Australia Post
Annual Report 2014

Your Post is evolving

Our year

$116.2 million
Profit after tax
34.5% decrease in profit

36,944
employees nationwide, reflecting Australia Post and StarTrack's combined strength

-$328.4 million
Operating EBIT in mail services
15.2% increase in loss

8.0
Lost Time Injury Frequency Rate
2.4% reduction in LTIFR

$337.5 million
Operating EBIT in parcel services
20.8% increase in profit

2nd
Most reputable brand (position held)
2014 AMR Corporate Reputation Index

Declared a $78.8 million dividend to our shareholder

(More information on page 12)

Exceeded all regulated delivery performance standards

(More information on page 14)

Established Australia's largest parcels and logistics network

(More information on page 28)

Preserved our reputation as a trusted service provider

(More information on page 9)

Launched Post People 1st to protect, prioritise and support our employees

(More information on page 11)

Recorded fewer workplace injuries and championed safe road use

(More information on pages 32–33)

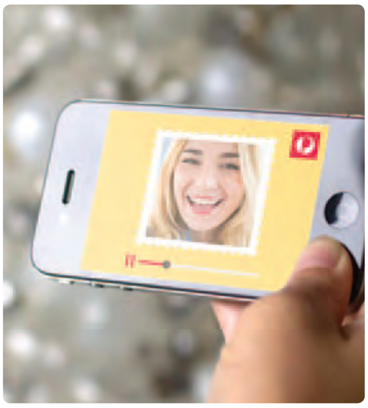
Built better neighbourhoods across Australia

(More information on page 37)

Reduced carbon emissions to deliver better environmental outcomes

(More information on page 39)






This is the fourth year Australia Post has produced an integrated annual report. It discusses our overall sustainability performance including our financial, social and environmental achievements for the 2014 financial year.

The report provides information for our four primary stakeholders – our shareholder (the Australian Government), our people, our customers and the broader community. The material issues we cover in this report, and our process for identifying these topics this year, are discussed on page 19.

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

Front cover images:

(Top) Australia Post Bourke Street Superstore Postal Manager, Anthony Allwood, explains the benefits of the new MyPost Concession Account to customer Valy Crowe.

(Bottom) Dick Smith Camberwell Store Manager, Geoff Mortimer, accepts a delivery from StarTrack driver, Van Nguyen.

Contents





Changing with you

For over 200 years we have been serving Australians. We have always sought to help citizens, businesses and government. Not just some, but everyone, everywhere, every day so that communities work better, and can prosper.

However, the needs of communities are changing as a result of the digital age. Therefore so must our services if we are to continue to fulfil our purpose. Your Post is evolving by:

- Building world-class delivery, supply chain and ecommerce solutions for businesses
- Developing the post office and our digital services to support the everyday essentials of citizens and small business owners, including a special focus on rural and regional communities
- Enabling governments and corporations to connect with their customers online as well as through our postal network
- Helping our people and partners be safe and supported so that they can have fulfilling jobs and businesses that serve our customers well.

In a rapidly changing world, the needs of our people, customers and communities, and the trust they place in us, remain at the core of every decision and action we take.

Ahmed Fahour
Managing Director & Group CEO





Chairman's message

Australia Post again delivered on its core obligations of providing reliable community service and sound commercial performance – while investing in new services that are vital to serving Australians in the digital world.

I am very pleased to report that we met all of our community service obligation (CSO) performance standards and managed to earn a modest profit in the 2013–14 financial year. That is a significant achievement, in itself, given the ongoing digital disruption to many of our core products and services.

Our strategy

We remain focused on running Australia Post efficiently and productively, while simultaneously working on a range of strategic initiatives that all relate to changing, growing and reforming the business – in the long-term interests of the Australian community.

Our primary strategic goal is to run the business in a way that captures our immediate growth opportunities. This year we made significant headway with the construction of our future parcels network; the integration of StarTrack; the expansion of our trusted services offering; and by building the functionality and scale of the MyPost Digital Mailbox.

Strategically, we also remain focused on growing in new areas that are aligned to both our customers' needs and our existing strengths across communications, ecommerce and trusted services.

Reforming our letters service

The Australian community's reducing reliance on our letters service remains a significant and ongoing challenge. In the six years since our mail peak, the volume of domestic addressed letters sent in Australia has fallen 25.3 per cent. So, this year, our posties delivered 1.2 billion fewer letters than they did in 2007–08.

We're also delivering this dwindling volume to an ever-expanding network. So, in real terms, letters delivered per letterbox has actually fallen 30.6 per cent over the past six years.

In this year alone, we incurred a loss of $328.4 million in our highly regulated mail services business (up from last year's loss of $285.1 million). Under the existing regulatory settings for the letters service (the CSO standards and price constraints), we know that these losses will inevitably grow in future years as volumes continue to decline. In fact, without regulatory reform, our losses in letters will soon overwhelm the profits that we earn from our parcels and retail businesses, combined.

Therefore, we have been actively engaging in the recent community discussion about the future of our letter services – pointing out that regulatory reform is fundamental to securing a viable, self-funding future for Australia Post. We will continue to work closely with our Shareholder and engage with the community as we develop a new model that ensures we maintain accessible, reliable and sustainable letter services for all Australians.

Looking ahead

Australia Post is a much-loved brand with unrivalled community-based post office and delivery networks that underpin connection and commerce, for all Australians. By managing the reform of our letters business now, I am confident that we will be in a strong position to maintain those networks – and invest in new services that will serve Australians well into the future.

I'd like to thank my fellow directors, the management team and our outstanding CEO, Ahmed Fahour – as well as the thousands of employees, licensees, agents and contractors who work so hard to deliver a tremendous community service across Australia.

John Stanhope
Chairman

Managing Director & Group CEO's message

This was a year of significant challenge and change at Australia Post, as we continued to adapt in order to stay relevant to our customers.

For the 14th consecutive year, we met all of our CSO service performance targets. In 2013–14 we delivered 94.5 per cent of letters on time or early (ahead of our 94 per cent target) and maintained 4,417 post offices nationwide (well above the target of 4,000 access points).

In terms of commercial performance, our revenue increased to $6.4 billion (up 8.3 per cent on last year), but after-tax profit was down 34.5 per cent to $116.2 million.

In addition, we continue to make significant improvements in our safety performance.

On a portfolio basis, the operating EBIT loss in our highly regulated mail services business (predominantly our reserved and non-reserved letters services), increased by 15.2 per cent to $328.4 million – due to falling volumes and the fixed-cost nature of this business. Retail Services earned $175.6 million, which is in line with last year's result. Parcel and Express Services earned operational EBIT of $337.5 million, which is up 20.8 per cent on last year. This is the fourth consecutive year of profit growth in our parcels business – and it was achieved despite a slowdown in ecommerce activity and intensifying competition across the parcels market.

Turning point

As was anticipated and communicated, the corporation made an overall loss in the second half of the financial year. It is the first time that our business has made a loss in any six-month period, since being corporatised in 1989.

This indicates that we have now reached a turning point where we can no longer expect profits from our competitive parcels business to offset the growing losses that we are incurring in the highly regulated mail services business. We believe this is a permanent structural issue and, as a result, we are now actively seeking to change our letters services, prices and operations.

Looking after our stakeholders

As we adapt to the ongoing shift in the community's use of our services, we are very conscious of minimising the impact of service changes for our stakeholders. I am particularly proud of the initiatives we developed this year for our employees (such as Post People 1st), for our licensees (new LPO payment streams and the Rural Sustainability Package) and for disadvantaged and senior Australians (by introducing concession-rate postage).

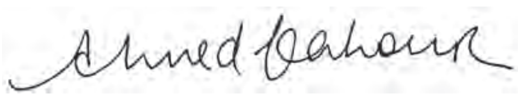
Investing in tomorrow

I am optimistic about our ability to sustain Australia Post's role as the trusted organisation that connects Australian consumers, business and government agencies. This year, we invested heavily in expanding our parcel facilities, which will, ultimately, double our processing capacity. We also added a broad range of new trusted services that are available in our post offices and online. And we continued to develop the services that are available via the MyPost Digital Mailbox.

We are also integrating our parcel operations and services – and have elevated StarTrack as one of our two core brands, with the responsibility of providing ecommerce-driven logistics and delivery solutions for Australian businesses.

Thank you

It is my great privilege to work with the board, the management team, our employees and business partners. I want to sincerely thank everyone for their contribution to our great business – and for their daily commitment to serving our customers and the Australian community.



Ahmed Fahour
Managing Director & Group CEO

Meeting the needs of our customers

Our customers' behaviour and expectations continue to evolve in this digital age.

Consumers are shopping online, and demanding easier and more convenient delivery services. Businesses are seeking easy ecommerce solutions as they reinvent their customer service model for a digital, mobile economy. Meanwhile, governments and corporations are seeking help to digitise their services while ensuring over-the-counter help is available in all communities.

Consequently we have been investing to change and improve our services.

Delivery solutions for today's ecommerce market

Over the past 12 months, we've been combining the trust, reach and convenience of Australia Post with the premium service standards, express freight capability and business-to-business strength of StarTrack. Our parcel services business, under the StarTrack banner, draws on the strengths and interoperability of our vast network to deliver ecommerce-driven logistics, supply chain and parcel delivery solutions.

Improvements to our product and service offering this year provided online buyers and sellers with greater choice to select the parcel, freight, express, courier and international service that best suits them – based on cost, speed, visibility and security. And, working even more closely with major ecommerce marketplaces like eBay, Amazon and Google, we've simplified packaging and postage processes to offer customers more convenience and price certainty.

Digitising traditional postal services

We've digitised many of our traditional post office services so that customers can interact with us anywhere, anytime. No matter what device our customers use, our digital service improvements are empowering them to more easily manage their deliveries and transactions with a greater sense of security, choice and control.

During the year we made significant enhancements to our suite of iOS and Android apps. The popularity of these digital services was highlighted by a 23 per cent rise in digital product revenue from last year, driven by a 38 per cent increase in online mail redirection and mail hold services, and 39 per cent growth in our Online Shop.

Helping Australians through MyPost Digital Mailbox

Another way we've made it easier for businesses and their customers to connect simply and securely online is through our MyPost Digital Mailbox, which continues to build momentum. There are now 30 providers on-board including Telstra and AMP, as well as several utility providers and local governments. Our newest partners, Westpac and Velocity, also signed on during the year and will go live in 2014–15.

Modernising post offices across Australia

We are committed to keeping our post offices open and vital to the businesses and consumers they serve, and growing the everyday essential service that they offer.

Superstores are our modern post office solution, providing access to our full suite of postal products and services along

The modern mailroom

to suit Telstra's online shoppers

With less people at home during the day, more online shoppers are diverting their parcels from their home to their business address.

Following a steady rise in parcels for employees at Telstra's Melbourne headquarters, Telstra was keen to improve the ways it manages mailroom traffic for its business and employees. By installing our parcel lockers at their Melbourne headquarters in November 2013, Telstra has reduced the burden of delivering increasing parcel volumes for its mailroom.

The location recorded 480 registrations – the highest number ever received for a locker in its first week of installation. By June 2014, more than 1,000 customers had registered to use the parcel lockers, making it our third most utilised parcel locker site in Victoria, and fifteenth in Australia. Employee feedback has been positive, with users describing the parcel lockers as "a very good initiative" and "a great gift to employees".

with 24/7 access to postage vending machines and parcel lockers. These services are also available at many of our 56 Business Hubs, which are dedicated to local small and medium businesses. In 2013–14 we opened another 15 superstore outlets to bring our national network to 48 – including 11 in rural and regional areas. We will invest in another 50 rural and regional superstores over the next five years.

Extending post office trading hours

Our customers have also told us that they'd like easier, more convenient access to our services, and the extension of weekend trading is the next step in meeting those expectations.

We will expand to Saturday trading in November 2014. When you include licensed post offices, there will be around 2,300 post offices that are open six days a week.

Delivering parcels on Saturdays

This year we announced plans to deliver parcels on Saturdays and extend our next-day Express Post delivery service to households six days a week.

Customers already enjoy the convenience of six-day parcel deliveries during the Christmas period, but these changes mean that a six-day-a-week delivery service will be available permanently from November 2014.

Supply chain solutions, sorted

for Dick Smith

StarTrack provides iconic Australian electronics retailer Dick Smith with end-to-end logistics and product distribution to its 377 retail stores in Australia and New Zealand.

We offer a unique supply chain solution where orders are consolidated, packed according to store and state, then shipped into sea freight containers from China to Australia, before being delivered to stores or direct to online shoppers. Stock is also stored at our StarTrack warehouses in Australia and sent to New Zealand Post's warehouse in Auckland as part of a partnership that was facilitated by our StarTrack team.

Nick Abboud, Dick Smith's Managing Director and CEO said, "As Dick Smith extends its retail offering into new market spaces, we expect that further enhancements to the store fulfilment model will provide our customers with the flexibility of quicker and cheaper local delivery or click and collect in each of our stores".

Image: Dick Smith Camberwell Store Manager, Geoff Mortimer

Staying true to our purpose in the community

Right now, we face the significant challenge of managing a letters service in decline.

At the same time, we are transforming our network to provide improved communications support, new parcel delivery capabilities and access to more everyday essential services.

As we implement these changes, we remain true to our purpose to help citizens, businesses and government – not just some, but everyone, everywhere, every day; so that communities work better, and can prosper.

This has us keeping the contemporary needs of our people, customers and communities at the centre of every decision.

Australia Post is essential to 87% of regional and rural customers

Australia Post plays a pivotal role in smaller and more isolated communities where advocacy and use of our services are highest.

In a January 2014 survey commissioned by Australia Post, 87 per cent of respondents stated that our network of 2,560 rural and remote post offices is essential to meeting the needs of their community.

To support customers when and where they need us the most, in June 2014 we announced a package of initiatives to strengthen the viability of rural and regional post offices. This means working with our licensees to introduce a range of financial and technology measures – such as increased payments to post office operators and new point-of-sale technology – so that smaller and more isolated communities can enjoy access to more important services including banking and card payments.

Image: James Kerin (Licensee) and Chris Brown (Manager) operate the Clunes Licensed Post Office in Victoria.

Reforming Australia's letters service

We're committed to maintaining a reliable, accessible postal service for all Australians. Under Section 27 of the *Australian Postal Corporation Act 1989* we have a set of Community Service Obligation (CSOs) that require us to provide a service that is "reasonably accessible to all people in Australia on an equitable basis, wherever they reside or carry on business".

In 2013–14 we again met or exceeded all of the prescribed targets that underpin our CSOs, but this is being achieved at an ever-increasing cost. The community's shift to online channels has led to a dramatic and irreversible decline in letter volumes. This year we expanded our delivery network to 11.3 million delivery points, contributing to a 4.8 per cent year-on-year decline in letter volumes delivered per letterbox. The financial cost associated with meeting our community service standards this year is estimated to be $203.5 million, up 17.0 per cent on last year.

Based on the experiences of our international counterparts the community's declining reliance on letters will continue to accelerate. With the current momentum of the business, the losses we incur in our letters division will soon overwhelm the profits we make from other sectors.

This involves making changes to our letters services, pricing and operations. In particular it means transitioning to a two-speed letters service – Priority and Regular – that is priced to recover the cost of delivering the service.

Supporting neighbourhoods in need

As we face the challenges and opportunities of the future we will continue to keep the community at the heart of our decision making. We believe that a thriving, vibrant community – connected physically and digitally – will drive our business to be sustainable and ensure that we continue to deliver essential services to all Australians.

It is with this philosophy in mind that the Our Neighbourhood program comes to life. It represents Australia Post's commitment to the community beyond its business operations and role as a large employer of people. It guides our community approach and the investments we make.

Our programs and partners represent a diverse group of dynamic activities and organisations who all share the common goal of creating a stronger sense of community. Collectively, they help us connect to all corners of the community and build better neighbourhoods. Individually, they focus our attention on specific community members and organisations that need help to participate in the communities in which they live and operate.

Capturing Australians' confidence

We have one of the strongest reputations of any company in Australia, according to the 2014 AMR Corporate Reputation Index.

The annual corporate reputational study is based on surveys of around 7,800 Australian adults aged 18–64, who were asked to rank 60 companies across seven areas: products and services, innovation, workplace, citizenship, governance, leadership and performance.

Our second place ranking (the same as last year), shows that Australians continue to identify with our brand after more than 200 years of delivering trusted services to the community.

Reducing our environmental impact

This year a number of our operational decisions and initiatives directly contributed to better efficiency and productivity outcomes for us, as well as delivering real value for the community and for the environment. Fleet and energy management initiatives continued to reduce costs and emissions, contributing to a further 6.9 per cent decrease in our Scope 1 and 2 carbon footprint.

We're also extending our environmental and social commitments beyond our business and throughout our supply chain by helping our customers deliver better environmental outcomes. In November 2013 we introduced our new Environmental Sustainability Strategy to guide internal improvements, product development, and sourcing decisions. These actions support our "shared value" approach to delivering tangible, economic and social benefits for us, and the communities we serve.

Providing for all Australians

We're committed to maintaining our essential services for all Australians by ensuring they remain affordable for low-income groups and customers who depend on us to stay connected.

This year, we created the MyPost Concession Account for Australia's 5.7 million federal government concession cardholders. The MyPost Concession Account provides access to concession stamps, effectively freezing the cost of basic postage at 60 cents for account holders for the next three years. It also provides our customers with access to other concessional benefits as well as our MyPost Digital Mailbox.

Supporting our people through change

As our business evolves, we are engaging our entire workforce in the need for change – and supporting them as we transform our services and operations.

We are committed to communicating openly and providing the support our people need to adapt to operational and service changes, while never compromising on safety.

Strengthening our safety culture

Ensuring a safe working environment is Australia Post's highest priority. We believe that everyone deserves to go home at the end of their day as healthy as they were when they came to work, so our safety program supports our ongoing vision for zero injuries and zero tolerance of unsafe acts in our workplaces.

Recently our safety strategy has matured from one of compliance to a focus on leadership commitment, and an increased level of personal accountability. This is promoting a culture where everyone takes ownership of safety in their workplace by making positive changes that reduce risks to themselves and their colleagues.

We saw a continued decline in workplace injuries, demonstrating the sustained benefits of our safety strategy. Our All Occupational Injury Frequency Rate decreased to 22.8 from 25.6 (down 10.9 per cent from last year), while our Lost Time Injury Frequency Rate reduced to 8.0 (down from 8.2 last year), a 2.4 per cent reduction.

Engaging our workforce

During the year we continued the journey of engaging with our employees on the current state of our business and future direction.

Between March and April 2014, our Managing Director & Group CEO and members of the Executive Committee travelled to all major capital cities where they held briefing sessions with managers and supervisors and visited employees at more than 30 mail facilities and post offices.

These events were an opportunity to celebrate the successes we've achieved through our Future Ready strategy over the past four years, while importantly encouraging some 2,000 attendees from across our business to speak frankly with senior leaders about the challenges and opportunities that lie ahead.

We recognise the need to foster ongoing discussions about our business transformation. To support this approach, this year we introduced the Workforce Conversation portal, a secure website providing employees with access to important business information.

Prioritising our people

Australia Post is committed to managing change in a way that is fair and reasonable for our people.

As we implement more efficient ways to run our business, it's vital that we provide our employees with access to career development opportunities and support, so that they can make an informed choice about their future. Central to the way we implement change is the notion of a well-planned and respectfully implemented career transition.

We have launched a number of initiatives to help our people transition into growth areas of our business, which includes providing training and re-skilling through our Post People 1st program (see page 11). Career development programs such as these will be integral in developing and preparing our people for future roles, ensuring that they have the skills, experience and confidence they need to have a successful and fulfilling career.

Supporting licensees and Community Postal Agencies

In recognition of the shared challenges Licensed Post Office (LPOs) and Community Postal Agencies (CPAs) face, this year we made a commitment to strengthen the viability of these business partners with a $40 million package of initiatives.

Record 80% response
for our employee engagement survey

Our annual say2action employee engagement survey, conducted in April and May 2014, achieved a response rate of 80 per cent, representing the views of nearly 30,000 of our people – a record number for Australia Post.

Through the survey, many of our people demonstrated their understanding and willingness to accept change as we transform our business to deliver on our customer commitments (see page 33 for more).

This rural sustainability package, which will increase the minimum guaranteed annual payment for LPOs and introduce a minimum payment for CPAs, is the latest in a series of initiatives that will contribute $40 million on top of around $338 million already paid annually. The announcement followed other measures introduced earlier in the year such as additional scanning payments for trackable articles, a $25 million (16.7 per cent) growth in payments related to the basic postage rate increase (see page 23) and new services and payments for the MyPost Account.

More than 25%
of parcels delivered by posties

We're implementing wide-ranging operational changes to build flexibility in our delivery network as we make the shift from delivering small, thin letters to handling parcels.

As just one example of this shift, three years ago our posties did not deliver many parcels at all. Today, more than a quarter of our regular parcels are delivered by posties.

Post People 1st

In September 2013 we launched our Post People 1st initiative, to develop the skills and experience of our employees and give them the confidence to have successful and fulfilling careers. The program ensures that available positions are first advertised internally, guaranteeing priority consideration for our people before we seek external candidates. Since launching our Post People 1st initiative, 2,705 jobs have been filled by internal applicants.

"For my new job, I was provided with extensive training, including how to handle parcels safely. I really enjoy this position."

Sandra Bambery used Post People 1st to find a job closer to home as a mail officer at the Underwood Parcel Facility in Queensland.

Our business
Financial report

The Australia Post Group has achieved significant milestones in realising our growth and performance opportunities in the final year of our Future Ready business renewal program. However, this year was a turning point for our overall profitability as the effects of digital disruption on our letters and retail businesses significantly impacted the positive results achieved in our parcels business.

Performance

This year the Group's profit after tax was $116.2 million. This includes $63.0 million of costs associated with our corporate restructuring program, which will reduce overheads in our corporate centre so we can direct valuable resources into frontline services for our customers. Our underlying profit after tax (excluding restructuring costs) was $179.2 million, which is in line with last year's result (up 1.0 per cent).

This marginal profit growth reflects the challenges we face in our mail services business, which is under considerable pressure due to the continued take-up of digital methods for communicating and transacting. We expect that letter volumes will continue to decline at an accelerated rate as a result of this shift in customer behaviour. The full impact of this decline has been partially offset by robust yield management due to the increase to the Basic Postage Rate in March, price increases for our PreSort products and volume growth resulting from the Federal Election in September.

The shift towards electronic payment substitutes along with declining customer visits to our post offices has impacted our retail trading. This is being countered by the continued investment in trusted services, which has resulted in revenue growth in our financial, identity and commercial services portfolio.

We have declared a dividend to our shareholder, the Australian Government, of $78.8 million (down 59.1 per cent year-on-year due to our lower profit result). Our return on equity was 6.7 per cent.

Investment

Our total cash investment this year across strategic projects and asset replacement was $523.1 million. This program focused on new infrastructure to boost capacity in our parcel network by expanding the footprint of our major parcel processing facilities and investing in cutting-edge automation technology. We continued to strengthen our digital infrastructure, predominantly MyPost Digital Mailbox (formerly known as Australia Post Digital Mailbox) which gives businesses and consumers a digital alternative for sending and receiving mail.

This was the largest capital expenditure program in the history of the Australia Post Group and reflects the major transformation our business is undergoing to adapt to changing customer preferences. These investments will strengthen our position as a world-class parcels business and help build a sustainable communications business across both physical and digital platforms.

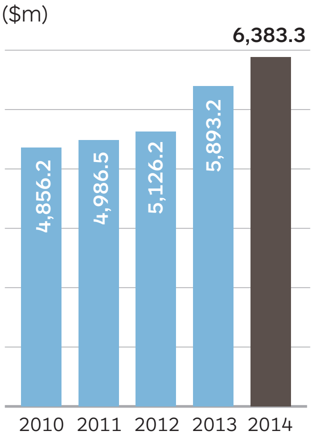
Taxes

The Group made a significant contribution to the Australian economy through our total tax contribution of $494.2 million. This comprised $243.4 million in income and property taxes and, indirectly, $250.8 million in GST and withholding taxes.

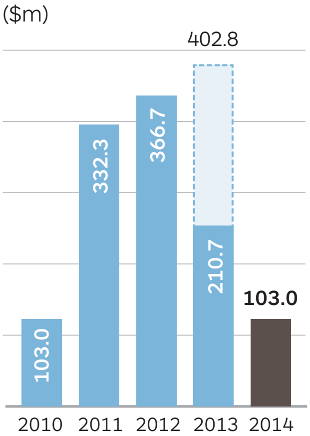
Segment performance

Our Parcel Services business again delivered a strong performance this year, returning an operating EBIT of $337.5 million (up 20.8 per cent) and revenue growth of 16.4 per cent. Underpinning this result was domestic parcel volume growth of 12.8 per cent which included a full year of StarTrack trading (compared to eight months last year). Revenue for this portfolio increased, despite the increasingly competitive landscape and economic uncertainty that is impacting consumer confidence. We again achieved an outstanding parcels service delivery result of 97.8 per cent.

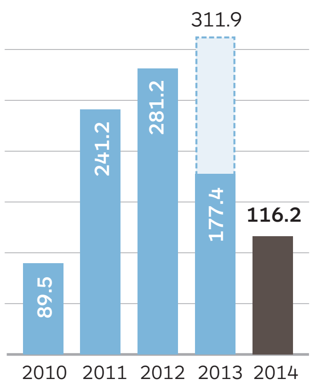
Revenue
($m)



Profit before tax[3]
($m)



Profit after tax[3]
($m)



The structural challenges facing our mail services business resulted in an operating EBIT loss of $328.4 million (up 15.2 per cent). This loss was driven by the continued decline in addressed letter volumes, which were down 4.0 per cent (or 5.0 per cent excluding Federal Election volumes). Once again, the fixed-cost nature of our letters network meant that the loss could not be offset by cost savings.

Operating EBIT for our retail business remained relatively flat (down 1.3 per cent). This was impacted by declining customer visits to our post offices (down 9.7 million or 5.0 per cent), which resulted in lower merchandise sales and payment revenue. Growth in our financial, commercial and trusted services portfolio was not enough to offset the revenue implications of declining customer visits.

Outlook

Over the past four years, Australia Post's Future Ready program has delivered strong results by embedding a change culture and execution discipline to transition the business from a postal to a parcels-dominant business. However, the continued migration of businesses and consumers to digital methods for communicating and transacting remains the greatest challenge for our letters and retail businesses, and the Group as a whole.

While our Parcel Services business is expected to continue to deliver volume and revenue growth, aggressive competition from other parcel and logistics providers remains our biggest threat. Our focus is to invest and innovate to ensure we can compete on price and offer our customers exceptional levels of service.

Five-year trends

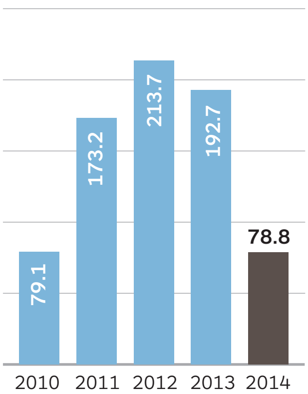
	2010	2011	2012	2013	2014
Revenue ($m)	4,856.2	4,986.5	5,126.2	5,893.2	**6,383.3**
Profit before tax ($m)[3]	103.0	332.3	366.7	210.7	**103.0**
Profit after tax ($m)[3]	89.5	241.2	281.2	177.4	**116.2**
Profit/(loss) from reserved services ($m)[1][3]	(250.1)	(66.5)	(114.4)	(198.0)	**(242.6)**
Return on equity (%)[2][3]	6.2	15.0	16.8	10.5	**6.7**
Return on average operating assets (%)[3]	3.8	10.9	11.5	6.2	**3.4**
Debt to debt plus equity	26.4	23.6	29.1	27.3	**28.8**
Dividends declared ($m)	79.1	173.2	213.7	192.7	**78.8**
Interest cover (times)[3]	4.6	10.9	10.8	7.7	**3.6**
Reserved services letter volumes (m)	3,876.6	3,738.8	3,545.3	3,305.7	**3,173.5**

[1] The 2014 balance includes the impact of organisational restructuring.

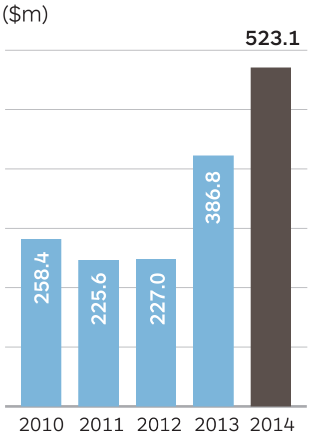
[2] Return on equity is calculated as profit after tax as a percentage of equity. Equity has been adjusted to remove the impact of the Group's net superannuation liability/asset.

[3] Changes to AASB 119 *Employee Benefits* took effect on 1 July 2014. 2013 has been restated for like-for-like comparison. Years prior to 2013 have not been adjusted to reflect this change in accounting standard.

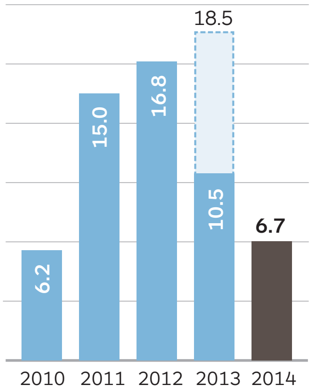
Dividends declared
($m)



Capital expenditure (cash)
($m)



Shareholder return on equity[2][3]
(%)



Our business
About Australia Post

At Australia Post, we provide trusted and reliable services to help people and communities throughout Australia.

We've done this by delivering letters, helping businesses and consumers with parcels, simplifying everyday tasks through digital channels and providing a national post office network that supports local communities and organisations.

Our business model

Australia Post is the oldest continually operating organisation in Australia. We are committed to meeting the evolving needs of the community and our customers. From humble beginnings delivering the nation's physical mail, we've recognised the need to adapt our services in line with the community's shift to online channels. To stay true to our community-based brand and our original purpose, we're expanding access to trusted services – physically through our post offices and by offering secure and convenient digital formats – while reforming our letters service and investing in our parcels network.

Australia Post is a self-funded government business enterprise with the Australian Government as the sole shareholder. As required under the *Australian Postal Corporation Act 1989*, we continue to balance our commercial objectives with the need to meet our community service obligations (CSOs).

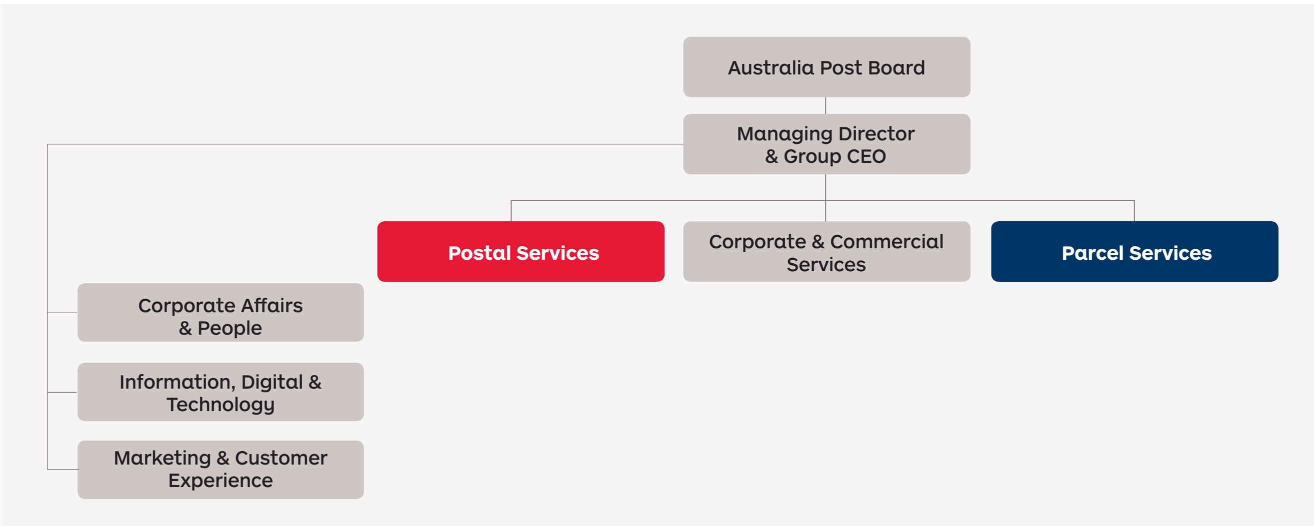
The profit we earn is used to pay a dividend to our shareholder, and to reinvest in our assets and services so that we are equipped to meet the changing needs of our customers. Our commercial success therefore ensures we can positively impact the communities we serve, and continue to improve the products and services we provide.

Delivering a reliable and accessible service

This year we again met all the performance standards associated with our CSOs, including delivering 94.5 per cent of letters on time or early, against our 94 per cent target (see page 123 for more).

CSO performance standards	Target	Actual 2013–14
Retail outlets		
Total	4,000	4,417
Rural and remote areas	2,500	2,560
Street posting boxes	10,000	15,805
On-time delivery (domestic letters)	94.0%	94.5%
Addresses receiving deliveries:		
Five days a week	98.0%	98.8%
At least twice a week	99.7%	99.9%

Our organisational structure



11.3 million delivery points

1,857 metropolitan post offices

2,560 post offices in rural and remote Australia

15,805 street posting boxes

56 Business Hubs

12,400 trucks, vans motorcycles and bikes

Our strategy

As we plan for Australia Post's future, we are focused on offering vital and relevant services that meet the contemporary needs of our customers so that we can be part of tomorrow. Given that the community is shifting away from using our letters service at an accelerating rate, we are now at a critical turning point.

Over the past four years our business renewal strategy, Future Ready, has set the foundations for growth, and helped us to remain strong, sustainable and customer focused.

Our investments during the Future Ready period have allowed us to:

- adapt our products and services for both the physical and digital worlds
- alter our investment profile with a strong focus on growth opportunities in trusted services, ecommerce and digital services
- streamline our operations
- build better connections with our people, our customers and the community.

In the next phase of our transformation, we will have an ongoing focus on customer-centricity, operational excellence, reform and business efficiency. This will be essential to ensuring we continue to be relevant to the Australian community for years to come.

Our enterprise strategy

Reform our letters service	Extend access to postal and parcel services in-store and online	Build and grow our trusted services offering, both physically and digitally	Build a world-class parcels business with excellence in service performance

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

Customers	People	Community	Environment
Build strong customer relationships so we can deliver valued products and services	Invest in our people to achieve an inclusive, engaged and capable workforce	Build healthier and more vibrant communities across urban, regional and remote Australia	Embed sustainable practices across our business to achieve positive environmental outcomes

Our corporate responsibility strategy

Australia Post culture pillars

How we do things at Australia Post

Safety
We respect ourselves and each other by creating a safe working environment

Accountability
We take personal responsibility and work together to deliver on outcomes

Speed of action
We achieve quality outcomes quickly and efficiently

Customer focus
We are passionate about delivering exceptional value for our customers

StarTrack code of success

202 million+ post office customer visits

181 24/7 Parcel Lockers

395+ mail and parcel processing facilities

4 gateway facilities

Our business
Board and leadership team

From left: Peter Carne, Talal Yassine OAM, Susan Bitter, Michael D'Ascenzo AO, Brendan Fleiter, Ahmed Fahour, John Stanhope, The Hon. Trish White. Pictured at the Sprintpak facility, Rowville.

John Stanhope

BCom (Economics and Accounting), FCPA, FCA, FAICD, FAIM, FAHRI

Chairman (non-executive)

John Stanhope was appointed chairman of Australia Post in November 2012 (current term expires in November 2016), and has extensive experience in finance, treasury, risk management and assurance, investor relations and corporate security and investigations. Mr Stanhope is currently chairman of the Melbourne International Jazz Festival, a director of AGL Energy Limited, the Bionics Institute and Our Neighbourhood and council member of Deakin University. He was previously chief financial officer and group managing director, finance of Telstra and an executive director of Telstra.

Brendan Fleiter

LLB, B.Juris. MAICD

Deputy Chairman (non-executive)

Brendan Fleiter has been a member of the Australia Post board since October 2011, and was appointed deputy chairman in May 2013 (current term expires May 2017). Mr Fleiter is a former CEO of Crazy John's Group and is a qualified lawyer with extensive retail and telecommunications business experience. Mr Fleiter is currently the deputy chair of Methodist Ladies' College and Chair of its Foundation and is a non-executive director of Volleyball Victoria, Our Neighbourhood, The Ilhan Food Allergy Foundation and Kennards Hire.

Ahmed Fahour

BEcon (Hons), MBA, FAICD

Managing Director & Group CEO

Ahmed Fahour was appointed managing director & group CEO of Australia Post in February 2010. He has held a number of senior executive positions within the finance and banking industries in Australia and overseas and was previously CEO of Citigroup (Australia and New Zealand) and National Australia Bank (Australia) and is the former chairman of Rip Curl Group. Mr Fahour is currently a director of Methodist Ladies' College, Our Neighbourhood, Carlton Football Club and Pro-Pac Packaging.

Susan Bitter

BEc (Hons), Dip App Fin&Inv, FICA, MAICD

Director (non-executive)

Susan Bitter was appointed to the Australia Post board in August 2012 (current term expires in August 2015), and has extensive commercial experience, including in the areas of finance, corporate governance and risk management. Ms Bitter is currently a director of Our Neighbourhood and The Industry Superannuation Property Trust. Formerly she was a director of Worksafe Victoria and is the former chief operating officer of Corrs Chambers Westgarth, chief executive of Slater & Gordon and partner of Arthur Andersen.

Peter Carne

BA, LLB, FAICD, FAIM

Director (non-executive)

Peter Carne was appointed to the Australia Post board in December 2009 (current term expires December 2015). Mr Carne has served in both the public and private sectors, and until most recently held the position of Public Trustee of Queensland. He is also a former CEO of the Queensland Law Society and a former director of Lexon Insurance Pte Limited and Tarong Energy Corporation.

Michael D'Ascenzo AO

BEc, LLB, CA, FAICD, Hon. Life Member of CPA, Hon. FATMA

Director (non-executive)

Michael D'Ascenzo was appointed to the Australia Post board in May 2013 (current term expires in May 2016), and is recognised internationally for his leadership, expertise and innovation in administration, risk management and governance, as well as his technical design skills in tax law and superannuation. Mr D'Ascenzo is currently a member of the Clean Energy Regulator and the Foreign Investment Review Board. He was previously Commissioner of Taxation and a member of a range of public sector boards.

Talal Yassine OAM

BA, LLB, LLM, MBA, Hon. Professorial Fellow. (ANU), FAICD, FAIM, Fellow (Fin)

Director (non-executive)

Talal Yassine was appointed to the Australia Post board in August 2012 (current term expires in August 2015). Mr Yassine is currently the Managing Director of Crescent Wealth and also serves on the Board of the Whitlam Institute, the Australia Malaysia Institute and is the chairman of the Council of Australia-Arab Relations. He has previously served on the Board of Macquarie University, Sydney Ports Corporation and as the Deputy Chairman of a government regulator.

Retirements

Penny Bingham-Hall

BA (Ind Des), FAICD, SA (Fin)

Director (non-executive)

Penny Bingham-Hall was appointed to the Australia Post board in May 2011, and has experience across business, government, the investment community and the media. Ms Bingham-Hall retired from the Australia Post board in May 2014.

The Hon. Trish White

BE, BA, FAICD, FIEAust

Director (non-executive)

Trish White was appointed to the Australia Post board in July 2010 and has experience in the public and private sectors across a number of industries, including resources and energy, defence, transport, and communications. A former executive strategic advisor with WorleyParsons and former cabinet minister, she is currently a director of the Lifetime Support Authority and of university advisory boards in the areas of engineering and business, and deputy chairman of the Motor Accident Commission. Ms White resigned from the Australia Post board in August 2014.

Executive Committee

Pictured left to right

Chris Blake
Executive General Manager Corporate Affairs & People

Catherine Walsh
General Manager Human Resources, Group & Postal Services

Janelle Hopkins
Group Chief Financial Officer

Ewen Stafford
Group Chief Operating Officer

Ahmed Fahour
Managing Director & Group CEO

Christine Corbett
Executive General Manager Postal Services

Paul Burke
Corporate Secretary & General Manager Government Affairs

Andrew Walduck
Executive General Manager Information, Digital & Technology

Greg Sutherland
Executive General Manager Marketing & Customer Experience

Our business
Stakeholder engagement

Australia Post is transforming. The changes we have introduced over the past four years under our Future Ready program have been vital to protecting our brand, preserving our community services and maintaining profitability. But we have to keep adapting to manage the challenges and capture the opportunities resulting from the community's behavioural shift to digital communication and transaction channels.

