Financial and statutory reports

Contents

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

2014–15 Financial Statements

In our opinion:

(a) the accompanying financial statements for the year ended 30 June 2015:

- (i) present fairly the entity's financial position, financial performance and cash flows;
- (ii) comply with the accounting standards and any other requirements prescribed by the *Public Governance, Performance and Accountability Act 2013* and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (iii) have been prepared based on properly maintained financial records.

(b) at the date of this report, there are reasonable grounds to believe that the group 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
27 August 2015

A Fahour
Managing Director & Group CEO

Melbourne
27 August 2015

J Hopkins
Group Chief Financial Officer

Melbourne
27 August 2015

2014–15 Financial Report Certification

Prior to the adoption of the 2014–15 financial statements, the board received and considered a written statement from the Managing Director & Group CEO and Group Chief Financial Officer that in their opinion:

- the financial records of the corporation and the consolidated entity have been properly maintained;
- the statements comply with the accounting standards and any other requirements prescribed by the *Public Governance, Performance and Accountability Act 2013* and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* and present fairly the entity's financial position, financial performance and cash flows; and
- integrity of the financial statements is founded on a sound system of risk management and internal control which is operating effectively.

JV Stanhope
Chairman

Melbourne
27 August 2015

2014–15 Report of Operations

In the opinion of the directors, the requirements under section 46 of the *Public Governance and Performance Accountability Act 2013* 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 1–47) and in the statutory report (pages 115–122).

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

J V Stanhope
Chairman

Melbourne
27 August 2015

Financial statements audit report

Auditor-General for Australia

Australian National Audit Office

INDEPENDENT AUDITOR'S REPORT

To the Minister for Communications

I have audited the accompanying financial statements of the Australian Postal Corporation and its controlled entities for the year ended 30 June 2015, which comprise:

- Statement by the directors, Group chief executive officer and Group chief financial officer;
- Consolidated statement of comprehensive income;
- Consolidated balance sheet;
- Consolidated statement of changes in equity;
- Consolidated statement of cash flows;
- Schedule of commitments; and
- Notes to the financial statements.

The consolidated entity comprises the Australian Postal Corporation and the entities it controlled at the year's end or from time to time during the financial year.

Accountable Authority's Responsibility for the Financial Statements

The directors of the Australian Postal Corporation are responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards and the rules made under that Act. The directors are also responsible for such internal control as is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In the Note to the financial statements entitled 'About this report', the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's

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Email grant.hehir@anao.gov.au

judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Accountable Authority of the entity, as well as evaluating the overall presentation of the financial statements.

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

Independence

In conducting 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 statements of the Australian Postal Corporation and its controlled entities:

(a) comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*;

(b) present fairly the financial position of the Australian Postal Corporation and its controlled entities as at 30 June 2015 and its financial performance and cash flows for the year then ended; and

(c) comply with International Financial Reporting Standards.

Australian National Audit Office

Grant Hehir
Auditor-General

Canberra
27 August 2015

Consolidated statement of comprehensive income

for the year ended 30 June 2015

Consolidated ($m)	Note	2015	2014
Revenue			
Goods and services	A2	6,252.5	6,210.3
Interest	A2	5.3	10.2
	A2	6,257.8	6,220.5
Other income			
Rents	A2	42.5	38.7
Other income and gains	A2	73.5	124.1
	A2	116.0	162.8
Total income	A1, A2	**6,373.8**	**6,383.3**
Expenses (excluding finance costs)			
Employees	A3	2,784.2	2,865.1
Suppliers	A3	3,104.9	2,926.4
Depreciation and amortisation	A3	340.1	295.6
Other expenses	A3	465.7	153.0
Total expenses (excluding finance costs)	A3	**6,694.9**	**6,240.1**
(Loss)/profit before income tax, finance costs and share of net profits of joint venture		**(321.1)**	**143.2**
Finance costs	A3	(31.3)	(40.2)
Share of net profits of joint venture		0.3	–
(Loss)/profit before income tax		**(352.1)**	**103.0**
Income tax benefit/(expense)	A4	130.4	13.2
Net (loss)/profit for the year attributable to equity holders of Australian Postal Corporation		**(221.7)**	**116.2**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans	C3	531.1	156.2
Other items		–	0.3
Income tax on items that will not be reclassified to profit or loss	A4	(159.3)	(46.9)
Total items that will not be reclassified to profit or loss, net of tax		**371.8**	**109.6**
Items that may be reclassified subsequently to profit or loss			
Other items		(0.5)	(2.8)
Total items that may be reclassified to profit or loss, net of tax		**(0.5)**	**(2.8)**
Other comprehensive income for the year		**371.3**	**106.8**
Total comprehensive income for the year attributable to equity holders of Australian Postal Corporation		**149.6**	**223.0**

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

Consolidated balance sheet

as at 30 June 2015

Consolidated ($m)	Note	2015	2014
Assets			
Current assets			
Cash and cash equivalents	D1	415.1	418.6
Trade and other receivables	B1	483.4	513.1
Accrued revenues		158.4	141.4
Prepayments		97.6	114.3
Inventories		48.2	48.5
Other current assets		1.5	1.5
Total current assets		**1,204.2**	**1,237.4**
Non-current assets			
Finance lease receivable	E2	96.8	96.8
Net superannuation asset	C3	612.9	47.8
Property, plant and equipment	B2	1,595.3	1,607.2
Intangible assets	B3	938.9	1,112.7
Investment property	B5	200.0	192.1
Deferred tax assets	A4	413.5	333.2
Other non-current assets		31.6	24.0
Total non-current assets		**3,889.0**	**3,413.8**
Total assets		**5,093.2**	**4,651.2**
Liabilities			
Current liabilities			
Trade and other payables	B6	947.4	883.0
Employee provisions	C1	653.0	707.0
Other provisions	B7	58.9	60.1
Other current liabilities		18.4	19.9
Total current liabilities		**1,677.7**	**1,670.0**
Non-current liabilities			
Interest-bearing liabilities	D2	713.7	713.9
Employee provisions	C1	353.2	160.8
Other provisions	B7	54.0	70.2
Deferred tax liabilities	A4	320.7	225.3
Other non-current liabilities		61.6	48.3
Total non-current liabilities		**1,503.2**	**1,218.5**
Total liabilities		**3,180.9**	**2,888.5**
Net assets		**1,912.3**	**1,762.7**
Equity			
Contributed equity		400.0	400.0
Reserves		7.2	7.7
Retained profits		1,505.1	1,355.0
Parent interest		1,912.3	1,762.7
Total equity		**1,912.3**	**1,762.7**

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

Consolidated statement of changes in equity

for the year ended 30 June 2015

Consolidated ($m)	Contributed equity	Reserves	Retained profits	Total equity
Balance at 30 June 2013	**400.0**	**10.3**	**1,271.7**	**1,682.0**
Comprehensive income				
Profit for the year	–	–	116.2	116.2
Other comprehensive income	–	(3.7)	156.2	152.5
Tax on other comprehensive income	–	1.1	(46.8)	(45.7)
Total comprehensive income for the year	**–**	**(2.6)**	**225.6**	**223.0**
Transactions with owners				
Distribution to owners (refer to note A6)	–	–	(142.3)	(142.3)
Balance at 30 June 2014	**400.0**	**7.7**	**1,355.0**	**1,762.7**
Comprehensive income				
(Loss)/profit for the year	–	–	(221.7)	(221.7)
Other comprehensive income	–	(1.1)	531.1	530.0
Tax on other comprehensive income	–	0.6	(159.3)	(158.7)
Total comprehensive income for the year	**–**	**(0.5)**	**150.1**	**149.6**
Transactions with owners				
Distribution to owners (refer to note A6)	–	–	–	–
Balance at 30 June 2015	**400.0**	**7.2**	**1,505.1**	**1,912.3**

Ordinary shares are classified as equity. Reserves include Asset revaluation, Foreign currency translation and Hedging reserves.
This statement should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

for the year ended 30 June 2015

Consolidated ($m)	Note	2015	2014
Operating activities			
Cash received			
Goods and services		6,911.2	6,886.1
Interest		5.3	9.2
Total cash received		**6,916.5**	**6,895.3**
Cash used			
Employees		2,927.6	2,746.0
Suppliers		3,411.2	3,335.8
Financing costs		36.5	41.3
Income tax		14.7	59.7
Goods and services tax paid		247.8	250.8
Total cash used		**6,637.8**	**6,433.6**
Net cash from operating activities	A5	**278.7**	**461.7**
Investing activities			
Cash received			
Proceeds from sales of property, plant and equipment		66.6	240.1
Sundry items		1.1	4.3
Total cash received		**67.7**	**244.4**
Cash used			
Purchase for investment in controlled entities		7.9	–
Purchase of investment property		0.5	5.5
Purchase of property, plant and equipment		238.2	390.1
Purchase of intangibles		103.3	127.5
Total cash used		**349.9**	**523.1**
Net cash used by investing activities		**(282.2)**	**(278.7)**
Financing activities			
Cash received			
Proceeds from borrowings		–	425.0
Total cash received		**–**	**425.0**
Cash used			
Repayment of borrowings		–	340.0
Dividends paid		–	142.3
Total cash used		**–**	**482.3**
Net cash used by financing activities		**–**	**(57.3)**
Net increase/(decrease) in cash and cash equivalents		**(3.5)**	**125.7**
Cash and cash equivalents at beginning of the year		418.6	292.9
Cash and cash equivalents at end of the year		**415.1**	**418.6**

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

Schedule of commitments
as at 30 June 2015

Consolidated ($m)	2015	2014
By type		
Commitments receivable:		
Lease rental receivables	93.1	97.0
Sub-lease rental receivables	79.5	50.9
Goods and Services Tax (GST) recoverable on commitments	241.1	258.3
Total commitments receivable	**413.7**	**406.2**
Commitments payable:		
Capital commitments:		
Land and buildings	32.6	93.4
Plant and equipment	116.3	29.2
Other	0.5	–
Total capital commitments	**149.4**	**122.6**
Other commitments		
Operating leases	759.3	779.4
Other commitments[1]	2,141.9	2,440.8
Total other commitments	**2,901.2**	**3,220.2**
Total commitments payable	**3,050.6**	**3,342.8**
Net commitments	**2,636.9**	**2,936.6**
By maturity		
Commitments receivable:		
Within one year	134.1	124.6
From one to five years	224.7	225.6
Over five years	54.9	56.0
Total commitments receivable by maturity	**413.7**	**406.2**
Commitments payable:		
Capital commitments due:		
Within one year	76.6	122.6
From one to five years	72.8	–
Over five years	–	–
Total capital commitments	**149.4**	**122.6**
Operating lease commitments due:		
Within one year	158.3	144.5
From one to five years	388.6	406.6
Over five years	212.4	228.3
Total operating lease commitments	**759.3**	**779.4**
Other commitments due:		
Within one year	927.5	963.8
From one to five years	1,213.9	1,473.8
Over five years	0.5	3.2
Total other commitments	**2,141.9**	**2,440.8**
Total commitments payable by maturity	**3,050.6**	**3,342.8**
Net commitments	**2,636.9**	**2,936.6**

1 The majority of these commitments relate to carriage and delivery of letters and parcels by contractors of $1,243.3 million (2014: $1,647.5 million). The remainder of the balance relates to other contractual commitments for expenditure for property management, technology and other services.

This consolidated schedule is prepared in accordance with the requirements of the Public Governance, Performance and Accountability (Financial Reporting) Rule 2015 published by the Department of Finance.

Notes to the financial statements

for the year ended 30 June 2015

About this report

This section outlines the basis on which the Group's financial statements have been prepared, including discussion on any new accounting standards or Government rules that directly impact financial statement disclosure requirements. In this section, we also outline significant events and transactions that have occurred during the year impacting the Group's financial position and performance.

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. The nature of the operations and principal activities of Australia Post and its subsidiaries (referred to as 'the Group') are described in note A1 Segment information.

Australia Post headquarters:
111 Bourke Street
Melbourne VIC 3000
Australia

The consolidated general purpose financial statements of the group for the year ended 30 June 2015 were authorised for issue in accordance with a resolution of the directors on 27th August 2015.

The consolidated financial statements are general purpose financial statements which:

- is required by clause 1 (a) of Division 4 subsection 42 of the Public Governance Performance and Accountability Act 2013 (PGPA Act);
- has been prepared in accordance with the requirements of the PGPA Act for reporting periods ending on or after 1 July 2014, Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB);
- has 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;
- is presented in Australian dollars with all values rounded to the nearest million dollars ($' 000,000) unless otherwise stated;
- presents reclassified comparative information where required for consistency with the current year's presentation;
- adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 July 2014. Refer to note E6 for further details; and
- does not early adopt any Accounting Standards and Interpretations that have been issued or amended but are not yet effective. Refer to note E6 for further details.

Key judgements and estimates

In the process of applying the Group's accounting policies, management has made a number of judgements and applied estimates and assumptions to future events. Judgements and estimates which are material to the financial statements are found in the following notes:

A2	International mail revenue	Page 73
B4	Impairment	Page 81
B5	Investment property	Page 82
B6	Unearned postage revenue	Page 83
B7	Other provisions	Page 84
C1	Employee provisions	Page 85
C3	Post employment benefits	Page 89

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group. A list of controlled entities (subsidiaries) at year end is contained in note E1.

A subsidiary is an entity that the group controls. Control is deemed when the group is exposed 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.

Subsidiaries are consolidated from the date on which control is obtained through to the date on which control ceases. The acquisition of subsidiaries is accounted for using the acquisition method of accounting.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to align any inconsistent accounting policies that may exist.

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.

Foreign currency translation

The functional currency of the corporation and its Australian subsidiaries is Australian dollars.

The Group has one overseas subsidiary, as discussed in note E1. On consolidation, that entity's:

- assets and liabilities are translated into Australian dollars at the rate of exchange prevailing at the reporting date; and
- the statement of comprehensive income is translated at exchange rates prevailing at the dates of the transactions.

The exchange rate differences arising are recognised in other comprehensive income.

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.

Other accounting policies

Significant other accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

The notes to the financial statements

The notes to the financial statements include information which is required to understand the financial statements and is material and relevant to the operations, financial position and performance of the Group. Information is considered material and relevant if, for example:

- the amount in question is significant because of its size or nature;
- it is important for understanding the results of the Group;
- it helps explain the impact of significant changes in the Group, for example, acquisitions and restructuring activities;
- it relates to an aspect of the Group's operations that is important to its future performance.

