivative instruments that settle on a net basis and the undiscounted gross cash outflows on those derivatives that require gross settlement. The tables include both interest and principal cash flows. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected cash outflows as illustrated by the yield or forward curves existing at balance date.

	As at 30 June 2008 Contractual maturity (nominal cash flows)			As at 30 June 2007 Contractual maturity (nominal cash flows)		
	Less than 1 year $m	1 to 2 years $m	2 to 5 years $m	Less than 1 year $m	1 to 2 years $m	2 to 5 years $m
Consolidated						
Trade and other payables	639.6	0.0	0.0	610.5	0.0	0.0
Finance lease and hire purchase liabilities payable	0.8	0.0	0.0	0.8	0.8	0.0
Forward exchange contracts	7.9	1.7	0.0	0.0	0.0	0.0
Bonds payable	323.8	14.4	258.8	23.9	332.4	273.1
Interest rate swaps	7.2	3.5	6.6	2.2	3.9	5.5
	979.3	19.6	265.4	637.4	337.1	278.6

	As at 30 June 2008 Contractual maturity (nominal cash flows)				As at 30 June 2007 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
Corporation								
Trade and other payables	0.0	624.0	0.0	0.0	0.0	591.0	0.0	0.0
Forward exchange contracts	0.0	7.9	1.7	0.0	0.0	0.0	0.0	0.0
Bonds payable	0.0	323.8	14.4	258.8	0.0	23.9	332.4	273.1
Interest rate swaps	0.0	7.2	3.5	6.6	0.0	2.2	3.9	5.5
Loans from controlled entities	1.2	0.0	0.0	0.0	1.2	0.0	0.0	0.0
Undrawn loan commitments to controlled entities	19.6	0.0	0.0	0.0	10.8	0.0	0.0	0.0
	20.8	962.9	19.6	265.4	12.0	617.1	336.3	278.6

29 FINANCIAL AND CAPITAL RISK MANAGEMENT (CONT.)

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

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

	Consolidated				Corporation			
	2008		2007		2008		2007	
	Carrying amount $m	Fair value $m	Carrying amount $m	Fair value $m	Carrying amount $m	Fair value $m	Carrying amount $m	Fair value $m
Financial assets								
Finance lease receivable	**103.5**	**92.2**	104.1	102.7	**103.5**	**92.2**	104.1	102.7
Loans to controlled and jointly controlled entities	**130.3**	**121.7**	129.0	123.8	**146.0**	**137.3**	150.3	145.0

30 LEASES

(i) Operating leases

The corporation leases a total of 789 properties. These are under operating leases with various occupancy terms that are due to expire in the next one to 10 years. The leased property portfolio comprises 24 commercial, 213 industrial, 10 residential and 542 retail sites. Leases generally provide the corporation with a right of renewal, at which time the commercial terms are renegotiated. Lease payments generally comprise a base amount plus an incremental contingent rental based on movements in the Consumer Price Index and reviews to market-based levels.

	Consolidated	
	2008 $m	2007 $m
Minimum lease payments	111.6	105.3
Contingent rentals	4.1	2.1
Operating lease rentals (see Note 3)	**115.7**	**107.4**

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

(ii) Finance lease receivable

The corporation has a finance lease receivable relating to the disposal in 1996–97 of the Sydney GPO heritage site under a 99-year lease. The agreement includes a seven-year rent-free period to the lessee, followed by a guaranteed minimum rental.

	2008 $m	2007 $m
Reconciliation of minimum lease payments to lease receivable:		
Gross minimum finance lease rentals receivable	568.7	575.8
Lease finance revenue not yet recognised	(465.2)	(471.7)
Finance lease receivable (Notes 6 and 9)	**103.5**	104.1
Minimum finance lease rentals receivable:		
(a) within one year	6.5	6.5
(b) from one year to five years	26.0	26.0
(c) over five years	536.2	543.3
Total	**568.7**	575.8

The lease commitments receivable at year-end equal the minimum lease payments, as there are no material contingent payments or unguaranteed residual value relating to this lease agreement.

(iii) Finance lease payable

The group has certain hire purchase and finance lease agreements. The present value of these minimum lease payments is $0.8 million (2007: $1.6 million). $0.8 million (2007: $0.8 million) will be made within a year and the remainder between 1 and 5 years.

31 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 period as shown in the cash flow statement are reconciled to the related items in the balance sheet as follows.

	Consolidated		Corporation	
	2008 $m	2007 $m	2008 $m	2007 $m
Cash on hand	435.2	416.3	428.0	406.4
Promissory notes [1]	275.0	348.7	275.0	348.7
Total cash and cash equivalents	**710.2**	**765.0**	**703.0**	**755.1**

(1) There are no promissory notes that are past due or impaired (2007: $nil).

(b) Reconciliation of net profit after tax to net cash provided by operating activities

	Consolidated 2008 $m	Consolidated 2007 $m	Corporation 2008 $m	Corporation 2007 $m
Profit for the period	**432.1**	**400.6**	**446.2**	**395.9**
Depreciation and amortisation	186.1	174.3	173.7	165.9
Changes in joint ventures not received as dividends	(0.7)	(9.2)	0.0	0.0
Net revaluation gain on investment property	(64.4)	(18.2)	(64.4)	(18.6)
Write-down of goodwill/investment	12.0	0.0	12.0	0.0
Write-down of receivables	0.4	0.0	1.2	0.0
Net gains from sales of property, plant and equipment	(2.2)	(2.1)	(1.5)	(2.1)
	131.2	144.8	121.0	145.2
Changes in assets and liabilities adjusted for the acquisition of businesses				
Decrease/(increase) in debtors	(56.1)	7.6	(56.0)	5.9
(Increase)/decrease in inventories	(2.7)	(3.7)	(2.7)	(3.7)
(Increase)/decrease in interest receivable	(0.2)	(1.1)	(0.2)	(1.1)
(Increase)/decrease in other current assets	(8.5)	(0.1)	(8.7)	0.0
(Increase)/decrease in deferred income tax asset	(14.9)	(6.1)	(14.0)	(5.4)
Increase/(decrease) in creditors and other payables	33.7	61.3	35.5	62.5
Increase/(decrease) in accrued interest expenditure	2.1	1.0	2.1	1.0
Increase/(decrease) in advance receipts	6.2	8.2	6.2	7.3
Increase/(decrease) in employee entitlements	15.3	18.5	14.1	17.9
Increase/(decrease) in income tax payable	(18.0)	39.6	(17.9)	40.2
Increase/(decrease) in deferred income tax liability	7.0	1.1	8.2	2.2
	95.1	271.1	87.6	272.0
Net cash from operating activities	**527.2**	**671.7**	**533.8**	**667.9**

Loan facilities

Fully drawn loan facilities of $530.0 million (2007: $530.0 million) and $0.8 million (2007: $1.6 million) hire purchase and finance leases were held at 30 June 2008 (see Note 19).

32 CORPORATE INFORMATION

The financial report of Australian Postal Corporation for the year ended 30 June 2008 was authorised for issue in accordance with a resolution of the directors on 28 August 2008.

Australian Postal Corporation is a Government Business Enterprise (GBE) established pursuant to *the Postal Services Act 1975*, the existence of which is continued by Section 12 of the *Australian Postal Corporation Act 1989*. The nature of the operations and principal activities of the group are outlined in the corporation's annual report.

Registered office:

321 Exhibition Street

Melbourne VIC 3000

Australia

33 EVENTS AFTER BALANCE DATE

On 28 August 2008, the directors of Australian Postal Corporation declared a final dividend in respect of the 2008 financial year. The total amount of the dividend is $298.2 million ($186.6 million ordinary dividend and $111.6 million special dividend) and this has not been provided for in the 30 June 2008 financial statements.

Australia Post's community service obligations (CSOs) are set out in Section 27 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 Section 28C 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 2007/08. The actual result for each standard is outlined in the table below. The associated ANAO Audit Report is reproduced on pages 121–22.

