

2007





# NEW ZEALAND POST GROUP CELEBRATING WHO WE ARE, WHO WE WERE AND WHO WE WILL BECOME

This year, we celebrate 20 years as a State-owned Enterprise. We are proud of where we have come and the role we play in connecting New Zealand businesses, families and communities. But it is the future – the future of New Zealand – that has captured our imagination as we celebrate this milestone.

What will be important in the coming years? What will we, and our country look like in 2050? These are the questions we posed to New Zealand Post Group people in a staff competition 'Share your vision for 2050'. We also asked the same questions of some Kiwi artists. Some of their visions are here in our annual report. While the ideas that they share are thought provoking, we believe the future will be what we make it.

We see an exciting future for our business and people, our communities and our nation. And the New Zealand Post Group is committed to playing its part to help make that bright future a reality.

That's why this year's report is a little different. We've used a unique layout and have started by showcasing winners of our staff competition.

## FRONT COVER

**SUPREME WINNER:** *Sea of Vision*

Suzy Rose, *Ashburton PostShop*

"This is how I see New Zealand in the future, the visions represent waves in the ocean, the paua shell all the wonderful colours of clean green New Zealand."





## HOW TO READ THIS ANNUAL REPORT



**THE FRONT** houses our annual report in booklets and should be read like a book:

**Who we are** – contains letters from our Chairman and Chief Executive along with our governance model.

**What we do** – outlines our capabilities across the Group.

**How we did** – focuses on our results. It includes our approach to Corporate Responsibility and our Financial Statements.



**THE REVERSE** of the the annual report is a concertina which can be spread out or read like a book. It is a timeline highlighting key moments over the past 20 years and leads to a gallery of staff visions.

**ATTACHED** to the inside back cover is a special removeable booklet:

**Who we will become** – features works by four well-known Kiwi artists.

**TO RE-ASSEMBLE** the annual report fold one page next to the other, like pleats or a paper fan. The last two pages form the cover by wrapping around the others to create the illusion of a book.

## WINNER, VISUAL CATEGORY:

**Heating the Rocks for a Solar Hangi**  
Graeme Furness, *Dunedin Mail Centre*

"By 2050, we will have adopted alternative energy systems that will make our lives more self sufficient. We will have refined our consumer habits to suit. I also hope that we will take more time to reduce our stresses and enhance our attitude toward all humanity and our natural environment."

ARTISTS' STATEMENTS

2050



# Leviathan

A SHORT STORY BY  
by Jim Thompson

1:17AM. PRESIDENT SORAYA KAWARIKI and her lover, and former stunt-double in 2040's virtual-immersion thrillers, Charlize Rollande. Alone-or-not.

"Stay," Soraya smoothed Charlize's silky platinum hair around her ear. "This is – not fair."

"On Garth? Charli – he doesn't even 'see' you. Call his secretary – Ask them both! At 1am! ... Sorry."

Charlize smiled, "Garth is Garth. Toujours."

"Passionate senator, intimidating leader of the opposition – I should know. Also a snake."

"I do not argue. One hour, Aya."

1:43AM. ALONE-OR-NOT. "Something's – chewing! By the bookcase. Command-light-on." Soraya stared, Vio-light bathed the bedroom.

"That's a rat, Charliz!"

"Oh Mon Dieu! Je deteste – there is nothing I hate more –"

Soraya laughed. "You threw and arm-barred a 120-kilo drunk who grabbed me – made him scream! You're afraid of rats?"

"Mais oui. The man: simple. Rats are – sly. The rat crawl into my sleeping bag when camping – eleven years old. I tear bag to pieces." Charlize Rollande's sinewy shoulders flexed. "Perhaps nine mice in the rat suit? Merde – Dictionaire, hot water bottle to throw. Superbe. Tomorrow we assemble Uzis in bed to sleep!"

Wham. Charlize heaved her hottie. Curious rodent alertly evaded, disappearing behind Brave New World.

"Excellent. Throw duvets too – make sure it feels welcome," laughed Soraya.

"Grumpy-girl. Still up? Le discours – speech on Friday?"

"Guess so. Ugh. We can call Stainton. Not sure how to hold the speech together. We're the UN-model for medium-sized national-development. DNA-Repli-Creation developing treatment for all breast-cancer was a catalyst." Soraya considered her mother's portrait. "The 2033 Canterbury Project HIV/AIDS-vaccine; since, there's incredible self-belief about NZ. I opened NanobotGenetiCell in Levin. Levin, Charli! The business case astonished me. Line-terra-quins, assembled, maintained by remote teams from Eketahuna! Imagine that before WWII!"

"Tomorrow I conceal combination flame thrower with sling shot under pillow," Charli mused. "Are not the commodities, the shoes, furniture, still imported?"

"Useful SAS instrument, that! I know, but along with agricultural, raw goods economies, we now add-value so effectively. 14 of 100 top-NYSE-listed companies are ours," noted The President. "We lead in nano-tech governance and protection. Maui Catamaran-Shuttle in partnership with Space-India lands on Mars next year – co-won Time's Hillary-Award with Hubble-5."

"We Kiwis rock." Charli launched missile 2. Wham. "Encore I miss fresh-Hell-rodent with flaccid hottie-bottle. Incroyable! Depleted-uranium surikan on the nightstand, non? Sharp-zipped cushion?"

"Aren't you a black-belt still, Charli?" smiled The President.

"Oui. Mais hip-throwing 5-kilogram rodents is beyond my expertise. If rat carries Luger, I disarm it before it shoots you," Charlize replied.

"Coolio. Useful in the Senate – plenty vermin there. It's not Garth in a little brown suit?"

Sorry. We were first to independence from nuclear- and diesel-generated power. Hydro, wind, sun, biofuel and hydrogen, not one reactor."

"Apparement rats are smart, beautiful. I do not care if this one pouts like Suri Cruise and sing Yeats! Give me the lamp."

"No way – state gift from Tuvalu. Remember? 9 atolls – submerged."

"We get this wrong," nodded Charlize. "I know. 1857, Glacier National Park in Montana – 150 glaciers. 2007, 27. In 2050 – none. No Fox, Franz Joseph. Levels rose 400 feet since the Ice Age 20,000 years ago. We projected Greenland's shelf-melting, but assumed the Antarctic was invincible. Warmer ocean creeping under

## WINNER, WRITTEN CATEGORY: Leviathan

Jim Thompson, Kiwibank

"'Leviathan' provides more questions than answers about a vision of New Zealand in 2050.

I want the reader to think about changing personal and political relationships, cultural and national identity, demographic and environmental developments, economies, medical breakthroughs, and technology, and both the public and private realms. And have a laugh or two."

the West-Antarctic ice-plain began the catastrophic melt that led to 14 extra-feet in 30 years.

I miss The Mount, Golden Bay. Remember shops on Lambton Quay? 23 million Bangladeshis relocated, Kiribati a new Atlantis, water pouring into Manhattan Subway. A planet on the edge."

"Coal and oil – too long. Je crois – we don't know everything. Ever," commented Charlize.

"Dengue fever in Auckland. 197 New Zealand alpine plant species gone. Reduce ice, reduce phytoplankton. amphipods – one day goodbye bowhead whales. They live for 200 years. We annihilated them.

And planning – who predicted NZ as second largest development-aid contributor to USA, and largest adopter of refugees after the 2042 Trinity-Reactor Bombings? 27 US-reactors detonated simultaneously. Bedlam. 13 billion people watching, helpless. Agent Crane," Soraya paged. "Stainton, chasing a – rat. Or small wildebeest. Could you –"

"Soraya – MANA WHENUA! – Now!" shouted Crane through Intracomm.

Soraya responded: "Command glass, command ARMED!" Sandstone-wash walls, bookcase and collection from Aristotle to Zola became translucent, then transparent as spring water. Lit like Broadway neon, lightning threads coalesced, ignited, then incapacitated the startled rodent. Stainton Crane burst through the Kevlar door, glanced at The President and Charlize, and followed their stare to the motionless intruder.

"Old school." Crane muttered. "RAT – Reconnaissance-Activated Terrabot. Not Al Qaeda. State-of-the-art is dustmites, rain, shadows."

"Assassination attempt?" queried Soraya, repositioning a sable braid that had fallen across her gaze.

"No," reassured Crane. "63% organic, rest circuitry, autonomous-replicating nano-cells. Buggers breed."

"Where are cameras? Eyes?" asked Charlize.

"Omni-directional, N-cript. And they pass microphones," smiled Crane. "Droppings contain audio-transmitters."

"Scatological spycraft. Thanks Crane," said Soraya. Crane nodded, extracting his hulking frame from the bedroom. "Back with shovel, ma'am." The President considered his scarred neck – arsenal of white-supremacist tattoos painfully removed.

"I should mention Crane," she observed quietly. "Envirogenetic-restructuring. Former neo-Nazi gangster who'd throw himself on a landmine to protect a Maori premier – uses Te Reo for passwords! – technology perfected in Queenstown."

"Stainton is wonderful," agreed Charlize.

"Crane keeps it simple. He asked if I love you" sighed Soraya.

"What did you say?" Charli stared.

"I said 'Desperately'. More than you can imagine. Who else listens to my stupid speech notes?" smiled Soraya.

"Je – t'adore. Complettement. I 'find' myself with you," said Charlize gently. "And I love your speeches, cherie. Garth does not – speak with me. Please mention yourself, Aya: Mother at 17, Oscar at 23 – avec moi to do these fight scenes, mais quand-meme! President Soraya Kawariki of Republic of Aotearoa New Zealand. At 29! I think this Leviathan, this 'beast of change' needs you to tame it. To save it. The legend, it is Kawariki and Tutira, the woman who rescues the sharkman?"

"It is. Love you, babe," whispered Soraya, shivering. "Brrrrrr. Should I ask robo-rat-bot to throw the hotties back? Can you – stay?"

"I stay. We call dead rat 'Garth' after all," Charlize glared defiantly.

2:13AM. ALONE. Soraya turned. "Command-Scene-17." Surrounds became translucent, morphing into wave-carved atolls, tradewind-palms, replenishing sunlight. "Isle of Pines, New Caledonia, 1984," smiled Soraya. Carpet stirred, the look-and-feel of coral sand. RAT's pupil dilated, smoothing the image of The President and her adoring lover into focus for transmission to Guantanamo.

THE END



# WHO WE ARE

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# LETTER FROM THE CHAIRMAN RT HON JIM BOLGER

For 167 years now, New Zealand Post has played a key role connecting New Zealand businesses, communities and families. Twenty years ago New Zealand Post went from a government department to become a State-Owned Enterprise (SOE). When that happened, no one could have foreseen that a postal delivery organisation would provide the foundation for the diversity and innovation that is evident in every part of the New Zealand Post Group today.





**In a year marking the 20th anniversary of becoming a State-Owned Enterprise, the New Zealand Post Group has once again posted a healthy profit on behalf of its shareholders. I am pleased to report we have returned a total dividend of \$30.8m (\$27.7m 2005/06) to the Government.**

During the past two decades, in addition to its postal processing and delivery networks, the company has developed an extensive courier network which is now a successful joint venture with DHL. During that time we also launched data management services and five years ago we opened our New Zealand-owned bank. Today Express Couriers, the Datamail Group and Kiwibank come together with Post to make up the New Zealand Post Group. The New Zealand Post Group is a strong organisation, proud of its long history and reach in this country and equally proud of its achievements, particularly during the past 20 years as it has matured as an SOE and entered into a variety of commercial undertakings. The most obvious example of this is Kiwibank.

Now five years old, the bank continues to exceed expectations. Kiwibank won the *Sunday Star-Times* Cannex award for best value bank for a second year in a row. When Kiwibank was established, our vision was to create a straightforward bank that would appeal to New Zealanders. More than 550,000 customers have joined Kiwibank which has proved to be a genuine competitor. Our joint venture with DHL is another example of our successful commercial approach as an SOE. Combining our local reach and trusted brand with the global reach and expertise of DHL has resulted

in a courier business that keeps going from strength to strength, building market share year after year.

For some time now, full rate letter volumes have been declining around the world – a direct result of continuing electronic competition. New Zealand is experiencing similar full rate letter volume declines, but the New Zealand Post Group has been able to diversify into other areas, drawing on both its reach and resources. The result is our ability to continue to provide a healthy return to our shareholders, and ultimately the people of New Zealand.

The Board established a health and safety subcommittee last year in response to the high injury numbers recorded. I am pleased to note this year we had a 36% decrease in the number of Lost Time Injuries throughout the Group.

#### OUR OBLIGATIONS

As outlined in our Statement of Corporate Intent, we are committed to operating an efficient, effective and profitable business; to provide to our owners a commercial return on the capital employed; to exhibit a sense of social responsibility by having regard to the interests of the community in which we operate and by endeavouring to accommodate or encourage these when able to do so; and to be a good employer.

We pay close attention to these obligations and I am proud to say the New Zealand Post Group continues to meet or exceed these expectations year after year.

#### ACKNOWLEDGEMENTS

I thank my fellow board members on the New Zealand Post, Kiwibank and Express

Couriers Boards, as well as the Datamail Board members, for their cooperation and dedication to the New Zealand Post Group.

In particular, I would like to acknowledge Adrienne Cleland whose term on the Kiwibank Board ended earlier this year. Her insight and support during those first years of the bank were valued. I would like to welcome Alison Gerry who joined the Kiwibank Board this year and I look forward to her contribution.

I also acknowledge the continuing positive support from our shareholding Ministers and officials during the year.

On behalf of the Board I thank all New Zealand Post Group people for their unwavering commitment to meeting our customers' needs. I continue to be impressed with the energy and enthusiasm to provide excellent service in all parts of the organisation.

I again acknowledge the leadership of the New Zealand Post Group Chief Executive John Allen and his senior team whose focus on diversification and innovation will enable the New Zealand Post Group to enjoy a sustainable future. I am pleased to say that the New Zealand Post Group is positioned to continue its success, exceed its social and commercial obligations and add real value for New Zealanders well into the future.

RT HON JIM BOLGER, ONZ  
Chairman, New Zealand Post

## DEED OF UNDERSTANDING

### OUR COMMITMENT

To maintain a network of at least 880 PostShops and Post Centres

To continue to provide at least a six-day-a-week postal service to more than 95% of addresses

To continue to provide at least a five or six-day-a-week postal service to more than 99.88% of addresses

Not to reintroduce a rural delivery fee

### ACTUAL

324 PostShops  
662 Post Centres  
986 Total

96.62%

99.89%

No fee

The Deed of Understanding is an agreement between New Zealand Post and the Government which defines New Zealand Post's social obligations.



# STATEMENT OF CORPORATE GOVERNANCE

**The Board is responsible for the corporate governance of the organisation. “Corporate Governance” includes the direction, control and accountability of the Board to shareholders and other stakeholders for the organisation’s performance, and compliance with laws and standards. The New Zealand Post Group has in place a comprehensive system of corporate governance policies, practices and procedures designed to ensure adherence to best practice and the highest ethical standards. This summary outlines those policies, practices and procedures.**

## SHAREHOLDERS

As a State-Owned Enterprise, two ministers on behalf of the Crown – the Minister of Finance and the Minister for State-Owned Enterprises, hold New Zealand Post’s shares.

## SHAREHOLDER COMMUNICATIONS

The Group is required to provide Shareholding Ministers with an annual business plan and a quarterly report against the performance set out in the plan. A Statement of Corporate Intent, unaudited half-year accounts and audited year-end accounts are tabled in Parliament annually.

Shareholding Ministers are also kept informed about developments of significance on an on-going basis as required under the ‘no surprises’ policy.

## BOARD GOVERNANCE

### THE BOARD

The Board of the New Zealand Post Group comprises up to 10 non-executive directors. Shareholding Ministers, on behalf of the Crown, appoint directors. Before appointing new directors, shareholding Ministers consider the balance of competencies and experience on the Board and also consult the Chairman.

The Chairman carries out a leadership role in the conduct of the Board and its relationship with shareholding Ministers and stakeholders. He maintains a close professional relationship with the Chief Executive. The Chairman has no external commitments that conflict with his role.

As at 30 June 2007, the Board comprised nine directors. Each director is considered to be ‘independent’, in that each is independent of management and free of any business or other relationship that could materially

interfere with, or could reasonably be perceived to materially interfere with, the exercise of the directors’ unfettered and independent judgement.

### ROLE OF THE BOARD

The Board is responsible to the shareholding Ministers for directing and monitoring the management and affairs of the New Zealand Post Group. Under the State-Owned Enterprises Act (1986) New Zealand Post is required to operate as a successful business and specifically to achieve the following objectives:

- to operate an efficient, effective and profitable business and provide to the owners a commercial return on the capital employed;
- to be a good employer;
- to exhibit a sense of social responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so.

The Board establishes objectives and sets strategies to achieve those objectives. The Board, in the context of the approved policy, risk and compliance framework within which the organisation operates, monitors management’s performance against those strategies. The Board has delegated the day-to-day management to the Chief Executive.

The Board requires an annual plan, which is consistent with the agreed strategic objectives of the New Zealand Post Group, to be submitted to it for approval. The Board closely monitors financial and non-financial performance and compares performance to the annual plan and forecasts on a monthly basis.

### BOARD MEETINGS

During the period, the Board held 10 regular meetings. In addition, the Board held its annual strategic advance that considers strategic issues in conjunction with the Chief Executive and the Executive Team.

The Chairman, in consultation with the Chief Executive, determines the Board’s annual programme. Directors receive formal papers, that include management and operational papers, for consideration in advance of all meetings.

The Chief Executive attends all Board meetings. Other managers attend Board meetings in relation to matters regarding their areas of responsibility and directors have other opportunities, including site visits, for contact with wider Group employees.

### BOARD COMMITTEES

Various standing committees assist the Board in the discharge of its responsibilities. All Committees have formal charters, approved by the Board, setting out the respective committees’ duties, responsibilities and authority.

The Board establishes committees as required, to deal with specific issues. No such committees were established during the year in review.

All directors are entitled to attend committee meetings and are provided with copies of all meeting papers and minutes. The Chief Executive attends committee meetings. A number of the committees regularly hold ‘Directors Only’ sessions. In the case of the Finance and Risk Committee, these sessions provide for discussions with auditors to ensure a robust and independent audit process. On occasion, the Board itself also holds ‘Directors Only’ sessions.

### FINANCE AND RISK COMMITTEE

The Finance and Risk Committee comprises five directors. Its function is to assist the Board in fulfilling its responsibilities relating to the management systems, and accounting and reporting practices. The Committee’s responsibilities include:

- assisting the Board to meet its accounting and reporting responsibilities under the Companies Act 1993 and related legislation;
- overseeing and reviewing the quality of internal and external audits; and
- approving and monitoring policies and programmes to identify areas of significant business risk and procedures to effectively manage those risks.

### REMUNERATION COMMITTEE

The Remuneration Committee comprises four directors and its responsibilities include:

- setting the strategic drivers/purpose for remuneration policy, consistent with the strategic intent/plan as set by the Board;
- setting the market positioning for fixed remuneration (within which the Chief



Executive is to determine the structure of fixed remuneration); and

- making recommendations regarding the remuneration of the Chief Executive to the Board.

#### INVESTMENT COMMITTEE

The Investment Committee comprises five directors. Responsibilities include advising the Board in relation to the governance, performance and strategy of the investment and divestment activity.

#### COMMUNICATIONS COMMITTEE

The Communications Committee comprises four directors. Responsibilities include providing management with advice in relation to communications and stakeholder issues affecting the organisation.

#### HEALTH AND SAFETY COMMITTEE

The Health and Safety Committee comprises four directors. The Committee's responsibilities include overseeing New Zealand Post's safety and wellbeing strategies and performance.

#### ACCESS TO INDEPENDENT INFORMATION

In circumstances that warrant additional assurance, the Board as a whole and directors individually may, in order to assist in carrying out their responsibilities, request independent professional advice at the Company's expense. Such requests are to be made in consultation with the Chairman and facilitated through the Company Secretariat.

#### BOARD PERFORMANCE AND DIRECTOR EVALUATION

A formal evaluation of the Board's collective and individual performance is undertaken annually. The process includes one-on-one meetings with the Chairman and each director and accords with the evaluation requirements of the shareholding Ministers.

#### DIRECTOR EDUCATION

Continuing director education is facilitated by the Company Secretariat in consultation with the Chairman.

Collective development of the Board as a whole is conducted periodically in order to ensure that the Board keeps abreast of international best practice governance. Ongoing education is also provided by way of periodic papers on matters of current interest.

#### DIRECTOR INDUCTION

A comprehensive induction programme is in place to provide newly appointed directors with an in-depth understanding of the New Zealand Post Group. The programme familiarises directors with key features of the business, including its operations, policies and strategies, and provides site visits and extended one-on-one time with senior executives.

Additional, or follow-up, induction is provided on a tailored basis to meet individual director's particular needs or interests.

#### BOARD POLICY

##### RISK MANAGEMENT

Management of risk and risk-taking is a key focus of the Board, as it is crucial to the protection of shareholder value. The New Zealand Post Group, therefore, has in place a comprehensive risk management and internal control framework designed to identify and treat all significant business and strategic risks.

The Group Risk Services Team takes a systematic, disciplined approach to maintaining and continuously improving the effectiveness of risk management, internal control, project management and associated governance processes.

The Board approves and monitors policy and processes in significant risk areas. The Board is also required to approve capital and operational expenditure that exceeds the Chief Executive's delegations. Any such request for approval is required to reflect a formal consideration of the relevant risk and prioritisation issues.

The following specific actions have been taken:

- a Group risk profile that considers the strategic and significant operational risks to the New Zealand Post Group, and the management actions to mitigate such risks, is updated regularly throughout the year;
- the Board's Finance and Risk Committee receives quarterly internal control assessments;
- the Board's Finance and Risk Committee periodically reviews the Group risk profile; and
- the Board has approved a comprehensive delegated authority structure that clearly states actions reserved to itself and those delegated to management.

#### INTEGRITY STANDARDS

The Board supports the principles set out in the "Codes of Proper Practice for Directors", as issued by the New Zealand Institute of Directors, under which directors are expected to:

- act honestly and with integrity;
- comply with the law;
- avoid conflicts of interest;
- use Company assets responsibly and in the best interests of the Company;
- be responsible and accountable for their actions; and
- act in accordance with their fiduciary duties.

New Zealand Post has a Group-wide Ethics Policy in accordance with which the New Zealand Post Group seeks to conduct its business with integrity, honesty, fairness and in compliance with all relevant laws, regulations, codes and standards. This policy sets out clearly the ethical standards that are expected of Group employees in their dealings with customers, the Company, and each other.

Additionally, the Board has adopted a series of Directors' Business Rules and Guidelines, specific to New Zealand Post directors, to ensure that the practices and procedures of the Board are aligned with the wider Ethics Policy of the New Zealand Post Group.

#### CONFLICT OF INTEREST

The Company's Constitution, the Board Charter and the Directors' Business Rules and Guidelines deal with the disclosure of interests by directors and the participation and voting at Board meetings where any such interests are discussed.

Directors are regularly requested to disclose general interests, which are recorded in the Register of Interests.

#### GOVERNANCE REQUIREMENTS AND BEST PRACTICE

The Board has confirmed that its corporate governance policies, practices and procedures accord with the Securities Commission's "Corporate Governance Principles & Guidelines", in the material respects in which they are appropriate for a State-Owned Enterprise.



# NEW ZEALAND POST BOARD OF DIRECTORS



*Pictured from left to right:*

## DISCLOSURES

No specific disclosures were given pursuant to section 140 (1) of the Companies Act 1993. As at 30 June 2007, the following general disclosures have been made by the directors of New Zealand Post and Kiwibank pursuant to section 140 (2) of the Companies Act 1993.

**KENNETH GEORGE DOUGLAS (DEPUTY CHAIR)**  
(WELLINGTON) ONZ, HON LLD, JP  
CC RC

- Chair, Wellington Regional Economic Development Trust
- Chair, Titahi Bay Golf Club
- Deputy Chair, Capital and Coast District Health Board
- Director, Air New Zealand Limited
- Director, New Zealand Rugby Union
- Director, Cambo Enterprise Investments Limited
- Director, Health Care NZ Limited
- Trustee, Asia New Zealand Foundation
- Trustee, Porirua Licensing Trust
- Councillor, Porirua City Council

**DIANA BUCHANAN CROSSAN (WELLINGTON) BA, DIP**  
APP SOC ST  
CC RC HS

- Retirement Commissioner
- Chair, Whai Rawa Management Limited
- Member, RMS (Refugee Resettlement) Board
- Member, Relationship Services Board
- Independent Member, Wellington Regional Strategy Committee

**RT HON JAMES BRENDAN BOLGER (CHAIR) (TE KUITI)**  
ONZ, HON DLIT  
FR RC IC

- Chancellor, University of Waikato
- Chair, Express Couriers Limited
- Chair, Gas Industry Company Limited
- Chair, Trustees Executors Limited
- Chair, New Zealand-United States Council

- Chair, Ian Axford Foundation
- Director, New Zealand Trade Liberalisation Network Incorporated

**JAMES HAROLD OGDEN (WELLINGTON) BCA (HONS),**  
FCA, FINSTD, CMA, CFIP  
FR IC

- Chair, Ministry of Social Development – Audit Committee
- Chair, Wellington City Council – Council Controlled Organisation Performance Sub-Committee
- Deputy Chair, AgriQuality Limited
- Director, Motor Trade Association Group Investments Limited
- Director, Ogden Consulting Limited
- Director, Australasian Hotel Holdings Limited
- Director, Vehicle Testing Group Limited
- Director, Upstart Capital Limited
- Director/Shareholder, Academic Colleges of New Zealand Limited
- Director, LECG Limited
- Trustee, Victoria University of Wellington Foundation
- Trustee, Scots College Foundation
- Council Member, Victoria University of Wellington

**SARA MAREE LUNAM (AUCKLAND) BA, PG DIP**  
REGIONAL AND RESOURCE PLANNING  
FR HS

- Chair, WNC 2007 Limited
- Director, Te Arahono Limited

**JUSTINE GAY BRONWYN SMYTH (AUCKLAND) BCOM, CA**  
FR HS

- Director, CSL Traffic Limited
- Director and General Manager, Lingerie Brands Limited
- Director, Lingerie Lounge Limited
- Director, Smylo Investments Limited
- Trustee, Greyview Trust
- Trustee, Oaks Trust

**GREGORY BENJAMIN FORTUIN (WELLINGTON),**  
CC RC IC

- Honorary Consul of the Republic of South Africa, South African High Commission
- Chair, Catalyst Risk Management Limited
- Director, Accident Compensation Corporation
- Director, Prison Fellowship New Zealand
- Member, Whitireia Community Polytechnic
- Trustee, Crown Forestry Rental Trust
- Patron, Youth Suicide Awareness Trust

**HON STANLEY JOSEPH RODGER (DUNEDIN) CMG, JP**  
CC HS IC

- Member, Electricity Commission
- Chair, University Union Limited

**RALPH HEBERLEY NGATATA LOVE (WELLINGTON)**  
BCOM, BCA (HONS), PHD, QSO, JP  
FR IC

- Chair, Wellington Tenth Trust
- Chair, Palmerston North Māori Reserve
- Director, Metlifecare Palmerston North Retirement Village Limited
- Director, Village at the Park Retirement Village Limited
- Director, 217 Taranaki Limited
- Director, Capital Hill Limited
- Council Member, Massey University
- Independent Member, Wellington Regional Strategy Committee

FR Member of the Finance and Risk Committee  
CC Member of the Communications Committee  
RC Member of the Remuneration Committee  
HS Member of the Health and Safety Committee  
IC Member of the Investment Committee



# KIWIBANK BOARD OF DIRECTORS



*Pictured from left to right:*

**JOHN RICHARD ALLEN (WELLINGTON) LLB**

- Chief Executive, New Zealand Post
- Chair, Datamail Limited
- Chair, NZP Australia Pty Limited
- Director, Communication Arts Limited
- Director, The ECN Group Limited
- Director, Letterbox Channel Limited
- Director, Express Couriers Limited
- Director, New Zealand Post Australia Holdings Pty Limited
- Director, Datacom Group Limited
- Director, Museum of New Zealand Te Papa Tongarewa

**RT HON JAMES BRENDAN BOLGER (CHAIR)**

**ALISON ROSEMARY GERRY (QUEENSTOWN)  
MAPP.FIN, BMS**

**IAN ROBERT FITZGERALD (DEPUTY CHAIR)  
(WELLINGTON) BA, MA (HONS)**

FAR

- Director, Burleigh Evatt Limited
- Director, Burleigh Evatt Consulting Limited
- Director, Burleigh Evatt Holdings Limited
- Director, Norsewear of New Zealand Limited
- Director, Wellington Archdiocesan Development Fund
- Director, Get out of Town Limited
- Director, Textiles New Zealand

**RICHARD GORDON ALEXANDER WESTLAKE  
(WELLINGTON) MA**

FAR

- Chair, Standards Council of New Zealand
- Chair, Textiles New Zealand
- Chair, Better Border Bio-Security
- Deputy Chair, Institute of Geological and Nuclear Sciences Limited
- Director, Homesick-Kiwi Limited
- Director, Westlake Consulting Limited
- Director, Dexcel Limited
- Director, Dexcel Holdings Limited
- Director, Wellington Water Management Limited
- Board Member, Centre for Advanced Engineering
- Trustee, The Aircare Charitable Trust
- Trustee, Dexcel Trust

**GREGORY BENJAMIN FORTUIN**

**JAMES HAROLD OGDEN**

FAR

FAR Member of the Kiwibank Finance,  
Audit and Risk Committee



# LETTER FROM THE CHIEF EXECUTIVE JOHN ALLEN

This year we celebrated our 20th 'Birthday' as a State-Owned Enterprise. The last 20 years have seen a remarkable transformation in the New Zealand Post Group. It is today an international 'benchmark' in many aspects of its postal business and has successfully diversified into banking, data management, software development, and express and logistics businesses.





**Our New Zealand Post and Kiwibank brands are amongst the most trusted in New Zealand. Our Posties, Couriers, PostShop people, Mobile Mortgage Managers and Rural Delivery teams ensure that those brands are not just advertising logos but are visible to New Zealanders every day, working with them in their communities to provide the links necessary for their personal, business and international relationships to prosper and grow.**

To mark 20 years as a State-Owned Enterprise we ran a competition across the New Zealand Post Group of companies. We asked our people to create something which would represent New Zealand in the year 2050. It could be a painting, poem, or a song. There were no constraints. Some of the winning work – together with images commissioned by the Group from a leading New Zealand artist, poet, cartoonist and novelist – is in this Annual Report.

The purpose of this competition and of commissioning the additional works is simple – the New Zealand Post Group is laying the foundations today for its future success. To maintain the momentum of growth we have experienced over the last 20 years we need to understand how our country and communities are evolving and changing and what we will need to do differently to meet our customers' needs.

By focusing our people on the future we are not only harnessing their extraordinary creativity but ensuring that we are spending time on the things that matter: the trends that will shape tomorrow, and the

capabilities that we need to develop to ensure future success.

It is not hard to be fearful of the future. War, plague, cataclysmic climate change, and increasing divisions between rich and poor are anticipated by many futurists, and are reflected in some of the material produced for the competition. The overwhelming number of entries though are positive. They see growth and opportunity for New Zealanders and their families, they see us all harnessing technology to address many of the immediate challenges we face, and working through our differences to build a more harmonious world environment. This optimistic vision will not be delivered without action at all levels in our community. We recognise a responsibility to help model the behaviour required and actively support the building of links between people and communities, necessary to defeat prejudice and build effective trade. This is a responsibility we are taking seriously, actively working to understand and reduce our environmental impact, actively training our people and developing their skills, actively supporting literacy in our communities – which is a key building block to eliminating poverty and enabling people to achieve their potential – and actively building New Zealand trade relations necessary to enable our future growth.

Underpinning all of this is a simple attitude:

We are here for the long term – not to maximise profit in any given year. We are optimistic and are confident that through

innovation, risk-taking and customer focus, this group of companies can expect to continue to grow as our country grows.

This may sound ambitious in the face of changing communications patterns which we expect to continue to impact our Domestic Letters business. The experience of the last 20 years can, I believe, give New Zealanders confidence that the New Zealand Post Group can respond to those challenges and continue to create an asset which is trusted and valued by the people of this country.

This is the sixth consecutive year in which we have announced an improvement in our financial performance. This year we recorded Earnings Before Interest and Taxes (EBIT) of \$107.2m compared to last year's EBIT of \$97.7m – a 10% increase. Revenue this year was also up by 10% at \$1,222.2m compared to revenue of \$1,114.3m for last year. We also experienced an increase in Economic Value Added (EVA) which grew to \$28.1m in 2006/07 up from \$25.4m in 2005/06. Although the incremental growth in Net Profit After Tax (NPAT) is lower than we have seen over the last few years and below our targets for the year, we remain very confident of our ability to maintain the growth momentum over the next period.

This confidence reflects:

- The diversified nature of the Group's revenues and margins. In the 2006/07 year our financial performance was underpinned by strength in Kiwibank, Postal Services, and ECL offsetting challenges in our Datamail Group business and the wholly-owned



We are working with New Zealanders to provide the links for their personal, business and international relationships to prosper and grow.





subsidiary ECN. Next year I expect the data businesses to rebound no doubt off-setting some other area in the business which may face challenges in its particular markets.

- The continuing commitment of our people. Despite major change programmes in many parts of the business, our People Engagement Score (measured using the Gallup model) has increased to 3.84 on a 5.0 scale. This is a result of very significant efforts by leaders across the Group. I am pleased to note that we have a number of truly world-class leaders in the business. They operate Post Shops, Delivery Branches, Mail Centres, Courier Hubs, and Call Centre teams, in cities and towns across the country. Our future success rests on our ability to get them to share their knowledge so that we all continue to lift our performance in this critical space.
- We have significantly improved our Health and Safety statistics this year. Again this is the result of focused leadership. We have seen an astonishing 180 fewer Lost Time Injuries this year than in 2005/06.
- Although slightly lower than last year, our Service Performance remains close to international benchmark levels. The independent measure of On Time Delivery of Letters demonstrates that during the 2006/07 year we delivered 95.5% of the mail entrusted to us by customers on time or earlier. This is a positive result given the significant change programme underway in the postal services business to position that part of our business for the future.

