



# Annual Report

**New Zealand Post Group**  
For the year ended 30 June 2021



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# Directors' Report 2020/21

NZ Post is pleased to report a profit of \$32m for the year ended 30 June 2021 a \$26m increase over the prior year. This growth in profit has been driven by a strong year in our parcel segment and an increase in earnings from our share in Kiwi Group Holdings.

The parcel segment delivered earnings before interest and tax (EBIT) of \$21m compared with \$15m for FY20 (which included \$11m of COVID wage subsidy). This earnings growth was through volume increases proactive revenue management (a pricing strategy that will support a sustainable parcel business) and strong cost control. The parcel volume increase was 7% greater than FY20. We also saw particularly strong international outbound demand in late 2020 as Kiwis sent parcels overseas for Christmas.

Letter volumes continue to decline as New Zealanders choose different communication methods. In FY21 there were 42.8 million (14%) fewer letters delivered than in FY20, contributing to the overall \$45m decline in revenue in the Mail segment. FY21 was the first year of our three-year contract (through to FY23) for mail services with the Government, which provides funding of up to \$130m. This year we drew down \$32m of this funding to offset losses from the mail service. We are also continuing to have constructive dialogue with Government over the long-term solution for mail.

We completed a significant debt re-financing exercise in May 2021, redeeming \$200m of NZX listed finance notes and replacing these with a new \$200m debt facility with CBA Bank which provides financing flexibility and significant future interest savings.

The consolidation of our brands through the launch of the revitalised NZ Post brand has resulted in a one off, non-cash \$41m impairment charge to write off, among others, the CourierPost and Pace brands. Investment in our new brand commenced in FY21 and will continue over the next 3 years.

Other significant achievements include:

- Playing a key role in the General Election by delivering approximately 7 million items to enable Kiwis to have their say
- Working as the delivery partner for the Ministry of Health for the distribution of the COVID vaccine right across New Zealand
- Being recognised through independent testing by Kantar as delivering 98% of domestic parcels on time during the busy Christmas period
- Net promoter score (NPS) improvements showing greater customer advocacy of NZ Post – our NPS process measures how business, consumers, receivers, website and contact centre users rate our performance
- Launching a range of new products – Same Day/Evening delivery, Express Tonight and tracking for all consumer parcel sending
- The purchase of Supply Chain Solutions in July 2021, a third-party logistics and warehousing company, following the announcement in June 2021 of the planned closure of our Contract Logistics business.

We believe that the growth in parcel volumes due to higher levels of online shopping is a permanent step change both in New Zealand and globally. This reinforces NZ Post's strategy and 10-year investment in our network transformation programme, which is geared to meet growth in domestic and international parcel volume.

This \$170m investment in our network has continued at pace in FY21 with the construction of a new parcel 'super depot' in Grenada, Wellington and an upgrade to the building that houses our Southern Operations Centre, and which will become our Christchurch Processing Centre, both to be completed in 2022. Also a new processing centre in Wiri, Auckland, is scheduled for completion 2023. In addition to the investment in the physical network NZ Post is investing heavily in digital enablement and data utilisation to improve our operations. This investment will enhance customer experience through delivery efficiency and greater digital parcel transparency as we deliver across New Zealand.

NZ Post takes an integrated approach to its business and strategies, considering the impacts and opportunities for value creation across a range of threads (referred to as capitals in the International Integrated Reporting Framework and Integrated Thinking Principles). These threads, all of which contribute to our financial success include, as well as commercial, people, customers, networks, partnerships and environment. We report against our threads in detail in our annual Integrated Report.

People are central to what we do at NZ Post, and critical to our success, which is why it is a place where our people, both employees and contractors, are valued, belong and thrive. A strong focus of our people initiatives is safety and wellbeing, which is reflected in both our SHED (Safe Home Every Day) and LIFE (Living It Fully Everyday) programmes to support our people in keeping themselves safe and healthy. While we have disappointingly seen an increase in recordable injuries across the year, pleasingly we have seen a significant decline in the critical events that can give rise to more serious injuries. The Board maintains a keen focus on the safety of our people, including periodic visits by Directors to our operating sites.

NZ Post is committed to its communities and the environment. Our partnership with The Red Cross is now in its 10th year, and this year a new community initiative, Delivering for Good, was launched. Sustainability programmes, such as our EV incentive and consumer packaging changes, target reducing carbon emissions across the NZ Post eco-system and are well embedded in the business.

The Board is very pleased with NZ Post's FY21 financial and operational performance particularly given the backdrop of continued COVID uncertainty. We are proud to continue to rise to the challenge of being the best delivery business for New Zealand, and the critical role NZ Post has in the recovery and growth of the New Zealand economy.

## NZ Post Group Financial Highlights

<b>Profit and Loss</b>	<b>FY21 (\$m)</b>	<b>FY20 (\$m)</b>	<b>Change</b>
Reported Profit Before Interest & Tax	47	25	22
Adjustments to normalise profit:			
<i>Brands impairment</i>	41		
<i>Holidays Act remediation release</i>	(10)		
<i>COVID-19 wage subsidy</i>		(30)	
<i>Other</i>	(4)	5	
Total adjustments	27	(25)	52
<b>Normalised profit before interest and tax</b>	<b>74</b>	<b>0</b>	<b>74</b>
<i>Split by operating segment:</i>			
Parcels	21	4	17
Mail	–	(10)	10
Other products and services	(10)	(12)	2
Investments	63	18	45
<b>Normalised profit before interest and tax</b>	<b>74</b>	<b>0</b>	<b>74</b>
<b>Balance Sheet</b>			
	<b>FY21 (\$m)</b>	<b>FY20 (\$m)</b>	<b>Change</b>
<b>Borrowings (external debt)</b>	34	200	(166)
Weighted average interest rate on borrowings (as at 30 June)	0.9%	6.7%	(5.8%)
<b>Cashflows</b>			
	<b>FY21 (\$m)</b>	<b>FY20 (\$m)</b>	<b>Change</b>
Cashflows from operations (excl. COVID-19 wage subsidy in FY20)	62	35	27

### Notes:

1. This table needs to be read in conjunction with the attached audited financial statements.
2. This table is a non-GAAP view, with the aim of presenting readers with a simplified view of the underlying business performance. It does this by identifying and adjusting for any items which don't reflect the underlying ordinary trading position of the business.
3. The section of the table, "split by operating segment", is shown net of the \$30m COVID-19 wage subsidy received in FY20.

# Primary Statements

## Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2021

	Note	2021 \$m	2020 \$m
Revenue	4	<b>942</b>	911
Other revenue	5	<b>34</b>	30
Expenditure	6	<b>(887)</b>	(865)
Depreciation	11, 13	<b>(48)</b>	(47)
Amortisation	12	<b>(14)</b>	(12)
<b>Operating profit</b>		<b>27</b>	17
Impairment	19	<b>(48)</b>	(7)
Financial instruments at fair value net gain / (loss)		<b>5</b>	(3)
Share of net profit of jointly controlled entity	8(d)	<b>63</b>	18
<b>Profit before interest and tax</b>		<b>47</b>	25
Interest income		<b>1</b>	3
Interest expense		<b>(17)</b>	(22)
<b>Net finance costs</b>		<b>(16)</b>	(19)
<b>Profit before tax</b>		<b>31</b>	6
Income tax credit	7	<b>1</b>	–
<b>Profit for the year</b>		<b>32</b>	6
<b>Attributable to:</b>			
Owners of New Zealand Post Limited		<b>32</b>	6
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Gains on revaluation of land and buildings – net of deferred tax		<b>4</b>	–
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Share of other comprehensive income / (loss) of jointly controlled entity	8(d)	<b>21</b>	(4)
<b>Total other comprehensive profit / (loss) net of tax</b>	22(b)	<b>25</b>	(4)
<b>Total comprehensive profit net of tax</b>		<b>57</b>	2
<b>Total comprehensive profit for the year attributable to Owners</b>		<b>57</b>	2

The accompanying notes form part of these financial statements.

## Statement of Changes in Equity

For the year ended 30 June 2021

	Note	Fully Paid Ordinary Shares \$m	Other Reserves \$m	Retained Earnings \$m	Total \$m
<b>Balance as at 30 June 2019</b>		192	34	936	1,162
NZ Post IFRS 16 transition adjustments		-	-	4	4
<b>Restated balance as at 1 July 2019</b>		192	34	940	1,166
Profit for the year		-	-	6	6
Other comprehensive loss	22(b)	-	(4)	-	(4)
<b>Total comprehensive profit / (loss) for the year attributable to the Owner</b>		-	(4)	6	2
<b>Transactions with Owner</b>					
Shares issued		80	-	-	80
<b>Balance as at 30 June 2020</b>		272	30	946	1,248
<b>Balance as at 1 July 2020</b>		<b>272</b>	<b>30</b>	<b>946</b>	<b>1,248</b>
Profit for the year		-	-	32	32
Other comprehensive profit	22(b)	-	25	-	25
<b>Total comprehensive profit for the year attributable to the Owner</b>		-	25	32	57
<b>Balance as at 30 June 2021</b>		<b>272</b>	<b>55</b>	<b>978</b>	<b>1,305</b>

The accompanying notes form part of these financial statements.

## Primary Statements (continued)

### Statement of Financial Position

As at 30 June 2021

	Note	2021 \$m	2020 \$m
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	72	129
Short-term deposits	9	–	143
Trade and other receivables	10	150	150
Inventories		4	4
Derivative financial assets	21	1	–
Prepaid project costs	11	21	–
Prepayments		8	8
<b>Total current assets</b>		<b>256</b>	434
<b>Non-current assets</b>			
Trade and other receivables	10	–	14
Property, plant and equipment	11	91	79
Right-of-use assets	13(a)	190	216
Intangible assets	12	183	224
Investment properties	18	18	14
Investment in jointly controlled entity	8(b)	1,011	939
<b>Total non-current assets</b>		<b>1,493</b>	1,486
<b>Total assets</b>		<b>1,749</b>	1,920

The accompanying notes form part of these financial statements.

**Statement of Financial Position (continued)**

As at 30 June 2021

	Note	2021 \$m	2020 \$m
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	14	138	132
Contract liabilities	15	44	49
Provisions	16	20	45
Derivative financial liabilities	21	-	1
Lease liabilities	13(c)	38	35
<b>Total current liabilities</b>		<b>240</b>	262
<b>Non-current liabilities</b>			
Trade and other payables	14	6	3
Provisions	16	4	4
Derivative financial liabilities	21	-	14
Lease liabilities	13(c)	160	189
Borrowings	20	34	200
<b>Total non-current liabilities</b>		<b>204</b>	410
<b>Total liabilities</b>		<b>444</b>	672
<b>Net assets</b>		<b>1,305</b>	1,248
<b>EQUITY</b>			
Share capital	22(a)	272	272
Retained earnings		978	946
Other reserves	22(b)	55	30
<b>Total equity</b>		<b>1,305</b>	1,248

The Board of Directors of New Zealand Post Limited authorised these financial statements for issue on 31 August 2021.



**Rodger Finlay**  
Chair



**Carol Campbell**  
Director

The accompanying notes form part of these financial statements.

## Primary Statements (continued)

### Statement of Cash Flows

For the year ended 30 June 2021

	Note	2021 \$m	2020 \$m
<b>Cash flows from operating activities</b>			
Receipts from customers		961	909
Receipts from government contract for mail services		24	–
Interest received		2	9
Receipt of COVID-19 wage subsidy		–	30
Interest paid		(19)	(26)
Net payments to agencies		(37)	(19)
Payments to suppliers and employees		(869)	(838)
<b>Net cash flows from operating activities</b>		<b>62</b>	<b>65</b>
<b>Cash flows from investing activities</b>			
Sale of short-term deposits		143	10
Dividends received from jointly controlled entity	8(c)	12	6
Sale of property, plant and equipment		–	1
Purchase of derivative financial instruments		(10)	–
Purchase of intangible assets		(15)	(17)
Payments for prepaid project costs	11	(21)	–
Purchase of property, plant and equipment	11	(23)	(17)
<b>Net cash flows from / (to) investing activities</b>		<b>86</b>	<b>(17)</b>
<b>Cash flows from financing activities</b>			
Receipts from borrowings	20	35	27
Issue of shares	22	–	80
Transaction costs of borrowings	20	(1)	–
Repayment of lease liabilities		(39)	(37)
Repayment of borrowings	20	(200)	(37)
<b>Net cash flows (to) / from financing activities</b>		<b>(205)</b>	<b>33</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the year		129	48
<b>Cash and cash equivalents at the end of the year</b>	9	<b>72</b>	<b>129</b>

The accompanying notes form part of these financial statements.

**Statement of Cash Flows (continued)**

For the year ended 30 June 2021

**Reconciliation of loss to net cash flows from operating activities**

	Note	2021 \$m	2020 \$m
<b>Profit for the year</b>		<b>32</b>	6
<b>Non-cash items:</b>			
Depreciation	11, 13	<b>48</b>	47
Impairment	19	<b>48</b>	7
Amortisation	12	<b>14</b>	12
Deferred taxation	7	<b>(1)</b>	–
Bad debts provision (release) / expense	6	<b>(2)</b>	2
Financial instruments at fair value net (gain) / loss		<b>(5)</b>	3
Stockpiling provision release	15	<b>(7)</b>	–
Holidays Act remediation provision release	16	<b>(10)</b>	–
Share of net profit of jointly controlled entity	8(d)	<b>(63)</b>	(18)
Others		<b>7</b>	8
		<b>29</b>	61
<b>Changes in assets and liabilities:</b>			
Decrease in trade and other receivables		<b>16</b>	8
Increase / (decrease) in trade and other payables		<b>9</b>	(2)
Increase / (decrease) in contract liabilities		<b>2</b>	(5)
(Increase) / decrease in derivative financial instruments		<b>(11)</b>	3
Decrease in provisions		<b>(15)</b>	(6)
		<b>1</b>	(2)
<b>Net cash flows from operating activities</b>		<b>62</b>	65

The accompanying notes form part of these financial statements.

# Basis of Preparation

## Note 1. Reporting Entity and Statutory Base

These financial statements are for New Zealand Post Limited (“NZ Post” or the “Company”) and its subsidiaries (“NZ Post” or “the Group”) for the year ended 30 June 2021. NZ Post is a for-profit entity incorporated and domiciled in New Zealand with its registered office at 7 Waterloo Quay, Wellington, New Zealand.

NZ Post, Tukurau Aotearoa, is a New Zealand-based delivery and eCommerce logistics company, with global reach.

## Note 2. Basis of Accounting

### Note 2(a). Basis of preparation

The Company is a FMC Reporting Entity under the Financial Markets Conduct Act 2013 and the 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 New Zealand accounting standards and authoritative notices applicable to entities that apply NZ IFRS, and;
- the requirements of the Companies Act 1993, the Financial Reporting Act 2013, and the State-Owned Enterprises Act 1986.

The financial statements have been prepared using historical cost, as modified by the revaluation of certain assets and liabilities at fair value and the accrual basis of accounting. They are presented in New Zealand dollars which is the presentation currency of the Group and functional currency of the Company and each of the Company’s subsidiaries. All values are expressed in millions of New Zealand dollars unless otherwise stated.