ORGANISATIONAL ARRANGEMENTS

To maintain an appropriate ongoing focus on CSO compliance, Australia Post has a national CSO co-ordinator in its headquarters organisation, as well as nominated CSO co-ordinators at the state level.

CSO COSTS

There is a financial "cost" associated with meeting CSOs. That "cost" arises when the charge made for any mandated service does not recover the cost of its delivery. The "cost" is measured on a net basis, ie after reduction of related revenue, and is funded by internal cross-subsidy within the letter service.

For 2007/08, calculated on the avoidable cost methodology, CSO "costs" are estimated to have been $104.3m.

Standard	2007/08 performance
LODGEMENT	
10,000 street posting boxes	15,878 (1)
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 per cent of non-bulk letters	95.9%
ACCESS	
4,000 retail outlets (2,500 in rural and remote areas)	4453 (1) (2561 (1) in rural and remote areas)
Retail outlets located so that:	
in metropolitan areas at least 90% of residences are within 2.5km of an outlet	93.4% (1)
in non-metropolitan areas at least 85% of residences are within 7.5km of an outlet	87.5% (1)
DELIVERY FREQUENCY	
98 per cent of delivery points to receive deliveries five days a week	98.8% (1)
99.7 per cent of delivery points to receive deliveries no less than twice a week	99.9% (1)
COMPLAINTS (2)	
To be resolved within 10 days on average	Resolved within an average of 5.9 days

(1) Results as at 30 June 2008.

(2) Not part of performance regulations, this is a Customer Service Charter commitment.

Auditor-General for Australia

Australian National
Audit Office

Independent Audit Report on the extent to which the Australian Postal Corporation has complied with the Australian Postal Corporation (Performance Standards) Regulations for the year ended 30 June 2008

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

<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, as amended, for the year ended 30 June 2008.

The performance standards require the Corporation to:

(a) service 98% of all postal delivery points at least five days per week and 99.7% of all postal delivery points at least two days per week, (Regulation 5);

(b) deliver at least 94% of reserved services letters to the indicated or appropriate address according to the prescribed timetable, (Regulation 6);

(c) maintain mail lodgement points for postal articles (other than bulk mail) at each of its 4,000 retail outlets and maintain at least 10,000 street posting boxes, (Regulation 8); and

(d) make a selection of its products or services available for purchase at each of the retail outlets. At least half of the retail outlets must be in zones classified as rural or remote, and in any event, not fewer than 2,500. At least 90% of residences within metropolitan areas must be within 2.5 kilometres of a retail outlet and an average of at least 85% of residences in rural or remote zones must be within 7.5 kilometres of a retail outlet, (Regulation 9).

The directors of the Corporation are responsible for ensuring that adequate systems are in place to monitor compliance with the performance standards. I have conducted an independent audit of compliance with the performance standards in order to express an opinion to you.

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

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.

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

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

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

Opinion

In my opinion, the Australian Postal Corporation was, in all material respects, in compliance with the performance standards prescribed in the Australian Postal Corporation (Performance Standards) Regulations, as amended, during the year ended 30 June 2008.

Ian McPhee
Auditor-General

Canberra
28 August 2008

RESEARCH INTERNATIONAL

July 22nd, 2008

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 2008 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 309,482 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 2008 the sample used by Research International was consistent with the sample frame provided by Australia Post. The attached certification from Deloitte states that "nothing has come to our attention that would suggest that the results reported by Research International have not been calculated in accordance with the business rules or do not fairly represent the performance of Australia Post's domestic letter service for the year ended 30/6/2008."

Results

For the year ended June 2008, the monitor showed that Australia Post delivered 95.9 per cent of all letters early or on time, and 98.8 per cent of letters were delivered on time or not more than one working day after your delivery undertakings.

LEVEL 3 21-31 GOODWOOD STREET RICHMOND VIC 3121 AUSTRALIA **TEL** +61 3 9426 1133 **FAX** +61 3 9426 1261 **INTERNET** www.research-int.com

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 2008 against the scope provided.

Yours faithfully

Rahif Kayal
CEO Australia
Research International

RESEARCH INTERNATIONAL

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

180 Lonsdale Street
Melbourne VIC 3000
GPO Box 78B
Melbourne VIC 3001 Australia

DX 111
Tel: +61 (0) 3 9208 7000
Fax: +61 (0) 3 9208 7001
www.deloitte.com.au

Rahif Kayal
Chief Executive Officer
Research International
Level 3
21-31 Goodwood Street
Richmond
VIC 3121

22 July 2008

Dear Rahif

Re: Research International / Australia Post Performance Metric: Deloitte Certification Period 02/07/2007 to 30/06/2008 – for Basic Letters

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

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

Deloitte has re-performed the calculation of the delivery performance figure by using the data ouput from the CIS system and the associated business rules which are integral to the Research International monitor in order to provide assurance regarding the accuracy of the measurements calculated by Research International. This letter sets out the results of the Deloitte reperformance of Research International's calculation for the period 02/07/2007 to 30/06/2008.

Scope

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

The engagement was performed in accordance with Australian Standard on Assurance Engagements ASAE 3000, "Assurance Engagements Other than Audits or Reviews of Historical Financial Information." Our procedures were designed to provide limited assurance as defined by ASAE 3000 which recognises the fact that absolute assurance is rarely attainable due to such factors as the use of judgement in gathering and evaluating and forming conclusions, the use of selective testing, the inherent limitations of internal control, and because much of the evidence available to the auditors is persuasive rather than conclusive in nature. Further information in relation to the extent of the procedures performed and the scope of our engagement is detailed in our engagement letter dated 01/08/2006, updated on 09/08/2007.

This report has been prepared for distribution to Research International. We understand that a copy of this report will be provided to Australia Post by Research International. We disclaim any assumption of responsibility for any reliance on this report to any other persons or users, or for any purpose other than that for which it was prepared.

Deloitte.

Page 2
22 July 2008

Inherent Limitations

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

An audit is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed are on a sample basis.

Any projection of the evaluation of Deloitte's re-performance of this year's results to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

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

Findings

Based upon the data and business rules provided by Research International as at 16/07/2008, Deloitte has re-performed the Overall Letter Service Performance for basic letters.

The table below outlines the national average of the delivery performance metric as calculated by Research International and by Deloitte.

Type of Letter	Research International figure	Deloitte figure
Basic	95.9% ±0.1	95.8%

Deloitte chose a random sample of invalidated ('dudded') transactions, and obtained supporting evidence to identify for those transactions in the sample, whether the process (as agreed to between Research International and Australia Post) for 'dudding' transactions was adhered to. No exceptions were noted.

Conclusion

Based on the work performed, nothing has come to our attention that would suggest that the results reported by Research International have not been calculated in accordance with the business rules or do not fairly represent the performance of Australia Post's domestic letter service for the year ended 30/06/2008.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

Kevin Nevrous
Partner

ESTIMATED RESULTS OF PRODUCT DISSECTION BETWEEN RESERVED AND NON-RESERVED SERVICES

	Reserved		Non-reserved		Total	
	$m	%	$m	%	$m	%
CONSOLIDATED RESULTS						
Revenue	1,884.9	38.6	3,003.4	61.4	4,888.3	100.0
Expense	1,886.6	43.6	2,439.8	56.4	4,326.4	100.0
Profit from ordinary activities before net interest and income tax	**-1.7**	**-0.3**	**563.6**	**100.3**	**561.9**	**100.0**
Interest and net profits related to joint ventures					32.7	100.0
Profit before third party interest and tax					**594.6**	
Return on revenue (1)		-0.1		18.8		11.5
Average operating assets (2)	1,101.6	35.9	1,964.2	64.1	3,065.8	100.0
Return on average operating assets (3)		-0.2		28.7		19.4

(1) Excludes interest and share of net profits of joint ventures.

(2) Assets reflect average operating assets for 2006/07 and 2007/08.

