New Zealand Post Group.

2019

Consolidated Financial Statements

For the year ended 30 June 2019

New Zealand Post
Tukurau Aotearoa

Contents

Financial commentary 2018/19

The New Zealand Post Group has reported a net loss after tax of $121m for the year ended 30 June 2019 compared to a reported profit for the previous year of $13m. Kiwi Group Holdings (KGH) contributed $27m to the result (after warranty settlement costs) compared to $52m in the prior year. The remainder of the Group reported a net loss after tax of $148m compared with a $39m loss in the prior year.

The current year net loss after tax includes the impact of several significant adverse adjustments including a $51m write-down of Mail assets, a provision of $38m for the cost of remediating non-compliance in the calculation of leave payments under the Holidays Act and the derecognition of a deferred tax asset of $59m. Excluding the impact of the Holidays Act remediation, New Zealand Post's underlying operating profit of $17m showed an improvement of $32m compared to the previous year.

Revenue increased by $35m or 4.0% compared to the previous year primarily reflecting strong growth in parcel revenue.

New Zealand Post continues to benefit from the ongoing growth in e-commerce in New Zealand and the quality of our courier service proposition, with domestic parcel volumes and revenue up by 6% and 8% respectively. Letter volumes on the other hand continue to decline as large sending customers increase their usage of digital alternatives - volumes declined at a rate of approximately 15%, which was greater than last year's decline (12%).

Expenditure increased by 4.6% however this includes the $38m provision for Holidays Act payments. Excluding this cost, operating expenditure increased by only 0.3% despite the strong growth in parcel volumes, reflecting the benefits of prior efficiency initiatives and an ongoing focus on cost control.

The underlying improvement in operating performance was also reflected in cash flows from operating activities of $12m which were $13m better than in the previous year.

The Balance Sheet of the Group remains stable – cash & short-term deposits as at 30 June 2019 of $201m are in line with last year and external borrowings also remain at the same level as last year. The investment in KGH is equity accounted and the Group's share of earnings for the year has brought the carrying value of the 53% investment up to $931m at 30 June 2019.

Other highlights for the New Zealand Post Group in FY 2019 include:

- A record number of 14.5M parcels delivered in the 2018 Christmas period, that's 2.8 parcels a second.
- Domestic parcel growth of 8.2%.
- 95.8% of all parcels delivered within the target for the service used.
- Delivery of our second e-commerce report – The Full Download 2019, giving us key insights into customer behaviour and preferences for online shopping.
- Execution of Separation Agreement with Kiwibank for planned transition to independent retail and corporate arrangements while continuing close working relationship and 53% shareholding.
- 2019 Fleet Champion of the Year award at EVworld New Zealand 2019.
- Year on year improvement in our key safety measure, with a 19% reduction in total recordable injuries – employees.
- Significant growth in parcel notifications, sending over two million in the last financial year.
- Embedding the establishment of our Singapore hub.

Reconciliation of underlying operating profit

	2019 $m	2018 $m
Operating loss	**(21)**	(15)
Holidays Act remediation	**38**	–
Underlying operating profit/(loss)	**17**	(15)

Primary Statements

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2019

	Note	2019 $m	2018 $m
Revenue	4	**912**	877
Expenditure	5	**(933)**	(892)
Operating loss		**(21)**	(15)
Depreciation	11	**(19)**	(20)
Amortisation of intangibles	12	**(15)**	(13)
Impairment	18	**(53)**	(5)
Financial instruments at fair value net (loss)/gain		**(6)**	1
Insurance proceeds		**–**	2
Share of net profits of jointly controlled entities	7(c)	**39**	52
Jointly controlled entity warranty settlement costs	7(f)	**(15)**	–
(Loss)/profit before interest and tax		**(90)**	2
Interest income		**15**	16
Interest expense		**(21)**	(22)
Net finance costs		**(6)**	(6)
Loss before tax		**(96)**	(4)
Income tax (expense)/credit	6	**25**	17
(Loss)/profit for the year		**(121)**	13
Attributable to:			
Owners of New Zealand Post Limited		**(121)**	13
Other comprehensive (loss)/income			
Items that will not be reclassified to profit or loss:			
Gains on revaluation of land and buildings		**2**	1
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive (loss)/income of jointly controlled entity		**(3)**	2
Total other comprehensive (loss)/income net of tax	21(b)	**(1)**	3
Total comprehensive (loss)/income net of tax		**(122)**	16
Total comprehensive (loss)/income for the year attributable to Owners		**(122)**	16

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes on pages 09 to 54.

Primary Statements

Consolidated Statement of Changes in Equity
For the year ended 30 June 2019

	Note	Fully Paid Ordinary Shares $m	Other Reserves $m	Retained Earnings $m	Total $m
Balance at 1 July 2017		**192**	**36**	**1,050**	**1,278**
Profit for the year		–	–	13	13
Other comprehensive income	21(b)	–	3	–	3
Total comprehensive income for the year attributable to Owners		–	3	13	16
Other movements					
Transfer between revaluation reserve and retained earnings	21(b)	–	(2)	2	–
Transactions with Owners					
Dividends paid to shareholders	21(a)	–	–	(5)	(5)
Balance at 30 June 2018		**192**	**37**	**1,060**	**1,289**
NZ Post IFRS 15 transition adjustments	2(h)	–	–	(3)	(3)
KGH IFRS transition adjustments	2(h)	–	–	(2)	(2)
Restated balance as at 1 July 2018		**192**	**37**	**1,055**	**1,284**
Loss for the year		–	–	(121)	(121)
Other comprehensive loss	21(b)	–	(1)	–	(1)
Total comprehensive loss for the year attributable to Owners		**–**	**(1)**	**(121)**	**(122)**
Other movements					
Transfer between revaluation reserve and retained earnings	21(b)	–	(2)	2	–
Balance at 30 June 2019		**192**	**34**	**936**	**1,162**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes on pages 09 to 54.

Primary Statements

Consolidated Statement of Financial Position
As at 30 June 2019

	Note	2019 $m	2018 $m
ASSETS			
Current assets			
Cash and cash equivalents	8	**48**	60
Short term deposits	8	**153**	142
Assets held for sale	9	**–**	8
Trade and other receivables	10	**168**	169
Inventories		**5**	8
Derivative financial assets	20	**2**	1
Loans to related parties	22	**–**	84
Prepayments		**8**	8
Total current assets		**384**	480
Non-current assets			
Trade and other receivables	10	**3**	12
Property, plant and equipment	11	**80**	146
Intangible assets	12	**220**	225
Deferred tax asset	6	**–**	23
Derivative financial assets	20	**–**	6
Investment properties		**13**	3
Investment in jointly controlled entity	7(b)	**931**	906
Total non-current assets		**1,247**	1,321
Total assets		**1,631**	1,801

The above consolidated statement of financial position should be read in conjunction with the accompanying notes on pages 09 to 54.

Primary Statements

Consolidated Statement of Financial Position
As at 30 June 2019

	Note	2019 $m	2018 $m
LIABILITIES			
Current liabilities			
Trade and other payables	13	**132**	133
Contract liabilities	14	**54**	50
Provisions	15	**51**	18
Borrowings	19	**10**	10
Derivative financial liabilities	20	**1**	–
Loans from related parties	22	**–**	76
Total current liabilities		**248**	287
Non-current liabilities			
Trade and other payables	13	**5**	10
Derivative financial liabilities	20	**13**	11
Provisions	15	**3**	5
Borrowings	19	**200**	199
Total non-current liabilities		**221**	225
Total liabilities		**469**	512
Net assets		**1,162**	1,289
EQUITY			
Share capital	21(a)	**192**	192
Retained earnings		**936**	1,060
Other reserves	21(b)	**34**	37
Total equity		**1,162**	1,289

The Board of Directors of New Zealand Post Limited authorised these financial statements for issue on 26 September 2019.

Rodger Finlay
Chair

Carol Campbell
Director

The above consolidated statement of financial position should be read in conjunction with the accompanying notes on pages 09 to 54.

Primary Statements

Consolidated Statement of Cash Flows
For the year ended 30 June 2019

	Note	2019 $m	2018 $m
Cash flows from operating activities			
Receipts from customers		**921**	882
Interest received		**15**	16
Payments to suppliers and employees		**(881)**	(868)
Net payments to agencies		**(22)**	(15)
Interest paid		**(21)**	(19)
Income tax received		**–**	3
Net cash flows from operating activities		**12**	(1)
Cash flows from investing activities			
Sale of property, plant and equipment		**10**	1
Purchase of intangible software assets		**(19)**	(19)
Purchase of property, plant and equipment		**(7)**	(21)
(Purchase)/sale of short term deposits		**(11)**	80
Net movement in advances to jointly controlled entities		**6**	11
Payment of warranty settlement costs	7(f)	**(15)**	–
Dividends received from jointly controlled entity	7(b)	**12**	5
Net cash flows from investing activities		**(24)**	57
Cash flows from financing activities			
Issue of borrowings	19	**40**	40
Repayment of borrowings	19	**(40)**	(95)
Dividends paid to New Zealand Post Limited shareholders	21(a)	**–**	(5)
Net cash flows from financing activities		**–**	(60)
Net decrease in cash held		**(12)**	(4)
Cash at the beginning of the year		**60**	64
Cash at the end of the year	8	**48**	60
Composition of cash			
Cash and cash equivalents		**48**	60
Total cash and cash equivalents	8	**48**	60

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes on pages 09 to 54.

Primary Statements

Consolidated Statement of Cash Flows
For the year ended 30 June 2019 continued

Reconciliation of profit to net cash flows from operating activities

	Note	**2019 $m**	2018 $m
(Loss)/profit for the year		**(121)**	13
Non-operating expense:			
Jointly controlled entity warranty settlement costs	7(f)	**15**	–
Non-cash items:			
Holidays Act remediation	15	**38**	–
Financial instruments at fair value net (loss)/gain		**6**	1
Depreciation	11	**19**	20
Amortisation	12	**15**	13
Impairment	18	**53**	5
Bad debt expense	5	**3**	3
Share of net profit of jointly controlled entities	7(c)	**(39)**	(52)
Deferred taxation	6	**23**	(15)
Other		**(4)**	(1)
		114	(26)
Changes in assets and liabilities:			
(Increase) / decrease in trade and other receivables		**10**	(14)
(Increase) / decrease in inventories		**1**	–
(Increase) / decrease in prepayments		**–**	(1)
(Increase) / decrease in derivative financial instruments		**2**	2
Increase / (decrease) in trade and other payables		**(6)**	22
Increase / (decrease) in provisions		**(7)**	2
(Increase) / decrease in tax receivable		**–**	1
Increase / (decrease) in contract liabilities		**4**	–
		4	12
Net cash flows from operating activities		**12**	(1)

The above reconciliation of profit to net cash flows from operating activities should be read in conjunction with the accompanying notes on pages 09 to 54.

Basis of Preparation

Note 1. Reporting Entity and Statutory Base

These consolidated financial statements are for New Zealand Post Limited (the "Company" or "NZ Post") and its subsidiaries (together "the Group") for the year ended 30 June 2019. The Group accounts for jointly controlled entities using the equity method.

The Group delivers mail and parcels and provides e-commerce logistics services.

NZ Post is incorporated and domiciled in New Zealand. The address of its registered office is 7 Waterloo Quay, Wellington, New Zealand, 6011.

Note 2. Basis of Accounting

Note 2(a) Basis of preparation

The consolidated financial statements:

- have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP), and as a result they comply with International Financial Reporting Standard (IFRS), New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) as well as other NZ accounting standards and authoritative notices applicable to entities that apply NZ IFRS. The Group is a for-profit entity for the purposes of complying with NZ GAAP.
- have been prepared in accordance and the requirements of the Companies Act 1993, the Financial Reporting Act 2013, and the State-Owned Enterprises Act 1986;
- have been prepared using historic cost, as modified by the revaluation of certain assets and liabilities at fair value. The accrual basis of accounting has been used; and
- are presented in New Zealand dollars which is the presentation currency of the Group and functional currency of the Company. All values are expressed in millions of NZ dollars unless otherwise stated.
- With the exception of the standards coming into effect in the financial year, all accounting policies have been applied consistently with the prior year.

The Company is an FMC Reporting Entity under the Financial Markets Conduct Act 2013 ("FMCA").

Note 2(b) Comparative numbers

The Group has changed the presentation of the statement of profit or loss and other comprehensive income to separately show depreciation and amortisation on the face of the statement. This highlights the Group's current year performance to users of the financial statements and is consistent with the view used by management to make operating decisions about the business. The change in presentation has been applied consistently in the current and prior period. Certain prior year comparatives have been updated to reflect current year disclosures.

Note 2(c) Critical accounting judgements, estimates and assumptions

In the process of applying the Group's accounting policies, management has made a number of judgments and applied estimates of future events.

The determination of cash generating units (CGUs), the allocation of goodwill and brands to the Parcels CGU, the allocation of overheads between CGUs and the valuation of the Parcels CGU are all key judgements. The valuation calculation is based on management forecasts of future financial performance and therefore contains inherent estimation uncertainty. Further disclosure of each of these judgements and the assumptions made in the valuation are detailed in Note 18 on page 40. A significant change in any of these judgements could have a material impact on the impairment assessment and hence on the financial statements at 30 June 2019.

A key estimate is the calculation of the provision for Holidays Act remediation. Further details are provided in Note 15 on page 34.

Basis of Preparation

Note 2. Basis of Accounting continued

Other key judgements and estimates which are material to the consolidated financial statements are found in the following notes:

Note 2	NZ IFRS 15 – Revenue from Contracts	P. 12-13	Revenue from contracts with customers
Note 3	Operating Segments	P. 13-15	Change to operating segments
Note 6	Income Tax	P. 19	Derecognition of deferred tax asset
Note 7	Jointly Controlled Entities	P. 25	Level of control over KGH
Note 14	Contract Liabilities	P. 33	Unearned revenue for prepaid services
Note 17	Fair Value	P. 40	Valuation of assets and liabilities carried at fair value

Note 2(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Jointly controlled entities have been equity accounted. Material subsidiaries and jointly controlled entities at 30 June 2019 are listed below:

Name of entity	Place of business / country of incorporation	Functional currency	Ownership interest held by the Group and nature of the relationship 30 June 2019 and 2018		Principal Activities
Kiwi Group Holdings Limited ("KGH")	New Zealand	NZD	Jointly controlled entity	53%	Holding Company
New Zealand Post Group Finance Limited	New Zealand	NZD	Subsidiary	100%	Financing Services

KGH has a number of subsidiaries including Kiwibank Limited, a registered bank, Kiwi Wealth Management Limited which provides Kiwisaver services, Kiwi Insurance Limited which provides insurance services and The New Zealand Home Loan Company Limited which provides mortgage services.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profits and losses resulting from intra-Group transactions have been eliminated. Subsidiaries are consolidated from the date on which control is obtained and deconsolidated from the date that control ceases. The acquisition of subsidiaries is accounted for using the acquisition method of accounting. Interests in jointly controlled entities are accounted for using the equity method.

The financial statements of the subsidiaries and jointly controlled entities are prepared for the same reporting period as the Company. Where necessary, adjustments are made to the financial statements of subsidiaries and jointly controlled entities to bring their accounting policies into line with the Group's accounting policies.

Note 2(e) Currency

Functional and presentation currency

The presentation currency of the Group and the functional currency of the Company is New Zealand dollars. All amounts are expressed in millions of New Zealand dollars, unless otherwise stated.

Transactions and balances

Transactions in foreign currencies are translated into the functional currency at the exchange rate ruling at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the statement of profit or loss and other comprehensive income. At balance date, foreign denominated monetary assets and liabilities are translated at the closing exchange rate, with exchange variations arising from these translations being recognised in the statement of profit or loss and other comprehensive income, except where deferred in equity as a qualifying cash flow hedge or qualifying net investment hedge. Foreign denominated non-monetary assets and liabilities measured at historic cost are translated using the exchange rate at the date of transaction. Foreign denominated non-monetary assets and liabilities measured at fair value are translated using the exchange rate at the fair value date.

Basis of Preparation

Any associated translation differences match the treatment of the fair value gains or losses either to the statement of profit or loss and other comprehensive income or directly to equity.

Note 2(f) Interest income and expense

Interest income and expense for all interest-bearing financial assets and liabilities is recognised using the effective interest rate method. The effective interest rate exactly discounts estimated future cash receipts and payments through the expected life of the financial asset or liability to the carrying amount of the financial asset or liability.

Note 2(g) Other accounting policies

Other significant accounting policies adopted in the preparation of these consolidated financial statements are provided throughout the notes to the consolidated financial statements.

Note 2(h) Standards and interpretations effective in the current period

The Group has adopted NZ IFRS 9 Financial Instruments and NZ IFRS 15 Revenue from Contracts with Customers from 1 July 2018.

NZ IFRS 9: Financial Instruments

The new standard includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairments on trade receivables. It also carries forward the guidance on recognition and de-recognition of financial instruments from NZ IAS 39 Financial Instruments: Recognition and Measurement. The Group has not restated the comparative information, which continues to be reported under NZ IAS 39. An adjustment for differences arising from the adoption of NZ IFRS 9 has been recognised directly in retained earnings and other components of equity.

Classification and measurement

The NZ IFRS 9 revised classification and measurement approach for financial assets reflects the business model in which assets are managed, and their contractual cash flow characteristics. The assessment of the Group's business model was made as of the date of initial application. The assessment of the characteristics of contractual cash flows, whether they are solely comprised of principal and interest, was made based on the facts and circumstances as at the initial recognition of the assets.

The revised classification and measurement requirements of NZ IFRS 9 did not have a significant impact to NZ Post. The Group continued measuring at fair value all financial assets and liabilities previously held at fair value under NZ IAS 39.

The classification and measurement of the Group's financial assets and liabilities upon adoption of NZ IFRS 9 is outlined below:

	NZ IAS 39 classification	NZ IAS 39 measurement	NZ IFRS 9 classification and measurement
Financial Assets			
Derivative financial assets	Fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss
Cash and cash equivalents	Loans and receivables	Amortised cost	Amortised cost
Short term deposits	Loans and receivables	Amortised cost	Amortised cost
Trade and other receivables	Loans and receivables	Amortised cost	Amortised cost
Loans to related parties	Loans and receivables	Amortised cost	Amortised cost
Financial Liabilities			
Derivative financial liabilities	Fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss
Trade and other payables	Other financial liabilities at amortised cost	Amortised cost	Amortised cost
Borrowings	Other financial liabilities at amortised cost	Amortised cost	Amortised cost
Loans from related parties	Other financial liabilities at amortised cost	Amortised cost	Amortised cost

Impairment

NZ IFRS 9 replaces the incurred loss model under NZ IAS 39 with a forward-looking expected loss model. This model has been applied to all debt instruments not held at fair value through profit or loss.