The financial statements have been prepared using the going concern assumption.

All accounting policies have been applied consistently with the prior year.

## Note 2. Basis of Accounting (continued)

### Note 2(b). Critical accounting judgements, estimates and assumptions

Key judgements and estimates made in compiling these financial statements are highlighted in the notes and summarised below. Significant changes in any of these could have a material impact on the financial statements at 30 June 2021.

Note 7	Income Tax	Page 21	No recognition of net deferred tax asset
Note 8	Investment in Jointly Controlled Entity	Page 22	Level of control over jointly controlled entity
Note 11	Property, Plant and Equipment	Page 30	Useful life of property, plant and equipment
Note 12	Intangible Assets	Page 33	Useful life of brands
Note 13	Leases	Page 35	Assumptions regarding lease terms
Note 15	Contract Liabilities	Page 40	Assumptions in revenue deferral models
Note 16	Provisions	Page 41	Estimation of holiday pay provision
Note 18	Fair Value	Page 42	Valuation of assets and liabilities carried at fair value
Note 19	Impairment of Non-Financial Assets	Page 45	Valuation of non-financial assets

### Note 2(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of NZ Post and its subsidiaries. Jointly controlled entities have been equity accounted. Material subsidiaries and jointly controlled entities at 30 June 2021 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	Principal activities
Kiwi Group Holdings Limited ("KGH")	New Zealand	NZD	Jointly controlled entity 53%	Holding Company

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

All subsidiaries and jointly controlled entities have a balance date of 30 June and where necessary, adjustments are made to their financial statements to bring their accounting policies in line with the Group's policies. In preparing these financial statements, all intercompany balances and transactions have been eliminated.

## Basis of Preparation (continued)

### Note 2. Basis of Accounting (continued)

#### Note 2(d). Foreign exchange

Transactions in foreign currencies are translated into NZD 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 historical cost are translated using the exchange rate at the date of transaction.

#### Note 2(e). 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(f). Other accounting policies

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

#### Note 2(g). Standards and interpretations effective in the current period

##### IFRIC agenda decisions on Software-as-a-Service (SaaS) arrangements

The IFRS Interpretations Committee (IFRIC) has published two agenda decisions clarifying how SaaS arrangements in respect of a specific part of cloud technology should be accounted for.

The first agenda decision, which was published in March 2019, concludes that these arrangements are likely to be service arrangements, rather than intangible or leased assets, on the basis that the customer typically only has a right to receive future access to the supplier's software running on the supplier's cloud infrastructure. Therefore, the supplier controls the intellectual property of the underlying software code.

The second agenda decision, which published in April 2021, deals with specific circumstances in relation to configuration and customisation costs incurred in implementing such arrangements:

- in limited circumstances, certain configuration and customisation activities undertaken in implementing SaaS arrangements may give rise to a separate asset where the customer controls the intellectual property of the underlying software code.
- in all other instances, configuration and customisation costs will be an operating expense.

NZ Post has performed a preliminary consideration of the impact of these IFRIC agenda decisions on the Group, ahead of a more detailed review. NZ Post has assessed that the agenda decisions do not have a material impact on the financial statements.

There are no other new standards, amendments or interpretations which are effective for financial year from 1 July 2020 that are material to the Group.

#### Note 2(h). Adoption status of relevant new standards and interpretations

The final version of NZ IFRS 17 Insurance Contracts was issued in August 2017 and is not effective for the Group until 1 July 2023. On 20 August 2020, the External Reporting Board ("XRB") issued an amendment to NZ IFRS 17 that deferred the effective date to reporting periods beginning on or after 1 January 2023. NZ IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts.

The new standard has no impact on NZ Post as they do not issue insurance or reinsurance contracts or hold reinsurance contracts, but the KGH Group does. KGH's subsidiary, Kiwi Insurance Limited, issues insurance and reinsurance contracts, as well as holds reinsurance contracts. Kiwi Insurance Limited has commenced an impact assessment for the adoption of NZ IFRS 17. However, KGH has reviewed its investment in Kiwi Insurance Limited during the year and concluded to classify it as a disposal group held for sale and a discontinued operation as at 30 June 2021. Due to the sale of the business, further work on implementation has not begun.

# Financial Performance

## Note 3. Segment Information

Segment	Function
Mail	Delivery of letters and untracked parcels, customer communications (including mail house services), and bill payment services.
Parcels	Delivery of tracked parcels and provision of courier services.
Other products and services (“OPS”)	Third party logistics and international freight services, and collectable Stamps and Coins.
Investments	The Group’s investment in Kiwi Group Holdings Limited.

The Group’s reportable segments are the same as those used by the Executive Leadership Team (assessed to be the Chief Operating Decision Maker, CODM) have primarily been determined with reference to differences in products and services. The composition of the Mail and Other Products and Services segments and treatment of depreciation for impaired mail assets has changed. The changes result from the Government contract for mail services and have been applied consistently in the current and prior period. The comparative segment disclosure has been restated to align with the basis used for the current year. Management has considered the net losses in both the Mail (pre-government contract for mail services) and OPS segments for the year ended 30 June 2021 and recognised a further impairment of mail assets acquired during the period and an impairment of third-party logistics assets. Details of this assessment are set out in Note 19.

For the year ended 30 June 2021	Mail \$m	Parcels \$m	Other Products and Services \$m	Investments \$m	Group \$m
Delivery of services <sup>(1)</sup>	352	521	32	–	905
Sale of goods	–	–	9	–	9
<b>Total segment revenue</b>	<b>352</b>	<b>521</b>	<b>41</b>	<b>–</b>	<b>914</b>
<b>Segment profit / (loss) before interest and tax</b>	<b>–</b>	<b>21</b>	<b>(10)</b>	<b>63</b>	<b>74</b>
Included in the above are the following specific items:					
<b>Specific segment other income</b>					
Share of net profits of jointly controlled entity	–	–	–	63	63
Government contract for mail services	32	–	–	–	32
<b>Specific segment expenditure</b>					
Impairment	(5)	–	–	–	(5)
Depreciation and amortisation	(28)	(32)	(2)	–	(62)

(1) Delivery of services revenue per the segment note of \$905 million differs to amount disclosed in Note 4 of \$912 million due to the exclusion of the stockpiling provision release of \$7 million.

## Financial Performance (continued)

### Note 3. Segment Information (continued)

<b>Reconciliation to consolidated Statement of Profit or Loss and Other Comprehensive Income</b>	<b>\$m</b>
<b>Revenue per segment note</b>	<b>914</b>
Transport revenue	16
Stockpiling provision release <sup>(1)</sup>	7
Corporate revenue	3
Investment property income	2
<b>Total revenue for the year ended 30 June 2021</b>	<b>942</b>
<b>Profit before interest and tax per segment note</b>	<b>74</b>
Brand impairment	(41)
Holidays Act remediation provision release	10
Stockpiling provision release <sup>(1)</sup>	7
Financial instruments at fair value net gain	5
Store network change costs	(1)
Contract logistics exit costs (including impairment)	(3)
Other	(4)
<b>Profit before interest and tax</b>	<b>47</b>

(1) Delivery of services revenue per the segment note of \$905 million differs to amount disclosed in Note 4 of \$912 million due to the exclusion of the stockpiling provision release of \$7 million.

### Note 3. Segment Information (continued)

For the year ended 30 June 2020	Mail \$m	Parcels \$m	Other Products and Services \$m	Investments \$m	Group \$m
Delivery of services	397	448	31	–	876
Sale of goods	–	–	7	–	7
<b>Total segment revenue</b>	397	448	38	–	883
<b>Segment profit / (loss) before interest and tax</b>	8	15	(11)	18	30
Included in the above are the following specific items:					
<b>Specific segment other income</b>					
Share of net profits of jointly controlled entity	–	–	–	18	18
Other revenue: COVID-19 wage subsidy	18	11	1	–	30
<b>Specific segment expenditure</b>					
Impairment	(7)	–	–	–	(7)
Depreciation and amortisation	(26)	(27)	(6)	–	(59)
<b>Reconciliation to consolidated Statement of Profit or Loss and Other Comprehensive Income</b>					<b>\$m</b>
<b>Revenue per segment note</b>					883
Transport revenue					15
Corporate revenue					9
Investment property income					4
<b>Total revenue for the year ended 30 June 2020</b>					911
<b>Profit before interest and tax per segment note</b>					30
Store network change costs					(3)
Financial instruments at fair value net loss					(3)
Other					1
<b>Profit before interest and tax</b>					25

## Financial Performance (continued)

### Note 4. Revenue

	2021 \$m	2020 \$m
Delivery of services	912	876
Transport revenue	16	15
Sale of goods	9	7
Corporate revenue	3	9
Investment property income	2	4
<b>Total revenue</b>	<b>942</b>	<b>911</b>

#### Policies

##### Delivery of services

Revenue from the delivery of services is recognised over time as performance obligations are fulfilled. This is typically over the period of the goods being collected for delivery and delivered to the requested destination/recipient. All revenue portfolios are classified as delivery of services with the exception of collectable Stamps and Coins which is recognised as sale of goods.

##### Sale of goods

Revenue from the sale of collectable Stamps and Coins is recognised at a point in time when control has been transferred to the buyer and collectability of the related receivables is reasonably assured.

##### Contract portfolios

NZ Post aggregates contracts with similar performance obligations and assesses them as a portfolio.

##### Over time revenue:

###### *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 recognising revenue relating to this portfolio are:

- 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 *Revenue from Contract with Customers* for delivering these services.

Key judgments in recognising revenue relating to this portfolio were:

- The identification of a single distinct obligation to deliver and that other activities NZ Post undertakes in relation to this highly interrelated with this obligation.
- Key estimates have been made around international mail volumes. Statistical sampling methods are used to establish these volumes, which determines the amount due from other international postal organisations.

## Note 4. Revenue (continued)

- 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 recognising revenue relating 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 simultaneously receive and consume the benefits of access across the year. Revenue is received in advance and held as a contract liability on the Statement of Financial Position until recognised as revenue when performance obligations are satisfied.

### *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.

### **Point in time revenue:**

#### *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 (if sold by the store network) or at time of dispatch (if sold via the website).

#### *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 themselves an agent for delivering these services under NZ IFRS 15.

## Financial Performance (continued)

### Note 5. Other Revenue

	2021 \$m	2020 \$m
Government contract for mail services	32	–
Property revaluation	2	–
COVID-19 wage subsidy	–	30
<b>Total other revenue</b>	<b>34</b>	<b>30</b>

#### Government contract for mail services

NZ Post entered into a contract for mail services with the Government during the 2020 financial year. For the year ended 30 June 2021, income of \$32 million from the service contract has been recognised as other revenue in the Statement of Profit or Loss and Other Comprehensive Income, in line with the mail segment losses for which the grant is provided to compensate.

The service contract provides funding of up to \$130 million for the period FY2021 to FY2023 to maintain a break-even financial result in the mail operating segment as mail volume declines.

The contract includes terms around maintaining mail service levels, has constraints on the mail price path and requirements for cost savings. All of these conditions were met during the year. The funding has allowed NZ Post the necessary time to work with the Crown and relevant stakeholders to develop a financially sustainable mail operating model in the medium term. These discussions continue. Management has assessed the combined obligations under the service contract and Deed of Understanding and concluded they do not form an onerous contract.

**Note 6. Expenditure**

	Note	2021 \$m	2020 \$m
Contracted delivery services		386	352
Production costs		22	20
Salaries and wages		286	283
Superannuation – defined contribution plans		11	11
Restructuring costs		5	3
Holidays Act remediation provision release	16	(10)	–
Other personnel costs		29	39
<b>Employee expenses</b>		<b>321</b>	<b>336</b>
Computer expenses		46	42
Retail agency remuneration		27	23
Property operational outgoings		26	26
Repairs and maintenance		12	12
Marketing		9	6
Other operating lease and rental costs		8	8
Professional services		6	8
Communications		6	7
Training and travel		3	4
Office expenses		3	4
Fees paid to auditors		1	1
Cost recovery <sup>(1)</sup>		(1)	(3)
Bad debts provision (release) / expense		(2)	2
Other expenditure		14	17
<b>Other expenses</b>		<b>158</b>	<b>157</b>
<b>Total expenditure</b>		<b>887</b>	<b>865</b>

(1) Cost recovery is expenditure incurred by the Company and recovered from its jointly controlled entity.

## Financial Performance (continued)

### Note 6. Expenditure (continued)

#### Policies

##### Employee expenses

Employee entitlements to salaries and wages, bonuses, annual leave, long service leave, retiring leave and other similar benefits are recognised when they accrue to employees, being when services are provided by 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.

	2021 \$000	2020 \$000
<b>Fees paid to auditors</b>		
Audit and review of financial statements <sup>(1)</sup>	1,035	1,017
Additional fees for variation of audit scope <sup>(2)</sup>	60	200
<b>Other services</b>		
Other assurance services <sup>(3)</sup>	5	8
Assessing the design of NZ Post's future state processes, controls and calculations for determining future holiday pay	3	74
Treasury-related analysis and commentary	-	3
<b>Total other services</b>	<b>8</b>	<b>85</b>
<b>Total fees paid to auditors</b>	<b>1,103</b>	<b>1,302</b>

PricewaterhouseCoopers is the auditor of the New Zealand Post Superannuation Plan, which has audit fees of \$35,700 (FY2020: \$41,183) and other assurance fees of \$45,000 (FY2020: \$36,513). PricewaterhouseCoopers, on behalf of the OAG, is also the auditor of KGH 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 (FY2020: same).

(2) These relate to fees paid for additional in-scope audit services for FY2020 (\$60,000) and FY2019 (\$200,000).

(3) Other assurance services include a limited assurance engagement on compliance with certain matters in the Trust Deed (FY2020 only) and a review of the earnings statement (FY2020: same).

**Note 7. Income Tax**

	2021 \$m	2020 \$m
Profit before income tax	31	6
Tax at 28%	9	2
Non-assessable revenue – income from jointly controlled entity	(18)	(5)
Non-assessable revenue – other	–	(8)
Non-deductible expenditure	12	8
Re-recognition of tax base on buildings	–	(3)
Other tax adjustments	(1)	1
(Utilisation) / derecognition of net deferred tax asset	(3)	5
<b>Income tax credit</b>	<b>(1)</b>	<b>–</b>
Comprising:		
Deferred tax	(1)	–
<b>Total income tax credit</b>	<b>(1)</b>	<b>–</b>
Imputation credits available for use in the future	316	311

The Group has \$72 million of unrecognised income tax losses and temporary differences to carry forward at 30 June 2021 (FY2020: \$64 million).

**Policies****Current taxes**

The current income tax charge is calculated using tax rates (and laws) that have been enacted or substantively enacted at the balance 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 is calculated 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 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 liabilities are recognised for all taxable temporary differences. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities.

**Key Judgements and Estimates****Derecognition of deferred tax asset**

Significant management judgement has been exercised to determine that future taxable profits are beyond a reliable forecast horizon and that no net deferred tax asset should be recognised.