(3) Total return on average operating assets includes interest and share of net profits relating to joint ventures. Reserved and non-reserved return on average operating assets excludes all interest and share of net profits of joint ventures.

Australia Post has reported in accordance with the requirements of the *Commonwealth Authorities and Companies Act 1997*, the *Australian Postal Corporation Act 1989*, the *Freedom of Information Act 1982*, the *Occupational Health and Safety Act 1991*, the *Superannuation Benefits (Supervisory Mechanisms) Act 1990*, and the *Environment Protection and Biodiversity Conservation Act 1999*. This index shows where the relevant information can be found in the 2007/08 Annual Report.

COMMONWEALTH AUTHORITIES AND COMPANIES ACT 1997 – SCHEDULE 1 REPORTING REQUIREMENTS

Section	Subject	Location	Pages
s.1(a)	Report of Operations	Report of operations Financial statements Statutory report	3–59 62–3 131–4
s.1(b)	Financial Statements	Financial statements	66–119
s.1(c)	Financial Statements Audit	Financial statements	64–5
s.2(3)	Directors' Statement	Financial statements	63

AUSTRALIAN POSTAL CORPORATION ACT 1989 – GENERAL REPORTING REQUIREMENTS

s.43(a)	Statement of corporate objectives under the corporate plan	Statutory report	131
s.43(b)(i)	Overall strategies and policies under the corporate plan	Chairman's report Statutory report	8 131
s.43(b)(ii)	Performance indicators and targets under the corporate plan	Statutory report	131
s.43(c)	Assessment of extent to which objectives under s.43(a) have been achieved	Chairman's report Managing director's report Financial results Performance against targets Community service obligations Statutory report	8 9 10–11 13 120 131
s.43(d)	Strategies and policies relating to Community Service Obligations (CSOs)	Letters Community service obligations	19 120
s.43(e)	Directions by the Minister under s.40(1)(CSOs)	N/A	
s.43(f)	Assessment of appropriateness and adequacy of strategies and policies for CSOs	Letters Community service obligations	19 120
s.43(fa)	Performance standards relating to CSOs	Performance against targets Letters Community service obligations Statistical summary	13 19 120 136–8
s.43(g)(i)	Notifications by the Minister under s.28 of the CAC Act (general policies of the Commonwealth)	Statutory report	131
s.43(g)(ii)	Directions by the Minister under s.49 of the APC Act (public interest)	N/A	
s.43(h)(i)	Impact of Ministerial notifications under s.28 of the CAC Act and directions under s.49 of the APC Act	Statutory report	131
s.43(h)(ii)	Impact of other Government obligations	Statutory report	131
s.43(j)	Ministerial power under s.33(3) to disapprove postage determinations	N/A	
s.43(k)	Companies and other associations established or sold	N/A	
s.43(m)(i)&(ii)	Shares purchased and disposed of	Financial statements	87
s.43(m)(iii)	Subsidiaries	Our capabilities Parcels & logistics Financial statements	6 32 87–8
s.43(n)	Authority to open or examine the contents of postal articles	Statutory report	133
s.43(o)	Disclosure of information	Statutory report	133–4
s.44(a)	Financial targets	Financial results Performance against targets Statutory report	10–11 13 131
s.44(b)	Ministerial direction under s.40(i) to vary the financial targets	N/A	
s.44(c)	Progress in achieving the financial targets	Financial results Performance against targets Statutory report	10–11 13 131

AUSTRALIAN POSTAL CORPORATION ACT 1989 – GENERAL REPORTING REQUIREMENTS (CONT.)

Section	Subject	Location	Pages
s.44(d)	Dividend payable to the Commonwealth	Financial results Economy Financial statements Statutory report	10–11 49 101 131
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	Economy Community service obligations	51 120
s.44(g)(ii)	Cost impact of Ministerial notifications under s.28 of CAC Act	N/A	
s.44(g)(iii)	Cost impact of Ministerial directions under s.49 of APC Act	N/A	
s.44(g)(iv)	Cost impact of other Government obligations	Statutory report	131
s.44(h)(i)&(ii)	Financial information requested by the Minister in relation to the reserved services and other activities	N/A	

FREEDOM OF INFORMATION ACT 1982 – REPORTING REQUIREMENTS

s.8(1)(a)(i)	Information on organisation and functions	Statutory report	132
s.8(1)(a)(ii)	Consultative arrangements	Statutory report	133
s.8(1)(a)(iii)	Categories of documents	Statutory report	133
s.8(1)(a) (iv)&(v)	Access to documents and initial inquiries	Statutory report	133

OCCUPATIONAL HEALTH AND SAFETY (COMMONWEALTH EMPLOYMENT) ACT 1991 – REPORTING REQUIREMENTS

s.74(1)(c)	Occupational health and safety policies, including agreement with employees, establishment of committees and selection of health and safety representatives	Statutory report	132
s.74(1)(d)	Measures taken to ensure health, safety and welfare of employees and contractors	People Statutory report	39 132
s.74(1)(e)	Statistics requiring the giving of notice under s.68	Statutory report	132
s.74(1)(f)&(g)	Details of investigations and other matters as prescribed	Statutory report	132

SUPERANNUATION BENEFITS (SUPERVISORY MECHANISMS) ACT 1990

s.6(1)(b)	Report on operation of superannuation arrangement	Statutory report	131

ENVIRONMENT PROTECTION AND BIODIVERSITY CONSERVATION ACT 1999

s.516A(3)(6)	Report on the implementation of the Ecologically Sustainable Development program within Post, including social, economic, cultural and environmental performance	Corporate responsibility	34–52

Commonwealth Authorities and Companies (Report of Operations) Orders 2008

Division 2 – General information about operations and activities

s.8(a)	Enabling legislation	Statutory report	131
s.8(b)	Ministers responsible	Economy Corporate governance	49 53
s.9	Organisational structure	Corporate governance Board of directors Organisational structure	53–5 58–9 60
s.10(1)(a)(i)	Performance measured against statutory objectives	Community service obligations	120
s.10(1)(a)(ii)	Corporate plan	Statutory report	131

STATUTORY REPORTING REQUIREMENTS INDEX FOR THE YEAR ENDED 30 JUNE 2008

Section	Subject	Location	Pages
s.10(1)(a)(iii)	Principal outputs and contributions	Chairman's report Managing director's report Financial results Key business results	8 9 10–11 12
s.10(1)(b)	Current and future events and trends, including risks and opportunities	Our business Chairman's report Managing director's report Financial results	6–7 8 9 10–11
s.10(1)(c)	Significant events under s.15 of CAC Act	Managing director's report Financial results	9 10–11
s.10(1)(d)(i)	Operational and financial results – principal outputs	News and highlights Managing director's report Financial results	2–3 9 10–11
s.10(1)(d)(ii)	Major investing and financial activities	Chairman's report Managing director's report Financial results	8 9 10–11
s.10(1)(d)(iii)	Financial and non-financial performance indicators	Financial results Community service obligations Statutory report	10–11 120 131
s.10(1)(e)	Significant changes in affairs or principal activities during the year	N/A	
s.10(1)(f)	Significant developments since end of financial year	N/A	
s.11(a)	Judicial tribunal decisions that have had a significant impact	N/A	
s.11(b)	Reports by the Auditor-General, a Parliamentary Committee or Commonwealth Ombudsman	Financial statements audit Performance standards audit	64–5 121–2
s.12(1)(a)(i)	Any directions by responsible ministers during the financial year	N/A	
s.12(1)(a)(ii)	Since the end of the financial year	N/A	
s.12(1)(a)(iii)	Continuing from previous financial years	N/A	
s.12(1)(b)(i)	Government policies under s.28 of the CAC Act during the financial year	N/A	
s.12(1)(b)(ii)	Since the end of the financial year	N/A	
s.12(1)(b)(iii)	Continuing from previous financial years	Statutory report	131
s.13(1)(a)(i)	Significant changes in financial structure	N/A	
s.13(1)(a)(ii)	Events that may affect future operating results	N/A	
s.13(1)(b)	Dividends paid or recommended	News and highlights Financial results Financial statements	2–3 10–11 101
s.13(1)(c)	Community service obligations	Community service obligations Statutory report	120 131–2

Division 3 – Specific information

Section	Subject	Location	Pages
s.14(1)(a)	Directors' details	Corporate governance Board of directors	53 58–9
s.14(1)(b)	Directors' meetings	Corporate governance	57
s.15(1)	Main governance practices	Corporate governance	53–7
s.15(2)	Board committee details (including Audit Committee)	Corporate governance	54–5
s.16(1)(a)	Indemnity for officers	Statutory report	131
s.16(1)(b)	Premium paid	Statutory report	131

INTRODUCTION

Australia Post is subject to various statutory reporting requirements under the *Australian Postal Corporation Act 1989*, the *Commonwealth Authorities and Companies Act 1997*, the *Freedom of Information Act 1982*, the *Occupational Health and Safety Act 1991*, the *Superannuation Benefits (Supervisory Mechanisms) Act 1990*, and the *Environment Protection and Biodiversity Act 1999*.

