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

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	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

	Contributed equity	Asset revaluation reserve	Foreign currency translation reserve	Hedging reserve	Restated retained profits	Restated total equity
	Consolidated					
	$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.

Notes to and forming part of the financial report

for the year ended 30 June 2014

	Consolidated	
	2014 $m	**2013** $m
2 Revenues and other income		
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.

4 Finance costs

	Consolidated 2014 $m	Consolidated 2013 $m
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.

5 Income tax

	Consolidated 2014 $m	Consolidated Restated 2013 $m
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				
(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.

6 Current assets – trade and other receivables

	Consolidated	
	2014 $m	**2013** $m
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.

	Consolidated	
	2014 $m	**2013** $m
7 Current assets – inventories (held for sale)		
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.

	Consolidated	
	2014 $m	**2013** $m
8 Assets classified as held for sale		
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.

	Consolidated	
	2014 $m	**2013** $m
9 Other current assets		
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**

	Consolidated	
	2014 $m	**2013** $m
10 Non-current assets – trade and other receivables[(1)]		
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.

11 Investments in controlled entities

	Note	Country of Incorporation	% of equity held by immediate parent 2014 %	2013 %
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	2013 $m
12 Investments in joint ventures		
Carrying amounts of investments		
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 %	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	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
					Consolidated
	$m	$m	$m	$m	$m
14 Analysis of property, plant & equipment					
Reconciliation of the opening and closing balances of property, plant & equipment					
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	Buildings	Total land & buildings	Plant & equipment	Total
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

	Computer software $m	Goodwill $m	Brand names & trade marks $m	Customer relationships $m	Total intangibles $m
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).

16 Investment property	Consolidated 2014 $m	2013 $m
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.

17 Impairment testing of goodwill and indefinite-life intangibles	Consolidated 2014 $m	2013 $m
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

	2014 $m	2013 $m
Lease incentives	34.2	18.3
Other non-current payables	14.1	12.8
Total other non-current liabilities	**48.3**	**31.1**

23 Movements in retained profits

	Consolidated 2014 $m	Consolidated 2013 $m
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**

24 Analysis of reserves

	Consolidated			
	Asset revaluation reserve[1]	Foreign currency translation reserve[2]	Hedging reserve[3]	Total reserves
	$m	$m	$m	$m
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

	2014 $m	2013 $m
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

	2014 $m	2013 $m
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)

	2014 $	2013 $
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]	Superannuation[2]	At risk component[3]	Total reportable remuneration
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 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

TNS

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Australia

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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.

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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
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		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
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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
Sch. 2, s4(2)(b)	Health and safety outcomes	Statutory reporting requirements	135–136
Sch. 2, s4(2)(c)	Statistics requiring the giving of notice	Statutory reporting requirements	135–136
Sch. 2, s4(2)(d)&(e)	Details of investigations and other matters as prescribed	Statutory reporting requirements	135–136
Superannuation Benefits (Supervisory Mechanisms) Act 1990			
s6(1)(b)	Report on operation of superannuation arrangement	Statutory reporting requirements	135
Environment Protection and Biodiversity Conservation Act 1999			
s516A(3)(6)	Report on the implementation of the Ecologically Sustainable Development program within Australia Post, including social, economic, cultural and environmental performance	Our performance – Driving environmental change	39–41
Commonwealth Authorities (Annual Reporting) Orders 2011			
s10	Enabling legislation	Statutory reporting requirements	134
s11	Ministers responsible	Corporate governance	49
s12(a)	Any directions by responsible ministers under the enabling legislation	N/A	
s12(b)	General policies under s28 of the CAC Act which were notified before 1 July 2008 and continue to apply	Statutory reporting requirements	134
s12(c)	General policies under s48A of the CAC Act	N/A	
s13	Directors' information	Our business – Board and leadership team	16–17
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for the year ended 30 June 2014

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s14	Organisational structure:		
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		Our business – Board and leadership team	16–17
		Corporate governance	44–46
		Statutory reporting requirements	136
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		Australia Post – the statistics	139–140
	Statement on governance:	Corporate governance	44–52
	(a) Board committee details	Corporate governance	45–46
	(b) Directors' education and performance reviews	Corporate governance	45–47
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s15	Related entity transactions	Financial report	110
s16(a)	Significant events under s15 of CAC Act	Chairman's message	4
		Managing Director & Group CEO's message	5
		Our business – Financial report	12–13
s16(b)	Operational and financial results	Chairman's message	4
		Managing Director & Group CEO's message	5
		Our business – Financial report	12–13
s16(c)	Significant changes in affairs or principal activities	N/A	
s17(a)	Judicial decisions and decisions of administrative tribunals	N/A	
s17(b)	Reports made by outside bodies	N/A	
S18	Obtaining information from subsidiaries	N/A	
s19	Indemnity and insurance premiums for officers	Statutory reporting requirements	134
s20(a)(i)	Significant changes in financial structure	N/A	
s20(a)(ii)	Events that may affect future operating results	N/A	
s20(b)	Dividends paid or recommended	Our business – Financial report	12–13
		Financial report	59–60, 98
		Statutory reporting requirements	134
		Australia Post – the statistics	139
s20(c)(i)	Community service obligations	Community service obligations	123
s20(c)(ii)	Community service obligations	Community service obligations	123
s21	Index of annual report requirements	Statutory reporting requirements index	131–133

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**