The unrecognised net deferred tax asset of \$72 million at 30 June 2021 comprises deductible timing differences, (including fixed assets and intangibles) of \$27 million, prior year carried forward unused tax losses of \$39 million and current year carried forward unused tax losses of \$6 million.

# Operating Assets and Liabilities

## Note 8. Investment in Jointly Controlled Entity

NZ Post holds a 53% shareholding in KGH which has been equity accounted in the Group financial statements.

Subsequent to balance date, NZ Post entered into a new joint venture with Supply Chain Solutions (NZ) (2021) Limited which provides third party logistics and warehousing services. Further details are disclosed in Note 25.

### Note 8(a). Summarised Statement of Financial Position of KGH

	2021 \$m	2020 <sup>(1)</sup> \$m
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	743	523
Due from other financial institutions	26	105
Due from related parties	-	2
Investment securities	1,705	1,908
Loans and advances	1,735	1,495
Assets held for sale	21	-
Derivative financial assets	23	78
Right-of-use asset	14	-
Deferred tax asset	-	42
Other assets	52	49
<b>Total current assets</b>	<b>4,319</b>	<b>4,202</b>
<b>Non-current assets</b>		
Loans and advances	23,445	20,713
Derivative financial assets	205	356
Intangible assets	139	149
Property, plant and equipment	57	54
Right-of-use assets	102	102
Deferred tax asset	19	(6)
Other assets	3	6
<b>Total non-current assets</b>	<b>23,970</b>	<b>21,374</b>
<b>Total assets</b>	<b>28,289</b>	<b>25,576</b>

**Note 8. Investment in Jointly Controlled Entity (continued)**

	2021 \$m	2020 <sup>(1)</sup> \$m
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Due to financial institutions	145	317
Due to related parties	4	5
Deposits and other borrowings	22,076	20,183
Debt securities issued	730	769
Derivative financial liabilities	34	81
Lease liabilities	15	13
Liabilities held for sale	(2)	–
Other liabilities	118	163
<b>Total current liabilities</b>	<b>23,120</b>	21,531
<b>Non-current liabilities</b>		
Due to financial institutions	573	–
Deposits and other borrowings	313	400
Debt securities issued	1,814	1,460
Derivative financial liabilities	161	319
Term subordinated debt	405	131
Lease liabilities	110	91
Other liabilities	4	(3)
<b>Total non-current liabilities</b>	<b>3,380</b>	2,398
<b>Total liabilities</b>	<b>26,500</b>	23,929
<b>Net assets</b>	<b>1,789</b>	1,647

(1) In the current period, when the provision for credit impairment exceeds the carrying amount of undrawn balances, the excess has been presented as 'Other liabilities' to reflect the expected credit loss for undrawn commitments. Comparatives have been restated to align with the current year's presentation and the requirements of NZ IFRS 7, *Financial Instruments: Disclosures*. Therefore, 'Loans and advances' and 'Other Liabilities' as at 30 June 2020 have increased by \$8 million.

## Operating Assets and Liabilities (continued)

### Note 8. Investment in Jointly Controlled Entity (continued)

#### Note 8(b). Reconciliation of Group's carrying value of KGH

	2021 \$m	2020 \$m
Total identifiable net assets of KGH	1,789	1,647
Share of investment	53%	53%
Group's share of identifiable net assets	948	873
Group's share of goodwill and other additional intangible assets at 31 October 2016	65	65
Adjustment for impairment on intangible assets with nil fair value in the purchase price allocation	27	27
Accumulated amortisation on other additional intangible assets	(29)	(26)
<b>Carrying value of the Group's investment in KGH</b>	<b>1,011</b>	939

#### Note 8(c). Reconciliation of movements in Group's carrying value of KGH

	2021 \$m	2020 \$m
Opening carrying value	939	931
Share of net profit of KGH	63	18
Share of other comprehensive income / (loss) of KGH	21	(4)
Dividends received	(12)	(6)
<b>Group's carrying value of KGH</b>	<b>1,011</b>	939

**Note 8. Investment in Jointly Controlled Entity (continued)****Note 8(d). Summarised Statement of Profit or Loss and Other Comprehensive Income of KGH for the year**

	2021 \$m	2020 <sup>(1)</sup> \$m
Interest income	767	899
Interest expense	(234)	(439)
Net gains on financial instruments	8	13
Other operating income	112	126
<b>Total operating income</b>	<b>653</b>	599
Operating expenses	(488)	(468)
<b>Profit before impairment, taxation and finance costs</b>	<b>165</b>	131
Credit impairment reversals / (losses)	19	(51)
Other impairment losses	-	(15)
<b>Profit before finance costs and taxation</b>	<b>184</b>	65
Finance costs	(10)	(14)
Remeasurement of subordinated debt	-	20
<b>Profit before taxation</b>	<b>174</b>	71
Income tax expense	(48)	(22)
Profit after taxation from continued operations	126	49
Profit after taxation from discontinued operations	4	3
<b>Profit after taxation</b>	<b>130</b>	52

(1) In the current period, KGH has renamed 'Net fee and other income' to 'Other operating income' and reclassified certain expenses to direct fee expenses or to net amounts against gross revenue within 'Other operating income'. Comparatives have been reclassified to align with the current year's presentation. 'Operating expenses' and 'Other operating income' have decreased by \$20 million for the year ended 30 June 2020.

## Operating Assets and Liabilities (continued)

### Note 8. Investment in Jointly Controlled Entity (continued)

#### Note 8(d). Summarised Statement of Profit or Loss and Other Comprehensive Income of KGH (continued)

	2021 \$m	2020 \$m
<b>Profit after taxation</b>	<b>130</b>	52
Group's 53% share of profit	<b>69</b>	28
Adjustment on consolidation of Group's share of net profit <sup>(1)</sup>	<b>(3)</b>	(4)
Adjustment for perpetual capital note distributions <sup>(2)</sup>	<b>(3)</b>	(6)
<b>Group's total 53% share of profit after taxation</b>	<b>63</b>	18
KGH other comprehensive income / (loss)	<b>40</b>	(9)
<b>Group's 53% share of other comprehensive income / (loss)</b>	<b>21</b>	(4)

(1) This relates to the amortisation of intangible assets identified from the sale of 47% KGH in October 2016.

(2) This relates to NZ Post's share of the distributions paid during the period by KGH (or KCFL) on the notes issued in FY2015. NZ Post does not hold any of these notes.

#### Note 8(e). KGH commitments

	2021 \$m	2020 \$m
Capital commitments	<b>5</b>	6
Letters of credit and performance-related contingencies	<b>60</b>	47
Undrawn loan commitments	<b>4,261</b>	3,780
<b>Total commitments</b>	<b>4,326</b>	3,833
<b>Group's 53% share of commitments</b>	<b>2,293</b>	2,031

## Note 8. Investment in Jointly Controlled Entity (continued)

### Note 8(f). KGH contingencies

#### Contingent Liabilities

##### *Compliance, regulation and remediation*

KGH may be subject to regulatory actions that require remediation. A contingent liability may exist, in the respect of actual or potential claims, payments or refunds to customers or other counterparties,

where the law is uncertain, and the potential liability cannot accurately be determined. As at 30 June 2021, the KGH Group has carried out an assessment of likely loss, and, where it can be reliably estimated, an appropriate provision is recognised.

#### Policies

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

Under the equity method of accounting, investments 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 investment

in the jointly controlled entity (which includes any long-term investments 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 19 for impairment policy).

#### Key Judgements and Estimates

The Group has a 53% shareholding in Kiwi Group Holdings Limited (a New Zealand incorporated and domiciled Group). 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 NZ Post and one other shareholder. 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 \$5 million.

Management do not believe that the Group 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 (continued)

### Note 9. Cash and Short-term Deposits

	2021 \$m	2020 \$m
<b>Cash and cash equivalents</b>		
Cash on hand	4	6
Cash at bank	68	83
Cash equivalents	-	40
<b>Total cash and cash equivalents</b>	<b>72</b>	<b>129</b>
<b>Short-term deposits</b>		
Short-term deposits	-	143
<b>Total short-term deposits</b>	<b>-</b>	<b>143</b>

Included within cash at bank is \$65 million (FY2020: \$171 million) of cash offset by a \$1 million (FY2020: \$92 million) 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 10. Trade and Other Receivables

	2021 \$m	2020 \$m
Trade receivables	151	166
Provision for impairment	(3)	(6)
Finance lease receivable	2	3
Interest receivable	-	1
<b>Total trade and other receivables</b>	<b>150</b>	<b>164</b>
<i>Comprising:</i>		
Current trade and other receivables	150	150
Non-current trade and other receivables	-	14
<b>Total trade and other receivables</b>	<b>150</b>	<b>164</b>
<b>Trade receivables past due but not impaired</b>		
Past due up to 30 days	24	17
Past due 31 – 60 days	2	1
Past due 61 – 90 days	-	1
Past due > 90 days	-	-
<b>Total trade receivables past due but not impaired</b>	<b>26</b>	<b>19</b>

Included within trade and other receivables is \$38 million (FY2020: \$44 million) of trade receivables offset by \$13 million (FY2020: \$15 million) trade payables which are part of a master netting arrangement for international mail transactions.

### 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. 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, including the impacts of COVID-19.

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 (continued)

### Note 11. Property, Plant and Equipment

	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
<b>Cost or valuation</b>							
Balance as at 1 July 2020	35	16	71	26	144	2	294
Additions	-	-	-	-	2	21	23
Transfers	(3)	-	4	1	6	(11)	(3)
Disposals	-	-	(4)	-	(1)	-	(5)
Net revaluation of land and buildings	6	-	-	-	-	-	6
<b>Balance as at 30 June 2021</b>	<b>38</b>	<b>16</b>	<b>71</b>	<b>27</b>	<b>151</b>	<b>12</b>	<b>315</b>
<b>Accumulated depreciation and impairment</b>							
Balance as at 1 July 2020	-	(14)	(56)	(22)	(123)	-	(215)
Depreciation	-	(1)	(3)	(2)	(3)	-	(9)
Impairment	-	-	(2)	-	(2)	-	(4)
Disposals	-	-	3	-	1	-	4
<b>Balance as at 30 June 2021</b>	<b>-</b>	<b>(15)</b>	<b>(58)</b>	<b>(24)</b>	<b>(127)</b>	<b>-</b>	<b>(224)</b>
<b>Net book value</b>							
Cost or valuation	38	16	71	27	151	12	315
Accumulated depreciation and impairment	-	(15)	(58)	(24)	(127)	-	(224)
<b>Balance as at 30 June 2021</b>	<b>38</b>	<b>1</b>	<b>13</b>	<b>3</b>	<b>23</b>	<b>12</b>	<b>91</b>

**Note 11. Property, Plant and Equipment (continued)**

	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
<b>Cost or valuation</b>							
Balance as at 1 July 2019	35	17	83	24	157	5	321
Additions	–	1	–	1	6	14	22
Transfers	(1)	–	7	2	7	(16)	(1)
Disposals	–	(2)	(19)	(1)	(26)	(1)	(49)
Net revaluation of land and buildings	1	–	–	–	–	–	1
<b>Balance as at 30 June 2020</b>	<b>35</b>	<b>16</b>	<b>71</b>	<b>26</b>	<b>144</b>	<b>2</b>	<b>294</b>
<b>Accumulated depreciation and impairment</b>							
Balance as at 1 July 2019	–	(15)	(67)	(21)	(137)	(1)	(241)
Depreciation	–	(1)	(3)	(2)	(4)	–	(10)
Impairment	–	–	–	–	(6)	–	(6)
Disposals	–	2	14	1	24	1	42
<b>Balance as at 30 June 2020</b>	<b>–</b>	<b>(14)</b>	<b>(56)</b>	<b>(22)</b>	<b>(123)</b>	<b>–</b>	<b>(215)</b>
<b>Net book value</b>							
Cost or valuation	35	16	71	26	144	2	294
Accumulated depreciation and impairment	–	(14)	(56)	(22)	(123)	–	(215)
<b>Balance as at 30 June 2020</b>	<b>35</b>	<b>2</b>	<b>15</b>	<b>4</b>	<b>21</b>	<b>2</b>	<b>79</b>

During the year, \$21 million of project costs for new parcel operating sites have been prepaid. When the sites have been handed over to NZ Post and the assets are available for use, the costs will be capitalised as 'Plant and equipment' in the fixed asset register.

## Operating Assets and Liabilities (continued)

### Note 11. Property, Plant and Equipment (continued)

#### Policies

The value of purchased property, plant and equipment (excluding land and buildings) 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. Additions subsequent to initial measurement are recognised at cost.

#### Depreciation and amortisation

The cost of all fixed assets (excluding land and work in progress), less their estimated residual value, is written off on a straight-line basis over the asset's estimated useful economic life. Asset useful lives and residual values are assessed annually and adjusted if required.

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 – 20
Motor vehicles	5 – 10
Computer equipment	2 – 10
Furniture, fittings and equipment	5 – 13

#### 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 2021. The land and buildings which were revalued at 30 June 2021 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 are provided in Note 18.

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.

## Note 12. Intangible Assets

	Goodwill \$m	Brands \$m	Computer Software \$m	Computer Software (Work in Progress) \$m	Total \$m
<b>Cost</b>					
Balance as at 1 July 2020	144	41	175	15	375
Additions	-	-	1	14	15
Transfers	-	-	13	(12)	1
Disposals	-	-	(1)	-	(1)
<b>Balance as at 30 June 2021</b>	<b>144</b>	<b>41</b>	<b>188</b>	<b>17</b>	<b>390</b>
<b>Accumulated amortisation and impairment</b>					
Balance as at 1 July 2020	-	-	(151)	-	(151)
Amortisation	-	-	(14)	-	(14)
Impairment	-	(41)	(1)	-	(42)
Disposals	-	-	-	-	-
<b>Balance as at 30 June 2021</b>	<b>-</b>	<b>(41)</b>	<b>(166)</b>	<b>-</b>	<b>(207)</b>
<b>Net book value</b>					
Cost	144	41	188	17	390
Accumulated amortisation and impairment	-	(41)	(166)	-	(207)
<b>Balance as at 30 June 2021</b>	<b>144</b>	<b>-</b>	<b>22</b>	<b>17</b>	<b>183</b>

## Operating Assets and Liabilities (continued)

### Note 12. Intangible Assets (continued)

	Goodwill \$m	Brands \$m	Computer Software \$m	Computer Software (Work in Progress) \$m	Total \$m
<b>Cost</b>					
Balance as at 1 July 2019	144	41	162	12	359
Additions	–	–	–	18	18
Transfers	–	–	15	(15)	–
Disposals	–	–	(2)	–	(2)
<b>Balance as at 30 June 2020</b>	<b>144</b>	<b>41</b>	<b>175</b>	<b>15</b>	<b>375</b>
<b>Accumulated amortisation and impairment</b>					
Balance as at 1 July 2019	–	–	(139)	–	(139)
Amortisation	–	–	(12)	–	(12)
<b>Balance as at 30 June 2020</b>	<b>–</b>	<b>–</b>	<b>(151)</b>	<b>–</b>	<b>(151)</b>
<b>Net book value</b>					
Cost	144	41	175	15	375
Accumulated amortisation and impairment	–	–	(151)	–	(151)
<b>Balance as at 30 June 2020</b>	<b>144</b>	<b>41</b>	<b>24</b>	<b>15</b>	<b>224</b>

At 30 June 2021, the net book value of computer software, and computer software work in progress, deemed to be internally generated is \$27 million (FY2020: \$19 million).