The index on pages 128–30 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).

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

INDEMNITIES AND INSURANCE PREMIUMS FOR DIRECTORS AND OFFICERS

Australia Post has in place a Directors' and Officers' Liability insurance policy. The policy, which expires on 31 October 2009, provides cover in respect of any person who is or was a director or officer of Australia Post when acting in these capacities. Australia Post also maintains a separate insurance policy which provides cover to all former directors or officers of the corporation. This policy, which expires on 31 October 2017, provides cover in respect of any matters arising from the time such persons were a director or officer of Australia Post. Confidentiality requirements within the insurance contracts prohibit any additional disclosures.

Directors of Australia Post are also indemnified by the corporation to the extent permitted by law against any liability incurred in their capacity as a director.

CORPORATE PLAN

Each year Australia Post prepares a rolling three-year corporate plan. The 2007/08 plan and associated Statement of Corporate Intent were submitted to the shareholder ministers in June 2007.

Objectives

Our primary objectives were to grow dividends and enhance shareholder value while maintaining performance and efficiency in the discharging of our social obligations.

Strategies

Australia Post's overarching strategy continues to be to defend and extend the core business and to establish leadership positions in substitute markets and in activities with growth potential, where it is possible to fully capitalise on our existing strengths.

To support this, the corporation has pursued three strategies that maintain and grow revenue from our existing operations in letters, agency services & retail products, and parcels & logistics. The strategies and their main programs of work are as follows.

1. Maintain the relevance of paper-based communications and develop targeted opportunities in the digital communications market by:
   - developing initiatives that promote and encourage the use of mail
   - maximising returns and ensuring that all aspects of our current products remain relevant to our customers
   - developing new revenue opportunities in the broader communications market.
2. Maximise returns from existing retail products and services, while repositioning ourselves to deliver sustainable growth by:
   - making products and services more relevant, reducing costs and increasing sales
   - accelerating the design and implementation of new products and services
   - aligning service offers with emerging markets and customer needs
3. Be an "essential partner" in domestic distribution and logistics while targeting related international opportunities by:
   - significantly increasing earnings from existing service offers through volume increases and service performance improvement
   - acquiring capabilities to target specific market segments and supplement organic growth
   - extending partnerships with customers and suppliers to meet emerging demand for global logistics and distribution services.

Targets

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

- profit before tax of $555 million in the first year of the plan
- dividends declared of $304m in the first year of the plan.

Specific targets for 2007/08 and performance against these targets were:

Performance Indicator	Target	Performance
On-time letter delivery	94%	95.9%
Profit before tax	$555 million	$592.2 million
Return on average operating assets	18.7%	19.4 %
Ordinary dividend declared for 2007/08	$304 million	$334.6 million*

** Special dividend of $111.6 million was also declared.*

GOVERNMENT POLICIES

In February 2004, the Minister of Communications, Information Technology and the Arts provided formal notification under Section 28 of the *Commonwealth Authorities and Companies Act 1997*, that the government's National Code for the Construction Industry and associated implementation guidelines were to apply to all construction-related activity undertaken by and on behalf of Australia Post. The notification has had no major impact on the corporation as Australia Post had, since 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 2007/08 is estimated at approximately $1.5 million.

Medical/Educational Remote Area Parcel Service

The Medical/Educational Remote Area Parcel Service provides reduced postage rates for parcels containing health and educational material that are sent to and from people living in remote communities. In the 2007/08 reporting period, revenue foregone is estimated at $76,000.

Superannuation

During 2007/08 Australia Post complied with all relevant guidelines and made no significant changes to superannuation arrangements for employees.

OCCUPATIONAL HEALTH AND SAFETY (OH&S) REPORT

The following information is presented in accordance with the requirements of Section 74 of the *Occupational Health and Safety Act 1991* (Cwlth) (OHS Act).

A number of measures were taken during the year to assist in providing for the health, safety and welfare at work of employees and contractors of the corporation. These include:

- continuing to implement our OH&S policy
- directing OH&S improvements through OH&S plans at national, state and workplace facility levels. These plans provide for OH&S management systems and supervisory accountability, injury and work-related illness reduction targets, auditing the effectiveness of the OH&S management system, induction and skills training, compliance with corporate and statutory OH&S requirements, workplace safety audits for hazard identification and control, accident prevention initiatives targeted at priority accident types, and employee involvement in OH&S
- auditing OH&S legislative and corporation OH&S policy compliance through the Australia Post Occupational Health and Safety Management System Quality Assurance Program. The corporation continues to record an overall high level of conformance with OH&S audit criteria.
- maintaining OH&S committees throughout the corporation
- providing OH&S-related training for Health and Safety Representatives, managers, supervisors and staff throughout Australia Post to develop a greater understanding of corporate and statutory requirements
- continuing an employee health and wellbeing strategy providing evidence-based and effective solutions for our employees, including an internal publicity campaign to raise awareness of employee health and wellbeing issues to assist managers and employees to address these issues in their workplace
- introducing upgraded procedures for the management of suspect harmful substances detected in the mail
- implementing the Australia Post Solar (UV) Protection Policy and Procedures, which detail an approach for the protection, so far as practicable, of our outdoor workers from the harmful effects of solar UV radiation
- introducing new procedures (the Safety of Electrical Equipment Procedures) for the identification, assessment and control of electrical risks associated with electrical equipment and providing for inspection, testing and tagging of that equipment
- implementing the Australia Post Daily Motorcycle Pre-Ride Inspection program, which provides standardised arrangements for motorcycle inspection and maintenance
- initiating a program of work, following a business-wide audit of the safety of powered conveyors, to ensure compliance with relevant conveyor safety and machine guarding standards and the training of operational staff in the safe use of the conveyors
- upgrading OH&S specifications for the design of electromechanical mail processing machinery
- developing OH&S specifications for a range of trucks and vans as part of a national tender and assessment compliance of tendered vehicles with the specifications
- ensuring that new and modified equipment and work practices were compliant with safety requirements before activation
- implementing a number of new procedures to address the requirements of the March 2007 amendments to the OHS Act
- entering into an enforceable undertaking with Comcare in relation to an alleged failure by Australia Post to observe its duties under the OHS Act.

As a result of these and other initiatives, the incidence of work-related lost time injuries fell by 10.8 per cent this year. The consistent, decade-long decline in our lost time injury frequency rate (LTIFR) continued, with LTIFR reaching a record low of 6.6 lost time injuries per million work hours.

During the year:

- 781 incidents were notified to Comcare in accordance with Section 68 of the OHS Act.
- 27 Provisional Improvement Notices (Section 29) were given.
- 11 Improvement Notices (Section 47) were given.
- 21 investigations were conducted relating to:
    - plant and machinery safety (6)
    - electrical safety (2)
    - OH&S management system arrangements (4)
    - motorcycle operations (3)
    - truck safety (3)
    - contractor arrangements (1)
    - harmful substances (1)
    - incidents involving members of the public (1).
- Three Section 44 actions were taken.
- Two Section 45 directions were issued.
- 182 Health and safety representatives (HSRs) and Deputy HSRs were trained.

