AUSTRALIA POST

Future Ready

Australia Post
Annual Report 2013

STARTRACK
1F·180

This is the third year Australia Post has produced an integrated annual report. It discusses our overall sustainability performance including our financial, social and environmental achievements for the 2013 financial year.

The report provides information for our four primary stakeholders – our shareholder (the Australian Government), our people, our customers and the broader community. The material issues we cover in this report, and our process for identifying these topics this year, are discussed on page 17.

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

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Transformation and progress

The world is changing. And so is Australia Post. But we never forget our reason for being – to provide trusted, relevant and reliable services that connect Australians, wherever they live.

Building on our history

We've grown with the community since 1809, continually developing our services to suit the ever-changing needs of our customers. Throughout the years, we've steadily expanded into new communities to provide support for the growing Australian population.

We've evolved our service continually over the past two centuries by adopting all sorts of advances in technology. The roll-out of the rail network and the invention of cars, aviation, the telegraph, telephones, faxes and the internet have all enabled us to deliver our services more efficiently – and meet the rising expectations of our customers.

Getting ready for the future

Today, we're as determined as ever to keep connecting the Australian community in the emerging digital economy.

The Future Ready transformation program that we began in 2010 is our strategic response to the shift in customer behaviour that is being driven by digital technology and online mobile devices.

We're building on our traditional strengths in physical mail delivery and over-the-counter retail transactions and focusing on growth opportunities in digital communications, ecommerce and omni-channel trusted services.

Investing in our growth opportunities

This year we announced a $2 billion investment in our people, infrastructure and services that will roll out over the next four years. This is a targeted investment that builds our capacity to connect Australians – both physically and digitally.

In communications, that means developing the Australia Post Digital MailBox. In ecommerce, it involves adding new capabilities by acquiring StarTrack and expanding our parcel-processing network so that we're equipped to deliver for the growing number of Australians who shop online. In our retail business, we're expanding our range of trusted services and offering easy online access to a growing range of services. For our customers, it means more choice and convenience, simplified products and greater access to our growing and important services.

This has been an important year of transformation and progress. But while we're changing, we remain relevant and steadfastly committed to ensuring that the Australian community remains at the heart of everything we do.

$311.9 million
profit after tax
(↑10.9%)

-$218.4 million
loss in regulated mail services
(↑16.9%)

$648.1 million
profit in non-regulated commercial services
(↑16.7%)

Our on-time delivery performance

Letters service performance
95.5%

Parcels service performance
97.7%

Express Post service performance
99.1%

Convenience and choice

"We are intent on transforming Australia Post for two main reasons. First, we want to provide our customers with more choice and greater convenience – and second, we want to seize our growth opportunities in the digital economy."

Ahmed Fahour
Managing Director & CEO

Ahmed Fahour pictured with staff at Dandenong Letters Centre, from left: Roslyn Edwards, Tilak Gunasekera and Pam Burgess.

Providing options for business

The rise of digital technologies and applications is transforming the way that Australians communicate, shop and access services. Given these rapid shifts in our core markets, we're constantly striving to anticipate future behaviour and evolve our offering to suit our customers' ever-changing needs.

Working with local businesses

In communities all over Australia, we're working directly with small businesses – helping them to reach their customers and grow.

This year we continued to expand our network of Business Hubs (up from 23 to 44 Hubs). By co-locating our transport, delivery and sales expertise, the Business Hubs are able to offer operational and service support to small and medium-sized businesses in their local community.

Expanding freight and logistics capabilities

With the growth of online shopping, we're also expanding our logistics and freight services to help Australian businesses deliver to their customers more effectively.

To that end, in November 2012, we acquired the remaining half-share of StarTrack, from our former joint venture partner, Qantas. This was an important strategic acquisition, given StarTrack's expertise in express freight services and our focus on growing share in the ecommerce delivery market.

Providing secure digital solutions

Another landmark event this year was the launch of our digital communications platform, the Australia Post Digital MailBox (APDM) – as a complement to the physical mail service that we've offered for over 200 years. For Australian businesses and government organisations, APDM is a new, secure and cost-effective digital channel for connecting with their customers and constituents.

70%

of the parcels we deliver originate from a domestic online sale*

This year our domestic parcel volumes grew by 9.3 per cent, and this trend will continue as more and more companies sell online. We're helping small-to-medium businesses reap the benefits of the growth in online retail through initiatives like ecommerce events run through our Business Hubs and tailored delivery solutions.

*NAB Online Retail Sales Index June 2013

Australia Post is the delivery partner of Birdsnest, which is located in Cooma in NSW. Originally a bricks-and-mortar business, they opened their online store in 2008 to expand their customer base. Owner Jane Cay (pictured) says more than 94 per cent of Birdsnest's sales are now generated online.

$2 billion

Future Ready investments

We're investing heavily in our business so we can modernise our network to meet the needs of customers in a growing digital economy. This year the acquisition of StarTrack has bolstered our parcel delivery capability while our new Australia Post Digital MailBox means we can offer businesses and consumers a digital alternative for sending and receiving mail.

We opened the public version of APDM to all Australians for the first time in May 2013. The community can now use this service to receive mail, pay bills and store important documents in their own secure, online "mailbox" that's accessible 24/7 – anywhere in the world.

Listening to our customers

Our strategy and services are always informed by customer needs. So we use several tools and surveys to measure both the experience of our customers and their satisfaction levels. Pleasingly, this year our "Voice of the Customer" survey, which is conducted by an independent organisation, showed a marked improvement in satisfaction among our medium-to-large-sized business customers (up from 73.3 per cent to 78.2 per cent).

Nonetheless, we know that improving customer service requires non-stop effort. So we will redouble our efforts to listen to our customers and act on their needs in the year ahead.

4 out of 5

of our customers are very satisfied with our service

Providing excellent customer service is a priority at Australia Post. We regularly seek feedback from all our customers to measure how we're performing as a business. Customer satisfaction levels are up this year, with 78.3 per cent of customers satisfied with our service, and with the biggest improvement seen in our medium-to-large business segment.

And choice for all our customers

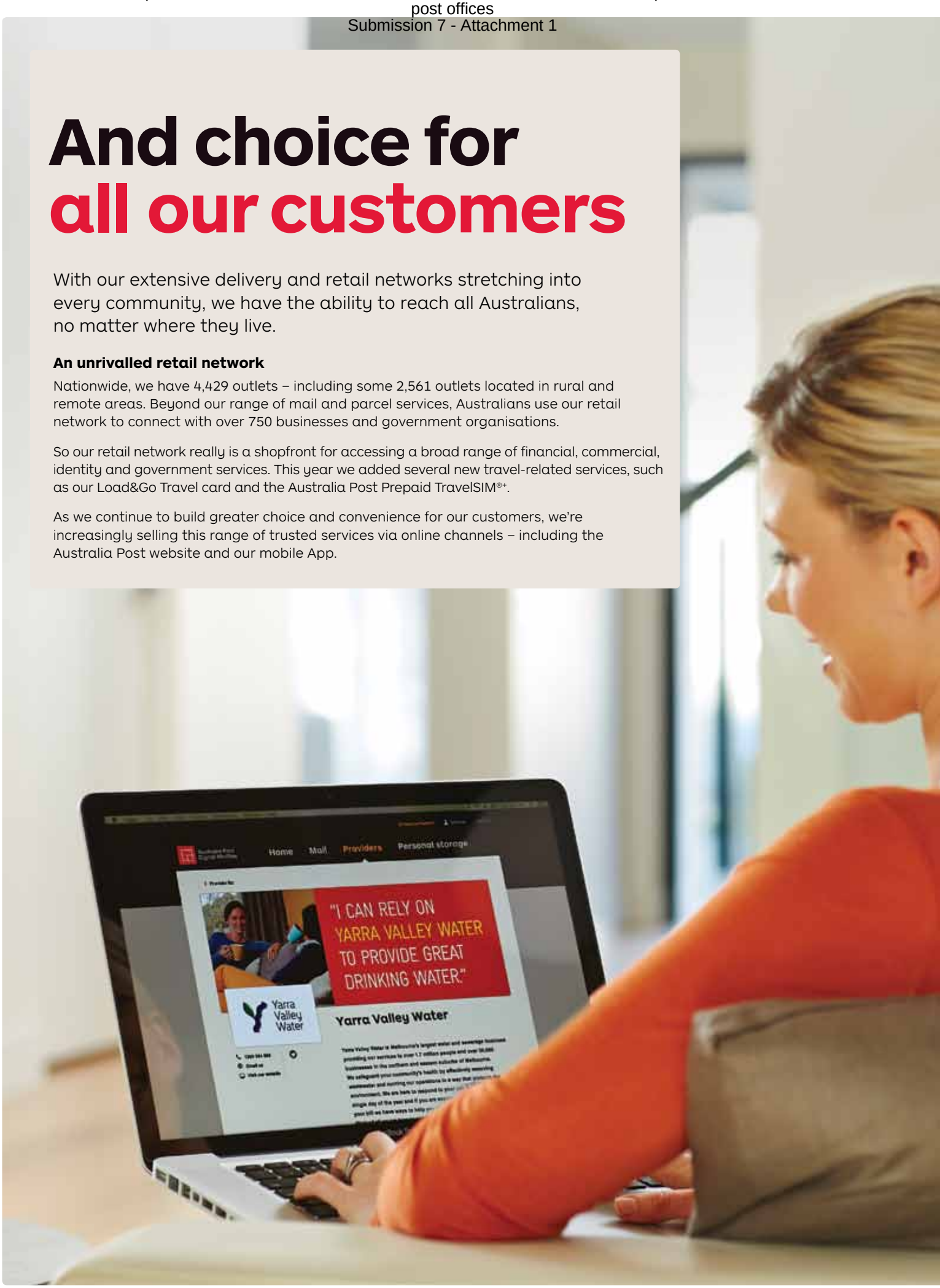
With our extensive delivery and retail networks stretching into every community, we have the ability to reach all Australians, no matter where they live.

An unrivalled retail network

Nationwide, we have 4,429 outlets – including some 2,561 outlets located in rural and remote areas. Beyond our range of mail and parcel services, Australians use our retail network to connect with over 750 businesses and government organisations.

So our retail network really is a shopfront for accessing a broad range of financial, commercial, identity and government services. This year we added several new travel-related services, such as our Load&Go Travel card and the Australia Post Prepaid TravelSIM®+.

As we continue to build greater choice and convenience for our customers, we're increasingly selling this range of trusted services via online channels – including the Australia Post website and our mobile App.



Delivering everywhere

This year we handled 4.6 billion items of mail. We delivered these letters and parcels to all 11.2 million delivery points across Australia (and we forwarded a small portion on to our international partners for final delivery overseas).

As our customers continued to switch to alternate, digital channels for communicating, our addressed letter volumes declined by 6.4 per cent this year. However, the boom in online shopping continued to drive growth in our parcels network, with domestic parcel volumes increasing by 9.3 per cent.

These diverging volume trends in letters and parcels continue the pattern of the past two years – and underline why we need to transform our operational network and our overall service offering.

Simplifying parcel options

To simplify our parcel offering for Australian consumers, we launched a new range of domestic parcel products in April 2013. The new parcel products allow consumers to easily identify the parcel features that they need, based on speed of delivery, parcel size and a range of add-on features (such as signature on delivery). It means our customers can now create their own parcel solution, with tracking as standard, and only pay for the features they need.

We're also making it easier for our customers to control exactly when and where they receive their parcels through the ongoing installation of 24/7 Parcel Lockers and the addition of new delivery choices in partnership with some of our major online retail customers.

It's all part of our commitment to making life easier and more convenient for our customers.

-6.4%

decline in addressed letter volumes

Our addressed letter volumes have again declined this year, and we're now delivering one billion fewer letters than we did five years ago. We know business and government customers are increasingly moving to online communication. That's why we're sharply focused on building our digital capability so we can offer alternatives, like the Australia Post Digital MailBox.

24/7

access to services

We've continued to make it easier for customers to access our services when and where it suits them. We've opened five more superstores and installed Parcel Lockers at a further 63 locations across Australia.

An essential part of everyday life

The notion of community service is ingrained in the daily operations of our business. It isn't peripheral to what we do. Community service is our core business.

Delivering for the entire community

In fact, under the *Australian Postal Corporation Act 1989*, we have a community service obligation (CSO) to provide a service that is "reasonably accessible to all Australians wherever they reside".

Once again, in 2012–13 we either met or exceeded all of the performance standards that underpin the CSOs.

For instance, we delivered to all 11.2 million delivery points across Australia – and 95.5 per cent of letters were delivered on time or early (against our 94 per cent target). We also enabled convenient access for the entire community by maintaining 4,429 outlets and 15,927 street posting boxes.

A strong brand built on great people

At the heart of our approach to corporate responsibility is the notion of "balance". As a business that is literally owned by the Australian community, all our daily decision making gives genuine consideration to balancing commercial returns, customer service and community and environmental interests.

$177.5million
investment in our CSOs

To deliver a reliable and accessible service to an expanding population is a large investment for our business. This year, the expense of meeting our community service obligations (CSOs) was up 7.0 per cent.

77.5%
employee engagement score

Our 32,732 employees help us deliver our service promise every day, so it's vital that they are engaged and committed. We're pleased that this year we've achieved a record employee engagement score of 77.5 per cent (up 4.1 per cent on 2012).

We have 32,732 employees who reflect the broader Australian community. They are a melting pot of friendly, honest and capable people, who make an important contribution to our business and the community.

The good work of our employees is backed up by an indirect workforce of another 10,000-plus, who work as Australia Post licensees, franchisees, agents and mail delivery contractors.

Our strong community-based brand is built on the good work of this nationwide team – as well as our long-held reputation for providing trusted, reliable services.

Building on our community commitment

Given our ability to reach into thousands of Australian communities, we are uniquely positioned to build healthy, inclusive and vibrant local communities.

The initiative, Our Neighbourhood, which we launched this year, aims to bring this commitment to life. Our Neighbourhood promotes inclusion in communities across Australia, especially by providing access to essential products and services, maintaining our diverse workforce, investing in programs that promote community spirit, and supporting Australian communities in times of crisis.

It's about more than just performing the community service that is part of our core business. It's about being a trusted and reliable neighbour – for our customers and the community that we serve, every day.

The brand Australians trust

For over 200 years we've worked hard to build a strong reputation for delivering trusted services. We're proud that the community has again ranked us the second most reputable brand in Australia (2013 AMR RepTrak study).

Mail trucks continue to deliver the mail during the floods that inundated Rockhampton in Queensland in January this year. Photo Allan Reinikka/APN

Our business
Chairman's message

Australia Post has been evolving continuously for 204 years – and we will keep changing to remain relevant and vital in the digital world.

It's a great privilege to be writing my first annual report message as Australia Post's Chairman – especially since I started my career with the Postmaster-General's (PMG) Department back in the late 1960s. Given my long-standing connection with Australia Post, I have a genuine affinity with the brand and a belief in the corporation's ability to keep reinventing itself.

Adapting to the digital world

Like postal businesses worldwide, the impact of digital technology is being felt across our business – and it is continuing to drive rapid changes in customer behaviour in all of our core markets.

For us, the downside of this digital disruption can be seen in the steady erosion of letter volumes over the past five years (down 19.6 per cent since the 2008 peak). The community's shift away from physical mail is impacting on our commercial performance. The loss incurred by our regulated mail services increased to $218.4 million in 2012–13. This loss is becoming increasingly difficult for the corporation to absorb. So we will need the support of our shareholder, and the community, to move to a new model for mail that secures a sustainable letters service for all Australians.

Our strategy

Our Future Ready strategy is very much focused on adapting to the shift in customer behaviour that's being driven by the digital world. We remain committed to achieving our three core strategic goals, which involve:

1. building a sustainable communications business – both physically and digitally
2. offering government, business and financial trusted services for consumers, both physically and digitally
3. building a world-class parcels business – with excellence in service performance.

We made marked progress towards these strategic goals on a number of fronts this year.

A year of significant achievement

An important theme this year has been the sharpening of our customer focus, which can be seen in a range of initiatives. For example, we continued the roll-out of superstores, self-service terminals and 24/7 Parcel Lockers, while also simplifying our domestic parcels product suite and launching the Australia Post Digital MailBox.

With the growth in Australian ecommerce, the board this year approved a major investment in our network infrastructure that will increase capacity and improve efficiency. We also boosted our capabilities in the express distribution market by acquiring the other half-share of the leading logistics provider StarTrack, from our former joint venture partner, Qantas.

People and culture

I have been greatly encouraged by what I've seen during my short time as Chairman. Australia Post has a robust customer service culture and the workforce is very supportive of the corporation's strategic direction. Employee support for our change program was clearly evident, this year, in the strong engagement score and overwhelming support for the Australia Post Enterprise Agreement 2013 among our award staff.

We are united in a desire to continue this ambitious change program that will secure a sustainable future for Australia Post, while delivering a new suite of trusted services that help Australians to connect in the digital economy.

Thank you

Thank you to the many people I've met so far who have made my introduction to Australia Post such a pleasure. I would like to acknowledge the hard work and commitment of my fellow directors and the management team – as well as the thousands of employees, licensees, franchisees, agents and contractors who are the face of our wonderful brand throughout Australia.

John Stanhope
Chairman

Managing Director and CEO's message

We exceeded all of our commercial and community targets this year, while continuing to invest in our people, products and services at record levels.

Every year for the last three years our business has delivered on our dual obligations under the *Australian Postal Corporation Act 1989* – by earning a commercial rate of return, while also delivering a reliable and accessible postal service for the entire Australian community. For the 13th consecutive year, we met or exceeded all of the performance standards that relate to our community service obligations. We delivered 95.5 per cent of domestic letters on time or early (against our 94 per cent target) and we increased the number of postal outlets to 4,429 nationwide.

Commercially, it was a strong year too. Total revenue grew to $5.9 billion and our after-tax profit increased by 10.9 per cent to $311.9 million. This means net profit has grown 21 per cent per annum since we enacted our Future Ready transformation program. While the overall result is strong, our performance was weighed down by the $218.4 million loss in the regulated mail services. This record loss has grown by 16.9 per cent since last year. On the other hand, the profitability of our commercial, non-regulated services increased again this year to $648.1 million (up 16.7 per cent).

In many ways, the major trends of 2012–13 reflect the shifting market fundamentals seen in the previous two years. The loss in the Communication Management Services business (predominantly the mail business) grew to $187.4 million – due to a combination of accelerating decline in addressed letter volumes (down 6.4 per cent) and the largely fixed operational cost of this business. We capitalised on the boom in online shopping with the Parcel & Express Services segment earning profit of $354.8 million, on the back of 9.3 per cent growth in domestic parcel volumes. And, despite difficult retailing conditions, Retail Services profit again grew to $200.6 million, mainly through adding new financial and identity services, and the continued strong focus on cost management.

Executing our Future Ready strategy

Over the past year, we have made great strides in advancing the Future Ready program that we began in mid-2010. The rebuilding of our business was evident in developments such as the StarTrack acquisition, the launch of our Australia Post Digital MailBox, and the ongoing implementation of new retail superstores and 24/7 Parcel Lockers. These initiatives, and many more, are all focused on capturing our immediate customer growth opportunities in the digital economy – especially in ecommerce, digital communications and trusted services.

Cultural transformation

A pleasing aspect of this year's performance was the very real evidence of cultural transformation. Our focus on workplace safety yielded improvements in our key safety metrics – but there is still so much more we must do to embed a vigilant safety culture. Our say2action employee survey revealed record-high engagement of 77.5 per cent. And we finished the year with a resounding "Yes" vote (75 per cent) in support of our new enterprise agreement.

More challenges ahead

Undeniably, our biggest challenge involves managing the continuing decline of our letters business. Over the past four years, we have maintained profitability by offsetting the loss in letters with strong growth in parcels and retail. However, the accelerating decline in our letters business is increasingly becoming an unsustainable handbrake on corporate performance. The only way we will remain a financially self-sustaining business into the future is by moving to a new model for the pricing, regulation and operations of the letters service. It goes without saying that we will manage this change in a way that protects our existing employees and maintains high service standards for our customers and the community. A great example of this has been the effort to transition posties to delivering a growing proportion of small parcels. This year we issued over 8,000 handheld scanners to our posties, so they are now delivering nearly 25 per cent of our regular parcels.

Thank you

I'd like to acknowledge and thank the board and management team, our employees and business partners for your continued support of Australia Post. It's an honour to work with you – especially as we manage this great Australian business through a period of major transformational change.

Ahmed Fahour
Managing Director & CEO

Our business
Financial report

Australia Post has completed the third year of its Future Ready strategy. Our transformation program has focused on rebuilding our business to harness the revenue opportunities that are emerging from the digital economy, and responding to the structural issues facing our regulated mail business.

Performance

This year Australia Post's profit after tax was $311.9 million; this is 20.8 per cent higher than our 2010 underlying profit after tax (excluding restructuring costs). This is a pleasing result considering that the decline in addressed letter volumes accelerated faster than we forecast. We expect that this trend will continue as consumers, businesses and government agencies increasingly shift to digital communication channels.

Underpinning the improved result was $5.9 billion in revenue. Taking full ownership of StarTrack this year meant that, for the first time in our 204-year history, we are predominantly a parcels business. This structural adjustment is reflected in our Parcel and Express Services business contributing 45.1 per cent of our total revenue.

We delivered a strong rate of return for our shareholder, the Federal Government, paying a cash dividend of $243.7 million (up 25.7 per cent this year). Our return on equity was 18.5 per cent.

Investment

Our investment expenditure has continued to focus on the areas of our business that create the greatest opportunities for future growth.

During the financial year we announced a $2 billion investment in our people, infrastructure and services. Investment in our physical and digital infrastructure this year included the acquisition of Qantas's half-stake in our joint venture company StarTrack (giving us full ownership) and the Australia Post Digital MailBox (APDM). The public launch of APDM in May 2013 was an important milestone for Australia Post. While we will always deliver the mail to communities across Australia, we can now offer businesses and consumers a digital alternative. These investments will enable us to capitalise on the continued growth in ecommerce and our customers' growing preference for digital communications.

Excluding the $401.0 million investment in StarTrack, our total cash investment this year across strategic projects and asset replacement reached an historic high of $386.8 million.

Taxes

This year we contributed $211.3 million in income and property taxes and, indirectly, $236.0 million in GST and withholding taxes. The combined total of $447.3 million demonstrates the significant contribution Australia Post makes to our nation's economy.

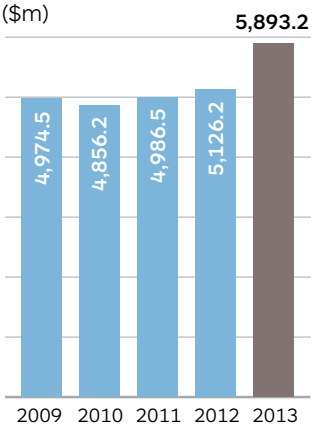
Segment performance

Our Parcel and Express Services business grew from strength to strength this year returning a profit of $354.8 million (up 29.1 per cent this year, or 13.1 per cent excluding StarTrack). Underpinning this result was growth in domestic parcel volumes of 9.3 per cent. Our parcels business also achieved outstanding service delivery levels of 97.7 per cent – an excellent result considering our facilities were operating at peak capacity throughout the Christmas period.

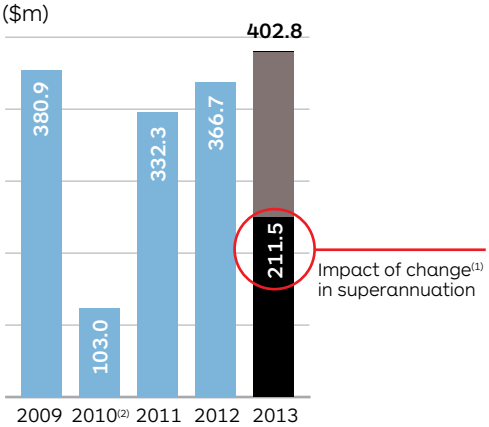
We've continued to look for ways to attract customers to our retail outlets by expanding our product and service offering and improving store formats. This year our Retail Services business achieved revenue uplift of 2.0 per cent and a profit of $200.6 million. This is a positive outcome given the pressure on Australia's retail sector resulting from waning consumer confidence and the growth in ecommerce.

While our parcel and retail businesses performed well this year, this was offset by the structural challenges facing our reserved mail business, which returned a trading loss of $147.4 million (up $33.0 million on last year). This loss was driven by the accelerated decline in addressed letter volumes, which were down 6.4 per cent this year. Unfortunately the fixed-cost nature of our mail network meant that the loss could not be offset by cost savings.

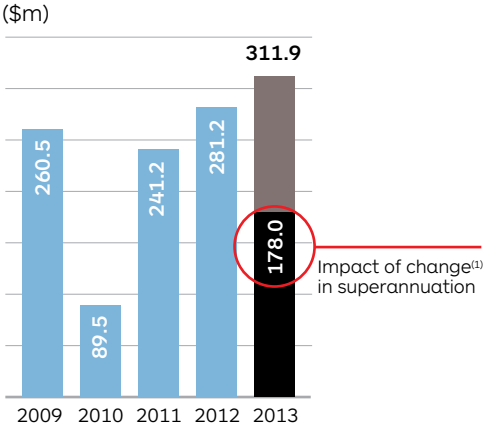
Revenue
($m)



Profit before tax
($m)



Profit after tax
($m)



(1) Impact on result if revised AASB119 *Employee benefits* was effective in the 2012–13 financial year. See "Outlook" section on page 11 for further details.

(2) Includes $150 million of restructuring costs.

Outlook

As we move into the next financial year, Australia Post is preparing for further pressures on the domestic and international front.

Businesses will seek to rationalise costs by increasingly adopting low-cost digital alternatives to communicate with customers. This will continue to have a negative impact on the profitability of our regulated mail business. Weak consumer confidence will continue to put pressure on our retail business, with declining foot traffic impacting our revenue. While our parcels business should continue to experience strong volume and revenue growth, aggressive competition is our biggest threat. We will continue to build our world-class parcels network so we can remain competitive and offer customers a reliable end-to-end parcel delivery service.

Adding to these market pressures, next financial year our profit will be significantly impacted by a change to accounting standards. This will impose a new recurring expense of more than $175 million in 2013–14 relating to the Australia Post Superannuation Scheme. This equates to around 44 per cent of our 2013 profit before tax.

Despite these challenges, we remain committed to investing in our key strategic priorities. The final phase of our Future Ready strategy will put us in a strong position to meet our dual objectives of delivering a commercial rate of return and meeting our community service obligations.

Five-year trends

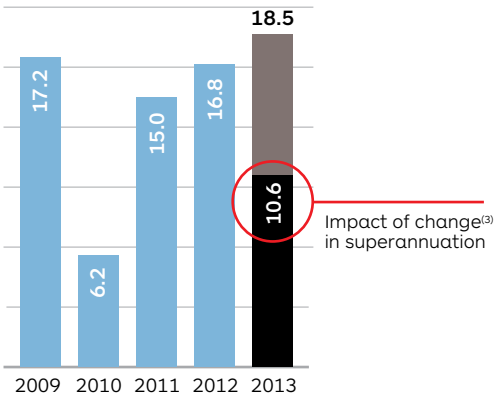
	2009	2010	2011	2012	2013
Mail volumes (m)	5,323.4	5,145.0	5,038.2	4,843.0	4,580.2
Revenue ($m)	4,974.5	4,856.2	4,986.5	5,126.2	5,893.2
Profit before tax ($m)	380.9	103.0	332.3	366.7	402.8
Profit after tax ($m)	260.5	89.5	241.2	281.2	311.9
Profit/(loss) from reserved services ($m)[1]	(69.2)	(250.1)	(66.5)	(114.4)	(147.4)
Operating profit/(loss) from regulated mail services ($m)	N/A	N/A	(122.4)	(186.9)	(218.4)
Operating profit/(loss) from non-regulated services ($m)	N/A	N/A	457.5	555.2	648.1
Return on equity (%)[2]	17.2	6.2	15.0	16.8	18.5
Return on average operating assets (%)	12.2	3.8	10.9	11.5	11.4
Debt to debt plus equity	23.3	26.4	23.6	29.1	27.3
Ordinary dividend – cash ($m)	277.8	171.9	78.5	193.9	243.7
Special dividend – cash ($m)	150.0	0.0	0.0	0.0	0.0
Interest cover (times)	11.0	4.6	10.9	10.8	13.7

[1] Amounts prior to 2011 included the collection, processing and distribution of international inbound letters and packets (weighing less than 2kg) in accordance with the arrangement of the Universal Postal Union. This is now included within regulated services.

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

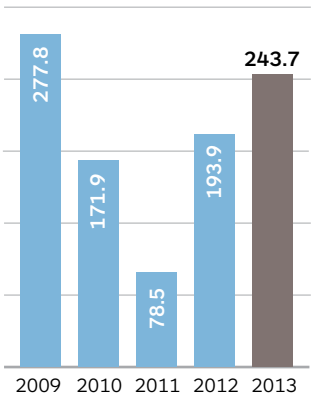
Shareholder return on equity

(%)



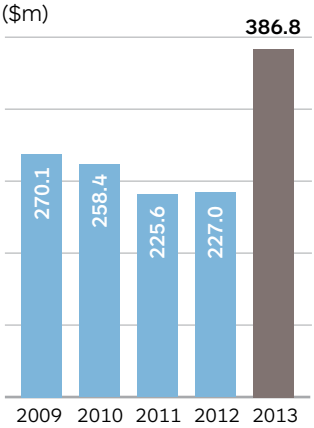
Cash ordinary dividends

($m)



Capital expenditure

($m)



[3] Impact on result if revised AASB119 *Employee benefits* was effective in the 2012–13 financial year. See "Outlook" section above for further details.

Our business
About Australia Post

Throughout our proud history we have provided an essential community service to the Australian people and continue to hold a position of trust with communities, being ranked as the second most reputable brand in the country (2013 AMR RepTrak study).

Our business model

Australia Post is one of the oldest continually operating organisations in Australia. From humble beginnings delivering the physical mail for all Australians, our business is now adapting to the steady advance of the digital economy. We are responding to rising customer expectations and offering new products and services that connect our customers digitally as well as maintaining our strong physical presence.

Australia Post is a self-funded government business enterprise with the Australian Government as the sole shareholder. We continue to balance our commercial objectives with meeting our community service obligations (CSOs). The profit we earn is used to pay a dividend to our shareholder, and to reinvest in the business as we respond to the changing needs of our customers.

We operate under the *Australian Postal Corporation Act 1989* and our underlying purpose is to:

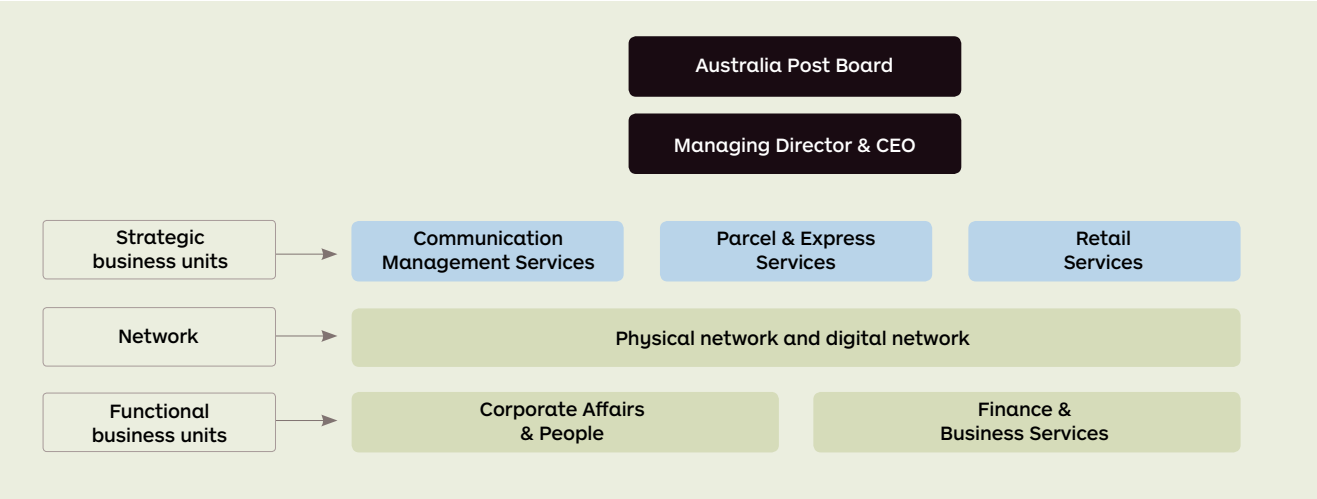
- operate according to sound commercial practice
- meet our community service promise, which is to provide an accessible, affordable and reliable service for all Australians, wherever they reside.

Delivering a reliable and accessible service

We are committed to meeting all the performance standards associated with our CSOs. This year we have again exceeded all of these standards. See page 115 for full performance data.

CSO performance standards	Target	Actual	
Retail outlets (total)	4,000	4,429	✓
Retail outlets in rural and remote areas	2,500	2,561	✓
Street posting boxes	10,000	15,927	✓
On-time delivery (domestic letters)	94.0%	95.5%	✓
Addresses receiving deliveries:			
Five days a week	98.0%	98.8%	✓
At least twice a week	99.7%	99.9%	✓

Our operating model



Our strategy

Our business is evolving as customers embrace new technologies and increasingly choose to communicate and transact online. Our Future Ready strategy is about building a sustainable business as we manage the ongoing decline of our traditional mail volumes and adapt to this shift in customer behaviour that's being driven by the digital economy.

As we increasingly look to connect our customers both physically and digitally, it is important that we maintain strong relationships with our key stakeholder groups – our customers, our workforce, the goverment and the Australian community. We will continue to embed our four culture pillars and make a positive contribution to communities across Australia. At the heart of our approach to corporate responsibility is the notion of "balance". We believe that responsibly and carefully balancing our economic, social and environmental considerations will allow us to build a sustainable business and connect Australians into the future.

Our culture pillars

Facts

32,732
people and some 10,000 licensees, franchisees and contractors

4,429
retail outlets and 2,561 outlets located in rural and remote areas

93.2%
of metropolitan residents are located within 2.5km of a retail outlet

15,927
street posting boxes and some 10,540 trucks, vans and motorbikes

136
nationalities and more than 65 different languages are represented in our workforce

28%
reduction in Lost Time Injury Frequency Rate

Our business
Board and leadership team

Board of Directors

From left: Talal Yassine OAM, Peter Carne, Susan Bitter, Brendan Fleiter, John Stanhope, Ahmed Fahour, The Hon. Trish White, Penny Bingham-Hall, Michael D'Ascenzo AO. Pictured at Dandenong Letters Centre.

John Stanhope
BCom (Economics and Accounting), FCPA, FCA, FAICD, FAIM, FAHRI
Chairman (non-executive)

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

Brendan Fleiter
LLB, B.Juris. MAICD
Deputy Chairman (non-executive)

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

Ahmed Fahour
BEcon (Hons), MBA
Managing Director & CEO

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

Penny Bingham-Hall
BA (Ind Des), FAICD, SA (Fin)
Director (non-executive)

Penny Bingham-Hall was appointed to the Australia Post board in May 2011 (current term expires in May 2014), and has experience across business, government, the investment community and the media. Ms Bingham-Hall is currently a director of BlueScope Steel Limited, Sydney Ports Corporation and SCEGGS Darlinghurst Limited. She is a former executive general manager strategy at Leighton Holdings Limited and a former director of the Tourism & Transport Forum and Infrastructure Partnerships Australia.

Susan Bitter
BEc (Hons), Dip App Fin&Inv, FICA, MAICD
Director (non-executive)

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

Peter Carne
BA, LLB, FAICD, FAIM
Director (non-executive)

Peter Carne was appointed to the Australia Post board in December 2009 (current term expires December 2015). Mr Carne has served in both the public and private sectors, is a former CEO of the Queensland Law Society and a former director of Lexon Insurance Pte Limited and Tarong Energy Corporation. He is currently the Public Trustee of Queensland where he is the chairman of its Investment Board.