During the year, the brands were retired and fully amortised. Refer to Note 19.

#### Policies

##### Goodwill and brands

Goodwill and brands that have indefinite useful lives, are recognised at cost and are tested for impairment annually or whenever there are indicators of impairment (see Note 19). 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.

##### Software

The value of software is measured at the cost to acquire the asset, including directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended use, less amortisation and impairment. These costs are amortised on a straight-line basis over the estimated useful life (being 3–5 years).

### Note 13. Leases

Land and building leases relate to processing and operational facilities, Post Shops and corporate offices. These leases contain market rental reviews which are not included in the calculation of lease liabilities. Equipment leases relate to print mail assets which have been fully impaired. Fleet leases relate to company-operated vehicles. NZ Post also has a significant fleet of contractor vehicles which are short-term leases and are not capitalised.

NZ Post has entered into agreements to lease future processing centres which will be recognised as right-of-use assets from 2022 onwards.

#### Note 13(a). Right-of-use assets

	Land and Buildings \$m	Equipment \$m	Fleet \$m	Total \$m
<b>Cost</b>				
Balance as at 1 July 2020	248	5	3	256
Additions	16	2	-	18
Reassessment of lease extensions	(2)	-	-	(2)
Disposals	(6)	-	-	(6)
<b>Balance as at 30 June 2021</b>	<b>256</b>	<b>7</b>	<b>3</b>	<b>266</b>
<b>Accumulated depreciation and impairment</b>				
Balance as at 1 July 2020	(34)	(5)	(1)	(40)
Depreciation	(38)	-	(1)	(39)
Depreciation disposal	5	-	-	5
Impairment	-	(2)	-	(2)
<b>Balance as at 30 June 2021</b>	<b>(67)</b>	<b>(7)</b>	<b>(2)</b>	<b>(76)</b>
<b>Net book value</b>				
Cost	256	7	3	266
Accumulated depreciation and impairment	(67)	(7)	(2)	(76)
<b>Balance as at 30 June 2021</b>	<b>189</b>	<b>-</b>	<b>1</b>	<b>190</b>

## Operating Assets and Liabilities (continued)

### Note 13. Leases (continued)

	Land and Buildings \$m	Equipment \$m	Fleet \$m	Total \$m
<b>Cost</b>				
Balance as at 1 July 2019	295	5	2	302
Additions	31	–	1	32
Reassessment of lease extensions	(40)	–	–	(40)
Disposals	(38)	–	–	(38)
<b>Balance as at 30 June 2020</b>	<b>248</b>	<b>5</b>	<b>3</b>	<b>256</b>
<b>Accumulated depreciation and impairment</b>				
Balance as at 1 July 2019	–	(5)	–	(5)
Depreciation	(36)	–	(1)	(37)
Depreciation disposal	2	–	–	2
<b>Balance as at 30 June 2020</b>	<b>(34)</b>	<b>(5)</b>	<b>(1)</b>	<b>(40)</b>
<b>Net book value</b>				
Cost	248	5	3	256
Accumulated depreciation and impairment	(34)	(5)	(1)	(40)
<b>Balance as at 30 June 2020</b>	<b>214</b>	<b>–</b>	<b>2</b>	<b>216</b>

### Note 13(b). Amounts recognised in profit or loss

	2021 \$m	2020 \$m
Depreciation expense on right-of-use assets	<b>39</b>	37
Interest expense on lease liabilities	<b>6</b>	9
Expense relating to short-term leases	<b>5</b>	8
Expense relating to leases of low value assets	–	2
Expense relating to variable lease payments not included in the measurement of the lease liabilities	–	1
Income from subleasing right-of-use assets	–	–

**Note 13. Leases (continued)****Note 13(c). Lease liabilities**

	2021 \$m	2020 \$m
<b>Analysed as:</b>		
Current	<b>38</b>	35
Non-current	<b>160</b>	189
<b>Total lease liabilities</b>	<b>198</b>	224

At 30 June 2021, the Group is committed to \$0.5 million for short-term leases (FY2020: \$0.3 million).

**Note 13(d). Lease maturity analysis**

	2021 \$m	2020 \$m
<b>Maturity analysis</b>		
Year 1	<b>38</b>	35
Year 2	<b>30</b>	31
Year 3	<b>26</b>	27
Year 4	<b>25</b>	24
Year 5	<b>20</b>	23
Onwards	<b>59</b>	84
<b>Total</b>	<b>198</b>	224

For the year ended 30 June 2021, the average effective borrowing rate was 3.05% (FY2020: 3.26%). The majority of the Group's lease obligations for the year ended 30 June 2021 are denominated in New Zealand dollars (FY2020: same).

**Note 13(e). Additional information about the Group's leasing activities**

	2021 \$m	2020 \$m
Fixed payments	<b>60</b>	56
Variable payments	–	1
<b>Total payments</b>	<b>60</b>	57

**Policies****Group as lessee**

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as laptop computers and EFTPOS equipment). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

Lease liabilities are initially measured at the present value of minimum lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease and presented as a separate line in the Statement of Financial Position. If the implicit interest rate cannot be readily determined, the Group uses its incremental borrowing rate. Lease payments included in the measurement of lease liabilities comprise fixed lease payments less any lease incentives receivable; and variable lease payments that depend on an index or rate where the rate can be determined at the commencement date. Lease liabilities are subsequently

## Operating Assets and Liabilities (continued)

### Note 13. Leases (continued)

measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount for the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Depreciation for right-of-use assets begins at the commencement date of the lease and right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. At each reporting period, NZ Post reassesses its assumptions around lease extensions due to changes in operating conditions. If the Group assesses that a change is required, the carrying value of the lease liability and right of use asset are remeasured using an updated incremental borrowing rate.

The Group applies NZ IAS 36 *Impairment of Assets* to determine whether a right-of-use asset is impaired.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'Other expenses' in profit or loss.

#### Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its properties. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term. Amounts due from lessees under finance leases are recognised as a separate line in the Statement of Financial Position, at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases. When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

#### Key Judgements and Estimates

Key judgements relating to lease accounting are as follows:

- Courier, Pace and Transport contracts have been determined to contain vehicle leases. Judgement was involved in determining that the contracts are leases and that they are short-term. These have been assessed as short-term due to the termination rights held by both NZ Post and the contractors limiting the period for which the contract is enforceable. As short-term fleet leases they are excluded from lease accounting under the short-term exemption. A different conclusion would have a material impact on NZ Post's contracted delivery service expenses and on the number of leases capitalised.

Due to a rapidly changing postal and delivery landscape, NZ Post has assumed that it will not take up any rights of renewal for property that would result in a lease term of more than 15 years and does not revalue its right-of-use assets.

**Note 14. Trade and Other Payables**

	2021 \$m	2020 \$m
Trade payables	90	71
Accrued employee benefit liabilities	44	45
Payment services holding accounts	6	15
Other accruals and payables	4	4
<b>Total trade and other payables</b>	<b>144</b>	135
Comprising:		
Current trade and other payables	138	132
Non-current trade and other payables	6	3
<b>Total trade and other payables</b>	<b>144</b>	135

**Policies**

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

**Accrued employee liabilities**

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 at 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 (continued)

### Note 15. Contract Liabilities

	2021 \$m	2020 \$m
Balance as at 1 July	49	54
Addition to contract liabilities	48	43
Recognised as revenue	(46)	(48)
Reduction due to change in accounting estimate	(7)	–
<b>Balance as at 30 June</b>	<b>44</b>	<b>49</b>

Total revenue of \$49 million was released to the Statement of Profit or Loss and Other Comprehensive Income during the 2021 financial year from the opening balance of contract liabilities (FY2020: \$48 million). Included in the \$49 million release was \$7 million released due to a change in accounting estimate. The change in estimate related to a change in the methodology used to determine stockpiling. Specifically, the change related to a decrease in the period over which stockpiling was estimated to occur (18 months to 12 months) and a reassessment of the extent of stockpiling occurring. 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 Judgements and Estimates

##### Deferred revenue

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

Customers also stockpile prepaid products before a price increase. The Group applies judgement to determine the level of this stockpiling by reviewing customer purchasing trends and revenue from stockpiling is deferred and recognised in subsequent periods in line with normal customer purchasing trends.

As detailed above, the Group has reassessed the level of stockpiling. With a move by the Group to more frequent price changes (biennial to annual) the Group has observed a reduction in stockpiling. The Group has assessed that stockpiled product has reduced from 18 months of prepaid purchases to 12 months.

A reasonable change in the key assumptions in the revenue deferral models would not result in a material change to the revenue deferred.

## Note 16. Provisions

	Restructuring \$m	Properties \$m	Holidays Act Remediation \$m	Other \$m	Total \$m
<b>Balance as at 30 June 2020</b>					
Current provisions	4	–	36	5	45
Non-current provisions	–	4	–	–	4
<b>Total provisions as at 30 June 2020</b>	<b>4</b>	<b>4</b>	<b>36</b>	<b>5</b>	<b>49</b>
<b>Balance as at 1 July 2020</b>					
Utilisation	(5)	–	(16)	(1)	(22)
Release of provision	(1)	–	(10)	(1)	(12)
Additional provision	6	1	–	2	9
<b>Total provisions as at 30 June 2021</b>	<b>4</b>	<b>5</b>	<b>10</b>	<b>5</b>	<b>24</b>
Comprising:					
Current provisions	4	1	10	5	20
Non-current provisions	–	4	–	–	4
<b>Total provisions as at 30 June 2021</b>	<b>4</b>	<b>5</b>	<b>10</b>	<b>5</b>	<b>24</b>

Provisions are recognised at the present value of the cost to settle the obligation.

The Holidays Act remediation provision was created in June 2019, providing for the estimated cost of remediating non-compliance in the calculation of leave payments under the Holidays Act 2003. These calculations capture any potential arrears due to current and former employees for the period 1 May 2010 to 30 June 2020. During the financial year, NZ Post paid out \$14.2 million to 9,690 current and former employees, comprising 42.4% of all eligible people. In addition, costs of \$1.3 million have been incurred

to support this remediation programme. Detailed calculations have been carried out to reach a reliable estimate of the total liability remaining of \$10 million (FY2020: \$36 million). The Group has refined its calculation of the liability remaining for former employees, which included external advice and has released \$10 million from the provision to profit or loss during the current year. The Group notes that uncertainties continue to exist in respect to the determination of the provision and allowance has been made within the amount recognised for these uncertainties.

## Note 17. Capital Commitments

	2021 \$m	2020 \$m
<b>Contractual commitments</b>		
Payable no later than one year	61	7
Payable between one and five years	39	–
<b>Total capital commitments</b>	<b>100</b>	<b>7</b>

The increase in capital commitments is due to a contract signed in December 2020 with Daifuku Oceania Limited for new parcel processing equipment for three parcel processing sites.

## Operating Assets and Liabilities (continued)

### Note 18. Fair Value

#### Note 18(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.

	Note	Carrying Amount 2021 \$m	Estimated Fair Value 2021 \$m	Carrying Amount 2020 \$m	Estimated Fair Value 2020 \$m
<b>Financial liabilities</b>					
Borrowings	20	34	35	200	207

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 18(b). Fair value measurement

30 June 2021	Note	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
<b>Assets at fair value</b>					
Investment properties		-	-	18	18
Land and buildings	11	-	-	38	38
Derivative financial assets		-	1	-	1
<b>Total financial assets at fair value</b>		-	1	56	57

30 June 2020	Note	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
<b>Assets at fair value</b>					
Investment properties		-	-	14	14
Land and buildings	11	-	-	35	35
<b>Total financial assets at fair value</b>		-	-	49	49

<b>Liabilities at fair value</b>					
Derivative financial liabilities	21	-	15	-	15
<b>Total financial liabilities at fair value</b>		-	15	-	15

There have been no transfers between Levels 1 to 3 during the year (FY2020: no transfers).

## Note 18. Fair Value (continued)

### Note 18(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 Changes:	
		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 2021		Market Capitalisation Rate	Market Rental
Asset Class	Description	% pa	\$ psqm
Property, plant and equipment	Post Shop	4.00 – 11.00	35 – 550
Property, plant and equipment	Mail Centre	7.00 – 11.00	60 – 180
Investment property	Investment Property	4.00 – 11.00	35 – 550

30 June 2020		Market Capitalisation Rate	Market Rental
Asset Class	Description	% pa	\$ psqm
Property, plant and equipment	Post Shop	5.10 – 14.00	35 – 480
Property, plant and equipment	Mail Centre	6.75 – 8.50	25 – 180
Investment property	Investment Property	4.50 – 9.00	55 – 625

### Transfers between investment properties and land and buildings

During the year, \$3 million of land buildings at fair value were transferred to investment properties (FY2020: \$1 million). Net revaluation gains recognised on investment properties amounted to \$1.5 million (FY2020: nil).

## Operating Assets and Liabilities (continued)

### Note 18. Fair Value (continued)

#### Policies

##### Fair value estimation

NZ Post 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 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

NZ Post carries land and buildings at fair value and engaged an independent valuation specialist to assess this as at 30 June 2021. They 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:

	2021 \$m	2020 \$m
Land	5	5
Buildings	10	13

#### Key Judgements and Estimates

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

##### Derivative financial instruments

The fair values of exchange rate or interest rate contracts are obtained from observable market prices, 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 management's assessment of highest and best use of each property at the end of the reporting period.

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 19. Impairment of Non-financial Assets

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

	Note	2021 \$m	2020 \$m
Mail CGU property, plant and equipment	11	3	6
Mail CGU right-of-use assets	13	2	–
Mail CGU inventories		–	1
Courier CGU intangible assets	12	41	–
Third-party logistics CGU assets		2	–
<b>Total impairment</b>		<b>48</b>	<b>7</b>

### Note 19(a). Impairment of NZ Post assets

#### Cash generating units

The two material cash generating units (“CGUs”) identified are the Mail CGU comprising delivery of letters and untracked parcels, and the Parcels CGU, aligned with the Parcels operating segment. The third-party logistics CGU is an immaterial part of the Other products and services segment.

#### Mail CGU impairment review

NZ Post entered into a contract for mail services with the Government during the 2020 financial year. The service contract provides funding of up to \$130 million for the period FY2021 to FY2023 to maintain a break-even financial result in the mail operating segment as mail volume declines. The contract includes terms around maintaining mail service levels, has constraints on the mail price path and requirements for cost savings. All of these conditions were met during the year. The funding has allowed NZ Post the necessary time to work with the Crown and relevant stakeholders to develop a financially sustainable mail operating model in the medium term. These discussions continue. As at 30 June 2021, mail funding of \$32 million has been drawn down.

The Deed of Understanding between NZ Post and the Government requires NZ Post to provide a universal postal service. Management has assessed the combined obligations under the service contract and Deed of Understanding and concluded they do not form an onerous contract.