The notes have been grouped into sections to help readers understand how the Australia Post strategy, as outlined in pages 1 to 47 of the Annual report, is reflected in the financial performance and position of the Group. These sections comprise:

- **Our financial performance:** Our enterprise strategy focuses on reforming our letter services, and extending and building on our parcel and retail & agency service offerings. Our financial performance section provides the key financial performance measures of these business areas, as well as group level financial metrics incorporating revenue, taxation, cash flow and dividends.
- **Our asset platform:** Delivery of our enterprise strategy requires optimising the use of our balance sheet including streamlining and integrating certain operations. Our asset platform section outlines the key operating assets owned and liabilities incurred by the Group.
- **Our people:** To support the execution of our enterprise strategy we must embed culture and align and engage our workforce. This requires us to invest in our people so that we may achieve an inclusive and capable workforce. This investment includes remuneration activities outlined in this section of the financial report.
- **Our funding structure and management of our risks:** the Group is exposed to a number of market risks. Our funding structure and management of our risks section sets out the strategies and practices the Group utilises to minimise the exposure to these risks in order to execute our enterprise strategy in a safe way, as well as outlining the current Group funding structure.
- **Other information:** This section includes mandatory disclosures required by Australian Accounting Standards and the Commonwealth Government's Public Governance, Performance and Accountability (Financial Reporting) Rule 2015, all of which Australia Post must comply with.

Significant changes in the current reporting period

The financial performance and position of the Group has been particularly affected by the following material items during the year ended 30 June 2015:

- Letters restructuring costs of $200.1 million, which mainly comprises of $190.0 million of voluntary redundancy costs associated with our Reform program;
- Asset write-offs & impairments of $214.1 million following a comprehensive review of the carrying value of assets of the group; and
- Remeasurement of the defined benefit superannuation net asset of $565.1 million following an independent actuarial reassessment at balance date.

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 of affairs of the Group in future financial years.

Our financial performance

This section analyses the financial performance of the Group and the Parcel Services, Retail & Agency Services and Mail Services segments for the year ended 30 June 2015. The focus is on business area performance, Group revenue streams, taxation and dividend performance. Certain operational expenses such as impairments are disclosed in the notes with the associated operating asset or liability in the Our asset platform section. Employee related expenses are disclosed in the Our people section.

A1 SEGMENT INFORMATION

The Group's operating segments are organised and managed based on the manner in which the product is sold and the nature of the services provided. The executive management committee (the chief operating decision makers) monitors the results of the business units separately for the purpose of making decisions about resource allocation and performance assessment.

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.

The previous Retail segment has been renamed to Retail & Agency Services in line with current internal reporting. In addition, certain products have been realigned to different segments in the current period to better reflect the way the business unit results are analysed internally. Comparatives have been restated for this change.

The following represents the primary segments the Group operates in:

Parcel Services
The processing and distribution of parcel and express products along with freight forwarding operations.

Mail Services
The collection, processing and distribution of mail items.

Retail and Agency Services
Providing services across identity, digital, receiver and agency service offerings, as well as the sale of financial and retail merchandise products.

Unallocated and eliminations
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 segment:

- Activities incidental to the group's core product and service offerings, principally those which generate rental income 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, impairment of assets as result of change in group strategies and divested operations;
- Expenses representing costs that are attributable to unallocated revenues;
- Assets including assets under construction, investment property, cash investments, held to maturity investments, superannuation assets, investment in joint ventures and deferred tax;
- Liabilities including interest bearing liabilities and deferred tax.

At balance date, the Group has $309.9 million (2014: $411.8 million) of assets under construction unallocated to the core operating segments that will ultimately benefit from this investment.

Intersegment revenue

A core function of the Group's Retail and Agency Services 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 & Agency Services, Mail and Parcel Services segments, equivalent to the market price paid to LPOs.

Geographical Segments

The Group primarily operates in Australia with no significant portion of assets or operations located outside of Australia.

Use of fair value accounting

The Group uses cost as the basis for valuing land and buildings, as outlined in note B2 to the financial statements. Were a fair value methodology to be applied to land and buildings, their net book value would be $1,556.1 million (2014: $1,642.9 million), and total segment assets would be as follows:

Consolidated ($m)	2015	2014
Parcel Services	2,042.9	2,113.7
Retail and Agency Services	668.6	670.6
Unallocated & Eliminations	1,991.4	1,379.4
Total	4,702.9	4,163.7
Mail Services	1,112.5	1,251.1
Total	**5,815.4**	**5,414.8**

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 properties 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. Refer to note B5 for further details.

A1 SEGMENT INFORMATION (CONTINUED)

The results of the Group's operating segments for the year ended 30 June are as follows:

2015 ($m)	Parcel Services	Retail & Agency Services	Unallocated & Eliminations	Total	Mail Services	Total
Revenue						
Revenue	3,207.0	1,012.3	74.3	**4,293.6**	2,074.9	**6,368.5**
Inter-segment revenue	–	478.8	(478.8)	**–**	–	**–**
Total segment revenue	3,207.0	1,491.1	(404.5)	**4,293.6**	2,074.9	**6,368.5**
Interest revenue						**5.3**
Consolidated revenue						**6,373.8**
Result						
Earnings before net interest and income tax expense (EBIT)[1]	238.7	157.3	(340.9)	**55.1**	(381.2)	**(326.1)**
Net interest						**(26.0)**
(Loss)/profit before tax						**(352.1)**
Income tax benefit/(expense)						**130.4**
Net (loss)/profit for the year						**(221.7)**
Assets						
Segment assets	1,846.3	577.0	1,225.5	**3,648.8**	828.9	**4,477.7**
Superannuation asset	–	–	612.9	**612.9**	–	**612.9**
Investment in joint venture	–	–	2.6	**2.6**	–	**2.6**
Total assets	1,846.3	577.0	1,841.0	**4,264.3**	828.9	**5,093.2**
Liabilities						
Segment liabilities	783.8	402.7	1,108.8	**2,295.3**	885.6	**3,180.9**
Total liabilities	783.8	402.7	1,108.8	**2,295.3**	885.6	**3,180.9**
Other Segment Information						
Capital expenditure	212.0	51.6	–	**263.6**	94.7	**358.3**
Impairment losses	–	–	214.1	**214.1**	–	**214.1**
Depreciation and amortisation expense	134.3	41.1	47.9	**223.3**	116.8	**340.1**

2014 ($m)	Parcel Services	Retail & Agency Services	Unallocated & Eliminations	Total	Mail Services	Total
Revenue						
Revenue	3,094.2	1,021.9	146.6	**4,262.7**	2,110.4	**6,373.1**
Inter-segment revenue	–	443.8	(443.8)	**–**	–	**–**
Total segment revenue	3,094.2	1,465.7	(297.2)	**4,262.7**	2,110.4	**6,373.1**
Interest revenue						**10.2**
Consolidated revenue						**6,383.3**
Result						
Earnings before net interest and income tax expense (EBIT)	309.4	152.7	21.4	**483.5**	(350.5)	**133.0**
Net interest						**(30.0)**
Profit before tax						**103.0**
Income tax benefit/(expense)						**13.2**
Net profit for the year						**116.2**
Assets						
Segment assets	1,874.7	566.8	1,227.2	**3,668.7**	932.9	**4,601.6**
Superannuation asset	–	–	47.8	**47.8**	–	**47.8**
Investment in joint venture	–	–	1.8	**1.8**	–	**1.8**
Total assets	1,874.7	566.8	1,276.8	**3,718.3**	932.9	**4,651.2**
Liabilities						
Segment liabilities	670.4	411.1	1,015.4	**2,096.9**	791.6	**2,888.5**
Total liabilities	670.4	411.1	1,015.4	**2,096.9**	791.6	**2,888.5**
Other Segment Information						
Capital expenditure	304.2	62.6	35.0	**401.8**	130.0	**531.8**
Depreciation and amortisation expense	115.4	34.9	23.2	**173.5**	122.1	**295.6**

1 The cost allocation methodology has been reviewed and updated during the year ended 30 June 2015 to reflect operational changes as the business and network continues to transform through significant investments made in our Parcels network. This has resulted in a shift of $104.0 million of costs from the Mail Services segment to the Parcel Services segment.

A2 REVENUE AND OTHER INCOME

Revenue and other income for the year

The components of revenue and other income for the year ended 30 June are as follows:

Consolidated ($m)	2015	2014
Rendering of services to:		
– Related entities[1]	178.0	173.5
– External entities[2]	5,790.6	5,747.8
	5,968.6	5,921.3
Sale of goods to external entities[2]	283.9	289.0
	6,252.5	6,210.3
Interest income from:		
– Cash and cash equivalents	5.3	9.1
– Loans and receivables	–	1.1
	5.3	10.2
Total revenue	**6,257.8**	**6,220.5**
Rents from operating leases	32.2	30.4
Income from investment property	10.3	8.3
	42.5	38.7
Net gain on disposal of land and buildings	43.3	86.0
Foreign exchange gains (net)	2.2	8.0
Change in fair value of investment property	7.4	14.1
Other services to entities	20.6	16.0
	73.5	124.1
Total other income	**116.0**	**162.8**
Total income	**6,373.8**	**6,383.3**

1 Related entities – related to the Commonwealth Government

2 External entities – not related to the Commonwealth Government

Recognition and measurement

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have passed to the buyer and the costs incurred or to be incurred 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.

Rendering of services

Revenue is recognised when the Group has the right to be compensated for services performed and the stage of completion can be reliably measured. It is recorded at the amount likely to be received for the provision of that service, usually set out on the invoice or contractually defined terms, excluding GST. Revenue is recognised on a commission basis where the Group acts as an agent rather than a principal in the transaction.

Interest revenue

Interest income is earned from the Group's financial assets that are measured at amortised cost, primarily cash within bank accounts. It 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 asset or a shorter period, where appropriate, to the net carrying amount of the financial asset.

Rental income

Income received from leasing Group–owned investment property to external parties under an operating lease arrangement is recorded 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.

Key Estimates: International mail revenue

The Group recognises an accrual for the amount of revenue earned from delivery of international mail where 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.

A3 EXPENSES

Expenses for the year

The components of expenses for the year ended 30 June are as follows:

Consolidated ($m)	2015	2014
Salaries and wages	2,264.8	2,233.0
Leave and other entitlements	226.9	240.8
Superannuation expense	182.6	311.0
Other employee expenses	109.8	80.3
Employee benefits expense	**2,784.2**	**2,865.1**
Purchase of services from external entities	2,664.5	2,498.8
Purchase of goods from external entities	230.0	201.5
Operating lease rentals	206.5	223.1
Investment property expenditure	3.9	3.0
Supplier–related expenses	**3,104.9**	**2,926.4**
Depreciation	197.7	174.2
Amortisation	142.4	121.4
Depreciation and amortisation	**340.1**	**295.6**
Write–down and impairment of assets:		
Receivables	12.9	2.5
Inventory	7.4	9.1
Property, plant & equipment	37.9	–
Computer software	81.8	0.6
Goodwill & other intangibles	60.8	0.9
Other	13.3	–
	214.1	13.1
Restructuring costs	200.1	90.0
Sundry expenses	51.5	49.9
Other expenses	**465.7**	**153.0**
Total expenses	**6,694.8**	**6,240.1**

The components of finance costs for the year ended 30 June are as follows:

Consolidated ($m)	2015	2014
Bonds	36.6	41.7
Interest rate swaps	(4.4)	(7.3)
Other	(0.9)	5.8
Total finance costs	**31.3**	**40.2**

Recognition and measurement

Employee benefits expense

Refer to note C1 and C3 for employee benefits accounting policies.

Operating lease rentals

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. Refer to note E2 for further discussion on specific operating leases entered into by the Group.

Depreciation and amortisation

Refer to notes B2 and B3 for depreciation and amortisation policy discussions respectively.

Impairment

Impairment expenses are recognised when the carrying amount of an asset or cash generating unit exceeds its recoverable value. Refer to note B4 for further discussion specifically around impairment of non–financial assets.

Restructuring costs

Refer to note B7 for restructuring–related accounting policies.

Financing costs

Finance costs are recognised as an expense as they are incurred, expect for certain interest charges attributable to major projects, for which interest is capitalised into the cost of the asset. Interest expense is calculated using the effective interest method.

Provisions, such as long service leave, are discounted to their present value. The impact of unwinding of discounted provisions and any changes in discount rate adjustments are also recognised in finance costs.

A4 TAXATION

Taxation performance for the year

The major components of tax expense are:

Consolidated ($m)	2015	2014
Statement of comprehensive income		
– current income tax charge	57.0	102.5
– adjustments for current income tax of previous years	(43.7)	(37.8)
– deferred income tax relating to origination and reversal of temporary differences	(162.4)	(100.9)
– adjustments for deferred income tax of previous years	18.7	23.0
Income tax (benefit)/expense reported in the statement of comprehensive income	**(130.4)**	**(13.2)**
Other comprehensive income		
Net remeasurements on defined benefit plans	159.3	46.9
Sundry items	(0.6)	(1.2)
Income tax expense reported in other comprehensive income	**158.7**	**45.7**
Tax reconciliation:		
(Loss)/Profit before income tax	(352.1)	103.0
At the Group's statutory income tax rate of 30% (2014: 30%)	(105.6)	30.9
Adjustments relating to prior years	(25.0)	(14.8)
Non assessable gain on pre-CGT assets	(3.5)	(24.0)
Recognition of carry forward capital losses	–	(6.2)
Sundry items	3.8	0.9
Income tax (benefit)/expense on (loss)/profit before tax	**(130.4)**	**(13.2)**

Recognition and measurement

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities, using tax rates and laws that are enacted or substantively enacted at reporting date.

Current income tax relating to items recognised directly in other comprehensive income is also recorded in other comprehensive income.

Deferred tax assets and liabilities

Deferred income tax is provided on 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 assets and liabilities are recognised on all deductible and taxable temporary differences respectively, except:

1. to the extent it is not probable that taxable profits will be available against which the deductible temporary difference can be utilised; or
2. where the temporary difference 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
3. where the temporary difference is associated with investments in subsidiaries, associates and joint ventures, to the extent that:
   a) the timing of the reversal of the taxable temporary difference can be controlled and it is probable that the taxable temporary difference will not reverse in the foreseeable future; or
   b) it is not probable that the deductible temporary difference will reverse in the foreseeable future or that taxable profit will not be available to utilise the deductible temporary difference.

Deferred tax assets are recognised on the carry-forward of unused tax credits and any unused tax losses only to the extent that it is probable that taxable profit will be available against which the carry-forward of unused tax credits and unused tax losses can be utilised.

Deferred tax asset balances are 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.