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

As our business success is largely dependent on the support of these key stakeholders, we undertake a number of activities to engage with them. This year our efforts were focused on engaging the community in discussion and debate about the declining use of letters and the best way to adapt our business to make it more sustainable.

Understanding our stakeholders

Every year we conduct surveys, interviews and focus groups to understand the needs of our stakeholders and the way our business impacts them. We discuss our postal and logistics services with consumers, small business and corporations. We also conduct staff attitude surveys and focus groups to understand what our employees think about our business. The data and research we collect enable us to draw better insights and improve our stakeholders' experience.

An integrated stakeholder engagement approach

We are working in a coordinated way to manage the stakeholder impacts of our business transformation program. In 2013–14 we continued to drive an integrated approach to stakeholder engagement through cross-functional collaboration forums and integrated management.

During the year we developed and tested stakeholder assessment tools for our business leaders to empower them to identify how certain business decisions or service changes will affect our stakeholders. This helped us to determine the individuals and groups who have a stake in their project, and the engagement activities required to build support for change.

National and local community engagement

This year we entered into a more active phase of stakeholder engagement to publicly make the case for reforming our letters service. This involved engaging the government and media on the issues surrounding the sustainability of our letters business.

We also started to engage the broader Australian community in the need for change – and invite Australians to participate in a conversation about what they want. Our community engagement campaign aims to shift community perception on the need to reform our letters services, as well as encourage understanding and acceptance of change. The various elements of this community engagement campaign include:

- **Community Discussion Groups:** The first phase of the campaign launched in April 2014 with a pilot series of local community discussion groups in nine locations across the country. These periodic face-to-face community discussion groups enabled us to engage in topics of interest to the local community and give us insights into how different communities view their relationship with Australia Post.
- **National Conversation Platform:** We launched an online "national conversation" platform (auspost.com.au/conversation) in June 2014. This platform enables the entire community to participate in a conversation about the "Post of Tomorrow" and allows us to engage with a large number of Australians simultaneously across a range of topics. Australians can use this platform to view information, videos and fact sheets about Australia Post, participate in a discussion forum, ask a question, or complete a survey.

Our community engagement campaign will expand over 2014–15 and will include activities such as briefings with the leaders of key community representative groups, a social media influencers program, and local activities such as "town hall" meetings.

Australia Post Stakeholder Council

Our Stakeholder Council is an external advisory group of 10 individuals whose role is to help us improve our communication and engagement with stakeholders.

The council typically meets three times a year and is chaired by an Australia Post board member. Council members offer a range of views, representative of their roles and experience in small and medium business, industrial relations, direct marketing and corporate responsibility.

For more information about our Stakeholder Council, visit auspost.com.au/annualreport2014.

Stakeholder Council statement

For several years the Stakeholder Council has had the opportunity to guide and review Australia Post's approach to best practice integrated annual and corporate responsibility (CR) reporting.

In reviewing the corporation's fourth integrated annual report this year, we believe that Australia Post has continued to advance its commitment to CR and sustainability. Efforts to evolve the coverage of the corporation's material issues and further integrate its social and environmental performance within the 2014 report reflect a strategic, whole-of-business and supply chain focus on delivering improved social and environmental outcomes for the Australian community.

The report again provides a transparent representation and clearly integrated material in relation to Australia Post's performance that is accessible to all stakeholders.

Australia Post Stakeholder Council
August 2014

Identifying the issues that matter

Producing an integrated annual report, which incorporates our corporate responsibility and financial information, demonstrates our proactive approach to reporting.

A key element of best practice reporting involves a comprehensive materiality process to determine the societal and environmental issues that present risks or opportunities to our business, and issues of greatest concern to our stakeholders.

We aim to provide a balanced representation of those issues identified as "material" by covering them in depth in this report.

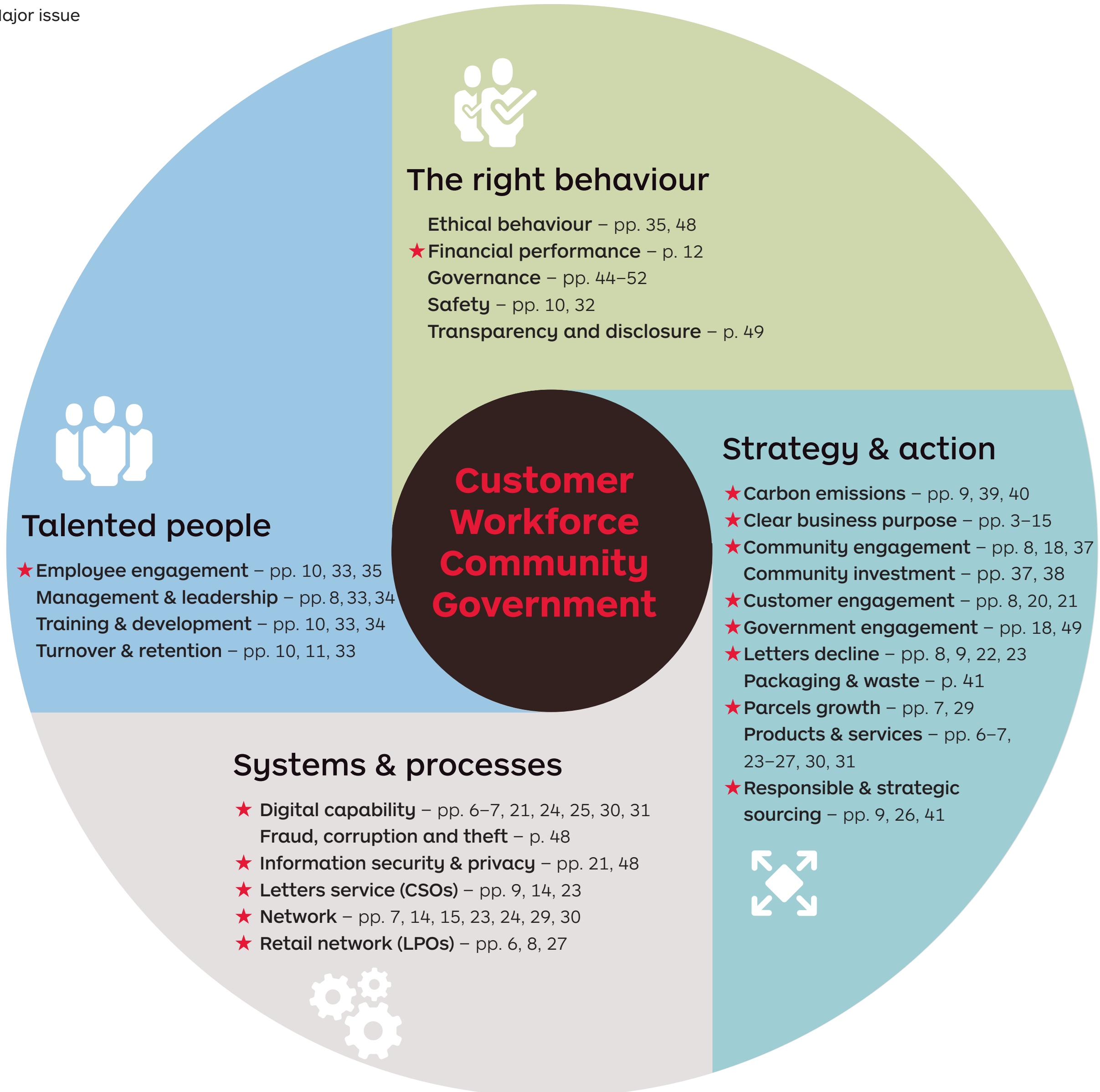
Having undertaken a rigorous materiality assessment in 2012, this year we further refined our process and focused our efforts on reviewing the previously identified issues and their ranking to ensure they remained relevant to our business and stakeholders.

An assessment of these was conducted with internal stakeholders – including representatives of our Risk and Compliance, Stakeholder Relations, Workplace Relations, Sustainability and Community Relations areas. We also drew on a number of source materials such as recent customer research and media coverage. The final rankings were then tested with Australia Post's Stakeholder Council.

The diagram below highlights those issues that ranked highest on our materiality matrix, which maps both business impact and stakeholder concern.

The issues that matter

★ Major issue



Our performance
Improving our customer experience

We're transforming our approach to customers and the solutions we offer them to better meet their needs.

Highlights

- Our combined Net Promoter Score jumped from +10.8 in 2012–13 to 13.6 in 2013–14, an increase of +2.8 points
- Maintaining our status as Australia's second most-trusted brand (2014 AMR Corporate Reputation Index)
- Achieving a record 9.14 out of 10 retail customer satisfaction score (2014 Retail CX Survey)

Challenges

- Modernising our postal services to meet contemporary customer needs
- Maintaining our position as Australians' first choice for parcel delivery in a highly competitive sector

Outlook

- Developing new products and services that offer Australian consumers and businesses greater choice, control and convenience
- Increasing the potential of our digital assets and encouraging more Australians to use our digital services

From our customer research, the community's view on what they want from a modern Australia Post is clear. They want us to maintain our nationwide post office and delivery networks, and to become more flexible by adding greater access, convenience and choice to our services.

That's why we're developing our services to support the everyday needs of Australian consumers. This includes helping with their deliveries, bills and application forms, and promising personalised service and trust to keep their details secure. The MyPost Digital Mailbox is one example of our new innovative services to empower consumers to simplify their everyday tasks with privacy and control.

Australia Post and StarTrack are helping small-to-medium business customers find better ways to ship, store, sell and deliver their goods using our complete shopping, fulfilment and supply chain solutions.

We are also dedicated to helping large corporations and government agencies build more effective relationships with their customers through our various letter products, our vast post office network and, now, the MyPost Digital Mailbox.

Understanding our customers

We use a range of data and research to better understand our customers, draw insights and improve the customer experience.

The Net Promoter Score (NPS) system is one of the ways that we gauge customer advocacy. Promoters are important to our business because they have the power to influence the purchasing decisions of the people they are connected to. The key measure of customer advocacy is determined by asking our customers one question: How likely are you to recommend Australia Post to others? A Promoter gives a rank of 9 or 10 out of 10, a Passive scores 7 or 8 while a Detractor scores 0–6. Our NPS is calculated by subtracting the percentage of Detractors from the percentage of Promoters.

This year our NPS improved for both consumers and small-to-medium businesses.

Net Promoter Score (NPS)

Customer	2012–13	2013–14	Change
Consumer	+9	+11.5	+2.5
Small-to-medium business	+12.6	+15.8	+3.2
Combined[1]	**+10.8**	**+13.6**	**+2.8**

Source: Independent research conducted by TNS Research, June 2014.
1 Consumer and SMB combined (average) score

Improving the parcel delivery experience

To provide customers with the very best parcel delivery experience, we asked customers who had recently received a parcel in NSW to rate their experience. More than 30,000 people responded and gave us a NPS score of +49 – demonstrating that the vast majority are happy with our service. We use comments from dissatisfied customers to identify service problems and rectify them. Many of these customers, who were later contacted for follow-up, indicated that they were highly satisfied with our efforts to solve their specific issue. The success of this survey in directly improving the service experience led to our commitment to roll out this initiative nationally. We are now on track to capture over one million parcel delivery experiences over the coming year.

Supporting corporations and government

During the year we surveyed our top corporate and government customers to measure the strength of our relationship and to gather their feedback on our products and services. We used an independent consultant to interview 112 leaders from 76 of our largest customers.

Our government and business customers said that they like our day-to-day performance and that we are approachable and responsive. They said they value having one account manager to deal with. This feedback informs the way we engage with our customers and seek to improve our service.

Listening to our post office customers

Now in its second year, our Retail Customer Experience Program (Retail CX) provides a simple and effective way for customers to provide feedback about their in-store experience.

Run across 3,156 corporate, licensed and franchised post offices, the program invites customers to rate our business based on their overall experience, including queue time, staff friendliness and staff product knowledge.

This year's results show slight but consistent improvement across all measures of customer satisfaction in our post offices.

Retail customer satisfaction results

Performance measure	Average score 2013	Average score 2014
Overall satisfaction	9.06	**9.14**
Time in queue satisfaction	8.72	**8.90**
Friendliness satisfaction	9.22	**9.26**
Product knowledge	9.22	**9.27**
Outlet referral score	+64.75	**+69.42**

Over the past two years we've conducted over 480,000 individual surveys with consumers. Weekly feedback is provided directly to each store so that specific improvements can be made at a local level. Examples of improvements implemented as a result of customer feedback include:

- changes to employee rosters and break times
- dedicated parcel collection counters established in-store
- the extension of parcel collection times
- improvements to store layout and queuing.

Introducing the world's first video stamp

In the lead-up to Christmas, Australia Post introduced the world's first video stamp so that customers could send a 15-second personalised video message with their Express Post and Express Courier International products.

Parcel senders used their smartphone to scan the video stamp and record a personalised greeting which recipients could view on their smartphone or tablet.

Video stamps connected people from more than 330 cities and towns, in 49 countries. The Australia Post Video Stamp advertising campaign, created with Clemenger BBDO Melbourne, also won Bronze in the Mobile category of the 2014 Cannes Lions Awards.

Developing our digital customer channels

Our digital channels, including our websites, apps and mobile sites, continued to enjoy strong growth in 2013–14. Customer visitation across our combined digital channels was up by 29 per cent on last year. The use of self-service tools, such as the post office locator and parcel tracking, grew to 75.1 million, an increase of 39 per cent on 2013–14. There was a 15 per cent increase in visits to auspost.com.au this year, with 90.5 million visits during the period (up from 78.6 million in 2012–13).

Improving the mobile experience

We relaunched our mobile site, m.auspost.com.au, in November 2013. Traffic to the site grew 514 per cent this year to reach 13.4 million visits (up from 2.2 million visits in 2012–13).

Usage of our apps grew to 7.1 million, up 29 per cent from 5.5 million. We now offer a total of five apps on iOS and/or Android – including MyPost Digital Mailbox, Postcards, Australia Post Parcel Send and Video Stamp (see breakout box).

Protecting information and privacy

The protection of our customers' trust is paramount as we offer more digital services. We have a comprehensive security strategy to safeguard our business and customer data, underpinned by technology-based security solutions.

In 2013–14 we invested in new security-monitoring training and tools, and implemented a customer-focused security awareness program to align our processes with the pace of our digital transformation. Our commitment to protecting customer privacy was further bolstered by compliance-strengthening activities such as coordinating Privacy Impact Assessments across different business areas, updating our existing Privacy and You customer brochure, and refreshing our Privacy Policy.

Australia Post also operates an enterprise-wide program to enhance our customer payment card information security to comply with the Payment Card Industry Data Security Standard (PCI DSS). In 2013–14 we completed the annual audit of PCI DSS compliance, achieving compliance for all of our merchant activities (such as post offices, call centres, online applications and banking) for the second consecutive year. This is a strong result given Qualified Security Assessor statistics indicate that only 11.1 per cent of companies pass all relevant requirements for compliance.

Resolving customer enquiries and complaints

We offer our customers a number of channels to contact us including phone, email, website, Twitter, Facebook and, of course, mail. We aim to resolve most complaints within 10 working days. The average time it took us to resolve a complaint this year was 6.0 days (down from 6.8 in 2013, and 8.6 per cent in 2012).

Customers who are dissatisfied with the outcome of our complaint-handling procedures can refer their concern to the Postal Industry Ombudsman for investigation. This year there were 321 completed investigations to the Ombudsman, which was a 27.0 per cent decrease from 2013.

Our performance
Postal Services

Providing trusted services and solutions across our physical and digital network to offer customers more convenience, choice and reliability.

Highlights

- Launching the MyPost Concession Account with more than 830,000 registrations in the first few months
- Signing on 27 new MyPost Digital Mailbox providers
- Introducing 1,871 Honda NBC110 motorcycles to our delivery fleet, which are 60 per cent more fuel efficient and have improved safety features

Challenges

- Continuing to meet our community service obligations while managing declining customer demand for our letters service
- Managing the decline in retail foot traffic driven by digital substitution

Outlook

- Extending mail delivery options to consumers by giving them a choice between two delivery speeds
- Offering improved customer access and convenience through Saturday trading and parcel delivery, as well as adding more digital services

Australia Post is proud of our unrivalled post office and delivery network. Our 4,417 stores cover the length and breadth of the country, with 2,560 of these located in rural and remote areas. We have 740 corporate post offices, 2,886 licensed post offices, 29 franchises and 762 community postal agencies providing essential products and services.

We maintain 15,805 Street Posting Boxes, which provide the community with convenient access to mail lodgement points. Through our delivery network we reach 11.3 million delivery points nationally, with 98.8 per cent of these receiving letter delivery five days a week.

The shift in customer behaviour towards faster, cheaper and more convenient communication and transactions is driving the evolution of our postal services business. With businesses and consumers relying less on physical letter options, it is vital that we transform our letters and retail businesses to give customers access to a greater range of valued and essential services, more choice about how they transact with us and added options to conveniently send and receive mail.

Australia Post plays an important role in helping communities across Australia. Community research conducted in January 2014 on Australia Post services indicated that people who live in regional and remote areas in particular, regard our services as essential to the connection, vibrancy and viability of their communities.

At Australia Post, we are committed to maintaining our strong physical presence in communities and providing modern postal services that meet the contemporary needs of Australians.

Building a sustainable letters business

Much of our focus in 2013–14 was on implementing changes to secure the sustainability of our highly regulated mail services business, which incurred a loss of $328.4 million (up from $285.1 million in 2013). This is the fourth consecutive year we've returned a negative result, despite implementing a series of successful efficiency and cost-reduction initiatives under our Future Ready program.

The deteriorating and unsustainable financial position of our letters business is due to the combination of falling mail volumes and the fixed operating costs that are imposed by the existing regulatory framework for letters, particularly our Community Service Obligations (CSOs) and the prescribed performance standards. As the Australian population grows, so too does our delivery network, by an average of 130,000 addresses each year.

This year the cost of meeting our CSOs is estimated to be $203.5 million, up from $173.9 million last year. More information on our CSOs is provided on page 123.

The decline in Australian letter volumes is accelerating and all of our forecasts and international comparisons show that the demand for physical letters will continue to fall. We are now forecasting that by 2020 we could be delivering a quarter of the volumes that we were delivering in 2008, when Australian letter volumes peaked.

Five-year trend data – domestic reserved letters service

Year	CSO cost ($ million)	EBIT ($ million)		Volume	change
		Annual	Cumulative	(million)	(%)
2010	$147.7	-$250.1	-$250.1	3.9	-5.3%
2011	$144.7	-$66.5	-$316.6	3.7	-3.6%
2012	$165.9	-$114.4	-$431.0	3.5	-5.2%
2013	$173.9	-$198.0	-$629.0	3.3	-6.8%
2014	**$203.5**	**-$242.6**	**-$871.6**	**3.2**	**-4.0%**[1]

1 2014 includes the benefit of the 2013 Federal Election

While this volume decline has significantly impacted the viability of our letters business, there are still segments of the community that remain heavily reliant on our core services to communicate and connect. Our challenge is to ensure that our letters business is set up to provide the flexibility and scalability we need to continue to adapt to changing customer preferences.

Increasing the basic postage rate

On 31 March we increased the basic postage rate (BPR) to 70 cents, which helped to partially offset the financial impact of the decline in letter volumes.

As part of our commitment to providing an affordable and accessible letters service, this year we launched the MyPost Concession Account (see page 9 for more details). This entitles 5.7 million federal government concession card holders to purchase basic stamps at the concessional rate of 60 cents.

Responding to customer demand for greater choice

This year we made some important changes to our business letter products (which comprise around 83.5 per cent of all addressed letter volumes) to provide businesses and government agencies with greater choice and flexibility for how they send information to their customers.

The changes included improvements to our delivery timetable for Regular mail (which was formerly called Surface mail) to provide senders with more consistent delivery times.

We also extended our Priority and Regular timetables to a broader range of business letter products to provide customers with choice of delivery speed. The Regular timetable allows one to two days more than the Priority timetable. Previously, choice of delivery speed was only available for PreSort letters.

This new offering has been very well received by both business and government customers. As at 30 June, 60 per cent of total addressed business letter volumes were delivered using the slower Regular timetable, up from around 14 per cent for the same period last year.

These service changes will impact how we configure our future mail operations as more of our customers migrate to the Regular delivery timetable. We are committed to working closely with our people as we implement changes to our operations in the future.

Optimising our letter processing network

We are always seeking to run our mail network as efficiently as possible while meeting the needs and expectations of businesses and the community.

In March we implemented an initiative to help optimise our letter processing network. The Sustainable Regional Mail program involved diverting the processing of non-local mail from smaller regional facilities in New South Wales and Victoria to our larger, more efficient sites that use advanced automation equipment. Importantly, we were able to achieve productivity gains and still meet our prescribed performance standards for delivery (see page 123 for more details on these standards).

We will continue to look for further opportunities to improve the efficiency of our mail processing sites, including installing next-generation automated mail-sorting equipment, which is slated for 2016.

Building capability in our delivery network

We're investing significantly in the capability of our delivery network to enable posties to deliver more than just letters.

During the financial year we completed the rollout of handheld parcel scanning devices across our delivery network as part of a broader investment in our parcel delivery capability. We now have more than 11,000 scanners across our national delivery network so that posties can deliver small parcels that require tracking and signature-on-delivery. Prior to this change, parcel contractors delivered all of our parcels. Today, our posties deliver more than 25 per cent of our total parcel volumes.

Fresh approaches in motorcycle delivery

As part of our commitment to continual improvement, in May 2014 we refreshed our motorcycle training program for our 6,000-plus motorcycle posties.

While practical riding skills is a key element, an intensive Mindset workshop was introduced to help posties understand the everyday risks they face – such as reversing cars, unrestrained dogs and swooping birds – and how to control them.

Safe Delivery compliance training on Australia Post policies and procedures (originally a paper-based training module) was redesigned as a multimedia program to deliver the content in a dynamic and engaging way. Safe Delivery won the Platinum Award for Best eLearning Model (Bespoke) at the LearnX 2014 Simply the Best eLearning Australia/Asia Pacific Awards in May.

With safety and fuel efficiency in mind, we also introduced 1,871 new Honda NBC110s to our delivery network (that's 14 per cent of our total motorcycle fleet).

The new bikes are 60 per cent more fuel efficient than the old models and have a number of improved safety features like plastic leg guards, improved manoeuvrability and brighter indicators. We will progressively replace the entire fleet as old models are decommissioned.

By diverting small parcels through our delivery network we're investing in the sustainability of our postie workforce. We're also adding value for our customers as we can capture more scan events and provide additional tracking information during delivery.

Multi-channel communications platforms

The shift to digital communications means both businesses and consumers expect a choice of physical and electronic channels. Our focus is on providing an efficient and cost-effective service so that our customers can select the physical and digital communication options that suit them best.

MyPost Digital Mailbox

MyPost Digital Mailbox (formerly named Australia Post Digital Mailbox) is a secure online platform that continues our tradition of providing trusted communications for Australians. The MyPost Digital Mailbox gives businesses and government agencies a secure way to connect to their customers. Consumers use it as a mobile payment and storage solution enabling them to receive and pay bills and archive important documents.

During the year we expanded the number of providers who signed on to use the Digital Mailbox to communicate with their customers. We now have 30 providers on-board – including Australia's largest water authority, Sydney Water and Australia's largest council, Brisbane City Council. Our newest partners, Westpac and Velocity Frequent Flyer, will be active in 2014–15.

In June we undertook an unaddressed mail campaign to 7.8 million households to promote Australia Post's new MyPost Concession Account (see page 9 for more details) as well as the free MyPost Digital Mailbox. The combined efforts of this campaign, along with other marketing and promotional activities, contributed to a 72 per cent spike in membership registrations in June.

We will continue expanding the overall value proposition of MyPost Digital Mailbox by extending its services to include parcel tracking, warranty receipts on behalf of retailers and change of address notification.

Multi-channel marketing

We work closely with businesses of all sizes to plan and deliver targeted, cost-effective and multi-channel direct marketing solutions. Catalogues, flyers and promotional mail remain some of the most effective channels to acquire and retain customers, according to an October 2013 consumer study of advertising preferences undertaken with the Association for Data-driven Marketing and Advertising (ADMA).

Through our data services, such as our National Change of Address service and the Australian Lifestyle Survey, we help businesses target, reach, acquire and retain customers based on a target profile or demographic. Our multi-channel communication platform and high-speed digital print technology mean we can produce personalised, high-impact and high-volume direct mail pieces via physical mail, email, SMS and MyPost Digital Mailbox channels.

Our focus this year has been on migrating customers to our multi-channel communications solution and demonstrating the value of promotional mail as a key element of their multi-channel marketing strategies.

Helping businesses manage their inbound communications

Decipha is a wholly owned subsidiary of Australia Post that helps medium-to-large companies manage their incoming information. Business solutions range from simple mailroom management to digital services that capture, process and deliver information to clients without the need for further processing. Decipha plays an important role in helping customers to transition to digital information management systems.

A strategic priority for Decipha is data security and privacy. During the year, we were again awarded accreditation with the global Payment Card Industry Data Security Standard (PCI DSS). Decipha is an Accredited Supplier under the Queensland Government Information Technology Contracting (GITC) Panel.

This year Decipha's revenue increased by 10 per cent, which was driven by new contracts with large businesses and the introduction of products such as scanning and online forms.

Extending our trusted services capability

As a destination for trusted services, our post offices provide access to a wide range of products and services on behalf of over 750 businesses and government agencies, from identity services such as passports and tax file number applications through to financial services including banking and bill payment.

In line with the decline in letter volumes, retail foot traffic fell by 5.0 per cent in 2013–14 as more and more customers made the switch to digital channels to manage their daily lives.

In response, we are extending the range of trusted services we offer in-store and online, launching new innovative products to expand our customer base and support our customers to transact securely online.

Our Retail Services division earned a profit of $175.6 million for 2013–14, down 1.3 per cent on last year. Digital substitution and declining foot traffic resulted in reduced revenue for our traditional products such as bill payments and banking. Strong growth in our trusted and ID services did not quite offset this, despite good cost management overall.

Financial, identity and commercial services

Our investment in new trusted services initiatives was a significant contributor to overall revenue growth in this portfolio in 2013–14.

Our suite of travel solutions continued to deliver strong returns, supported by the Travel Essentials marketing campaign, which generated a sales uplift across all of our travel offerings. Our growth in this segment means Australia Post has become a one-stop shop for travel-related services – passport applications, travel insurance, travel cards, foreign exchange, pre-paid travel SIM cards and other travel merchandise.

We also added a range of new identity services to our in-store offer including the Keypass identity card (see page 26) and extending the tax file number services we offer for

Blending physical and digital channels improves convenience

Multi-channel services offer customers more choice about how they complete their transactions with Australia Post. We offer customers a wide range of services through multiple channels – from online ordering capability through our Postcard mobile app to send postcards physically, through to more complex transactions such as completing government application forms online before printing and lodging them at a post office.

This year we extended our multi-channel offering to include domestic money ordering. These can now be purchased online and emailed to the recipient. Customers can then either deposit the funds directly into a bank account or exchange the money order for cash at a post office.

We also improved the functionality of the Australia Post website (auspost.com.au) to make it easier for customers to shop online. This included launching a new travel services portal in January.

Initiatives like these support our strategic direction to become a multi-channel service provider, offering customers greater choice and convenience about when and how they interact and transact with us, in person and online.

the Australian Taxation Office. A number of new services were added or extended on behalf of government agencies including identification checks for the Land Titles Office in South Australia.

We also built on the success of the Australia Post Load&Go Reloadable Visa Prepaid Card and multi-currency Travel Card, adding two new Load&Go Gift Cards for consumers and businesses.

In June 2014, we extended our partnership with UnionPay International, the world's largest card organisation. We will issue Australia's first UnionPay multi-currency travel card by the end of 2014. While Chinese citizens and inbound tourists can already use their UnionPay card to purchase products and services at more than 3,300 post offices across the country, the new UnionPay Load&Go travel card will support the significant number of Australians travelling to China for business and leisure.

Merchandise services

Challenging retail conditions and declining foot traffic continued to impact the overall performance of the Merchandise Services portfolio, with revenue flat compared to last year. The Post Office Box peak occupancy rate remained steady at 84.5 per cent while philatelic sales grew 1.4 per cent.

Our philatelic team continued to create a program of innovative stamp releases to mark important historic and cultural milestones. These included the Australian cricket team's Ashes victory, Royal Baby Christening and Royal Visit, Legends of Australian Cooking (pictured), the Lunar Year of the Horse, ANZAC and Red Cross Centenary.

The confectionery program continued to expand this year with revenue up 26 per cent. We now supply confectionery in more than 1,900 stores. More than 1,200 licensed post offices participate in the program (up from 555 last year) and are benefiting from a new product line to drive revenue in their stores.

Capturing the youth market

Our first marketing campaign aimed at young Australians was launched in February to build awareness of Australia Post as a destination for "youth-related" products and services.

The Declare Your Independence campaign, targeted at 14–24 year-olds and their parents, included television commercials and digital advertising to show how Australia Post products and services can help young people take the next step to adulthood.

With more than six million people in this customer segment, it was an ideal opportunity to build awareness of Australia Post as a destination for trusted financial, identity and government solutions – including tax file numbers, passports, travel and payment products.

The campaign featured the Keypass photo identity card, which is ideal for young people who don't have a driver's licence, and our Load&Go Visa Prepaid card, which enables young Australians to shop securely online.

In line with our environmental policy, Australia Post considers the environment when we procure products and services to ensure they are delivered in an ethically responsible way.

Reimagining today's post office

As we continue to modernise our post offices it's important that we have the capability to help our customers complete more complex and specialised transactions.

Technology is a key component, ranging from self-service terminals and extended identity services capability to in-store iPads and digital display screens. We are investing in new in-store technology and store formats to provide customers with greater access, convenience and choice and help them bridge the divide between physical and online shopping.

Giving customers better access to services

Our customers have made it clear that they're looking for greater flexibility, particularly around how they receive or collect parcels. To meet their needs, this year we continued to invest in extending the availability of parcel lockers. We now have 24/7 Parcel Lockers at 181 locations across the country, in addition to the 150 stores that have dedicated parcel lockers for Post Office Box customers.

We also continued to invest in our retail superstore network, taking the total number of stores to 48. Superstores provide access to Australia Post's full suite of postal products and services. They feature a number of key zones, such as online shopping, self-service, travel and a 24/7 area providing access to parcel lockers, postage vending machines, an ATM and self-service terminals. Of the 48 superstores across Australia, 11 of these are located in rural and regional areas.

Modernising our infrastructure

As we expand our suite of trusted services for customers, it is important that we invest in our retail infrastructure so that these transactions can be managed efficiently in-store.

This year we equipped our post office network with new Electronic Point of Sale (EPOS) counter terminals, label printers, receipt printers, barcode scanners, cheque readers and cash drawers specifically designed for use in a modern retail environment. In addition, we rolled out over 5,000 handheld devices across our post office network (capable of scanning domestic and international parcels, barcoded letters and Express Post products). Digital camera services with email capability are now available at more than 800 post offices, with extended identity services now offered at 467 post offices.

Investing in our Licensed Post Office network

Representing two-thirds of our post office network, LPOs play a vital role in connecting communities and providing access to important services, especially in rural and remote locations where often other service providers do not have a physical presence.

In recognition of the shared challenges LPOs are facing due to declining letter volumes and retail foot traffic, earlier this year we made a commitment to investigate options to assist licensees. This approach was confirmed through the course of a Senate Inquiry and in consultation with the groups that represent licensees.

In mid-June we announced the rural sustainability package, which includes a range of financial and technology measures. These include increases to minimum payment allowances, contractor accommodation fees and representational allowances, and the removal of the EPOS shortfall fee.

These measures apply to all licensees and are being implemented in addition to the changes already made this year, such as the introduction of additional scan payments for trackable articles, a 16.7 per cent increase in delivery payments related to the increase in the BPR and pre-payment for PO Box renewals. We will continue to look for additional initiatives to support our licensees.

The rural sustainability package also includes the opportunity for around 400 LPOs in rural or remote areas (who aren't connected to our electronic network) to take up Australia Post's flexible Point-of-Sale technology, FlexiPOS. The installation of FlexiPOS will enable these LPOs to offer additional services such as payment by card and conduct banking services on behalf of Australia Post's 70 agency banking partners. Licensees who take up this opportunity will benefit from a broader revenue stream, faster processing of customer transactions and easier end-of-day reconciliations.

New Sprintpak facility

In August 2013, we officially opened our new Sprintpak facility in Rowville, Victoria.

Sprintpak is responsible for the production and distribution of many of our core products, including philatelic (stamps) and Express Post envelopes.

The new facility features leading-edge design that will deliver improved efficiencies, create capacity for product growth and, most importantly, provide a healthy and inclusive work environment for our people.

Our performance
Parcel Services

Providing world-class ecommerce-driven logistics, supply chain and parcel delivery solutions for local, international and online businesses.

Highlights

- Bringing our new StarTrack brand to life, by combining Australia Post's national reach and StarTrack's premium service and business focus
- Delivering 97.8 per cent of parcels on time – above our target of 96 per cent

Challenges

- Capitalising on emerging online retail opportunities in an increasingly competitive environment

Outlook

- Identifying new ways to streamline and optimise our combined network to make parcel delivery more convenient for our customers
- Increasing our parcel network capability to support future volume growth and improve customer satisfaction

With a steadfast focus on offering the modern service that Australians want, we're creating a world-class multi-channel parcels and freight business to harness the growth in online shopping and ecommerce.

As the delivery partner of ecommerce businesses around the country, Australia Post has long supported online pioneers like eBay, Catch of the Day and OzSales. Our traditional retail customers such as Myer, David Jones, Woolworths, Target and many wine sellers are also transforming their business models to suit today's digital world. We are supporting them with fast, reliable and competitively priced options for sending product to their customers.

Over the past five years, we have been upgrading our parcel services and capabilities to support the boom in online shopping. In today's digital world, customers expect high levels of service and convenience at every touch point – from a phone call to our customer service centre, to the driver delivering the parcel. We're focused on ensuring we provide our customers with a seamless, reliable and value-for-money delivery service.

We are now embarking on the next part of this transformation, which means aligning our business to our customers' needs. To achieve this, we have organised our business under two core brands, a blue brand – StarTrack, and a red brand – Australia Post.

Introducing the new StarTrack

Over the past 12 months we've been integrating Australia Post and StarTrack to create a logistics provider that services both business and consumer markets with an unrivalled suite of delivery services.

By combining the trust, reach and convenience that Australia Post is famous for, and the premium service standards, express freight capability and business-to-business strength of StarTrack, we've created the largest logistics force in the country.

The integration of these businesses means we can now service both business and consumer markets with an unrivalled range of parcel, freight, express, courier and international logistics solutions developed with customers' needs in mind.

Through Parcel Post, Express Post and StarTrack, we offer a range of choices in small consignment freight and logistics with same-day, next-flight, next-morning, next-day or our regular three-to-five-day delivery service, all under the StarTrack banner.

Bringing our brand to life

This year we made strong progress in bringing our new StarTrack brand to life. The refreshed brand features the familiar Australia Post "P" in dark blue and the StarTrack wordmark. It is now visible on our vehicle fleet and at our office in Sydney, which is called StarTrack House.

We also rebranded Australia Post's Messenger Post Courier business to StarTrack Courier in May 2014 to coincide with the official opening of StarTrack House (see breakout box).

Unveiling STARTRACK House

On 7 May we officially opened StarTrack House in Sydney, our newly refurbished New South Wales head office for Australia Post and StarTrack. The opening coincided with the 40th anniversary of the incorporation of MultiGroup Distribution Services Pty Ltd (renamed exactly 30 years later to StarTrack Express Pty Ltd). On this day we also announced that StarTrack – with the famous Australia Post brand mark in blue (as above) – would form the new name of our parcels division.

The landmark building, which was sold and leased back by Australia Post last year, underwent substantial redevelopment to provide an attractive and modern workplace which fosters greater collaboration between Australia Post and StarTrack team members. The sale, leaseback and refurbishment allowed us to optimise our prime location in Sydney and invest in infrastructure for our future.

Efficient and sustainable, the building features the latest energy-saving amenities such as energy-efficient light fittings, water-saving equipment, and solar panels (see page 40 for details). It is expected to achieve a five-star National Australian Built Environment Rating System (NABERS) energy rating.

The building also houses our 45th retail superstore, offering greater customer choice and convenience through a 24/7 self-service zone.

Powering online shopping

The digital economy continues to create opportunities for our parcels business. The recent boom in Australian ecommerce has been – and continues to be – our most significant growth opportunity. Australians now spend more than $15.5 billion a year online (NAB Online Retail Sales Index June 2014).

Studies of the Australian ecommerce market consistently predict strong year-on-year growth in Australian online spending through to 2020. Currently, online retail spend in Australia represents around 6.6 per cent of traditional retail spend (as reported in the NAB Online Retail Sales Index June 2014). This lags behind other developed countries, such as the USA and UK, whose online spend is estimated to be more than 10 per cent (Morgan Stanley Research, January 2014).

While online retail continues to evolve and mature, the pace of growth has slowed from the very high rates experienced in 2011 and 2012 to single-digit growth today. This slowdown in the ecommerce market is the result of prevailing sluggish economic conditions, cost of living pressures, low levels of consumer confidence, and the emergence of new retail distribution models, such as Click and Collect.

Despite this challenging market, we have had a year of solid performance with our domestic parcel volumes growing by around 12.8 per cent and overall parcel revenue growth of 16.4 per cent. While volumes are increasing, we are still achieving high service performance levels with 97.8 per cent of parcels delivered on time (above our target of 96 per cent).

Strengthening our network

Our Future Parcels Network program is a $595 million capital investment in our systems, processes and infrastructure to boost network capability, support future parcel volume growth and improve customer service and satisfaction. The program will deliver major safety, productivity and cost improvements, and double our capacity so that we are equipped to handle more than 320 million parcels per year nationwide by 2019. Throughout 2013–14 we upgraded our major parcel facilities in Sydney and Melbourne (see page 30) and completed extensive design, development and testing of the equipment and systems that support them.

We also relocated our Sydney transport operations from our Sydney Gateway site in Granville to Chullora – adjacent to our Sydney Parcel Facility. The new transport site, which was chosen based on its proximity to major arterial roads, will create operational efficiencies by reducing travel between the two facilities.

StarTrack streamlines deliveries, saves lives

In May 2014, Australia's largest-ever kidney transplant swap – involving 12 operations across four Melbourne hospitals – was front-page news. Behind the scenes, the StarTrack Next Flight team worked closely with the hospitals to track the delivery of each organ minute by minute as five StarTrack Courier drivers worked to life-saving timeframes.

Our people delivered, and everyone involved can say they played a part in helping to save lives. While most of our deliveries don't make the news in this way, we take care with every package because we know how important it is to both the sender and the recipient.

Creating an efficient interoperable network

In addition to new network developments, we are using the collective assets of existing Australia Post and StarTrack services to create efficiencies and deliver better customer experiences.

In April 2014 StarTrack and Australia Post Business Hubs ran a pilot in the Australian Capital Territory (ACT) to simplify customer parcel and freight collections.

During the pilot, if a customer wasn't available to receive their item, StarTrack Express Deliveries were sent to local Business Hubs, which offer extended parcel collection hours. Before the pilot, the ACT experienced around 210 residential redeliveries each week due to unsuccessful first-time deliveries to customers.

Redeliveries in the ACT have since decreased to less than 20 a week and the process was implemented nationally with positive results: more than 27 per cent reduction in redelivery calls to the contact centre, more than 80 per cent reduction in residential redeliveries and estimated yearly savings of $1.3 million.

Positive customer feedback praised the convenience of collecting from Business Hubs, team members' professionalism and the extended opening hours for parcel pick-ups.

Building our future parcels network

Construction activity was a major focus during 2013–14 as we increased the operational space at our major Sydney and Melbourne-based parcel facilities to install new automated equipment.

By March 2014 we had doubled the footprint of our Sydney and Melbourne parcel facilities – our Sydney site expanded by 65 per cent to 38,000sqm, while our floor space in Melbourne doubled to over 31,000sqm.

These expansions have provided room for seven new parcel sorting machines, as well as a new multi-product sorter at Sydney Gateway, enabling us to sort and handle parcels more safely and efficiently with less manual intervention. The first phase of equipment will be operational in time for the Christmas 2014 peak period.

Image: Employees tour the new Melbourne Parcel Facility extension.