There has not been a material financial impact on the impairment provisions of NZ Post during the year. Kiwi Group Holdings Limited (KGH), a jointly controlled entity of NZ Post, has also transitioned to NZ IFRS 9 in the period and has made an adjustment to increase loans and advances and increase retained earnings by $1m at 1 July 2018. NZ Post has increased

Note 2. Basis of Accounting continued

the opening carrying value of its investment in KGH by its share of this adjustment, being $0.5m. See Note 7(b).

NZ IFRS 15: Revenue from Contracts with Customers

The adoption of NZ IFRS 15 resulted in changes in accounting policies relating to the recognition of revenue. As part of the transition, NZ Post has made an adjustment to increase contract liabilities by $4m, increase deferred tax assets by $1m and decrease retained earnings by $3m at 1 July 2018. Kiwi Group Holdings Limited (KGH), a jointly controlled entity of NZ Post, has also transitioned to NZ IFRS 15 in the period and has made an adjustment to increase contract liabilities by $6m, decrease deferred tax liabilities by $1m and decrease retained earnings by $5m at 1 July 2018. At 1 July 2018 the Group has decreased the carrying value of its investment in KGH by its share of this adjustment, being $2m. See Note 7(b).

Accounting policies have been amended to ensure that the five-step method, as defined in NZ IFRS 15, is applied consistently to revenue recognition processes across NZ Post. As part of its transition to NZ IFRS 15, NZ Post performed a detailed review of its portfolios of contracts with customers. The details of the review process are outlined below:

Five-step method

The five-step method for recognising revenue from contracts with customers was applied and involved the following:

1. Identifying the contract with the customer
2. Identifying performance obligations
3. Determining the transaction price
4. Allocating the transaction price to distinct performance obligations
5. Recognising revenue as performance obligations are satisfied.

Process and policy

To assess the impact of NZ IFRS 15 on NZ Post, contracts with similar performance obligations were aggregated to create portfolios of contracts. Five main portfolios were identified and assessed. The portfolios detailed below represent 98% of NZ Post's revenue for the year ended 30 June 2019.

Contract portfolios

Mail and parcels

This portfolio covers domestic and outbound international delivery of parcels, packages and letters, and transport revenue. The contract terms for the delivery of mail and parcels are set out within the Public Contract and the Postal Users Guide and are available on the NZ Post website. Performance obligations are satisfied on delivery, and revenue is recognised over time as the benefits of delivery are simultaneously received and consumed.

Key judgments in applying NZ IFRS 15 to this portfolio were:

- The identification of a single distinct obligation to deliver and that other activities NZ Post undertakes in relation to this are highly interrelated with this obligation.
- The inclusion of transport revenue in this portfolio as it has similar performance obligations.

Inbound international mail and parcels

This portfolio covers the delivery of inbound international postal and courier items. NZ Post is a member of the Universal Postal Union (UPU) which has a total of 192 member countries. It is the primary forum for cooperation between postal sector operators. Members are governed by the terms and conditions and pricing set by the UPU. Performance obligations are satisfied on delivery, and revenue is recognised over time as the benefits of delivery are simultaneously received and consumed.

NZ Post considers they are the principal, not an agent under NZ IFRS 15 for delivering these services.

Key judgments in applying NZ IFRS 15 to this portfolio were:

- The identification of a single distinct obligation to deliver and that other activities NZ Post undertakes in relation to this are highly interrelated with this obligation.
- Key estimates have been made around international mail volumes. Statistical sampling methods are used to establish these volumes and this determines the amount due from other international postal organisations.
- Judgment has been exercised in determining the most likely revenue due from international mail performance bonuses based on actual volumes and performance.

Customer communications

This portfolio primarily consists of printing, business process outsourcing and mail house services. Standardised Master Services Agreements and Statements of Work are used when contracting with customers. Revenue is recognised over time as benefits are simultaneously received and consumed.

The key judgment in applying NZ IFRS 15 to this portfolio was determining the performance obligations and whether they are required to be bundled as one. Printing and lodgement of mail items have been assessed as distinct performance obligations. A range of activities have been grouped into two performance obligations (a) to print and (b) to lodge into the mail network, which are completed at the same time. Delivery of mail is contracted separately and is recorded under the mail and parcels portfolio.

Box bag

This portfolio covers the supply of postal storage facilities by means of Private Bags and Post Boxes across our box lobby network. The terms and conditions for Box bag are set out on the NZ Post website. Customers enter an annual contract and revenue is recognised evenly over time as customers

Basis of Preparation

simultaneously receive and consume the benefits of access across the year. Revenue is received in advance and held as a contract liability on the balance sheet until recognised as revenue when performance obligations are satisfied.

No material judgments were made in applying NZ IFRS 15 to this portfolio.

Stamps and coins

This portfolio covers the supply of collectable stamps and coins which are sold via NZ Post's store network and website. No formal contract is entered into but is implied at the point of sale. The transaction price for stamps and coins is the stand-alone selling price set periodically and displayed on the website and revenue is recognised at a point in time at the point of sale.

No material judgments were made in applying NZ IFRS 15 to this portfolio.

International freight and logistics

This portfolio covers the provision of freight agency services for international freight. The terms and conditions are set out on the NZ Post website and the transaction price is the stand-alone selling price set periodically. Revenue is recognised over time as services are delivered.

No material judgments were made in applying NZ IFRS 15 to this portfolio.

Payment services

This portfolio covers the provision of payment collection services through NZ Post's retail network. Payment contracts are substantially similar, and revenue is recognised at the point of collection of funds. There is a single performance obligation of providing a collection service. NZ Post considers they are an agent for delivering these services under NZ IFRS 15.

No material judgments were made in applying NZ IFRS 15 to this portfolio.

Significant financing costs

As part of determining its revenue recognition profiles NZ Post considered whether there were significant financing costs and has relied on the practical expedient that services are expected to be performed within a year.

Note 2(i) Standards and interpretations issued but not yet effective

NZ IFRS 16: Leases

NZ IFRS 16, issued in January 2016 and effective for annual periods beginning on or after 1 January 2019, requires lessees to account for all leases under a single on balance sheet model in a similar way to finance leases under NZ IAS 17. NZ IFRS 16 will require lessees to recognise a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts within the consolidated statement of financial position. The right-of-use asset will create increased depreciation and the lease liability will create increased interest expense in the statement of profit or loss and other comprehensive income.

Implementation and transition

The Group will apply NZ IFRS 16 from 1 July 2019. The Group intends to adopt the simplified transition approach and will not restate comparative amounts for the period prior to first adoption.

The Group has significant lease obligations as set out in Note 16 and adoption of the new standard will have a material impact on the consolidated financial statements. The Group will recognise right of use assets for vehicles, property and printing assets. The impact of the adoption of NZ IFRS 16 is still being quantified, specifically whether certain service contracts contain leases. Implementation of NZ IFRS16 will have no impact on the cashflows of the Group and the change is for financial reporting purposes only.

Kiwi Group Holdings Limited (KGH), a jointly controlled entity of NZ Post, will also transition to NZ IFRS 16 from 1 July 2019. As at 30 June 2019, KGH's future minimum lease payments under non-cancellable operating leases on an undiscounted basis is $94.8m. KGH has estimated that the right-of-use asset and corresponding lease liability is approximately $86.8m. KGH intends to adopt NZ IFRS 16 using a modified retrospective approach where comparatives are not restated and apply a practical expedient in recognising the right-of-use asset at 1 July 2019 at an amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments. No impact to KGH's retained earnings is expected on transition to NZ IFRS 16 so there is expected to be no impact on the carrying value of the Group's investment in KGH.

Note 3. Segment Information

Basis of segmentation

As the Group's business changes, information provided to operating decision makers has changed. The individual performance of Mail, Parcels and Other products and services is now being used to make key strategic decisions. Therefore, these are now considered separate operating segments. Previously the performance of these segments was considered at an aggregated level for allocating resources and there was one Post segment. The Group has restated prior year comparatives on the same basis as the current year segments. The Group's reportable segments are the same as those used by the Senior Leadership Team ("SLT") in making decisions about allocating resources and in assessing segment performance and have primarily been determined with reference to differences in products and services. Transactions between reportable segments are accounted for in accordance with contractual arrangements and the accounting policies outlined within these consolidated financial statements.

Financial Performance

Note 3. Segment Information continued

Mail

This segment represents delivery of letters and untracked parcels.

Parcels

This segment represents delivery of tracked parcels and provision of courier services.

Other products and services

This segment represents logistics and international freight services, collectable stamps and coins and business process outsourcing.

Investments

This segment represents the Group's investments in KGH and Reach Media New Zealand Limited ("Reach Media").

Management has considered the net losses in both the Mail and Other products and services segments for the year ended 30 June 2019 and recognised an impairment of mail assets. Details of this assessment are set out in Note 18.

30 June 2019	Mail $m	Parcels $m	Other products and services $m	Investments $m	Total $m
Delivery of services	376	417	78	–	871
Sale of goods	–	–	9	–	9
Total segment revenue	376	417	87	–	880
Segment profit / (loss) before interest and tax	(49)	1	(1)	22	(27)
Specific segment other income					
Share of net profits of jointly controlled entities	–	–	–	39	39
Specific segment expenditure					
Impairment	51	2	–	–	53
Depreciation and amortisation	16	14	4	–	34
Jointly controlled entity warranty settlement costs	–	–	–	15	15
Bad debt expense	–	–	–	2	2
Reconciliation to statement of profit or loss and other comprehensive income					
Revenue per segment note					880
Transport and corporate revenue					17
Property income					12
Other revenue					3
Total revenue for the year ended 30 June 2019					912
Loss before interest and tax per segment note					(27)
Store network change costs					(19)
Financial instruments at fair value net loss					(6)
Holidays Act remediation costs					(38)
Loss before interest and tax					(90)

Financial Performance

30 June 2018	Mail $m	Parcels $m	Other products and services $m	Investments $m	Total $m
Delivery of services	372	392	78	–	842
Sale of goods	–	–	9	–	9
Total segment revenue from operations	372	392	87	–	851
Segment profit / (loss) before interest and tax	(21)	(9)	2	52	24
Specific segment other income					
Share of net profits of jointly controlled entities	–	–	–	52	52
Specific segment expenditure					
Depreciation and amortisation	16	12	5	–	33
Reconciliation to statement of profit or loss and other comprehensive income					
Revenue per segment note					851
Transport and corporate revenue					14
Property income					8
Other revenue					4
Total revenue for the year ended 30 June 2018					877
Profit before interest and tax per segment note					24
Redundancy and one-off costs					(24)
Financial instruments at fair value net loss					1
Insurance proceeds					2
Other costs					(1)
Profit before interest and tax					2

Note 4. Revenue

	2019 $m	2018 $m
Delivery of services	**871**	842
Transport and corporate revenue	**17**	14
Sale of goods	**9**	9
Property income	**12**	8
Other revenue	**3**	4
Total revenue	**912**	877

Financial Performance

Note 4. Revenue continued

Policies

The Group has adopted NZ IFRS 15 Revenue from contracts with customers for the year. Impacts of this adoption are disclosed in Note 2(h). Revenue is measured at the amount expected to be received or receivable net of discounts, rebates and taxes. There was no material change in treatment of revenue from the prior year.

Delivery of services
Revenue from the delivery of services is recognised over time as performance obligations are fulfilled. All revenue portfolios are recognised as delivery of services with the exception of Stamps and Coins which is recognised as sale of goods.

Sale of goods
Revenue from the supply of goods is recognised at a point in time when control has been transferred to the buyer and collectability of the related receivables is reasonably assured.

Note 5. Expenditure

	Note	**2019 $m**	2018 $m
Contracted delivery services		**330**	317
Production costs		**21**	23
Salaries and wages		**274**	280
Holidays Act remediation	15	**38**	–
Superannuation - defined contribution plans		**11**	12
Restructuring costs		**7**	12
Other personnel costs		**39**	52
Employee expenses		**369**	356
Property and operating costs		**55**	55
Property operational outgoings		**31**	27
Property cost recovery		**(4)**	(4)
Property expenses		**82**	78
Computer expenses		**44**	41
Retail agency remuneration		**19**	14
Repairs and maintenance		**12**	13
Professional services		**9**	10
Other operating lease and rental costs		**9**	10
Marketing expenses		**7**	6
Communications		**7**	7
Training and travel		**5**	5
Office expenses		**4**	5
Bad debt expense		**3**	3
Property revaluation		**1**	–
Fees paid to auditors		**1**	2
Cost recovery [1]		**(5)**	(10)
Other expenditure		**15**	12
Other expenses		**131**	118
Total expenditure		**933**	892

1 Cost recovery is expenditure incurred by the Company and recovered from jointly controlled entities.

Financial Performance

Policies

Employee expenses
Employee entitlements to salaries and wages, bonuses, annual leave, long service leave, retiring leave and other similar benefits are recognised in profit or loss when they accrue to employees.

Long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

Liabilities for salaries and wages, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related services are recognised in respect of employees' services up to the end of the reporting period and are measured using the amounts expected to be paid.

Obligations for contributions to defined contribution retirement plans are recognised as an expense in profit or loss as they fall due.

	2019 $000's	2018 $000's
Fees paid to auditors		
Audit and review of financial statements [1]	**1,023**	965
Other services		
Other assurance services [2]	**8**	8
Tax compliance services [3]	**8**	8
Other services [4]	**13**	22
Supply chain risk and controls assessment [5]	**–**	525
Total other services	**29**	563
Total fees paid to auditors	**1,052**	1,528

PricewaterhouseCoopers is the auditor of the New Zealand Post Superannuation Plan, which has audit fees of $31,500 (2018: $28,300) and other assurance fees of $35,300 (2018: $43,800). PricewaterhouseCoopers, on behalf of the OAG, is also the auditor of Kiwi Group Holdings Limited and its controlled entities.

1 The audit fee includes the fees for both the annual audit of the financial statements and the review of interim financial statements (2018: same).

2 Other assurance services include trustee reporting and review of the consolidated earnings statement (2018: same).

3 Tax compliance relates to the review of tax returns (2018: same).

4 Other services relate to treasury related analysis and commentary (2018: process reviews and treasury related analysis and commentary).

5 PricewaterhouseCoopers and the Group signed a Memorandum of Understanding ("MoU") on 28 March 2017 related to initiatives to ensure trust in our food supplies. Services in the prior year related to advice on supply chain risk and controls assessments as part of the broader Alibaba Food Trust Framework.

Financial Performance

Note 6. Income Tax

	Note	2019 $m	2018 $m
(Loss) before tax		**(96)**	(4)
Tax at 28%		**(27)**	(1)
Non-assessable revenue - income from jointly controlled entities		**(11)**	(15)
Non-assessable revenue - other		**(1)**	(1)
Non-deductible expenditure		**6**	–
Other tax adjustments		**(1)**	–
De-recognition of net deferred tax asset		**59**	–
Income tax expense/(credit)		**25**	(17)
Comprising:			
Current tax		**–**	(2)
Deferred tax		**25**	(15)
Total income tax expense/(credit)		**25**	(17)
Deferred tax asset			
Balance at beginning of the year		**23**	8
IFRS 15 adjustment to opening balance	2(h)	**1**	–
Restated balance at beginning of the year		**24**	8
Charged to profit or loss		**19**	1
Prior year adjustment		**–**	(1)
Tax losses recognised		**10**	13
Imputation credits converted to tax losses		**5**	2
Deferred tax on asset revaluation reserve		**1**	–
De-recognition of net deferred tax asset		**(59)**	–
Balance at end of the year		**–**	23
Comprising:			
- Provision for loan and receivable impairment		**–**	1
- Provisions and other deferred assets		**–**	19
- Imputation credits converted to tax losses		**–**	2
- Tax losses recognised		**–**	13
- Fixed assets and software		**–**	–
- Intangible assets		**–**	(12)
Net deferred tax asset		**–**	23
Imputation credits available for use in the future		**309**	305

The Group has $59m of unrecognised income tax losses and temporary differences to carry forward at 30 June 2019 (2018: nil).

Financial Performance

Policies

Current taxes

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns where applicable tax regulation is subject to interpretation. Provisions are established, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred taxes

Deferred income tax liabilities are recognised for all taxable temporary differences. Deferred income tax assets are recognised for all deductible temporary differences, carried forward unused tax assets and unused tax losses, to the extent it is probable that taxable profit will be available to utilise them.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the accounting carrying amounts and the tax bases of assets and liabilities, other than for the following:

- Where they arise from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss;
- Where taxable temporary differences relate to investments in subsidiaries or interests in jointly controlled entities, deferred income tax is provided except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill.

Offsetting deferred tax balances

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Key Judgement

Derecognition of deferred tax asset

Deferred tax assets are recognised for all deductible temporary differences, carried forward unused tax losses and unused tax losses to the extent it is probable that taxable profits will be available to utilise them. Significant management judgement is required to determine the likely timing and level of future taxable profits. Whilst the tax losses can be carried forward indefinitely subject to meeting the requirements of income tax legislation, the level of losses and forecast future taxable profits mean that the period for utilising the losses and realising other deferred tax assets is beyond a reliable forecast horizon. The same financial forecasts as those used in the impairment review for non-financial assets have been used to make this assessment and the key assumptions and uncertainties are provided in Note 18.

The unrecognised net deferred tax asset of $59m at 30 June 2019 comprises deductible timing differences, (including fixed assets and intangibles) of $25m, prior year carried forward unused tax losses of $20m and current year unused tax losses of $14m. The derecognition of the above net deferred tax asset has resulted in a net deferred tax expense of $25m in the current year.

Operating Assets and Liabilities

Note 7. Jointly Controlled Entities

The Company holds a 53% shareholding in Kiwi Group Holdings Limited (KGH) and a 50% shareholding in Reach Media New Zealand Limited (Reach Media). Both investments are equity accounted for in the consolidated financial statements of the Group, but Reach Media is considered immaterial to the Group and is not disclosed in detail below. The Group's investment in Reach Media is held for sale at year end, refer to Note 9.

