New Zealand Post sees a bright future – for our business and people, our communities and our nation. We aim to help New Zealand and New Zealanders flourish by providing a range of banking, communication, data-management, and logistics and distribution services. We are connecting New Zealand and the world. We’re proud to show you how we’re going places with New Zealand.
The Electoral Enrolment Centre enrolled 95.2% of the estimated eligible voting population in time for the 2005 General election.

Kiwibank swept the inaugural Sunday Star-Times Cannex Banking Awards and was recognised as the Best Value for Money Bank.

Kiwibank acquired a 51% shareholding in New Zealand Home Loans.

DHL and the New Zealand Post Group jointly signed a contract with Air New Zealand to provide all domestic and international express freight services.

New Zealand’s new four-digit postcode system was launched on 1 June 2006.

New mail processing technology was installed at Te Puni Mail Centre, part of an $80 million investment in future-proofing our postal business.

Two of our Six Sigma business improvement projects won their categories in the inaugural Six Sigma iQ excellence awards in Sydney.

We provided over one million postage-included envelopes to more than 4,500 community organisations nationwide through our Community Post programme.

As part of the Year of the Dog stamp issue, a Braille stamp was issued for the first time in New Zealand.

Datamail acquired Moore Gallagher’s mailhouse business in April 2006.

FINANCIAL PERFORMANCE 2005/06 2004/05
Operating revenue $1,114.3m $1,208.9m*
Operating expenditure $1,019.2m $1,044.7m*
Net surplus including gain on ECL $68.7m $137.2m*
Net surplus excluding gain on ECL $68.7m $58.6m
Interim dividend $16.7m $19.2m
Interim dividend per share 8.7c 10.0c
Final dividend including special dividend $11.0m $30.9m
Final dividend excluding special dividend $11.0m $7.9m
Final dividend per share 5.7c 16.1c
Issued and paid-up capital $192.2m $192.2m
Total equity $534.1m $483.4m

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

we provided one million postage-included envelopes to more than 4,500 community organisations nationwide through our Community Post programme.

New Zealand’s new four-digit postcode system was launched on 1 June 2006.
I'm pleased to announce that 2005/06 has been another successful year for the New Zealand Post Group. We've recorded a solid financial result with an after tax profit of $68.7 million, which has enabled us to deliver a total dividend to our shareholder of $27.7 million.

This year, the Government signalled a shift in its expectations of how State-Owned Enterprises (SOEs), like New Zealand Post, might contribute to the overall growth of the nation's economy. For me, this is an affirmation of the successful performance and diversification strategy of the New Zealand Post Group.

Kiwibank is a perfect example. We've been providing an accessible, low-cost, wholly New Zealand-owned banking service to Kiwis for four years. Kiwibank continues to grow strongly and offers New Zealanders high-quality and competitive banking products and services. In the course of the year we helped more than 5,800 people to finance their homes. We also bought a 51% shareholding in New Zealand Home Loans, which came into effect from 1 July 2006. This purchase complements Kiwibank's brand and creates an even stronger position for us in the competitive home loan market.

We recognise that small to medium businesses are the core of the New Zealand economy - that's why we have a growing network of business banking centres around the country. We opened seven centres during the year, bringing the total to 15.

Kiwibank offers business customers specialist banking advice, one of the cheapest fee packages in the market, competitive interest rates and more convenient banking hours. It's a proposition proving popular across the country.

These obligations are outlined in the Deed of Understanding we have with the Government. These include maintaining a network of at least 880 PostShops and Post Centres. We exceeded that this year, with a total of 992 outlets including 325 PostShops and 667 Post Centres. This included extending our 'reach' by opening new PostShops in Bluff and Chrstchurch. We also opened three new Kiwibank branches across the country.

Our delivery network now totals some 1.85 million points around the country, providing 97.23% of the population with a six-day-a-week postal service and 99.89% with five or six-day services. Of particular note is the increase in the number of customers on our Rural Post network – up 41% since 1997. In accordance with the Deed we've maintained our commitment to not reintroduce a rural delivery fee.

ACKNOWLEDGMENTS

It is a great privilege to chair the New Zealand Post, Kiwibank and ECL Boards. I'd like to thank all of those members I've worked with over the past year for their continued support. During the year the New Zealand Post Board farewelled Mike Daly, whose two terms finished in April. Mike has had a long and rewarding career. He started work with the Post Office in 1956 and retired in 1996 after nine years as the Auckland Mail Centre Manager. This gave him essential hands-on experience for his six years on the Board, which started in 2000. On behalf of the Board I'd like to thank Mike and his wife Lorraine for their valuable contribution and commitment to the company. At the same time I'd like to welcome Justine Smyth who joined the Board in May. Justine brings with her many years' business experience which, I'm sure, will provide additional value around the Board table.

During the year we also welcomed a new Minister for State-Owned Enterprises, Hon Trevor Mallard. We look forward to a productive relationship with him as well as our other Shareholding Minister, Hon Michael Cullen, the Associate Ministers and their officials in the future.

It's also important for me to acknowledge and thank the New Zealand Post Group Chief Executive John Allen, Kiwibank Chief Executive Sam Knowles, ECL Chief Executive Jim Quinn, Datamail Group Chief Executive Gary Woodham and the senior management team. I'm proud of the way they create opportunities and rise to challenges to ensure the Group is in a strong position. Their leadership and commitment to this wonderful organisation will ensure the New Zealand Post Group remains strong into the future.

Ultimately, it is the people working at all levels of the business that has made this another successful year for the New Zealand Post Group. The Board and I thank them all for their dedication and commitment to work for our customers and for New Zealand.
能够让我们的产品和服务更易于使用。
In 2005/06 we achieved a 95.9% on-time rating. This is a great improvement on the previous year’s result of 94.9% and, while it’s below our target of 97% on-time, it compares well with international benchmarks. We continue to work to eliminate mistakes, improve addressing quality, and lift service performance closer to the 100% ultimate on-time goal.

Our most significant programme to improve our processes is the investment in our mail processing business which will see new facilities developed and new technology installed at six sites around the country over the next few years. We’ve reached some impressive milestones this year with new machinery installed and running at our Te Puni Mail Centre in Wellington, starting construction of state-of-the-art, environmentally-sustainable mail centres and further work is required.

There is much written about team-based approaches to work which will see new facilities developed and new technology installed at six sites around the country over the next few years. We’ve reached some impressive milestones this year with new machinery installed and running at our Te Puni Mail Centre in Wellington, starting construction of state-of-the-art, environmentally-sustainable mail centres and further work is required.