In addition to these measures of success we have continued to invest in the business

for its future. Kiwibank, which again secured the Best Value Bank Award from Cannex and the *Sunday Star-Times* and added another 100,000 New Zealanders as customers, acquired the Mortgage Book of AMP branded mortgages, which had previously been held by HSBC. This investment, together with the acquisition of the SuperBank Deposit Book this year and our purchase of the 51% share in New Zealand Home Loans, has significantly enhanced the ability of Kiwibank to both meet the needs of diverse customer segments and support its continuing growth and development.

The Postal Services Group continued its investment programme building new Mail Centres, installing new equipment and training many of our people in new work practices, as the five-year modernisation programme gained momentum.

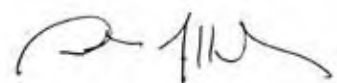
The network we are creating, together with a range of value-added services we are developing to assist businesses find and communicate more effectively with current and potential customers are pivotal to the future of the Letters Business.

We have invested in our Retail network with new concept stores opening in many parts of the country. This work will continue as we move to ensure that our shops are in the right locations to meet the needs of our customers and that we have a product and service range which is appropriate to the 21<sup>st</sup> century. Work also focused on improving the experiences that our customers received through our PostShop Kiwibank stores. Increasing customer expectations and competition, coupled with changing shopping habits, have considerably altered the retailing and banking landscape and we are working to meet the needs of our current, and future, customers.

We have invested in our Datamail business, acquiring the mailhouse business of Moore Gallaghers, and the 25% of Outsource Solutions Australia, which we did not previously own. We have also invested in new technology to support the continuing growth of Datamail and its new direct marketing brand Kinetic<sup>121</sup>.

We have continued to experiment with new business models and to create new business opportunities. Our joint venture with DHL grew significantly during the year expanding its range of logistics services and growing market share in the highly competitive Express market. We have also launched a new parcel overnight service in Australia leveraging new technology and a variable cost structure to create a new high service low price offer in that market. We have continued to explore opportunities to innovate across the Group as new technologies, new partnerships and new customer requirements drive us to enhance our service offerings.

There has been a huge amount of activity. This is necessary given the rapidity of change which we are facing across our various markets. I thank all the people of the New Zealand Post Group and our partners for their efforts over the past year. We have made real progress. Not all of it is visible yet. It is laying the foundations for future success. I look forward to being able to report the results of those efforts in the coming years.



JOHN ALLEN  
Chief Executive

#### PERFORMANCE

2006/07

Net Profit After Tax	\$70.2m
Economic Value Added (EVA™)	\$28.1m

#### CUSTOMER MEASURES

Customer Engagement – % of those in top two of six categories – our most loyal and satisfied customers	43%
Customer Experience – % of those who rate their experience with us at least 8 out of 10	48%
Customer First	86%

#### PROCESS MEASURES

Service Performance – end-to-end measure of mail delivered on time	95.5%
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#### PEOPLE MEASURES

Lost Time Injury Frequency Rate (LTIFR)	4.49
Employee Engagement – out of 5	3.84



# NEW ZEALAND POST GROUP EXECUTIVE TEAM



Pictured from left to right:

**SAM KNOWLES** Chief Executive Officer, Kiwibank<sup>1</sup>

**SUE TUCKER** Group Manager, Capability<sup>2</sup>

**PAUL BROCK** Chief Executive Officer, Kiwibank  
(acting – March to 30 June)

**STEPHEN HENRY** Group Manager, Enterprises

**JIM QUINN** Chief Executive Officer,  
Express Couriers Limited

**PETER SCHUYT** Chief Financial Officer

**MICHELLE VAN GAALEN** Group Manager, Retail

**PETER FENTON** Chief Executive Officer,  
Postal Services Group

**JOHN ALLEN** Chief Executive,  
New Zealand Post Group

**ANN BROWN** Group Manager, Capability  
(acting – October to 30 June)

**GARY WOODHAM** Chief Executive Officer,  
Datamail Group

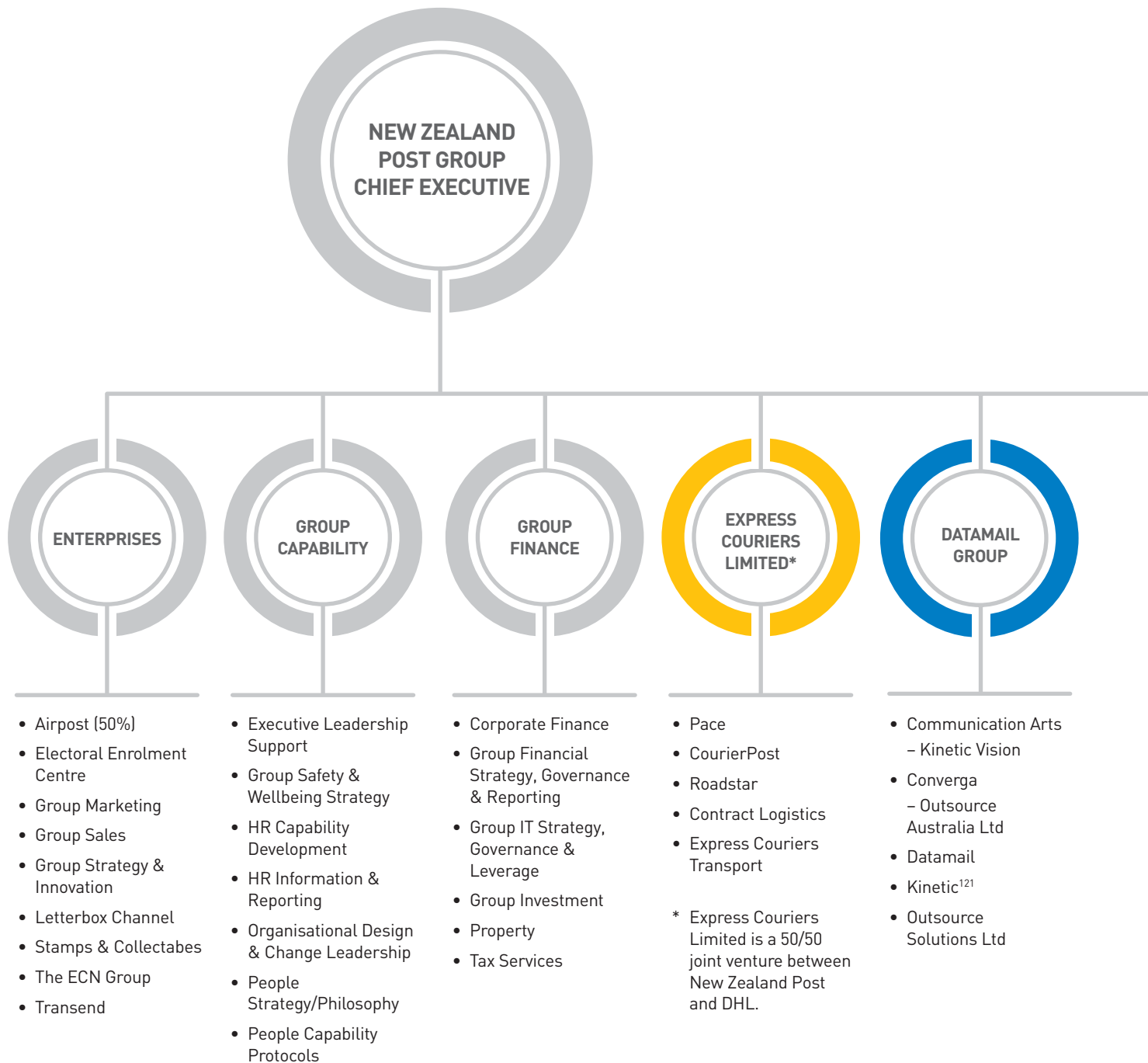
**MALCOLM SHAW** General Counsel

During the year:

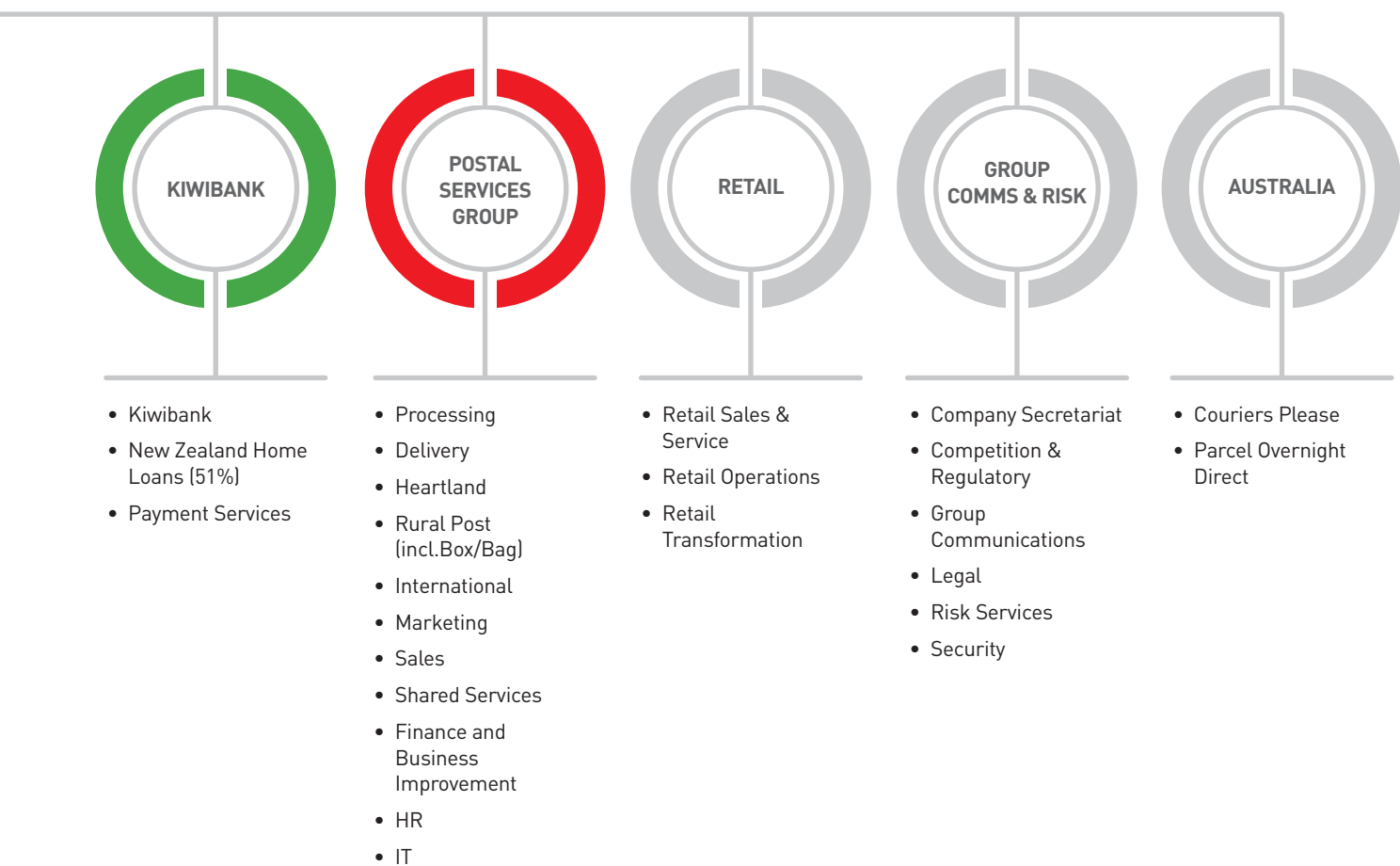
1. Sam Knowles took a four-month sabbatical
2. Sue Tucker was on secondment to Postal Service Group from October to 30 June 2007



# NEW ZEALAND POST GROUP ORGANISATIONAL STRUCTURE









# OUR YEAR AT A GLANCE





# WHAT WE DO

CAPABILITY  
2007

Customer and Personal Communications	18
Banking and Payment Services	21
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Document and Information Management	27



# CUSTOMER AND PERSONAL COMMUNICATIONS

What people find in their letterboxes may be changing but New Zealanders still love to get mail. This year more packets and parcels and international mail moved through our network than ever before, while domestic letter volumes have declined slightly. With nearly a billion pieces of mail processed this year, we know that mail – in all its forms – continues to be an essential and well loved way to connect with customers, family and friends.

## MAIL MARKETING SERVICE

Our Mail Marketing Service is a major initiative designed to promote the use of direct mail in the advertising and marketing industries. It aligns with international trends increasing use of direct mail and other direct media to help build and strengthen relationships. This team works with our customers as they seek to communicate more effectively with their audiences while getting the most out of their advertising investment. It also draws on our wider capabilities including fulfilment, courier services, unaddressed mail and electronic messaging to deliver holistic customer communication solutions.

Nielsen Media Research, a division of The Nielsen Company, earlier this year indicated that New Zealanders continue to enjoy receiving Direct Mail (DM). Some two million Kiwis are curious about what's in their letterbox and 52% enjoy opening DM in interesting packages.

Businesses can make best use of direct mail by ensuring the audience is correct, so we have launched a number of audience data

products to help. These allow businesses to target their communications resulting in more sustainable relationships while reducing the amount of undeliverable mail. The GeoPAF is a database of postal addresses and geographical information which can be useful in cases where the physical location of assets or people is important. It can be used, for example, by utility providers planning facilities, taxi companies optimising routes or insurance companies analysing risks.

## INVESTING IN MAIL

Two years ago we began a modernisation process for our network to increase efficiency and to better cope with the changing mail mix. This \$80 million five-year programme incorporates new state-of-the-art mail processing technology in six main centres, three new mail centres, and the adoption of new postcodes and address standards launched last year.

The first ever processing machine was installed at the Dunedin Mail Centre, while new machines replaced outdated equipment

in the Waikato and Manawatu mail centres this year. As new machines are installed, processing of regional mail is moved to a modernised mail centre to take advantage of the speed and efficiency of the new technology. Our goal is to reach the 80% machined mail standard common in Europe at the end of the five year programme – We are currently at just over 40%.

The new Waikato Mail Centre was officially opened in June, marking a major milestone in the programme. It is the first of three new centres planned, with Christchurch next to open and Auckland next year. It is also our first mail centre designed using sustainable principles.

We are also focusing on improving mail addressing standards. Since the new machinery 'reads' certain features in addresses, including the postcode, to sort mail to the correct destination, improving the addressing means better machine processing rates. This in turn enables us to continue to meet service standards that customers have come to expect.

Since businesses generate a large percentage of processed mail, we are working with some of the 1,300 customers who generate around 500 million pieces a year, which is half the total mail we process.

Our focus has been on supporting these high volume mail users, as well as other large businesses, to maximise cost savings and commercial gain from improving their data quality. This includes incorporating the correct postal addresses and postcodes into their customer mailing databases.

The Automobile Association (AA), for example, quickly saw the need to improve mail address standards as an opportunity



Our Mail Marketing Service is a major initiative designed to promote the use of direct mail in the advertising and marketing industries.





## FISHPOND

With book listings exceeding 1.1 million titles, and with most of them offered at a less-than-retail discount, Fishpond has New Zealand's widest selection of books and, based on sales, is also the country's largest online book store.

Started in 2004 with one person in a spare room manually listing books on a website, Fishpond now has 18 employees and operates out of a warehouse near the Auckland airport.

Daniel Robertson, founder and Chief Executive Officer of Fishpond says part of their success is that they access titles from Australasia, UK and the US while other international online book stores sell books from country-specific sources.

Fishpond's success is built on fulfilling orders very quickly with low-cost shipping. Getting orders out on the same day is crucial so New Zealand Post customised a solution, with orders collected every evening and delivered to the South Auckland Mail Centre.

"New Zealand Post works with us," says Mr Robertson. "Post's PacketPost service has been a perfect delivery method for the books, DVDs and CDs that Fishpond distributes." The items are relatively light weight and within dimensions that they can be delivered to either a residential address or a PO Box by the most extensive delivery network in the country, six days a week. And if an item is more urgent, it can be sent via the FastPost service that offers next working day delivery. The result is fast distribution and that means satisfied customers.

To promote its brand, Fishpond also uses personalised Postage. Plain cardboard mailers are used to package most items since they are economical and still effectively protect the books during shipping. But to keep costs down, the mailers don't have any pre-printed Fishpond branding. That's where the personalised postage comes in; the visual brand is obvious, postage is paid and the customer pays a very reasonable rate for shipping and handling.



We offer New Zealand's most extensive delivery network in the business, consumer and rural markets, with access to over 1.84 million delivery points, including over 206,000 rural addresses.

to get their customer data up-to-date and to use their data in more effective ways. The AA could see a direct connection between improving the quality of their customer data and increasing the impact of their direct mail, a key way of communicating with new and existing AA members. As part of the review, AA is replacing some old and cumbersome data management processes and expects to significantly reduce its returned mail, delivering cost savings.

We continue to evaluate our products and services to meet the changing needs of our customers while providing excellent value for services offered. In November, modest fees were introduced for redirected and held mail services to cover a portion of the costs of providing the service. Both services provide convenient and easy ways to manage your mail when moving or away from home.

The price of a full rate domestic letter went from 45 to 50 cents on 1 June to reflect the continued growth in delivery addresses and

significant increased costs to the business. This was the first rate rise in three years. Domestic postage rates in New Zealand remain among the lowest in the OECD.

A steady focus on improving safety at work across Postal Services is reaping rewards. Lost Time Injuries are down by over 37% across all of Postal Services, including an astonishing drop of 46% in Lost Time Injuries for Delivery. A strong internal focus in staying safe was supported by an external campaign about the dangers cars, dogs and spring-loaded mail boxes pose to Posties. Our focus in this area will continue.

#### INNOVATION

Our upgraded online Rate Finder is designed to make it even easier for customers to work out the price of sending items. Since online trading websites have increased the number of parcels being sent, the online Rate Finder gives customers a price estimate for their item, calculates the best postal and courier options for national or international delivery, and even suggests packaging options. The Rate Finder can be accessed through: [www.nzpost.co.nz](http://www.nzpost.co.nz).

#### MOVING GOODS OVERSEAS

To keep pace with increasing volumes of international mail and parcels, we launched a new International Economy Courier service earlier this year. This document and parcel courier service to Australia and 10 other destinations is available to consumer and business customers. The cost of sending parcels is about 30% cheaper than the premium service International Express.

Working with our international courier team, [www.torpedo7.co.nz](http://www.torpedo7.co.nz), a Hamilton-based online bike parts distributor has managed to reduce its delivery time to Australian customers to three days. This has contributed to the growth of its Australian customer base significantly, now accounting for some 40% of the company's business.

#### OUR REACH

A key part of our Postal network is the 324 PostShop Kiwibank stores and 662 New Zealand Post postal centres throughout the country.

We review our network regularly to ensure our stores are in the right places and offer the right mix of products and services to reflect customer needs. During this year, along with numerous store reconfigurations, fit outs and expansions, we opened or relocated 13 stores. This included new stores at Raumati Beach, Triton Plaza and Sylvia Park in Auckland to meet new customer demand.

#### STAMPS

Real Aotearoa stores opened in Auckland and Christchurch, replacing the former collectables and stamps stores which had been there for some years. Alongside traditional stamps and collectables, Real Aotearoa stores also carry New Zealand art, designware and gifts aimed at the tourism and domestic markets.

Through our annual stamp and coin programme, we continue to mark special occasions, people, locations and New Zealand wildlife. Stamps and Coins released this year include an issue to commemorate New Zealand's gold rush, which featured heat-sensitive ink. When the stamps are rubbed, gold nuggets are revealed in the prospector's pan. Other notable Stamp issues included our annual Heath stamps, stamps commemorating half a century of involvement with the Antarctic Research Programme as well as an issue celebrating New Zealand's unique animal species. The latest annual Coin series paid tribute to the iconic tuatara.





# BANKING AND PAYMENT SERVICES

About one in eight New Zealanders now bank with Kiwibank. Built on a promise of straight-forward banking for New Zealanders by New Zealanders, more than 550,000 customers have joined Kiwibank since 2002, increasing by 100,000 during this year.

Despite increasing competitive pressure, Kiwibank remains committed to challenging the banking sector with new and better products and services and market-leading interest rates. Its focus continues to reap benefits. Already the bank has done far better than originally forecast when it opened the first Kiwibank branch in Albany following a successful pilot of seven branches in Palmerston North and Hawke's Bay. Celebrating its fifth birthday this year, Kiwibank now has some 300 branches – more than any other bank in New Zealand.

## GROWTH

Deposits increased 64% from \$2.38 billion last year to \$3.90 billion. Kiwibank lending (home loans, credit cards, business banking) increased 39% from \$2.61 billion to \$3.63 billion. In addition, the residential mortgage portfolio grew by another \$669 million as a result of the Kiwibank acquisition of the Hong Kong and Shanghai Banking Corporation Ltd (HSBC) AMP-originated residential mortgage book, which was effective 2 July 2007. This relationship will further expand Kiwibank's mortgage distribution and reach around the country, and follows the acquisition of a 51% stake in New Zealand Home Loans.

Another area of impressive growth is Kiwibank's online call deposit account. Kiwibank has attracted more than \$1.3 billion dollars of deposits into the online account since its launch in early 2006. This growth was boosted by the acquisition of the SuperBank deposit book earlier this year.

Throughout the year we also introduced a range of new services through the PostShop Kiwibank network. These included Kiwibank insurances, personal loans and a Kiwibank Tertiary student package. As well, a new Travelex foreign currency service was introduced to 40 selected stores.

Business banking also continued to grow with 17 business banking centres covering all main regions in the country. Kiwibank offers small and medium business customers specialist advice, one of the lowest fee packages in the market, competitive interest rates and more convenient business hours. It's a proposition proving popular in large and small centres.

## MOBILE BANKING

New offerings enhance Kiwibank's ability to meet the needs of diverse customer segments and support its continuing growth and development. Mobile banking is one

such innovation. Launched in New Zealand for the first time earlier this year, mobile banking continues to be popular, allowing customers to access their bank accounts anytime, anywhere. Mobile phones are used like a mini computer and offer customers a menu of banking options, including viewing balances, transferring funds between accounts, viewing previous transactions, making bill payments and paying other people in a highly secure environment.

Kiwibank's mobile banking has been named a finalist in the Mobile, Wireless and Telecommunications Solutions category of this year's Computerworld Excellence Awards. The Awards acknowledge the successful application of information technology to meet the needs of users in their organisations.

Still keeping with awards, Kiwibank offerings, approach and reach continue to earn accolades. For the second year in a row, Kiwibank was named Best Value for Money Bank in the *Sunday Star-Times* Cannex Banking Awards. In all, Kiwibank earned five of the 15 award categories (personal loan, line of credit home loan, children's account – joint first, low document home loan, low transaction accounts) and earned a second place for its online account.



Kiwibank has attracted more than \$1.3 billion of deposits into the online account since it was launched in early 2006.



We provide bill pay services on behalf of more than 80 organisations throughout New Zealand and Australia and processed 21 million transactions this year.

#### **PAYMENT SERVICES**

Another key service provided through our PostShops is bill payments over the counter. We provide this service on behalf of more than 80 organisations throughout New Zealand and Australia and processed 21 million transactions this year.

To promote the BillPay service to consumers we repeated our national in-store competition – Imagine No Bills. First run in 2005, it was repeated twice this year. Customers who paid a bill or a Land Transport New Zealand service at a PostShop could go into a draw to win one of 10 prizes of \$3,000 cash towards their household bills. Over 200,000 entries were received for each promotion.

#### **EXPANDING OUR IN-STORE OFFERINGS**

The introduction of the Prezzy Card was also a very successful promotion. It is New Zealand's first gift card that can be used anywhere – in-store, online or overseas – where Visa is electronically accepted. Able to be loaded with any amount from \$25 - \$500, the Prezzy Card has proved very popular with more than 30,000 cards sold during December.

June 2007 saw the launch of a limited edition Rugby World Cup Prezzy Card. Recipients can register the card to go in the draw to win tickets for two to both Rugby World Cup semi-finals in Paris with Visa.

We recently piloted our Message Alerts service – a service which allows businesses to send a message to their customers' mobile phones to let them know, for example, their bill is due.

In addition, Good Call was introduced to PostShops during the year. Good Call is a calling card for making international and domestic calls at very competitive rates. Its simplicity and promotion has resulted in nearly 50% of all calling cards sold in PostShops being Good Call.

Purchase Connect, which was introduced last year, continues to be an increasingly popular way for customers to pay for a variety of goods, including those ordered over the internet or by mail order. Purchase Connect allows customers to make convenient and secure payments using cash, EFTPOS or cheque. Clients for this service include Reader's Digest and mail-order firm Doubleday. International Masters Publishing and iTicket were among new clients added this year.







## MANAGEMENT CONSULTANT JANICE BURNS

Well known for her expertise in gender-neutral job evaluation and job analysis, Wellington-based management consultant Janice Burns says she was attracted to Kiwibank right from the start in 2002 because its corporate values so closely mirrored her own.

And she says she is as happy with the bank now as she was five years ago when she joined.

"As a new contemporary and New Zealand-owned bank it was appealing, especially as it was so adamant about putting people first," Ms Burns explained. "I had confidence in the New Zealand Post organisation and had grown tired of the shabby service I had been receiving from my previous bank. The lack of focus on customer service was terrible. So moving to Kiwibank was a logical choice and I've been very happy with the move."

Initially Janice moved her household accounts to Kiwibank but once business banking became available, this Top Drawer Consulting Partner thought it only natural that she should move her business banking there too. In fact, Janice takes advantage of a wide range of offerings from Kiwibank, everything from her daily accounts, to a credit card, to term deposits.

Ms Burns is quick to point out though that while Kiwibank aligns very well with her personal values just as important was the fact that the bank also offers good value. "In reality Kiwibank offered us the best deal."

She says customer service is very important to her as is responsiveness and a good range of services. The familiarity and relationships she's developed over the years with the PostShop Kiwibank staff near where she lives and works is important too.

"It's all straightforward and very easy and I don't have to think about it. I don't want to waste my time or deal with someone who doesn't care."

And as an added bonus, Ms Burns says she believes that Kiwibank has caused some other banks to do things differently to try and reach a new service standard. And she says: "That's good for everyone."



# PHYSICAL GOODS DISTRIBUTION AND LOGISTICS

Our distribution and logistics business continues to provide real value for customers through its innovation, reach and speed in an increasingly competitive market. While New Zealand Post celebrates 20 years as an SOE this year, next year marks CourierPost's own 20-year milestone. It is now part of Express Couriers Limited – a joint venture with DHL.

The joint venture allows us to draw on our extensive coverage and expertise in the New Zealand courier and logistics market and combine it with DHL's international network, products and services. This gives our customers a more complete service.

DHL is a global market leader in the international express and logistics industry, specialising in providing innovative and customised solutions from a single source.

DHL offers expertise in express, air and ocean freight, overland transport, contract logistic solutions as well as international mail services, combined with worldwide coverage and an in-depth understanding of local markets. DHL's international network links over 220 countries and territories worldwide. Two hundred and eighty-five thousand employees are dedicated to providing fast and reliable services that exceed customers' expectations.

This reach is important since customers are demanding quicker, more effective ways to get goods to their own customers. We also continue to see growth in online shopping and direct delivery to domestic

and international consumers. Outsourcing of warehousing and logistics requirements, including end-to-end management and stock distribution, is also popular as it allows customers to focus on their business.

Express Couriers recently added Roadstar Transport to its family, complementing current Pace, CourierPost and Contract Logistics services. Roadstar Transport specialises in multi-package and heavyweight, palletised freight delivery throughout New Zealand. It has a fleet of more than 70 vehicles and around 150 employees based at eight branches around the country. This addition further broadens Express Couriers' 'Whole Package' offer, giving existing and potential customers more reason to use a single solution provider for their logistics and transportation needs.

Express Couriers also re-launched its website to improve the online experience of customers and add additional features. In particular, the CourierPost Track and Trace function can now track up to five parcels at once and customers booking a courier can

use a 'remember me' option so details can be saved between visits.

CourierPost also began offering new packaging solutions aimed at improving environmental impacts this year. EcoTrackpaks are extra strength cardboard Trackpaks made from 100% recycled materials and were made available to corporate clients earlier this year.

CourierPost also introduced new Trackpaks which use less petroleum products in its plastic. While lighter, this material is as resilient as the original, offering customers a comparative sustainable alternative.

Trackme is another innovation introduced this year. It was developed in conjunction with the online trading site Trade Me. This service gives customers a choice of two pre-paid, non-signature required tickets; one for 5kg copy paper-size boxes, or 10kg wine-size boxes which means Trade Me customers can easily quote a courier price in their auction – regardless of where the item may be sent.

CourierPost's partnership with Fly Buys to

GPS technology helps track goods moving within our transportation network and enables routes to be changed to avoid accidents or weather delays, making our network reliable and more fuel efficient.





## KIWI INGENUITY SUPPORTS RURAL POST DRIVERS

A little lateral thinking and some Kiwi ingenuity can go a long way in this high tech world.

Rural Post owner drivers processing just 5% of Track & Trace courier package volumes throughout New Zealand.

It wasn't feasible for them to use hand-held scanners so they would manually process delivery information at the end of the day or the week and feed it back into the Express Couriers system.

This meant no real time information was available and confirmation of delivery into a rural area could take a few days. Eager to improve information availability, Express Couriers pressed for a solution. What they proposed involved some thinking outside the box.

The solution involved developing software and sourcing a special lens device that could be loaded onto mobile phones with camera capability. The phone can then read a barcode, effectively turning it into a scanner.

Express Couriers is not aware of another company in the world using such technology, let alone in New Zealand. Development costs were minimal and the hardware was relatively inexpensive, so this solution was a real breakthrough.

The pilot, launched in June, using about 20 Rural Post drivers has proved it works well with an impressive 1,000 barcodes scanned in one day. The equipment will be progressively rolled out to more Rural Post drivers.

The end result is a cost-effective solution that means information about deliveries – critical in the competitive courier business and to customers – is available in real time. The solution also saves time with manual processing and keying in of information no longer necessary. And that adds up to even better customer service for rural and courier customers.





## New handheld technology enables electronic confirmation of pick-ups and deliveries which means faster customer service and greater security through electronic signature capture.

offer rewards points to qualifying small business customers is also proving popular. With small to medium business customers making up much of the business community, Fly Buys enables us to reward our CourierPost customers for their loyalty. CourierPost's offerings, reach and commitment to service keeps attracting new customers, including the Wellington City Council who required a dedicated service to transfer library books between 28 libraries as well as their book exchange services at rest homes and school. This involves three runs, three times a day.

Earlier this year, CourierPost also began working with large IT distribution company Ingram Micro. From a warehouse in South Auckland the team there now processes over 2,500 items a day into the courier network destined to hundreds of locations in both the North and South Islands.

### MAKING THE JOURNEY

With a Transport division that has a fleet of over 90 trucks of various sizes that makes more than 2,000 trips each week covering 14 million kilometres per year, the latest GPS technology and a new centralised control centre are helping Express Couriers to improve the transport network, which is the backbone of our service.

Keeping track of where each truck is on each journey is done using the latest Navman GPS technology. The system means freight movement is tracked in real time and routes can be altered to avoid delays caused by accidents or weather, saving

time and fuel. The tracking system means we can operate a reliable, more environmentally efficient network.

This level of reliability was just what the New Zealand Herald was looking for in a partner to get its papers into stores around Auckland and as far north as Kaitiaki. In 2001, CourierPost won the initial contract, which has been renewed three times since then. Each renewal was marked by continuous performance improvements in delivery culminating in 99.6% on-time delivery this year.

### MANAGING OUR CUSTOMERS' STOCK

Contract Logistics provides warehousing and delivery services for a broad client base, allowing them to focus on their core businesses. This service is used by a wide range of markets – everything from magazines to apparel.

Netlink, New Zealand's largest magazine distributor, counts on Contract Logistics' speed and reliability to distribute more than 40 million magazines nationwide every year. Over the past two years, Contract Logistics has provided Netlink (a division of ACP Media) with a simple one-stop-shop solution to store, sort, package and distribute their magazines. Value-added services include the addition of marketing material to each magazine before it goes on sale. Most recently, Contract Logistics has centralised the South Island magazine distribution facility into its Auckland operation for greater synergies.

In addition to Contract Logistics, the

Express Couriers Limited business units made up of Pace, CourierPost and Transport all play leading roles in the relationship with ACP Media and Netlink. Further to this, the service offer has broadened to include the use of the Customer Support Centre to manage the link with Netlink's customers.

### MOVING GOODS WITHIN NEW ZEALAND

With over 140 specialist couriers, Pace offers time-sensitive point-to-point road and air delivery options, round the clock. That level of dependability and speed is critical to organisations like the New Zealand Blood Service which supplies perishable blood products to blood banks and hospitals around the country. The unwavering commitment to time-bound service saw Pace offices in Auckland, Wellington and Christchurch set new records for the number of jobs processed in one day in the lead up to Christmas.

To help maintain these high service standards, Pace has launched new handheld technology that enables couriers to electronically confirm pick-ups and deliveries. That means even faster service for customers, while electronic signature capture means even greater security and traceability.





# DOCUMENT AND INFORMATION MANAGEMENT

Despite changes to the nature of mail, we are confident that business mail will continue to play a significant role in connecting companies with their customers and we see such communications continuing to underpin the Datamail Group's core activities well into the future.

Research indicates recipients continue to see mail as their preferred way to receive business communications, including invoicing and statements. At the same time, we are seeing growth in highly personalised mail rich in messages and offers, tailored to reflect the needs and interests of the reader.

With this shift towards more targeted, personalised marketing, direct marketing delivery business Kinetic<sup>121</sup> was launched in February 2007, following the acquisition of Moore Gallagher in April 2006. While the integration of Moore Gallagher's mailhouse line of business has gone reasonably well since the purchase last year, combining networks, teams and business processes continues to take considerable resources. This has impacted the Datamail Group's overall financial performance this year.

The Datamail Group remains committed to meeting customer needs and draws on skills from across the Group to provide a wide range of services. This includes everything from effective design through to effective data capture and mail processing. This year, for example, Communication Arts redesigned immigration forms for the Department of Labour to assist with customer take-up and understanding, while improving the ability to capture information.

