

NEW ZEALAND POST GROUP
HALF YEAR REPORT
FOR THE PERIOD ENDED
31 DECEMBER 2009

INTERIM REPORT

2009



NEW
ZEALAND
POST
GROUP

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\$42.5m NET PROFIT AFTER TAX

\$621.5m REVENUE FROM OPERATIONS

\$55.1m PROFIT BEFORE TAX

\$5.7m INTERIM DIVIDEND



NEW
ZEALAND
POST
GROUP

Directors' statement

The New Zealand Post Group can report an acceptable result in a highly challenging and competitive trading environment during the six months ended 31 December 2009.

The effects of the global economic downturn in the last financial year continued into the first half of the current year, and were most acutely felt in reduced postal, courier and distribution volumes. At the same time the banking sector was affected by tight net interest margins and fee structure changes.

Consequently, the Group recorded a net profit of \$42.5 million for the half year, a 19.4 per cent reduction on the \$52.8 million reported for the corresponding previous period.

New Zealand Post Group

The New Zealand Post Group provides a range of banking, payment, postal, courier, transport, logistics, distribution and data management services throughout New Zealand and Australia.

Kiwibank performs well despite challenges

Kiwi Group Holdings Limited, which is the holding company for Kiwibank, Kiwi Insurance Limited and our 76 per cent shareholding in New Zealand Home Loans, recorded an overall net profit of \$24.0 million. Kiwibank itself delivered a net profit of \$23.5 million, compared with \$25.8 million in the 2008 half year period. Profitability was impacted by tight net interest margins, reflecting strong competition for deposits and competitive lending rates, and reduced revenues arising from fee structure changes across the banking market.

The small extent of the net profit reduction can be attributed in part to an international banking climate that has encouraged New Zealanders to bank with the only major New Zealand owned bank. Kiwibank continued to offer innovative products during the period, including the GoFly credit card, linked to the Air New Zealand Airpoints Programme.

Postal Services Group experiencing continued letter volume decline

The postal services market continues to face major challenges. The economic downturn accelerated the existing trend of declining letter volumes due to electronic substitution. Domestic mail and parcel volumes in the 2009 half year were 5.7 per cent – or 27 million items – down on the same period a year before. As economic conditions improve, we are seeing a stabilisation of parcel volumes, but expect the underlying decline in traditional letters to continue.

During the period, the Postal Services Group introduced new products and services to help drive volumes through our mail processing and delivery networks. These included tailored databases for effective direct marketing and a hybrid online/printed Send-a-Card service. In parallel, it also undertook a restructuring of resources and processes to reduce costs and streamline the business.

The first non-denominated postage stamps were introduced in September 2009. Bearing no postage price, the stamps are designed to simplify postage for customers by remaining valid for posting a Standard Letter, even if prices change.

We have not changed domestic postage prices, however they remain under review.

New Zealand Post is engaging with its network access customers on a review of existing arrangements for access pricing. The objective of the review is to achieve access terms that reflect the underlying economics and are consistent with the maintenance of a sustainable universal postal service throughout New Zealand.

Retail introduces new PostShop design

New Zealand Post operates a nationwide network of over 300 PostShop stores and 600 PostCentre outlets. PostShop stores provide a range of postal, courier, banking, bill payment and agency services, and are complemented by PostCentre outlets that offer only postal and courier services.

As part of its customer focused initiatives, New Zealand Post has launched a new interior design and layout for PostShop stores to offer an improved customer experience in the highly competitive financial services sector. The first new store was opened in Ellerslie in August 2009. The modernisation is being progressively rolled out, with enhanced services including confidential meeting rooms, a welcome and assist service to direct customers and manage queues, and improved access to post and courier products.

SUMMARY OF FINANCIAL PERFORMANCE

	12 months to 30 June 2009 (audited)	6 months to 31 December 2009 (unaudited)	6 months to 31 December 2008 (unaudited)
Revenue from operations	\$1,253.8m	\$621.5m	\$656.2m
Expenditure	\$1,163.4m	\$589.0m	\$598.1m
Net profit	\$71.8m	\$42.5m	\$52.8m
Share capital	\$192.2m	\$192.2m	\$192.2m
Shareholders' equity	\$669.2m	\$738.3m	\$650.6m

New Zealand Post seeks to ensure that PostShop stores are in the right place and offering the right range of services to meet the majority of customer needs, now and in the future. During the half year, as part of our ongoing strategy to provide an efficient retail network in response to changing customer requirements, we opened one new PostShop store, upgraded 14, closed one and transitioned 12 to PostCentre outlets.