Note 7(a) Summarised statement of financial position of KGH

	2019 $m	2018 $m
Assets		
Current assets		
Cash and cash equivalents	**461**	477
Due from related parties	**14**	88
Due from other financial institutions	**71**	132
Investment securities	**1,176**	1,220
Current tax asset	**–**	13
Deferred tax asset	**23**	–
Loans and advances	**1,485**	1,268
Derivative financial instruments	**58**	89
Other assets	**51**	52
Total current assets	**3,339**	3,339
Non-current assets		
Due from related parties	**1**	–
Deferred tax asset	**(9)**	–
Loans and advances	**18,935**	17,015
Derivative financial instruments	**300**	255
Intangible assets	**179**	181
Property, plant and equipment	**53**	46
Other assets	**6**	8
Total non-current assets	**19,465**	17,505
Total assets	**22,804**	20,844

Operating Assets and Liabilities

	2019 $m	2018 $m
Liabilities		
Current liabilities		
Due to financial institutions	**126**	128
Due to related parties	**7**	90
Deposits and other borrowings	**17,616**	15,524
Derivative financial instruments	**73**	59
Debt securities issued	**878**	898
Current tax liability	**7**	–
Contract liabilities	**23**	–
Term subordinated debt	**104**	3
Other liabilities	**126**	124
Total current liabilities	**18,960**	16,826
Non-current liabilities		
Contract liabilities	**4**	–
Deferred tax liability	**–**	2
Deposits and other borrowings	**615**	636
Derivative financial instruments	**270**	234
Debt securities issued	**1,200**	1,367
Term subordinated debt	**136**	225
Other liabilities	**(6)**	(4)
Total non-current liabilities	**2,219**	2,460
Total liabilities	**21,179**	19,286
Net assets	**1,625**	1,558

	2019 $m	2018 $m
Group's carrying value of KGH		
Total identifiable net assets of KGH	**1,625**	1,558
Share of investment	**53%**	53%
Group's share of identifiable net assets	**861**	826
Group's share of goodwill and other additional intangible assets at 31 October 2016	**65**	65
Accumulated amortisation on other additional intangible assets	**(22)**	(12)
Adjustment for impairment on intangible assets with nil fair value in the purchase price allocation	**27**	27
Carrying value of the Group's investment in KGH	**931**	906

Operating Assets and Liabilities

Note 7. Jointly Controlled Entities continued

Note 7(b) Reconciliation of Group's carrying value of KGH

	2019 $m	2018 $m
Opening carrying value	**906**	857
Retained earnings adjustment on adoption of NZ IFRS 9 and NZ IFRS 15	**(2)**	–
Share of net profit of KGH	**42**	52
Share of other comprehensive income of KGH	**(3)**	2
Dividends received	**(12)**	(5)
Group's carrying value of KGH	**931**	906

Operating Assets and Liabilities

Note 7(c) Summarised statement of profit or loss and other comprehensive income of KGH for the period

	2019 $m	2018 $m
Interest income	**940**	886
Interest expense	**(488)**	(467)
Gains on financial instruments at fair value	**3**	9
Fee income	**276**	302
Direct fee expenses	**(113)**	(109)
Total operating income	**618**	621
Operating expenses	**(399)**	(392)
Depreciation and amortisation	**(41)**	(37)
Profit before impairment, taxation and finance costs	**178**	192
Impairment losses on loans and advances	**(12)**	(1)
Other impairment losses	**–**	(11)
Profit before taxation and finance costs	**166**	180
Finance costs	**(16)**	(16)
Profit before taxation	**150**	164
Income tax expense	**(40)**	(42)
Profit after taxation	**110**	122
Group's 53% share of profit	**58**	64
Adjustment on consolidation of Group's share of net profit	**(10)**	(2)
Adjustment for perpetual capital note distributions	**(6)**	(10)
Group's total 53% share of profit after taxation	**42**	52
KGH other comprehensive income	**(6)**	3
Group's 53% share of other comprehensive income	**(3)**	2

	2019 $m	**2018 $m**
Group's share of net profits of KGH	**42**	52
Group's share of net losses of Reach Media	**(3)**	–
Total share of net profits of jointly controlled entities	**39**	52

Note 7. Jointly Controlled Entities continued

Note 7(d) KGH commitments

	2019 $m	2018 $m
Capital commitments	**3**	9
Operating lease commitments	**95**	88
Letters of credit and performance related contingencies	**48**	–
Undrawn loan commitments	**3,363**	3,032
Total commitments	**3,509**	3,129
Group's 53% share of commitments	**1,860**	1,658

Note 7(e) KGH contingencies

KGH held insurance policies at the date of the Kaikoura earthquake that provided cover for material damage and business interruption. It is probable that the policies will enable KGH to obtain a further reimbursement for various costs incurred as a result of the earthquake. However, there is insufficient information to form a reliable estimate of the financial effect (30 June 2018: same).

There are no material contingent liabilities to disclose as at 30 June 2019 (30 June 2018: nil).

Note 7(f) NZ Post warranty settlement relating to KGH

During the year the Company settled a potential warranty claim by Accident Compensation Corporation ("ACC") and NZSF Tui Investments Limited ("NZSF") relating to their purchase of 47% of KGH from NZ Post. A payment of $15m was made in full and final settlement of the potential warranty claim. The Company did not admit any fault or legal liability as part of the settlement, which has allowed the parties to move forward constructively. The payment has been recognised in the statement of profit or loss and other comprehensive income as jointly controlled entity warranty settlement costs.

Note 7(g) Carrying value of investment in KGH

An independent valuation of KGH was carried out at 30 June 2019 based on a sum-of-the- parts approach. The four component businesses in the Group, of which Kiwibank is the most significant, have been valued using a combination of 3- or 6-year discounted cash flow (DCF) and multiples of earnings or asset measures as appropriate for each business. The valuation is level 3 in the fair value hierarchy. The key assumptions used for the independent valuation were:

- Further development and refinement of a technology programme for Kiwibank to support its customer experience;
- The removal of cost from the business;
- The Banking Group achieving lending growth in line with forecasts;
- Adequate funding being available, particularly if the AT1 and Tier 2 instruments are called in the year ended 30 June 2020;
- No material adverse changes to the New Zealand credit growth industry or adverse movements in mortgage lending.
- The redeemable preference shares of $247m issued to the shareholders in April 2017 constitute surplus capital.

The carrying value of NZ Post's investment in KGH fell within the range of the recoverable amount estimated by the independent valuation received.

The key inputs to the 6-year DCF used to calculate the top of the valuation range for Kiwibank, which accounts for 85% of the valuation of KGH, were a discount rate and terminal growth rate as follows:

30 June 2019 Investment	Carrying value of investment $m	Discount rate	Terminal Growth Rate
Kiwi Group Holdings Limited	**931**	**10.6%**	**3.5%**

In the prior year KGH was valued using a combination of net profit after tax (NPAT) and net tangible asset (NTA) multiples. The key inputs used to calculate the top of the valuation range were as follows:

30 June 2018 Investment	Carrying value of investment $m	NPAT Multiple	NTA Multiple
Kiwi Group Holdings Limited	906	11.7x	1.4x

In the prior year, a change in NPAT multiple to 11.1x or a change in the NTA multiple to 1.35x, all changes taken in isolation, would result in the top end of the range of recoverable amount of NZ Post's share being equal to the carrying amount.

Policies

Interests in jointly controlled entities are joint ventures which are accounted for using the equity method.

Under the equity method of accounting, interests in jointly controlled entities are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a jointly controlled entity equals or exceeds its interests in the jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity.

The carrying amount of equity-accounted investments is tested for impairment whenever there are indicators of impairment (refer to Note 18 for impairment policy).

Key Judgement

The Company has a 53% shareholding in Kiwi Group Holdings Limited. It has a Shareholders' Agreement with ACC and NZSF and under that agreement there are several reserved matters that require the agreement of either all the shareholders or the Company and one other. These reserved matters include key management and governance decisions, such as appointment of Directors within the KGH Group, approval of dividends and decisions over the acquisition, disposal, distribution or revaluation of assets over $5m.

Management do not believe that the Company has control, as defined by NZ IFRS 10 - Consolidated Financial Statements, of KGH and that given the requirement for joint approval for key decisions, the investment is jointly controlled and should be equity accounted.

Operating Assets and Liabilities

Note 8. Cash and Short Term Deposits

	2019 $m	2018 $m
Cash and cash equivalents		
Cash on hand	**7**	10
Cash at bank	**41**	50
Total cash and cash equivalents	**48**	60
Short term deposits		
Short term deposits	**153**	142
Total short term deposits	**153**	142

Included within cash at bank is $121m (2018: $126m) of cash offset by a $85m (2018: $84m) overdraft (with one institution) which is part of a master netting arrangement.

Policies

Cash and cash equivalents
Cash and cash equivalents include cash on hand, cash in transit, bank accounts and owned deposits that are readily convertible to known amounts of cash.

Short term deposits
Short term deposits include cash held on deposit for a term of greater than 90 days or are not readily convertible to known amounts of cash.

Note 9. Assets Held for Sale

Properties
During the year, the Group sold $4.3m of its properties held for sale. The remaining $0.9m was reclassified to investment property ($0.7m) and to property, plant and equipment ($0.2m).

Investment
On 30 June 2017 proceedings were initiated to sell the Group's investment in Reach Media and it is held for sale. The Group holds its investment in Reach Media at the lower of carrying amount or fair value less costs to sell.

	2019 $m	2018 $m
Properties held for sale	**–**	5
Investment held for sale	**–**	3
Total assets held for sale	**–**	8

Policies

Assets held for sale
Assets held for sale consist of all assets that the Board has agreed to sell, and that are actively being marketed for sale as at 30 June 2019. All assets and investments are expected to be sold within 12 months of balance date. All assets held for sale are stated at the lower of carrying amount or fair value less costs to sell.

Operating Assets and Liabilities

Note 10. Trade and Other Receivables

	2019 $m	2018 $m
Trade receivables	**172**	183
Provision for impairment	**(4)**	(5)
Interest receivable	**3**	3
Total trade and other receivables	**171**	181
Comprising:		
Current trade and other receivables	**168**	169
Non-current trade and other receivables	**3**	12
Total trade and other receivables	**171**	181
Trade receivables past due but not impaired		
Past due up to 30 days	**14**	13
Past due 31 - 60 days	**4**	5
Past due 61 - 90 days	**1**	2
Past due > 90 days	**5**	4
Total trade receivables past due but not impaired	**24**	24

Included within trade and other receivables is $16m (2018: $19m) of trade receivables offset by $6m (2018: $14m) trade payables which are part of a master netting arrangement.

Policies

Trade receivables are recognised initially at fair value and subsequently at amortised cost using the effective interest method, less an allowance for impairment based on expected credit loss.

The amount which is neither overdue nor impaired has been assessed for collectability under the expected credit loss model and no additional risk of default has been identified. There is no collateral held for overdue trade receivables.

Impairment of trade receivables

The Group recognises an allowance for expected credit losses for trade receivables. Expected credit losses are based on the difference between the contractual cash flows due and what the Group expects to receive, discounted at an approximation of the original effective interest rate.

The Group applies a simplified approach in calculating expected credit losses for trade receivables. The Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit losses at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Trade receivables which the Group considers impaired include receivables older than 90 days based upon the expectation of non-recovery, as well as receivables that have been referred to a third-party debt collector, or where a customer has entered into liquidation or bankruptcy proceedings.

Operating Assets and Liabilities

Note 11. Property, Plant and Equipment

	Note	Land and buildings (valuation) $m	Motor vehicles $m	Furniture, fittings and equipment $m	Computer equipment $m	Plant and equipment $m	Work in progress $m	Total $m
At 1 July 2017								
Cost or valuation		45	11	106	41	142	23	368
Accumulated depreciation and impairment		–	(4)	(75)	(37)	(106)	–	(222)
Net book amount		45	7	31	4	36	23	146
Year ended 30 June 2018								
Opening net book amount		45	7	31	4	36	23	146
Transferred from / (to) assets held for sale		1	–	–	–	–	–	1
Transferred from / (to) work in progress		–	4	5	1	21	(31)	–
Transferred (to) / from investment properties		(3)	–	–	–	–	–	(3)
Net revaluation of land and buildings		1	–	–	–	–	–	1
Additions		–	–	–	1	5	16	22
Net disposals		–	–	(1)	–	–	–	(1)
Depreciation charge		–	(1)	(5)	(2)	(12)	–	(20)
Closing net book amount		44	10	30	4	50	8	146
At 30 June 2018								
Cost or valuation		44	15	105	42	161	8	375
Accumulated depreciation and impairment		–	(5)	(75)	(38)	(111)	–	(229)
Net book amount		44	10	30	4	50	8	146
Year ended 30 June 2019								
Opening net book amount		**44**	**10**	**30**	**4**	**50**	**8**	**146**
Transferred from / (to) work in progress		**–**	**1**	**1**	**2**	**1**	**(5)**	**–**
Transferred to investment properties		**(9)**	**–**	**–**	**–**	**–**	**–**	**(9)**
Net revaluation of land and buildings		**-**	**–**	**–**	**–**	**–**	**–**	**–**
Additions		**–**	**1**	**–**	**1**	**3**	**2**	**7**
Net disposals		**–**	**–**	**(4)**	**–**	**–**	**–**	**(4)**
Depreciation charge		**–**	**(1)**	**(5)**	**(3)**	**(10)**	**–**	**(19)**
Impairment	18	**–**	**(9)**	**(6)**	**(1)**	**(24)**	**(1)**	**(41)**
Closing net book amount		**35**	**2**	**16**	**3**	**20**	**4**	**80**
At 30 June 2019								
Cost or valuation		**35**	**17**	**83**	**24**	**157**	**5**	**321**
Accumulated depreciation and impairment		**–**	**(15)**	**(67)**	**(21)**	**(137)**	**(1)**	**(241)**
Net book amount		**35**	**2**	**216**	**3**	**20**	**4**	**80**

The carrying value of plant and equipment held under finance leases at 30 June 2019 was $5m (2018: $7m). There were no material additions during the year (2018: nil) of property, plant and equipment under finance leases.

Operating Assets and Liabilities

Policies

The value of purchased property, plant and equipment is measured at the cost to acquire the asset, including other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended use, less depreciation and impairment.

Depreciation and amortisation

Depreciation is charged on a straight-line basis at rates that will allocate the cost or valuation of items of property, plant and equipment (except land, which is not depreciated), less any estimated residual values, over their estimated useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

Classes of Property, plant and equipment	Useful life (Years)
Buildings	25 – 50
Plant and equipment	8 – 15
Motor vehicles	5 – 10
Computer equipment	2 – 5
Furniture, fittings and equipment	8 – 15

De-recognition

An item of property, plant and equipment is de-recognised when it is sold or otherwise disposed of, or when its use is expected to bring no future economic benefit.

Land and buildings

The Group regularly revalues land and building across its portfolio and carries land and buildings at fair value. An independent valuation specialist was engaged by the Group to assess fair value as at 30 June 2019. The land and buildings which were revalued at 30 June 2019 were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property. The key assumptions used to determine the fair value of the properties and sensitivity analysis are provided in Note 17.

To the extent that any revaluation gains reverse a loss previously charged to profit or loss for the asset item, the gain is credited to profit or loss. Otherwise revaluation gains are credited to the asset revaluation reserve in equity. To the extent that any revaluation loss reverses a gain previously credited to the asset revaluation reserve for the asset item, the loss is debited to the asset revaluation reserve. Otherwise, revaluation losses are recognised in profit or loss.

Testing for impairment

The Group tests property, plant and equipment for impairment as required. Refer to Note 18 for further details.

Operating Assets and Liabilities

Note 12. Intangible Assets

	Note	Goodwill $m	Brands $m	Computer software $m	Computer software (work in progress) $m	Total $m
At 1 July 2017						
Cost		144	41	160	18	363
Accumulated amortisation and impairment		–	–	(138)	–	(138)
Net book amount		144	41	22	18	225
Year ended 30 June 2018						
Opening net book amount		144	41	22	18	225
Transferred from / (to) work in progress		–	–	26	(26)	–
Additions		–	–	1	20	21
Net disposals		–	–	(3)	–	(3)
Amortisation charge		–	–	(13)	–	(13)
Impairment		–	–	(1)	(4)	(5)
Closing net book amount		144	41	32	8	225
At 1 July 2018						
Cost		144	41	185	8	378
Accumulated amortisation and impairment		–	–	(153)	–	(153)
Net book amount		144	41	32	8	225
Year ended 30 June 2019						
Opening net book amount		**144**	**41**	**32**	**8**	**225**
Transferred from / (to) work in progress		**–**	**–**	**14**	**(14)**	**–**
Additions		**–**	**–**	**–**	**20**	**20**
Net disposals		**–**	**–**	**–**	**–**	**–**
Amortisation charge		**–**	**–**	**(15)**	**–**	**(15)**
Impairment	18	**–**	**–**	**(8)**	**(2)**	**(10)**
Closing net book amount		**144**	**41**	**23**	**12**	**220**
At 30 June 2019						
Cost		**144**	**41**	**162**	**12**	**359**
Accumulated amortisation and impairment		**–**	**–**	**(139)**	**–**	**(139)**
Net book amount		**144**	**41**	**23**	**12**	**220**

At 30 June 2019 the net book value of computer software, and computer software work in progress, deemed to be internally generated is $22m (30 June 2018: $25m).

Operating Assets and Liabilities

Policies

Goodwill and brands

Goodwill arises on the acquisition of subsidiaries and represents the cost of the acquisition less the net fair value of the acquired and identifiable assets, liabilities and contingent liabilities.

Goodwill and brands have indefinite useful lives and are recognised as an asset at cost and tested for impairment at least annually and whenever there are indicators of impairment (see Note 18). Brands are considered to have an indefinite life where there is an intention to maintain and support the brand for an indefinite period.

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring the assets to use. These costs are amortised on a straight-line basis over the estimated useful lives of the licences (being 3-15 years). Developed software assets expected to generate net economic benefits beyond 12 months are recognised as intangible assets.

The cost of internally generated software assets includes the cost of all materials used in construction, direct labour on the project, and an appropriate proportion of variable and fixed overheads. Internally generated software assets are amortised over their estimated useful lives (being 3-5 years).

Testing for impairment

The Group tests intangibles and goodwill for impairment as required. Refer to Note 18 for further details.

Operating Assets and Liabilities

Note 13. Trade and Other Payables

	2019 $m	2018 $m
Trade payables	**81**	84
Accrued employee benefit liabilities	**39**	38
Payment services holding accounts	**12**	14
Other accruals and payables	**5**	7
Total trade and other payables	**137**	143
Comprising:		
Current trade and other payables	**132**	133
Non-current trade and other payables	**5**	10
Total trade and other payables	**137**	143

Policies

Trade payables are recognised initially at fair value and subsequently at amortised cost using the effective interest method.