We have also experienced growth in our core business process management solutions in accounts payable, application processing, campaign management and records management in the past 12 months. This includes significant ongoing work in Australia. New business highlights include campaign management processing and accounts payable solutions for ANZ National Bank Limited. A substantial new campaign management solution was also successfully implemented for the Child Cancer Foundation, incorporating the full

complement of the Datamail Group service offerings in print and mail, payment processing and data capture.

The purchase of eight new Flexible Productivity Series (FPS) inserting machines represented a major capital investment for the Datamail Group this year. They set new standards for the processing of all types of letters at speeds of up to 14,000 per hour, handling up to 100-page collations in one envelope. With these energy-efficient FPS machines running across mirrored sites and common platforms within a secure network, we can provide fail-safe processing for our clients across the country.

Full colour print is poised to play a big role in the future of direct mail. The lines between pure transactional mail, such as invoices and promotional mail are blurring and a new category – "Transpromotional" mail – is emerging. We recently delivered our first such billing solution to Elders Card.

Datamail's laser print and mail volumes were relatively stable over the year with laser impressions produced increasing slightly from 420 million pages to 423 million pages. The number of mail items lodged was also stable at 192 million items.

## DOCUMENT STORAGE GROWTH

While printing has remained stable, we have seen exponential growth in document storage requirements across 70 clients who store over 250 million documents with us. Total disk storage now represents close to three terabytes. We expect the volume of actual documents stored to continue climbing in coming years as new legislation, which gives electronic documents the same status as paper originals, comes into force. As an added feature, increased electronic document management also allows enhanced customer service. Through bill





## CHARITIES COMMISSION

The Charities Commission knew it had a huge job ahead if it was going to be ready to register up to 25,000 charities by 1 July 2008. That's the date new tax laws come into force, which makes registration with the Charities Commission a pre-requisite for charities to retain or obtain charitable-purpose based exemptions from income tax and estate and gift duty.

To help them effectively deal with the challenge of processing so many registrations and making information about the registration process available to the public, the Charities Commission looked for an organisation who could manage the business processing requirements associated with the implementation of the new Charities Act.

Datamail won the tender for the back office processing, and, like the Commission, was ready to receive registrations on 1 February 2007. Part of the contract was to set up a contact centre to help answer questions from the public and charities.

On 9 February 2007, the first charity under the new Charities Act – Te Aute Koiri Foundation Incorporated – was registered. The Hastings-based charity supports the special character of Te Aute College in Hawkes Bay, where, amongst other Māori leaders, Sir Apirana Ngata studied on his way to become the first Māori to graduate with a University degree.

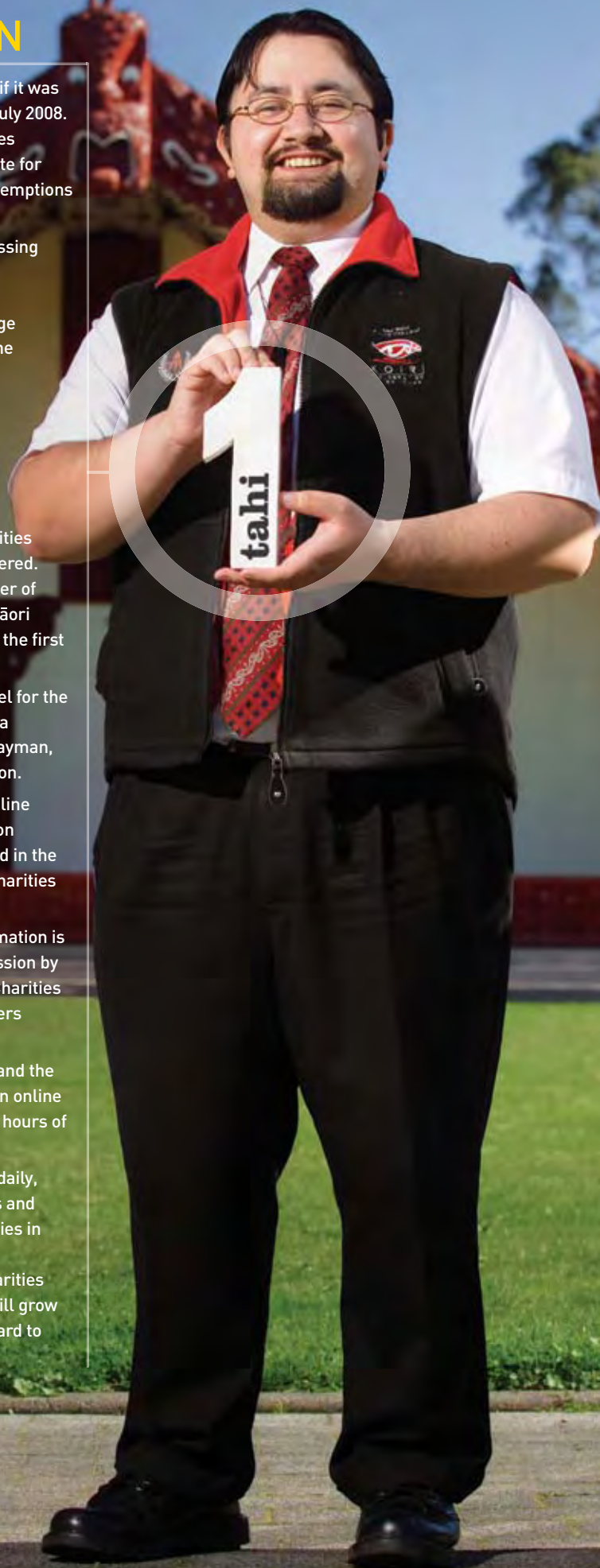
"We contracted Datamail as a key communication channel for the Commission, providing pre-analysis of applications, and a professional response to public enquiries," said Barry Hayman, Corporate Services manager for the Charities Commission.

To support the registration process, Datamail reviews online applications and physically receives all posted registration applications. Datamail scans original documents received in the post to create an electronic file, which is uploaded to a Charities Commission directory.

The registration process is complex and additional information is often required. And while Datamail supports the Commission by ensuring the information provided is complete, it is the Charities Commission that analyses all the information and registers successful applications.

The process has proved very effective for both Datamail and the Charities Commission as they are able to track and obtain online versions of properly completed documentation within 48 hours of Datamail receiving it.

Currently, between 20 and 30 registrations are received daily, with almost 700 charities registered in the first 5 months and another 3500 in progress. Although the number of charities in New Zealand is unknown, it is possible that up to 25,000 applications could be received by July 2008. Both the Charities Commission and Datamail know registration numbers will grow considerably in the coming months and are looking forward to the challenge.





## The Electoral Enrolment Centre processes 1.5 million enrolments and updates each year.

portals such as RightNow, the document archive can present bill images for online bill payment.

Datamail has developed an online billing communications solution which means customers can access their billing information when and wherever they want. This is in response to a growing preference by our clients to offer their customers the choice of receiving bills, notices and other documents online. This offer complements traditional paper-based billing processes and gives customers greater choice in how they build relationships with their customers.

Datamail has also been a committed participant in the SendRight™ programme since its commencement, by investing in our core address cleansing platform, EndPoint. EndPoint was one of the first solutions to be certified as part of the SendRight™ programme in January 2007.

Our service offering incorporates a free data health-check, where we provide before and after views of a customer data sample, including an indication of their compliance percentage. This year we have processed an estimated 1.3 million records through this data health-check.

The ECN Group provides a range of electronic messaging services, enterprise application integration and business process management tools. This year has proved challenging for ECN and it has put in place measures to improve its performance. The business continues to

provide support to a number of key clients including New Zealand Customs.

### OUR OUTSOURCING CAPABILITY

The strength of our outsourcing capability has meant that the Electoral Enrolment Centre (EEC) handles the management of our national electoral rolls on behalf of the Ministry of Justice.

New Zealand's enrolment rate is among the highest in the world and the EEC is able to maintain these levels, despite international downward trends. One of the ways it does this is to continually focus on innovation and improvements to ensure its enrolment message is heard. Every year the EEC processes 1.5 million enrolments and updates. In the lead up to the last national election, EEC successfully used mobile phone texting to encourage younger people to register.

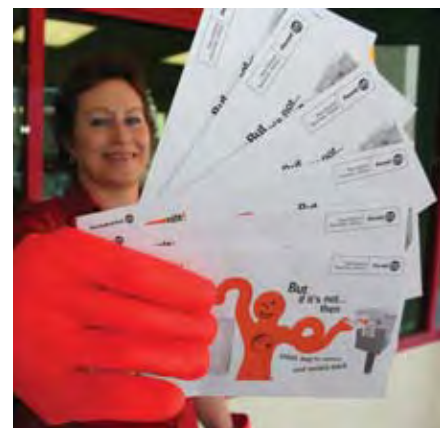
During the year the Māori Electoral Option exercise was completed. This had a direct feed into establishing the number of Parliamentary electorates for the next two Parliamentary elections. Preparation is underway for an enrolment campaign in advance of the upcoming local council and district health board elections later in 2007. The elections will be by postal vote.

With a focus on adding value through an integrated process management model, business process outsourcing services also continues to grow with new clients this year including Southern Cross Medical Care Society and Vodafone. Vodafone, for

example, has moved into a new location near the Auckland Viaduct and the range of services – everything from mail handling and courier management to tenant comfort and barista services – are part of the new approach to service in the new environment. Outsource Solutions also supports Southern Cross Medical Care Society through a wide range of document handling services, particularly for their Member Services division.



Direct marketing delivery business Kinetic<sup>121</sup> was launched in February to enable customers to use more targeted, personalised marketing.



Natasha Mitchell/Sun Media/The Weekend Sun



# PERFORMANCE HIGHLIGHTS



## FINANCIAL

Returned a total dividend of \$30.8m to our Shareholders.



## ENVIRONMENTAL

Our first mail centre built using sustainable principles opened in Hamilton.



## COMMUNITY

One million postage included envelopes were distributed to 4,200 community groups throughout the country.



## WORKPLACE

Our Lost Time Injuries were down by 46% in our Delivery branches.

	2006/07	2005/06
OPERATING REVENUE	\$1,222.2M	\$1,114.3M
OPERATING EXPENDITURE	\$1,121.2M	\$1,019.2M
NET SURPLUS	\$70.2M	\$68.7M
FINAL DIVIDEND PER SHARE	5.5C	5.7C
ECONOMIC VALUE ADDED (EVA™)	\$28.1M	\$25.4M
TOTAL ASSETS	\$5,497.9M	\$3,735.5M
TOTAL EQUITY	\$595.8M	\$534.1M



# HOW WE DID

## OUR PERFORMANCE 2007

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# CORPORATE RESPONSIBILITY

Taking a balanced approach to business decisions is important to New Zealand Post. There is a high expectation that we will meet the needs of local communities and are part of the fabric of New Zealand. Our stakeholders expect that we are ethical, that the health and safety of our employees is a priority, our workplace practices are wholesome, that we provide our customers with socially acceptable products and services and that we care about how we treat the environment in our dealings.

We therefore define corporate responsibility in a holistic way, taking into account not only our commitment to the environment but also to sustainable business practices, ethical values and the well being of our people and the communities in which we operate. Much good work has taken place over the past 20 years and more under the umbrella of Corporate Responsibility, however in April this year we re-committed our intentions to better understand, manage and measure our social and environmental impacts along with our economic responsibilities. Specifically, we agreed to:

- (i) develop and promulgate a Statement of Commitment to corporate responsibility;
- (ii) participate in an independent Corporate Responsibility Index reporting to measure the Group's responsibility;
- (iii) develop a three-year plan supporting improvement to our corporate responsibility practices; and
- (iv) report on corporate responsibility outcomes as part of normal reporting processes.

## GROWING THE GREEN

The New Zealand Post Group has actively partnered with Government and other agencies to develop, measure and extend our sustainability approach and activities.

About four years ago, we became a voluntary participant of Govt3 which helps government agencies to improve the eco-efficiency of their buying practices and to assess their operations in terms of the environment. We remain committed to sharing our learnings

about initiatives or projects that make a difference to Govt3 members.

In October we were recognised by Govt3 for our work to reduce consumption of office materials and equipment, and for the environmentally friendly design of the three new mail centres. The replacement of photocopiers, printers and faxes with more sophisticated multi-functional devices that automatically copy and print double-sided and default to black and white print, along with other features has reduced our paper consumption by 25% and produced cost savings of over \$1 million per annum.

The Waikato Mail Centre, the first of three green buildings to be constructed by Post, was officially opened by the Post Group Chairman Rt Hon Jim Bolger on 25 June. These incorporate sustainable design features that reduce our impact on the local environment. Collected rain water is used in the toilets, double glazing at the Christchurch Mail Centre helps maintain a constant inside temperature reducing air-conditioning loads and solar water heating provides hot water to the main toilet block.

Across the Group we consume enough energy to power a small town. Our energy strategy helps us track energy use and costs, so we can improve energy efficiency. During the year we continued to perform energy audits at our large sites. Through the Christchurch Mail Centre alone we have reduced energy consumption this year by about 27% which equates to a savings of \$95,500. We also continue to implement energy saving opportunities noted during the

energy audits such as installing sensors to turn lights on/off in some meeting rooms, and adjusting air-conditioning and heating operating times.

We held an Energy Week in July to promote our energy saving activities and to better engage employees to do what they can. This coincided with the launch of a new Renewable Energy Stamp series.

We have also begun to look more closely at the make-up of packaging solutions for our customers to identify future improvements. We recently reduced the amount of polyethylene, a plastic material belonging to a group of polymers, in a number of packaging products which are made of or contain plastic. Eight of our products now use around 20% less polyethylene and still retain the strength required to protect the contents during the distribution process.

Kinetic<sup>121</sup>, the Datamail Group's direct market arm, is using a bio film to wrap some mail products. Made of renewable wood pulp, this film has a heat-resistant resin coating which makes it shiny and also allows it to be sealed while still able to break down in domestic or industrial compost quickly. This product, also called Natureflex, is fully tested and certified to European standards (EN13432) for compostable packaging by an independent organisation, European Bioplastics. The film is currently used extensively in the food packaging industry, however, we are the first to try and use this film in the mail industry.



## Eight of our packaging products now use nearly 20% less polyethylene and still retain the strength required to protect the contents during the distribution process.

Ultimately it is our customers who will choose how they want to protect the items they want delivered. Our aim is to ensure that we offer effective solutions for people to choose from and that these solutions reduce our overall impact on the environment. CourierPost introduced new EcoTrackpaks for business customers this year. And writing pads and envelopes made from recyclable materials and promoted as the Write On stationary range are now available through our Retail network.

The Datamail Group has recently engaged its staff based at its largest site in Petone in a formal recycling and waste minimisation programme. This programme has received great employee support with 13 employees volunteering to be part of a green team. The volunteers participated in an initial waste audit to create a baseline measure of the waste currently going to landfill. It involved sorting through rubbish bags and separating different forms of waste to establish just how much paper, card, glass, plastic and compostable rubbish could be recycled or diverted from the landfill. A follow-up waste audit will take place again in six months to measure the success of the programme.

Re-using items and reducing consumables when we can is also a focus area. Last year our Postal Services Group established a national recycling centre where unwanted goods could be recycled or re-used. This is a great success, with a whole range of office furniture being recycled to new homes relatively easily in other parts of the business.

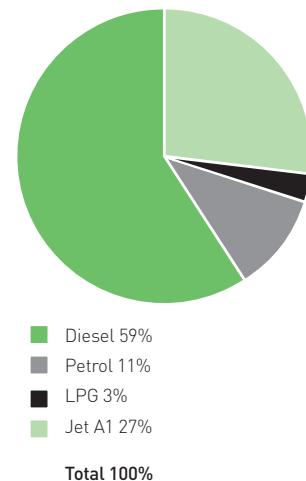
How we work with other stakeholders, is also important.

This year we began revising some of our procurement contracts to promote our view of a responsible supply chain and our expectations of suppliers. Increasingly we choose to partner with suppliers who operate within a similar ethical framework and provide cost-effective, environmentally and socially responsible products and services. Guidelines included in our new contracts outline our expectations of the suppliers we partner with and include work such as the management of uniform manufacturing undertaken on our behalf through to facilities management.

We continued to promote the use of video-conferencing instead of travel, and have seen steady increases in usage. While the cost of travel, including lost productivity time is a key driver, managers are recognising the environmental benefits of video-conferencing.

Transportation is another important area where we are trying to make a difference. While our Posties mostly walk or cycle on their rounds, trucks are also essential to the distribution of goods and services throughout New Zealand, and the world. Our challenge, and one we have embraced, is to ensure that our transportation networks operate as efficiently as possible. This means a great deal of planning to ensure the units that move goods around the country are fuel-efficient and are maintained to the highest standards to keep our people safe and meet our customer expectations.

### TRANSPORT EMISSION SOURCES



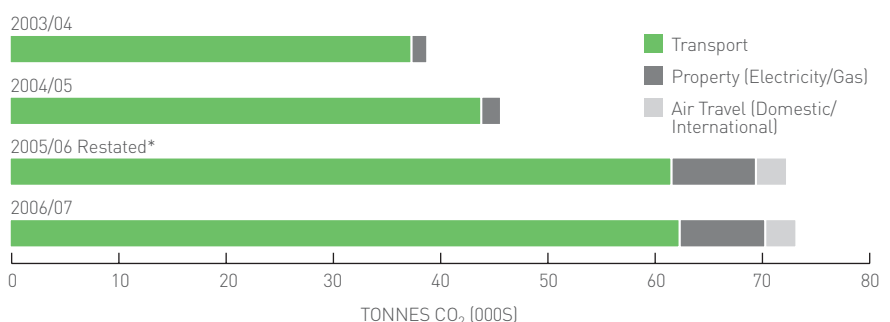
Nevertheless, our greatest environmental impact is CO<sub>2</sub> emissions from vehicles as we deliver more than one billion mail and courier items each year.

New Zealand Post measures emissions based on direct emissions from the burning of fossil fuels in transport networks, indirect emissions from purchased electricity and gas, and domestic and international air travel. Our footprint is reported in tonnes of CO<sub>2</sub> emitted (from consumption). The totals include emissions from our courier business, but exclude other associate and Australian companies.

In order to gain deeper understanding of our impact, we have, this year, improved our measurement of CO<sub>2</sub> emitted.



### ABSOLUTE CARBON DIOXIDE (CO<sub>2</sub>) EMISSIONS



\* Restated to include CO<sub>2</sub> sources not measured in 2005/06.



# The New Zealand Post Group's employee engagement result was 3.84 out of 5, up from 3.70 in 2006 and exceeded the target of 3.81 we had set for ourselves this year.

## GROWING OUR PEOPLE

Thousands of people work with us in some way. Regardless of the day, the hour or the location, Post Group people can be found working to meet our commitment to the people of New Zealand. And as one of New Zealand's largest employers, we are committed to our people and work with them to make the New Zealand Post Group a great place to work.

We have measured our people engagement using the Gallup Q12 methodology since 2005. This year the New Zealand Post Group's employee engagement result was 3.84 out of 5, up from 3.70 in 2006, exceeding the target of 3.81 we set for ourselves this year. This increase shows that even though the year has proved challenging in many areas across the Group, our people engagement has increased and this offers positive reinforcement that we are focusing on the right areas.

Our aim is to reach a Group engagement score that will put us in the top 25% of companies worldwide by 2009. Already we have significant numbers of people working with engagement scores in that quartile, including our Retail group. With over 1,200 employees spread over hundreds of PostShops throughout the country, the Retail teams achieved an impressive cumulated score of 4.11.

## GETTING THE BALANCE RIGHT

We are an employer member of the Equal Employment Opportunity Trust (EEOT), and have made a commitment to quality

employment practices in order to achieve the business benefits of a versatile workplace. This year we worked with the EEOT to understand better why fewer women than men seek senior management positions across the Post Group. Because there was little relevant information available, we decided to take the lead and have worked with the EEOT to establish research across organisations, including our own, so we can benchmark practices across the country.

In April the New Zealand Post Group invited all female team leaders and managers to participate in a survey to identify barriers to career advancement. While detailed analysis is underway, early findings show survey participants agreed that encouragement, support and behaviour of other leaders were significant factors impacting a woman's decision to pursue leadership roles. While just over 80% said they wanted to become, or continue to be, a leader within the Post Group, 61% believed the organisation currently does enough to support and encourage those who want to become a leader or develop as one. Further analysis will be needed to determine whether these are Post Group-specific issues or if these results are indicative of more universal problems across the workplace. We will continue working with the EEOT to encourage other organisations to participate and focus on developing proactive programmes to support and encourage talented women in the Post Group – particularly in middle and senior management positions.

More generally, we keep track of the employment markets to make sure what we pay is in line with other companies. We are committed to paying employees fairly for their contribution to our business. Most employees have the opportunity to financially share in the success of the company based on their contribution to the business. We support collective bargaining, and work closely with unions to make sure we take a balanced approach to changes in our business.

## GROWING PEOPLE CAPABILITY

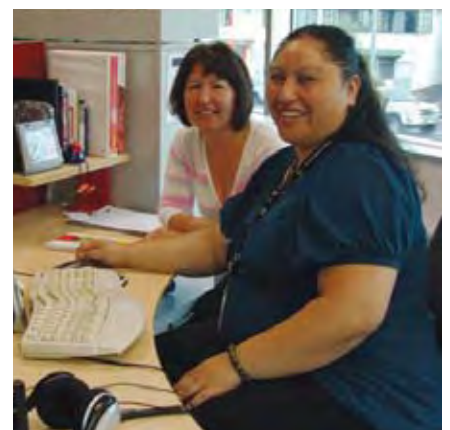
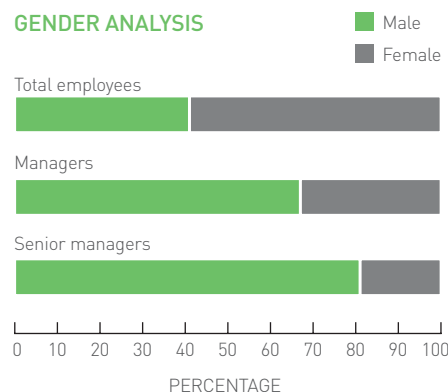
We will continue investing significantly in our people as the vital ingredient for future success. Team leaders and managers continued to be a focus again this year, in recognition of the crucial part they play in leading change and supporting our people to perform to their best. For example Retail began a robust Customer First Leadership Training programme with more than 100 managers from both corporate and franchise stores completing the course this year.

Employee recruitment and retention is another key area of focus. Our in-house Recruitment Centre continues to deliver high quality candidates, reducing the time and cost to fill vacancies for the Group.

Recognising that we must attract and retain new residents to New Zealand to be viable in the future, our recruitment team is working with other large employers and community representatives to understand issues and opportunities we need to address so we can continue to recruit effectively in the future.



## GENDER ANALYSIS





## The new Waikato Mail Centre, designed using sustainable principles, was officially opened in June and is the first of the three such centres planned.

### MANAGING CHANGE POSITIVELY

Our focus on transforming our mail processing network means significant change across our businesses. This particular programme is hallmarked by an intensive engagement process with people from across the business actively involved in designing new sorting processes, new mail centres and new roles. While change can be challenging for many people, the change programme continues to be rated highly by frontline employees as a model for change in our business, and continues to receive positive feedback from the Engineering, Printing and Manufacturing Union (EPMU) which was also actively involved in the process.

### KEEPING SAFE AND WELL

Part of our commitment to the people of the New Zealand Post Group is to work with them to ensure that everyone who comes to our workplaces goes home safely. This is a priority across the Group but is a particular challenge in the postal delivery business. This year we placed an increased emphasis on engaging the public to help keep Posties safe, whether it's from cars backing out of driveways, dangerous dogs or spring-loaded flaps on letterboxes. This effort, supported by more safety briefings and proactive changes has led to a 46% reduction in Lost Time Injuries for delivery.

Express Couriers has also been working hard to reduce its injury rate. Among new initiatives introduced was a Move@Work programme designed to reduce the number

of injuries caused through manual handling. As a result of the increased focus, Express Couriers was able to reduce its Lost Time Injuries by over 36% compared to last year.

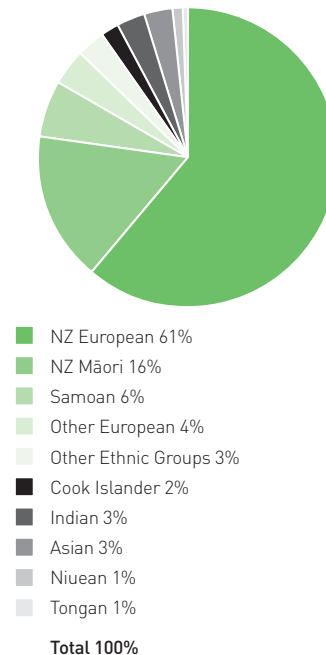
Each year the New Zealand Post Group collectively confirms to Accident Compensation Corporation (ACC) that we achieve a certain standard of safety, claims and rehabilitation management. This enables us to retain our accredited employer status which allows the Group to fund and manage directly work-related injuries to a level equal to or greater than ACC might provide. This means the Post Group can use its ACC levies for the direct benefit of employees and support improving injury management practices in the workplace.

Other employee wellbeing programmes such as our Employee Assistance Programme supports home and work-related issues. In addition, subsidised and discounted health insurance, access to drug and alcohol programmes, and annual flu vaccinations contribute to supporting employee wellbeing and help foster a safety-conscious culture.

### GROWING OUR SOCIAL RESPONSIBILITY

Across the Group we're deeply involved in supporting our communities through many activities and forms of support. Literacy continues to be our flagship sponsorship activity. We proudly hosted the launch of a DVD, library programme – New Zealand Writers on DVD which was three years in the making.

### EMPLOYEE ETHNICITY



The finished work, 'Tricksters Conjurers Skydancers' was created around children's writing and based on interviews between Kate di Goldi and three of New Zealand's most distinguished and best loved writers for children: Jack Lazenby, Margaret Mahy and Joy Cowley. We were approached about this project in early 2005 by Victoria University's International Institute of Modern Letters. The Ministry of Education committed to developing and distributing an accompanying teaching resource into every secondary school in the country. Our contribution meant 1,000 copies of the DVD could be





produced and a wider reach to schools and libraries could be achieved.

This year we supported the Victoria University's Institute of Modern Letter's programme for year 12 & 13 students through a New Zealand Post National Schools Poetry Award for the first time. Ten talented students will be rewarded with a prize package that includes a one-day poetry masterclass in Wellington with some of New Zealand's leading poets, subscriptions to New Zealand literary journals and organisations, and one short-listed poem will be recorded with music by a premiere New Zealand artist.

Our innovative partnering arrangement with the Auckland Theatre Company (ATC) has enabled artists and audiences to stretch their creative boundaries through a contemporary play season. While New Zealand Post accesses unique hospitality opportunities, this sponsorship also allows the ATC to access new audiences and to add further value to an already highly proficient marketing capability. This has been done by incorporating our products and services, such as data profiling, design, print, email and courier services into the mix. Both ATC and Post have been delighted with the results especially given the infancy of the partnership. The initiative was nominated for the NBR 2007 Sponsorship Awards.

While literacy is imperative to support an ambitious New Zealand, our community support still includes other initiatives ranging from filmmaking to sailing.

### IN OUR COMMUNITIES

In June we joined a range of other organisations on a project which is challenging New Zealanders, 20 and under, to make a film through the lens of sustainability. The Outlook for Someday project asks the filmmakers to nominate a New Zealander to watch their film and

take up its challenge. Selected filmmakers will meet and show their films to their nominated viewers in a documentary for Māori Television.

We were proud earlier in the year to take Emirates Team New Zealand's Bring it Home campaign to the nation via our PostShop network. A 114 square metre giant postcard made up of 372 pieces was distributed and signed by over 300,000 New Zealand Post people and customers from all over the country. This postcard was then reconstructed and erected on the outside of the Team's Woolshed HQ in Valencia reminding the Team daily of its home-grown Kiwi support.

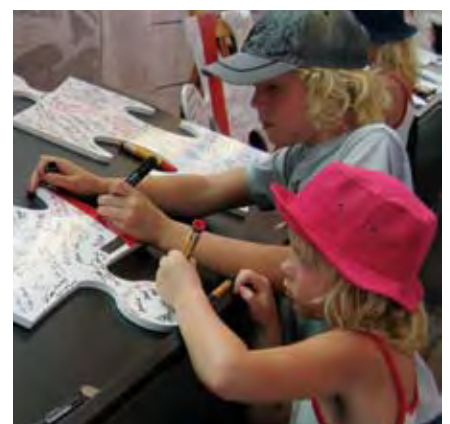
Our ongoing support of foodbanks around the country was supplemented by sponsorship of the Wellington City Mission's annual Young Guns dinner. CourierPost also supported the foodbank appeal this year. Over 70,000 branded brown paper bags were distributed for the public to fill with food items and to drop at their nearest Shell Service Station. CourierPost collected the items throughout May and delivered the donations to the foodbanks. Around 2,100 pick-ups by CourierPost meant easy collection for the Mission.

Express Couriers has supported a number of KidsCan charitable trust initiatives this year, including their Food for kids programme. They have also partnered with Diabetes New Zealand this year. In addition to providing financial support, Express Couriers have been promoting diabetes awareness and the importance of a healthy lifestyle to its customers and staff.

Community Post sponsorship helps non-profit groups stay in touch through mail with their communities of interest. During the year more than 4,200 community groups shared one million postage-included envelopes.

Our Stamps promote a range of Kiwi initiatives and during the year we have promoted the 50th anniversary of Scott Base in Anstruther.

There are many other initiatives undertaken around New Zealand by Post Group people in their local communities. Palmerston North Postie, Colin Anderson, for example, cycled 2,200 km from Cape Reinga to Bluff in record time to raise awareness and funds for Heart Children NZ; a team from the Datamail Group have raised \$22,000 for the Cancer Society's Relay for Life in Wellington, and Post Group people joined the Variety Bash around the South Island and Far North this year, collecting thousands of dollars, distributing grants, and visiting schools along the way.







## BOOKS IN HOMES

A cornerstone of our work to promote literacy is our focus on getting children excited about reading.

Our support for the New Zealand Post Children and Young Adults' Book Awards is 11 years old. So too were some of the nearly 30 thousand young people who voted the book *Kiss, Kiss, Yuck, Yuck* as the children's choice award at this year's celebrations. Marcia Stenson won both the New Zealand Post Book of the Year, and the Non-Fiction section for her work *Illustrated History of the South Pacific* published by Random House.

In addition to our work with the Children and Young Adults' Book Awards, each year New Zealand Post Group people also visit local schools to present the New Zealand Post Great Effort in Reading and Writing Awards to children through the Books in Homes

Programme. Organised by the Alan Duff Charitable Foundation, the Books in Homes Programme has grown rapidly with over 460 schools currently participating.

This year over 1,437 books were given by the New Zealand Post Group to children in a number of New Zealand schools for them to keep. The books are selected by the children themselves and are theirs to take home and keep. Each book has a sticky label which has the child's name on it as well as the name of the school and sponsor who have given the book.

As part of Books in Homes, we also arranged for a New Zealand Post staff member visit to a remote Great Barrier Island school to promote reading. We also supported the Auckland pilot of Books in Homes in Early Childhood Centres with 47 Auckland kindergartens provided three books each.



IN OUR COMMUNITY – NUMBERS OF NOTE

2,100

pickups CourierPost made of food donations to the Wellington City Mission in May

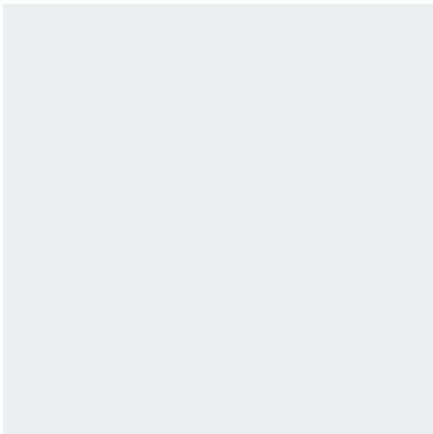
4,200 community groups supported by Community Post and 1,000,000 postage paid envelopes distributed

30,000

children voted the children’s choice award at this year’s New Zealand Post Children and Young Adults’ Book Awards

1,437

books handed out as part of the New Zealand Post Great Effort in Reading and Writing Awards as part of the Books in Homes programme



\$22,000

raised by Datamail staff at this year’s Cancer Society’s Relay for Life in Wellington





# FINANCIAL COMMENTARY

Our after tax profit of \$70.2m was a small increase on the previous year's financial result of \$68.7m. Operating performance improvements across the businesses during the year were partly offset by the impact of the stronger New Zealand dollar and higher interest costs paid by the Group.

The overall result enables us to return a total dividend to our shareholders of \$30.8m, up on last year (2005/06 \$27.7m). In addition, the New Zealand Post Group paid \$29.3m in taxes.

Kiwibank's profit after tax of \$25.5m was an increase of 61% on the previous year's result of \$15.8m. This growth in profit after tax reflects the successful launch of new products and continued growth in customer numbers, home loans and deposits – particularly following the acquisition of SuperBank's retail deposits. Home loan margins and account fee revenue remained tight in a highly competitive market.

Postal Services Group results were consistent with last year. Packets and Parcels grew by 12% from continuing growth in mail order businesses and internet fulfilment. International mail business results were ahead of last year despite being impacted by the appreciating New Zealand dollar. International revenues were up 14% on last year.

The Domestic Postal business performed slightly below expectations, faced with a 2.1% decline in addressed letter volumes, a tight labour market and wage pressures, and costs associated with the consolidation and implementation of new mail sorting premises,

processes and technology across the country.

The Datamail Group performed at a similar level to the previous year. This was below our targeted level of performance due to delays in achieving cost savings following the Moore Gallagher mailhouse business acquisition, investments in new technology to support our print and mail business plus slower than expected growth in new business opportunities.

Joint venture and associate companies (Express Couriers and Datacom) performed above expectations and both delivered strong growth at both revenue and earnings lines.

We continued to invest in our Australian express and transport businesses. This investment is expected to deliver growing and quality earnings over the three to five year time horizon.

Operating revenue totalled \$1,222m compared to \$1,114m last year. Revenue growth was driven by Kiwibank loan, deposit and customer growth; increase in inbound international mail volumes; and growth in Australian courier and parcel volumes.