FREEDOM OF INFORMATION REPORT

In the year to 30 June 2008 Australia Post received 23 applications under the *Freedom of Information Act 1982* (Cwlth).

These were handled as follows:

Granted in full	6
Granted in part	7
Access refused	9
Withdrawn	0
On hand at 30 June 2008	1
Total	23

There were six applications for internal review during the year – two applications resulted in the decision of the Freedom of Information Officer being substantially affirmed. One application was withdrawn and three applications remain on hand at 30 June 2008.

One application, which was lodged with the Administrative Appeals Tribunal in the previous financial year, has not yet been determined.

Three applications were lodged with the Administrative Appeals Tribunal in the 2007/08 financial year. Two applications were withdrawn by the applicants. In the other application Australia Post had its decision substantially affirmed.

The estimated cost of handling Freedom of Information requests and related responsibilities in 2007/08 was $20,778. Application fees and charges of $1,230 were collected.

Freedom of Information Act, Section 8

The following information is presented in accordance with Section 8 of the *Freedom of Information Act 1982*.

Organisation and functions

Australia Post has a Melbourne-based headquarters and five state-based profit centres, and has five joint ventures. Headquarters is responsible for strategic planning, policy and support activities. State-based profit centres direct day-to-day business activities within the states.

Consultative arrangements

Australia Post consults directly with major mail users, customers and various bodies to respond to customer 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 Postal Services Consultative Council provides a further external forum for discussing Australia Post's services and performance. Post also consults extensively with private mail users through local managers and customer contact services.

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

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

Categories of documents

The categories of documents maintained by Australia Post include those relating to:

- corporate organisation and administration
- Australia Post's financial management
- management of assets
- internal administration including policy development and program administration, reports, briefings, correspondence, minutes, submissions, statistics and other documents
- board submissions relating to the business of Australia Post
- reference material used by staff including guidelines and manuals
- working files
- legal advice.

The categories of documents listed above are maintained by Australia Post in a variety of formats. Some of these documents, along with information on Australia Post's organisation, structure and activities, can be obtained free of charge by accessing Australia Post's website auspost.com.au

Access to documents

Access to documents under the Freedom of Information Act can be obtained by forwarding a written request together with the prescribed fee to:

National Freedom of Information Officer
Legal Services Group
Australia Post Headquarters
PO Box 1777
MELBOURNE VIC 3001

Alternatively, access to documents can be obtained by writing to the Freedom of Information Officer in the relevant state administrations. The addresses of Post's state administrations are provided on page 144 in this report.

PRIVACY AND ACCESS TO PERSONAL INFORMATION

Under the *Commonwealth Privacy Act 1988* individuals have, subject to certain exceptions permitted by law, a right to request access to their personal information that is held by Commonwealth agencies and private-sector organisations.

Individuals may apply for access to their personal information held by Australia Post by writing to:

Chief Privacy Officer
Legal Services Group
Australia Post Headquarters
GPO Box 1777
MELBOURNE VIC 3001

FRAUD CONTROL

Australia Post has in place a number of measures designed to deter and detect instances of fraud. These are further supported through the maintenance of a National Fraud Control Policy and Code of Ethics.

The Corporate Audit Services Group applies a risk-based methodology to review business operations and related systems including policies and procedures, which make up the control environment. This review is undertaken on a programmed basis to ensure that the corporation's assets are safeguarded and business risks minimised.

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

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

The Corporate Security Group liaises with the Audit and Risk Groups to enhance the level of fraud awareness and to facilitate a co-ordinated approach to fraud management.

The Systems Security section has a specialist role of ensuring security of Australia Post's information technology systems.

EXAMINATION OF MAIL

International Mail

Australia Post is authorised under the Act to open mail, as required by the Australian Customs Service in the following circumstances:

- when it is suspected that articles may contain prohibited substances; or
- to determine that appropriate duties/taxes are met.

Australian Customs Service personnel have also been authorised under Section 90T to remove and open articles of a particular weight where they reasonably believe these items may contain certain drugs or other chemical compounds being carried in contravention of a law of the Commonwealth. They have also been authorised under Section 90FB (3) for the purpose of examining mail without opening (ie by X-ray or with drug detection dogs).

Domestic Mail

Under amendments to the Act that came into effect in March 2008 quarantine inspection officers from a prescribed state or Territory (ie Western Australia, Tasmania or Northern Territory) are authorised under Section 90U to request Australia Post to open, for inspection, any article for delivery in that prescribed state or Territory; where the inspection officer has reasonable grounds to believe the item consists of, or contains, quarantine material.

In addition a new Section 90UA authorises Australia Post to remove articles from the mail stream where it is suspected that the articles consist of, or contain scam mail. Suspected scam mail may also be withdrawn from the mail upon receipt of a written request from a consumer protection agency.

In accordance with Section 90FB, Australia Post has appointed authorised examiners at designated locations where mail can be opened for inspection.

Authorised Australia Post staff may open undeliverable articles at approved locations for the purpose of identifying intended or return addresses. They may also open mail to repair an article or its contents so that the article can be made safe for carriage by post.

Disclosure of Information

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

As required under Section 43 (o) of the Australian Postal Corporation Act, Tables 1 and 2 on page 134, detail the number of times that such information was disclosed during the year and the authorities or bodies to which it was disclosed.

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

(Applies to all information or documents)

Authority for Disclosure	Number of Disclosures	Disclosures made to:
Disclosure under warrants [s. 90J(3)]	7	Australian Customs Service, Australian Federal Police, State Police (QLD)
Disclosure under a law of the Commonwealth [s. 90J(5)]	16,752	Australian Crime Commission, Australian Customs Service, Australian Taxation Office, Centrelink, Child Support Agency, Department of Immigration and Citizenship, Department of Veteran's Affairs, Insolvency & Trustees Services Australia, Medicare Australia.
Disclosures under certain laws establishing commissions [s. 90J(6)]	23	Crime Commission (NSW), Independent Commission against Corruption (NSW)

** There were no disclosures made under s. 90J (7) (8) or (9).*

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

(Applies to information or documents not specially protected)

Authority for Disclosure	Number of Disclosures	Disclosures made to:
Disclosure to authorised ASIO officer [s. 90K(4)]	61	Australian Security Intelligence Organisation
Disclosure for the enforcement of laws or protection of public revenue [s. 90K(5)]	6,866	Attorney General's Department, Australian Communications Authority, Australian Government Solicitor, Australian Quarantine Inspection Service, Australian Securities & Investments Commission, Consumer Affairs (Vic), Corrections Victoria (Vic), Crime & Misconduct Commission (Qld), Crown Solicitor's Office (SA), Department of Consumer & Employment Protection (WA), Department of Employment and Workplace Relations and Small Business, Department of Environment and Conservation, Department of Environment & Heritage, Department of Fair Trading (NSW), Department of Fisheries (WA), Department of Gaming and Racing (NSW), Department of Health and Aged Care, Department of Justice (Qld), Department of Primary Industries (Qld, SA & Vic), Department of Sustainability and Compliance (Vic), Fisheries Compliance Unit (SA), Inspector General Division, NSW National Parks and Wildlife Service (NSW), Nurses Board of Western Australia (WA), Office of Consumer & Business Affairs (SA), Office of Fair Trading (Qld), Office of Gaming Regulation (Qld), Office of Police Integrity (Vic), Office of State Revenue (NSW & Qld), Passport Fraud Section, Australian Federal Police, Police (Defence Force – Include. Military, RAAF, Naval Investigative Service), State Police (NSW) (NT) (Qld) (SA) (Tas) (Vic) (WA), Police Integrity Commission (NSW), Residential Tenancies Authority (Qld), Revenue SA (SA), RSPCA, Sheriff's Office (Vic), State Revenue Office (Vic), Transport Accident Commission (Vic), Victorian Casino and Gaming Authority (Vic), WorkCover Authority (Vic), WorkCover Corp (SA), WorkCover Queensland (Qld).