Accrued employee benefits
Employee entitlements to be settled within 12 months are reported at the amount expected to be paid. The liability for long-term employee entitlements is reported as the present value of the estimated future cash outflows. Leave entitlements which can be carried forward (e.g. sick leave), but are unused at balance date, are accrued based on the additional cost expected to be paid as a result of the accumulated balance.

Operating Assets and Liabilities

Note 14. Contract Liabilities

	2019 $m	2018 $m
Opening balance	**50**	33
Addition to contract liabilities	**52**	46
Reduction in contract liabilities	**(48)**	(29)
Closing balance	**54**	50

Revenue of $40m was released to the statement of profit or loss and other comprehensive income during the 2019 financial year from the opening balance of contact liabilities (2018: $30m.) Performance obligations for revenue deferred are expected to be completed within a year.

Policies

The Group recognises deferred revenue for mail and parcel services and box bag services that have been sold but where the obligations have not yet been performed.

Key Judgement

Deferred revenue

At balance date an estimate is made of revenue from prepaid product sales for which the performance obligations have not yet been fulfilled. Judgment is applied to determine how much of each service is prepaid and the average time between purchase and delivery.

The Group also applies judgment to determine the level of stockpiling customers undertake before any prepaid product or service price increase. A review of customer trends is undertaken, and any revenue earned from excess purchasing behaviour is deferred and recognised in subsequent periods in line with normal customer purchasing trends. A reasonable change in the key assumptions in the prepaid stamp, ticket and stock piling models would not result in a material change to the deferred revenue.

Operating Assets and Liabilities

Note 15. Provisions

	Restructuring $m	Properties $m	Employee $m	Other $m	Total $m
Closing balance at 30 June 2018					
Current provisions	10	5	2	1	18
Non-current provisions	2	3	–	–	5
Total provisions at 30 June 2018	12	8	2	1	23
Opening balance at 1 July 2018	**12**	**8**	**2**	**1**	**23**
Utilisation	**(13)**	**(3)**	**–**	**–**	**(16)**
Release of provision	**(1)**	**(1)**	**–**	**–**	**(2)**
Additional provision	**6**	**–**	**41**	**2**	**49**
Total provisions at 30 June 2019	**4**	**4**	**43**	**3**	**54**
Comprising:					
Current provisions	**4**	**1**	**43**	**3**	**51**
Non-current provisions	**–**	**3**	**–**	**–**	**3**
Total provisions	**4**	**4**	**43**	**3**	**54**

Included within employee provisions is $38m for the estimated cost of remediating non-compliance in the calculation of leave payments under the Holidays Act 2003.

A review has been completed and there is a present obligation to carry out the remediation. NZ Post has reached a reliable estimate of the total liability for any potential arrears due to current and former employees for the period 1 May 2010 to 30 June 2019. The detailed calculation for payments to those affected has yet to be completed, therefore this estimate is recognised as a provision at 30 June 2019. The programme to carry out the detailed calculations and make payments is expected to be substantially complete within one year.

Operating Assets and Liabilities

Policies

Provisions are recognised when:

- there is a present legal or constructive obligation as a result of past events;
- it is more likely than not that an outflow of economic resources will be required to settle the obligation; and
- the amount can be reliably estimated.

Measurement is at the present value of the expenditure expected to be required to settle the obligation.

Restructuring

The Group recognises termination benefits at the earlier of:

- when the Group can no longer withdraw the offer of those benefits; and
- when the Group recognises costs for a restructuring that is within the scope of NZ IAS 37 and involves the payment of termination benefits.

In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Key Estimates

Provision for remediation of under-payments under the Holidays Act 2003

The estimated liability has been calculated on a sample basis and extrapolated across the population of employees and former employees impacted. The sample was selected from across the business and detailed calculations of the underpayments were completed for the sample. Both the sample and full population of employees were grouped across occupational groupings to extrapolate the underpayments and reach the estimated liability. NZ Post has consulted with an expert and obtained external legal advice where necessary to ensure correct interpretation of NZ Post employment agreements against the Holidays Act 2003. Key decisions and methodologies were documented, presented and discussed with a Steering Committee.

Due to the complexity involved in calculating amounts due to individual employees, it is possible that more information could become available which results in a material change to the liability.

Operating Assets and Liabilities

Note 16. Commitments

	2019 $m	2018 $m
Non-cancellable operating lease commitments		
Group as lessee [1]		
Payable no later than one year	**36**	41
Payable later than one year, not later than five years	**67**	88
Payable later than five years	**13**	21
	116	150
Group as lessor [2]		
Receivable no later than one year	**3**	3
Receivable later than one year, not later than five years	**4**	4
	7	7
Non-cancellable finance lease commitments [3]		
Payable no later than one year	**3**	3
Payable later than one year, not later than five years	**3**	4
	6	7
Contractual commitments for acquisition of:		
Property, plant and equipment		
Payable no later than one year	**11**	7
Payable later than one year, not later than five years	**–**	3
	11	10

1 The Group leases the majority of its sites. All leases are standard operating leases. No leases have purchase options, onerous restrictions on use or contingent rental payments. Lease terms vary from monthly to long term. Many leases have rights of renewal.

2 The Group leases space in some of its properties (mainly owned) to external tenants. All leases are standard operating leases. No leases have purchase options, onerous restrictions on use or contingent rental payments. Lease terms vary from monthly to long term. Many leases have rights of renewal.

3 The Group has entered into commercial finance leases for a range of mailhouse printing and digital equipment.

Policies

Finance Leases
Finance leases transfer to the lessee substantially all the risks and rewards incidental to the ownership of a leased asset. Initial recognition of a finance lease results in an asset and liability being recognised at amounts equal to the lower of the fair value of the leased property or the present value of the minimum lease payments. The capitalised values are amortised over the period in which the lessee expects to receive benefits from their use.

Operating Leases
Payments made under operating leases, where the lessor substantially retains the risks and rewards of ownership, are recognised in profit or loss in a systematic manner over the term of the lease. Leasehold improvements are capitalised and the cost is amortised over the unexpired period of the lease or the estimated useful life of the improvements, whichever is shorter. Lease incentives received are recognised evenly over the term of the lease as a reduction in rental expense.

Transition to NZ IFRS 16
From 1 July 2019, the accounting policy for leases will change. Refer to Note 2(i) for details.

Operating Assets and Liabilities

Note 17. Fair Value

Note 17(a) Fair value of financial assets and liabilities

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

	Carrying amount 2019 $m	**Estimated fair value 2019 $m**	Carrying amount 2018 $m	Estimated fair value 2018 $m
Financial liabilities				
Borrowings	**210**	**213**	209	218

The carrying values of the following financial instruments are a reasonable approximation of fair value because they are short-term in nature: cash and cash equivalents, short term deposits, trade receivables and trade payables.

Note 17(b) Fair value measurement

	Note	**Level 1 $m**	**Level 2 $m**	**Level 3 $m**	**Total $m**
30 June 2019					
Assets at fair value					
Investment properties		**–**	**–**	**13**	**13**
Land and buildings	11	**–**	**–**	**35**	**35**
Derivative financial assets	20	**–**	**2**	**–**	**2**
Total financial assets at fair value		**–**	**2**	**48**	**50**
Liabilities					
Derivative financial liabilities	20	**–**	**14**	**–**	**14**
Borrowings (carried at amortised cost)		**–**	**213**	**–**	**213**
Total financial liabilities at fair value		**–**	**227**	**–**	**227**
30 June 2018					
Assets at fair value					
Investment properties		–	–	3	3
Land and buildings	11	–	–	44	44
Derivative financial assets	20	–	7	–	7
Loans to related parties (carried at amortised cost)	22	–	–	84	84
Total financial assets at fair value		–	7	131	138
Liabilities					
Derivative financial liabilities	20	–	11	–	11
Borrowings (carried at amortised cost)		–	218	–	218
Loans from related parties (carried at amortised cost)	22	–	–	76	76
Total financial liabilities at fair value		–	229	76	305

There have been no transfers between levels 1 to 3 during the year (year ended 30 June 2018: no transfers).

Note 17. Fair Value continued

Note 17(c) Fair value measurement of investment properties, land and buildings

All investment properties and land and buildings are categorised as level 3 in the fair value hierarchy. The key unobservable inputs used to measure fair value of investment properties and land and buildings properties are disclosed below, along with their sensitivity to a significant increase or decrease:

Significant unobservable inputs	Description	Fair value measurement sensitivity to significant: Increase in input	Decrease in input
Market capitalisation rate	The capitalisation rate applied to the market rental to assess the property's value. Derived from similar transactional evidence taking into account location, weighted average lease term, customer covenants, size and quality of the property.	Decrease	Increase
Market rental	The valuer's assessment of the net market income attributable to the property; includes both leased and vacant areas.	Increase	Decrease

The following table discloses the quantitative information by asset class of the key significant unobservable inputs disclosed above:

30 June 2019 Asset class	Description	Market capitalisation rate % pa	Market rental $ psqm
Property, plant and equipment	Post Shop	**5.00 – 14.00**	**30 – 480**
Property, plant and equipment	Mail Centre	**7.50 – 10.25**	**7.5 – 200**
Investment property	Investment Property	**4.38 – 10.0**	**40 – 750**

30 June 2018 Asset class	Description	Market capitalisation rate % pa	Market rental $ psqm
Property, plant and equipment	Post Shop	4.50 – 8.25	152 – 700
Property, plant and equipment	Mail Centre	7.25 – 9.00	17 – 159
Investment property	Investment Property	7.20 – 10.50	111 - 314

Operating Assets and Liabilities

Policies

Fair value estimation

The Group measures financial instruments, such as derivatives, and some non-financial assets such as investment properties and land and buildings, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability; the Group must have access to the principal or most advantageous market at the measurement date.

Fair value hierarchy

Assets and liabilities carried at fair value or for which fair values are disclosed have been classified into three levels according to the quality and reliability of information used to determine the fair values. The three levels of the fair value hierarchy are defined as follows:

Level 1

Fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2

Fair value measurements are those where quoted market prices are not available, for example where the instrument is traded in a market that is not considered to be active or valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Fair value measurements where at least one input which could have a significant effect on the instruments' valuation is not based on observable market data.

Land and buildings

The Group carries land and buildings at fair value. The group engaged an independent valuation specialist to assess fair value as at 30 June 2019. The land and buildings which were revalued at 30 June 2019 were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

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

If land and buildings (including investment properties) had been measured using the cost method the carrying amounts would be as follows:

	2019 $m	2018 $m
Land	**5**	5
Buildings	**13**	14

Loans to and from related parties

For loans to and from related parties, fair values are estimated using a discounted cash flow model (including interest at contractual rates) with reference to market interest rates.

Note 17. Fair Value continued

Key Estimates

The fair values of assets and liabilities carried at fair value were determined by application of the following methods and assumptions.

Borrowings
For fixed rate borrowings recognised at amortised cost, fair values have been estimated using a discounted cash flow model with reference to market interest rates.

Derivative financial instruments
The fair values of exchange rate or interest rate contracts are obtained from observable market prices as at the reporting date, discounted cash flow models or option-pricing models as appropriate.

Investment properties and land and buildings
The carrying amount of investment properties and land and buildings is the fair value of the property as determined by a registered independent valuer having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. Fair value reflects the Board's assessment of highest and best use of each property at the end of the reporting period. The Group's finance team review the valuations performed by the independent valuers for financial reporting purposes. Independent valuations are completed for land and buildings and investment property assets on a regular basis.

The fair values presented are based on market values, which are derived using the capitalisation method. The key assumptions used in the valuations are derived from recent comparable transactions to the greatest extent possible; however, the valuation method uses unobservable inputs in determining fair value.

Note 18. Impairment of Non-Financial Assets

Impairment losses for non-financial assets for the year ended 30 June 2019 comprise

	2019 $000's	2018 $000's
Impairment of Mail CGU property, plant and equipment	**41**	–
Impairment of Mail CGU intangible assets	**8**	–
Impairment of Mail CGU inventory	**2**	–
Impairment of computer software work in progress	**2**	5
Total impairment	**53**	5

Cash generating units

As a result of the change to operating segments in the year as disclosed in Note 3, there has been a change to the cash generating units (CGUs) identified for impairment testing. The two material CGUs identified in the current year are the Mail CGU, aligned with the Mail operating segment, and the Parcels CGU, aligned with the Parcels operating segment. The network used to deliver both mail and parcel products is integrated at various stages and some assets are shared between the CGUs, however there are significant assets identifiable as relating specifically to Mail or Parcels operations. The changes in how management monitors the Group's operations and makes decisions resulted in a change to operating segments. This change has also identified and clarified the individual assets that relate specifically to the Mail and Parcel CGUs.

In the prior year, there was one CGU identified for the Core Post operations which included what is now the Mail, Parcels and Other Products and Services operating segments.

Mail CGU impairment review

The Mail CGU has been assessed for impairment at 30 June 2019 as there is systemic uncertainty over future mail volumes and the latest business plan approved by the Board forecast ongoing losses for the delivery of mail products. NZ Post is actively engaged with its Shareholder to develop a financially sustainable model for mail delivery.

Operating Assets and Liabilities

The recoverable amount of the Mail CGU, which is classified within Level 3 of the fair value hierarchy, has been determined based on a fair value less cost of disposal calculation using a three-year discounted cash flow (DCF) with a post-tax discount rate of 7.3%. The recoverable amount of the CGU is considered to be less than nil, therefore the fair value less costs of disposal of the assets within the CGU has been assessed on an individual asset sale basis. The non-financial assets of the Mail CGU have been impaired by $51m, including property, plant and equipment, intangible assets and inventory.

Goodwill and brands impairment review

Goodwill and brands arose from the acquisition of Express Couriers Limited. In the current year these have been allocated to the Parcels CGU as this is the segment that continues to benefit from the business acquisition.

The valuation used to assess the recoverable amount of the Parcels CGU was based on fair value less costs to sell, using a three-year discounted cash flow (DCF) which has been cross checked against comparable company multiples and the book value of operating assets within the business. This valuation is level 3 in the fair value hierarchy.

The key assumptions used in the valuation include:

- Average rate of parcel volume growth over the next three financial years are as per the Board approved forecast;
- Pricing strategies for parcels will lead to margin improvements; and
- Capital projects are delivered in line with forecasts and benefits result as planned.

The key assumptions in the underlying three-year forecasts were;

- Parcel volume growth is driven by whole of market growth and the quality delivery service that is provided;
- Continued focus on efficiencies within the business to improve profitability;
- Increase in network costs reflecting the impact of parcel volume growth partially offset by productivity savings and benefits of change programs; and
- Overheads are allocated between CGUs based on appropriate cost drivers including volumes, transactions and employee numbers.

The key valuation inputs used in the DCF for the top of the valuation range were:

30 June 2019 Cash generating unit	Carrying value of goodwill and brands $m	Parcels post-tax discount rate	Terminal value growth rate	Terminal capex as a % of terminal depreciation
Parcels CGU	185	9.0% pa	1.0% pa	100%

The carrying value of the Parcels CGU at 30 June 2019, including the goodwill and brand assets, fell at the lower end of the range of the recoverable amount estimated by the DCF valuation. Therefore, there has been no impairment of goodwill or brands at 30 June 2019.

A change in the terminal value growth rate to a 4.1% decline rate or an increase in the post-tax discount rate to 12.8% would, all changes taken in isolation, result in the top of the range of recoverable amount of the CGU being equal to the carrying amount of its assets. The difference between the top end of the range of recoverable amount and the carrying amount was $140m.

Corporate and shared assets review

A further impairment test has been carried out to assess the recoverable amount for the corporate and shared assets utilised across the Mail and Parcels CGUs. The recoverable amount was determined based on a three-year discounted cash flow (DCF). The underlying forecast used in the DCF was the three-year forecast for the Parcels CGU. Mail losses over and above the impairment of Mail CGU assets are not recognised beyond the impairment of the specific Mail CGU assets, as required by accounting standards. An adjustment has been made for an estimate of overhead costs and lease commitments that could be transferred from the Mail operations. The Deed of Understanding between NZ Post and the Government which requires NZ Post to provide a universal postal service and property leases in the Mail CGU are not considered onerous contracts. All other assumptions and inputs are as disclosed for the Parcels CGU valuation above.

The carrying value of combined assets after the Mail CGU impairment fell at the lower end of the valuation range, therefore no further impairment losses have been recognised in relation to the shared assets. The difference between the top end of the range of recoverable amount and the carrying amount was $65m.

Operating Assets and Liabilities

Note 18. Impairment of Non-Financial Assets continued

Prior year impairment review

In the prior year an impairment assessment was made for the Core Post CGU and it was concluded that there was no impairment to recognise. The carrying amount of the Core Post CGU at 30 June 2018 fell in the middle of the range of the recoverable amount estimated by an independent valuation. The difference between the top end of the range of recoverable amount and the carrying amount was $53m.

In the prior year, the key inputs used in the DCF to calculate the top of the valuation range were as follows:

30 June 2018 Cash generating unit	Carrying value of goodwill and brands $m	Non-parcels post-tax discount rate	Parcels post-tax discount rate	Terminal value growth rate	Terminal capex as a % of terminal depreciation
Core Post	185	7.3%pa	9.0% pa	1.0% pa	100%

In the prior year, a change in the terminal value growth rate to a 0.55% pa decline rate or an increase in the parcels post-tax discount rate to 10.3% pa would, all changes taken in isolation, result in the top of the range of recoverable amount being equal to the carrying amount.

Policies

Testing for impairment

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

- at least annually for indefinite life intangibles, intangibles not yet available for use and goodwill; and
- where there is an indication that the asset may be impaired (which is assessed at least each reporting date); or
- where there is an indication that previously recognised impairment (on assets other than goodwill) may have changed.

Assets are impaired if their recoverable amount is less than their carrying amount. An impairment loss is recognised in profit or loss for the difference, except to the extent that there is a revaluation reserve for the impaired asset, in which case, the impairment is recognised first against the revaluation reserve for that asset. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (CGUs) or groups of CGUs, that is expected to benefit from the synergies of the business combination (assets or groups of assets that derive cash flow benefits to the Group). Impairment losses for goodwill are not reversed.