Improving our tracking capability

We improved our tracking capability in 2013–14 by completing the deployment of 26,000 new scanners across our network. This allows us to increase the number of item scans as packages travel through our network, providing greater visibility for both senders and recipients, and increasing their confidence in our service.

To ensure that our network can continue to support growing demand, in March we upgraded our eParcel labels and introduced the "smart barcode". The two-dimensional data matrix barcode, which was developed to a global standard and provisioned for increased data storage, enables a faster scanner response and is more likely to provide a scan if the barcode is damaged or obscured. The introduction of the new barcode was strengthened by address-validation processes, providing data to automate parcel sorting down to the driver delivering the item to a customer's door. An accurate, validated address means more first-time deliveries and fewer returns for customers.

Expanding our Business Hub network

We are continuing to invest in our unique network of Business Hubs to get closer to local, small and medium business customers. These provide an integrated, customer-focused, one-stop shop that makes it easier for Australian businesses to connect with their customers. We offer products, services and support that are tailored to business customers so they can get things done faster. This includes extended hours, convenient delivery solutions and extended access for parcel collection. At 30 June 2014 we had 56 Business Hubs operating across Australia.

Helping small businesses grow

We're also supporting local businesses to sell online by improving our product and service offering to provide greater convenience, flexibility and value for money.

This year we strengthened our partnership with eBay, Australia's biggest online marketplace, to provide a quick and simple sale and postage process for Australian online sellers. The new service enables eBay sellers to generate and print postage labels, and purchase postage products through the eBay website.

We made improvements to Click and Send in May 2014 by introducing a number of new services including flat-rate satchels and boxes that offer customers 24-hour access to domestic and international delivery solutions, pay-as-you-go convenience and price certainty. Eligible businesses that send 250 parcels or more a year through Click and Send or our Parcel Send app are encouraged to apply for the new Business 250 Membership, which offers savings on selected parcel products. More than 1,500 businesses applied for membership within the first three months.

Creating customer benefits through new partnerships

To help small and medium Australian businesses access new markets in Asia, we signed an agreement with Alibaba, a China-based ecommerce business and operator of Tmall Global, the world's largest online business-to-business trading platform. The joint agreement opens the door for Australian businesses to 500 million registered Chinese customers.

In June the Online Retail Industry Awards (ORIAs) announced its new major partnership with StarTrack. In its fifth year, the StarTrack ORIAs provides small and large businesses with an opportunity to position themselves as a leader in several ecommerce categories, including Best New Online Retailer and Most Innovative Online Retailer. This sponsorship is part of our commitment to connecting online buyers and celebrating excellence across all online retail channels in Australia.

Supporting ecommerce growth

Australia Post is stimulating ecommerce growth by offering our customers the choice, convenience and control of being able to direct their deliveries to locations other than their homes. We now have 24/7 Parcel Lockers at 181 locations as well as more than 725 post offices, Business Hubs and delivery centres that offer our Parcel Collect service.

Following a successful trial in April 2014 we introduced the Collections Widget, an innovative web application that enables merchants to show a list of Parcel Locker or Parcel Collect locations as part of their online checkout process. This enables the buyer to select their preferred delivery option at the time of purchase.

Farmhouse Direct and The New Joneses

In February 2014 Farmhouse Direct featured on Channel 7's lifestyle breakfast program *Sunrise* as the official food partner for The New Joneses, a feature event of the Sustainable Living Festival held in Melbourne.

Over three days, *Sunrise* presenter Edwina Bartholomew lived like The New Joneses in an eight-star energy-rated house, where she shared tips on how to be more energy efficient and lived a no-waste lifestyle with a national TV audience.

Farmhouse Direct is a great example of how an Australia Post ecommerce innovation is creating fresh business opportunities and opening up new markets for Australia's rural and regional food producers.

Image: Channel 7's Sunrise lifestyle presenter Edwina Bartholomew, Viv Astl and Monique Barlow from Farmhouse Direct and Farmhouse Direct producers Kathy Barlow of Wanalta Hill, and Mark Ryan of Eureka Coffee, on the set of The New Joneses. (Source: Les O'Rourke)

Powerful problem solving
for The Promotions Factory

The Promotions Factory (TPF) has grown from humble beginnings in Melbourne in 1988, to a global network with offices in China, Vietnam, Hong Kong and New Zealand. As TPF further innovates and expands its ecommerce proposition, we've helped it to grow, transact and deliver.

As well as handling domestic B2B and B2C orders for more than 40 online stores, through StarTrack International we've helped TPF overcome international delivery obstacles to transport over one million small parcels direct from Hong Kong to Australian consumers. These include personalised membership packs and merchandise for more than 40 major clubs across sporting codes such as the AFL and NRL, with full track and trace capability.

Robert Hilton, TPF Joint CEO and Founder said, "With StarTrack and Australia Post's support, we've transformed a complex logistics process into an effective distribution solution that continues to evolve with our needs."

Image: Robert Hilton shares TPF's success story at the company's Melbourne headquarters.

Our performance
Supporting our people

Fostering an inclusive, engaged and capable workforce that operates safely to effectively support our customers.

Highlights

- Establishing the Post People 1st initiative, giving our employees priority when it comes to job opportunities, and skills and career development
- Launching our Workforce Conversations portal to engage our employees in two-way conversations about the future of our business
- Underpinning our commitment to Aboriginal and Torres Strait Islanders through our new Reconciliation Action Plan

Challenges

- Continuing to evolve our safety culture from one of compliance to personal accountability
- Maintaining a productive and harmonious industrial relations environment amid major business change

Outlook

- Extending communications channel access to all employees, including those working in non-corporate roles and on extended leave
- Continuing to engage our people in the need for ongoing changes to our business

Australia Post's diverse and capable workforce achieved a great deal during the year, supporting our transition into a modern postal and parcel business that meets the contemporary needs of the Australian community.

As our business model shifts to delivering enhanced services for our customers and operating a leaner corporate centre, our focus was on communicating openly and maximising the future employment prospects of our people.

This year's safety focus was on increasing personal accountability for safety, encouraging a culture where everyone takes responsibility for identifying potential safety exposures, then takes action to reduce the risk to themselves and others.

Strengthening our safety culture

We are constantly striving towards zero injuries and zero tolerance of unsafe acts in our workplaces. With most of our workforce based at postal facilities or out on the roads, we continued to focus our safety initiatives on addressing incidents associated with manual handling, load-shifting operations and use of motorcycles.

Key initiatives introduced this year include:

- refreshing our enterprise Health and Safety Strategy, defining five priorities that will underpin our plan to further improve our safety culture and performance
- continuing to strengthen the state-based Safety Coalitions that we introduced last year. Comprising Health and Safety Representatives and Safety Champions at all levels of the business, each Coalition now has accountability for tackling a major national safety risk – allowing the people who are closest to our workplace safety hazards to have a say in the solutions
- introducing Safety Moments and Safety Huddles to facilitate workplace conversations about safety. As the first item of meetings attended by senior managers nationally, Safety Moments provide an opportunity to relay a personal and relevant safety story. Daily Team Safety Huddles provide dedicated time for our operational teams to hold interactive discussions about safety and exposure during every shift
- holding our third annual Enterprise Safety Time campaign in October to coincide with Safe Work Australia month. More than 11,660 employees took part in 877 workshop discussions, with managers actively role modelling appropriate safety behaviours. A DVD was produced highlighting potential exposures in our operational and retail areas to stimulate employee discussion
- signing a new Occupational Health and Safety Agreement in December. The new agreement provides greater compliance, clarity and consistency in the way safety processes are undertaken and Health and Safety Representatives are elected.

Managing safety across our fleet

With 12,400 vehicles across the Australia Post Group (APG) fleet, we recognise the importance of driver health in preventing accidents, injuries and fatigue on the road. We support all our drivers and employees by:

- establishing clear policies related to shift duration, rest breaks and rest facilities
- ensuring that motorbikes and vehicles meet or exceed industry and safety standards
- providing training, education and resources related to driver health and safety on the roads.

Our shift regulations for long-haul drivers are in line with our work/rest requirements and our participation in specific accreditation schemes. We are accredited in Advanced Fatigue Management (AFM) and Basic Fatigue Management (BFM); however, we only roster our drivers to a maximum of 12 hours, in line with the standard hours requirement. To ensure the safety of our drivers and compliance with these regulations, trucks are fitted with telematics devices that record continuous driving hours.

Although there were marked improvements in our safety performance this year, tragically we lost one StarTrack employee in a heavy vehicle accident in July 2013. The loss of this valued team member was a reminder for all our employees of the constant vigilance required to protect the health and wellbeing of our people.

Improving our safety performance

This year saw a continued decline in the number of workplace injuries, demonstrating the sustained benefits of our Safety Now strategy.

Our All Occupational Injury Frequency Rate decreased to 22.8 from 25.6, a 10.9 per cent reduction. Our incident frequency rate also saw a 15.8 per cent reduction with 1.6 incidents per 100 full-time employees (down from 1.9 last year). Our Lost Time Injury Frequency Rate (LTIFR) reduced to 8.0 (down from 8.2 last year), a 2.4 per cent reduction.

Safety performance (Australia Post only)	2011–12	2012–13	2013–14
Lost Time Injury Frequency Rate: Where next shift could not be worked due to injury/ occupational disease (i.e. lost time, per million hours worked)	11.5	8.2	**8.0**
Incident frequency rate: Incidents per 100 FTEs	2.5	1.9	**1.6**
Injury rate: Incidents involving an injury per 200,000 hours worked	2.8	3.9	**3.4**
Occupational disease rate: Incidents involving occupational disease per 200,000 hours worked	2.0	1.2	**1.2**
Fatalities (number)[1]	0	2	**0**
Fatality rate (per million km)	0	0.0095	**0**

1 Does not include the single fatality at StarTrack mentioned on page 32

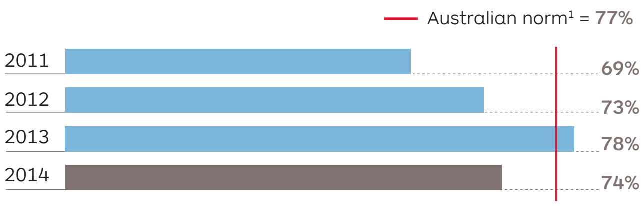
Engaging our people

As our business evolves, it's important that we understand our people and provide avenues for them to discuss topics that they care about. We launched our Workforce Conversation portal in April 2014, an online channel for our people to receive important organisational updates, discuss their ideas and ask questions.

In May 2014 we invited our people to complete our annual say2action employee engagement survey. We achieved an 80 per cent response rate, representing the views of nearly 30,000 employees – a record number.

This year we conducted a more detailed survey, and as a result, received two scores.

Our overall employee engagement score was 74 per cent. This score helps us to look back and make a direct comparison to previous years' engagement scores. While this is a 4 percentage point drop from last year's record result, it is a highly positive score during a time of significant business transformation and reform. Since the commencement of Future Ready, overall engagement has increased by 5 percentage points (see graph below).



1 Source: Towers Watson Australian organisational norm

Our Net Engagement score was 56 per cent. This is Australia Post's new measure, which uses different methodology to provide more in-depth information on how our people feel about working at Australia Post. It examines our employees' engagement in greater detail and allows us to focus on the things that matter most during our transition. This is just one percentage point lower than the average employee engagement figure for Australian and New Zealand organisations, according to 2014 Aon Hewitt survey data.

Developing capability for tomorrow

In September 2013 we launched Post People 1st – an initiative that aims to maximise opportunities for our people by increasing the visibility of job vacancies, access to education and training, and career support and information.

Since the program's commencement, 2,705 Australia Post employees have moved jobs.

We continued to invest in initiatives that built employability, accessibility and capability through greater computer access for many of our operational employees. In total, 2,830 employees accessed a range of courses including career management, building resilience to change, English

Leading the shift in our safety culture

This year we began implementing our Safety Leadership program across our operations network, following a successful pilot at four facilities. This contributed to a 50 per cent reduction in injuries across these sites over the five months following implementation.

Safety Leadership is designed to give leaders the skills to involve and influence their employees to create safe conditions and proactively reduce exposure to workplace hazards.

The current rollout focuses on 22 sites that represent the breadth of functions performed across our network.

language and literacy skills, computer skills, sales and service training, and supervisor development.

Fostering future leaders

We continued to implement our Future Leaders strategy in 2013–14. As part of our Peak Alumni program, more than 100 senior leaders participated in Coaching Skills for Leaders. This three-hour workshop equipped participants with the GROW (Goal, Reality, Options, Wrap-up) coaching framework to enable high-impact conversations about performance, development and talent.

This year our Leadership Essentials program, which assists managers to understand the link between day-to-day leadership and business success, reached around 130 leaders over the course of the year.

We also strengthened the leadership capability of more than 300 of our frontline managers through our Supervisor Development program.

Embracing diversity and inclusion

This year Australia Post continued to develop and deliver a range of diversity programs and initiatives focused on building and leveraging a workforce that truly reflects the customers and communities we serve. We track our performance against four focus areas: Aboriginal and Torres Strait Islanders, gender, people with a disability, and culturally and linguistically diverse (CALD) people. For more information, access our 2014 Australia Post Diversity and Inclusion Annual Report at auspost.com.au/publications

Aboriginal and Torres Strait Islanders

Our Aboriginal and Torres Strait Islander employees represent 1.5 per cent of our workforce. Our goal is to increase this to 2.5 per cent of our total workforce by July 2017, reflecting the representation of Aboriginal and Torres Strait Islanders in the national population.

Our Reconciliation journey

During National Reconciliation Week in May 2014, we launched our third Reconciliation Action Plan (RAP). The plan commits to a series of actions in relation to building relationships, enhancing respect and improving opportunities for Aboriginal and Torres Strait Islanders.

This year also marked 25 years of having a formal commitment to providing employment opportunities and support to Aboriginal and Torres Strait Islander people and communities.

Australia Post's Reconciliation Action Plan can be accessed online at auspost.com.au

Gender equity

Our female leaders now make up 36.2 per cent of management roles (up from 35.9 per cent in 2013) and 34.1 per cent of executive positions (up from 33.3 per cent in 2013). In 2013–14 we continued to build our female talent pipeline through a range of programs:

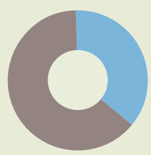
- **mymentor:** a self-paced personal and career development program offered to our award-level female employees. The 2014 intake was our largest ever, attracting 476 participants. This year also marked the largest intake of mentors with 76 of our leaders (both men and women) taking on a mentoring role. Since the program's launch, over 1,200 of our female workforce have completed the mymentor program.
- **Xplore:** a leadership and career development program for our female managers. From July to December 2013, 37 women participated in the program. By the end of the financial year the retention rate of this future senior leadership talent pool was 97.3 per cent. Furthermore, 21.6 per cent of participants had been promoted to more senior positions.
- **TenProgram:** this program matched 10 of our high-potential women with 10 of our Management Committee. Eight of the 10 participants in this year's TenProgram progressed into more senior or expanded roles by 30 June 2014.

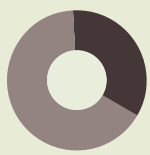
Our diverse workforce

137 nationalities **65** languages

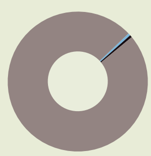
Managers = Percentage of all managers at Australia Post (2,563)
Executives = Percentage of all executives at Australia Post (452)

Women in workforce
38.9%

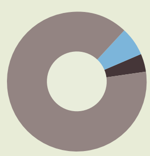




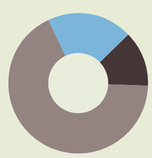
Indigenous Australians
1.5% (includes 18 traineeships)



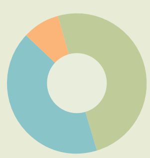
People with disability
6.9%



Culturally and linguistically diverse (CALD)
23.0%



Age



Diversity data does not include StarTrack employees.

- **Horizon:** a 12-month leadership development program for women moving into senior management and general manager positions. We launched the Horizon program in October 2013 with 17 participants.

Supporting people with a disability

In progressing our Accessibility Action Plan in 2013–14 we:

- launched the Real Stories Project – our national disability awareness campaign
- expanded our annual internship program to always include at least one university student with a disability
- worked with Lifestyle Solutions – one of our new national community partners – to expand their work-ready program for people with a disability (see page 38)
- achieved Web Content Accessibility Guidelines 2.0 Level AA criteria for our mobile website, well ahead of the Australian Government's December 2014 deadline.

Workplace flexibility and support

We offer our people a range of options to help them balance their work and personal commitments, including changes to hours, days and location of work, job share arrangements, and beneficial leave provisions such as purchased leave (48/52), ceremonial leave and leave without pay.

Our people's attendance rate this year was 94.2 per cent (down from 94.3 per cent last year) and 95.7 per cent of employees returned to employment with us from parental leave. Of those who returned to work in 2012–13 following parental leave, 79.6 per cent remain employed with us 12 months after their return.

Industrial relations

As at 30 June, 30,665 of our award employees were covered by the Australia Post Enterprise Agreement 2013, which outlines their pay and working conditions.

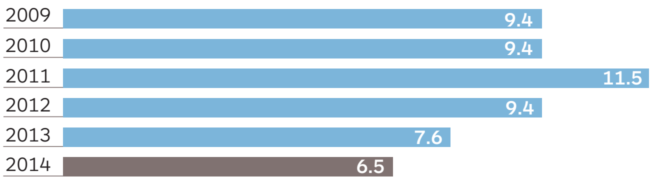
With the Fair Work Commission's enterprise award modernisation process under way, we applied to the Commission to update Australia Post's four enterprise awards, which represent the minimum safety net of employment conditions for employees. We are working with the unions through this process which we expect will be completed by October 2014. Australia Post supports the right of all employees to exercise freedom of association.

Ethical behaviour

Australia Post has clear policies and expectations for acceptable standards of workplace behaviour. These behavioural standards are outlined in the booklet *Our ethics: the way we do things at Australia Post*. New employees receive a copy of the booklet and training at induction and we regularly reinforce our policies, which aim to prevent anti-social behaviour.

This year, most of workplace complaints relating to harassment and discrimination were managed locally, with 50 complaints escalated to our Workplace Relations and Policy team for investigation. Of these, 16 were substantiated, five were withdrawn and eight are still being investigated. We take appropriate remedial action to address breaches by employees, including training, counselling and disciplinary measures.

Turnover rates (%)

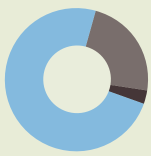


Data based on average headcount for permanent full-time and part-time employees only.

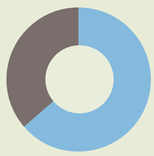
Employment profile Australia Post and StarTrack

Total workforce 36,944
(at 30 June 2014)

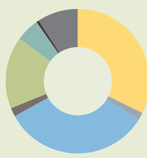
By type



By gender



By region



In 2013 we successfully negotiated the first back-to-back Enterprise Agreement in our history, which came into effect on 29 July. Australia Post won an Australian Human Resources Institute Award in December for our industrial relations strategy for the agreement.

Our performance
Making a positive social contribution

Building better communities for everyone.

Highlights

- Announcing seven National Community Partners that share our goal of building healthier, more vibrant and more inclusive communities
- Establishing a public charitable fund – Our Neighbourhood Trust
- Launching the Australia Post National Conversation platform to engage the Australian community in our future

Challenges

- Engaging the Australian community in the need to reform our postal services while supporting those most vulnerable throughout change

Outlook

- Continuing to expand the National Conversation platform and engaging communities at national and local levels through various initiatives
- Building on our community programs and the work with our community partners as a major stakeholder group
- Instilling a "shared value" mindset and evolving our Corporate Responsibility framework

Throughout 2013–14 we again demonstrated our commitment to the communities we serve through the various activities of the Our Neighbourhood program. Our Neighbourhood continues to guide Australia Post's community approach and investments as an important part of our overarching commitment and support to the community, particularly those most vulnerable.

We developed and launched Our Neighbourhood last year to bring to life our commitment to the community beyond our services and our role as a large employer of people. Our Neighbourhood is an integrated community investment program that delivers shared value for Australia Post and the communities we serve. This means achieving tangible and measurable business benefits to create economic value for all Australians.

As the Australian community's reliance on our traditional core services changes, we know we must also evolve to play a relevant role in their lives. To elevate community discussion about Australia Post's future and the need to reform the way we work, we are actively encouraging all Australians to tell us how they see our business.

Our community efforts in 2013–14 also focused on further aligning our activities to our enterprise strategy, which saw us commit to new programs and ways of engaging the community. As our organisation addresses the challenge of managing our declining letters business, it's crucial that we work with the Australian community to build awareness around the need for change and modernisation of Australia Post. In June 2014 we delivered a digital platform to enable the wider Australian community to be part of a "national conversation" about our evolution. We will continue to build our engagement activities using a range of new and traditional consultation channels.

Evolving shared value

Australia Post has been operating in communities across our nation for over 200 years, and we understand the importance of providing commercial services and initiatives that deliver real value for our business and the local community. We describe this approach as the creation of "shared value" between Australia Post and the community. While our approach to determining and measuring shared value is new, the activities and mindset that underpin it are intrinsically woven into how we operate and who we serve; we are an organisation that provides both a community service and a commercial dividend.

To help us maximise our impact within the community, in May 2014 we launched a partnership with the Asia-Pacific Social Impact Leadership Centre (APSILC) at Melbourne Business School. This research partnership provides a framework to determine and measure the impact we make as an organisation across the community, customers, workforce and business operations, with a focus on our national community partners.

Our association with APSILC reflects a growing global trend where major organisations are seeking to deliver value to their community – not just through a sense of corporate social responsibility, but through a desire to achieve "shared value" where both parties benefit.

New community engagement forums

We value the views and the perspectives of the community in which we operate. Part of our commitment to the community is to engage and consult with them about our evolving business. In May 2014, we commenced a new community engagement program designed to open up conversation with all Australians.

The first phase of the new engagement program was a pilot of nine face-to-face Local Community Discussion groups in various locations: Scottsdale (Tas), Pakenham (Vic), Shepparton (Vic), Alexandra (Vic), Cessnock (NSW), Paddington (NSW), Toowoomba (Qld), Darwin (NT) and Fitzroy Crossing (WA).

The next phase of this strategic engagement program involved developing a digital conversation platform that is available nationally. In June 2014 we launched the Australia Post National Conversation platform. The objective of this platform is two-fold – enabling Australia Post to share information about our business with as many Australians as possible, while encouraging the community to share their perceptions about our future.

We plan to pilot a range of other national and locally based initiatives to reach more individuals and local communities as we expand our community engagement program over the next 12–18 months.

Connecting communities through Our Neighbourhood

Australia Post has always played a role in connecting communities. Through fundraising and giving programs we are able to facilitate the collection of funds from the Australian community and give to those in need. We particularly seek to support vulnerable groups such as the elderly, culturally and linguistically diverse, rural and remote communities, the socially disadvantaged and people with a disability.

Our Neighbourhood Trust

Our Neighbourhood Trust is a public charitable fund that makes it possible for all Australians to play a role in building better neighbourhoods.

Established by Australia Post in June 2013, the Trust enables our vast network to make tax deductible donations through our employee Workplace Giving program, while our customers and the community can donate through Australia Post post offices or online at ourneighbourhood.com.au

Donations made to Our Neighbourhood Trust are distributed to communities across Australia through the Our Neighbourhood Community Grants program to support local community projects.

2013 Our Neighbourhood Community Grants

The Community Grants program encouraged charities and community organisations to apply for funding of one-off cash payments of up to $25,000 for projects that benefited the wider community. This year 107 community organisations received grant funding.

2013 Our Neighbourhood Workforce Nominated Community Grants

This program encouraged the entire Australia Post workforce to nominate a community organisation – which they have a direct connection to – for a grant of up to $10,000. Nominations were open to our 36,944 people as well as external contractors, licensees, franchisee agents, contractors and sub-contractors. Our Neighbourhood Community Grants and Workforce Nominated Community Grants were accepted between 13 May and 28 June 2013 and announced in September 2013.

For a full list of the 2013 grant recipients visit ourneighbourhood.com.au

2014 Our Neighbourhood Workforce Nominated Community Grants

We opened applications for the second round of Our Neighbourhood Community Grants and Workforce Nominated Community Grants in March and April 2014.

Plan 2day 4 2morrow

The David Wirrpanda Foundation aims to improve the quality of life for Aboriginal and Torres Strait Islander people by empowering and building capacity among individuals, their families and their communities.

The $10,000 Our Neighbourhood Community Grant awarded to the David Wirrpanda Foundation helped fund an Indigenous employment project in the town of Kwinana, which has one of the highest unemployment rates in the country. The program provided 80 participants with employment, numeracy, literacy and life skills.

Image: Mentors and participants from Kwinana (WA) enjoy health and fitness activities as part of the Plan 2day 4 2morrow Indigenous employment program.

We received 1,597 nominations and the winners will be announced in October 2014.

Our Neighbourhood National Community Partners

In February 2014 we announced seven organisations as the national partners in Our Neighbourhood community program. We will work closely with these organisations over the next three to five years to deliver a series of programs that will build community capacity and impact at a national and local level through education, employment, technology and sport programs.

Our National Community Partners represent a diverse group of dynamic organisations which all share the common goal of helping to build more vibrant and more inclusive communities. Together they reflect the different ways that we as an organisation touch the lives of Australians every day, helping to build healthier communities.

Our inaugural partners are: Australian Football League (AFL), Infoxchange, Lifestyle Solutions, Netball Australia, The Pyjama Foundation, Reclink Australia and Social Traders. To find out more about how Australia Post and our partners are delivering positive community outcomes, visit ourneighbourhood.com.au

Workplace giving

We also offer a voluntary workplace giving program that enables our people to support the charitable organisations that matter to them. Employees can give back to the community by making regular voluntary donations directly from their pre-tax pay to charities or organisations that are entitled to receive tax deductible donations. Employees can choose to donate to one of 11 matched community partners, where Australia Post matches the employee's contribution up to $200 per employee per year; or employees can donate to a non-matched charity partner of their choice. In 2013–14 our Workplace Giving program raised $513,903 for charitable causes with employee donations totalling $316,444 and Australia Post's matched contribution of $194,459.

Delivering real support for people living with a disability

As one of our inaugural Our Neighbourhood National Community Partners, Lifestyle Solutions joined Australia Post to support people living with a disability to deliver community mail programs in up to 18 communities across Australia.

The program focuses on mail sorting and delivery in regional and remote areas, offering people living with disability the opportunity to provide a valued community service that encourages community participation, relationships and belonging.

Our partnership with Lifestyle Solutions is an extension of the highly successful Bindi Mail initiative, in which local community members with a disability took on the task of delivering mail to around 3,000 residents living across 21 established camps surrounding Alice Springs.

Bindi Mail team members benefit from meaningful work experience that builds their capabilities and provides them with the opportunity to connect with their local communities.

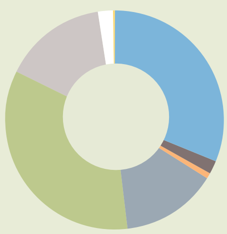
It also helps us to meet our community service obligations around the delivery of mail, enabling us to reach members of our community we may otherwise not be able to reach.

Measuring our impact

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

This year we invested $6.5 million in the community (including $383,000 invested by StarTrack, not included in previous years. Nearly 90 per cent of StarTrack community investments were in health-related programs). This total community investment equates to 5.6 per cent of our net profit (up from 1.8 per cent in 2012–13). The chart outlines how we focus our community investment expenditure, which includes cash, time and in-kind contributions across seven key categories.

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



- Arts & culture **2.5%**
- Economic development **0.2%**
- Education & young people **31.1%**
- Emergency relief **1.9%**
- Environment **0.9%**
- Health **14.0%**
- Social welfare **34.4%**
- Other **15.0%**

Our performance
Driving environmental change

Delivering better environmental outcomes to become a leader in environmental sustainability.

Highlights

- Reducing Scope 1 and 2 carbon emissions by a further 6.9 per cent
- Running a pilot to introduce Australia's first commercial electric van

Challenges

- Continually improving the way that we implement environmental initiatives across the enterprise
- Raising awareness of environmental considerations across our outsourced supply chain

Outlook

- Broadening engagement in environmental issues with our workforce and customers
- Growing product stewardship programs and building momentum towards a collaborative economy

Australia Post is dedicated to finding new ways to improve. This means minimising costs, better managing our resources and identifying avenues to create value for our customers, our workforce and for the environment.

This year we continued our focus on driving clean energy and energy efficiency programs across our 1,200 facilities, as well as becoming more fuel efficient by exploring alternative fuels for our fleet of 12,000 vehicles. We also worked with our customers to develop better environmental outcomes.

Our approach to environmental management supports our commitments under the United Nations Global Compact and aligns with the International Standard for Environmental Management, ISO14001. Our Environmental Management System enables us to identify and prioritise important environmental issues. It guides continual improvements in our environmental performance, which is monitored by the Australia Post Board Audit and Risk Committee. In 2013–14 we had no significant environmental incidents, spills, fines or prosecutions.

For more detailed environment data go to auspost.com.au/annualreport2014

Reducing our carbon emissions

In 2010 we established an ambitious target to reduce carbon emission levels by 25 per cent by 2020 (based on tonnes of carbon[1] emission levels generated in 2000). Four years on, we continue to implement carbon reduction initiatives such as our National Energy Management Plan, energy audits, energy and fuel efficiency projects and our dedicated research and development (R&D) activities across our business.

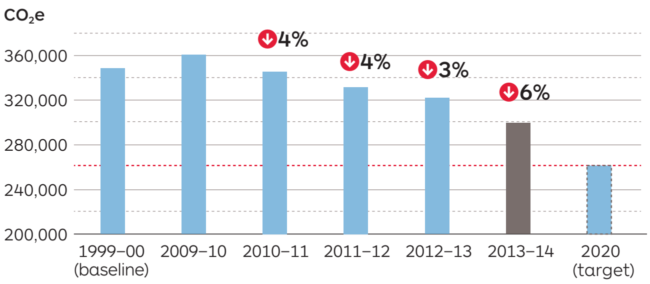
1 Tonnes of carbon dioxide equivalent (CO_2e) – expressed as "tonnes of carbon".

In 2013–14 we reduced our Scope 1 and 2 carbon emissions by a further 6.9 per cent. We have now achieved a total 14 per cent improvement on our Scope 1 and 2 carbon emissions baseline, which keeps us on track to achieve our 2020 target.

This year we revised the original Scope 1 and 2 baseline to include StarTrack by including the StarTrack total of 50,601 tonnes of Scope 1 and 2 carbon emissions from our 2013 National Greenhouse and Energy Report (NGER).

The revised profile of our emissions appears below:

Carbon reduction target



Over the past three years (2010–11 to 2013–14) we have achieved annual average savings of 15,330 tonnes of carbon.

This year we produced 299,557 tonnes of Scope 1 and 2 emissions (down 22,301 tonnes of carbon from last year), which, for the first time, included StarTrack's carbon emissions.

We achieved savings this year through a combination of meeting internal energy efficiency targets, property upgrades, changes to emission factors, and the benefits of transferring a major data centre to third-party management.

Greater fuel efficiency

We are constantly exploring ways to adopt alternative fuels across our transport fleet as part of our broader environmental strategy. Overall fuel consumption was down 3.9 per cent (more than 1.6 million litres) this year and we achieved a further 4,411-tonne reduction in carbon emissions due to new initiatives such as:

- using biofuel at selected facilities, (saving almost 1,000 tonnes of carbon each year)
- commissioning 1,871 new Honda NBC110s motorbikes that are 60 per cent more fuel-efficient
- transitioning from six-cylinder to four-cylinder sedans, with more than 100 hybrid vehicles
- using an extendable conveyor to "loose load" parcels directly into transport containers on selected line haul routes, improving container storage capacity
- partnering with Renault Australia to assess the use of Australia's first fully electric-powered commercial van – the Renault Kangoo Maxi Z.E. (see image on page 40). We expect to halve energy costs and achieve a 100 per cent reduction in carbon emissions when compared to our existing vehicles.

Scope 1, 2 and 3 greenhouse gas emissions (tonnes CO_2e) – by source

	Emission source	1999–00 (baseline)	2010–11	2011–12	2012–13	2013–14
Scope 1 Direct emissions	Natural gas	5,444	5,972	5,308	5,819	4,461
	LPG	3,019	5,266	5,820	5,796	5,962
	Heating oil	68	0	0	0	0
	Diesel (including electricity generation)	86,630	94,716	96,488	97,320	95,809
	Petrol	15,866	12,706	11,862	11,432	9,724
	Total	**111,027**	**118,656**	**119,478**	**120,368**	**115,956**
Scope 2 Indirect emissions	Electricity	237,409	226,892	212,044	201,490	183,601
	Total	**237,409**	**226,892**	**212,044**	**201,490**	**183,601**
	Total Scope 1 and Scope 2 Direct and indirect emissions	**348,436**	**345,548**	**331,522**	**321,858**	**299,557**
Scope 3	Energy Production and Transfer	40,576	37,001	36,761	36,120	39,479
	Subcontracted transport and business travel	0	454,618	429,423	407,564	575,458
	LPOs electrcity consumption (estimated)	0	16,704	16,790	13,743	26,089
	Waste disposal	29,031	14,106	9,497	0	10,539
	Total Scope 3	**69,607**	**522,429**	**512,550**	**503,933**	**651,563**
	Total Scope 1, 2, and 3 emissions	418,043	867,977	844,072	825,790	951,120

Note: All 2013–14 data includes StarTrack. Scope 1 and 2 emissions from baseline to 2012–13 include StarTrack 2013 NGER data.

Subcontracted transport and business travel provided for the 2013 calendar year. Majority of Scope 3 subcontracted transport carbon emissions are based on km travelled. Kilometres travelled are based on the type of vehicle and converted to carbon emissions using the National Greenhouse Accounts Factors – July 2013.

Image: The Renault Kangoo Maxi Z.E.

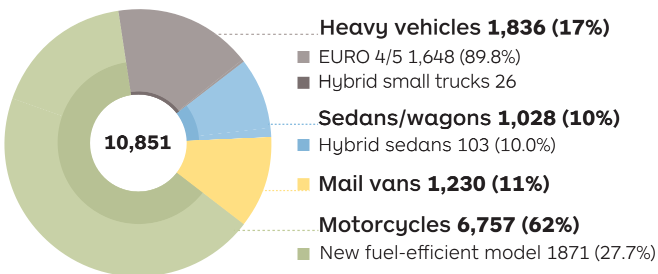
Greater energy efficiency

Energy use within our buildings and facilities accounts for approximately two-thirds of our carbon emissions, making it one of our largest environmental impacts.

This year energy efficiency improvements across our network of post offices, mail facilities and administrative offices achieved 3,704 MWh of energy savings and saved 3,397 tonnes of carbon. These initiatives included:

- 31 energy audits, resulting in the introduction of 17 initiatives. They also achieved approximately $240,000 and 1,321 MWh (1,129 tonnes of carbon) in savings
- dedicated projects at various Australia Post sites, including the installation of new SmartCool climate control systems across 97 post offices. This led to 288 MWh (251 tonnes of carbon) and $67,000 in energy savings
- a project at our Ballarat Business Centre which saw new lighting, insulation and rapid doors installed. This improved the site's energy efficiency by more than 30 per cent. Some initiatives were combined at this site to achieve a significant overall energy saving
- a program to replace heating, ventilation and air conditioning (HVAC) units and/or introduce speed roller doors at almost 100 facilities.

Fleet composition



Includes only those vehicles that have used fuel in the reporting period.

StarTrack House

In 2013–14 we achieved significant energy savings as part of a major refurbishment at StarTrack House (see page 29). The new initiatives included:

- new energy-efficient T5 light fittings that will reduce energy consumption and extend the life of lighting tubes, without compromising lighting levels
- more than 1,000 solar PV panels producing approximately 370 MWh of electricity per annum; enough to reduce carbon emissions by around 318 tonnes of carbon.

Managing waste

Waste reduction program

We have a number of waste management strategies in place to assess and reduce waste. In 2013–14 we managed our waste streams and have paper, cardboard, comingled and plastic recycling in place at sites. We are continually identifying ways to reduce the amount of waste that we generate and to divert waste from landfill to be recycled. With the addition of StarTrack we have recalibrated our waste and recycling data and have set a new baseline to measure reductions.

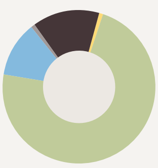
Product recycling partnerships

This year we joined forces with TerraCycle to recycle cigarette butts, and explore recycling of coffee pods, toothbrushes and cleaning products. Our solution involved specially branded Australia Post satchels that can be securely sealed and posted to TerraCycle for processing into industrial products such as plastic lumber, shipping pallets and railway sleepers.

We also continued our successful partnerships with Planet Ark and Mobile Muster to collect and recycle used printer cartridges and mobile phones through our post offices. Through these partnerships, 463,838 cartridges were collected, along with approximately 283,000 mobile phones, batteries and chargers.

Waste disposal – Australia Post (inc. StarTrack)

Operational waste stream	Tonnes
Cardboard	2,120.1
Co-mingled	116.1
General mixed waste	10,849.3
Paper	1,721.6
Timber	112.9
Total	**14,920.0**



Waste data represents more than 90 per cent of Australia Post-operated properties by floorspace. The completeness of this data set will be improved year-on-year.

Product sustainability and stewardship

Packaging design and composition

As a member and signatory of the Australian Packaging Covenant (APC) since 2005, we are actively engaged in improving the environmental performance of the products and services we offer. We are currently working through our 2011–15 Action Plan, which is focused on the design, composition and recycling of our packaging.

To view our Action Plan and APC Report go to auspost.com.au/environment

Research and development

For the second year in a row, we set aside a $500,000 research and development fund to investigate and test new energy efficiency solutions for our network.

A number of projects are currently being trialled or are under development, including:

- installation of LED lighting products at three retail outlets in Melbourne
- new task lighting to assist specialised business processes
- a new HVAC solution at Bentleigh letter delivery centre
- installation of a 400-panel solar system at our Heathwood Delivery Centre
- improved canopy lighting through the installation of LED products, including light sensors, at three of our facilities.

National Energy Management Plan

In 2009 we established the National Energy Management Program (NEMP), which has comprised energy efficiency works in over 132 sites, resulting in 17,642 MWh, 19,194 tCO_2-e savings and annual energy cost savings of $2.8 million during the project's lifespan. This represented a 17 per cent cost reduction across Australia Post's total building portfolio, made more significant by our vast property portfolio and operations, which required a unique approach to energy efficiency.

The Energy Efficiency Council and Energy Users Association of Australia awarded Australia Post the Leading Energy User Award 2013 for the NEMP, which also led to other key energy efficiency projects across the business to drive our carbon reduction target.

GRI G3.1 content index

GRI G3.1 standard disclosures		Page(s)	Primary report section(s)
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GRI G3.1 performance indicators		Indicator	Page(s)	Report section(s)	Coverage
Environmental performance indicators	Materials used	**EN1**	41	Driving environmental change	Partial
	Materials recycled	**EN2**	41	Driving environmental change	Full
	Direct energy use	**EN3**	39–40	Driving environmental change – see Environment data online	Full
	Indirect energy use	**EN4**	39–40	Driving environmental change – see Environment data online	Full
	Energy efficiency	**EN5**	39–41	Driving environmental change	Full
	Greenhouse gas emissions	**EN16**	39–41	Driving environmental change	Full
	Emission reduction	**EN18**	39–41	Driving environmental change	Full
	Waste	**EN22**	41	Driving environmental change	Full
	Significant spills	**EN23**	39	Driving environmental change	Full
	Environmental initiatives	**EN26**	41	Driving environmental change	Full
	Packaging	**EN27**	41	Driving environmental change	Full
	Compliance	**EN28**	39	Driving environmental change	Full
Labour practices and decent work	Workforce profile	**LA1**	35	Supporting our people	Full
	Workforce turnover	**LA2**	35	Supporting our people	Partial
	Work agreement	**LA4**	35	Supporting our people	Full
	Safety	**LA7**	32–33	Supporting our people	Partial
	Training	**LA10**	33–34	Supporting our people	Partial
	Diversity	**LA13**	34–35	Supporting our people	Partial
	Parental leave	**LA15**	35	Supporting our people	Partial
Human rights	Training	**HR3**	35	Supporting our people	Partial
	Non-discrimination	**HR4**	35	Supporting our people	Full
	Freedom of association	**HR5**	35	Supporting our people	Full
Society	Community engagement	**SO1**	18–19 36–38	Stakeholder engagement Making a positive social contribution	Full
	Managing fraud risk	**SO2**	48, 50	Corporate governance	Partial
	Compliance	**SO8**	48	Corporate governance	Full
Product responsibility	Customer satisfaction	**PR5**	20–21	Improving our customer experience	Full
	Marketing programs	**PR6**	48	Corporate governance	Full
	Marketing communications	**PR7**	48	Corporate governance	Full
	Customer privacy	**PR8**	48	Corporate governance	Full
	Compliance	**PR9**	48	Corporate governance	Full
Economic	Financial performance	**EC1**	12–13	Financial report	Full
	Risk management	**EC2**	50	Corporate governance	Partial
	Superannuation	**EC3**	135	Statutory reporting requirements	Full
Transport and Logistics Sector Supplement (2006)	Fleet composition	**LT2**	40	Driving environmental change	Full
	Driving policies	**LT9**	32	Supporting our people	Full
	Road safety	**LT12**	33	Supporting our people	Full
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Note: the full GRI content index and supplementary data is available on the Australia Post website at auspost.com.au/annualreport2014

Assurance statement

Beca Independent Assurance Report to Australia Post

Beca Pty Ltd (Beca) was engaged by Australia Post to provide independent limited assurance of the Australia Post 2014 Annual Report to the scope of work outlined below.