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

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

A4 TAXATION (CONTINUED)

Deferred income tax in the balance sheet relates to the following:

Consolidated ($m)	2015	2014
Accelerated depreciation	(9.6)	(23.2)
Accrued income and other	(62.4)	(70.8)
Intangibles	(24.2)	(47.0)
Research and development	(36.7)	(63.5)
Superannuation asset	(183.9)	(14.3)
Other	(3.9)	(6.5)
Deferred tax liabilities	**(320.7)**	**(225.3)**
Accrued and other payables	22.8	13.2
Capital losses	1.1	9.8
Provisions	362.5	278.7
Make good	12.0	16.2
Other	15.1	15.3
Deferred tax assets	**413.5**	**333.2**
Net deferred tax assets	**92.8**	**107.9**

Deferred income tax in the statement of comprehensive income relates to the following:

Provisions	(83.8)	(19.3)
Research & development	(26.8)	34.2
Intangibles	(22.8)	(5.3)
Accelerated depreciation	(13.6)	(36.7)
Accrued expenses and other payables	(9.6)	0.2
Accrued income and other receivables	(8.4)	(13.5)
Superannuation asset	10.2	(32.0)
Capital losses	8.7	(8.5)
Make good	4.2	0.4
Other	(1.8)	2.6
Deferred income tax expense	**(143.7)**	**(77.9)**

Tax consolidation

Australian Postal Corporation (the head entity) and its 100% owned Australian resident subsidiaries (members) formed an income tax consolidated group effective 1 July 2004. The head entity and members have entered into a tax sharing agreement which limits each members income tax liability to its contribution amount 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.

The head entity and members have also entered into a tax funding agreement which provides for the allocation of current taxes between the head entity and members of the tax consolidated group in accordance with their contribution to the actual tax payable by the head entity for the period. Deferred taxes are recognised by each entity in accordance with the principles of *AASB 112 Income Taxes* and *UIG 1052 Tax Consolidation Accounting*.

A5 CASH FLOWS

The reconciliation of net profit after tax to net cash provided by operating activities for the period ending 30 June is as follows:

Consolidated ($m)	2015	2014
Net (loss)/profit for the year	**(221.7)**	**116.2**
Depreciation and amortisation	340.1	295.6
Net revaluation (gain)/loss on investment property	(7.4)	(14.1)
Write-down of property, plant and equipment	37.9	8.6
Write-down of intangibles (including goodwill)	142.6	1.4
Write-down of receivables and inventory	20.3	11.6
Net gain from sales of property, plant and equipment	(47.0)	(84.9)
Sundry items	(1.4)	(4.2)
	485.1	214.0

Changes in assets and liabilities adjusted for the acquisition and disposal of businesses

(Increase)/decrease in assets:		
Receivables	16.3	15.3
Other current assets	(15.8)	(16.8)
Deferred income tax asset	(80.3)	(29.7)
Superannuation asset	(33.9)	107.2
Increase/(decrease) in liabilities:		
Creditors, other payables and accruals	55.8	17.6
Employee entitlements	137.9	81.1
Income tax payable	(0.8)	(55.4)
Deferred income tax liability	(63.9)	12.2
	15.3	131.5
Net cash from operating activities	**278.7**	**461.7**

Recognition and measurement

Cash and cash equivalents 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.

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.

A6 DIVIDENDS

The breakdown of dividends paid during the year ended 30 June is as follows:

Consolidated ($m)	2015	2014
Final ordinary dividend (from prior year results)	–	63.5
Interim ordinary dividend	–	78.8
Total dividends paid	**–**	**142.3**
Dividend not recognised as a liability	–	–

Our asset platform

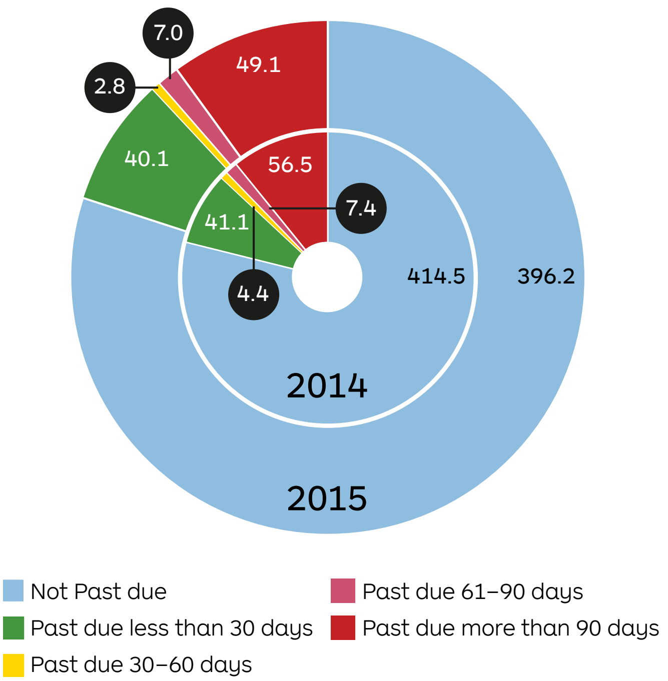
This section analyses the primary elements of our asset platform used to generate the Group's financial performance and operating liabilities incurred as a result. Employee related liabilities are discussed in note C1 and liabilities relating to financing activities are discussed in note D1. Deferred tax assets and liabilities are discussed in note A4.

B1 RECEIVABLES

The composition of trade and other receivables at 30 June is:

Consolidated ($m)	2015	2014
Trade receivables	486.6	507.4
Allowance for doubtful debts	(11.8)	(10.8)
	474.8	496.6
Other receivables	8.6	16.5
Total current trade and other receivables	**483.4**	**513.1**

Total current trade and other receivables are aged as follows ($m):



Recognition and measurement

Receivables for the sale of goods or performance of services (trade receivables) are recognised initially at the price on the invoice issued to the customer and subsequently at the amount considered receivable from the customer (amortised cost using the effective interest rate method) less any accumulated impairment.

These receivables are interest-free and for Australian customers, they normally have settlement terms of between 10 and 30 days, and for international customers, they are settled in accordance with Universal Postal Union (UPU) arrangements that may be longer than 30 days.

Analysis of ageing and recoverability

At 30 June 2015, no material receivables are individually determined to be impaired, with the total receivables determined to be impaired being $11.8 million (2014: $10.8 million). Overall, there have been no material movements in the allowance for doubtful debts during the year.

Refer to note D1 for further discussion on how the Group manages its credit risk and note A3 for the total write-down of receivables.

B2 PROPERTY, PLANT & EQUIPMENT

The reconciliation of the opening and closing balances of property, plant and equipment at 30 June is as follows:

Consolidated ($m)	Land	Buildings	Total land & buildings	Plant & equipment	Total
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)**
Sundry items[1]	(9.5)	1.6	(7.9)	(4.8)	**(12.7)**
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**
Additions	–	46.1	46.1	203.3	**249.4**
Depreciation	–	(59.9)	(59.9)	(137.8)	**(197.7)**
Disposals	(3.8)	(21.8)	(25.6)	(0.1)	**(25.7)**
Sundry items[1]	(2.1)	(3.9)	(6.0)	(31.9)	**(37.9)**
Gross book value	218.0	1,323.1	1,541.1	1,858.2	**3,399.3**
Accumulated depreciation	–	(707.2)	(707.2)	(1,096.8)	**(1,804.0)**
Net book value at 30 June 2015	**218.0**	**615.9**	**833.9**	**761.4**	**1,595.3**

1 Sundry items include revaluation decrements of ($2.1 million) (2014: $0.3 million), nil transfers to other asset classes (2014: $0.1 million) and investment properties (2014: ($4.5 million)), and impairment losses of ($35.8 million) (2014: ($8.6 million)).

Recognition and measurement

Property, plant and equipment assets are measured at the cost of the asset, less depreciation and impairment. The cost of the asset also includes the cost of replacing parts that are eligible for capitalisation, and the cost of major inspections. Where the replacement of part of an asset is considered significant, the Group recognises these as separate assets with specific useful lives. 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.

Depreciation

Property, plant and equipment assets, excluding land and any assets under construction, are depreciated to their estimated residual values over their estimated useful lives using the straight–line method of depreciation. Useful lives and methods are reviewed annually and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

A summary of the useful lives of property, plant equipment assets is as follows:

Asset	Useful Life
Buildings	General Post Offices: 70 years
	Other facilities: 40–50 years
Plant & equipment	Motor vehicles: 3–10 years
	Specialised plant & equipment: 10–20 years
	Leasehold improvements: lower of lease term and 10 years

Derecognition

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.

B3 INTANGIBLE ASSETS

The reconciliation of the opening and closing balances of intangible assets at 30 June are as follows:

Consolidated ($m)	Computer software	Goodwill	Brand names & trademarks	Customer relationships	Total intangibles
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**
Amortisation expense	(102.1)	–	(0.2)	(19.1)	**(121.4)**
Sundry items[1]	(4.3)	(16.1)	–	–	**(20.4)**
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**
Additions by purchase	103.8	–	–	–	**103.8**
Amortisation expense	(122.1)	–	(0.5)	(19.8)	**(142.4)**
Sundry items[1]	(78.7)	(9.0)	0.6	(48.1)	**(135.2)**
Gross book value	812.9	511.7	64.0	136.0	**1,524.6**
Accumulated amortisation	(480.0)	–	(1.2)	(104.5)	**(585.7)**
Net book value at 30 June 2015	**332.9**	**511.7**	**62.8**	**31.5**	**938.9**

1 Sundry items includes nil revaluation decrements (2014: ($15.2 million), nil transfers to other asset classes (2014: ($1.1 million), nil disposals (2014: $1.8 million), acquisition of subsidiary of $7.4 million (2014: nil) and impairment losses of $142.6 million (2014: ($2.3 million).

Recognition and measurement

Goodwill

Goodwill is initially measured at the excess of the aggregate consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Brand names, trademarks, computer software and customer relationships

Brand names, trademarks, computer software and customer relationships that are either 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. After initial recognition, intangible assets are measured at cost less amortisation and any impairment losses. Intangible assets with finite useful lives are tested for impairment whenever there is an indication of impairment while intangible assets with indefinite lives are tested for impairment in the same way as Goodwill, as discussed in note B4 Impairment of non-financial assets.

Derecognition

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.

Amortisation

Intangible assets with finite lives are amortised over their useful life. Amortisation is calculated on a straight-line basis over the anticipated useful lives. The amortisation period and the amortisation method for each intangible asset with a finite useful life is reviewed annually.

A summary of useful lives of intangible assets is as follows:

Asset	Useful Life
Computer Software	Finite between 4–8 years
Brand names & trademarks	P|StarTrack brand names: indefinite Others: finite not exceeding ten years
Customer relationships	Finite up to 7 years

P|StarTrack brand names are considered to have indefinite useful lives as they are not considered to have foreseeable brand maturity dates; accordingly they are not amortised and are carried at cost less accumulated impairment losses. These brand names are allocated to the P|StarTrack cash generating unit and subject to annual impairment testing.

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.

Goodwill and brand names with indefinite useful lives acquired through business combinations have been allocated to individual cash generating units (CGU's) as follows:

Consolidated ($m)	2015	2014
Goodwill – P|StarTrack	488.1	488.1
Goodwill – Other	23.6	32.6
Brand Names – P|StarTrack	61.3	61.3
	573.0	**582.0**

B4 IMPAIRMENT OF NON-FINANCIAL ASSETS

Assessing for impairment

The Group tests property, plant and equipment, intangibles and goodwill for impairment:

- at least annually for indefinite life intangibles and goodwill; and
- where there is an indication that the asset may be impaired (which is assessed at least each reporting date); or
- where there is an indication that previously recognised impairment (on an asset other than goodwill) may have changed.

If the asset does not generate independent cash inflows and its value in use cannot be estimated to be close to its fair value, the asset is tested for impairment as part of the CGU to which it belongs. Assets are impaired if their carrying value exceeds their recoverable amount. The recoverable amount of an asset or CGU is determined as the higher of its fair value less cost of disposal, or value in use. 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 calculations

The recoverable amount of all CGU's has been determined based on a value in use calculation using a discounted cash flow model. Cash flow forecasts are extracted from four year corporate plans approved by senior management and the Board. The corporate plans are developed annually with a four year outlook and, for the purpose of value in use calculations, are adjusted on the understanding that actual outcomes may differ from the assumptions used. The forecasts are extrapolated for a further one year and a terminal value applied based on group estimates, taking into consideration historical performance and that do not exceed the consensus forecasts of the long-term average growth rate for the industry of each CGU or asset.

A post-tax discount rate applicable to the specific CGU or asset has been applied. Discount rates used are based on the weighted average cost of capital determined by prevailing or benchmarked market inputs, risk adjusted where necessary. Other assumptions are determined with reference to external sources of information and use consistent, conservative estimates for variables such as terminal revenue growth rates. Increases in discount rates or changes in other key assumptions, such as operating conditions or financial performance, may cause the recoverable amounts to fall below carrying values.

Recognised impairment

The group has tested the following non-financial assets for impairment:

- Goodwill and indefinite life intangibles allocated to CGUs, in accordance with annual impairment testing (refer to note B3); and
- Customer relationship intangible assets for which impairment indicators have been identified.

Key assumptions and impairment testing results

The value in use calculations used to determine the recoverable amount of all CGUs includes 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% (2014: 3.0%). After this period a 2.0% - 3.0% (2014: 2.0%) revenue growth rate is applied. A post-tax discount rate applicable to each CGU has also been applied. These rates are between 7.5% - 9.8% (2014:8.7% - 8.9%).

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.

B5 INVESTMENT PROPERTY

Investment property as at 30 June is as follows:

Consolidated ($m)	2015	2014
Investment property	200.0	192.1

Investment property is held by the group primarily for leasing to third parties for rental return, as well as capital appreciation. Direct operating expenses of the investment properties are disclosed in note A3. Approximately 80% of the group's investment properties generate rental return. Rental income is disclosed in note A2.

Recognition and measurement

Investment property is measured initially at cost, including transaction costs. The cost of the asset also includes the cost of replacing parts that are eligible for capitalisation, but excludes the costs of day-to-day servicing.

Subsequent to initial recognition, investment property is measured at fair value, with gains or losses arising from changes in the fair value recognised in the statement of comprehensive income.

Derecognition

When investment properties are disposed of or permanently withdrawn from use and no future economic benefit is expected, they are derecognised with the difference between the net disposal proceeds and the carrying amount of the investment property recorded in the statement of comprehensive income.

Transfers

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 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. Where an investment property is reclassified to owner-occupied property, the deemed cost of the property for subsequent accounting is its fair value at the date of change in use.

Key estimates:

Valuation

At each period end, the Group reassesses the fair value of its investment property portfolio. This assessment is conducted by Savills Pty Ltd (Savills), an accredited, external and independent valuer. 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 2015 investment properties comprise only level 2 properties. Refer to note D4 for fair value categories. In addition, 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.

Classification

The classification of property as investment property requires management judgement, with the determination subject to change over time depending on how the property is being used by the Group. The Group has determined that these properties classified as investment property are held for the primary purposes of generating rental income or for capital appreciation. Where a property is also used for internal use, it is classified as an investment property where an insignificant portion of total floor space is occupied.