Datam: A new brand for data management services

During the period, the Datamail Group rebranded as Datam to better reflect its focus on cost effective data and communication management services beyond the production of printed mail. Datam optimises communications between clients and their customers using both electronic and paper channels. It produces 60 per cent of New Zealand business' transactional mail and aims to be the largest provider of business process outsourcing services, including online customer self service tools, for New Zealand companies.

Courier joint ventures

Like goods transporters internationally, our two joint venture courier companies experienced lower volumes during the half year period.

However, effective cost management and operational streamlining enabled Express Couriers Limited, the Group's 50:50 joint venture with DHL in New Zealand, to make a solid earnings contribution.

ParcelDirect Group (formerly Express Couriers Australia Pty Limited), the Group's 50:50 joint venture with DHL in Australia, has yet to meet its financial expectations as it works through the twin challenges of a difficult market environment and integrating the six businesses that make up its network. During the half year period, ParcelDirect introduced new branding among its moves to build its market position.

New Group Chief Executive

During the period, the Board appointed Brian Roche as Group Chief Executive. He started his new role in January 2010 and brings a wealth of business experience that will be invaluable to the Group. Directors thank Sam Knowles, who acted as Group Chief Executive for six months before returning to his role as Chief Executive of Kiwibank.

Dividends

Directors have declared an interim dividend of \$5.7 million for the period, compared with \$6.9 million for the same period last year. This is in line with the Group's dividend policy, as set out in the Statement of Corporate Intent.

Challenges and opportunities ahead

There are encouraging signs of improved economic conditions that will in time favourably impact a number of Group businesses. While we do not expect these benefits to be felt within the New Zealand Post Group in the second half of this financial year, the Board and management are alert to signs of recovery and remain optimistic that, despite the challenges, growth opportunities exist in our courier, logistics, data management and banking activities.

We have a particular focus on supporting Kiwibank's continued growth and improving the performance of ParcelDirect Group, while generally developing broader strategic and structural options to address market and consumer challenges.

The ongoing decline in traditional mail volumes is placing significant pressure on postal organisations internationally. We are specifically addressing this fundamental difficulty for our Postal Services business and closely examining a range of options to appropriately structure and position Postal Services for future market conditions.

Over the coming period we will maintain a prudent approach to cost management while ensuring our services are customer focused, sustainable and competitive.

Although the Group's net earnings were down on the corresponding previous half year, the current period's net profit was an acceptable result given the significant impacts of the global economic downturn and increasing competition. However, meeting year end financial targets will be challenging. Directors are confident that the business is taking the appropriate steps to work towards those targets.

For and on behalf of the Board



Rt Hon J B Bolger, ONZ

Chairman, New Zealand Post
25 February 2010

Consolidated Statements of Comprehensive Income

NEW ZEALAND POST LIMITED AND
SUBSIDIARIES HALF YEAR REPORT
FOR THE PERIOD ENDED
31 DECEMBER 2009

	Note	GROUP			PARENT		
		6 months ended 31 December 2009 unaudited \$'000	6 months ended 31 December 2008 unaudited \$'000	12 months ended 30 June 2009 audited \$'000	6 months ended 31 December 2009 unaudited \$'000	6 months ended 31 December 2008 unaudited \$'000	12 months ended 30 June 2009 audited \$'000
Revenue from operations	1	621,510	656,190	1,253,846	390,788	415,088	765,904
Expenditure	2	588,980	598,104	1,163,438	373,669	393,341	758,786
Operating profit		32,530	58,086	90,408	17,119	21,747	7,118
Gain on sale of Kiwibank Limited		-	-	-	-	-	429,000
Other income	1	20,789	7,604	134	3,364	4,027	7,310
Finance costs (net)		(6,355)	(5,119)	(9,449)	(5,271)	(6,283)	(10,857)
Share of net profit of associates and jointly controlled entities		8,173	9,341	12,383	-	-	-
Profit before income tax		55,137	69,912	93,476	15,212	19,491	432,571
Income tax (expense)/credit		(12,603)	(17,119)	(21,642)	(2,982)	(4,898)	2,009
Profit for the period (attributable to parent shareholders)		42,534	52,793	71,834	12,230	14,593	434,580
Other Comprehensive Income							
Fair value gains/(losses) (net of tax)							
- land and building revaluations		-	-	(303)	-	-	(303)
- available for sale financial assets		(5,599)	14,384	7,597	-	-	-
Cash flow hedges (net of tax)		32,319	(74,081)	(62,596)	(112)	-	-
Currency translation differences		(63)	(2,540)	(488)	-	-	-
Total other comprehensive income		26,657	(62,237)	(55,790)	(112)	-	(303)
Total comprehensive income (attributable to parent shareholders)		69,191	(9,444)	16,044	12,118	14,593	434,277