Scope of Work

This assurance report is prepared for Australia Post and its stakeholders. The Australia Post 2014 Annual Report (the Report) covers Australia Post's operations from 1 July 2013 to 30 June 2014, unless stated otherwise in the text. This work was performed using Beca's assurance methodology to ISAE 3000, the International Standard on Assurance Engagements Other Than Audits or Reviews of Historical Financial Information. To do this, Beca interviewed a number of personnel and reviewed relevant documentation at Australia Post's head office in Melbourne. Data collation processes were reviewed, including sighting a sample of original records, interrogating spreadsheets and re-performing some calculations. The following subject matter for the assurance covered the full Report, except for financial statements and community service obligations (audited by the Australian National Audit Office) and community investment data (verified by the London Benchmarking Group (LBG)):

- Provision of a balanced representation of material issues in the Report.
- Accuracy of the performance information in the Report.

Beca's Independence

Australia Post was responsible for preparing the Report. Beca is one of the largest employee-owned engineering and related consultancy groups in Asia Pacific. Beca assurance auditors, experienced in the determination of materiality and the assurance of performance information, were responsible for expressing an assurance conclusion in line with the scope of work agreed with Australia Post. During 2013–14, Beca undertook no other work with Australia Post.

Our Conclusion

Beca concludes that, based on the scope of work and related limitations, for the specified subject matter, the Australia Post 2014 Annual Report:

- Provides a balanced representation of the material issues concerning Australia Post
- Reports accurate performance information

for 1 July 2013 to 30 June 2014. In addition, Beca has provided a management report to Australia Post.

Key Observations

Based on the scope of work, and without affecting our assurance conclusion, Beca makes the following observations:

Good Practice

- *Materiality determination:* robust, well-documented process with enhanced material issues presentation using the wheel format, also aligned to internal board risk reporting.
- *Report development:* constructive process, adopting assurance recommendations for improved transparency, such as safety metric definitions alongside relevant data.
- *Data consistency:* provision of data to one decimal place consistently throughout the Report.
- *Scope 3 carbon emissions:* inclusion of this dataset for the first time, demonstrating continuous improvement.

Areas for Improvement

- *Materiality determination:* greater detail on the issues ranking process and a more regular full materiality review would further improve the materiality process.
- *People data:* updated statistical representations of the workforce profile would improve transparency and clarity.
- *Workplace complaints:* streamlining data collection would improve quality, which the new online system will address.
- *Internal data verification:* a more formal internal data verification process would improve data accuracy during Report development and help to safeguard the retention of knowledge in an environment of organisational change.
- *Scope 3 carbon emissions:* improve the completeness and precision of this new dataset year-on-year.

Beca congratulates Australia Post on its commitment to integrated reporting.

Beca

Beca Pty Ltd, 4 September 2014, Melbourne, Australia

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

Corporate governance

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* (replaced by *Public Governance, Performance and Accountability Act 2013* from 1 July 2014), and the Commonwealth Government Business Enterprise Governance and Oversight Guidelines (2011). Our governance framework is also guided by the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, as documented in the 3rd edition.

Principle: Lay solid foundations for management and oversight

(based on ASX Principle 1)

Role and responsibilities of the Australia Post board

The board is responsible for the corporate governance of Australia Post. Under Section 23 of the APC Act the role of the board is to:

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

In discharging those broadly defined roles, the board's primary tasks include, among others:

- approving the enterprise strategic directions through the corporate plan, strategic business plans and approval of major new business initiatives
- approving key corporate policies including product pricing and development, network structures, financial matters, risk management, information technology, community service obligations, human resources and environment
- monitoring corporate performance by reviewing business performance, product performance and the corporate plan
- appointment, evaluation, remuneration, and succession planning of the managing director & group CEO
- meeting its accountability to government by: submitting corporate plans, evaluating and recommending dividend proposals, reporting on business and operational performance, preparing an annual report, notifying significant business proposals by ensuring compliance with notified government policies, and ensuring proper accounting and enterprise risk management and oversight.

Delegation to the managing director & group CEO

Sections 18 and 19 of the APC Act specify a wide number of postal, postal-related and other powers of Australia Post. These powers reside in the managing director and may be delegated by him to other employees of Australia Post under Section 93.

Under Section 94 of the APC Act, the board may delegate virtually all or any of its powers to a director of the corporation.

The board has delegated to the managing director & group CEO responsibility for implementing Australia Post's strategic priorities and for managing Australia Post's day-to-day operations. Specific limits on the authority delegated to the managing director & group CEO are set out in the delegated authorities approved by the board.

Executive Committee

The Executive Committee comprises the managing director & group CEO and nine senior executives. The Executive Committee is accountable to the managing director & group CEO. The purpose of the Executive Committee is to assist the managing director & group CEO to deliver the strategic priorities for the corporation.

The Executive Committee also comprises a number of forums which assist in managing these priorities.

Board and Executive Committee appointments

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

The Minister must consult with the chairman before nominating a person for appointment as a director. To nominate a person for appointment as a director, the Minister must have regard to the need to ensure that the directors collectively possess an appropriate balance of skills and experiences aligned to the corporation's strategic priorities.

The managing director & group CEO is appointed by the board whereas the Executive Committee is appointed by the managing director & group CEO.

The managing director & group CEO and the Executive Committee are employed under individual contracts of employment that are not limited to a specific duration. Continuation of employment is subject to ongoing performance reviews by the board and the managing director & group CEO. Where the board terminates the managing director & group CEO or endorses the termination of other senior executives' employment for reasons other than performance or misconduct, they are entitled, in the case of the managing director & group CEO, to:

- 12 months' notice in writing or payment of 12 months' salary and allowances in lieu of notice or a combination of both notice in writing and payment in lieu of notice

and, for other senior executives, to:

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

All of the payments for other senior executives are based on the total fixed annual remuneration.

Corporate secretary

The corporate secretary has a dual reporting role as Corporate Secretary & General Manager Government Affairs. The Corporate Secretary & General Manager Government Affairs is a member of the Executive Committee and reports to Executive General Manager Corporate Affairs & People.

The corporate secretary is accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board. The corporate secretary is also responsible for advising the board, through the chair, on all corporate governance matters, as well as helping to organise and facilitate the induction and professional development of directors, as required.

Diversity

Australia Post is committed to an inclusive workplace that values diversity. Our diversity and inclusion strategy aims to promote improved diversity outcomes to foster an inclusive workplace culture and equal employment opportunities (EEO). Managing diversity at Australia Post is a corporate objective and this responsibility is vested in the board, our Executive Committee, managers and employees.

Diversity in the workplace encompasses understanding, acceptance and respect for individual difference including ethnicity, gender, sexual orientation, age, disability, family status, religious beliefs, perspective, experience and other ideologies.

We recognise that maximising our people's skills and commitment better positions Australia Post to meet our business purpose and future challenges. Developing and managing an increasingly diverse workforce means recognising individual differences, contributions and needs in the workplace. It requires the implementation of practices that maximise respect for all individuals and recognise the value that diversity brings to Australia Post.

While we define diversity in the broadest-possible sense, we formally measure and track our progress against four key areas: gender, Aboriginal & Torres Strait Islanders, people from culturally and linguistically diverse backgrounds, and people with disability.

Performance against each of these measures is disclosed in Australia Post's Diversity and Inclusion Annual Report, which is prepared in compliance with the *Equal Employment Opportunity (Commonwealth Authorities) Act 1987* and presented to the Minister for Communications. The report is published on our website at auspost.com.au. Our 2013–14 performance was:

	2014	2013
Aboriginal & Torres Strait Islander representation	1.5%	1.6%
Culturally and linguistically diverse	23.0%	23.1%
People with disability	6.9%	7.1%
Female representation	38.9%	39.1%
Female bands 1–4	34.1%	33.3%
Women in management	36.2%	35.9%

Board and individual directors' evaluation

The board regularly reviews its own performance and the performance of individual directors. An externally facilitated board performance appraisal is undertaken every two years, focusing on board, board committee and individual director effectiveness.

The most recent review was conducted in May 2014. It was facilitated by an independent board performance consultant and included interviews with, and the completion of a board evaluation survey by, all directors and Executive Committee members.

The results of the board evaluation were discussed at a meeting of the board of directors. The chairman also met separately with each director to discuss the director's own performance. The board agreed to accept the board evaluation report and implement ongoing improvements as part of its ongoing development and learning.

Board Committee evaluation

The Audit & Risk Committee charter states that, to ensure the Audit & Risk Committee is fulfilling its duties, it must:

- undertake an annual self-assessment of its performance against the requirements of the charter and provide that information to the board
- provide any information the board may request to facilitate its review of the committee's performance and its members.

In 2013–14 the Audit & Risk Committee achieved its requirements, as per the charter.

Executive Committee evaluation

Executive team performance evaluations were conducted for the year ended 30 June 2014. Refer to page 104 for further details.

Principle: Structure the board to add value

(based on ASX Principle 2)

The APC Act provides that the board of Australia Post comprises up to nine directors including the chairperson, the deputy chairperson, the managing director and not more than six other directors. As at 30 June 2014, the board comprised seven non-executive directors and one executive director. The executive director is Australia Post's managing director & group CEO, Ahmed Fahour. During the year, Ms Penny Bingham-Hall retired as a director effective on 11 May 2014.

The directors of Australia Post, at any time during the financial year, are listed with a brief description of their qualifications and experiences on pages 16 to 17 of the 2014 Integrated Annual Report.

The board met eight times during the financial year. Directors' attendances are set out on page 52 of the 2014 Integrated Annual Report.

The board has established three committees:

- Human Resources Committee
- Nomination and Remuneration Committee
- Audit & Risk Committee.

Each committee has a charter that is reviewed periodically. The committees are also part of the board evaluation process. The board committee charters are available at auspost.com.au

Board and committee meeting timetables are agreed annually in advance. The corporate secretary sets the timetables in consultation with the board and committee members.

Human Resources Committee

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

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

The committee as at 30 June 2014 comprised four members: Brendan Fleiter (Chair), Ahmed Fahour, Michael D'Ascenzo AO and The Hon. Trish White.

The committee meets four times a year. Meeting attendance details for 2013–14 are provided in the table on page 52.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee provides shareholder ministers with recommendations on board composition and membership, and performance and succession management for the managing director & group CEO.

Specifically, the role of the committee is to:

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

The managing director & group CEO is entitled to attend meetings of the committee, but will be excused when his own remuneration or performance is discussed.

During the year, Penny Bingham-Hall ceased to be a member on her retirement as a non-executive director while Susan Bitter became a member of the committee. The committee currently comprises five non-executive and independent directors – John Stanhope (Chair), Susan Bitter, Peter Carne, Brendan Fleiter and Talal Yassine OAM.

The committee met five times during the year. Details of directors' attendances appear on page 52.

Audit & Risk Committee

The Audit & Risk Committee's primary focus is to assist the board to discharge its responsibilities under the *Australian Postal Corporation Act (1989)* and *Commonwealth Authorities and Companies Act (1997).*

In particular the committee will assist the board by its oversight and review of financial reporting, risk management, internal control, auditor independence and performance and compliance with laws and regulations.

The Audit & Risk Committee operates with a minimum of three members – all of whom must be non-executive directors, the majority being independent. The committee's charter also requires all members to be financially literate and for at least one member to possess accounting or related financial qualifications and experience.

The committee as at 30 June 2014 comprised five members – Peter Carne (Chair), John Stanhope, Susan Bitter, Brendan Fleiter and The Hon. Trish White.

Further details on the qualifications and experience of all committee members are disclosed on pages 16 to 17.

In conducting its activities the committee focuses on the areas of financial reporting, enterprise risk management and internal controls. Among other duties it reviews:

- the financial reports before their consideration and adoption by the board
- the clarity and quality of the corporation's 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
- progress of delivery of major programs.

The managing director & group CEO, group chief operating officer, chief risk officer, group chief financial officer, internal audit and the external auditor attend committee meetings at the discretion of the committee. Other non-executive directors may attend meetings.

The committee meets privately with the external auditor on general matters concerning the audit and other related matters, including the half-year and full-year financial reports. The committee also meets privately with the group chief financial officer, Internal Audit and the chief risk officer.

The committee collectively, and its members individually, have access to internal and external resources including access to advice from external consultants or specialists.

The committee met four times during the year. Details of directors' attendances appear on page 52.

Board skills

The most recent board performance review confirmed that there is currently a good mix of skills and experience on the Australia Post board, and that each board member brings a different perspective to the table, including relevant commercial acumen. There is also a strong board culture to enable the mix of skills and experiences on the board.

The skill sets that were identified among board members include:

- significant IT and digital retailing/service experience
- international logistics experience
- experience in successfully leading major transformation programs
- significant retail management skills
- detailed financial and risk management skills associated with complex organisations and structures
- people, industrial relations and culture skills
- CEO experience and commercial acumen in complex environments.

Independent directors

Australia Post considers a director to be independent if the director is free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, his or her capacity to bring an independent judgement to bear on issues before the board and to act in the best interests of the entity and its shareholders generally.

In determining whether a director is independent, the board has considered whether the director:

- is, or has been, employed in an executive capacity by Australia Post or any of its subsidiaries and there has not been a period of at least three years between ceasing such employment and serving on the board
- is, or has been within the last three years, a partner, director or senior employee of a provider of material professional services to the entity or any of its child entities
- is, or has been within the last three years, in a material business relationship (for example, as a supplier or customer) with Australia Post or any of its subsidiaries, or an officer of, or otherwise associated with, someone with such a relationship
- has a material contractual relationship with Australia Post or its subsidiaries other than as a director; or
- has close family ties with any person who falls within any of the categories described above; or
- has been a director of Australia Post for such a period that his or her independence may have been compromised.

In addition, the chairman is appointed by the Governor-General on the nomination of the portfolio minister. The board is satisfied that Australia Post's chairman, John Stanhope, is and was throughout the entirety of the financial year, independent. The position of managing director & group CEO was held by Ahmed Fahour.

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.

If the board or a board committee is due to consider an issue that may present a director with a potential conflict of interest, the director in question will not be provided with the associated background material.

The board has determined that each non-executive director is, and was throughout the entirety of the financial year, independent.

Directors have unfettered access to Australia Post records and information that they reasonably need to fulfil their responsibilities. Directors also have access to the corporate secretary on any matter relevant to their role as director. In addition, the board has access through the corporate secretary to other relevant senior executives to seek additional information concerning Australia Post's business.

Provided they have prior agreement from the chairman, directors have the right to obtain relevant independent professional advice (at the corporation's expense) in connection with the discharge of their responsibilities. During the financial year, Australia Post reviewed the Directors' and Officers' insurance cover provided to Australia Post's directors and officers. The associated fee was covered as part of the annual management of the overall corporate insurance program and associated insurance broking services.

It is common practice for the non-executive directors to confer, without management being present, at the start of each scheduled board meeting.

Details regarding the length of service of each director are disclosed on pages 16 to 17.

Directors' induction program

All new directors receive a formal letter of appointment from shareholder ministers and an induction pack. The induction pack contains sufficient information to allow the new director to gain an understanding of:

- the Ministerial powers granted to the portfolio minister
- the rights, duties and responsibilities of directors
- the role of board committees
- the roles and responsibilities of the executive team
- Australia Post's financial, strategic, and operational risk management position.

New directors undertake an induction program which comprises:

- an information pack which includes: Australia Post's Governance Framework, the Commonwealth Government Business Enterprise Governance and Oversight Guidelines, the *Australian Postal Corporation Act 1989*, the *Commonwealth Authorities and Companies Act 1989*, the *Public, Governance, Performance and Accountability Act 2013*, the most recent corporate plan, the most recent annual report, our organisational chart, and insurance and indemnity details pertaining to Australia Post's Directors and Officers Insurance policy
- a program of meetings with Australia Post's Chairman, managing director & group CEO, members of the Executive Committee and the Corporate Secretary
- a program of facility and network tours to cover key areas such as domestic and international letters and parcels, and delivery operations.

Principle: Act ethically and responsibly

(based on ASX Principle 3)

At Australia Post we conduct our business as a good corporate citizen. We respect our stakeholders and conduct ourselves with integrity in compliance with all relevant laws, regulations, codes, corporate policies and procedures.

Importantly, we behave in accordance with our culture pillars: Safety, Accountability, Customer Focus and Speed of Action. Everything we do can have social, environmental and economic impacts. In fact, our long-term commercial success – our own sustainability – depends on what we do and how we do it.

Australians trust Australia Post to deliver their mail as well as a number of other everyday services such as bill payment and identification checks, through our vast retail network which places us at the heart of communities across the country.

It is imperative that all representatives of Australia Post act in an ethical way so we continue to preserve and grow the trust that Australians have in our brand. When we demonstrate ethical behaviour, we show respect for each other, our customers and the community.

The Australia Post Our Ethics booklet details the ethical standards of expected behaviour that help guide us through possible ethical dilemmas and lead by example in our dealings with customers, suppliers, the corporation and each other.

While our managers and supervisors have a responsibility to foster a culture in which ethical conduct is valued, recognised, demonstrated and expected, all employees are accountable for demonstrating the culture pillars in their daily duties to help make Australia Post a better place to work and ensure a strong future for our organisation.

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

Competition and consumer law

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

To ensure our people clearly understand their responsibilities in this area, we have a National Competition and Consumer Compliance program. This comprises comprehensive competition and consumer law training for employees every two years, and a formal clearance process for all promotional and advertising material.

During the year more than 470 employees completed the online training module, over 8,090 retail staff across corporate, licensee and franchisees post offices completed the consumer law workbook, and more than 850 individual promotional items were cleared. In 2013–14 there were no reported incidents of material non-compliance with the relevant legislation or fines issued in relation to the provision or use of our products and services.

Protecting privacy

Australia Post has a Chief Privacy Officer who is accountable for maintaining the corporation's National Privacy Compliance program. This program aims to ensure that our policies and procedures comply with privacy legislation. It also acts to safeguard our customers' personal information and foster a corporate culture that values privacy.

Australia Post is committed to meeting the legislative requirements associated with personal information. We handle large volumes of data and have a corporate responsibility to treat this data with the respect and confidentiality it requires.

Efforts during the reporting period extended to the implementation of the Australian Privacy Principles (APPs) which came into force on 12 March 2014. Broadly, the APPs extended our existing privacy obligations which outline how we must manage personal information when: collecting, handling, using, securing, storing, and disclosing personal information to other parties (internal and external).

Our commitment has been reflected in the establishment of a dedicated Privacy Reform Program (PRP) to ensure that required changes are effectively implemented throughout the organisation. The PRP has facilitated a range of activities to strengthen compliance including coordinating Privacy Impact Assessments across different business areas, updating our existing Privacy and You customer brochure, and refreshing our Privacy Policy. These and other privacy initiatives are underpinned by the implementation of class-leading technology security solutions and standards together with ensuring that we only engage with suppliers who share our dedication to effectively manage our personal information commitments.

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

Security and investigation

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

As the protection of our customers' trust is paramount, we have a comprehensive security strategy in place to ensure the continued protection of our business and customer data. It has a number of key components including protecting Australia Post's customers, brand and confidential information; supporting the development of secure products and services; implementing best-practice information security governance, operations and services; building a secure technology environment to enable an agile business, and creating a security-aware culture.

This strategy is supported by a national fraud control policy and the corporation's Our Ethics policy. This is reviewed annually, with the next appraisal due to be undertaken in August 2014.

Principle: Safeguard integrity in corporate reporting

(based on ASX Principle 4)

Audit & Risk Committee

The Audit & Risk Committee assists the board through its oversight and review of financial reporting, risk management, internal control, auditor independence and performance and compliance with laws and regulations.

See page 46 for more information on the Audit & Risk Committee.

Internal audit

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

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

The internal auditor also meets privately with the committee before each meeting.

External audit

Under Section 8 of the CAC Act, the Auditor-General is responsible for auditing the financial reports of Australia Post and its subsidiaries. The Auditor-General is also responsible for auditing compliance with the performance standards prescribed for Australia Post under Section 28C of the APC Act. Ernst & Young (E&Y) has been retained by the Australian National Audit Office (ANAO) 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. However, under circumstances where the involvement of key personnel in the audit of the corporation does not constitute a familiarity threat, the ANAO may extend the rotation of the senior audit partner to a maximum of seven years.

The Audit & Risk Committee together with ANAO, monitor the ongoing non-statutory audit-related services provided by E&Y.

Management internal control approval

Prior to the adoption of the half-year or full-year financial reports, the board received and considered a written statement from the managing director & group CEO and group chief financial officer to the effect that the:

- report presented a true and fair view, in all material aspects, 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 CAC Act
- 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 aspects, consistent with the principles of the International Standard for Risk Management (AS/NZS ISO 31000:2009), the Australian Standard on Compliance Programs (AS 3806:2006), and the ASX Corporate Governance Principles and Recommendations (Principle 7: Recognise and Manage Risk) adopted by the board.

Principle: Make timely and balanced disclosure

(based on ASX Principle 5)

Australia Post's required disclosure obligations are prescribed from the provisions of the APC Act, the CAC Act, and the Commonwealth Government Business Enterprise Governance and Oversight Guidelines (2011).

Australia Post is accountable to its shareholder ministers for its performance. We regularly disclose details to our shareholder ministers on performance, expenditure and any significant issues in a timely and balanced manner. We do this formally through our quarterly progress reports, annual report and website updates. This is in addition to responding to requests from shareholder departments on a regular basis.

Principle: Respect the rights of shareholders

(based on ASX Principle 6)

The Minister for Communications has portfolio responsibility for Australia Post. Under a dual shareholder model, overall responsibility for the enterprise is exercised jointly with the Minister for Finance.

Shareholder representatives and key stakeholders can access information about Australia Post on our website, auspost.com.au The dedicated corporate governance section provides a detailed description of the corporation's governance framework and associated practices, with links to key documents.

Shareholder relations program

Australia Post has not established a formal shareholder communications policy. However, it does take appropriate measures to keep shareholder representatives informed about its activities on a regular basis. Engagement with shareholders occurs through fortnightly teleconferences, quarterly face-to-face meetings, meetings upon request and responses to any enquiries made from time to time.

While Australia Post has not established any formal shareholder policies or processes regarding facilitation and participation at meetings, it does set agendas in consultation with the shareholder to ensure that all required discussion topics are set down for discussion.

Australia Post communicates with its shareholders via a number of different communications channels, which include digital and physical methods.

In addition, Australia Post effectively engages with stakeholders who have a high degree of influence over our business. Our primary stakeholder groups include customers, our workforce, government and the broader community. Other stakeholders include regulatory bodies, suppliers, industry organisations and peak bodies, environmental groups and the media. Throughout the year we undertake a number of activities to engage with each of our stakeholder groups.

Understanding our stakeholders

Getting to know our stakeholders by understanding their needs and how our business impacts them is critical to our success. Research activities are an effective way to obtain this information. For example, each year we conduct staff attitude surveys and focus groups to understand our employees' views about our business. Comprehensive Voice of our Customer surveys across our consumer, small and medium-to-large business customer segments also help to inform us about customer satisfaction levels with valuable feedback and insight into how they view their relationship with our business.

These initiatives help us to improve our understanding of the business and facilitate a better experience for our people, customers and stakeholders when dealing with us.

An integrated approach to stakeholder engagement

Our integrated stakeholder model ensures that our business planning and decision-making processes consider the stakeholder groups they may affect. The model enables us to assess the risks and impacts in the early stages of a project to allow the implementation to be coordinated with other key enterprise projects, and to identify potential stakeholder conflicts before they occur.

Effective stakeholder engagement is a key enabler of our enterprise strategy and is embedded and integrated across the corporation through a number of key business forums.

Principle: Recognise and manage risk

(based on ASX Principle 7)

Audit & Risk Committee

The Audit & Risk Committee assists the board by its oversight and review of financial reporting, risk management, internal control, auditor independence and performance and compliance with laws and regulations.

See page 46 for more information on the Audit & Risk Committee.

Recognising and managing risk

The board has established a comprehensive Risk Management Policy.

The policy provides guidance on risk management practices and adds clarity to the management and director roles and responsibilities, both for developing and administering the policy, and for implementing risk management processes. This policy and any associated processes are consistent with the principles of the International Standard for Risk Management (AS/NZS ISO 31000:2009), the Australian Standard on Compliance Programs (AS 3806:2006), and the ASX Corporate Governance Principles and Recommendations (Principle 7: Recognise and Manage Risk).

The policy describes a 3-lines of defence principles-based approach to risk management at Australia Post to ensure consistency with frameworks and processes as stated in the annual report. Specific details concerning the core risk management components are set out in the Australia Post Risk Management Framework.

Under the framework all business units maintain a risk profile detailing their material business risks, associated controls and mitigation strategies.

The status of Tier 1 (significant risks) is reported to the Enterprise Risk Management Forum, the Executive Committee and the Audit & Risk Committee each quarter. The status of each major compliance program is provided annually to the Audit & Risk Committee. To support increased awareness and understanding of the corporation's Tier 1 risk profile, the Audit & Risk Committee undertakes a Risk Deep Dive Session at each meeting.

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

Australia Post maintains adequate insurance cover to manage the potentially adverse financial impacts associated with catastrophic risk exposures. The insurance program is reviewed and amended annually to ensure it is capturing significant emerging and previously identified significant business risks.

The board conducts an annual review of the corporation's risk policy and supporting framework to maintain its effectiveness and adequacy. Independent external reviews of risk management and compliance processes across the corporation are undertaken every four years to ensure better practice is maintained. The most recent such review was undertaken by PwC and presented to the Audit & Risk Committee in February 2014.

Internal control framework

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

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

Corporate responsibility

Australia Post's Corporate Responsibility program is an important element of the corporation's strategy.

At the heart of our approach to corporate responsibility is the notion of balance. Australia Post is embedded in the Australian community and, as such, our approach to corporate responsibility seeks to ensure that our daily decision-making gives genuine consideration to balancing our stakeholder interests and commercial returns, customer service and community and environmental interests. This consolidated approach enhances the enterprise philosophy "that all Australians should have equitable access and that we are an organisation that continues to connect community and commerce".

The Corporate Responsibility Policy that underpins this approach provides for clear accountability in meeting the program's goals and objectives. The policy's key objectives are to:

- ensure our long-term sustainability is founded on responsible business practices
- give meaningful consideration to community and environmental impacts and stakeholder expectations when we make decisions
- be open and accountable to our people, our customers, the Australian community and our shareholder on the decisions we make and their impact.

Our corporate responsibility performance is reported periodically to management as well as the board and the Australia Post Stakeholder Council. Formal corporate responsibility reporting occurs annually through the annual report.

Corporate responsibility is embedded and integrated across the corporation through key business focus groups. Our workforce needs and subsequent programs are governed by the Human Resources Committee. The Australia Post Stakeholder Council, which provides an external perspective to the Corporate Responsibility program, comprises representatives ranging from small, medium and large business, direct marketing, corporate responsibility and senior Australia Post executives.

Responsible sourcing

Australia Post conducts its business with integrity and ensures compliance with all relevant laws, regulations, policies and procedures. Our comprehensive Code of Ethics clearly defines the standards of behaviour expected from our employees and business partners to operate ethically and with integrity when purchasing goods and services, and working with suppliers.

Australia Post's Supplier Code of Conduct specifies that social and environmental outcomes be considered when selecting suppliers. Under the code, suppliers are expected to demonstrate a commitment to human rights, fair employment practices and environmental responsibility in accordance with existing international standards, such as the United Nations Universal Declaration of Human Rights, the International Labour Organization Declaration on Fundamental Rights at Work, and the United Nations Convention on the Rights of the Child. Our commitment to environmental sustainability requires all suppliers to comply with all applicable environmental laws and regulations, conduct their business in a manner that protects the environment and have an environmental management program that takes responsibility for goods and services throughout their lifecycle to minimise the impact of activities on the environment.

Treasury

A comprehensive and prudent treasury policy exists to manage cash and liquidity, interest rate, foreign exchange, fuel price, counterparty and operational risks. Reviewed by the board at least annually, the policy provides for the use of hedging instruments to protect the corporation against adverse movements in interest rates and minimise the impact of volatility of 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 Asset and Liability Committee meets monthly and reviews or recommends appropriate hedging strategies to the group chief operating officer and group chief financial officer in accordance with policy parameters. Treasury activities are reported quarterly to the board and are subject to review by auditors as part of the annual external audit process. Breaches to the Treasury policies require prompt disclosure to the Audit & Risk Committee.

Taxation

Australia Post manages its taxation obligations in all jurisdictions in which it operates in accordance with the board-approved Risk and Compliance Framework.

In implementing its corporate strategy, Australia Post abides by a set of documented corporate tax policies and procedures that ensure full and transparent compliance with its taxation obligations.

The five core drivers of our corporate tax operating framework are:

- maintain full compliance – we will ensure full compliance with all statutory tax obligations and seek to pay the legally correct amount of tax wherever the Australia Post Group operates
- maximise shareholder value – we will manage the tax affairs of the Australia Post Group in a proactive manner and seek to maximise shareholder value in relation to the taxation consequences of implementing the overall group strategy
- manage risk – we will maintain documented policies, procedures and positions in relation to tax risk consequences of business strategy within the corporation's Enterprise Risk and Compliance Framework taking into account the implications for the Group's corporate reputation as a trusted iconic brand. All identified risks and tax exposures will be tracked and reported to the group chief operating officer and the group chief financial officer where material
- maintain openness and transparency – we will maintain an open and honest relationship with revenue authorities and consult appropriately with them in accordance with the Tax Code of Conduct
- build assurance – we will provide the board, managing director & group CEO, group chief operating officer, group chief financial officer, senior management and other key stakeholders with assurance that the Australia Post Group's tax is being managed in accordance with its tax policies.

Principle: Remunerate fairly and responsibly

(based on ASX Principle 8)

Nomination and Remuneration Committee

The committee provides shareholder ministers with recommendations on board composition and membership, and performance and succession management for the managing director & group CEO.

See page 46 for more information on the Nomination and Remuneration Committee.

Director remuneration

Remuneration for Australia Post's non-executive directors is determined by the Commonwealth Remuneration Tribunal. For 2013–14 this was:

Chairman	$178,940
Deputy Chairman	$99,860
Directors	$89,500
Audit & Risk Committee Chairman	$20,700
Audit & Risk Committee member	$10,360

Total amounts received or receivable in 2013–14 by each non-executive director are provided in Note 29 to the financial reports (see page 104).

Executive remuneration

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

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

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

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

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

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

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

Remuneration details for the managing director & group CEO and other key executives are provided in Note 29 to the financial reports (see page 105).

Directors' attendance at meetings 2013–14

	Board		Audit & Risk Committee		Human Resources Committee		Nomination & Remuneration Committee	
	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)
John Stanhope	8	8	4	4	–	–	5	5
Brendan Fleiter	8	8	4	4	4	4	5	5
Ahmed Fahour	8	8	–	–	4	4	–	–
Penny Bingham-Hall	8	7	–	–	4	3	4	4
Susan Bitter	8	8	4	4	–	–	–	–
Peter Carne	8	8	4	4	–	–	5	5
Michael D'Ascenzo AO	8	7	–	–	4	4	–	–
The Hon. Trish White	8	7	4	3	4	4	–	–
Talal Yassine OAM	8	7	–	–	–	–	5	5

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

Note: Two board meetings and one Human Resources Committee meeting were held at Australia Post operating sites.

Financial and statutory reports

Understanding our reports

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

Contents

Statement by directors, group chief executive officer and group chief financial officer

2013–14 Financial Report

In our opinion:

a) the accompanying financial report for the year ended 30 June 2014:

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

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

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

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

J V Stanhope
Chairman

Melbourne
28 August 2014

A Fahour
Managing Director & Group CEO

Melbourne
28 August 2014

J Hopkins
Group Chief Financial Officer

Melbourne
28 August 2014

2013–14 Financial Report Certification

Prior to the adoption of the 2013–14 financial report, the board received and considered a written statement from the Managing Director & Group CEO and Group Chief Financial Officer to the effect that the:

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

J V Stanhope
Chairman

Melbourne
28 August 2014

2013–14 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 are met in the general body of this report (pages 1–41) and in the statutory report (pages 131–138).

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

J V Stanhope
Chairman

Melbourne
28 August 2014

Financial report audit report

Auditor-General for Australia

Australian National Audit Office

INDEPENDENT AUDITOR'S REPORT

To the Minister for Communications

Report on the Financial Statements

I have audited the accompanying financial report of the Australian Postal Corporation and the consolidated entities (the Corporation) for the year ended 30 June 2014, which comprises: the Statement by Directors, Group Chief Executive Officer and Group Chief Financial Officer; the Consolidated statement of comprehensive income; Consolidated balance sheet; Consolidated statement of cash flows; Consolidated statement of changes in equity; Consolidated schedule of commitments; Consolidated schedule of contingencies; and Notes to and forming part of the consolidated financial statements, including a Summary of significant accounting policies. The consolidated entity comprises the Corporation and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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Financial report audit report

that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Opinion

In my opinion, the financial report of the Australian Postal Corporation and the consolidated entities:

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

(b) gives a true and fair view of the matters required by the Finance Minister's Orders including the Corporation's financial position as at 30 June 2014 and of its financial performance and cash flows for the year then ended; and

(c) complies with International Financial Reporting Standards as disclosed in Note 1(b).

Report on Other Legal and Regulatory Requirements

I have not acted as auditor of, or audited, the financial statements of subsidiaries so identified in Note 11 to the financial report.

Australian National Audit Office

Ian McPhee
Auditor-General

Canberra
28 August 2014

Consolidated statement of comprehensive income

for the year ended 30 June 2014

	Note	Consolidated 2014 $m	Consolidated Restated 2013 $m
Revenue	2		
Goods and services		6,210.3	5,730.1
Interest		10.2	18.4
		6,220.5	**5,748.5**
Other Income	2		
Rents		38.7	35.5
Other income and gains		124.1	109.2
		162.8	**144.7**
Total income	28	**6,383.3**	**5,893.2**
Expenses (excluding finance costs)	3		
Employees		2,865.1	2,700.2
Suppliers		2,926.4	2,605.4
Depreciation and amortisation		295.6	246.3
Other expenses		153.0	98.8
Total expenses (excluding finance costs)		**6,240.1**	**5,650.7**
Profit before income tax, finance costs and share of net profits of joint ventures		**143.2**	**242.5**
Finance costs	4	40.2	31.6
Share of net profits/(losses) of joint ventures	12	0.0	(0.2)
Profit before income tax		**103.0**	**210.7**
Income tax (benefit)/expense	5(a), (c)	(13.2)	33.3
Net profit for the year		**116.2**	**177.4**
Other Comprehensive Income			
Items that will not be reclassified to profit or loss			
Gain on revaluation of land and buildings	14	0.3	0.9
Remeasurements of defined benefit plans	13(i)	156.2	340.8
Income tax on items that will not be reclassified to profit or loss	5(b)	(46.9)	(102.5)
Movements in joint venture actuarial losses		–	(1.3)
Income tax on joint venture actuarial losses		–	0.4
Total items that will not be reclassified to profit or loss, net of tax		**109.6**	**238.3**
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	24	(0.2)	0.1
Movement in hedging reserve	24	(3.8)	5.3
Income tax on items that may be reclassified subsequently to profit or loss	5(b)	1.2	(1.6)
Movements in joint venture reserves		–	0.3
Income tax on joint venture reserves		–	(0.1)
Total items that may be reclassified to profit or loss, net of tax		**(2.8)**	**4.0**
Other comprehensive income for the year, net of tax		**106.8**	**242.3**
Total comprehensive income for the year		**223.0**	**419.7**
Net profit for the year is attributable to:			
Equity holders of the parent		116.2	177.4
		116.2	**177.4**
Total comprehensive income for the year is attributable to:			
Equity holders of the parent		223.0	419.7
		223.0	**419.7**

The above consolidated statement of comprehensive income includes the results for AUX Investments Pty Ltd from the date of acquisition 13 November 2012 to 30 June 2013 (comparative period) and for the full 2013–14 financial year. This statement should be read in conjunction with the accompanying notes.

Consolidated balance sheet

as at 30 June 2014

	Note	Consolidated 2014 $m	Consolidated 2013 $m
Assets			
Current assets			
Cash and cash equivalents	33(a)	418.6	292.9
Trade and other receivables	6	513.1	594.4
Inventories	7	48.5	48.6
Accrued revenues		141.4	149.1
Assets classified as held for sale	8	–	48.8
Other current assets	9	115.8	106.1
Total current assets		**1,237.4**	**1,239.9**
Non-current assets			
Trade and other receivables	10	97.3	99.4
Investments in joint venture	12	1.8	2.7
Net superannuation asset	13	47.8	–
Land and buildings	14	879.3	796.5
Plant and equipment	14	727.9	647.0
Intangible assets	15	1,112.7	1,123.1
Investment property	16	192.1	172.5
Deferred tax assets	5(d)	333.2	303.7
Other non-current assets	18	21.7	16.7
Total non-current assets		**3,413.8**	**3,161.6**
Total assets		**4,651.2**	**4,401.5**
Liabilities			
Current liabilities			
Trade and other payables	19	883.0	880.6
Interest-bearing liabilities	20	–	342.4
Provisions	21	767.1	684.8
Income tax payable		19.9	27.6
Total current liabilities		**1,670.0**	**1,935.4**
Non-current liabilities			
Interest-bearing liabilities	20	713.9	290.5
Provisions	21	231.0	232.9
Net superannuation liability	13	–	1.6
Deferred tax liabilities	5(d)	225.3	228.0
Other non-current liabilities	22	48.3	31.1
Total non-current liabilities		**1,218.5**	**784.1**
Total liabilities		**2,888.5**	**2,719.5**
Net assets		**1,762.7**	**1,682.0**
Equity			
Contributed equity		400.0	400.0
Reserves	24	7.7	10.3
Retained profits	23	1,355.0	1,271.7
Parent interest		1,762.7	1,682.0
Total equity		**1,762.7**	**1,682.0**

This statement should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

For the year ended 30 June 2014

	Note	Consolidated 2014 $m	2013 $m
Operating Activities			
Cash received			
Goods and services		6,886.1	6,310.6
Interest		9.2	19.8
Total cash received		**6,895.3**	**6,330.4**
Cash used			
Employees		2,746.0	2,566.5
Suppliers		3,335.8	2,993.4
Financing costs		41.3	33.7
Income tax		59.7	51.3
Goods and services tax paid		250.8	236.0
Total cash used		**6,433.6**	**5,880.9**
Net cash from operating activities	33(b)	**461.7**	**449.5**
Investing Activities			
Cash received			
Dividends received		2.8	138.0
Proceeds from sales of property, plant and equipment		240.1	25.2
Repayment of loans by joint venture		1.5	–
Proceeds from held to maturity investments		–	59.1
Total cash received		**244.4**	**222.3**
Cash used			
Payments for investment in subsidiary (net of cash acquired)		–	401.0
Purchase of investment property		5.5	0.3
Purchase of property, plant and equipment		390.1	231.2
Purchase of intangibles		127.5	155.3
Loans to joint venture		–	138.0
Total cash used		**523.1**	**925.8**
Net cash used by investing activities		**(278.7)**	**(703.5)**
Financing Activities			
Cash received			
Proceeds from borrowings		425.0	15.0
Total cash received		**425.0**	**15.0**
Cash used			
Repayment of borrowings		340.0	–
Dividends paid	26	142.3	243.7
Total cash used		**482.3**	**243.7**
Net cash used by financing activities		**(57.3)**	**(228.7)**
Net increase/(decrease) in cash and cash equivalents		**125.7**	**(482.7)**
Cash and cash equivalents at beginning of reporting period		292.9	775.6
Cash and cash equivalents at end of the reporting period	33(a)	**418.6**	**292.9**

The above consolidated statement of cash flows includes the results for AUX Investments Pty Ltd from the date of acquisition 13 November 2012 to 30 June 2013 (comparative period) and for the full 2013–14 financial year. This statement should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

as at 30 June 2014

	Consolidated					
	Contributed equity	Asset revaluation reserve	Foreign currency translation reserve	Hedging reserve	Restated retained profits	Restated total equity
	$m	$m	$m	$m	$m	$m
Balance at 30 June 2012	400.0	6.7	(0.1)	(0.9)	1,100.3	**1,506.0**
Comprehensive income						
Profit for the year	–	–	–	–	177.4	**177.4**
Other comprehensive income	–	0.9	–	5.3	340.8	**347.0**
Tax on other comprehensive income	–	(0.3)	–	(1.6)	(102.2)	**(104.1)**
Share of joint venture items	–	–	0.1	0.3	(1.3)	**(0.9)**
Tax on share of joint venture items	–	–	–	(0.1)	0.4	**0.3**
Total comprehensive income for the year	**–**	**0.6**	**0.1**	**3.9**	**415.1**	**419.7**
Transactions with owners						
– Distribution to owners						
Dividends (refer note 26)	–	–	–	–	(243.7)	**(243.7)**
Balance at 30 June 2013	**400.0**	**7.3**	**0.0**	**3.0**	**1,271.7**	**1,682.0**
Comprehensive income						
Profit for the year	–	–	–	–	116.2	**116.2**
Other comprehensive income	–	0.3	–	(3.8)	156.2	**152.7**
Tax on other comprehensive income	–	(0.1)	–	1.2	(46.8)	**(45.7)**
Share of joint venture items	–	–	(0.2)	–	–	**(0.2)**
Tax on share of joint venture items	–	–	–	–	–	**–**
Total comprehensive income for the year	**–**	**0.2**	**(0.2)**	**(2.6)**	**225.6**	**223.0**
Transactions with owners						
– Distribution to owners						
Dividends (refer note 26)	–	–	–	–	**(142.3)**	**(142.3)**
Balance at 30 June 2014	**400.0**	**7.5**	**(0.2)**	**0.4**	**1,355.0**	**1,762.7**

The above consolidated statement of changes in equity includes the results for AUX Investments Pty Ltd from the date of acquisition 13 November 2012 to 30 June 2013 (comparative period) and for the full 2013–14 financial year. This statement should be read in conjunction with the accompanying notes.