Michael D'Ascenzo AO
BEc, LLB, CA, GAICD, Hon. Life Member of CPA, Hon FATMA
Director (non-executive)

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

The Hon. Trish White
BE, BA, FAICD, FIEAust
Director (non-executive)

Trish White was appointed to the Australia Post board in July 2010 (current term expires July 2016) and has experience in the public and private sectors across a number of industries, including resources and energy, defence, transport, and communications. An engineering executive with WorleyParsons and former cabinet minister, she is deputy chairman of the Motor Accident Commission and chairman of university advisory boards in the areas of energy, engineering and business.

Talal Yassine OAM
BA, LLB, LLM, MBA, Hon. Professorial Fellow (ANU)
Director (non-executive)

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

Retirements

David A Mortimer AO
BEcon (Hons), FCPA, FAICD
Chairman (non-executive)

David Mortimer was appointed chairman of Australia Post in September 2006 after serving as deputy chairman from June 2001. Mr Mortimer retired from the Australia Post board in September 2012.

Mark Darras
LLM, BA, LLB, BEd
Deputy Chairman (non-executive)

Mark Darras was appointed a member of the Australia Post board in October 2008, and was appointed deputy chairman in June 2010, and acting chairman from September 2012 to November 2012. Mr Darras retired from the Australia Post board in March 2013.

Executive General Managers

Pictured left to right

Chris Blake
Executive General Manager
Corporate Affairs & People

Christine Corbett
Executive General Manager
Retail Services

Richard Umbers
Executive General Manager
Parcel & Express Services

Ahmed Fahour
Managing Director & CEO

Steve Ousley
Executive General Manager
Post Operations Network

Tracey Fellows
Executive General Manager
Communication Management Services

Ewen Stafford
Chief Operating Officer

Our business
Stakeholder management

Our Future Ready program recognises that our long-term success hinges on Australia Post effectively engaging with our stakeholders, who have a high degree of influence over our business.

Our primary stakeholder groups include customers, our workforce, government and the broader community. Other stakeholders include regulatory bodies, suppliers, industry organisations and peak bodies, environmental groups and the media. Throughout the year we undertake a number of activities to engage with each of our stakeholder groups.

Understanding our stakeholders

Getting to know our stakeholders by understanding their needs and how our business impacts them is critical to our success. An effective way to obtain this information is through research activities. For example, each year we conduct staff attitude surveys and focus groups to understand what our employees think about our business (see page 33 for more). Comprehensive Voice of our Customer surveys across our consumer, small and medium-to-large business customer segments also help to inform us about how satisfied our customers are and provide us with valuable feedback and insight into how they view their relationship with our business (see page 19 for more).

All this helps us to improve our understanding of the business and provide our people, customers and stakeholders with a better experience when dealing with us.

An integrated approach to stakeholder engagement

This year we have further refined our integrated approach to stakeholder engagement. We've focused our efforts on understanding the collective impacts our activities have on our key stakeholder groups, and how we can use our comprehensive stakeholder mapping processes to better manage these outcomes.

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

Effective stakeholder engagement is a key enabler of our enterprise strategy and a regular forum brings together key leaders across the business to support this integrated approach.

Australia Post Stakeholder Council

Our Stakeholder Council is an external advisory group of 10 individuals whose role is to help us improve our communication and engagement with stakeholders. The council meets three times a year and is chaired by an Australia Post board member. Council members offer a range of views, representative of their roles and experience in small and medium business, industrial relations, direct marketing and corporate responsibility.

Council members are:

- John Bergin, Former Managing Director, Yakka Australia
- Sommers Botha, Former General Manager, Retail Scholastic Australia
- Helen Christie, Former State President, Country Women's Association of Victoria
- Graz van Egmond, Executive Director, Banksia Environmental Foundation
- George Etrelezis, small business consultant
- Allan Garcia, CEO, Local Government Association Tasmania
- Dennis Jenner, Director, Post Office Agents Association Limited
- Gabrielle Nagle, Child & Family Services consultant
- Cameron Thiele, formerly of the Communications, Electrical and Plumbing Union
- Rob Tolmie, Managing Director, R&C Consulting Pty Ltd

Stakeholder Council statement

For several years the Stakeholder Council has had the opportunity to review Australia Post's corporate responsibility (CR) reports. Over this time we have seen the approach to sustainability evolve, which is evidenced by milestones such as the move to integrated reporting in 2011.

In reviewing the corporation's third integrated annual report this year, we believe that Australia Post is continuing to look for opportunities to better integrate CR principles into its business planning and decision making. This is demonstrated in particular this year by its new whole-of-business approach to community engagement.

Council congratulates Australia Post for taking the significant step in obtaining external assurance of their full report this year. Independent assurance is a key component of best-practice CR reporting and stakeholders reading the report can be confident that Australia Post's performance data is sound and reliable.

Australia Post has again produced an annual report that is engaging, easy to read and accessible to all its stakeholder audiences.

Australia Post Stakeholder Council
August 2013

Identifying the issues that matter

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

A key element of best practice reporting involves a comprehensive materiality process to determine the issues of greatest concern to our business and our stakeholders. Those issues identified as "material" are covered in depth in this report.

Last year we undertook a rigorous materiality assessment to determine those issues most relevant to our business and stakeholders. This process drew upon a number of source materials including the corporate risk register and stakeholder research with the final rankings tested with Australia Post's Stakeholder Council.

This year we focused on refining our materiality process and ensuring that those issues identified previously remained material to the business and our stakeholders. An assessment of these was conducted with internal stakeholders and then further tested with our Stakeholder Council. This resulted in the elevation of some issues, notably our digital capacity and community investment initiatives.

The diagram below highlights those issues that ranked highest on both scales and indicates where these issues are addressed in this report.

The issues that matter

Talented people

Workplace relations – **p 34**
Management/leadership – **pp 33, 35**
Employee engagement – **p 33**

The right behaviour

Stakeholder engagement – **p 16**
Resource constraints – **p 39**
Financial performance – **p 10**
Transparency and disclosure – **pp 44, 49**
OH&S – **pp 32, 33, 127**
Ethical behaviour – **pp 35, 45**

Systems & processes

Digital capability – **pp 18, 22, 24**
Security and privacy – **pp 20, 47, 129**
Network – **p 22**
Legal compliance – **pp 21, 126**
Fuel and energy use – **p 39**

Strategy & action

Servicing the community – **pp 18, 24, 36**
Clear business purpose – **p 12**
Community investment – **p 36**
Parcels growth – **p 26**
Customer satisfaction – **p 19**
Carbon emissions – **p 39**
Product and service innovation – **p 24**
Responsible sourcing – **pp 39, 48**
Retail network – **p 29**

Additional information on our stakeholder engagement activities is available at auspost.com.au/annualreport2013

Our performance
Customers

Highlights

- Maintaining high satisfaction levels across all customer segments
- Our ranking as the second most trusted brand in Australia (2013 AMR RepTrak study)

Challenges

- Ensuring our customers enjoy a positive experience as we implement our transformation program
- Developing the digital products and services that meet the changing needs of our customers

Outlook

- Improving the customer experience across our physical and digital channels
- Delivering products and services that meet the needs of businesses and consumers
- Making it easier for our customers to do business with us whenever and however they choose

For more than 200 years, Australia Post has provided essential services that connect Australian communities and businesses. Over that time we have built a presence in every city and town and an unparalleled delivery network that reaches all corners of the country.

As the needs of Australians have changed over the decades, so has Australia Post. We have always embraced new technologies – from the telegraph to electronic point-of-sale to the App – to better serve our customers.

The rise of the digital economy and new communication technologies are reshaping our lives in every way, and people are increasingly opting to buy, sell and communicate online. Investment in broadband technologies, digitisation of entertainment and the mass adoption of social media and mobile devices are accelerating this trend.

In response, we are changing the way we operate and creating new services to meet the needs of our customers – today and into the future. We are striving to offer them greater choice and convenience about when and how they interact with us, in person or online, and increasingly around the clock.

We are also transforming to help Australian businesses seize the growth opportunities of the digital economy, whether they are located in the centre of our cities or a small town in regional Australia.

In effect, we're building a digital network to complement the strengths of our existing physical network, and ensure we are meeting the changing needs of our customers.

Helping our customers wherever they are

At the heart of our service commitment is the fact that every day we deliver almost 20 million items to some 11.2 million delivery points, and service nearly one million customers through our physical and digital channels.

We do this through our national network of 409 mail and parcel facilities, 4,429 retail outlets, 44 Business Hubs and 15,927 street posting boxes that span remote, regional and metropolitan Australia. Customers can also access our services through digital channels like our new mobile Apps, our website and the Australia Post Digital MailBox.

Perhaps the most significant way that we support customers wherever they live is through our 2,561 retail outlets that are located in rural and remote locations. These outlets give communities in these areas access to mail and parcel services and, in many cases, a range of government and financial services such as passport applications, banking transactions and identity checks.

Australia Post is continually seeking ways to better connect communities in regional and remote areas. This year for example, we piloted an innovative program in Shepparton in regional Victoria where our business centre, distribution centre and 15 licensed post offices worked together to build greater awareness of our products and services and strengthen our presence in the community. The six-month trial involved events such as presentations at the local Rotary club and a planned online sellers evening to help businesses develop their capabilities. We plan to extend the trial to other regional communities in the future.

Helping small and medium businesses grow

Australia Post plays an important role in supporting small-to-medium-sized businesses (SMBs) by helping them to connect with their customers across Australia and the world.

A key initiative introduced this year was a partnership between Australia Post and Google Engage, where free seminars were run for small businesses at 15 Australia Post Business Hub locations in Victoria, New South Wales, South Australia and Queensland. The seminars were designed to help businesses overcome common online business challenges, such as attracting customers, providing secure payments and implementing the right distribution and fulfilment strategy.

Through this initiative we worked with more than 240 SMB customers to help them embrace selling online. Customer feedback was very positive and we plan to expand the program to more than 15 locations over the coming year.

In recognition of the growing importance of SMBs to our business, this year we undertook a comprehensive customer segmentation project to improve our knowledge and understanding of the sector. The project involved interviewing almost 3,000 SMBs between June 2012 and October 2012. The insights will help us tailor our product and service offering for SMBs so we can better meet their needs.

Helping businesses bridge the regional divide

Not long ago, businesses were constrained by their location, as they had to operate where their customers lived and worked. The rise of ecommerce and improved delivery networks has created new opportunities for businesses to sell to customers across town or around the globe.

Jane Cay, owner of online clothing retailer Birdsnest, which is based in the Snowy Mountains town of Cooma, NSW, opened her clothing store in 2004. With a desire to grow the business beyond the town, she launched an online store in 2008.

Today, more than 94 per cent of Birdsnest's sales are generated online and they sell around 8,000 items every week, delivering to customers throughout Australia and around the world. Australia Post has been working with Birdsnest as its delivery partner since the early days of the business.

Jane Cay says, "As Birdsnest has thrived, Australia Post has been there with us offering flexible solutions to meet the needs of our business."

Understanding our customers

Our business is increasingly operating in a competitive environment. Having a deep understanding of our customers, including their needs, their satisfaction levels and how they experience our products and services, is crucial to fostering strong relationships and identifying opportunities for improvement.

To achieve this, Australia Post has a comprehensive Voice of the Customer program that tracks perceptions and measures customer satisfaction across our three key sectors: consumer, small business and medium-to-large business. Every year TNS, an independent market research company, interviews approximately 10,500 Australia Post customers across Australia to measure how satisfied they are with our products and services and our business overall.

The year's results show that customer satisfaction with our business remains high. Our average customer satisfaction score across the three segments was 78.3 per cent (up from 77.0 per cent in 2012). While our consumer and small business segments remained stable, our medium-to-large business segment achieved higher satisfaction levels of 78.2 per cent (up 4.9 per cent this year).

Customer satisfaction results (score of 7 out of 10 or higher)			
	2010–11 Benchmark	2011–12	2012–13
Consumer	77.3%	77.6%	77.5%
Small business	76.5%	80.1%	79.3%
Medium-to-large business	64.0%	73.3%	78.2%
Average across all segments	72.6%	77.0%	78.3%

In July 2011 interviews were held with consumers and small businesses to provide a robust benchmark as the research methodology changed from telephone to online interviewing.

Improving the customer experience

Australia Post is working hard to ensure customers enjoy their experience with us across all our touch points, whether they speak to a consultant in our customer contact centre, seek product information on our website, track a parcel through our App or visit a retail outlet to purchase travel insurance. We're continually looking for ways to understand the quality of our customer interactions so we can improve our business.

For example, in July 2012 we began the roll-out of a new customer experience program across 3,164 corporate retail outlets and licensed post offices to capture what visitors thought of their in-store experience. The program invites customers to rate our business according to their overall experience, queue time, staff friendliness and staff product knowledge.

Since introducing the program we've received more than 350,000 individual responses and our year-to-date customer satisfaction score is 9.06 out of 10 (see table on page 20 for more).

Postal managers receive a weekly report that contains feedback on their outlet so they can make improvements. This year the insights were used to improve queue formats, develop queue management strategies, change staff rostering, introduce concierges to facilitate customer flow, and change the store layout to improve accessibility.

Another initiative introduced in 2012 was the Connect Program. The two-day training course for frontline customer contact staff is designed to improve the customer experience by ensuring that employees deliver a uniform approach to responding to enquiries. Since running the training program, we've seen more than a 10 per cent increase in our Customer Sales and Service Transactional Net Promoter Score from June 2012 to June 2013.

Retail customer satisfaction results		
	Average score	Top-box score (9 & 10 out of 10)
Overall satisfaction	9.06	78.3%
Time in queue satisfaction	8.72	70.5%
Staff friendliness satisfaction	9.22	82.3%
Product knowledge satisfaction	9.22	81.7%
Outlet referral score	+64.7	

Improving the online experience for customers

In 2013 we launched our new corporate website to make it easier for people to locate product and service information and access our self-help tools.

The improved Post Office Locator tool uses Google Maps so customers can more accurately locate retail outlets, street posting boxes and Parcel Lockers.

Business customers benefit from "Customer Single Sign On", which allows them to access a range of services, such as My Deliveries, My Business Account and Mail Redirection Service Online, using a single account and login.

Since launching the new site, we've seen a 51 per cent increase in visits to auspost.com.au compared to the previous year, with 78.6 million visits during 2012–13.

Resolving customer enquiries and complaints

Australia Post has in place a number of channels through which our customers can contact us with a question, complaint or feedback on our business. These channels including phone, email, website, Twitter, Facebook and YouTube are helping us to provide a prompt response when customers contact us.

One way we measure our customer service response levels is against our Customer Service Charter, which states that we will resolve escalated enquiries within an average of 10 days. For the second year in a row we have improved in this area. The average time it took us to resolve a complaint this year was 6.8 days (down from 8.6 days in 2012 and 9.6 days in 2011).

Customers dissatisfied with the outcome of our complaint handling process can refer their concern to the Postal Industry Ombudsman (PIO) for investigation. The findings of any investigations undertaken by the Ombudsman are reported on the PIO website (www.pio.gov. au) and the volume and nature of complaints are detailed in the PIO annual report. Of the approaches to the Ombudsman, 440 were investigated, a decrease of 9.5 per cent.

Protecting our customers' information

Every day, Australia Post handles large volumes of personal information, including the names, addresses and bank account details of our customers. Our main obligation is to treat this information with respect and to protect its confidentiality. We are committed to protecting the privacy of all our stakeholders, including employees, contractors, licensees, customers and suppliers.

A key highlight this year involved achieving compliance with the global Payment Card Industry Data Security Standard (PCIDSS). Maintaining ongoing compliance with PCIDSS remains a priority and we have implemented a Payment Card Data Security Policy to govern the security of customer payment data through existing channels and new initiatives.

Our National Privacy Compliance program aims to ensure that employees comply with our privacy policy and legislation relating to information privacy, such as the *Australian Postal Corporation Act 1989,* the *Privacy Act 1988,* the *SPAM Act 2003* and the *Do Not Call Register Act 2006.* The program includes employee training and education, ongoing review of policies and procedures and a privacy issues register. During the financial year there were no determinations against Australia Post by any of the federal, state or territory privacy commissioners.

Australia Post has a clear policy in place for managing fraud risk and the security of personal information. This is reviewed annually, with the last appraisal undertaken in June 2013. Implementing the policy involves ongoing engagement between advisers from Fraud Control and Financial Security and the business areas responsible for the products and services that are vulnerable to fraud.

These interactions review the risk of fraud and financial loss and seek to enhance the controls and mitigations applied at business unit level. Training is carried out across the enterprise to reinforce staff awareness and vigilance about the possibility of fraud, and staff initiated checks and controls to deter or detect fraud.

Complying with competition and consumer law

For many years Australia Post has run a program to help ensure that we meet the legislative requirements of the *Competition and Consumer Act 2010.* The core aim of the program is to ensure that information about our products and services is honest and not misleading.

The comprehensive program includes staff training to educate our people on the requirements of the Act and a screening process to ensure that materials are compliant. This year around 624 staff completed the online training modules and 951 retail staff across corporate, licensee and franchisee outlets completed the consumer law workbook. More than 1,000 individual promotional items were cleared through our Advertising Clearance Process where representatives from Legal, Brand and the Corporate Secretariat approve materials for public release.

This year there were no reported incidents of material non-compliance with the Act and no significant fines.

Meeting our customers' needs in the peak period

The growth in online retail means that each Christmas Australia Post is processing more parcels. In the Christmas of 2011, we experienced an increase in delivered parcel volumes of 22.4 per cent during December and we anticipated that this growth would be surpassed in 2012.

To ensure that we were equipped to handle the expected volume growth and support our customers' needs through this busy period, Australia Post invested more than $20 million in the Christmas Ready program to boost our capacity for Christmas 2012.

A number of short-term initiatives were introduced such as:

- parcel deliveries on a Saturday and Sunday
- extended trading hours for our customer contact centres and retail outlets. When combined with our licensed post offices, Australia Post had 1,343 retail stores trading extended hours on weekdays and 2,555 outlets trading on a Saturday.
- boosting operational staff numbers in our mail and parcel-processing facilities and retail outlets by recruiting about 2,200 casual staff through the staff family and friends program and deploying around 630 Australia Post administrative employees to help out at facilities and retail outlets.

New services like our 24/7 Parcel Lockers and Delivery Choices helped to alleviate congestion by enabling customers to collect their parcels at a time and place that suited them, as well as providing flexibility for when and where their items were delivered (see page 27 for more).

The Christmas Ready program enabled us to efficiently handle the surge in parcel volumes. During November and December 2012, we delivered 11.2 per cent more parcels than the previous 2011 peak period. Despite this growth, good planning ensured that we delivered 97.7 per cent of parcels on time or early (above our 96 per cent target) and calls to our customer contact centres declined 10 per cent on the previous year.

Our performance
Network

Highlights

- Launching the Australia Post Digital MailBox
- Starting work on the expansion of two major parcel facilities
- Introducing the delivery of small parcels to our postie network

Challenges

- Continued decline in mail volumes and growth in parcels
- Adapting our infrastructure and our workforce to the changing needs of our business

Outlook

- Continuing to build a world-class parcels network through facility expansion projects and new technology
- Adding more consumer registrations and providers for the Australia Post Digital MailBox

Australia Post has one of the largest operational networks in Australia. Through our extensive chain of retail outlets, distribution centres and mail and parcel facilities, we deliver essential services to Australians every day.

For over 200 years mail delivery was Australia Post's core business. Of course, we diversified along the way by introducing new services such as identity services, bill payment and parcel delivery.

In 2008 our mail volumes peaked at around 5.6 billion items a year. But the proliferation of new technologies and online digital platforms has changed the way that our customers communicate, transact and purchase products. Our mail volumes are now steadily declining by around 4–5 per cent a year and that trend is expected to continue to accelerate. In 2012–13 we delivered one billion fewer letters than we did five years earlier.

The biggest challenge we face is adapting our network to respond to the trend of declining mail volumes and increasing parcel volumes. We need to re-engineer our infrastructure and adapt our workforce so that we are a world-class parcels business that also delivers the mail and other valued services to people across Australia.

Building a network of the future

In October 2012 we announced the largest investment in our business in our 204-year history. This $2 billion program involves upgrading our national logistics network and creating a universal digital platform to provide our customers with modern digital communications services.

The program will significantly expand the capacity of our parcels network to support the growth in parcel volumes and maintain the high level of service and reliability our customers expect of us.

In 2012–13 the investment program focused on the following key activities.

- In May 2013 we publicly launched the Australia Post Digital MailBox (APDM), a secure online platform that enables consumers to receive mail, pay bills and store important documents. While we will continue to deliver the physical mail, through APDM we can offer our customers a secure digital alternative (see pages 24 and 25 for more).
- In November 2012 we gained full ownership of StarTrack by acquiring Qantas's half-share of our joint venture business. This investment complements our existing courier and last-mile delivery services, making us an end-to-end provider of parcel services across business-to-business, business-to-consumer and consumer-to-consumer markets.
- We installed dimension-weigh scanning technology at major parcel facilities in Melbourne and Brisbane. Traditionally, parcel delivery costs have been determined by weight alone. Using both weight and dimensions helps us more accurately determine the cost of delivery and protect vital revenue for our business.
- In June 2013 we began the expansion of our major parcel facilities in Melbourne and Sydney to create space for new state-of-the-art parcel sorting and handling equipment. This technology will significantly increase parcel-processing capacity and efficiency and help us be more competitive.
- We continued the roll-out of retail superstores and 24/7 Parcel Lockers to provide our customers with more access, convenience and choice, and Business Hubs to offer tailored solutions to local small-to-medium businesses. We now have 33 superstores, 71 Parcel Locker locations and 44 Business Hubs nationally.

15,927 street posting boxes

1,868 metropolitan retail outlets

2,561 outlets servicing regional and remote Australia

44 Business Hubs

All of these initiatives are helping us build a modern, efficient and accessible retail and delivery network – supported by a digital network – that will meet the future needs of our customers.

Supporting our people through change

Our people are a crucial part of our network, with more than 27,000 staff working across our mail, retail and parcels operations. As we adapt our network to respond to changing customer preferences, it is vital that we proactively support our people through this change.

From a network perspective, we are looking for ways to build the capacity of people working in operations. For example, we know that our posties are delivering fewer letters while our domestic parcel volumes are increasing at an unprecedented rate (up 9.3 per cent in 2012–13). Given these trends there was an opportunity to divert some of the growing workload of our parcel delivery contractors to posties, who have traditionally only delivered letters. This year we introduced new pannier bags that are designed to carry small parcels of differing shapes and sizes (the bags were originally designed to carry thin letters). We also deployed handheld scanners across our postie network so they could deliver items that needed scanning for tracking purposes (see the case study below for more details).

Modernising our delivery network

Since 2008 our mail volumes have steadily declined by around 4–5 per cent a year. A key focus this year was looking for ways to transfer small parcels and packets to our postie network to replace the declining volume of traditional letters.

In April 2013 we began an initiative to equip posties with handheld scanners so that they could deliver small parcels weighing under 2 kilograms as part of their usual delivery round. Around 8,200 Motorola scanners have been deployed across our network. While we initially focused on metropolitan areas, the program was extended to regional and remote areas and we now have around 2,200 posties using the scanners in these areas.

Around 84 per cent of all small parcels are processed through our delivery centres, with more than two thirds of these now delivered by posties.

Ali Moussaoui, who delivers mail in Doveton, Victoria, says "I can see first-hand that we're delivering less mail and parcel volumes are increasing. The scanners mean that we can deliver some of the smaller parcels to our customers."

71 Parcel Lockers

10,540+ trucks, vans and motorbikes/ebikes

409 mail and parcel processing facilities

4 gateway facilities

Our performance
Products and services

Highlights
- Australia Post Digital MailBox made available to all Australians
- Launching our simplified domestic parcels product range designed for online buyers and sellers
- Expanding our travel services portfolio

Challenges
- Managing the rapid change in our core markets as consumers shift to digital channels
- Overcoming network capacity constraints to maintain growth in parcel volumes
- Developing strategies to overcome declining retail foot traffic

Outlook
- Realising the potential of our digital assets and encouraging more Australians to use our digital services
- Bringing together StarTrack and Australia Post's parcel business to create Australia's leading parcel network
- Continuing to grow our trusted services offer by providing more financial and identity services on behalf of businesses and government

The continued rise of the digital economy has caused significant disruption to our business but it has also created great opportunity. In 2012–13 we continued to see our customers move away from physical mail and embrace electronic communication and ecommerce. The advancement of digital technologies, particularly the huge growth in mobile devices, is changing the way our customers communicate, pay bills and shop. As our customers' needs evolve, Australia Post is moving with them.

Australia Post is more than a postal service, we provide communication services, using physical and digital channels. We also deliver more than parcels, providing a range of delivery and payment services to help online buyers and sellers and enable the digital economy.

This was a watershed year for Australia Post as we launched the digital equivalent of our physical mail network – the Australia Post Digital MailBox. Another significant milestone was that for the first time in our history our parcel business (including StarTrack) was larger than our mail business. These physical and digital shifts are significant and indicate the emerging trends in our business as well as our ability to adapt to the changing marketplace.

Communication management services

At the core of our business is our commitment to provide a reliable, universal letter service for all Australians, no matter where they live. We take great pride in meeting our community service obligations (CSOs). This year we met or exceeded all of our CSO performance standards, including delivering 95.5 per cent of letters on time or early, against our 94 per cent target (see page 115 for more). In 2012–13 we added another 200,000 addresses to our nationwide delivery network, which now reaches 11.2 million delivery points across Australia.

Mail volumes are in decline all over the world and this is creating significant challenges for postal organisations. Our mail volumes started to decline in 2008. We delivered one billion fewer letters this year than we did five years ago, yet we continue to deliver mail to an increasing number of households. In 2012–13 our addressed letter volumes were down 6.4 per cent on last year. This led to a total loss of $218.4 million in our regulated mail services this year.

While overall volumes declined, many of our larger customers increased their use of mail. This year more than 40 per cent of our bulk mail customers increased their use of mail, demonstrating the role physical mail continues to play in business communication.

In the face of these challenges we made significant progress this year in building a sustainable communications business that meets both the physical and digital communication needs of our customers.

Australia Post Digital MailBox

The Australia Post Digital MailBox (APDM) is a digital alternative to the physical mailbox. It was developed to meet our customers' changing needs and build a new revenue stream to offset our losses in mail.

The APDM is a personal online management tool that allows Australians to receive mail, pay bills and store important documents in a safe and convenient place. It's a secure platform that can be accessed anywhere, anytime via the internet. Its great benefit is that consumers can connect with multiple providers with only one user name and password (see page 25 for more).

Providing integrated communications

Australia Post helps businesses and government agencies identify the most effective ways to communicate with their customers, whether it's a physical channel like direct mail or a digital channel like the APDM, email or SMS. We also help organisations streamline their incoming customer communications by converting paper-based communications into digital information.

Smarter ways to connect

Promotional mail is still one of the most popular ways for businesses to attract new customers and communicate with their existing customers. PostConnect, our data, insights and mailhouse division, provides businesses with the tools to better target prospective customers and create tailored messages that are delivered using print and online channels. In 2012–13 we built an advanced print communication management and printing capability and introduced a premium service for unaddressed mail for customers with urgent delivery requirements. We also made it easier for our customers to redirect mail online.

Helping manage inbound information

Decipha, a subsidiary of Australia Post, helps organisations better manage their incoming information from mailroom management, fax and email processing, to payments and advanced electronic services that capture, process and deliver information. In recent years Decipha has built market-leading capabilities in online forms to help customers migrate from paper to digital information capture. Decipha employs more than 450 people across six facilities in all six states and serves more than 120 clients throughout Australia. In March 2013 Decipha was the first business outsourcing provider to be awarded PCIDSS Service Level 1 Status for the use of cardholder data (see page 20 for more).

Developing our digital customer channels

Our digital channels, including our websites, Apps and mobile sites continued to enjoy strong growth this year. Customer visits to our digital channels were up by 57 per cent compared to the previous year. The use of self-service tools such as bill payments and parcel tracking, grew to 50.7 million, an increase of 63 per cent from 2011–12.

Building on the success of our iOS App for iPhones, this year we launched the Australia Post App for Android, the Postcard App and an App for the APDM. Between them, these applications were downloaded by 225,000 customers.

Australia Post
Digital MailBox

Providing a digital alternative

This was an important year for Australia Post's digital transformation and a major milestone for APDM. The APDM is now available as a free service to all Australians. We have started delivering mail and processing payments for our foundation partners Yarra Valley Water and AMP. We are now focused on building the number of customers and providers using the APDM.

We will continue to deliver the mail – letters are our original reason for being. But we know that we need to offer digital alternatives to ensure that our business is sustainable in the long term.

Receive.

Participating companies send digital versions of bills and statements to their customers, so that they can be accessed anytime, anywhere. Australia Post will notify customers when they have new mail, making it easier to stay organised.

Pay.

The APDM makes paying bills easy. Customers can securely store payment details and pay bills with "one click" or schedule payment for a future date.

Store.

Important documents – such as tax records, passports and travel itineraries – can be uploaded and stored for easy reference from a phone, tablet or computer anywhere, anytime.

The postcard is back thanks to our new App

One of the Apps we launched this year, Australia Post Postcards, is reviving the tradition of sending postcards. It's now easy to send postcards to anyone, anywhere in the world using a photo taken on an iPhone. Australia Post converts the image into a high-quality printed postcard with a personalised message on the back.

Sending parcels from your smartphone

We know that small business owners are time-poor and need flexible, convenient solutions to help them grow their businesses. To make their lives easier, we introduced the Australia Post Parcel Send mobile App, which allows them to send parcels from their smartphone.

Parcel Send allows users to send and track parcels to domestic and international destinations using their mobile device. They can enter the weight and dimensions of their parcel, order parcel pick-up, make payments and track parcels "on the go". The Parcel Send App is available for both Android and iPhone devices and is free for customers to download.

Parcel and express services

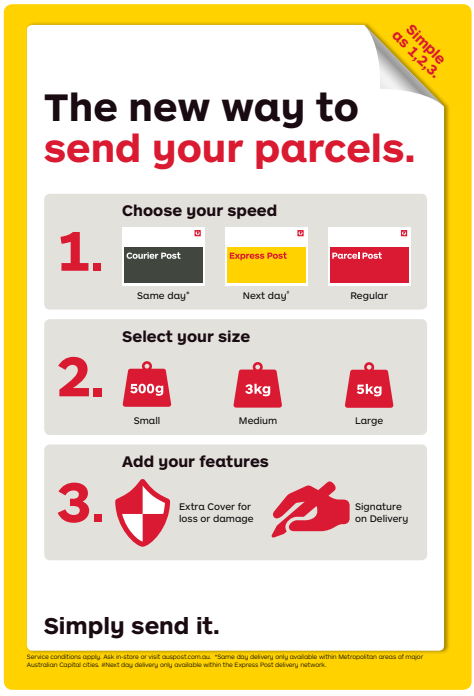
Australia Post is evolving from being a postal company to an ecommerce-driven parcels business that's playing an important role in enabling the digital economy.

While the rise of the digital economy is causing the decline of our traditional mail business, it is creating enormous opportunity for our parcels business. Australians now spend more than $13.9 billion a year online, an increase of 14 per cent year on year (as reported in the NAB Online Retail Sales Index June 2013). Studies of the Australian ecommerce market consistently predict double-digit annual growth in Australian online spending through to 2020.

This boom has seen our domestic parcel volumes grow by around 9.3 per cent per year, for the last three years. Australia Post's overall parcel revenue grew by 8.4 per cent this year and revenue from parcels exceeded the revenue from our letters business for the first time in our history. While volumes are increasing, we are still achieving high service performance levels with 97.7 per cent of parcels delivered on time (above our target of 96 per cent).

Meeting the needs of our online customers

In April we launched a new simplified parcel range designed to meet the needs of online buyers and sellers. Based on customer research, which told us that ecommerce customers value flexibility, speed and value for money, the new range allows customers to create their own parcel solution and pay only for the features they need. With tracking as standard, customers choose speed of delivery – same day, next day or regular delivery – and then select from a range of add-on features, such as extra cover for loss or damage, or signature on delivery.



The right choice for business

Australia Post is continuing to invest in new services to support the growth of the digital economy and help businesses take advantage of the ecommerce boom. Whether businesses are starting out or expanding, we help them grow their business online.

For start-ups our eBay products offer a convenient postage and packaging solution with flat-rate postage to anywhere in Australia. Click and Send allows growing ecommerce businesses to manage customer orders quickly and easily online. More established sellers, sending more than 1,000 parcels a year, have access to eParcel to streamline product distribution.

Launched in June 2013, My Online Shop provides a complete solution for small businesses to help sell their goods online. This simple service includes website hosting, shopping cart functionality, payment options and marketing support.

Farmhouse Direct is our online farmers market developed for primary producers of high-quality, Australian-made or grown food products. The service grew significantly this year, now with more than 180 producers selling more than 2,100 different products through the website (see page 28 for more).

Same-day delivery with Courier Post

Australia Post is helping small businesses benefit from the boom in online shopping. For years Express Post has been the best way to send urgent and important packages. With the growth of online shopping and the demand for even faster delivery, our small-business customers have been telling us that in some cases next-day delivery is not soon enough. In April 2013 we launched our new Courier Post service in response to this demand. This enables small business to compete on service by offering same-day delivery in metropolitan areas.

Providing customers with choice and convenience

Australia Post remains committed to providing customers with more convenient delivery options.

This year we installed 24/7 Parcel Lockers at a further 63 locations, including our first regional sites in Mackay and Gladstone in Queensland. We also installed our first lockers at third-party sites, including at the La Trobe University licensed post office and a trial at four 7-Eleven stores in Williamstown (Vic), East Brisbane and Kedron (Qld) and Roseville (NSW). At 30 June 2013 we had 71 locker locations across the country and more than 30,000 registered users. Over 80 per cent of customers who use the lockers choose them as their preferred delivery point.

In addition to the stand-alone Parcel Lockers, we installed PO Box Parcel Lockers (larger PO Boxes designed to accept parcels) at 96 locations across the country, with a further 50 installations planned for 2013–14.

This year we also introduced Parcel Collect, which allows customers to address their parcels to a specific Australia Post outlet for collection rather than their home. This service is available at more than 90 Australia Post Business Hubs, business centres and delivery centres across Australia, with most offering extended opening hours. We also offer Delivery Choices, in conjunction with online retailers, where customers can choose a specific day and time (morning or afternoon) to have their parcel delivered.

"I live on a sheep farm and grow most of the fruit and vegetables I use in my jams and sauces. With four kids it can be a struggle to get to the markets regularly. With the support of Australia Post, Farmhouse Direct has provided me with a steady income working from home."

Kathy Barlow,
Wanalta Hill

FARMHOUSE DIRECT

Helping businesses expand internationally

This year we experienced strong growth in our inbound international parcels business and established a number of new partnerships to help businesses grow globally.

Inbound parcels accounted for 28.1 per cent of our total parcel volumes in 2012–13, up from 27.6 per cent on last year. We also saw steady growth in our inbound commercial business, driven by our focus of carrying product from international markets, including the USA, UK and China, rather than just within Australia.

In July 2013 we announced a three-year partnership with New Zealand Post to boost Trans-Tasman trade. The partnership is helping Australian businesses expand into New Zealand by providing an end-to-end solution ranging from customer acquisition to delivery.

Through our strong relationship with China Post, we are the exclusive agent in Australia for the Chinese online marketplace ULE.com, offering genuine high-quality products to more than 300,000 Chinese customers. Australian businesses benefit from access to the burgeoning Chinese market and the increased trade will drive additional volume for our Express Courier International product.

Launch of StarTrack International

Since acquiring full ownership of StarTrack in November 2012, we have focused on leveraging the strengths of StarTrack and Australia Post to create value and improve customer service. In May 2013 we brought together our international commercial business and the international operations of StarTrack to create StarTrack International. The move allows us to better respond to the rapid growth in cross-border online shopping and build our international parcels business.

Postal alliances and joint venture partners

At the Universal Postal Union (UPU) Congress in October 2012, Australia was elected to preside on the two main governance councils – the Council of Administration and the Postal Operations Council. Australia Post will represent Australia on these councils and play a more influential role in determining the future direction of international postal policy issues, such as the payment of terminal dues and inward land rates.