Consolidated Statements of Changes in Equity

NEW ZEALAND POST LIMITED AND
SUBSIDIARIES HALF YEAR REPORT
FOR THE PERIOD ENDED
31 DECEMBER 2009

	GROUP			PARENT		
	6 months ended 31 December 2009 unaudited \$'000	6 months ended 31 December 2008 unaudited \$'000	12 months ended 30 June 2009 audited \$'000	6 months ended 31 December 2009 unaudited \$'000	6 months ended 31 December 2008 unaudited \$'000	12 months ended 30 June 2009 audited \$'000
<i>Equity at the beginning of the period</i>	669,157	666,612	666,612	1,063,623	642,845	642,845
<i>Transfers from statements of comprehensive income:</i>						
Profit for the period	42,534	52,793	71,834	12,230	14,593	434,580
Other comprehensive income	26,657	(62,237)	(55,790)	(112)	-	(303)
<i>Total comprehensive income</i>	69,191	(9,444)	16,044	12,118	14,593	434,277
Dividends paid to shareholders	-	(6,616)	(13,499)	-	(6,616)	(13,499)
<i>Equity at the end of the period</i>	738,348	650,552	669,157	1,075,741	650,822	1,063,623

Consolidated Statements of Financial Position

NEW ZEALAND POST LIMITED AND
SUBSIDIARIES HALF YEAR REPORT
AS AT 31 DECEMBER 2009

		GROUP			PARENT		
Note	As at 31 December 2009 unaudited \$'000	As at 31 December 2008 unaudited \$'000	As at 30 June 2009 audited \$'000	As at 31 December 2009 unaudited \$'000	As at 31 December 2008 unaudited \$'000	As at 30 June 2009 audited \$'000	
ASSETS							
Current assets							
Cash and cash equivalents	128,246	46,666	142,900	118,901	40,691	171,186	
Trade and other receivables	248,385	195,985	222,407	198,676	149,213	165,224	
Inventories	17,916	19,228	14,522	11,102	12,052	8,438	
Assets held for sale	-	9,600	20,036	-	9,600	20,036	
Taxation receivable	-	-	-	-	740	1,538	
Derivative financial assets	2,795	4,227	5,932	2,795	4,227	5,932	
Other current assets	11,476	8,697	8,211	3,982	4,782	4,077	
Total current assets	408,818	284,403	414,008	335,456	221,305	376,431	
Specific banking assets							
Cash and cash equivalents	363,592	312,665	293,805	-	-	-	
Due from other financial institutions	18,705	71,762	-	-	-	-	
Financial assets held for trading	875,873	1,137,403	726,492	-	-	-	
Available for sale assets	893,247	702,570	697,407	-	-	-	
Loans and advances	9,726,420	6,983,818	8,492,013	-	-	-	
Derivative financial instruments	51,639	68,642	49,342	-	-	-	
Total specific banking assets	11,929,476	9,276,860	10,259,059	-	-	-	
Non-current assets							
Deferred tax asset	13,219	26,747	26,692	-	-	-	
Investment properties	36,686	70,160	36,686	36,686	70,160	36,686	
Property, plant and equipment	330,870	350,022	330,044	276,144	282,125	274,119	
Intangible assets	149,698	124,086	144,838	32,354	38,846	34,730	
Loans to related parties	-	-	-	825,242	35,783	801,264	
Investments accounted for using the equity method	7 97,979	94,333	92,644	69,731	69,731	69,731	
Investments in subsidiaries	7 -	-	-	76,261	350,883	75,933	
Total non-current assets	628,452	665,348	630,904	1,316,418	847,528	1,292,463	
Total assets	12,966,746	10,226,611	11,303,971	1,651,874	1,068,833	1,668,894	