B6 PAYABLES

The components of payables at 30 June are as follows:

Consolidated ($m)	2015	2014
Trade creditors	445.8	340.0
Agency creditors[1]	104.0	150.9
Salaries and wages	56.9	104.1
Unearned postage revenue	57.9	59.4
Other advance receipts	146.4	124.2
Borrowing costs	4.5	4.7
Other payables	131.9	99.7
Total current trade and other payables	**947.4**	**883.0**

1 Non-interest bearing and normally settled on next business day terms

Recognition and measurement

Trade and other payables are carried at the amount owing to counterparties for goods and services provided, which is usually the invoice amount, and remain unpaid. Trade creditors includes both domestic and international non-interest bearing creditors. Domestic creditors are normally settled on 30-day terms, while international creditors are settled in accordance with Universal Postal Union (UPU) arrangements, which may be longer than 30 days. Salaries and wages are accrued for in accordance with note C1.

Unearned postage income arises where payment has been received from an external party, but the associated service has yet to be performed.

Other advance receipts is comprised predominantly of deferred revenue from post office boxes and bags which are rented out to the public, and advanced contributions to marketing and promotional activities.

Other payables includes amounts accrued for capital expenditure, GST obligations and other accruals of the group.

Key estimates: Unearned postage revenue

With respect to revenue generated from postage sales, an allowance is made at balance date where the service has not yet been provided. An actuarial valuation is undertaken every three years incorporating updates to key input assumptions, including changes to product mix and patterns of purchase and use. The actuarial valuation also makes certain assumptions including applying an average initial credit balance before each postage meter reset, constant postage meter usage between resets and that the timing of resets follows a reasonably random process for business customers. The provision is reassessed every six months and where necessary an update to the actuarial factors is made where a significant change in assumptions is observed.

B7 OTHER PROVISIONS

The Group's other provisions at 30 June are as follows:

Consolidated ($m)	Property make good provision	Surplus lease space provision	Other provision[1]	Total
Balance at 30 June 2013	**56.1**	**12.2**	**62.1**	**130.4**
– current provision	**1.6**	**4.2**	**34.2**	**40.0**
– non-current provision	**54.5**	**8.0**	**27.9**	**90.4**
Reassessments and additions	0.2	28.4	11.4	40.0
Unused amount reversed	(2.4)	(0.5)	(2.4)	(5.3)
Payments made	(1.7)	(3.6)	(31.6)	(36.9)
Unwinding and discount rate adjustment	1.9	0.2	–	2.1
Balance at 30 June 2014	**54.1**	**36.7**	**39.5**	**130.3**
– current provision	**0.3**	**20.3**	**39.5**	**60.1**
– non-current provision	**53.8**	**16.4**	**–**	**70.2**
Reassessments and additions	3.7	(4.2)	25.9	25.4
Unused amount reversed	(2.3)	(1.3)	(3.2)	(6.8)
Payments made	(1.4)	(0.4)	(27.8)	(29.6)
Unwinding and discount rate adjustment	(2.2)	(4.2)	–	(6.4)
Balance at 30 June 2015	**51.9**	**26.6**	**34.4**	**112.9**
– current provision	**12.4**	**12.1**	**34.4**	**58.9**
– non-current provision	**39.5**	**14.5**	**–**	**54.0**

1 Includes legal provisions of $24.7 million (2014: $8.1 million), onerous agreement provisions of $7.0 million (2014: $27.9 million) and other provisions of $2.7 million (2014: $3.0 million).

Recognition and measurement

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.

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.

Key estimates:

Surplus lease space provision

The surplus lease space provision represents 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.

Property make good provision

The property make good provision represents 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 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 expected timing of the make good cost is based on the expiry of each underlying individual lease agreement.

Our people

This section describes a range of employment and post employment benefits provided to our people.

C1 EMPLOYEE PROVISIONS

The components of employee provisions at 30 June are as follows:

Consolidated ($m)	2015	2014
Current provisions		
Employee provisions:		
Annual leave	178.9	180.3
Long service leave	349.2	365.8
Separations and redundancy[1]	42.1	80.1
Other employee	53.6	52.7
	623.8	678.9
Employee related provisions:		
Workers' compensation	29.2	28.1
Balance at 30 June	**653.0**	**707.0**
Non-current provisions		
Employee provisions:		
Long service leave	61.6	59.6
Separations and redundancy[1]	175.1	–
Other employee	4.9	–
	241.6	59.6
Employee related provisions:		
Workers' compensation	111.6	101.2
Balance at 30 June	**353.2**	**160.8**

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.

Recognition and measurement

Employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably. Refer to note E6 for the impact of changes to the discount factors applied to employee provisions.

Annual Leave

The liability for annual leave where the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting date is recognised in current provisions. Liabilities for benefits which are expected to be settled beyond 12 months are discounted to present value using market yields on corporate bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows, and recognised in current provisions.

Separation and redundancy

Restructuring provisions are recognised when the recognition criteria for provisions is fulfilled, and steps have been taken to implement a detailed plan and discussions with affected personnel have created a valid expectation that the restructuring is being carried out or the implementation has been initiated already.

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 key assumptions as below. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Key estimates:

The long service leave provision at balance date required management judgement and independent actuarial assessment of key assumptions including, but not limited to:

- future salaries and wages increases;
- future on-cost rates; and
- period of service and experience of employee departures.

Workers' compensation

The Group self-insures the majority of its liability for workers' compensation as a licence holder under the *Safety, Rehabilitation and Compensation Act 1988 (SRC Act)*.
A provision is recognised in the financial statements based on claims reported, and an estimate of claims incurred but not reported. The provision is measured using an actuarially determined method each balance date, with the estimate of present value taking into account key assumptions as below, as well as pay increases, attrition rates, interest rates and the time over which settlement is made.

The liability for workers' compensation at balance date includes $22.1 million claims made (2014: $23.8 million).

Key estimates:

The self-insured risk liability required management judgement and independent actuarial assessment of key assumptions including, but not limited to:

- future inflation;
- investment return;
- average claim size;
- claim development; and
- claim administration expenses.

C2 SENIOR EXECUTIVE AND DIRECTOR REMUNERATION AND RETIREMENT BENEFITS

This note has been prepared in accordance with the requirements of the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* and *AASB 124 Related Party Disclosures*.

For the purposes of this note, the Group has defined senior executives as those employees who report directly to the Managing Director & Group 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 this note.

Senior executive and director remuneration by category

Remuneration received directly or indirectly by senior executives and directors under an accrual basis for the year ended 30 June is as follows:

	Senior executives and directors	
Corporation and Consolidated ($)	**2015**	**2014**
Short-term employee benefits[1]	8,393,297	13,079,359
Post employment benefits	502,535	1,263,414
Other long-term benefits[2]	4,573,592	1,834,930
Total senior executive and director remuneration	**13,469,424**	**16,177,703**

1 Short-term employee benefits comprises wages, salaries, paid annual leave, bonuses (if payable within twelve months of the end of the period) and non-monetary benefits.

2 The 2015 total includes the cost of a new long-term incentive program implemented for a number of senior executives which requires performance against Board approved hurdles over a number of years.

Total number of senior executives and directors

The total number of senior executives and directors is disclosed below:

	Senior executives and directors	
Corporation and Consolidated (Number)	**2015**	**2014**
Senior executives	9	9
Directors	8	8
	17	17

Related party transactions

Transactions entered into directly by directors or director-related entities with the Australian Postal Corporation have been either domestic or trivial in nature.

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.

In 2013/14 the Group made a donation to a charitable foundation which is a director-related entity of the Managing Director & Group CEO.

C3 POST EMPLOYMENT BENEFITS

All employees are either entitled to benefits from the Group's defined benefit plan Australia Post Superannuation Scheme (APSS – the Fund) on retirement, disability or death or can direct the Group to make contributions to a defined contribution plan of their choice.

Defined benefit post employee benefits

The amount recognised in the statement of comprehensive income for the year ended 30 June is as follows:

Consolidated ($m)	2015	2014
Current service cost	190.6	214.3
Past service cost	(90.7)	(5.3)
Interest cost on benefit obligation	233.5	242.9
Interest income on plan assets	(237.7)	(237.2)
Plan expenses	12.6	13.1
Contributions tax reserve	16.9	37.9
Defined benefit superannuation expense	**125.2**	**265.7**

The reconciliation of the changes in the present value of the amounts recognised in the balance sheet at 30 June is as follows:

Changes in the present value of defined benefit obligation		
Opening defined benefit obligation at 1 July	6,921.4	6,530.9
Interest cost	233.5	242.9
Current service cost	190.6	214.3
Benefits paid and payable	(498.0)	(363.4)
Past service cost	(90.7)	(5.3)
Member contributions	120.7	110.1
Actuarial gain/(loss) due to changes in financial assumptions	(225.9)	49.6
Actuarial gain/(loss) due to changes in demographic assumptions	(6.9)	–
Other remeasurements	149.1	142.3
Closing defined benefit obligation at 30 June[1]	**6,793.8**	**6,921.4**
Changes in the fair value of the plan assets		
Opening fair value of plan assets at 1 July	6,962.0	6,529.5
Return on plan assets	459.7	324.7
Interest income on plan assets	237.7	237.2
Contributions by employer	159.1	158.9
Member contributions	120.7	110.1
Benefits paid and payable	(498.0)	(363.4)
Plan expenses	(12.6)	(13.1)
Contributions tax reserve	(21.9)	(21.9)
Fair value of plan assets at 30 June[1]	**7,406.7**	**6,962.0**
Amount recognised in other comprehensive income		
Remeasurements on liability	(83.7)	191.9
Return on plan assets excluding interest income	(459.7)	(324.7)
Contributions tax	12.3	(23.4)
Total amount to be recognised in other comprehensive income	**(531.1)**	**(156.2)**

1 Included in the obligation and plan assets above is $3,483.0m (2014: $3,235.5m) relating to member financed accumulated benefits.

Recognition and measurement

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yields of corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating the terms of the related obligation.

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. The past service cost for the period comprises a reduction in the defined benefit obligation due to changes to the APSS as announced in the prior financial year, and this is partly offset by a curtailment loss resulting from the Group's planned restructuring activities. 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.

C3 POST EMPLOYMENT BENEFITS (CONTINUED)

Categories of plan assets ($m)[1]

The fair value of total plan assets is as follows:

Consolidated ($m)	2015	2014
Active Market		
Cash	1,298.6	1,322.8
Equities	1,756.9	905.0
Debt	1,179.5	1,113.9
Inactive Market		
Equities and Debt	2,364.0	2,367.1
Real Estate	807.7	1,253.2
	7,406.7	**6,962.0**

1 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.

Amount recognised in the balance sheet

The amount recognised in the balance sheet as at 30 June is as follows:

Consolidated ($m)	2015	2014	2013	2012	2011
Present value of benefit obligation (wholly funded)	(6,793.8)	(6,921.4)	(6,530.9)	(6,322.1)	(5,584.7)
Fair value of plan assets	7,406.7	6,962.0	6,529.5	6,123.3	5,829.0
Contributions tax reserve	–	7.2	(0.2)	(35.1)	43.1
Net superannuation asset/(liability)[1]	612.9	47.8	(1.6)	(233.9)	287.4

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.

Superannuation plan

The Corporation is an employer sponsor of the APSS. In addition, certain employees of Star Track Express Pty Ltd, Post Super 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. On 30 June 2012 the Fund closed to new members.

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 the Deed of Modifications 1 to 14) was consolidated in September 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.

Funding arrangement 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 members savings) of $150.0 million for the year ended 30 June 2016.

As under the current arrangements, the Corporation can cease making contributions at any time to the APSS, the Corporation has no legal requirement to contribute to the APSS. As such, the Corporation does not currently have any minimum funding requirements in respect of the APSS.

Related party transactions

The Group performs administrative services on behalf of its Superannuation Fund APSS. These services are provided on normal commercial terms. Payment received by Australia Post for these services for year ended 30 June 2015 is $12.6 million (2014: $13.1 million).

Defined contribution post employment benefits

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.

Defined contribution post employment benefits are expensed by the Group as service is rendered by the Group's employees. The defined contributions superannuation expense recognised in respect of post employee benefits is as follows:

Consolidated ($m)	2015	2014
Defined contribution superannuation expense	57.4	45.3

Superannuation Act 1976

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. 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.

Management of the plan 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.

Key assumptions and sensitivities

The significant actuarial assumptions used in determining superannuation obligations for the Group's plan are shown below (expressed as weighted averages), as well as the sensitivity for each significant assumption:

			Sensitivity ($m)			
	Actuarial assumption (%)		Rate increase of 1%		Rate decrease of 1%	
Consolidated	2015	2014	2015	2014	2015	2014
Discount rate	**4.3**	3.5	**(235.9)**	(247.6)	**271.7**	291.6
Future inflationary salary increases (for year to 30 June 2015)	**2.0**	2.0	–	–	–	–
Future inflationary salary increases (the period thereafter)	**2.5**	2.5	**224.9**	206.1	**(195.8)**	(176.5)

The determination of the defined benefit obligation requires a number of other assumptions to be made regarding the future including the demographic profile of membership and level of benefits to be provided by the Fund.

Maturity profile

The duration of the liabilities is approximately 9.0 years (2014: 6.9 years), calculated using expected benefit payments on an accrual basis.

Our funding structure and management of our financial risks

As a result of its operations, the Group is exposed to multiple forms of risk. This note sets out the nature of the financial risks and their quantification & management. This section also sets out the strategies and practices the Group utilises to minimise the exposure to these risks in order to execute our enterprise strategy in a safe way, as well as outlining the current Group funding structure.

D1 CAPITAL 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 (2014: AA) from the independent ratings agency Standard & Poor's.

The capital structure of the Group (which has not changed from prior year) consists of debt, which comprises bonds payable and syndicated revolving committed facilities, a bank overdraft facility, cash and cash equivalents and equity attributable to equity holders of the Corporation, comprising contributed equity, reserves and retained profits. 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.

Financial instruments

The Group's principal financial instruments are set out in the following table:

Consolidated ($m)	2015	2014
Financial assets		
Cash and cash equivalents	415.1	418.6
Loans and receivables	738.7	751.8
Derivative instruments in designated hedge accounting relationships	13.7	12.9
Financial liabilities		
Financial liabilities at amortised cost	1,033.5	997.7
Financial liabilities held at fair value[1]	290.8	291.3
Derivative instruments in designated hedge accounting relationships	2.0	1.5

1 Designated in fair value hedge relationships at amortised cost and adjusted by the gain/(loss) attributable to interest rate risk.

Recognition and measurement

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.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 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 interest income in the statement of comprehensive income.

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.

Financial liabilities at fair value through profit or loss include those held for trading where they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments not designated as hedging instruments, whilst separate 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.

Borrowings are initially recorded at fair value less directly attributable transaction costs and subsequently at amortised cost using the effective interest rate method. They are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after balance sheet date.