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NEW ZEALAND POST GROUP
AT A GLANCE

NEW ZEALAND POST GROUP

- Chief Executive’s office
- Customer Solutions
  - Retail
  - Group Sales
- Group Finance
  - Post Properties
  - The ECN Group (New Zealand and Australia)
  - MessageMedia
  - PacStream
- Group Communications and Risk
- Group Capability
- Enterprises
  - Letterbox Channel
  - Franchise Urban Network
  - Datacom (31%)
  - Transend
  - Maltapost (35%)
  - Electoral Enrolment Centre
  - Stamps and Collectables
  - AirPost (50%)
- Couriers Please

KIWIBANK

- Kiwibank
  - NZ Home Loans (51%)
  - Payment Services

POSTAL SERVICES GROUP

- Delivery
- Processing
- Heartland
- Rural Post
- Box/Bag
- International

DATAMAIL GROUP

- Datamail
  - Communication Arts
  - Outsource Australia Pty Limited (75%)
  - Converga
  - Outsource Solutions Limited (87%)

EXPRESS COURIERS LIMITED
(50%)

- CourierPost
- Pace
- Contract Logistics
- Transport
NEW ZEALAND POST’S AFTER TAX PROFIT OF $68.7 MILLION WAS AN INCREASE OF 17% ON THE PREVIOUS YEAR’S COMPARATIVE RESULT OF $58.6 MILLION (EXCLUDING THE EFFECTS OF LAST YEAR’S PARTIAL SALE OF EXPRESS COURIERS LIMITED (ECL) TO DHL TO ESTABLISH THE ECL JOINT VENTURE).

It is important to note when comparing operating revenue and expenses this year and last year that from 1 January 2005, the 50% investment in ECL was accountably accounted for, resulting in a decrease in both comparative revenue and comparative expense numbers. Prior to this, ECL’s results were consolidated in the New Zealand Post Group.

The Group’s diversification strategy is proving to be effective with strong performances from Kiwibank, Datamail Group and International postal business offsetting a decline in domestic postal performance. Kiwibank’s profit after tax more than doubled to $15.6 million from $7.2 million in 2004/05 driven by growth in Kiwibank customer numbers, home loans and deposits (up 30%, up 66% and up 58% on last year respectively). Growth in retail deposits reflects the launch of the new ‘online’ deposit account. Business banking continues to grow as the number of specialized business banking centres increase. Datamail Group performed well ahead of the previous year. During the fourth quarter, the purchase of the Moore Gallagher mailhouse business had a favourable but small impact on results.

International inbound mail performed well with revenue up 16.5% on 2004/05. The result was further enhanced by annual rate increases, quality of service bonuses and foreign exchange benefits from the decline in the New Zealand dollar relative to last year. Our domestic postal business performed below expectations, faced with rising fuel prices, a tight labour market and decline in mail volumes of 3.2%.

Operating revenue totalled $1,114 million. On a comparative basis, revenue growth was driven by Kiwibank loan, deposit and customer growth, the increase in International inbound mail volumes and new revenues from Moore Gallagher. Operating expenses for the year totalled $1,019 million. Excluding the impacts of the ECL transaction, expenditure growth was driven by increased personnel costs such as annual wage increases and new jobs within Kiwibank and the domestic postal business, and higher costs of delivery particularly fuel costs.

The overall result enables us to return a total dividend to our shareholder of $27.7 million, up slightly from last year (2004/05: $27.0 million), with an additional dividend of $23.0 million from the gain on the partial divestment of ECL. In addition, the New Zealand Post Group paid $26.3 million in taxes. Total assets increased by $1,228 million to $3,734 million reflecting strong growth in banking assets, realization of Post Properties and acquisitions of Moore Gallagher’s mailhouse business and Tedis (now known as The ECN Group Pty Limited). New Zealand Post was able to fund growth in Kiwibank, capital expenditure and acquisitions from available cash reserves and commercial paper issued in April 2006. Standard & Poor’s reaffirmed New Zealand Post Group’s credit rating at AA-.

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.

SNAPSHOT OF THE FIGURES

STATEMENT OF CORPORATE INTENT

<table>
<thead>
<tr>
<th>FINANCIAL PERFORMANCE RATIOS</th>
<th>ACTUAL</th>
<th>TARGET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net profit after tax (NPAT) to average shareholders’ funds</td>
<td>13.5%</td>
<td>13.8%</td>
</tr>
<tr>
<td>Earnings before interest and tax to total tangible assets*</td>
<td>2.6%</td>
<td>3.4%</td>
</tr>
<tr>
<td>Earnings before interest and tax to total tangible assets excluding Kiwibank</td>
<td>11.3%</td>
<td>11.2%</td>
</tr>
<tr>
<td>Earnings before interest, tax, depreciation and amortisation to turnover</td>
<td>13.1%</td>
<td>14.0%</td>
</tr>
<tr>
<td>Earnings before interest, tax, depreciation and amortisation to turnover excluding Kiwibank</td>
<td>11.9%</td>
<td>13.0%</td>
</tr>
<tr>
<td>Total shareholders’ funds to total assets*</td>
<td>14.3%</td>
<td>15.7%</td>
</tr>
<tr>
<td>Total shareholders’ funds to total assets excluding Kiwibank</td>
<td>76.5%</td>
<td>62.3%</td>
</tr>
</tbody>
</table>

The table shows the results on a like-for-like basis and adjusted NPAT to average shareholders’ funds target.