		GROUP			PARENT		
	Note	As at 31 December 2009 unaudited \$'000	As at 31 December 2008 unaudited \$'000	As at 30 June 2009 audited \$'000	As at 31 December 2009 unaudited \$'000	As at 31 December 2008 unaudited \$'000	As at 30 June 2009 audited \$'000
LIABILITIES							
Current liabilities							
Trade and other payables		289,704	250,739	300,113	219,281	183,954	243,880
Provisions		4,360	5,877	9,675	4,360	5,877	9,500
Taxation payable		1,729	7,700	3,354	533	-	-
Deferred settlement liability		-	16,726	11,700	-	-	-
Borrowings	3	52,777	130,162	53,295	40,606	114,884	39,789
Derivative financial liabilities		3,374	-	2,204	3,374	-	2,204
Total current liabilities		351,944	411,204	380,341	268,154	304,715	295,373
Specific banking liabilities							
Due to other financial institutions		580,952	587,023	316,648	-	-	-
Deposits		9,740,311	7,297,853	8,265,576	-	-	-
Debt securities issued	3	884,436	716,243	912,540	-	-	-
Derivative financial instruments		215,692	321,341	304,287	-	-	-
Total specific banking liabilities		11,421,391	8,922,460	9,799,051	-	-	-
Non-current liabilities							
Loans from related parties		-	-	-	196,864	-	197,721
Deferred tax liability		-	-	-	5,100	5,960	4,545
Employee benefit liabilities		3,293	3,415	3,591	3,217	3,356	3,537
Deferred settlement liability		9,989	-	10,595	-	-	-
Borrowings	3	441,781	238,980	441,236	102,798	103,980	104,095
Total non-current liabilities		455,063	242,395	455,422	307,979	113,296	309,898
Total liabilities		12,228,398	9,576,059	10,634,814	576,133	418,011	605,271
EQUITY							
Parent shareholders' equity							
Share capital	4	192,200	192,200	192,200	192,200	192,200	192,200
Retained earnings		507,948	442,484	461,771	806,645	370,539	790,772
Other reserves	5	38,200	15,868	15,186	76,896	88,083	80,651
Total equity		738,348	650,552	669,157	1,075,741	650,822	1,063,623
Total equity and liabilities		12,966,746	10,226,611	11,303,971	1,651,874	1,068,833	1,668,894

Consolidated Statements of Cash Flows

NEW ZEALAND POST LIMITED AND
SUBSIDIARIES HALF YEAR REPORT
FOR THE PERIOD ENDED
31 DECEMBER 2009

		GROUP			PARENT		
	Note	6 months ended 31 December 2009 unaudited \$'000	6 months ended 31 December 2008 unaudited \$'000	12 months ended 30 June 2009 audited \$'000	6 months ended 31 December 2009 unaudited \$'000	6 months ended 31 December 2008 unaudited \$'000	12 months ended 30 June 2009 audited \$'000
Cash flows from operating activities							
Receipts from customers		552,537	593,057	1,098,273	378,260	434,258	783,125
Kiwibank interest received		260,125	358,107	643,776	-	-	-
Other interest received		1,959	2,231	5,049	4,606	2,231	3,359
Dividends received		2,778	4,027	7,616	2,776	4,027	7,616
Payments to suppliers and employees		(586,045)	(583,500)	(1,073,477)	(376,510)	(392,538)	(681,484)
Subvention payments		-	-	-	-	-	(1,976)
Net payments to agencies		(23,795)	(31,416)	(29,914)	(27,374)	(34,377)	(30,534)
Kiwibank interest paid		(174,334)	(273,483)	(495,953)	-	-	-
Other interest paid		(8,915)	(7,561)	(10,651)	(9,259)	(7,561)	(14,772)
Income tax paid		(10,000)	(10,900)	(18,980)	(1,024)	(2,551)	(18,811)
Kiwibank increase in loans and advances		(1,260,775)	(1,271,387)	(2,787,485)	-	-	-
Kiwibank (increase)/decrease in balances due from other financial institutions		(18,705)	79,148	150,910	-	-	-
Kiwibank increase in deposits		1,447,092	1,537,430	2,523,461	-	-	-
Kiwibank increase/(decrease) in balances due to other financial institutions		264,304	109,207	(157,629)	-	-	-
Kiwibank increase in financial assets held for trading		(149,381)	(723,954)	(307,289)	-	-	-
Kiwibank (increase)/decrease in available for sale assets		(189,330)	18,933	19,157	-	-	-
Net cash flows from operating activities	6	107,515	(200,061)	(433,136)	(28,525)	3,489	46,523
Cash flows from investing activities							
Sale of property, plant and equipment		21,646	32	37,613	21,633	32	37,557
Sale of investments		-	-	-	-	-	724,000
Repayment of loans from jointly controlled entities		-	4,289	4,691	-	-	333
Purchase of property, plant and equipment		(21,379)	(31,593)	(47,226)	(12,901)	(14,965)	(16,174)
Investments in associates and other companies	7	-	(1,533)	(1,533)	-	(1,533)	(1,533)
Investments in subsidiaries	7	(13,106)	-	-	(1,000)	-	(20,050)
Advances from subsidiaries		-	-	-	-	20,000	200,000
Advances to subsidiaries		-	-	-	(28,175)	(4,521)	(741,533)
Advances to associates and jointly controlled entities		-	-	-	-	(40)	(406)
Purchase of intangible assets		(9,897)	(9,243)	(28,171)	(2,732)	(1,053)	(10,022)
Net cash flows from investing activities		(22,736)	(38,048)	(34,626)	(23,175)	(2,080)	172,172