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 costs of disposal calculation. The recoverable amount of the Mail CGU is considered to be nil based on a discounted cashflow forecast with a post-tax discount rate of 7.6% (FY2020: 7.8%). Newly acquired non-financial assets in the Mail CGU have been impaired by \$5 million, including property, plant and equipment and leased print mail equipment recognised as right-of-use assets (FY2020: \$7 million). Assets are reviewed

individually, and key assumptions and sensitivities are not disclosed as any reasonable change in assumptions does not change impairment assessments. Management has considered whether any indicators of impairment have reversed. Based on the updated valuation and until such time as the longer-term future of mail is more certain, the Group has assessed that indicators of impairment have not reversed. Management has also reviewed the leased property sites recognised as right-of-use assets in the Mail CGU by obtaining independent rental reviews and assessed that no impairment is required based on the ability to sublease the sites and that any sublease would be approximately at or above current rates paid by NZ Post.

#### Goodwill and brands impairment review

The entire balance of goodwill and brands have been allocated to the Parcels CGU. The valuation used to assess the recoverable amount of the Parcels CGU was based on fair value less costs of disposal, using a five-year discounted cash flow (DCF). This valuation is Level 3 in the fair value hierarchy.

The key assumptions (based on past performance and management experience) used in the valuation are per the Board approved five-year forecast and include:

- Forecast Compounding Average Growth Rate (CAGR) for parcel volume growth, forecast average revenue per unit (ARPU) and forecast cost per parcel combine to create a forecast EBIT. The volume CAGR was derived from past performance and management’s forecast of the market, consumer behaviour and macro-economic conditions. Of these assumptions, the forecast CAGR is the most significant valuation input. Reasonable changes in the ARPU and cost per parcel do not have a material effect on the valuation.
- The Forecast EBIT was risk adjusted downwards by up to 40% to reflect the risks associated with executing the parcels growth strategy.

## Operating Assets and Liabilities (continued)

### Note 19. Impairment of Non-financial Assets (continued)

- Benefits and costs from the Network Strategy Investment (Te Iho) have been included in the valuation as it is fully integrated in the business plan (FY2020: the investment was excluded from the valuation to ensure value from an early stage investment strategy is not captured and does not penalise the Group for related costs included in the forecast);
- Management's assessment of economic conditions including any impacts from COVID-19. COVID-19 has continued to provide strong growth in domestic parcel volumes, partly offset by a slowdown in growth of inbound international parcels.

The key valuation inputs used in the DCF were:

Parcels CGU	Carrying Value \$m	Parcels Post-tax Discount Rate	Terminal Value Growth Rate	Forecast Parcel CAGR
Year ended 30 June 2021 – Goodwill	144	7.6% pa	1.0% pa	7.9%
Year ended 30 June 2020 – Goodwill and brands	185	7.8% pa	1.0% pa	7.8%

The discount rate and terminal growth rates were informed by external corporate finance experts based on internal and external information.

The carrying value of the Parcels CGU at 30 June 2021, including the goodwill, was less than the recoverable amount estimated by the DCF valuation (FY2020: same). Therefore, there has been no impairment of goodwill at 30 June 2021 (FY2020: nil). A reasonably possible change in either forecast or valuation assumptions would not result in an impairment (FY2020: same).

NZ Post has further performed a separate assessment of the brands allocated to the Parcels CGU.

Brands were held on the balance sheet as an intangible asset and had a carrying value of \$41.4 million at the start of the financial year. These assets were assessed in prior periods to have an indefinite life. No impairment or amortisation expense had previously been recognised against these brands. These assets were obtained from NZ Post acquiring the 100% interest in Express Couriers in June 2012. The relevant trademarked brands included CourierPost, Pace, Roadstar and Contract Logistics. NZ Post considers that the majority of the brand value was with the Courier Post brand.

In June 2021, NZ Post commenced a major visual identity project, in which the CourierPost and Pace brands were retired and the NZ Post brand identity was substantially updated. The aim of the project was to re-position the business from a mail delivery business to a delivery business and to ensure NZ Post is distinct from our competitors (to improve the Group's brand profile and

minimise brand confusion that was evident in the market place).

The re-branding exercise is expected to be completed within three years, although a substantial amount of the re-branding activity has already occurred as at 30 June 2021.

As at 30 June 2021, NZ Post believes no further economic benefits will be derived from the retired brands and an impairment expense of \$41.4 million has been recognised in profit or loss. Both the fair value less costs of disposal and value in use have been assessed by management as nil. NZ Post will not sell the brands (hence it will not recover the value of the brands through sale) and it will discontinue using the brands (so will not recover the value through future use). On that basis, the brands have been derecognised.

While the Board formally approved the re-branding exercise during FY2021, management has determined that the asset life should have been reassessed from indefinite to finite in late FY2020. At this date, NZ Post had the capacity to undertake the re-branding project. Management has determined a five-year useful life would have been applied at that point. Given the wider economic uncertainty at the time (amongst the COVID pandemic), any decision to re-brand would have been up to two years away at that point, with a further three-year implementation phase. Had this change in useful life been applied in FY2020, a \$2 million amortisation expense would have been incurred. Management has assessed this change is not material, and hence a prior period adjustment will not be made. Instead, the full impact of the derecognition has been recognised in the FY2021 financial statements.

The brands were held in the Parcels CGU and the impairment has been recognised in the profit before interest and tax. There are no cash flow impacts of this impairment expense.

#### Corporate and shared assets

NZ Post runs an integrated delivery network and corporate and shared assets are those used for both mail and parcel operations. The carrying value of shared assets has been allocated to the parcels CGU on the assumption that these would be repurposed for parcels use if required.

No impairment losses have been recognised in relation to the shared assets (FY2020: same).

## Note 19. Impairment of Non-financial Assets (continued)

### Note 19(b). Carrying value of KGH

#### Impairment indicators

NZ Post has a 53% holding in Kiwi Group Holdings (KGH) which is assessed at each reporting period for indicators of impairment. Kiwibank is the most significant of KGH's subsidiaries. KGH has exceeded its financial plan for the year ended 30 June 2021, future financial forecasts are an uplift from that prepared a year ago, the external macro environment in New Zealand has improved and risk around the quality of financial assets (and potential recoverability) has improved. As there are no indicators of impairment, the NZ Post Group has not formally tested the KGH group for impairment through a formal valuation process.

#### Policies

##### Testing for impairment

NZ Post tests property, plant and equipment (excluding land and buildings held at revalued amounts), 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 of disposal and value in use.

For the purposes of impairment testing, goodwill is allocated to each of the 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.

# Financing

## Note 20. Borrowings

	2021 \$m	2020 \$m
<b>Non-current borrowings</b>		
CBA facility	34	–
New Zealand Post Group Finance subordinated notes	–	200
<b>Total non-current borrowings</b>	<b>34</b>	<b>200</b>

### Net debt reconciliation

	Borrowings due < 1 year \$m	Borrowings due > 1 year \$m	Total \$m
<b>Balance as at 1 July 2020</b>	–	<b>200</b>	<b>200</b>
Repayment of subordinated notes	–	<b>(200)</b>	<b>(200)</b>
Drawdown of CBA facility (net of transaction costs)	–	<b>34</b>	<b>34</b>
Other non-cash movements	–	–	–
<b>Balance as at 30 June 2021</b>	–	<b>34</b>	<b>34</b>

	Borrowings due < 1 year \$m	Borrowings due > 1 year \$m	Total \$m
<b>Balance as at 1 July 2019</b>	10	200	210
Cash flows	(10)	–	(10)
Other non-cash movements	–	–	–
<b>Balance as at 30 June 2020</b>	–	200	200

### Commercial Paper

During the year ended 30 June 2021, there were no commercial papers issued nor repaid (FY2020: \$27 million was issued and \$37 million was repaid).

### New Zealand Post Group Finance Subordinated Notes

The subordinated notes of \$200 million were part of the Group's core debt and had a maturity date of 15 November 2039. The subordinated notes were redeemed on 15 May 2021, with full repayment made on 17 May 2021 (including any accrued interest).

Following the repayment of the subordinated notes, the operations of New Zealand Post Group Finance Limited, a 100% owned subsidiary, were amalgamated into the parent entity on 30 June 2021.

### CBA Facility

On 17 March 2021, NZ Post arranged a new credit facility with the Commonwealth Bank of Australia (CBA), comprised of \$100 million with tenor of three years and \$100 million with a tenor of five years.

NZ Post has the intention and the right to an automatic rollover of the borrowings and to defer settlement of drawdowns within the applicable tenor and has treated any amounts drawn down under the facility as non-current. NZ Post has drawn down \$35 million of borrowings during the year. Related transaction costs subject to amortisation amounted to \$0.6 million as at 30 June 2021.

### Policies

#### Borrowings

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.

## Note 21. Financial Instruments

### Financial instruments by category

	Fair Value through Profit or Loss \$m	Other Financial Assets at Amortised Cost \$m	Total \$m
<b>30 June 2021</b>			
Cash and cash equivalents	–	72	72
Trade and other receivables	–	150	150
Derivative financial assets	1	–	1
<b>Total financial assets</b>	<b>1</b>	<b>222</b>	<b>223</b>

	Fair Value through Profit or Loss \$m	Other Financial Assets at Amortised Cost \$m	Total \$m
Trade and other payables <sup>(1)</sup>	–	140	140
Lease liabilities	–	198	198
Borrowings	–	34	34
<b>Total financial liabilities</b>	<b>–</b>	<b>372</b>	<b>372</b>

	Fair Value through Profit or Loss \$m	Other Financial Assets at Amortised Cost \$m	Total \$m
<b>30 June 2020</b>			
Cash and cash equivalents	–	129	129
Short-term deposits	–	143	143
Trade and other receivables	–	164	164
<b>Total financial assets</b>	<b>–</b>	<b>436</b>	<b>436</b>

	Fair Value through Profit or Loss \$m	Other Financial Assets at Amortised Cost \$m	Total \$m
Trade and other payables <sup>(1)</sup>	–	134	134
Derivative financial liabilities	15	–	15
Lease liabilities	–	224	224
Borrowings	–	200	200
<b>Total financial liabilities</b>	<b>15</b>	<b>558</b>	<b>573</b>

(1) Trade and other payables exclude other taxes.

## Financing (continued)

### Note 21. Financial Instruments (continued)

#### Policies

##### Designation of financial instruments

Designation of financial assets and financial liabilities into categories is determined by the way the assets are managed, and their contractual cash flows as at initial recognition.

##### Financial assets

###### *Recognition and measurement*

NZ Post's financial assets include financial assets at amortised cost (debt instruments) and financial assets at fair value through profit or loss. Trade receivables are measured at the transaction price determined under NZ IFRS 15.

###### *Financial assets at amortised cost*

NZ Post's financial assets at amortised cost include trade and other receivables. NZ Post measures financial assets at amortised cost if they are held to collect contractual cash flows, and payments are solely principal and interest.

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 derivatives 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 and gains and losses from changes in the fair value are included in profit or loss in the period they arise.

##### Financial liabilities

NZ Post 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 are recorded at fair value with any realised and unrealised gains or losses recognised in profit or loss.

Trade and other payables, lease liabilities and borrowings are recognised at amortised cost (refer to Note 13, Note 14 and Note 20, respectively). Borrowings are recognised when cash is advanced.

##### 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

NZ Post undertakes activities which 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 over time.

The Board of Directors are responsible for the direction, strategies and policy around risk management which the Corporate Finance team then execute.

##### Note 21(a). Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the 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 9 and Note 10.

## Note 21. Financial Instruments (continued)

### Note 21(b). Liquidity risk

Liquidity risk is the risk of NZ Post being unable to meet financial obligations as they fall due. NZ Post manages liquidity risk to ensure that it has sufficient cash in a timely manner and at a reasonable price to meet its financial commitments and monitors this risk daily, primarily by forecasting future cash requirements.

#### Liquidity risk management

NZ Post manages this risk by maintaining a portfolio of liquid assets in the form of cash and short-term investments. Other facilities include a committed standby debt facility of \$10 million (undrawn at year end), a \$200 million commercial paper programme (undrawn at year end) and a bank facility of \$200 million of which \$35 million was drawn at 30 June 2021. In the prior year, Group borrowings included \$200 million of New Zealand Post Group Finance subordinated notes.

The Group previously guaranteed the payment obligations of Kiwibank under a deed poll guarantee which ended on 28 February 2017 but still applies to all payment obligations entered into prior to that date. Refer to Note 24 for further details. The Group has not included these guarantees in the below table of exposure as the Group believes the likelihood of the guarantees being called is remote.

#### Exposure

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 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
<b>30 June 2021</b>					
<b>Non-derivative cash flows</b>					
Cash and cash equivalents	72	-	-	-	72
Short-term deposits	-	-	-	-	-
Trade and other receivables <sup>(1)</sup>	118	30	-	-	148
Trade and other payables	(123)	(11)	(6)	-	(140)
Borrowings	-	(1)	(38)	-	(39)
Interest payable	(1)	(4)	(13)	(5)	(23)
Lease liabilities	(10)	(28)	(101)	(59)	(198)
Finance lease receipts	1	1	-	-	2
<b>Net non-derivative cash flows</b>	<b>57</b>	<b>(13)</b>	<b>(158)</b>	<b>(64)</b>	<b>(178)</b>
<b>Derivative cash flows</b>					
Foreign exchange derivatives – inflows	5	2	-	-	7
Foreign exchange derivatives – outflows	(7)	(3)	-	-	(10)
Interest rate derivatives – outflows	-	-	-	-	-
<b>Commitments</b>					
Capital commitments	28	33	39	-	100
<b>Total off-balance sheet cash flows</b>	<b>26</b>	<b>32</b>	<b>39</b>	<b>-</b>	<b>97</b>
<b>Net position</b>	<b>83</b>	<b>19</b>	<b>(119)</b>	<b>(64)</b>	<b>(81)</b>

(1) Excludes finance lease receipts.

## Financing (continued)

### Note 21. Financial Instruments (continued)

30 June 2020	Up to 3 Months \$m	Between 3 and 12 Months \$m	Between 1 and 5 Years \$m	More than 5 Years \$m	Total \$m
<b>Non-derivative cash flows</b>					
Cash and cash equivalents	129	–	–	–	129
Short-term deposits	103	40	–	–	143
Trade and other receivables <sup>(1)</sup>	132	19	10	–	161
Trade and other payables	(123)	(10)	(2)	–	(135)
Borrowings	–	–	–	(200)	(200)
Interest payable	(4)	(11)	(50)	(129)	(194)
Lease liabilities	(10)	(25)	(105)	(84)	(224)
Finance lease receipts	–	1	2	–	3
<b>Net non-derivative cash flows</b>	<b>227</b>	<b>14</b>	<b>(145)</b>	<b>(413)</b>	<b>(317)</b>
<b>Derivative cash flows</b>					
Foreign exchange derivatives – inflows	16	–	–	–	16
Foreign exchange derivatives – outflows	(11)	–	–	–	(11)
Interest rate derivatives – outflows	(2)	(4)	(13)	–	(19)
<b>Commitments</b>					
Capital commitments	7	–	–	–	7
<b>Total off-balance sheet cash flows</b>	<b>10</b>	<b>(4)</b>	<b>(13)</b>	<b>–</b>	<b>(7)</b>
<b>Net position</b>	<b>237</b>	<b>10</b>	<b>(158)</b>	<b>(413)</b>	<b>(324)</b>

(1) Excludes finance lease receipts.