Operating expenses for the year were \$1,121m compared to \$1,019m last year. Expenditure growth was driven by growth in business acquisitions, increased personnel costs, such as annual wage increases and

new roles within Kiwibank and domestic postal business, and higher transport and delivery charges because of continuing growth in international mail and domestic packet and parcel volumes.

Total assets increased by \$1,762m to \$5,498m reflecting strong growth in banking assets \$1,664m and revaluation of Post Properties \$21m.

New Zealand Post was able to fund growth in Kiwibank, capital expenditure and acquisitions from available cash reserves, increased long-term funding and the repayment of shareholder advances by our Express Courier joint venture.

Standard & Poor's reaffirmed New Zealand Post Group's credit rating at AA- however the outlook was moved from stable to negative to reflect the growth of Kiwibank relative to the overall Group.

Net debt (excluding Kiwibank) improved slightly to \$86m reflecting strong management during an investment phase in Kiwibank, Australia express and transport businesses and Postal Services – domestic mail sorting premises, processes and technology.

During the year New Zealand Post successfully issued \$100m of five year bonds into the capital markets.



# SNAPSHOT OF THE FIGURES

The New Zealand Post Group achieved good progress towards its performance targets included in our annual Statement of Corporate Intent (SCI) to our shareholders. Collectively the SCI targets give an indication of the financial position and performance of the business.

## STATEMENT OF CORPORATE INTENT

FINANCIAL PERFORMANCE RATIOS	ACTUAL	TARGET
Net profit after tax (NPAT) to average shareholders' funds	12.4%	13.9%
Earnings before interest and tax to total tangible assets *	2.0%	2.3%
Earnings before interest and tax to total tangible assets excluding Kiwibank	9.6%	9.2%
Earnings before interest, tax, depreciation and amortisation to turnover	13.1%	14.3%
Earnings before interest, tax, depreciation and amortisation to turnover excluding Kiwibank	10.7%	12.5%
Total shareholders' funds to total assets *	10.8%	10.4%
Total shareholders' funds to total assets excluding Kiwibank	76.6%	57.2%

\*These ratios are affected by the growth of Kiwibank assets.

## FIVE-YEAR TREND STATEMENT CONSOLIDATED SUMMARY OF PERFORMANCE

	2006/07	2005/06	2004/05	2003/04	2002/03
Operating revenue	\$1,222.2m	\$1,114.3m	\$1,208.9m*	\$1,055.4m	\$976.9m
Operating expenses	\$1,121.2m	\$1,019.2m	\$1,044.7m*	\$990.5m	\$922.8m
Operating surplus before tax	\$100.9m	\$95.1m	\$164.2m	\$64.9m	\$54.1m
Net surplus including ECL gain	\$70.2m	\$68.7m	\$137.2m*	\$36.5m	\$27.1m
Net surplus excluding ECL gain	\$70.2m	\$68.7m	\$58.6m	\$36.5m	\$27.1m
Operating margin before tax	8.3%	8.5%	13.6%	6.2%	5.5%
Earnings per share including ECL gain	36.5c	35.7c	71.4c*	19.0c	14.1c
Earning per share excluding ECL gain	36.5c	35.7c	30.5c	19.0c	14.1c
Total assets	\$5,497.9m	\$3,735.5m	\$2,506.1m	\$1,875.2m	\$1,391.5m
Average shareholders' funds	\$564.9m	\$508.7m	\$416.9m	\$335.3m	\$312.1m
Return on average shareholders' funds after tax	12.4%	13.5%	32.9%	10.9%	8.7%
Net asset backing per share	\$3.10	\$2.78	\$2.51	\$1.82	\$1.67
Shareholders' funds to total assets	10.8%	14.3%	19.3%	18.7%	23.0%
Interim dividend per share	10.6c	8.7c	10.0c	6.8c	6.1c
Final dividend per share	5.5c	5.7c	16.1c	4.6c	2.3c
Economic Value Added (EVA™)	\$28.1m	\$25.4m	\$19.7m	\$10.3m	\$2.7m

\* Includes gain on partial divestment of Express Couriers Limited (ECL) and effects of change in accounting treatment.



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# NEW ZEALAND POST LIMITED AND SUBSIDIARIES

## STATEMENTS OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2007

	NOTE	GROUP		PARENT	
		2007	2006	2007	2006
		\$'000	\$'000	\$'000	\$'000
Operating revenue	1	1,222,165	1,114,297	773,811	752,333
Operating expenses	2	1,121,239	1,019,224	723,330	689,204
<b>Operating surplus before income tax</b>		<b>100,926</b>	<b>95,073</b>	<b>50,481</b>	<b>63,129</b>
Income tax	3	(29,300)	(26,284)	(15,220)	(17,433)
<b>Operating surplus after income tax</b>		<b>71,626</b>	<b>68,789</b>	<b>35,261</b>	<b>45,696</b>
Net surplus attributable to minority interests	4	(1,412)	(133)	-	-
<b>Net surplus attributable to parent shareholders</b>		<b>70,214</b>	<b>68,656</b>	<b>35,261</b>	<b>45,696</b>

# NEW ZEALAND POST LIMITED AND SUBSIDIARIES

## STATEMENTS OF MOVEMENTS IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2007

	NOTE	GROUP		PARENT	
		2007	2006	2007	2006
		\$'000	\$'000	\$'000	\$'000
<b>Equity at the beginning of the year</b>		<b>534,092</b>	<b>483,379</b>	<b>608,843</b>	<b>581,666</b>
Net surplus attributable to parent shareholders	4	70,214	68,656	35,261	45,696
Net surplus attributable to minority interests	4	1,412	133	-	-
Asset revaluation	4	21,957	29,027	21,957	29,027
Foreign currency translation reserve movement	4	316	712	-	-
Gain on amalgamation of subsidiaries	12	-	-	8,504	-
<b>Total recognised revenues and expenses</b>		<b>93,899</b>	<b>98,528</b>	<b>65,722</b>	<b>74,723</b>
Dividends paid to shareholders	4	(31,295)	(47,546)	(31,295)	(47,546)
Dividends paid to minority shareholders	4	(1,499)	(299)	-	-
Other minority interest movements	4	569	30	-	-
<b>Movements in equity for the year</b>		<b>61,674</b>	<b>50,713</b>	<b>34,427</b>	<b>27,177</b>
<b>Equity at the end of the year</b>	4	<b>595,766</b>	<b>534,092</b>	<b>643,270</b>	<b>608,843</b>



# NEW ZEALAND POST LIMITED AND SUBSIDIARIES

## STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2007

	NOTE	GROUP		PARENT	
		2007	2006	2007	2006
		\$'000	\$'000	\$'000	\$'000
Equity	4	595,766	534,092	643,270	608,843
Current liabilities	5	249,510	271,171	187,894	222,639
Kiwibank banking liabilities	6	4,397,809	2,851,108	-	-
Non-current liabilities					
Personnel liabilities		3,619	4,213	3,473	3,998
Term liabilities	7	251,173	74,947	174,930	74,947
<b>Total equity and liabilities</b>		<b>5,497,877</b>	<b>3,735,531</b>	<b>1,009,567</b>	<b>910,427</b>
Current assets	8	300,083	209,581	230,921	174,805
Kiwibank banking assets	9	4,703,017	3,038,820	-	-
Non-current assets					
Term property debtor		-	20,158	-	20,158
Deferred tax asset	3	6,789	11,050	6,467	10,009
Investment properties	10	15,278	13,628	15,278	13,628
Property, plant and equipment	11	412,845	364,121	354,759	320,022
Subsidiary and associate companies	12, 13	22,223	43,980	402,088	371,726
Intangible assets	14	37,642	34,193	54	79
<b>Total assets</b>		<b>5,497,877</b>	<b>3,735,531</b>	<b>1,009,567</b>	<b>910,427</b>

The Board of Directors of New Zealand Post Limited authorised these financial statements for issue on 23 August 2007.



RT HON J B BOLGER  
CHAIRMAN 23 AUGUST 2007



J H OGDEN  
DIRECTOR 23 AUGUST 2007



# NEW ZEALAND POST LIMITED AND SUBSIDIARIES

## STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2007

	NOTE	GROUP		PARENT	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>OPERATING ACTIVITIES</b>					
<i>Cash was provided from:</i>					
Receipts from customers		1,104,244	1,009,389	758,885	715,419
Kiwibank interest received		309,887	185,053	-	-
Other interest received		5,552	4,409	6,755	10,003
Dividends received		3,805	3,189	3,804	3,189
		1,423,488	1,202,040	769,444	728,611
<i>Cash was applied to:</i>					
Payments to suppliers and employees		(1,003,441)	(913,236)	(617,743)	(605,836)
Subvention payments		-	-	-	(579)
Net payments to agencies		(23,205)	(29,072)	(23,205)	(29,072)
Kiwibank interest paid		(225,111)	(125,613)	-	-
Other interest paid		(11,763)	(10,124)	(10,945)	(10,189)
Income tax paid		(28,189)	(29,683)	(26,487)	(27,500)
		(1,291,709)	(1,107,728)	(678,380)	(673,176)
<b>Net cash inflows from operating activities</b>	16	131,779	94,312	91,064	55,435
<b>INVESTING ACTIVITIES</b>					
<i>Cash was provided from:</i>					
Sale of property, plant and equipment		5,902	9,717	5,235	9,668
Sale of investments		6,186	12,900	1,350	900
Repayment of loans from subsidiaries and associates	13	40,000	-	65,000	10,000
		52,088	22,617	71,585	20,568
<i>Cash was applied to:</i>					
Purchase of property, plant and equipment		(81,931)	(77,844)	(49,559)	(60,817)
Kiwibank – lending to customers		(1,021,947)	(1,037,558)	-	-
Kiwibank – net purchase of investment securities		(398,778)	(138,245)	-	-
Advances to subsidiaries and associates		-	-	(10,304)	(12,035)
Investments in associates and other companies	12	(6,240)	(7,779)	(6,240)	(1,779)
Investments in subsidiaries	12,13	(9,334)	(4,243)	(55,000)	(35,000)
		(1,518,230)	(1,265,669)	(121,103)	(109,631)
<b>Net cash outflows from investing activities</b>		(1,466,142)	(1,243,052)	(49,518)	(89,063)
<b>FINANCING ACTIVITIES</b>					
<i>Cash was provided from:</i>					
Kiwibank – deposits, debt securities, and due to other banks		1,535,366	1,151,166	-	-
Issue of bonds		175,000	-	100,000	-
Issue of commercial paper (net)		-	14,727	-	14,727
		1,710,366	1,165,893	100,000	14,727
<i>Cash was applied to:</i>					
Dividends paid to shareholders	4	(32,794)	(47,845)	(31,295)	(47,546)
Repayment of bonds		(50,000)	-	(50,000)	-
Repayment of commercial paper (net)		(16,972)	-	(16,972)	-
		(99,766)	(47,845)	(98,267)	(47,546)
<b>Net cash inflows/(outflows) from financing activities</b>		1,610,600	1,118,048	1,733	(32,819)
<b>Net increase/(decrease) in cash held</b>		276,237	(30,692)	43,279	(66,447)
Cash balances acquired	12	480	-	-	-
Cash at the beginning of the year		101,513	132,205	22,975	89,422
<b>Cash at the end of the year</b>		378,230	101,513	66,254	22,975
<b>COMPOSITION OF CASH</b>					
Kiwibank cash and bank balances	9	289,490	50,116	-	-
Other cash and bank balances	8	49,303	39,656	36,307	21,200
Short term deposits	8	39,437	11,741	29,947	1,775
<b>Total cash and short term deposits</b>		378,230	101,513	66,254	22,975



# NEW ZEALAND POST LIMITED AND SUBSIDIARIES

## STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2007

### REPORTING ENTITY

New Zealand Post Limited is a company registered under the Companies Act 1993.

The financial statements for the 'Parent' are for New Zealand Post Limited as a separate legal entity.

The consolidated financial statements for the 'Group' comprises New Zealand Post Limited, its subsidiaries (including Kiwibank Limited, a Registered Bank – referred to as 'Kiwibank'), and its associates.

The financial statements have been prepared in accordance with the Companies Act 1993, the Financial Reporting Act 1993, and the State-Owned Enterprises Act 1986.

### MEASUREMENT BASE

The general accounting policies recognised as appropriate for the measurement and reporting of results, cash flows and the financial position under the historical cost method, as modified by the revaluation of certain assets as identified in the specific accounting policies below, have been followed in the preparation of these financial statements.

### GROUP SPECIFIC ACCOUNTING POLICIES

The following accounting policies, which materially affect the measurement of financial performance, financial position and cash flows have been consistently applied, unless otherwise disclosed:

#### *Group Financial Statements:*

The Group financial statements consolidate the financial statements of the Parent and its subsidiaries, using the purchase method, and include the results of its associates using the equity method.

Subsidiaries are entities that are controlled, either directly or indirectly, by the Parent.

Associates are entities in which the Parent, either directly or indirectly, has a significant but not controlling interest.

All material transactions between subsidiaries or between the Parent and its subsidiaries are eliminated on consolidation.

The results of subsidiaries or associates acquired or disposed of during the year are included in the consolidated statement of financial performance from the date of acquisition or up to the date of disposal.

#### *Revenue Recognition:*

Revenue shown in the statement of financial performance comprises the amounts received and receivable by the Group for services supplied to customers.

Dividend income is accounted for when received or when a dividend has been declared by a subsidiary company. Interest and rental income is accounted for as earned.

#### *Prepaid Product Revenue:*

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

#### *Consulting Contracts:*

Surpluses on long term consulting contracts are recognised when they can be estimated reliably based on contract activity and in accordance with the contracts. Recognition of a surplus in any given period is made in accordance with contract activity after allowing for any estimated contractual liabilities attributable to the contract. The full amount of an anticipated loss, including that relating to future work on the contract, is recognised as it is foreseen.

#### *Research and Development:*

Research expenditure is recognised in the statement of financial performance in the period that it is incurred. Development costs are deferred where future benefits are expected to exceed those costs, otherwise such costs are recognised in the statement of financial performance in the period that they are incurred.

Deferred development costs are amortised over future periods (not exceeding three years) in relation to expected future revenue in each period. Unamortised costs are reviewed at each balance date to determine the amount (if any) that is no longer recoverable and any amount so identified is written off.

#### *Foreign Currencies:*

Transactions in foreign currencies are converted at the New Zealand rate of exchange ruling at the date of the transaction. Short-term transactions covered by foreign currency forward exchange contracts are measured and reported at the forward rates specified in those contracts. At balance date foreign monetary assets and liabilities are translated at the closing rate, and exchange variations arising from these translations are recognised in the statement of financial performance.



# NEW ZEALAND POST LIMITED AND SUBSIDIARIES

## STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2007

The assets and liabilities of independent foreign operations are translated at the closing rate. Revenue and expense items are translated at the spot rate at the transaction date or a rate approximating that rate. Exchange differences arising from the translation of independent foreign operations are recognised in the foreign currency translation reserve together with unrealised gains and losses on foreign currency monetary liabilities that are identified as hedges against these operations.

### *Financial Instruments:*

Members of the Group are party to financial instruments with off-balance sheet risk to meet financing needs and to reduce exposure to fluctuations in foreign currency exchange rates. These financial instruments include swaps, options, forward rate agreements and foreign currency forward exchange contracts.

### *Derivative Financial Instruments Held or Issued for Trading Purposes:*

Trading derivatives include swaps, futures, forwards, options and other contingent or exchange traded contracts in the interest rate and foreign exchange markets.

Foreign exchange and interest rate forwards, futures, options and forward purchases and sale of securities entered into for trading purposes are valued at prevailing market rates. Interest rate and currency swap agreements entered into for trading purposes are valued at their net present value after allowance for future costs and risk exposure. Both realised and unrealised gains and losses on such contracts are included in the statement of financial performance.

### *Derivative Financial Instruments Held or Issued for Purposes Other Than Trading:*

The principal objective of using derivative financial instruments for purposes other than trading is to reduce exposure to fluctuations in foreign currency exchange rates and to maximise the level of net interest income, while maintaining acceptable levels of interest rate and liquidity risk, and to facilitate the funding needs of the Group. To achieve this objective, a combination of derivatives including swaps, futures, forwards, options and other contingent or exchange traded contracts in the interest rate and foreign exchange markets may be used.

Hedging derivatives must be effective at reducing the risk associated with the exposure being hedged and must be designated as a hedge at the inception of the contract. Accordingly, changes in the fair value of the hedging derivative must be closely correlated with changes in the fair value of the underlying exposure at inception of the hedge and over the term of the hedged exposure.

Hedging derivatives are accounted for in a manner consistent with the accounting treatment of hedged items, either mark to market or accrual as appropriate.

The net income or expense on derivatives used to manage interest rate exposures is recorded in net interest revenue income on an accruals basis as an adjustment to the yield of the related interest rate exposures over the periods covered by the contracts. If a derivative that is used to manage an interest rate exposure is terminated early, any resulting gain or loss is deferred within other assets or other liabilities and amortised to net interest income over the remaining period originally covered by the terminated contract. If the underlying interest rate exposure position ceases to exist, any deferred gain or loss is recognised immediately in the statement of financial performance.

Gains or losses on derivatives used to hedge exposures arising from anticipated future transactions are deferred within other assets or other liabilities until such time as the accounting impact of the anticipated transaction is recognised in the financial statements. Such gains or losses only qualify for deferral where there is a high probability of the future transaction materialising. If it becomes apparent that the future transaction will not materialise, any deferred gain or loss is recognised immediately in the statement of financial performance.

Interest receivables and payables for interest rate swaps with the same counterparty are reported on a net basis as are other assets or other liabilities where a legal right of set-off exists.

Margin deposits for exchange-traded derivatives are reported as cash and liquid assets.

### *Goods and Services Tax (GST):*

The statement of financial performance and the statement of cash flows have been prepared so that all components are stated exclusive of GST, except where GST is not recoverable. All items in the statement of financial position are stated net of GST with the exception of receivables and payables which include GST invoiced.

### *Taxation:*

The income tax expense charged to the statement of financial performance includes both the current year's provision and the income tax effect of timing differences, calculated using the liability method. Tax effect accounting is applied on a comprehensive basis to all timing differences. A debit balance in the deferred tax account, arising from timing differences or income tax benefits from income tax losses, is only recognised if there is virtual certainty of realisation.



# NEW ZEALAND POST LIMITED AND SUBSIDIARIES

## STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2007

### *Property, Plant and Equipment:*

Property, plant and equipment other than land and buildings are recorded at cost less accumulated depreciation.

The cost of purchased property, plant and equipment is the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended use. The cost of software assets includes the cost of all materials used in construction, direct labour on the project, and an appropriate proportion of variable and fixed overheads. Costs cease to be capitalised as soon as the asset is ready for productive use.

Land and buildings are stated at a value as determined annually by an independent valuer, based on the property's highest and best use. Any revaluation surplus arising on the revaluation of land and buildings is transferred directly to the asset revaluation reserves. A revaluation deficit in excess of the asset revaluation reserve balances for land and buildings is recognised in the statement of financial performance in the period it arises. Revaluation surpluses, to the extent they reverse previous revaluation deficits recognised in the statement of financial performance, are recognised as revenue in the statement of financial performance.

Where a permanent impairment in the value of property, plant and equipment causes the recoverable amount to fall below the net carrying value, the asset is written down to the recoverable amount.

### *Depreciation of Property, Plant and Equipment:*

Depreciation is provided on a straight line basis at rates that will write down the cost or valuation of the assets to their estimated residual values over their estimated useful lives.

The useful lives of the major classes of property, plant and equipment have been estimated as follows:

Buildings .....	25–50 years
Plant and equipment.....	7–10 years
Motor vehicles .....	5–10 years
Computers, office equipment.....	2–5 years
Furniture and fittings .....	10 years
Software .....	3–5 years

### *Properties Intended for Sale:*

Properties intended for sale are recognised at the lower of net book value transferred from property, plant and equipment and net realisable value.

### *Debtors:*

Trade debtors are stated at estimated realisable value after providing against debts where collection is doubtful.

Term property debtors are discounted to the present value of future cash flows receivable.

### *Investments:*

Investments in subsidiaries are stated at the lower of cost or directors' estimate of recoverable value in the statement of financial position of the Parent.

Investments in associate companies are recognised at the lower of cost and directors' estimate of recoverable value.

Investment properties are stated at valuation as determined by an independent valuer annually. The basis of revaluation is market value less the estimated costs of disposal, based on each property's highest and best use. Any surplus or decrease in revaluation is transferred directly to the statement of financial performance.

Investments held for disposal are stated at the lower of cost and net recoverable value.

### *Inventories:*

Inventories are shown at the lower of cost and net realisable value. Cost is determined on a first-in-first-out basis.

### *Leased Assets:*

#### *Finance Leases:*

Assets under finance leases are recognised as non-current assets in the statement of financial position. Leased assets are recognised initially at the lower of the present value of the minimum lease payments or their fair value. A corresponding liability is established and each lease payment allocated between the liability and interest expense. Leased assets are depreciated on the same basis as equivalent property, plant and equipment.

#### *Operating Leases:*

Operating lease payments represent the pattern of benefits derived from the leased assets and accordingly are charged to the statement of financial performance in the periods in which they are incurred.



# NEW ZEALAND POST LIMITED AND SUBSIDIARIES

## STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2007

### *Goodwill:*

Fair values are assigned to the assets and liabilities of subsidiaries and associates at the date they are acquired. The difference between the fair values and the consideration paid for the acquisition is recorded as goodwill. Goodwill is stated at cost and is amortised to the statement of financial performance on a straight line basis over the period during which benefits are expected to be derived. The period of amortisation ranges from 3 to 10 years.

### *Trademarks:*

Trademarks are amortised over their anticipated useful life of 10 years.

### *Impairment:*

Annually, the directors assess the carrying value of each asset. Where the estimated recoverable amount of the asset is less than its carrying amount, the asset is written down. Any impairment loss is recognised in the statement of financial performance.

### *Borrowings:*

Borrowings include all obligations of the Group.

Debt is stated at face value less/plus any unamortised discounts, premiums and prepaid interest which are amortised to interest expense or interest income on a yield to maturity basis over the period of the borrowing. Borrowing costs such as origination, commitment and transaction fees are deferred and amortised to the statement of financial performance over the borrowing period.

### *Employee Entitlements:*

Provision has been made for annual, long service and retirement leave entitlements estimated to be payable to employees on the basis of the net present value of statutory and contractual requirements.

### *Statement of Cash Flows:*

The following are the definitions of the terms used in the statement of cash flows:

- (a) Cash is considered to be cash on hand, current accounts in banks, overnight bank deposits, short term deposits, net of bank overdrafts and inter-bank balances arising from the daily Reserve Bank settlement process.
- (b) Investing activities are those relating to the acquisition, holding and disposal of property, plant and equipment and of investments. Kiwibank lending to customers is also an investing activity. Investments can include securities not falling within the definition of cash.
- (c) Financing activities are those activities which result in changes in the size and composition of the capital structure of the Parent. This includes equity, and debt not falling within the definition of cash. Financing activities also include dividends paid in relation to the capital structure, and Kiwibank customer current and deposit accounts.
- (d) Operating activities include all transactions and other events that are not investing or financing activities.

Net payments to agencies in the statement of cash flows represent the funds received on behalf of agencies offset against payments made to agencies. Gross payments made reflect the activities of the agencies rather than the activities of the Parent.

## KIWIBANK SPECIFIC ACCOUNTING POLICIES

### *Trading Securities:*

Trading securities are public and other debt securities, which are purchased for resale in day-to-day trading operations. Trading securities are recorded at market value and unrealised gains or losses in respect of market value adjustments are recognised immediately in the statement of financial performance.

The market value of trading securities represents the quoted market value of those securities adjusted for any risk, control or liquidity premium.

Trading securities are recorded on a trade date basis.

### *Available for Sale Securities:*

Available for sale securities are public and other debt securities, which are purchased with the intention to be held for an indefinite period of time but not necessarily to maturity. Such securities may be sold in response to various factors including significant changes in interest rates, liquidity requirements and capital considerations.

Available for sale securities are recorded at the lower of aggregate cost or market value. Cost is adjusted for the amortisation of premiums and accretion of discounts to maturity. Unrealised losses in respect of market value adjustments and realised gains and losses on sale of available for sale securities are recognised in the statement of financial performance. The cost of securities sold is calculated on a specific identification basis.

Available for sale securities are recorded on a trade date basis.



# NEW ZEALAND POST LIMITED AND SUBSIDIARIES

## STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2007

### *Investment Securities:*

Investment securities are public and other debt securities, which are purchased with the intent and ability to hold until maturity. Such securities are recorded at original cost adjusted for the amortisation of premiums and accretion of discounts to maturity. Unrealised losses relating to other than temporary diminutions in the value of investment securities are recognised in the statement of financial performance and the recorded values of those securities adjusted accordingly. In those instances where an investment security is sold prior to maturity, profits or losses on sales are taken to the statement of financial performance when realised.

Investment securities are recorded on a trade date basis.

### *Repurchase and Reverse Repurchase Agreements:*

Securities sold under agreements to repurchase are retained within the investment, available for sale or trading portfolios and accounted for accordingly. Liability accounts are used to record the obligation to repurchase. The difference between the sale and repurchase price represents interest expense and is recognised in the statement of financial performance over the term of the repurchase agreement. Securities held under reverse repurchase agreements are recorded as receivables. The difference between the purchase and sale price represents interest income and is recognised in the statement of financial performance over the term of the reverse repurchase agreement.

### *Bad and Doubtful Debts:*

Kiwibank provides for losses inherent in loans, and off balance sheet credit extensions such as letters of credit, guarantees and undrawn commitments to extend credit.

A specific provision is established to cover all identified doubtful debts and is recognised when there is reasonable doubt over the collectability of principal and interest in accordance with the loan agreement. Amounts provided for are determined by specific identification and by estimation of expected losses in relation to loan portfolios where specific identification is impracticable. All bad debts, specifically provided for, are written off against the provision in the period in which loans are classified as irrecoverable.

A general provision for bad and doubtful debts is maintained to cover unidentified possible losses and risks inherent in the loans and advances portfolio.

### *Asset Quality:*

Kiwibank defines impaired assets according to the classifications discussed below.

Non-accrual assets, which consist of:

- i. all loans against which a specific provision has been raised;
- ii. loans which are contractually past due 90 days with security insufficient to cover principal and arrears of interest;
- iii. restructured loans where the interest rate charged is lower than Kiwibank's average cost of funds;
- iv. loans not included above that are maintained on a cash basis because of a significant deterioration in the financial performance or position of the borrower; and
- v. impaired off-balance sheet credit exposures where current circumstances indicate that losses may be incurred.

Restructured assets are those assets on which the original contractual terms have been concessionally modified due to the financial difficulties of borrowers, and on which interest continues to be accrued at a rate which is equal to or greater than Kiwibank's average cost of funds at the date of restructuring.

Other assets acquired through security enforcement are those assets (primarily real estate) acquired through actual foreclosure or in full or partial satisfaction of a debt.

Income on non-accrual assets is recognised when the underlying principal is expected to be fully recovered.

A past due asset is any loan which has not been operated by the borrower within its key terms for at least 90 days and which is not an impaired asset.

Although not classified as impaired assets or past due assets, assets in which the counter-party is in receivership, liquidation, bankruptcy, statutory management or any form of administration are reported separately. These are classified as "other assets under administration".

### *Income Recognition on Non-accrual Loans:*

When a loan is classified as non-accrual, income ceases to be recognised in the statement of financial performance on an accruals basis as reasonable doubt exists as to the collectability of interest and principal. Interest charged on non-accrual loans in the current reporting period is reversed against income.

Cash receipts on non-accrual loans, which are not contractually past due are recognised in the statement of financial performance as interest income to the extent that the cash receipt represents unaccrued interest.

Cash receipts on non-accrual loans, which are contractually past due, are applied against the carrying value of the loan if the receipt relates to proceeds from the sale of security or scheduled principal repayments. All other cash receipts in relation to non-accrual loans are recognised as interest income to the extent that the cash receipts represent accrued interest.



# NEW ZEALAND POST LIMITED AND SUBSIDIARIES

## STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2007

### *Recognition of Interest Revenue and Expenses:*

Interest revenue and expenses are recognised on an accrual basis. Interest is accrued on loans and deposits according to the yield associated with the outstanding principal.

### *Recognition of Loan Related Fees and Costs:*

Loan origination fees, if material, are recognised as income over the life of the loan as an adjustment of yield. Commitment fees are deferred, and if the commitment is exercised, recognised in income over the life of the loan as an adjustment of yield or, if unexercised, recognised in income upon expiration of the commitment. Where commitment fees are retrospectively determined and nominal in relation to market interest rates on related loans, commitment fees are recognised in income when charged. Where the likelihood of exercise of the commitment is remote, commitment fees are recognised in income over the commitment period. If material, loan related administration and service fees are recognised in income over the period of service.

Direct loan origination costs, if material, are netted against loan origination fees and the net amount recognised in income over the life of the loan as an adjustment of yield. All other loan related costs are expensed as incurred.

Customer lending incentives provided in the form of subsidised third party legal services are deferred and amortised to the statement of financial performance over the early redemption period of the associated loan.

Commission revenue earned for originating mortgage lending and risk products is recognised on an accrual basis. Revenue recognised is net of provision for commissions that may be required to be refunded.

### *Kiwibank Loans and Advances:*

Loans and advances comprise all finance provided to banking customers such as bank overdrafts and term loans. Income on these advances is accounted for on an accrual basis.

### *Kiwibank Deposits:*

Deposits cover all forms of funding from New Zealand customers including transactional and savings accounts and term deposits. Deposits are stated at their principal balance.

## COMPARATIVE FIGURES

Some comparative figures have been reclassified to reflect current year disclosure.

## CHANGES IN ACCOUNTING POLICIES

There have been no material changes in accounting policies. All other policies have been applied on a basis consistent with the prior year.

## ADOPTION OF NEW ZEALAND EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

In December 2002 the New Zealand Accounting Standards Review Board (ASRB) announced that all New Zealand reporting entities will be required to comply with International Financial Reporting Standards (IFRS) for periods commencing on or after 1 January 2007, with the option to comply early for periods beginning on or after 1 January 2005.

The Group will adopt New Zealand equivalents to IFRS (NZ IFRS) for the year ending 30 June 2008. In adopting NZ IFRS it is the Group's intention to be in compliance with IFRS.

Upon first time adoption of NZ IFRS, comparative information will be restated in the NZ IFRS compliant financial statements. Details of the impact of the adoption to comparative information will be set out in those financial statements.

The Board has established a conversion project, monitored by a steering committee, to achieve transition to NZ IFRS reporting. The project involves assessing the impacts of NZ IFRS to the Group, then designing and implementing changes required to current accounting policies and procedures, as well as systems and processes, in order to successfully transition to NZ IFRS. The project is currently in the implementation stage, with changes to the opening NZ IFRS balance sheet at 1 July 2006 having been identified and quantified.

The following areas requiring changes in accounting policies have been identified as having a significant impact on the NZ IFRS financial statements of the Group. The impacts discussed are based on the Board's current interpretation of the standards that have been released to date. There is potential for the significance of the impact to change when the Group prepares its first full set of NZ IFRS financial statements due to changes in standards, changes in the business, or changes in the Board's interpretation of the standards. These changes may give rise to material adjustments from those detailed below.

### *1. Investment Property*

Under current Group policy properties are classified as investment properties where less than 20% of the entire property is occupied by the Group. Under NZ IFRS properties are to be split into separately saleable portions to determine classification as investment property based on the Group's intention as to occupation of each portion. The impact of this change to the opening NZ IFRS balance sheet is a reclassification of approximately \$22m of buildings and \$25m of land from property, plant and equipment to investment property. Investment property is not depreciated and is annually revalued to fair value with any gain or loss on revaluation being recognised through the income statement.



# NEW ZEALAND POST LIMITED AND SUBSIDIARIES

## STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2007

### 2. *Derivative Financial Instruments and Hedging*

Under current Group policy derivatives are recorded off-balance sheet on an accrual basis. Under NZ IFRS all derivative financial instruments, whether designated as hedging instruments or otherwise, are to be carried at fair value on the balance sheet. Fair value and cash flow hedging can only be applied when all the hedge accounting criteria are met, including the requirement that the hedge is highly effective. Where a derivative financial instrument does not qualify for hedge accounting, changes in the fair value are to be included in the income statement.

The Group has elected to apply fair value hedge accounting for its interest rate swaps held to hedge the value of the NZ Post Bond Programme. All hedge accounting criteria has been met, and hedge documentation was completed and approved prior to transition date. The impact on the opening NZ IFRS balance sheet is the recognition of a liability for the interest rate swaps of approximately \$1m, and a reduction in the value of the bonds by approximately \$1m to reflect their fair values.

### 3. *Valuation of Financial Instruments*

Financial assets and liabilities are currently accounted for under New Zealand Financial Reporting Standards (NZ FRS). Under NZ IFRS all financial assets are required to be designated into one of the following four categories: Fair Value Through Profit or Loss, Held to Maturity, Loans and Receivables, and Available for Sale, and financial liabilities are required to be designated either at Fair Value Through Profit or Loss or at Amortised Cost.

Kiwibank has elected to adopt Fair Value Through Profit or Loss (FVTPL) for the retail fixed rate loan portfolio, thus avoiding an accounting mismatch with the fair value of derivatives, which have been entered into to offset the interest rate risk on the fixed rate loans. These loans are currently held at amortised cost. The revaluation of the fixed rate loans will give rise to unrealised mark-to-market gains and losses, which will be largely offset by the fair value movement of the derivatives. As a result of this change in accounting policy, at 1 July 2006, it is estimated that Kiwibank will decrease the carrying value of the retail fixed rate loan portfolio by approximately \$20m, off-set partially by a \$9m gain on derivatives. The net unrealised mark-to-market loss of \$11m will result in a corresponding decrease in equity at that date.

Investment securities are currently recorded at amortised cost. Under NZ IFRS investment securities are to be designated as Available for Sale assets and will be recognised at fair value with any unrealised gains or losses being recognised in an Available for Sale reserve. The impact on the opening NZ IFRS balance sheet is the creation of an Available for Sale reserve with accumulated losses of approximately \$1m.

No financial assets will be designated as Held to Maturity assets.