		GROUP			PARENT		
	Note	6 months ended 31 December 2009 unaudited \$'000	6 months ended 31 December 2008 unaudited \$'000	12 months ended 30 June 2009 audited \$'000	6 months ended 31 December 2009 unaudited \$'000	6 months ended 31 December 2008 unaudited \$'000	12 months ended 30 June 2009 audited \$'000
Cash flows from financing activities							
Issue of borrowings	3	79,415	275,916	551,008	79,415	215,916	291,008
Repayment of borrowings	3	(80,000)	(213,000)	(368,000)	(80,000)	(213,000)	(368,000)
Dividends paid to parent shareholders		-	(6,616)	(13,499)	-	(6,616)	(13,499)
Dividends paid to minority shareholders		(957)	(692)	(1,329)	-	-	-
Kiwibank (decrease)/increase in debt securities issued	3	(28,104)	231,647	426,102	-	-	-
Net cash flows from financing activities		(29,646)	287,255	594,282	(585)	(3,700)	(90,491)
Net increase/(decrease) in cash held							
Cash at the beginning of the period		436,705	310,185	310,185	171,186	42,982	42,982
Cash at the end of the period		491,838	359,331	436,705	118,901	40,691	171,186
Composition of cash							
Kiwibank cash and cash equivalents		363,592	312,665	293,805	-	-	-
Other cash and cash equivalents		128,246	46,666	142,900	118,901	40,691	171,186
		491,838	359,331	436,705	118,901	40,691	171,186

Notes to the Consolidated Financial Statements

NEW ZEALAND POST LIMITED AND
SUBSIDIARIES HALF YEAR REPORT
FOR THE PERIOD ENDED
31 DECEMBER 2009

Reporting Entity

New Zealand Post Limited (the 'Parent') and its subsidiaries provide postal services, banking services, business solutions and courier services to New Zealand and Australian customers. The Parent is a limited liability company incorporated and domiciled in New Zealand. The Parent's registered office is Waterloo Quay, Wellington.

The Group comprises the Parent, its subsidiaries (including Kiwibank Limited, a registered Bank – referred to as "Kiwibank"), its associates and its jointly controlled entities.

Basis of Preparation

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. For the purpose of complying with New Zealand generally accepted accounting practice the Parent is designated as a profit-oriented entity.

These interim financial statements for the Group and Parent are for the six months ended 31 December 2009. They have been prepared in accordance with NZ IAS 34 *Interim Financial Reporting*, and all other New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and IFRIC interpretations issued and effective, or issued and early adopted, as at this time.

Changes In Accounting Policies

There have been no material changes in accounting policies. All policies have been applied on a basis consistent with those used in previous periods.

Comparative Figures

There have been no material changes to comparative figures.

	GROUP			PARENT		
	6 months ended 31 December 2009 unaudited \$'000	6 months ended 31 December 2008 unaudited \$'000	12 months ended 30 June 2009 audited \$'000	6 months ended 31 December 2009 unaudited \$'000	6 months ended 31 December 2008 unaudited \$'000	12 months ended 30 June 2009 audited \$'000
1 Revenue and Other Income						
<i>Included in revenue from operations is:</i>						
Banking interest revenue	268,334	362,302	648,638	-	-	-
Banking interest expense	201,977	282,707	483,781	-	-	-
Net banking interest revenue	66,357	79,595	164,857	-	-	-
Banking and lending fee income	39,737	45,372	89,143	-	-	-
<i>Included in other income is:</i>						
Financial instruments at fair value net gain/(loss)	20,787	3,557	(5,089)	-	-	(306)
Sale of investments gain	-	4,046	5,222	-	-	-
Dividends from associates and jointly controlled entities	2,778	4,027	7,616	3,364	4,027	7,616