(Table 1) There were no disclosures made under s. 90K (2) or (3)

(Table 2) Commonwealth agencies, unless otherwise indicated.

1 FIVE-YEAR STATISTICAL SUMMARY

	2003/04	2004/05	2005/06	2006/07	2007/08
CONSOLIDATED (1)					
Revenue ($m)	4,161.1	4,325.9	4,530.1	4,711.1	4,959.2
Expenditure ($m)	3,640.0	3,856.1	4,014.5	4,149.4	4,367.0
Profit before income tax	521.1	469.8	515.6	561.7	592.2
Total assets ($m)	4,054.1	4,192.7	4,808.4	5,490.0	5,477.0
Return on average operating assets (%)	20.2%	17.9%	18.7%	19.6%	19.4%
Cost of community service obligations ($m)	79.1	81.0	87.8	97.3	104.3
Total taxes and government charges	526.2	527.4	514.2	474.9	548.1
Ordinary and special dividends ($m) (2)	220.9	286.2	267.3	296.9	446.2
CORPORATION					
Total mail articles (m)	5,307.5	5,363.1	5,418.1	5,515.8	5,609.4
Full-time employees	26,019	25,851	25,387	25,026	25,042
Part-time employees	9,030	8,953	9,196	9,497	9,936
Labour productivity improvement (3)	1.60	2.70	2.80	1.40	2.60
Number of corporate outlets	862	863	857	846	831
Number of licensed post offices (4)	2,982	2,979	2,975	2,969	2,977
Number of postpoints	755	740	679	614	559
Number of delivery points (m)	9.7	9.9	10.0	10.3	10.5

(1) Financial information for 2005 to 2008 is presented under Australian Equivalents to International Financial Reporting Standards (A-IFRS). Financial information for 2004 is presented under accounting standards applicable to these periods.

(2) The 2006 to 2008 dividends were determined under A-IFRS. Earlier dividends were based on accounting standards applicable at the time.

(3) Current and comparative periods have been rebased to include subsidiary information and all employee services provided to Australia Post under contract.

(4) Includes 27 franchised Post Offices.

2 BASIC POSTAGE RATE* (BPR) AND THE CONSUMER PRICE INDEX (CPI)

		Year on year			
As at 30 June	BPR (cents)	CPI all groups	Change in BPR (%)	Change in CPI (%)	Change in real postage (%)
2002	45	137.6	0	2.8	-2.8
2003	50	141.3	11.1	2.7	8.2
2004	50	144.8	0	2.5	-2.5
2005	50	148.4	0	2.5	-2.5
2006	50	154.3	0	4.0	-3.8
2007	50	157.5	0	2.1	-2.0
2008	**50**	**164.6**	**0**	**4.5**	**-4.3**

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

3 AUSTRALIA POST OUTLETS AT 30 JUNE 2008

	NSW/ACT	Vic/Tas	Qld	WA	SA/NT	Australia 2008	Australia 2007
Corporate offices							
• at 1 July 2007	279	227	173	90	77	846	857
Changes during 2007/08							
• Opened	0	0	1	0	0	1	2
• Changed from LPO	0	0	1	0	0	1	0
• Changed to LPO	5	4	3	1	2	15	11
• Closed	1	0	0	1	0	2	2
Total at 30 June 2008	**273**	**223**	**172**	**88**	**75**	**831**	**846**
Licensed post offices/franchises							
• at 1 July 2007	913	975	463	298	320	2,969	2,975
Changes during 2007/08							
• Opened	1	1	0	1	0	4	0
• Changed from corporate office	5	4	3	1	2	15	11
• Changed from community postal agency	0	1	0	0	0	1	4
• Changed to corporate office	0	0	1	0	0	1	0
• Changed to community postal agency	1	2	0	0	1	4	9
• Closed	3	1	1	1	0	7	12
Total at 30 June 2008	**915**	**978**	**464**	**299**	**321**	**2,977**	**2,969**
Grand total at 30 June 2008	**1,188**	**1,201**	**636**	**387**	**396**	**3,808**	**3,815**
Community postal agencies at 30 June 2008	**102**	**75**	**192**	**86**	**190**	**645**	**634**
Total outlets at 30 June 2008	**1,290**	**1,276**	**828**	**473**	**586**	**4,453**	**4,449**

4 AUSTRALIA POST OUTLETS BY STATE [4] AND GEOGRAPHIC CLASSIFICATION

Outlet type	Geographic [1] Classification	NSW	ACT	Vic	Qld	SA	WA	Tas	NT	Other territories	Australia
Corporate offices	Metro	185	17	141	99	44	62	11	4	0	563
	Rural	71	0	53	62	23	16	17	0	0	242
	Remote	1	0	1	10	1	10	0	3	0	26
		257	**17**	**195**	**171**	**68**	**88**	**28**	**7**	**0**	**831**
LPO [2]	Metro	422	37	381	171	130	124	27	5	0	1,297
	Rural	415	1	432	201	143	94	112	3	0	1,401
	Remote	44	0	16	92	27	79	5	13	3	279
		881	**38**	**829**	**464**	**300**	**297**	**144**	**21**	**3**	**2,977**
CPA [3]	Metro	9	0	3	4	8	1	6	1	0	32
	Rural	82	0	37	106	102	40	20	5	0	392
	Remote	11	0	3	82	24	49	2	46	4	221
		102	**0**	**43**	**192**	**134**	**90**	**28**	**52**	**4**	**645**
Totals	Metro	616	54	525	274	182	187	44	10	0	1,892
	Rural	568	1	522	369	268	150	149	8	0	2,035
	Remote	56	0	20	184	52	138	7	62	7	526
		1,240	**55**	**1,067**	**827**	**502**	**475**	**200**	**80**	**7**	**4,453**

(1) Geographic Classifications use DPIE/HSH November 1994 Metropolitan, Rural Remote Areas Classifications by 1991 Census SLA.

(2) LPO = This includes all licensed post offices, franchised PostShops and one post office agency.

(3) CPA = Community postal agents.

(4) This table uses geographic states, not Australia Post administrative states.

5 MAIL DELIVERY NETWORK AT 30 JUNE 2008

	NSW/ACT	Vic/Tas	Qld	WA	SA/NT	Australia 2008	Australia 2007
PRIVATE HOUSEHOLDS							
Receiving mail via:							
Street delivery	2,672,048	2,102,045	1,450,390	812,954	667,571	**7,705,008**	7,574,998
Private boxes/locked bags	263,529	210,683	220,631	109,955	130,450	**935,248**	909,697
Private and community bags	5,289	1,170	2,992	3,599	10,667	**23,717**	24,079
Roadside delivery	171,502	144,816	143,069	14,601	9,207	**483,195**	479,653
Counter delivery	39,685	53,575	40,259	26,756	43,217	**203,492**	199,960
Total	**3,152,053**	**2,512,289**	**1,857,341**	**967,865**	**861,112**	**9,350,660**	**9,188,387**
BUSINESSES							
Receiving mail via:							
Street delivery	214,337	164,324	111,712	54,501	45,346	**590,220**	566,092
Private boxes/locked bags	168,611	110,301	111,147	51,853	38,927	**480,839**	475,808
Private and community bags	315	379	662	415	995	**2,766**	2,926
Roadside delivery	5,836	5,146	4,562	177	475	**16,196**	15,819
Counter delivery	3,298	7,008	2,754	2,260	2,869	**18,189**	17,605
Total	**392,397**	**287,158**	**230,837**	**109,206**	**88,612**	**1,108,210**	**1,078,250**
Total delivery points	**3,544,450**	**2,799,447**	**2,088,178**	**1,077,071**	**949,724**	**10,458,870**	**10,266,637**