All other loans and receivables will continue to be carried at their amortised cost.

### 4. *Loan Impairment (specific to Kiwibank)*

Provisions are currently raised on loans where losses are expected to be incurred. Loans not found to be individually impaired are collectively assessed for impairment in pools of similar assets with similar risk characteristics. The size of the provision is estimated on the basis of historical loss experience for assets with credit characteristics similar to those in the collective pool. NZ IFRS is expected to reduce the level of provisioning which Kiwibank holds against its credit exposures. Kiwibank will be required to apply an incurred loss approach for provisioning and follow specific rules on the measurement of incurred losses. The changes may result in increased volatility in the income statement.

As Kiwibank will be adopting the FVTPL designation for valuing its fixed rate mortgage portfolio, any impairment provisioning will be included in the carrying value of these mortgages, thus removing the need for a separate provision.

As a result of this change in accounting policy, at 1 July 2006, Kiwibank will reverse the general provision for bad debts, which amounts to \$5m and establish a specific provision for unsecured lending of \$0.3m, with a corresponding net increase in equity.

### 5. *Goodwill*

Under current Group policy goodwill is amortised over its useful life, which has been determined as a period of 3 to 10 years. Under NZ IFRS, goodwill is no longer required to be amortised, and is instead subject to an impairment test (at least annually). There is no adjustment required to the goodwill balance recorded in the opening balance sheet on transition to NZ IFRS. However, goodwill amortisation recorded since 1 July 2006 will be reversed in the first full set of NZ IFRS financial statements.

Goodwill is currently recorded at historic cost. NZ IFRS requires any foreign denominated goodwill to be translated at the balance date rate. The impact on the opening NZ IFRS balance sheet is an increase in goodwill of \$2m, with a corresponding movement in the foreign currency translation reserve.

### 6. *Asset Revaluation Reserve*

Under current Group policy asset revaluation reserves are held for both building and land assets. Revaluation gains and losses are cumulated and accounted for by class of asset. Under NZ IFRS asset revaluation reserves are to be accounted for by individual assets within each class, where only assets with a cumulative revaluation gain are recorded in reserves and assets with a cumulative revaluation loss are recorded in the income statement. The impact on the opening NZ IFRS balance sheet is an increase in the asset revaluation reserves of \$15m, with a corresponding decrease in retained earnings.



# NEW ZEALAND POST LIMITED AND SUBSIDIARIES

## STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2007

### 7. *Employee Entitlements*

Under current Group policy employee benefits are only accrued where the benefit is accumulating and vesting. Under NZ IFRS all accumulating employee benefits are to be recorded regardless of vesting status. For non-vesting accumulating employee benefits an estimation of the benefit expected to be paid out in the future is made. Inclusion of non-vesting personnel benefits has increased provisions. The impact on the opening NZ IFRS balance sheet is an increase in accrued personnel costs of approximately \$2m.

### 8. *Forward Sale Liabilities*

Under current Group policy options are only recorded when exercised. Under NZ IFRS all financial instruments, including options, are to be recognised on the balance sheet at fair value.

The Group has an option to purchase the 25% minority shareholding in Outsource Australia Pty Ltd. NZ IFRS offers two options for the treatment of such transactions. The Group has elected to derecognise the minority interest previously recorded under NZ FRS and establish a liability for the settlement of the option. The approximate impact on the opening NZ IFRS balance sheet is a reduction of minority interest of \$3m, an increase in goodwill of \$4m, and the creation of a financial liability for \$7m.

Kiwibank has an option to purchase the 49% minority shareholding in The New Zealand Home Loan Company Limited (option granted 1 July 2006, as such does not impact the NZ IFRS opening balance sheet). Kiwibank has elected to derecognise the minority interest recorded under NZ FRS and establish a liability for the settlement of the option. Kiwibank will also allocate the purchase price to identifiable tangible and intangible assets, such as the ongoing trail commissions receivable on existing mortgages and risk products. Any unallocated purchase price will be classified as goodwill. The valuation of the option, allocation of the purchase price and impact on the 30 June 2007 financial statements is currently being quantified.

### 9. *Intangible Software Assets*

Under current Group policy software assets are classified as property, plant and equipment. Under NZ IFRS software assets, that are separable from hardware, are to be disclosed as intangible assets. The impact of this change to the opening NZ IFRS balance sheet is a reclassification of \$38m from property, plant and equipment to intangible assets. Software assets will continue to be depleted over their useful lives with the charge being recorded as amortisation in the income statement.

### 10. *Deferred Taxation*

Under current Group policy deferred taxation is recognised on a comprehensive basis on all timing differences. Under NZ IFRS deferred taxation is recognised on all temporary differences. All timing differences are temporary differences, but not all temporary differences are timing differences. In addition to the change in how deferred tax is calculated, the effect of the above changes also impacts the deferred taxation balance. The impact on the opening NZ IFRS balance sheet is a \$2m decrease in the deferred tax asset balance.

### 11. *Jointly Controlled Entities*

Under current Group policy the Group's investments in Express Couriers Limited (ECL) and AirPost Limited (AirPost) are treated as investments in associates and are accounted for using the equity method. Under NZ IFRS ECL and AirPost are to be treated as investments in jointly controlled entities. The accounting treatment for these investments will remain the same, with equity accounting being applied.

### 12. *Financial Guarantees*

Financial guarantee contracts entered into by the Parent to guarantee the indebtedness of subsidiary or associate entities have been classified as insurance contracts on transition to NZ IFRS, and will be accounted for as such contracts in the NZ IFRS compliant financial statements. In this respect, the Parent treats the guarantee contract as a contingent liability until such time as it becomes probable that it will be required to make a payment under the guarantee. This is consistent with the Group's current policy.

All the financial information in these financial statements has been prepared in accordance with current New Zealand generally accepted accounting practice, being New Zealand Financial Reporting Standards (NZ FRS). The accounting policy differences between NZ FRS and NZ IFRS identified above may have a significant effect on the Group's financial position and performance. The areas identified above should not be taken as an exhaustive list of the differences between NZ FRS and NZ IFRS. The quantification of the differences between NZ FRS and NZ IFRS will continue being refined until the first full set of NZ IFRS financial statements are completed. The preliminary impacts identified above may change.



# NEW ZEALAND POST LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

	GROUP		PARENT	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
<b>1 OPERATING REVENUE</b>				
<i>Continuing activities:</i>				
Sales revenue	1,048,707	973,566	757,595	731,072
Net banking interest revenue	76,117	53,595	-	-
Banking and lending fee revenue	71,975	56,824	-	-
Dividends from associates	-	-	3,802	3,187
Other dividends received	2	3	2	3
Other interest revenue	5,543	6,377	7,047	8,956
Share of net surplus of associates (note 12)	15,862	13,539	-	-
Revaluation of investment properties	1,645	1,239	1,645	1,239
Gain on asset sales	361	7,230	297	7,226
Discount unwind on asset sales	1,953	650	1,953	650
Gain on sale of investments	-	1,274	1,470	-
<b>TOTAL OPERATING REVENUE</b>	<b>1,222,165</b>	<b>1,114,297</b>	<b>773,811</b>	<b>752,333</b>
<b>Net Banking Interest Revenue</b>				
Banking interest revenue:				
- Loans and advances	220,990	157,320	-	-
- Government and local authority securities	5,739	5,916	-	-
- Cash and liquid assets	7,225	854	-	-
- Other securities	81,235	24,067	-	-
<i>Total banking interest revenue</i>	<b>315,189</b>	<b>188,157</b>	<b>-</b>	<b>-</b>
Banking interest expense:				
- Deposits by banks	1,622	138	-	-
- Deposits by customers	176,544	90,964	-	-
- Debt securities issued	60,906	43,460	-	-
<i>Total banking interest expense</i>	<b>239,072</b>	<b>134,562</b>	<b>-</b>	<b>-</b>
<b>Net banking interest revenue</b>	<b>76,117</b>	<b>53,595</b>	<b>-</b>	<b>-</b>
<b>2 OPERATING EXPENSES</b>				
<i>Included in operating expenses are the following items:</i>				
Depreciation				
- Buildings	2,984	3,249	2,984	3,249
- Motor vehicles	381	394	354	370
- Other plant and equipment	25,709	23,840	16,917	16,704
- Software	14,916	13,719	8,014	8,404
<i>Total depreciation</i>	<b>43,990</b>	<b>41,202</b>	<b>28,269</b>	<b>28,727</b>
Loss on asset disposal	1,151	783	499	714
Net loss/(gain) on foreign currency transactions	5,432	(3,998)	9,334	(8,815)
Interest expense	13,778	9,649	14,081	9,742
Amortisation and impairment of goodwill (note 14)	7,966	6,816	-	-
Amortisation of other intangibles (note 14)	459	54	107	19
Bad debts written off	1,590	2,502	202	479
Increase/(decrease) in estimated doubtful debts	47	1,663	55	(172)
Property operating lease and rental costs	30,302	25,635	24,700	22,231
Other operating lease and rental costs	15,122	14,744	8,769	9,917
Directors' fees	715	639	389	376
Asset write offs	2,849	2,877	2,012	2,873
Research and development costs	77	71	77	71
Restructuring costs	3,263	7,757	1,881	6,110
Donations	67	48	57	39
Sponsorships	1,114	1,373	1,048	1,337
Subvention payments	-	-	-	579
Impairment of investments	-	-	1,165	-
Provision against intercompany balances	-	-	1,799	-



# NEW ZEALAND POST LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

	GROUP		PARENT	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
<b>2 OPERATING EXPENSES continued</b>				
Auditors' fees				
Audit fees paid to principal auditor	1,288	1,002	497	458
Fees paid for other services provided by principal auditor				
- Taxation advice	184	305	105	83
- Other assurance services	337	71	156	28

### Deferred Insurance Acquisition Costs

Included in the Group statement of financial position at 30 June 2007 are policy assets relating to Life Insurance Business of \$0.3m (30 June 2006 - \$0.2m), determined in accordance with Financial Reporting Standard 34.

<b>3 INCOME TAX</b>				
Operating surplus before income tax	100,926	95,073	50,481	63,129
<i>Permanent differences:</i>				
- goodwill amortisation	7,966	6,816	-	-
- dividends received	(2)	(3)	(3,804)	(3,190)
- impairment of investments	-	-	1,165	-
- provision against intercompany balances	-	-	1,799	-
- non-assessable gain on asset sales	(285)	(6,278)	(285)	(6,278)
- non-assessable gain on sale of investments	-	(1,274)	(1,470)	-
- discount unwind on asset sales	(1,953)	(650)	(1,953)	(650)
- share of net surplus of associates	(15,862)	(13,539)	-	-
- other permanent differences	(1,632)	(218)	(627)	(341)
Surplus subject to tax	89,158	79,927	45,306	52,670
Tax at 33%	29,422	26,376	14,951	17,381
<i>Adjust for tax effect of:</i>				
- deferred tax adjustments	483	892	355	892
- impact of change in corporate tax rate	150	-	150	-
- over provision in prior periods	(127)	(732)	(236)	(840)
- utilised tax losses not previously recognised	(498)	-	-	-
- effect of foreign tax rate difference	(130)	(252)	-	-
<b>INCOME TAX RECOGNISED</b>	<b>29,300</b>	<b>26,284</b>	<b>15,220</b>	<b>17,433</b>
<i>Comprising:</i>				
Estimated current period tax assessment	26,791	24,657	13,430	17,115
Deferred taxation	2,509	1,627	1,790	318
<b>Total income tax</b>	<b>29,300</b>	<b>26,284</b>	<b>15,220</b>	<b>17,433</b>

There are no material unrecognised income tax losses or timing differences carried forward.

<b>Deferred Taxation</b>				
Deferred taxation at the beginning of the year	11,050	13,672	10,009	11,322
Movement in the provision during the year	(2,509)	(1,627)	(1,790)	(318)
Impact of change in corporate tax rate	500	-	500	-
Revaluation of properties	(2,252)	(995)	(2,252)	(995)
<b>TOTAL DEFERRED TAX ASSET</b>	<b>6,789</b>	<b>11,050</b>	<b>6,467</b>	<b>10,009</b>
<b>Imputation Balances</b>				
Imputation credits at the beginning of the year	109,115	103,911	109,053	102,518
Income tax paid, net of refunds	26,751	27,500	26,487	27,500
Imputation credits attached to dividends received	2,184	1,111	2,184	1,111
Imputation credits attached to dividends paid	(15,414)	(23,418)	(15,414)	(23,418)
Other movements	(1,638)	11	(2,317)	1,342
<b>Imputation credits at the end of the year</b>	<b>120,998</b>	<b>109,115</b>	<b>119,993</b>	<b>109,053</b>



# NEW ZEALAND POST LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

	GROUP		PARENT	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
<b>4 EQUITY</b>				
Share capital	192,200	192,200	192,200	192,200
Asset revaluation reserves	102,631	81,671	102,631	81,671
Foreign currency translation reserve	966	650	-	-
Retained earnings	298,034	258,118	348,439	334,972
<b>Parent shareholders' equity</b>	<b>593,831</b>	<b>532,639</b>	<b>643,270</b>	<b>608,843</b>
Minority interests	1,935	1,453	-	-
<b>TOTAL EQUITY</b>	<b>595,766</b>	<b>534,092</b>	<b>643,270</b>	<b>608,843</b>
<b>Share Capital</b>				
Balance at the beginning of the year	192,200	192,200	192,200	192,200
<b>Balance at the end of the year</b>	<b>192,200</b>	<b>192,200</b>	<b>192,200</b>	<b>192,200</b>

At 30 June 2007 there were 192.2m ordinary shares issued and fully paid (30 June 2006 - 192.2m).

All shares have equal voting rights and share equally in dividends and surplus on winding up.

<b>Asset Revaluation Reserves</b>				
Balance at the beginning of the year	81,671	62,374	81,671	62,374
Revaluation of properties (net of taxation)	21,307	29,027	21,307	29,027
Impact of change in corporate tax rate	650	-	650	-
Transferred to retained earnings	(997)	(9,730)	(997)	(9,730)
<b>Balance at the end of the year</b>	<b>102,631</b>	<b>81,671</b>	<b>102,631</b>	<b>81,671</b>
<i>Comprising:</i>				
Land revaluation reserve	76,100	62,056	76,100	62,056
Buildings revaluation reserve	26,531	19,615	26,531	19,615
<b>Total asset revaluation reserves</b>	<b>102,631</b>	<b>81,671</b>	<b>102,631</b>	<b>81,671</b>
<b>Foreign Currency Translation Reserve</b>				
Balance at the beginning of the year	650	(62)	-	-
Net exchange difference on translation of investment in overseas subsidiaries	316	712	-	-
<b>Balance at the end of the year</b>	<b>966</b>	<b>650</b>	<b>-</b>	<b>-</b>
<b>Retained Earnings</b>				
Balance at the beginning of the year	258,118	227,278	334,972	327,092
Net surplus for the year	70,214	68,656	35,261	45,696
Transfer from asset revaluation reserves	997	9,730	997	9,730
Amalgamation adjustment	-	-	8,504	-
Dividends paid to shareholders	(31,295)	(47,546)	(31,295)	(47,546)
<b>Balance at the end of the year</b>	<b>298,034</b>	<b>258,118</b>	<b>348,439</b>	<b>334,972</b>
<b>Minority Interests</b>				
Balance at the beginning of the year	1,453	1,589	-	-
Dividends paid to minority shareholders	(1,499)	(299)	-	-
Other movements	569	30	-	-
	523	1,320	-	-
Share of surplus in subsidiaries	1,412	133	-	-
<b>Balance at the end of the year</b>	<b>1,935</b>	<b>1,453</b>	<b>-</b>	<b>-</b>



# NEW ZEALAND POST LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

	GROUP		PARENT	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
<b>5 CURRENT LIABILITIES</b>				
Trade creditors	49,779	34,382	41,269	29,102
Sundry creditors	40,421	34,977	15,107	16,071
Unearned revenue	49,878	37,773	39,681	27,664
Accrued personnel costs	66,119	63,532	51,792	49,903
GST payable	3,487	1,507	1,880	899
Payment services holding accounts	32,763	28,616	31,102	28,616
Provisions	3,363	2,865	3,363	2,865
Borrowings	-	64,940	-	64,940
Accrued interest payable	3,700	2,579	3,700	2,579
<b>TOTAL CURRENT LIABILITIES</b>	<b>249,510</b>	<b>271,171</b>	<b>187,894</b>	<b>222,639</b>
<b>Provisions</b>				
Operating lease contracts for vacant space	1,324	1,324	1,324	1,324
Employee medical claims	2,039	1,541	2,039	1,541
<b>Total provisions</b>	<b>3,363</b>	<b>2,865</b>	<b>3,363</b>	<b>2,865</b>
<i>Operating lease contracts for vacant space</i>				
Balance at the beginning of the year	1,324	594	1,324	594
New provision	-	800	-	800
Release of provision	-	(70)	-	(70)
<i>Balance at the end of the year</i>	<b>1,324</b>	<b>1,324</b>	<b>1,324</b>	<b>1,324</b>
The Group has operating lease contracts. This provision has been made in respect of future estimated irrecoverable expenses for unoccupied external leases. Lease expiry of these contracts are within one year.				
<i>Employee medical claims</i>				
Balance at the beginning of the year	1,541	741	1,541	741
New provision	1,030	800	1,030	800
Release of provision	(532)	-	(532)	-
<i>Balance at the end of the year</i>	<b>2,039</b>	<b>1,541</b>	<b>2,039</b>	<b>1,541</b>
The Group is liable for employee medical claims relating to workplace injuries. The provision has been made in respect of future estimated costs relating to injuries that have occurred prior to balance date. Costs are expected to be paid over the next 5 years.				
<b>Borrowings</b>				
Face value of commercial paper on issue	-	15,000	-	15,000
Unearned interest on commercial paper	-	(55)	-	(55)
Face value of bonds on issue	-	50,000	-	50,000
Unamortised discount on bonds	-	(5)	-	(5)
<b>Total borrowings</b>	<b>-</b>	<b>64,940</b>	<b>-</b>	<b>64,940</b>
No commercial paper was outstanding at 30 June 2007 (30 June 2006 - \$15m with a yield of 7.43% and maturity date of 18 July 2006).				
No current bonds were outstanding at 30 June 2007 (30 June 2006 - \$50m with coupon rate of 5.53% and maturity date of 15 November 2007).				
<b>6 KIWIBANK BANKING LIABILITIES</b>				
Deposits	3,903,882	2,376,648	-	-
Debt securities issued	420,058	408,964	-	-
Due to other banks	73,869	65,496	-	-
<b>TOTAL KIWIBANK BANKING LIABILITIES</b>	<b>4,397,809</b>	<b>2,851,108</b>	<b>-</b>	<b>-</b>



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	GROUP		PARENT	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
<b>7 TERM LIABILITIES</b>				
<b>New Zealand Post Limited Bond Programme</b>				
Face value of bonds on issue	175,000	75,000	175,000	75,000
Unamortised discount	(70)	(53)	(70)	(53)
<b>Kiwibank Subordinated Bonds</b>				
Face value of bonds on issue	75,000	-	-	-
Interest accrued	1,620	-	-	-
Premium	(377)	-	-	-
<b>TOTAL TERM LIABILITIES</b>	<b>251,173</b>	<b>74,947</b>	<b>174,930</b>	<b>74,947</b>

Bonds outstanding have coupon rates of 7.10% and 6.48% (30 June 2006 - 6.48%) and maturity dates of 15 November 2011 and 15 April 2009 (30 June 2006 - 15 April 2009). \$50m bonds with coupon rate of 5.53% and maturity date of 15 November 2007 were classified as current liabilities at 30 June 2006. All bonds are unsecured and rank equally with other unsecured creditors.

The Parent has a borrowing facility of \$50m provided by the Bank of New Zealand (30 June 2006 - \$50m provided by the Bank of New Zealand).

On 20 March 2007 Kiwibank issued subordinated debt with face value of \$75m and a coupon rate of 7.72%. The subordinated debt is subordinate to all other general liabilities of Kiwibank and is denominated in New Zealand dollars. It carried an A+ credit rating from Standard and Poor's Pty Limited at balance date. All subordinated debt qualifies as lower tier two capital for Capital Adequacy calculation purposes. The subordinated debt is callable on 20 March 2012 and the maturity date is 20 March 2017.

<b>8 CURRENT ASSETS</b>				
Trade debtors	160,589	138,787	113,165	106,057
Term property debtor	22,481	-	22,481	-
Estimated doubtful debts	(927)	(880)	(542)	(487)
<i>Net trade debtors</i>	<b>182,143</b>	<b>137,907</b>	<b>135,104</b>	<b>105,570</b>
Cash and short term deposits	88,740	51,397	66,254	22,975
Inventories - finished goods	7,654	7,276	7,247	6,707
Related party current accounts (note 13)	(5,483)	(5,011)	3,902	6,881
Related party loans (note 13)	-	-	-	25,000
Properties intended for sale	13,014	4,208	13,014	4,208
Associate investment held for sale (note 13)	-	5,280	-	-
Prepayments	6,512	5,391	2,091	2,752
Income tax provision	5,802	1,732	1,608	(689)
Accrued interest receivable	1,701	1,401	1,701	1,401
<b>TOTAL CURRENT ASSETS</b>	<b>300,083</b>	<b>209,581</b>	<b>230,921</b>	<b>174,805</b>

### Inventories

Certain inventories are subject to restriction of title including Romalpa clauses.

<b>9 KIWIBANK BANKING ASSETS</b>				
<b>Cash and Bank Balances</b>				
Cash in hand and with central banks	278,349	48,040	-	-
Call and overnight advances to financial institutions	11,141	2,076	-	-
<i>Total cash and bank balances</i>	<b>289,490</b>	<b>50,116</b>	<b>-</b>	<b>-</b>
<b>Investment Securities</b>				
Government securities	84,809	104,542	-	-
Other investment securities	695,117	273,932	-	-
<i>Total investment securities</i>	<b>779,926</b>	<b>378,474</b>	<b>-</b>	<b>-</b>
<b>Loans and Advances</b>				
Loans and advances (all New Zealand)	3,637,270	2,614,062	-	-
General provision for doubtful debts	(5,608)	(5,493)	-	-
<i>Total loans and advances</i>	<b>3,631,662</b>	<b>2,608,569</b>	<b>-</b>	<b>-</b>
<b>Other Kiwibank Assets</b>				
Kiwibank deferred arrangement fees	1,939	1,661	-	-
<i>Total other Kiwibank assets</i>	<b>1,939</b>	<b>1,661</b>	<b>-</b>	<b>-</b>
<b>TOTAL KIWIBANK BANKING ASSETS</b>	<b>4,703,017</b>	<b>3,038,820</b>	<b>-</b>	<b>-</b>



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<b>9 KIWIBANK BANKING ASSETS continued</b>						
Asset Quality	NON- ACCRUAL ASSETS	PAST DUE ASSETS	TOTAL ASSETS	NON- ACCRUAL ASSETS	PAST DUE ASSETS	TOTAL ASSETS
	2007	2007	2007	2006	2006	2006
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Gross Impaired</b>						
Balance at the beginning of the year	60	693	753	-	723	723
Net additions	64	1,741	1,805	60	693	753
Deletions	(36)	(416)	(452)	-	(371)	(371)
Amounts written off	(24)	(277)	(301)	-	(352)	(352)
<i>Balance at the end of the year</i>	<b>64</b>	<b>1,741</b>	<b>1,805</b>	<b>60</b>	<b>693</b>	<b>753</b>
<b>General Provisions for Doubtful Debts</b>						
Balance at the beginning of the year	5,493	-	5,493	3,601	-	3,601
Net provision made	115	-	115	1,892	-	1,892
<i>Balance at the end of the year</i>	<b>5,608</b>	<b>-</b>	<b>5,608</b>	<b>5,493</b>	<b>-</b>	<b>5,493</b>

There has been interest revenue foregone on impaired assets of \$0.001m (30 June 2006 - \$0.002m).

There were no real estate or other assets acquired through the enforcement of security held at 30 June 2007 (30 June 2006 - nil).

There were no restructured assets at 30 June 2007 (30 June 2006 - nil).

There were no assets under administration at 30 June 2007 (30 June 2006 - nil).

There were no unrecognised impaired assets at 30 June 2007 (30 June 2006 - nil).

	GROUP		PARENT	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
<b>10 INVESTMENT PROPERTIES</b>				
Investment properties at valuation less costs of realisation	15,278	13,628	15,278	13,628

Investment properties were valued as at 30 June 2007 and 30 June 2006 by DTZ New Zealand Limited, associates of the New Zealand Institute of Valuers.

<b>11 PROPERTY, PLANT AND EQUIPMENT</b>				
<b>Land</b>				
Freehold land at valuation	110,705	104,760	110,705	104,760
<i>Total land</i>	<b>110,705</b>	<b>104,760</b>	<b>110,705</b>	<b>104,760</b>
<b>Buildings</b>				
Buildings at valuation	126,344	101,830	126,344	101,830
Accumulated depreciation	-	-	-	-
<i>Total buildings</i>	<b>126,344</b>	<b>101,830</b>	<b>126,344</b>	<b>101,830</b>
<b>Motor Vehicles</b>				
At cost	3,204	3,413	2,767	2,713
Accumulated depreciation	(2,108)	(1,864)	(1,820)	(1,618)
<i>Total motor vehicles</i>	<b>1,096</b>	<b>1,549</b>	<b>947</b>	<b>1,095</b>
<b>Other Plant and Equipment</b>				
At cost	324,813	292,163	234,989	214,238
Accumulated depreciation	(218,580)	(204,489)	(163,965)	(149,469)
<i>Total other plant and equipment</i>	<b>106,233</b>	<b>87,674</b>	<b>71,024</b>	<b>64,769</b>
<b>Software Development Expenditure</b>				
Software development costs recognised as an asset	95,433	82,245	64,040	62,432
Accumulated depreciation	(70,043)	(55,633)	(55,623)	(52,790)
<i>Total software development expenditure</i>	<b>25,390</b>	<b>26,612</b>	<b>8,417</b>	<b>9,642</b>
<b>Work in Progress</b>				
Software development	26,643	18,799	22,527	16,198
Other plant and equipment	16,434	22,897	14,795	21,728
<i>Total work in progress</i>	<b>43,077</b>	<b>41,696</b>	<b>37,322</b>	<b>37,926</b>
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>	<b>412,845</b>	<b>364,121</b>	<b>354,759</b>	<b>320,022</b>



# NEW ZEALAND POST LIMITED AND SUBSIDIARIES

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### 11 PROPERTY, PLANT AND EQUIPMENT continued

The agreement by which the Parent purchased the post office business from the Crown recognises potential land claims that may be lodged under the Treaty of Waitangi Act 1975. The effect on the valuation of assets resulting from potential claims cannot be quantified. However, under the Treaty of Waitangi (State Enterprises) Act 1988, the Parent will be compensated by the Crown for any loss that occurs upon the resumption of any interest in land by the Crown.

Land and buildings were valued at 30 June 2007 and 30 June 2006 by DTZ New Zealand Limited, associates of the New Zealand Institute of Valuers.

Software development expenditure relates to in-house developed software.

		2007	2006
		% HELD	% HELD
<b>12 SUBSIDIARY AND ASSOCIATE COMPANIES</b>			
<b>Investment in Material Subsidiaries</b>			
NAME OF ENTITY	PRINCIPAL ACTIVITY		
Communication Arts Limited	Print management	100	100
Couriers Please Pty Limited	Distribution	100	100
Datamail Limited	Print, create mail and data management	100	100
Franchise Urban Network Limited*	Franchise of Letterbox Channel	100	100
Kiwibank Limited	Registered bank	100	100
Letterbox Channel Limited	Postal service	100	100
MessageMedia NZ Limited	E-marketing	100	100
The New Zealand Home Loan Company Limited	Mortgage services	51	-
New Zealand Post Australia Holdings Pty Limited	International mail business	100	100
New Zealand Post Holdings Limited	Holding company	100	100
New Zealand Post Supply Chain Pty Limited	Holding company	100	100
NZP Australia Pty Limited	Holding company	100	100
Outsource Australia Pty Limited	Business process outsourcing	75	75
Outsource Solutions Limited	Business process outsourcing	100	87
Parcel Overnight Direct Pty Limited	Distribution	100	100
The ECN Group Limited	Electronic services	100	100
The ECN Group Pty Limited	Electronic services	100	100

\* On 22 March 2006 AddressWorks Limited changed its name to Franchise Urban Network Limited.

All subsidiary companies were incorporated in New Zealand with the exception of Couriers Please Pty Limited, Parcel Overnight Direct Pty Limited, NZP Australia Pty Limited, New Zealand Post Australia Holdings Pty Limited, New Zealand Post Supply Chain Pty Limited, Outsource Australia Pty Limited and The ECN Group Pty Limited, which were incorporated in Australia.

### Acquisition of Subsidiaries

The Group increased its investment in the following companies during the year:

- Outsource Solutions Limited on 18 September 2006 from 87% to 100%
- The New Zealand Home Loan Company Limited on 1 July 2006 from 0% to 51%

In the prior year, the Group increased its investment in The ECN Group Pty Limited (subsidiary of The ECN Group Limited) on 19 December 2005 from 52.6% to 100%.

		GROUP	
		2007	2006
		\$'000	\$'000
<b>Summary of the effect of the above acquisitions</b>			
Net assets acquired			
- bank balances		480	-
- net current assets (excluding cash)		2,358	-
- property, plant and equipment		145	-
- taxation provisions		(600)	-
- borrowings		(2,309)	-
Minority interests		210	201
Goodwill on acquisition		9,050	4,042
Cash impact of acquisition		9,334	4,243
Bank balances acquired		(480)	-
Net cash impact of acquisition		8,854	4,243



# NEW ZEALAND POST LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

### 12 SUBSIDIARY AND ASSOCIATE COMPANIES continued

#### Disposal of Subsidiaries

No subsidiaries were disposed of during the year, or in the prior year.

#### Amalgamation of Subsidiaries

The following companies were amalgamated with the Parent during the year:

- New Zealand Post Alpha Limited
- New Zealand Post Bravo Limited
- New Zealand Post Charlie Limited
- Transend Worldwide Limited

Until the date of amalgamation, the above companies were wholly owned subsidiaries of the Parent. On amalgamation of the companies the Parent took control of all the assets and assumed responsibility for all liabilities. The above amalgamated companies have been removed from the New Zealand Register of Companies.

	PARENT	
	2007	2006
	\$'000	\$'000
<b>Summary of the effect of the amalgamation of the above companies</b>		
Net assets amalgamated:		
Net current assets	8,504	-
<i>Balance recognised in the statement of movements in equity</i>	8,504	-

The assets and liabilities have been brought into the Parent's financial statements at their carrying amounts which approximate their fair value. The operating results of the amalgamated companies have been included in the statement of financial performance of the Parent since amalgamation date. The balance on amalgamation has been recognised in the statement of movements in equity of the Parent.

No companies were amalgamated with the Parent in the prior year.

	2007	2006
	% HELD	% HELD
<b>Significant Associates Comprise:</b>		
NAME OF ENTITY	PRINCIPAL ACTIVITY	BALANCE DATE
AirPost Limited	Airline freight services	30 June
Datacom Group Limited	Computer services	31 March
Express Couriers Limited	Distribution	30 June
Maltapost plc	Postal services	30 September
	50	50
	34	31
	50	50
	-	35

All entities are incorporated in New Zealand with the exception of Maltapost plc which is incorporated in Malta.

The Group's 35% interest in Maltapost plc was sold on 11 August 2006 at a value approximating book value.

	GROUP		PARENT	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
<b>Results of Associates</b>				
Share of net surpluses before income tax	24,105	20,169	-	-
Income tax	(7,722)	(6,578)	-	-
<i>Share of net operating surpluses</i>	16,383	13,591	-	-
Amortisation of goodwill	(521)	(52)	-	-
<b>Net surplus of associates</b>	15,862	13,539	-	-
<b>Interests in Associates</b>				
Balance at the beginning of the year	49,260	37,129	56,608	54,829
Cash acquisitions	6,240	1,779	6,240	1,779
Divestments	(5,337)	-	-	-
Repayment of associate advance	(40,000)	-	-	-
Share of total recognised revenues and expenses	15,862	13,539	-	-
Dividends	(3,802)	(3,187)	-	-
<b>Balance at the end of the year</b>	22,223	49,260	62,848	56,608
<i>Included within the above carrying value is:</i>				
Goodwill (gross)	5,814	1,458	-	-
Accumulated amortisation	(712)	(191)	-	-
<i>Unamortised balance of goodwill</i>	5,102	1,267	-	-



# NEW ZEALAND POST LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

### 12 SUBSIDIARY AND ASSOCIATE COMPANIES continued

During the year Express Couriers Limited repaid a \$40m loan advanced to it by the Parent. This repayment was financed through bank debt, guaranteed by the Parent Company, inline with its 50% shareholding. The repayment has the effect of reducing the carrying value of the Group's share of the net assets of Express Couriers Limited to below zero. In accordance with New Zealand generally accepted accounting practice the Group continues to account for Express Couriers Limited using the equity method.

### 13 RELATED PARTY INFORMATION

#### General

The ultimate shareholder of the Group is the Crown. The Group undertakes many transactions with other State-Owned Enterprises and Government departments which are carried out on an arm's length basis and in the normal course of business.

Kiwibank settles transactions with other New Zealand registered banks by way of the payment and settlement system operated by the Reserve Bank of New Zealand in its capacity as the central bank of New Zealand.

All members of the Group are considered to be related parties of the Parent. This includes the subsidiaries and associate entities identified in note 12.