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

<table>
<thead>
<tr>
<th>2005/06</th>
<th>2004/05</th>
<th>2003/04</th>
<th>2002/03</th>
<th>2001/02</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenue</td>
<td>$1,114.3m</td>
<td>$1,208.9m*</td>
<td>$1,055.4m</td>
<td>$976.9m</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>$1,019.2m</td>
<td>$1,044.7m*</td>
<td>$990.5m</td>
<td>$922.8m</td>
</tr>
<tr>
<td>Operating surplus before tax</td>
<td>$95.1m</td>
<td>$164.2m</td>
<td>$64.8m</td>
<td>$54.1m</td>
</tr>
<tr>
<td>Net surplus including gain on ECL</td>
<td>$68.7m</td>
<td>$137.2m*</td>
<td>$36.5m</td>
<td>$27.1m</td>
</tr>
<tr>
<td>Net surplus excluding gain on ECL</td>
<td>$68.7m</td>
<td>$58.6m</td>
<td>$36.5m</td>
<td>$27.1m</td>
</tr>
<tr>
<td>Operating margin before tax</td>
<td>8.5%</td>
<td>13.6%</td>
<td>6.2%</td>
<td>5.5%</td>
</tr>
<tr>
<td>Earnings per share including gain on ECL</td>
<td>35.7c</td>
<td>71.4c</td>
<td>19.0c</td>
<td>14.1c</td>
</tr>
<tr>
<td>Earnings per share excluding gain on ECL</td>
<td>35.7c</td>
<td>30.5c</td>
<td>19.0c</td>
<td>14.1c</td>
</tr>
<tr>
<td>Total assets</td>
<td>$3,733.8m</td>
<td>$3,526.1m</td>
<td>$3,175.2m</td>
<td>$3,019.5m</td>
</tr>
<tr>
<td>Average shareholders’ funds</td>
<td>$508.7m</td>
<td>$416.9m</td>
<td>$335.3m</td>
<td>$312.1m</td>
</tr>
<tr>
<td>Return on average shareholders’ funds after tax</td>
<td>13.5%</td>
<td>32.9%</td>
<td>10.9%</td>
<td>8.7%</td>
</tr>
<tr>
<td>Net asset backing per share</td>
<td>$2.78</td>
<td>$2.51</td>
<td>$1.82</td>
<td>$1.67</td>
</tr>
<tr>
<td>Shareholder funds to total assets</td>
<td>14.3%</td>
<td>19.3%</td>
<td>18.7%</td>
<td>23.0%</td>
</tr>
<tr>
<td>Interim dividend per share</td>
<td>8.7c</td>
<td>10.0c</td>
<td>6.8c</td>
<td>6.1c</td>
</tr>
<tr>
<td>Final dividend per share</td>
<td>5.7c</td>
<td>16.1c</td>
<td>4.6c</td>
<td>2.3c</td>
</tr>
</tbody>
</table>

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

New Zealand Post's after tax profit of $68.7 million was a solid improvement on the previous year’s comparative result of $58.6 million*.

* Excluding the effects of last year’s partial sale of Express Couriers Limited (ECL) to DHL.
This year we’ve seen even more changes in the way customers are using our products and services. This includes fewer letters – but more packets and parcels. We’ve seen more electronic substitution of information traditionally sent through the mail putting pressure on volumes, and the flat economy and rising costs such as fuel have resulted in customers consolidating some of their mailings. At the same time, we continue to work closely with advertisers and marketers to promote the benefits and growth of direct mail.

**STIMULATING MAIL VOLUMES**

In November we released results of an extensive, independent study by Colmar Brunton into customers’ attitudes and preferences towards advertising. The Consumer Media Preference 2005 survey covered 14 different media types including addressed and unaddressed mail. The results revealed that 66% of respondents said getting addressed mail makes them feel like a valued customer. We shared the results with our customers, highlighting the strength of mail putting pressure on volumes, and the flat economy and rising costs such as fuel have resulted in customers consolidating some of their mailings. At the same time, we continue to work closely with advertisers and marketers to promote the benefits and growth of direct mail.

**MAIL BUSINESS**

In May the programme took a major step forward with the commissioning of the Te Puru Mail Centre of the first of 10 new mail-processing lines to be progressively installed at sites around the country. It’s intended that over time the new technology will result in a significant increase of mail being automatically processed to the final stage, rather than requiring manual handling. Currently less than 40% of New Zealand mail is processed to this stage as opposed to a European average of 80%. The new barcoding and sorting machines are being introduced over a five-year period in Dunedin, Palmerston North, Hamilton, Christchurch and Auckland.

**IMPROVING THE QUALITY OF ADDRESSING**

Crucial to the wider investment programme is improving the quality of mail addressing – including developing a national address database and introducing new postcodes and address standards. Improving address quality in New Zealand also supports our growth aspirations for direct marketing and will improve services such as redirections.

In June we introduced a new postcode system, designed to reduce instances of misdirected mail caused by incorrect addressing, or problems caused by duplicate or similar street names. Under the new postcode system the country is divided into some 1,850 new postcode areas, with up to 10,000 delivery addresses per postcode.

The new postcodes are of particular value to businesses and organisations that generate large volumes of addressed mail, with reduced ‘return to sender’ or other undeliverable mail.

Customer and Personal Communications

**Mail is an essential and well used communications tool. We process one billion mail items a year so we know it still plays a crucial role in both personal and customer communications.**

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**Expressing Our National Identity**

We continue to use our annual stamp and coin programme to express New Zealand’s national identity. Each year the artwork features the country’s landscapes, unique culture, and iconic people and events. Of particular note this year included stamps and coins to celebrate two films produced in New Zealand, King Kong and The Chronicles of Narnia. The Lion, the Witch and the Wardrobe, a stamp issue to commemorate the rebuilding of the Hawke’s Bay following one of New Zealand’s worst natural disasters, the 1931 Hawke’s Bay Earthquake, and a special stamp with Braille as part of our 2006 Year of the Dog issue. During the year we also held a Design a Stamp competition for New Zealand children. We received more than 17,000 entries and the winners’ designs will become the 2006 Christmas stamp issue.
Wellington City Council provides a wide range of services from libraries to building consents, recreational facilities to water supplies for its thousands of residents and businesses across its 56 suburbs. Up to date, accurate customer data is vital for Wellington City Council to ensure it is providing excellent customer service across all its touch points.

Although Wellington City Council maintains a master customer database, which it uses for services such as rates, dog registrations and consents, there are numerous other databases active within the Council, its business units and organisations. Changes made to the master database had not been captured in the other databases. The Council believed inaccuracy in these other databases could have been as high as 15%.

Wellington City Council’s Business Unit Manager Graeme Jarvis said that when the Council heard that New Zealand Post was developing new postcodes and address standards, which would help customers improve the accuracy of their addresses and the performance of their mail, it recognised an opportunity for the two organisations to work together to improve the quality of the Council’s data.

“Being an active part in the new postcode programme meant we were advanced with improving our internal processes ahead of the postcode launch in June and could start educating staff around the importance of accurate addressing, postcodes and data to ensure databases are kept accurate and up to date. Our next step is to develop software code to automatically update the databases,” said Mr Jarvis.
The joint venture gives ECL the breadth and strength of two many foundations, both the joint ownership creates.