## Note 21. Financial Instruments (continued)

### Note 21(c). Market risk

#### Foreign exchange risk

Foreign exchange risk arises as the Group holds assets and issues liabilities denominated in foreign currencies. Transactions with overseas postal organisations are invoiced in Special Drawing Rights (SDR) and settled primarily in United States Dollars (USD). SDR is a basket currency composed of fixed quantities of five major currencies set by the International Monetary Fund. The foreign currency which the Group primarily deals in is USD.

#### Foreign exchange risk management

The Group manages foreign exchange risk through the use of derivatives (foreign exchange contracts). The Group's policy is to hedge net foreign currency cash flows (exceeding \$0.5 million) forecast to occur within 24 months, within specified limits. NZ Post does not apply hedge accounting. Capital expenditure over \$0.5 million is hedged between 90%–100% as soon as a legal commitment has been made. Foreign exchange rate movements of greater than 35% would be required in order to materially impact NZ Post's financial position or performance.

#### Exposure

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

	2021		2020	
	AUD NZD \$m	USD NZD \$m	AUD NZD \$m	USD NZD \$m
Cash and cash equivalents	-	2	-	7
Trade and other receivables	-	39	-	44
Trade and other payables	-	(13)	-	(19)
<b>Net on statement of financial position</b>	-	28	-	32

Possible fluctuations in foreign exchange rates are not expected to have a material impact on NZ Post's financial position or performance.

#### Interest rate risk

NZ Post is exposed to interest rate risk through fluctuations in interest costs on floating debt instruments and from changes in asset and liabilities values due to changes in market interest rates. The main objective of the management of interest rate risk is to minimise the interest expense volatility and minimise funding costs.

#### 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 typically entered into are pay-fixed, receive floating interest rate swaps. These instruments will swap a portion of the variable component of interest to a fixed rate, to allow the Group to forecast future funding cost requirements. Interest rate repricing on financial assets acts as an offset to repricing on financial liabilities. The interest rate risk is hedged within Treasury Policy limits once the drawn debt has exceeded a minimum threshold. The Group has no interest rate swaps as at 30 June 2021.

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

#### Exposure

The Group has floating rate borrowings with a face value of \$35 million at 30 June 2021 (FY2020: nil), and fixed rate borrowings with a face value of nil (FY2020: \$200 million). All borrowings are used to fund ongoing activities. As at 30 June 2021, the weighted average interest rate on borrowings (as amended by interest rate swaps) is 0.925% pa (FY2020: 6.70% pa).

Based on borrowing levels as at 30 June 2021, interest rate movements that could be reasonably expected would not have a material impact on NZ Post's financial position or performance.

## Financing (continued)

### Note 21. Financials Instruments (continued)

#### Note 21(d). Credit risk

NZ Post is exposed to counterparty credit through cash and cash equivalents on deposit with banks; interest rate swaps and foreign exchange contracts with counterparties; and customers with outstanding receivables.

#### Credit risk management

NZ Post manages credit risk through 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 actively monitored on a monthly basis by the Board. No collateral is held as at 30 June 2021 (FY2020: nil) but accounts are suspended for non-payment as required. The Group performs credit checks on new customers prior to creating an account.

NZ Post Treasury Policy sets out counterparty credit risk control limits based on the long-term credit rating of the counterparty. Bank accounts and short-term deposits can only be held with counterparties with a credit rating of A-/A3 or higher.

#### Credit risk exposure

NZ Post's exposure to credit risk is outlined in the Statement of Financial Position (showing cash and cash equivalents and derivative financial instruments) and Note 10, setting out trade and trade receivables and the current provision in place against these balances.

At balance date, 68% of the total maximum exposure is derived from trade and other receivables (FY2020: 38%). 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 (FY2020: nil).

## Note 22. Equity

### Note 22(a). The nature of the Group's contributed equity

#### Ordinary share capital

At 30 June 2021, there were 272.2 million authorised and fully paid ordinary shares on issue (FY2020: 342.2 million authorised shares of which 272.2 million were fully paid). In FY2020, NZ Post issued 150 million ordinary shares to the Crown at \$1 per share, of which \$80 million were fully paid. NZ Post cancelled 70 million of its unpaid shares during the current financial year. 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 2021 (FY2020: nil).

## Financing (continued)

### Note 22. Equity (continued)

#### Note 22(b). Other reserves

The table below details movements in other reserves. A description of the nature and purpose of each reserve is provided below the table.

	Property Revaluation Reserve \$m	Fair Value Reserve of Financial Assets at FVOCI \$m	Cash Flow Hedge Reserve \$m	Total \$m
<b>Balance as at 1 July 2019</b>	27	1	6	34
Gains on revaluation of land and buildings	-	-	-	-
Share of other comprehensive income / (loss) of jointly controlled entity	-	7	(11)	(4)
<b>Other comprehensive income / (loss)</b>	-	7	(11)	(4)
<b>Other movements</b>				
Transfer between revaluation reserve and retained earnings	-	-	-	-
<b>Balance as at 30 June 2020</b>	27	8	(5)	30
<b>Balance as at 1 July 2020</b>	<b>27</b>	<b>8</b>	<b>(5)</b>	<b>30</b>
Gains on revaluation of land and buildings	4	-	-	4
Share of other comprehensive income / (loss) of jointly controlled entity	-	(12)	33	21
<b>Other comprehensive income / (loss)</b>	<b>4</b>	<b>(12)</b>	<b>33</b>	<b>25</b>
<b>Other movements</b>				
Transfer between revaluation reserve and retained earnings	-	-	-	-
<b>Balance as at 30 June 2021</b>	<b>31</b>	<b>(4)</b>	<b>28</b>	<b>55</b>

The gains on revaluation of land and buildings is shown as net of any deferred tax impact.

#### 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.

##### *Fair Value Reserve of Financial Assets at FVOCI*

The fair value reserve of financial assets records movements in the fair value of financial assets through other comprehensive income held by KGH.

##### *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 23. Related Parties

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

	2021 \$m	2020 \$m
<b>Related party transactions</b>		
<i>Jointly controlled entity</i>		
• Sale of goods and services	3	8
• Expenditure recoveries	6	16
• Purchase of goods and services	(2)	(17)
• Interest received	-	1
• Interest paid	-	(1)
<b>Related party balances</b>		
The amounts outstanding with related parties at balance date were:		
<i>Jointly controlled entity</i>		
• Current trade receivables	8	8
• Current finance lease receivable	-	1
• Noncurrent finance lease receivable	-	1
• Current trade payables	-	(2)
<b>Total related party balances</b>	<b>8</b>	<b>8</b>
<b>Key management personnel compensation</b>		
	2021 \$000's	2020 \$000's
Short-term employee benefits and Directors' fees	4,935	5,088
<b>Total key management personnel compensation</b>	<b>4,935</b>	<b>5,088</b>

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 Executive Leadership Team Members of the Group. Directors' fees recognised during the year amounted to \$350,000 (FY2020: \$376,000).

Current accounts are all payable on demand and settled monthly.

## Other Disclosures (continued)

### Note 24. Contingencies

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.

#### Disputed billing

The Group continues to assess any contingencies on an on-going basis. The Group is currently involved in a dispute regarding software billing where the estimated cost of the claim is approximately \$3.5 million. A Notification for Arbitration was received by the Group on 7 June 2021. The Group has sought external legal advice on the matter and strongly refutes the claim. Consistent with this, no accrual for settlement has been accounted for and the Group will defend the claim, including proceeding to Arbitration if the claim is not withdrawn.

#### Deed poll guarantee

The Group 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:

	2021 \$m	2020 \$m
Retail deposits <sup>(1)</sup>	823	994
Foreign currency accounts <sup>(2)</sup>	7	9
Wholesale deposits <sup>(3)</sup>	64	322
<b>Total deed poll guarantee</b>	<b>894</b>	1,325

(1) Consisting of Retail/Business Banking – term deposits, online call, all savings and transactional accounts, PIE term deposits, PIE online call, PIE notice saver, home loans in funds, credit cards in funds, personal loans in funds.

(2) Foreign currency account balances converted at the relevant end of month exchange rate.

(3) Consisting of wholesale term deposits, collateral liabilities, registered certificates of deposit, euro commercial paper, domestic medium-term notes, offshore senior debt, derivatives.

### Note 25. Events Occurring After Balance Date

#### Other material events

On 2 July 2021, NZ Post purchased 50% of the shares of Supply Chain Solutions (NZ) (2021) Limited for \$10 million. Supply Chain Solutions provide third party logistics and contract warehousing services. NZ Post will account for the investment on an equity accounting basis.

On 17 August 2021, New Zealand moved back to ‘Alert Level 4’ due to the re-emergence once again of the virus in the community. However, the impact of the COVID-19 pandemic has been immaterial on the reporting period.

There were no other 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 New Zealand Post Limited's financial statements for the year ended 30 June 2021

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

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### Our opinion

In our opinion, the accompanying financial statements of New Zealand Post Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 30 June 2021, 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).

### What we have audited

The Group's financial statements comprise:

- the statement of financial position as at 30 June 2021;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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### Basis for opinion

We conducted our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Group in accordance with the Auditor-General's Auditing Standards, which incorporate PES1, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the areas of other assurance services and assessing the design of NZ Post's future state processes, controls and calculations for determining future holiday pay, 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. The provision of these other services has not impaired our independence as auditor of the Group.

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T: +64 4 462 7000, pwc.co.nz

## Other Disclosures (continued)



### Key audit matters

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

Description of the key audit matter	How our audit addressed the key audit matter
<p><b>Derecognition of the Brand Asset</b></p> <p>At 30 June 2020, NZ Post had a \$41 million brand asset recognised on its balance sheet. This asset resulted from the acquisition of several brands in 2012, including CourierPost, Pace, Contract Logistics, and Roadstar. The brand asset was determined to have an indefinite useful life and as a result has not been amortised.</p> <p>NZ Post has been considering rebranding its operations for a number of years. In March 2021, the Board formally approved the commencement of the rebranding exercise. The intent of the exercise is to create a single brand for all NZ Post services.</p> <p>Upon the decision to rebrand, NZ Post concluded that the brand asset would cease to generate economic benefits and should be derecognised in full. An impairment loss of \$41 million was recognised in profit or loss. Given the significance of this expense to NZ Post's financial result we have deemed the derecognition of the brand asset a key audit matter.</p> <p>NZ Post considered whether its previous assessment that the brand asset was an indefinite life asset was appropriate. In doing so, NZ Post used judgement to determine the date ('trigger date') at which the reassessment of the asset from indefinite life to finite life occurred. The significance of this decision is that it impacts whether amortisation should have previously been recognised.</p> <p>NZ Post concluded the asset should have been assessed as having a finite life from late 2020. This was when NZ Post had both the intention and ability to embark on a rebranding project. Applying this decision, NZ Post concluded that the comparative financial statements were not materially misstated through the historic non-amortisation of the asset. The full impairment expense was therefore recognised in FY21. Refer to note 19(a) for further details.</p>	<p>We have obtained an understanding of NZ Post's rebranding strategy and the key decision dates through:</p> <ul style="list-style-type: none"> <li>• reviewing minutes of board meetings and associated papers relating to the rebranding project;</li> <li>• inquiring of NZ Post management involved in the rebranding project; and</li> <li>• reviewing externally available information, such as media releases, related to the rebranding activity.</li> </ul> <p>These procedures assisted us to conclude upon the date at which NZ Post was committed to the rebranding project.</p> <p>NZ Post obtained independent accounting advice to assist them assess the appropriate accounting treatment for the rebranding transaction. The advice concluded that the existing brand asset should be derecognised. The advice also recommended that NZ Post consider whether the asset should have been reassessed as a finite life asset and amortised. We have assessed this advice against the relevant accounting standards to ensure the accounting treatment applied is appropriate.</p> <p>We reviewed and challenged NZ Post's conclusion on the trigger date for reassessment to a finite life asset. This included performing sensitivity analysis over the impact on the amount of amortisation of using:</p> <ul style="list-style-type: none"> <li>- an alternative date, such as the date at which formal Board approval of the rebranding project was granted; and</li> <li>- an alternative useful economic life estimate.</li> </ul> <p>Changes to these estimates did not have a material impact upon the amount of amortisation that would have been charged in prior period results.</p> <p>Based on the procedures above, there are no material matters to report.</p>



Description of the key audit matter	How our audit addressed the key audit matter
<p><b>Impairment assessment of the Parcels cash generating unit</b></p> <p>NZ Post has recognised goodwill of \$144 million as at 30 June 2021. This goodwill has been allocated to the Parcel cash generating unit (CGU) and is required to be tested for impairment on an annual basis.</p> <p>NZ Post engaged a valuation expert to assist them in estimating the recoverable value of the Parcels CGU. This valuation has been prepared on a fair value less cost of disposal (FVL COD) basis. NZ Post has made several judgements in determining the valuation. The most significant of these judgements include estimating:</p> <ul style="list-style-type: none"> <li>• future parcel volume growth (compounding average growth rate) across the five year forecast period;</li> <li>• the appropriate discount rate and terminal growth rate;</li> <li>• an appropriate risk adjustment to apply to the cash flows to account for uncertainty and risk in executing the Parcel businesses' growth strategy; and</li> <li>• the expected benefits to be realised from NZ Post's Network Strategy Investment (Te Iho).</li> </ul> <p>NZ Post concluded that the FVL COD of the Parcels CGU was higher than, and therefore supported, the carrying value of the CGU assets, including goodwill. NZ Post also concluded that a reasonably possible change in the key judgements and estimates used in the valuation would not give rise to an impairment.</p> <p>We determined this matter as a key audit matter as goodwill is a material balance and we dedicated significant effort to the audit of the impairment consideration.</p> <p>Refer to note 19(a) of the financial statements for further details of NZ Post's impairment assessment.</p>	<p>We obtained an understanding and evaluated NZ Post's processes and controls relating to impairment assessments.</p> <p><b>Assessing the Parcels CGU recoverable amount</b></p> <p>With the assistance of our auditor's valuation expert, we:</p> <ul style="list-style-type: none"> <li>• tested the mathematical accuracy and methodology adopted;</li> <li>• agreed forecast cash flows to Board approved budgets;</li> <li>• assessed and understood the differences between historical and budgeted performance and considered the impact on our assessment of forecast earnings;</li> <li>• assessed key forecast cash flow assumptions, including: <ul style="list-style-type: none"> <li>– forecast parcel volumes by comparing to historical trends and considering recent trends of increased domestic parcel volumes;</li> <li>– agreed the Te Iho network investment strategy cash flows to the Board approved revalidated business case;</li> <li>– assessed the discount and terminal growth rates, by comparing them to market data, and industry growth rates and long-term inflation rates respectively.</li> </ul> </li> <li>• assessed the sensitivity of the valuation to changes in key assumptions; and</li> <li>• assessed the appropriateness of the financial statement disclosures.</li> </ul> <p>Based on the procedures above, there are no material matters to report.</p>