Sai Cheng Logistics International (SCLI) is our joint venture partnership with China Post. SCLI helps Australian businesses access global markets by reducing their total supply chain costs. This year SCLI continued to deliver strong results in revenue and margin by focusing on quality business-to-business and business-to-consumer growth.

An elite freight team

ASICS prides itself on providing the highest quality athletic shoes, apparel and accessories for casual joggers and professional athletes. Four years ago, they selected StarTrack as their freight partner.

StarTrack provides real-time visibility, delivery-time consistency and customer focus, in line with the ASICS drive for on-the-shelf availability.

ASICS services more than 1,500 accounts, including Rebel and The Athlete's Foot, which sees StarTrack deliver more than 4,500 items each week throughout Australia.

"Every year we work with StarTrack to ensure that our service offer to customers is constantly evolving and getting stronger," says James Gardiner, Senior Manager – Operations, ASICS.

StarTrack driver Luciano O'Connell scans a delivery for ASICS South Wharf's Assistant Manager, Khalid Ayoubi.

Retail services

Alongside our posties, our retail outlets are the most pervasive symbol of our much-loved brand. Australia Post has a presence in nearly every town in Australia and we are often the only retailer left in smaller rural and regional communities. To keep pace with changing customer needs, we are transforming our retail network and bringing the digital world into our stores.

We operate Australia's most extensive physical retail network, with 4,429 outlets nationally and 2,561 in rural and remote areas. We have 761 corporate post offices, 2,895 licensed post offices, 29 franchised outlets and 744 community postal agencies. This nationwide retail network offers a range of critical products and services to communities around the country.

We provide products and services on behalf of more than 750 businesses and government agencies, including identity services such as passport renewals and applications and financial services like banking and bill payments. While our customers continue to have access to our traditional mail and parcel offerings in-store, the role of our retail outlets is changing.

This year we experienced a decline of 4.5 per cent in retail foot traffic due to the challenging retail environment and the continuing shift of consumers to digital channels. To counteract this and keep our network sustainable, we have actively invested in strengthening our position as a destination for trusted services, particularly financial, identity and travel services. We have transformed our retail network by opening new superstores and providing digital access to more services.

Greater access and reach

4,429
retail outlets across Australia

2,561
outlets in rural and remote areas

194+ million
retail customer visits

750+
businesses and government entities we are an agent for, including over 70 financial institutions

1.5+ million
passport transactions

4.7+ million
identity services transactions

Next-generation retailing

This year we continued the roll-out of our next-generation retail outlets. We opened flagship superstores in Sydney, Perth, Adelaide, Canberra and Launceston, bringing our total number of superstores nationally to 33.

These superstores contain a range of new features and technologies, such as:

- self-service terminals to pay bills and send domestic letters or parcels
- secure areas that are accessible 24 hours a day, seven days a week and offer access to post office boxes, Parcel Lockers, vending machines with stamps and packaging products and ATMs for quick access to cash
- online shopping zones that feature Apple Macs and iPads for customers to shop online or research Australia Post products and services
- dedicated areas for financial and identity services that have a range of products, brochures and forms
- dedicated travel services zones with an American Express currency exchange booth and an extensive range of travel-related products and merchandise
- new modern counters segmented according to transaction type
- digital media screens to advertise products and entertain customers in the queue
- leading LED technology to minimise energy usage.

New Canberra GPO superstore.

Our licensed post offices

Our 2,895 licensed post offices make up around two-thirds of our retail network. They are critical to providing key services in local communities, particularly in regional and remote areas. We are continuing to work with our licensees to support them in the operation of their businesses with a particular focus on introducing new sources of revenue, for example we introduced confectionery, Load&Go and Travel Insurance products.

The launch of Australia Post's new community program, Our Neighbourhood, provided an exciting new way for our licensees to become more involved in their community. Licensees participated by nominating registered charities or community organisations for a grant (see page 36 for more).

We also extended our retail customer experience program this year to include our licensees. The program measures customers' in-store experience and provides licensees with a feedback report to help them directly and quickly address any customer issues (see page 19 for more).

From left: Ying Han and Linfeng Zhang operate the Queenscliff Licensed Post Office in Victoria.

Channel enablement program

The Channel Enablement-Point of Sale (CE-POS) program closed in June 2013 after delivering complex and business-critical change across our retail network. This included the installation of enhanced point-of-sale systems in more than 3,200 retail outlets nationally.

The program also delivered a range of new processes, capabilities and systems that have:

- enabled us to offer new services
- supported compliance with the Payments Card Industry Data Security Standards (PCIDSS) under the CardSafe program (see page 20 for more)
- helped implement new revenue opportunities in a faster time at a lower cost
- reduced the risk of IT failure for our most critical customer-facing systems and infrastructure.

Delivering trusted customer services

Financial and commercial services

Australia Post provides an extensive range of financial and commercial services on behalf of more than 750 businesses and government agencies. This gives their customers access to a vast network including in rural and remote areas where services are limited.

Although traditional in-store bill payment and banking services are declining, continued investment in new trusted services initiatives has resulted in overall revenue growth of 7.9 per cent in the financial, identity and commercial services portfolio. Contributing to this growth was a 4.6 per cent increase in international money transfer transaction volumes processed on behalf of Western Union, as well as sales of more than 50,000 Australia Post Travel Insurance policies.

One of our most successful products in terms of sales and consumer awareness is our Load&Go Reloadable Visa Prepaid Card. Our national marketing campaign helped us reach our five-year projected sales forecast within 18 months of launching the card.

Identity services

In 2012–13 we continued to roll out our Extended Identity Services (EIS) platform to more than 230 outlets. EIS provides a complete identity enrolment service from online form application to in-store capture of a digital photograph, signature and document scan. We also installed new Canon cameras in our retail outlets to capture digital identity photos.

Many of our retail outlets are also now offering critical state-based services on behalf of government agencies. For example, in our St Georges Terrace superstore in Perth there is a dedicated Western Australia Department of Transport counter where customers can access driver and vehicle services such as renewing or applying for a driver's licence. Applicants can also have their photo taken in-store and access a computer terminal to complete online forms and testing requirements.

Expanding trusted services

Australia Post is partnering with the Australian Taxation Office to provide an efficient process for obtaining a Tax File Number (TFN). Australian residents aged 16 years and over can apply for a TFN via the Australian Taxation Office website, print out their application and take it to a participating Australia Post retail outlet. The new service makes it quicker and easier for the 200,000 people who apply for a TFN each year. Since February 2013 the new service was expanded to a further 217 outlets nationally, which contributed to a 153 per cent increase in overall transaction volumes for the year.

Our identity services grew strongly during the year, with revenue up 18 per cent and more than 4.7 million identity sevices transactions conducted. Contributing to this growth were major products and customer initiatives with Western Australia Police, WA Land Title ID checks, Victorian Working with Children Checks and NSW Office of Liquor, Gaming and Racing.

Merchandise services

Challenging market conditions and declining foot traffic in our retail outlets continued to impact the performance of our merchandise services portfolio. While there was a decline in our general merchandise figures, post office box occupancy rates and philatelic sales both performed strongly, increasing by 5.4 per cent and 2.6 per cent respectively.

Our philatelic category produced an innovative and successful program of stamps recording important Australian cultural milestones of 2013. They included the celebration of Australia's first postage stamp, Kangaroo and Map, the fiftieth anniversary of racing at Bathurst and the retirement of Australian racehorse, Black Caviar. Established themes such as the Australia Post Legends and Gold Medallist stamps released for the London Olympics were also well received.

Confectionery was also a highlight for our merchandise business. We now supply confectionery in more than 1,260 retail outlets nationally, including 555 licensed post offices. Special releases for Easter, ANZAC Day and Mother's Day were particularly popular.

The World Stamp Expo

In May 2013 more than 30,000 people attended the World Stamp Expo held at the Royal Exhibition Buildings in Melbourne.

For the first time, people at the Expo had the opportunity to have their own image used on an Australian postage stamp. The stamp sheet was produced onsite and could be used for general posting, kept as a memento or given as a gift.

Australia Post was the principal sponsor of the exhibition.

Our Australian Legends stamp series honoured Australia's most successful musicians and musical commentators.

Expanding our travel services

A key focus for Australia Post this year was growing our range of travel products and services. While we processed over 1.5 million passport transactions this year (up 1 per cent on last year), it was our new travel offerings that led to significant growth.

In September 2012 we launched a new innovative and market leading travel insurance product through our retail outlets and online. Comprehensive cover can be arranged with just three questions in under three minutes with no forms or signature required.

We extended our travel range in September 2012 with the launch of a new multi-currency Load&Go Travel card that can hold up to five currencies. The Load&Go suite of products is available at more than 3,200 retail outlets nationally and continues to perform well above expectations.

We also added another exciting new travel product to our range: the Australia Post Prepaid TravelSIM®+. Offering cost-effective international call and data rates in over 190 countries, the product provides travellers with peace of mind when phoning home or using their mobile phone while travelling.

Our performance
People

Highlights
- Significant improvement in safety performance, with a 24 per cent decline in our incident rate
- Increasing employee engagement by 4.1 per cent to 77.5 per cent amid major business change
- Achieving a 75 per cent "yes" vote for the Australia Post Enterprise Agreement 2013

Challenges
- Continuing to manage the safety risks around motorcycle delivery and manual handling
- Maintaining high levels of employee engagement through major transformation

Outlook
- Making our leaders more accountable for safety throughout our operational network
- Continuing to support our people through change

Having an inclusive, engaged and capable workforce operating in a safe environment is critical to Australia Post's success as we continue to transform our business. To encourage our people to support our business and our customers, we continued to embed our four culture pillars – safety, customer focus, accountability and speed of action.

In 2012–13 we made important progress in improving our workplace safety culture, engaging our people in the need for business change and finalising a new enterprise agreement.

Strengthening our safety culture

Ensuring a safe working environment is Australia Post's highest priority as we continue to focus on our goals of zero injuries and zero tolerance of unsafe acts in our workplaces. This year we saw an encouraging decline in the number of workplace injuries – the result of three years of activity focused on improving our safety culture.

One of the most pleasing results was a substantial reduction in our incident frequency rate, recording 1.9 incidents per 100 full-time employees (24.0 per cent down on last year). Another significant achievement was reducing our Lost Time Injury Frequency Rate (LTIFR) by 28.7 per cent to 8.2 (down from 11.5 last year). Our All Occupational Injury Frequency Rate was 25.6 (down from 29.6) (see table on page 33 for more).

Having focused on raising awareness of safety in 2011–12, this year we encouraged a culture where everyone is accountable for safety. Managers at a local level are taking ownership of their people's safety and our workforce is becoming more aware of their critical role in reducing exposure to hazards and keeping themselves and their colleagues safe.

Key initiatives introduced:

- Safety Coalitions began operating across our Post Operations Network in 2012–13. These Coalitions comprise Health and Safety Representatives and Safety Champions at all levels of the organisation who gather and share ideas about safety, gain feedback on safety programs and develop local action plans.
- We refreshed our Safety Observation Feedback program which encourages our people to recognise and discuss opportunities to behave in a safer way and reduce exposure to hazards. The program involves managers and supervisors spending two hours with each postie – on and off the road – providing them with feedback on specific work behaviours to help them ride more safely.

"During my safety observation feedback session I became aware of how much I do on autopilot. There is no doubt I'm a safer rider now than before."

Scott Duckworth, Postal Delivery Officer, Ingleburn Business Hub, NSW.

- We developed a Safety Leadership program to give leaders the skills to create safe workplaces and put safety first in all decision making. A group of seven senior general managers from our largest operational area, Post Operations Network, participated in the first pilot. The program was adapted for our frontline managers and further pilots were held at the Perth Parcel Centre, Ingleburn Business Hub, Adelaide Mail Centre and Underwood Parcel Facility.
- We introduced improved wet weather gear for our posties to provide greater protection against the elements and keep them safe on roads and footpaths. The "fit for purpose" clothing provides body armour in the shoulders, elbows and knees for our motorcycle riders.
- In our retail business, we introduced prestart safety checks and monthly Team Safety Time discussions to keep safety top of mind. These two initiatives have helped maintain a safe working environment and reduce the number of slips, trips and falls in our outlets.

With a fleet of over 10,540 vehicles we recognise the importance of driver health in preventing accidents, injuries and fatigue on the road. We support our drivers, in particular long-haul drivers, by:

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

Our shift regulations for long-haul drivers include a maximum of 12 hours of driving, a minimum 60-minute break and no more than six consecutive days of working. To ensure the safety of our drivers and compliance with these regulations, all long-haul trucks are fitted with MyFleet monitors that record continuous driving hours.

Although there were marked improvements in our safety performance this year, tragically we lost two employees in vehicle accidents in September and October 2012. The loss of these valued team members was a reminder for all our employees of the constant vigilance required to improve our workplace safety culture.

Safety performance	2011–12	2012–13
Lost Time Injury Frequency Rate (LTIFR)[1]	11.5	8.2
Incident frequency rate[2]	2.5	1.9
Injury rate[3]	2.8	3.9
Occupational disease rate (ODR)[4]	2.0	1.2
Fatalities (number)	0	2
Fatality rate (per million km)	0	0.0095

1 Lost time injuries that have had 1 or more full shifts lost
2 The number of people related occupational incidents per 100 full-time equivalent employees
3 The number of injuries divided by the number of hours worked (per 200,000 hours)
4 The number of diseases divided by the number of hours worked (per 200,000 hours)

Engaging our employees in the business

In May 2013 we invited employees to take part in our say2action pulse survey to measure engagement levels. This survey was a shortened version of our biennial employee engagement survey and was distributed to a representative random sample of employees. We conducted the pulse survey online and in the four primary languages spoken by our people – English, Vietnamese, Cantonese and Tagalog – making it accessible to our diverse workforce.

The results showed that overall our employees are more engaged than last year, increasing from 73.4 per cent to 77.5 per cent. Across the business we also saw an improvement against each of our four focus areas: leadership and supervision, performance management, co-operation and collaboration and career development.

The say2action survey helps us identify areas for improvement such as reward and recognition, workplace learning and leadership development.

Employee engagement score

77.5% (↑4.1% since 2012)

(2012: 73.4%, 2011: 69%)

Leadership and supervision

↑2%

(up 14% since 2011)

Performance management

↑3%

(up 11% since 2011)

Co-operation and collaboration

↑2%

(up 10% since 2011)

Career development

↑3%

(up 12% since 2011)

Building our people's capability

As we progress our change agenda, it's important that we support and equip our workforce with the right skills to take our business into the future. This year we continued to offer our award employees a range of programs to build their capabilities through the Future Skills initiative.

A priority area in 2012–13 was our Sales and Service programs, which are targeted at improving the customer engagement skills of our retail and customer contact employees. Through our Sales Academy, 71 of our sales people gained a nationally recognised Certificate IV in Business Sales from Swinburne University of Technology in Melbourne.

We also introduced a range of initiatives to improve our frontline employees' English language skills and computer literacy. This involved establishing computer learning kiosks in some facilities to help with computer literacy and providing computer basics training courses for our people, at work and at home.

This year we built leadership capability through three tailored programs:

1. **Supervisor Development** – provided core leadership skills training for over 200 operational supervisors.
2. **Leadership Essentials** – equipped over 200 leaders with the tools to build effective teams, coach and lead through change.
3. **Peak Leadership and Operations** – a culture change program to help over 150 of our most senior business and operational leaders take collective accountability for driving the Future Ready strategy.

Our broader workforce

Our workforce also includes licensed post offices (LPOs), franchised outlets, community mail agents and parcel contractors who all make a significant contribution to delivering services to our customers.

Our network of 2,895 LPOs provides a critical community service to our customers across the country, particularly those in rural and remote locations.

Australia Post engages more than 3,000 principle vendors to deliver parcels nationwide. Throughout the year we provided business advice, occupational health and safety information and regular updates to this important part of our workforce.

Supporting our workforce

Australia Post recognises the need to provide employees with workplace flexibility to help them manage their work and personal commitments while continuing to meet our operational requirements. We offer options including changes to hours, days and location of work, employment breaks, job share arrangements, as well as several beneficial leave provisions including purchased leave (48/52), ceremonial leave, advance of annual leave credits and leave without pay.

Given our workforce is disproportionally older than the average Australian workforce, this year we introduced Create Your Future workshops. These help our longest serving employees plan a positive and productive late career and transition to retirement.

Australia Post employees have access to a number of benefits including the Employee Assistance Program, which offers confidential counselling, resilience workshops, subsidised health services (such as gym membership and health insurance) and a range of online resources.

Our people's attendance rate this year was 94.3 per cent, which is similar to previous years and 94.8 per cent of employees returned to employment with us from parental leave. Of those who returned to work in 2011–12 following parental leave, 76 per cent remain employed with us 12 months after their return.

Turnover rates (%)

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

Enhancing employee relations

In June 2013 over 93.55 per cent (or 30,746) of our employees were covered by the Australia Post Fair Work Agreement 2010 (APFWA2010), which outlined their pay and working conditions.

With the APFWA2010 due to reach its nominal expiry in July 2013, we engaged in extensive negotiations with the relevant unions this year to establish a new enterprise agreement. Australia Post supports the right of all employees to exercise freedom of association.

Negotiations were strongly supported by a nationwide employee engagement program, keeping our staff and managers informed and up to date through various written communications, a dedicated website, staff briefings and national roadshows. We also conducted national teleconferences where up to 1,000 managers and supervisors could hear directly from our Managing Director & CEO about the current business environment and the latest information on the negotiations.

The Australian Electoral Commission conducted an employee ballot regarding the proposed agreement from 20 June to 3 July. More than 20,000 staff voted in the ballot (63 per cent of eligible award employees) and an overwhelming majority (75 per cent) voted "Yes" in favour of the new agreement.

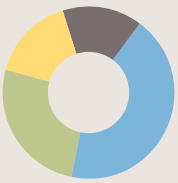
On 22 July 2013 the Fair Work Commission approved the Australia Post Enterprise Agreement 2013, effective 29 July 2013. The agreement protects all existing workplace conditions and will deliver 10.5 per cent in pay rises to December 2016.

Employment profile (total workforce 32,732)

By type

- Part-time **27.7%**
- Full-time **72.3%**

By occupation

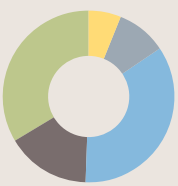


- Business support **15.9%**
- Retail **14.9%**
- Delivery **43.3%**
- Processing & transport **25.9%**

By gender

- Female **39.1%**
- Male **60.9%**

By region



- SA/NT **6.3%**
- WA **9.5%**
- NSW/ACT **35.0%**
- QLD **15.7%**
- VIC/TAS **33.5%**

Ethical behaviour

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

This year, the majority of workplace complaints relating to harassment and discrimination were managed locally, with 25 complaints escalated to our Workplace Relations and Policy team for investigation. Of these, only 10 were substantiated, one was withdrawn and one is still being investigated. We recommended appropriate remedial action to address breaches by employees including training, counselling and disciplinary measures.

Our diverse and inclusive workforce

At Australia Post, our people come from 136 different nations and speak more than 65 languages. This diverse and inclusive workforce gives us a broad range of ideas, experiences, skills and leadership styles.

We measure and track the diversity of our workforce against four indicators: gender, Indigenous Australians, culturally and linguistically diverse persons and people with disability.

Improving our gender diversity continued to be a priority in 2012–13. We introduced key initiatives including:

- **the tenprogram** – A new mentoring program for our high-potential female talent at the executive level that supports their development and fosters a mentoring culture.
- **Xplore** – A leadership and career development program for our female managers. Results from the program show that almost 90 per cent of participants have been promoted or are undertaking stretch projects or higher duties.
- **my mentor program** – This year we accepted our third intake of around 200 award-level female employees into this highly successful mentoring program. Since it began in 2011 around 800 women have participated in the program. Since participating, 57 per cent of program graduates have been promoted or are undertaking higher duties.

These initiatives contributed to promoting more women into leadership roles this year. Our female leaders now make up 35.9 per cent of management roles (up from 35.5 per cent last year) and 33.3 per cent of executive positions (up from 33.2 per cent last year). We also recorded an increase in the engagement levels of our female employees to 81 per cent (up from 76 per cent in 2011).

The launch of our first Accessibility Action Plan coincided with the International Day of People with Disability on 3 December 2012. The Action Plan commits Australia Post to taking a lead role in improving accessibility for all Australians with disability. People with disability represent 7.1 per cent of our workforce.

With over 500 Indigenous employees and trainees, Australia Post has a strong Indigenous workforce. This year we launched our second Reconciliation Action Plan to improve the social and economic wellbeing of Indigenous Australians. Initiatives included cultural awareness training, mentoring, school-based traineeships and ongoing employment.

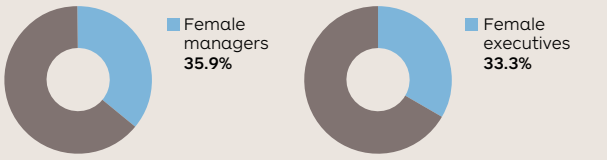
The *2013 Australia Post Diversity and Inclusion Annual Report* features our key diversity initiatives and measures how we are performing in relation to our four focus areas (see diagram below). The report is available on our website, auspost.com.au/publications.

We have one of the most culturally and linguistically diverse workforces in Australia

32,732 employees
136 nationalities
65+ languages

Women in workforce
39.1%

Women in management positions

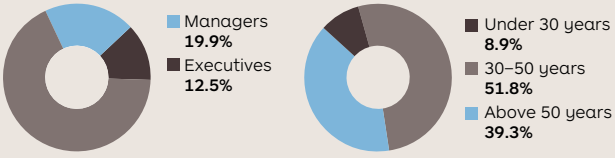


Indigenous Australians
1.6% (includes 30 traineeships)

People with disability
7.1%

Culturally and linguistically diverse
23.1%

Age



Our performance
Community

Highlights
- Launching a new community program – Our Neighbourhood
- Extending our partnership with the Australian Football League as its exclusive multicultural partner

Challenges
- Building awareness of the Our Neighbourhood brand and program
- Encouraging our workforce to actively participate in the Our Neighbourhood program

Outlook
- Expanding our Workplace Giving program
- Awarding the inaugural Our Neighbourhood grant winners and selecting Our Neighbourhood National Community Partners
- Launching the Our Neighbourhood Trust

Australia Post has been part of the fabric of local communities across Australia for more than 200 years and we are committed to investing in activities that help build healthier, more vibrant and more inclusive communities.

As our business evolves so too must our approach to investing in the community that we serve. This was a landmark year in terms of establishing a new community investment strategy and launching an integrated community program called Our Neighbourhood.

Over the last 12 months we have undertaken an extensive review of Australia Post's community program. This process included engagement across our business to inform the development of an enterprise-wide community strategy.

As well as consulting with our business units, we spoke with existing community partners to ensure alignment with the new strategic direction.

The final step was implementing the new strategy and launching Australia Post's new community engagement and investment program – Our Neighbourhood.

Our Neighbourhood

Central to Our Neighbourhood is the theme of inclusion and our desire to build healthier, more vibrant and more inclusive communities, through four key focus areas:

1. Providing all Australians with access to essential products and services and equipping them with the skills and knowledge to use those services to connect in both the physical and digital world
2. Maintaining a diverse, inclusive workplace that values the contribution of people from varying backgrounds and neighbourhoods across our nation
3. Investing in programs and activities that foster community spirit and contribute to an inclusive Australia
4. Providing support to Australian neighbourhoods every day – but especially in times of crisis.

Australia Post will bring Our Neighbourhood to life by targeting a number of key audiences that were determined via the consultation process. The key audiences are:

- local communities
- regional and remote communities
- socially disadvantaged
- Indigenous Australians
- culturally and linguistically diverse groups
- people with disability
- small businesses.

We launched Our Neighbourhood at Parliament House in Canberra on 28 May 2013. The Minister for Finance and Deregulation, Senator the Hon. Penny Wong, spoke at the event, along with Louise Walsh, CEO of Philanthropy Australia and our Managing Director & CEO Ahmed Fahour.

The new community program has received overwhelming support from our workforce and the wider community. This positive feedback illustrates strong support for the key focus areas, audiences and our community vision.

Our Neighbourhood National Community Partners

To coincide with the launch of Our Neighbourhood, in May 2013 we invited national organisations to apply to become an Our Neighbourhood National Community Partner. Our aim is to establish strong and enduring relationships with a small number of organisations that show leadership in our focus areas and provide services for our key audiences. We received 626 applications from organisations around Australia. The successful Our Neighbourhood National Community Partners will be announced later in 2013.

Our Neighbourhood pilot program

To ensure that the Our Neighbourhood Community Grants program ran smoothly when it opened to the public in May 2013, we implemented a pilot program from February to June 2013. We awarded 48 grants, totalling $411,597 to organisations around Australia.

One of the pilot grant winners was The Buttery in Casino, NSW. They received $4,300 to fund their Wake Up Time project. The Wake Up Time project started in 2004 for socially disadvantaged, unemployed Indigenous women in the town of Casino. The project creates a safe environment for women who may be subject to domestic violence and drug and alcohol abuse, to participate in traditional craft making and learn about nutrition. The project came about as a result of requests from The Aboriginal Medical Service and aims to overcome the social problems faced by local Indigenous women.

Participants of The Buttery's Wake Up Time project in Casino, NSW.

Our Neighbourhood Community Grants

In May 2013 we launched the Our Neighbourhood Community Grants program. This program encourages registered charities and community organisations to apply for funding of up to $25,000 for projects that align with our key areas of focus. We received 4,600 applications from local organisations located around Australia. The grant winners will be announced in September 2013.

Our Neighbourhood Workforce Nominated Community Grants

The Our Neighbourhood Workforce Nominated Community Grants program was also launched in May 2013. This grant program encourages our people to nominate a registered charity or community organisation – that they have a direct connection with – for a grant of up to $10,000. We received 372 applications from our workforce across Australia and will announce the successful recipients in September 2013.

Ongoing community programs

As well as new initiatives, Our Neighbourhood is underpinned by a number of existing initiatives. We remain committed to these partnerships and delivering the following programs and activities to neighbourhoods across Australia.

Workplace Giving

Australia Post's voluntary Workplace Giving program allows our people to contribute via pre-tax fortnightly pay deductions to nine charity partners.

In 2012–13 our Workplace Giving program raised $486,624 for charitable causes. A refreshed program with a larger selection of Non-Matched Charity Partners will begin on 1 July 2013.

Australia Post employee donations	Australia Post matched contribution	Total donations raised via Workplace Giving
$289,145	$197,479	$486,624

Australian Football League

This year we announced a three-year extension of our partnership with the Australian Football League (AFL) through to 2017. Under this extended partnership agreement, Australia Post is now the AFL's official Community Inclusion and Multicultural Partner. Our partnership with the AFL involves encouraging social inclusion to bring people together through sport. Under the partnership, we will continue to work with the AFL on a number of programs, including the Multicultural Ambassadors program, the Australia Post AFL Community Camps and the Australia Post Multicultural Schools Cup.

Boots For All

In December 2012 we partnered with Boots For All, a not-for-profit organisation, to provide sporting equipment to disadvantaged Australians. The group collects and distributes reusable sports equipment to individuals and communities in need. Together with Boots For All we collected over 600 items this year.

Joel Wilkinson, Gold Coast Suns player and AFL Multicultural Ambassador, pictured with Charlie Newport at Underwood Mail Facility, Brisbane.

Attending the launch of the StarTrack Oval in Canberra from left: Stephen Cleary, CEO of StarTrack; Ahmed Fahour, Managing Director & CEO of Australia Post; and StarTrack employees Glenn Watt and Michael Svarcas.

StarTrack Oval

In April 2013 StarTrack announced a partnership with the ACT Government and the AFL's Greater Western Sydney Giants to rename Manuka Oval in Canberra the StarTrack Oval. The announcement came on the eve of the first-ever AFL premiership match played under lights in the nation's capital, between the Giants and St Kilda. The naming rights of StarTrack Oval are for an initial two-year period.

Supporting disaster relief efforts

In times of natural disasters, Australia Post provides support to keep local communities connected. By the end of June 2013, Australia Post had accepted 2,683 transactions for the Red Cross Tasmanian Bushfire Appeal and the Red Cross Queensland Flood Appeal. Individual appeal volumes and values were:

- Tasmanian Bushfire Appeal – 1,749 transactions totalling $112,483 for the period of 11 January 2013 to 30 June 2013
- Queensland Flood Appeal – 934 transactions totalling $89,653 for the period of 1 February 2013 to 30 June 2013.

We also assisted people living in the affected areas by offering free mail redirection services and waived fees for those who lost passports.

Male Bag Ride

Twenty-six men took part in the 2013 Male Bag Ride from Perth to Melbourne. They started their journey from the Perth Mail Centre and ended at the MCG for an AFL match. The group successfully raised more than $350,000 in support of research for the Prostate Cancer Foundation of Australia. Australia Post supported the ride and provided an opportunity to raise awareness about two key issues important to us: men's health and postie safety.

London Olympic and Paralympics Postie Competition

In June 2012 we held a London Olympic and Paralympics Postie Competition, which offered our people the opportunity to travel to London to be a postie in the Olympic Village delivering mail to Australian athletes. We received over 300 applications from our people, who were judged based on their demonstrated commitment to our culture pillars and their contribution to the business. Five winners were awarded the trip of a lifetime.

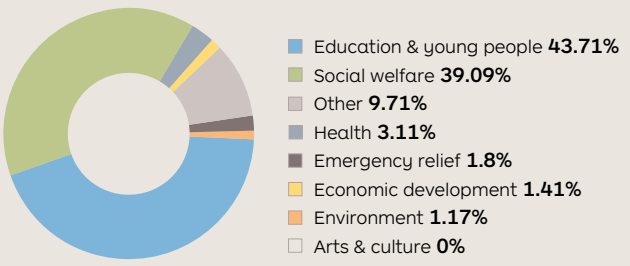
London Olympic and Paralympics postie competition winners: Lauren Muscat (VIC) and Steven Sainty (WA).

Measuring our impact

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

This year we invested $5.5 million in the community, which equates to 1.8 per cent of our net profit (up from 1.6 per cent in 2011–2012). The chart outlines how we focus our community investment expenditure, which includes cash, time and in-kind contributions across seven key categories.

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



Our performance
Environment

Highlights
- Reducing carbon emissions by a further 3 per cent
- Ongoing success in recycling through our Product Stewardship partnerships

Challenges
- Reducing our environmental impact as our parcels and digital businesses grow

Outlook
- Striving for best practice in fuel and energy management
- Exploring implementation of low carbon and renewable energy and fuels
- Broadening our engagement with customers and employees about our environmental performance and the sustainability of our products and services

At Australia Post, environmental sustainability has become one of the principles that guides our decision-making. We want to be recognised as leaders in delivering world-class environmental performance. As such, we have committed to achieving a 25 per cent reduction in carbon emissions by 2020.

Our commitment is founded on the belief that environmental sustainability is important to both our customers and our people and will lead to better business outcomes.

We have a comprehensive approach to environmental management. It starts with having a solid understanding of the impacts that our business has on the environment and then integrating plans to continually monitor and manage those impacts. We are doing this in a way that also considers how we can actively involve our people, increase the value we deliver to our customers and reduce our operational costs.

Our approach is aligned with our commitments under the United Nations Global Compact and the International Standard for Environmental Management, ISO14001. Our environmental performance, including our legal obligations, is monitored by the Australia Post Board Audit and Risk Committee. In 2012–13 we had no significant environmental incidents, spills, fines or prosecutions.

Fuel and energy efficiency

Greenhouse gases generated from our transport and property portfolios continue to be our most significant environmental impact.

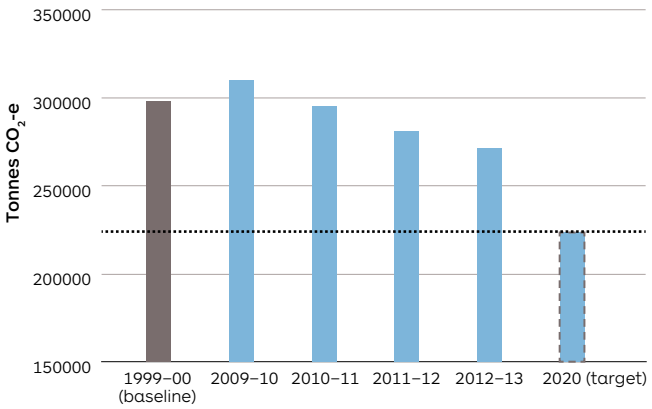
In 2010 we established a carbon reduction strategy that aligned with our investment in energy efficiency projects. We have also continued to build awareness of carbon emissions throughout our key business decisions and investments. This is evident in our dedicated fuel and energy working groups, our focus on quantifying the carbon impacts of our business cases and including resource efficiency as a key evaluation criterion in our procurement processes. Our focus on improving our efficiency has helped achieve overall carbon reductions for our business.

In 2012–13 we saw a further 3 per cent reduction in our emissions. We have now achieved a total 9 per cent improvement on our year 2000 emissions baseline, which puts us on track to achieve our 25 per cent reduction target by 2020.

Carbon reduction performance (tonnes CO_2-e)

2010–11 = **15,002 (↓5%)**
2011–12 = **14,026 (↓5%)**
2012–13 = **9,664 (↓3%)**

Emission levels



Electricity

The electricity used in our facilities contributes over two-thirds of our carbon emissions.

We are constantly looking for and evaluating a range of energy efficiency opportunities. We do this by monitoring the energy use of our facilities, seeking out and evaluating new technologies and undertaking energy audits. In the past three years, we have completed over 110 audits of our facilities, with 33 completed in 2012–13.

Our National Energy Management Plan, established in 2010 as a result of the early energy audit findings, has resulted in over $10 million being invested across the business in energy efficient initiatives, including air-conditioning and lighting upgrades, light sensors and skylights, as well as heating and cooling system changes. The program is nearing its completion and has delivered savings of 18,000 megawatt hours and electricity savings of $3 million annually.

The implementation of our Future Ready strategy is establishing the infrastructure to capitalise on the growth

in ecommerce. This will lead to an increase in our property portfolio and require innovative approaches to avoid a related increase in electricity use. Therefore, a key focus is to integrate environmentally sustainable design principles into our property development and construction activity. This will concentrate on energy efficiency, reducing water use, waste management and the consideration of design approaches.

As we continue to build new digital services, the electricity and carbon emissions associated with our IT activities are also becoming significant. Initiatives such as optimising the number of servers we need and the efficiency of our IT assets will be important, as will partnerships with our new data centre providers.

Prince Alfred Park

We are currently undertaking a major redevelopment of our NSW state office located in Strawberry Hills, Sydney.

This involves the refurbishment of base building services, facade and foyer upgrades and a new fit-out that enables the consolidation of the Australia Post tenancy. The investment will create a modern, efficient and sustainable building that will improve the current two-star NABERs energy rating to 4.5 stars with an aspirational target of five star.

Fuel

Fuel efficiency is another key component of Australia Post's carbon reduction strategy.

Our existing fuel efficiency programs focusing on aerodynamic optimisation and driver training will continue. We are now investigating new opportunities such as low-rolling resistance tyres and cleaner, more efficient fuels.

Our fleet choices are also having a positive impact on fuel efficiency. Our new model bikes introduced in June 2013 are forecast to be up to 25 per cent more fuel efficient than our previous bikes. We have 260 bikes in operation throughout the network and plan to roll out another 2,040 in 2013–14. Improvements in vehicle technology and fuel optimisation have contributed to our prime movers performing 5 per cent more fuel efficiently than they did in 2007. This year, through consolidating and selecting both hybrid and smaller passenger vehicles, our sedan fleet achieved a 12 per cent reduction in fuel consumption.

Low carbon or renewable energy alternatives

While our focus on operating our business as efficiently as possible will continue, we understand the greatest opportunities in reducing our environmental impacts will come from identifying and introducing lower carbon and renewable fuels and energy sources.

As a result, we have established a $500,000 research and development fund to trial and evaluate new technology, including solar power and lower carbon energy options such as co-generation.

Progressing our understanding of alternative lower carbon fuels for our vehicles is also a major focus. We started evaluating compressed natural gas this year and will continue actively investigating electric and hybrid vehicles, liquefied natural gas and renewable biofuels.