	GROUP			PARENT		
	6 months ended 31 December 2009 unaudited \$'000	6 months ended 31 December 2008 unaudited \$'000	12 months ended 30 June 2009 audited \$'000	6 months ended 31 December 2009 unaudited \$'000	6 months ended 31 December 2008 unaudited \$'000	12 months ended 30 June 2009 audited \$'000
2 Expenditure						
<i>Included in expenditure is:</i>						
Amortisation of computer software assets	11,212	9,753	18,661	5,096	5,369	9,532
Amortisation of other intangible assets	1,467	2,395	4,539	4	68	254
Depreciation	18,175	16,259	33,724	10,859	10,568	20,991
Foreign exchange net loss/(gain)	(77)	(2,243)	728	(201)	(1,520)	(542)
Property operating lease and rental costs	21,010	18,934	33,878	18,319	16,123	28,330
Other operating lease and rental costs	6,979	6,500	13,038	4,369	4,324	8,659

3 Borrowings

The following provides information about borrowings issued and repaid during the periods presented:

Kiwibank Subordinated Bonds

No bonds were issued or repaid in the 6 months ended 31 December 2009 (6 months ended 31 December 2008 and 12 months ended 30 June 2009 – \$60m bonds were issued).

Kiwibank Debt Securities Issued

A fixed rate bond of AU\$250m was issued in the 6 months ended 31 December 2009 (6 months ended 31 December 2008 and 12 months ended 30 June 2009 – nil)

New Zealand Post Bond Programme

No bonds were issued or repaid in the 6 months ended 31 December 2009 (6 months ended 31 December 2008 and 12 months ended 30 June 2009 – \$75m bonds were repaid).

New Zealand Post Group Finance Subordinated Notes

No bonds were issued or repaid in the 6 months ended 31 December 2009 (6 months ended 31 December 2008 – nil, 12 months ended 30 June 2009 – \$200m bonds were issued).

Commercial Paper

During the 6 months ended 31 December 2009 \$79.42m of commercial paper was issued and \$80m was repaid (6 months ended 31 December 2008 – \$216m of commercial paper was issued and \$213m was repaid, 12 months ended 30 June 2009 – \$295.3m of commercial paper was issued and \$293m was repaid).

Bank Loans

At 31 December 2009 the Group had bank loans drawn down of US\$8.7m (6 months ended 31 December 2008 – US\$8.9m, 12 months ended 30 June 2009 – US\$8.7m).

4 Share Capital

At 31 December 2009 there were 192.2m ordinary shares issued and fully paid up (31 December 2008 and 30 June 2009 – 192.2m ordinary shares fully paid up).

During the 6 months ended 31 December 2009 no dividends were paid to parent shareholders (6 months ended 31 December 2008 – \$6.6m, 12 months ended 30 June 2009 – \$13.5m).