ECL encompasses the brands of CourierPost, Pace and Contract Logistics, as well as road and rail linehaul operations. ECL is a joint venture between New Zealand Post and DHL.

manage their Customer's stock

Contract Logistics provides warehousing and delivery services for a broad client base, allowing them to focus on their core business. Customers cover a diverse range of markets – everything from stationary and magazines to apparel and cosmetics. In April Contract Logistics took possession of a new leased facility in Christchurch from which it provides warehousing and logistics services for Arkibucks, one of the brands owned by the Postie Plus Group. Contract Logistics manages Arkibucks’ stock of manchester product and sends it to the company’s 36 retail stores around the country as required.

The joint venture has given ECL an astounding range of capabilities for the benefit of existing and future customers. We can draw on the breadth, strength and trusted position of New Zealand Post in the domestic market and combine it with the global knowledge and expertise of DHL.

ECL also created its own look in the market. Between June and December 2005 the company changed its livery to the new familiar yellow and red. As part of the change SkyRoad Express couriers became part of CourierPost, giving ECL three strong brands – point-to-point courier service Pace, CourierPost and Contract Logistics.

To showcase the full extent of ECL’s services, CourierPost, Pace, Contract Logistics and DHL ran a joint stand at the three-day Small Business Expo in Auckland. Customers visited the ‘whole package’ stand to discuss their international, domestic, time-critical and warehousing needs, generating great interest.

During the year Air New Zealand was signed as one of the first agreements involving both New Zealand Post and DHL when the joint venture came into effect. The three-year contract sees New Zealand Post and DHL Express now providing all domestic and international postal and courier services for Air New Zealand, and provides opportunities for future growth.

MANAGING OUR CUSTOMERS’ STOCK

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We have a similar relationship with ACP Media, New Zealand’s largest magazine publisher, which distributes more than 40 million magazines nationwide every year. Contract Logistics and CourierPost provide Netlink (a subsidiary of ACP Media) with a simple one-stop-shop solution with responsibility for storage, sorting, packing and distribution of their magazines. The service uses new technology to track the progress of magazine distribution and meet tight deadlines. Magazines arrive at Contract Logistics’ warehouses either from overseas or New Zealand printers. Depending on the title, they’re either dispatched immediately or stored, then picked and packed to retailers’ specifications. Magazines are delivered by CourierPost to retailers and also through New Zealand Post’s mail network to individual subscribers.

At the end of the year ECL extended its service with ACP Media to include its customer call centre managing a portion of Netlink magazine calls. Netlink’s retail customers are largely PostShop and book store customers throughout New Zealand.

MOVING GOODS WITHIN NEW ZEALAND

The growth of online shopping has seen increased demand for home delivery of goods and services. With CourierPost and Rural Post’s unrivalled reach to residential and rural addresses throughout New Zealand, this has also been a growth area for ECL. Customers now have more ways to access our CourierPost services, with ECL signing reseller arrangements for our Easytrak product with New Zealand Post, OfficeMax, Trademe, Corporate Express and Packaging House, and Warehouse Stationery.

During the year CourierPost helped multi-national company Schneider-Electric by using CourierPost’s live Track and Trace technology to feed updates to Schneider-Electric every 20 minutes throughout the day. This means Schneider-Electric has a continuous view of delivery information, which assists the customer service teams to answer customer calls with ‘real-time’ information.

Ensuring our network operates as efficiently as possible not only enables on-time delivery for customers but also maximises fuel efficiency. A continuous focus to optimise route mapping is undertaken locally and regionally so our drivers can operate their vehicles as resourcefully as possible while meeting customer demands.

With over 140 specialist couriers, Pace offers time-sensitive point-to-point courier and air delivery options, 24 hours a day, 365 days of the year. For the New Zealand Blood Service, responsible for supplying frozen, fractionated and fresh blood products to blood banks and hospitals around the country, this service is critical. Whether for routine purposes such as topping up blood stock inventories or for emergency uses such as blood transfusions and transplants, the Blood Service relies heavily on Pace to deliver its products on time. Pace tailored its services to meet the Blood Service’s needs and fit with their emergency distribution plans.

Our International Freight Service offers a complete door-to-door international freight forwarding service covering importing and exporting, customs clearance and documentation, and pick and pack warehousing and distribution. During the year it carried a wide range of cargo through various modes of transport. Air, sea or road freight is catered for from full container loads through to time-sensitive smaller items, through to more complex logistical projects. We are also the exclusive New Zealand agent for USA – a global network of freight forwarding partners – which ensures prompt collection and delivery of freight overseas. We are members of the Customs Brokers and Freight Forwarders Federation of New Zealand and ensure customers are up-to-date with the latest compliance and security regulations.
Air New Zealand provides air passenger and cargo services for customers to 26 domestic and 22 international destinations with around 570 flight departures daily. Air New Zealand has a number of business units providing engineering and ground handling services and subsidiaries dealing with booking systems, travel wholesaling and retailing services.

This year Air New Zealand chose New Zealand Post, CourierPost and DHL Express to provide domestic and international postal and courier services across the Air New Zealand Group, with an initial three-year deal worth approximately $4 million.

With access to 1.85 million delivery points in New Zealand, CourierPost’s 28 branch locations nationwide, close ties with international postal partners and DHL’s renowned international services, the New Zealand Post Group is well placed to help Air New Zealand deliver for its customers 24 hours a day, seven days a week.

The New Zealand Post Group worked closely with Air New Zealand to understand its needs for an end-to-end solution to increase our service offering and achieve cost efficiencies for their business. We set up a dedicated New Zealand Post Group/DHL service line so Air New Zealand people can easily access services from Pace, CourierPost, DHL, Postal Services and also billing services.

Air New Zealand General Manager Group Procurement, Andrea Gregory said that since the partnership came into effect on 3 April 2006, Air New Zealand has made pleasing cost savings and operational improvements.

“We believe that the relationship will create other opportunities through added efficiencies and innovation that support our business goals.”
Online banking is becoming increasingly popular with banks always looking for new ways to make banking more convenient for their customers. With New Zealand's main banks all under foreign ownership, many New Zealanders still prefer to do business with a New Zealand owned bank. Kiwibank is well placed to meet the needs of Kiwis – offering low-cost banking, great products and services.

**Growing Our Banking Business**

Kiwibank continues its strong growth since it opened four years ago. Consumers continue to sign up, impressed by Kiwibank’s consistently low rates, low fees and fresh approach to banking. During the year it grew by more than 2,000 customers a week on average, taking its total customer numbers to more than 70,000.