Environmental products and services

A key focus for Australia Post is the environmental performance of the products and services we offer. We also use our strengths as an organisation to help our customers deliver better environmental outcomes.

We have been actively involved as a member and signatory of the Australian Packaging Covenant (APC) since 2005 and are currently working through our 2011–15 action plan. The focus of our action plan is on the design, composition and recycling of our packaging.

Design

In total, we have increased the percentage of recycled packaging in our Australia Post branded products reported under the APC to 49.1 per cent (up from 28 per cent in 2006–07). This includes an increase of 0.6 per cent of recycled packaging in our products in 2012–13. By integrating sustainable packaging considerations in our design and procurement processes, we are confident of continuing to increase the recycled content of our products.

StarTrack hybrid trucks

StarTrack introduced its first hybrid truck in 2010. Since then, the hybrid fleet has grown to around 25 vehicles. Through our involvement in the NSW Green Truck Program, these trucks were found to be around 20 per cent more efficient when compared to a typical vehicle.

The StarTrack hybrids complement our existing fleet of around 100 hybrid passenger vehicles already operating in the Australia Post fleet.

"We are always looking for new ways to improve the efficiencies of our extensive transport fleet, especially when we consider the uncertainty surrounding future energy prices," says Chris Breshahan, General Manager, Planning and Performance.

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

	Emission source	1999–00 (baseline)	2009–10	2010–11	2011–12	2012–13
Scope 1 Direct emissions	Natural Gas	5,444	5,095	5,972	5,308	5,819
	LPG	75	2,395	2,322	2,876	2,852
	Heating Oil	68	0	0	0	0
	Diesel	57,258	67,978	65,344	67,116	67,948
	Petrol	15,443	12,807	12,279	11,439	11,009
	Total	**78,288**	**88,275**	**85,917**	**86,739**	**87,629**
Scope 2 Indirect emissions	Electricity	219,597	221,724	209,080	194,232	183,678
	Total	**219,597**	**221,724**	**209,080**	**194,232**	**183,678**
	Total Scope 1 and Scope 2 Direct and Indirect Emissions	**297,885**	**309,999**	**294,997**	**280,971**	**271,307**

Note: StarTrack emission details will be included in the 2013–14 report. StarTrack's emissions for 2012–13 are approximately 55,000 tonnes.

The design of our internal packaging is also significant. A recent review of our mail trays, which are used to move letters around our business, highlighted an opportunity to increase the recycled content of the product by 7 per cent. As we purchase almost one million trays every year, implementing this change will reduce the non-recycled content used in the mail trays by 34 tonnes per annum.

Recycling

The recyclability of our products remains high, with over 90 per cent of the materials in our APC reported products being recyclable. We will continue to look for opportunities across our business to improve our packaging's environmental performance.

We continued our partnership with Planet Ark to collect and recycle used printer cartridges. This year we collected almost 500,000 cartridges and related items for recycling, which diverted almost 141 tonnes of waste from landfill. In addition, our partnership with MobileMuster resulted in collections of over nine tonnes of used mobile phones, batteries and chargers that were returned for recycling.

Waste management

Our waste management program includes the recycling of non-hazardous waste from our operations, mostly comprising cardboard, paper, aluminium and plastic. We have recently changed waste contractors and this has impacted our ability to provide a year-on-year comparison for 2012–13. Our performance reporting will resume in the next financial year.

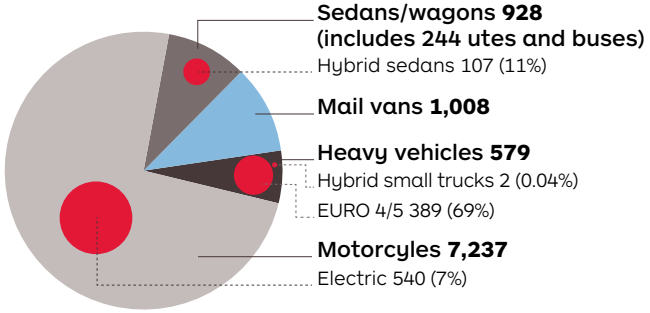
Our future focus

As our business continues to transform, integrating environmental considerations into our business decisions will help us realise our commitment to reducing our environmental impact.

Importantly, a key focus will be on working with and involving our people in our environmental programs. Using their skills and capabilities to identify areas of opportunity will help maximise our outcomes.

We will focus on broadening the conversations with our customers to include the environmental performance of our products and enable us to work together to deliver better environmental outcomes. For more detailed environment data go to austpost.com.au/annualreport2013.

Fleet composition



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

Greenhouse gas emissions (tonnes CO_2-e) per $m of revenue

Greenhouse gas emissions (tonnes CO_2-e) per full-time employee

The greenhouse emissions data excludes the emissions associated with StarTrack.

GRI index

GRI standard disclosures		Page(s)	Report section(s)
Strategy and analysis	1.1, 1.2	8 9	Chairman's message Managing Director & CEO's message
Organisational profile	2.1–2.9 2.10	10–11 12–13 24–31 Inside back cover	Financial report About Australia Post Products and services Awards
Report profile	3.1–3.4	136 Inside back cover	About this report Contact details
Report scope and boundary	3.5–3.11	16–17 136	Stakeholder management About this report
GRI index	3.12	42	GRI index
Assurance	3.13	43 136	Assurance statement About this report
Governance	4.1–4.10	14–15 44–48	Board and leadership team Corporate governance
Commitments to external initiatives	4.11–4.13	46–47 Inside back cover	Risk management Commitment to external initiatives
Stakeholder engagement	4.14–4.17	16–17	Stakeholder management
Disclosure on management approach	DMA	136	About this report – full disclosure on website

GRI performance indicators		Indicator	Page(s)	Report section(s)	Coverage
Environmental	Materials used	**EN1**	41	Environment	Partial
	Materials recycled	**EN2**	40–41	Environment	Full
	Direct energy use	**EN3**	39–40	Environment	Full
	Indirect energy use	**EN4**	39–40	Environment	Full
	Energy efficiency	**EN5**	39–40	Environment	Full
	Greenhouse gas emissions	**EN16**	39–41	Environment	Full
	Emission reduction	**EN18**	39–41	Environment	Full
	Waste	**EN22**	41	Environment	Partial
	Significant spills	**EN23**	39	Environment	Full
	Environmental initiatives	**EN26**	40–41	Environment	Full
	Packaging	**EN27**	40–41	Environment	Full
	Compliance	**EN28**	39	Environment	Full
Labor practices and decent work	Workforce profile	**LA1**	34–35	People	Full
	Workforce turnover	**LA2**	34	People	Partial
	Work agreement	**LA4**	34	People	Full
	Safety	**LA7**	32–33	People	Partial
	Training	**LA10**	33	People	Partial
	Diversity	**LA13**	35	People	Partial
	Parental leave	**LA15**	34	People	Partial
Human rights	Training	**HR3**	35	People	Partial
	Non-discrimination	**HR4**	35	People	Full
	Freedom of association	**HR5**	34	People	Full
Society	Community engagement	**SO1**	16–17 36–38	Stakeholder management Community	Full
	Managing fraud risk	**SO2**	20–21	Customers	Partial
	Compliance	**SO8**	21	Customers	Partial
Product responsibility	Customer satisfaction	**PR5**	19–20	Customers	Full
	Marketing programs	**PR6**	21	Customers	Full
	Marketing communications	**PR7**	21	Customers	Full
	Customer privacy	**PR8**	20	Customers	Full
	Compliance	**PR9**	21	Customers	Full
Economic	Financial performance	**EC1**	10–11	Financial report	Full
	Risk management	**EC2**	46–47	Risk management	Partial
	Superannuation	**EC3**	127	Statutory reporting requirements	Full
Transport and Logistics Sector Supplement (2006)	Fleet composition	**LT2**	41	Environment	Full
	Driving policies	**LT9**	33	People	Full
	Road safety	**LT12**	33	People	Full
	Access to mail	**LT14**	12	About Australia Post	Full

Note: a detailed GRI index and additional environmental and stakeholder engagement data is available on the Australia Post website at auspost.com.au/annualreport2013.

Assurance statement

Beca Independent Assurance Report to Australia Post

Beca Pty Ltd (Beca) was engaged by Australia Post to provide independent limited assurance of its 2013 Annual Report to the scope of work outlined below.

Scope of Work

This assurance report is prepared for Australia Post and its stakeholders. The 2013 Annual Report (the Report) covers Australia Post's operations from 1 July 2012 to 30 June 2013, unless stated otherwise in the text. This work was performed using Beca's assurance methodology to ISAE 3000, the International Standard on Assurance Engagements Other Than Audits or Reviews of Historical Financial Information. To do this, Beca interviewed a number of personnel and reviewed relevant documentation at Australia Post's head office in Melbourne. Data collation processes were reviewed, including sighting a sample of original records, interrogating spreadsheets and re-performing some calculations. The following subject matter for the assurance covered the full Report except for financial statements, community service obligations, delivery performance of domestic letters service and community investment data:

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

Beca's Independence

Australia Post was responsible for preparing the Report. Beca is one of the largest employee-owned engineering and related consultancy groups in Asia Pacific. Beca assurance auditors, experienced in the determination of materiality and the assurance of performance information, led by Jo Cain (Business Director - Sustainability), were responsible for expressing an assurance conclusion in line with the scope of work agreed with Australia Post. During the reporting period, Beca undertook no other work with Australia Post.

Our Conclusion

Beca concludes that, based on the scope of work and related limitations, for the specified subject matter, Australia Post's 2013 Annual Report:

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

based on the limitations outlined above, for 1 July 2012 to 30 June 2013. In addition, Beca has provided a management report to Australia Post.

Key Observations

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

Good Practice

- Data owner: responsiveness, awareness and commitment during the assurance process.
- Report development procedure: detailing the project manager, content leads and timelines for 2013.
- Materiality determination process: covering stakeholder interests, business risk, media profile and peer reporting.
- Energy use and greenhouse gas emissions: well-structured data collation process with automatic data transfer.

Areas for Improvement

- Training data: consider auditing training data to improve data collation processes and accuracy of reporting.
- Report development procedure documentation: extended to incorporate specific data owners, enhanced internal review and validation process per Report chapter and assurance process steps and evidence requirements.
- Integrated reporting: continue to improve synergy across Report chapters, for example initiatives with community benefits reported in the Products and Services chapter may also appear in the Community chapter.

Beca congratulates Australia Post on its commitment to integrated reporting.

Beca

Beca Pty Ltd, 23 August 2013, Melbourne, Australia

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Corporate governance

General

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

These practices derive principally from the provisions of the *Australian Postal Corporation (APC) Act 1989*, the *Commonwealth Authorities and Companies (CAC) Act 1997* and the *Commonwealth Government Business Enterprise Governance and Oversight Guidelines (2011)*. They are also guided by the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

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

Shareholder ministers

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

The board

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

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

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

The managing director & CEO is appointed by the board.

Board membership during 2012–13 was:

John Stanhope (Chairman – appointed 22 November 2012)
Mark Darras (Acting Chairman 12 September 2012 to 21 November 2012, Deputy Chairman – retired 29 March 2013)
David Mortimer (Chairman – retired 11 September 2012)
Brendan Fleiter (Deputy Chairman from 30 May 2013, previously Director)
Ahmed Fahour (Managing Director & CEO)
Penny Bingham-Hall
Susan Bitter (appointed 2 August 2012)
Peter Carne
Michael D'Ascenzo AO (appointed 30 May 2013)
The Hon. Trish White
Talal Yassine OAM (appointed 2 August 2012)

Profiles of each director and details of their relevant skills, experience and expertise are provided on pages 14 to 15.

Role of the board

Under section 23 of the APC Act the role of the board is to:

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

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

Board committees

Three permanent committees – the Audit and Risk Committee, the Human Resources Committee and the Nomination and Remuneration Committee – assist the board in the discharge of its responsibilities.

The committee charters, which are reviewed annually by the board, can be accessed in the corporate governance section of our website.

Audit and Risk Committee

Consisting entirely of non-executive directors, the Audit and Risk Committee provides a forum for regular communication between the board and the corporation's external and internal auditors.

Membership during 2012–13 was:

Peter Carne (Chairman)
John Stanhope (appointed 18 June 2013)
Mark Darras (appointed 30 August 2012 – retired 29 March 2013)
David Mortimer (retired 11 September 2012)
Brendan Fleiter
Susan Bitter (appointed 22 October 2012)
The Hon. Trish White

The Committee focuses in particular on the areas of financial reporting, risk management and internal controls. Among other things it reviews:

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

Committee meetings are attended by the external and internal auditors as well as the managing director & CEO, chief operating officer and chief financial officer.

Prior to each meeting, the committee holds separate private discussions with the external auditors, the internal auditor and chief financial officer.

The committee meets four times a year. Meeting attendance details for 2012–13 are provided in the table on page 48.

Human Resources Committee

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

- recruitment, selection and succession planning
- performance management

- culture, ethics and enterprise engagement
- learning and development
- occupational health and safety
- terms and conditions of employment
- organisational structure.

Membership during 2012–13 was:

Brendan Fleiter (Chairman – appointed 27 March 2013, Acting Chairman 22 October 2012 – 26 March 2013)
Mark Darras (Chairman – retired 27 March 2013)
Ahmed Fahour
Penny Bingham-Hall
Michael D'Ascenzo AO (appointed 18 June 2013)
The Hon. Trish White

The Committee meets four times a year. Meeting attendance details for 2012–13 are provided in the table on page 48.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee met for the first time in July 2012. The Committee provides shareholder ministers with recommendations on board composition and membership, and performance and succession management for the managing director & CEO.

Specifically, the role of the committee is to:

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

Membership during 2012–13 was:

John Stanhope (Chairman – appointed 23 November 2012)
David Mortimer (Chairman – retired 11 September 2012)
Penelope Bingham-Hall
Peter Carne
Brendan Fleiter (appointed 29 November 2012)
Talal Yassine OAM (appointed 22 October 2012)

Board performance

An externally facilitated board performance appraisal is undertaken every two years focusing on board, board committee and individual director effectiveness. The next review will occur in 2014.

Director induction and education

A comprehensive induction program provides newly appointed directors with an understanding of their role and responsibilities, and exposes them to key features of the corporation, including operations, policies and strategies. Additional supplements are tailored to meet particular needs or interests.

Ongoing director education is provided through facility visits and presentations on matters of current interest.

Independent professional advice

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

Conflict of interest

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

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

Ethical standards

At Australia Post, everything we do can have social, environmental and economic impacts. Australians trust us with the delivery of their essential products and services every day, and our retail footprint places us at the heart of communities across the country. As such, it is important that our people represent Australia Post in an ethical way by conducting business with integrity, honesty, fairness and in compliance with all relevant laws, regulations, codes and corporate policies and procedures so that we continue to be a trusted Australian organisation. When we demonstrate ethical behaviour, we show respect for each other, our customers and the community.

The Australia Post "Our Ethics" booklet was launched in 2009, detailing the minimum ethical standards of expected behaviour that help guide us through possible ethical dilemmas and dealings with customers, suppliers, the corporation and each other.

In 2011 "Our Ethics" was refreshed to incorporate our culture pillars of safety, accountability, customer focus and speed of action. Our culture pillars are our core beliefs and create a shared understanding of how we do things at Australia Post. All Australia Post employees are accountable for demonstrating our culture pillars in their daily work to help make Australia Post a better place to work and ensure a strong future for our organisation.

When people ask our employees what it is like to work at Australia Post, they are able to describe the behaviours within the culture pillars. We always put safety first, take accountability for our actions, remain focused on delivery and exceptional service to our customers and seek to deliver timely outcomes.

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

Director remuneration

Remuneration for Australia Post's non-executive directors is determined and discussed with the Commonwealth Remuneration Tribunal. For 2012–13 this was:

Chairman	$174,740
Deputy chairman	$97,515
Directors	$87,400
Audit and Risk Committee chairman	$20,210
Audit and Risk Committee member	$10,115

Total amounts received or receivable in 2012–13 by each non-executive director are provided in Note 29 to the financial statements (see page 96).

Executive remuneration

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

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

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

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

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

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

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

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

- a payment of 12 months fixed annual remuneration in lieu of notice and a termination payment of 12 months fixed annual remuneration less any payments in lieu of notice

and, for other senior executives, to:

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

All of the above payments are based on the total fixed annual remuneration.

Remuneration details for the managing director & CEO and other key executives are provided in Note 29 to the financial statements (see page 96).

External audit

Under section 8 of the CAC Act, the Auditor-General is responsible for auditing the financial statements of Australia Post and its subsidiaries. The Auditor-General is also responsible for auditing compliance with the performance standards prescribed for Australia Post under section 28C of the APC Act. Ernst & Young has been retained by the Australian National Audit Office to assist in both of these assignments.

The board has in place a comprehensive set of audit independence principles in relation to the external auditors. Among other things, these principles exclude the engagement of the external auditors for the provision of certain non-statutory audit-related services, such as internal auditing, taxation planning, treasury policy and operations, and business and strategic planning. In addition, the senior audit partner on the corporation's account must be rotated at least every five years.

Internal audit

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

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

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

Risk management

The board has established a comprehensive risk management and compliance policy framework covering significant operational, strategic and compliance-related business risks. The framework and underpinning processes are consistent with the principles of the Australian Risk Management Standard (AS/NZS ISO 31000:2009) and the Australian Standard 3806-2006 Compliance programs.

As part of the risk management and compliance framework all business units maintain a risk profile detailing their material business risks, associated mitigation strategies and progress against their implementation. The status of extreme and high

Performance, importance and role of Australia Post in Australian communities and its operations in relation to licensed post offices
Submission 7 - Attachment 1

rated risks is reported to the executive committee and the board Audit and Risk Committee each quarter. In addition, each year the status of each major compliance program is provided to the board Audit and Risk Committee.

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

Australia Post maintains adequate insurance cover to manage the potentially adverse financial impacts associated with catastrophic risk exposures.

The effectiveness and adequacy of the corporation's risk management and compliance framework is reviewed annually by the board. To ensure the maintenance of better practice, independent external reviews of risk management and compliance processes across the corporation are undertaken every four years. The most recent such review was undertaken by Deloitte and presented to the board Audit and Risk Committee in May 2009.

Internal control framework

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

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

Treasury

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

Established treasury procedures incorporate risk control principles of segregation of duties, dual control access and independent reconciliations. An internal Asset and Liability Committee meets monthly and reviews or recommends appropriate hedging strategies to the chief operating officer in accordance with policy parameters. Treasury activities are reported quarterly to the board and are subject to review by auditors as part of the annual external audit process.

Taxation

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

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

Following are the five core drivers behind our corporate tax governance:

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

Security and investigation

Security and Investigation is an internal service group that provides security and crime risk consultancy and investigation services for Australia Post. It is chartered to identify, analyse, and advise on mitigation strategies for all security and crime risks relevant to Australia Post's people, property, information and reputation. This specialist group maintains close internal working relationships with the legal, risk and audit units, and as externally with international, national, state and territory law enforcement services and agencies.

Competition and consumer law

To facilitate compliance with relevant legislation, Australia Post has a national competition and consumer law compliance program which is maintained by the legal department. In addition to undertaking comprehensive biennial competition and consumer law training, the corporation has in place a detailed formal clearance process for all promotional and advertising material.

Privacy

The corporation has a Privacy Contact Officer, who is accountable for maintaining the corporation's National Privacy

Compliance program. This program aims to ensure that our policies and procedures comply with privacy legislation. It also acts to safeguard our customers' personal information and foster a corporate culture that values privacy.

Corporate responsibility

Australia Post's Corporate Responsibility program is an important element of the corporation's strategy. At the heart of our approach to Corporate Responsibility is the notion of "balance". As a business that is literally owned by the Australian community, all of our daily decision-making gives genuine consideration to balancing commercial returns, customer service and community and environmental interests.

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

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

Our Corporate Responsibility performance is continually monitored by a Head of Corporate Responsibility, whose responsibility is to ensure implementation and assessment of the key objectives across the enterprise. Our Corporate Responsibility performance is reported periodically to management as well as the board and the Australia Post Stakeholder Council. Reporting on the Corporate Responsibility program is formally done on an annual basis through the annual report.

Corporate Responsibility governance is integrated across the corporation through key business focus groups. Our people needs and subsequent programs are governed by the Human Resources Committee. The Customer Action Council is made up of general managers and prioritises actions to improve the customer experience. The Australia Post Stakeholder Council, which provides an external perspective to the Corporate Responsibility program, comprises representatives ranging from small, medium and large business, direct marketing, corporate responsibility and senior Australia Post executives.

Responsible sourcing

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

Australia Post's Supplier Code of Conduct ensures that social and environmental considerations are included when choosing suppliers. Our Supplier Code of Conduct expects all suppliers to demonstrate a commitment to human rights, fair employment practices and environmental responsibility in accordance with existing international standards, such as the United Nationals Universal Declaration of Human Rights, the International Labour Organisation Declaration on Fundamental Rights at Work, and the United Nationals Convention on the Rights of the Child. From an environmental perspective, Australia Post requires all suppliers to comply with all applicable environmental laws and regulations and have an environmental management plan which takes responsibility for their goods and services throughout their lifecycle and minimises the impact of activities on the environment.

In the coming year, Australia Post will be developing a more comprehensive sustainable procurement plan.

Directors' attendance at meetings 2012–13

	Board		Audit and Risk Committee		Human Resources Committee		Nomination and Remuneration Committee	
	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)
John Stanhope	5	5	1	1	–	–	2	2
Mark Darras	6	5	2	2	3	3	3	3
David Mortimer	2	2	1	1	–	–	2	2
Brendan Fleiter	8	8	4	4	4	4	2	2
Ahmed Fahour	8	8	–	–	4	4	–	–
Penny Bingham-Hall	8	7	–	–	4	4	4	4
Susan Bitter	7	6	3	3	–	–	–	–
Peter Carne	8	8	4	4	–	–	4	4
Michael D'Ascenzo AO	1	–	–	–	1	1	–	–
The Hon. Trish White	8	8	4	4	4	4	–	–
Talal Yassine OAM	7	6	–	–	–	–	2	2

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

Financial and statutory reports

Understanding our reports

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

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Statement by directors, chief executive officer and chief financial officer

2012–13 Financial Report

In our opinion:

(a) the accompanying financial report for the year ended 30 June 2013:

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

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

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

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

J V Stanhope
Chairman

Melbourne
29 August 2013

A Fahour
Managing Director & CEO

Melbourne
29 August 2013

A Harrop
Chief Financial Officer

Melbourne
29 August 2013

2012–13 Financial report Certification

Prior to the adoption of the 2012–13 financial report, the board received and considered a written statement from the managing director and chief executive officer and chief finance officer to the effect that the:

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

J V Stanhope
Chairman

Melbourne
29 August 2013

2012–13 Report of Operations

In the opinion of the directors, the requirements under section 9 of the *Commonwealth Authorities and Companies Act 1997* for the preparation and content of the "report of operations" as specified in orders issued by the Minister for Finance and Deregulation are met in the general body of this report (pages 1–41) and in the statutory report (pages 123–130).

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

J V Stanhope
Chairman

Melbourne
29 August 2013

Finance statements audit report

Statement by directors, chief executive officer and chief financial officer

Auditor-General for Australia

Australian National Audit Office

INDEPENDENT AUDITOR'S REPORT

To the Minister for Broadband, Communications and the Digital Economy

Report on the Financial Statements

I have audited the accompanying financial statements of the Australian Postal Corporation (the Corporation) for the year ended 30 June 2013, which comprise: the Statement by the Directors, Chief Executive and Chief Financial Officer; the Consolidated statement of comprehensive income; Consolidated balance sheet; Consolidated cash flow statement Consolidated statement of changes in equity; Consolidated schedule of commitments; Consolidated schedule of contingencies; and Notes to and forming part of the financial statements, including a Summary of significant accounting policies. The consolidated entity comprises the Corporation and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Statements

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

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Finance statements audit report

Statement by directors, chief executive officer and chief financial officer

In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial 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:

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

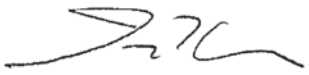
(b) give a true and fair view of the matters required by the Finance Minister's Orders including the consolidated entity's financial position as at 30 June 2013 and of its financial performance and cash flows for the year then ended; and

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

Report on Other Legal and Regulatory Requirements

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

Australian National Audit Office



Ian McPhee
Auditor-General

Canberra
29 August 2013

Statement of comprehensive income

for the year ended 30 June 2013

	Note	Consolidated 2013 $m	Consolidated 2012 $m
Revenue	2		
Goods and services		5,730.1	5,025.6
Interest		18.4	37.6
		5,748.5	5,063.2
Other income	2		
Rents		35.5	36.5
Other income and gains		109.2	26.5
		144.7	**63.0**
Total income	28	**5,893.2**	**5,126.2**
Expenses (excluding finance costs)	3		
Employees		2,508.1	2,322.9
Suppliers		2,605.4	2,162.2
Depreciation and amortisation		246.3	201.6
Other expenses		98.8	52.3
Total expenses (excluding finance costs)		**5,458.6**	**4,739.0**
Profit before income tax, finance costs and share of net profits of joint venture entities		**434.6**	**387.2**
Finance costs	4	31.6	37.3
Share of net (losses)/profits of joint venture entities	12	(0.2)	16.8
Profit before income tax		**402.8**	**366.7**
Income tax expense	5(a),(c)	90.9	85.5
Net profit for the year		**311.9**	**281.2**
Other Comprehensive Income			
Items that will not be reclassified to profit or loss			
Gain on revaluation of land and buildings	13	0.9	–
Actuarial gain/(loss) on defined benefit plans	21(g)	148.7	(541.3)
Income tax on items that will not be reclassified to profit or loss	5(b)	(44.9)	162.4
Movements in joint venture entity actuarial losses		(1.3)	(8.1)
Income tax on joint venture entity actuarial losses		0.4	2.9
Total items that will not be reclassified to profit or loss, net of tax		**103.8**	**(384.1)**
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	24	0.1	0.0
Movement in hedging reserve	24	5.3	(1.7)
Income tax on items that may be reclassified subsequently to profit or loss	5(b)	(1.6)	0.4
Movements in joint venture entity reserves		0.3	0.3
Income tax on joint venture entity reserves		(0.1)	(0.1)
Total items that may be reclassified to profit or loss, net of tax		**4.0**	**(1.1)**
Other comprehensive income for the year, net of tax		**107.8**	**(385.2)**
Total comprehensive income for the year		**419.7**	**(104.0)**
Net profit for the year is attributable to:			
Equity holders of the parent		311.9	281.2
		311.9	**281.2**
Total comprehensive income for the year is attributable to:			
Equity holders of the parent		419.7	(104.0)
		419.7	**(104.0)**

The above consolidated statement of comprehensive income includes the results for AUX Investments Pty Ltd from the date of acquisition 13 November 2012 to 30 June 2013. This statement should be read in conjunction with the accompanying notes.

Balance sheet

as at 30 June 2013

	Note	Consolidated 2013 $m	Consolidated 2012 $m
Assets			
Current assets			
Cash and cash equivalents	33(a)	292.9	775.6
Held to maturity investments		–	59.1
Trade and other receivables	6	594.4	435.4
Inventories	7	48.6	55.2
Accrued revenues		149.1	129.6
Assets classified as held for sale	8	48.8	–
Other current assets	9	106.1	81.1
Total current assets		**1,239.9**	**1,536.0**
Non-current assets			
Trade and other receivables	10	99.4	227.6
Investments in joint venture entities	12	2.7	284.7
Land and buildings	13	796.5	736.4
Plant and equipment	13	647.0	481.3
Intangible assets	14	1,123.1	351.9
Investment property	15	172.5	195.7
Deferred tax assets	5(d)	303.7	343.6
Other non-current assets	17	16.7	18.6
Total non-current assets		**3,161.6**	**2,639.8**
Total assets		**4,401.5**	**4,175.8**
Liabilities			
Current liabilities			
Trade and other payables	18	885.8	812.2
Interest-bearing liabilities	19	342.4	–
Provisions	20	680.1	594.3
Income tax payable		27.6	48.2
Total current liabilities		**1,935.9**	**1,454.7**
Non-current liabilities			
Interest-bearing liabilities	19	290.5	617.5
Provisions	20	232.9	188.9
Net superannuation liability	21(c)	1.6	233.9
Deferred tax liabilities	5(d)	228.0	147.0
Other non-current liabilities	22	30.6	27.8
Total non-current liabilities		**783.6**	**1,215.1**
Total liabilities		**2,719.5**	**2,669.8**
Net assets		**1,682.0**	**1,506.0**
Equity			
Contributed equity		400.0	400.0
Reserves	24	10.3	5.7
Retained profits	23	1,271.7	1,100.3
Parent interest		1,682.0	1,506.0
Non-controlling interest		–	–
Total equity		**1,682.0**	**1,506.0**

The above consolidated balance sheet includes the results for AUX Investments Pty Ltd as at 30 June 2013. This consolidated balance sheet should be read in conjunction with the accompanying notes.

Cash flow statement

for the year ended 30 June 2013

	Note	Consolidated 2013 $m	Consolidated 2012 $m
Operating activities			
Cash received			
Goods and services		6,310.6	5,496.6
Interest		19.8	37.2
Dividends		–	14.8
Income tax refund		26.4	48.8
Total cash received		**6,356.8**	**5,597.4**
Cash used			
Employees		2,566.5	2,361.3
Suppliers		2,993.4	2,373.2
Financing costs		33.7	34.9
Income tax		77.7	46.6
Goods and services tax paid		236.0	230.2
Total cash used		**5,907.3**	**5,046.2**
Net cash from operating activities	33(b)	**449.5**	**551.2**
Investing activities			
Cash received			
Dividends received		138.0	–
Proceeds from sales of property, plant and equipment		25.2	52.1
Proceeds from held to maturity investments		59.1	–
Total cash received		**222.3**	**52.1**
Cash used			
Payments for investments in joint venture entities (net of cash acquired)	33(d)	401.0	–
Purchase of investment property		0.3	3.5
Purchase of property, plant and equipment		231.2	134.0
Purchase of intangibles		155.3	89.5
Loans to joint venture entities		138.0	–
Purchase of held to maturity investments		–	59.0
Total cash used		**925.8**	**286.0**
Net cash used by investing activities		**(703.5)**	**(233.9)**
Financing activities			
Cash received			
Proceeds from borrowings		15.0	280.0
Total cash received		**15.0**	**280.0**
Cash used			
Repayment of borrowings		–	230.0
Dividends paid	26	243.7	193.9
Total cash used		**243.7**	**423.9**
Net cash used by financing activities		**(228.7)**	**(143.9)**
Net (decrease)/increase in cash and cash equivalents		(482.7)	173.4
Cash and cash equivalents at beginning of reporting period		775.6	602.2
Cash and cash equivalents at end of the reporting period	33(a)	**292.9**	**775.6**

The above consolidated cash flow statement includes the results for AUX Investments Pty Ltd from the date of acquisition 13 November 2012 to 30 June 2013. This statement should be read in conjunction with the accompanying notes.

Statement of changes in equity

as at 30 June 2013

	Consolidated					
	Contributed equity	**Asset revaluation reserve**	**Foreign currency translation reserve**	**Hedging reserve**	**Retained profits**	**Total equity**
	$m	$m	$m	$m	$m	$m
Balance at 1 July 2011	400.0	6.7	(0.1)	0.2	**1,397.1**	**1,803.9**
Comprehensive income						
Net profit for the year	–	–	–	–	281.2	**281.2**
Other comprehensive income	–	–	–	(1.7)	(541.3)	**(543.0)**
Tax on other comprehensive income	–	–	–	0.4	162.4	**162.8**
Share of joint venture entity items	–	–	0.0	0.3	(8.1)	**(7.8)**
Tax on share of joint venture entity items	–	–	–	(0.1)	2.9	**2.8**
Total comprehensive income for the year	**–**	**–**	**0.0**	**(1.1)**	**(102.9)**	**(104.0)**
Transactions with owners						
Distribution to owners						
Dividends (refer note 26)	–	–	–	–	**(193.9)**	**(193.9)**
Balance at 30 June 2012	**400.0**	**6.7**	**(0.1)**	**(0.9)**	**1,100.3**	**1,506.0**
Comprehensive income						
Net profit for the year	–	–	–	–	311.9	**311.9**
Other comprehensive income	–	0.9	–	5.3	148.7	**154.9**
Tax on other comprehensive income	–	(0.3)	–	(1.6)	(44.6)	**(46.5)**
Share of joint venture entity items	–	–	0.1	0.3	(1.3)	**(0.9)**
Tax on share of joint venture entity items	–	–	–	(0.1)	0.4	**0.3**
Total comprehensive income for the year	**–**	**0.6**	**0.1**	**3.9**	**415.1**	**419.7**
Transactions with owners						
Distribution to owners						
Dividends (refer note 26)	–	–	–	–	**(243.7)**	**(243.7)**
Balance at 30 June 2013	**400.0**	**7.3**	**0.0**	**3.0**	**1,271.7**	**1,682.0**

The above consolidated statement of changes in equity includes the results for AUX Investments Pty Ltd from the date of acquisition 13 November 2012 to 30 June 2013. This consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Schedule of commitments

as at 30 June 2013

	Consolidated[3]	
	2013 $m	**2012** $m
By type		
Commitments receivable:		
Lease rental receivables[1]	114.0	154.8
GST recoverable on commitments	301.4	203.4
Total commitments receivable	**415.4**	**358.2**
Commitments payable:		
Capital commitments:		
Land and buildings	74.6	7.1
Plant and equipment	61.7	53.9
Other	3.6	4.7
Total capital commitments	**139.9**	**65.7**
Other commitments:		
Operating leases	677.6	513.9
Other commitments[2]	2,709.1	1,875.7
Total other commitments	**3,386.7**	**2,389.6**
Total commitments payable	**3,526.6**	**2,455.3**
Net commitments	**3,111.2**	**2,097.1**
By maturity		
Commitments receivable:		
Within one year	137.5	114.4
From one to five years	250.2	211.4
Over five years	27.7	32.4
Total commitments receivable by maturity	**415.4**	**358.2**
Commitments payable:		
Capital commitments due:		
Within one year	137.8	61.8
From one to five years	2.1	3.9
Over five years	–	–
Total capital commitments	**139.9**	**65.7**
Operating lease commitments due:		
Within one year	148.4	109.5
From one to five years	387.0	267.5
Over five years	142.2	136.9
Total operating lease commitments	**677.6**	**513.9**
Other commitments due:		
Within one year	988.8	740.7
From one to five years	1,720.0	1,134.4
Over five years	0.3	0.6
Total other commitments	**2,709.1**	**1,875.7**
Total commitments payable by maturity	**3,526.6**	**2,455.3**
Net commitments	**3,111.2**	**2,097.1**

(1) Balance includes sub-lease rent receivables and operating lease receivables of $40.7 million (2012: $42.1 million).

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

(3) The consolidated group's share of joint venture entities' commitments comprise commitment receivables of $0.3 million (2012: $48.4 million), capital commitments of $nil (2012: $6.6 million) and operating leases and other commitments of $2.4 million (2012: $524.0 million).

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

Schedule of contingencies

as at 30 June 2013

	Consolidated					
	Guarantees[1]		Claims for damages or other costs[2]		Total[3],[4]	
	2013 $m	2012 $m	2013 $m	2012 $m	2013 $m	2012 $m
Balance from previous period	161.3	148.0	3.5	2.7	164.8	150.7
Acquisition of subsidiary	44.7	–	–	–	44.7	–
New	–	–	1.5	3.3	1.5	3.3
Re-measurement	6.4	17.5	0.8	0.3	7.2	17.8
Liabilities recognised	–	–	(2.0)	(2.6)	(2.0)	(2.6)
Obligations expired	(0.3)	(4.2)	(0.3)	(0.2)	(0.6)	(4.4)
Total contingent liabilities	**212.1**	**161.3**	**3.5**	**3.5**	**215.6**	**164.8**
Balance from previous period	7.6	7.6	0.5	1.0	8.1	8.6
New	0.2	–	–	–	0.2	–
Assets recognised	–	–	–	(0.5)	–	(0.5)
Total contingent assets	**7.8**	**7.6**	**0.5**	**0.5**	**8.3**	**8.1**
Net contingent liabilities	**204.3**	**153.7**	**3.0**	**3.0**	**207.3**	**156.7**

(1) Relates to non-financial guarantees, including bank guarantees over projected workers' compensation claims liabilities. Financial guarantees have also been provided by the corporation in addition to the above disclosures with maximum credit risk of $59.4 million (2012: $59.0 million). These are included in note 31(i).