## Other Disclosures (continued)



Description of the key audit matter	How our audit addressed the key audit matter
<p><b>Revenue recognition</b></p> <p>NZ Post's revenue of \$943 million primarily comprises the delivery of services, as disclosed in note 4. NZ Post has deferred revenue of \$43 million for obligations not yet performed as at 30 June 2021, which is reported as contract liabilities in note 15.</p> <p>NZ Post's revenue recognition principally relates to the delivery of services over time. Revenue recognition was considered a key audit matter due to the number of revenue streams within the Group and the significant level of effort required to audit revenue.</p> <p>Management judgement is also required to estimate the contract liability for deferred revenue. Judgement is applied to determine the amount of revenue for which payment has been received but the service has not yet been delivered. Judgement is also applied to determining the average time between purchase and delivery because not all delivery items are tracked.</p> <p>NZ Post aggregates contracts with similar performance obligations and assesses them as a portfolio. There are seven main portfolios of contracts with similar performance obligations, comprising 99% of the Group's revenue for the year ended 30 June 2021.</p>	<p>We obtained an understanding and evaluated NZ Post's processes and controls relating to revenue recognition, including those relating to the recognition of contract liabilities for outstanding performance obligations.</p> <p>Our audit procedures in relation to revenue recognition included:</p> <ul style="list-style-type: none"> <li>• challenging judgements made by management in applying NZ IFRS 15, including assessing a sample of individual contracts against the requirements of the standard, particularly the determination of performance obligations;</li> <li>• testing a sample of revenue transactions to assess the completion of performance obligations, accuracy of revenue recorded and portfolio classification; and</li> <li>• assessing the disclosures made against the requirements of NZ IFRS 15.</li> </ul> <p>Our audit procedures in relation to the contract liability for deferred revenue included:</p> <ul style="list-style-type: none"> <li>• assessing and evaluating the models used by management to estimate deferred revenue recorded as a contract liability, which includes prepaid ticket liability, stockpiling liability and box bag liability;</li> <li>• reviewing the prepaid products included in the prepaid ticket liability model against our knowledge of the services provided by NZ Post, to ensure all relevant products were included; and</li> <li>• challenging key assumptions by assessing these against historical information. This included the: <ul style="list-style-type: none"> <li>• loss factor for unredeemed tickets;</li> <li>• decline in volume applied in the stockpiling model, and trends in customer stockpiling behaviours; and</li> <li>• average delivery time.</li> </ul> </li> </ul> <p>Based on the procedures above, there are no material matters to report.</p>



**Our audit approach**

Overview



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

Overall quantitative group materiality: \$9.4 million, which represents 1% of total revenue.

We chose revenue as the 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 Group's subsidiaries are insignificant to the Group's operations. As a result, the majority of the audit work performed relates to the Group's Parent.

As reported above, we have three key audit matters, being:

- Derecognition of the Brand Asset
- Impairment assessments of the Parcels
- Revenue recognition.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. 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.

**Materiality**

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

An audit is designed to obtain reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the 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 economic decisions of the readers of the 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 financial statements as a whole.

**How we tailored our group audit scope**

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the 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.

## Other Disclosures (continued)



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### Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual report but does not include the financial statements and our auditor's report thereon. The Annual report is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors and use our professional judgement to determine the appropriate action to take.

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### Responsibilities of the Directors for the financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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.

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

Our objectives are to obtain reasonable assurance about whether the 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 conducted in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

We did not evaluate the security and controls over the electronic publication of the 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 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.
- 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 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 financial statements, including the disclosures, and whether the 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 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 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.

Kevin Brown  
On behalf of the Auditor-General  
Wellington, New Zealand  
31 August 2021

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 2020/21 year.

### Scorecard Targets

Key Performance Targets		2021 Actuals	2021 Plan
<b>Commercial</b>			
<b>Shareholder Returns</b>			
• Total Shareholder Return	%	9.3%	0.0%
• Dividend yield	%	0.0%	0.0%
• Return on equity	%	2.5%	2.9%
<b>Profitability / Efficiency</b>			
• Return on capital employed	%	1.9%	1.9%
<b>Leverage and Solvency</b>			
• Gearing ratio (net)	%	10.9%	12.3%
• Interest cover	times	6.1	5.9
• Solvency (Current ratio)	times	1.1	1.7
<b>People</b>			
• Total Recordable Injuries – Year on Year reduction	%	+25	-20
<b>Network</b>			
• Standard letter service performance	%	90.7	90.0
Letters delivered to standard (Testpo Survey)			
<b>Relationship</b>			
• Net Promoter Score (Consumer)		+11	+4
• Net Promoter Score (Business)		+26	+13
<b>Environment</b>			
• Reduce our emissions (1)	tCO <sub>2</sub> e (k)	112.0	104.0

**Notes:** (1) Net GHG emissions (all scopes) were 107.5 due to offsets purchased as part of the Carbon Neutral Sending programme

## Our performance in the community

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

### Frequency of Delivery Services – Summary as at 30 June 2021

Service	Delivery Points	6 Day	5 Day	4 Day	3 Day	2 Day	1 Day
Residential	1,550,600	14,483	15	170	1,535,931	1	–
Business	89,914	664	5	21	89,205	19	–
Rural	269,095	–	268,563	–	1,167	382	150
Box Bag Farmer	2,311	2,081	230	–	–	–	–
Box Bag	122,549	114,270	8,279	–	–	–	–
Counter, Community Mailbox	32,536	20,406	11,798	218	94	20	–
<b>Total</b>	<b>2,067,005</b>	<b>151,904</b>	<b>288,890</b>	<b>409</b>	<b>1,625,230</b>	<b>422</b>	<b>150</b>
	100%	7.35%	13.98%	0.02%	78.63%	0.02%	0.01%

Percentage of points that receive 3 days or greater delivery 99.97% (required minimum = 99.88%) Counter, Community Mailbox percentage 1.51% (allowed maximum = 3%)

#### Notes:

- 1360 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.
- The number of Counter and Community Mailbox users has been established by a survey and may differ slightly from practice.
- 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.  
 PostShop Stores (Corporate and Agency) – 240  
 PostCentre Outlets – 601  
 Total Retail Outlets – 841  
 • Personal Assistance Service Points\*\* = 510 Our commitment\* 240  
 • Total Service Points\*\*\* = 897 Our commitment\* 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 2021 Annual Report we have included certain resellers that meet the Deed’s policy intent for the provision of basic postal services to consumers.

## Performance Overview (continued)



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www.kantar.com

**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 delivery days for letters between major towns and cities within New Zealand
- For Standard Post:**
  - Delivery within three delivery 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, adjusted for the delivery schedule for different regions.

The annual result was calculated using the data collected from a single wave of testing in May 2021. 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.

	<b>Weighted results*</b>
Total within specification	90.7%
Total within three days of specification	99.3%
More than three days later than specified	0.7%

*\*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

## Environment

### Greenhouse Gas (GHG) Emissions

New Zealand Post Limited meets the requirements of TOITU® Carbon Reduce 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.

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: 2020-21 GHG emissions by source

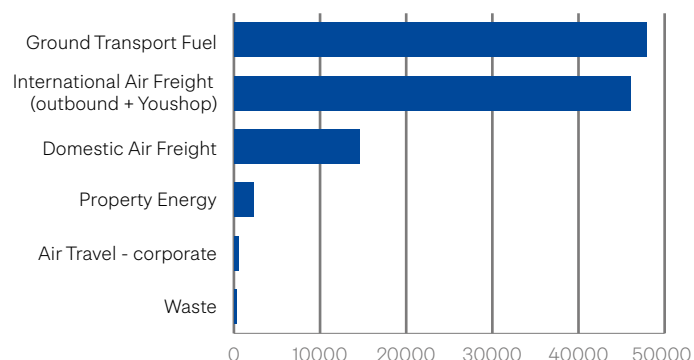


Figure 2: GHG emissions data summary – tCO<sub>2</sub>e

	FY18	FY19	FY20	FY21	% change against base year
Scope 1	3,849	3,744	4,113	3,825	-1%
Scope 2	2,788	2,123	2,042	2,175	-22%
Scope 3	122,871	105,341	100,460	105,971	-14%
<b>Total</b>	<b>129,509</b>	<b>111,208</b>	<b>106,615</b>	<b>111,971</b>	<b>-14%</b>

This statement is a summary of the verified information considered for Toitu Carbon Reduce Certification. the full disclosure statement can be found at [www.toitu.co.nz](http://www.toitu.co.nz)

Figure 3: GHG emissions per item (grams CO<sub>2</sub>e per item)

Grams CO <sub>2</sub> per item – rolling 12 month average	FY18	FY19	FY20*	FY21	% change against base year
Letters	95.964	95.352	105.44	118.52	23%
Parcels	1097.422	911.602	898.64	896.38	-18%

\* KPI for letters and parcels in FY20 is different to that reported in the FY20 Annual Report due to updated data.

## Performance Overview (continued)



This is to certify that:

### New Zealand Post Limited

meets the requirements of Toitū carbonreduce 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 and Post Shop franchises in fuel stations, supermarkets, dairies and other outlets.

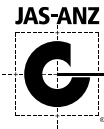
A handwritten signature in black ink, appearing to read "Belinda Mathers".

Belinda Mathers — Certifier



Date issued: 14 August 2019 | Valid until: 14 August 2022  
Certificate Number: 2019069J | Certification Status: Certified organisation  
Company Address: New Zealand Post House, 7 Waterloo Quay, Wellington 6011, New Zealand  
Certification Year Level of Assurance: Reasonable

Please refer to the disclosure page on [www.tohu.co.nz](http://www.tohu.co.nz) for further details.  
Toitū carbonreduce is an annual certification programme and this certificate only remains valid with an annual surveillance audit.



[WWW.JAS-ANZ.ORG/REGISTER](http://WWW.JAS-ANZ.ORG/REGISTER)  
Certified by Enviro-Mark Solutions Limited  
(trading as Toitū Envirocare)

# Statutory Information

## Consolidated earnings statement – information disclosure for the year ended 30 June 2021

	Letter Deliveries <sup>1</sup> \$m	Other Services \$m	Total \$m
Operating revenue	227	715	942
Other revenue	26	8	34
Operating expenses	(258)	(691)	(949)
Operating (loss) / profit	(5)	32	27

1 Letters for delivery in New Zealand

### Accounting Policies

The Consolidated Earnings Statement has been prepared to meet the requirements of the Postal Services (Information Disclosure) Regulations 1998.

The policies applied to allocate revenue and expenses to Letter Deliveries and Other Services are described below.

#### Revenue

Revenue has been calculated using the Group's product contribution model which has calculated the revenue for letter deliveries using actual financial data for the 2020/21 year. The costing model identifies the relevant letter products and the revenue earned by them.

#### Expenses

Expenses have been calculated using the Group's product contribution model which has calculated the expenditure for letter deliveries using actual financial data for the 2020/21 year. The production contribution model identifies the cost of activities within the Group and assigns to letter products through drivers or allocations. Key drivers in the model are operational time that is recorded for activities performed, plus operational volumes. Overhead activities as assigned by assessed level of effort related to letter deliveries. 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 expenses includes Depreciation and Amortisation.

#### Definition of Letters

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.

1 Letters for delivery in New Zealand

## Statutory Information (continued)



### Independent review report

To the readers of New Zealand Post Limited's Consolidated Earnings Statement – Information Disclosure for the Year Ended 30 June 2021

The Auditor-General is the auditor of New Zealand Post Limited and its subsidiaries (the "Group"). The Auditor-General has appointed me, Kevin Brown, 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 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 2021.

#### Our 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 Accounting Policies.

#### Basis for conclusion

We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 (Revised) Review of Financial Statements Performed by the Independent Auditor of the Entity (NZ SRE 2410 (Revised)). Our responsibility is further described in the Auditor's responsibility for the review of the financial statements section of our report.

#### Emphasis of matter – basis of preparation

We draw attention to the Accounting Policies of the Consolidated Earnings Statement, which describes the basis of preparation. The Consolidated Earnings Statement is prepared for the Directors to meet the requirements of the Postal Services (Information Disclosure) Regulations 1998. The Consolidated Earnings Statement may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

We are independent of the Group in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and we have fulfilled our other ethical responsibilities in accordance with these ethical requirements. Other than in our capacity as auditor and provider of services to assess the design of NZ Post's future state processes, controls and calculations for determining future holiday pay, we have no relationship with, or interests in, the Group.

#### Directors' responsibility

The Directors are responsible on behalf of the Group, in terms of Clause 3(1)(e) of the Postal Services (Information Disclosure) Regulations 1998, for the preparation and presentation of separate profit and loss statements for the following service categories:

- Letter deliveries within New Zealand; and
- Other services provided.

The Consolidated Earnings Statement is intended to meet this responsibility.

As required by Clause:

- 3(2)(a), the accounting policies adopted in the preparation of the Consolidated Earnings Statement has to be stated; and
- 3(2)(b), the manner in which charges for the use of assets have been attributed to each service category, has to be explained.



The Directors are also responsible 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.

**Auditor's responsibility for the review of the Consolidated Earnings Statement**

Our responsibility is to express a conclusion on the Consolidated Earnings Statement based on our review. NZ SRE 2410 (Revised) 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 Accounting Policies. A review of the Consolidated Earnings Statement in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform 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) and consequently does not enable us to obtain assurance that we might identify in an audit. Accordingly, we do not express an audit opinion on the Consolidated Earnings Statement.

A handwritten signature in black ink, appearing to be 'KB', written over a horizontal line.

Kevin Brown  
On behalf of the Auditor-General  
Wellington  
31 August 2021

The PricewaterhouseCoopers logo, featuring the company name in a cursive, handwritten-style font.

PricewaterhouseCoopers

## Statutory Information (continued)

### Disclosures – Companies Act 1993 and Voluntary

#### 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”). KGH Group 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 two 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 NZ Post.

The Human Resources Committee of the New Zealand Post Board also has some specific responsibilities in respect to remuneration

for NZ Post’s Chief Executive and Executive Leadership Team, and for remuneration policy applicable to NZ Post’s Managers and Specialists.

NZ Post’s management remuneration structures are designed to attract, reward and motivate executive talent while remaining mindful of affordability. In setting remuneration for NZ 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 in FY2021 did not include any at-risk pay or other form of financial incentive/bonus, e.g. short-term incentives (STIs), long term incentives (LTIs).

##### NZ Post Chief Executive’s Remuneration

The Chief Executive’s 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 <sup>(1)</sup> \$	Total Remuneration \$
FY2021 <sup>(2)</sup>	841,401	30,456	871,857
FY2020 <sup>(2)</sup>	875,508	31,124	906,632
FY2019	883,358	31,074	914,432
FY2018	866,326	30,500	896,826
FY2017 <sup>(3)</sup>	133,281	4,653	137,934

Note 1: Benefits include KiwiSaver and medical insurance

Note 2: Salary reduced by 20% for six months from 1 May 2020 to 31 October 2020 in response to the Covid-19 pandemic

Note 3: Appointed 1 May 2017

### KiwiSaver FY2021

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 FY2021, the company's contribution was \$25,242.