	GROUP		PARENT	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
<b>Related Party Transactions and Balances</b>				
Subsidiaries				
- Current accounts	-	-	9,190	11,686
- Loans	-	-	94,694	109,398
- Investments	-	-	244,546	190,711
	-	-	348,430	311,795
Associates				
- Current accounts	(5,483)	(5,011)	(5,288)	(4,805)
- Loans	-	-	-	40,009
- Guarantee of obligations of unconsolidated company	(14,403)	-	-	-
- Investments	36,626	49,260	62,848	56,608
	16,740	44,249	57,560	91,812
<b>TOTAL INVESTMENTS</b>	<b>16,740</b>	<b>44,249</b>	<b>405,990</b>	<b>403,607</b>
<b>Represented by:</b>				
Related party current accounts	(5,483)	(5,011)	3,902	6,881
Related party loans (current)	-	-	-	25,000
Associate investments held for sale	-	5,280	-	-
Subsidiary and associate companies	22,223	43,980	402,088	371,726
<b>Total Investments</b>	<b>16,740</b>	<b>44,249</b>	<b>405,990</b>	<b>403,607</b>

Loans to subsidiary companies are separated into two accounts - loan and current accounts. Interest is only charged on cross-border loan balances and on the Kiwibank advance (detailed below). All balances have been advanced on normal commercial terms. Loans are repayable on consent of both parties. Interest charged on the loan accounts is based on a long-term borrowing rate (including a margin) of 10.96% (30 June 2006 - 10.3%). Net interest received during the year was \$2.4m (30 June 2006 - \$3.4m).

At 30 June 2007 Kiwibank had repaid its loan to the Parent (30 June 2006 - \$25m loan with interest of 6.265% and maturity of 15 April 2007).

The Parent increased its investment in Kiwibank with the injection of \$55m additional equity (30 June 2006 - \$35m). The Parent made no other capital injections during the year (30 June 2006 - \$2.5m into Letterbox Channel Limited).

The Parent received dividends from associate entities of \$3.8m (30 June 2006 - \$3.2m).

The Parent received \$15.0m of postal services, rental, and courier and distribution revenue from Express Couriers Limited (30 June 2006 - \$14.7m), and paid \$71.5m to Express Couriers Limited for courier and distribution services (30 June 2006 - \$69.7m). The Parent paid \$40m to Datacom Group Limited for IT services (30 June 2006 - \$34.9m).



# NEW ZEALAND POST LIMITED AND SUBSIDIARIES

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FOR THE YEAR ENDED 30 JUNE 2007

### 13 RELATED PARTY INFORMATION continued

The Parent received rental income of \$4.8m (30 June 2006 - \$3.8m) from subsidiary companies for the rental of premises owned by the Parent. Rent is charged at normal commercial rates.

The Parent received no revenue from Transend Worldwide Limited prior to its amalgamation (30 June 2006 - \$0.2m) and \$10.6m from Letterbox Channel Limited for postal services (30 June 2006 - \$9.3m). The Parent paid \$17.1m to the Datamail Limited Group for printing related expenses (30 June 2006 - \$19.1m) and \$3.6m to The ECN Group Limited for e-commerce solutions consultancy (30 June 2006 - \$6.2m).

There are drawn loans to directors of the Group, by Kiwibank, at 30 June 2007 of \$0.2m (30 June 2006 - \$0.3m). Undrawn loan facilities total nil (30 June 2006 - nil). There are drawn credit card facilities of \$0.03m (30 June 2006 - \$0.02m) and undrawn credit card facilities of \$0.04m (30 June 2006 - \$0.05m) to directors of the Group. All loans to directors and credit facilities are made in the ordinary course of business on normal banking terms and conditions.

Kiwibank received deposits from the New Zealand Post Superannuation Plan during the year. As at 30 June 2007, the New Zealand Post Superannuation Plan was holding \$12.1m on deposit with Kiwibank (30 June 2006 - \$17.3m). All deposits in the year were accepted at market rates and on an arm's length basis.

Payment services fee revenue and expenditure are accounted for under a management agreement whereby Kiwibank manages the payment services activity of the Parent. Payment services activity consists of collection business, eBill electronic bill presentation and payment business. Payment services expenditure includes personnel, property, IT support, marketing and other administrative expenses.

Kiwibank utilises the Parent's retail network in its provision of retail banking services to customers. Remuneration is paid for this service based upon activity and a mutually agreed service level agreement. A total of 4.4% of the Parent's operating revenue was received from Kiwibank (30 June 2006 - 6.4%).

All payment obligations of Kiwibank are guaranteed under a deed poll guarantee provided by the Parent. No consideration is paid to the Parent for the guarantee.

The loan receivable from Express Couriers Limited to the Parent was repaid during the year (30 June 2006 - \$40m with an interest rate of 8.25%).

During the year dividends of \$31.3m were paid to the Crown (30 June 2006 - \$47.5m).

No amounts owed by related parties have been written off or forgiven during the year. All transactions were on normal commercial terms, other than as disclosed. The Parent provided accounting and administrative services to non-trading subsidiaries, free of charge.

	GROUP		PARENT	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
<b>14 INTANGIBLE ASSETS</b>				
Goodwill	36,544	34,114	-	-
Trademark	-	-	-	-
Other intangible assets	1,098	79	54	79
<b>TOTAL INTANGIBLE ASSETS</b>	<b>37,642</b>	<b>34,193</b>	<b>54</b>	<b>79</b>
<b>Goodwill</b>				
Balance at the beginning of the year	34,114	35,736	-	-
Goodwill arising on acquisition of investments (note 12)	9,050	4,042	-	-
Goodwill arising on acquisition of assets	1,418	1,536	-	-
Goodwill translation adjustment	(72)	55	-	-
Goodwill on disposal of investments/assets	-	(439)	-	-
Current year amortisation	(7,966)	(6,816)	-	-
<b>Unamortised balance at the end of the year</b>	<b>36,544</b>	<b>34,114</b>	<b>-</b>	<b>-</b>
<b>Trademark</b>				
Balance at the beginning of the year	-	1,735	-	-
Disposals	-	(1,700)	-	-
Current year amortisation	-	(35)	-	-
<b>Unamortised balance at the end of the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



# NEW ZEALAND POST LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

	GROUP		PARENT	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
<b>14 INTANGIBLE ASSETS continued</b>				
<b>Other Intangible Assets</b>				
Balance at the beginning of the year	79	90	79	81
Acquisitions	1,478	8	82	17
Current year amortisation	(459)	(19)	(107)	(19)
<b>Unamortised balance at the end of the year</b>	<b>1,098</b>	<b>79</b>	<b>54</b>	<b>79</b>
<b>Total Intangible Assets Comprises:</b>				
Cost	82,094	70,148	224	142
Accumulated amortisation	(44,452)	(35,955)	(170)	(63)
<b>Total intangible assets</b>	<b>37,642</b>	<b>34,193</b>	<b>54</b>	<b>79</b>

Upon finalisation of Datamail Limited's purchase of the mailhouse business from Moore Gallagher Limited an adjustment of \$1.4m was made to goodwill.

<b>15 COMMITMENTS</b>				
<b>Capital Expenditure Commitments</b>				
Total capital expenditure committed to at balance date but not provided for in the financial statements	14,728	39,433	12,066	32,142
<b>Analysis of Non-Cancellable Lease Commitments</b>				
Payable no later than one year	41,967	33,972	27,247	20,819
Payable later than one, not later than two years	31,701	28,133	22,300	17,945
Payable later than two, not later than five years	52,876	32,252	41,304	23,430
Payable later than five years	42,878	56,317	32,960	52,096
	<b>169,422</b>	<b>150,674</b>	<b>123,811</b>	<b>114,290</b>

The Group leases premises, and plant and equipment. Operating leases held over properties give the Group the right to renew the lease subject to a redetermination of the lease rental by the lessor. There are no renewal options or options to purchase in respect of plant and equipment held under operating leases.

<b>16 RECONCILIATION OF NET SURPLUS TO NET CASH INFLOWS FROM OPERATING ACTIVITIES</b>				
Net surplus	70,214	68,656	35,261	45,696
Minority interests share of surplus	1,412	133	-	-
	<b>71,626</b>	<b>68,789</b>	<b>35,261</b>	<b>45,696</b>
<i>Items not involving cash flows:</i>				
Depreciation expense	43,990	41,202	28,269	28,727
Increase/(decrease) in estimated doubtful debts	47	1,663	55	(172)
Decrease/(increase) in Kiwibank deferred expenditure	(346)	241	-	-
Amortisation of discount on bonds/bills	2,015	250	2,015	250
Amortisation of intangibles	8,425	6,870	107	19
Bad debts written off	1,590	2,502	202	479
Investment property revaluations	(1,645)	(1,239)	(1,645)	(1,239)
Discount unwind on asset sales	(1,953)	(650)	(1,953)	(650)
Asset write offs	2,849	2,877	2,012	2,873
Impairment of investments	-	-	1,165	-
Provision against intercompany balances	-	-	1,799	-
Unrealised foreign exchange loss/(gain)	6,081	(4,386)	8,259	(9,174)
Share of surpluses retained by associates	(15,862)	(13,539)	-	-
	<b>45,191</b>	<b>35,791</b>	<b>40,285</b>	<b>21,113</b>
<i>Impact of changes in working capital items:</i>				
Increase in trade debtors and other assets	(29,864)	(16,176)	(13,380)	(12,425)
Increase in creditors and other liabilities	40,421	9,078	29,461	6,211
(Increase)/decrease in inventory	(378)	2,899	(540)	2,915
Decrease/(increase) in tax assets	191	(1,535)	1,245	(1,563)
Dividends from associates	3,802	3,187	-	-
	<b>14,172</b>	<b>(2,547)</b>	<b>16,786</b>	<b>(4,862)</b>
<i>Items classified as investing activities:</i>				
Net gain on sale of investments	-	(1,274)	(1,470)	-
Net loss/(gain) on disposal of assets	790	(6,447)	202	(6,512)
	<b>790</b>	<b>(7,721)</b>	<b>(1,268)</b>	<b>(6,512)</b>
<b>Net cash flows from operating activities</b>	<b>131,779</b>	<b>94,312</b>	<b>91,064</b>	<b>55,435</b>



# NEW ZEALAND POST LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

<b>17 SEGMENT INFORMATION</b>								
Industry Segments	POSTAL SERVICES		FINANCIAL SERVICES		ELIMINATIONS		CONSOLIDATED	
	2007	2006	2007	2006	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Operating Revenue</b>								
External customers	1,026,546	963,989	195,619	150,308	-	-	1,222,165	1,114,297
Internal customers	26,928	19,600	-	-	(26,928)	(19,600)	-	-
<b>Total operating revenue</b>	<b>1,053,474</b>	<b>983,589</b>	<b>195,619</b>	<b>150,308</b>	<b>(26,928)</b>	<b>(19,600)</b>	<b>1,222,165</b>	<b>1,114,297</b>
<b>Result</b>								
Segment net surplus	44,758	52,885	25,456	15,771	-	-	70,214	68,656
<b>Assets</b>								
Segment total assets	741,805	662,549	4,756,072	3,072,982	-	-	5,497,877	3,735,531

Financial Services include Kiwibank and agency services. Postal Services include all other services of the Group. Intersegment sales are on an arm's length basis.

### Geographical Segments

The Group operates predominately in New Zealand.

## 18 CONTINGENCIES

The following contingencies have not been accrued in the financial statements. The amounts disclosed are the maximum potential losses, excluding the effects of tax.

The Parent has a joint obligation if a default arises under a take out agreement with Westpac Banking Corporation for the repayment of term loans taken out by AirPost Limited amounting to US\$6.9m (30 June 2006 - US\$9.5m).

The Group has letters of credit with its bankers totalling \$0.7m (30 June 2006 - \$0.7m).

The Parent has guaranteed the payment obligations of Kiwibank under a deed poll guarantee. There are no limits on the amount of the undisputed obligations guaranteed. The guarantee is unsecured and can be terminated on not less than three months notice by the Parent to the creditors. There is no obligation at 30 June 2007 (30 June 2006 - nil).

The Parent has guaranteed 50% of the bank debt of Express Couriers Limited, inline with its shareholding. There is no obligation at 30 June 2007 (30 June 2006 - no guarantee was in place).

The Group is subject to additional claims, contingencies and investigations incurred in the normal course of business.

The Directors do not believe these will result in any significant exposure to the Group.

## 19 FINANCIAL INSTRUMENTS FOR THE GROUP EXCLUDING KIWIBANK

The Group (excluding Kiwibank) is subject to a number of financial risks which arise as a result of its debt portfolio and investment activities. The policies approved, and financial instruments being utilised at balance date, are outlined below.

### Currency Risk

#### Policy

The Group (excluding Kiwibank) has exposure to foreign exchange risk as a result of transactions denominated in foreign currencies, arising from normal trading activities. Some of the trading exposures arise as a result of obligations with overseas postal administrators which are invoiced in Special Drawing Rights (SDR) and are settled in United States Dollars (USD). The SDR is a basket currency composed of fixed quantities of four major traded currencies (USD, Yen, Euro and Pound Sterling). The composition of the basket is set by the International Monetary Fund. The currency in which the Group primarily deals with is the USD.

It is the Group's policy to hedge a defined percentage range of net foreign currency flows forecast to occur within the next year.

#### Unrecognised balances

The Group (excluding Kiwibank) uses forward foreign exchange contracts to manage these exposures. The notional or principal contract amounts of foreign exchange instruments outstanding at balance date are:

<b>GROUP AND PARENT</b>		
	2007	2006
	\$'000	\$'000
Forward foreign exchange contracts	17,976	5,178

The cash settlement requirements of the foreign exchange contracts and foreign exchange options approximates the notional amount shown above.



# NEW ZEALAND POST LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

### 19 FINANCIAL INSTRUMENTS FOR THE GROUP EXCLUDING KIWIBANK continued

#### Interest Rate Risk

##### Policy

The Group (excluding Kiwibank) has exposure to interest rate risk and uses interest rate swaps to manage its interest rate risk.

##### Borrowings

The Parent has no floating rate borrowings (30 June 2006 - \$15m) and fixed rate borrowings of \$175m (30 June 2006 - \$125m) which are used to fund ongoing activities.

The weighted average interest rate on borrowings, as amended by interest rate swaps, is 8.29% (30 June 2006 - 6.80%).

##### Unrecognised balances

The notional principal or contract amounts of interest rate swap/option contracts at balance date are:

	GROUP AND PARENT	
	2007	2006
	\$'000	\$'000
Interest rate swaps	135,000	100,000
Forward rate agreements	150,000	40,000

##### Repricing analysis

The following table indicates the effective interest rates, the earliest period in which recognised interest bearing financial instruments reprice, and the extent to which these factors have been modified by off balance sheet financial instruments. This provides a basis for evaluation of the interest rate risk to which the Parent and Group (excluding Kiwibank) is exposed to in the future.

	INTEREST EFFECTIVE RATE	WITHIN 1 YEAR	1 - 2 YEARS	2 - 3 YEARS	3 - 4 YEARS	OVER 4 YEARS	TOTAL
	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

#### GROUP (EXCLUDING KIWIBANK)

##### 30 JUNE 2007

Current assets	7.28	60,352	-	-	-	-	60,352
Term assets	n/a	-	-	-	-	-	-
Current liabilities	n/a	-	-	-	-	-	-
Term liabilities	8.29	-	(74,966)	-	-	(99,964)	(174,930)
Unrecognised balances	7.94	(135,000)	75,000	-	-	60,000	-
Repricing profile		(74,648)	34	-	-	(39,964)	(114,578)

#### GROUP (EXCLUDING KIWIBANK)

##### 30 JUNE 2006

Current assets	6.65	48,539	-	-	-	-	48,539
Term assets	12.00	-	20,158	-	-	-	20,158
Current liabilities	7.50	(64,940)	-	-	-	-	(64,940)
Term liabilities	7.09	-	-	(74,947)	-	-	(74,947)
Unrecognised balances	n/a	-	-	-	-	-	-
Repricing profile		(16,401)	20,158	(74,947)	-	-	(71,190)

#### PARENT

##### 30 JUNE 2007

Current assets	7.72	45,432	-	-	-	-	45,432
Term assets	10.96	19,673	-	-	-	-	19,673
Current liabilities	n/a	-	-	-	-	-	-
Term liabilities	8.29	-	(74,966)	-	-	(99,964)	(174,930)
Unrecognised balances	7.94	(135,000)	75,000	-	-	60,000	-
Repricing profile		(69,895)	34	-	-	(39,964)	(109,825)

#### PARENT

##### 30 JUNE 2006

Current assets	7.34	31,940	-	-	-	-	31,940
Term assets	11.19	18,260	20,158	-	-	-	38,418
Current liabilities	7.50	(64,940)	-	-	-	-	(64,940)
Term liabilities	7.09	-	-	(74,947)	-	-	(74,947)
Unrecognised balances	n/a	-	-	-	-	-	-
Repricing profile		(14,740)	20,158	(74,947)	-	-	(69,529)



# NEW ZEALAND POST LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

### 19 FINANCIAL INSTRUMENTS FOR THE GROUP EXCLUDING KIWIBANK continued

#### Credit Risk

##### Policy

The Group (excluding Kiwibank) incurs credit risk from transactions with trade receivables and financial institutions in the normal course of business.

The Group (excluding Kiwibank) has a credit policy in place where the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Reputable financial institutions are used for investing and cash handling purposes. The Group (excluding Kiwibank) does not have any significant concentrations of credit risk.

No collateral is held as at 30 June 2007 (30 June 2006 - nil).

#### Fair Values of Financial Instruments

The estimated fair values of the Group's financial assets and liabilities (excluding Kiwibank) which differ from their carrying values are noted below.

	GROUP AND PARENT	
	2007	2006
	\$'000	\$'000
<b>Carrying Values</b>		
Current assets	10,000	25,000
Current liabilities	-	64,940
Term liabilities	174,930	74,947
Foreign exchange contracts	-	-
Interest rate swaps/options	221	380
<b>Fair Values</b>		
Current assets	9,946	25,090
Current liabilities	-	64,922
Term liabilities	170,832	74,858
Foreign exchange contracts	680	[48]
Interest rate swaps/options	(5,054)	(1,520)

### 20 KIWIBANK RISK MANAGEMENT POLICIES

#### Risk Management

Kiwibank's exposure to risk arises directly from its activities as a financial intermediary and financial markets participant. These activities involve the acceptance of credit, market (currency and interest rate), liquidity and operational risks. The management of risk is an essential element of Kiwibank's strategy with emphasis placed on pro-active rather than retroactive management.

The directors of Kiwibank are explicitly responsible for the stewardship of Kiwibank. To help discharge this obligation the Board has established the Board Finance, Audit and Risk Committee, which is responsible for taking an overview of strategic, credit, market and operational risk.

The senior management of Kiwibank ensure bank-wide input into risk management and are responsible for monitoring the identification and quantification of strategic, operational, market and credit risks and implementation of appropriate strategies, policies and procedures.

Kiwibank's Risk Management Unit has been assigned the role of internal monitor. The Risk Management Unit is tasked with ensuring that risk based reporting of financial and non-financial threats to Kiwibank is undertaken on a regular basis. The unit provides an independent appraisal of business units' risk management frameworks and the overall control environment, submitting reports to the Board Finance, Audit and Risk Committee.

#### Internal Audit

Kiwibank has an independent internal audit function, which has no direct authority over the activities of management. Internal audit reports to the Board Finance, Audit and Risk Committee and the NZP Board Finance and Risk Committee, and has a quarterly rolling review programme throughout the financial year, the scope of which is determined by the level of business risk. The head of internal audit has unfettered access to the Board Finance, Audit and Risk Committee.

Internal audit provides independent assurance to Kiwibank through a systematic and disciplined approach to improving the effectiveness of its management systems, internal control frameworks and governance processes. Ongoing high level review of the risks facing the business is undertaken to produce a risk-based programme of business analysis and review which results in operational, compliance, financial and systems audits over the business activities and support functions within Kiwibank. Full audit reports are issued to management and specific issues logged and followed up until resolved.

The Board Finance, Audit and Risk Committee receives detailed reporting and presentations from the head of internal audit in relation to the bank's material risks.



# NEW ZEALAND POST LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

### 20 KIWIBANK RISK MANAGEMENT POLICIES continued

The responsibilities of the Board Finance, Audit and Risk Committee includes liaison with both internal and external auditors, review and approval of the annual internal audit plan, review of audit findings, review of internal auditor proficiency and their activities, monitoring compliance by management with recommendations highlighted in internal audit reports, and determining that no management restrictions are being placed on the internal auditors.

#### **Credit Risk**

Credit risk is the potential risk of financial loss arising from the failure of a customer or counterparty to honour any financial or contractual obligation.

Kiwibank manages credit risk through the formulation of high-level credit policies, establishment of standards and a robust control environment, monitoring of the overall portfolio and independent review of all major credit risks.

Lending standards and criteria are clearly defined for all Kiwibank's products. Kiwibank relies primarily on the integrity of the debtor or counterparty and their ability to meet their obligations. With the exception of short term exposures in the customer sector and major corporate or bank counterparties, Kiwibank requires either a) security cover within loan to security valuation margins as set down in Kiwibank's credit policy; or b) adequate and sustainable loan servicing capability.

Kiwibank's control environment ensures that common prudential standards and practices are applied across Kiwibank in order to maintain the quality of the lending portfolio. Core control principles that underpin the credit risk management process are:

#### ***Segregation of functions:***

Functions are segregated so that no one person is in a position to control significant stages of processing a credit transaction such that error or defalcation could occur without a reasonable chance of detection.

#### ***Approval of credit facilities:***

Larger credit facilities are approved through a hierarchy of delegated approval authorities that reflect the skill and experience of lending management. Kiwibank's Credit Committee, comprising of executive management, is responsible for the regular review of the approval framework and process.

#### ***Documentation and settlement of facilities:***

Preparation of formal lending documentation will only occur after an independent officer in the operations area has ensured that the credit has been approved by an authorised officer and the facility documentation matches the terms of the credit approval.

#### ***Monitoring and control:***

Credit is monitored monthly through the examination of irregular and delinquent accounts. This enables doubtful debts to be immediately identified so that specific provisions for potential losses can be established as early as possible.

#### ***Problem credit facility management:***

Problem credit facilities are monitored to ensure workout and collection/recovery strategies are established, approved and actioned.

#### ***Portfolio monitoring:***

The overall composition and quality of the credit portfolio is monitored taking into account the potential changes in economic conditions.

#### **Interest Rate Risk**

The provision of loans and accepting deposits at both fixed and variable rates gives rise to the risk that Kiwibank could have unmatched positions leading to material exposures in a shifting interest rate environment. Other activities such as current account facilities and employing financial instruments such as swaps, options and forward rate agreements also incur interest rate risks.

The main objective of the management of interest rate risk is to achieve a balance between reducing risk to earnings from the adverse effect of interest rate movements and enhancing net interest income through the correct anticipation of the direction and extent of interest rate changes.

Kiwibank's Asset and Liability Committee ("ALCO"), comprising of executive management, is responsible for implementing and monitoring interest rate risk management policies within specifically defined policy guidelines and limits. Interest rate risk is measured in terms of Kiwibank's notional exposure to potential shifts in future interest rates relative to the timescale within which assets and liabilities can be re-priced.

Interest rate risk is managed by Kiwibank's Treasury unit within pre-approved limits and independently monitored by the Risk Management Unit on a daily basis.

Kiwibank reduces interest rate risk by seeking to match the re-pricing of assets and liabilities. A substantial portion of customer deposits and lending is at variable rates, which are periodically adjusted to reflect market movements. Where natural hedging still leaves a resultant interest rate mismatch, the residual risks are hedged within predefined limits through the use of physical financial instruments and derivative financial instruments.

Kiwibank has a policy of hedging all foreign currency borrowing into New Zealand dollars. Foreign currency denominated revenue and expense flows are forecast and hedged on a proportional basis determined by the ALCO. Residual currency risks are monitored in terms of open positions in each currency. Currency risks are monitored daily.



# NEW ZEALAND POST LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

### 20 KIWIBANK RISK MANAGEMENT POLICIES continued

#### Currency Risk

Currency risk results from the mismatch of foreign currency assets and liabilities. These mismatches can arise from the day-to-day purchase and sale of foreign currency and from deposit and lending activity in foreign currencies.

#### Liquidity Risk

Liquidity risk is the risk that Kiwibank will not have sufficient funds available to meet its financial and transactional cash flow obligations. Management of liquidity risk is designed to ensure that Kiwibank has the ability to generate or obtain sufficient cash in a timely manner and at a reasonable price to meet its financial commitments on a daily basis.

Kiwibank monitors this risk daily, primarily by forecasting future cash requirements. Kiwibank manages this by holding readily tradable investment assets and deposits on call with high credit quality counterparties to provide for any unexpected patterns in cash movements and by seeking a stable funding base. Kiwibank maintains a stock of prime liquid assets. Some assets classified as investment securities in the statement of financial position fit the definition of liquid assets for this purpose.

#### Equity Risk

Equity risk results from the re-pricing of equity investments. Kiwibank does not undertake equity trading and there are no significant exposures to equity instruments.

#### Operational Risk

Operational risk is the potential exposure to financial, reputational and other damage arising from the way in which Kiwibank pursues its business objectives. Key sources of operational risk include process errors, fraud, systems' failure, information integrity, customer service, product development, staff skills and performance, security and physical protection, and legal and legislative compliance.

Senior management are accountable to the Board for maintaining an adequate and effective control environment that is commensurate with Kiwibank's risk appetite and business objectives.

At a strategic level, senior management review the key operational risks facing Kiwibank on a quarterly basis and ensure appropriate risk measurement and controls are in place.

Kiwibank's business units maintain an understanding of their operational risk profiles and fully understand the likelihood and potential impact of any operational incidents.

While operational risk can never be eliminated, Kiwibank endeavours to minimise the impact of operational incidents by ensuring that the appropriate infrastructure of controls, systems, staff and processes are in place.

### 21 KIWIBANK FINANCIAL INSTRUMENTS

The effective interest rates and interest rate repricing at balance date were:

	WEIGHTED AVERAGE INTEREST RATE	TOTAL	INTEREST INSENSITIVE	WITHIN 6 MONTHS	6 MONTHS - 1 YEAR	1-2 YEARS	2-5 YEARS	OVER 5 YEARS
	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>30 June 2007</b>								
<b>Financial Assets</b>								
Cash and liquid assets	6.85	289,490	41,526	247,964	-	-	-	-
Investment securities	7.67	779,926	-	596,195	6,120	27,196	150,415	-
Loans and advances	8.03	3,631,662	3,810	720,397	197,546	858,633	1,851,276	-
Other financial assets	n/a	6,294	6,294	-	-	-	-	-
<b>Total financial assets</b>		4,707,372	51,630	1,564,556	203,666	885,829	2,001,691	-
<b>Financial Liabilities</b>								
Due to other banks	6.46	73,869	9,149	64,720	-	-	-	-
Deposits by customers	6.77	3,903,882	224,165	3,276,712	364,295	27,929	8,627	2,154
Debt securities issued	8.18	420,058	-	420,058	-	-	-	-
Balances with related parties	n/a	6,116	6,116	-	-	-	-	-
Subordinated debt	7.85	76,243	-	-	-	-	76,243	-
Other financial liabilities	n/a	22,807	22,807	-	-	-	-	-
<b>Total financial liabilities</b>		4,502,975	262,237	3,761,490	364,295	27,929	84,870	2,154
On balance sheet gap		204,397	(210,607)	(2,196,934)	(160,629)	857,900	1,916,821	(2,154)
Off balance sheet financial instruments		-	-	2,768,000	55,000	(925,000)	(1,898,000)	-
<b>Net effective interest rate gap</b>		204,397	(210,607)	571,066	(105,629)	67,100	(18,821)	(2,154)



# NEW ZEALAND POST LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

21 KIWIBANK FINANCIAL INSTRUMENTS continued								
	WEIGHTED AVERAGE INTEREST RATE	TOTAL	INTEREST INSENSITIVE	WITHIN 6 MONTHS	6 MONTHS - 1 YEAR	1-2 YEARS	2-5 YEARS	OVER 5 YEARS
	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>30 June 2006</b>								
<b>Financial Assets</b>								
Cash and liquid assets	2.89	50,116	30,166	19,950	-	-	-	-
Investment securities	7.13	378,474	-	276,394	11,239	10,157	60,286	20,398
Loans and advances	7.67	2,608,569	3,235	576,045	318,395	378,431	1,332,463	-
Other financial assets	n/a	3,955	3,955	-	-	-	-	-
<b>Total financial assets</b>		3,041,114	37,356	872,389	329,634	388,588	1,392,749	20,398
<b>Financial Liabilities</b>								
Due to other banks	6.44	65,496	1,370	64,126	-	-	-	-
Deposits by customers	6.00	2,376,648	172,755	1,839,399	105,191	72,624	186,427	252
Debt securities issued	7.48	408,964	-	388,244	20,720	-	-	-
Balances with related parties	4.62	34,274	8,944	-	25,330	-	-	-
Other financial liabilities	n/a	15,177	15,177	-	-	-	-	-
<b>Total financial liabilities</b>		2,900,559	198,246	2,291,769	151,241	72,624	186,427	252
On balance sheet gap		140,555	(160,890)	(1,419,380)	178,393	315,964	1,206,322	20,146
Off balance sheet financial instruments		-	-	1,337,000	(140,000)	(105,000)	(1,092,000)	-
<b>Net effective interest rate gap</b>		140,555	(160,890)	(82,380)	38,393	210,964	114,322	20,146

The notional values and credit exposures for Kiwibank off balance sheet financial instruments at balance date were:

	CONTRACT AMOUNT	CREDIT EXPOSURE	CONTRACT AMOUNT	CREDIT EXPOSURE
	2007	2007	2006	2006
	\$'000	\$'000	\$'000	\$'000
<b>Commitments and Contingencies</b>				
Commitments with certain drawdown	92,195	92,195	95,466	95,466
<b>Total commitments and contingencies</b>	92,195	92,195	95,466	95,466
<b>Interest Rate Contracts</b>				
Forward rate agreements	1,045,000	73	995,000	10
Futures	110,000	-	210,000	-
Options	200,000	9	-	-
Swaptions	100,000	10	-	-
Swaps	4,319,000	87,163	2,683,000	22,718
<b>Total interest rate contracts</b>	5,774,000	87,255	3,888,000	22,728
<b>Foreign Exchange Contracts</b>				
Swaps	25,545	1,402	-	-
Forwards	179,355	5,012	2,740	350
<b>Total foreign exchange contracts</b>	204,900	6,414	2,740	350

Kiwibank determines credit exposure according to Reserve Bank of New Zealand capital adequacy guidelines.



# NEW ZEALAND POST LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

	CARRYING AMOUNT	ESTIMATED FAIR VALUE	CARRYING AMOUNT	ESTIMATED FAIR VALUE
	2007	2007	2006	2006
	\$'000	\$'000	\$'000	\$'000
<b>22 KIWIBANK FAIR VALUE OF FINANCIAL INSTRUMENTS</b>				
<b>Financial Assets</b>				
Cash and liquid assets	289,490	289,490	50,116	50,116
Investment securities	779,926	772,327	378,474	377,679
Loans and advances	3,631,662	3,554,023	2,608,569	2,591,369
Other financial assets	6,294	6,294	3,955	3,955
<b>Total financial assets</b>	<b>4,707,372</b>	<b>4,622,134</b>	<b>3,041,114</b>	<b>3,023,119</b>
<b>Financial Liabilities</b>				
Due to other banks	73,869	73,869	65,496	65,496
Deposits by customers	3,903,882	3,903,784	2,376,648	2,374,876
Debt securities issued	420,058	419,954	408,964	408,975
Balances with related parties	6,116	6,116	34,274	34,046
Subordinated debt	76,243	74,954	-	-
Other financial liabilities	22,807	22,807	15,177	15,177
<b>Total financial liabilities</b>	<b>4,502,975</b>	<b>4,501,484</b>	<b>2,900,559</b>	<b>2,898,570</b>

### Interest Rate Contracts

Interest rate contracts are off balance sheet financial instruments used by Kiwibank to hedge on balance sheet activity. The fair value of these contracts at 30 June 2007 was positive \$65.5m (30 June 2006 - positive \$7.4m).

### Foreign Exchange Contracts

Foreign exchange contracts are off balance sheet financial instruments used by Kiwibank to hedge on balance sheet activity. The fair value of these contracts at 30 June 2007 was positive \$3.1m (30 June 2006 - positive \$0.03m).

Quoted market prices, when available, are used as the measure of fair values for financial instruments. However, for some of Kiwibank's financial instruments, quoted market prices do not exist. For such financial instruments, fair values presented are estimates derived using present value or other market accepted valuation techniques. These techniques involve uncertainties and are affected by the assumptions used and judgements made regarding risk characteristic of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors. Changes in assumptions could significantly affect these estimates and the resulting fair value.

The fair value estimates were determined by application of the methods and assumptions described below.

#### Cash and liquid assets

For cash assets the carrying amount is equivalent to the fair value. For short term liquid assets, estimated fair values are based on quoted market prices.

#### Investment securities

For investment securities estimated fair values are based on quoted market prices.

#### Loans and advances

For variable rate loans and advances, the carrying amount is a reasonable estimate of fair value. For fixed rate loans and advances fair values have been estimated using a discounted cash flow model with reference to market interest rates.

#### Other financial assets

For other financial assets the carrying amount is equivalent to the fair value.

#### Deposits by customers

For fixed term deposits by customers fair values have been estimated using a discounted cash flow model with reference to market interest rates. For other deposits by customers the carrying amount is a reasonable estimate of fair value.

#### Debt securities issued

For debt securities issued estimated fair values are based on quoted market prices.

#### Other financial liabilities

For other financial liabilities the carrying amount is equivalent to the fair value.



# NEW ZEALAND POST LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

### 22 KIWIBANK FAIR VALUE OF FINANCIAL INSTRUMENTS continued

#### *Impaired and past due assets*

For non-accrual and restructured impaired assets as well as past due loans, the fair values are estimated by discounting the estimated future cash flows using current market interest rates incorporating an appropriate risk factor or, where such loans are collateralised and have been written down to the current market value of the collateral, the estimated fair value is based on the written down carrying value.

#### *Interest rate contracts*

For interest rate contracts fair values were obtained from quoted market prices, discounted cash flow models or option pricing models as appropriate. Where such techniques are not appropriate, a cash basis has been adopted.

#### *Foreign exchange contracts*

For foreign exchange contracts fair values were obtained from quoted market prices, discounted cash flow models or option-pricing models as appropriate. Where such techniques are not appropriate, a cash basis has been adopted.