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

(3) The group's share of joint venture entities' contingent liabilities is $2.3 million (2012: $31.5 million).

(4) As at 30 June 2013, due to the nature of the group's contingent liabilities, the group is not able to ascertain with any certainty the expected timing of any cash outflow that may arise, or the probability of reimbursement.

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

Notes to and forming part of the financial report

for the year ended 30 June 2013

1 Summary of significant accounting policies

(a) Basis of preparation

These consolidated financial statements are general-purpose financial statements, which have been prepared in accordance with:

- Finance Minister's Orders (being the Commonwealth Authorities and Companies (Financial Statement) Orders) for reporting periods ending on or after 1 July 2012; and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that apply for the reporting period.

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

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

(b) Statement of compliance

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ending 30 June 2013. The standards are as follows:

Reference	Title	Nature of change to accounting policy	Application date of standard	Application date for group
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement (*AASB 139 *Financial Instruments: Recognition and Measurement).* These amendments are not expected to have any impact on the group's financial statements.	1 January 2015	1 July 2015
AASB 10	Consolidated Financial Statements	AASB 10 establishes a new control model that applies to all entities. These amendments are not anticipated to have a material impact on the structure of the group as it currently stands. The impact of this standard on any future acquisitions by the group will be assessed as and when they arise.	1 January 2013	1 July 2013
AASB 11	Joint Arrangements	AASB 11 replaces AASB 131 *Interests in Joint Ventures* and UIG-113 *Jointly-controlled Entities – Non-monetary Contributions by Ventures.* The group do not expect these amendments to impact the accounting policies used by the group to account for its investments in joint venture entities.	1 January 2013	1 July 2013
AASB 12	Disclosure of Interests in Other Entities	New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements. These amendments are not expected to have any material impact on the group's financial statements.	1 January 2013	1 July 2013

Performance, importance and role of Australia Post in Australian communities and its operations in relation to licensed post offices
Submission 7 - Attachment 1

1 Summary of significant accounting policies (continued)

(b) Statement of compliance (continued)

Reference	Title	Nature of change to accounting policy	Application date of standard	Application date for group
AASB 13	Fair Value Measurement	AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. These amendments are not expected to have any material impact on the group's financial statements.	1 January 2013	1 July 2013
AASB 119	Employee Benefits	Revising the accounting for defined benefit plans which requires any liabilities arising from such plans, to be recognised in full with actuarial gains and losses disclosed within other comprehensive income and returns on assets to be calculated with reference to the discount rate applied. These amendments are expected to have a significant impact on the group's financial report and, had the standard been effective for the period ending 30 June 2013, the group assessed the impact as approximately $191.3m in additional superannuation expense (2012: $109.5m). The overall impact to other comprehensive income is nil. The remaining amendments are not expected to have any material impact on the group's financial statements.	1 January 2013	1 July 2013
AASB 1053	Application of Tiers of Australian Accounting Standards	This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements: Tier 1: Australian Accounting Standards Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements The new framework is not expected to have any impact on the group's financial statements.	1 July 2013	1 July 2013
AASB 2011-4	Amendments to Australian Accounting Standards – To Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	These amendments are not expected to have any material impact on the group's financial statements.	1 July 2013	1 July 2013
Annual improvements 2009 – 2011 Cycle	Annual improvements to IFRS 2009 – 2011 Cycle [IFRS 1, IAS 1, 16, 32 & 34]	Sets out amendments to International Financial Reporting Standards and the related bases for conclusions and guidance made during the Accounting Standards Board's Annual Improvement process. Amendments not yet adopted by the AASB. These amendments are not expected to have any material impact on the group's financial statements.	1 January 2013	1 July 2013

Reference	Title	Nature of change to accounting policy	Application date of standard	Application date for group
AASB 2012-2	Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets & Financial Liabilities [AASB 7 & AASB 132]	Sets out amendments to required disclosures in AASB 7 to include information to enable users of financial statements to evaluate the effect of netting arrangements on the entity's financial position. These amendments are not expected to have any material impact on the group's financial statements.	1 January 2013	1 July 2013
AASB 2012-3	Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132]	Sets out application guidance to AASB 132 to address inconsistencies identified in applying some offsetting criteria of AASB 132. These amendments are not expected to have any material impact on the group's financial statements.	1 January 2014	1 July 2014
AASB 2012-7	Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements	This standard provides further information regarding the differential reporting framework and the two tiers of reporting requirements for preparing general purpose financial statements. These amendments are not expected to have a material impact on the group's financial statements.	1 July 2013	1 July 2013
AASB 2012-9	Amendment to AASB 1048 arising from the withdrawal of Australian Interpretation 1039	Sets out the amendments to AASB 1048 as a consequence of the withdrawal of Australian Interpretation 1039. These amendments are not expected to have a material impact on the group's financial statements.	1 January 2013	1 July 2013
AASB 2012-10	Amendments to Australian Accounting Standards – Transitional Guidance and Other Amendments	Sets out the amendments to AASB standards as a result of the issuance of IFRS 10, 11 & 12 amendments. These amendments are not expected to have a material impact on the group's financial statements.	1 January 2013	1 July 2013
Interpretation 21	Levies	This interpretation confirms that a liability to pay a levy is only recognised when the activity that triggers the payments occurs. Applying the going concern assumption does not create a constructive obligation. These amendments are not expected to have a material impact on the group's financial statements.	1 January 2014	1 July 2014

(c) Basis of consolidation

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

Subsidiaries are all those entities over which the group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

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

Investments in subsidiaries held by the corporation are accounted for at cost in the separate financial statements of the parent entity less any impairment charges. Dividends received from subsidiaries are recorded as a component of other revenues in the separate statement of comprehensive income of the parent entity, and do not impact the recorded cost of the investment. Receipt of dividend payments from subsidiaries are one of the factors considered by the parent

Notes to and forming part of the financial report

for the year ended 30 June 2013

1 Summary of significant accounting policies (continued)

(c) Basis of consolidation (continued)

entity when assessing whether any indicators of impairment of the carrying value of the investment in the subsidiary exist. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

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

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

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

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

(d) Significant accounting judgements, estimates and assumptions

(i) Significant accounting estimates and assumptions

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

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

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

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

Investment property
The group obtains independent third party valuations of its investment property portfolio annually. The basis of these valuations are outlined in note 15 and include certain significant assumptions.

Impairment of joint venture entities, goodwill and intangibles with indefinite useful lives
The group determines whether joint venture entities, goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of joint venture entities and cash generating units, to which the goodwill and intangibles with indefinite useful lives are allocated. Recoverable amount is assessed using a value in use discounted cash flow methodology. The assumptions used in the estimation of recoverable amount of goodwill and intangibles with indefinite useful lives are discussed in note 16.

Make good provision
Management has made assumptions in arriving at its best estimate of the likely costs to "make good" premises which are currently occupied under operating lease. Such estimates involve management forecasting the average restoration cost per square metre and is dependent on the nature of the premises occupied. The provision recognised is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs are recognised in the balance sheet by adjusting both the expense or asset (if applicable) and provision. The related carrying amounts are disclosed in note 20.

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

Employee benefits
Various assumptions are required when determining the group's superannuation, separation and redundancy, long service leave, annual leave and workers compensation obligations. Note 21 describes the key assumptions used in calculating the group's superannuation obligation, whilst note 1 (ee) details the basis and certain significant assumptions for the other employee benefits including the interest rate and future wage and salary levels applied.

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

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

(ii) Significant accounting judgements

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

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

(e) Business combinations

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

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

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is measured at fair value as at the acquisition date through profit or loss.

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

(f) Revenue recognition

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

(i) Sale of goods and services

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

Recognition is at point of sale in the case of postage items and provision of agency services, point of lodgement in the case of bulk mail and when control of goods has passed to the buyer in the case of retail products.

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

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

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

(ii) Interest revenue

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

(iii) Dividends

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

(iv) Rental income

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

(g) Operating segments

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

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

(h) Government grants

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

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1 Summary of significant accounting policies (continued)

(i) Leases

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

(i) Group as a lessee

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

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

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

(ii) Group as a lessor

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

(j) Cash and cash equivalents

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

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

(k) Trade and other receivables

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

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified.

An impairment provision is recognised when there is objective evidence that the group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or outstanding debts more than 60 days overdue may be considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

(l) Inventories

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

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

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

(m) Derivative financial instruments and hedge accounting

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

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

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

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

- fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability or unrecognised firm commitment;
- cash flow hedges when they hedge exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a highly probable forecast transaction; or

- hedges of a net investment in a foreign operation (the group does not currently have such hedges in place).

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

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

(i) Fair value hedges

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

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

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

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

(ii) Cash flow hedges

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

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

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

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

(iii) Current versus non-current classification

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

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

(n) Foreign currency translation

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

(i) Transactions and balances

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

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

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1 Summary of significant accounting policies (continued)

(n) Foreign currency translation (continued)

(ii) Translation of group companies

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

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

(o) Investment in joint venture entities

The group's investments in joint venture entities are accounted for using the equity method of accounting in the consolidated financial statements and at cost less any impairment loss in the corporation's financial statements. Joint venture entities are entities where decisions regarding the financial and operating policies essential to the activities, economic performance and financial position of that venture require the consent of each of the venturers that together jointly control the entity.

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

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

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

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

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

(p) Income tax

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

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

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

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

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

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

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

it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

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

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

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

Tax consolidation legislation

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

(q) Other taxes

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

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

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

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

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

(r) Acquisition of assets

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

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

(s) Property, plant and equipment

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

The expected cost for decommissioning an asset after its use is included in the cost of the respective asset at its present value, if the recognition criteria for a provision is met. Refer to significant accounting judgements, estimates and assumptions (note 1(d)) and provisions (note 20) for further information about the recorded decommissioning provision.

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

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

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

	2013	2012
Buildings-GPOs	70 years	70 years
Buildings-other facilities	40-50 years	40-50 years
Leasehold improvements	Lower of lease term and 10 years	Lower of lease term and 10 years
Motor vehicles	3-10 years	3-10 years
Specialised plant and equipment	10-20 years	10-20 years
Other plant and equipment	3-10 years	3-10 years

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

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

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1 Summary of significant accounting policies (continued)

(t) Investment property

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

Subsequent to initial recognition, investment property is measured at fair value, which is based on active market prices, adjusted if necessary, for any difference in the nature, location or condition of the specific asset at the reporting date. Gains or losses arising from changes in the fair values of investment property are included in the statement of comprehensive income in the period in which they arise. Fair values are evaluated annually by an accredited, external, independent valuer, applying a valuation model recommended by the Australian Valuation Standards.

Investment property is derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the investment property is recognised in the statement of comprehensive income in the period of derecognition.

Transfers are made to investment property when there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to a third party. Where an investment property is reclassified to owner-occupied property or inventories, the deemed cost of the property for subsequent accounting is its fair value at the date of change in use. Where an owner-occupied property becomes an investment property, the group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

(u) Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered through sale rather than through continuing use.

Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the group's other accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employment benefit assets and investment property, which continue to be measured in accordance with the group's other accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in the statement of comprehensive income. Gains are not recognised in excess of any cumulative impairment loss.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity accounted investment is no longer equity accounted.

(v) Financial instruments

(i) Financial assets

Initial recognition and measurement

Financial assets within the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of assets not at fair value through profit or loss where transaction costs are expensed.

Purchase or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date (i.e. the date that the group commits to purchase or sell the asset).

The group's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables, quoted and unquoted financial instruments and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

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

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by AASB 139.

Financial assets at fair value through profit or loss are carried in the balance sheet at fair value with net changes in fair value recognised in the statement of comprehensive income. Financial assets designated upon initial recognition at fair value through profit and loss by the group are so designated only if criteria under AASB 139 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of comprehensive income. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

(ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the group has the positive intention and ability to hold to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest

rate, less any impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Effective interest rate amortisation is included in other income and gains in the statement of comprehensive income. The losses arising from impairment are recognised in the statement comprehensive income.

(iii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method, less any impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Effective interest rate amortisation is included in other income and gains in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income for both loans and receivables.

(iv) Available-for-sale investments
Available-for-sale investments include equity investments and debt securities. Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time but may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecongised, at which time the cumulative gain or loss is recognised in other income and gains, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for-sale reserve to the statement of comprehensive income. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the effective interest rate method within other income and gains.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in other comprehensive income is amortised to the statement of comprehensive income over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in other comprehensive income is reclassified to the statement of comprehensive income.

(ii) Financial liabilities

Initial recognition and measurement
Financial liabilities within the scope of AASB 139 are classified as either financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge relationship, as appropriate. The group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value, plus in the case of loans and borrowings, directly attributable transaction costs. The group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts, and derivative financial instruments.

Subsequent measurement
The measurement of financial liabilities depends on their classification, described as follows:

(i) Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and designated upon initial recognition as fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the group that are not designated as hedging instruments in hedge relationships as defined by AASB 139. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of comprehensive income.

Financial liabilities designated upon initial recognition at fair value through profit or loss are so designated only if the criteria of AASB 139 are satisfied. The group has not designated any financial liability as at fair value through profit or loss.

(ii) Loans and borrowings
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of comprehensive income when liabilities are derecognised as well as through the effective interest rate amortisation process.

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. The effective interest rate amortisation is included in finance costs in the statement of comprehensive income.

(w) Impairment of financial assets

The group assesses, at each reporting period, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets, and can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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1 Summary of significant accounting policies (continued)

(w) Impairment of financial assets (continued)

(i) Financial assets carried at amortised cost

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of other income and gains in the statement of comprehensive income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases, because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the statement of comprehensive income.

(ii) Available-for-sale investments

For available-for-sale investments, the group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant prolonged decline in the fair value of the investment below its cost. When there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on the investment previously recognised in the statement of comprehensive income) is removed from other comprehensive income and recognised in the statement of comprehensive income. Impairment losses on equity investments are not reversed through the statement of comprehensive income; increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on the investment previously recognised in the statement of comprehensive income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of other income and gains in the statement of comprehensive income. If, in a subsequent year, the fair value of the debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of comprehensive income, the impairment loss is reversed through the statement of comprehensive income.

(x) Derecognition of financial assets and financial liabilities

(i) Financial assets

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

- the rights to receive cash flows from the asset have expired; or
- the group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the group's continuing involvement in the asset. In that case, the group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the group has retained.

(ii) Financial liabilities

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

(y) Intangible assets

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Internally generated intangible assets including brands and customer lists are not capitalised. Any expenditure incurred in developing these assets is recognised in the statement of comprehensive income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over their useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by prospectively changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or as part of a cash-generating unit. An assessment of indefinite useful life is performed annually to determine whether the indefinite useful life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is derecognised.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the group can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure during development.

Following the initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and any accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested annually for impairment.

Computer software

Computer software is carried at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on a straight-line basis over the period in which the benefits are expected to arise, being four to eight years.

Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration transferred is lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised in the statement of comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Brand names and trademarks

Certain group brands are considered to have indefinite useful lives. These brands are not considered to have foreseeable brand maturity dates, and have accordingly been assessed as having indefinite useful lives and are therefore not amortised.

Other brands and trademarks have a finite useful life and are carried at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on a straight-line basis over its anticipated useful life, not exceeding ten years.

Customer relationships

Customer relationships are carried at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on a straight-line basis over the period in which the benefits are expected to arise, being an average of seven years.

(z) Impairment of non-financial assets

The group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If such an indication exists, or when annual impairment testing for an asset is required, the group estimates the asset's recoverable amount. Recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. This is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Notes to and forming part of the financial report

for the year ended 30 June 2013

1 Summary of significant accounting policies (continued)

(z) Impairment of non-financial assets (continued)

The group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of comprehensive income in expense categories consistent with the function of the impaired asset except for a property previously revalued and the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Goodwill

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the group are assigned to those units or groups of units.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs), to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses recognised for goodwill are not subsequently reversed.

The group performs its impairment testing annually or more frequently when events or changes in circumstances indicate that the balance may be impaired. The group uses a value in use, discounted cash flow methodology for the cash generating units to which goodwill and indefinite useful life intangibles have been allocated. Further details on the methodology and assumptions used are outlined in note 16.

(aa) Trade and other payables

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

(bb) Interest-bearing liabilities

All borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the effective interest rate. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of borrowings.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(cc) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Qualified assets are defined as those assets that necessarily take a substantial period of time to get ready for intended use or sale. The group does not currently hold qualifying assets. All other borrowing costs are expensed in the period they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowings of funds.

(dd) Provisions (excluding employee benefits)

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

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

Provisions are measured as the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a financing cost.

(ee) Employee leave benefits

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

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

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

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

(ii) Long service leave

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

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

(iii) Workers' compensation

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

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

The group has recognised a liability for workers' compensation of $120.1 million at balance date (refer note 20) of which $11.3 million relates to claims made in the 2012/13 financial year (2011/12: $10.0 million).

(iv) Separation and redundancy

Restructuring provisions are only recognised when general recognition criteria provisions are fulfilled. Additionally, the group needs to follow a detailed formal plan about the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and appropriate time line. The employees affected have a valid expectation that the restructuring is being carried out or the implementation has been initiated already. Refer note 20.

(ff) Pensions and other post-employment benefits

The defined benefit plan requires contributions to be made to a separately administered fund. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised in other comprehensive income.

Past service costs are recognised immediately to the extent that the benefits are already vested, and otherwise are amortised on a straight-line basis over the average period until the benefits become vested.

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

Defined contribution post-employment benefits

Defined contribution post employment benefits are expensed by the group as service is rendered by the group's employees.

(gg) Financial guarantees

Financial guarantees are initially measured at fair value. At each subsequent reporting date, they are carried at the higher of the initial fair value amount less cumulative amortisation or the best estimate of the expenditure required to settle the present obligation. The fair value of financial guarantee contracts discussed in note 18 has been assessed using a probability weighted discounted cash flow approach. In order to estimate the initial fair value under this approach the following assumptions are made:

- Probability of Default (PD): represents the likelihood of the guaranteed party defaulting over the terms of relevant agreements and is assessed based on historical default rates of companies rated by Standard & Poors. The range used in the model is between 0% and 5%.
- Loss Given Default (LGD): represents the proportion of the exposure that is not expected to be recovered in the event of a default by the guaranteed party and is based on the result of studies into the recovery rate for unsecured debt obligations. The range used in the model is between 0% and 50%.
- Exposure at Default (EAD): represents the maximum loss that the corporation is exposed to if the guaranteed party was to default and is the maximum possible exposure at the time of default and hence, equates to the values disclosed in note 18.
- the discount rate adopted was based on the Commonwealth government bond yield.

When the uncertainty associated with an assumption was sufficient to warrant consideration of a range of possible assumptions, the maximum in the range was used for valuation purposes.

(hh) Contributed equity

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

(ii) Insurance

Generally, the corporation self-insures its own risks. However, with respect to catastrophic losses appropriate insurance coverage for both the corporation and its subsidiaries has been arranged with general insurers. Payments received on account of losses in any year are recognised in other income as gains 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.

(jj) Contingent liabilities and contingent assets

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

(kk) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosure. No material reclassifications have been made to the prior year disclosures.

Notes to and forming part of the financial report

for the year ended 30 June 2013

	Consolidated	
	2013 $m	**2012** $m
2 Revenues and other income		
Revenue:		
Rendering of services to:		
Related entities[1]	173.2	184.4
External entities[2]	5,258.2	4,523.4
	5,431.4	4,707.8
Sale of goods to external entities[2]	298.7	317.8
	5,730.1	5,025.6
Interest income calculated using the effective interest method from:		
Cash and cash equivalents	14.5	27.2
Held to maturity investments	–	0.1
Loans and receivables	3.9	10.3
	18.4	37.6
Total revenue	**5,748.5**	**5,063.2**
Income from rent:		
Rents from operating leases	27.9	27.9
Income from investment property	7.6	8.6
	35.5	**36.5**
Other income and gains:		
Other services:		
Related entities (government grants)[1]	1.7	0.9
External entities[2]	9.6	21.8
	11.3	22.7
Net gain on disposal of assets:		
Land and buildings	28.5	3.2
Investment property	–	0.6
	28.5	3.8
Gain arising from acquisition of subsidiary	44.9	–
Foreign exchange gains (net)	10.8	–
Ineffectiveness arising from cash flow hedges	2.0	–
Change in fair value of investment property	11.7	–
Total other income and gains	**109.2**	**26.5**
Total other income	**144.7**	**63.0**
Total income	**5,893.2**	**5,126.2**

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

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

	Consolidated	
	2013 $m	**2012** $m
3 Expenses (excluding finance costs)		
Employees:		
Salaries and wages	2,060.9	1,861.7
Leave and other entitlements	234.1	229.5
Defined benefit superannuation expense	115.1	129.3
Defined contribution superannuation expense	24.0	1.9
Other employee expenses	74.0	100.5
	2,508.1	**2,322.9**
Suppliers:		
Purchase of supplies and services from:		
External entities(2)	2,243.9	1,821.1
	2,243.9	1,821.1
Cost of sales – goods purchased from external entities(2)	200.6	207.8
Investment property expenditure	3.7	5.0
Operating lease rentals (refer note 32(i))	157.2	128.3
	2,605.4	**2,162.2**
Depreciation and amortisation:		
Depreciation:		
Buildings	50.5	48.9
Plant and equipment	102.3	88.7
Plant and equipment under finance lease	4.3	4.3
Amortisation:		
Computer software	75.7	58.1
Brand names and trade marks	0.2	0.3
Customer relationships	13.3	1.3
	246.3	**201.6**
Other expenses:		
Net loss on disposal of assets:		
Investment property	0.8	–
Plant and equipment	0.4	2.7
Computer software	0.9	–
	2.1	2.7
Write-down and impairment of assets:		
Inventory	9.7	5.1
Land and buildings	4.5	–
Plant and equipment	3.4	–
Computer software	4.9	–
Goodwill	0.5	0.4
Investment property	–	1.6
Financial:		
Receivables	0.7	6.5
Related party loan	0.1	0.1
Investments	0.5	0.4
	24.3	14.1
Restructuring costs(3)	27.0	–
Foreign exchange losses (net)	–	0.8
Ineffectiveness arising from cash flow hedges	–	1.0
Sundry expenses	45.4	33.7
Total other expenses	**98.8**	**52.3**
Total expenses	**5,458.6**	**4,739.0**

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

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

(3) Costs relate to redundancy, costs associated with leases surplus to group requirements, make good and other restructuring costs. This amount also includes $5.5 million relating to write down of computer software.

Notes to and forming part of the financial report
for the year ended 30 June 2013

	Consolidated	
	2013 $m	**2012** $m
4 Finance costs		
Bonds[1]	32.5	33.7
Interest rate swaps[1]	(4.0)	(0.5)
(Gain)/loss arising on interest rate swaps in a designated fair value hedge relationship	0.0	(20.9)
(Gain)/loss on adjustment to hedged item in a designated fair value hedge relationship	(0.4)	21.4
Unwinding and discount rate adjustments (refer note 20)	0.2	2.9
Other	3.3	0.7
Total finance costs	**31.6**	**37.3**

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

	Consolidated	
	2013 $m	**2012** $m
5 Income tax		
Major components of income tax expense for the years ended 30 June 2013 and 30 June 2012 are as follows:		
(a) Statement of comprehensive income		
Current income tax		
Current income tax charge	62.7	103.3
Adjustments in respect of current income tax of previous years	(22.2)	(38.8)
Deferred income tax		
Relating to origination and reversal of temporary differences	50.4	21.0
Income tax expense reported in the statement of comprehensive income	**90.9**	**85.5**
(b) Amounts charged directly to other comprehensive income		
Deferred income tax related to items charged or credited directly to other comprehensive income		
Net gain/(loss) on revaluation of cash flow hedges	1.6	(0.4)
Net gain on revaluation of land and buildings	0.3	–
Net actuarial gain/(loss)	44.6	(162.4)
Income tax expense reported in other comprehensive income	**46.5**	**(162.8)**
(c) Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate		
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the group's applicable income tax rate is as follows:		
Accounting profit before income tax	402.8	366.7
At the group's statutory income tax rate of 30% (2012: 30%)	120.9	110.0
Adjustments in respect of current income tax of previous years	(10.2)	(17.5)
Non assessable gain arising on acquisition of subsidiary	(13.4)	–
Tax incentives	(2.9)	–
Income not assessable and expenditure not deductible for income tax purposes	(0.5)	0.5
Share of net profits of joint venture entities	(0.9)	(5.0)
Sundry items	(2.1)	(2.5)
At effective income tax rate of 22.6% (2012: 23.3%)	90.9	85.5
Income tax expense reported in the statement of comprehensive income	**90.9**	**85.5**

Consolidated	Balance sheet 2013 $m	Balance sheet 2012 $m	Statement of Comprehensive Income 2013 $m	Statement of Comprehensive Income 2012 $m
5 Income tax (continued)				
(d) Recognised deferred income tax				
Deferred income tax at 30 June relates to the following:				
Consolidated				
(i) Deferred income tax liabilities				
Accelerated depreciation for tax purposes	(59.9)	(43.7)	10.7	(0.2)
Customer relationships	(33.9)	–	(3.6)	–
Brand names	(18.4)	–	–	–
Sydney GPO lease receivable	(31.0)	(31.0)	–	–
International income	(53.4)	(45.5)	7.9	(5.4)
Net loss on revaluation of cash flow hedges	–	0.3	–	–
Research and development depreciation for tax purposes and tax credit	(29.3)	(22.6)	6.7	9.4
Sundry	(2.1)	(4.5)	(2.5)	5.5
Gross deferred income tax liabilities	**(228.0)**	**(147.0)**	**19.2**	**9.3**
(ii) Deferred income tax assets				
Provisions	259.4	225.4	(4.1)	2.3
Superannuation liability	0.5	70.2	26.2	6.0
Capital losses available for offset against future taxable income	1.3	6.2	6.2	(3.8)
Sydney GPO refurbishment	4.6	4.8	0.2	0.5
International expenditure	13.4	12.4	(1.0)	8.7
Government grant	0.5	0.6	0.1	0.3
Make good	16.7	15.3	(0.8)	(1.5)
Net gain on revaluation of cash flow hedges	(1.3)	–	–	–
Sundry	8.6	8.7	4.4	(0.8)
Gross deferred income tax assets	**303.7**	**343.6**	**31.2**	**11.7**
Deferred income tax expense			**50.4**	**21.0**

(e) Unrecognised temporary differences

At 30 June 2013, there were $nil unrecognised temporary differences (2012: $nil) associated with the group's investments in controlled entities or joint venture entities, as the group has no liability for additional taxation should unremitted earnings be remitted.

(f) Tax consolidation

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

No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

Performance, importance and role of Australia Post in Australian communities and its operations in relation to licensed post offices
Submission 7 - Attachment 1

5 Income tax (continued)

(f) Tax consolidation (continued)

Tax effect accounting by members of the tax consolidated group

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

The allocation of taxes under the tax funding agreement is recognised as an increase/decrease in the subsidiaries' intercompany accounts with the tax consolidated group head company, Australian Postal Corporation. Because under UIG 1052 *Tax Consolidation Accounting* the allocation of current taxes to tax consolidated group members on the basis of accounting profits is not an acceptable method of allocation given the group's circumstances, the difference between the current tax amount that is allocated under the tax funding agreement and the amount that is allocated under an acceptable method is recognised as a contribution/distribution of the subsidiaries' equity accounts. The group has applied the group allocation approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidated group. The amounts receivable or payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

All tax related contingencies are included in the Schedule of Contingencies.

	Consolidated	
	2013 $m	**2012** $m
6 Current assets – trade and other receivables		
Goods and services receivable[1]	525.4	416.1
Allowance for doubtful debts	(8.4)	(8.8)
	517.0	407.3
Proceeds receivable	60.1	1.1
Finance lease receivable (refer note 32)[2]	6.4	6.4
Interest receivable	0.3	1.7
Trade receivables from joint venture entities (refer note 30)	1.2	2.9
Other receivables[2]	9.4	16.0
Total current trade and other receivables	**594.4**	**435.4**
Receivables not impaired are aged as follows:		
Not past due	448.7	340.4
Past due less than 30 days	59.9	29.9
Past due 30 – 60 days	11.9	6.5
Past due 61 – 90 days	10.2	30.0
Past due more than 90 days	63.7	28.6
	594.4	**435.4**
Receivables individually determined to be impaired are aged as follows:		
Not past due	0.4	0.1
Past due less than 30 days	–	0.2
Past due 30 – 60 days	–	2.0
Past due 61 – 90 days	0.1	1.6
Past due more than 90 days	7.9	4.9
	8.4	**8.8**
Movements in the allowance for doubtful debts during the year, are set out below:		
Balance at 1 July	8.8	5.9
Charge for the year	0.7	6.5
Acquisition of subsidiary	0.9	–
Amounts written off	(2.0)	(3.6)
Balance at 30 June	**8.4**	**8.8**

(1) Goods and services receivable are interest-free and are normally on settlement terms of between 10 and 30 days. Included within goods and services receivable are international debtors which are settled in accordance with Universal Postal Union (UPU) arrangements which may be longer than 30 days.

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

	Consolidated	
	2013 $m	**2012** $m
7 Current assets – inventories (held for sale)		
Raw materials (at net realisable value)	1.5	1.2
Work in progress (at cost)	0.4	1.0
Finished goods (at net realisable value)	46.7	53.0
Total current inventories at lower of cost and net realisable value	**48.6**	**55.2**

The write-down of inventories to net realisable value totalled $nil million (2012: $0.2 million) for the group. This expense is included in cost of sales in note 3.

	Consolidated	
	2013 $m	**2012** $m
8 Assets classified as held for sale		
Land and buildings (at cost)	48.8	–
Total assets classified as held for sale	**48.8**	**–**

During the period to 30 June 2013, the group committed to a plan to sell assets classified as land and buildings. Management's efforts to sell the assets have commenced, with a sale expected to occur during the next 12 months. As at the date of signing the financial report the assets remain unsold.

	Consolidated	
	2013 $m	**2012** $m
9 Other current assets		
Prepayments	97.4	81.0
Interest rate swap contracts	2.8	–
Foreign currency exchange contracts	4.4	0.1
Fuel commodity swaps and options	1.5	–
Total other current assets	**106.1**	**81.1**

	Consolidated	
	2013 $m	**2012** $m
10 Non-current assets – trade and other receivables[1]		
Loans to joint venture entities (refer note 30)	2.7	130.8
Provision for impairment of loans to joint venture entities	(1.2)	(1.1)
	1.5	129.7
Finance lease receivable (refer note 32(ii))	97.0	97.0
Other receivables	0.9	0.9
Total non-current trade and other receivables	**99.4**	**227.6**

(1) There are no non-current trade and other receivables that are past due (2012: $nil). The terms of loans agreements with joint venture entities are reviewed and updated prior to expiry or on an as needs basis to ensure they are appropriate in light of the current financial position of the joint venture entity.

Notes to and forming part of the financial report

for the year ended 30 June 2013

	Note	Country of incorporation	% of equity held by immediate parent 2013 %	2012 %
11 Investments in controlled entities				
Our Neighbourhood Pty Ltd	(1)	Australia	100.0	–
Sprintpak Pty Ltd	(1)	Australia	100.0	100.0
Geospend Pty Ltd	(1)	Australia	100.0	100.0
corProcure Pty Ltd	(1)	Australia	100.0	100.0
SnapX Pty Ltd	(1)	Australia	100.0	100.0
Australia Post Licensee Advisory Council Limited	(5)	Australia	50.0	50.0
AP International Holdings Pty Ltd	(1)	Australia	100.0	100.0
– PostLogistics Pte Ltd	(3)	Hong Kong	100.0	100.0
Post Logistics Australasia Pty Ltd	(1)	Australia	100.0	100.0
– Lakewood Logistics Pty Ltd	(1)	Australia	100.0	100.0
Australia Post Transaction Services Pty Ltd	(2)	Australia	100.0	100.0
– Australia Post Digital MailBox Pty Ltd	(4)	Australia	100.0	100.0
– Postcorp Developments Pty Ltd	(1)	Australia	100.0	100.0
– Post Fulfilment Online Pty Ltd	(1)	Australia	100.0	100.0
– Decipha Pty Ltd	(4)	Australia	100.0	100.0
– SecurePay Holdings Pty Ltd	(4)	Australia	100.0	100.0
– SecurePay Pty Ltd	(4)	Australia	100.0	100.0
– AUX Investments Pty Ltd	(4)	Australia	100.0	50.0
– Star Track Express Holdings Pty Ltd	(4)	Australia	100.0	–
– Star Track Express Investments Pty Ltd	(4)	Australia	100.0	–
– Star Track Express Pty Ltd	(4)	Australia	100.0	–
– StarTrack Retail Pty Ltd	(4)	Australia	100.0	–
– Australian Express Transport Pty Ltd	(1)	Australia	100.0	–
– Australian Express Freight Pty Ltd	(1)	Australia	100.0	–
– DFE Pty Ltd	(1)	Australia	100.0	–
– DFE Transport Pty Ltd	(1)	Australia	100.0	–
– Discount Freight Express Pty Ltd	(1)	Australia	100.0	–
– Mardarne Pty Ltd	(1)	Australia	100.0	–
– Multigroup Distribution Services Pty Ltd	(1)	Australia	100.0	–
– Star Track Couriers Pty Ltd	(1)	Australia	100.0	–
– Star Track Pty Ltd	(1)	Australia	100.0	–
– Star Track Special Services Pty Ltd	(1)	Australia	100.0	–

(1) Each of these entities are incorporated in Australia and are small proprietary companies. As such, they are not required to prepare and lodge audited financial statements with the Australian Securities and Investments Commission (ASIC).

(2) This entity is incorporated in Australia and as a large proprietary company is required to prepare and lodge audited financial statements with ASIC.

(3) This entity is not audited by the Australian National Audit Office.

(4) Each of these entities are incorporated in Australia and are large proprietary companies. However, each entity has entered into a deed of cross guarantee with Australia Post Transaction Services Pty Ltd as the holding entity and are therefore not required to prepare and lodge audited financial statements with ASIC in accordance with the relief provisions set out in Class Order 98/1418.

(5) This entity is limited by guarantee by the members of the entity and is required to prepare and lodge audited financial statements with ASIC.

	Consolidated	
	2013 $m	**2012** $m
12 Investments in joint venture entities		
Carrying amounts of investments		
Balance at the beginning of the year	284.7	292.1
Share of (losses)/profits for the year	(0.2)	16.8
Net actuarial loss	(0.9)	(5.2)
Impairment of investment	(0.5)	(0.4)
Transfer to investment in subsidiary	(149.1)	–
Share of reserves	0.1	0.2
Dividends received/receivable	(131.4)	(18.8)
Balance at the end of the financial year	**2.7**	**284.7**

				Ownership interest	
Consolidated	Principal activity	Country of incorporation	Balance date	**2013** %	**2012** %
AUX Investments Pty Ltd[1]	Express freight	Australia	30 June	–	50.0
Wetherill Park Partnership	Warehousing facilities	Australia	30 June	50.0	50.0
Sai Cheng Logistics International Company Limited – ordinary shares[2]	International 4PL logistics services	China	31 Dec	49.0	49.0

(1) On 13 November 2012, the Group's equity interest in AUX Investments Pty Ltd increased from 50 to 100 percent and AUX Investments Pty Ltd became a subsidiary from that date (see Note 33(c)). Accordingly, the information relating to AUX Investments Pty Ltd is only in relation to the period from 1 July 2012 to 13 November 2012.