Derecognition

A financial asset 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 transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. The Group evaluates to what extent it has retained the risks and rewards of ownership, as well as the Group's continuing involvement in the asset, which may require recognition of an associated liability. Assets or liabilities arising in this method are measured on a basis that reflects the rights and obligations that the Group has retained.

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.

Types of borrowings

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.

Net gain or loss from 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 ($m)	2015	2014
Interest revenue (refer note A2)	5.3	10.2
Foreign exchange gain	9.2	8.3
Impairment loss	(12.9)	(2.5)
Net gain from financial assets measured at amortised cost	**1.6**	**16.0**

The net gain or net loss from 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 ($m)	2015	2014
Interest expense	40.5	45.8
Foreign exchange loss	7.0	0.3
Net loss from financial liabilities measured at amortised cost	**47.5**	**46.1**

D2 MANAGING OUR FINANCIAL RISK

Financial risk management objectives

The Board reviews and agrees policies for managing the Group's financial risks. The main risks arising from the Group's financial instruments are credit risk, liquidity risk, interest rate risk and foreign currency risk. Exposure to commodity risk in relation to the bulk purchase of fuel and third party contract pricing mechanisms, managed through the use of hedging derivatives, is considered insignificant.

Credit risk

The Group makes sales on credit terms and therefore it is exposed to the risk that a customer may not repay their entire obligations in full as required. In addition to the above, the Group provides 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 contract. At 30 June, the maximum credit risk in respect to guarantees is as follows:

Consolidated ($m)	2015	2014
Financial guarantee contracts[1]	0.5	59.8
Guarantees provided[2]	222.2	223.9

1 Relates to credit exposure to third parties with respect to finance lease arrangements.

2 Relates to bank guarantees over projected workers' compensation claims liabilities provided by the Group.

Credit risk management: trade and other receivables

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures, including an assessment of their independent credit rating, financial position, past experience and industry reputation. In addition, individual receivable balances are monitored on an ongoing basis with the result that the exposure to bad debts is not significant.

Credit risk management: financial instruments

Counterparty limits are reviewed regularly by the treasury group with recommended limits endorsed by the Board. Investment of surplus funds are made only with approved high investment grade counterparties as rated by Standard & Poor's. Surplus funds invested with bank counterparties are all rated A- or better (2014: A- or better).

Accordingly, credit risk on derivative financial instruments is limited and managed using the principle of the Australian Prudential Regulation Authority 'Current Exposure Method' as described in its guidance note AGN 112.2, taking into account both current credit exposure and potential future credit exposure.

Liquidity risk management

Liquidity Risk is the risk that the Group will not be able to meet its obligations, such as the provisions and payables outlined in notes B7 and B6 respectively, when they fall due. The Group's liquidity risk management seeks to ensure that there are sufficient funds available to meet financial commitments in a timely manner and plan for unforeseen events which may 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. The treasury group also prepares and reviews a rolling daily cash forecast for the quarter to manage short-term liquidity requirements.

Financing facilities

The Group had the following financing facilities available throughout the financial year:

- for the period to 25 June 2015, 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 were available for draw down for a minimum of 30 days.
- for the period from 25 June 2015, a 3 year revolving committed facility of $200 million expiring 25 June 2018 and a 5 year revolving credit facility of $200 million expiring 25 June 2020, both of which were available for draw down for a minimum of 30 days.
- a bank overdraft facility of $15 million available for draw down and repayable on demand, as required.

Maturity of financial liabilities

The tables below detail the Group's remaining contractual maturity for its material non-derivative financial liabilities, as well as cash outflows arising from derivative financial instruments.

The table presents 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 table also includes cash outflows arising from derivative financial instruments, 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.

	Contractual maturity (nominal cash flows)					
Consolidated ($m)	On demand	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
As at 30 June 2015						
Trade and other payables	–	610.6	–	–	–	**610.6**
Bonds payable	–	37.5	317.5	66.4	464.9	**886.3**
Interest rate swaps	–	(4.3)	(6.3)	–	–	**(10.6)**
Financial guarantee contracts[1]	–	0.5	–	–	–	**0.5**
	–	**644.3**	**311.2**	**66.4**	**464.9**	**1,486.8**
As at 30 June 2014						
Trade and other payables	–	575.1	–	–	–	**575.1**
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**
	–	**672.8**	**33.2**	**355.5**	**487.1**	**1,548.6**

1 This represents the maximum amount that could be called on by the counterparty. The present value of this amount is $0.5 million (2014: $59.8million).

Interest rate risk management

The Group's objective in managing interest rate risk is to minimise interest rate exposure by matching asset and liability positions 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 wherein the Group agrees to exchange the difference between the fixed and floating rate interest amounts calculated on agreed notional principal amounts.

Exposure

The Group's primary exposure to interest rate risks of interest-bearing financial assets and financial liabilities is 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.

	Carrying amount	
Consolidated ($m)	2015	2014
Financial assets		
Cash and cash equivalents (floating rate)	249.6	226.1
Financial liabilities		
Bonds payable (fixed rate)	713.7	713.9
Interest rate swaps (fixed rate)	(290.8)	(291.3)
Interest rate swaps (floating rate)	279.6	279.9

Interest rate risk sensitivity

An interest rate sensitivity analysis of the Group at the reporting date has been performed, using a 40 basis point (2014: 60) change to quantify the possible risk based on Australian Government Department of Finance guidance and holding all other variables constant.

Using 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 period, the sensitivity analysis indicated that the impact on profit after tax at reporting date would be $0.6 million (2014: $1.0 million) increase/decrease in profit after tax.

Interest bearing liabilities

Included within the financial instruments table in note D1 is the consolidated borrowing position of the Group at 30 June, comprising the following fixed-rate unsecured bonds:

Consolidated ($m)	2015	2014
Payable in less than 1 year	–	–
Current loan liabilities	**–**	**–**
Payable in 1–5 years	290.8	291.3
Payable in over 5 years	422.9	422.6
Non-current loan liabilities	**713.7**	**713.9**

D2 MANAGING OUR FINANCIAL RISK (CONTINUED)

Foreign currency risk management

The Group has 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. For the Group, the requirement to settle in a foreign currency exposes it to the risk that future cash payment amounts may fluctuate due to changes in the foreign exchange rates. The Group undertakes hedging strategies with respect to the SDR exposure using forward exchange contracts, options & collars. These aim to mitigate the volatility experienced in the income statement caused by movements in the SDR/AUD exchange rate. Each foreign currency exposure, other than SDR, is measured and managed on an item by item basis and individual exposures over $0.5 million are hedged through the use of forward currency contracts.

Exposure

The carrying amount of monetary assets and monetary liabilities as at balance date is as follows:

Consolidated (AUD $m)	2015	2014
Trade and other receivables	154.7	170.3
Trade and other payables	(71.0)	(57.3)
Cash on hand	8.1	1.5
Net exposure	**91.8**	**114.5**

Of the total $91.8 million of foreign currency denominated exposures, $83.7 million is SDR, $6.9 million is USD, $0.1 million is NZD, $0.8 million is GBP and $0.3 million is EUR (2014: Total of $114.5 million is $111.8 million of SDR, $2.1 million of USD, $0.1 million of NZD, $0.4 million is GBP and $0.1 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) and foreign currency bank accounts.

Foreign currency sensitivity

The following table details the effect on profit after tax as at 30 June from a 10.9 per cent (2014: 11.5 per cent) favourable/unfavourable change in the Australian dollar based on Australian Government Department of Finance guidance 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. A positive number indicates an increase in profit after tax, while a negative number indicates a reduction in profit after tax.

Consolidated ($m)	2015	2014
Strengthening of the Australian dollar from:		
Financial assets	(15.3)	(12.4)
Financial liabilities	4.9	4.1
	(10.4)	**(8.3)**
Weakening of the Australian dollar from:		
Financial assets	15.3	12.4
Financial liabilities	(4.9)	(4.1)
	10.4	**8.3**
Impact on other comprehensive income at reporting date, with all other variables held constant, of a:		
Strengthening of the Australian dollar from:		
Financial assets	(7.9)	(5.8)
	(7.9)	**(5.8)**
Weakening of the Australian dollar from:		
Financial assets	7.9	5.8
	7.9	**5.8**

The receivables and payables denominated in SDR, for 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 2015 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.

D3 USING DERIVATIVES TO HEDGE RISK

Types of hedging instruments

The Group uses the following types of derivative financial instruments as part of its risk management strategy:

Interest rate swaps

Interest rate swaps are used to manage the exposure to interest rate movements arising from Group borrowings. Under interest rate swap contracts the group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held.

The following table details the notional principal amounts and remaining terms of fixed for floating interest rate swap contracts as at balance date.

Consolidated	Fixed interest rate %	Notional principal amount $m
2015		
From 1–5 years	5.5	280.0
2014		
From 1–5 years	5.5	280.0

During the year, the Group had interest rate swap contracts which settled on a quarterly basis. The floating rate on the $280 million interest rate swaps is quarterly BBSW plus 131 basis points.

Interest rate swap contracts are designated as fair value hedges in respect of interest rates. The gain or loss from remeasuring the hedging instrument at fair value is recorded in profit or loss and to the extent that the hedge is effective, the carrying amount of the borrowing is adjusted by the gain or loss attributable to the hedged risk through profit or loss.

Foreign currency derivatives

All foreign currency contracts are entered into on the basis of known or projected exposures. The Group has elected to adopt hedge accounting in respect of some of its foreign currency hedging exposures, excluding SDR. The fair value of foreign currency contracts designated as hedging instruments is a net asset of $0.4 million (2014: net asset of $0.5 million) for the Group.

The portion of the gain or loss on the designated forward currency contracts that are determined to be effective hedges is 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 foreign 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 mostly take place within 24 months (2014: 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.

The Group hedges its expected SDR revenue flows and has elected not to adopt hedge accounting on these contracts. The gain or loss from remeasuring these SDR contracts is recorded in profit and loss.

The following table details the foreign currency contracts outstanding as at balance date:

Consolidated	Average exchange rate	Notional amount (foreign currency) $m
2015		
BUY USD		
0–6 months	0.790	20.3
over 6 months	0.780	1.9
over 12 months	0.771	3.1
		25.3
BUY EUR		
0–6 months	0.681	10.5
over 12 months	0.676	25.7
		36.2
BUY GBP		
0–6 months	0.510	0.8
7–12 months	0.502	0.2
		1.0
BUY JPY		
0–6 months	93.638	140.1
over 12 months	89.507	2,382.2
		2,522.3
Sell SDR		
0–6 months	1.777	72.1
7–12 months	1.823	34.8
		106.9
2014		
BUY USD		
0–6 months	0.911	12.6
over 6 months	0.859	0.1
		12.7
BUY EUR		
0–6 months	0.697	31.6
7–12 months	0.680	7.4
over 12 months	0.675	6.3
		45.3
BUY GBP		
0–6 months	0.542	0.5
		0.5

D3 USING DERIVATIVES TO HEDGE RISK (CONTINUED)

Recognition and measurement of derivatives

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.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the statement of comprehensive income, except for derivatives designated in a cash flow hedge arrangements with the effective portion 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.

Derivative instruments are classified as current or non-current based on an assessment of the facts and circumstances pertaining to the derivative (i.e. the underlying contracted cash flows) and whether its designated in a hedge relationship.

Hedge accounting

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 their effectiveness.

Hedge accounting designations

Cash flow hedges

Used by the Group to 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.

For cash flow hedges, the portion of the gain or loss on the hedging instrument that is effective is recognised directly in equity, while the ineffective portion is recognised in profit or loss.

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

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

Fair value hedges

Used by the Group to hedge the exposure to changes in the fair value of a recognised asset or liability or unrecognised firm commitment.

The carrying value of the hedged item is adjusted for gains and losses attributable to the risk being hedged. The derivative is also remeasured to fair value, with the net gain or loss recognised in the statement of comprehensive income.

If the hedged item is a firm commitment (and therefore not recognised), the subsequent cumulative change in the fair value of the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. The changes in the fair value of the hedging instrument are also recognised in the statement of comprehensive income.

The Group discontinues fair value hedge accounting if the hedge instrument expires or is sold, is terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the group revokes the designation.

If the hedged item is a financial instrument for which the effective interest method is used, the accumulated changes in its carrying value are amortised to profit or loss over the remaining life of the instrument from the point at which hedge accounting is discontinued.

D4 FAIR VALUE MEASUREMENT

Fair value measurements recognised in the balance sheet

Except as detailed in the following table, the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated balance sheet approximates their fair value.

Consolidated ($m)	Carrying amount	Fair value
2015		
Financial assets		
Finance lease receivable	103.3	112.2
Financial liabilities		
Bonds payable	713.7	749.0
2014		
Financial assets		
Finance lease receivable	103.3	103.2
Financial liabilities		
Bonds payable	713.9	738.1

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 the expected future cash flows using the applicable yield curve for assets and liabilities with similar risk and maturity profiles.

All of the Group's derivatives are measured at fair value and are categorised as Level 2.

Valuation of financial instruments

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:

- 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; or
- 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.

Other information

This section includes additional financial information that is required by either accounting standards or the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015.*

E1 OUR SUBSIDIARIES

The below is a list of the Group's controlled entities, all of which are incorporated in Australia unless otherwise noted:

	% of entity held by immediate parent	
	2015	2014
AP International Holdings Pty Ltd[1]	100	100
Australia Post Digital MailBox Pty Ltd[4]	100	100
Australia Post Licensee Advisory Council Limited[5]	50	50
Australia Post Services Pty Ltd[6]	100	100
Australia Post Transaction Services Pty Ltd[2]	100	100
Australian Express Transport Pty Ltd[1]	100	100
Australian Express Freight Pty Ltd[1]	100	100
AUX Investments Pty Ltd[4]	100	100
corProcure Pty Ltd[1]	100	100
Decipha Pty Ltd[4]	100	100
Discount Freight Express Pty Ltd[1]	100	100
DFE Pty Ltd[1]	100	100
DFE Transport Pty Ltd[1]	100	100
Geospend Pty Ltd[1]	100	100
Lakewood Logistics Pty Ltd[1]	100	100
Mardarne Pty Ltd[1]	100	100
Multigroup Distribution Services Pty Ltd[1]	100	100
Our Neighbourhood Pty Ltd[1]	100	100
Our Neighbourhood Trust[7]	100	100
POLi Payments Pty Ltd[1]	100	–
Post Fulfilment Online Pty Ltd[1]	100	100
Post Logistics Australasia Pty Ltd[1]	100	100
Postcorp Developments Pty Ltd[1]	100	100
PostLogistics Pte Ltd[3]	100	100
SecurePay Holdings Pty Ltd[4]	100	100
SecurePay Pty Ltd[4]	100	100
Sprintpak Pty Ltd[1]	100	100
Star Track Couriers Pty Ltd[1]	100	100
Star Track Express Holdings Pty Ltd[4]	100	100
Star Track Express Investments Pty Ltd[4]	100	100
Star Track Express Pty Ltd[4]	100	100
Star Track Pty Ltd[1]	100	100
StarTrack Retail Pty Ltd[4]	100	100
Star Track Special Services Pty Ltd[1]	100	100

1 Small proprietary entity not required to prepare and lodge audited financial statements with Australian Securities and Investments Commission (ASIC).