6 LETTERS SENDERS' ACCESS TO POSTAL NETWORK

	Metro Areas	Rural Areas	Remote Areas	Total
Access to stamps and postage assessment				
(Number of facilities)				
Total retail outlets	1,892	2,035	526	4,453
Other outlets (1)	1,272	1,855	285	3,412
Total outlets (2)	**3,164**	**3,890**	**811**	**7,865**
Access to posting facilities				
(Number of facilities)				
Total retail outlets	1,892	2,035	526	4,453
Community mail agents	4	31	70	105
Street posting boxes	10,834	4,510	534	15,878
Roadmail contractors (3)	758	2,239	455	3,452
Posting facilities (4)	**13,488**	**8,815**	**1,585**	**23,888**
Distance from postal outlets				
Average household distance from outlets (km)	1.1	3.2	11.4	1.9
Dispersion				
Percentage of households within 2.5km of a retail outlet	93.4	68.9	58.4	86.0
Percentage of households within 7.5km of a retail outlet	99.7	88.8	74.3	96.2

(1) Includes postpoints, licensed stamp vendors, off-site vending machines, etc. (self-assessment only).
(2) Does not include roadmail contractors, all of whom, on request, would arrange supply of stamps.
(3) Roadmail contractors, on request, accept letters for posting.
(4) In addition, postal delivery officers, on request, accept letters for posting.

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

	Metro Areas	Rural Areas	Remote Areas	Total
HOUSEHOLDS				
Delivery to residence via:				
Street delivery	6,032.5	1,578.7	93.8	7,705.0
Roadside delivery	137.2	331.1	14.9	483.2
Total to residence	**6,169.7**	**1,909.8**	**108.7**	**8,188.2**
Delivery to postal premises via:				
Post office boxes and bags	443.8	408.3	86.1	938.2
Counter delivery	30.1	120.3	53.1	203.5
Total at postal premises	**473.9**	**528.6**	**139.2**	**1,141.7**
Delivery to intermediate point via:				
Community bags	1.1	11.0	8.7	20.8
Total households	**6,644.7**	**2,449.4**	**256.6**	**9,350.7**
BUSINESS				
Delivery via:				
Street delivery	462.1	122.9	5.2	590.2
Roadside delivery	7.2	8.6	0.4	16.2
Post office boxes and bags	329.2	130.9	22.7	482.8
Counter delivery	3.9	12.2	2.1	18.2
Delivery to intermediate point via:				
Community bags	0.2	0.4	0.2	0.8
Total business	**802.6**	**275.0**	**30.6**	**1,108.2**
Total delivery points served	**7,447.3**	**2,724.4**	**287.2**	**10,458.9**

8 FREQUENCY OF SERVICE TO DELIVERY POINTS (% OF TOTAL DELIVERY POINTS AS AT 30 JUNE 2008)

Frequency per week	Metro Areas	Rural Areas	Remote Areas	Total
One per week	0	0	0.3	0
Two to four	0.1	3.8	5.1	1.2
Five or more	99.9	96.2	94.6	98.8
Total	**100.0**	**100.0**	**100.0**	**100.0**

9 OVERALL LETTER SERVICE PERFORMANCE IN 2007/08

	Full Year 2007/2008	Qtr Ended 30/6/08	Qtr Ended 31/3/08	Qtr Ended 31/12/07	Qtr Ended 30/9/07
Based on letters delivered in the following					
PER CENT ON TIME					
NSW	96.0	96.5	96.0	95.3	95.8
Vic	95.5	96.0	96.0	94.2	96.3
Qld	96.0	96.2	96.3	95.0	96.5
SA	96.5	96.6	96.5	95.9	96.5
WA	95.2	96.0	95.4	94.4	95.1
Tas	97.2	98.1	96.6	96.2	98.1
NT	95.4	96.6	94.0	95.5	94.7
ACT	96.9	98.3	95.4	96.9	97.0
National averages	**95.9**	**96.3**	**96.0**	**95.0**	**96.1**
	Full Year 2007/2008	Qtr Ended 30/6/08	Qtr Ended 31/3/08	Qtr Ended 31/12/07	Qtr Ended 30/9/07
PER CENT + ONE DAY					
NSW	98.6	98.4	98.7	98.7	98.7
Vic	99.0	99.0	99.1	99.0	99.0
Qld	98.9	98.9	99.0	98.9	99.0
SA	99.0	98.8	99.4	98.9	98.9
WA	98.6	98.4	98.9	98.7	98.4
Tas	99.1	99.4	99.0	98.7	99.3
NT	99.1	99.4	98.5	99.6	98.7
ACT	99.4	99.6	99.0	99.6	99.3
National averages	**98.8**	**98.7**	**98.9**	**98.8**	**98.8**

10 SUMMARY OF AUSTRALIA POST PROPERTY PORTFOLIO AS AT 30 JUNE 2008

	NSW/ACT	Qld	SA/NT	Vic/Tas	WA	Total
PROPERTY TYPE – OWNED						
Commercial	2	1	0	1	0	4
GPO	1	1	1	1	1	5
Industrial	48	44	16	56	19	183
Residential	1	6	0	0	3	10
Retail	121	40	34	84	30	309
	173	**92**	**51**	**142**	**53**	**511**
PROPERTY TYPE – LEASED						
Commercial	9	3	0	10	2	24
GPO	1	0	1	1	0	3
Industrial	88	28	11	69	17	213
Residential	0	0	1	0	9	10
Retail	147	128	39	164	61	539
	245	**159**	**52**	**244**	**89**	**789**
PROPERTY TYPE – TOTAL						
Commercial	11	4	0	11	2	28
GPO	2	1	2	2	1	8
Industrial	136	72	27	125	36	396
Residential	1	6	1	0	12	20
Retail	268	168	73	248	91	848
	418	**251**	**103**	**386**	**142**	**1,300**

(a) Commercial includes national headquarters and state office/regional office administration.
(b) GPOs are those general post offices located in central business districts.
(c) Industrial includes mail centres, parcel and transport centres, warehousing, vacant land and some stand-alone or co-located business centres.
(d) Retail includes retail PostShops and traditional post offices.

11 TOTAL ARTICLES THROUGH AUSTRALIA POST'S NETWORK (MILLIONS)[(1)]

	2003/04	2004/05	2005/06	2006/07	2007/08
Posted in Australia for delivery in Australia	5,016.1	5,102.1	5,125.7	5,224.1	5,330.6
Posted in Australia for delivery overseas	169.1	141.8	151.3	141.6	115.9
Total posted	**5,185.2**	**5,243.9**	**5,277.0**	**5,365.7**	**5,446.5**
Posted overseas for delivery in Australia	122.3	119.2	141.1	150.1	162.8
Total articles through network	**5,307.5**	**5,363.1**	**5,418.1**	**5,515.8**	**5,609.3**

(1) Mail volume statistics exclude articles that do not generate revenue, eg official mail, redirected mail and international mail in transit (eg Singapore to New Zealand via Australia).

