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9 September 2010

Mr. Kevin Stevenson  
Chairman  
Australian Accounting Standards Board  
PO Box 204  
Collins St West  
MELBOURNE VIC 8007

Mr Stevenson,

I am writing – on behalf of the Board of Australia Post – in relation to the proposed amendments to AASB 119.

While our Chief Finance Officer, Mr Peter Meehan, has already written at length to the AASB outlining the concerns of Australia Post (his letter is provided as an Attachment) it is beholden on me to reinforce the Board's deep concern with the proposed amendment to AASB 119 and the significant impact it will have on Australia Post's profit and loss result.

As Mr Meehan indicated in his letter to you on 4 August, Australia Post has over 35,000 employees for whom we provided a defined benefit superannuation scheme – and we report this benefit obligation in accordance with AASB 119.

The Board's concern relates specifically to the definition and presentation of a finance cost component (addressing Questions 5 and 6 in the IAS 19 Exposure Draft ED/2010/3). The Board strongly objects to the proposal to apply the discount rate to asset returns and we submit that the superannuation cost **must** reflect the full expected return on plan assets (as opposed to just the interest component of the return).

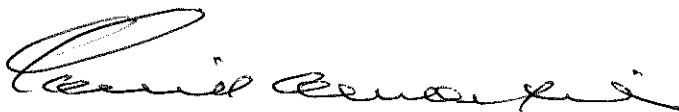
The proposed approach would significantly and materially reduce our reported profit. If we applied this treatment to our 2009/10 financial accounts, for example, it would have the affect of overstating our superannuation expense by approximately AUD\$100m. As you can appreciate, this would have had significant negative flow on effects to our reported result and to our shareholder, the Australian Government.

Australia Post believes that the cost of superannuation stated in the profit or loss statement should be a realistic reflection of the expected cost of superannuation to an employer. This is why the standard requires other assumptions to be best estimates. This would mean presenting the full expected return on plan assets in the profit and loss as currently occurs. As such, Australia Post believes that the treatment under the current standard is appropriate, and remains appropriate for the future.

I urge you to consider very carefully the impact that any proposed change to AASB 119 would have on the financial results of many Australian corporations. As you can see, and as explained in Mr Meehan's letter, the implications for Australia Post are material and deeply concerning.

My officers at Australia Post would be prepared to discuss this matter further, with you or any of your colleagues, at a time that is convenient for you. Please feel free to contact our CFO Peter Meehan directly on (03) 9106 6889.

Regards,

A handwritten signature in black ink, appearing to read "David Mortimer". The signature is fluid and cursive, with a large initial "D" and "M".

David Mortimer, AO  
Chairman