Kiwibank’s home loan rates continue to be well received, with its home loan products offering some of the lowest rates in the market. Kiwibank’s home loan rates continue to approach to banking. During the year it consistently low rates, low fees and fresh approach to banking.

**With the Rising Interest Rates Over the Past Two Years, New Zealand’s Banking Market Has Seen Incredibly Fierce Competition As Banks Vie for Deposits and Mortgage Business. The Housing Market Remained Buoyant Throughout the Past Year, Despite the Slowing Economy.**

Kiwibank won two awards at the 2005 Deloitte/Unlimited Fast 50 Awards, which allows businesses to benchmark their growth achievements against New Zealand’s fastest-growing companies. It was also named Best Value for Money Bank in the Sunday Star-Times Cannaex Banking Awards.

This year 12 organisations joined our BillPay service, which now enables consumers to make 144 different transactions for 69 businesses over the counter through our PostShop network.
The YMCA has been building strong kids, families and communities in New Zealand for more than 150 years. Operating more than 40 centres from Auckland to Invercargill, it provides a wide variety of recreation and fitness, youth development, outdoor adventure and education programmes and services for more than 130,000 New Zealanders.

The YMCA occasionally needs to make some commercial investments so that it can continue its benevolent works. When the opportunity arose to purchase two properties in the Wellington area to extend its school, summer camp and recreation programmes and establish a gym in the Hutt Valley, the YMCA looked for a banking partner to help manage its portfolio and provide effective banking advice to ensure it was getting the best out of its investments.

“With its proactive attitude, competitive rates and local ownership, Kiwibank stood out from the other banks,” said Ric Odom, the National Executive Officer for YMCA New Zealand and interim Chief Executive for the YMCA of Greater Wellington. “I was very impressed with the way Kiwibank worked closely with the YMCA to understand our needs and objectives and Kiwibank’s flexible, low fee packages, convenient business hours and excellent customer support meant that the decision to partner with them was an easy one to make.”

This support helped the YMCA purchase a hostel in Lower Hutt, fit out a new community gym and recreation centre in Trentham and purchase Camp Kaitoke in Upper Hutt, enabling it to provide even more camping, adventure and outdoor education experiences, accommodation, and fitness and training facilities that have become synonymous with the YMCA worldwide.
TO ELECTRONIC SYSTEMS, PAPER REMAINS IMPORTANT. FOR SOME THIS MEANS MANAGING DOCUMENTS IN TWO VERY DIFFERENT ENVIRONMENTS.

Datamail continues to provide innovative solutions to achieve its customers’ goals. For example, Datamail worked with Tuhono (part of Tautoko Māori Trust) to set up an online iwi and whānau registration and network service. Launched in October, www.tuhono.net makes it easier for those registered to keep in touch with whānau as well as keep informed by their iwi on issues that may interest or benefit them.

Datamail has worked closely with Bank of New Zealand over the last year to enable statements to be viewed online by the Bank’s customers. Creating approximately 25 million statement pages annually for customer online access, the new process – combined with current storage of credit card data used by the Bank’s services team – will increase the amount of data currently stored on behalf of Bank of New Zealand to more than 300 million statement pages over the next six years.

SKY business unit DVD Direct successfully trialled Datamail’s RightNow customer relationship management (CRM) tool to deal with a growing volume of email and phone traffic. Within 30 days of implementing RightNow, daily emails reduced by over 80%, saving seven hours work each day, and the reduction in calls to the 0800 number led to savings in DVD Direct’s phone bill of 60%. SKY has now implemented the solution.

ALLOWING CUSTOMERS TO GET ON WITH THEIR BUSINESS

Datamail’s Australian subsidiary Outsource Australia/Converga (OSA) won several new contracts ranging from mailroom and office services to a paperless accounts payable service. These included a three-year mailroom-management contract with IAG Limited and a three-year paperless claims-management contract with retail giant Coles Myer.

Plans are under way to open two new data centres in Sydney and Melbourne to supplement the Canberra centre. In addition, it was decided that Converga will be the single market brand for OSA and Converga in Australia.

The EON Group’s core New Zealand operations grew in excess of 20% for the third consecutive year, with total group staff numbers rising above 140 across EON’s offices in Auckland, Wellington, Sydney, Melbourne and Manila. An electronic commerce market leader, ECN completed the first part of its Australian growth strategy, increasing its shareholding in Australian eCommerce company Tedis to 100%. ECN’s trans-Tasman footprint now carries and supports tens of millions of business critical electronic messages annually. ECN’s electronic services connect over 2,000 organisations throughout Australasia, including border control agencies, ports, airlines and a range of trade and transport operators.

ECH is on track to continue its strong growth record, recently winning a major contract to build a new and innovative Claims Management System for a key insurance sector organisation. Work on this substantial project will begin in the 2006/07 financial year.

ECH’s award-winning Business Process Management engine ViBe was used to assist one of New Zealand’s leading energy retailers in transforming their field services operations, opening the door to significant savings through increased efficiency. This solution was nominated in two categories in the Computerworld Excellence Awards for 2006.

ECN also attained Microsoft Gold Partner status, further strengthening their Microsoft relationship and providing access to partner resources.

The Electoral Enrolment Centre (EEC) has handled the management of our national electoral rolls on behalf of the Ministry of Justice for 25 years. During the 2005 General Election campaign, EEC’s Registrars of Electors and other EEC people were actively involved in talking to media and community groups to promote the enrolment message.

The advertising and communication campaigns used a wide range of methods to encourage enrolment, including mainstream, ethnic and community television, radio and press, community meetings and events, and public relations activity. Internet and text messaging were also used to encourage eligible voters. For example SmileCity, New Zealand’s largest virtual community and online loyalty programme, prompted its 95,000 members with an enrol-to-vote message, and those who needed to either enrol or update their details could do so online. The overall campaign was a great success with a record 95.2% of all eligible Kiwis enrolled to vote for the General Election. An enrolment accuracy survey estimated that 98.4% (98.2% in 2002) of enrolled electors were correctly enrolled at the address they were living. The campaign’s success was also recognised through two separate awards – a Gold in the Integrated Campaign category for the Marketing Association’s 2005 Direct Marketing RSVP Awards and winning the Government/Quasi-government PR programme category at the Public Relations Institute of New Zealand (PRINZ) annual awards.