Notes to the Consolidated Financial Statements

NEW ZEALAND POST LIMITED AND
SUBSIDIARIES HALF YEAR REPORT
FOR THE PERIOD ENDED
31 DECEMBER 2009

	GROUP			PARENT		
	6 months ended 31 December 2009 unaudited \$'000	6 months ended 31 December 2008 unaudited \$'000	12 months ended 30 June 2009 audited \$'000	6 months ended 31 December 2009 unaudited \$'000	6 months ended 31 December 2008 unaudited \$'000	12 months ended 30 June 2009 audited \$'000
5 Other Reserves						
Asset revaluation reserves	77,008	88,083	80,651	77,008	88,083	80,651
Foreign currency translation reserve	3,245	1,256	3,308	-	-	-
Available for sale reserve	(1,785)	10,601	3,814	-	-	-
Cash flow hedge reserve	(40,268)	(84,072)	(72,587)	(112)	-	-
Total other reserves	38,200	15,868	15,186	76,896	88,083	80,651
6 Reconciliation of Profit to Net Cash Flows from Operating Activities						
Profit for the period	42,534	52,793	71,834	12,230	14,593	434,580
<i>Non-cash items:</i>						
Amortisation of intangible software assets	11,212	9,753	18,661	5,096	5,369	9,532
Amortisation of other intangible assets	1,467	2,395	4,539	4	68	254
Financial instruments at fair value net (gain)/loss	(20,787)	(3,557)	5,089	-	-	306
Depreciation expense	18,175	16,259	33,724	10,859	10,568	20,991
Share of net profit of associates and jointly controlled entities	(8,173)	(9,341)	(12,383)	-	-	-
Other non-cash movements	10,131	8,020	15,324	2,346	(3,405)	1,800
	12,025	23,529	64,954	18,305	12,600	32,883
<i>Changes in assets and liabilities:</i>						
Increase in trade and other receivables	(27,765)	(3,212)	(30,138)	(33,697)	(2,218)	(18,733)
(Increase)/decrease in inventories	(3,394)	(4,650)	56	(2,664)	(3,295)	319
(Increase)/decrease in other assets	(128)	(2,000)	(6,942)	3,232	(1,354)	(6,077)
Increase in financial assets held for trading	(149,381)	(723,954)	(307,289)	-	-	-
Decrease/(increase) in available for sale assets	(189,330)	18,933	19,157	-	-	-
Increase in loans and advances	(1,260,775)	(1,271,387)	(2,787,485)	-	-	-
Decrease/(increase) in due from other financial institutions	(18,705)	79,148	150,910	-	-	-
(Decrease)/increase in due to other financial institutions	264,304	109,207	(157,629)	-	-	-
(Decrease)/increase in trade and other payables	(26,017)	(15,865)	33,851	(22,644)	(24,302)	(398,435)
(Decrease)/increase in provisions	(5,315)	(337)	3,314	(5,140)	(337)	3,166
Increase/(decrease) in tax liabilities	354	(9,175)	2,948	2,071	7,618	133
Increase in other liabilities	1,170	-	125	1,170	-	125

	GROUP			PARENT		
	6 months ended 31 December 2009 unaudited \$'000	6 months ended 31 December 2008 unaudited \$'000	12 months ended 30 June 2009 audited \$'000	6 months ended 31 December 2009 unaudited \$'000	6 months ended 31 December 2008 unaudited \$'000	12 months ended 30 June 2009 audited \$'000
6 Reconciliation of Profit to Net Cash Flows from Operating Activities continued						
Increase in deposits	1,447,092	1,537,430	2,523,461	-	-	-
(Decrease)/increase in Kiwibank interest payable	19,434	9,224	(15,590)	-	-	-
Dividends from associates	2,776	4,027	7,615	-	-	-
	54,320	(272,611)	(563,636)	(57,672)	(23,888)	(419,502)
<i>Items classified as investing activities:</i>						
Sale of investments gain	-	(4,046)	(5,222)	-	-	-
Sale of assets net loss/(gain)	(1,364)	274	(1,066)	(1,388)	184	(1,438)
	(1,364)	(3,772)	(6,288)	(1,388)	184	(1,438)
Net cash inflows from operating activities	107,515	(200,061)	(433,136)	(28,525)	3,489	46,523

7 Investments

During the year the Group:

- Increased its investment from 51% to 76% in New Zealand Home Loan Company Limited on 1 July 2009.

In the year ended 30 June 2009 and the 6 months ended 31 December 2008 the Group:

- Increased its investment in Datacom from 35.57% to 35.96% on 4 August 2008.

Summary of the effect of the above acquisitions						
Investment in associates	-	1,533	1,533	-	1,533	1,533
Deferred settlement liability	13,106	-	-	-	-	-
Cash impact of acquisitions	13,106	1,533	1,533	-	1,533	1,533

There are no material differences between the carrying value of the above classes and the acquisition value disclosed.

There are no material differences in the profit or revenue from operations to the Group if the above acquisition had taken place at the beginning of the year.

There were no disposals of subsidiaries from the Group during the period (6 months ended 31 December 2008 and 12 months ended 30 June 2009 – nil).