2 Large proprietary company and is required to prepare and lodge audited financial statements with ASIC.

3 Entity incorporated in Hong Kong and not audited by the Australian National Audit Office.

4 Large proprietary company and has entered into a deed of cross guarantee with Australia Post Transaction Services Pty Ltd as the holding entity. Therefore, this entity is 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 Entity limited by guarantee required to prepare and lodge audited financial statements with ASIC. Australia Post owns 50% of the entity, controls the voting rights and has exposure to variability in returns and therefore consolidates 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. Small proprietary entity which holds an Australian Financial services licence and is required to prepare and lodge audited financial statements with ASIC.

7 Not-for-profit entity required to prepare and lodge audited financial statements with the Australian Charities and Not-for-profits Commission.

E2 LEASES

Recognition and measurement

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. The Group is party to both finance leases and operating leases. A finance lease transfers substantially all the risks and benefits incidental to ownership of the leased item, whereas an operating lease does not transfer substantially all these risks and rewards.

Below outlines the leases that the Group is party to where the underlying leased assets are not on the consolidated balance sheet.

Finance leases for assets the Group leases to third parties

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 included a seven-year rent-free period to the lessee, followed by a guaranteed minimum rental.

The reconciliation of minimum lease payments to lease receivable is as follows:

Consolidated ($m)	2015	2014
Gross minimum finance lease rentals receivable	529.8	536.3
Finance lease revenue not yet recognised	(426.5)	(433.0)
Total	**103.3**	**103.3**
Minimum finance lease rentals receivable:		
– within one year	6.5	6.5
– from one year to five years	26.0	26.0
– over five years	497.3	503.8
Total	**529.8**	**536.3**
Finance lease receivable[1]	103.3	103.3
• Current	6.5	6.5
• Non current	96.8	96.8

1 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.

Operating leases for assets the Group leases from external parties

The Group leases a total of 890 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 57 commercial, 300 industrial, 6 residential, 518 retail and 9 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 ($m)	2015	2014
Minimum lease payments	205.6	221.1
Contingent rentals	0.9	2.1
Operating lease rentals[1]	**206.5**	**223.1**

1 Full details of the ageing of the Group's operating lease commitments is contained in the schedule of commitments.

E3 AUSTRALIAN POSTAL CORPORATION

Corporation ($m)	2015	2014
Current assets	1,101.2	1,104.5
Total assets	4,937.0	4,397.0
Current liabilities	1,621.5	1,540.2
Total liabilities	3,038.6	2,715.2
Contributed equity	400.0	400.0
Retained profits	1,491.9	1,273.9
Asset revaluation reserve	7.5	7.5
Hedging reserve	(1.0)	0.4
Net Equity	**1,898.4**	**1,681.8**
Net (loss)/profit of the parent entity	(153.8)	133.3
Total comprehensive income of the parent entity	371.8	240.3

Australian Postal Corporation, which is the parent and controlling entity of the Australian Postal Corporation Group, also 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 $2.5 million (2014: $7.2 million);
- issued bank guarantees amounting to $150.3 million which represent guarantees supporting workers compensation self insurance licences in various jurisdictions;
- contractual obligations which relate to sub-lease rent receivables and operating lease receivables in the amount of $172.6 million (2014: $147.9 million). Capital commitments of the parent entity in relation to land and buildings and plant and equipment amount to $148.4 million (2014: $118.1 million); and
- operating lease commitments of $629.9 million (2014: $651.6 million) and other commitments relating to carriage and delivery of letters and parcels by contractors of $2,130.6 million (2014: $2,334.2 million).

E4 AUDITORS' REMUNERATION

The Corporation's auditor is the Australian National Audit Office who has retained Ernst & Young (Australia) to assist with the assignment.

Amounts received or due and receivable by the Corporation's auditors for the following:

Consolidated ($)	2015	2014
An audit or review of the financial statements of the entity and any other entity in the consolidated entity	1,655,000	1,596,500
– assurance related	195,000	190,000
– special audits required by regulators[1]	103,000	135,785
– other non-audit related[1]	236,200	600,970
Total auditors' remuneration	**2,189,200**	**2,523,255**

1 These services are performed by Ernst & Young (Australia) directly and include due diligence, governance, compliance and research services.

E5 CONTINGENCIES

The Group has the following contingent assets and liabilities as at 30 June 2015. 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.

Consolidated ($m)	Guarantees		Claims for damages or other costs		Total	
	2015	2014	2015	2014	2015	2014
Balance from previous period	223.9	212.1	7.2	3.5	231.1	215.6
New contingent liabilities recognised	3.3	6.1	59.4	7.3	62.7	13.4
Re-measurement	6.6	6.0	3.1	4.7	9.7	10.7
Liabilities realised	–	–	(24.9)	(6.6)	(24.9)	(6.6)
Rights expired	(11.6)	(0.3)	(6.3)	(1.7)	(17.9)	(2.0)
Total contingent liabilities	**222.2**	**223.9**	**38.5**	**7.2**	**260.7**	**231.1**
Balance from previous period	9.2	7.8	–	0.5	9.2	8.3
New contingent assets recognised	0.7	1.7	–	–	0.7	1.7
Assets realised	–	–	–	–	–	–
Rights expired	(0.6)	(0.3)	–	(0.5)	(0.6)	(0.8)
Total contingent assets	**9.3**	**9.2**	**–**	**–**	**9.3**	**9.2**
Net contingent liabilities	**212.9**	**214.7**	**38.5**	**7.2**	**251.4**	**221.9**

Recognition and measurement

Contingent liabilities and contingent assets arise when:

- there is sufficient uncertainty as to the existence of a liability or asset; or
- an existing liability or asset where settlement is not probable; or
- the amount of a liability or asset cannot be reliably measured.

They are not recognised in the balance sheet but are reported in the relevant schedules and notes. Contingent assets are disclosed when settlement is probable, and contingent liabilities are disclosed when settlement is considered remote.

Guarantees

Relate to non-financial guarantees, including bank guarantees over projected workers compensation claims liabilities arising from the Group's self insurance of its liability for workers' compensation as a licence holder under the Safety, Rehabilitation and Compensation Act 1988 (SRC Act).

Claims for damages or other costs

Arise from legal liability claims that have been lodged against the Corporation and subsidiaries, including motor vehicle accident and personal injury claims.

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. At 30 June 2015, there is no material contingent liability with respect to the Group's self insurance activities.

E6 OTHER ACCOUNTING POLICIES

a) Public Governance, Performance and Accountability (Financial Reporting) Rule 2015

The *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015 (Rule)*, which was made under the *Public Governance, Performance and Accountability Act 2013*, commenced on 1 July 2014. This rule sets out the minimum financial reporting requirements for all Commonwealth reporting entities in the preparation of their financial statements.

The key impact on the Group's financial statements from the introduction of the Rule is the alignment of key management personnel remuneration disclosure with the requirements of *AASB 124 Related Party Disclosures*.

b) Change in Accounting Estimate

During the reporting period, the Group of 100 and Actuaries Institute of Australia determined that Australia now has a sufficiently deep market in high quality corporate bonds, such that corporate bond rates can be used to discount long term employee obligations under *AASB 119 Employee Benefits*. As a result, the Group revised its estimates of the carrying value of long term employee benefits to use the market yields on corporate bonds as the discount factor.

To the extent that the change in accounting estimate gives rise to changes in the carrying value of the Group's employee benefit liabilities, this change has been recognised by adjusting the carrying amount. The impact of this change is as set out below.

Impact on the balance sheet

Corporation ($m)	2015
Annual leave provision	1.7
Long service leave provision	34.0
Net superannuation asset	347.2
Increase in net assets	**382.9**

As at reporting date, the effect of this change on future reporting periods has not been determined, as calculation of the amount is impracticable.

c) Exemption from the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*

Rule 25(2) of the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* requires the use of the market yield on Australian Government bonds to be referenced when determining a discount rate for employee benefit liabilities under *AASB 119 Employee Benefits*.

The Minister for Finance has granted an exemption from this requirement to for-profit Commonwealth entities and such entitites are instead required to use the market yield on high quality corporate bonds when discounting their employee benefit obligations.

Accordingly, the carrying values disclosed in notes C1 and C3 were determined using the corporate bond rates.

For comparative purposes, the carrying values of the Group's long term employee benefits when calculated with reference to the Australian Government bond rate set out below:

Corporation ($m)	2015
Net superannuation asset	265.7
Annual leave provision	179.6
Long service leave provision	444.8

d) Accounting for goods and services taxes

Revenues, expenditures and assets are recognised net of the amount of GST except:

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

e) 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. Where this is lower than cost, inventory impairment is recognised.

f) Current/Non-Current Classification

Assets are disclosed as current when they are expected to be converted to cash or receivable within 12 months of 30 June 2015. Liabilities are disclosed as current when they are due within 12 months of 30 June 2015.

E6 OTHER ACCOUNTING POLICIES (CONTINUED)

g) New and amended Australian Accounting 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 2014:

Reference	Description
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. There were no material change to the Group's financial statements from the initial application of this standard.
AASB 2014–1 Part A: Annual Improvements to IFRSs 2010–2012 Cycle	This standard sets out amendment to a number of IFRS including clarification of the definitions in IFRS 2 Share-based Payment and IAS 24 Related Party Disclosures, removing references to IAS 37 Provisions, Contingent Liabilities and Contingent Assets in IFRS 3 Business Combinations and requiring additional disclosures in IFRS 8 Operating Segments. There were no material change to the Group's financial statements from the initial application of these standards.
AASB 2014–1 Part A: 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. There were no material change to the Group's financial statements from the initial application of these standards.
AASB 2014–Part B Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)	AASB 2014–Part B makes amendments in relation to the requirements for contributions from employees or third parties that are set out in the formal terms of the benefit plan and linked to service. The amendments clarify that if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the related service is rendered, instead of attributing the contributions to the periods of service. There were no material change to the Group's financial statements from the initial application of this standard.

h) New and amended Australian Accounting Standards not yet adopted

The following standards, amendments to standards and interpretations are relevant to current operations but have not been applied by the Group in this financial statements.

Reference	Title	Nature of change to accounting policy	Application date of standard	Application date for Group
AASB 9	Financial Instruments	Amendments to AASB 9 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. 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 what will be the likely impact on the Group's financial statements.	1 January 2018	1 July 2018

Reference	Title	Nature of change to accounting policy	Application date of standard	Application date for Group
AASB 2014–4	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 an 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
AASB 15	Revenue from Contracts with Customers	AASB 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 AASB 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 what will be the likely impact on the Group's financial statements.	1 January 2018	1 July 2018
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 of 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 – reporting periods beginning on or after 1 January 2015	Part A – period ending 30 June 2014 Part B – period beginning 1 July 2014 Part C – period beginning 1 July 2015
AASB 2014–9	Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements	AASB 2014–9 amends AASB 127 Separate Financial Statements, and consequentially amends AASB 1 First-time Adoption of Australian Accounting Standards and AASB 128 Investments in Associates and Joint Ventures, to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements. AASB 2014–9 also makes editorial corrections to AASB 127. These amendments are not expected to have any material impact on the Group's financial statements.	1 January 2016	1 July 2016

E6 OTHER ACCOUNTING POLICIES (CONTINUED)

Reference	Title	Nature of change to accounting policy	Application date of standard	Application date for Group
AASB 2014–10	Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	AASB 2014–10 amends AASB 10 Consolidated Financial Statements and AASB 128 to address an inconsistency between the requirements in AASB 10 and those in AASB 128 (August 2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require: (a) a full gain or loss to be recognised when a transaction involves a business (whether it is housed in a subsidiary or not); and (b) a partial gain or loss to be recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. AASB 2014–10 also makes an editorial correction to AASB 10. These amendments are not expected to have any material impact on the Group's financial statements.	1 January 2016	1 July 2016
AASB 2015–1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle	The subjects of the principal amendments to the standards are set out below: **AASB 5 Non-current Assets Held for Sale and Discontinued Operations:** • Changes in methods of disposal – where an entity reclassifies an asset (or disposal group) directly from being held for distribution to being held for sale (or visa versa), an entity shall not follow the guidance in paragraphs 27–29 to account for this change. **AASB 7 Financial Instruments: Disclosures:** • Servicing contracts – clarifies how an entity should apply the guidance in paragraph 42C of AASB 7 to a servicing contract to decide whether a servicing contract is 'continuing involvement' for the purposes of applying the disclosure requirements in paragraphs 42E–42H of AASB 7. • Applicability of the amendments to AASB 7 to condensed interim financial statements – clarify that the additional disclosure required by the amendments to AASB 7 Disclosure–Offsetting Financial Assets and Financial Liabilities is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with AASB 134 Interim Financial Reporting when its inclusion would be required by the requirements of AASB 134. **AASB 119 Employee Benefits:** • Discount rate: regional market issue – clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. Further it clarifies that the depth of the market for high quality corporate bonds should be assessed at the currency level. **AASB 134 Interim Financial Reporting:** • Disclosure of information 'elsewhere in the interim financial report' – amends AASB 134 to clarify the meaning of disclosure of information 'elsewhere in the interim financial report' and to require the inclusion of a cross-reference from the interim financial statements to the location of this information. These amendments are not expected to have any material impact on the Group's financial statements.	1 January 2016	1 July 2016

Reference	Title	Nature of change to accounting policy	Application date of standard	Application date for Group
AASB 2015–2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	The standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB's Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures. These amendments are not expected to have any material impact on the Group's financial statements.	1 January 2016	1 July 2016
AASB 2015–3	Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality	The standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards. These amendments are not expected to have any material impact on the Group's financial statements.	1 January 2015	1 July 2015
AASB 2015–5	Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception	This makes amendments to AASB 10, AASB 12 Disclosure of Interests in Other Entities and AASB 128 arising from the IASB's narrow scope amendments associated with Investment Entities. These amendments are not expected to have any material impact on the Group's financial statements.	1 January 2015	1 July 2015
AASB 2015–5	Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities	This makes amendments to AASB 124 Related Party Disclosures to extend the scope of that standard to include not-for-profit public sector entities. These amendments are not expected to have any material impact on the Group's financial statements.	1 January 2016	1 July 2016

Community service obligations

Australia Post's community service obligations (CSOs) are set out in s27 of the *Australian Postal Corporation Act 1989* (the Act) which requires that:

- **the corporation provide a letter service for both domestic and international letter traffic;**
- **the service be available at a single uniform rate within Australia for standard letters;**
- **the service be reasonably accessible to all Australians wherever they reside; and**
- **the performance standards for the service reasonably meet the social, industrial and commercial needs of the community.**

Performance standards

Regulations made under s28C of the Act detail the particular standards required to meet these obligations. Performance against these standards is subject to independent audit by the Australian National Audit Office (ANAO).