Schedule of commitments

as at 30 June 2014

	Consolidated[3]	
	2014 $m	**2013** $m
By type		
Commitments receivable:		
Lease rental receivables[1]	147.9	114.0
GST recoverable on commitments	258.3	301.4
Total commitments receivable	**406.2**	**415.4**
Commitments payable:		
Capital commitments:		
Land and buildings	93.4	74.6
Plant and equipment	29.2	61.7
Other	–	3.6
Total capital commitments	**122.6**	**139.9**
Other commitments		
Operating leases	779.4	677.6
Other commitments[2]	2,440.8	2,709.1
Total other commitments	**3,220.2**	**3,386.7**
Total commitments payable	**3,342.8**	**3,526.6**
Net commitments	**2,936.6**	**3,111.2**
By maturity		
Commitments receivable:		
Within one year	124.6	137.5
From one to five years	225.6	250.2
Over five years	56.0	27.7
Total commitments receivable by maturity	**406.2**	**415.4**
Commitments payable:		
Capital commitments due:		
Within one year	122.6	137.8
From one to five years	–	2.1
Over five years	–	–
Total capital commitments	**122.6**	**139.9**
Operating lease commitments due:		
Within one year	144.5	148.4
From one to five years	406.6	387.0
Over five years	228.3	142.2
Total operating lease commitments	**779.4**	**677.6**
Other commitments due:		
Within one year	963.8	988.8
From one to five years	1,473.8	1,720.0
Over five years	3.2	0.3
Total other commitments	**2,440.8**	**2,709.1**
Total commitments payable by maturity	**3,342.8**	**3,526.6**
Net commitments	**2,936.6**	**3,111.2**

(1) Balance includes sub-lease rent receivables of $50.9 million (2013: $40.7 million).

(2) The majority of these commitments relate to carriage and delivery of letters and parcels by contractors. Commitments are recognised for these items when it is considered probable that the outflow will occur.

(3) The consolidated entity's share of joint venture's commitments comprise commitment receivables of $0.5 million (2013: $0.3 million), capital commitments of $nil (2013: $nil) and operating leases and other commitments of $2.6 million (2013: $2.4 million).

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

Schedule of contingencies

as at 30 June 2014

	Consolidated					
	Guarantees(1)		Claims for damages or other costs(2)		Total(3),(4)	
	2014 $m	2013 $m	2014 $m	2013 $m	2014 $m	2013 $m
Balance from previous period	212.1	161.3	3.5	3.5	215.6	164.8
Acquisition of subsidiary	–	44.7	–	–	–	44.7
New	6.1	–	7.3	1.5	13.4	1.5
Re-measurement	6.0	6.4	4.7	0.8	10.7	7.2
Liabilities recognised	–	–	(6.6)	(2.0)	(6.6)	(2.0)
Obligations expired	(0.3)	(0.3)	(1.7)	(0.3)	(2.0)	(0.6)
Total contingent liabilities	**223.9**	**212.1**	**7.2**	**3.5**	**231.1**	**215.6**
Balance from previous period	7.8	7.6	0.5	0.5	8.3	8.1
New	1.7	0.2	–	–	1.7	0.2
Assets recognised	–	–	–	–	–	–
Obligation expired	(0.3)	–	(0.5)	–	(0.8)	–
Total contingent assets	**9.2**	**7.8**	**0.0**	**0.5**	**9.2**	**8.3**
Net contingent liabilities	**214.7**	**204.3**	**7.2**	**3.0**	**221.9**	**207.3**

(1) Relates to non-financial guarantees, including bank guarantees over projected workers' compensation claims liabilities. Financial guarantees have also been provided by the corporation in addition to the above disclosures with maximum credit risk of $59.8 million (2013: $59.4 million). These are included in note 31(i).

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

(3) The group's share of joint venture's contingent liabilities is $2.3 million (2013: $2.3 million).

(4) As at 30 June 2014, due to the nature of the group's contingent liabilities, the group is not able to ascertain with any certainty the expected timing of any cash outflow that may arise, or the probability of reimbursement.

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

1 Summary of significant accounting policies

(a) Basis of preparation

These consolidated financial statements are general-purpose financial statements, which have 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 2013; and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that apply for the reporting period.

The consolidated financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for investment property and derivative financial instruments, which have been measured at fair value. The carrying values of recognised assets and liabilities that are designated as hedged items in fair value hedge relationships, and are otherwise carried at cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged.

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

(b) Statement of compliance

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

Effective 1 July 2014 the *Commonwealth Authorities and Companies Act 1997* will be replaced by the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). Financial statements are required to be prepared under the PGPA Act in accordance with clause 1 (a) of Division 4 subsection 42.

(i) New and amended standards adopted by the group

The group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 July 2013:

AASB 119 *Employee Benefits*

The adoption of this standard requires any liabilities arising on defined benefit plans to be recognised in full, with actuarial gains and losses disclosed within other comprehensive income and returns on assets to be calculated with reference to the discount rate applied.

The standard has been applied retrospectively by restating prior year balances. The change in the statement of comprehensive income is set out below. The net impact on total comprehensive income is nil and there is also no adjustment to the amounts recognised in the balance sheet from this change.

Impact on profit and or loss and other comprehensive income

Increase/(decrease) in profit/other comprehensive income:	2013 $m
Expenses (excluding finance costs)	
Employees	(192.1)
Total expenses (excluding finance costs)	(192.1)
Profit before income tax, finance costs and share of net profits of joint venture	(192.1)
Profit before income tax	(192.1)
Income tax expense	57.6
Net profit for the year	**(134.5)**
Other Comprehensive Income	
Remeasurements of defined benefit plans	192.1
Income tax on items that will not be reclassified to profit or loss	(57.6)
Total items that will not be reclassified to profit or loss, net of tax	**134.5**
Other comprehensive income for the year, net of tax	**134.5**
Total comprehensive income for the year	**134.5**
Net profit for the year is attributable to:	
Equity holders of the parent	**(134.5)**
Total comprehensive income for the year is attributable to:	
Equity holders of the parent	**(134.5)**

The transition did not have impact on the Consolidated statement of cash flows.

1 Summary of significant accounting policies (continued)

(b) Statement of compliance (continued)

The following standard amendments adopted by the group have no material impact upon the financial statements.

AASB 13 *Fair Value Measurement*

The adoption of this standard impacts the measurement of assets and liabilities recorded at fair value. The broad principle applied by the standard requires assets and liabilities to be valued taking a market participant view and requires additional disclosures where the fair value of an asset or liability is determined using unobservable market inputs. The impacts of adopting this standard is only for disclosure purposes.

AASB 10 *Consolidated Financial Statements*

AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements. The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control.

AASB 12 *Disclosure of Interests in Other Entities*

AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates, structured entities and subsidiaries with non-controlling interests.

AASB 2013-3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*

AASB 2013-3 amends the disclosure requirements in AASB 136 *Impairment of Assets*. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.

(ii) New standards and interpretations not yet adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ending 30 June 2014. The standards are as follows:

Reference	Title	Nature of change to accounting policy	Application date of standard	Application date for group
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Management is yet to complete its assessment of the likely impact on the group's financial statements.	1 January 2018	1 July 2018
AASB 2012-3	Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132]	Sets out application guidance to AASB 132 to address inconsistencies identified in applying some offsetting criteria of AASB 132. These amendments are not expected to have any material impact on the group's financial statements.	1 January 2014	1 July 2014
Interpretation 21	Levies	This interpretation confirms that a liability to pay a levy is only recognised when the activity that triggers the payments occurs. Applying the going concern assumption does not create a constructive obligation. These amendments are not expected to have a material impact on the group's financial statements.	1 January 2014	1 July 2014

Reference	Title	Nature of change to accounting policy	Application date of standard	Application date for group
Annual Improvements 2010–2012 Cycle	Annual Improvements to IFRSs 2010–2012 Cycle	This standard sets out amendments to International Financial Reporting Standards (IFRS) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB and clarified requirements for IFRS 2, IFRS 3, IFRS 8, IAS 16, IAS 24 and IAS 38. These amendments are not expected to have any material impact on the group's financial statements.	1 July 2014	1 July 2014
Annual Improvements 2011–2013 Cycle	Annual Improvements to IFRSs 2011–2013 Cycle	This standard sets out amendments to International Financial Reporting Standards (IFRS) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB and clarified requirements for IFRS 13 and IAS 40. These amendments are not expected to have any material impact on the group's financial statements.	1 July 2014	1 July 2014
AASB 1031	Materiality	The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework (issued December 2013) that contain guidance on materiality. AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed.	1 January 2014	1 July 2014
AASB 2013-9	Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments	The Standard contains three main parts and makes amendments to a number Standards and Interpretations. – Part A makes consequential amendments arising from the issuance of AASB CF 2013-1. – Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards. – Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 Hedge Accounting into AASB 9 Financial Instruments. These amendments are not expected to have any material impact on the group's financial statements.	Part A – periods ending on or after 20 December 2013 Part B – periods beginning on or after 1 January 2014 Part C – periods beginning on or after 1 January 2015	Part A – periods ending 30 June 2014 Part B – periods beginning 1 July 2014 Part C – periods beginning 1 July 2015

1 Summary of significant accounting policies (continued)

(b) Statement of compliance (continued)

Reference	Title	Nature of change to accounting policy	Application date of standard	Application date for group
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of a tangible asset or amortisation of an intangible asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. These amendments are not expected to have any material impact on the group's financial statements.	1 January 2016	1 July 2016
IFRS 15	Revenue from Contracts with Customers	IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Management is yet to complete its assessment of the likely impact on the group's financial statements.	1 January 2017	1 July 2017

(c) Basis of consolidation

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

Subsidiaries are all those entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

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

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

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

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

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

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

(d) Significant accounting judgements, estimates and assumptions

(i) Significant accounting estimates and assumptions

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the consolidated financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, contingent assets, revenue and expenses.

Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

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

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

Investment property
The group obtains independent third party valuations of its investment property portfolio annually. The basis of these valuations are outlined in note 16 and include 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 joint ventures and cash generating units, to which the goodwill and intangibles with indefinite useful lives are allocated. Recoverable amount is assessed using a value in use discounted cash flow methodology. The assumptions used in the estimation of recoverable amount of goodwill and intangibles with indefinite useful lives are discussed in note 17.

Make good provision
Management has made assumptions in arriving at its best estimate of the likely costs to "make good" premises which are currently occupied under operating lease. Such estimates involve management forecasting the average restoration cost per square metre and is dependent on the nature of the premises occupied. The provision recognised is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs are recognised by adjusting both the expense or asset (if applicable) and provision. The related carrying amounts are disclosed in note 21.

Onerous agreements
A provision for onerous agreements is recognised when the expected benefits to be derived by the group from an agreement are lower than the unavoidable cost of meeting its obligations under the agreement. The provision is measured at the present value of the lower of the expected cost of terminating the agreement and the expected net cost of continuing with the agreement.

Employee benefits
Various assumptions are required when determining the group's superannuation, separation and redundancy, long service leave, annual leave and workers compensation obligations. Note 13 describes the key assumptions used in calculating the group's superannuation obligation, whilst note 1 (ee) details the basis and certain significant assumptions for the other employee benefits including the interest rate and future wage and salary levels applied.

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

The key assumptions used in calculating the group's unearned postage revenue provision include applying an average initial credit balance before each postage meter reset, constant postage meter usage between resets and timing of resets follows a reasonably random process.

(ii) Significant accounting judgements

Investment property classification
The group has determined that those properties classified as investment property 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, has classified the property as investment property.

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

(e) Business combinations

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

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

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is measured at fair value as at the acquisition date with any gain or loss arising recognised in the statement of comprehensive income.

1 Summary of significant accounting policies (continued)

(e) Business combinations (continued)

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

(f) Revenue recognition

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

(i) Sale of goods and services

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

Revenue from services rendered is recognised when the right to be compensated has been attained and the stage of completion can be reliably measured.

Allowance is made for the assessed amount of revenue from postage sales as at balance date in respect of which service had not yet been provided.

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

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

(ii) Interest revenue

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

(iii) Dividends

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

(iv) Rental income

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

(g) Operating segments

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

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

(h) Government grants

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

(i) Leases

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

(i) Group as a lessee

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

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

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

(ii) Group as a lessor

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

(j) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank, on hand and short term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any outstanding bank overdrafts. Bank overdrafts are included within interest-bearing liabilities in current liabilities on the balance sheet.

(k) Trade and other receivables

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

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

(l) Inventories

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

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

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

(m) Derivative financial instruments and hedge accounting

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

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

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

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

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

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

1 Summary of significant accounting policies (continued)

(m) Derivative financial instruments and hedge accounting (continued)

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

(i) Fair value hedges

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

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

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

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

(ii) Cash flow hedges

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

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

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

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

(iii) Current versus non-current classification

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

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

(n) Foreign currency translation

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

(i) Transactions and balances

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

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

(ii) Translation of group companies

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

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

(o) Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangements. The Corporation has only investments in joint ventures.

Joint ventures

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated balance sheet.

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

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

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

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

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

(p) Income tax

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

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

Deferred tax is recognised for all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts determined under applicable Australian Accounting Standards. Deferred tax liabilities are recognised for all taxable temporary differences except:

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

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

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

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

1 Summary of significant accounting policies (continued)

(p) Income tax (continued)

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

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

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

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

Tax consolidation legislation

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

(q) Other taxes

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

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

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

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

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

(r) Acquisition of assets

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

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

(s) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance are recognised in the statement of comprehensive income as incurred.

The expected cost for decommissioning an asset after its use is included in the cost of the respective asset at its present value, if the recognition criteria for a provision are met. Refer to significant accounting judgements, estimates and assumptions (note 1(d)) and provisions (note 21) for further information about the recorded decommissioning provision.

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

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

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

	2014	2013
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 & equipment	10–20 years	10–20 years
Other plant & equipment	3–10 years	3–10 years

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

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

(t) Investment property

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

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

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

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

(u) Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered through sale rather than through continuing use.

Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the group's other accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employment benefit assets and investment property, which continue to be measured in accordance with the group's other accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in the statement of comprehensive income. Gains are not recognised in excess of any cumulative impairment loss.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity accounted investment is no longer equity accounted.

(v) Financial instruments

(i) Financial assets

Initial recognition and measurement

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

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

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

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

Subsequent measurement

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

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

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

Financial assets at fair value through profit or loss are carried in the balance sheet at fair value with net changes in fair value recognised in the statement of comprehensive income. Financial assets designated upon initial recognition at fair value through profit and loss by the group are so designated only if criteria under AASB 139 are satisfied.

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

1 Summary of significant accounting policies (continued)

(v) Financial instruments (continued)

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

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

(iv) Available-for-sale investments
Available-for-sale investments include equity investments and debt securities. Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time but may be sold in response to needs for liquidity or in response to changes in market conditions.

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

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

(ii) Financial liabilities

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

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

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

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

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

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

Financial liabilities designated upon initial recognition at fair value through profit and loss are so designated only if the criteria of AASB 139 are satisfied.

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

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

(w) Impairment of financial assets

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

(i) Financial assets carried at amortised cost

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

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

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

(ii) Available-for-sale investments

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

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

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

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

(x) 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; 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.

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

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

(ii) Financial liabilities

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

1 Summary of significant accounting policies (continued)

(y) Intangible assets

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

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

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

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

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

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

Research and development costs

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

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

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

Computer software

Computer software is carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over the period in which the benefits are expected to arise, being four to eight years.

Goodwill

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

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

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

Brand names and trademarks

Certain group brands are considered to have indefinite useful lives. These brands are not considered to have foreseeable brand maturity dates, and have accordingly been assessed as having indefinite useful lives and are therefore not amortised.

Other brands and trademarks have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over its anticipated useful life, not exceeding ten years.

Customer relationships

Customer relationships are carried at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on a straight-line basis over the period in which the benefits are expected to arise, being an average of seven years.

(z) Impairment of non-financial assets

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

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

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

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

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

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Goodwill

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

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs), to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses recognised for goodwill are not subsequently reversed.

The group performs its impairment testing annually or more frequently when events or changes in circumstances indicate that the balance may be impaired. The group uses a value in use, discounted cash flow methodology for the cash generating units to which goodwill and indefinite useful life intangibles have been allocated. Further details on the methodology and assumptions used are outlined in note 17.

(aa) Trade and other payables

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

(bb) Interest-bearing liabilities

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

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

(cc) Borrowing costs

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

(dd) Provisions (excluding employee benefits)

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

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

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

1 Summary of significant accounting policies (continued)

(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 group 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. Liabilities for benefits which are expected to be settled before 12 months after the end of the reporting date are measured at nominal amount and other long term benefits are measured using the projected unit measure method.

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

(ii) Long service leave

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

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

(iii) Workers' compensation

The group is a licence holder under the *Safety, Rehabilitation and Compensation Act 1988* (SRC Act). The group 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 group has a bank guarantee to cover its outstanding actuarial established claims liability (refer schedule of contingencies). The group also complies with a requirement to maintain reinsurance to limit its workers' compensation liabilities.

The group has recognised a liability for workers' compensation of $129.3 million at balance date (refer note 21) of which $10.6 million relates to claims made in the 2013–14 financial year (2012–13: $11.3 million).

(iv) Separation and redundancy

Restructuring provisions are only recognised when general recognition criteria provisions are fulfilled. Additionally, the group needs to follow a detailed formal plan about the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and appropriate time line. The employees affected have a valid expectation that the restructuring is being carried out or the implementation has been initiated already (refer note 21).

(ff) Pensions and other post-employment benefits

All employees are either entitled to benefits from the group's defined benefit plan on retirement, disability or death or can direct the group to make contributions to a defined contribution plan of their choice.

Defined benefit post-employment benefits

The defined benefit plan provides lump sum benefits based on years of service and final average salary. The defined contribution plan receives fixed contributions from group companies and the group's legal or constructive obligation is limited to these contributions.

The liability or asset recognised in the balance sheet in respect of the defined benefit superannuation plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yields of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

Net interest is calculated by applying the discount rate to the net defined benefit asset or liability and is recognised in the statement of comprehensive income as part of employee expenses.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised in the statement of comprehensive income as past service costs at the earlier of the date on which the amendment or curtailment occurs or when associated restructuring costs are recognised.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Defined contribution post-employment benefits

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

(gg) Financial guarantees

Financial guarantees are initially measured at fair value. At each subsequent reporting date, they are carried at the higher of the initial fair value amount less cumulative amortisation or the best estimate of the expenditure required to settle the present obligation. The fair value of financial guarantee contracts discussed in note 19 has been assessed using a probability weighted discounted cash flow approach. In order to estimate the initial fair value under this approach the following assumptions are made:

- Probability of Default (PD): represents the likelihood of the guaranteed party defaulting over the terms of relevant agreements and is assessed based on historical default rates of companies rated by Standard & Poors. The range used in the model is between 0% and 5%;

- Loss Given Default (LGD): represents the proportion of the exposure that is not expected to be recovered in the event of a default by the guaranteed party and is based on the result of studies into the recovery rate for unsecured debt obligations. The range used in the model is between 0% and 50%;
- Exposure at Default (EAD): represents the maximum loss that the corporation is exposed to if the guaranteed party was to default and is the maximum possible exposure at the time of default and hence, equates to the values disclosed in note 19;
- The discount rate adopted was based on the Commonwealth government bond yield.

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

(hh) Fair Value

The group measures financial instruments, such as, derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 31.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(ii) 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.

(jj) Insurance

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

(kk) Contingent liabilities and contingent assets

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

(ll) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosure. No material reclassifications have been made to the prior year disclosures.

2 Revenues and other income

	Consolidated 2014 $m	Consolidated 2013 $m
Revenue:		
Rendering of services to:		
Related entities[1]	173.5	173.2
External entities[2]	5,747.8	5,258.2
	5,921.3	5,431.4
Sale of goods to external entities[2]	289.0	298.7
	6,210.3	5,730.1
Interest income calculated using the effective interest method from:		
Cash and cash equivalents	9.1	14.5
Loans and receivables	1.1	3.9
	10.2	18.4
Total revenue	**6,220.5**	**5,748.5**
Income from rent:		
Rents from operating leases	30.4	27.9
Income from investment property	8.3	7.6
	38.7	**35.5**
Other income and gains:		
Other services:		
Related entities (government grants)[1]	0.1	0.5
External entities[2]	13.9	10.8
	14.0	11.3
Net gain on disposal of assets:		
Land and buildings	86.0	28.5
Investment (refer note 12)	2.0	–
	88.0	28.5
Gain arising from acquisition of subsidiary	–	44.9
Foreign exchange gains (net)	8.0	10.8
Ineffectiveness arising from cash flow hedges	–	2.0
Change in fair value of investment property (refer note 16)	14.1	11.7
Total other income and gains	**124.1**	**109.2**
Total other income	**162.8**	**144.7**
Total income	**6,383.3**	**5,893.2**

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

	Consolidated	
	2014 $m	**2013** $m
3 Expenses (excluding finance costs)		
Employees:		
Salaries and wages	2,233.0	2,060.9
Leave and other entitlements	240.8	234.1
Defined benefit superannuation expense	265.7	307.2
Defined contribution superannuation expense	45.3	24.0
Other employee expenses	80.3	74.0
	2,865.1	**2,700.2**
Suppliers:		
Purchase of services from external entities	2,498.8	2,233.7
Purchase of goods from external entities	201.5	210.8
Investment property expenditure	3.0	3.7
Operating lease rentals (refer note 32(i))	223.1	157.2
	2,926.4	**2,605.4**
Depreciation and amortisation:		
Depreciation:		
Buildings	54.3	50.5
Plant and equipment	111.4	102.3
Plant and equipment under finance lease	8.5	4.3
Amortisation:		
Computer software	102.1	75.7
Brand names and trade marks	0.2	0.2
Customer relationships	19.1	13.3
	295.6	**246.3**
Other expenses:		
Net loss on disposal of assets:		
Investment property	–	0.8
Plant and equipment	0.9	0.4
Computer software	0.2	0.9
	1.1	2.1
Write-down and impairment of assets:		
Inventory	9.1	9.7
Land and buildings	–	4.5
Plant and equipment	–	3.4
Computer software	0.6	4.9
Goodwill	0.9	0.5
Financial:		
Receivables	2.5	0.7
Related party loan	–	0.1
Investments	–	0.5
	13.1	24.3
Restructuring and integration costs(1)	90.0	27.0
Other costs:		
Ineffectiveness arising from cash flow hedges	1.7	–
Sundry expenses	47.1	45.4
	48.8	45.4
Total other expenses	**153.0**	**98.8**
Total expenses	**6,240.1**	**5,458.6**

(1) In the period to 30 June 2014, costs expected to arise from a business restructure have been recognised comprising $75.5 million of redundancy costs, $4.7 million of costs associated with leases surplus to group requirements and $0.5 million of other restructuring costs. Included in this amount is also a further $9.3 million relating to write-down of assets. In the period to 30 June 2013, costs were associated with the implementation of an integration program which comprised $8.6 million in redundancy costs, $7.0 million in costs associated with leases surplus to group requirements, $1.3 million in make good costs, $4.6 million in other integration costs and $5.5 million relating to the write-down of computer software.

	Consolidated	
	2014 $m	2013 $m
4 Finance costs		
Bonds[1]	41.7	32.5
Interest rate swaps[1]	(7.3)	(4.0)
Loss arising on interest rate swaps in a designated fair value hedge relationship	2.0	0.0
Gain on adjustment to hedged item in a designated fair value hedge relationship	(2.4)	(0.4)
Unwinding and discount rate adjustments (refer note 21)	2.1	0.2
Other	4.1	3.3
Total finance costs	**40.2**	**31.6**

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

	Consolidated	
	2014 $m	Restated 2013 $m
5 Income tax		
Major components of income tax expense for the years ended 30 June 2014 and 30 June 2013 are as follows:		
(a) Statement of comprehensive income		
Current income tax		
Current income tax charge	102.5	62.7
Adjustments in respect of current income tax of previous years	(37.8)	(22.2)
Deferred income tax		
Relating to origination and reversal of temporary differences	(77.9)	(7.2)
Income tax (benefit)/expense reported in the statement of comprehensive income	(13.2)	33.3
(b) Amounts charged directly to other comprehensive income		
Deferred income tax related to items charged or credited directly to other comprehensive income		
Net gain/(loss) on revaluation of cash flow hedges	(1.2)	1.6
Net gain on revaluation of land and buildings	0.1	0.3
Net remeasurements on defined benefit plans	46.8	102.2
Income tax expense reported in other comprehensive income	45.7	104.1
(c) Numerical reconciliation between aggregate tax (benefit)/expense recognised in the statement of comprehensive income and tax (benefit)/expense calculated per the statutory income tax rate		
A reconciliation between tax (benefit)/expense and the product of accounting profit before income tax multiplied by the group's applicable income tax rate is as follows:		
Accounting profit before income tax	103.0	210.7
At the group's statutory income tax rate of 30% (2013: 30%)	30.9	63.3
Adjustments in respect of current income tax of previous years	(14.8)	(10.2)
Non assessable gain on pre-CGT assets	(24.0)	–
Recognition of carry forward capital losses	(6.2)	–
Income not assessable and expenditure not deductible for income tax purposes	1.5	(0.5)
Share of net profits of joint ventures	0.0	(0.9)
Non assessable gain arising on acquisition of subsidiary	–	(13.4)
Tax incentives	–	(2.9)
Sundry items	(0.6)	(2.1)
At effective income tax rate of (12.8)% (2013: 15.8%)	(13.2)	33.3
Income tax (benefit)/expense reported in the statement of comprehensive income	**(13.2)**	**33.3**

Consolidated	Balance sheet 2014 $m	2013 $m	Statement of Comprehensive Income 2014 $m	Restated 2013 $m

5 Income tax (continued)

(d) Recognised deferred income tax

Deferred income tax at 30 June relates to the following:

Consolidated	Balance sheet 2014 $m	Balance sheet 2013 $m	Statement of Comprehensive Income 2014 $m	Statement of Comprehensive Income Restated 2013 $m
(i) Deferred income tax liabilities				
Accelerated depreciation for tax purposes	(23.2)	(59.9)	(36.7)	10.7
Superannuation asset	(14.3)	–	(32.0)	–
Customer relationships	(28.6)	(33.9)	(5.3)	(3.6)
Brand names	(18.4)	(18.4)	–	–
Sydney GPO lease receivable	(30.9)	(31.0)	(0.1)	–
International income	(39.9)	(53.4)	(13.5)	7.9
Net loss on revaluation of cash flow hedges	–	–	–	–
Research and development depreciation for tax purposes and tax credit	(63.5)	(29.3)	34.2	6.7
Sundry	(6.5)	(2.1)	4.4	(2.5)
Gross deferred income tax liabilities	**(225.3)**	**(228.0)**	**(49.0)**	**19.2**
(ii) Deferred income tax assets				
Provisions	278.7	259.4	(19.3)	(4.1)
Superannuation liability	–	0.5	–	(31.4)
Capital losses available for offset against future taxable income	9.8	1.3	(8.5)	6.2
Sydney GPO refurbishment	4.4	4.6	0.2	0.2
International expenditure	13.2	13.4	0.2	(1.0)
Government grant	0.5	0.5	–	0.1
Make good	16.2	16.7	0.5	(0.8)
Net gain on revaluation of cash flow hedges	(0.2)	(1.3)	–	–
Sundry	10.6	8.6	(2.0)	4.4
Gross deferred income tax assets	**333.2**	**303.7**	**(28.9)**	**(26.4)**
Deferred income tax expense			**(77.9)**	**(7.2)**

(e) Unrecognised temporary differences

At 30 June 2014, there were $nil unrecognised temporary differences (2013: $nil) associated with the group's investments in controlled entities or joint ventures, as the group has no liability for additional taxation should unremitted earnings be remitted.

(f) Tax consolidation

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

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

5 Income tax (continued)

(f) Tax consolidation (continued)

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*.

The allocation of taxes under the tax funding agreement is recognised as an increase/decrease in the subsidiaries' intercompany accounts with the tax consolidated group head company, Australian Postal Corporation. Because under UIG 1052 *Tax Consolidation Accounting* the allocation of current taxes to tax consolidated group members on the basis of accounting profits is not an acceptable method of allocation given the group's circumstances, the difference between the current tax amount that is allocated under the tax funding agreement and the amount that is allocated under an acceptable method is recognised as a contribution/distribution of the subsidiaries' equity accounts. The group has applied the group allocation approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidated group. The amounts receivable or payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

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

	Consolidated	
	2014 $m	**2013** $m
6 Current assets – trade and other receivables		
Goods and services receivable[1]	507.4	525.4
Allowance for doubtful debts	(10.8)	(8.4)
	496.6	517.0
Proceeds receivable	0.7	60.1
Finance lease receivable (refer note 32)[2]	6.5	6.4
Interest receivable	0.3	0.3
Trade receivables from joint ventures (refer note 30)	–	1.2
Other receivables[2]	9.0	9.4
Total current trade and other receivables	**513.1**	**594.4**
Receivables not impaired are aged as follows:		
Not past due	414.4	448.7
Past due less than 30 days	41.0	59.9
Past due 30 – 60 days	4.2	11.9
Past due 61 – 90 days	5.6	10.2
Past due more than 90 days	47.9	63.7
	513.1	**594.4**
Receivables individually determined to be impaired are aged as follows:		
Not past due	0.1	0.4
Past due less than 30 days	0.1	–
Past due 30 – 60 days	0.2	–
Past due 61 – 90 days	1.8	0.1
Past due more than 90 days	8.6	7.9
	10.8	**8.4**
Movements in the allowance for doubtful debts during the year, are set out below:		
Balance at 1 July	8.4	8.8
Charge for the year	3.7	0.7
Acquisition of subsidiary	–	0.9
Amounts written off	(1.3)	(2.0)
Balance at 30 June	**10.8**	**8.4**

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

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

7 Current assets – inventories (held for sale)

	Consolidated 2014 $m	2013 $m
Raw materials (at net realisable value)	1.7	1.5
Work in progress (at cost)	0.7	0.4
Finished goods (at net realisable value)	46.1	46.7
Total current inventories at lower of cost and net realisable value	**48.5**	**48.6**

The write-down of inventories to net realisable value totalled $9.1 million (2013: $9.7 million) for the group.

This expense is included in other expenses in note 3.

8 Assets classified as held for sale

	Consolidated 2014 $m	2013 $m
Land and buildings (at cost)	–	48.8
Total assets classified as held for sale	**–**	**48.8**

During the period to 30 June 2013, the group committed to a plan to sell assets classified as land and buildings. The land and buildings were sold in October 2013.

9 Other current assets

	Consolidated 2014 $m	2013 $m
Prepayments	114.3	97.4
Interest rate swap contracts	–	2.8
Foreign currency exchange contracts	1.0	4.4
Fuel commodity swaps and options	0.5	1.5
Total other current assets	**115.8**	**106.1**

10 Non-current assets – trade and other receivables[1]

	Consolidated 2014 $m	2013 $m
Loans to joint ventures (refer note 30)	1.2	2.7
Provision for impairment of loans to joint ventures	(1.2)	(1.2)
	–	1.5
Finance lease receivable (refer note 32(ii))	96.8	97.0
Other receivables	0.5	0.9
Total non-current trade and other receivables	**97.3**	**99.4**

(1) There are no non-current trade and other receivables that are past due (2013: $nil). The terms of loan agreements with joint ventures are reviewed and updated prior to expiry or on an as needs basis to ensure they are appropriate in light of the current financial position of the joint ventures.

	Note	Country of Incorporation	% of equity held by immediate parent 2014 %	2013 %
11 Investments in controlled entities				
Our Neighbourhood Pty Ltd	(1)	Australia	100.0	100.0
Sprintpak Pty Ltd	(1)	Australia	100.0	100.0
Geospend Pty Ltd	(1)	Australia	100.0	100.0
corProcure Pty Ltd	(1)	Australia	100.0	100.0
Australia Post Services Pty Ltd	(6)	Australia	100.0	100.0
Australia Post Licensee Advisory Council Limited	(5)	Australia	50.0	50.0
AP International Holdings Pty Ltd	(1)	Australia	100.0	100.0
– PostLogistics Pte Ltd	(3)	Hong Kong	100.0	100.0
Post Logistics Australasia Pty Ltd	(1)	Australia	100.0	100.0
– Lakewood Logistics Pty Ltd	(1)	Australia	100.0	100.0
Australia Post Transaction Services Pty Ltd	(2)	Australia	100.0	100.0
– Australia Post Digital MailBox Pty Ltd	(4)	Australia	100.0	100.0
– Postcorp Developments Pty Ltd	(1)	Australia	100.0	100.0
– Post Fulfilment Online Pty Ltd	(1)	Australia	100.0	100.0
– Decipha Pty Ltd	(4)	Australia	100.0	100.0
– SecurePay Holdings Pty Ltd	(4)	Australia	100.0	100.0
– SecurePay Pty Ltd	(4)	Australia	100.0	100.0
– AUX Investments Pty Ltd	(4)	Australia	100.0	100.0
– Star Track Express Holdings Pty Ltd	(4)	Australia	100.0	100.0
– Star Track Express Investments Pty Ltd	(4)	Australia	100.0	100.0
– Star Track Express Pty Ltd	(4)	Australia	100.0	100.0
– StarTrack Retail Pty Ltd	(4)	Australia	100.0	100.0
– Australian Express Transport Pty Ltd	(1)	Australia	100.0	100.0
– Australian Express Freight Pty Ltd	(1)	Australia	100.0	100.0
– DFE Pty Ltd	(1)	Australia	100.0	100.0
– DFE Transport Pty Ltd	(1)	Australia	100.0	100.0
– Discount Freight Express Pty Ltd	(1)	Australia	100.0	100.0
– Mardarne Pty Ltd	(1)	Australia	100.0	100.0
– Multigroup Distribution Services Pty Ltd	(1)	Australia	100.0	100.0
– Star Track Couriers Pty Ltd	(1)	Australia	100.0	100.0
– Star Track Pty Ltd	(1)	Australia	100.0	100.0
– Star Track Special Services Pty Ltd	(1)	Australia	100.0	100.0

(1) Each of these entities are incorporated in Australia and are small proprietary companies. As such, they are not required to prepare and lodge audited financial statements with the Australian Securities and Investments Commission (ASIC).

(2) This entity is incorporated in Australia and as a large proprietary company is required to prepare and lodge audited financial statements with ASIC.

(3) This entity is not audited by the Australian National Audit Office.

(4) Each of these entities are incorporated in Australia and are large proprietary companies. However, each entity has entered into a deed of cross guarantee with Australia Post Transaction Services Pty Ltd as the holding entity and are therefore not required to prepare and lodge audited financial statements with ASIC in accordance with the relief provisions set out in Class Order 98/1418.

(5) This entity is an entity limited by guarantee and is required to prepare and lodge audited financial statements with ASIC. Australia Post owns 50% of the entity and controls the voting rights and has therefore consolidated this entity. The members of the entity own the remaining 50%.

(6) Formerly SnapX Pty Ltd. This company received approval of its name change from ASIC on 28 April 2014. Incorporated in Australia and a small proprietary company. As such, it is not required to prepare and lodge audited financial statements with ASIC.

	Consolidated 2014 $m	Consolidated 2013 $m

12 Investments in joint ventures

Carrying amounts of investments	2014 $m	2013 $m
Balance at the beginning of the year	2.7	284.7
Share of profits/(losses) for the year	0.0	(0.2)
Net actuarial loss	–	(0.9)
Impairment of investment	–	(0.5)
Transfer to investment in subsidiary	–	(149.1)
Gain on disposal of interest in joint venture	2.0	–
Share of reserves	(0.1)	0.1
Dividends received/receivable	(2.8)	(131.4)
Balance at the end of the financial year	**1.8**	**2.7**

Name of entity	Principal Activity	Country of Incorporation	Balance Date	Ownership Interest 2014 %	Ownership Interest 2013 %
AUX Investments[(1)]	Express freight	Australia	30 June	–	–
Wetherill Park Partnership[(2)]	Warehousing facilities	Australia	30 June	–	50.0
Sai Cheng Logistics International Company Limited – ordinary shares[(3)]	International 4PL logistics services	China	31 December	49.0	49.0

(1) On 13 November 2012, the group's equity interest in AUX Investments Pty Ltd increased from 50 to 100 percent and AUX Investments Pty Ltd became a subsidiary from that date (see note 33(c)). Accordingly, the information relating to AUX Investments Pty Ltd is only in relation to the period 1 July 2012 to 13 November 2012.

(2) On 30 April 2014, the Wetherill Park Partnership was dissolved. Accordingly, the information presented for Wetherill Park Partnership is only in relation to the period from 1 July 2013 to 30 April 2014.

(3) This investment is held by the corporation's 100% owned subsidiary AP International Holdings Pty Ltd. Sai Cheng provides Australian companies access to shipping their goods to and from China and allows Australia Post to provide companies with expanded supply chain services from point of manufacture to point of delivery. Sai Cheng Logistics cannot distribute its profits until it obtains consent from the two venture partners.

	Consolidated 2014 $m	Consolidated 2013 $m
Share of joint venture's profits		
Revenues	10.6	232.2
Expenses	(10.5)	(232.4)
Net profits before income tax	0.1	(0.2)
Income tax expense	(0.1)	–
Net profits after income tax	**0.0**	**(0.2)**
Share of assets and liabilities		
Current assets	2.9	4.6
Non-current assets	0.5	10.5
Total assets	3.4	15.1
Current liabilities	(1.3)	(1.6)
Non-current liabilities	(0.3)	(10.8)
Total liabilities	(1.6)	(12.4)
Net assets	**1.8**	**2.7**
Retained profits of the consolidated entity attributable to joint ventures		
Balance at the beginning of the financial year	(2.3)	24.4
Share of profits for the year	0.0	(0.2)
Net actuarial loss	–	(0.9)
Dividends received/receivable	(2.8)	(131.4)
Transfer to investment in subsidiary	–	105.8
Disposal of interest in joint venture	3.3	–
Balance at the end of the financial year	**(1.8)**	**(2.3)**

Refer to schedules of commitments and contingencies for details regarding the joint venture commitments and contingent liabilities and assets.