Notes to the Consolidated Financial Statements

NEW ZEALAND POST LIMITED AND
SUBSIDIARIES HALF YEAR REPORT
FOR THE PERIOD ENDED
31 DECEMBER 2009

8 Segment Information

6 months ended 31 December 2009 unaudited	External Revenue \$'000	Intersegment Revenue \$'000	Segment Profit Before Income Tax \$'000	Segment Profit \$'000	Segment Total Assets \$'000
Postal services	354,165	34,396	20,359	20,359	342,190
Banking services	165,864	322	31,771	23,965	12,086,580
Business solutions	89,823	9,722	8,323	7,487	147,200
Property services	10,117	25,840	6,939	6,939	253,167
Other operating segments	1,541	1,081	4,467	4,604	85,173
Reconciliations	-	(71,361)	(16,722)	(20,820)	52,436
Group	621,510	-	55,137	42,534	12,966,746
6 months ended 31 December 2008 unaudited					
Postal services	372,116	40,873	31,348	31,348	258,828
Banking services	151,115	218	37,950	25,802	9,430,176
Business solutions	92,867	8,647	6,307	5,730	125,632
Property services	10,876	23,883	6,585	6,585	313,182
Other operating segments	29,216	1,280	8,564	8,939	83,403
Reconciliations	-	(74,901)	(20,842)	(25,611)	15,390
Group	656,190	-	69,912	52,793	10,226,611
12 months ended 30 June 2009 audited					
Postal services	701,968	70,632	25,385	25,385	309,213
Banking services	306,380	465	72,460	51,039	10,392,197
Business solutions	185,259	17,605	14,210	12,516	143,588
Property services	17,951	47,771	12,735	12,735	305,825
Other operating segments	42,288	2,356	11,329	10,177	81,237
Reconciliations	-	(138,829)	(42,643)	(40,018)	71,911
Group	1,253,846	-	93,476	71,834	11,303,971

Basis of segmentation

The Group's operating segments have primarily been determined with reference to differences in products and services. Operating segments have been aggregated for reporting purposes where the following criteria has been met

- (1) aggregation is consistent with the core principle of NZ IFRS 8 *Operating Segments*
- (2) segments have similar economic characteristics
- (3) segments are similar in each of the following respects:
 - a. nature of the product and services
 - b. nature of production process
 - c. type or class of customer for their products and services
 - d. methods used to distribute their products or provide their services
 - e. nature of the regulatory environment.

The Group's reportable segments derive their revenue from the following products and services

- Postal services – Packaging and delivery of mail products, and associated retail services
- Banking services – Financial management services
- Business solutions – Information/ process management services
- Property services – Property management services

Basis of measurement

The Group's reportable segment revenue, result and assets disclosed above are the same as those used by the chief operating decision makers in making decisions about allocation of resources and in assessing segment performance.

Transactions between reportable segments are accounted for in accordance with contractual arrangements and the accounting policies outlined in the summary of significant accounting policies.

	GROUP			PARENT		
	6 months ended 31 December 2009 unaudited \$'000	6 months ended 31 December 2008 unaudited \$'000	12 months ended 30 June 2009 audited \$'000	6 months ended 31 December 2009 unaudited \$'000	6 months ended 31 December 2008 unaudited \$'000	12 months ended 30 June 2009 audited \$'000
9 Commitments						
Capital expenditure commitments						
Total capital expenditure committed to at reporting date but not provided for in the financial statements	2,765	8,972	5,130	1,292	8,109	2,863
Analysis of non-cancellable lease commitments						
Payable no later than one year	43,952	38,393	37,127	35,493	30,426	27,901
Payable later than one, not later than five years	103,490	89,246	83,779	87,699	77,537	68,382
Payable later than five years	39,915	40,960	37,185	32,010	32,185	28,494
	187,357	168,599	158,091	155,202	140,148	124,777

10 Contingencies

There have been no material changes in contingencies since 30 June 2009.

11 Events Occurring After Reporting Date

The Board of New Zealand Post Limited has declared an interim dividend of \$5.7m which will be paid on 15 March 2010.

Directory

Board of Directors

Chairman	Rt Hon James B Bolger, ONZ
Deputy Chairman	Ken Douglas, ONZ (to 31 October 2009) Hon Dr Michael Cullen (from 1 November 2009)
Members	Shale Chambers Pip Dunphy Murray Gribben (from 1 November 2009) Temuera Hall Sara Lunam James Ogden Justine Smyth

Executive Team

Group Chief Executive	Brian Roche (from 1 January 2010)
Acting Group Chief Executive	Sam Knowles (to 31 December 2009)
Acting Chief Executive, Kiwibank	Paul Brock (to 31 December 2009)
Group Manager, Human Resources	Jacqui Cleland
Chief Executive, Postal Services	Peter Fenton
Chief Executive, Express Couriers	Mark Gibson
Group Manager, Enterprises	Stephen Henry
Chief Executive, Kiwibank	Sam Knowles
General Counsel	Malcolm Shaw
Group Manager, Retail	Michelle van Gaalen
Chief Executive, Datam	Gary Woodham
Acting Chief Financial Officer	Mark Yeoman

Bankers

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

Auditor

Karen Shires assisted by PricewaterhouseCoopers, Wellington,
on behalf of the Auditor-General

Solicitors

Buddle Findlay
Russell McVeagh

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12th floor, New Zealand Post House
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