All of the prescribed standards were **met or exceeded in 2014/15**. The actual result for each standard is outlined in the table below. The associated ANAO Audit Report is reproduced on pages 108 to 109.

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 2014/15 (calculated on the avoidable-cost methodology), CSO costs are estimated to be $210.8 million.

Performance Standards

Standard	2014/15 performance
Lodgement	
10,000 street posting boxes	15,591^
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 reserved services letters	94.8%^
Access	
4,000 retail outlets (2,500 in rural and remote areas)	4,406^ (2,554^ 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	93.6%^
– 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 2015

Auditor General's Report Performance Standards

Auditor-General for Australia

Australian National Audit Office

INDEPENDENT AUDITOR'S COMPLIANCE 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 2015

I have audited the Australian Postal Corporation's compliance with the Performance Standards prescribed in the *Australian Postal Corporation (Performance Standards) Regulations 1998* (the Regulations) for the year ended 30 June 2015.

The Performance Standards require the Australian Postal Corporation to:

(a) service 98% of all postal delivery points daily (except on a Saturday, a Sunday or a 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 within the delivery time mentioned for the address according to the prescribed timetable (Regulation 6);

(c) maintain mail lodgement points in Australia for the lodgement of 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 and 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 Australian Postal Corporation are responsible for compliance with the Performance Standards.

My responsibility is to express a conclusion on compliance with the Performance Standards by the Australian Postal Corporation, in all material respects. 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

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provide reasonable assurance that the Australian Postal 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 Australian Postal Corporation has complied with the Performance Standards during the year ended 30 June 2015.

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 has, in all material respects, complied with the Performance Standards prescribed in the *Australian Postal Corporation (Performance Standards) Regulations 1998* for the year ended 30 June 2015.

Australian National Audit Office

Grant Hehir
Auditor General

Canberra
27 August 2015

Domestic Letter Service Monitor (TNS)

TNS

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Australia

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f +61 3 9819 6401
e melbourne.au@tnsglobal.com
www.tnsglobal.com

July 22, 2015

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 2015 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 378,139 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 2015 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 30/06/2015 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 2015, the monitor showed that Australia Post delivered 94.8 per cent of all letters early or on time, and 98.6 per cent of letters were delivered on time or not more than one working day after your delivery undertakings.

Taylor Nelson Sofres Australia Pty Ltd
ACN [illegible]
TNS is a trade mark of Taylor Nelson Sofres plc

Opinion

In our opinion based upon the audit procedures conducted, at a 95 per cent confidence level and with a maximum weighted actual precision limit of 0.1 per cent, these results present fairly the performance of Australia Post's domestic letter service for the year ended June 2015 against the scope provided.

Yours faithfully,

Tania Kullmann
Managing Director
TNS

Margaret Persico
Director
TNS

Survey Certification

Deloitte.

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Managing Director
TNS Australia Pty Ltd
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21 July 2015

Independent Assurance Report on TNS Australia calculation of Australia Post Performance Metric for Basic Letters for the period 01 July 2014 to 30 June 2015

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 2014 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

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Deloitte.

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21 July 2015

- 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 2014. 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	94.8 (±0.1)	94.8%

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 2015 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

2015	Reserved		Non-Reserved [1]		Total	
	$m	%	$m	%	$m	%
Revenue	1,737.3	27.3%	4,631.2	72.7%	6,368.5	100.0%
Expenditure	2,020.7	30.2%	4,674.1	69.8%	6,694.8	100.0%
Profit/(loss) before interest & jointly controlled entities	**(283.4)**	**86.9%**	**(42.9)**	**13.1%**	**(326.3)**	**100.0%**
Net Interest					(26.0)	100.0%
Share of jointly controlled entities profits					0.2	100.0%
					(352.1)	
Income tax benefit/(expense)					130.4	
Profit/(loss) after income tax expense					**(221.7)**	

2014	Reserved		Non-Reserved		Total	
	$m	%	$m	%	$m	%
Revenue	1,771.2	27.8%	4,601.9	72.2%	6,373.1	100.0%
Expenditure	2,013.8	32.3%	4,226.3	67.7%	6,240.1	100.0%
Profit before interest & jointly controlled entities	**(242.6)**	**(182.4%)**	**375.6**	**282.4%**	**133.0**	**100.0%**
Net Interest					(30.0)	100.0%
Share of jointly controlled entities profits					0.0	100.0%
					103.0	
Income tax benefit/(expense)					13.2	
Profit/(loss) after income tax expense					**116.2**	

1 2015 expenditure within the non-reserved services includes the impacts of asset write-offs and impairments as well as a portion of letter restructuring costs associated with our reform program and an update to our cost allocation methodology.

Statutory reporting requirements index

for the year ended 30 June 2015

This Australia Post Annual Report is compliant with the reporting requirements of, and contains information required to be included by, the Public Governance, Performance and Accountability Act 2013, the Australian Postal Corporation Act 1989, and other applicable legislation. Relevant Annual Reporting Orders under the Commonwealth Authorities and Companies Act 1997 (CAC Act) continue to apply to this Annual Report notwithstanding the repeal of the Commonwealth Authorities and Companies Act 1997 on 1 July 2014. To assist readers to locate information in this Annual Report that is required to be included by legislation, the following index identifies where relevant information can be found in this Annual Report.

Section	Subject	Pages
Work Health and Safety Act 2011 – reporting requirements		
Sch.2,s4(2)(a)	Health, safety and welfare initiatives	119–120
Sch.2,s4(2)(b)	Health and Safety Outcomes	119–120
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Sch.2,s4(2)(d) & (e)	Details of investigations and other matters as prescribed	119–120
Superannuation Benefits (Supervisory Mechanisms) Act 1990		
s6(1)(b)	Report on operation of superannuation arrangement	119
Environment Protection and Biodiversity Conservation Act 1999		
s516A(6)(a) & (b)	Report on the compliance with and contribution to the principles of ecologically sustainable development	44–47
s516A(6)(c)	Effect of activities on environment	44–47
s516A(6)(d)	Measures taken to minimise environmental impact	44–47
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Section	Subject	Pages
Commonwealth Authorities (Annual Reporting) Orders 2011		
s10	Enabling legislation	118
s11	Ministers responsible	55
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	118
s12(c)	General policies under s48A of the CAC Act	N/A
s13	Directors' information	6–7, 58
s14	*Organisational structure*	
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	Statement on governance:	50–58
	(a) Board committee details	51–53
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s15	Related entity transactions	110
s16(a)	Significant events under s15 of CAC Act	55
s16(b)	Operational and financial results	4–5, 14–15, 64–105
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	118
s20(a)(i)	Significant changes in financial structure	N/A
s20(a)(ii)	Events that may affect future operating results	4-5
s20(b)	Dividends paid or recommended	15, 66–67, 77, 118, 123
s20(c)(i)	Community service obligations	27, 106, 123
s20(c)(ii)	Community service obligations	27, 106, 123
s21	Index of annual report requirements	115–117

Statutory reporting requirements

for the year ended 30 June 2015

Introduction

Australia Post is subject to various statutory reporting requirements under the *Public Governance, Performance and Accountability Act 2013*, the *Australian Postal Corporation Act 1989*, 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 115 to 117 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 2014/2015 plan and associated Statement of Corporate Intent were submitted to shareholder ministers in July 2014, detailing Australia Post's strategic direction under the Future Ready Program.

Objective

Our primary objective is to provide high-quality, efficient services to the community. As much as possible, we will grow dividends and enhance shareholder value.

Strategy

2014/15 was a year of transition, as the Corporation introduced a clear strategy to build an exciting future for Australia Post. The strategy balanced our focus across running, reforming, changing and growing the business.

1. Running the business.

We will deliver results from the substantial programs of work already in place by running our business well. This includes:

- Offering a fully integrated parcels business, focused on customer service;
- Growing our trusted services offering in store and online; and
- Modernising our communications business, physically and digitally.

2. Reforming the business.

We will transition our business model to align with the changing needs of our customers and other major stakeholders.

3. Changing the business.

We will extend our customer value proposition from current product offers to customer-centric solutions

4. Growing the business

We will pursue step change opportunities that return the business to sustainable profit growth.

Targets

Key financial and non-financial performance measures set out in the plan were:

- loss before tax of $152.6 million in the first year of the plan; and
- dividends paid of $nil in the first year of the plan.

Specific targets for 2014/2015 and performance against these targets were as follows.

Performance Indicator	Target(1)	Performance
On-time letter delivery	94.0%	94.8%
Loss before tax	$152.6 million	$352.1 million
Shareholder return on equity	–6.1%	–14.9%
Ordinary dividend declared for 2014/2015	$nil	$nil

(1) The Target above represents running the business without reforming our letters service. Therefore, there was no allowance for the letters restructuring costs including the voluntary redundancy costs associated with our Reform program.

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 2014/2015 is estimated at approximately $1.5 million.

Postal Industry Ombudsman

During 2014/2015 the PIO has estimated the costs of investigating complaints relating to Australia Post to be $550,000.

ACCC record keeping

The cost of the regulatory audit and compliance with the ACCC's record keeping rules in 2014/2015 is estimated at $500,000.

Maintaining heritage properties

The cost of repairing and maintaining heritage listed properties in 2014/2015 was $5.4 million.

Medical/Educational Remote Area Parcel service

The Medical/Educational Remote Area Parcel service provides reduced postage rates for parcels containing health and educational material that are sent to and from people living in remote communities. In the 2014/2015 reporting period, revenue foregone is estimated at $62,000.

Superannuation

All Australia Post employees are provided 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 (WHS) 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 well being (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 a core value for Australia Post 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:

- Implementing our Health and Safety strategy, focusing on 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 continuous learning approach to increase injury prevention;
  - increase the visibility and relevance of our safety performance; and
  - encourage and support our people to care for their health and wellbeing both physically and psychologically.
- Implementing leading indicators as KPIs to drive senior leader participation in addressing safety challenges and to increase the focus on preventative safety measures.
- Establishing the Enterprise Safety Council providing leadership and direction on safety issues and activity across the enterprise, including decision making rights that may impact operational decisions and activity.
- Transitioning StarTrack to the WHS Act (2011) Commonwealth on 1 Feb 2015 from state jurisdictions enabling the development of a single Work Health Safety Management system and simplifying our relationship with safety regulators.
- Continuing the rollout of the Safety Leadership cultural transformation initiative to over 2000 operational leaders and supervisors.
- Implementing a "Permission to Pause" program for safety during our annual "Safety Time" stop work for safety activity in October.
- Introduced a redesigned safety incident reporting and investigation system to streamline the processes and improve data capture.
- Reinvigorating our hazard awareness program and increasing collaboration with local councils to improve off-site safety for our people.
- Increasing our engagement with Health and Safety Representatives (HSR) particularly with respect to problem solving on key exposure areas.
- Increasing our focus on the analysis of incidents relating to serious injury and fatality exposure to enable better targeted safety interventions.
- Supporting Senior leaders in shifting the conversation from solely metrics to a communicable message around exposure reduction
- Introducing a process of focused in-cabin safety interactions within Transport to increase understanding of and effect reduction to Drivers injury exposure
- Introducing random alcohol and drug testing in our transport workforce.
- 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 2012–13.
- Continuing emphasis on our initiatives to address incidents associated with manual handling, load shifting operations and use of motorcycles.
- Launched our Be Well, Be Healthy, Be Happy health and wellbeing program to all employees.

During the year:

- 69 incidents notified to Comcare under section 38
- No seizures made under section 175 or 176
- No improvement notice issued under section 191
- No prohibition notices issued under section 195
- No non-disturbance notices issued under section 198
- No remedial action taken under section 211 or 212
- No written undertakings accepted by Comcare under section 216

- No applications for internal review made under section 224
- No applications for external review made under section 229
- No infringement notices given under section 243
- No prosecution instituted under the Act

There were 21 in-house and 9 public HSR training courses run with a total of number of 255 HSR and Deputy HSR participants trained. 81 HSR's attended the One Day Refresher course.

Freedom of information report

In the year to 30 June 2015, Australia Post received 246 applications under the *Freedom of Information Act 1982*.

These were handled as follows:

Granted in full	118
Granted in part	19
Access refused	43
Withdrawn	19
On hand at 30 June 2014	47

There were 4 applications for internal review received during the year.

No additional costs were incurred in the handling of Freedom of Information requests and related responsibilities in 2014/2015.

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 www.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 & 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 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 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. (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 s.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.

Our organisational structure

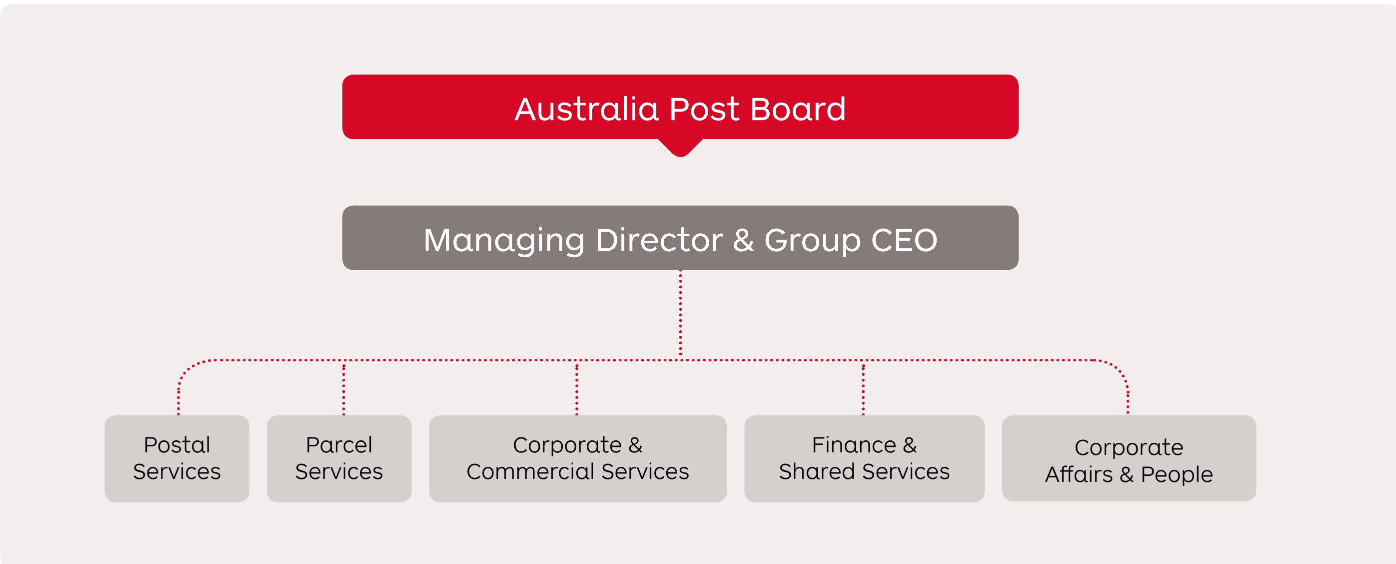

Table 1. Disclosure of information/documents (Section 90J "Authority")*

(Applies to all information or documents)

Authority for disclosure	Number of disclosures	Disclosures made to
Disclosure under warrants [s. 90J(3)]	15	Australian Customs Service (Federal), Australian Federal Police (Federal) Police (QLD), Police (VIC)
Disclosure under a law of the Commonwealth [s. 90J(5)]	756	Australian Commission for Law Enforcement Integrity, Australian Competition & 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 [s. 90J(6)]	46	Crime Commission (NSW), Corruption Crime Commission (WA)

* There were no disclosures made under s. 90J (7) (8) or (9).