13 Superannuation

(a) Superannuation plan

The corporation is an employer sponsor of the Australia Post Superannuation Scheme (APSS – the Fund). In addition, certain employees of AUX Investments Pty Ltd and Decipha Pty Ltd are also members of the fund. 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 group has no contribution obligation in respect of these benefits. On 30 June 2012 the fund closed to new members. Australia Post pays the Superannuation Guarantee contribution to the nominated superannuation funds of employees who are not members of the fund, or those who have voluntarily elected not to be members of the fund.

During the reporting period, the corporation announced planned changes to the APSS. If fully implemented these changes would have a material impact on the defined benefit obligation. The proposed change has not been taken into account when determining the 30 June 2014 actuarial valuation as it has not yet been fully implemented.

(b) Regulatory framework and governance

The APSS is governed by the rules as set out in the APSS Trust Deed. The current Trust Deed (including amendments contained in Deed of Modifications 1 to 14) was consolidated in April 2014.

APSS is a "regulated fund" under the provisions of the Superannuation Industry (Supervision) Act 1993 (SIS). The Scheme is treated as a complying defined benefit superannuation fund for taxation purposes.

The APSS is operated by the APSS Trustee. By law, the APSS Trustee is required to act in good faith and in the best interests of members, and operate in accordance with the APSS Trust Deed. The board of the Trustee is comprised of three member representative directors, three employer-appointed directors, and an independent director.

(c) Funding arrangements and requirements

The APSS is funded by the corporation and its associated employers, with the funding requirements being based on the recommendations of the APSS Actuary. The current funding recommendations are based on a methodology that calculates a long-term normal cost to provide the APSS benefits, plus additional contributions being required in the event that the assets are not sufficient to meet members' vested benefits.

The group is expected to make employer contributions (excluding salary sacrifice contributions in respect of Member Savings) of $159.1 million for the year to 30 June 2015.

As under the current arrangements, the corporation can cease making contributions at any time to the Scheme, the corporation has no legal requirements to contribute to the APSS. As such, the corporation does not currently have any minimum funding requirements in respect of the APSS.

(d) Risks

The funding of the plan is dependent upon future experience. Material adverse risks in respect of funding include market risk, salary inflation risk, liquidity risk, and the risk of higher than expected death and disability benefits.

(e) Superannuation Act 1976

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

Disclosures regarding the CSS Scheme are located in the Department of Finance Annual Financial Report.

	Consolidated	
	2014 $m	Restated **2013** $m
(f) Amount recognised in the statement of comprehensive income		
Current service cost	252.2	282.7
Past service cost	(5.3)	–
Interest cost on benefit obligation	242.9	193.8
Interest income on plan assets	(237.2)	(182.6)
Plan expenses	13.1	13.3
Defined benefit superannuation expense	265.7	307.2

13 Superannuation (continued)

	Consolidated				
	2014 $m	2013 $m	2012 $m	2011 $m	2010 $m
(g) Amount recognised in the balance sheet					
Present value of benefit obligation (wholly funded)	(6,914.2)	(6,531.1)	(6,357.2)	(5,541.6)	(5,321.3)
Fair value of plan assets	6,962.0	6,529.5	6,123.3	5,829.0	5,493.9
Net superannuation asset/(liability)(1)	47.8	(1.6)	(233.9)	287.4	172.6

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

	Consolidated	
	2014 $m	Restated **2013** $m
(h) Reconciliations		
Changes in the present value of the defined obligation is as follows:		
Opening defined benefit obligation at 1 July	6,531.1	6,394.5
Obligation acquired	–	–
Interest cost	242.9	193.8
Current service cost	252.2	282.7
Benefits paid and payable	(385.3)	(359.7)
Curtailment costs (net of tax)	(5.3)	–
Member contributions	110.1	56.2
Actuarial gain/(loss) due to changes in financial assumptions	58.3	(227.7)
Actuarial gain/(loss) due to changes in demographic assumptions	–	(5.0)
Other remeasurements	110.2	196.3
Closing defined benefit obligation at 30 June(2)	6,914.2	6,531.1
Changes in the fair value of the plan assets is as follows:		
Opening fair value of plan assets at 1 July	6,529.5	6,154.7
Plan asset acquired	–	–
Return on plan assets	324.7	304.1
Interest income on plan assets	237.2	182.6
Contributions by employer	158.9	204.9
Member contributions	110.1	56.2
Benefits paid and payable	(385.3)	(359.7)
Plan expenses	(13.1)	(13.3)
Fair value of plan assets at 30 June(2)	6,962.0	6,529.5

(2) Included in the obligation and plan assets above is $3,235.5 million (2013: $3,071.3 million) relating to member financed accumulation benefits.

	Consolidated	
	2014	Restated **2013**
(i) Amounts recognised in other comprehensive income	$m	$m
Remeasurements on liability	168.5	(36.4)
Return on plan assets excluding interest income	(324.7)	(304.1)
Total amount to be recognised in other comprehensive income	(156.2)	(340.5)

13 Superannuation (continued)

	Consolidated 2014 $m	Consolidated 2013 $m
(j) Categories of plan assets		
The fair value of total plan assets is as follows:		
Active Market:		
Cash	1,322.8	1,371.2
Equities	905.0	587.7
Debt	1,113.9	979.4
Inactive Market:		
Equities and Debt	2,367.1	2,285.3
Real Estate	1,253.2	1,305.9
	6,962.0	6,529.5

There are no in-house assets included in the fair value of the APSS assets, however there may be an immaterial amount of indirect investments in shopping centres where the corporation has leased certain areas for Post shops.

(k) Actuarial assumptions

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

	Consolidated 2014 (%)	Consolidated 2013 (%)
Discount rate	3.5	3.8
Future salary increases (for year to 30 June 2015)	2.0	2.0
Future salary increases (the period thereafter)	2.5	2.5

	Consolidated 2014 $m	Consolidated 2013 $m
(l) Sensitivities		
The sensitivity of each significant actuarial assumption on the defined benefit obligation is as follows:		
Increase in the discount rate of 1% p.a.	(247.6)	(240.2)
Decrease in the discount rate of 1% p.a.	291.6	272.0
Increase in long-term salary increase rate of 1% p.a.	206.1	164.0
Decrease in long-term salary increase rate of 1% p.a.	(176.5)	(148.8)

(m) Maturity profile

The duration of the liabilities is approximately 6.9 years, calculated using expected benefit payments on an accrual basis.

	Land	Buildings	Total land & buildings	Plant & equipment	Total
	$m	$m	$m	$m	$m

14 Analysis of property, plant & equipment

Reconciliation of the opening and closing balances of property, plant & equipment

	Land $m	Buildings $m	Total land & buildings $m	Plant & equipment $m	Total $m
Gross book value	196.5	1,107.7	1,304.2	1,410.4	**2,714.6**
Accumulated depreciation	–	(567.8)	(567.8)	(929.1)	**(1,496.9)**
Net book value at 30 June 2012	**196.5**	**539.9**	**736.4**	**481.3**	**1,217.7**
Additions	0.1	54.0	54.1	167.7	**221.8**
Acquisition of subsidiary	47.8	71.6	119.4	112.7	**232.1**
Depreciation	–	(50.5)	(50.5)	(106.6)	**(157.1)**
Disposals	(0.2)	(5.4)	(5.6)	(4.7)	**(10.3)**
Impairment loss	(4.5)	–	(4.5)	(3.4)	**(7.9)**
Net revaluation increment	–	0.9	0.9	–	**0.9**
Transfers to assets held for sale (1)	(3.3)	(45.5)	(48.8)	–	**(48.8)**
Transfers to investment properties	(2.3)	(2.6)	(4.9)	–	**(4.9)**
Gross book value	234.1	1,180.7	1,414.8	1,682.7	**3,097.5**
Accumulated depreciation	–	(618.3)	(618.3)	(1,035.7)	**(1,654.0)**
Net book value at 30 June 2013	**234.1**	**562.4**	**796.5**	**647.0**	**1,443.5**
Additions	0.5	182.4	182.9	220.7	**403.6**
Depreciation	–	(54.3)	(54.3)	(119.9)	**(174.2)**
Disposals	(1.2)	(36.7)	(37.9)	(15.1)	**(53.0)**
Impairment loss	–	(1.3)	(1.3)	(7.3)	**(8.6)**
Net revaluation increment	0.3	–	0.3	–	**0.3**
Transfers to other asset classes	(2.9)	0.5	(2.4)	2.5	**0.1**
Transfers to investment properties	(6.9)	2.4	(4.5)	–	**(4.5)**
Gross book value	223.9	1,328.0	1,551.9	1,883.5	**3,435.4**
Accumulated depreciation	–	(672.6)	(672.6)	(1,155.6)	**(1,828.2)**
Net book value at 30 June 2014	**223.9**	**655.4**	**879.3**	**727.9**	**1,607.2**

(1) Transfer of $48.8 million from land & buildings to assets classified as held for sale. Refer to note 8.

Reconciliation of the opening and closing balances of plant and equipment assets held under finance lease included in the net book value of assets

	Land $m	Buildings $m	Total land & buildings $m	Plant & equipment $m	Total $m
As at 30 June 2012	–	–	–	32.3	**32.3**
Depreciation	–	–	–	(4.3)	**(4.3)**
As at 30 June 2013	–	–	–	28.0	**28.0**
Depreciation	–	–	–	(8.5)	**(8.5)**
As at 30 June 2014	**–**	**–**	**–**	**19.5**	**19.5**

Fair value of land and buildings

Land and buildings are recorded at cost. Were the entity to apply the fair value methodology, the net book value of land and buildings would be $1,642.9 million (2013: $1,408.3 million). At 30 June 2014 land and buildings comprise level 2 properties. Refer to note 1 (hh) for fair value categories.

Fair value has been determined through valuations performed by Savills Pty Ltd with each property valued once over a 3 year period, on a rolling basis. Savills is an industry specialist in valuing these types of investment property in accordance with Australian Valuation Standards. The fair value for each property has been determined by reference to the highest and best use of the property taking into account the specific characteristics and location of the asset.

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available, information is considered from a variety of sources including current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences.

	Consolidated				
	Computer software	Goodwill	Brand names & trade marks	Customer relationships	Total intangibles
	$m	$m	$m	$m	$m
15 Analysis of intangibles					
Reconciliation of the opening and closing balances of intangibles					
Gross book value	999.1	42.8	1.8	9.0	**1,052.7**
Accumulated amortisation	(698.3)	–	(0.3)	(2.2)	**(700.8)**
Net book value at 30 June 2012	**300.8**	**42.8**	**1.5**	**6.8**	**351.9**
Additions by purchase	153.4	0.7	–	–	**154.1**
Acquisition of subsidiary[1]	38.2	493.6	61.3	125.0	**718.1**
Amortisation expense	(75.7)	–	(0.2)	(13.3)	**(89.2)**
Impairment loss	(10.4)	(0.5)	–	–	**(10.9)**
Disposals	(0.9)	–	–	–	**(0.9)**
Gross book value	1,179.4	536.6	63.1	134.0	**1,913.1**
Accumulated amortisation	(774.0)	–	(0.5)	(15.5)	**(790.0)**
Net book value at 30 June 2013	**405.4**	**536.6**	**62.6**	**118.5**	**1,123.1**
Additions by purchase	130.9	0.2	0.3	–	**131.4**
Acquisition of subsidiary	–	–	–	–	**–**
Amortisation expense	(102.1)	–	(0.2)	(19.1)	**(121.4)**
Impairment loss	(1.4)	(0.9)	–	–	**(2.3)**
Disposals	(1.8)	–	–	–	**(1.8)**
Transfers to other asset classes	(1.1)	–	–	–	**(1.1)**
Revaluation increments/(decrements)	–	(15.2)	–	–	**(15.2)**
Gross book value	1,306.0	520.7	63.4	134.0	**2,024.1**
Accumulated amortisation	(876.1)	–	(0.7)	(34.6)	**(911.4)**
Net book value at 30 June 2014	**429.9**	**520.7**	**62.7**	**99.4**	**1,112.7**

(1) Adjustment in relation to the initial acquisition of AUX Investments Pty Ltd. Refer Note 33 (c).

Goodwill is not amortised but is subject to annual impairment testing (refer note 17).

Brand names and trademarks include certain brand names which have indefinite useful lives. The carrying amount at 30 June 2014 of the indefinite useful life brand names was $61.3 million (2013: $61.3 million). Indefinite useful life brand names are allocated to the P|StarTrack cash generating unit and subject to annual impairment testing (refer note 17).

	Consolidated	
	2014 $m	**2013** $m
16 Investment property		
Opening balance as at 1 July	172.5	195.7
Additions	1.0	0.3
Net transfer to investment property	4.5	4.9
Disposals	–	(40.1)
Net gain/(loss) from fair value adjustments	14.1	11.7
Closing balance as at 30 June	**192.1**	**172.5**

Investment properties are stated at fair value, which has been determined through valuations performed by Savills Pty Ltd for each property as at 30 June 2014 and 30 June 2013. Savills is an industry specialist in valuing these types of investment property in accordance with Australian Valuation Standards. The fair value for each property has been determined by reference to the highest and best use of the property taking into account the specific characteristics and location of the asset.

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available, information is considered from a variety of sources including:

- current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences;
- discounted cash flow projections based on reliable estimates of future cash flows; or
- capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence.

At 30 June 2014 investment properties comprise only of level 2 properties ($192.1 million). Refer to note 1(hh) for fair value categories.

The group has no restrictions on the use of its investment property portfolio but is subject to an annual maintenance requirement on a number of properties subject to heritage requirements.

	Consolidated	
	2014 $m	**2013** $m
17 Impairment testing of goodwill and indefinite-life intangibles		
Goodwill and brand names acquired through business combinations has been allocated to individual cash generating units (CGUs) as follows:		
P|StarTrack	488.1	503.5
SecurePay	32.2	32.2
Other	0.4	0.9
	520.7	**536.6**

The recoverable amount of all CGUs has been determined based on a value in use calculation using cash flow forecasts extracted from four year corporate plans approved by senior management and the board. The forecasts are extrapolated for a further one year and a terminal value applied. These forecasts use management estimates to determine income, expenses, capital expenditure and cash flows for each CGU. The revenue growth rate applied by all CGUs to the one year period outside the corporate plan is 3.0% (2013: 3.5% – 5.0%). After this period a 2.0% (2013: 2.5% – 3.3%) revenue growth rate is applied. A pre-tax discount rate applicable to the specific CGU has been applied. These rates are between 12.4% – 12.8% (2013: 12.5% – 12.8%).

Management believes that any reasonably possible change in the key assumptions would not cause the carrying amount of any CGUs containing goodwill and brand names to exceed their recoverable amount.

	Consolidated 2014 $m	Consolidated 2013 $m
18 Other non-current assets		
Interest rate swap contracts	11.4	10.3
Prepayments	10.3	6.4
Total other non-current assets	**21.7**	**16.7**

	Consolidated 2014 $m	Consolidated 2013 $m
19 Current liabilities – trade and other payables		
Trade creditors[1]	340.0	308.2
Other:		
Agency creditors[1]	150.9	164.7
Salaries and wages	104.1	89.3
Borrowing costs[2]	4.7	5.6
Unearned postage revenue	59.4	60.5
Other advance receipts[3]	124.2	114.4
Deferred government grant income	1.5	1.6
Goods and services tax payable	17.3	18.1
Financial guarantees[4]	0.0	0.1
Capital expenditure	24.4	25.8
Fuel commodity swaps and options	1.0	0.1
Forward exchange contracts	0.5	–
Other payables	55.0	92.2
	543.0	572.4
Total current trade and other payables	**883.0**	**880.6**

(1) Trade creditors and agency creditors are non-interest bearing and normally settled on 30-day and next business day terms respectively. Included within trade creditors are international creditors which are settled in accordance with Universal Postal Union (UPU) arrangements, which may be longer than 30 days.

(2) Borrowing costs are normally settled on a quarterly basis throughout the year.

(3) Other advance receipts is comprised predominantly of deferred revenue for post office boxes and bags which are rented out to the public and advanced contributions to marketing and promotional activity.

(4) 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 $59.8 million (2013: $59.4 million) and is included within the disclosures of note 31(i).

	Consolidated	
	2014 $m	**2013** $m
20 Interest-bearing liabilities		
Current		
Short-term borrowings	–	15.0
Fixed rate unsecured bonds payable – within one year	–	327.4
Total current interest-bearing liabilities	**–**	**342.4**
Non-current		
Fixed-rate unsecured bonds payable – in one to five years	291.3	290.5
Fixed-rate unsecured bonds payable – over five years	422.6	–
Total non-current interest-bearing loans liabilities	**713.9**	**290.5**

Fixed rate unsecured bonds

The group's bonds are unsecured and repayable in full, with $280 million maturing on 6 February 2017, $250 million maturing on 13 November 2020 and the remaining $175 million maturing on 13 November 2023. $280 million of this debt is designated in a fair value hedge relationship and measured at fair value with the remaining $425 million measured at amortised cost.

Revolving committed facility

The group has a 3 year revolving committed facility of $200 million expiring 8 October 2015 and a 5 year revolving credit facility of $200 million expiring 8 October 2017, both of which are available for draw down as required. Amounts drawn are repayable on 30 day terms.

Bank overdraft facility

The group has a bank overdraft facility of $15 million available for draw down as required. Amounts drawn are repayable on demand.

21 Provisions

	Consolidated 2014 $m	Consolidated 2013 $m
Current provisions		
Annual leave	180.3	183.7
Long service leave	365.8	354.2
Workers' compensation	28.1	29.6
Separations and redundancies[1][6]	80.1	17.2
Other employee	52.7	60.1
Onerous agreement[2]	27.9	27.5
Restructuring[3][6]	0.5	2.0
Property make good[4][6]	0.3	1.6
Surplus lease[5][6]	20.3	4.2
Other	11.1	4.7
Balance at 30 June	**767.1**	**684.8**
Non-current provisions		
Long service leave	59.6	52.0
Workers' compensation	101.2	90.5
Onerous agreement[2]	–	27.9
Property make good[4]	53.8	54.5
Surplus lease[5][6]	16.4	8.0
Balance at 30 June	**231.0**	**232.9**
Total provisions	**998.1**	**917.7**

(1) The provision recognised comprises the expected severance payments, employee entitlements (including notice period), outplacement costs and payroll tax based on the location of the employee, staff level affected by the restructuring and their anticipated years of service. In estimating the expected severance payments, historical severance payments have also been considered.

(2) Provision is made for the estimated cost of the onerous component of agreements entered into by the group. The cost is based on management's best estimate of the lower of the cost to terminate the agreement or the net cost of continuing with the agreement based on current and projected use.

(3) The provision recognised is made for the estimated cost to implement specific business restructure initiatives. The estimated cost is based on management's best estimate taking into account the specific plans to be implemented.

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

(5) Provision is made for the estimated lease cost of property leases surplus to the group's requirements or where sub-let agreements are on terms substantially below market rates. The estimated cost is based on the contractually required lease payments over the remaining term of each lease agreement, less any amounts received through sub-lease agreements where applicable.

(6) Included in these provisions are costs expected to arise from the implementation of a business restructure and integration program. These costs comprise redundancy (2014: $73.7 million; 2013: $2.1 million), costs associated with leases surplus to group requirements (2014: $4.7 million; 2013: $4.8 million), make good (2014: $nil; 2013: $1.4 million) and other restructuring and integration costs (2014: $0.5 million; 2013: $nil).

	Restructuring provision	Property make good provision	Surplus lease provision	Onerous agreement provision	Total
	Consolidated				
	$m	$m	$m	$m	$m
Movements in provisions					
Movements in the restructuring, property make good and surplus lease provisions during the year, are set out below:					
Balance at 1 July 2012	–	51.0	7.4	–	58.4
Reassessments and additions	10.1	6.6	10.6	–	27.3
Assumed on acquisition of subsidiary	–	1.8	–	55.0	56.8
Unused amount reversed	–	(1.2)	–	–	(1.2)
Payments made	(8.1)	(1.7)	(6.0)	–	(15.8)
Unwinding and discount rate adjustment	–	(0.4)	0.2	0.4	0.2
Balance at 30 June 2013	**2.0**	**56.1**	**12.2**	**55.4**	**125.7**
Reassessments and additions	0.5	0.2	28.4	–	29.1
Assumed on acquisition of subsidiary	–	–	–	–	–
Unused amount reversed	–	(2.4)	(0.5)	–	(2.9)
Payments made	(2.0)	(1.7)	(3.6)	(27.5)	(34.8)
Unwinding and discount rate adjustment	–	1.9	0.2	–	2.1
Balance at 30 June 2014	**0.5**	**54.1**	**36.7**	**27.9**	**119.2**

The group has recognised a liability for workers' compensation of $129.3 million at balance date of which $10.6 million relates to claims made in the current year (2013: $11.3 million).

	Consolidated	
	2014 $m	2013 $m
22 Other non-current liabilities		
Lease incentives	34.2	18.3
Other non-current payables	14.1	12.8
Total other non-current liabilities	**48.3**	**31.1**

	Consolidated 2014 $m	Consolidated 2013 $m
23 Movements in retained profits		
Balance at 1 July	1,271.7	1,100.3
Net profit	116.2	177.4
Dividends paid	(142.3)	(243.7)
Net actuarial gain/(loss) on superannuation liability	109.4	238.6
Other movements in retained profits	–	(0.9)
Balance at 30 June	**1,355.0**	**1,271.7**

	Consolidated			
	Asset revaluation reserve(1)	Foreign currency translation reserve(2)	Hedging reserve(3)	Total reserves
	$m	$m	$m	$m
24 Analysis of reserves				
Balance at 1 July 2012	6.7	(0.1)	(0.9)	**5.7**
Net movement in joint venture's reserves	–	0.1	0.2	**0.3**
Revaluation of fuel cash flow hedge – gross	–	–	0.9	**0.9**
Deferred tax	–	–	(0.3)	**(0.3)**
Revaluation of foreign exchange cash flow hedge – gross	–	–	4.4	**4.4**
Deferred tax	–	–	(1.3)	**(1.3)**
Revaluation of land and buildings – gross	0.9	–	–	**0.9**
Deferred tax	(0.3)	–	–	**(0.3)**
Balance at 30 June 2013	**7.3**	**–**	**3.0**	**10.3**
Net movement in joint venture's reserves	–	(0.2)	–	**(0.2)**
Revaluation of fuel cash flow hedge – gross	–	–	–	**–**
Deferred tax	–	–	–	**–**
Revaluation of foreign exchange cash flow hedge – gross	–	–	(3.8)	**(3.8)**
Deferred tax	–	–	1.2	**1.2**
Revaluation of land and buildings – gross	0.3	–	–	**0.3**
Deferred tax	(0.1)	–	–	**(0.1)**
Balance at 30 June 2014	**7.5**	**(0.2)**	**0.4**	**7.7**

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

(2) The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries and joint ventures.

(3) This hedging reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge relationship that is determined to be an effective hedge.

	Corporation 2014 $m	2013 $m
25 Information relating to Australian Postal Corporation		
Current assets	1,104.5	1,107.8
Total assets	4,397.0	4,100.1
Current liabilities	1,540.2	1,856.7
Total liabilities	2,715.2	2,516.5
Contributed equity	400.0	400.0
Retained profits	1,273.9	1,173.7
Asset revaluation reserve	7.5	7.3
Hedging reserve	0.4	3.0
Net Equity	**1,681.8**	**1,584.0**
Net profit of the parent entity	133.3	114.3
Total comprehensive income of the parent entity	240.3	357.2

The parent has contingent liabilities which relate to legal liability claims that have been lodged against the corporation, including motor vehicle accident and personal injury claims in the amount of $7.2 million (2013: $3.5 million).

The parent entity has issued bank guarantees amounting to $160.2 million which represent guarantees supporting workers compensation self insurance licences in various jurisdictions. These are included in the Schedule of contingencies.

The parent has contractual obligations which relate to sub-lease rent receivables and operating lease receivables in the amount of $147.9 million (2013: $114.0 million). Capital commitments of the parent entity in relation to land and buildings and plant and equipment amount to $118.1 million (2013: $125.5 million). The parent has operating lease commitments of $651.6 million (2013: $492.5 million) and other commitments relating to carriage and delivery of letters and parcels by contractors of $2,334.2 million (2013: $2,573.4 million).

	Consolidated 2014 $m	2013 $m
26 Dividends paid		
Final ordinary dividend (from prior year results)	63.5	114.5
Interim ordinary dividend	78.8	129.2
Total dividends paid	**142.3**	**243.7**
Dividend not recognised as a liability	–	63.5

	Consolidated 2014 $	2013 $
27 Auditors' remuneration(1)		
Amounts received or due and receivable by the corporation's auditors for:		
An audit or review of the financial report of the entity and any other entity in the consolidated entity	1,596,500	1,785,800
Other services in relation to the entity and any other entity in the consolidated entity		
– assurance related	190,000	184,900
– special audits required by regulators(2)	135,785	97,900
– other non-audit related(2)	600,970	265,000
Total auditors' remuneration	**2,523,255**	**2,333,600**

(1) The corporation's auditor is the Australian National Audit Office who has retained Ernst & Young (Australia) to assist with the assignment.

(2) These services are performed by Ernst & Young (Australia) directly and include due diligence, governance, compliance and research services.

28 Operating segments

The group has identified its operating segments based on the internal reports that are reviewed and used by the executive management committee (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the manner in which the product is sold and the nature of the services provided. Discrete financial information about each of these segments is reported to the executive management committee on at least a monthly basis.

The reportable segments are based on aggregated operating segments determined by the similarity of the products sold and/or the services provided, as these are the sources of the group's major risks and have the most effect on the rates of return. Where trends in volume information has resulted in a change to cost allocations, the prior year information has been restated to enable like for like comparison.

The following represent the primary segments the group operates in:

Postal Services

Comprising the following operating segments:

Mail

The collection, processing and distribution of mail items, digital communications and associated services.

Retail

Provision of postal products and services, agency services, mail boxes and bags, financial services and other retail merchandise, principally philatelic, stationery, telephony, greeting cards, gifts and souvenirs.

Parcel Services

The processing and distribution of parcel and express products along with freight forwarding operations.

Unallocated & Eliminations

It is the group's policy that if items of revenue and expense are not allocated to the core operating segments then any associated assets and liabilities are also not allocated to segments. This is to avoid asymmetrical allocations within segments which management believe would be inconsistent.

The following are not allocated to operating segments as they are not considered part of the core operations of any segments:

- Activities incidental to the group's core product and service offerings, principally those which generate rental income, licence fees and other miscellaneous amounts;
- Non-trading items including net gains arising on disposal of fixed assets, amounts arising on re-measurement of the group's investment property portfolio and share of net profits of joint ventures and divested operations;
- Expenses represent costs that are attributable to unallocated revenues;
- Assets include assets under construction, investment property, cash investments held to maturity investments and deferred tax;
- Liabilities include interest-bearing liabilities and deferred tax.

Inter-segment revenue

A core function of the group's Retail segment is to distribute mail and parcel products through its network of retail stores. A market price for this distribution service applies through LPO agreements. In respect of corporate owned stores, an internal transfer price has been established between the Retail, Mail and Parcel & Express segments, equivalent to the market price paid to LPOs.

28 Operating segments (continued)

Operating Segments

The following table presents revenue and profit information regarding the group's operating segments for the years ended 30 June 2014 and 30 June 2013.

	Mail	Retail	Postal Services	Parcel Services	Total	Unallocated & Eliminations	Total
	$m	$m	$m	$m	$m	$m	$m
2014							
Revenue							
Revenue	2,255.5	900.0	3,155.5	3,094.2	**6,249.7**	123.4	**6,373.1**
Inter-segment revenue	–	443.8	443.8	–	**443.8**	(443.8)	**–**
Total segment revenue	2,255.5	1,343.8	3,599.3	3,094.2	**6,693.5**	(320.4)	**6,373.1**
Interest revenue							**10.2**
Consolidated revenue							**6,383.3**
Result							
Operating earnings before net interest, income tax expense and restructuring costs (Operating EBIT)	(328.4)	175.6	(152.8)	337.5	**184.7**	38.3	**223.0**
Restructuring costs	(51.8)	(10.1)	(61.9)	(28.1)	**(90.0)**	–	**(90.0)**
Earnings before net interest and income tax expense (EBIT)	(380.2)	165.5	(214.7)	309.4	**94.7**	38.3	**133.0**
Net interest							**(30.0)**
Profit before tax							**103.0**
Income tax expense							**13.2**
Net profit for period							**116.2**
Assets							
Segment assets	1,012.7	492.4	1,505.1	1,874.7	**3,379.8**	1,221.8	**4,601.6**
Superannuation asset	–	–	–	–	**–**	47.8	**47.8**
Investment in joint venture	–	–	–	–	**–**	1.8	**1.8**
Total assets	1,012.7	492.4	1,505.1	1,874.7	**3,379.8**	1,271.4	**4,651.2**
Liabilities							
Segment liabilities	811.6	391.0	1,202.6	670.4	**1,873.0**	1,015.5	**2,888.5**
Total liabilities	811.6	391.0	1,202.6	670.4	**1,873.0**	1,015.5	**2,888.5**
Other Segment Information							
Capital expenditure	130.0	62.6	192.6	304.2	**496.8**	35.0	**531.8**
Depreciation and amortisation expense	136.0	25.0	161.0	115.4	**276.4**	19.2	**295.6**
Other non-cash expenses	136.0	25.0	161.0	115.4	**276.4**	19.2	**295.6**

Assets Under Construction

As noted, it is the group's policy to not allocate assets and liabilities to the core operating segments if they have not contributed to the generation of revenue and expense in the period. At balance date, the group has $411.8 million of assets under construction unallocated to the core operating segments that will ultimately benefit from this investment, an increase of $192.7 million on last year. A significant portion of this year's closing assets under construction relates to the group's capital investment in the Melbourne and Sydney Parcel processing centres that are to be commissioned later this year. This investment is not yet reflected in the Parcel & Express operating segment assets.

28 Operating segments (continued)

	Mail	Retail	Postal Services	Parcel Services	Total	Unallocated & Eliminations	Total
	$m	$m	$m	$m	$m	$m	$m
2013							
Revenue							
Revenue	2,203.6	904.5	3,108.1	2,657.3	**5,765.4**	109.4	**5,874.8**
Inter-segment revenue	–	434.2	434.2	–	**434.2**	(434.2)	**–**
Total segment revenue	2,203.6	1,338.7	3,542.3	2,657.3	**6,199.6**	(324.8)	**5,874.8**
Interest revenue							**18.4**
Consolidated revenue							**5,893.2**
Result							
Operating earnings before net interest, income tax expense and restructuring costs (Operating EBIT)	(285.1)	177.9	(107.2)	279.3	**172.1**	51.8	**223.9**
Restructuring costs	–	–	–	–	**–**	–	**–**
Earnings before net interest and income tax expense (EBIT)	(285.1)	177.9	(107.2)	279.3	**172.1**	51.8	**223.9**
Net interest							**(13.2)**
Profit before tax							**210.7**
Income tax expense							**(33.3)**
Net profit for period							**177.4**
Assets							
Segment assets	978.0	493.6	1,471.6	1,935.5	**3,407.1**	991.7	**4,398.8**
Investment in joint venture	–	–	–	–	**–**	2.7	**2.7**
Total assets	978.0	493.6	1,471.6	1,935.5	**3,407.1**	994.4	**4,401.5**
Liabilities							
Segment liabilities	731.2	418.0	1,149.2	639.8	**1,789.0**	928.9	**2,717.9**
Superannuation liability	–	–	–	–	**–**	1.6	**1.6**
Total liabilities	731.2	418.0	1,149.2	639.8	**1,789.0**	930.5	**2,719.5**
Other Segment Information							
Capital expenditure	84.3	71.4	155.7	220.5	**376.2**	–	**376.2**
Depreciation and amortisation expense	121.9	17.8	139.7	92.9	**232.6**	13.7	**246.3**
Other non-cash expenses	121.9	17.8	139.7	92.9	**232.6**	13.7	**246.3**

Included in the above is revenue of $1,771.2 million (2013: $1,715.9 million) and a loss of $208.8 million (2013: loss of $198.0 million) relating to reserved mail services. Reserved mail services is comprised of the collection, processing and distribution of domestic letters defined by the *Australian Postal Corporation Act 1989*.

28 Operating segments (continued)

Geographical segments

The group primarily operates in Australia with no significant portion of assets or operations located outside of Australia.

Accounting policies

The accounting policies used by the group in reporting the segments internally are the same as those contained in note 1(g) to the accounts.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, inventories, property, plant and equipment, computer software and goodwill, net of related provisions. Segment liabilities consist primarily of trade and other creditors, employee entitlements and advance receipts.

Corporate charges comprise of support costs that are allocated to each business segment using an activity based costing methodology.

Use of fair value accounting

As outlined in note 1(s) to these accounts, the group uses cost as the basis for valuing land and buildings for its statutory accounts. Were fair values applied to land and buildings, the total segment assets would be as follows. Refer to note 14 for the basis of determining fair value.

	Consolidated	
	2014 $m	**2013** $m
Mail	1,331.6	1,214.0
Retail	596.1	588.0
Postal Services	1,927.7	1,802.0
Parcel Services	2,113.7	2,091.5
Unallocated & Eliminations	1,373.4	1,119.8
Total	**5,414.8**	**5,013.3**

29 Remuneration and retirement benefits

(a) Senior executive and director remuneration by category

The remuneration received directly or indirectly by senior executives and directors under an accrual basis is as follows:

	Corporation and Consolidated			
	Senior Executives 2014 $	Senior Executives 2013 $	Directors 2014 $	Directors 2013 $
Short-term employee benefits				
Cash salary	5,820,543	5,163,429	803,540	744,361
Committee fees	–	–	62,140	55,599
Annual leave	442,238	389,561	–	–
At risk component	5,896,428	4,155,549	–	–
Non-monetary benefits	54,470	733,102	–	554,031
Total short-term employee benefits	12,213,679	10,441,641	865,680	1,353,991
Post employment benefits				
Superannuation benefits	1,178,374	1,284,067	85,040	79,808
Total post employment benefits	1,178,374	1,284,067	85,040	79,808
Other long-term benefits				
Long service leave	184,164	102,991	–	–
At risk component	1,300,754	1,158,687	–	–
Total other long-term benefits	1,484,918	1,261,678	–	–
Termination/retirement benefits		–		–
Total senior executive and director remuneration(1)	**14,876,971**	**12,987,386**	**950,720**	**1,433,799**

(1) For the purposes of this note, the group has defined senior executives as those employees who report directly to the Managing Director and CEO. These employees are the only employees considered to have the capacity and responsibility for decision making that can have a significant and direct impact on the strategic direction and financial performance of the group. Executive directors are classified as senior executives and are disclosed in sections (a) and (c) of this note.

(b) Directors' remuneration

The remuneration received directly or indirectly by non-executive directors (including non-monetary benefits) is shown below. Non-monetary amounts include travel, accommodation and other benefits reported as fringe benefits for taxation purposes. In the case of directors, the amount disclosed includes the fringe benefits tax paid by the corporation.

	Corporation and Consolidated	
	2014 No.	2013 No.
Total Remuneration		
Less than $15,000	–	1
$75,000 to $104,999	3	3
$105,000 to $134,999	4	3
$195,000 to $224,999	1	–
$225,000 to $254,999	–	1
$255,000 to $284,999	–	1
$285,000 to $314,999	–	1
Total	**8**	**10**

29 Remuneration and retirement benefits (continued)

(c) Senior executive annual reportable remuneration paid

The remuneration received directly or indirectly by the corporation's and group's senior executives is as follows. Total reportable remuneration disclosed is the average total compensation received by senior executives in each band, where applicable, from the date of appointment to the date the senior executive resigns from their position.

	Number of parent entity senior executives	Number of group senior executives	Reportable salary[1]	Superannuation[2]	At risk component[3][5]	Total reportable remuneration
Year ended 30 June 2014 ($)						
Less than $195,000	1	1	81,475	9,011	–	90,486
$315,000 to $344,999	1	1	185,990	7,558	150,000	343,548
$435,000 to $464,999	1	1	423,173	17,775	–	440,948
$885,000 to $914,999	1	1	690,753	17,775	196,412	904,940
$1,245,000 to $1,274,999	1	1	548,712	113,949	594,291	1,256,952
$1,275,000 to $1,304,999	1	1	628,579	69,651	597,801	1,296,031
$1,365,000 to $1,394,999	1	1	688,108	17,775	664,098	1,369,981
$1,485,000 to $1,514,999	1	1	717,986	77,953	711,937	1,507,876
$4,605,000 to $4,634,999[4][5]	1	1	1,742,595	279,275	2,609,906	4,631,776
Total	**9**	**9**				

	Number of parent entity senior executives	Number of group senior executives	Reportable salary[1]	Superannuation[2]	At risk component[3][5]	Total reportable remuneration
Year ended 30 June 2013 ($)						
$225,000 to $254,999	1	1	230,609	16,470	–	247,079
$975,000 to $1,004,999	1	1	477,418	96,736	418,656	992,810
$1,245,000 to $1,274,999	1	1	630,905	108,459	524,916	1,264,280
$1,335,000 to $1,364,999	1	1	681,154	16,470	651,372	1,348,996
$1,455,000 to $1,484,999	1	1	805,420	67,222	601,300	1,473,942
$1,605,000 to $1,634,999	1	1	758,719	71,946	787,437	1,618,102
$4,725,000 to $4,754,999[4][5][6]	1	1	1,927,754	828,132	1,998,945	4,754,831
Total	**7**	**7**				

(1) Reportable salary comprises the average cash salary paid and non-monetary benefits provided to employees. Non-monetary amounts include travel, accommodation and other benefits reported as fringe benefits for taxation purposes. Non-monetary amounts do not include fringe benefits tax paid by the corporation. Amounts disclosed also include leave entitlements paid on resignation. Amounts for comparative periods have been restated to ensure a like for like comparison.

(2) For employees who are members of the APSS the superannuation benefit has been based on the rate used for ATO purposes to establish the Notional Tax Contribution. This rate is 10.8% for the majority of members. If the employee is not a member of APSS, this benefit is calculated at 9.25% in accordance with applicable legislation.

(3) Represents the average cash incentive reward received by senior executives in that band. Incentive rewards are based on the senior executives meeting or exceeding individual objectives linked to key annual business objectives and performance measures.

(4) Superannuation of the Managing Director and CEO for the current period includes a lump sum payment of $256,043 (2013: $436,829) which was part payment of an amount to restore the value in the Managing Director and CEO's original contract as a result of erosion through unexpected impacts of legislation with respect to superannuation contributions from February 2010. The balance of the payment amount has been deferred.

(5) At risk component of the Managing Director and CEO, and certain other executives for the current period includes payments of deferred instalments of incentives from previous years.

(6) Reportable salary of the Managing Director and CEO for the prior period includes a lump sum payment of $165,741 dating back to February 2010 for adjustments to previous years, assessments of the employer's contribution to the employee's superannuation benefit.

In addition to the benefits above, during the year a long term incentive arrangement under which a net amount of $2,000,000 payable as superannuation contributions on behalf of the Managing Director was cancelled through mutual agreement. A new agreement was entered into where the company agreed to pay a charitable foundation a total of $2,857,000 pre-tax. The charitable foundation is considered to be a director related entity of the Managing Director. Payment of this donation has been made in the 2014 financial year. Furthermore, the Managing Director has provided a declaration that he did not derive a financial benefit from the charitable foundation during the financial year.

29 Remuneration and retirement benefits (continued)

(d) Highly paid employee annual reportable remuneration paid

The remuneration received directly or indirectly by the corporation's and the group's highly paid employees is as follows. Total reportable remuneration disclosed is the average total compensation received by employees in each band, where applicable, from the date of employment to the date the employee resigns from their employment with the group.