Goodwill and brands acquired through business combinations have been allocated to individual cash generating units for impairment testing, as follows:

30 June 2019 and 30 June 2018 Business combination	Cash generating unit	Operating segment
Acquisition of Express Couriers Limited	Parcels CGU	Parcels

Financing

Note 19. Borrowings

	2019 $m	2018 $m
Current borrowings		
Commercial paper	**10**	10
Total current borrowings	**10**	10
Non-current borrowings		
New Zealand Post Group Finance subordinated notes	**200**	199
Total non-current borrowings	**200**	199

Net debt reconciliation

	Borrowings due < 1 year	Borrowings due > 1 year	Total
Opening balance at 1 July 2017	65	199	264
Cash flows	(55)	–	(55)
Other non-cash movements	–	–	–
Balance at 30 June 2018	10	199	209
Opening balance at 1 July 2018	10	199	209
Cash flows	–	–	–
Other non-cash movements	–	1	1
Balance at 30 June 2019	**10**	**200**	**210**

Commercial Paper

During the year ended 30 June 2019 $40m (30 June 2018: $40m) of commercial paper was issued and $40m (30 June 2018: $95m) was repaid.

New Zealand Post Group Finance Subordinated Notes

The subordinated notes of $200m (30 June 2018: $199m) are part of the Group's core debt and have a maturity date of 15 November 2039 (2018: same).

Policies

Borrowings are recognised at amortised cost.

Any difference between the proceeds and the redemption value of borrowings is recognised in profit or loss over the period of the borrowings using the effective interest rate method.

Borrowing costs directly attributable to the issuance of debt are capitalised and amortised over the life of the debt instrument.

Financing

Note 20. Financial Instruments

Financial instruments by category

	Fair value through P&L $m	Other financial assets at amortised cost $m	Total $m
30 June 2019			
Cash and cash equivalents	**–**	**48**	**48**
Short term deposits	**–**	**153**	**153**
Trade and other receivables	**–**	**171**	**171**
Derivative financial assets current	**2**	**–**	**2**
Total financial assets	**2**	**372**	**374**

	Fair value through P&L $m	Other financial liabilities at amortised cost $m	Total $m
Trade and other payables [1]	**–**	**134**	**134**
Derivative financial liabilities current	**1**	**–**	**1**
Derivative financial liabilities non-current	**13**	**–**	**13**
Borrowings	**–**	**210**	**210**
Total financial liabilities	**14**	**344**	**358**

	Fair value through P&L $m	Loans and receivables $m	Total $m
30 June 2018			
Cash and cash equivalents	–	60	60
Short term deposits	–	142	142
Trade and other receivables	–	181	181
Derivative financial assets current	1	–	1
Derivative financial assets non-current	6	–	6
Loans to related parties	–	84	84
Total financial assets	7	467	474

	Fair value through P&L $m	Loans and receivables $m	Total $m
Trade and other payables [1]	–	139	139
Derivative financial liabilities non-current	11	–	11
Borrowings	–	209	209
Loans from related parties	–	76	76
Total financial liabilities	11	424	435

1 Trade and other payables exclude other taxes.

Financing

Policies

Designation of financial instruments

Designation of financial assets and financial liabilities into instrument categories is determined by the business model in which assets are managed, and their contractual cash flow characteristics. The assessment of the characteristics of contractual cash flows, whether they are solely comprised of principal and interest, was made based on the facts and circumstances as at the initial recognition of the assets.

Financial assets

Recognition and measurement

The Group's financial assets include financial assets at amortised cost (debt instruments) and financial assets at fair value through profit or loss.

The classification of financial assets at initial recognition depends on their contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under NZ IFRS 15.

For a financial asset to be classified and measured at amortised cost, cash flows must comprise 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Regular purchases and sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place are recognised on trade-date – the date on which the Group commits to purchase or sell the asset.

Financial assets at amortised cost (debt instruments)

The Group's financial assets at amortised cost (debt instruments) includes trade and other receivables, and loans to related parties. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

This category includes financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Derivatives are categorised as held for trading unless they are designated as hedges. Financial assets at fair value through profit or loss are recognised initially at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in profit or loss in the period in which they arise. Transaction costs are expensed as they are incurred.

Financing

Note 20. Financial Instruments continued

De-recognition

Financial assets are de-recognised when:

- The rights to receive cash flows from the financial assets have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
  a) the Group has transferred substantially all the risks and rewards of the asset, or
  b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Financial liabilities

The Group classifies its financial liabilities as either fair value through profit or loss or at amortised cost. Financial liabilities at fair value through profit or loss comprise liabilities held for trading and financial liabilities designated at fair value through profit or loss and are recorded at fair value with any realised and unrealised gains or losses recognised in profit or loss. Transactions costs are expensed as they are incurred.

Trade payables and borrowings are recognised at amortised cost (refer Note 13 and Note 19 respectively). Borrowings are recognised when cash is advanced to the borrowers.

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

Derivative financial instruments

Derivatives that do not qualify for hedge accounting are classified as held for trading financial instruments with fair value gains or losses recognised in the profit or loss.

Financial risk management

The Group's exposure to risk arises directly from its operating, investing and financing activities. These activities involve the acceptance of credit, market (currency and interest rate), financing and operational risks. The management of risk is an essential element of the Group's strategy with emphasis placed on proactive management to enhance shareholder value and minimise earnings volatility in individual financial years and multi-year periods.

The Board of Directors of the Group are responsible for the direction and strategies around risk management. To help with this obligation the Board has created a governance structure. The Board is responsible for policy setting (with advice from the Finance, Risk and Investment Committee) and the corporate finance team is responsible for execution of the policies. The management of each of these risks are summarised below:

- Liquidity risk (Note 20(b));
- Market risk, including foreign currency and interest rate price risk (Note 20(c)); and
- Credit risk (Note 20(d))

Note 20(a) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. Refer to Note 8 and Note 10.

Financing

Note 20(b) Liquidity risk

Nature of the risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities that are settled by delivering cash or another financial asset when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations in a timely manner giving rise to higher borrowing costs.

Liquidity risk management

Management of liquidity risk is designed to ensure that the Group has the ability to generate or obtain sufficient cash in a timely manner and at a reasonable price to meet its financial commitments on a daily basis. The Group monitors this risk daily, primarily by forecasting future cash requirements.

Group borrowings include New Zealand Post Group Finance subordinated notes.

The Company has previously guaranteed the payment obligations of Kiwibank under a deed poll guarantee. This guarantee ended on 28 February 2017 but still applies to all payment obligations entered into prior to that date. Refer to Note 23 for further details.

The tables below summarise the cash flows payable by the Group under both non-derivative and derivative financial liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the inherent liquidity risk is managed based on expected undiscounted cash flows.

	Up to 3 months $m	Between 3 and 12 months $m	Between 1 and 5 years $m	More than 5 years $m	Total $m
30 June 2019					
Non-derivative cash flows					
Cash and cash equivalents	48	–	–	–	48
Short term deposits	63	90	–	–	153
Trade and other receivables	136	32	3	–	171
Trade and other payables	(111)	(18)	(5)	–	(134)
Borrowings	(10)	–	–	(200)	(210)
Interest receivable	–	1	–	–	1
Interest payable	(3)	(10)	(51)	(195)	(259)
Net non-derivative cash flows	123	95	(53)	(395)	(230)
Derivative cash flows					
Foreign exchange derivatives - inflows	12	1	–	–	13
Foreign exchange derivatives - outflows	(9)	(1)	–	–	(10)
Interest rate derivatives - inflows	1	1	–	–	2
Interest rate derivatives - outflows	(1)	(3)	(12)	(1)	(17)
Commitments					
Capital commitments	5	6	–	–	11
Lease commitments	(10)	(26)	(67)	(13)	(116)
Lease receipts	1	2	4	–	7
Total off balance sheet cash flows	(1)	(20)	(75)	(14)	(110)
Net position	122	75	(128)	(409)	(340)

Note 20. Financial Instruments continued

	Up to 3 months $m	Between 3 and 12 months $m	Between 1 and 5 years $m	More than 5 years $m	Total $m
30 June 2018					
Non-derivative cash flows					
Cash and cash equivalents	60	–	–	–	60
Short term deposits	62	80	–	–	142
Trade and other receivables	152	17	12	–	181
Trade and other payables	(119)	(10)	(10)	–	(139)
Borrowings	(10)	–	–	(199)	(209)
Interest receivable	1	3	–	–	4
Interest payable	(4)	(11)	(51)	(208)	(274)
Loans to related parties	8	76	–	–	84
Loans from related parties	–	(76)	–	–	(76)
Net non-derivative cash flows	150	79	(49)	(407)	(227)
Derivative cash flows					
Foreign exchange derivatives - inflows	9	4	–	–	13
Foreign exchange derivatives - outflows	(6)	(4)	–	–	(10)
Interest rate derivatives - inflows	1	3	2	–	6
Interest rate derivatives - outflows	(1)	(2)	(9)	(1)	(13)
Commitments					
Capital commitments	1	6	3	–	10
Lease commitments	(11)	(30)	(88)	(21)	(150)
Lease receipts	1	2	4	–	7
Total off balance sheet cash flows	(6)	(21)	(88)	(22)	(137)
Net position	144	58	(137)	(429)	(364)

Note 20(c) Market risk

Nature of foreign currency risk

Currency risk is the risk of cash flow uncertainty that may arise from a movement in foreign exchange rates to which the Group may be exposed. In the case of the Group this is foreign exchange transaction risk and foreign exchange translation risk arising from normal trading activities. Some of the trading exposures arise as a result of obligations with overseas postal administrators which are invoiced in Special Drawing Rights (SDR) and are settled in United States Dollars (USD). The SDR is a basket currency composed of fixed quantities of five major traded currencies (USD, Yen, Euro, Pound Sterling and Renminbi (Chinese Yuan)). The composition of the basket is set by the International Monetary Fund. The foreign currency which the Group primarily deals in is the United States Dollar. The main objective of the management of currency risk is to manage the exposure to foreign exchange risk.

Foreign currency risk management

The Group manages currency risk to the consolidated statement of profit or loss and other comprehensive income through the use of derivatives (foreign exchange contracts). The Group's policy is to hedge net foreign currency cash flows forecast to occur within 3 months (50%-100% cover), 12 months (0-50% cover) and 24 months (0-25% cover). Capital expenditure over $0.3m is hedged between 90%-100% as soon as a legal commitment has been made.

Financing

Exposure

The Group's exposure to foreign currency risk (prior to hedging contracts) at reporting date are:

	2019 AUD NZD $m	USD NZD $m	2018 AUD NZD $m	USD NZD $m
Cash and cash equivalents	–	–	–	2
Trade and other receivables	–	47	–	51
Derivative financial assets	–	–	–	1
Trade and other payables	–	(17)	–	(25)
Net on balance sheet financial position	–	30	–	29

The Group's sensitivity to foreign exchange movements

The table below summarises the pre-tax sensitivity of financial assets and financial liabilities to changes in currency risks with all other variables held constant. The fair value of the assets and liabilities were used as the basis for the analysis and financial modelling was used to determine the impact on those values of changes in each risk scenario.

The sensitivity percentage applied reflects a reasonable movement in variables that could likely impact the financial assets and financial liabilities of the Group. The sensitivity to foreign exchange risk has an equal impact on profit or loss and equity.

	Total currency exposure NZD $m	+10% Impact on profit NZD $m	Impact on equity NZD $m	-10% Impact on profit NZD $m	Impact on equity NZD $m
30 June 2019					
Financial assets / (liabilities)					
Cash and cash equivalents	–	–	–	–	–
Trade and other receivables	47	5	5	(5)	(5)
Derivative financial assets	–	–	–	–	–
Trade and other payables	(17)	(2)	(2)	2	2
Net impact	30	3	3	(3)	(3)
30 June 2018					
Financial assets / (liabilities)					
Cash and cash equivalents	2	–	–	–	–
Trade and other receivables	51	5	5	(5)	(5)
Derivative financial assets	1	–	–	–	–
Trade and other payables	(25)	(3)	(3)	3	3
Net impact	29	2	2	(2)	(2)

Nature of interest rate risk

Interest rate risk is defined as the risk of the Group's cost of funds changing (cash flow risk) or that the fair value of a liability will change (fair value risk) as a result of changes in the interest rates paid on outstanding debt. The main objective of the management of interest rate risk is to minimise the volatility in the cost of debt.

Interest rate risk management

The Group manages interest rate risk through the use of derivatives to modify its exposure to changes in interest rates. The derivatives entered into swap the variable rate of interest to a fixed rate to allow the Group to accurately forecast future funding cost requirements. Interest rate repricing on financial assets acts as an offset to repricing on financial liabilities.

Commercial paper is held for three months per issuance. Due to its short term nature, this is considered to be low risk.

Note 20. Financial Instruments continued

Exposure

The Group has floating rate borrowings with a face value of $10m at 30 June 2019 (30 June 2018: $10m), and fixed rate borrowings with a face value of $200m (30 June 2018: $200m). All borrowings are used to fund ongoing activities. As at 30 June 2019 the weighted average interest rate on borrowings (as amended by interest rate swaps) is 5.75% pa (30 June 2018: 5.89% pa).

The Group's sensitivity to interest rate movements

The table below summarises the pre-tax sensitivity of financial assets and financial liabilities to changes in interest rate risks with all other variables held constant. The fair value of the assets and liabilities were used as the basis for the analysis and financial modelling was used to determine the impact on those values of changes in each risk scenario.

The sensitivity percentage applied reflects a reasonable movement in variables that could likely impact the financial assets and financial liabilities of the Group. The sensitivity to interest rate risks has an equal impact on profit or loss and equity.

	NZD $m	1% Impact on profit NZD $m	Impact on equity NZD $m	-1% Impact on profit NZD $m	Impact on equity NZD $m
30 June 2019					
Financial assets / (liabilities)					
Cash and cash equivalents	**48**	**–**	**–**	**-**	**-**
Short term deposits	**153**	**2**	**2**	**(2)**	**(2)**
Borrowings	**(210)**	**(2)**	**(2)**	**2**	**2**
Net impact	**(9)**	**–**	**–**	**–**	**–**
30 June 2018					
Financial assets / (liabilities)					
Cash and cash equivalents	60	1	1	(1)	(1)
Short term deposits	142	1	1	(1)	(1)
Borrowings	(209)	(2)	(2)	2	2
Net impact	(7)	–	–	–	–

Financing

Note 20(d) Credit risk

Nature of the risk

Credit risk is the risk of loss that arises from a counterparty failing to meet their contractual commitments in full and on time. Counterparty credit exposures arise as a consequence of the Group entering into contractual arrangements that involve the future exchange of assets and/or services.

Credit risk management

The Group manages credit risk through the formulation of specific policy benchmarks and parameters (including credit terms for customers and debtor day targets) set by the Board which must be complied with in all situations. Credit risk is monitored on an ongoing weekly and monthly basis by management and the Board. No collateral is held as at 30 June 2019 (30 June 2018: nil).

Credit risk exposure

The following table represents a worst-case scenario of credit risk exposure to the Group at 30 June 2019 and 30 June 2018. The exposures set out are based on net carrying amounts as reported in the consolidated statement of financial position.

At balance date, 46% of the total maximum exposure is derived from trade and other receivables (30 June 2018: 39%). Management is confident in its ability to control and sustain minimal exposure of credit risk resulting from its financial assets.

There are no individual counterparties or connected persons where their credit exposure equalled or exceeded 10% of the Group's total credit exposure during the year (2018: nil). The Group performs credit checks on new customers prior to creating an account. Debt is monitored regularly.

	2019 $m	2018 $m
Cash and cash equivalents	**48**	60
Short term deposits	**153**	142
Trade and other receivables	**175**	186
Derivative financial assets	**2**	7
Related party loans receivable	**–**	84
Total gross financial assets	**378**	479
Allowance for impairment losses	**(4)**	(5)
Total net financial assets	**374**	474

Financing

Note 21. Equity

Note 21(a) The nature of the Group's contributed equity

Ordinary share capital

At 30 June 2019, there were 192.2m fully paid authorised ordinary shares on issue (30 June 2018: 192.2m). The shares have no par value. All shares have equal voting rights and share equally in dividends and surplus on winding up.

There were no dividends paid during the year ended 30 June 2019 (2018: $5m).

Note 21(b) Other reserves

The following table shows a breakdown of the consolidated statement of financial position line item 'other reserves' and the movements in these reserves during the year. A description of the nature and purpose of each reserve is provided below the table.

	Property Revaluation Reserve $m	Available For Sale Reserve $m	Cash Flow Hedge Reserve $m	Total $m
Balance at 1 July 2017	28	(2)	10	36
Gains on revaluation of land and buildings - gross	1	–	–	1
Share of other comprehensive income of jointly controlled entity	–	–	2	2
Other comprehensive income	1	–	2	3
Other movements				
Transfer between revaluation reserve and retained earnings	(2)	–	–	(2)
Balance at 30 June 2018	27	(2)	12	37
Balance at 1 July 2018	**27**	**(2)**	**12**	**37**
Gains on revaluation of land and buildings - gross	**2**	**–**	**–**	**2**
Share of other comprehensive (loss)/income of jointly controlled entity	**–**	**3**	**(6)**	**(3)**
Other comprehensive loss	**2**	**3**	**(6)**	**(1)**
Other movements				
Transfer between revaluation reserve and retained earnings	**(2)**	**–**	**–**	**(2)**
Balance at 30 June 2019	**27**	**1**	**6**	**34**

Nature and purpose of reserves

Property revaluation reserve
The property revaluation reserves are used to record increments and decrements in the fair value of land and buildings.

Available for sale reserve
The available for sale reserve records movements in the fair value of available for sale financial assets.

Cash flow hedge reserve
The cash flow hedge reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

Other Disclosures

Note 22. Related Parties

General

The ultimate shareholder of the Group is the Crown. The Group undertakes many transactions with other State-Owned Enterprises, Crown Entities and Government Departments, which are carried out in the normal course of business and not disclosed here. All members of the Group are considered to be related parties of NZ Post. This includes all subsidiaries and jointly controlled entities. Transactions and balances with subsidiaries are not disclosed as they eliminate on consolidation.