12 PERSONS ENGAGED IN PROVIDING POSTAL SERVICES AT 30 JUNE 2008

	HQ	Mail & Networks Division							Commercial Division									
Australia Post employment	HQ	NSW/ACT	Vic/Tas	Qld	WA	SA/NT	Head office	TOTAL	NSW/ACT	Vic/Tas	Qld	WA	SA/NT	Head office	TOTAL	Other operating divisions	Total June 2008	Total June 2007
Full time																		
Permanent	261	7,052	4,649	2,767	1,553	1,163	692	17,876	1,582	1,166	870	572	336	275	4,801	1,602	24,540	24,558
Fixed term	7	123	3	80	39	12	6	263	49	63	55	16	13	11	207	25	502	468
Total full time	**268**	**7,175**	**4,652**	**2,847**	**1,592**	**1,175**	**698**	**18,139**	**1,631**	**1,229**	**925**	**588**	**349**	**286**	**5,008**	**1,627**	**25,042**	**25,026**
Part time																		
Permanent	16	1,768	1,729	674	441	303	35	4,950	1,319	1,119	885	402	258	7	3,990	56	9,012	8,523
Fixed term	1	129	41	79	70	119	7	445	113	150	91	34	85	1	474	4	924	975
Total part time	**17**	**1,897**	**1,770**	**753**	**511**	**422**	**42**	**5,395**	**1,432**	**1,269**	**976**	**436**	**343**	**8**	**4,464**	**60**	**9,936**	**9,498**
Others																		
Casuals	0	54	10	13	4	6	1	88	85	29	53	14	9	0	190	0	278	208
Agency*	16	51	99	28	74	78	0	330	35	52	21	18	21	2	149	94	589	744
LPOs**									915	978	464	299	321	0	2,977	0	2,977	2,971
Mail contracts**	0	1,388	1,441	1,565	460	335	0	5,189	0	0	0	0	0	0	0	0	5,189	5,295
Total others	**16**	**1,493**	**1,550**	**1,606**	**538**	**419**	**1**	**5,607**	**1,035**	**1,059**	**538**	**331**	**351**	**2**	**3,316**	**94**	**9,033**	**9,218**
TOTAL	**301**	**10,565**	**7,972**	**5,206**	**2,641**	**2,016**	**741**	**29,141**	**4,098**	**3,557**	**2,439**	**1,355**	**1,043**	**296**	**12,788**	**1,781**	**44,011**	**43,742**

** Agency – Persons working in award level positions under contract arrangements with preferred employment providers.*

*** Denotes the number of LPOs/mail contracts and does not reflect the number of persons who may be involved in providing postal services.*

GRAPHS, TABLES AND CHARTS
(not including Financial and Statutory Reports)

Notes: *Information that satisfies a statutory reporting requirement is indexed separately (see pages 128–30).*
IBC = inside back cover

A

B

C

D

CONTACT DETAILS

Australia Post Headquarters

321 Exhibition Street
MELBOURNE VIC 3000

GPO Box 1777
MELBOURNE VIC 3001

Phone 03 9204 7171
Fax 03 9663 1160

Customer Contact Centres (all states & territories)

General enquiries
Phone 13 13 18

Postcode, post office location, and hours of operation enquiries
Phone 13 13 17

Business enquiries
Phone 13 11 18

International Express call centre
Phone 1800 007 678

Australian Capital Territory

7–9 Geelong Street
FYSHWICK ACT 2609

Locked Bag 7000
MANUKA ACT 2603

Ph 02 6209 8111
Fax 02 6209 8132

New South Wales

219–241 Cleveland Street
STRAWBERRY HILLS NSW 1420

PO Box 1018
STRAWBERRY HILLS NSW 1420

Phone 02 9202 6033
Fax 02 9202 6733

Northern Territory

GPO
48 Cavenagh Street
DARWIN NT 0800

GPO Box 3600
DARWIN NT 0801

Phone 08 8402 6019
Fax 08 8402 6218

Queensland

GPO
261 Queen Street
BRISBANE QLD 4000

GPO Box 6000
BRISBANE QLD 4001

Phone 07 3109 5501
Fax 07 3109 5944

South Australia

GPO
141 King William Street
ADELAIDE SA 5000

GPO Box 4000
ADELAIDE SA 5001

Phone 08 8402 6019
Fax 08 8402 6218

Tasmania

GPO
9 Elizabeth Street
HOBART TAS 7000

GPO Box 4000
HOBART TAS 7001

Phone 03 6236 3501
Fax 03 6236 3599

Victoria

321 Exhibition Street
MELBOURNE VIC 3000

GPO Box 2020
MELBOURNE VIC 3001

Phone 03 9204 7171
Fax 03 8626 1888

Western Australia

Level 3/1 Cambridge Street
WEST LEEDERVILLE WA 6007

GPO Box 9000
PERTH WA 6848

Phone 08 9237 5000
Fax 08 9381 1416

ABOUT THIS ANNUAL REPORT

Editor/project manager

Sarah Butcher

Design

Magnetic Design

Photographer

James Braund

Other photographs

Small photos from the Australia Post image library.

Page 43 photograph by Jeff Busby.

Paper

Paper stocks used in this annual report were manufactured at ISO 14001 accredited mills. Monza Satin Recycled (used for the cover and front section of the report) contains 55% recycled fibre and FSC certified pulp, sourced from sustainable, well-managed forests. The TudorRP paper used in the financial and statutory reports is made entirely from waste paper.

Printing

This annual report was printed in Australia by Print Bound, using a Clean Green Print process. All the processes involved with the manufacture of this publication are guaranteed to have minimal impact on the environment.

Copies of this report

This report can be viewed and downloaded at auspost.com.au or phone 03 9299 4650 to request a printed copy.

Website

auspost.com.au

PUTTING OUR STAMP ON EVERY DAY

AUSTRALIAN BOTANIC GARDENS
– 12 SEPTEMBER 2007 (selected stamps)

UP, UP AND AWAY – 6 MAY 2008

HEAVY HAULERS – 1 APRIL 2008

CARAVANNING THROUGH THE YEARS – 16 OCTOBER 2007

MARKET FEAST – 24 JULY 2007 (selected stamps)

WINNER OF THE WIPA GRAND PRIX 2006
"Most beautiful stamp in the world"
(voted in February 2008)

AUSTRALIAN WILDFLOWERS – WARATAH –
7 FEBRUARY 2006

BLAST OFF! 50 YEARS IN SPACE
— 2 OCTOBER 2007 (selected stamps)

GORGEOUS AUSTRALIA — 3 MARCH 2008

AUSTRALIAN LEGENDS OF PHILANTHROPY
— 23 JANUARY 2008

CENTENARY OF RUGBY LEAGUE
— 24 MARCH 2008 (selected stamps)

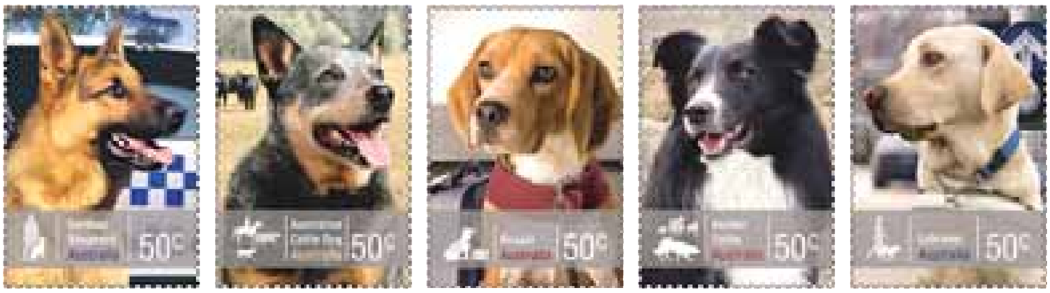
QUEEN'S BIRTHDAY — 18 APRIL 2008

LANDMARKS: AUSTRALIAN MODERNIST ARCHITECTURE
— 10 JULY 2007

WORLD YOUTH DAY 2008 — 4 MARCH 2008

LEST WE FORGET – ANZAC DAY – 16 APRIL 2008

WORKING DOGS – 10 JUNE 2008



50 YEARS OF AUSTRALIAN CHRISTMAS STAMPS
– 1 NOVEMBER 2007

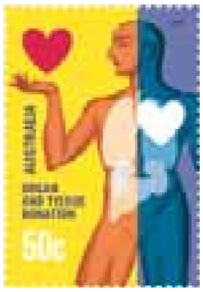
50TH ANNIVERSARY OF THE SPECIAL AIR SERVICE
– 4 SEPTEMBER 2007

CENTENARY OF SCOUTING IN AUSTRALIA –
19 FEBRUARY 2008 (selected stamps)

APEC FORUM – 28 AUGUST 2007

BEJING OLYMPIC GAMES – 24 JUNE 2008

ORGAN & TISSUE DONATION – 5 FEBRUARY 2008



AUSTRALIA POST ANNUAL REPORT 2007/08