	Consolidated				
	Number of group employees	Reportable salary[1]	Superan-nuation[2]	At risk comp-onent[3]	Total reportable remun-eration
Year ended 30 June 2014 ($)					
$195,000 to $224,999	147	162,759	17,680	27,415	207,854
$225,000 to $254,999	92	181,324	20,294	36,955	238,573
$255,000 to $284,999	50	203,771	21,605	42,796	268,172
$285,000 to $314,999	32	221,235	23,842	55,519	300,596
$315,000 to $344,999	25	236,107	25,050	64,676	325,833
$345,000 to $374,999	13	248,403	23,750	82,507	354,660
$375,000 to $404,999	14	262,117	24,309	102,016	388,442
$405,000 to $434,999	11	284,701	29,041	104,121	417,863
$435,000 to $464,999	4	262,920	23,548	162,975	449,443
$465,000 to $494,999	6	290,550	24,901	164,614	480,065
$495,000 to $524,999	4	279,919	24,131	208,229	512,279
$525,000 to $554,999	1	351,847	17,775	183,918	553,540
$555,000 to $584,999	2	332,298	44,577	190,435	567,310
$585,000 to $614,999	1	307,980	44,003	233,359	585,342
$615,000 to $644,999	2	411,763	27,431	188,177	627,371
$645,000 to $674,999	1	305,354	32,132	308,567	646,053
$675,000 to $704,999	3	368,539	55,444	264,408	688,391
$705,000 to $734,999	1	158,230	3,569	569,217	731,016
Total[4]	**409**[5]				

29 Remuneration and retirement benefits (continued)

(d) Highly paid employee annual reportable remuneration paid (continued)

	Consolidated				
	Number of group employees	Reportable salary[1]	Superannuation[2]	At risk component[3]	Total reportable remuneration
Year ended 30 June 2013 ($)					
$195,000 to $224,999	109	158,921	18,079	30,876	207,876
$225,000 to $254,999	67	181,998	20,835	36,963	239,796
$255,000 to $284,999	50	197,775	22,329	47,716	267,820
$285,000 to $314,999	28	212,617	24,298	60,540	297,455
$315,000 to $344,999	16	240,913	25,391	63,478	329,782
$345,000 to $374,999	17	242,250	29,499	87,952	359,701
$375,000 to $404,999	8	245,052	29,649	113,406	388,107
$405,000 to $434,999	8	276,975	36,067	105,448	418,490
$435,000 to $464,999	3	296,418	38,119	116,994	451,531
$465,000 to $494,999	5	289,189	35,582	152,259	477,030
$495,000 to $524,999	4	364,600	36,704	102,564	503,868
$555,000 to $584,999	3	355,808	40,153	178,991	574,952
$615,000 to $644,999	1	522,543	16,470	98,355	637,368
$645,000 to $674,999	1	336,279	59,024	271,111	666,414
$675,000 to $704,999	3	359,882	49,256	276,756	685,894
$705,000 to $734,999	2	417,267	40,067	259,688	717,022
$735,000 to $764,999	1	435,830	48,383	257,838	742,051
$1,005,000 to $1,034,999	1	703,336	16,470	308,323	1,028,129
Total[4]	**327[5]**				

(1) Reportable salary comprises the average cash salary paid and non-monetary benefits provided to employees. Non-monetary amounts include travel, accommodation and other benefits reported as fringe benefits for taxation purposes. Non-monetary amounts do not include fringe benefits tax paid by the corporation. Amounts disclosed also include leave entitlements paid on resignation. Amounts for comparative periods have been restated to ensure a like for like comparison.

(2) For employees who are members of the APSS the superannuation benefit has been based on the rate used for ATO purposes to establish the Notional Tax Contribution. This rate is 10.8% for the majority of members. If the employee is not a member of APSS, this benefit is calculated at 9.25% in accordance with applicable legislation.

(3) Represents the average cash incentive reward received by employees in that band. Incentive rewards are based on the employee meeting or exceeding individual objectives linked to key annual business objectives and performance measures.

(4) For the purposes of this note, senior executives disclosed in section (c) are not disclosed as part of section (d).

(5) Includes the full year impact of employees associated with the acquisition of StarTrack which are only included for a part year in 2013.

29 Remuneration and retirement benefits (continued)

(d) Highly paid employee annual reportable remuneration paid (continued)

	Parent				
	Number of parent entity employees	Reportable salary[1]	Superannuation[2]	At risk component[3]	Total reportable remuneration
Year ended 30 June 2014 ($)					
$195,000 to $224,999	123	160,563	17,870	29,889	208,322
$225,000 to $254,999	79	179,957	20,619	38,681	239,257
$255,000 to $284,999	41	198,920	22,283	22,283	243,486
$285,000 to $314,999	28	217,506	24,709	59,818	302,033
$315,000 to $344,999	21	235,204	25,954	64,565	325,723
$345,000 to $374,999	11	250,197	23,782	81,512	355,491
$375,000 to $404,999	11	243,257	26,092	118,249	387,598
$405,000 to $434,999	8	271,723	33,265	110,654	415,642
$435,000 to $464,999	3	280,741	25,472	140,114	446,327
$465,000 to $494,999	6	290,550	24,901	164,614	480,065
$495,000 to $524,999	3	284,766	26,250	201,631	512,647
$525,000 to $554,999	1	351,847	17,775	183,918	553,540
$555,000 to $584,999	2	332,298	44,577	190,435	567,310
$585,000 to $614,999	1	307,980	44,003	233,359	585,342
$615,000 to $644,999	1	364,726	37,087	235,031	636,844
$645,000 to $674,999	1	305,354	32,132	308,567	646,053
$675,000 to $704,999	3	368,539	55,444	264,408	688,391
$705,000 to $734,999	1	158,230	3,569	569,217	731,016
Total[4]	**344**				

29 Remuneration and retirement benefits (continued)

(d) Highly paid employee annual reportable remuneration paid (continued)

	Parent				
	Number of parent entity employees	Reportable salary[1]	Superannuation[2]	At risk component[3]	Total reportable remuneration
Year ended 30 June 2013 ($)					
$195,000 to $224,999	105	158,005	18,201	31,790	207,996
$225,000 to $254,999	59	178,838	21,287	39,438	239,563
$255,000 to $284,999	48	198,052	22,247	47,621	267,920
$285,000 to $314,999	26	209,896	24,900	62,727	297,523
$315,000 to $344,999	16	240,913	25,391	63,478	329,782
$345,000 to $374,999	16	236,295	30,314	93,449	360,058
$375,000 to $404,999	6	236,736	34,042	114,217	384,995
$405,000 to $434,999	8	276,975	36,067	105,448	418,490
$435,000 to $464,999	3	296,418	38,119	116,994	451,531
$465,000 to $494,999	5	289,189	35,582	152,259	477,030
$495,000 to $524,999	3	323,073	43,448	136,753	503,274
$555,000 to $584,999	3	355,808	40,153	178,991	574,952
$615,000 to $644,999	1	522,543	16,470	98,355	637,368
$645,000 to $674,999	1	336,279	59,024	271,111	666,414
$675,000 to $704,999	3	359,882	49,256	276,756	685,894
$705,000 to $734,999	2	417,267	40,067	259,688	717,022
$735,000 to $764,999	1	435,830	48,383	257,838	742,051
$1,005,000 to $1,034,999	1	703,336	16,470	308,323	1,028,129
Total[4]	**307**				

(1) Reportable salary comprises the average cash salary paid and non-monetary benefits provided to employees. Non-monetary amounts include travel, accommodation and other benefits reported as fringe benefits for taxation purposes. Non-monetary amounts do not include fringe benefits tax paid by the corporation. Amounts disclosed also include leave entitlements paid on resignation. Amounts for comparative periods have been restated to ensure a like for like comparison.

(2) For employees who are members of the APSS the superannuation benefit has been based on the rate used for ATO purposes to establish the Notional Tax Contribution. This rate is 10.8% for the majority of members. The prior year has been restated on this basis. If the employee is not a member of APSS, this benefit is calculated at 9.25% in accordance with applicable legislation.

(3) Represents the average cash incentive reward received by employees in that band. Incentive rewards are based on the employee meeting or exceeding individual objectives linked to key annual business objectives and performance measures.

(4) For the purposes of this note, senior executives disclosed in section (c) are not disclosed as part of section (d).

30 Related parties

The consolidated financial statements consist of the Australian Postal Corporation and its subsidiaries listed in note 11.

Remuneration and retirement benefits

Information on remuneration of directors and amounts paid in connection with the retirement of directors is disclosed in note 29(a) & 29(b).

Transactions with joint ventures

The following table provides the total amount of transactions that were entered into with joint ventures for the relevant financial year (for information regarding outstanding balances at year-end, refer to notes 6, 10 and 19). Trading with joint ventures is conducted on normal commercial terms.

	Consolidated	
	2014 $m	**2013** $m
Other transactions with joint ventures		
Payments for collection and delivery services	–	28.8
Payments for management and administrative services	–	–
Payments for accommodation	0.8	2.5
Revenue from collection and delivery services	–	8.2
Revenue from administrative services	–	0.0
Interest received	–	3.5
Aggregate amounts receivable from and payable to joint ventures at balance date were as follows:		
Current receivables	–	1.2
Current payables	–	–
Loans receivable[1]	1.2	2.7

(1) Refer Note 31(i) for details of credit risk on loans to joint venture.

Other related party transactions

Australia Post performs administrative services on behalf of its Superannuation Fund APSS. These services are provided on normal commercial terms. Payment received by Australia Post for these services for the year ended 30 June 2014 is $13.9 million (2013: $14.8 million). In addition, the group's joint venture paid employer superannuation contributions to the APSS on behalf of employees of nil (2013: $1.7 million).

Transactions entered into directly by directors or director-related entities with the Australian Postal Corporation have been either domestic or trivial in nature.

Transactions with directors

A number of directors of the Australian Postal Corporation are also directors of or have interests in other entities which have transacted with the Australian Postal Corporation Group. These transactions have occurred on terms and conditions no more favourable than those which it is reasonable to expect the group would have adopted if dealing with any third party on normal commercial terms.

The Company made a donation with a cost of $2,857,000 before tax to a charitable foundation. The foundation is a director-related entity of the Managing Director. The Managing Director has provided a declaration that he did not derive a financial benefit from the charitable foundation during the financial year.

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.

31 Financial and capital risk management

(a) Financial risk management objectives

The group's risk management policy is to identify, assess, and manage risks, which are likely to adversely impact on the financial performance, continued growth and its survival. In terms of financial and commodity risk management, the group will take a prudent approach to financial risk management in that it will seek to minimise risk, provided it is cost effective to do so.

The group's principal financial instruments, other than derivatives, comprise of bonds, syndicated revolving committed facilities, held to maturity investments, finance leases and hire purchase contracts, cash and short-term deposits. The main purpose of these financial instruments is to provide finance for the group's operations. The group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The group also enters into derivative transactions, including interest rate swaps, forward currency contracts and commodity swap and option contracts. The purpose is to manage the interest rate, currency and commodity risks arising from the group's operations and its sources of finance. It is, and has been throughout the period under review, the group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the group's financial instruments are interest rate risk, liquidity risk, commodity risk, foreign currency risk and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial report.

(b) Capital risk management

The group's objectives when managing capital are to safeguard the ability to continue as a going concern while maximising the return to the Commonwealth Government. The group recognises the impact on shareholder returns of the level of equity capital employed and seeks to maintain a prudent balance between the advantages and flexibility afforded by a strong capital position and the higher returns on equity possible with some leverage. A further consideration when managing capital is maintenance of an investment grade rating. The group holds a AA rating (2013: AA) from the independent ratings agency Standard & Poor's.

The capital structure of the group consists of debt, which comprises the bonds payable and syndicated revolving committed facilities disclosed in note 20, a bank overdraft facility disclosed in note 20, cash and cash equivalents disclosed in note 33(a) and equity attributable to equity holders of the corporation, comprising contributed equity, reserves and retained profits disclosed in notes 23 and 24.

The capital structure is reviewed annually as part of the Corporate Plan, which includes analysis of the return on equity, return on average operating assets and debt to debt plus equity ratios implicit in the Corporate Plan.

	Consolidated	
	2014 $m	**2013** $m
(c) Categories of financial instruments		
Financial assets		
Cash and cash equivalents	418.6	292.9
Loans and receivables	751.8	842.9
Derivative instruments in designated hedge accounting relationships	12.9	19.0
Financial liabilities		
Financial liabilities at amortised cost	997.7	611.5
Financial liabilities designated in fair value hedge relationships at amortised cost and adjusted by the gain/loss attributable to interest rate risk	291.3	617.9
Derivative instruments in designated hedge accounting relationships	1.5	0.1

31 Financial and capital risk management (continued)

(d) Net gain or loss on financial assets and financial liabilities measured at amortised cost

The net gain or net loss on financial assets (including cash and cash equivalents) is determined as interest revenue, plus or minus foreign exchange gains or losses arising from the revaluation of the financial asset and minus any impairment recognised in profit or loss as shown below.

	Consolidated	
	2014 $m	**2013** $m
Interest revenue (refer note 2)	10.2	18.4
Foreign exchange gain	8.3	16.1
Impairment loss (refer note 3)	(2.5)	(0.8)
Net gain on financial assets measured at amortised cost	**16.0**	**33.7**

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	
	2014 $m	**2013** $m
Interest expense (refer note 4)	45.8	35.8
Foreign exchange loss/(gain)	0.3	5.3
Net loss on financial liabilities measured at amortised cost	**46.1**	**41.1**

(e) Market risk

The group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (refer note 31(f)), commodity prices (refer note 31(g)) and interest rates (refer note 31(h)). The group is a party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in foreign exchange rates, commodity prices and interest rates. Reference should also be made to note 1(m) relating to derivative financial instruments. At a group level, market risk exposures are managed through sensitivity analysis and stress scenario analysis.

(f) Foreign currency risk management

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The group is exposed to foreign currency risk primarily through undertaking certain transactions denominated in foreign currency. A major source of foreign exchange transaction risk is as a result of obligations with overseas postal administrations which are invoiced in Special Drawing Rights (SDR) and settled in Euros (EUR) and United States dollars (USD). The SDR is a basket currency composed of fixed quantities of the four major traded currencies (USD, Japanese Yen, EUR and Pound Sterling). The composition of the basket is set by the International Monetary Fund. International mail receipts and payments are highly variable in amount and timing as well as being ongoing in nature.

The group operates foreign currency denominated bank accounts. Immaterial bank account balances are not included.

The carrying amount of monetary assets and monetary liabilities as at balance date is as follows:

	Consolidated	
	2014 (AUD) $m	**2013** (AUD) $m
Trade and other receivables	170.3	217.3
Trade and other payables	(57.3)	(59.6)
Cash on hand	1.5	1.6
Net exposure	**114.5**	**159.3**

Of the total $114.5 million of foreign currency denominated exposures, $111.8 million is SDR, $2.1 million is USD, $0.1 million is NZD, $0.4 million is GBP and $0.1 million is EUR (2013: Total of $159.3 million is $156.6 million of SDR, $1.6 million of USD, $0.5 million of NZD, $0.4 million is GBP and $0.2 million is EUR).

Other major sources of foreign exchange transaction risk are as a result of foreign sourced and priced capital equipment, purchases or sales in foreign currencies (including fuel purchases), commitments in respect to overseas jointly controlled entities and foreign currency bank accounts. Each foreign currency exposure, other than SDR, is measured and managed on an item by item basis and individual exposures over $500,000 are hedged through the use of forward currency contracts.

The group undertakes hedging strategies with respect to the SDR exposure. The strategies aim to mitigate the volatility experienced in the income statement caused by movements in the SDR/AUD exchange rate, through the use of forward exchange contracts, options and collars.

31 Financial and capital risk management (continued)

(f) Foreign currency risk management (continued)

Forward currency contracts

The following table details the forward currency contracts outstanding as at balance date.

	Consolidated			
	2014		2013	
	Average exchange rate	**Notional amount** (foreign currency) $m	**Average exchange rate**	**Notional amount** (foreign currency) $m
BUY USD				
0–6 months	0.911	12.6	0.985	25.4
7–12 months	0.859	0.1	0.947	6.7
12 months +	–	–	0.988	0.2
		12.7		**32.3**
BUY EUR				
0–6 months	0.697	31.6	0.723	84.3
7–12 months	0.680	7.4	–	–
over 12 months	0.675	6.3	–	–
		45.3		**84.3**
BUY GBP				
0–6 months	0.542	0.5	0.619	0.7
		0.5		**0.7**

All forward currency contracts (other than SDR) are entered into on the basis of known or projected exposures. The group has elected to adopt cash flow hedge accounting in respect of some of its foreign currency hedging activities. The fair value of forward currency contracts designated as hedging instruments is a net asset of $0.5 million (2013: net asset of $4.4 million) for the group. The portion of the gain or loss on the designated forward currency contracts that are determined to be effective hedges are deferred in other comprehensive income and will be recognised in the measurement of the underlying transaction.

As at balance date, the aggregate amount of unrealised gains/losses under forward currency contracts deferred in the hedging reserve related to contracted future payments for inventory and capital expenditure. It is anticipated that the payments will take place in the 12 months (2013: 12 months) after reporting date at which stage the amount deferred in equity will be included in the initial cost of the inventory and capital equipment. It is anticipated that the amounts in relation to inventory will impact the statement of comprehensive income over the next one year and amounts in relation to equipment capital expenditure will impact the statement of comprehensive income over the next 5 to 20 years after the assets are available for use.

Foreign currency sensitivity

The following table details the effect on profit after tax as at 30 June 2014 from a 11.5 per cent (2013: 15.7 per cent) favourable/unfavourable change in the Australian dollar with all other variables held constant. The sensitivity analyses below have been determined based on the exposure to foreign currencies from financial instruments at the reporting date.

The possible risk of 11.5 per cent is based on Australian Government Department of Finance guidance.

A positive number indicates an increase in profit after tax, while a negative number indicates a reduction in profit after tax.

31 Financial and capital risk management (continued)

(f) Foreign currency risk management (continued)

	Consolidated 2014 $m	Consolidated 2013 $m
Impact on profit after tax at reporting date, with all other variables held constant, of a:		
Strengthening of the Australian dollar from:		
Financial assets	(12.4)	(20.6)
Financial liabilities	4.1	5.7
	(8.3)	**(14.9)**
Weakening of the Australian dollar from:		
Financial assets	12.4	20.6
Financial liabilities	(4.1)	(5.7)
	8.3	**14.9**
Impact on other comprehensive income at reporting date, with all other variables held constant, of a:		
Strengthening of the Australian dollar from:		
Financial assets	(5.8)	(14.3)
	(5.8)	**(14.3)**
Weakening of the Australian dollar from:		
Financial assets	5.8	14.3
	5.8	**14.3**

The receivables and payables denominated in SDR, on which the sensitivity is shown in the table above, are not necessarily representative of the group's exposure to currency risk for the years ended 30 June 2013 and 30 June 2014. 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

Commodity price risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in commodity prices. The group's objective on commodity price risk management is to ensure that movements in commodity prices do not adversely affect operating costs. The group is exposed to commodity prices directly through the bulk purchase of fuel, and indirectly arising from contractual pricing mechanisms with third party providers. The risk is measured by reviewing forecast commodity exposures monthly and managed by entering into long term supply contracts, the use of fuel surcharges, and through the use of commodity swap and commodity option contracts. The hedging strategy is set annually as part of the planning process and the hedging activities are evaluated monthly.

There were fuel swap and option contracts in place during the years ended 30 June 2013 and 30 June 2014, which matured prior to reporting date and as such the sensitivity analysis on profit after tax and other comprehensive income as at 30 June 2013 and 30 June 2014 is not representative of the commodity price risk inherent in the use of fuel swap and fuel option contracts during the current and prior year. As at 30 June 2014, the corporation has hedged 100% of the direct fuel exposure for the financial year ending 30 June 2015 using a combination of fuel swaps and options.

The following table details the commodity contracts outstanding as at balance date.

	Consolidated 2014 Exposure amount (AUD) $m	Consolidated 2013 Exposure amount (AUD) $m
Buy Barrels		
0–6 months	13.7	12.6
7–12 months	13.7	12.6
	27.4	**25.2**

All fuel swap contracts and fuel option contracts are entered into on the basis of known or projected exposures. The group has elected to adopt cash flow hedge accounting in respect of some of its commodity hedging activities. The fair value of fuel swap contracts and fuel option contracts designated as hedging instruments is a net liability of $0.5 million (2013: asset of $1.4 million) for the group. The portion of the gain or loss on the designated fuel swap contracts and fuel option contracts that are determined to be effective hedges are deferred in other comprehensive income and will be recognised in the measurement of the underlying transaction.

As at balance date, the group's commodity cash flow hedges have been assessed as ineffective. As a result the total aggregate amount of unrealised gains or losses arising on each fuel swap contract and fuel option contract in place at 30 June 2014 has been transferred from the hedging reserve to the statement of comprehensive income.

31 Financial and capital risk management (continued)

(g) Commodity price risk management (continued)

Commodity price sensitivity

The following table details the effect on profit after tax and other comprehensive income as at 30 June 2014 from a 11.5 per cent (2013: 15.7 per cent) favourable/unfavourable change in the fuel price with all other variables held constant. The sensitivity analysis below have been determined based on the exposure to fuel from the group's fuel swap contracts and fuel option contracts entered into at the reporting date and unhedged direct exposures and the stipulated change taking place at the beginning of the financial year and being held constant throughout the reporting period.

A positive number indicates an increase in profit after tax, while a negative number indicates a reduction in profit after tax.

	Consolidated	
	2014 $m	**2013** $m
Impact on profit after tax at reporting date, with all other variables held constant, of a:		
Increase in fuel prices	2.0	2.9
Decrease in fuel prices	(2.0)	(2.9)

(h) Interest rate risk management

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The group is exposed to interest rate risk from interest-bearing cash and cash equivalent balances, held to maturity investments, receivables and payables, with the main exposure from bonds payable. The group's objective in managing interest rate risk is to minimise interest rate exposure by matching, as far as practical, the interest rate profile or re-pricing of investments (financial) and borrowings to achieve a natural hedge whilst ensuring that an appropriate level of flexibility exists to accommodate potential changes in funding requirements. Interest rate risk is measured by regularly reviewing the net exposure from interest-bearing assets and liabilities. The risk is managed by the use of interest rate swap contracts on the basis of known borrowing obligations.

The group's exposure to interest rate risks and the effective interest rates of interest-bearing financial assets and financial liabilities are set out below. Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until maturity of the instrument.

		Consolidated			
		2014		**2013**	
	Note	**Carrying amount** $m	**Weighted average effective interest rate** %	**Carrying amount** $m	**Weighted average effective interest rate** %
Financial assets					
Fixed rate					
Loans to joint venture	10	1.2	5.4	2.7	6.6
Floating rate					
Cash and cash equivalents		226.1	2.7	105.1	3.8
Financial liabilities					
Fixed rate					
Bonds payable	20	713.9	5.3	617.9	5.4
Interest rate swaps		(291.3)	5.5	(617.9)	5.4
Floating rate					
Interest rate swaps		279.9	4.1	604.8	4.8
Short term borrowings	20	–	–	15.0	2.9

Interest rate swap contracts

Under interest rate swap contracts the group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held.

31 Financial and capital risk management (continued)

(h) Interest rate risk management (continued)

The following table details the notional principal amounts and remaining terms of interest rate swap contracts as at balance date.

	Consolidated			
	2014		2013	
	Fixed interest rate %	Notional principal amount $m	Fixed interest rate %	Notional principal amount $m
Fixed for floating interest				
Within one year	–	–	5.25	325.0
From one year to five years	5.50	280.0	5.50	280.0
		280.0		**605.0**

During the year, the group had interest rate swap contracts which settled on a quarterly and six-monthly basis. The floating rate on the $280 million interest rate swaps is quarterly BBSW plus 131 basis points. The $325m bonds matured on 25 March 2014.

Interest rate swap contracts are designated as fair value hedges in respect of interest rates. The gain or loss from remeasuring the hedging instrument at fair value is recorded in profit or loss and to the extent that the hedge is effective, the carrying amount of the borrowing is adjusted by the gain or loss attributable to the hedged risk through profit or loss.

Interest rate sensitivity

The table below details the interest rate sensitivity analysis of the group at the reporting date, holding all other variables constant. A 60 basis point (2013: 120) change is used to quantify the possible risk based on Australian Government Department of Finance guidance. The sensitivity analysis below have been determined based on the exposure to interest rates from financial instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and being held constant throughout the reporting period.

A positive number indicates an increase in profit after tax, whilst a negative number indicates a reduction in profit after tax. There is no sensitivity on other comprehensive income.

	Consolidated	
	2014 $m	2013 $m
Impact on profit after tax at reporting date, with all other variables held constant of a:		
60 (2013: 120) basis point increase in interest rates	1.0	0.8
60 (2013: 120) basis point decrease in interest rates	(1.0)	(0.8)

The interest-bearing assets and liabilities on which the sensitivity is shown in the table above, are considered representative of the group's average interest rate exposure for the years ended 30 June 2013 and 30 June 2014.

31 Financial and capital risk management (continued)

(i) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. Counterparty exposure is measured as the total value of the exposures to all obligations of any single legal or economic entity (eg. a group of companies). It is the group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The carrying amount of trade and other receivables reflects the maximum credit exposure when collateral held and other credit enhancements are not considered. Bank guarantees, parent company guarantees, directors personal guarantees, deposits, property mortgages and fixed or floating charges over assets are held in respect of receivable balances from some customers. In addition, receivable balances are monitored on an ongoing basis with the result that the exposure to bad debts is not significant. For the year ended 30 June 2014 the total value of collateral held amounts to $99.4 million (2013: $100.1 million).

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are high investment grade as rated by Standard & Poor's, bank counterparties are all rated A- or better (2013: A- or better) by Standard and Poor's and counterparty limits have been established and are endorsed annually by the board and reviewed regularly by the treasury group.

The credit risk on derivative financial instruments is managed using the principle of the APRA 'Current Exposure Method' as described in its guidance note AGN 112.2 which takes into account both the current credit exposure and the potential future credit exposure from derivative financial instruments.

The group has a credit exposure to third parties with respect to a finance lease arrangement for $59.8 million (2013: $59.4 million). This exposure is collateralised with US treasury notes or AAA rated securities.

Except as detailed in the following table, the carrying amount of financial assets recorded in the financial statements as summarised in Note 31(c), net of any allowances for losses, represents the group's maximum exposure to credit risk without taking account of any collateral held or other credit enhancements.

	Consolidated	
	2014 $m	**2013** $m
Maximum credit risk from financial assets and other credit exposures		
Drawn loans to joint venture[1]	1.2	2.7
Undrawn loan commitments to joint venture	–	0.8
Financial guarantee contracts[2]	59.8	59.4
Guarantees provided[3]	223.9	212.1

(1) The carrying amount of loans to joint venture differs from the maximum exposure to credit risk as a loan advanced to a joint venture is non-interest bearing and the loan carrying amount has been discounted under the effective interest method.

(2) Relates to undertakings by the group to make payments to third parties upon the failure of the intermediate counterparty to meet the terms of its contractual obligations.

(3) Relate to bank guarantees over projected workers' compensation claims liabilities provided by the group.

The consolidated entity's share of jointly controlled entities' contingent liabilities is $2.3 million (2013: $2.3 million).

31 Financial and capital risk management (continued)

(j) Liquidity risk management

Liquidity risk refers to the risk of encountering difficulties in meeting obligations associated with financial liabilities. Liquidity risk management is associated with ensuring that there are sufficient funds available to meet financial commitments in a timely manner and planning for unforeseen events which may curtail cash flows and cause pressure on liquidity. The group measures and manages liquidity risk by forecasting liquidity and funding requirements for the next three years as a minimum, which is reviewed annually by the board as part of the Treasury Strategy Paper, prepares and reviews a rolling daily cash forecast for the quarter on a daily basis and had access to undrawn revolving committed facilities of $400 million at the end of the reporting period (refer note 20).

Liquidity risk tables

The following tables detail the group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows based on the earliest date on which the group can be required to pay. The tables include both interest and principal cash flows. Where interest flows are floating rate, the undiscounted amount is derived from the interest rate curves at the end of the reporting period. For financial guarantee contracts and undrawn loan commitments, the maximum amount of the guarantee and undrawn loan commitment is allocated to the earliest period in which the guarantee or loan commitment can be called.

The tables also include cash outflows arising from derivative financial instruments. The tables have been drawn up based on the undiscounted net cash outflows on derivative instruments that settle on a net basis and the undiscounted gross cash outflows on those derivatives that require gross settlement. The amount disclosed has been determined by reference to the projected cash outflows illustrated by the yield or forward curves existing at reporting date.

	Consolidated					
	As at 30 June 2014 Contractual maturity (nominal cash flows)					
	On demand $m	Less than 1 year $m	1 to 2 years $m	2 to 5 years $m	Over 5 years $m	Total $m
Trade and other payables	–	575.1	–	–	–	**575.1**
Short term borrowings	–	–	–	–	–	**–**
Foreign currency exchange contracts	–	0.5	–	–	–	**0.5**
Fuel commodity swaps and options	–	1.0	–	–	–	**1.0**
Bonds payable	–	37.5	37.5	361.8	487.1	**923.9**
Interest rate swaps	–	(4.4)	(4.3)	(6.3)	–	**(15.0)**
Financial guarantee contracts[1]	–	64.6	–	–	–	**64.6**
Undrawn loan commitments to joint venture	–	–	–	–	–	**–**
	–	**674.3**	**33.2**	**355.5**	**487.1**	**1,550.1**

	Consolidated					
	As at 30 June 2013 Contractual maturity (nominal cash flows)					
	On demand $m	Less than 1 year $m	1 to 2 years $m	2 to 5 years $m	Over 5 years $m	Total $m
Trade and other payables	–	596.5	–	–	–	596.5
Short term borrowings	15.0	–	–	–	–	15.0
Foreign currency exchange contracts	–	–	–	–	–	–
Fuel commodity swaps and options	–	0.1	–	–	–	0.1
Bonds payable	–	357.5	15.4	310.8	–	683.7
Interest rate swaps	–	(7.8)	(3.4)	(5.9)	–	(17.1)
Financial guarantee contracts[1]	–	66.8	–	–	–	66.8
Undrawn loan commitments to joint venture	0.8	–	–	–	–	0.8
	15.8	**1,013.1**	**12.0**	**304.9**	**–**	**1,345.8**

(1) This represents the maximum amount that could be called on by the counterparty. The present value of this amount is $59.8 million (2013: $59.4 million).

31 Financial and capital risk management (continued)

(k) Fair value of financial assets and liabilities

The fair value of financial assets and financial liabilities is based on market observable prices (where a market exists) adjusted for the credit risk of the counterparty for financial assets or the credit risk of the group for financial liabilities. Where a market does not exist appropriate valuation techniques are applied maximising the use of relevant observable inputs, where market observable prices are not available.

Fair value of financial instruments not measured at fair value in the consolidated balance sheet

Except as detailed in the following table, the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated balance sheet approximates their fair value.

	Consolidated			
	2014 Carrying Amount $m	**Fair Value** $m	**2013 Carrying Amount** $m	**Fair Value** $m
Financial assets				
Loans to joint ventures	–	–	1.5	1.5
Financial liabilities				
Bonds payable	713.9	738.1	617.9	617.9

The financial assets and liabilities not measured at fair value in the consolidated balance sheet disclosed above are categorised as level 2 with the fair value of each financial asset and liability determined by discounting back the expected future cash flows using the applicable yield curve for assets and liabilities with similar risk and maturity profiles.

Fair value measurements recognised in the balance sheet

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable. Refer to note 1(hh) for fair value categories.

	Consolidated					
	2014			2013		
	Level 1 $m	**Level 2** $m	**Level 3** $m	**Level 1** $m	**Level 2** $m	**Level 3** $m
Financial assets at fair value through profit or loss						
Interest rate swaps	–	11.4	–	–	13.1	–
Fuel commodity swaps and options	–	0.5	–	–	1.5	–
Financial assets at fair value through OCI						
Foreign currency exchange contracts	–	1.0	–	–	4.4	–
Financial liabilities at fair value through profit or loss						
Interest rate swaps	–	–	–	–	–	–
Fuel commodity swaps and options	–	1.0	–	–	0.1	–
Financial liabilities at fair value through OCI						
Foreign currency exchange contracts	–	0.5	–	–	–	–

There were no transfers between level 1, 2 and 3 during the year to 30 June 2014 or 30 June 2013.

32 Leases

(i) Operating leases

The group leases a total of 866 properties. These are under operating leases with various occupancy terms that are due to expire in the next one to fifteen years. The leased property portfolio comprises 20 commercial, 297 industrial, 8 residential, 527 retail and 14 general sites. Leases generally provide the group with a right of renewal, at which time the commercial terms are renegotiated. Lease payments generally comprise a base amount plus an incremental contingent rental based on movements in the Consumer Price Index and reviews to market-based levels.

	Consolidated	
	2014 $m	**2013** $m
Minimum lease payments	221.1	155.8
Contingent rentals	2.1	1.4
Operating lease rentals (refer note 3)	**223.2**	**157.2**

Full details of the ageing of the group's operating lease commitments is contained in the schedule of commitments.

(ii) Finance lease receivable

The group has a finance lease receivable relating to the disposal in 1996–97 of the Sydney GPO heritage site under a 99 year lease. The agreement includes a seven-year rent-free period to the lessee, followed by a guaranteed minimum rental.

	Consolidated	
	2014 $m	**2013** $m
Reconciliation of minimum lease payments to lease receivable:		
Gross minimum finance lease rentals receivable	530.0	536.5
Finance lease revenue not yet recognised	(426.7)	(433.1)
Finance lease receivable (notes 6 and 10)	**103.3**	**103.4**
Minimum finance lease rentals receivable:		
– within one year	6.5	6.4
– from one year to five years	26.0	25.5
– over five years	497.5	504.6
Total	**530.0**	**536.5**

The lease commitments receivable at year-end equals the minimum lease payments, as there are no material contingent payments or unguaranteed residual value relating to this lease agreement.

33 Notes to the statement of cash flows

(a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand, promissory notes and floating rate notes. Cash and cash equivalents on hand at the end of the period as shown in the statement of cash flows are reconciled to the related items in the balance sheet as follows:

	Consolidated	
	2014 $m	**2013** $m
Cash on hand	418.6	292.9
Total cash and cash equivalents	**418.6**	**292.9**

(b) Reconciliation of net profit after tax to net cash provided by operating activities

	Consolidated	
	2014 $m	**2013** $m
Net profit for the year	**116.2**	**177.4**
Depreciation and amortisation	295.6	246.3
Changes in joint venture not received as dividends	(2.0)	(6.6)
Net revaluation (gain)/loss on investment property	(14.1)	(11.7)
Write-down of investments	–	0.5
Write-down of property, plant and equipment	8.6	7.9
Write-down of intangibles (including goodwill)	1.4	10.9
Write-down of receivables and inventory	11.6	10.4
Gain arising on acquisition of subsidiary	–	(44.9)
Net gain from sales of property, plant and equipment	(84.9)	(26.4)
Hedge ineffectiveness and other non cash finance costs	(2.2)	(3.5)
	214.0	182.9
Changes in assets and liabilities adjusted for the acquisition and disposal of businesses		
(Increase)/decrease in debtors	15.3	(10.3)
(Increase)/decrease in inventories	(9.0)	(3.1)
(Increase)/decrease in interest receivable	–	1.4
(Increase)/decrease in other current assets	(7.8)	(5.2)
(Increase)/decrease in deferred income tax asset	(29.7)	27.7
(Increase)/decrease in superannuation asset	107.2	44.7
Increase/(decrease) in creditors and other payables	10.1	(4.4)
Increase/(decrease) in accrued interest expenditure	(1.0)	(1.5)
Increase/(decrease) in advance receipts	8.5	5.3
Increase/(decrease) in employee entitlements	81.1	21.1
Increase/(decrease) in income tax payable	(55.4)	(11.6)
Increase/(decrease) in deferred income tax liability	12.2	25.1
	131.5	89.2
Net cash from operating activities	**461.7**	**449.5**

33 Notes to the statement of cash flows (continued)

(c) Details of the acquisition of controlled entities

Previous corresponding year

On 13 November 2012, the corporation acquired the remaining 50% of the issued share capital of AUX Investments Pty Ltd for a total consideration of $460.2 million.

Details of the preliminary fair values of assets and liabilities acquired and the goodwill arising on acquisition were disclosed in the 30 June 2013 annual report. In the period since 30 June 2013 and prior to 13 November 2013 management has concluded the accounting for the acquisition of AUX Investments Pty Ltd relating to tax balances acquired. The amendments reflect additional information on AUX Investment Pty Ltd's tax balances which was not available at the time of preparing the 30 June 2013 annual report. The following summarises the change in fair value of net assets to those reported at 30 June 2013:

	$m
Fair value of net assets acquired – 30 June 2013	(105.6)
Changes in fair value	
Increase in the fair value of deferred tax assets	5.7
Decrease in the fair value of deferred tax liabilities	9.5
Net increase in the fair value of assets and liabilities acquired on 13 November 2012	15.2
Adjusted fair value of net assets acquired – 30 June 2014	(90.4)
Movement in goodwill	
Goodwill reported at 30 June 2013	493.6
Decrease in goodwill as a result in the changes in fair value of net assets (refer to note 15)	(15.2)
Total Goodwill	478.4

34 Corporate Information

The financial statements of the Australia Post Consolidated Group for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the directors on 28 August 2014.

Australian Postal Corporation is a for-profit entity and a Government Business Enterprise (GBE) established pursuant to the *Postal Services Act 1975*, the existence of which is continued by section 12 of the *Australian Postal Corporation Act 1989*. The nature of the operations and principal activities of the group are outlined in the group's annual report.

Australia Post headquarters:

111 Bourke Street
Melbourne VIC 3000
Australia

35 Events after balance date

There are no matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the group, the result of those operations, or the state affairs of the group in future financial years.

Community service obligations

for the year ended 30 June 2014

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 2013–14. The actual result for each standard is outlined in the table below. The associated ANAO Audit Report is reproduced on pages 124 to 125.

Organisational arrangements

The ongoing focus on CSO compliance is maintained by Australia Post's Head of Board & Shareholder Liaison in its headquarters and nominated CSO representatives nationally.

CSO costs

There is a financial cost associated with meeting CSOs. That cost arises when the charge made for any mandated service does not recover the cost of its delivery. The cost is measured on a net basis (that is, after reduction of related revenue) and is funded by internal cross-subsidy within the letters service.

For 2013–14 (calculated on the avoidable cost methodology), CSO costs are estimated to be $203.5 million.

Performance standards

Standard	2013–14 performance
Lodgement	
10,000 street posting boxes	15,805^
Delivery timetables	
Same state	
Metro – next business day	Maintained
Metro to country – second business day	Maintained
Between country areas – second business day	Maintained
Interstate	
Metro to metro – second business day	Maintained
Between metro and country – third business day	Maintained
Between country areas – fourth business day	Maintained
On-time delivery	
94.0% of non-bulk letters	94.5%^
Access	
4,000 retail outlets (2,500 in rural and remote areas)	4,417^ (2,560^ in rural and remote areas)
Retail outlets located so that:	
– in metropolitan areas at least 90% of residences are within 2.5km of an outlet	93.4%^
– in non-metropolitan areas at least 85% of residences are within 7.5km of an outlet	88.8%^
Delivery frequency	
98.0% of delivery points to receive deliveries five days a week	98.8%^
99.7% of delivery points to receive deliveries no less than twice a week	99.9%^

^ Results as at 30 June 2014.

Auditor-General's report – performance standards

for the year ended 30 June 2014

Auditor-General for Australia

Australian National Audit Office

INDEPENDENT AUDITOR'S COMPLIANCE AUDIT REPORT

To the Minister for Communications

Report on the extent to which the Australian Postal Corporation has complied with the *Australian Postal Corporation (Performance Standards) Regulations 1998* for the year ended 30 June 2014

I have audited the Australian Postal Corporation's (the Corporation) compliance with the performance standards (the Performance Standards) prescribed in the *Australian Postal Corporation (Performance Standards) Regulations 1998*, (the Regulations), for the year ended 30 June 2014.

The Regulations require the Corporation to:

(a) service 98% of all postal delivery points daily (except on a Saturday, Sunday or public holiday) and 99.7% of all postal delivery points at least two days each 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 in Australia for postal articles (other than bulk mail) at each of its retail outlets and maintain at least 10,000 street posting boxes (Regulation 8); and

(d) maintain at least 4,000 retail outlets at which products or services can be purchased; locate at least 50% of the retail outlets in zones classified as rural or remote, and in any event, not fewer than 2,500 retail outlets; locate a retail outlet in a metropolitan area such that at least 90% of residences are within 2.5 kilometres of a retail outlet; and locate a retail outlet in a non-metropolitan zone such that at least 85% of residences are within 7.5 kilometres of a retail outlet (Regulation 9).

Respective Responsibilities

The directors of the Corporation are responsible for compliance with the Performance Standards.

My responsibility is to express a conclusion on compliance with the Performance Standards by the Corporation, in all material respects.