	2019 $m	2018 $m
Related party transactions		
Dividends paid		
- Shareholders	**–**	5
Jointly controlled entities		
- Sale of goods and services	**25**	22
- Expenditure recoveries	**33**	42
- Purchase of goods and services	**(46)**	(54)
- Interest received	**5**	7
- Interest paid	**(3)**	(4)
Related party balances		
The amounts outstanding with related parties at balance date were:		
Jointly controlled entities		
- Current trade receivables	**11**	10
- Derivative financial assets	**1**	2
- Current loans receivable	**–**	84
- Current trade payables	**(16)**	(16)
- Derivative financial liabilities	**(1)**	(1)
- Current loans payable	**–**	(76)
Total related party balances	**(5)**	3
Key management personnel		
Short term employee benefits and Directors fees	**5**	6
Termination benefits	**–**	1
Total key management personnel compensation	**5**	7

During the year $76m receivable from Kiwi Group Holdings Ltd and payable to Kiwibank Ltd was settled with no cash being transferred.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, being Directors and Senior Leadership Team Members of the Group.

Current accounts are all payable on demand and settled monthly.

Other Disclosures

Note 23. Contingencies

Contingent assets are disclosed only if it is probable that the benefit will be realised. Contingent liabilities are disclosed unless likelihood of an outflow of resources is remote. The following contingencies have not been accrued in the consolidated financial statements. The amounts disclosed are the maximum potential losses, excluding the effects of tax.

The Group is subject to additional claims, contingencies and investigations incurred in the normal course of business. Apart from the deed poll guarantee listed below, the Directors are not aware of any significant exposure to the Group.

Deed poll guarantee

The Company had previously guaranteed the payment obligations of Kiwibank Limited under a deed poll guarantee. The guarantee was withdrawn on 28 February 2017 and does not apply to any new payment obligations entered into after that date. Payment obligations entered into on or before 28 February 2017 remain under the guarantee until maturity. The value of payment obligations that remain covered by the guarantee at 30 June is as follows:

	2019 $m	2018 $m
Retail deposits	**1,377**	2,091
Foreign currency accounts	**12**	19
Wholesale deposits[1]	**729**	1,333
	2,118	3,443

1 Consisting of wholesale term deposits, domestic medium-term notes, offshore senior debt and derivatives.

Note 24. EVENTS OCCURRING AFTER BALANCE DATE

There were no subsequent events to be disclosed that occurred between balance date and the date of issue of these financial statements.

Independent auditor's report

To the readers of the consolidated financial statements of New Zealand Post Limited for the year ended 30 June 2019

The Auditor-General is the auditor of New Zealand Post Limited (the "Company") and its subsidiaries (the "Group"). The Auditor-General has appointed me, Michele Embling, using the staff and resources of PricewaterhouseCoopers, to carry out the audit of the consolidated financial statements of the Group on his behalf.

We have audited the consolidated financial statements of the Group, which comprise:

- the consolidated statement of financial position as at 30 June 2019;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, including accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 30 June 2019, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Basis for opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In addition to the audit, we have carried out engagements in the areas of other assurance services, tax compliance and treasury related analysis and commentary, which are compatible with those independence requirements. In addition, certain partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the Group. These matters have not impaired our independence as auditor of the Group.

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Other Disclosures

Our audit approach

Overview

An audit is designed to obtain reasonable assurance that the consolidated financial statements are free from quantitative and qualitative material misstatement.

Overall quantitative materiality was set at $9 million, which represents approximately 1% of revenue.

We applied this benchmark because, in our view, revenue is a key financial metric used in assessing the performance of the Group and is less volatile than other profit or loss measures. We chose 1% based on our professional judgement, noting that it is also within the range of commonly accepted thresholds for entities where revenue is considered the appropriate benchmark.

The following have been determined as key audit matters:

- Carrying value of the Group's non-financial assets
- Compliance with the Holidays Act 2003
- Revenue recognition

Materiality

The scope of our audit was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the consolidated financial statements as a whole as set out above. We also assess qualitative materiality, which includes other matters that, in our judgement, and in the context of our audit, might influence the decisions of the readers of the consolidated financial statements. Quantitative materiality and qualitative considerations helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Audit scope

We designed our audit by assessing the risks of material misstatement in the consolidated financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter

Carrying value of the Group's non-financial assets
 	
As disclosed in note 18 of the consolidated financial statements, the Group recognised a $51m impairment of non-financial assets of the Mail Cash Generating Unit (CGU).
 	
The risk that the Group's non-financial assets may be materially impaired is considered a key audit matter, due to:
• the existence of indicators of impairment; and
• the high level of management judgement required to:
  • determine the CGUs to test for impairment;
  • estimate the future results of the business;
  • allocate overheads to CGUs;
  • determine an appropriate terminal growth rate of the Parcels CGU; and
  • estimate the post-tax discount rate to apply to the Parcels CGU.
 	
The Group has allocated goodwill of $141m entirely to the Parcels CGU. Where an indicator of impairment exists, or where the CGU contained indefinite life intangible assets, the Group has prepared discounted cash flow valuations on a fair value less costs of disposal (FVLCOD) basis.
 	
Due to the ongoing losses forecast for the Mail CGU, the Group concluded the Mail CGU recoverable amount is less than $nil. The Group recognised a $51m impairment, after considering the FVLCOD of the assets allocated to the Mail CGU if they were sold on an individual basis.
 	
The Group concluded that the valuation of the Parcels CGU and the impairment test for corporate and shared assets supported the carrying value of all other assets.
	Determination of CGUs and allocation of assets and overheads to CGUs
	
	We performed procedures to evaluate and challenge the Group's determination and change of CGUs from prior year. This included:
	• reviewing internal management reporting to assess the level at which the Group monitors performance;
	• comparing CGUs to our knowledge and understanding of the Group's operations;
	• confirming that CGUs were no larger than operating segments;
	• reconciling assets allocated to CGUs to those totals within the fixed asset register and our knowledge of the Group's operations;
	• considering the appropriateness of goodwill being allocated entirely to the Parcels CGU, with the assistance of our technical specialists; and
	• considering the basis for allocating overheads to CGUs.
	
	Assessing the valuations, impairment and derecognition of deferred tax assets
	
	We:
	• tested the mathematical accuracy of and method applied in the valuation models;
	• assessed forecast cash flows and forecast taxable profits by comparing to historical information and agreeing cash flows to Board approved budgets;
	• considered the reasonableness of the terminal growth rate for the Parcels CGU by comparison to industry growth rates and long term inflation rates;
	• considered the reasonableness of the discount rate assumption for the Parcels CGU by comparing it to market data and comparable companies, with the assistance of our valuation specialist;
	• assessed the Group's forecasting accuracy by comparing historical forecasts to actual results;
	• confirmed that losses forecast to be incurred by the Mail CGU over and above the impairment of Mail CGU assets are not recognised beyond the impairment of the specific Mail CGU assets, with the assistance of our technical accounting specialists;
	• assessed the FVLCOD of Mail CGU assets by assessing the nature, condition and market for these assets; and

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Key audit matter	How our audit addressed the key audit matter
In their sensitivity analysis, the Group identified that there were assumptions for which a reasonably possible change would cause the carrying amount to exceed the recoverable amount. These assumptions, together with the changes that would be required in order for the recoverable amount to be equal to the carrying amount, have been disclosed in note 18. As disclosed in note 6 of the consolidated financial statements, the Group has derecognised $59m of deferred tax assets. The forecast future taxable profits indicate the period for utilising tax losses and realising other deferred tax assets is beyond a reliable forecast horizon.	• due to ongoing Mail losses forecast, we considered whether any contracts, including the Deed of Understanding or leases were considered onerous, with the assistance of our technical accounting specialists. Based on the above procedures there were no matters to report.
Compliance with the Holidays Act 2003 As disclosed in note 15 of the consolidated financial statements, the Group has recognised a provision of $38m for the estimated cost of remediating non-compliance with the Holidays Act 2003. The calculation of the provision was considered a key audit matter, due to the significant judgement required to determine the estimated liability and to consider whether the provision should be accounted for as a prior period error. The Group engaged an expert to assess the estimated liability to remediate non-compliance with the Holidays Act 2003. The provision at balance date has been estimated on a sample basis and extrapolated across the population of current and former employees. The detailed calculation of amounts due to individual employees is complex. The programme for completing these calculations and making payments for amounts due is overseen by a Steering Committee and is expected to be substantially completed within one year. Management has determined that the increase in the holiday pay provision in the current period is not a correction of a prior period error as they did not have sufficient information in prior reporting periods to estimate the amount of the holiday pay provision reliably.	We obtained management's calculation of the provision at 30 June 2019. Our audit procedures included: • understanding management's processes and controls relating to determining the provision; • meeting with management's expert to obtain an understanding of the work they performed and the methodology applied for estimating the provision; • ensuring the methodology and assumptions applied were consistent with those reviewed and approved by the Steering Committee charged with overseeing the remediation; • engaging our own expert to consider the reasonableness of the methodology and assumptions used in the provision's calculation; • testing the key inputs into the calculation for a sample of employees to payroll records; • reviewing the basis for management's conclusion that the increase in the provision is not a prior period error, including the information available and changes made to the provision since the Group's programme of work to ensure compliance with the Holidays Act 2003 started; and • reviewing the disclosures in note 15 of the consolidated financial statements to ensure they comply with accounting standards. Based on the procedures above, there are no matters to report.

Other Disclosures

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Key audit matter	How our audit addressed the key audit matter

Revenue recognition
 	
The Group's revenue of $912m for the current year primarily comprises the delivery of services, as disclosed in note 4. The Group has deferred revenue of $54m for obligations not yet performed as at 30 June 2019, reported as contract liabilities in note 14.
 	
As disclosed in note 2(h), the Group adopted NZ IFRS 15 Revenue from Contracts with Customers from 1 July 2018, resulting in an increase in contract liabilities of $4m, a related increase in deferred tax assets of $1m and a net reduction in retained earnings of $3m.
 	
Revenue recognition with the adoption of NZ IFRS 15 was considered a key audit matter due to the complexity of the standard and the number of revenue streams and information systems used to record revenue. Management judgement is also required to estimate the contract liability for deferred revenue. Significant judgement is applied to determine the prepaid portion for each service and the average time between purchase and delivery because not all delivery items are tracked.
 	
In assessing the impact of adopting NZ IFRS 15, management analysed the Group's revenue streams and identified five main portfolios of contracts with similar performance obligations, comprising 98% of the Group's revenue for the year ended 30 June 2019. Management reviewed a sample of contracts to verify the correct classification of revenue streams into portfolios and assessed these portfolios of contracts against the five step process for determining revenue recognition as required by NZ IFRS 15.
	We obtained an understanding and evaluated the Group's processes and controls relating to the adoption of NZ IFRS 15 and recognition of a contract liability for deferred revenue.
	
	Our audit procedures in relation to revenue recognition with the adoption of NZ IFRS 15 included:
	• reviewing management's assessment and evaluating it for consistency with our understanding of the Group's operations and business environment;
	• considering the completeness of management's assessment, including risk based sampling of material customer contracts and testing the reconciliation of revenue per the portfolio classification report to the general ledger;
	• challenging judgements made by management in applying the standard, including assessing a sample of individual contracts against the requirements of NZ IFRS 15, particularly the determination of performance obligations;
	• testing the accuracy of portfolio category recorded in the portfolio classification report for a sample of contracts; and
	• assessing the disclosures made against the requirements of NZ IFRS 15.
	
	Our audit procedures in relation to the contract liability for deferred revenue included:
	• assessing and evaluating the models used by management to estimate deferred revenue recorded as a contract liability, including the NZ IFRS 15 adoption adjustment, prepaid ticket liability, stockpiling liability and box bag liability;
	• reviewing the prepaid products included in the prepaid ticket liability model and NZ IFRS 15 adoption adjustment against our knowledge of the services provided by the Group, to ensure all relevant products were included; and
	• challenging key assumptions by assessing these against historical information. This included the:
	    • loss factor for unredeemed tickets;
	    • decline in volume applied in the stockpiling model; and
	    • average delivery time.
	
	Based on the procedures above, there are no matters to report.

Other Disclosures

Other Information

The Directors are responsible for the other information in the annual report. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, and our auditor's report thereon or the consolidated earnings statement and our review report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard, except that not all other information was available to us at the date of our signing.

Directors' responsibilities for the consolidated financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Directors' responsibilities arise from the Financial Markets Conduct Act 2013.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these consolidated financial statements.

We did not evaluate the security and controls over the electronic publication of the consolidated financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Other Disclosures

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the Directors and, based on the audit evidence obtained, assess whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Our responsibilities arise from the Public Audit Act 2001.

Michele Embling
On behalf of the Auditor-General
Wellington, New Zealand
26 September 2019

PricewaterhouseCoopers

Performance Overview

Statement of Corporate Intent Performance

The Group has set a series of targets in our Statement of Corporate intent. This section shows how we have tracked against those targets in the 2018/19 year.

Scorecard Targets

Our Six Capitals - Key Performance Targets		2018 Actual	2019 Actual	2019 Plan
FINANCE				
Shareholder Returns				
- Total Shareholder Return	%	5.3%	**-2.4%**	0.0%
- Dividend yield (excl Kiwibank)	%	0.4%	**0.0%**	0.0%
- Return on equity	%	1.0%	**-9.9%**	2.3%
Profitability / Efficiency				
- Return on capital employed	%	-0.3%	**-6.3%**	1.6%
- Operating margin	%	3.8%	**-6.1%**	6.9%
Leverage and Solvency				
- Gearing ratio (net)	%	10.7%	**10.3%**	10.2%
- Interest cover	times	1.6	**-2.7**	4.4
- Solvency (Current ratio)	times	1.6	**1.5**	2.0
PEOPLE				
Good Employer				
- People engagement index[1]	%	60.4	**N/A**	65.0
- Total Recordable Injuries		401	**323**	320
NETWORK				
Corporate Responsibility				
- Standard letter service performance	%	85.9	**89.1**	90.0
Letters delivered to standard (Testpo Survey)				
RELATIONSHIP				
- Net Promoter Score		+0	**-7**	+5
ENVIRONMENT				
- Reduction in absolute carbon emissions[2]	%	0.2%	**14.1%**	0.3%

Notes

1 Within People Capital, the people engagement measure will be replaced with a more appropriate measure after completion of a cultural diagnostic in FY20.

2 The reduction in FY19 primarily reflects changing market conditions, rather than the proactive decarbonisation initiatives that have been implemented and are planned to grow over time.

Performance Overview

Four-year Trend Summary

TREND		2019	2018	2017	2016
Revenue	$m	912	877	890	938
Expenses	$m	1,020	930	887	975
Profit/(Loss) before tax	$m	-96	-4.0	25.0	-6.0
Operating margin before tax	%	-11.8	-6.0	0.3	-3.9
Earnings per share	c/share	-63.0	6.8	48.4	73.4
Total Assets[1]	$m	1,631	1,801	1,821	20,260
Average Shareholders Funds	$m	1,226	1,284	1,286	1,182
Return on Average Shareholders Funds	%	-9.9%	1.0	7.2	11.9
Net Asset Backing per Share	$	6.1	6.7	6.7	6.7
Average Shareholders Funds to Total Assets	%	75.1	71.3	70.6	5.8
Interim Dividend (c/share)	c/share	–	1.3	1.3	1.3
Final Dividend (c/share)	c/share	–	–	1.3	1.3
Special Dividend (c/share)	c/share	–	–	52	–

1 2016 includes KGH assets

Performance Overview

Our performance in the community

Disclosed in accordance with Postal Services (Information Disclosure) Regulations 1998

Frequency of Delivery Services – Summary as at 30 June 2019

SERVICE	Delivery Points	6 Day	5 Day	4 Day	3 Day	2 Day	1 Day
Residential	1,514,325	30,463	24	324	1,482,545	969	0
Business	86,255	1,495	5	32	84,622	101	0
Rural	262,028	0	260,374	0	1,137	374	143
BoxBag Farmer	2612	2357	255	0	0	0	0
BoxBag	142,238	132,874	9,364	0	0	0	0
Counter, Community Mailbox	33,032	19,199	13,513	179	121	20	0
TOTAL	2,040,490	186,388	283,535	535	1,568,425	1464	143
PERCENT	100%	9.13%	13.90%	0.03%	76.86%	0.07%	0.01%

Frequency of delivery

	Our performance	Our commitment
Percentage of points that receive 3 days or greater delivery	99.92%	(required minimum = 99.88%)
Counter, Community Mailbox percentage	1.48%	(allowed maximum = 3%)

Notes

1 2743 points in the Counter, Community Mailbox category are excluded from the calculation of the percentage of delivery points as these are where people have elected to take this service over another that is available, as per clause 5 of the Deed. The number of people using temporary counter services (for up to 3 months) is excluded from the category.

2 The number of Counter and Community Mailbox users has been established by a survey and may differ slightly from practice.

3 Community mail boxes/counter services include instances where people are provided with a free PO Box or Private Bag by NZ Post rather than a Community Mailbox.

	Our performance
PostShop Stores (Corporate and Agency)	245
PostCentre Outlets	623
Total Retail Outlets	868

	Our performance	Our commitment*
Personal Assistance Service Points**	511	240
Total Service Points***	978	880

* Commitment as specified in 2013 Deed of Understanding (Deed).

** "Personal Assistance Service Points" means Service Points where personal assistance is available to consumers for the purchase of local, national and international parcel and packet services excluding bulk mail and courier services. Since our 2015 Annual Report we have changed the basis of reporting to take a more conservative approach to identifying Personal Assistance Service Points in alignment with the Deed's intent.

*** "Service Points" means service points at which consumers can purchase basic postal services, including but not limited to the acceptance of Basic Postal Items, excluding bulk mail. "Basic Postal Items" means a postal item that does not exceed 260mm height, 385mm length, 20mm thickness and/or 1kg weight, excluding parcel, priority, courier or express services. Service Points may include retail outlets owned by New Zealand Post, service points hosted in other businesses, electronic kiosks and New Zealand Post resellers with a street receiver or alternative lodgement point within a 50 metre radius of the reseller. For the 2019 Annual Report we have included certain resellers that meet the Deed's policy intent for the provision of basic postal services to consumers.

KANTAR

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To: The Directors, New Zealand Post Limited

Kantar has conducted a measure of New Zealand Post's letter delivery performance measuring performance against the following criteria according to the Postal Users Guide:

For Bulk Mail	▪ Delivery within three working days for letters between major towns and cities within New Zealand
For Standard Post:	▪ Delivery within three working days for letters between major towns and cities within New Zealand

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

We measured transit time by counting the number of business days from the day of posting of the letter to the day the letter was received by the addressee.

The annual result was calculated using the data collected in August 2018, October 2018, February 2019 and June 2019. In our opinion this report fairly represents the service performance achieved by New Zealand Post Limited during the time of measurement.