Table 2. Disclosure of information/documents (Section 90K "Authority")*

(Applies to information or documents not specially protected)

Authority for disclosure	Number of disclosures	Disclosures made to
Disclosure to authorised ASIO officer [s. 90K(4)]	3	Australian Security Intelligence Organisation (Federal)
Disclosure for the enforcement of laws or protection of public revenue [s. 90K(5)]	3,117	Australian Fisheries Management Authority (Federal), Australian Communications and Media Authority (Federal), Australian Federal Police (Federal), Australian Securities & Investments Commission (Federal), Civil Aviation Safety Authority (Federal), Consumer & Business Services (SA), Consumer Affairs Victoria (VIC), Corrections Victoria (VIC), Crime and Misconduct Commission (QLD), Crown Solicitor's Office (SA), Department of Agriculture, Department of Agriculture, Fisheries & Forestry Australia, Department of Commerce (WA), Department of Defence (Federal), Department of Education, Employment and Workplace Relations, Department of Environment & Primary Industries (VIC), Department of Environment and Heritage Protection, Department of Foreign Affairs and Trade (Federal), Department of Health & 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 & 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), RevenueSA (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 s. 90K (2) or (3).

Note: *Commonwealth agencies, unless otherwise indicated.*

Australia Post – the statistics

1 – Five Year Statistical Summary

Consolidated ($m)	2010/11	2011/12	Restated 2012/13	2013/14	2014/15
Revenue ($m)	4,986.5	5,126.2	5,893.2	6,383.3	6,373.8
Expenditure ($m)(1)	4,674.3	4,776.3	5,682.3	6,280.3	6,726.2
Profit / (loss) before tax ($m)(1)	332.3	366.7	210.7	103.0	(352.1)
Total assets ($m)	4,135.1	4,175.8	4,401.5	4,651.2	5,093.2
Return on Average Operating Assets (%)(1)	10.9%	11.5%	6.2%	3.4%	–8.2%
Community service obligations ($m)	144.7	165.2	173.9	205.8	210.8
Total taxes and government charges ($m)	436.2	369.3	447.3	494.2	433.9
Dividends declared ($m)	173.2	213.7	192.7	78.8	0.0
Operations(2)					
Full-time Employees (excludes casuals)	23,323	23,184	23,526	27,315	27,098
Part-time Employees (excludes casuals)	9,865	9,398	8,938	8,613	8,195

(1) Changes to AASB 119 Employee Benefits took effect on 1 July 2013. 2013 has been restated for like for like comparison. Years prior to 2013 have not been adjusted to reflect the changes as a result of this change in accounting standard.

(2) Australia Post Corporation operations.

2 – Basic Postage Rate(3) (BPR) and consumer price index (CPI)

	2011	2012	2013	2014	2015
BPR cents	60	60	60	70	70
BPR concession cents	0	0	0	60	60
CPI all groups 8 capitals base 2011–12=100	99.2	100.4	102.8	105.9	107.5
Year on year change in BPR (%)	0.0%	0.0%	0.0%	16.7%	0.0%
Year on year change in CPI (%)	3.6%	1.2%	2.4%	3.0%	1.5%
Change in real postage (%)	–3.6%	–1.2%	–2.4%	13.7%	–1.5%

(3) Postage rates applicable to standard letters carried within Australia by ordinary post.

3 – Post offices at 30 June 2015

	NSW/ACT	VIC/TAS	QLD	WA	SA/NT	Total
Corporate offices						
1 July 2014	264	204	130	79	63	**740**
30 June 2015	261	202	123	79	63	**728**
Licensed post offices/franchises						
1 July 2014	875	958	471	293	318	**2,915**
30 June 2015	864	955	471	291	318	**2,899**
Community postal agencies						
1 July 2014	140	94	198	100	230	**762**
30 June 2015	144	97	200	104	234	**779**
Total outlets						
1 July 2014	1,279	1,256	799	472	611	**4,417**
30 June 2015	1,269	1,254	794	474	615	**4,406**

4 – Post offices by state and geographic classification

Geographic[1] classification	NSW	ACT	VIC	QLD	SA	WA	TAS	NT	Oth Terr	Australia
Metro	609	50	517	268	174	185	40	9	0	1,852
Rural	562	2	515	362	279	155	150	10	0	2,035
Remote	53	0	19	164	52	136	6	87	2	519
	1,224	**52**	**1,051**	**794**	**505**	**476**	**196**	**106**	**2**	**4,406**

1 Geographic Classifications use DPIE/HSH November 1994 Metropolitan, Rural Remote Areas Classifications by 1991 Census SLA.
Note: This table uses Geographic States, not Australia Post Administrative States.

5 – Frequency of service to delivery points (% of total points at 30 June 2015)

Frequency per week	Metro Areas	Rural Areas	Remote Areas	Total
One	0.0	0.0	0.3	0.0
Two to four	0.1	3.9	5.9	1.2
Five or more	99.9	96.1	93.8	98.8
Total	**100.0**	**100.0**	**100.0**	**100.0**

6 Overall letter service performance

Per cent on time	2014/2015	Qtr Ended 30/06/2015	Qtr Ended 31/03/2015	Qtr Ended 31/12/2014	Qtr Ended 30/09/2014
NSW	94.8	95.1	95.1	93.8	95.1
VIC	94.6	94.7	94.5	93.8	95.4
QLD	94.6	96.4	95.1	94.4	92.8
SA	95.6	95.7	96.7	94.4	96.0
WA	95.0	95.7	95.4	94.3	94.7
TAS	97.2	97.6	97.7	96.1	97.2
NT	92.9	94.4	93.7	91.5	92.0
ACT	95.2	94.6	97.2	93.4	95.9
NAT	94.8	95.3	95.1	94.0	94.9
Per cent + One day					
NSW	98.6	98.7	98.6	98.4	98.6
VIC	98.6	98.5	98.6	98.6	98.7
QLD	98.7	99.2	98.8	98.7	98.3
SA	98.6	98.6	98.9	97.9	98.9
WA	98.3	98.7	98.5	98.2	97.8
TAS	99.3	99.5	99.5	98.9	99.2
NT	98.8	99.2	99.0	98.6	98.5
ACT	98.9	98.8	99.2	98.6	99.3
NAT	98.6	98.8	98.7	98.5	98.6

Index

Glossary

all injuries refer to all work-related injuries where claims have been lodged and accepted (LTIs are included in this category).

balance sheet A statement of Australia Post's assets and liabilities and the amount of the Commonwealth Government's investment at the end of the financial year.

cashflow statement Shows the derivation of Australia Post's cash resources during the financial year and its cash outlays.

CO_2-e There are six greenhouse gases that are converted to units of carbon dioxide to provide a more simplified measure. Collectively, these are called carbon dioxide equivalents or CO_2-e.

commerce Activity involving the purchase and sale of goods and services.

community service obligations A set of legal obligations imposed on an enterprise to provide additional services to the community in which it operates. These are usually loss-making services based on human need or quality or life.

current assets Assets that are likely to be converted to cash within the next 12 months.

current liabilities Liabilities that are due and payable within the next 12 months.

disease refers to a work-related disease usually resulting from repeated or long-term exposure to an agent or activity. For example, loss of hearing as a result of long-term exposure to noise; from a single exposure to an infectious agent, or from multiple or uncertain causes.

digital communication Information that is transmitted electronically, through devices such as computers and mobile phones. Examples of digital communication includes emails and text messaging.

digital economy The economy that derives from global economic and social connection and collaboration between individuals and businesses. This activity is made possible by the internet as well as mobile and sensor networks. A successful digital economy is essential for Australia's economic growth and our ability to maintain our international standing.

EBIT Earnings before interest and taxes. A measure of profit that includes all expenses, except interest and income tax expenses.

eCommerce Business activity based on electronic forms of communication, such as online purchases or transactions.

equity The corporation's total capital and reserves plus profits that have been reinvested over the years.

hedging A risk-management strategy used to limit or offset a likely loss from fluctuations in the prices of currencies, commodities or securities.

injury refers to a work-related injury is the result of a single traumatic event where the harm or hurt is immediately apparent. For example, a knock to the lower leg from an incident with a motor vehicle or burns resulting from hot water splash.

lost time injuries (LTIs) are injuries linked to a claim where there is at least one incapacity determination with at least one full shift lost, when that incapacity was determined prior to the end of a 'development period'.

marketplace The commercial realm of business, trade and economics.

Net Promoter Score (NPS) A widely used measure of consumer sentiment that tracks the answer to a single question, using a 0-10 scale: *How likely is it that you would recommend Australia Post to a friend or colleague?* Respondents are grouped as follows:

- Promoters (score 9–10) are loyal enthusiasts who will keep buying and refer others, fueling growth.
- Passives (score 7–8) are satisfied but unenthusiastic customers who are vulnerable to competitive offerings.
- Detractors (score 0–6) are unhappy customers who can damage your brand and impede growth through negative word-of-mouth.

Subtracting the percentage of Detractors from the percentage of Promoters yields the Net Promoter Score, which can range from a low of –100 (if every customer is a Detractor) to a high of 100 (if every customer is a Promoter).

non-current assets Assets that will likely be held for a period of greater than 12 months.

non-current liabilities Liabilities that will likely be owed for a period of greater than 12 months.

regulated services Includes reserved letter services and incoming overseas mail services, as defined in s32C of the *Australian Postal Corporation Act 1989*, that are provided under the Universal Postal Convention and the Letter Post Regulations.

reserved services Services reserved to Australia Post under Division 2, Part 3 of the *Australian Postal Corporation Act 1989*.

Scope 1 emissions Direct emissions generated by Australia Post through its use of gas or diesel and petrol.

Scope 2 emissions Direct emissions generated by Australia Post through its use of electricity.

Scope 3 emissions Indirect emissions generated by other organisations on Australia Post's behalf, for example, outsourced transport.

statement of comprehensive income The revenue and expenses of Australia Post for the financial year.

About this report

Australia Post's 2015 Annual Report provides a detailed account of our financial, social and environmental performance. The purpose of the report is to communicate to our stakeholders our overall business performance and how we address and manage our social, environmental and economic issues and impacts.

The information contained in this report covers the 2014/15 financial year and is prepared according to legislative requirements, the GRI G4 Guidelines, and the principles of the UN Global Compact Initiative.

Target audience

Our annual report has been produced for our primary stakeholders, which are our people, our customers, our shareholder (the Australian Government) and the broader Australian community. However, the content would be of interest to a broader range of stakeholders including regulators, suppliers, industry bodies, community groups and non-government organisations, the media and key opinion leaders.

Materiality assessment

We conducted a rigorous materiality assessment to determine the issues of greatest concern to our stakeholders and to define report content and reporting boundaries.

In doing so, we consulted with internal stakeholders (including representatives of our Risk and Compliance, Stakeholder Relations, Workplace Relations, Sustainability and Community Relations areas) and drew on a number of source materials, such as recent customer research and media coverage. These outcomes were then tested with Australia Post's Stakeholder Council.

The issues that ranked highest on our materiality matrix have been reported in this integrated annual report. A table showing material topics, GRI aspects and reporting boundaries is available with the full GRI G4 content index on our website at **auspost.com.au/annualreport2015**.

Report scope and boundary

The report covers the activities of the Australian Postal Corporation and its associated companies. Our licensees, franchisees, community postal agents and mail contractors fall outside the parameters of this report. However, we provide some information about them on pages 29 and 34.

Assurance process

Our assurance process includes the following activities.

- The Australia Post board Audit and Risk Committee checks the financial statements to ensure they are accurate and complete.
- Our financial statements and our performance against the prescribed performance standards set out under our Community Service Obligations are independently audited by the Australian National Audit Office.
- TNS Australia verifies the delivery performance of our domestic letters service and Deloitte Touche Tohmatsu independently assures TNS Australia's findings.
- EY has provided limited assurance over non-financial aspects of the report, which included checking the accuracy and completeness of material data and associated commentary. A copy of the assurance statement can be found at 49.
- EY has provided limited assurance over our carbon/GHG emissions against the National Greenhouse and Energy Reporting Act and Regulations.
- London Benchmarking Group verified our community investment data. EY has pre-assured our community investment to inform our ongoing commitment to best practice.

GRI application level

Our 2015 Annual Report has been self-declared and third party checked for compliance with G4 Reporting Standards to the level of "in accordance" – Core.

A summary GRI table is provided on page 48. Our full GRI table, UN Global Compact table and our Disclosure to Management Approach is available on our website at **auspost.com.au/annualreport2015**.

Copies of the report

The 2015 Annual Report and supporting documentation can be viewed online at auspost.com.au/annualreport2015.

To order a printed copy of the report, email: annual.report@auspost.com.au or phone 13 POST (13 7678).

Feedback

We'd like to hear your feedback so we can continue to improve our business, including how we report our performance.
To provide feedback, visit auspost.com.au/annualreport2015 or email annual.report@auspost.com.au.

Contact details

Australia Post headquarters
111 Bourke Street
MELBOURNE VIC 3000

GPO Box 1777
MELBOURNE VIC 3001

Phone 13 POST (13 7678)
Auspost.com.au/contactus
Twitter @auspost

Awards

Australia Post received a Silver award for its 2013/2014 Annual Report at the 2015 Australasian Reporting Awards.

arawards.com.au

Commitment to external initiatives

Australia Post is an active supporter of leading national and international initiatives in sustainability and community investment.

A signatory since 2010.
unglobalcompact.or
thehub.ethics.org.au/ungc

A partner since 2010.
Climateinstitute.org.au

A supporter since 2007.
Earthhour.org

A member since 2009.
lbg-australia.com

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