During the year the EEC used its years of experience in managing electoral rolls to provide advice to the Fijian Government prior to the Fijian elections earlier this year. EEC assessed the state of the rolls, evaluated technology options for Fiji and made recommendations for the future. EEC also developed a programme to enable accurate and up-to-date rolls to be used to help achieve an administratively smooth election.
Pasifika Festival, the South Pacific’s largest community event, is an exciting celebration of art, culture and lifestyle. To ensure the festival continues to attract and excite the crowds each year the organiser, Auckland City, wanted fast feedback.

This year New Zealand Post and Datamail partnered with Auckland City to provide on-the-spot data entry to capture comments from a survey of some of the 205,000 people who experienced the festival.

Instead of waiting weeks for the results, the Council could download and start to work with customer feedback right after the event. A team of Customer Service Representatives from New Zealand Post’s Auckland Customer Service Centre, housed in a truck from Express Couriers Limited, entered the data using Datamail’s web-based ‘RightNow’ technology.

Auckland City events manager Pitsch Leiser said it was the first time a New Zealand festival has utilised instantaneous reporting services, and Auckland City believes the solution will be of immense value in assessing the event’s success and planning for the future. “We are delighted with the solution the New Zealand Post Group developed for this event, which not only saved the Council valuable time and resources, the use of RightNow technology also gave us immediate feedback on the festival’s success.”

New Zealand Post also supported Pasifika Festival by sponsoring an information flyer wrapped around The New Zealand Herald. Our Electoral Enrolment Centre was also at Pasifika Festival, with local Registrars of Electors reminding participants of the importance of being on the electoral roll – and made it easier for electors to enrol by having enrolment forms at the event. They also promoted understanding around the Māori Electoral Option.
NEW ZEALAND POST GROUP PEOPLE
THE FOUNDATION OF THE NEW ZEALAND POST GROUP’S SUCCESS IS ITS PEOPLE. COLLECTIVELY OUR PEOPLE WORK 24 HOURS A DAY, SEVEN DAYS A WEEK TO DELIVER FOR OUR CUSTOMERS.

We are a people business, and ensuring we continue to grow and prosper in the future comes down to ensuring we have the capability, confidence and focus from within.

SAFETY AND WELLBEING
The safety of our people remains our number-one priority. Our annual engagement survey found that the Group’s employees rated 4.61 out of 5 for feeling safe at work. However, our health and safety statistics were disappointing in 2005/06 with a noted increase in our Last Time Injury Frequency Rate (LTIFR). Our final LTIFR of 7.21 per 200,000 hours of employee exposure compares with 6.42 for the previous year.

New Zealand Post’s Executive Team has now set up a safety committee to focus on improving our safety record. Postal Services Delivery, the area in which our Posties work, is a major area of focus. During the year we introduced a health and safety leadership training programme to Delivery leaders throughout the country and introduced safety engagement as a leadership practice. The training enables leaders to reinforce positive work practices and emphasises the importance of leaders demonstrating their own commitment to safety.

Another initiative that’s made a difference to our cycle Posties is the compulsory introduction of increased-visibility vests to lower the number of injuries received – such as being hit by cars backing out of driveways. Since the introduction of these vests there has been a noticeable decrease in such injuries.

Express Couriers Limited (ECL) has also been working hard to reduce its LTIFR. ECL is working with other organisations in the courier and transport industry to develop a New Zealand benchmark. ECL is looking closely at workplace injuries to reduce not only the severity of the injuries sustained but also investigate the actual incident causes to clearly target corrective actions.

Each year the New Zealand Post Group collectively confirms to ACC that we achieve a certain standard of safety, claims and rehabilitation management. Our achievement of the ACC standards enables the Group to fund and manage directly work-related injuries to a level equal to or greater than ACC might provide. By doing this the Group is able to use its ACC levies for the direct benefit of employees and to improve injury management practices in the workplace.

Other employee wellbeing programmes support home and work-related issues. Subsidised and discounted health insurance, access to employee assistance and drug and alcohol programmes, and annual flu vaccinations all contribute to supporting employee wellbeing and safe behaviour.

CREATING AN ENGAGED WORKFORCE
Each year we measure our people engagement using the Gallup Q12 Employee Engagement Programme. This year the New Zealand Post Group’s employee engagement result was 3.70 out of 5, up from 3.61 in 2005.

While not reaching the ‘stretch’ target we set for ourselves of 3.77, it is a pleasing improvement, with 22% of our teams entering the top 25th percentile on Gallup’s database, up from 14% the previous year. Kiwibank and ECL, particularly achieved significant engagement increases as a result of positive action planning and leadership focus.

MANAGING CHANGE POSITIVELY
This year has involved a number of significant change programmes across our businesses, the largest being the programme focused on transforming our mail processing operations. This major change programme has involved an intensive engagement process with people from across the business actively involved in designing new sorting processes, new mail centres and new roles.

The change programme has been rated highly by frontline employees as a model for change in our business, and has received positive feedback from the Engineering, Printing and Manufacturing Union (EPMU) which was also involved in the process.

In June and July this year we successfully negotiated our primary Collective Employment Agreements, creating a positive platform for working collaboratively in the future. Good progress has also been made in other negotiations as we continue to work closely with our people and their representatives to achieve positive settlements.

During the year we made a number of changes in our corporate support services area. Essentially, we have adopted the same successful model used by other New Zealand Post Group businesses and applied this to the postal business. By enabling the postal business to support its end-to-end focus from within the business, rather than drawing on a range of corporate services provided by other areas, we are working to respond to customer and market demands more effectively.

Growing people capability
We remain committed to the training and development of our people throughout New Zealand Post to ensure they’ve got the skills needed to perform their roles. Team leaders and managers were given particular focus during the year, in recognition of the crucial part our leaders play in leading change and providing the support our people need to perform to their best.

Our talent management programme continues to nurture people identified as having leadership potential and ensures they’re given the support needed to thrive.

Programmes implemented during the year included extending the Leadership for Change programme, successfully introduced in the Auckland Mail Centre in 2004/05, to other sites around the country.

Since the programme’s introduction, the Auckland Mail Centre has seen noticeable improvements in its engagement scores as well as productivity levels.

RECRUITING AND RETAINING THE RIGHT PEOPLE
Employee recruitment and retention is another key area of focus. Our in-house Recruitment Centre has delivered high-quality candidates, reducing the time and cost to fill vacancies for the Group. Auckland Mail Centre has seen noticeable improvements in its engagement scores as well as productivity levels.