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

My audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the applicable Standard on Assurance Engagements ASAE 3100 *Compliance Engagements*, to provide reasonable assurance that the Corporation has complied with the Performance Standards. Accordingly, I have performed such tests and procedures as considered necessary in the circumstances.

My procedures included obtaining an understanding of the compliance measures and examining, on a test basis, evidence supporting the operation of these compliance measures. These procedures have been undertaken to form a conclusion whether, in all material respects, the Corporation has complied with the Performance Standards during the year ended 30 June 2014.

Inherent Limitations

Because of the inherent limitations of any compliance audit, it is possible that fraud, error or non compliance may occur and not be detected. An audit is not designed to detect all instances of non compliance with the Performance Standards, as an audit is not performed continuously throughout the year and the audit procedures performed in respect of compliance with the Performance Standards are undertaken on a test basis. The audit conclusion expressed in this report has been formed on the above basis.

Independence

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

Conclusion

In my opinion, the Australian Postal Corporation was, in all material respects, in compliance with the Performance Standards prescribed in the *Australian Postal Corporation (Performance Standards) Regulations 1998* during the year ended 30 June 2014.

Australian National Audit Office

Ian McPhee
Auditor-General

Canberra
28 August 2014

Domestic letter service monitor

for the year ended 30 June 2014

Level1, 290 Burwood Road
Hawthorn VIC 3122
Australia

t +61 3 8862 5900
f +61 3 9819 6401
e melbourne.au@tnsglobal.com
www.tnsglobal.com

22nd July 2014

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 2014 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 310,332 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 2014 the sample used by TNS Australia was consistent with the sample frame provided by Australia Post. The attached certification from Deloitte states that "nothing has come to our attention that would suggest that the results reported by TNS Australia for the year ended 30/06/2014 have not been calculated in accordance with the agreed business rules or do not fairly represent the performance of Australia Post's basic letter service for that period."

Results

For the year ended June 2014, the monitor showed that Australia Post delivered 94.5 per cent of all letters early or on time, and 98.5 per cent of letters were delivered on time or not more than one working day after your delivery undertakings.

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 2014 against the scope provided.

Yours faithfully,

Tania Kullmann
Managing Director
TNS

Margaret Persico
Director
TNS

Survey certification

for the year ended 30 June 2014

Deloitte.

Deloitte Touche Tohmatsu
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Tania Kullmann
Managing Director
TNS Australia Pty Ltd
Level 1, 290 Burwood Road
Hawthorn VIC 3122

21 July 2014

Independent Assurance Report on TNS Australia calculation of Australia Post Performance Metric for Basic Letters for the period 01 July 2013 to 30 June 2014

TNS Australia perform an external mail monitoring service covering basic (domestic) letters carried across the Australia Post Network for Australia Post within a defined set of parameters that have been agreed between Australia Post and TNS Australia.

TNS Australia's Responsibilities

The management of TNS Australia is responsible for the calculation and delivery of the performance metrics to Australia Post in accordance with the agreed business rules. This responsibility includes the design and operation of controls intended to monitor the accuracy of the calculation of the performance metrics.

Deloitte's Responsibilities

At the request of TNS Australia, Deloitte has re-performed the calculation of the delivery performance metric using the data output from the Computer Information System (CIS) in order to express a conclusion on whether, based on the work we have performed, anything comes to our attention to indicate that the calculations performed by TNS Australia have not, in all material respects, been calculated in accordance with the business rules set out in the agreement between TNS Australia and Australia Post dated 11 July 2013 and do not fairly represent the performance of Australia Post's basic letter service.

Our procedures were performed in accordance with Australian Standard on Assurance Engagements ASAE 3000, "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" in order to provide limited assurance as defined by that standard. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with ASAE 3000 and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an opinion providing reasonable assurance.

Considering the risk of material error, we planned and performed our procedures to obtain the information and explanations considered necessary to provide sufficient evidence to support our limited assurance conclusion. Key procedures included:

- Interviewing the process owners for the preparation of the Australia Post Performance Metrics
- An evaluation of the implementation of key controls used by management in the preparation of the Australia Post Performance Metrics

Deloitte

- Independent re-performance of the calculation of the delivery performance metric using data extracted from the CIS system
- Choosing a random sample of invalidated ('dudded') transactions, and obtaining supporting evidence to identify for those transactions in the sample, whether the process (as agreed to between TNS Australia and Australia Post) for 'dudding' transactions was adhered to.

Inherent Limitations

Because of the inherent limitations of any internal control structure it is possible that fraud, error, or non-compliance with the agreed business rules may occur and not be detected. Further, the internal control structure, within which the processes that we have reviewed operate, has not been reviewed and no opinion is expressed as to its effectiveness.

A review is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed are on a sample basis.

Any projection of the operation of the monitoring processes to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

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

Independence

In conducting our engagement, we have complied with the independence requirements of APES 110 Code of Ethics for Professional Accountants, issued by the Accounting Professional and Ethical Standards Board.

Use of report

This report has been prepared for distribution to TNS Australia in terms of our engagement letter dated 11 July 2013. We understand that a copy of this report will be provided to Australia Post by TNS Australia. We disclaim any assumption of responsibility for any reliance on this report to Australia Post or to any other persons or users, other than TNS Australia, or for any purpose other than that for which it was prepared.

Findings

The table below compares the national average of the delivery performance metric as calculated by TNS Australia and by Deloitte:

Type of Letter	TNS Australia figure	Deloitte figure
Basic	94.5 (±0.1)	94.5%

Conclusion

Based on the work performed, nothing has come to our attention that would suggest that the results reported by TNS Australia for the year ended 30 June 2014 have not been calculated in accordance with the agreed business rules or do not fairly represent the performance of Australia Post's basic letter service for that period.

Yours sincerely,

Kevin Nevrous
Partner
Deloitte Touche Tohmatsu

Reserved/non-reserved services

for the year ended 30 June 2014

	Consolidated					
	Reserved		Non-reserved		Total	
	$m	%	$m	%	$m	%
FY2014						
Revenue	1,771.2	27.8%	4,601.9	72.2%	6,373.1	100.0%
Expenditure	1,980.0	32.2%	4,170.1	67.8%	6,150.1	100.0%
Profit before interest, joint ventures and restructuring	**(208.8)**	**(93.6%)**	**431.8**	**282.4%**	**223.0**	**100.0%**
Restructuring	(33.8)	37.6%	(56.2)	62.4%	(90.0)	100.0%
Profit before interest and joint ventures	**(242.6)**	**(182.4%)**	**375.6**	**282.4%**	**133.0**	**100.0%**
Net Interest					(30.0)	100.0%
Share of jointly controlled entities profits					0	100.0%
					103.0	
Income tax expense					13.2	
Profit after income tax expense					**116.2**	

	Consolidated					
	Reserved		Non-reserved		Total	
	$m	%	$m	%	$m	%
FY2013						
Revenue	1,715.9	29.2%	4,158.9	70.8%	5,874.8	100.0%
Expenditure	1,913.8	33.9%	3,736.9	66.1%	5,650.7	100.0%
Profit before interest, joint ventures and restructuring	**(198.0)**	**(88.3%)**	**422.0**	**188.3%**	**224.1**	**100.0%**
Restructuring	–	–	–	–	–	–
Profit before interest and joint ventures	**(198.0)**	**(88.3%)**	**422.0**	**188.3%**	**224.1**	**100.0%**
Net Interest					(13.2)	100.0%
Share of jointly controlled entities profits					(0.2)	100.0%
					210.7	
Income tax expense					(33.3)	
Profit after income tax expense					**177.4**	

Statutory reporting requirements index

for the year ended 30 June 2014

Australia Post has reported in accordance with the requirements of the *Commonwealth Authorities and Companies Act 1997*, the *Public Governance, Performance and Accountability Act 2013*, the *Australian Postal Corporation Act 1989*, the *Freedom of Information Act 1982*, the *Work Health and Safety Act 2011*, the *Superannuation Benefits (Supervisory Mechanisms) Act 1990*, and the *Environment Protection and Biodiversity Conservation Act 1999*. This index shows where the relevant information can be found in the 2013–14 Annual Report.

Section	Subject	Location	Pages
Commonwealth Authorities and Companies Act 1997 – Schedule 1 reporting requirements			
s1(a)	Report of operations	Report of operations	1–41
		Financial report	54
		Statutory reporting requirements	134–138
s1(b)	Financial statements	Financial report	57–122
s1(c)	Financial statements	Financial report audit report	55–56
s2(3)	Directors' statement	Financial report	54
Public Governance, Performance and Accountability Act 2013			
s46(3)	Annual Report requirements	N/A – Rules are effective from 1 July 2014	
Australian Postal Corporation Act 1989 – general reporting requirements			
s43(a)	Statement of corporate objectives under the corporate plan	Statutory reporting requirements	134
s43(b)(i)	Overall strategies and policies under the corporate plan	Chairman's message	4
		Our business – About Australia Post	15
		Statutory reporting requirements	134
s43(b)(ii)	Performance indicators and targets under the corporate plan	Statutory reporting requirements	134
s43(c)	Assessment of extent to which objectives under s43(a) have been achieved	Chairman's message	4
		Managing Director & Group CEO's message	5
		Our business – Financial report	12–13
		Community service obligations	123
		Statutory reporting requirements	134
s43(d)	Strategies and policies relating to Community Service Obligations (CSOs)	Our business – About Australia Post	14
		Our performance – Postal Services	22
		Community service obligations	123
s43(e)	Directions by the Minister under s40(1)(CSOs)	N/A	
s43(f)	Assessment of appropriateness and adequacy of strategies and policies for CSOs	Our business – About Australia Post	14
		Our performance – Postal Services	22
s43(fa)	Performance standards relating to CSOs	Community service obligations	123
		Our business – About Australia Post	14
		Our performance – Postal Services	22
		Community service obligations	123
		Statistical summary	139–140
s43(g)(i)	Notifications by the Minister under s28 of the CAC Act (general policies of the Commonwealth)	Statutory reporting requirements	134
s43(g)(ii)	Directions by the Minister under s49 of the APC Act (public interest)	N/A	
s43(h)(i)	Impact of Ministerial notifications under s28 of the CAC Act and directions under s49 of the APC Act	Statutory reporting requirements	134
s.43(h)(ii)	Impact of other government obligations	Statutory reporting requirements	134–137
s43(j)	Ministerial power under s33(3) to disapprove postage determinations	N/A	
s43(k)	Companies and other associations established or sold	Financial report	86–87, 122
s43(m)(i)&(ii)	Shares purchased and disposed of	Financial report	86–87, 122

Statutory reporting requirements index

for the year ended 30 June 2014

Section	Subject	Location	Pages
Australian Postal Corporation Act 1989 – general reporting requirements (continued)			
s43(m)(iii)	Subsidiaries	Financial report	86
s43(n)	Authority to open or examine the contents of postal articles	Statutory reporting requirements	137
s43(o)	Disclosure of information	Statutory reporting requirements	137–138
s44(a)	Financial targets	Statutory reporting requirements	134
s44(b)	Ministerial direction under s40(i) to vary the financial targets	N/A	
s44(c)	Progress in achieving the financial targets	Statutory reporting requirements	134
s44(d)	Dividend payable to the Commonwealth	Our business – Financial report	12–13
		Financial report	59–60, 98
		Statutory reporting requirements	134
		Australia Post – the statistics	139
s44(e)	Ministerial direction under s54(3) as to dividend	N/A	
s44(f)	Capital repaid to the Commonwealth	N/A	
s44(g)(i)	Cost impact of CSOs	Community service obligations	123
s44(g)(ii)	Cost impact of Ministerial notifications under s28 of CAC Act	N/A	
s44(g)(iii)	Cost impact of Ministerial directions under s49 of APC Act	N/A	
s44(g)(iv)	Cost impact of other government obligations	Statutory reporting requirements	134–135
s44(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			
s8(1)(a)(i)	Information on organisation and functions	Our business – About Australia Post	14–15
		Statutory reporting requirements	136
s8(1)(a)(ii)	Consultative arrangements	Statutory reporting requirements	136
s8(1)(a)(iii)	Categories of documents	Statutory reporting requirements	136
s8(1)(a) (iv)&(v)	Access to documents and initial inquiries	Statutory reporting requirements	137
Work Health and Safety Act 2011 – reporting requirements			
Sch. 2, s4(2)(a)	Health, safety and welfare initiatives	Statutory reporting requirements	135–136
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Statutory reporting requirements

for the year ended 30 June 2014

Introduction

Australia Post is subject to various statutory reporting requirements under the *Commonwealth Authorities and Companies Act 1997*, the *Public Governance, Performance and Accountability Act 2013*, the *Australian Postal Corporation Act 1989*, the *Freedom of Information Act 1982*, the *Work Health and Safety Act 2011*, the *Superannuation Benefits (Supervisory Mechanisms) Act 1990*, and the *Environment Protection and Biodiversity Conservation Act 1999*.

The index on pages 131 to 133 shows where the relevant information can be found in this annual report.

A number of matters are dealt with in the main body of the report. Others are covered below.

Legislation

The powers and functions of Australia Post are set out in Sections 14–19 of the *Australian Postal Corporation Act 1989* (the Act).

Indemnities and insurance premiums for directors and officers

Australia Post has in place a directors' and officers' liability insurance policy. The policy provides cover in respect of any person who is or was a director or officer of Australia Post, when acting in these capacities. Confidentiality requirements within the insurance contracts prohibit any additional disclosures.

Directors of Australia Post are also indemnified by the corporation to the extent permitted by law against any liability incurred in their capacity as a director.

Corporate plan

Each year, Australia Post provides a rolling four-year corporate plan. The 2013–14 plan and associated Statement of Corporate Intent were submitted to shareholder ministers in July 2013, detailing Australia Post's strategic direction under the Future Ready program.

Objective

Our primary objective is to provide high-quality, efficient services to the community. As much as possible, we will also generate dividends and enhance shareholder value.

Strategies

The corporation has retained three enterprise strategies, aimed at achieving volume growth and building platforms for future growth in a highly competitive environment. The strategies and their main programs of work are as follows:

1. Building a sustainable communications business, both physically and digitally:
   - Securing price rises on our letter services and promoting the strategic value of direct mail. Extracting costs from the letters business. Building an integrated digital and physical communications offer.
2. Offer government, business and financial trusted services for consumers, both physically and digitally:
   - Offering an expanded range of trusted services that consumers value and providing an expansive retail network that consumers want to use.
3. Building a world-class parcels business with excellence in service and performance:
   - Building a parcels network that meets our future needs and enhancing parcel products so it is easier for customers to do business with us. Helping small and medium businesses to get online, and establishing capabilities to grow profitability from international parcels.

Targets

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

- profit before tax of $100.5 million in the first year of the plan
- dividends paid of $100.4 million in the first year of the plan, based on the existing dividend policy.

Specific targets for 2013–14 and performance against these targets were as follows:

Performance indicator	Target	Performance
On-time letter delivery	94%	94.5%
Profit before tax	$100.5 million	$103.0 million
Shareholder return on equity	4.9%	6.7%
Ordinary dividend declared for 2013–14	$63.6 million	$78.8 million

Government policies

In February 2004, the Minister of Communications, Information Technology and the Arts provided formal notification under Section 28 of the *Commonwealth Authorities and Companies Act 1997* that the government's National Code for the Construction Industry and associated implementation guidelines were to apply to all construction-related activity undertaken by and on behalf of Australia Post. The notification has had no major impact on the corporation as Australia Post had, since their introduction in 1997, made compliance with the code and guidelines a condition of all of its construction related tenders.

Section 49 of the *Australian Postal Corporation Act 1989* empowers the Minister to give the board written directions in relation to the performance of Australia Post's functions as appear to be necessary in the public interest. No notification or direction has been issued under this provision.

Other government obligations

Administrative law

The cost of meeting Commonwealth administrative requirements in 2013–14 was estimated at approximately $1.5 million.

Postal Industry Ombudsman

During 2013–14 the PIO estimated the costs of investigating complaints relating to Australia Post to be $365,000.

Australian Competition and Consumer Commission record keeping

The cost of the regulatory audit and compliance with the ACCC's record-keeping rules in 2013–14 was estimated at $500,000.

Maintaining heritage properties

The cost of repairing and maintaining heritage-listed properties in 2013–14 was $2.5 million.

Medical/Educational Remote Area Parcel service

The Medical/Educational Remote Area Parcel service provides reduced postage rates for parcels containing health and educational material that are sent to and from people living in remote communities. In the 2013–14 reporting period, revenue foregone is estimated at $168,000.

Superannuation

All Australia Post employees are provided with superannuation benefits of at least the minimum required by law.

From 1 January 2012, Australia Post ceased to offer membership of the Australia Post Superannuation Scheme, which pays a lump sum defined benefit, to new employees engaged under a management contract of employment. From 1 July 2012, this decision was extended to all new employees. New employees may instead join a new default defined contribution superannuation fund, the Australia Post Superannuation Plan, or nominate a complying superannuation fund of their choice.

Work Health and Safety report

The following information is presented in accordance with the requirements of Schedule 2, Part 3 and Part 4 of the *Work Health and Safety Act 2011* (WHS Act 2011).

The Enterprise Safety Strategy focuses on the key safety and health risks to the business, being workers' health and wellbeing (health and fitness or preparedness for work), elimination of harm and care for people who may have been injured at work.

Ensuring a safe working environment is Australia Post's highest priority as we continue our journey towards zero injuries and zero tolerance of unsafe acts in our workplaces.

As one of Australia Post's culture pillars, safety is built into all of our recruitment and performance management practices. In this regard, having "the right people with the right behaviours using the right systems to achieve the right outcomes" is the strategic standard applied for selecting and assessing staff.

During the year, Australia Post undertook the following activities aimed at reducing the incidence of work-related injuries and illnesses and complying with WHS regulatory requirements. These included:

- refreshing our Health and Safety strategy, defining the five priorities that underpin our safety program of work:
  - lead and empower our people to live safely
  - develop and enhance safety systems that support the safety culture we are aiming to create
  - develop a continual learning approach to increase injury prevention
  - increase the visibility and relevance of our safety performance
  - encourage and support our people to care for their health and wellbeing both physically and psychologically
- commencing the rollout of the Safety Leadership cultural transformation initiative to 22 high-priority sites
- improving our safety operating model, moving safety advisors into business units to enhance their ability to coach and support our operational leaders
- extending our focused safety observation feedback program beyond delivery into other high-risk tasks
- conducting a detailed analysis into those incidents that had the potential to be serious injuries or fatalities in order to understand the common precursors to these situations and make changes to reduce the likelihood of occurrence in the future
- introducing Safety Huddles – engaging workgroups around safety messages specific to their workplace that they have developed themselves
- ensuring every influential meeting is opened with a Safety Moment, a shared safety story from one of the participants successfully frames safety as a significant point of consideration for any ensuing topics discussed
- educating our top 50 senior leaders on their obligations for leading safety under the WHS Act
- reviewing our safety performance measurement approach and gaining agreement to include lead indicators in future years
- expanding our Stop Think Do campaign, focusing the attention of employees on the need to reduce injuries that included a work stoppage and safety activities at all facilities
- conducting our third Safety Time where all teams stopped work for one hour during October to focus on hazard identification
- charging our state-based Safety Coalitions, which are comprised of Health and Safety Representatives (HSRs) and Safety Champions, with solving safety problems of national significance
- finalising our OHS Agreement between Australia Post and the Communications, Electrical and Plumbing Union (CEPU) and Community and Public Sector Union (CPSU), articulating our joint approach to consultation relating to safety
- gaining approval for our self-insurance license renewal at tier three for prevention, rehabilitation and claims management
- conducting national vertical slice OHS audits, along functional lines for seven audit sites in accordance with the Corporation's OHS Management System Quality Assurance (OHSMS QA) Program
- engaging an independent auditor to conduct Australia Post's national OHSMS QA Program audits in 2013–14
- continuing our national audit program to confirm compliance with the Australia Post Motorcycle Daily Pre-ride inspection program, utilising random and unannounced audits of sites nationally
- continuing emphasis on our initiatives to address incidents associated with manual handling, load shifting operations and use of motorcycles

Statutory reporting requirements

for the year ended 30 June 2014

- continuing to introduce new parcel sorting technology that will, over the next two years:
  - reduce manual handling in key parcel facilities by 50 per cent
  - reduce load shifting movements to as few as practical
  - enable safe maintenance with minimal use of using elevated work platforms for working at height and more ergonomic working postures
- obtaining reaccreditation of the Australia Post Health and Safety Representative course from Comcare
- advising contractors on safe work practices in accordance with WHS requirements
- continuing to implement Our Ethics policies and procedures to assist managers and employees to understand these issues – including provision of diagnostic tools to determine if a situation might be bullying and a guide for managers to assist in preventing and managing bullying
- continuing to implement the corporation's Employee Health and Wellbeing strategy, including confidential staff counselling services for our workers.

As a result of these and other initiatives, the corporation met the injury prevention performance targets of the Safety, Rehabilitation and Compensation Commission.

During the year:

- 71 incidents notified to Comcare under Section 38
- No seizures made under Section 175 or 176
- 5 improvement notices issued under Section 191
- No prohibition notices issued under Section 195
- 1 non-disturbance notice issued under Section 198
- No remedial action taken under Section 211 or 212
- No written undertakings accepted by Comcare under Section 216
- 4 applications for internal review made under Section 224
- 3 applications for external review made under Section 229
- No infringement notices given under Section 243
- No prosecution instituted under the Act.

Ten in-house and 10 public HSR training courses were run, with a total of 124 HSR and Deputy HSR participants trained. Six participants also attended the public One Day Refresher course.

Freedom of information report

In the year to 30 June 2014, Australia Post received 209 applications under the *Freedom of Information Act 1982*.

These were handled as follows:

Granted in full	108
Granted in part	26
Access refused	58
Withdrawn	11
On hand at 30 June 2014	6

Six applications for internal review were received during the year.

No additional costs were incurred in the handling of Freedom of Information requests and related responsibilities in 2013–14.

Freedom of Information Act, Section 8

The following information is presented in accordance with Section 8 of the *Freedom of Information Act 1982*.

Organisation and functions

Australia Post has a Melbourne-based headquarters, which is currently made up of strategic business units supported by a number of functional business units. There are also two joint ventures.

Consultative arrangements

Australia Post consults directly with major mail users, customers and various bodies to respond to customers' needs.

A joint Mailing Industry Advisory Committee operates with the Major Mail Users Association for the purpose of enhancing relationships between Australia Post and its major customers.

The Stakeholder Council provides a further external forum for discussing Australia Post's services and performance. The council's charter also includes a corporate responsibility role.

Australia Post also consults extensively with private mail users through local managers and customer contact services.

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

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

Categories of documents

The categories of documents maintained by Australia Post include those relating to:

- corporate organisation and administration
- Australia Post's financial management
- management of assets
- internal administration including policy development and program administration, reports, briefings, correspondence, minutes, submissions, statistics and other documents
- board submissions relating to the business of Australia Post
- reference material used by staff including guidelines and manuals
- working files
- legal advice.

The categories of documents listed above are maintained by Australia Post in a variety of formats. Some of these documents, along with information on Australia Post's organisation, structure and activities, can be obtained free of charge by accessing Australia Post's website at auspost.com.au

Access to documents

Access to documents under the Freedom of Information Act can be obtained by forwarding a written request to:

Freedom of Information Officer

Legal
Australia Post Headquarters
GPO Box 1777
MELBOURNE VIC 3001

Privacy and access to personal information

Under the *Privacy Act 1988* individuals have, subject to certain exceptions permitted by law, a right to request access to their personal information that is held by Commonwealth agencies and private-sector organisations.

Individuals may apply for access to their personal information held by Australia Post by writing to:

Privacy Manager

Risk & Compliance
Australia Post Headquarters
GPO Box 1777
MELBOURNE VIC 3001

Fraud control

Australia Post has in place an internal control framework which includes strategic, financial, operational and compliance elements designed to deter and detect instances of fraud. This framework is supported by a national fraud and corruption policy and the corporation's Our Ethics policy.

The corporation's Assurance Group comprises a number of specialist groups responsible for providing risk and compliance, audit, assurance, legal, and security and investigation services to Australia Post.

The Corporate Risk and Compliance group is responsible for an enterprise-wide approach to risk management, including identification, measurement and mitigation of business risks across all areas of the business. The framework and underpinning processes are consistent with the principles of the relevant standards.

The Internal Audit group applies a systematic risk-based control and governance methodology to review business operations and related systems, including policies and procedures, which make up the control environment.

The Security Group is a specialised internal group that provides security consultancy, crime analysis and investigative services to Australia Post. The Security Group works closely with law enforcement agencies both within Australia and internationally. There are a number of programs in place to manage risk and compliance in specific areas, including fraud.

Examination of mail

International mail

Australia Post is authorised under the *Australia Postal Corporation Act 1989* (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 of the Act to remove and open articles in excess of a particular weight, which Customs reasonably believes may contain certain drugs or other chemical compounds being carried in contravention of a law of the Commonwealth. Customs has also been authorised under Section 90FB (3) of the Act to act as an authorised examiner for the purpose of examining mail without opening it (i.e. by x-ray or with drug detection dogs).

Domestic mail

Quarantine inspection officers from a prescribed state or territory (i.e. Western Australia, Tasmania or Northern Territory) are authorised under section 90U of the Act to request Australia Post to open, for inspection, any article for delivery in that prescribed state or territory where the inspection officer has reasonable grounds to believe the item consists of, or contains, quarantine material.

Section 90UA authorises Australia Post to remove articles from the mail stream where it is suspected that the article consist of, or contain scam mail. Suspected scam mail may also be withdrawn from the mail upon receipt of a written request from a consumer protection agency.

In accordance with Section 90FB, Australia Post has appointed authorised examiners at designated locations where mail can be opened for inspection.

Authorised Australia Post staff may open undeliverable articles at approved locations for the purpose of identifying intended recipient 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 which have the legislative power to obtain such information. This includes instances relating to enforcement of the criminal law, the protection of the public revenue, the reduction of threats to life and notification of next of kin.

As required under Section 43 (o) (i) (ii) of the Act, Tables 1 and 2 overleaf, detail the number of times that such information was disclosed during the year and the authorities or bodies to which it was disclosed.

Statutory reporting requirements

for the year ended 30 June 2014

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 [s90J(3)]	15	Australian Customs Service (Federal), Australian Federal Police (Federal), Police (QLD), Police (VIC)
Disclosure under a law of the Commonwealth [s90J(5)]	5,614	Australian Commission for Law Enforcement Integrity, Australian Competition and Consumer Commission (Federal), Australian Crime Commission (Federal), Australian Customs Service (Federal), Australian Financial Security Authority (Federal), Australian Taxation Office (Federal), Centrelink (Federal), Child Support Agency (Federal), Department of Immigration and Border Protection (Federal), Medicare
Disclosures under certain laws establishing commissions [s90J(6)]	6	Crime Commission (NSW), Corruption Crime Commission (WA)

* There were no disclosures made under s90J (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 Australian Security Intelligence Organisation (ASIO) officer [s90K(4)]	19	Australian Security Intelligence Organisation (Federal)
Disclosure for the enforcement of laws or protection of public revenue [s90K(5)]	4,348	Australian Fisheries Management Authority (Federal), Australian Communications and Media Authority (Federal), Australian Federal Police (Federal), Australian Securities and Investments Commission (Federal), Civil Aviation Safety Authority (Federal), Consumer and Business Services (SA), Consumer Affairs Victoria (VIC), Corrections Victoria (VIC), Crime and Misconduct Commission (QLD), Crown Solicitor's Office (SA), Department of Agriculture, Fisheries and Forestry Australia, Department of Commerce (WA), Department of Defence (Federal), Department of Education, Employment and Workplace Relations, Department of Environment and Primary Industries (VIC), Department of Environment and Heritage Protection, Department of Foreign Affairs and Trade (Federal), Department of Health and Aged Care (Federal), Department of Justice (QLD), Department of Primary Industries (VIC), Department of Sustainability, Environment, Water, Population and Communities (Federal), Department of Transport (WA), Fair Trading (NSW), Fair Work Ombudsman, Independent Broad-based Anti-Corruption Commission, Police (NSW), Police (NT), Office of Environment and Heritage (NSW), Office of Fair Trading (QLD), Office of State Revenue (NSW), Office of State Revenue (QLD), Office of State Revenue (WA), Police Integrity Commission (NSW), Public Trustee (NSW), Police (QLD), Regional Illegal Dumping Squad (NSW), Residential Tenancies Authority (QLD), Revenue SA (SA), RSPCA (Federal), Sheriff's Office (SA), Police (SA), South Australia Police – Anti-Corruption Branch (SA), State Revenue Office (VIC), Police (TAS), Police (VIC), Police (WA), WorkCover Corporation (SA), WorkCover (NSW)

* There were no disclosures made under Section 90K (2) or (3).

Note: Commonwealth agencies, unless otherwise indicated.

Australia Post – the statistics

for the year ended 30 June 2014

1 Five-year statistical summary

	2009–10	2010–11	2011–12	2012–13	2013–14
Consolidated					
Revenue ($m)	4,856.2	4,986.5	5,126.2	5,893.2	6,383.3
Expenditure ($m)(1)	4,767.6	4,674.3	4,776.3	5,682.3	6,280.3
Profit before tax ($m)(1)	103.0	332.3	366.7	210.7	103.0
Total assets ($m)	3,915.2	4,135.1	4,175.8	4,401.5	4,651.2
Return on Average Operating Assets (%)(1)	3.8%	10.9%	11.5%	6.2%	3.4%
Community service obligations ($m)	147.7	144.7	165.2	173.9	203.5
Total taxes and government charges ($m)	448.5	436.2	369.3	447.3	494.2
Cash dividends paid ($m)	79.1	173.2	213.7	192.7	142.3
Operations(2)					
Full-time Employees (excludes casuals)	24,172	23,323	23,184	23,526	27,315
Part-time Employees (excludes casuals)	10,086	9,865	9,398	8,938	8,613
Number of corporate outlets	810	786	778	761	740
Number of licensed post offices(3)	2,963	2,948	2,934	2,924	2,915
Number of community postal agencies	642	685	716	744	762
Delivery points (m)	10.7	10.9	11.0	11.2	11.3

(1) The FY2012–13 balance has been restated as a result of changes to AASB 119 Employee Benefits commencing 1 July 2013. Years prior to 2012–13 have not been adjusted to reflect the changes as a result of this change in accounting standard.

(2) Australia Post corporation operations.

(3) Includes 29 franchised post offices.

2 Basic Postage Rate(4) (BPR) and consumer price index (CPI)

	2010	2011	2012	2013	2014
BPR cents	60	60	60	60	70
BPR concession cents	0	0	0	0	60
CPI all groups 8 capitals base 2011–12 = 100	95.8	99.2	100.4	102.8	105.9
Year-on-year change in BPR (%)	9.1%	0.0%	0.0%	0.0%	16.7%
Year-on-year change in CPI (%)	3.1%	3.6%	1.2%	2.4%	3.0%
Change in real postage (%)	6.0%	-3.6%	-1.2%	-2.4%	13.7%

(4) Postage rates applicable to standard letters carried within Australia by ordinary post.

3 Post offices at 30 June 2014

	NSW/ACT	VIC/TAS	QLD	WA	SA/NT	Total
Corporate offices						
1 July 2013	266	207	137	82	69	**761**
30 June 2014	264	204	130	79	63	**740**
Licensed post offices/franchises						
1 July 2013	881	962	468	295	318	**2,924**
30 June 2014	875	958	471	293	318	**2,915**
Community postal agencies						
1 July 2013	132	87	202	98	225	**744**
30 June 2014	140	94	198	100	230	**762**
Total outlets						
1 July 2013	1,279	1,256	807	475	612	**4,429**
30 June 2014	1,279	1,256	799	472	611	**4,417**

Australia Post – the statistics

for the year ended 30 June 2014

4 Post offices by state and geographic classification

Geographic[1] classification	NSW	ACT	VIC	QLD	SA	WA	TAS	NT	Oth Terr	Australia
Metro	611	52	520	268	175	181	41	9	0	1,857
Rural	566	2	515	364	275	157	150	8	0	2,037
Remote	53	0	19	167	53	136	6	87	2	523
	1,230	**54**	**1,054**	**799**	**503**	**474**	**197**	**104**	**2**	**4,417**

(1) Geographic Classifications use Department of Primary Industries and Energy (DPIE)/Human Services and Health (HSH) November 1994 Metropolitan, Rural Remote Areas Classifications by 1991 Census SLA.

Note: This table uses Geographic States, not Australia Post Administrative States.

5 Frequency of service to delivery points (% of total points at 30 June 2014)

Frequency per week	Metro Areas	Rural Areas	Remote Areas	Total
One	0.0	0.0	0.2	0.0
Two to four	0.1	4.0	5.8	1.2
Five or more	99.9	96.0	94.0	98.8
Total	**100.0**	**100.0**	**100.0**	**100.0**

6 Overall letter service performance

	2013–14	Qtr Ended 30/6/14	Qtr Ended 31/3/14	Qtr Ended 31/12/13	Qtr Ended 30/9/13
Per cent on time					
NSW	94.7	94.9	95.9	93.1	94.7
VIC	95.3	95.1	96.3	94.0	95.6
QLD	93.5	94.8	95.6	91.4	91.0
SA	94.9	96.1	95.4	94.2	93.3
WA	92.3	94.2	95.5	86.0	92.1
TAS	97.2	98.1	96.8	96.3	97.6
NT	92.4	93.6	93.6	92.3	89.7
ACT	95.2	95.6	95.9	94.2	95.0
National	**94.5**	**95.0**	**95.9**	**92.6**	**94.1**
Per cent + one day					
NSW	98.5	98.5	98.8	98.3	98.5
VIC	98.9	98.9	99.2	98.5	98.8
QLD	98.5	98.8	98.8	98.3	98.1
SA	98.2	98.5	98.5	97.9	97.9
WA	97.5	97.6	98.7	95.4	97.8
TAS	99.4	99.4	99.4	99.3	99.5
NT	98.1	98.3	97.9	98.3	97.5
ACT	98.8	98.6	99.0	98.7	98.8
National	**98.5**	**98.6**	**98.9**	**98.1**	**98.4**

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Glossary

balance sheet A statement of Australia Post's assets and liabilities and the amount of the Commonwealth Government's investment at the end of the financial year.

cashflow statement Shows the derivation of the corporation's cash resources during the financial year and its cash outlays.

CO_2-e There are six greenhouse gases that are converted to units of carbon dioxide to provide a more simplified measure. Collectively these are called carbon dioxide equivalents or CO_2-e.

commerce Activity involving the purchase and sale of goods and services.

community service obligations A set of legal obligations imposed on an enterprise to provide additional services to the community in which it operates. These are usually loss-making services based on human need or quality of life.

current assets Assets that are likely to be converted to cash within the next 12 months.

current liabilities Liabilities that are due and payable within the next 12 months.

digital communication Information that is transmitted electronically, through devices such as computers and mobile phones. Examples of digital communication include emails and text messaging.

digital economy The economy that derives from global economic and social connection and collaboration between individuals and businesses. This activity is made possible by the internet as well as mobile and sensor networks. A successful digital economy is essential for Australia's economic growth and our ability to maintain our international standing.

digital substitution The replacement of traditional forms of communication with those generated electronically – for example, replacing letters with email.

EBIT earnings before interest and taxes. A measure of profit that includes all expenses except interest and income tax expenses.

ecommerce Business activity based on electronic forms of communication such as online transactions.

equity The corporation's total capital and reserves plus profits that have been reinvested over the years.

hedging A risk-management strategy used to limit or offset a likely loss from fluctuations in the prices of currencies, commodities or securities.

marketplace The commercial realm of business, trade and economics.

multi-channel services Services whereby a customer uses a combination of means (or "channels") to complete a transaction – for example, government application forms accessed and completed online then printed and lodged in person at an Australia Post retail outlet.

non-current assets Assets that will be held for a long-term period.

non-current liabilities Liabilities that will be owed for a long-term period.

regulated services Includes reserved letter services and incoming overseas mail services, as defined in s32C of the *Australian Postal Corporation Act 1989*, that are provided under the Universal Postal Convention and the Letter Post Regulations.

reserved services Services reserved to Australia Post under Division 2, Part 3 of the *Australian Postal Corporation Act 1989*.

Scope 1 emissions Direct emissions generated by Australia Post through its use of gas or diesel and petrol.

Scope 2 emissions Direct emissions generated by Australia Post through its use of electricity.

Scope 3 emissions Indirect emissions generated by other organisations on Australia Post's behalf, for example, outsourced transport.

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

widget A relatively easy-to-use software application or component enabling users to access multiple functions in a simple, standalone format.

About this report

Reporting aims and rationale

Australia Post's 2014 Annual Report provides a detailed account of our financial, social and environmental performance. The purpose of the report is to communicate to our stakeholders our overall business performance and how we address and manage our social, environmental and economic issues and impacts.

To produce a report that is in line with best-practice, information is prepared according to legislative requirements, the GRI G3.1 Guidelines and Transport and Logistics Sector Supplement, and the principles of the UN Global Compact Initiative.

Target audience

Our annual report has been produced for our primary stakeholders: our people, our customers, our shareholder (the Australian Government) and the broader Australian community. However, the content would be of interest to a broader range of stakeholders including regulators, suppliers, industry bodies, community groups and non-government organisations, the media and key opinion leaders.

Reporting period

The information contained in this report covers the 2013–14 financial year. The previous 2013 annual report covered the 2012–13 financial year.

Report scope and boundary

The report covers the activities of the Australian Postal Corporation and its associated companies. Our licensees, franchisees, community postal agents and mail contractors fall outside the parameters of this report. However, we provide some information about them on pages 8, 10, 11, 14, 22, 25, 27, 35, 139.

In November 2012 Australia Post gained full ownership of StarTrack by acquiring Qantas' half-share of our joint venture business. This structural adjustment was reflected in information reported in the Australia Post Annual Report 2013, and coverage has been extended in the Australia Post Annual Report 2014 in line with the further integration of the two businesses.

In addition to operational highlights reported on pages 28–31, the scope of information reported on StarTrack in this year's annual report includes:

- all financial results for StarTrack – see pages 12, 13 and 53 to 122
- StarTrack's code of success (employee values) – see page 15
- StarTrack's employment profile (combined with Australia Post) – see page 35
- StarTrack's waste disposal, carbon and greenhouse gas emissions – see page 41.

Assurance process

Our assurance process includes the following activities:

- The Australia Post board Audit and Risk Committee checks the financial statements to ensure they are accurate and complete.
- Our financial statements and our performance against the prescribed performance standards set out under our Community Service Obligations are independently audited by the Australian National Audit Office.
- TNS Australia verifies the delivery performance of our domestic letters service and Deloitte Touche Tohmatsu independently assures TNC Australia's findings.
- Beca Pty Ltd provided full external assurance (statement on page 43) of all non-financial data contained in the report, including verifying and checking accuracy of data sources and associated commentary.
- Our carbon emission data is independently verified by Beca Pty Ltd.
- London Benchmarking Group assured our community investment data.

GRI application level

Our 2014 Annual Report has been self-declared and third-party checked in accordance with the GRI B+ application level. A summary GRI table is provided on page 42. Our full GRI table, UN Global Compact table and our disclosure on management approach are available on our website at auspost.com.au/annualreport2014

Copies of the report

The 2014 Annual Report and supporting documentation can be viewed online at auspost.com.au/annualreport2014 To order a printed copy of the report, email annual.report@auspost.com.au or phone 13 POST (13 7678).

Feedback

We'd like to hear your feedback so we can continue to improve our business, including how we report our performance. To provide feedback, visit auspost.com.au/annualreport2014 or email annual.report@auspost.com.au

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Awards

Established in 1950

Australia Post received a Gold award for its 2012–13 Annual Report at the 2014 Australasian Reporting Awards.

arawards.com.au

In November 2013 Australia Post won the Australian Human Resources Institute Award for Workplace Relations in recognition of our strategy to deliver Australia Post's first back-to-back enterprise agreement.

In April 2014 Australia Post was ranked 10th in the 2014 Randstad Award for the most attractive employer in Australia.

Commitment to external initiatives

Australia Post is an active supporter of leading national and international initiatives in sustainability and community investment.

A signatory since 2010.
unglobalcompact.org
thehub.ethics.org.au/ungc

A supporter since 2007.
earthhour.org

A partner since 2010.
climateinstitute.org.au

A member since 2009.
lbg-australia.com

Australia Post is an elected member of two governance councils – the Postal Operations Council and Council of Administration for a term from 2013 to 2016.
upu.int

Credits

Editor/project manager
Dianne Nguyen

Design
C&M because...

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