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

	Weighted results*
Total within specification	89.1%
Total within three days of specification	99.1%
More than three days later than specified	0.9%

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

Yours sincerely

David Thomas

Managing Director
Insights Division, Kantar New Zealand

Performance Overview

Environment

Greenhouse Gas (GHG) Emissions

New Zealand Post Limited meets the requirements of CEMARS® certification having measured its greenhouse gas emissions in accordance with ISO 14064-1: 2006 and committed to managing and reducing its emissions in respect to the operational emissions of its organisation within New Zealand.

New Zealand Post reset its baseline in FY18 due to significant changes in its operations and structure over the last few years. The operational control consolidation approach has been used to account for operational emissions with reference to the methodology described in the GHG Protocol and ISO 14064-1:2006 standards.

Figure 1: FY19 GHG emissions by source

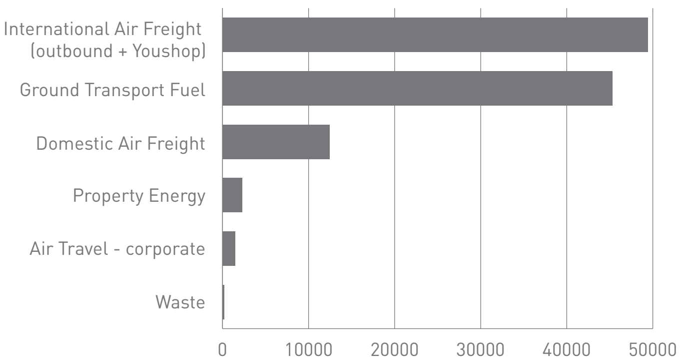

Figure 2: GHG emissions data summary - tCO_2e

	FY18	FY19	% change
Scope 1	3,849	3,744	-3%
Scope 2	2,788	2,123	-24%
Scope 3	122,871	105,341	-14%
Total	129,509	111,208	-14%

In 2019 a data collection error was discovered. Not all outbound international freight data was being included in the carbon inventory. This data has been included in the FY19 inventory and the FY18 inventory has been restated incorporating the new data. This has increased total emissions in FY18 by 9.6%.

Figure 3: GHG emissions per item (grams CO_2e per item)

		FY18	FY19	% increase -change
Rolling 12 month average				
	Letters	95.964	92.918	-3%
	Parcels	1008.605	861.073	-15%

Emissions audit statement


This is to certify that

New Zealand Post Limited

Meets the requirements of CEMARS® certification having measured its greenhouse gas emissions in accordance with ISO 14064-1:2006 and committed to managing and reducing its emissions in respect of all operational activities of its organisation within New Zealand, excluding Kiwibank, Reachmedia and Post Shop franchises in fuel stations, supermarkets, dairies and other outlets.

Belinda Mathers- Certifier

Company Address: 7 Waterloo Quay, Wellington, New Zealand
Certificate Number: 2019069J
Date Issued: 14 August 2019
Valid until: 14 August 2022
Certification status: Certified organisation
Certification Year Level of Assurance: Reasonable

JAS-ANZ

Certified by Enviro-Mark Solutions Limited

Please refer to the disclosure page on www.enviro-mark.com for further details
CEMARS is an annual certification programme and this certificate only remains valid with an annual surveillance audit

ENVIRO-MARK SOLUTIONS

This statement is a summary of the verified information considered for CEMARS® certification. The full disclosure statement can be found at www.enviro-mark.com

Statutory and Disclosure Information

Consolidated earnings statement

Information disclosure for the year ended 30 June 2019

	Letter Deliveries[1] $m	Other Services $m	Total $m
Operating revenue	287	625	912
Operating expenses	296	637	933
Operating (loss)/surplus before income tax	(9)	(12)	(21)

1 Letters for delivery in New Zealand

Accounting Policies

Accounting policies adopted for the preparation of the Consolidated Earnings Statement –Information Disclosure are the same as those applied by the Group.

Statement of Assumptions

Letters are defined as any form of written communication, document or article that is addressed to a specific person or address, is conveyed or delivered other than by electronic means or courier service, falls within certain size and weight criteria and for which a charge is made. This includes letter deliveries of inbound products from other countries that are under 2 kgs in weight, which is above the amount set out in the legislation of 1kg.

Operating revenue

Operating revenue has been calculated using the Group's product costing model which has calculated the operating revenue for letter deliveries using actual financial data for the 2018/19 year. The costing model identifies the relevant letter products and the revenue earned by them.

Operating expenses

Operating expenses have been calculated using the Group's product costing model which has calculated the operating expenditure for letter deliveries using actual financial data for the 2018/19 year. The costing model identifies the cost of activities within the Group based on resource drivers. Key resource drivers in the model are operational time that is recorded for activities performed. The cost of each activity is assigned to letter deliveries or other services based on the activity drivers. Key activity drivers of the model are operational volume. Key assumptions in the model are that all expenses are coded to the correct departments within the general ledger. Assumptions are also made about average weight and volume where operational data is unavailable. Any exchange gains or losses have not been included in this calculation. Total Operating expenses includes Depreciation and Amortisation.

Statutory and Disclosure Information

Independent review report

To the readers of New Zealand Post Limited's Consolidated Earnings Statement – Information Disclosure for the Year Ended 30 June 2019.

The Auditor-General is the auditor of New Zealand Post Limited and its subsidiaries (the "Group"). The Auditor-General has appointed me, Michele Embling, using the staff and resources of PricewaterhouseCoopers, to carry out the audit of the consolidated financial statements of the Group on his behalf.

Report on the Consolidated Earnings Statement – Information Disclosure

In our capacity as auditor, we have carried out a review of the accompanying Consolidated Earnings Statement – Information Disclosure (the "Consolidated Earnings Statement") for New Zealand Post Limited (the "Company") and its controlled entities (together the "Group") for the year ended 30 June 2019.

Directors responsibility

The Directors are responsible on behalf of the Group for the preparation and presentation of the Consolidated Earnings Statement in accordance with the Statement of Assumptions and for such internal controls as the Directors determine are necessary to enable the preparation of the Consolidated Earnings Statement that is free from material misstatement, including omissions.

Our responsibility

Our responsibility is to express a conclusion on the accompanying Consolidated Earnings Statement based on our review. We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 *Review of Financial Statements by the Independent Auditor of the Entity* (NZ SRE 2410). NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the Consolidated Earnings Statement, taken as a whole, is not prepared in all material respects, in accordance with the Statement of Assumptions. As the auditors of the Group, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of the Consolidated Earnings Statement in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly, we do not express an audit opinion on the Consolidated Earnings Statement.

Our firm carries out other services for the Group in the areas of other assurance services, tax compliance and treasury related analysis and commentary. In addition, certain partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the Group. These matters have not impaired our independence as auditor of the Group.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Consolidated Earnings Statement of the Group is not prepared, in all material respects, in accordance with the Statement of Assumptions.

M Embling

Michele Embling
On behalf of the Auditor-General
Wellington, New Zealand
26 September 2019

PricewaterhouseCoopers

PricewaterhouseCoopers

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Statutory and Disclosure Information

Disclosures – Companies Act 1993 and Voluntary

The following disclosures are for New Zealand Post Limited and its subsidiaries (excluding Kiwi Group Holdings Limited and its subsidiaries) ("NZ Post") and for Kiwi Group Holdings Limited and its subsidiaries ("KGH Group"). Kiwi Group Holdings Limited is defined as a subsidiary of New Zealand Post Limited under the Companies Act 1993 and so is included in the Statutory disclosures, but is a jointly controlled entity for financial reporting purposes.

Report of the New Zealand Post Human Resources Committee on Remuneration

The Human Resources Committee comprises not less than three Directors from the New Zealand Post Board. The primary purpose of the Human Resources Committee is to assist the Board in fulfilling its oversight of 'good employer' and human resources governance responsibilities relating to New Zealand Post. An equivalent Committee of the Kiwibank Limited Board fulfils a similar function for Kiwibank.

The Human Resources Committee of the New Zealand Post Board also has some specific responsibilities in respect to remuneration for New Zealand Post's Chief Executive and executive leadership team, and for remuneration policy applicable to New Zealand Post Limited Managers and Specialists.

New Zealand Post's management remuneration structures are designed to attract, reward and motivate executive talent while remaining mindful of affordability. In setting remuneration for New Zealand Post Managers and Specialists, market information from similarly-sized positions within a broad range of New Zealand businesses is assessed.

With the exception of those in direct sales-focused roles and KGH Group employees, executive remuneration does not include any at-risk pay or other form of financial incentive/bonus e.g. short-term incentives (STI's), long term incentives (LTI's).

NZ Post Chief Executive's Remuneration

Executive total remuneration consists of fixed remuneration only, i.e. base salary and benefits. There are no short-term or long-term incentive arrangements in the Chief Executive's remuneration package. NZ Post's policy at this level is to pay fixed remuneration with reference to the market median for similar positions.

	Salary $	Benefits[1] $	Total remuneration $
FY2019	883,358	31,074	914,432
FY2018	866,326	30,500	896,826
FY2017[2]	133,281	4,653	137,934

1 Benefits include KiwiSaver and medical insurance

2 Appointed 1 May 2017

KiwiSaver FY2019

The Chief Executive is a member of KiwiSaver. As a member of this scheme, the Chief Executive is eligible to contribute and receive a matching company contribution of 3% of gross taxable earnings. For FY2019, the company's contribution was $26,501.

FY2020 Chief Executive's Remuneration Structure

The Board has elected, in the interests of transparency, to disclose in advance the structure and package that will apply for FY2020. There are no short-term or long-term incentive arrangements in the Chief Executive's remuneration package.

	Salary $	Benefits[3] $	Total remuneration $
FY2020	904,598	32,048	936,646

Note 3: Benefits include KiwiSaver and medical insurance

Statutory and Disclosure Information

Employee Numbers and Cost of Remuneration

Employee numbers and the cost of remuneration as at 30 June 2019 totalled:

- 4,777 people (4,237 FTE) in NZ Post with a total cost of remuneration for employees during the year of $285m;
- 2,507 people (2,173 FTE) in the KGH Group with a total cost of remuneration for employees during the year of $210m.

Pay rates vary across each entity depending on market conditions for each business sector.

Remuneration Bands

Remuneration includes base salary, incentive payments and other benefits, termination payments, and superannuation payments made to employees and former employees between 1 July 2018 and 30 June 2019 for NZ Post and the KGH Group.

Termination payments (i.e. redundancy compensation) to former employees are included where relevant.

Band	NZ Post (excluding KGH Group) - Total in band for FY19	KGH Group - Total in band for FY19
$100,000-$109,999	96	116
$110,000-$119,999	88	99
$120,000-$129,999	52	81
$130,000-$139,999	41	55
$140,000-$149,999	33	58
$150,000-$159,999	34	37
$160,000-$169,999	22	30
$170,000-$179,999	15	24
$180,000-$189,999	11	31
$190,000-$199,999	6	15
$200,000-$209,999	8	12
$210,000-$219,999	3	8
$220,000-$229,999	5	7
$230,000-$239,999	1	5
$240,000-$249,999	3	6
$250,000-$259,999	5	6
$260,000-$269,999	1	6
$270,000-$279,999	5	5
$280,000-$289,999	1	5
$290,000-$299,999	1	1
$300,000-$309,999	3	5
$310,000-$319,999	1	3
$320,000-$329,999	3	6
$330,000-$339,999	1	2
$340,000-$349,999	1	1
$350,000-$359,999	-	1
$360,000-$369,999	1	-
$370,000-$379,999	1	2
$380,000-$389,999	1	1
$410,000-$419,999	-	1
$430,000-$439,999	1	-
$450,000-$459,999	1	-
$460,000-$469,999	1	-
$470,000-$479,999	-	1
$480,000-$489,999	1	1

Statutory and Disclosure Information

Band	NZ Post (excluding KGH Group) - Total in band for FY19	KGH Group - Total in band for FY19
$500,000-$509,999	-	1
$550,000-$559,999	-	1
$570,000-$579,999	1	-
$580,000-$589,999	-	1
$620,000-$629,999	1	-
$640,000-$649,999	-	1
$760,000-$769,999	1	1
$830,000-$839,999	-	1
$910,000-$919,999	1	1
$1,570,000-$1,579,999	-	1
	451	**639**

Donations

During the year, the New Zealand Post Group made donations of **$230,877.32**. No donations were made to political parties.

Auditors

The auditor for NZ Post and the KGH Group is Michele Embling assisted by PricewaterhouseCoopers, Wellington on behalf of the Auditor-General. The amount payable by NZ Post and the KGH Group to PricewaterhouseCoopers as audit and review fees in respect of the year is $2,368,000. The amount incurred in respect of the year for other services provided by PricewaterhouseCoopers is $609,000.

Directors' and employees' indemnity and insurance

New Zealand Post has insured the Directors and employees of NZ Post against costs or liabilities of the type referred to in s162(5) of the Companies Act 1993. New Zealand Post has also agreed to indemnify Directors of NZ Post and New Zealand Post-appointed Directors of associate companies against any costs or liabilities of the type referred to in s162(4) of the Companies Act 1993 that are incurred in any proceedings of the type referred to in s162(3) of the Companies Act 1993.

Kiwi Group Holdings Limited has insured the Directors and Officers of Kiwi Group Holdings Limited and its subsidiaries against costs or liabilities of the type referred to in s162(5) of the Companies Act 1993. Kiwi Group Holdings Limited has also agreed to indemnify Directors of Kiwi Group Holdings Limited and its subsidiaries and Kiwi Group Holdings Limited and subsidiary appointed Directors of associate companies against any costs or liabilities of the type referred to in s162(4) of the Companies Act 1993 that are incurred in any proceedings of the type referred to in s162(3) of the Companies Act 1993.

Directors' Fees & Benefits*

The total fees paid to members of the New Zealand Post Limited Board during the 2018/2019 financial year were $361,485. The total Board fees are within the amount authorised by shareholding Ministers.

Jane Taylor (Chair up to 31 October 2018)	34,033
Jackie Lloyd (Acting Chair from 1 November 2018)	91,327
Carol Campbell	58,460
Richard Dellabarca (resigned on 31 July 2018)	4,333
Alan Dunn (resigned on 31 October 2018)	17,333
Julia Hoare	52,000
Jignasha Patel (from 1 March 2019)	17,333
Nagaja Sanatkumar (from 1 March 2019)	17,333
Richie Smith	52,000
John Sproat (from 1 March 2019)	17,333

* These fees exclude GST (if any) and relate to the New Zealand Post Limited Board only (including fees for Board committees).

Statutory and Disclosure Information

Directors' Disclosures

No specific disclosures were given by Directors pursuant to s140(1) of the Companies Act 1993.

General disclosures of interest made by the Directors of New Zealand Post Limited and its subsidiaries pursuant to s140(2) of the Companies Act 1993 in the year ending 30 June 2019 are:

New Zealand Post Limited

Director	Interest
Jackie Lloyd *(Deputy Chair and Acting Chair from 1 November 2018 until 20 August 2019)*	Chair, Wellington Museums Trust Wellington Branch Deputy Chair & Committee Member, Institute of Directors (NZ) Inc Chair, State Services Commission Audit and Risk Committee *(until December 2018*) Director & Trustee, Chair of Central Region Grants Committee, Lion Foundation Member, Weltec Whitireia Combined Council *(until November 2018*) Director, AgResearch Limited Director, Naylor Love
Carol Campbell	Director, Hick Bros Holdings Limited and subsidiaries Director, T&G Global Limited Director, AlphaXRT Limited Director, Woodford Properties Limited *(until September 2018)* Director, Kingfish Limited Director, Marlin Global Limited Director, Barramundi Limited Director, Key Assets NZ Limited Director, Fostering First New Zealand Limited Director, Asset Plus Limited Director, NZME Limited Director, Nica Consulting Limited Director, Chubb Insurance New Zealand Limited Director, Woodford Properties 2018 Limited
Richard Dellabarca *(resigned as a Director on 31 July 2018)*	Director, New Zealand Rugby Union Director, Kea New Zealand Ltd Director, Solvency II Solutions Limited (UK) CEO, New Zealand Venture Investment Fund Director, New Zealand Rugby Promotions Ltd Director, Wynyard Group Ltd (In Liquidation) Director, Harmoney Corporation Director, Fintech Solutions Limited

Statistutory and Disclosure Information

Director	Interest
Alan Dunn *(resigned as a Director on 31 October 2018)*	Director, Burger Fuel Worldwide Limited Director, Z Energy Limited Director, Z Energy LTI Trustees Limited Director, Z Energy ESPP Trustees Limited Director, Vertical 4 Systems Limited Director, Nelson Regional Development Agency
Julia Hoare	Deputy Chair, Watercare Services Limited Director, AWF Madison Group Limited Deputy Chair, The A2 Milk Company Limited Member, Institute of Directors (New Zealand) Inc Director, Port of Tauranga Limited Director, Auckland International Airport Limited
Jignasha Patel *(appointed as a Director on 1 March 2019)*	Trustee, Comet Auckland Executive, Auckland War Memorial Museum
Nagaja Sanatkumar *(appointed as a Director on 1 March 2019)*	Future Director, Spark New Zealand Limited *(until 9 April 2019)* Trustee, Michael Hill International Violin Competition Director, Imagen8 Executive, Icebreaker (subsidiary of VF Corp) Member, Institute of Directors (New Zealand) Inc Shareholder, Amazon
Richie Smith	Director/Shareholder, Hilton Haulage Limited Director/Shareholder, Richie Smith Limited Director/Shareholder, Lands and Survey South Limited Director/Shareholder, Lands and Survey Limited Director, Ngai Tahu Farming Limited Director, Timaru District Holdings Limited Director/Shareholder, Lands and Survey (Auckland) Limited Director, Lands and Survey (Queenstown) Limited Director/Shareholder, Lake Tekapo Village Motel Limited Director, Donaghys Crop Packaging NZ GP 2017 Limited Director, Agpac Limited Director/Shareholder, Dairy Fresh GP Limited Director/Shareholder, Whiteline GP Limited Director, Puketeraki Limited Chair, United Fire Brigades Associations of New Zealand Chairman of Advisory Board, Plato Creative Limited
John Sproat *(appointed as a Director on 1 March 2019)*	Member, Independent Advisory Panel Provincial Growth Fund Member, Reserve Bank Review Panel Director, Rakau Properties Limited Director, Rakau Properties (No. 2) Limited