In August a workshop for senior women leaders was held to discuss whether barriers in achieving executive management positions were real or perceived. The overwhelming finding was that many women now feel they are can and want to choose work-life balance over demanding executive roles. We are extending this discussion to quantify the views of a much larger group across the Group.

In recent years we have been challenged in terms of recruiting and retaining Posties in Auckland. We set up a Six Sigma project to understand and reduce the high turnover rate of Auckland Posties which introduced enhanced recruitment processes and a workforce planning tool. As a result there was a significant reduction in the number of vacancies for Auckland Posties. This project won the Best Defect Elimination in Service and Transaction Award in the inaugural Six Sigma IQ Excellence Awards in Sydney in May 2006.

Staffing rates in the Datamail Group have also been improving over the last 12 months. In particular, dedicated focus within the businesses has lead to a massive reduction in employee turnover within Outsource Solutions Limited.
As part of our investment in the future of our mail business, we’re building three new mail centres which will be customised for the new layout, machinery and processes we’re establishing. The new sites were also an opportunity to put the New Zealand Post Group’s commitment to sustainable design into practice.

While many New Zealand Post buildings around the country have a long history as central city landmarks, the opportunity to develop more sustainable buildings in the larger urban landscapes required by our operations today meant we could think creatively about our current and future needs. Working with leading New Zealand green building designers Warren & Mahoney, and with a range of employees from the Manukau, Waikato and Christchurch workplaces, the new mail centres will offer green, friendly workspaces for our people and the community.

The designs for the buildings make the most of natural light and ventilation, which have been matched with thermal insulation and energy efficient lighting and heating. New Zealand manufactured hardware, environmentally safer paint systems and ceiling tiles with high recycled content along with sustainably sourced timber were chosen.

Other environmentally friendly features include solar water heating, ‘rainwater harvesting’, where rainwater from the roof is stored for use in the toilets, and permeable paving in the carparks.

Once the mail centres are operational, employees will be asked to support recycling practices for kitchens and other waste.
CARING FOR OUR COMMUNITIES

THE NEW ZEALAND POST GROUP IS ACTIVELY INVOLVED IN SUPPORTING OUR COMMUNITIES TO THRIVE AND PROSPER THROUGH A VARIETY OF ACTIVITIES, SPONSORSHIPS AND DONATIONS.

We demonstrate our commitment by working with a range of stakeholders throughout the country to consciously assist initiatives that are important to small and large Kiwi communities. Furthermore, we’re working hard with our people and customers to understand and minimise our footprint on the environment in which we operate.

SUPPORTING NEW ZEALAND

For the past five years New Zealand Post has donated postage-included envelopes to non-profit organisations in the areas of education, health and welfare, sport and recreation, arts and culture, and the environment through Community Post. Last year 4,535 community groups around the country shared one million postage-included envelopes, representing a donation of $450,000 to local communities. The envelopes are allocated across 15 regions based on population. Community groups apply to their region’s community board which is made up of local community and business leaders and local New Zealand Post Group people to ensure the envelopes go to the biggest areas of need in the region.

We supported the New Zealand Post Book Awards for Children and Young Adults for the 10th year, helping to celebrate some of New Zealand’s best authors and illustrators and promote the joy of writing and reading to young New Zealanders. An important part of this sponsorship is our involvement in the Books in Homes programme. Through the programme we present New Zealand Post Great Effort in Reading and Writing Awards to children who deserve recognition at Duffy schools throughout New Zealand. We buy copies of finalist books from the New Zealand Post Book Awards for Children and Young Adults and distribute them to the schools. This year over 1,300 books were presented to children from 454 schools.

Encouraging reading and writing is also a core driver in our support of the New Zealand Post Writers and Readers Week, part of the New Zealand International Arts Festival which we continue to sponsor. Our postal history, and in particular the use and development of stamps over the years, was celebrated in our sponsorship of Stamped held at Te Papa Tongarewa, the national museum of New Zealand, during the year. Stamped explored the development of the postal service within New Zealand, and communication between New Zealand and the rest of the world. Developed with the New Zealand Philatelic Federation, Stamped showcased philatelic material and original art works from the New Zealand Post Museum Collection held at Te Papa.

We are also active in our local communities. For example, Te Puni Mail Centre in Poerua continued its partnership with Mana College in Porirua. Set up under the guidance of Partners Porirua five years ago, the number of people taking part has grown each year as has the length of interaction between the two groups – from six weeks initially to almost the full year. Students learn about interacting with adults in a working environment and how we operate at New Zealand Post. They also learn coaching skills as they pass on their computer knowledge to mail centre staff. Staff improve their skills in computer programmes that help them in their daily jobs. At the same time they’re gaining a nationally recognised qualification.

We have had a focus on the efficient use of fuel in terms of domestic air travel. The use of video and audio conferencing has contributed to the decrease in our indirect use of fuel in terms of domestic air travel. We are committed to the efficient management of our energy consumption for some time. During 2005/06 we continued to undertake and implement energy audits on our large sites. We have verified ongoing savings of approximately $100,000 per annum.

Auckland Mail Centre was awarded a silver rating by Enviro-Mark New Zealand, a customised programme for Auckland business run by Landcare Research as part of a joint venture with the business care arm of the Auckland City Council. The programme’s five levels measure compliance with health and safety legislation, development and implementation of environmental policy, operational documentation and continuous improvement. We have had a focus on the efficient use of fuel in terms of domestic air travel. The use of video and audio conferencing has contributed to the decrease in our indirect use of fuel in terms of domestic air travel. We are committed to the efficient management of our energy consumption for some time. During 2005/06 we continued to undertake and implement energy audits on our large sites. We have verified ongoing savings of approximately $100,000 per annum.

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STATEMENT OF CORPORATE GOVERNANCE

THE BOARD IS RESPONSIBLE FOR THE CORPORATE GOVERNANCE OF THE COMPANY. "CORPORATE GOVERNANCE" INCLUDES THE DIRECTION AND CONTROL OF THE COMPANY, ACCOUNTABILITY OF THE BOARD TO SHAREHOLDERS AND OTHER STAKEHOLDERS FOR THE COMPANY’S PERFORMANCE, AND COMPLIANCE WITH LAWS AND STANDARDS.

New Zealand Post 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 company is required to provide its 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, for contact with wider Group employees.