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

	Consolidated	
	2013 $m	**2012** $m
Share of joint venture entities' profits		
Revenues	232.2	674.1
Expenses	(232.4)	(654.1)
Net profits before income tax	(0.2)	20.0
Income tax expense	–	(3.2)
Net profits after income tax	**(0.2)**	**16.8**
Share of assets and liabilities		
Current assets	4.6	100.4
Non-current assets	10.5	421.9
Total assets	15.1	522.3
Current liabilities	(1.6)	(78.1)
Non-current liabilities	(10.8)	(159.5)
Total liabilities	(12.4)	(237.6)
Net assets	**2.7**	**284.7**
Retained profits of the consolidated entity attributable to joint venture entities		
Balance at the beginning of the financial year	24.4	31.6
Share of profits for the year	(0.2)	16.8
Net actuarial loss	(0.9)	(5.2)
Dividends received/receivable	(131.4)	(18.8)
Transfer to investment in subsidiary	105.8	–
Balance at the end of the financial year	**(2.3)**	**24.4**

The group's investment in the Wetherill Park Partnership was impaired by $0.5 million during the year ended 30 June 2013 (2012: $0.4 million).

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	Consolidated				
	Land	**Buildings**	**Total land & buildings**	**Plant & equipment**	**Total**
	$m	$m	$m	$m	$m
13 Analysis of property, plant & equipment					
Reconciliation of the opening and closing balances of property, plant & equipment					
Gross book value	201.8	1,067.8	1,269.6	1,346.4	**2,616.0**
Accumulated depreciation	–	(530.0)	(530.0)	(871.7)	**(1,401.7)**
Net book value at 30 June 2011	**201.8**	**537.8**	**739.6**	**474.7**	**1,214.3**
Additions	0.6	57.7	58.3	105.6	**163.9**
Depreciation	–	(48.9)	(48.9)	(93.0)	**(141.9)**
Disposals	(0.1)	(0.5)	(0.6)	(6.0)	**(6.6)**
Transfers to investment properties	(5.8)	(6.2)	(12.0)	–	**(12.0)**
Gross book value	196.5	1,107.7	1,304.2	1,410.4	**2,714.6**
Accumulated depreciation	–	(567.8)	(567.8)	(929.1)	**(1,496.9)**
Net book value at 30 June 2012[1]	**196.5**	**539.9**	**736.4**	**481.3**	**1,217.7**
Additions	0.1	54.0	54.1	167.7	**221.8**
Acquisition of subsidiary	47.8	71.6	119.4	112.7	**232.1**
Depreciation	–	(50.5)	(50.5)	(106.6)	**(157.1)**
Disposals	(0.2)	(5.4)	(5.6)	(4.7)	**(10.3)**
Impairment loss	(4.5)	–	(4.5)	(3.4)	**(7.9)**
Net revaluation increment	–	0.9	0.9	–	**0.9**
Transfers to assets held for sale[2]	(3.3)	(45.5)	(48.8)	–	**(48.8)**
Transfers to investment properties	(2.3)	(2.6)	(4.9)	–	**(4.9)**
Gross book value	234.1	1,180.7	1,414.8	1,682.7	**3,097.5**
Accumulated depreciation	–	(618.3)	(618.3)	(1,035.7)	**(1,654.0)**
Net book value at 30 June 2013[1]	**234.1**	**562.4**	**796.5**	**647.0**	**1,443.5**

(1) Were the entity to apply the fair value methodology, the net book value of land and buildings would be $1,408.3 million (2012: $1,409.0 million).
(2) Transfer of $48.8 million from land and buildings to assets classified as held for sale. Refer to note 8.

Reconciliation of the opening and closing balances of plant and equipment assets held under finance lease included in the net book value of assets					
As at 30 June 2011	–	–	–	36.6	**36.6**
Depreciation	–	–	–	(4.3)	**(4.3)**
As at 30 June 2012	–	–	–	32.3	**32.3**
Depreciation	–	–	–	(4.3)	**(4.3)**
As at 30 June 2013	**–**	**–**	**–**	**28.0**	**28.0**

	Consolidated				
	Computer software	Goodwill	Brand names & trade marks	Customer relationships	Total intangibles
	$m	$m	$m	$m	$m
14 Analysis of intangibles					
Reconciliation of the opening and closing balances of intangibles					
Gross book value	904.3	43.2	1.8	9.0	**958.3**
Accumulated amortisation	(640.2)	–	(0.0)	(0.9)	**(641.1)**
Net book value at 30 June 2011	**264.1**	**43.2**	**1.8**	**8.1**	**317.2**
Additions by purchase	94.9	–	–	–	**94.9**
Amortisation expense	(58.1)	–	(0.3)	(1.3)	**(59.7)**
Impairment loss	–	(0.4)	–	–	**(0.4)**
Disposals	(0.1)	–	–	–	**(0.1)**
Gross book value	999.1	42.8	1.8	9.0	**1,052.7**
Accumulated amortisation	(698.3)	–	(0.3)	(2.2)	**(700.8)**
Net book value at 30 June 2012	**300.8**	**42.8**	**1.5**	**6.8**	**351.9**
Additions by purchase	153.4	0.7	–	–	**154.1**
Acquisition of subsidiary	38.2	493.6	61.3	125.0	**718.1**
Amortisation expense	(75.7)	–	(0.2)	(13.3)	**(89.2)**
Impairment loss	(10.4)	(0.5)	–	–	**(10.9)**
Disposals	(0.9)	–	–	–	**(0.9)**
Gross book value	1,179.4	536.6	63.1	134.0	**1,913.1**
Accumulated amortisation	(774.0)	–	(0.5)	(15.5)	**(790.0)**
Net book value at 30 June 2013	**405.4**	**536.6**	**62.6**	**118.5**	**1,123.1**

Goodwill is not amortised but is subject to annual impairment testing (refer note 16).

Brand names and trademarks include certain brand names which have indefinite useful lives. The carrying amount at 30 June 2013 of the indefinite lived brands was $61.3 million (2012: $nil).

	Consolidated	
	2013 $m	2012 $m
15 Investment property		
Opening balance as at 1 July	195.7	183.3
Additions	0.3	3.5
Net transfer to investment property	4.9	12.0
Disposals	(40.1)	(1.5)
Net gain/(loss) from fair value adjustments	11.7	(1.6)
Closing balance as at 30 June	**172.5**	**195.7**

Investment properties are stated at fair value, which has been determined based on valuations performed by Savills Pty Ltd for all property as at 30 June 2013 and 30 June 2012. Savills is an industry specialist in valuing these types of investment property. The fair value considers the capitalised rental streams where the property is leased to a third party and the amount at which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the date of valuation, in accordance with Australian Valuation Standards.

In determining fair value, the expected net cash flows applicable to each property have been discounted to their present value using a market determined, risk-adjusted, discount rate applicable to the respective asset.

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	Consolidated	
	2013 $m	**2012** $m
16 Impairment testing of goodwill		
Goodwill acquired through business combinations has been allocated to individual cash generating units (CGU's) as follows:		
AUX Investments	493.6	–
SecurePay	32.2	32.2
Messenger Post	9.9	9.9
Other	0.9	0.7
	536.6	**42.8**

The recoverable amount of all CGU's has been determined based on a value in use calculation using cash flow forecasts extracted from four year corporate plans approved by senior management and the board. The forecasts are extrapolated for a further one year and a terminal value applied. These forecasts use management estimates to determine income, expenses, capital expenditure and cash flows for each CGU. The revenue growth rates applied by all cash generating units to the one year period outside the corporate plan are between 3.5% – 5.0% (2012: 3.5% – 5.0%). After this period a 2.5% – 3.3% (2012: 2.5% – 3.0%) revenue growth rate is applied. A pre-tax discount rate applicable to the specific cash generating unit has been applied. These rates are between 12.5% – 12.8% (2012: 13.3% – 14.0%).

Management believes that any reasonably possible change in the key assumptions would not cause the carrying amount of any cash generating units containing goodwill, to exceed their recoverable amount.

	Consolidated	
	2013 $m	**2012** $m
17 Other non-current assets		
Interest rate swap contracts	10.3	12.6
Prepayments	6.4	6.0
Total other non-current assets	**16.7**	**18.6**

	Consolidated	
	2013 $m	**2012** $m
18 Current liabilities – trade and other payables		
Trade creditors[1]	329.6	249.0
Other:		
Agency creditors[1]	164.7	184.2
Salaries and wages	84.6	74.0
Borrowing costs[2]	5.6	7.1
Unearned postage revenue	60.5	59.1
Other advance receipts	113.0	108.6
Deferred government grant income	1.6	2.1
Payables to jointly controlled entities (refer note 30)	–	6.4
Goods and services tax payable	15.4	17.9
Financial guarantees[3]	0.1	0.0
Capital expenditure	25.8	36.5
Fuel commodity swaps and options	0.1	2.7
Forward exchange contracts	–	0.2
Other payables	84.8	64.4
	556.2	563.2
Total current trade and other payables	**885.8**	**812.2**

(1) Trade creditors and agency creditors are non-interest bearing and normally settled on 30-day and next business day terms respectively. Included within trade creditors are international creditors which are settled in accordance with Universal Postal Union (UPU) arrangements, which may be longer than 30 days.

(2) Borrowing costs are normally settled on a quarterly basis throughout the year.

(3) As described in note 1(gg), the group has provided financial guarantees to third parties, which commit the group to make payments on behalf of these parties upon their failure to perform under the terms of the relevant contracts. The account estimates and/or assumptions used in determining the fair value of the guarantees has been disclosed in note 1(gg). The maximum credit risk associated with these contracts is $59.4 million (2012: $59.0 million) and is included within the disclosures of note 31(i).

	Consolidated	
	2013 $m	**2012** $m
19 Interest-bearing liabilities		
Current		
Short-term borrowings	15.0	–
Fixed rate unsecured bonds payable – within one year	327.4	–
Total current interest-bearing liabilities	**342.4**	**–**
Non-current		
Fixed-rate unsecured bonds payable – in one to five years	290.5	617.5
Total non-current interest-bearing liabilities	**290.5**	**617.5**

The corporation's $605 million bonds

These bonds are unsecured and repayable in full, with $325 million due on 25 March 2014 and the remaining $280 million maturing on 6 February 2017.

Revolving committed facility

The group has a 3 year revolving committed facility of $200 million expiring 8 October 2015 and a 5 year revolving credit facility of $200 million expiring 8 October 2017, both of which are available for draw down as required. Amounts drawn are repayable on 30-day terms.

Bank overdraft facility

The group has a bank overdraft facility of $15 million available for draw down as required. Amounts drawn are repayable on demand.

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	Consolidated	
	2013 $m	**2012** $m
20 Provisions		
Current provisions		
Annual leave	183.7	163.7
Long service leave	354.2	343.7
Workers' compensation	29.6	25.7
Separations and redundancies[1]	17.2	20.3
Other employee	60.1	40.9
Onerous agreement[2]	27.5	–
Restructuring[3]	2.0	–
Property make good[4]	1.6	–
Surplus lease[5]	4.2	–
Balance at 30 June	**680.1**	**594.3**
Non-current provisions		
Long service leave	52.0	38.2
Workers' compensation	90.5	92.3
Onerous agreement[2]	27.9	–
Property make good[4]	54.5	51.0
Surplus lease[5]	8.0	7.4
Balance at 30 June	**232.9**	**188.9**
Total provisions	**913.0**	**783.2**

(1) The provision recognised comprises the expected severance payments, employee entitlements (including notice period), outplacement costs and payroll tax based on the location of the employee, staff level affected by the restructuring and their anticipated years of service. In estimating the expected severance payments, historical severance payments have also been considered.

(2) Provision is made for the estimated cost of the onerous component of agreements entered into by the group. The cost is based on management's best estimate of the lower of the cost to terminate the agreement or the net cost of continuing with the agreement based on current and projected use.

(3) The provision recognised comprises costs expected to be incurred in integrating the operations of AUX Investments Pty Ltd.

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

(5) Provision is made for the estimated lease cost of property leases surplus to the group's requirements or where sub-let agreements are on terms substantially below market rates. The estimated cost is based on the contractually required lease payments over the remaining term of each lease agreement, less any amounts received through sub-lease agreements where applicable.

	Consolidated				
	Restructuring provision	**Property make good provision**	**Surplus lease provision**	**Onerous agreement provision**	**Total**
	$'m	$'m	$'m	$'m	$'m
Movements in provisions					
Balance at 1 July 2011	16.9	45.9	–	–	62.8
Reassessments and additions	–	9.8	–	–	9.8
Unused amount reversed	–	(5.6)	–	–	(5.6)
Amounts transferred[6]	(12.2)	–	12.2	–	–
Payments made	(4.7)	(2.0)	(4.8)	–	(11.5)
Unwinding and discount rate adjustment	–	2.9	–	–	2.9
Balance at 30 June 2012	**–**	**51.0**	**7.4**	**–**	**58.4**
Reassessments and additions	10.1	6.6	10.6	–	27.3
Assumed on acquisition of subsidiary	–	1.8	–	55.0	56.8
Unused amount reversed	–	(1.2)	–	–	(1.2)
Payments made	(8.1)	(1.7)	(6.0)	–	(15.8)
Unwinding and discount rate adjustment	–	(0.4)	0.2	0.4	0.2
Balance at 30 June 2013	**2.0**	**56.1**	**12.2**	**55.4**	**125.7**

The group has recognised a liability for workers' compensation of $120.1 million at balance date of which $11.3 million relates to claims made in the current year (2012: $10.0 million).

(6) $12.2 million of restructuring provision was transferred to a surplus lease provision to provide for a number of leases surplus to the group's requirements following the restructure of the group's non core operations.

21 Superannuation

(a) Superannuation plan

The corporation is an employer sponsor of the Australia Post Superannuation Scheme (APSS – the Fund). In addition, certain employees of AUX Investments and Decipha are also members of the fund. The APSS provides employer-financed defined benefits to all employees who are members and member-financed accumulation benefits to those who elect. Some of the corporation's current and past employees are also entitled to benefits under the Superannuation Act 1976, but the group has no contribution obligation in respect of these benefits. On 30 June 2012 the fund closed to new members. Australia Post pays the Superannuation Guarantee contribution to the nominated superannuation funds of employees who are not members of the fund, or those who have voluntarily elected not to be members of the fund.

	Consolidated	
	2013 $m	**2012** $m
(b) Amount recognised in the statement of comprehensive income		
Current service cost	238.6	197.2
Interest cost on benefit obligation	349.4	376.4
Expected return on plan assets	(501.4)	(474.6)
Plan expenses	13.3	12.8
Contributions tax reserve	15.2	17.5
Defined benefit superannuation expense	115.1	129.3

	Consolidated				
	2013 $m	**2012** $m	**2011** $m	**2010** $m	**2009** $m
(c) Amount recognised in the balance sheet					
Present value of benefit obligation (wholly funded)	(6,530.9)	(6,322.1)	(5,584.7)	(5,347.2)	(5,298.0)
Fair value of plan assets	6,529.5	6,123.3	5,829.0	5,493.9	5,695.8
Contributions tax reserve	(0.2)	(35.1)	43.1	25.9	70.2
Net superannuation (liability)/asset[1]	(1.6)	(233.9)	287.4	172.6	468.0

(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.

21 Superannuation (continued)

	Consolidated	
	2013 $m	**2012** $m
(d) Reconciliations		
Changes in the present value of the defined obligation is as follows:		
Opening defined benefit obligation at 1 July	6,322.1	5,584.7
Obligation acquired	36.4	–
Interest cost	349.4	376.4
Current service cost	238.6	197.2
Benefits paid and payable	(330.9)	(316.9)
Member contributions	56.2	58.9
Actuarial (gain)/loss	(140.9)	421.8
Closing defined benefit obligation at 30 June[2]	6,530.9	6,322.1
Changes in the fair value of the plan assets is as follows:		
Opening fair value of plan assets at 1 July	6,123.3	5,829.0
Plan assets acquired	31.4	–
Expected return on plan assets	501.4	474.6
Contributions by employer	204.9	149.3
Member contributions	56.2	58.9
Benefits paid and payable	(330.9)	(316.9)
Actuarial loss	(14.8)	(38.3)
Plan expenses	(13.3)	(12.8)
Contributions tax reserve	(28.7)	(20.5)
Fair value of plan assets at 30 June[2]	6,529.5	6,123.3

The group has been advised by its actuaries of a potential cash contribution of approximately $158.9 million to its defined benefit plan in 2013/14.

(2) Included in the obligation and plan assets above is $3,071.3 million (2012: $2,928.9 million) relating to member financed accumulation benefits.

	Consolidated	
	2013[3] (%)	**2012** (%)
(e) Categories of plan assets		
The major categories of plan assets as a percentage of the fair value of total plan assets is as follows:		
Cash	21	23
Public market equities	9	6
Public market debt	15	12
Private market equities and debt	35	35
Private market real estate	20	24

The expected rate of return on assets is determined based on the valuation of assets prevailing on that date, applicable to the period over which the obligation is to be settled. There are no in-house assets included in the fair value of the APSS assets, however there may be an immaterial amount of indirect investments in shopping centres where the corporation has leased certain areas for Post shops.

(3) Within the Private market real estate and Private market equities and debt category included in the 2013 year above, approximately 9% of the assets were valued at or prior to 31 December 2012, 75% were valued between 31 March and 31 May 2013, 16% were valued at 30 June 2013 and 0% were valued at cost. All Public market equities and debt were valued at 30 June 2013.

21 Superannuation (continued)

	Consolidated	
	2013 $m	**2012** $m
(f) Actual return on plan assets		
Actual return on plan assets	421.8	358.3
(g) Cumulative actuarial (gain)/loss		
Actuarial (gain)/loss recognised in the year in the statement of comprehensive income	(126.1)	460.1
Contributions tax	(22.6)	81.2
	(148.7)	541.3
Cumulative actuarial loss recognised in the statement of comprehensive income	975.0	1,123.7

	Consolidated				
	2013 $m	**2012** $m	**2011** $m	**2010** $m	**2009** $m
(h) Experience adjustments					
Experience adjustments on plan liabilities	(56.9)	(67.6)	(21.5)	58.9	377.6
Experience adjustments on plan assets	(14.8)	(38.5)	5.2	(216.8)	(1,343.3)

(i) Actuarial assumptions

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

	Consolidated	
	2013 (%)	**2012** (%)
Discount rate	3.8	3.0
Expected after tax rate of return on assets[4]	8.3	8.3
Future salary increases (for 2 years to 30 June 2015)	3.5	3.5
Future salary increases (the period thereafter)	4.0	4.0

(j) Superannuation Act 1976

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

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

(4) Following amendments to Australian Accounting Standards, expected return on plan assets will be estimated by reference to the discount rate used to discount the defined benefit obligation to present value for future periods.

	Consolidated	
	2013 $m	**2012** $m
22 Other non-current liabilities		
Lease incentives	18.3	15.3
Other non current payables	12.3	12.5
Total other non-current liabilities	**30.6**	**27.8**

Notes to and forming part of the financial report

for the year ended 30 June 2013

	Consolidated	
	2013 $m	**2012** $m
23 Movements in retained profits		
Balance at 1 July	1,100.3	1,397.1
Net profit	311.9	281.2
Dividends paid	(243.7)	(193.9)
Net actuarial gain/(loss) on superannuation liability	104.1	(378.9)
Other movements in retained profits	(0.9)	(5.2)
Balance at 30 June	**1,271.7**	**1,100.3**

	Consolidated			
	Asset revaluation reserve[1]	**Foreign currency translation reserve[2]**	**Hedging reserve[3]**	**Total reserves**
	$m	$m	$m	$m
24 Analysis of reserves				
Balance at 1 July 2011	6.7	(0.1)	0.2	**6.8**
Net movement in joint venture entities' reserves	–	–	0.2	**0.2**
Revaluation of fuel cash flow hedge – gross	–	–	(1.9)	**(1.9)**
Deferred tax	–	–	0.5	**0.5**
Revaluation of foreign exchange cash flow hedge – gross	–	–	0.2	**0.2**
Deferred tax	–	–	(0.1)	**(0.1)**
Balance at 30 June 2012	**6.7**	**(0.1)**	**(0.9)**	**5.7**
Net movement in joint venture entities' reserves	–	0.1	0.2	**0.3**
Revaluation of fuel cash flow hedge – gross	–	–	0.9	**0.9**
Deferred tax	–	–	(0.3)	**(0.3)**
Revaluation of foreign exchange cash flow hedge – gross	–	–	4.4	**4.4**
Deferred tax	–	–	(1.3)	**(1.3)**
Revaluation of land and buildings – gross	0.9	–	–	**0.9**
Deferred tax	(0.3)	–	–	**(0.3)**
Balance at 30 June 2013	**7.3**	**–**	**3.0**	**10.3**

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

(2) The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries and joint ventures.

(3) This hedging reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge relationship that is determined to be an effective hedge.

	Corporation	
	2013 $m	**2012** $m
25 Information relating to Australian Postal Corporation		
Current assets	1,107.8	1,517.7
Total assets	4,100.1	3,924.9
Current liabilities	1,856.7	1,470.1
Total liabilities	2,516.5	2,453.3
Contributed equity	400.0	400.0
Retained profits	1,173.7	1,065.6
Asset revaluation reserve	7.3	6.7
Hedging reserve	3.0	(0.7)
Net Equity	**1,584.0**	**1,471.6**
Net profit of the parent entity	248.2	285.0
Total comprehensive income of the parent entity	401.2	(95.2)

The parent has contingent liabilities which relate to legal liability claims that have been lodged against the corporation, including motor vehicle accident and personal injury claims in the amount of $3.5 million (2012: $3.4 million).

The parent entity has issued bank guarantees amounting to $157.6 million which represent guarantees supporting workers compensation self insurance licences in various jurisdictions. These are included in the Schedule of contingencies.

The parent has contractual obligations which relate to sub-lease rent receivables and operating lease receivables in the amount of $114.0 million (2012: $154.8 million). Capital commitments of the parent entity in relation to land and buildings and plant and equipment amount to $125.5 million (2012: $65.2 million). The parent has operating lease commitments of $492.5 million (2012: $510.1 million) and other commitments relating to carriage and delivery of letters and parcels by contractors of $2,573.4 million (2012: $1,864.2 million).

	Consolidated	
	2013 $m	**2012** $m
26 Dividends paid		
Final ordinary dividend (from prior year results)	114.5	94.7
Interim ordinary dividend	129.2	99.2
Total dividends paid	**243.7**	**193.9**
Dividend not recognised as a liability	63.5	114.5

	Consolidated	
	2013 $	**2012** $
27 Auditor's remuneration[1]		
Amounts received or due and receivable by the corporation's auditors for:		
An audit or review of the financial report of the entity and any other entity in the consolidated group	1,785,800	1,542,900
Other services in relation to the entity and any other entity in the consolidated group		
– assurance related	184,900	179,500
– special audits required by regulators[2]	97,900	97,900
– other non-audit related[2]	265,000	102,300
Total auditor's remuneration	**2,333,600**	**1,922,600**

(1) The corporation's auditor is the Australian National Audit Office who has retained Ernst & Young (Australia) to assist with the assignment.
(2) These services are performed by Ernst & Young (Australia) directly and include due diligence, governance, compliance and research services.

Notes to and forming part of the financial report

for the year ended 30 June 2013

28 Operating segments

The group has identified its operating segments based on the internal reports that are reviewed and used by the executive management committee (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the manner in which the product is sold and the nature of the services provided. Discrete financial information about each of these segments is reported to the executive management committee on at least a monthly basis.

The reportable segments are based on aggregated operating segments determined by the similarity of the products sold and/or the services provided, as these are the sources of the group's major risks and have the most effect on the rates of return.

Certain products have been realigned to different segments in the current period to better reflect the way the business unit results are analysed internally. The primary change has been to reclassify regulated international inbound letters and packets (<2kg) from the "Mail" segment to the "Parcel & Express" segment. Comparatives have been restated for this change.

Where trends in volume information has resulted in a change to cost allocations, the prior year information has been restated to enable like for like comparison.

In addition, the group has changed the way the financial impact of gains or losses arising from movements in discount rates are allocated to individual operating segments. For the 2011/12 financial year the impact of gains or losses arising from movements in discount rates were included within the 'Unallocated & Eliminations' segment. For the 2012/13 financial year the results of the group have been reported to the chief operating decision makers by including the impact of these movements and therefore the operating segment note has been prepared on this basis. The prior year information has also been restated to enable like for like comparison.

The impact of movements in discount rates on profit before tax for the group was a gain of $19.4 million in 2012/13 and a loss of $64.6 million in 2011/12.

The following represent the primary segments the group operates in:

Mail

The collection, processing and distribution of mail items, digital communications and associated services.

Retail

Provision of postal products and services, agency services, mail boxes and bags, financial services and other retail merchandise, principally philatelic, stationery, telephony, greeting cards, gifts and souvenirs.

Parcel & Express

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

Unallocated & Eliminations

It is the group's policy that if items of revenue and expense are not allocated to the core operating segments then any associated assets and liabilities are also not allocated to segments. This is to avoid asymmetrical allocations within segments which management believe would be inconsistent.

The following are not allocated to operating segments as they are not considered part of the core operations of any segments:

- Activities incidental to the group's core product and service offerings, principally those which generate rental income, licence fees and other miscellaneous amounts;
- Non trading items including net gains arising on disposal of fixed assets, amounts arising on re-measurement of the group's investment property portfolio and share of net profits of equity accounted jointly controlled entities and divested operations;
- Expenses represent costs that are attributable to unallocated revenues;
- Assets include assets under construction, investment property, cash investments and held to maturity investments;
- Liabilities include interest bearing liabilities and deferred tax.

Inter-segment revenue

A core function of the group's Retail segment is to distribute mail and parcel products through its network of retail stores. A market price for this distribution service applies through LPO agreements. In respect of corporate owned stores, an internal transfer price has been established between the Retail, Mail and Parcel & Express segments, equivalent to the market price paid to LPOs.

The following additional segmentation is also provided:

Regulated mail

Regulated mail is comprised of the collection, processing and distribution of domestic letters defined as reserved by the *Australia Postal Corporation Act 1989* and the processing and distribution of international inbound letters and packets (<2kg) in accordance with the arrangements of the Universal Postal Union (UPU) (where Australia Post has been nominated by the Australian Government to fulfil its obligations in Australia).

28 Operating segments (continued)

Non regulated commercial

Non regulated commercial comprises all other services performed by the group.

The following table presents revenue and profit information regarding the group's operating segments for the years ended 30 June 2013 and 30 June 2012.

	Mail	Retail	Parcel & Express	Total	Unallocated & Eliminations	Total
	$m	$m	$m	$m	$m	$m
2013						
Revenue						
– Regulated mail segment	1,716.5	–	142.8	1,859.3	–	**1,859.3**
– Non-regulated commercial segment	491.3	904.3	2,515.6	3,911.2	104.3	**4,015.5**
– Inter-segment revenue	–	465.7	–	465.7	(465.7)	**–**
Total segment revenue	2,207.8	1,370.0	2,658.4	6,236.2	(361.4)	**5,874.8**
Interest revenue						**18.4**
Consolidated revenue						**5,893.2**
Result						
– Regulated mail segment result	(147.4)	–	(71.0)	(218.4)	–	**(218.4)**
– Non-regulated commercial segment result	(27.5)	190.7	423.2	586.4	61.7	**648.1**
– Inter-segment result	(12.5)	9.9	2.6	–	–	**–**
Profit before interest, income tax expense and amortisation	(187.4)	200.6	354.8	368.0	61.7	**429.7**
Amortisation arising from intangible assets recognised on acquisition of subsidiaries						**(13.7)**
Net interest						**(13.2)**
Profit before tax						**402.8**
Income tax expense						**(90.9)**
Net profit for period						**311.9**
Assets						
Segment assets	1,025.3	465.1	1,693.2	3,183.6	1,215.2	**4,398.8**
Investment in joint venture entities	–	–	–	–	2.7	**2.7**
Total assets	**1,025.3**	**465.1**	**1,693.2**	**3,183.6**	**1,217.9**	**4,401.5**
Liabilities						
Segment liabilities	787.3	387.5	664.2	1,839.0	878.9	**2,717.9**
Superannuation liability	–	–	–	–	1.6	**1.6**
Total liabilities	**787.3**	**387.5**	**664.2**	**1,839.0**	**880.5**	**2,719.5**
Other Segment Information						
Capital expenditure	84.3	71.4	220.5	376.2	–	**376.2**
Depreciation and amortisation expense	121.9	17.8	92.9	232.6	13.7	**246.3**
Other non-cash expenses	**121.9**	**17.8**	**92.9**	**232.6**	**13.7**	**246.3**

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28 Operating segments (continued)

	Mail	Retail	Parcel & Express	Total	Unallocated & Eliminations	Total
	$m	$m	$m	$m	$m	$m
2012						
Revenue						
– Regulated mail segment	1,806.4	–	122.3	1,928.7	–	**1,928.7**
– Non-regulated commercial segment	505.7	885.2	1,700.3	3,091.2	68.7	**3,159.9**
– Inter-segment revenue	–	457.4	–	457.4	(457.4)	**–**
Total segment revenue	2,312.1	1,342.6	1,822.6	5,477.3	(388.7)	**5,088.6**
Interest revenue						**37.6**
Consolidated revenue						**5,126.2**
Result						
– Regulated mail segment result	(114.4)	–	(72.5)	(186.9)	–	**(186.9)**
– Non-regulated commercial segment result	5.8	175.6	340.7	522.1	33.1	**555.2**
– Inter-segment result	(8.7)	2.1	6.6	–	–	**–**
Profit before interest, income tax expense and amortisation	(117.3)	177.7	274.8	335.2	33.1	**368.3**
Amortisation arising from intangible assets recognised on acquisition of subsidiaries						**(1.9)**
Net interest						**0.3**
Profit before tax						**366.7**
Income tax expense						**(85.5)**
Net profit for period						**281.2**
Assets						
Segment assets	1,039.6	467.6	714.7	2,221.9	1,669.2	**3,891.1**
Investment in joint venture entities	–	–	–	**–**	284.7	**284.7**
Total assets	**1,039.6**	**467.6**	**714.7**	**2,221.9**	**1,953.9**	**4,175.8**
Liabilities						
Segment liabilities	791.7	434.9	339.4	1,566.0	869.9	**2,435.9**
Superannuation liability	–	–	–	–	233.9	**233.9**
Total liabilities	**791.7**	**434.9**	**339.4**	**1,566.0**	**1,103.8**	**2,669.8**
Other Segment Information						
Capital expenditure	132.2	45.1	84.0	261.3	0.9	**262.2**
Depreciation and amortisation expense	125.2	12.3	52.4	189.9	11.7	**201.6**
Other non-cash expenses	**125.2**	**12.3**	**52.4**	**189.9**	**11.7**	**201.6**

Included in the above is revenue of $1,716.5 million (2012: $1,806.4 million) and a loss of $147.4 million (2012: loss of $114.4 million) relating to reserved services.

28 Operating segments (continued)

Geographical segments

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

Accounting policies

The accounting policies used by the group in reporting the segments internally are the same as those contained in note 1(g) to the accounts.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, inventories, property, plant and equipment, computer software and goodwill, net of related provisions. Segment liabilities consist primarily of trade and other creditors, employee entitlements and advance receipts.

Corporate charges comprise of support costs that are allocated to each business segment using an activity based costing methodology.

Use of fair value accounting

As outlined in note 1(s) to these accounts, the group uses cost as the basis for valuing land and buildings for its statutory accounts. Were fair values applied to land and buildings, the total segment assets would be as follows:

	Consolidated	
	2013 $m	**2012** $m
Mail	1,293.5	1,359.8
Retail	542.4	554.1
Parcel & Express	1,853.8	862.8
Unallocated & Eliminations	1,323.6	2,071.7
Total	**5,013.3**	**4,848.4**

Notes to and forming part of the financial report

for the year ended 30 June 2013

29 Remuneration and Retirement Benefits

(a) Senior executive and director remuneration by category

The remuneration received directly or indirectly by senior executives and directors is as follows:

	Corporation and Consolidated			
	Senior Executives	Senior Executives	Directors	Directors
	2013 $	2012 $	2013 $	2012 $
Short-term employee benefits				
Cash salary	5,163,429	4,751,592	744,361	651,375
Committee fees	–	–	55,599	52,712
Annual leave	389,561	352,240	–	–
At risk component	4,155,549	4,291,804	–	–
Non-monetary benefits	733,102	233,598	554,031	6,947
Total short-term employee benefits	10,441,641	9,629,234	1,353,991	711,034
Post employment benefits				
Superannuation benefits	1,284,067	792,789	79,808	74,514
Total post employment benefits	1,284,067	792,789	79,808	74,514
Other long-term benefits				
Long service leave	102,991	230,940	–	–
At risk component	1,158,687	958,457	–	–
Total other long-term benefits	1,261,678	1,189,397	–	–
Termination/retirement benefits	–	–	–	–
Total senior executive and director remuneration[1]	**12,987,386**	**11,611,420**	**1,433,799**	**785,548**

(1) For the purposes of this note, the group has defined senior executives as those employees who report directly to the Managing Director and CEO. These employees are the only employees considered to have the capacity and responsibility for decision making that can have a significant and direct impact on the strategic direction and financial performance of the group. Executive directors are classified as senior executives and are disclosed in sections (a) and (c) of this note.

(b) Directors' remuneration

The remuneration received directly or indirectly by non-executive directors (including non-monetary benefits) is shown below. Non-monetary amounts include travel, accommodation and other benefits reported as fringe benefits for taxation purposes. In the case of directors, the amount disclosed includes the fringe benefits tax paid by the corporation.

	Corporation and Consolidated	
	2013 No.	2012 No.
Total Remuneration		
Less than $30,000	1	–
$60,000 to $89,999	1	1
$90,000 to $119,999	5	5
$180,000 to $209,999	–	1
$210,000 to $239,999	1	–
$270,000 to $299,999	1	–
$300,000 to $329,999	1	–
Total	**10**	**7**

29 Remuneration and Retirement Benefits (continued)

(c) Senior executive annual reportable remuneration paid

The remuneration received directly or indirectly by the corporation's and group's senior executives is as follows. Total reportable remuneration disclosed is the average total compensation received by senior executives in each band, where applicable, from the date of appointment to the date the senior executive resigns from their position.

	Number of parent entity senior executives	Number of group senior executives	Reportable salary[1]	Superannuation[2]	At risk component[3][6]	Total reportable remuneration
Year ended 30 June 2013 ($)						
$240,000 to $269,999	1	1	230,609	16,470	–	247,079
$990,000 to $1,019,999	1	1	487,372	96,736	418,656	1,002,764
$1,290,000 to $1,319,999	1	1	661,818	108,459	524,916	1,295,193
$1,350,000 to $1,379,999	1	1	691,090	16,470	651,372	1,358,932
$1,470,000 to $1,499,999	1	1	815,114	67,222	601,300	1,483,636
$1,590,000 to $1,619,999	1	1	758,719	71,946	787,437	1,618,102
$4,740,000 to $4,769,999[4][5][6]	1	1	1,927,754	828,132	1,998,945	4,754,831
Total	**7**	**7**				

	Number of parent entity senior executives	Number of group senior executives	Reportable salary[1]	Superannuation[2]	At risk component[3]	Total reportable remuneration
Year ended 30 June 2012 ($)						
Less than $180,000	1	1	121,538	13,120	–	134,658
$720,000 to $749,999	1	1	415,285	63,761	265,449	744,495
$1,110,000 to $1,139,999	1	1	591,956	101,009	419,375	1,112,340
$1,200,000 to $1,229,999	2	2	649,419	42,156	522,344	1,213,919
$1,230,000 to $1,259,999	1	1	720,466	66,142	460,833	1,247,441
$2,850,000 to $2,879,999	1	1	1,713,818	269,831	874,200	2,857,849
Total	**7**	**7**				

(1) Reportable salary comprises the average cash salary paid, salary sacrificed contributions paid to the employee's nominated superannuation fund, non-monetary benefits provided to employees and other employee salary sacrificed amounts. Non-monetary amounts include travel, accommodation and other benefits reported as fringe benefits for taxation purposes. Non-monetary amounts do not include fringe benefits tax paid by the corporation. Amounts disclosed also include leave entitlements paid on resignation. Amounts for comparative periods have been restated to ensure a like for like comparison.

(2) For employees who are members of the APSS the superannuation benefit has been based on the rate used for ATO purposes to establish the Notional Tax Contribution. This rate is 10.8% for the majority of members. The prior year has been restated on this basis. If the employee is not a member of APSS, this benefit is calculated at 9% in accordance with applicable legislation.