	GROUP	
	2007	2006
	\$'000	\$'000

### 23 KIWIBANK CONCENTRATION OF CREDIT RISK

Concentrations of credit risk arise where Kiwibank is exposed to risk in activities or industries of a similar nature. An analysis of financial assets by industry sector at balance date is as follows:

Government, local bodies and services	333,350	124,509
Finance, investment and insurance	696,064	284,966
Households	3,236,659	2,485,976
Transport and storage	22,261	10,441
Communication	11,492	8,382
Electricity, gas and water	10,659	1,602
Construction	20,549	11,210
Property services	287,164	110,384
Personal and other services	32,652	-
Agriculture	4,872	-
Retail and wholesale trade	37,721	-
Other manufacturing	6,415	-
Food manufacturing	6,828	5,182
<b>Total financial assets (interest earning)</b>	<b>4,706,686</b>	<b>3,042,652</b>
Less general provision for bad debts	(5,608)	(5,493)
Other financial assets	6,294	3,955
<b>Total financial assets</b>	<b>4,707,372</b>	<b>3,041,114</b>



# NEW ZEALAND POST LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

	GROUP	
	2007	2006
	\$'000	\$'000

### 24 KIWIBANK CONCENTRATION OF FUNDING

Concentrations of funding arise where Kiwibank is funded by industries of a similar nature. An analysis of financial liabilities by industry sector and by product at balance date is as follows:

<b>Analysis by Industry Sector</b>		
Transport and storage	104,143	48,023
Financing, investment and insurance	600,793	442,696
Construction	13,063	6,550
Government, administration and defence	217,846	223,854
Agriculture	10,234	9,108
Health and community services	45,197	38,036
Personal and other services	39,923	7,604
Property and business services	108,434	23,521
Households	3,167,447	2,051,716
Education	134,312	-
Wholesale/retail trade	32,660	-
Balances with related parties - interest bearing	-	25,000
<b>Total financial liabilities (interest bearing)</b>	<b>4,474,052</b>	<b>2,876,108</b>
Balances with related parties - non-interest bearing	6,116	9,274
Other financial liabilities	22,807	15,177
<b>Total financial liabilities</b>	<b>4,502,975</b>	<b>2,900,559</b>
<b>Analysis by Product</b>		
Cash		
Due to other banks	73,869	65,496
Debt securities issued	420,058	408,964
Deposits by customers	3,903,882	2,376,648
Balances with related parties	6,116	34,274
Subordinated debt	76,243	-
Other financial liabilities	22,807	15,177
<b>Total financial liabilities</b>	<b>4,502,975</b>	<b>2,900,559</b>

### 25 KIWIBANK CREDIT EXPOSURE CONCENTRATIONS

#### Credit Exposure to Individual Counterparties

Credit exposure concentrations are disclosed on the basis of actual exposures and gross of set-offs. The number of individual counterparties, excluding connected persons and OECD governments, where the year end and peak end-of-day aggregate actual credit exposures, net of specific provisions, equalled or exceeded 10% of the Kiwibank Group's shareholder's equity as at balance date are:

	JUNE 2007		JUNE 2006	
	NON-BANK	BANK	NON-BANK	BANK
As at Balance Date				
10% - 19%	-	6	-	5
20% - 29%	-	1	-	2
30% - 39%	-	1	-	-
60% - 69%	-	1	-	-



# NEW ZEALAND POST LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

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### 26 KIWIBANK FIDUCIARY ACTIVITIES

#### **Funds Management**

As at 30 June 2007 and 30 June 2006, Kiwibank did not administer unit trusts, superannuation bonds or superannuation plans.

#### **Custodial Services**

Kiwibank's subsidiary, Kiwibank Nominees Limited, provides custodial services to customers in respect of assets that are beneficially owned by those customers.

#### **Securitised Assets**

As at balance date, Kiwibank was not involved in the origination of securitised assets.

#### **Insurance Business**

The Banking Group markets and distributes its life insurance products through the Banking Group's distribution channels using its wholly owned subsidiary, Kiwi Insurance Limited. An external, third party insurance company underwrites the life insurance.

The total assets of Kiwi Insurance Limited as at 30 June 2007 are \$1.6m (30 June 2006: \$0.9m), which is 0.03% of the total assets of the Banking Group (30 June 2006: 0.03%). This complies with Kiwibank's Conditions of Registration, which allows a maximum of 1% of the total consolidated assets of the Banking Group to be represented by insurance business assets.

Policies and procedures exist to ensure that the insurance activities of the Banking Group are conducted in an appropriate manner. These include regular reviews of the operations of the insurance business by management and a qualified actuary. Should adverse conditions arise, these policies and procedures are expected to mitigate the impact of the conditions on the Banking Group.

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### 27 EVENTS OCCURRING AFTER BALANCE DATE

The Board of New Zealand Post has declared a final dividend of \$10.5m which will be paid on 30 September 2007.

On 2 July 2007 the Group purchased the remaining 25% shareholding in Outsource Australia Pty Ltd for AU\$7m, creating goodwill of AU\$5.3m.

On 2 July 2007 the Parent increased its investment in Kiwibank with the injection of \$10m additional equity.

Kiwibank has entered into agreements to provide AMP-branded home loans to customers introduced by AMP Financial Services Limited ("AMP"), replacing The Hongkong and Shanghai Banking Corporation Limited ("HSBC"), which will exit from that role. On 2 July 2007, as part of this transaction, Kiwibank purchased a \$669m portfolio of New Zealand residential mortgages currently provided by HSBC to AMP-introduced customers and HSBC provided short term funding to Kiwibank for the purchase of \$320m. A net premium of approximately \$4.2m was paid for the portfolio. Binding legal documentation was signed on 4 April 2007.

No other material events have occurred subsequent to balance date that require recognition of, or additional disclosure in these financial statements.



## AUDITORS' REPORT

to the readers of New Zealand Post Limited and Group's financial statements for the year ended 30 June 2007

The Auditor-General is the auditor of New Zealand Post Limited (the Company) and the Group comprising the Company and its subsidiaries. The Auditor-General has appointed me, Karen Shires, using the staff and resources of PricewaterhouseCoopers, to carry out the audit of the financial statements of the Company and Group, on his behalf, for the year ended 30 June 2007.

### Unqualified Opinion

In our opinion:

- The financial statements of the Company and Group on pages 42 to 73:
  - comply with generally accepted accounting practice in New Zealand; and
  - give a true and fair view of:
    - the Company and Group's financial position as at 30 June 2007; and
    - the results of operations and cash flows for the year ended on that date.
- Based on our examination the Company kept proper accounting records.

The audit was completed on 23 August 2007, and is the date at which our opinion is expressed. The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and the Auditor, and explain our independence.

### Basis of Opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Board of Directors;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support our opinion above.

### Responsibilities of the Board of Directors and the Auditor

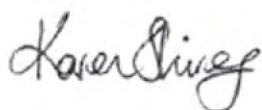
The Board of Directors is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must give a true and fair view of the financial position of the Company and Group as at 30 June 2007. They must also give a true and fair view of the results of operations and cash flows for the year ended on that date. The Board of Directors' responsibilities arise from the State-Owned Enterprises Act 1986 and the Financial Reporting Act 1993.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 19(1) of the State-Owned Enterprises Act 1986.

### Independence

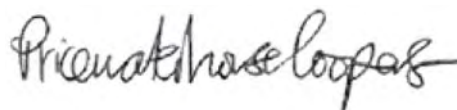
When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

In addition to the audit we have carried out assignments in the areas of tax advice and other assurance services, which are compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with, or interests in, the Company or Group.



**Karen Shires**

On behalf of the Auditor-General  
Wellington, New Zealand



**PricewaterhouseCoopers**



# NEW ZEALAND POST LIMITED AND SUBSIDIARIES

## CONSOLIDATED EARNINGS STATEMENT - INFORMATION DISCLOSURE

FOR THE YEAR ENDED 30 JUNE 2007

	LETTERS DELIVERIES	OTHER SERVICES	TOTAL
	\$'000	\$'000	\$'000
Operating revenue	393,295	828,870	1,222,165
Operating expenses	361,571	759,668	1,121,239
Operating surplus before income tax	31,724	69,202	100,926

### Accounting Policies

Accounting policies adopted for the preparation of the Consolidated Earnings Statement - Information Disclosure are the same as those applied by the Group. The policies are set out on pages 45 to 52.

### Statement of Assumptions

Operating revenue is based on the volume recorded by the mail volume monitoring system and the unit measured sales value for each item. In keeping with the original intention of the legislation, all fast post standard letter product for the full financial year has been included in the calculation of Letters Deliveries, even though effective from 1 April 2004 the price of fast post letters increased to 90 cents and effective from 1 June 2007 the price of fast post letters increased to \$1.00, which is above the amount set out in the legislation of 80 cents for this calculation.

### Operating Expenses

Expenses which can be specifically identified as relating only to one service category are allocated directly to that service category.

Allocation for expenses relating to more than one service category have been estimated by business unit managers.

The property division credit or charge revenue and expenses to the cost centres and these are included above. Revenues and expenses related to other common assets of the Group are allocated on the basis of the share of operating expenses.

Revenue and expenses from delivering mail originating overseas have been estimated based on a conversion of payment by weight into unit rates at an average exchange rate for the year and the allocation of expenditure as described above.

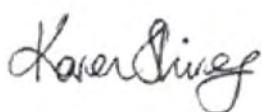
**PRICEWATERHOUSECOOPERS** 

**PricewaterhouseCoopers**  
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## REPORT OF THE AUDITOR-GENERAL

We have examined the allocations of revenue and expenditure to the above service categories for the year ended 30 June 2007.

In our opinion, based on the underlying assumptions adopted in the methodology, the statement of assumptions and the accounting policies as described, the Consolidated Earnings Statement - Information Disclosure represents a fair and reasonable allocation of revenues and expenses to each of the service categories referred to above.



**Karen Shires**

On behalf of the Auditor-General  
Wellington, New Zealand



**PricewaterhouseCoopers**

23 August 2007



# STATUTORY INFORMATION

## NEW ZEALAND POST LIMITED AND SUBSIDIARIES FOR THE YEAR ENDED 30 JUNE 2007

### DISCLOSURES

No specific disclosures were given pursuant to section 140(1) of the Companies Act 1993. The general disclosures of interest made by directors of New Zealand Post and Kiwibank pursuant to section 140(2) of the Companies Act 1993 as at 30 June 2007 are shown on pages 8 and 9 of this report.

### DIRECTORS' INDEMNITY AND INSURANCE

New Zealand Post has insured the directors and employees of the Group against any costs or liabilities of the type referred to in section 162(5) of the Companies Act 1993. New Zealand Post has also agreed to indemnify directors of the Group and New Zealand Post appointed directors of associate companies against any costs or liabilities of the type referred to in section 162(4) of the Companies Act 1993 that are incurred in any proceedings of the type referred to in section 162(3) of that Act.

### DIRECTORS' FEES AND BENEFITS

The total fees and benefits paid to members of the New Zealand Post Limited Board during the 2006/2007 financial year were \$388,521\*.

The total fees paid are within the amount authorised by the shareholding Ministers.

NAME	FEES & BENEFITS
Rt Hon Jim Bolger	\$71,725
Diana Crossan	\$40,325
Ken Douglas	\$45,625
Gregory Fortuin	\$38,925
Ngatata Love	\$37,525
Sara Lunam	\$37,625
James Ogden	\$41,925
Hon Stan Rodger	\$38,121
Justine Smyth	\$36,725
<b>Total</b>	<b>\$388,521</b>

\* These fees and benefits relate to New Zealand Post Limited only, and include fees for subcommittees of the Board.

### DIRECTOR OF NEW ZEALAND POST SUBSIDIARIES

DIRECTOR	SUBSIDIARY	FEES & BENEFITS
John Allen	Communication Arts Limited	-
	Datamail Limited	-
	Kiwibank Limited	-
	Letterbox Channel Limited	-
	New Zealand Post Australia Holdings Pty Limited	-
	New Zealand Post Bravo Limited (to 1 April 2007)	*4
	NZP Australia Pty Limited	*4
	Parcel Overnight Direct Pty Limited	-
	The ECN Group Limited	-
	Transend Worldwide Limited (to 1 April 2007)	*2
Graham Baillie	Converga Information Management Pty Limited	-
	Converga Pty Limited	-
	NZP Australia Pty Limited (from 5 June 2007)	AU\$2,167
	Outsource Australia Pty Limited	*1
	Print Source Australia Pty Limited	-
Ross Baker	ECN Australia Holdings Pty Limited (to 14 December 2006)	-
	ECN NZ Holdings Limited (to 14 December 2006)	-
	MessageMedia NZ Limited (to 14 December 2006)	-
	Pacstream Pty Limited (to 14 December 2006)	-
	The Dawson Group Pty Limited (to 4 July 2006)	*3
	The ECN Group Pty Limited (to 14 December 2006)	-
	Kinetic Vision Limited (to 29 September 2006)	-
Rt Hon Jim Bolger	Kiwibank Limited	\$56,000
Tom Burt	The Dawson Group Pty Limited (to 4 July 2006)	*3
	The ECN Group Pty Limited (to 14 December 2006)	*1
Adrienne Cleland	Kiwibank Limited (to 31 October 2006)	\$9,334
Michael Day	ECN NZ Holdings Limited (to 14 December 2006)	-
John Erkill	The New Zealand Home Loan Company Limited	-
Ian Fitzgerald	Kiwibank Limited	\$38,000



# STATUTORY INFORMATION

## NEW ZEALAND POST LIMITED AND SUBSIDIARIES FOR THE YEAR ENDED 30 JUNE 2007

DIRECTOR	SUBSIDIARY	FEES & BENEFITS
Gregory Fortuin	Kiwibank Limited	\$28,000
Alison Gerry	Kiwibank Limited (from 28 March 2007)	\$7,000
Stephen Henry	ECN Australia Holdings Pty Limited (from 14 December 2006)	-
	ECN NZ Holdings Limited (from 14 December 2006)	-
	MessageMedia NZ Limited (from 14 December 2006)	-
	Pacstream Pty Limited (from 14 December 2006)	-
	The ECN Group Pty Limited (from 14 December 2006)	-
	Transend Worldwide (UK) Limited	-
Paul Hutchinson	Datamail Limited (to 29 September 2006)	-
	New Zealand Post Bravo Limited (to 29 September 2006)	*4
	New Zealand Post Charlie Limited (to 29 September 2006)	*4
	Outsource Australia Pty Limited	\$16,667
Sam Knowles	AMP Home Loans Limited (from 23 March 2007)	*5
	Kiwibank Nominees Limited	-
	Kiwi Insurance Limited	-
	New Zealand Home Lending Limited	-
	The New Zealand Home Loan Company Limited (from 1 July 2006)	*6
Gary Lee	Datamail Limited	AU\$22,000
Sara Lunam	NZP Australia Pty Limited	\$29,803
Domenic Martino	Outsource Australia Pty Limited	AU\$20,000
James Ogden	Datamail Limited	\$24,000
	Kiwibank Limited	\$31,000
Neil Richardson	The New Zealand Home Loan Company Limited	\$20,000 *6
Peter Schuyt	Couriers Please Pty Limited	-
	Datamail Limited	-
	Franchise Urban Network Limited	-
	Letterbox Channel Limited	-
	New Zealand Post Alpha Limited (to 1 April 2007)	*4
	New Zealand Post Bravo Limited (from 29 September 2006 to 1 April 2007)	*4
	New Zealand Post Charlie Limited (from 29 September 2006 to 1 April 2007)	*4
	New Zealand Post Holdings Limited	-
	New Zealand Post Supply Chain Pty Limited	-
	Parcel Overnight Direct Pty Limited	-
	Post Blue Limited	-
	The ECN Group Limited	-
	Transend Worldwide (UK) Limited	-
Craig Stuart	AMP Home Loans Limited (from 23 March 2007)	*5
	Kiwibank Nominees Limited	-
	Kiwi Insurance Limited	-
	New Zealand Home Lending Limited	-
	The New Zealand Home Loan Company Limited (from 1 July 2006)	*6
Mark Thompson	Couriers Please Pty Limited (to 2 July 2006)	*1
	New Zealand Post Australia Holdings Pty Limited	-
	New Zealand Post Supply Chain Pty Limited	-
	NZP Australia Pty Limited	AU\$26,000
	Outsource Australia Pty Limited	AU\$40,000
	Parcel Overnight Direct Pty Limited	-
Elmar Toime	Transend Worldwide (UK) Limited	-
Alain Verschaeren	ECN Australia Holdings Pty Limited (from 14 December 2006)	*1
	PacStream Pty Limited (from 14 December 2006)	*1
	The ECN Group Pty Limited (from 14 December 2006)	*1
Richard Westlake	Kiwibank Limited	\$33,000
Kim Wicksteed	Datamail Limited	\$24,000
Gary Woodham	Communication Arts Limited	-
	Converga New Zealand Limited	-
	Converga Information Management Pty Limited	-
	Converga Pty Limited	-
	Print Source Australia Pty Limited	-
	Outsource Australia Pty Limited	-



# STATUTORY INFORMATION

## NEW ZEALAND POST LIMITED AND SUBSIDIARIES FOR THE YEAR ENDED 30 JUNE 2007

DIRECTOR	SUBSIDIARY	FEES & BENEFITS
	Outsource Solutions Limited	-
Greg Woodham	Outsource Solutions Limited	-
John Young	Couriers Please Pty Limited (from 3 July 2006)	*1
	NZP Australia Pty Limited	*1

\*1 No directors' fees paid. Remuneration received as employee or contractor of this Australian subsidiary company.

\*2 Transend Worldwide Limited was amalgamated with New Zealand Post Limited on 1 April 2007.

\*3 The Dawson Group Pty Limited was removed from the ASIC Register on 4 July 2006.

\*4 New Zealand Post Alpha Limited, New Zealand Post Bravo Limited and New Zealand Post Charlie Limited were amalgamated with New Zealand Post Limited on 1 April 2007.

\*5 AMP Home Loans Limited was incorporated on 23 March 2007.

\*6 51% of The New Zealand Home Lending Company was acquired on 1 July 2006.

### Donations

During the year the New Zealand Post Group made donations of \$67,000.

### Auditors

The auditor for the Group is PricewaterhouseCoopers (PwC). The amount payable by the group to PwC as audit fees in respect of the year is \$1,288,000. The amount incurred in respect of the year for other services provided by PwC is \$521,000.

### REMUNERATION

#### Report of the Remuneration Committee on executive remuneration

The Remuneration Committee, made up of four independent directors, is responsible for overseeing remuneration for New Zealand Post Group's management team. New Zealand Post Group's management reward structures are designed to attract, reward and motivate the best executive talent available. In setting compensation for executives, market information from similar management positions within the full range of New Zealand businesses is assessed.

Executive performance is measured through specific targets in four key performance areas – service performance, customer engagement and experience, employee engagement and financial growth. An effective remuneration policy is tied to the achievement of specific and quantifiable performance objectives. Executive remuneration includes at-risk payments, superannuation, medical benefits, car and other allowances.

REMUNERATION BAND (\$'000)	NUMBER OF EMPLOYEES	REMUNERATION BAND (\$'000)	NUMBER OF EMPLOYEES	REMUNERATION BAND (\$'000)	NUMBER OF EMPLOYEES
840/850	1	290/300	3	180/190	15
820/830	1	280/290	1	170/180	17
560/570	1	270/280	1	160/170	15
550/560	1	260/270	3	150/160	15
540/550	1	250/260	3	140/150	29
420/430	1	240/250	7	130/140	38
410/420	1	230/240	2	120/130	57
350/360	1	220/230	3	110/120	67
340/350	3	210/220	4	100/110	107
320/330	2	200/210	8		
300/310	5	190/200	8	<b>Total</b>	<b>421</b>

This includes 71 employees who left the Post Group in the year under review.



# STATUTORY INFORMATION

NEW ZEALAND POST LIMITED AND SUBSIDIARIES  
FOR THE YEAR ENDED 30 JUNE 2007

## DELIVERY POINTS

SERVICE	DELIVERY POINTS	6 DAY	5 DAY	1-4 DAY
Residential	1,335,999	1,333,874	2,052	73
Business	67,748	59,115	8,607	26
Private Box Farmers	5,646	4,577	1,051	18
Private Box/Bag, Individual and Business	210,684	191,460	19,218	6
Counter, Community Mail	13,306	8,652	4,654	-
Rural	208,892	182,398	24,616	1,878
TOTAL	1,842,275	1,780,076	60,198	2,001
PERCENT	100%	96.62%	3.27%	0.11%

## Frequency of delivery

Under the Deed of Understanding with the Government, signed on 17 February 1998, New Zealand Post undertakes to provide:

- Six day delivery to more than 95% of delivery points. Actual 96.62%.
- Five or six day delivery to more than 99.88% of delivery points. Actual 99.89%.

## RETAIL OUTLETS BY TYPE

Corporate PostShops (including company owned and franchises)*	324
Post Centres	662
Total retail outlets**	986
* At least 240 PostShops	
** At least 880 postal outlets and Post Centres	

This information is provided in compliance with the Postal Services (Information Disclosure) Regulations 1998.

## DIRECTORS' STATEMENT

This annual report is for the period 1 July 2006 to 30 June 2007 and is signed on behalf of the New Zealand Post Board by



RT HON J B BOLGER, CHAIRMAN



J H OGDEN, DIRECTOR





To The Directors; New Zealand Post Limited

Research International conducted a measure of New Zealand Post’s letter delivery performance measuring performance against the following criteria:

- For FastPost:
- delivery the next working day between major towns and cities across New Zealand
- For Standard Post:
- delivery the next working day for letters whose destination is within the same urban centre
  - delivery within three working days for letters to other destinations within New Zealand

To measure the extent to which New Zealand Post are meeting these publicly stated objectives, we prepared for posting Standard Post and FastPost letters which were sent to a representative sample of New Zealand Post’s total customer base. Based on information supplied by New Zealand Post, we assess our sample to be representative of over 80% of all letter traffic within New Zealand.

We measured transit time by counting the number of business days from the day of posting of the letter to the day the letter was received by the addressee (Sundays and public holidays were not counted because mail is not delivered on these days).

During the period July 2006 to June 2007, four surveys were conducted. For each survey mail was posted over a two-week period, hence the results represent a random sample rather than a continuous monitor. In our opinion this report fairly represents the service performance achieved by New Zealand Post Limited during the time of measurement.

The results of this test are summarised in the table below.

WEIGHTED RESULTS*	
Total within specification	95.5%
Total within three days of specification	99.7%
More than three days later than specified	0.3%

\* Weighted to replicate the proportion of FastPost and Standard Post mail flows in New Zealand based on unaudited ratios supplied by New Zealand Post

Yours faithfully  
Research International NZ Ltd

RAEWYN TOLOA  
ACCOUNT MANAGER



# DIRECTORY NEW ZEALAND POST LIMITED

## **BANKERS**

ANZ National Bank Limited  
Bank of New Zealand Limited  
Westpac Banking Corporation

## **AUDITORS**

Auditor-General assisted by PricewaterhouseCoopers, Wellington

## **SOLICITORS**

Minter Ellison Rudd Watts

## **REGISTERED OFFICE**

Level 12, New Zealand Post House, 7 Waterloo Quay, Wellington

## **INFORMATION ON NEW ZEALAND POST PRODUCTS AND SERVICES:**

New Zealand Post website:	<a href="http://www.nzpost.co.nz">www.nzpost.co.nz</a>
Customer Service Centre:	Toll free telephone 0800 501 501 Email <a href="mailto:enquiry@nzpost.co.nz">enquiry@nzpost.co.nz</a>
Group Communications:	Private Bag 39990, Wellington 5045 Telephone 64 4 496 4999 Facsimile 64 4 496 4479
Stamps Centre:	Private Bag 3001, Wanganui Mail Centre, Wanganui 4540 Telephone 64 6 349 1234 Facsimile 64 6 345 7120 Email <a href="mailto:enquiry@wgmsc.nzpost.co.nz">enquiry@wgmsc.nzpost.co.nz</a> Website <a href="http://www.stamps.co.nz">www.stamps.co.nz</a>



# STAMP ISSUES 2007

1 July 2006 to 30 June 2007

## SCENIC – RENEWABLE ENERGY

**Date of Issue:**  
5 July 2006

**Designer:**  
Watermark,  
Auckland



## CHILDREN'S HEALTH HEALTHY LIVING: 5 + A DAY

**Date of Issue:**  
2 August 2006

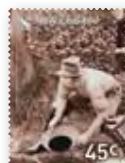
**Designer:**  
Cue Design,  
Wellington



## GOLD RUSH

**Date of Issue:**  
6 September 2006

**Designer:**  
Cato Partners,  
Wellington



## CHRISTMAS 2006

**Date of Issue:**  
4 October 2006

**Designer:**  
CommArts,  
Wellington



## SUMMER FESTIVALS

**Date of Issue:**  
1 November 2006

**Designer:**  
The Church,  
Wellington





### SCOTT BASE

**Date of Issue:**  
20 January 2007

**Designer:**  
Alan Hollows  
Stamps & Collectables  
Business,  
New Zealand Post



### YEAR OF THE PIG

**Date of Issue:**  
7 February 2007

**Designer:**  
Cue Design, Wellington



### NATIVE WILDLIFE

**Date of Issue:**  
7 March 2007

**Designer:**  
Peter Faulkner  
Splashy, Hamilton



### COMMEMORATIVES

**Date of Issue:**  
24 April 2007

**Designer:**  
Stephen Fuller,  
Wellington



### TOURISM DEFINITIVES

**Date of Issue:**  
9 May 2007

**Designer:**  
Stamps & Collectables  
Business, New Zealand  
Post



### SOUTHERN SKIES

**Date of Issue:**  
6 June 2007

**Designer:**  
Jayne Joyce  
Capiche Design,  
Wellington





Our roots go back to 1840 but it is the past 20 years as a State-Owned Enterprise (SOE) that have truly defined who we are today – a vibrant, innovative organisation eager to play its part in New Zealand's future.

1987

The New Zealand Post Office is split into three companies – New Zealand Post, Telecom and Post Bank. Each company is set up as a SOE and expected to operate as a commercial entity.



1987

Harvey Parker is the first Chief Executive of New Zealand Post.

1987

The Māori Language Act 1987 is introduced, recognising Te Reo Māori as an official language of New Zealand.



1987

New Zealand becomes a nuclear and biological weapon-free zone with the New Zealand Nuclear Free Zone, Disarmament and Arms Control Act passing into law.



**THIS CONCERTINA** can be spread out or read like a book. The timeline leads to a gallery of staff visions.

**ATTACHED** at the back is a special booklet showcasing works by four well-known Kiwi artists intended to be removed and enjoyed.

**TO RE-ASSEMBLE**, fold one page next to the other, like pleats or a paper fan. The last two pages form the cover and wrap around the others to create the illusion of a book.



1987

The All Blacks win the first Rugby World Cup, hosted by Australia and New Zealand. Captained by David Kirk, the All Blacks beat France 29-9 in the final at Eden Park in Auckland.



1840

The first New Zealand stamp is produced.



1988

Datamail, a 50/50 joint venture direct marketing business between New Zealand Post and Hermes Precisa Australia is established, offering business customers a bulk mail data processing and address labelling service. In 1992 New Zealand Post purchases 100% of Datamail.



1989

CourierPost and its innovative Track & Trace technology are launched.

1840

1987

1988

1989

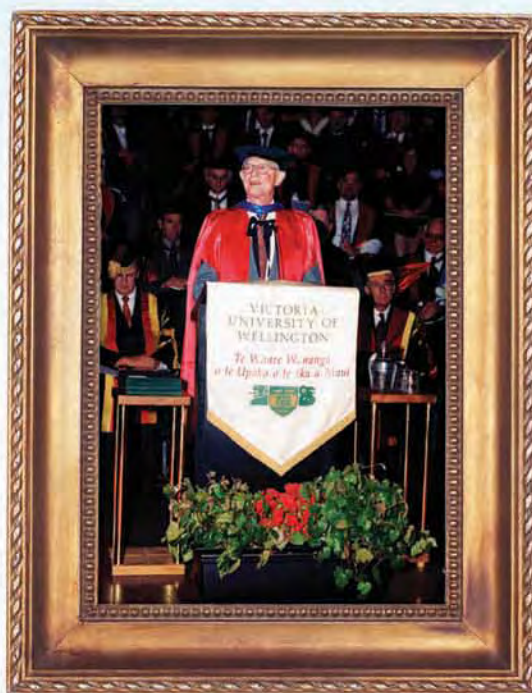
1990

1991



1993

Elmar Toime is Chief Executive of New Zealand Post from 1993 to 2003.



2000

New Zealander Alan MacDiarmid is awarded the Nobel Prize in Chemistry for his work on conductive organic polymers. He is the second New Zealand born and educated Nobel Prize winner after physicist Lord Ernest Rutherford in 1908.

1995

Peter Blake's Black Magic wins the America's Cup in San Diego, beating Dennis Connor's Young America 5-0 in the final series.



1994

New Zealand Post is named 'Company of the Year' in the Deloitte/Management Magazine Top 200 Awards.



1992

1993

1998

1999

2000

2001



2001

The first of Peter Jackson's *The Lord of the Rings* movie trilogy, *The Fellowship of the Ring* opens to critical acclaim. The trilogy goes on to become the highest grossing motion picture trilogy worldwide of all time, beating *Star Wars* and *The Godfather* and tying for the total number of Academy Awards won.



2002

The first KiwiBank branch opens its doors in Albany. By the end of the year KiwiBank had 280 branches around the country.



2005

New Zealand golfer Michael Campbell wins the US Open, staring down Tiger Woods to become just the second New Zealander to win a major.

2005

The 50/50 joint venture between New Zealand Post and DHL for Express Couriers Limited (ECL) takes effect from 1 January.



2002

2003

2004

2005

2006

2007



To mark our 20th anniversary as an SOE we asked New Zealand Post Group people what they think New Zealand will be like in the year 2050. Here is a selection of their visions...



**Global NZ**

Sue Macewan, *Christchurch Mail Centre*



**It is people**

Robin Dignan, *Dunedin North PostShop*



**Vision for 2050**

Fay Southon, *Central Address Site, Lower Hutt*

# 2050

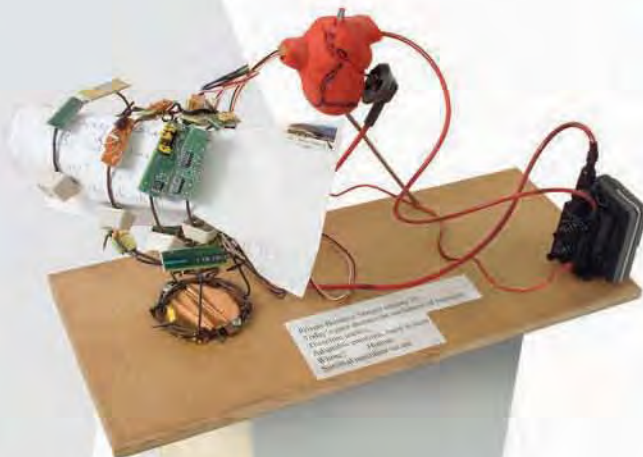




**Mum! I'm down the garden feeding kiwis**  
Jenny Bridgen, *Communications*, Wellington



**2050 Kiwi Vision**  
Jo Chilton, *People Capability*, Wellington



**Survival Machine Sculpture**  
Darryl Veale, *Christchurch Mail Centre*





**New Zealand in 2050 / Our Choice**  
Sally Thompson, Christchurch Mail Centre



**You can't always solve tomorrow's problems with today's thinking**  
Suzie Muirhead, Six Sigma Programme, Wellington



**2050 (A retro-futuristic vision)**  
Grant Humm (Highly Commended),  
Kiwibank, Wellington







**Even Greener**  
Chris Waind, *Communication Arts Limited, Wellington*



**The Homecoming**  
Suzy Rose, *Ashburton PostShop*



**Life in 2050 New Zealand**  
Kelly Walsh, *South Dunedin PostShop*

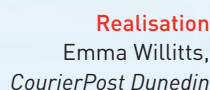


**New Zealand on Top of the World**  
Niki Pennington, *Communication Arts Limited, Wellington*





When I...  
Tui Fletcher, *Whangarei Mail Centre*







**NZYR2050**

Iata Peautolu, *Tauranga Mail Centre*



**Frankton Metro Mail Centre Superannuitants Picnic Day 2050**

Cheryl Wigmore, *Hamilton Delivery*



**Our land, our people united**

Greer Ritchie, *Online Channel Team, Wellington*



**Frankly Speaking 20/50**

Ken Powe (Highly Commended),  
*Motorcycle Trainer, Wellington*





SUPREME WINNER: **Sea of Visions**

Suzu Rose, Ashburton PostShop

"This is how I see New Zealand in the future, the visions represent waves in the ocean, the paua shell all the wonderful colours of a clean green New Zealand."



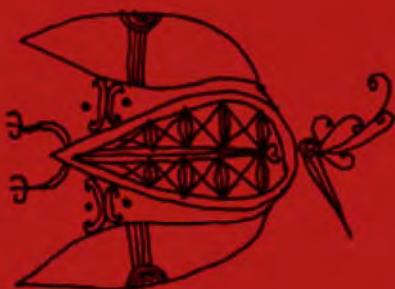




# WHO WE WILL BECOME?



**postscript**



2015  
AUGUST



# postscript

IN 1987 NEW ZEALAND POST BECAME A STATE-OWNED ENTERPRISE. And while our history actually spans over 160 years it is the past 20 years – a period of change, refocus and diversification – that defines us today and shapes our future.

Today we are a vibrant, profitable organisation operating in hundreds of communities, employing thousands of New Zealanders.

We are ambitious for New Zealand and ourselves. We are thinking about how we can continue to meet the needs of our customers and continue to offer real value. We believe we will do this by not only looking at what we can do today or tomorrow, but what we will do years from now, and by thinking about how we will get there.

Our 20th anniversary is about celebrating who we were, who we are, and who we will become. The New Zealand Post Group is proud of our heritage and eager to be an integral part of our country's future.

In 20 years – or even by 2050 – what will New Zealand look like? How will we have changed? While 2050 may seem a long way off, the decisions we make and the paths we choose today will influence that future.

We asked some prominent artists to share with us their vision of New Zealand in 2050. They have produced beautiful and thought-provoking works. I hope you enjoy them.

JOHN ALLEN, CHIEF EXECUTIVE,  
NEW ZEALAND POST GROUP

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WELCOME TO YOUR FUTURE... maybe.