The Board of the New Zealand Post Group comprises up to 10 non-executive directors. Shareholding Ministers, on behalf of the Crown, appoint directors generally for a term of three years. Before appointing new directors, Shareholding Ministers consider the balance of competencies and experience on the Board and also consult with 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 2006, 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. The principal objective of the Company, as determined by the State-Owned Enterprises Act 1986, is to operate as a successful business.

The Board establishes the Company objectives and sets strategies to achieve those objectives. The Board, in the context of the approved policy, risk and compliance framework within which the Company operates, monitors management’s performance against those strategies. The Board has delegated the day-to-day management of the Company 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. On a quarterly basis, the Board reviews performance against strategic objectives.

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 committee’s duties, responsibilities and authority.

The Board establishes ad hoc 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 papers and minutes. The Chief Executive attends all committee meetings. A number of committees regularly hold ‘Directors Only’ sessions in the absence of the Chief Executive or other management. In the case of the Finance and Risk Committee, these sessions provide for discussions with auditors to ensure a robust independent audit process.

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 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. The Committee’s responsibilities include:

- review the remuneration of individuals who form the top management team and who are direct reports to the Chief Executive, and approving payments to those people; 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 Company’s investment and divestment activity.

COMMUNICATIONS COMMITTEE
The Communications Committee comprises four directors. Responsibilities include:

- providing management with guidance in relation to communications and stakeholder issues affecting the Company.

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.
STATEMENT OF CORPORATE GOVERNANCE CONTINUED...

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.

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.

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 exposes directors to key features of the business, including its operations, policies and strategies, as well as 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 Risk Services Team takes a systemic, 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.

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.
DISCLOSURES
No specific disclosures were given pursuant to section 140(2) of the Companies Act 1993. As at 30 June 2006, 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:

Pictured from left to right:
GREGORY BENJAMIN FORTUIN (Wellington)
CC RC
• Honorary Consul of the Republic of South Africa, South African High Commission
• Chair, Capital City Injury Prevention Corporation
• Director, Accident Compensation Corporation
• Director, Prison Fellowship New Zealand
• Member, Whānau Ora Community Board
• Trustee, Grange Family Rental Trust
• Patron, Youth Suicide Awareness Trust

HON STANLEY JOSEPH RODGER (Dunedin) CMG, JP
CC RC
• Patron, Youth Suicide Awareness Trust
• Trustee, Crown Forestry Rental Trust
• Member, Whitireia Community Polytechnic
• Trustee, Grange Family Rental Trust
• Chair, Wellington City Council – Council Controlled Organisations Performance Monitoring Sub-Committee

JUSTINE GAY BRONWYN SMYTH (Auckland) BCom, CA
FR HS
• Chair, Express Couriers Limited
• Chair, Gas Industry Company Limited
• Director, New Zealand Trade Liberalisation Network Incorporated

RALPH HEHERLEY NGATIKA LOVE (Wellington) BCom, BCA (Hons), PhD, G10, JP
FR IC
• Chair, Wellington Territorial Trust
• Chair, Palmerston North Māori Trust
• Director, McIlraith Palmerston North Retirement Village Limited
• Director, Village at the Park Retirement Village Limited
• Director, Capital Hill Limited
• Council Member, Massey University

DIANA BUCHANAN CROSsan (Wellington) BA, Dip App Sci (St), LLB, AC, ACI
FR IC
• Chair, Whai Rawi Management Limited
• Retirement Commissioner, Retirement Commission

JAMES HAROLD IDDEn (Wellington) BCA (Hons), FCA, CMA, CPA
FR IC
• Chair, Ministry of Social Development – Audit Committee
• Chair, Wellington City Council – Council Controlled Organisation Performance Monitoring Sub-Committee
• Deputy Chair, AgILITY Limited
• Deputy Chair, MTA Investments Limited
• Director, Ophir Consulting Limited
• Director, Australian Hotel Holdings Limited
• Director, Pike River Coal Limited
• Director, Vehicle Testing New Zealand Limited
• Director, Topkap Capital Limited
• Director/Shareholder, Academic Colleges of New Zealand Limited
• Consultant/Chair, Academic Colleges of New Zealand Limited
• Consulting Director, LEGS Limited
• Trustee, Victoria University of Wellington Foundation
• Trustee, Scots College Foundation
• Council Member, Victoria University of Wellington

MICHAEL THOMAS DALY (Auckland) JP
FR IC
• Director, Upstart Capital Limited
• Director, Vehicle Testing New Zealand Limited
• Director, The ECN Group Limited
• Deputy Chair, LogiCAL(EXIT) Limited
• Member, Department of Corrections Inmate Employment Committee
• Member, Capital and District Health Board
• Trustee, Asia New Zealand Foundation
• Trustee, Patani Licensing Trust
• Trustee, Ronald McDonald House (Wellington)
• Councillor, Palmerston North City Council

RT HON JAMES BRENDAN BOLGER (Chair) (Te Kuiti)

• Trustee, Ronald McDonald House (Wellington)
• Trustee, Porirua Licensing Trust
• Trustee, Asia New Zealand Foundation
• Trustee, Porirua City Council
• Trustee, Asia New Zealand Foundation
• Member, Capital and District Health Board
• Trustee, Patani Licensing Trust
• Trustee, Ronald McDonald House (Wellington)
• Councillor, Palmerston North City Council

John Richard Allen (Wellington) Ltd
• Chair, Department of Corrections Inmate Employment Committee
• Member, Department of Corrections Inmate Employment Committee
• Member of the Investment Committee
• Member of the Health and Safety Committee
• Member of the Remuneration Committee
• Member of the Communications Committee
• Member of the Finance and Risk Committee
• Member of the Kiwibank Finance, Audit and Risk Committee
NEW ZEALAND POST
EXECUTIVE TEAM

Pictured from left to right: Jim Quinn, Paul Hutchinson, Peter Fenton, Malcolm Shaw, Peter Schuyt, John Allen, Sam Knowles, Sue Tucker, Gary Woodham, Stephen Henry.

JOHN ALLEN Chief Executive
PETER FENTON Chief Executive Officer, Postal Services Group
STEPHEN HENRY Group Manager, Enterprises
PAUL HUTCHINSON Group Manager, Customer Solutions
SAM KNOWLES Chief Executive, Kiwibank
JIM QUINN Chief Executive, Express Couriers Limited
PETER SCHUYT Chief Financial Officer
MALCOLM SHAW General Counsel
SUE TUCKER Group Manager, Capability
GARY WOODHAM Chief Executive, Datamail