Statutory and Disclosure Information

Subsidiary Directors' Disclosures

Subsidiary Company Directors' Disclosures

Director	Interests
Ian Blair	Director/shareholder, Sapience Limited Managing Director, Opus Director, Opus Fiji Director, Opus International Consultants Limited Director, WSP New Zealand Limited
Michael Boersen *(Appointment as a Director on 10 July 2018)*	Director, Harcam Limited Director, AKALI Limited Director, Charmed Investments Limited Director, Vivid Solutions Limited *(until December 2018)*
Malcolm Bruce *(resigned as a Director on 30 June 2019)*	Trustee and beneficiary, Malcolm Bruce Family Trust Trustee, Mary Potter Hospice Trustee, Forever Foundation Director, Mary Potter Apartments Limited
Monique Cairns	Executive Director & Shareholder, Caribou Consulting Limited Director/Commissioner, Lotto NZ Director, SPCA Auckland Committee Officer, The Northern Club Beneficiary, Cairns Family Trust Trustee & Beneficiary, Monstar Trust Trustee, Kaihere Trust Trustee & Beneficiary, The Almo Trust Strategic Marketing Advisor, Nectar Money (Personal Loans)
Melissa Clark-Reynolds	Director & Chair of Finance and Risk Committee, Jasmax Group of Companies Director, Softed Limited *(until September 2018)* Director, NZ Centre for the Future Governor, Radio New Zealand Director, Purple Dragon Limited Director, Beef and Lamb New Zealand Trustee, The Hillary Institute
Gary Crawford	Director, Turkana Limited Trustee and Beneficiary, Turkana Trust Trustee and Beneficiary, Crawford Family Trust Board member, Wellington College Board of Trustees

Statutory and Disclosure Information

Director	Interests
Elizabeth Dawson	Director, New Zealand Cricket Deputy Chair, New Zealand Olympic Committee Director, Hurricanes LP Director and Shareholder, Forsyth Morrison Limited Director, St Kilda Football Club Melbourne *(until February 2019)* Trustee and Beneficiary, Liz Dawson Family Trust Equity Commission Member – Oceania National Olympic Committee *(from April 2019)* Director/Shareholder, Patakanui Farms Limited Director, Women in Sport Aotearoa Committee member, Ministerial Advisory Committee to the Racing Portfolio Commission Member - Association of National Olympic Committees (ANOC) Gender Equity Commission *(from February 2019)* Director, Racing Industry Transition Authority (RITA) *(from June 2019)*
Megan Glen (Alternate Director)	Employee, Guardians of New Zealand Superannuation Director, NZSF Tui Investments Limited Director, Titian Limited
Will Goodwin	Employee, Guardians of New Zealand Superannuation Director, NZSF Timber Investments (No. 1) Limited Director,NZSF Rural Investments (No. 1) Limited Director, NZSF Timber Investments (No. 4) Limited Director, Hobsonville Investments Limited Director, NZSF Land Holdings Limited Director, NZSF Southland Farms Limited Director, NZSF Tui Investments Limited Director, NZSF Rural Holdings Limited Director, NZSF Canterbury Farms Limited Director, NZSF Waikato Farms Limited Director, NZSF Australian Rural Holdings Limited *(from August 2018)* Director, NZSF Rural Land Limited *(from August 2018)* Director, NZSF Horticulture Investments Limited *(from August 2018)* Director, NZSF Frontier Investments Inc. *(from March 2019)*
Phil Harris *(resigned as a Director on 18 December 2018)*	Director/shareholder, Moko Club NZ Limited Director, Waikato Rugby Union Trustee, Shorttail Trust Trustee, Longtail Trust Trustee, R&C Fletcher Trust

Statistory and Disclosure Information

Director	Interests
David Havercroft *(appointed as a Director on 1 November 2018)*	Director, Kordia Limited Director, Connect8 Limited Director, Southern Cross Cables Limited Director, Feenix Communications Limited Director, Reflect Limited Trustee, Havercroft Family Trust
Susan Macken	Director, Panuku Development Auckland Limited Director, Blossom Bear Limited Director, Tamaki Regeneration Limited Director, THA GP Limited Director, Tamaki Redevelopment Company Limited Director, STG Limited Director, Spa Electrics Pty Limited (Australia) Director, Station Mews Apartments Limited Director & Shareholder, Private Accounting Trustee Limited
Kevin Malloy	Director, Television New Zealand Limited Board Member, Graeme Dingle Foundation Board member, Halberg Disability Sport Foundation Director, kM54 Limited Director, The Social Club Limited Observer, NZ Cricket Board *(from December 2018)*
Alistair Nicholson	Director, Glendora Avocados Limited Director, Glendora Holdings Limited Director and shareholder, Hrothgar NZ Agri Holdings Limited Executive Chair, Vulpes Investment Management Limited Member, Advisory Panel, Next Foundation Director, Avocado Industry Council Director, Avocado Growers' Association Director, Lindis Crossing Vinyard Limited Director, Valic New Zealand Limited
Michael (Mike) O'Donnell	Director/Shareholder, MOD Associates Limited Director, Serato Audio Research Limited Chairman/Shareholder, Timely Limited Director, NZ Government to Government Knowhow *(until October 2018)* Director, Tourism New Zealand Director/Shareholder, Raygun Limited Director, Ruapehu Alpine Ski Group *(until June 2019)* Director, Radio NZ Limited

Statutory and Disclosure Information

Director	Interests
Dame Alison Paterson	Director, Advanced Metering Assets Limited
	Director, Advanced Metering Services Limited
	Director, ARC Innovations Limited
	Director, Farm IQ PGP Limited
	Chair, Forestry Industry Safety Council
	Member, Health Quality and Safety Commission
	Chair, New Zealand Formulary Limited *(until July 2018)*
	Director, NGC Holdings Limited
	Director, On Gas Limited
	Chair, Te Aupouri Commercial Development Limited
	Director, Te Aupouri Fisheries Management Limited
	Chair, Vector Limited
	Chair, Vector Communications Limited
	Chair, Vector Gas Limited
	Chair, Vector Gas Trading Limited
	Chair, Vector Metering Data Services Limited
	Director, Quantum Education Group ES Limited (in liquidation)
	Director, Elite Education Holdings Limited (in liquidation)
Glenn Patrick	Director/Shareholder, New Square World Limited
	Director Kevin Patrick Limited
	Partner, Saunders Patrick Property Partnership
	Trustee, Patrick Family Trust
	Trustee, Jocelyn Patrick Family Trust
	Consultant, Find Recruitment Limited *(until April 2019)*
Scott Pickering	Chief Executive, Accident Compensation Corporation
	Director, Chubb Insurance New Zealand Limited
	Director, Chubb Holdings Australia Pty Limited (formerly listed as Chubb Insurance Company of Australia Limited)
	Director, Chubb Insurance Australia Limited

Statatutory and Disclosure Information

Director	Interests
Dame Paula Rebstock *(appointed as a Director on 1 November 2018)*	Chair, Accident Compensation Corporation Advisory Board Member, Synergia Ltd Advisory Board Member, University of Auckland Business School Chair, NZ Police Women's Advisory Network Director, Auckland Transport Chair, New Zealand Defence Force Governance Board Chair, Vulnerable Children's Board Chair, Tonkin and Taylor, Risk and Assurance Committee Chair, Auckland District Health Board Finance Risk and Assurance Committee Member, Auckland District Health Board Human Resources Committee Director/Shareholder, On Being Bold IPO Consultant, Vodafone Chair, Ngāti Whātua Ōrākei Whai Maia Director, CPAC, South Pacific Division
David Robinson *(ceased to act as an Alternate Director on 31 October 2018)*	Manager, Direct Investments, Accident Compensation Corporation
Alistair Ryan	Member, Audit Oversight Committee Director, Evolve Education Group Limited *(until June 2019)* Director, Barramundi Limited Director, Metlifecare Limited Director, Metlifecare LTIP Trustee Limited Director, Christchurch Casinos Limited *(until March 2019)* Director, Kingfish Limited Director, Marlin Global Limited
Neil Richardson *(resigned as Director and Chair on 31 December 2018)*	Director/Shareholder, Smart Trade International Limited Director, Smart Loyalty NZ Limited Trustee/beneficiary, NAR Investment Trust Director and shareholder, Richardson Trustee Ltd Director and shareholder, NAR Properties Limited Director, HPYN Limited Director, Titoki Sands Limited Director/shareholder, Waikato Aggregates Limited
Janet Selwood *(resigned as a Director on 9 July 2018)*	Director, Unswood Investments Limited
Malcolm Shaw *(resigned as a Director on 9 July 2018)*	Trustee, Akina Foundation
David Smith *(appointed as a Director on 3 July 2018)*	Director, TDB Advisory Limited Director, NPV Advisory Limited Director, Logan Leith Trustee Limited
Mark Stephen	Director and shareholder, Pip Stephen Interior Design Limited Trustee/Beneficiary, Homestead Trust

Statutory and Disclosure Information

Director	Interests
David Walsh	Director, International Postal Corporation *(from October 2018)*
Graeme Watt	Director and shareholder, Kiwi Dynamic Investors Limited Director and shareholder, Cabbage Tree Investments Limited Shareholder representative, Payments NZ Limited Director & Shareholder, My Spiral Groove Limited Trustee & Beneficiary, Plantation Road Trust *(from October 2018)*
Richard Westlake *(appointed as Director on 1 February 2019)*	Independent Chair and Trustee, Association of Credit Unions Non-executive Director, Rizal Commercial Banking Corporation, Manila, Philippines Founder & Managing Director, Westlake Governance Limited

Directors of New Zealand Post Subsidiaries

Director	Subsidiary	Total Fees & Benefits paid during 2018/19 financial year (NZD)
Ian Blair	Kiwibank Limited	$106,667* *Incl. fees paid as Chair of Risk Credit & Compliance Committee from October 2018 to June 2019
Michael Boersen	Kiwi Group Holdings Limited *(from July 2018)*	$33,333* *Payment to NZ Post
	Reach Media New Zealand Limited *(from July 2018)*	
	New Zealand Post Group Finance Limited *(from July 2018)*	
Malcolm Bruce	Kiwi Asset Finance Limited *(until June 2019)*	–
Ian Burns	Kiwibank Investment Management Limited	–
	KB Custodial Services Limited *(until its amalgamation with Kiwibank Investment Management Limited in November 2018)*	
Monique Cairns	The New Zealand Home Loan Company Limited	$44,875* Incl. fees paid as Acting Chair from November 2018 to February 2019
Carol Campbell	Kiwibank Limited *(until August 2018 and from November 2018)*	$71,250
Melissa Clark-Reynolds	Kiwi Insurance Limited	$31,333
George Collins	New Zealand Post Trustees Limited	
Alan Dunn	New Zealand Post Trustees Limited	$18,333
Gary Crawford	Portfolio Custodial Nominees Limited	
	Kiwi Asset Finance Limited (Chair) *(until September 2018)*	
	New Zealand Home Lending Limited	
	AMP Home Loans Limited	
Richard Dellabarca (to 31 July 2018)	New Zealand Post Trustees Limited	$625
Elizabeth (Liz) Dawson	Kiwi Insurance Limited (Chair)	$43,333
Megan Glen	Kiwi Group Holdings Limited (Alternate Director)	–
Will Goodwin	Kiwi Group Holdings Limited (KGH)	$42,948* Incl. fees paid as Chair of KGH up to March 2019
Sarah Graydon	New Zealand Post Trustees Limited	$15,000

Statutory and Disclosure Information

Director	Subsidiary	Total Fees & Benefits paid during 2018/19 financial year (NZD)
Phil Harris	The New Zealand Home Loan Company Limited (until December 2018)	$17,871
David Havercroft	Kiwi Wealth Investments General Partner Limited	$33,333
	Portfolio Custodial Nominees Limited	
	Kiwi Wealth Limited	
	Kiwi investments Management Limited	
Anna Kenny	New Zealand Post Trustees Limited	$15,000
Jacqueline (Jackie) Lloyd	Kiwi Group Holdings Limited *(from November 2018)*	$33,333
Susan Macken	Kiwibank Limited (Chair)	$183,333
Kevin Malloy	Kiwibank Limited	$105,000* Incl. fees paid as Chair of Remuneration Committee and payment for Continuing Professional Development (CPD)
Jennifer Newman	New Zealand Post Trustees Limited	
Alistair Nicholson	Kiwi Wealth Investments General Partner Limited	$53,333
	Portfolio Custodial Nominees Limited	
	Kiwi Wealth Limited	
	Kiwi investments Management Limited	
	Kiwi Wealth Management Limited	
Michael (Mike) O'Donnell	Kiwibank Limited	$95,829* Incl. payment for CPD
	Kiwi Wealth Investments General Partner Limited	$58,333* Incl. payment for CPD
	Kiwi Wealth Limited	
	Kiwi investments Management Limited	
	Portfolio Custodial Nominees Limited	
Dame Alison Paterson	Kiwi Wealth Investments General Partner Limited (Chair)	$78,333
	Portfolio Custodial Nominees Limited (Chair)	
	Kiwi Wealth Limited (Chair)	
	Kiwi investments Management Limited (Chair)	
	Kiwi Wealth Management Limited	
Glenn Patrick	Kiwi Insurance Limited	$31,333
Scott Pickering	Kiwibank Limited	$91,667
Dame Paula Rebstock	Kiwi Group Holdings Limited *(from November 2018)* *(Chair from March 2019)*	$41,465* Incl. fees paid as Chair of KGH from March 2019 onwards
David Robinson	Kiwi Group Holdings Limited *(until October 2018)*	–
Alistair Ryan	Kiwibank Limited	$ 111,667* Incl. fees paid as Chair of the Finance, Audit & Disclosure Committee
Neil Richardson	The New Zealand Home Loan Company Limited *(until December 2018)*	$32,627

Statutory and Disclosure Information

Director	Subsidiary	Total Fees & Benefits paid during 2018/19 financial year (NZD)
Janet Selwood	Kiwi Group Holdings Limited *(until July 2018)*	–
Malcolm Shaw	Kiwi Group Holdings Limited *(until July 2018)*	–
David Smith	Kiwi Capital Funding Limited *(from July 2018)*	$24,866
Richie Smith	New Zealand Post Trustees Limited	$8,125
Mark Stephen	Kiwi Asset Finance Limited	–
	Kiwi Insurance Limited *(until January 2019)*	
	Kiwi Financial Services Retail Limited	
Jane Taylor	Kiwibank Limited *(until October 2018)*	$35,000* * Incl. fees paid as Chair of Risk, Credit & Compliance Committee up to September 2018
	Kiwi Group Holdings Limited *(until October 2018)*	–
Peter Taylor	New Zealand Post Trustees Limited	
John Van Woerkom	New Zealand Post Trust Management Services Limited	–
	Kiwi Group Holdings Limited (Alternate Director)	
	Kiwi Financial Services Retail Limited (Alternate Director)	
	Kiwi Capital Funding Limited	
	New Zealand Post Group Finance Limited (Alternate Director)	
	New Zealand Post Holdings Limited	
	New Zealand Post Australia Holdings Limited	
	Datam Limited	
David Walsh	Kiwi Group Holdings Limited	$33,333* Payment made to NZ Post
	Kiwibank Limited *(Alternate Director until August 2018 and thereafter as a Director)*	$91,667* Payment made to NZ Post
	New Zealand Post Holdings Limited	
	Datam Limited	
	New Zealand Post Group Finance Limited	
	New Zealand Post Australia Holdings Pty Limited	
	Kiwi Financial Services Retail Limited	
	Reach Media New Zealand Limited *(until July 2018)*	
Graeme Watt	The New Zealand Home Loan Company Limited	–
Richard Westlake	The New Zealand Home Loan Company Limited *(from February 2019)* (Chair)	$27,083
Mark Wilkshire	Kiwibank Investment Management Limited	–
	KB Custodial Services Limited *(until its amalgamation with Kiwibank Investment Management Limited in November 2018)*	
	The New Zealand Home Loan Company Limited *(until February 2019)*	
	New Zealand Home Lending Limited	
	AMP Home Loans Limited	

Statutory and Disclosure Information

Other disclosures made in the Interest registers

All KGH entity interest registers	
Use of Company Information	In accordance with section 145(3) of the Companies Act 1993, and with effect from 31 October 2016, Representative Directors on the boards of Kiwi Group Holdings Limited its subsidiaries (including Kiwibank Limited and its subsidiaries) have been authorised to disclose Company Information to the Kiwi Group Holdings Limited Shareholders in accordance with their respective company constitutions and the Shareholders' Agreement, and subject to conditions set out in the Board resolutions. Every other Director of Kiwibank Limited and Kiwi Group Holdings Limited subsidiaries (including Kiwibank's subsidiaries) are authorised to pass all Information that come into their possession as directors, to the Kiwi Group Holdings Limited Shareholders in accordance with the Shareholders' Agreement and their respective constitutions, subject to conditions set out in the Board resolutions.

Kiwibank only	
Kiwibank Directors' Continuing professional Development (CPD)	On 20 September 2017, the Board approved a spend equivalent to 4.5% of each director's annual remuneration towards ongoing director education/development.

Statutory and Disclosure Information

Directory

Chair (From 21 August 2019)

Rodger Finlay

Deputy Chair

Jackie Lloyd

Members

Carol Campbell

Richard Dellabarca (resigned on 31 October 2018)

Alan Dunn (resigned on 31 October 2018)

Julia Hoare (resigned on 31 July 2019)

Jignasha Patel

Nagaja Sanatkumar

Richie Smith

John Sproat

Senior Leadership Team

Chief Executive Officer	David Walsh
Chief Financial Officer	Michael Boersen
Chief International Business Officer	Sohail Choudhry
Chief Marketing Officer	Bryan Dobson
Chief Digital and Technology Officer	Geri Ellis
GM Channels	Janet Selwood
Chief People and Governance Officer	Malcolm Shaw
Chief Operating Officer Customer Service Delivery	Mark Stewart

Bankers

Bank of New Zealand Limited

Auditors

Michele Embling assisted by PricewaterhouseCoopers, Wellington on behalf of the Auditor-General

Registered Office

Ground Floor
7 Waterloo Quay
Wellington
New Zealand

For further information about the contents of this report, please contact:

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For more information about New Zealand Post's products and services, please contact:

New Zealand Post Customer Services Centre

Telephone: 0800 501 501
Email: help@nzpost.co.nz
Website: www.nzpost.co.nz

New Zealand Post

This document is the New Zealand Post Group's Annual Report for 2019. The Integrated Report for New Zealand Post Limited can be seen online at: https://www.nzpost.co.nz/about-us/investor-centre/reports-presentations

For more information on the New Zealand Group, visit **www.nzpost.co.nz**

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