(3) Represents the average cash incentive reward received by senior executives in that band. Incentive rewards are based on the senior executives meeting or exceeding individual objectives linked to key annual business objectives and performance measures.

(4) Reportable salary of the Managing Director and CEO for the current period includes a lump sum payment of $165,741 dating back to February 2010 for adjustments to previous years assessments of the employer's contribution to the employee's superannuation benefit.

(5) Superannuation of the Managing Director and CEO for the current period includes a lump sum payment of $436,829 which was to restore the value in the Managing Director and CEO's original contract as a result of erosion through unexpected impacts of legislation with respect to high value superannuation contributions from February 2010.

(6) At risk component of the Managing Director and CEO, and certain other executives for the current period includes payments of deferred instalments of incentives from previous years.

Performance, importance and role of Australia Post in Australian communities and its operations in relation to licensed post offices
Submission 7 - Attachment 1

29 Remuneration and Retirement Benefits (continued)

(d) Highly paid employee annual reportable remuneration paid

The remuneration received directly or indirectly by the corporation's and the group's highly paid employees is as follows. Total reportable remuneration disclosed is the average total compensation received by employees in each band, where applicable, from the date of employment to the date the employee resigns from their employment with the group.

	Consolidated				
	Number of group employees	Reportable salary[1]	Superan-nuation[2]	At risk comp-onent[3]	Total reportable remun-eration
Year ended 30 June 2013 ($)					
$180,000 to $209,999	138	151,374	16,543	25,767	193,684
$210,000 to $239,999	83	172,613	18,741	31,597	222,951
$240,000 to $269,999	72	196,026	20,588	39,283	255,897
$270,000 to $299,999	34	220,811	21,753	40,001	282,565
$300,000 to $329,999	34	225,600	24,548	61,160	311,308
$330,000 to $359,999	19	246,065	25,742	69,302	341,109
$360,000 to $389,999	13	246,048	30,663	94,846	371,557
$390,000 to $419,999	12	262,927	32,962	107,704	403,593
$420,000 to $449,999	4	303,401	30,430	104,945	438,776
$450,000 to $479,999	5	305,196	34,232	125,797	465,225
$480,000 to $509,999	4	334,137	40,001	127,529	501,667
$510,000 to $539,999	3	332,649	44,431	150,023	527,103
$540,000 to $569,999	3	414,054	34,004	108,293	556,351
$570,000 to $599,999	2	355,221	44,217	188,259	587,697
$660,000 to $689,999	1	347,013	59,024	271,111	677,148
$690,000 to $719,999	4	444,163	28,241	236,595	708,999
$720,000 to $749,999	2	415,923	65,704	250,811	732,438
$750,000 to $779,999	1	445,524	48,383	257,838	751,745
$1,020,000 to $1,049,999	1	703,336	16,470	308,323	1,028,129
Total[4]	**435**				

29 Remuneration and Retirement Benefits (continued)

(d) Highly paid employee annual reportable remuneration paid (continued)

	Consolidated				
	Number of group employees	Reportable salary[1]	Superannuation[2]	At risk component[3]	Total reportable remuneration
Year ended 30 June 2012 ($)					
$180,000 to $209,999	85	161,702	15,918	17,023	194,643
$210,000 to $239,999	76	180,528	18,264	25,280	224,072
$240,000 to $269,999	51	201,745	20,821	32,322	254,888
$270,000 to $299,999	35	208,015	21,699	51,166	280,880
$300,000 to $329,999	17	223,356	26,323	66,217	315,896
$330,000 to $359,999	13	244,536	27,679	69,395	341,610
$360,000 to $389,999	10	256,718	28,472	84,709	369,899
$390,000 to $419,999	12	271,961	28,595	104,815	405,371
$420,000 to $449,999	10	313,627	38,411	88,604	440,642
$450,000 to $479,999	4	321,152	39,986	110,126	471,264
$480,000 to $509,999	6	362,106	36,092	93,728	491,926
$510,000 to $539,999	2	406,864	44,850	76,389	528,103
$540,000 to $569,999	3	356,342	40,233	146,838	543,413
$570,000 to $599,999	1	275,819	48,648	268,864	593,331
$600,000 to $629,999	3	456,335	35,310	130,675	622,320
$660,000 to $689,999	1	411,669	59,769	199,814	671,252
$780,000 to $809,999	1	512,669	64,389	224,733	801,791
Total[4]	**330**				

(1) Reportable salary comprises the average cash salary paid, salary sacrificed contributions paid to the employee's nominated superannuation fund, non-monetary benefits provided to employees and other employee salary sacrificed amounts. Non-monetary amounts include travel, accommodation and other benefits reported as fringe benefits for taxation purposes. Non-monetary amounts do not include fringe benefits tax paid by the corporation. Amounts disclosed also include leave entitlements paid on resignation. Amounts for comparative periods have been restated to ensure a like for like comparison.

(2) For employees who are members of the APSS the superannuation benefit has been based on the rate used for ATO purposes to establish the Notional Tax Contribution. This rate is 10.8% for the majority of members. The prior year has been restated on this basis. If the employee is not a member of APSS, this benefit is calculated at 9% in accordance with applicable legislation.

(3) Represents the average cash incentive reward received by employees in that band. Incentive rewards are based on the employee meeting or exceeding individual objectives linked to key annual business objectives and performance measures.

(4) For the purposes of this note, senior executives disclosed in section (c) are not disclosed as part of section (d).

Notes to and forming part of the financial report

for the year ended 30 June 2013

29 Remuneration and Retirement Benefits (continued)

(d) Highly paid employee annual reportable remuneration paid (continued)

					Parent
	Number of parent entity employees	Reportable salary[1]	Superannuation[2]	At risk component[3]	Total reportable remuneration
Year ended 30 June 2013 ($)					
$180,000 to $209,999	129	149,640	16,776	27,180	193,596
$210,000 to $239,999	80	171,245	18,826	32,678	222,749
$240,000 to $269,999	65	193,841	20,905	40,844	255,590
$270,000 to $299,999	32	218,894	22,083	41,158	282,135
$300,000 to $329,999	33	225,769	24,792	61,067	311,628
$330,000 to $359,999	18	240,914	26,257	73,152	340,323
$360,000 to $389,999	12	244,284	30,544	97,094	371,922
$390,000 to $419,999	11	262,284	34,461	107,406	404,151
$420,000 to $449,999	3	306,927	31,158	95,542	433,627
$450,000 to $479,999	6	303,134	33,234	127,023	463,391
$480,000 to $509,999	3	335,719	39,473	120,739	495,931
$510,000 to $539,999	5	332,266	45,679	152,479	530,424
$540,000 to $569,999	1	376,372	32,025	160,456	568,853
$570,000 to $599,999	2	355,221	44,217	188,259	587,697
$660,000 to $689,999	1	347,013	59,024	271,111	677,148
$690,000 to $719,999	4	444,163	28,241	236,595	708,999
$720,000 to $749,999	2	415,923	65,704	250,811	732,438
$750,000 to $779,999	1	445,524	48,383	257,838	751,745
$1,020,000 to $1,049,999	1	703,336	16,470	308,323	1,028,129
Total[4]	**409**				

					Parent
	Number of parent entity employees	Reportable salary[1]	Superannuation[2]	At risk component[3]	Total reportable remuneration
Year ended 30 June 2012 ($)					
$180,000 to $209,999	83	161,656	15,936	17,181	194,773
$210,000 to $239,999	74	180,831	18,268	24,691	223,790
$240,000 to $269,999	48	200,678	20,841	33,701	255,220
$270,000 to $299,999	35	208,015	21,699	51,166	280,880
$300,000 to $329,999	17	223,356	26,323	66,217	315,896
$330,000 to $359,999	13	244,536	27,679	69,395	341,610
$360,000 to $389,999	8	252,675	30,547	88,363	371,585
$390,000 to $419,999	12	271,961	28,595	104,815	405,371
$420,000 to $449,999	10	313,627	38,411	88,604	440,642
$450,000 to $479,999	4	321,152	39,986	110,126	471,264
$480,000 to $509,999	5	360,421	36,759	96,715	493,895
$510,000 to $539,999	2	406,864	44,850	76,389	528,103
$540,000 to $569,999	3	356,342	40,233	146,838	543,413
$570,000 to $599,999	1	275,819	48,648	268,864	593,331
$600,000 to $629,999	3	456,335	35,310	130,675	622,320
$660,000 to $689,999	1	411,669	59,769	199,814	671,252
$780,000 to $809,999	1	512,669	64,389	224,733	801,791
Total[4]	**320**				

(1) Reportable salary comprises the average cash salary paid, salary sacrificed contributions paid to the employee's nominated superannuation fund, non-monetary benefits provided to employees and other employee salary sacrificed amounts. Non-monetary amounts include travel, accommodation and other benefits reported as fringe benefits for taxation purposes. Non-monetary amounts do not include fringe benefits tax paid by the corporation. Amounts disclosed also include leave entitlements paid on resignation. Amounts for comparative periods have been restated to ensure a like for like comparison.

(2) For employees who are members of the APSS the superannuation benefit has been based on the rate used for ATO purposes to establish the Notional Tax Contribution. This rate is 10.8% for the majority of members. The prior year has been restated on this basis. If the employee is not a member of APSS, this benefit is calculated at 9% in accordance with applicable legislation.

(3) Represents the average cash incentive reward received by employees in that band. Incentive rewards are based on the employee meeting or exceeding individual objectives linked to key annual business objectives and performance measures.

(4) For the purposes of this note, senior executives disclosed in section (c) are not disclosed as part of section (d).

30 Related parties

The consolidated financial statements consist of the Australian Postal Corporation and its subsidiaries listed in note 11.

Remuneration and retirement benefits

Information on remuneration of directors and amounts paid in connection with the retirement of directors is disclosed in note 29(a) & 29(b).

Transactions with joint venture entities

The following table provides the total amount of transactions that were entered into with joint venture entities for the relevant financial year (for information regarding outstanding balances at year-end, refer to notes 6, 10 and 18). Trading with joint venture entities is conducted on normal commercial terms.

	Consolidated	
	2013 $m	**2012** $m
Other transactions with joint venture entities		
Payments for collection and delivery services	28.8	67.8
Payments for accommodation	2.5	2.5
Revenue from collection and delivery services	8.2	21.3
Revenue from administrative services	0.0	11.7
Interest received	3.5	10.3
Aggregate amounts receivable from and payable to joint venture entities at balance date were as follows:		
Current receivables	1.2	2.9
Current payables	–	6.4
Loans receivable[1]	2.7	130.8

(1) Refer note 31(i) for details of credit risk on loans to joint venture entities.

Other related party transactions

Australia Post performs administrative services on behalf of its Superannuation Fund APSS. These services are provided on normal commercial terms. Payment received by Australia Post for these services for year ended 30 June 2013 is $14.8 million (2012: $14.2 million). In addition, the group's joint venture entities paid employer superannuation contributions to the APSS on behalf of employees of $1.7 million (2012: $11.4 million).

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

Transactions with Directors

A number of directors of the Australian Postal Corporation are also directors of or have interests in other entities which have transacted with the Australian Postal Corporation Group. These transactions have occurred on terms and conditions no more favourable than those which it is reasonable to expect the group would have adopted if dealing with any third party on normal commercial terms.

Ultimate controlling entity

The Commonwealth is the ultimate parent and controlling entity of the Australian Postal Corporation Group. The Australian Postal Corporation is the parent entity in the group comprising Australia Post and its controlled entities.

Notes to and forming part of the financial report

for the year ended 30 June 2013

31 Financial and capital risk management

(a) Financial risk management objectives

The group's risk management policy is to identify, assess, and manage risks, which are likely to adversely impact on the financial performance, continued growth and its survival. In terms of financial and commodity risk management, the group will take a risk averse approach to financial risk management in that it will seek to minimise risk, provided it is cost effective to do so.

The group's principal financial instruments, other than derivatives, comprise of bonds, syndicated revolving committed facilities, held to maturity investments, finance leases and hire purchase contracts, cash and short-term deposits. The main purpose of these financial instruments is to provide finance for the group's operations. The group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The group also enters into derivative transactions, including interest rate swaps, forward currency contracts and commodity swap and option contracts. The purpose is to manage the interest rate, currency and commodity risks arising from the group's operations and its sources of finance. It is, and has been throughout the period under review, the group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the group's financial instruments are interest rate risk, liquidity risk, commodity risk, foreign currency risk and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial report.

(b) Capital risk management

The group's objectives when managing capital are to safeguard the ability to continue as a going concern while maximising the return to the Commonwealth Government. The group recognises the impact on shareholder returns of the level of equity capital employed and seeks to maintain a prudent balance between the advantages and flexibility afforded by a strong capital position and the higher returns on equity possible with some leverage. A further consideration when managing capital is maintenance of an investment grade rating. The group holds a AA rating (2012: AA+) from the independent ratings agency Standard & Poor's.

The capital structure of the group consists of debt, which comprises the bonds payable and syndicated revolving committed facilities disclosed in note 19, a bank overdraft facility disclosed in note 19, cash and cash equivalents disclosed in note 33(a) and equity attributable to equity holders of the corporation, comprising contributed equity, reserves and retained profits disclosed in notes 23 and 24.

The capital structure is reviewed annually as part of the Corporate Plan, which includes analysis of the return on equity, return on average operating assets and debt to debt plus equity ratios implicit in the Corporate Plan.

	Consolidated	
	2013 $m	**2012** $m
(c) Categories of financial instruments		
Financial assets		
Loans and receivables (including cash and cash equivalents)	1,135.8	1,567.1
Held to maturity investments	–	59.1
Derivative instruments in designated hedge accounting relationships	19.0	12.7
Financial liabilities		
Financial liabilities at amortised cost	625.5	547.6
Financial liabilities designated in fair value hedge relationships at amortised cost and adjusted by the gain/loss attributable to interest rate risk	617.9	617.5
Derivative instruments in designated hedge accounting relationships	0.1	2.9

31 Financial and capital risk management (continued)

(d) Net gain or loss on financial assets and financial liabilities measured at amortised cost

The net gain or net loss on financial assets (including cash and cash equivalents) is determined as interest revenue, plus or minus foreign exchange gains or losses arising from the revaluation of the financial asset and minus any impairment recognised in profit or loss as shown below.

	Consolidated	
	2013 $m	**2012** $m
Interest revenue (refer note 2)	18.4	37.6
Foreign exchange gain	16.1	2.6
Impairment loss (refer note 3)	(0.8)	(6.6)
Net gain on financial assets	**33.7**	**33.6**

The net gain or net loss on financial liabilities measured at amortised cost is determined as interest expense, plus or minus foreign exchange gains or losses arising from the revaluation of financial liabilities measured at amortised cost as shown below.

	Consolidated	
	2013 $m	**2012** $m
Interest expense (refer note 4)	35.8	34.4
Foreign exchange loss/(gain)	5.3	(1.8)
Net loss on financial liabilities measured at amortised cost	**41.1**	**32.6**

(e) Market risk

The group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (refer note 31(f)), commodity prices (refer note 31(g)) and interest rates (refer note 31(h)). The group is a party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in foreign exchange rates, commodity prices and interest rates. Reference should also be made to note 1(m) relating to derivative financial instruments. At a group level, market risk exposures are managed through sensitivity analysis and stress scenario analysis.

(f) Foreign currency risk management

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The group is exposed to foreign currency risk primarily through undertaking certain transactions denominated in foreign currency. A major source of foreign exchange transaction risk is as a result of obligations with overseas postal administrations which are invoiced in Special Drawing Rights (SDR) and settled in Euros (EUR) and United States dollars (USD). The SDR is a basket currency composed of fixed quantities of the four major traded currencies (USD, Japanese Yen, EUR and Pound Sterling). The composition of the basket is set by the International Monetary Fund. International mail receipts and payments are highly variable in amount and timing as well as being ongoing in nature.

The group operates foreign currency denominated bank accounts. Immaterial bank account balances are not included.

31 Financial and capital risk management (continued)

(f) Foreign currency risk management (continued)

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

	Consolidated	
	2013 (AUD) $m	**2012** (AUD) $m
Trade and other receivables	217.3	172.6
Trade and other payables	(59.6)	(51.5)
Cash on hand	1.6	1.0
Net exposure	**159.3**	**122.1**

Of the total $159.3 million of foreign currency denominated exposures, $156.6 million is SDR, $1.6 million is USD, $0.5 million is NZD, $0.4 million is GPB and $0.2 million is EUR (2012: Total of $122.1 million is $120.0 million of SDR, $1.2 million of USD, $0.4 million of NZD, $0.4 million is GPB 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), commitments in respect to overseas jointly controlled entities and foreign currency bank accounts. Each foreign currency exposure, other than SDR, is measured and managed on an item by item basis and individual exposures over $500,000 are hedged through the use of forward currency contracts.

During the year, the group began to undertake a rolling monthly hedging strategy for the SDR exposure. The strategy aims to mitigate the volatility experienced with the monthly revaluation of the SDR net receivables.

Forward currency contracts

The following table details the forward currency contracts outstanding as at balance date.

	Consolidated			
	2013		**2012**	
	Average exchange rate	**Notional amount** (foreign currency) $m	**Average exchange rate**	**Notional amount** (foreign currency) $m
BUY USD				
0-6 months	0.985	25.4	1.000	11.9
7-12 months	0.947	6.7	0.949	0.2
12 months +	0.988	0.2	–	–
		32.3		**12.1**
BUY EUR				
0-6 months	0.723	84.3	–	–
		84.3		**–**
BUY GBP				
0-6 months	0.619	0.7	1.579	1.3
7-12 months	–	–	1.602	1.0
		0.7		**2.3**

All forward currency contracts (other than SDR) are entered into on the basis of known or projected exposures. The group has elected to adopt cash flow hedge accounting in respect of some of its foreign currency hedging activities. The fair value of forward currency contracts designated as hedging instruments is a net asset of $4.4 million (2012: net liability of $0.1 million) for the group. The portion of the gain or loss on the designated forward currency contracts that are determined to be effective hedges are deferred in other comprehensive income and will be recognised in the measurement of the underlying transaction.

As at balance date, the aggregate amount of unrealised gains/losses under forward currency contracts deferred in the hedging reserve related to contracted future payments for inventory and capital expenditure. It is anticipated that the payments will take place in the 12 months (2012: 12 months) after reporting date at which stage the amount deferred in equity will be included in the initial cost of the inventory and capital equipment. It is anticipated that the amounts in relation to inventory will impact the statement of comprehensive income over the next one year and amounts in relation to equipment capital expenditure will impact the statement of comprehensive income over the next 5 to 20 years after the assets are available for use.

Foreign exchange translation exposures for jointly controlled entities are currently immaterial and therefore not hedged.

31 Financial and capital risk management (continued)

(f) Foreign currency risk management (continued)

Foreign currency sensitivity

The following table details the effect on profit after tax as at 30 June from a 15.7 per cent (2012: 15 per cent) favourable/unfavourable change in the Australian dollar with all other variables held constant. The sensitivity analyses below have been determined based on the exposure to foreign currencies from financial instruments at the reporting date.

The possible risk of 15.7 per cent is based on Australian Government Department of Finance and Deregulation guidance.

A positive number indicates an increase in profit after tax, while a negative number indicates a reduction in profit after tax.

	Consolidated	
	2013 $m	**2012** $m
Impact on profit after tax at reporting date, with all other variables held constant, of a:		
Strengthening of the Australian dollar from:		
Financial assets	(20.6)	(15.7)
Financial liabilities	5.7	4.7
	(14.9)	(11.0)
Weakening of the Australian dollar from:		
Financial assets	20.6	15.7
Financial liabilities	(5.7)	(4.7)
	14.9	11.0
Impact on other comprehensive income at reporting date, with all other variables held constant, of a:		
Strengthening of the Australian dollar from:		
Financial assets	(14.3)	(1.1)
Financial liabilities	–	0.4
	(14.3)	(0.7)
Weakening of the Australian dollar from:		
Financial assets	14.3	1.1
Financial liabilities	–	(0.4)
	14.3	0.7

The receivables and payables denominated in SDR, on which the sensitivity is shown in the table above, are not necessarily representative of the group's exposure to currency risk for the years ended 30 June 2012 and 30 June 2013. The receivables and payables denominated in SDR are highly variable in amount and timing, in particular due to the timing of receipts and settlements with overseas postal administrations.

(g) Commodity price risk management

Commodity price risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in commodity prices. The group's objective on commodity price risk management is to ensure that movements in commodity prices do not adversely affect operating costs. The group is exposed to commodity prices through the use of fuel. The risk is measured by reviewing forecast commodity exposures monthly and managed by entering into long term supply contracts, the use of fuel surcharges, and through the use of commodity swap and commodity option contracts. The hedging strategy is set annually as part of the planning process and the hedging activities are evaluated monthly.

Commodity price sensitivity

There were fuel swap and option contracts in place during the years ended 30 June 2012 and 30 June 2013, which matured prior to reporting date and as such the sensitivity analysis on profit after tax and other comprehensive income as at 30 June 2012 and 30 June 2013 is not representative of the commodity price risk inherent in the use of fuel swap and fuel option contracts during the current and prior year. As at 30 June 2013, the corporation has hedged 100% of the direct fuel exposure for the financial year ending 30 June 2014 using a combination of fuel swaps and options.

Performance, importance and role of Australia Post in Australian communities and its operations in relation to licensed post offices
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31 Financial and capital risk management (continued)

(g) Commodity price risk management (continued)

The following table details the commodity contracts outstanding as at balance date.

	Consolidated	
	2013 Exposure amount (AUD) $m	**2012 Exposure amount** (AUD) $m
Buy Barrels		
0-6 months	12.6	12.8
7-12 months	12.6	12.8
	25.2	**25.6**

All fuel swap contracts and fuel option contracts are entered into on the basis of known or projected exposures. The group has elected to adopt cash flow hedge accounting in respect of some of its commodity hedging activities. The fair value of fuel swap contracts and fuel option contracts designated as hedging instruments is a net asset of $1.4 million (2012: liability of $2.7 million) for the group. The portion of the gain or loss on the designated fuel swap contracts and fuel option contracts that are determined to be effective hedges are deferred in other comprehensive income and will be recognised in the measurement of the underlying transaction.

As at balance date, the group's commodity cash flow hedges have been assessed as ineffective. As a result the total aggregate amount of unrealised gains or losses arising on each fuel swap contract and fuel option contract in place at 30 June 2013 has been transferred from the hedging reserve to the statement of comprehensive income.

The following table details the effect on profit after tax and other comprehensive income as at 30 June from a 15.7 per cent (2012: 15 per cent) favourable/unfavourable change in the fuel price with all other variables held constant. The sensitivity analysis below have been determined based on the exposure to fuel from the group's fuel swap contracts and fuel option contracts entered into at the reporting date and the stipulated change taking place at the beginning of the financial year and being held constant throughout the reporting period.

A positive number indicates an increase in profit or equity after tax, while a negative number indicates a reduction in profit or equity after tax.

	Consolidated	
	2013 $m	**2012** $m
Impact on profit after tax at reporting date, with all other variables held constant, of a:		
Increase in fuel prices	2.9	2.8
Decrease in fuel prices	(2.9)	(2.8)
Impact on other comprehensive income at reporting date, with all other variables held constant, of a:		
Increase in fuel prices	–	0.3
Decrease in fuel prices	–	(0.3)

31 Financial and capital risk management (continued)

(h) Interest rate risk management

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The group is exposed to interest rate risk from interest-bearing cash and cash equivalent balances, held to maturity investments, receivables and payables, with the main exposure from bonds payable. The group's objective in managing interest rate risk is to minimise interest rate exposure by matching, as far as practical, the interest rate profile or re-pricing of investments (financial) and borrowings to achieve a natural hedge whilst ensuring that an appropriate level of flexibility exists to accommodate potential changes in funding requirements. Interest rate risk is measured by regularly reviewing the net exposure from interest-bearing assets and liabilities. The risk is managed by the use of interest rate swap contracts on the basis of known borrowing obligations.

The group's exposure to interest rate risks and the effective interest rates of interest-bearing financial assets and financial liabilities are set out below. Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until maturity of the instrument.

		Consolidated			
		2013		2012	
	Note	Carrying amount $m	Weighted average effective interest rate %	Carrying amount $m	Weighted average effective interest rate %
Financial assets					
Fixed rate					
Loans to joint venture entities	10	2.7	6.6	130.8	8.0
Held to maturity investments		–	–	59.1	4.9
Floating rate					
Cash and cash equivalents		105.1	3.8	578.8	5.5
Financial liabilities					
Fixed rate					
Bonds payable	19	617.9	5.4	617.5	5.6
Interest rate swaps		(617.9)	5.4	(617.5)	5.6
Floating rate					
Interest rate swaps		604.8	4.8	604.9	5.6
Short term borrowings	19	15.0	2.9	–	–

Interest rate swap contracts

Under interest rate swap contracts the group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held.

31 Financial and capital risk management (continued)

(h) Interest rate risk management (continued)

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

	Consolidated			
	2013		2012	
	Fixed interest rate %	Notional principal amount $m	Fixed interest rate %	Notional principal amount $m
Fixed for floating interest				
Less than one year	5.25	325.0	5.25	325.0
One year to five years	5.50	280.0	5.50	280.0
		605.0		**605.0**

The interest rate swap contracts settle on a quarterly and six-monthly basis. The floating rate on the $325.0 million interest rate swaps is quarterly BBSW plus 118.125 basis points, and the floating rate on the $280.0 million is six-monthly 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.

Interest rate sensitivity

The table below details the interest rate sensitivity analysis of the group at the reporting date, holding all other variables constant. A 120 basis point (2012: 140) change is used to quantify the possible risk based on Australian Government Department of Finance and Deregulation guidance. The sensitivity analysis below have been determined based on the exposure to interest rates from financial instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and being held constant throughout the reporting period.

A positive number indicates an increase in profit after tax, whilst a negative number indicates a reduction in profit after tax. There is no sensitivity on other comprehensive income.

	Consolidated	
	2013 $m	2012 $m
Impact on profit after tax at reporting date, with all other variables held constant of a:		
120 (2012: 140) basis point increase in interest rates	0.8	7.3
120 (2012: 140) basis point decrease in interest rates	(0.8)	(7.3)

The interest-bearing assets and liabilities on which the sensitivity is shown in the table above, are considered representative of the group's average interest rate exposure for the years ended 30 June 2012 and 30 June 2013.

(i) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. Counterparty exposure is measured as the total value of the exposures to all obligations of any single legal or economic entity (eg. a group of companies). It is the group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The carrying amount of trade and other receivables reflects the maximum credit exposure when collateral held and other credit enhancements are not considered. Bank guarantees, parent company guarantees, directors personal guarantees, deposits, property mortgages and fixed or floating charges over assets are held in respect of receivable balances from some customers. In addition, receivable balances are monitored on an ongoing basis with the result that the exposure to bad debts is not significant. For the year ended 30 June 2013 the total value of collateral held amounts to $100.1 million (2012: $96.4 million).

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are high investment grade as rated by Standard & Poor's, bank counterparties are all rated A- or better (2012: A- or better) by Standard and Poor's and counterparty limits have been established and are endorsed annually by the board and reviewed regularly by the treasury group.

The credit risk on derivative financial instruments is managed using the principle of the APRA 'Current Exposure Method' as described in its guidance note AGN 112.2 which takes into account both the current credit exposure and the potential future credit exposure from derivative financial instruments.

The group has a credit exposure to third parties with respect to a finance lease arrangement for $59.4 million (2012: $59.0 million). This exposure is collateralised with US treasury notes or AAA rated securities.

31 Financial and capital risk management (continued)

(i) Credit risk management (continued)

Except as detailed in the following table, the carrying amount of financial assets recorded in the financial statements as summarised in Note 31(c), net of any allowances for losses, represents the group's maximum exposure to credit risk without taking account of any collateral held or other credit enhancements.

	Consolidated	
	2013 $m	**2012** $m
Maximum credit risk from financial assets and other credit exposures		
Drawn loans to joint venture entities[1]	2.7	130.8
Undrawn loan commitments to joint venture entities	0.8	5.1
Financial guarantee contracts[2]	59.4	59.0
Guarantees provided[3]	212.1	161.3

(1) The carrying amount of loans to joint venture entities differs from the maximum exposure to credit risk as a loan advanced to a joint venture entity is non-interest bearing and the loan carrying amount has been discounted under the effective interest method.

(2) Relates to undertakings by the group to make payments to third parties upon the failure of the intermediate counterparty to meet the terms of its contractual obligations.

(3) Relate to bank guarantees over projected workers' compensation claims liabilities provided by the group.

The consolidated entity's share of jointly controlled entities' contingent liabilities is $2.3 million (2012: $31.5 million).

(j) Liquidity risk management

Liquidity risk refers to the risk of encountering difficulties in meeting obligations associated with financial liabilities. Liquidity risk management is associated with ensuring that there are sufficient funds available to meet financial commitments in a timely manner and planning for unforeseen events which may curtail cash flows and cause pressure on liquidity. The group measures and manages liquidity risk by forecasting liquidity and funding requirements for the next three years as a minimum, which is reviewed annually by the board as part of the Treasury Strategy Paper, prepares and reviews a rolling daily cash forecast for the quarter on a daily basis and had access to undrawn revolving committed facilities of $400.0 million at the end of the reporting period (refer note 19).

Liquidity risk tables

The following tables detail the group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows based on the earliest date on which the group can be required to pay. The tables include both interest and principal cash flows. Where interest flows are floating rate, the undiscounted amount is derived from the interest rate curves at the end of the reporting period. For financial guarantee contracts and undrawn loan commitments, the maximum amount of the guarantee and undrawn loan commitment is allocated to the earliest period in which the guarantee or loan commitment can be called.

The tables also include cash outflows arising from derivative financial instruments. The tables have been drawn up based on the undiscounted net cash outflows on derivative instruments that settle on a net basis and the undiscounted gross cash outflows on those derivatives that require gross settlement. The amount disclosed has been determined by reference to the projected cash outflows illustrated by the yield or forward curves existing at reporting date.

	Consolidated							
	As at 30 June 2013 Contractual maturity (nominal cash flows)				**As at 30 June 2012** Contractual maturity (nominal cash flows)			
	On demand $m	**Less than 1 year** $m	**1 to 2 years** $m	**2 to 5 years** $m	**On demand** $m	**Less than 1 year** $m	**1 to 2 years** $m	**2 to 5 years** $m
Trade and other payables	–	610.5	–	–	–	547.6	–	–
Short term borrowings	15.0	–	–	–	–	–	–	–
Foreign currency exchange contracts	–	–	–	–	–	0.2	–	–
Fuel commodity swaps and options	–	0.1	–	–	–	2.7	–	–
Bonds payable	–	357.5	15.4	310.8	–	32.5	357.5	326.2
Interest rate swaps	–	(7.8)	(3.4)	(5.9)	–	(2.8)	(6.1)	(9.2)
Financial guarantee contracts[1]	–	66.8	–	–	–	66.2	–	–
Undrawn loan commitments to joint venture entities	0.8	–	–	–	5.1	–	–	–
	15.8	1,027.1	12.0	304.9	5.1	646.4	351.4	317.0

(1) This represents the maximum amount that could be called on by the counterparty. The present value of this amount is $59.4 million (2012: $59.0 million).

Notes to and forming part of the financial report
for the year ended 30 June 2013

31 Financial and capital risk management (continued)

(k) Fair value of financial assets and liabilities

The fair value of financial assets and financial liabilities is based on market prices (where a market exists) or by discounting back the expected future cash flows using the applicable yield curve for assets and liabilities with similar risk profiles.

Fair value of financial instruments not measured at fair value in the consolidated balance sheet

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

	Consolidated			
	2013		2012	
	Carrying Amount $m	Fair Value $m	Carrying Amount $m	Fair Value $m
Financial assets				
Finance lease receivable	103.4	100.4	103.4	106.7
Loans to joint venture entities	1.5	1.5	129.7	130.9
Financial liabilities				
Bonds payable	617.9	617.9	617.5	618.3

Fair value measurements recognised in the balance sheet

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable from the asset or liability, either directly (as prices) or indirectly (derived from prices);
- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Consolidated					
	2013			2012		
	Level 1 $m	Level 2 $m	Level 3 $m	Level 1 $m	Level 2 $m	Level 3 $m
Financial assets at fair value through profit or loss						
Foreign currency exchange contracts	–	4.4	–	–	0.1	–
Interest rate swaps	–	13.1	–	–	12.6	–
Fuel commodity swaps and options	–	1.5	–	–	–	–
Financial liabilities at fair value through profit or loss						
Foreign currency exchange contracts	–	–	–	–	0.2	–
Interest rate swaps	–	–	–	–	–	–
Fuel commodity swaps and options	–	0.1	–	–	2.7	–

There were no transfers between level 1, 2 and 3 during the year to 30 June 2013 or 30 June 2012.

32 Leases

(i) Operating leases

The group leases a total of 852 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 12 commercial, 305 industrial, 7 residential, 519 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	
	2013 $m	**2012** $m
Minimum lease payments	155.8	127.5
Contingent rentals	1.4	0.8
Operating lease rentals (refer note 3)	**157.2**	**128.3**

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

(ii) Finance lease receivable

The group has a finance lease receivable relating to the disposal in 1996-97 of the Sydney GPO heritage site under a 99 year lease. The agreement includes a seven-year rent-free period to the lessee, followed by a guaranteed minimum rental.

	Consolidated	
	2013 $m	**2012** $m
Reconciliation of minimum lease payments to lease receivable:		
Gross minimum finance lease rentals receivable	536.5	542.9
Finance lease revenue not yet recognised	(433.1)	(439.5)
Finance lease receivable (notes 6 and 10)	**103.4**	**103.4**
Minimum finance lease rentals receivable:		
– within one year	6.4	6.4
– from one year to five years	25.5	25.3
– over five years	504.6	511.2
Total	**536.5**	**542.9**

The lease commitments receivable at year-end equals the minimum lease payments, as there are no material contingent payments or unguaranteed residual value relating to this lease agreement.

33 Notes to the Cash Flow Statement

(a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks, promissory notes and floating rate notes. Cash and cash equivalents on hand at the end of the period as shown in the cash flow statement are reconciled to the related items in the balance sheet as follows:

	Consolidated	
	2013 $m	**2012** $m
Cash on hand	292.9	639.7
Promissory notes[1]	–	135.9
Total cash and cash equivalents	**292.9**	**775.6**

(1) There are $nil (2012: $nil) promissory notes that are past due or impaired.

(b) Reconciliation of net profit after tax to net cash provided by operating activities

	Consolidated	
	2013 $m	**2012** $m
Net profit for the year	**311.9**	**281.2**
Depreciation and amortisation	246.3	201.6
Changes in joint venture entities not received as dividends	(6.6)	(2.0)
Net revaluation (gain)/loss on investment property	(11.7)	1.6
Write-down of investments	0.5	0.4
Write-down of property, plant and equipment	7.9	–
Write-down of intangibles (including goodwill)	10.9	0.4
Write-down of receivables and inventory	10.4	11.7
Gain arising on acquisition of subsidiary	(44.9)	–
Net gain from sales of property, plant and equipment	(26.4)	(1.1)
Hedge ineffectiveness and other non cash finance costs	(3.5)	2.9
	182.9	215.5
Changes in assets and liabilities adjusted for the acquisition and disposal of businesses		
(Increase)/decrease in debtors	(10.3)	(48.9)
(Increase)/decrease in inventories	(3.1)	(11.2)
(Increase)/decrease in interest receivable	1.4	(0.2)
(Increase)/decrease in other current assets	(5.2)	(0.1)
(Increase)/decrease in deferred income tax asset	27.7	(65.0)
Increase/(decrease) in superannuation liability	(89.8)	(20.0)
Increase/(decrease) in creditors and other payables	(4.4)	77.4
Increase/(decrease) in accrued interest expenditure	(1.5)	(1.5)
Increase/(decrease) in advance receipts	5.3	2.8
Increase/(decrease) in employee entitlements	21.1	(30.5)
Increase/(decrease) in income tax payable	(11.6)	66.8
Increase/(decrease) in deferred income tax liability	25.1	84.9
	137.6	270.0
Net cash from operating activities	**449.5**	**551.2**

33 Notes to the Cash Flow Statement (continued)

(c) Details of the acquisition of joint venture entities in the year ended 30 June 2013

On 13 November 2012, the corporation acquired the remaining 50% of the issued share capital of AUX Investments Pty Ltd. Prior to this date the corporation owned a 50% share of AUX Investments Pty Ltd and accounted for this as a joint venture entity.