It's instructive asking imaginative writers and visual artists to play with the idea of the New Zealand condition in 2050. You get back a quite different kind of future-gazing than that of journalists, scientists, market-analysts and politicians.

We asked fiction writer Emily Perkins to consider the New Zealand family; visual artists John Pule, the relationship between our country and its Pacific neighbours. We asked poet James Brown to think about money; comic book artist Dylan Horrocks, the great Kiwi OE.

One of the most enhancing aspects of their finished works is the degree to which they connect, they way their themes and 'back-stories' chime with each other, though none of the four discussed their respective projects during their creation. and though the works are fully cognisant – as all imaginative work must be – of the hard facts of our current human condition (global warming, peak oil, consumerism, war, human suffering) this 'data' is

subsumed in a bigger story: the strange and enduring logic of the human heart.

So, while the future may hold loss and separation, chilly transactions with dehumanised institutions, only tracteries of great civilisations, displacement on a grand scale, so too – these works say emphatically – will endure those magnificent human imperatives:

romantic love, the desire to make family and shelter, the need to explore and invent and create, the drive to connect with other human beings, to understand difference, to celebrate...

There will be light and dark in our future, these works tell us. There will be fireworks, angels patrolling suburbia, hiphopoly, blue skies and fish, frozen continents, birth control and longer life... there may be new languages, new lands... and always, always, there will be individuals signalling in a thousand small ways to each other, communicating, constantly remaking the connective tissue that is society...

KATE DE GOLDI, PROJECT EDITOR

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WITH SINCERE THANKS TO SARAH MAXEY of Nice Work who designed the presentation of the following works.





# THE ANYTHINGS

*Emily Perkins*

**AUTHOR:** Emily Perkins

**SUBJECT:** Family









THE 'PETREL' has been becalmed for two days and Nonna has barely left the handrail of the deck, not wanting to miss a second of coming home. Slowly, as the hours have ticked past, her excitement has curdled into dread. After this long, long journey she has been expecting a bump of recognition like the nudge of the boat's protective bolsters against the wharf. But now there it is, see-sawing into view, the home she has not set foot in since 2025, half her life ago, and the truth is she barely knows the place. Not that it has changed so very remarkably – although she must remember not to call it Auckland any more. Perhaps it is greener, perhaps a greater density of trees crowds the shoreline where she remembers buildings. Or has the shoreline moved? Not trees, she must remember, bush. Not population control but family planning. Not isolationism: protection of heritage. She mustn't be too hard on the place. People like Louis are doing their best. She had better bloody love it, she is back for good.

Suddenly Nonna catches a glimpse of the former Museum on its hill between rectangular hulks of office blocks. The grey pillars, once so grand, are now dwarfed by the glass and steel around them – but oh! she is a child again, running up the stone stairs, in through the heavy revolving doors, people everywhere... she slips off her shoes and enters the cool hush of the meeting house, steps slowly forward beneath its ribs, gazing at the faces, world within a world... now she is in a different room, the glass cabinets are smudged with the whorls of her fingerprints, fuzzed with her breath as she falls out of time, looking at the artefacts from other countries, other lives...

Wind scuffs the turquoise water. They may yet reach the harbour today. Without knowing how it has happened Nonna is gripped with her former excitement, all of the traveller's joy at sighting home. And more than that – the deep, charged thrill of the explorer entering a new land.



THE baby is very delicately placed in Gigi's pulpy, purple-knobbed fingers; the room is nothing but eyes looming towards that infirm grip beneath the baby's swaddled form, propping it up by collective will. This ridiculous, beautiful new hedgehog has made her a great-great-grandmother, a creature who surely oughtn't be alive. How absurd of Helen to have had a baby! She is a child herself!

'I'm twenty-one, Gigi.' The new mother's voice floats over the baby's face and into Great-great-grandmother's ear and Gigi, for so she has been renamed by the family, it is easier that way, realises she must have spoken her thoughts out loud. This lot love their renaming. Stupid habit. How is anyone to know who the hell they are? 'Too many last names now to call ourselves the Anythings.' A joke of some kind, she doesn't understand it. Never to be permitted the warm isolation bath of deafness, her hearing so cleverly attended to it is better now than it was in her sixties, but her brain puddly enough that she can speak what's on her mind, in her frog-like voice, and be entirely unaware of it happening. 'She's lovely.'

'Oh Lord, every morning!' says a woman – Becky?

'Will she never remember?'

'It's a he.' A firm, patient voice now.

'He's called Pippin,' someone else says slow and loud.

Pippin! What a funny old-fashioned name! The baby opens his sweeping eyes and looks indiscriminately above him with irises the colour of wet stones. A Chinese boy leans in and takes him gently from her. This must be Helen's Chinese boyfriend.

'Yes, Gigi,' he said. 'I'm Michael.'

He's Chinese! He speaks very good English!

Somewhere in the room someone giggles.

'I'm going out,' says John.

'Nonna's coming, you can't go out.'

The baby swings up and away in his father's arms. There he goes, there he goes, little life... onto Helen's shoulder, his moon face peering over, surely consciously, at her, and Gigi follows those shining river-bottom eyes with her own, which are weakly watering. Sometimes, lately, she cries without knowing it.

CHRIS finds his wife by the chicken coop, gathering eggs for the weekend brunch that is an Anything tradition. It is a week since they have properly talked, each of them avoiding the other. But this day has been so long looked forward to – the first shake of wind in the leaves this morning had whispered Nonna, Nonna. Their dreadful decision – Becky's decision, not Chris's – the announcement of it – would have to wait. A reprieve, and yet it dragged out the pain.

'You all right?' Chris asks Becky now.

'I suppose,' she says. 'You?'

'No.'





She looks at the ground between them. 'Do you think we're making a terrible mistake?'

She's a mystery to him, his wife of over fifty years. The droops and thickened skin of her lovely face still surprise him, given her girlishness, or at least his sense of her as a girl, there in flashes – the swing of her long silvery ponytail, the high register of her laugh. From the sleep-out a blast of the latest music – crashing surf, pounding hooves – signals the waking of their grandson John. 'You can't ask me that,' he says in a low voice that carries under the sound. 'It's up to you.'

She turns quickly and shoves her hand into some straw to extract a precious egg. A shuddery inbreath and her shoulders begin to shake. He steps closer and speaks into her ear. 'We won't say anything until after tonight.' He would like to wrap his arms around her waist and say that everything is going to be all right, but he would also like to put his hands around her throat and kill her.

NONE of the Anythings can agree how they will get to the harbour to meet Nonna. She has been gone for so long nobody knows any more who is the closest to her and who should make the plans. Ella is her sister, yes, but in a steppish, in-lawish kind of way. Louis, her stepbrother, loves Nonna but has not been able to muster the stamina for long-distance correspondence. There was an old play they studied at school and a man in it said, I didn't go to the moon, I went much further – because time is the longest distance between two places. Nonna has never met the twins. (Bang, their child quota gone all in one hit!) For Louis and Ella, thinking back to before the twins were born is like trying to peer into their own prenatal, precognisant lives. The twins began the world and they will carry it on long after their parents are gone. Look at Helen and all of her friends, having babies young. They don't want to take chances. And thank god, too – for a long time it just seemed as though everyone was only getting older.

So much to do, as Louis keeps saying, walking up and down the stairs, forgetting what he has gone up or downstairs for, gaze darting to the low-lying corners of the room as if there could be clues in their shadows. A party on this scale and Nonna arriving the very day... how is it that he is the idiot on whom this is all landed? Easily, he tells the tomato vines, his confidantes at the bottom of the garden, where he finds himself, secateurs in hand and not knowing why. He is the idiot who never has been away. He could have left when Nonna did but he had met Ella and that first year of their love affair he stalled, caught in the tension

between wanting to rove the world and wanting to glue himself to her bed. Ella was in the republican movement and would not, could not leave. Her passport had been revoked.

Nonna, Nonna... the fat tomatoes smell like chalk. He picks the ripest ones and puts them in the bowl tucked under his arm. Nonna had bewildered him even at five, the age she had been when she and Ollie moved into lonely Louis's bedroom and Louis, uncomplaining, shoved over. He had watched, thumb in mouth, as Chris, their Dad – his Dad now too – banged the bunk beds into place with his hammer. Chris's wink flew across the room to him on little eyelashy wings. He caught it and blinked slowly in acknowledgement.

'I want top,' said Ollie.

'Fine,' said Nonna. 'I'm going to make a den on the bottom.'

'Not fair. I want the bottom.'

'Fine,' said Nonna. 'I'm going to make a sailing ship on the top. The whole room is under water.'

Ollie went puce. Chris laughed. 'Brothers and sisters.'

Another wink landed on Louis's dimpled chin.

'Now you know all about it.'

Poor Ollie, so aware of his status as the family... what was it the twins said? 'Uncle O is such a burr.' He'd tried using the word herself a few times but they always shook their heads. 'Dad you're not saying it right.' He isn't fully confident of what it means. Oliver thinks they're all hopeless, he's made that much clear – that they've lost touch with their values somehow. He behaves as though values only belong to the sorts of people who talk about them all the time. He hardly ever leaves the Mainland and none of them miss him. Is he even part of their family? Louis growls, something he does when he is alone.

They never heard from Oliver once, all of that cold, long decade, the 30s, when they hadn't known if Nonna would make it back. Europe was dark. News intermittent. Troubling. Electrical storms rolled and rolled over the Southern skies. By the time the war was over, the newly formed Republic had shut its borders and even travel from the Mainland was tightly controlled. Nonna, with her northern hemisphere shipboard life, was still part of the family, if only electronically. As the government's STAY PUT promotions said, you can't hug a hologram. But they were so grateful for that weekly apparition, shimmering there in the living room while the family





gathered to talk. And now Nonna has won the expat re-entry lottery. Louis had privately believed she'd never even entered it. There is such pleasure, he thinks as he chucks a snail over the hedge into the neighbour's garden, in being surprised.

JOHN lies on the floor of the sleep-out, the music of rain sloshing over him from his new ceiling speakers. He says, 'Roof' and the rain no longer falls on a muddy field but on a tin roof, and it might be the roof of the sleep-out, he might be the roof the rain is drumming down on, he is the roof spread over the walls of the sleep-out, an awning extending out to the house, covering the house with his banged-together tinniness. The rolling R of his raindrops fills the house with sound.

Helen, his twin, lies on her side on the second sleep-out bed, listening to a lecture on her headphones and breast-feeding the baby. Her eyes drift shut. John stretches an arm and thunder rolls under the floor.

On the shelf that runs right around his room sit all the things Aunt Nonna has sent him over the years. A jade Buddha from China, coiled, candy-bright red and yellow Mexican beads, the Saami hat, the illegal shark tooth... these talismans have helped him believe in the rest of the world, in a place beyond home.

LOUIS runs up and down the stairs on high speed. Becky cries in the bathroom. Gigi snores. Michael rocks the baby. Ella shouts at Louis. Don't shout at me. Chris takes off in the Lectra. Helen listens to another lecture. Around the side of the garden skirts a blurry figure, John, all elbows, knees and shadows. Now his long legs stick out from under the house. Weatherboards and feet, as though the house is resting on his body. His heels push into the ground, sending him further into that woody, secret space below the deck. And then he wriggles out, holding one palm to his chest in a funny way, the small cornered outline of a rectangle visible beneath his T-shirt.

THE Lectra pulls up outside the house. Nonna gets out, disoriented. The streets seem to have moved; their neighbourhood now lies between a development called Little England and New Kiribati. The trees have changed and the buildings and cafes and old people everywhere, but here, home, is the same wooden state house she left thirty years ago, a very old house now with bits added – a new top storey, an attic extension above that, a garage conversion, a wheelchair ramp – lord is that Grandma wheeling out

towards her, beneath that giant purple sun-visor? Nonna is only just getting over the shock of her father's mottled, wrinkled face and now this geriatric vision? Holograms have not prepared her for the aged reality. The front path is crowded suddenly with family – it's too much, there's Ella, and she's weeping, and Nonna's cheeks are all wet too and things blur – these faces coming at her – Louis, darling brother Louis, and Becky (Mum – whatever she would call her now, so long since her own mother died, she looks ancient, the grey hair, so much of it) – 'Becky!' she says aloud, then feels guilty for not being warmer, and hugs her stepmother extra tight, whereupon Becky bursts into loud, noisy tears. Well, Nonna knows what all that is about. Chris said it in the car, looking away from her at an intersection. She had put her hand on his shoulder – 'Oh, Dad' – but he didn't move his head until the car behind them honked its horn. She is under instructions to say nothing. Louis and Ella are either side of her now. One prises her fingers away from her suitcase, another steers her towards the front door, into the house. Surely she, Nonna, does not look as middle-aged as these two? Who are these people? Without knowing what she is doing she stops her feet right where they are on the path, experiences a little jostle, a shove in the small of her back from Ella, but no. The door is just there. The same door, the same grey paint. She can't go in. For the first time in thirty years she is a daughter again, a sister, a granddaughter, a great-aunt. All of these mantles will be strung around her neck like leis if she crosses that threshold. The perfumed, seductive, veiling leis...

'Nonna look at your face! Are you all right?'

She shrugs, smiles. 'What can I say.'

You all look so old.'

They all erupt with laughter. 'So do you!'

Oh god, this friendly, teasing hatred, this we-know-you, we-own-you-ness she has climbed right back into. Nonna laughs helplessly and steps forward, across the threshold. 'Where's the baby? Let me see this beautiful baby!'

WAITANGI DAY is the one date in the year when lottery winners are allowed ashore and the only time private fireworks are permitted, 'giving the slightly erroneous impression to our new citizens that we are an exuberant bunch,' as Ella remarks. Still, the Anythings make it an annual celebration. The evening is windless, soft. The family and their friends and neighbours are gathered beneath the spreading plum tree, glasses in hands, toddlers and babies on the rugs beneath their feet. John's put the sound of a yacht under sail on the stereo and the slosh





of water and creak of ropes make Nonna feel confused, disoriented, half here with her blood family and half back on the water with her crew, the family she had chosen.

Louis has saved his gas-dollars especially for tonight and is set up by the henhouse, turning sausages over a grill. The charcoaly, meaty smell brings Nonna back into this place. She's twenty again, fifteen, twelve, four... 'Best little country in the world,' a man with a handlebar moustache announces. A couple of very dodderly people say, 'Hear, hear.' An hysterical bubble rises in Nonna's throat – she starts to laugh – now the sound is coming from her nose, high-pitched, weak – people are staring at her, she doubles over, Pippin in his swaddling at the edge of the rug telescoping in and out of scale as she snorts and chokes. With a rushing fizz a firework dandelions over their heads and Nonna is forgotten.

It's hard for Becky to lower herself to the ground, first dropping to her knees, too fast, then a slow lurch forward to hip and elbow, inelegant, but Chris is kind enough not to look. She shuffles around on the picnic blanket, arranging herself next to him. This is their street, their neighbourhood, these, she supposes, their people, in all their silliness. Her marriage. And she has it in her hand, extracted from her heart, held at arm's length – she is on the verge of throwing it away! Glittering bombs bloom and wilt in the dusky sky, silver and gold against grey clouds. She is a late developer, yes, having a mid-life crisis at eighty, but perhaps it's not so ridiculous... there is Gigi, a giant pile of blankets sitting in a wheelchair, Colin on his shooting stick beside her, both beaming at the exploding colours above the trees... there could be another thirty years of life to go and oh, god, must she spend it with this boring boring man? Fifty-five years of marriage already! Does becoming old mean the only mystery that survives is death? The widening shadow of that door as it opens slowly before her? This is her failure – a failure of imagination – the living world is full of twilight still, dark places she needs a candle for – but she can't find them while attached to this man, this same prosaic man for whom it all is surface...

They survived the rents worn in their fabric by affairs. Decided that this constantly renewed decision – to live together – made them stronger. Threw giant, pre-emptive celebrations for their ruby anniversary, delighting in the self-congratulatory sense of achievement, so many of their friends on second, third marriages, so many of them alone. Longevity became the measure of success.

And now she would rather not be married. Not at all. Solitude is no longer something to fear. It's the only way to keep faith with herself. Perhaps she should just go away... She loved him so much a long, long time ago, when the children were small, and later when the Depression hit they could not have survived without each other. Now she wonders whether they are just staying together for the sake of their parents. When Gigi is gone... The future swarms at her, unclear and bright. A responding adrenalin spritzes in her chest. What will happen then?

Michael's grandmother crouches down beside them, offering a plate of summer rolls and dipping sauce. 'Such a handsome couple,' she says. Becky looks around for Michael and Helen. And where on earth is John?

IN the garden under the trees Nonna and Ella and Louis lie with their heads together on a blanket, drowsy with wine and the night-scented flowers. When Nonna speaks her voice is unstable, still at sea. 'Your children are so lovely. I can't believe you're grandparents.'

'Neither can we,' says Ella.

'It's so good to be finally here.' Nonna wipes away the tears that are sliding into her hair.

'We're family. That never changes.'

Secrets, secrets. It's easy not to tell them what she knows about their parents, the ridiculous old age separation they're all going to have to bear. But the conversation she had with John – his questions about the Petrel, travelling, how long it had taken her to get used to it – they were leading somewhere. This feels like something she should share with her brother and sister-in-law, only she doesn't know how. A burning itch crawls up Nonna's bare legs. She slaps at her ankles. 'Jesus! Is anyone else being eaten alive?'

Over by the tomato plants three children are squealing, waving sparklers that trail electric silver loops and curves in the darkness, writing their names in the air.

THESE young people don't know how to throw a party.

'Oh, Gigi, it was a good night.'

'Did I say that out loud?'

'Never mind.'

I've been alive too long.





He lets that one go. Helps her swing her legs up and into the adjustable bed that cost a year's worth of health-dollars. Tucks the foil over her dreadful feet. He'll be a wreck when she goes, and it won't be long now.

Colin.

'Yes?'

I've been alive too long.

He clutches her hand, strokes the swollen wrist. 'No.'

We promised each other.

'You're tired. That's all.'

Her eyes float shut. The room is warm, balmy, the faint smell of gunpowder still in the air. Colin leans out the window and reaches down to the gardenia bush below. He should use scissors, the woody stem splits and frays and he has to waggle it around, barely any control in his fingers. At last something gives way and he draws it back inside, the white gardenia, petals yellowing around the edges and bruised in crescents by his fingernails.

What is that?

He holds it beside Gigi's dark slack lips. Her eyes are leaking, or she is crying, he's stopped trying to figure out which. Tiny raindrops squeeze from the corners of her closed lids. Soon she will be shrinking, shrinking, skin collapsing over bone so that in the end she will look more like a starved horse than the woman she had once been. He will not let that happen.

Beautiful, she thinks, the honeyed perfume wrapping around her, swallowing her in memory so that her collapsing body is lost, and she thinks how much she loves that word, so serviceable, so perfect-sounding and so true. Beautiful flower, beautiful night.

Helen wanders the house trying to walk Pippin to sleep, listening to a book. John took his passport, his holo-band and the bright droplets of Mexican beads. He's taken the colour from the room. They had already lost their ability to know each others' thoughts without holos, long before she had Pippin. It isn't her fault for choosing a partner, a baby, over him. It can't be. She doesn't want to be the one left, the one who has to tell the rest of the family. He has always been there.

Aunt Nonna finds her sitting on the couch. Gently she lifts the baby from Helen's arms and strokes his velvety head. His little cat mews subside.

'What am I going to do?' Helen asks her, and bursts into tears.

What can Nonna tell her? She only knows what it is to be the one who has left. Helen will live her own life, she and Michael will make the sleep-out their home, and have their allotted second child, and even at some point maybe rebel, leave the family home and strike out in a caravan up North, or to the Mainland, stay with Oliver... Or they will not move, they will carve out their own space here, and then they will know what she doesn't know, which is what it is to let intimacy, shared experience, build year upon year upon year, the layers making walls, a roof.

When Michael appears in the doorway both women are asleep. Pippin lies across his great-aunt's chest, one little arm flung around her neck. The curtains flare and billow into the room. He closes the window. Out there in the dark, the wind shakes the trees.

He had thought he'd be able to hide until they were in international waters but the Petrel is smaller than he'd expected, and they'd only just set sail when someone on deck tripped over him. The crew member took him to the captain, who wasn't angry but pleased to have another hand, and bewildered: 'There's thousands trying to get into this country,' he said, 'and you want to leave it? You all right in the head?'

'I think so,' said John.

'What's your name again?'

Now is his chance to make something up, to reinvent himself for good. But he says,

'John Anything.'

'You'll have to work hard.'

Above him the wind slaps and shakes the sails. Real music. John breathes in the salt air, the sharp musty Kevlar smell, and is stirred with a deep, powerful feeling of being alive. Tomorrow, the next day, in the weeks to come he will see new skies, new colours in the sea, he will be free in the world. The islands, the tropics, the equator... Eventually even the stars will be different and only the moon will stay the same. Now he looks back at the city shrinking into the distance, spotlights waving from its towers, red, pink and white fires erupting in the sky over the houses, over the hills. Above it all, hanging fat and yellow as the street lanterns in Koreatown, the moon drifts upwards towards the very top of the blue-green, cloud-streaked sky. ♥





Sender:  
Hinewai Omana-Huang  
Turangawaewae  
Newton  
Aomarama

AROHA MAI  
AROHA ATU



Dr. Raukura Omana Huang  
Dept. of History  
University of Papanui  
Aomarama

My darling Raukura,  
I found these a few days after the memorial  
service and thought you might like to have them.  
I suppose you could say they're a little piece of  
history. But for me they are nothing more - and  
nothing less - than a memory of your father.  
Love always,  
Mum



PEOPLE OF THE DREAMING DESERT  
A typical family of desert-dwelling nomads  
(White Sheep Dreaming) pose during the  
historic visit of HMAS Waikato.

4 February

My dearest Hinewai  
At last the expedition is underway! We  
were faxwelled from Taiupo by the King,  
the P.M. and even old Lithuanate him-  
self! Then a week's flying across the  
Tasman (through some pretty wild  
weather!) to the edge of the Dreaming  
Desert. They say water's so scarce  
here mothers lick their baby's tears, and  
dogs will fight over a single drop of  
blood. Professor Cook blames it on  
climate change, but the locals just  
shrug and say it's the dream that's  
changed... All I know is it's too  
hot for me here!  
Missing you  
Nick xxx  
P.S. I hope you're considering  
my proposal...



HINEWAI OMANA  
TE PURU KAINGA  
TAMAKI MAKARAU  
TE IKA A MAUI  
AOTEAROA

ARTIST: Dylan Horrocks  
SUBJECT: Travel

12 April

Beautiful Hinewai  
When the people here told us their story, of  
course I thought of you. Apparently there  
are sunken islands all over Oceania, once  
home to whole kingdoms but now swallowed  
by the sea (climate change, Prof. Cook says  
again). Yesterday our guide took us diving  
through the submerged streets of one such  
island. He told us fishermen sometimes see a  
mysterious young woman, beckoning to them  
from beneath the waves. She is said to be  
the most beautiful Princess of the undersea  
kingdom, with eyes like mother of pearl  
and lips like red coral, yearning for a  
husband to join her in her watery bed.  
When I laughed and asked our guide if he  
had ever actually seen this princess  
himself, he went very quiet and refused to  
say any more. But I'd swear there was  
a tear in his eye...  
Dreaming of my own beloved  
Princess of the sea,  
Nick  
P.S. please say yes!



HINEWAI OMANA  
TE PURU KAINGA  
TAMAKI MAKARAU  
TE IKA A MAUI  
AOTEAROA

"Princess of the Sunken Kingdom"  
(this fanciful artwork illustrates a  
popular Oceanic legend)







Sweet Hinewai  
 3 July

After a long and difficult crossing, we have arrived at the City of Angels, where the HMA's Kupe can receive some much-needed repairs and the Professor and I may explore the giant forests (no different to our own!) and the endless gloomy ruins of the old city. Every-where we go, we are accompanied by an Angel (i.e. one of the city's soldier-priests). He is usually friendly enough, but warns us constantly about bandits, armed gangs, eastern raiders and foreigners of all stripes! The Prof. soon tired of this, but I love hearing the Angel sing his sweet sad songs at night by the campfire...

I see your face in the stars every night and wake to a memory of your voice each morning...

Archanui,  
 Nick



HINEWAI OMANA  
 TE PURU KAINGA  
 TAMAKI MAKAUARAU  
 TE IKA A MAUI  
 AOTEAROA

THE CITY OF ANGELS:  
 Guarding the Old City



20 September

Dear sweet Hinewai

Never would I have believed a place could be so cold! We're all wrapped up in layers of wool and furs, yet still my fingers are clumsy and numb. The Prof. tried to explain about latitude and something called "the Gulf Stream," but my brain was too frozen to make sense of anything. Prof. Cook is even more moody and melancholy than usual. Apparently this island used to boast some of the greatest libraries and universities in the world. But no longer... Today we went skating on the river. And we saw bears! Wishin' I could huddle with you for warmth...

Archanui  
 Nick

P.S. Turns out there was nowhere to post this from, so I'll have to deliver it by hand on our return...  
 Soon, soon, soon...

A Shaman of the Frozen River Tribes.

6 November (over the Pacific)

Yesterday, just before midnight, we saw what appeared to be a whole new land-mass, shining beneath a thick layer of luminous golden clouds. Of course the Prof. wanted to investigate, but the Captain refused - we've barely enough fuel as it is. Secretly, I think the Prof. was a little relieved. He retired to his cabin looking tired and old and demoralised. Much of his world is gone, I suppose. But I stayed at the window till long after midnight. I couldn't stop thinking about that brief tantalising glimpse of a whole new uncharted world, just waiting to be explored. Perhaps one day I will return, but with you...



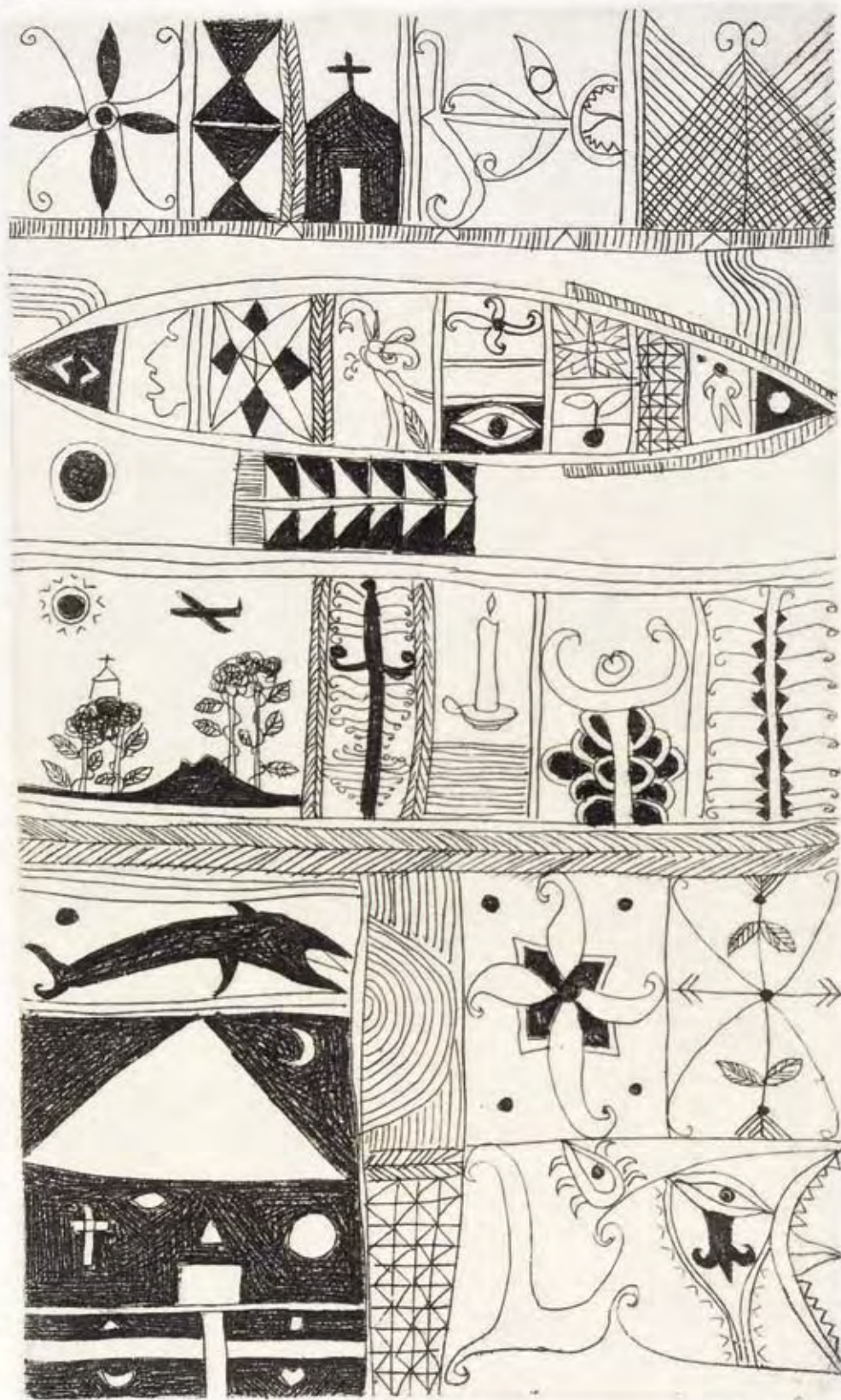
Always and forever  
 yours Nick





ARTIST: John Pule  
SUBJECT: Pacifika



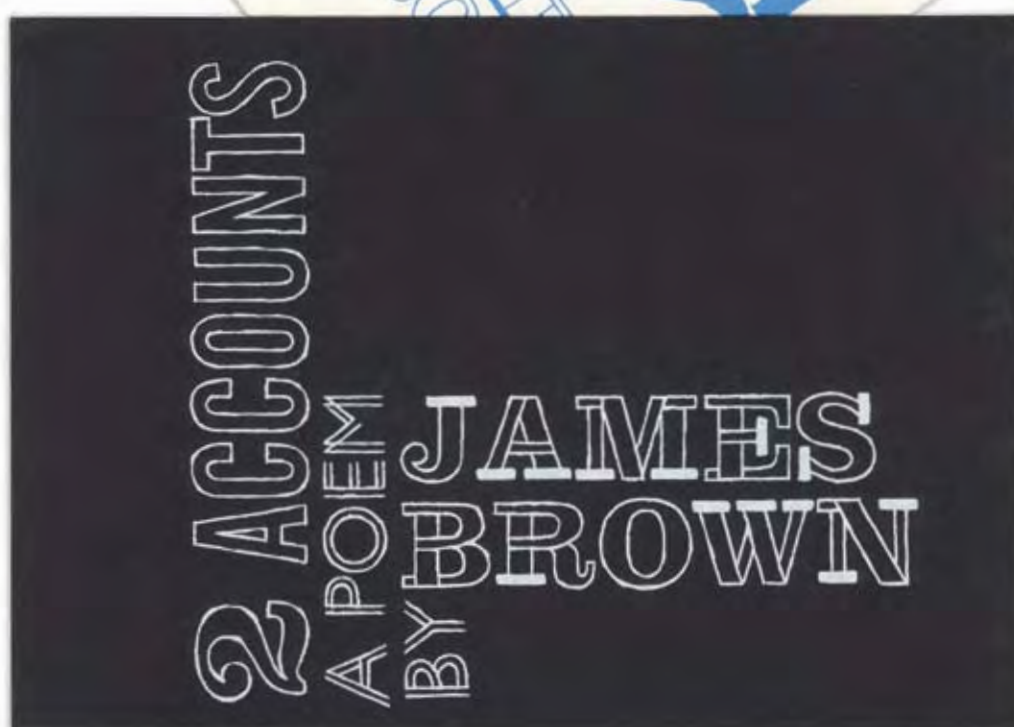


Oleama

Tom Park  
2007



# A POEM



AUTHOR: James Brown  
SUBJECT: Money



The day the bottom fell out the housing market,  
I sussed my landlord about the fridge.  
'It wanders,' I said. 'When I get up  
it's in the middle of the kitchen. Once  
I got home and it was like halfway down the hall,  
straining at the plug.' 'Huh,' said the landlord  
and wedged StopGap under its feet.

The next day I came home and it had like  
totally scarpered.  
There was only a dust-grossed square  
and this old piece of cash from the visionary 2020s.  
I pocketed the cash and sussed the landlord.  
'Tell it to the bank,' he said,  
and rang off.

By the weekend the flat was a tell-all of dust squares.  
The landlord moved in.  
He was a nice bloke (he said), which (he said)  
was part of his issues.  
I sucked it up, worked online, ate fluff.  
The landlord was a random cook.  
I beat him at Hiphopoly

As it turned out, the bank sussed it to me first.  
The numbers didn't stack up.  
It was Sunday, my day to go outside.  
'Lend him time,' I said. 'His back is carked.'  
'Time is money,' said the voice.  
'No,' I said. 'Time is turtles  
- all the way down.'

One day I came home and the fridge was back.  
The landlord was inside it.  
I sussed the bank.  
'Is this like some metaphor?' I said.  
'Money,' said the voice, 'is the only metaphor  
worth discussing.'  
There was a caution-pause, and,

in the chill rented light, I suddenly saw  
where we were at, which was  
the end of meta-narratives of value.  
After mega-years buffing it out, it seemed all  
- minusing one - were now subsided.  
'His assets are naturally frozen,'  
said the voice. 'Your move.'

Games are the negatives of beauty, truth  
and sleep, but such clamours were now over.  
So I converted. I sussed an account.  
I divested and invested.  
The numbers flicked and flowed  
and I flicked and flowed with them.  
Fractions speak louder than words.

So like here I am, via you scrolling  
me over. I look good on paper.  
Only sometimes, when the fridge pours me  
a long cool one, do my evenings turn turtle.  
Pang, we say, when the heart is stretched to breaking.  
Yet our figures remain buoyant.  
Invisible hands gather us in.









To mark our 20th anniversary as an SOE, we chose to make this annual report a little special with a unique layout. It has been printed using vegetable inks on recyclable paper manufactured using elemental chlorine-free pulp sourced from sustainable, well managed sources.

We encourage you to pass this copy to others and recycle it next year. Our annual report can also be viewed online at [www.nzpost.co.nz](http://www.nzpost.co.nz).

New Zealand Post 