The fair value of identifiable assets and liabilities of AUX Investments Pty Ltd as at the date of acquisition were:

	Consolidated fair value at acquisition date
	$m
Cash and cash equivalents	59.2
Trade and other receivables and accrued income	141.6
Property, plant and equipment	232.1
Intangible assets	224.5
Deferred tax asset	31.9
	689.3
Trade and other payables	92.0
Provisions	108.7
Net superannuation liability	5.9
Non interest bearing liabilities	532.4
Deferred tax liability	55.9
	794.9
Fair value of identifiable net assets/(liabilities)	(105.6)
Goodwill arising on acquisition (note 16)	493.6
Less investment previously held	(194.0)
Consideration transferred	**194.0**

As a result of the acquisition of AUX Investments Pty Ltd, the incremental impact on the consolidated statement of comprehensive income for the year ended 30 June 2013 is sales revenue of $651.0 million and net profit before finance costs and tax of $44.1 million. Had the acquisition of AUX Investments Pty Ltd occurred at the beginning of the reporting period, the consolidated statement of comprehensive income would have included incremental sales revenue of $1,051.8 million and profit before finance costs and tax of $55.3 million. Direct costs of $8.5 million relating to the acquisition and integration of AUX Investments Pty Ltd were incurred and are disclosed as part of supplier expenses.

Key factors contributing to the $493.6 million goodwill are the synergies existing within the acquired business, and synergies expected to be achieved as a result of combining AUX Investments Pty Ltd with the rest of the group. Intangibles acquired of $224.5 million comprise computer software of $38.2 million, customer relationships of $125.0 million and $61.3 million of brand names. Also included in the business acquired were receivables with a gross contractual and fair value of $106.6 million resulting from trade sales with customers.

(d) Purchase consideration – cash outflow

The cash outflow on acquisition is as follows:

	$m
Net cash acquired with the subsidiary	(59.2)
Consideration transferred	194.0
Payments for investments in controlled entities (net of cash acquired)	134.8
Repayment of debt	266.2
Total consolidated cash outflow	**401.0**

Notes to and forming part of the financial report

for the year ended 30 June 2013

34 Corporate Information

The financial statements of the Australia Post Consolidated Group for the year ended 30 June 2013 was authorised for issue in accordance with a resolution of the directors on 29 August 2013.

Australian Postal Corporation is a for-profit entity and a Government Business Enterprise (GBE) established pursuant to the *Postal Services Act 1975*, the existence of which is continued by section 12 of the *Australian Postal Corporation Act 1989*. The nature of the operations and principal activities of the group are outlined in the group's annual report.

Australia Post headquarters:

111 Bourke Street
MELBOURNE VIC 3000
Australia

35 Events after balance date

On 29 August 2013, the directors of the Australian Postal Corporation declared a final dividend in respect of the 2012/13 financial year. The total amount of the dividend is $63.5 million and this has not been provided for in the 30 June 2013 financial statements.

There are no matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the group, the result of those operations, or the state affairs of the group in future financial years.

Community service obligations

for the year ended 30 June 2013

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 2012–13. The actual result for each standard is outlined in the table below. The associated ANAO Audit Report is reproduced on pages 116 to 117.

Organisational arrangements

The ongoing focus on CSO compliance is maintained by Australia Post's manager shareholder relations and governance 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 2012–13 (calculated on the avoidable cost methodology), CSO costs are estimated to be $177.5 million.

Performance Standards

Standard	2012–13 performance
Lodgement	
10,000 street posting boxes	15,927^
Delivery timetables	
Same state	
Metro – next business day	Maintained
Metro to country – second business day	Maintained
Between country areas – second business day	Maintained
Interstate	
Metro to metro – second business day	Maintained
Between metro and country – third business day	Maintained
Between country areas – fourth business day	Maintained
On-time delivery	
94.0% of non-bulk letters	95.5%^
Access	
4,000 retail outlets (2,500 in rural and remote areas)	4,429^ (2,561^ 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	93.2%^
– 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 2013

Auditor-general's report – performance standards

for the year ended 30 June 2013

Auditor-General for Australia

Australian National Audit Office

Independent Auditor's Compliance Audit Report

To the Minister for Broadband, Communications and the Digital Economy

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 2013

I have audited the Australian Postal Corporation's (the Corporation) compliance with the performance standards (hereafter the Performance Standards) prescribed in the *Australian Postal Corporation (Performance Standards) Regulations 1998*, as amended (the Regulations), for the year ended 30 June 2013.

The Performance Standards require the Corporation to:

(a) service 98% of all postal delivery points daily (except on a Saturday, Sunday or public holiday) and 99.7% of all postal delivery points at least two days each week (Regulation 5);

(b) deliver at least 94% of reserved services letters to the indicated or appropriate address according to the prescribed timetable (Regulation 6);

(c) maintain mail lodgement points in Australia for postal articles (other than bulk mail) at each of its retail outlets and maintain at least 10,000 street posting boxes (Regulation 8); and

(d) maintain at least 4,000 retail outlets at which products 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 Corporation are responsible for compliance with the Performance Standards.

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

GPO Box 707 CANBERRA ACT 2601
19 National Circuit BARTON ACT
Phone (02) 6203 7500 Fax (02) 6273 5355
Email ian.mcphee@anao.gov.au

My audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the applicable Standard on Assurance Engagements ASAE 3100 Compliance Engagements, to provide reasonable assurance that the Corporation has complied with the Performance Standards. Accordingly, I have performed such tests and procedures as considered necessary in the circumstances.

My procedures included obtaining an understanding of the compliance measures and examining, on a test basis, evidence supporting the operation of these compliance measures. These procedures have been undertaken to form a conclusion whether, in all material respects, the Corporation has complied with the Performance Standards during the year ended 30 June 2013.

Inherent Limitations

Because of the inherent limitations of any compliance audit, it is possible that fraud, error or non compliance may occur and not be detected. An audit is not designed to detect all instances of non compliance with the Performance Standards, as an audit is not performed continuously throughout the year and the audit procedures performed in respect of compliance with the Performance Standards are undertaken on a test basis. The audit conclusion expressed in this report has been formed on the above basis.

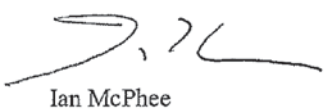
Independence

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

Conclusion

In my opinion, the Australian Postal Corporation was, in all material respects, in compliance with the Performance Standards prescribed in the *Australian Postal Corporation (Performance Standards) Regulations 1998*, as amended, during the year ended 30 June 2013.

Australian National Audit Office



Ian McPhee
Auditor-General

Canberra
29 August 2013

Domestic letter service monitor

for the year ended 30 June 2013

Level1, 290 Burwood Road
Hawthorn VIC 3122
Australia

t +61 3 8862 5900
f +61 3 9819 6401
e melbourne.au@tnsglobal.com
www.tnsglobal.com

July 22, 2013

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 2013 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 319,425 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 2013 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 30/06/2013 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 2013, the monitor showed that Australia Post delivered 95.5 per cent of all letters early or on time, and 98.8 per cent of letters were delivered on time or not more than one working day after your delivery undertakings.

Taylor Nelson Sofres Australia Pty Ltd
ACN 000 601 221
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 2013 against the scope provided.

Yours faithfully,

Jacqui von Hirschberg
Executive Director
TNS

Margaret Persico
Director
TNS

Survey certification

for the year ended 30 June 2013

Deloitte.

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Jacqui Von Hirschberg
Executive Director
TNS Australia Pty Ltd
Level 1, 290 Burwood Road
Hawthorn VIC 3122

19 July 2013

Independent Assurance Report on TNS Australia calculation of Australia Post Performance Metric for Basic Letters for the period 01/07/2012 to 30/06/2013

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 12/07/2012 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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Member of Deloitte Touche Tohmatsu Limited

Deloitte.

- Independent re-performance of the calculation of the delivery performance metric using data extracted from the CIS system
- Choosing a random sample of invalidated ('dudded') transactions, and obtaining supporting evidence to identify for those transactions in the sample, whether the process (as agreed to between TNS Australia and Australia Post) for 'dudding' transactions was adhered to.

Inherent Limitations

Because of the inherent limitations of any internal control structure it is possible that fraud, error, or non-compliance with the agreed business rules may occur and not be detected. Further, the internal control structure, within which the processes that we have reviewed operate, has not been reviewed and no opinion is expressed as to its effectiveness.

A review is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed are on a sample basis.

Any projection of the operation of the monitoring processes to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

The conclusion expressed in this report has been formed on the above basis.

Independence

In conducting our engagement, we have complied with the independence requirements of APES 110 Code of Ethics for Professional Accountants, issued by the Accounting Professional and Ethical Standards Board.

Use of report

This report has been prepared for distribution to TNS Australia in terms of our engagement letter dated 12/07/2012. 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	95.5% (±0.1)	95.5%

Conclusion

Based on the work performed, nothing has come to our attention that would suggest that the results reported by TNS Australia for the year ended 30/06/2013 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 Nevreus
Partner
Deloitte Touche Tohmatsu

Reserved/non-reserved services

for the year ended 30 June 2013

	Consolidated					
	Reserved		Non-reserved		Total	
	$m	%	$m	%	$m	%
2013						
Revenue	1,716.5	29.2%	4,158.3	70.8%	5,874.8	100.0%
Expenditure	1,863.9	34.1%	3,594.7	65.9%	5,458.6	100.0%
Profit before interest and income tax expense	**(147.4)**	**(35.4%)**	**563.6**	**135.4%**	**416.2**	**100.0%**
Net Interest					(13.2)	100.0%
Share of joint venture entities profits					(0.2)	100.0%
					402.8	
Income tax expense					(90.9)	
Net profit for period					**311.9**	

	Consolidated					
	Reserved		Non-reserved		Total	
	$m	%	$m	%	$m	%
2012						
Revenue	1,806.4	35.5%	3,282.2	64.5%	5,088.6	100.0%
Expenditure	1,920.8	40.5%	2,818.2	59.5%	4,739.0	100.0%
Profit before interest and income tax expense	**(114.4)**	**(32.7%)**	**464.0**	**132.7%**	**349.6**	**100.0%**
Net Interest					0.3	100.0%
Share of joint venture entities profits					16.8	100.0%
					366.7	
Income tax expense					(85.5)	
Net profit for period					**281.2**	

Statutory reporting requirements index

for the year ended 30 June 2013

Australia Post has reported in accordance with the requirements of the *Commonwealth Authorities and Companies Act 1997*, the *Australian Postal Corporation Act 1989*, the *Freedom of Information Act 1982*, the *Work Health and Safety Act 2011*, the *Superannuation Benefits (Supervisory Mechanisms) Act 1990*, and the *Environment Protection and Biodiversity Conservation Act 1999*. This index shows where the relevant information can be found in the 2012–13 Annual Report.

Section	Subject	Section	Pages
Commonwealth Authorities and Companies Act 1997 – Schedule 1 reporting requirements			
s1(a)	Report of operations	Report of operations	1–41
		Financial statements	50
		Statutory reporting requirements	126–130
s1(b)	Financial statements	Financial statements	53–114
s1(c)	Financial statements	Financial statements audit report	51–52
s2(3)	Directors' statement	Financial statements	50
Australian Postal Corporation Act 1989 – general reporting requirements			
s43(a)	Statement of corporate objectives under the corporate plan	Statutory reporting requirements	126
s43(b)(i)	Overall strategies and policies under the corporate plan	Our business – Chairman's message	8
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Statutory reporting requirements

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Introduction

Australia Post is subject to various statutory reporting requirements under the *Australian Postal Corporation Act 1989*, the *Commonwealth Authorities and Companies Act 1997*, the F*reedom of Information Act 1982*, the *Work Health and Safety Act 2011*, the *Superannuation Benefits (Supervisory Mechanisms) Act 1990*, and the *Environment Protection and Biodiversity Conservation Act 1999*.

The index on pages 123 to 125 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 2012–13 plan and associated Statement of Corporate Intent were submitted to the shareholder ministers in July 2012, 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.

Strategies

The corporation has retained three enterprise strategies, aimed at achieving volume growth and positioning us to win in a highly competitive environment. The strategies and their main programs of work are as follows:

1. Providing a sustainable communications business, complementing our physical offer with innovative digital products:
   - Extracting costs out of the mail network through our Future Delivery Design program. Achieving price rises on our letter services. Growing promotional mail, and introducing multi-channel and digital mail solutions.
2. Building a world class ecommerce business focused on high standards of service and performance:
   - Providing consumers with convenient low-cost delivery and returns solutions, simplifying our product offers, automating our processes and investing in our future parcels network so it is easier for customers to do business with us, and establishing capabilities to grow profitability from international parcels.
3. Growing trusted services for consumers, both physically and digitally:
   - Growing trusted services for consumers that will replace revenue from our declining products with new products and services that they value, accessed through a range of physical and digital channels that they want to use.

Targets

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

- profit before tax of $365.2 million in the first year of the plan, and
- dividends paid of $194.5 million in the first year of the plan, based on the existing dividend policy.

Specific targets for 2012–13 and performance against these targets were as follows.

Performance Indicator	Target	Performance
On-time letter delivery	94%	95.5%
Profit before tax	$365.2 million	$402.8 million
Shareholder return on equity	16.5%	18.5%
Ordinary dividend declared for 2012–13	$182.6 million	$192.7 million

Government policies

In February 2004, the Minister of Communications, Information Technology and the Arts provided formal notification under section 28 of the *Commonwealth Authorities and Companies Act 1997*, that the Government's National Code for the Construction Industry and associated implementation guidelines were to apply to all construction-related activity undertaken by and on behalf of Australia Post. The notification has had no major impact on the corporation as Australia Post had, since their introduction in 1997, made compliance with the code and guidelines a condition of all of its construction related tenders.

Section 49 of the *Australian Postal Corporation Act 1989* empowers the Minister to give the board written directions in relation to the performance of Australia Post's functions as appear to be necessary in the public interest. No notification or direction has been issued under this provision.

Other government obligations

Administrative Law

The cost of meeting Commonwealth administrative requirements in 2012–13 is estimated at approximately $1.5 million.

Postal Industry Ombudsman (PIO)

During 2012–13 the PIO has estimated the costs of investigating complaints relating to Australia Post to be $387,000.

ACCC record keeping

The cost of the regulatory audit and compliance with the ACCC's record keeping rules in 2012–13 is estimated at $500,000.

Maintaining heritage properties

The cost of repairing and maintaining heritage listed properties in 2012–13 was $2.5 million.

Medical/Educational Remote Area Parcel service

The Medical/Educational Remote Area Parcel service provides reduced postage rates for parcels containing health and educational material that are sent to and from people living in remote communities. In the 2012–13 reporting period, revenue foregone is estimated at $168,000.

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 Australia Post's highest priority as we continue our journey towards zero injuries and zero tolerance of unsafe acts in our workplaces.

As one of Australia Post's culture pillars, safety is built into all of our recruitment and performance management practices. In this regard, having "the right people with the right behaviours using the right systems to achieve the right outcomes" is the strategic standard applied for selecting and assessing staff.

During the year, Australia Post undertook the following activities aimed at reducing the incidence of work related injuries and illnesses and complying with WHS regulatory requirements. These included:

- continuing to progress our safety cultural transformation initiative, designed to enhance safety leadership throughout the enterprise
- refreshing our Safety Observation Feedback program, which encourages open safety conversations and engages our people to recognise and act on hazards. Australia Post observers now spend up to two hours with each postie – both on and off the road – providing them with feedback on specific work behaviours to help them ride more safely.
- implementing the "Stop Think Do" campaign, focusing the attention of employees on the need to reduce injuries that included a work stoppage and safety activities at all facilities
- developing a Safety Leadership program that supports and coaches our frontline staff to create safe workplaces and puts safety first in all decision-making
- re-training of all managers, including senior executive, in safety interactions and setting targets in relation to the conduct of safety observation
- providing site induction and supervision to all contractors through the continued implementation of Australia Post's contractor management policy and guidance material
- applying enhanced incident investigation training for all operational managers to help them analyse the root cause of incidents and implement suitable preventative arrangements
- developing risk networks to address high risk types
- application of WHS lead and current indicators for safety interactions and quality of incident investigation and action
- establishing Safety Coalitions which are comprised of Health and Safety Representatives and Safety Champions to gather and share ideas about safety, gain feedback on safety programs and develop local actions that make a difference. Through our Safety Coalitions, our online communication channels and local safety conversations, we are involving our people in developing a safety culture.
- continuing to provide our program to reduce the risk of driveway reversing car incidents, which assists Postal Delivery Officers (PDOs) to call-out known blind driveways or where visibility is limited by trees, thus enabling our development of early hazard warning
- 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 our national audit program to confirm compliance with the Australia Post Motorcycle Daily Pre-ride inspection program, utilising random and unannounced audits of sites nationally
- continuing emphasis on our initiatives to address incidents associated with manual handling, load shifting operations and use of motorcycles – specifically:
  - introducing new electric power assisted bicycles and tricycles (e-Bikes) to reduce the use of motorcycles where reasonably practical. There are fewer injuries associated with pushbike postal delivery and it is anticipated that the e-Bike will provide for a safer system of work.
  - developing pre-ride inspection gauge and a revised motorcycle daily pre-ride inspection instruction
  - motorcycle visibility enhancement, which incorporated hi-visibility shirts, flags, decals, panniers and front letter carriers
  - implementing a Delivery Round Hazard Profile Procedure which will ensure proactive steps are taken to identify hazards on delivery rounds, assess the risks of the hazards and introduce controls to mitigate the hazards
  - finalising the introduction of new mail processing equipment to sequence mail, thus minimising repetitive manual sequencing work – twenty five of these machines were installed to initially sequence 1200 delivery rounds
  - will introduce new parcel sorting technology that will over the next 2 years:
    - reduce manual handling in key parcel facilities by 50%;
    - reduce load shifting movements as low as practical;
    - enable safe maintenance with minimal use of using elevated work platforms for working at height and more ergonomic working postures;

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  - obtaining reaccreditation of the Australia Post Health and Safety Representative course from Comcare
  - developing WHS specifications, assessing compliance with the specifications and undertaking WHS risk assessments relating to a range of work practice changes and plant, including the following:
    - modifying mail processing arrangements in mail delivery operations
    - continuing the introduction of alternative modes of mail delivery including new buggies for walk rounds, bicycles and tricycles, including electric power-assisted cycles
    - roll-out 230 new Parcel Locker installations for 7 day a week 24 hour customer access fully OHS assessed.
- introducing impact protecting and abrasion protecting garments for our motorcycle riders, initially built into wet weather gear, which is fully water proof and has a removable/breathable thermal liner including a tropical jacket option
- advising contractors on safe work practices in accordance with WHS requirements
- continuing implementation of "Our Ethics" policies and procedures to assist managers and employees understand these issues and provide for diagnostic tools to determine if a situation might be bullying and a guide for managers to assist in preventing and managing bullying
- continuing implementation of the Corporation's Employee Health and Wellbeing strategy, including confidential staff counselling services for our workers.

As a result of these and other initiatives, the corporation met the injury prevention performance targets of the Safety, Rehabilitation and Compensation Commission.

During the year:

- 87 incidents notified to Comcare in accordance with s38 of the WHS Act 2011
- No seizures made (s175 or s176)
- No Improvement Notice (s191) given
- No Prohibition Notices (s195) given
- No non-disturbance notices (s198) given
- No remedial action taken (s211 or s212)
- No written undertakings accepted by Comcare under (s216)
- No applications for internal review (s224)
- No applications for external review (s229)
- No infringement notices (s243) given
- No prosecution instituted under the Act
- Four Health and Safety Representative training courses run with a total of 37 participants
- 11 investigations were conducted by Comcare relating to:
  - plant and machinery safety (8)
  - access/egress (3)
  - emergency procedures (0)

Freedom of information report

In 2012–13 Australia Post received 184 applications under the *Freedom of Information Act 1982*.

These were handled as follows:

Granted in full	131
Granted in part	9
Access refused	38
Withdrawn	5
On hand at 30 June 2013	1

There were seven 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 2012–13.

Freedom of Information Act, section 8

The following information is presented in accordance with section 8 of the *Freedom of Information Act 1982*.

Organisation and functions

Australia Post has a Melbourne based headquarters, which is currently made up of strategic business units supported by a number of functional business units. There are also two jointly controlled entities.

Consultative arrangements

Australia Post consults directly with major mail users, customers and various bodies to respond to customers needs.

A joint Mailing Industry Advisory Committee operates with the Major Mail Users Association for the purpose of enhancing relationships between Australia Post and its major customers.

The Stakeholder Council provides a further external forum for discussing Australia Post's services and performance. The council's charter also includes a corporate responsibility role.

Australia Post also consults extensively with private mail users through local managers and customer contact services.

Market research is undertaken regularly to monitor how well Australia Post is satisfying customer needs and how the postal system is regarded by the public.

Australia Post's letter delivery performance is independently audited. Formal reports are published on a quarterly basis.

Categories of documents

The categories of documents maintained by Australia Post include those relating to:

- corporate organisation and administration
- Australia Post's financial management
- management of assets
- internal administration including policy development and program administration, reports, briefings, correspondence, minutes, submissions, statistics and other documents
- Board submissions relating to the business of Australia Post
- reference material used by staff including guidelines and manuals
- working files
- legal advice.

The categories of documents listed above are maintained by Australia Post in a variety of formats. Some of these documents, along with information on Australia Post's organisation, structure and activities, can be obtained free of charge by accessing Australia Post's website at auspost.com.au.

Access to documents

Access to documents under the *Freedom of Information Act* can be obtained by forwarding a written request to:

Freedom of Information Officer
Legal
Australia Post Headquarters
GPO Box 1777
MELBOURNE VIC 3001

Privacy and access to personal information

Under the *Privacy Act 1988* individuals have, subject to certain exceptions permitted by law, a right to request access to their personal information that is held by Commonwealth agencies and private-sector organisations.

Individuals may apply for access to their personal information held by Australia Post by writing to:

Privacy Manager
Risk & Compliance
Australia Post Headquarters
GPO Box 1777
MELBOURNE VIC 3001

Fraud control

Australia Post has in place an internal control framework which includes strategic, financial, operational and compliance elements designed to deter and detect instances of fraud. This framework is supported by a national fraud control policy and the corporation's Our Ethics policy.

The corporation's Governance and Assurance Group comprises a number of specialist groups responsible for providing risk and compliance, audit, assurance, legal, and security and investigation services to Australia Post.

The Corporate Risk Management 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 Corporate Audit Services 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 and Investigation Group is a specialised internal group that provides security consultancy, crime analysis and investigative services to Australia Post. The Security and Investigation Group works closely with law enforcement agencies both within Australia and internationally. There are a number of programs in place to manage risk and compliance in specific areas, including fraud.

Examination of mail

International mail

Australia Post is authorised under the *Australia Postal Corporation Act 1989* (the Act) to open mail, as required by the Australian Customs Service, in the following circumstances:

- when it is suspected that articles may contain prohibited substances
- 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 that 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 (ie, by X-ray or with drug detection dogs).

Domestic mail

Quarantine inspection officers from a prescribed state or territory (ie, 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 of the Act authorises Australia Post to remove articles from the mail stream where it is suspected that the article consist of, or contains 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 of the Act, Australia Post has appointed authorised examiners at designated locations where mail can be opened for inspection.

Authorised Australia Post staff may open undeliverable articles at approved locations for the purpose of identifying intended or return addresses. They may also open mail to repair an article or its contents so that the article can be made safe for carriage by post.

Disclosure of information

The corporation is authorised to disclose information to agencies 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 s43 (o) (i) (ii) of the Act, Tables 1 and 2 overleaf, detail the number of times that such information was disclosed during the year and the authorities or bodies to which it was disclosed.

Statutory reporting requirements

for the year ended 30 June 2013

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

(Applies to all information or documents)

Authority for disclosure	Number of disclosures	Disclosures made to
Disclosure under warrants [s90J(3)]	9	Australian Customs Service (Federal), Australian Federal Police (Federal)
Disclosure under a law of the Commonwealth [s90J(5)]	7,204	Australian Crime Commission (Federal), Australian Competition & Consumer Commission (Federal), Australian Customs Service (Federal), Australian Taxation Office (Federal), Child Support Agency (Federal), Centrelink (Federal), Department of Immigration and Multicultural and Indigenous Affairs (Federal), Insolvency & Trustee Services Australia (Federal), Department of Veterans Affairs (Federal), Health Insurance Commission (Federal)
Disclosures under certain laws establishing commissions s90J(6)	4	Crime Commission (NSW), Corruption & Crime Commission (WA), Independent Commission Against Corruption (NSW)

* There were no disclosures made under s90J (7) (8) or (9).

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

(Applies to information or documents not specially protected)

Authority for disclosure	Number of disclosures	Disclosures made to
Disclosure to authorised ASIO officer [s90K(4)]	31	Australian Security Intelligence Organisation
Disclosure for the enforcement of laws or protection of public revenue [s90K(5)]	2,326	Australian Communications Authority (Federal), Australian Federal Police (Federal), Australian Fisheries Management Authority (Federal), Australian Quarantine Inspection Service (Federal), Australian Securities & Investments Commission (Federal), Comcare Australia (Federal), Consumer Affairs Victoria (VIC), Corrections Victoria, Crime and Misconduct Commission (QLD), Crown Solicitor's Office (SA), Department of Consumer and Employment Protection (WA), Department of Education, Employment and Workplace Relations (Federal), Department of Environment and Heritage (Federal), Department of Fair Trading (NSW), Department of Health & Ageing (Federal), Department of Justice (QLD), Department of Primary Industries (VIC), Department of Primary Industries and Resources (SA), Department of Sustainability and Environment (VIC), NSW National Parks and Wildlife Service (NSW), Office of Consumer Affairs (TAS), Office of Consumer & Business Affairs (SA), Office of Fair Trading (QLD), Office of Liquor and Gaming Regulation (QLD), Office of State Revenue (NSW), Office of State Revenue (QLD), Police (Defence Force – Including Military, RAAF) (Federal), Police (NSW), Police (NT), Police (QLD), Police (SA), Police (VIC), Police (WA), Residential Tenancies Authority (QLD), Revenue SA (SA), RSPCA (Federal), State Revenue Office (VIC), Workcover Corporation (SA), Workcover New South Wales (NSW)

* There were no disclosures made under s90K (2) or (3).
Note: Commonwealth agencies, unless otherwise indicated.

Australia Post – the statistics

for the year ended 30 June 2013

1 Five-year statistical summary

	2008–09	2009–10	2010–11	2011–12	2012–13
Consolidated					
Revenue ($m)	4,974.5	4,856.2	4,986.5	5,126.2	**5,893.2**
Expenditure ($m)	4,604.4	4,767.6	4,674.3	4,776.3	**5,490.3**
Profit before tax ($m)	380.9	103.0	332.3	366.7	**402.8**
Total assets ($m)	4,270.2	3,915.2	4,135.1	4,175.8	**4,401.5**
Return on average operating assets (%)	12.2%	3.8%	10.9%	11.5%	**11.4%**
Community service obligations ($m)	113.8	147.7	144.7	165.2	**177.5**
Total taxes and government charges ($m)	499.5	448.5	436.2	369.3	**447.3**
Dividends declared ($m)	222.4	79.1	173.2	213.7	**192.7**
Operations[1]					
Total mail articles (m)	5,323	5,145	5,038	4,843	**4,580**
Full-time employees (excludes casuals)	25,107	24,172	23,323	23,184	**23,526**
Part-time employees (excludes casuals)	10,196	10,086	9,865	9,398	**8,938**
Corporate outlets	827	810	786	778	**761**
Licensed post offices/franchises	2,969	2,963	2,948	2,934	**2,924**
Community postal agencies	637	642	685	716	**744**
Delivery points (m)	10.6	10.7	10.9	11.0	**11.2**

(1) Australia Post corporation operations.

2 Basic Postage Rate[1] (BPR) and consumer price index (CPI)

	2009	2010	2011	2012	2013
BPR cents	55	60	60	60	**60**
CPI all groups 8 capitals base 2011-12=100	92.9	95.8	99.2	100.4	**102.8**
Year on year change in BPR (%)	10.0	9.1	0.0	0.0	**0.0**
Year on year change in CPI (%)	1.5	3.1	3.6	1.2	**2.4**
Change in real postage (%)	**8.5**	**6.0**	**(-3.6)**	**(-1.2)**	**(-2.4)**

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

3 Australia Post outlets at 30 June 2013

	NSW/ACT	VIC/TAS	QLD	WA	SA/NT	Total
Corporate outlets						
1 July 2012	264	212	146	85	71	**778**
30 June 2013	**266**	**207**	**137**	**82**	**69**	**761**
Licensed post offices/franchises						
1 July 2012	893	964	464	296	317	**2,934**
30 June 2013	**881**	**962**	**468**	**295**	**318**	**2,924**
Community postal agencies						
1 July 2012	122	81	201	94	218	**716**
30 June 2013	**132**	**87**	**202**	**98**	**225**	**744**
Total outlets						
1 July 2012	**1,279**	**1,257**	**811**	**475**	**606**	**4,428**
30 June 2013	**1,279**	**1,256**	**807**	**475**	**612**	**4,429**

NB: Tweed Heads PO previously counted under QLD, now counted under NSW.

Australia Post – the statistics

for the year ended 30 June 2013

4 Australia Post outlets by state and geographic classification

Geographic[1] classification	NSW	ACT	VIC	QLD	SA	WA	TAS	NT	Oth terr	Australia
Metro	610	54	520	270	177	184	43	10	0	1,868
Rural	566	2	511	369	273	157	151	7	0	2,036
Remote	53	0	19	168	55	135	6	87	2	525
	1,229	**56**	**1,050**	**807**	**505**	**476**	**200**	**104**	**2**	**4,429**

(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 2013)

Frequency per week	Metro areas	Rural areas	Remote areas	Total
One	0	0	0.3	0
Two to four	0.1	3.9	5.5	1.2
Five or more	99.9	96.1	94.2	98.8
Total	**100.0**	**100.0**	**100.0**	**100.0**

6 Overall letter service performance

	2012–13	Qtr Ended 30/06/13	Qtr Ended 31/03/13	Qtr Ended 31/12/12	Qtr Ended 30/09/12
Per cent on time					
NSW	96.1	96.0	96.1	96.0	96.5
VIC	95.3	96.2	95.6	94.7	94.8
QLD	95.3	94.3	95.2	94.9	96.3
SA	95.6	95.1	95.8	95.5	95.9
WA	93.6	93.0	92.6	93.6	95.6
TAS	97.1	97.4	95.7	98.1	97.1
NT	95.3	96.3	95.8	94.6	94.6
ACT	96.9	96.7	97.0	97.2	96.7
NAT	**95.5**	**95.5**	**95.5**	**95.3**	**95.9**
Per cent + one day					
NSW	99.0	99.1	99.0	98.8	98.9
VIC	98.6	99.1	98.4	98.6	98.3
QLD	99.1	99.0	99.1	98.9	99.2
SA	98.8	98.6	98.9	98.8	98.9
WA	98.4	98.6	97.3	98.5	99.0
TAS	99.3	99.5	98.9	99.5	99.4
NT	99.0	99.3	98.8	98.9	99.0
ACT	99.1	99.1	99.3	99.3	99.0
NAT	**98.8**	**99.0**	**98.7**	**98.8**	**98.8**

7 Total articles through Australia Post's network (millions)[1]

	2008–09	2009–10	2010–11	2011–12	2012–13
Posted in Australia for delivery in Australia	5,074.9	4,867.2	4,784.2	4,586.8	4,333.9
Posted in Australia for delivery overseas	103.4	91.7	81.5	73.5	66.2
Total posted	**5,178.3**	**4,958.9**	**4,865.7**	**4,660.3**	**4,400.1**
Posted overseas for delivery in Australia	145.1	186.1	172.5	182.7	180.1
Total articles through network	**5,323.4**	**5,145.0**	**5,038.2**	**4,843.0**	**4,580.2**

(1) Mail volume statistics exclude articles that do not generate revenue, eg official mail, redirected mail and international mail (eg Singapore to New Zealand via Australia)

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Glossary

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

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

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

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

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

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

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

digital substitution The replacement of traditional forms of communication with those generated electronically – for example, replacing letters with email.

ecommerce Business activity based on electronic forms of communication such as online transactions.

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

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

multi-channel services Services whereby a customer uses a combination of means (or "channels") to complete a transaction – for example, government application forms accessed and completed online then printed and lodged in person at an Australia Post retail outlet.

non-current assets Assets that will be held for a long-term period.

non-current liabilities Liabilities that will be owed for a long-term period.

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

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.

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, eg. outsourced transport.

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

About this report

Reporting aims and rationale

Australia Post's 2013 Annual Report provides a detailed account of our financial, social and environmental performance. The purpose of the report is to communicate to our stakeholders our overall business performance and how we address and manage our social, environmental and economic issues and impacts.

To produce a report that is in line with best-practice, information is prepared according to legislative requirements, the GRI G3.1 Guidelines and Transport and Logistics Sector Supplement, and the principles of the UN Global Compact Initiative.

Target audience

Our annual report has been produced for our primary stakeholders, 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.

Reporting period

The information contained in this report covers the 2012–13 financial year. The previous 2012 annual report covered the 2011–12 financial year.

Report scope and boundary

The report covers the activities of the Australian Postal Corporation and its associated companies. Our licensees, franchisees, community postal agents and mail contractors fall outside the parameters of this report. However, we provide some information about them on pages 7, 13, 18, 21, 29, 30, 31, 34, 36 and 131.

In November 2012 Australia Post gained full ownership of StarTrack by acquiring Qantas's half-share of our joint venture business. This structural adjustment is reflected in the information reported in the Australia Post Annual Report 2013. The scope of information reported on StarTrack in this year's annual report includes:

- all financial results for StarTrack – see pages 10, 11 and 49 to 114
- an estimate of StarTrack's greenhouse gas emissions – see page 41
- additional information reported on StarTrack is included on pages 2, 8, 9, 22, 28, 38 and 40.

Assurance process

Our assurance process includes the following activities.

- The Australia Post Board Audit and Risk Committee checks the financial statements to ensure they are accurate and complete.
- Our financial statements and our performance against the prescribed performance standards set out under our Community Service Obligations are independently audited by the Australian National Audit Office.
- TNS Australia verifies the delivery performance of our domestic letters service and Deloitte Touche Tohmatsu independently assures TNC Australia's findings.
- Beca Pty Ltd provided external assurance (statement on page 43) of the full report, except for financial statements and community service obligations, delivery performance of domestic letters service and community investment data. This assurance included a review of data collation processes, including a sample of original records and spreadsheets, as well as re-performing some calculations.
- Our energy use and related greenhouse gas emissions data is independently verified by Beca Pty Ltd.
- London Benchmarking Group assured our community investment data.

GRI application level

Our 2013 Annual Report has been self-declared and third party checked to a B^+ application level. A summary GRI table is provided on page 42. Our detailed GRI table, UN Global Compact table and our disclosure on management approach is available on our website at auspost.com.au/annualreport2013.

Copies of the report

The 2013 Annual Report and supporting documentation can be viewed online at auspost.com.au/annualreport2013. 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/annualreport2013 or email annual.report@auspost.com.au.

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Awards

Established in 1950
Australia Post received a gold award for its 2011–12 Annual Report at the 2013 Australasian Reporting Awards.

www.arawards.com.au

In April 2013 Australia Post was ranked 12th in the Ranstad most attractive employer award for Australian companies.

Commitment to external initiatives

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

A signatory since 2010.
www.unglobalcompact.org

A supporter since 2007.
www.earthhour.org

A partner since 2010.
www.climateinstitute.org.au

A member since 2009.
www.lbg-australia.com

Australia Post is an elected member of two governance councils – the Postal Operations Council and Council of Administration for the term 2013 to 2016.
www.upu.int

Credits

Editor/project manager
Vesna Suntovski

Design
C&M Because...

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