### FY2022 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 FY2022. There are no short-term or long-term incentive arrangements in the Chief Executive's remuneration package currently, although these are under consideration by the Board for implementation in FY2022.

	Annual Salary \$	Annual Benefits <sup>(4)</sup> \$	Annual Total Remuneration \$
FY2022 – from 1 July 2021	917,636	33,441	951,077

Note 4: Benefits include KiwiSaver and medical insurance (including a 1 September 2021 premium increase)

### Executive Remuneration (other than Chief Executive)

Executive total remuneration consists of fixed remuneration only, i.e. base salary and benefits. Currently, there are no short-term or long-term incentive arrangements in the remuneration packages for Executives, although these are under consideration by the Board for implementation in FY2022. Executive remuneration is reviewed annually and adjusted as appropriate taking account of factors such as:

- The market for necessary skills and NZ Post's ability to attract and retain critical talent;
- The performance of individuals against agreed key performance outcomes and recognition of development and growth;
- The impact of changes to the size, expectations or accountabilities of executive roles.

### Employee Numbers and Cost of Remuneration

Employee numbers and the cost of remuneration as at 30 June 2021 totalled:

- 4,624 people (4,101 FTE) in NZ Post with a total cost of remuneration for employees during the year of \$297m;
- 2,411 people (2,186 FTE) in the KGH Group with a total cost of remuneration for employees during the year of \$248m.

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 2020 and 30 June 2021 for NZ Post and the KGH Group.

Included are Holidays Act remediation payments and, where relevant, termination payments (i.e. redundancy compensation) to former employees.

## Statutory Information (continued)

Band	NZ Post – Total in band for FY2021	KGH Group – Total in band for FY2021	FY2021 totals
\$100,000-\$109,999	133	132	265
\$110,000-\$119,999	104	144	248
\$120,000-\$129,999	81	103	184
\$130,000-\$139,999	43	98	141
\$140,000-\$149,999	47	59	106
\$150,000-\$159,999	26	51	77
\$160,000-\$169,999	33	30	63
\$170,000-\$179,999	21	23	44
\$180,000-\$189,999	17	31	48
\$190,000-\$199,999	8	23	31
\$200,000-\$209,999	8	13	21
\$210,000-\$219,999	5	17	22
\$220,000-\$229,999	5	12	17
\$230,000-\$239,999	5	13	18
\$240,000-\$249,999	0	12	12
\$250,000-\$259,999	6	10	16
\$260,000-\$269,999	3	8	11
\$270,000-\$279,999	0	2	2
\$280,000-\$289,999	0	5	5
\$290,000-\$299,999	4	4	8
\$300,000-\$309,999	3	5	8
\$310,000-\$319,999	1	5	6
\$320,000-\$329,999	1	3	4
\$330,000-\$339,999	3	3	6
\$340,000-\$349,999	0	3	3
\$350,000-\$359,999	2	0	2
\$360,000-\$369,999	0	1	1
\$380,000-\$389,999	0	1	1
\$390,000-\$399,999	0	1	1
\$400,000-\$409,999	1	1	2
\$410,000-\$419,999	1	1	2
\$420,000-\$429,999	0	2	2
\$430,000-\$439,999	0	0	0

Band	NZ Post – Total in band for FY2021	KGH Group – Total in band for FY2021	FY2021 totals
\$440,000-\$449,999	1	0	1
\$460,000-\$469,999	0	1	1
\$470,000-\$479,999	1	0	1
\$480,000-\$489,999	1	0	1
\$490,000-\$499,999	0	2	2
\$500,000-\$509,999	0	1	1
\$510,000-\$519,999	0	2	2
\$520,000-\$529,999	1	1	2
\$530,000-\$539,999	0	2	2
\$540,000-\$549,999	0	1	1
\$590,000-\$599,999	1	0	1
\$870,000-\$879,999	1	0	1
\$1,050,000-\$1,059,999	0	1	1
\$1,140,000-\$1,149,999	0	1	1
	567	828	1395

### Donations

During the year, the New Zealand Post Group made donations of \$21,262.70. No donations were made to political parties.

### Auditors

The auditors for the Group are Kevin Brown (for NZP) and Jonathan Freeman (for KGH) assisted by PricewaterhouseCoopers, Wellington on behalf of the Auditor-General. The amount payable by the Group to PricewaterhouseCoopers as audit fees in respect of the year is \$2,661,000. The amount incurred in respect of the year for other services provided by PricewaterhouseCoopers is \$409,000.

### Credit Rating

New Zealand Post has an “A” rating from S&P Global Ratings. During the financial year, New Zealand Post held listed debt through a subsidiary (New Zealand Post Group Finance Limited) and these subordinated notes carried a “BB” rating from S&P Global Ratings. The notes were fully redeemed on 15 May 2021 and that subsidiary was subsequently amalgamated into New Zealand Post Limited on 30 June 2021.

**Directors' and employees' indemnity and insurance**

New Zealand Post has insured the Directors and employees of the Group 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 the Group 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, however, subsequent to the partial divestment of Kiwi Group Holdings Limited this indemnification has been amended to exclude Directors of Kiwi Group Holdings Limited (and its subsidiaries) other than Directors of those companies solely appointed by or representing New Zealand Post.

**Directors' Fees & Benefits\***

The total fees paid to members of the New Zealand Post Limited Board during the 2020/21 financial year were \$349,509.87.

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

Rodger Finlay (Chair)	\$92,493.32
Carol Campbell	\$55,066.64
Jignasha Patel	\$48,533.32
Nagaja Sanatkumar	\$48,533.32
Richie Smith	\$56,349.95
John Sproat	\$48,533.32

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

The fees reflect a voluntary 20% reduction of annual directors' fees for a 6 month period by New Zealand Post Limited directors in response to Covid-19.

**Number of Board meetings attended**

During the 2020/21 financial year the Board met 15 times, which included a number of out-of-cycle meetings.

Directors' attendance at Board meetings was as follows:

Rodger Finlay	15
Carol Campbell	15
Jignasha Patel	14
Nagaja Sanatkumar	15
Richie Smith	15
John Sproat	15

## Statutory Information (continued)

### 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 New Zealand Post Limited subsidiaries pursuant to s140(2) of the Companies Act 1993 as at 30 June 2021 are:

#### *New Zealand Post Limited*

Director	Interest
Rodger Finlay Chair	Chairman, PGG Wrightson Chairman, Provincial Growth Fund Limited Deputy Chair, Rural Equities Limited Audit Chair, Ngai Tahu Holdings Director, Ngai Tahu Farming Chairman, Mundane Asset Management Director, Mundane World Leaders Fund Independent Director, Moeraki Limited Trustee, Burnett Valley Trust Chair, St Andrew's College Foundation Director, Kiwi Group Holdings Limited (Chair from 20 June 2020 until 31 October 2020)
Carol Campbell	Director, Hick Bros Holdings Limited and subsidiaries Director, T&G Global Limited Director, AlphaXRT Limited 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 Director, Kiwibank Limited
Jignasha Patel	Trustee, Comet Auckland Executive, Auckland War Memorial Museum Director, New Zealand Post Trustees Limited
Nagaja Sanatkumar	Director, Imagen8 Member, Institute of Directors (New Zealand) Inc Shareholder, Amazon Director, Shareholder, Nova Digital Consulting Limited Director, Shareholder, Meridian Energy Limited Trustee, Michael Hill International Violin Competition Director, Cawthron Institute Board of Directors Director, Ultrafast Fibre Limited Director, MediaWorks Investments Limited

<b>Director</b>	<b>Interest</b>
Richie Smith	Director/Shareholder, Hilton Haulage Limited
	Director/Shareholder, Richie Smith Limited
	Director/Shareholder, Lands and Survey Group Limited
	Director/Shareholder, Lands and Survey (Auckland) Limited
	Director, Lands and Survey (Queenstown) Limited
	Director, Shareholder, Lands and Survey Holdings Limited
	Director, Shareholder, Lands and Survey (Whangarei) Limited
	Director, Shareholder, Lands and Survey Engineering Limited
	Director/Shareholder, Lake Tekapo Village Motel Limited
	Director/Shareholder, Dairy Fresh GP Limited
	Director/Shareholder, Whiteline GP Limited
	Director, Puketeraki Limited
	Chair, United Fire Brigades Associations of New Zealand
	Director, Rimutai Karitane Limited
	Director, Taramea Fragrance Limited
	Director, Shareholder, Maniototo Holdings Limited
	Director, Waka Capital Limited
	Director, Polyfabrics Australia NZ GP 2018 Limited
	Director, Empak NZ 2019 GP Limited
	Director, Plasback NZ 2019 GP Limited
	Director, Shareholder, Black Beech Trust Holdings Limited
	Director, Shareholder, Walk on Limited
	Director, Shareholder, Woolaid Limited
	Director, Ministry of Merino Limited
	Director, Shareholder, Waitutu Holding Company Limited
	Chair, New Zealand Post Trustees Limited
	John Sproat
Director, Shareholder, Rakau Properties (No. 2) Limited	
Director, Shareholder Kaiwaho Limited	
Chair of Investment Committee, Opepe Farm Trust	
Director, Kiwibank Limited	

## Statutory Information (continued)

### Subsidiary Directors' Disclosures

NZ Post subsidiaries and KGH Group

#### Directors' Disclosures as at 30 June 2021

Director	Interests
Gregg Behrens (Chair Kiwi Wealth Group)	Independent Trustee, AQR Funds Director, Iowa State University Foundation
Ian Blair	Director and shareholder, Sapience Limited Director, WSP New Zealand Director, Golder Construction (NZ) Limited (from June 2021) Director, Golder Associates (NZ) Limited (from June 2021)
Norbert Bojarski	Executive General Manager, Investments and Ventures, New Zealand Post Limited Director and shareholder, Business Flow Limited Director and shareholder, Eximion Limited
Monique Cairns	Director, SPCA Auckland (until February 2021) Committee Officer, The Northern Club Executive Director & Shareholder, Caribou Consulting Limited Director, Manukau Institute of Technology Limited Director, Unitec New Zealand Limited Strategic Marketing Advisor, Nectar Money (Personal Loans)
Carol Campbell	See disclosures in NZ Post's Directors' section.
Kristy Campbell	Advisory Board Member, Allied Medical Limited Trustee, Birkenhead Primary School Learning Trust (until March 2021) Director and shareholder, Clarity Advisory Limited Independent Director, Enviro-Mark Solutions Limited Independent Member of Investment Committee, Findex Advice Services NZ Limited Director and Guardian, New Plymouth PIF Guardians Ltd Chair of Advisory Board, Polymer Group Limited Sole Director and shareholder, Ptarmigan Consulting Limited Member of Board and Member of Investment Committee, Public Trust Independent Director and Chair of Compliance Committees, Salt Funds Management Ltd & Salt Investment Funds Ltd Panel Member, NZ Markets Disciplinary Tribunal Advisory Board Member, Guardian Angel Security Limited (from March 2021) Advisory Board Member, ArcAngels Incorporated Society (from March 2021)
Gary Crawford	Director, Turkana Limited Trustee and beneficiary, Turkana Trust Trustee and beneficiary, Crawford Family Trust Consultant, Department of Inland Revenue (from October 2020) Shareholder, Director and Employee, Kumutoto Consulting Limited (from October 2020) Consultant, Massey University (from November 2020)
Mary Jane Daly (appointed as Director of Kiwibank Limited on 31 August 2020)	Director, Auckland Transport Director, Kiwi Property Group Limited Chair, Earthquake Commission Trustee, The M J Daly Family Trust Trustee, The M F Daly Family Trust Trustee, The W Marshall Trust Director, Fonterra Shareholders Fund (from November 2020)

Director	Interests
Rodger Finlay (Chair of Kiwi Group Holdings Limited from 17 June 2020 to 31 October 2020)	See disclosures in NZ Post's Directors' section
Jessica Gilbert (alternate to Will Goodwin on Kiwi Group Holdings Limited until 28 October 2020)	Employee and Portfolio Manager, Direct Investments Guardians of New Zealand Superannuation Alternate Director, NZSF Tui Investments Limited (until October 2020)
Will Goodwin	Employee, Guardians of New Zealand Superannuation Director, NZSF Timber Investments (NO 4) Limited Director, NZSF Timber Investments (NO 1) Limited (until August 2020) Director, NZSF Rural Investments (NO 1) Limited (until August 2020) Director, NZSF Hobsonville Investments Limited (until October 2020) Director, NZSF Land Holdings Limited (until October 2020) Director, NZSF Southland Farms Limited (until February 2021) Director, NZSF Tui Investments Limited (until October 2020) Director, NZSF Rural Holdings Limited (until February 2021) Director, NZSF Canterbury Farms Limited (until February 2021) Director, NZSF Waikato Farms Limited (until February 2021) Director, NZSF Australian Rural Holdings Limited (until February 2021) Director, NZSF Rural Land Limited (until February 2021) Director, NZSF Horticulture Investments Limited (until October 2020) Director, NZSF Frontier Investments, Inc Director, NZ INFRA Limited Director, NZSF Infrastructure Limited Director, INFINZ (Institute of Finance Professionals NZ Inc) Director, NZSF Healthcare Investments Limited (from July 2020) Directors, NZ Healthcare Investments Limited (from August 2020)
Sarah Graydon	Director, SIFCO Retirement Trustee Limited Licensed Independent Trustee, SIFCO Superannuation Scheme Director, PSS Trustees Limited Licensed Independent Trustee, Unisaver Limited
Jonathan (Jon) Hartley (Chair of Kiwibank Limited)	Director and Deputy Chair, Chorus Ltd (until August 2020) Director, Chorus NZ Ltd (until August 2020) Trustee, Hartley Family Trust Strategic Advisor, Molecule RnD Ltd (until April 2021) Chair, Timberlands Ltd Advisor, Wellington Diocesan Board of Trustees

## Statutory Information (continued)

Director	Interests
David Havercroft	Director, Kordia Group Limited Director, Connect8 Limited Director, Southern Cross Cables Limited Director, Reflect Limited Shareholder, Kode Biotech Limited Shareholder, Nyriad Limited Shareholder, Chorus Limited Shareholder, Spark NZ Limited Trustee, Havercroft Family Trust Consultant IT Services, Westpac Bank (from October 2020) Consultant IT Services, ANZ Bank (from October 2020)
Mike Hendriksen	Director and Shareholder, Huhane Limited
Nick Lewis (Chair of Kiwi Insurance Limited)	Director, Pioneer Energy Limited Director, Ecotricity GP Limited (until January 2021) Chair, Paysauce Limited and Director, Paysauce Operations Limited Sole Director and shareholder, Woodward Partners Limited Trustee, Lewis Family Trust Trustee, Good Bitches baking
Jackie Lloyd	Chair, Wellington Museums Trust (Trading as Experience Wellington) Trustee, The Lion Foundation and Chair of Wellington Regional Grants Committee Director, Ag Research Director, Naylor Love Enterprises Ltd National Council Member and Chair Wellington Branch, Institute of Directors in New Zealand (Inc) Board Member, Museum of New Zealand Te Papa Tongarewa Director, New Zealand Cricket
Leigh MacDonald (ceased as Alternate Director to Mark Stephen on 26 August 2020)	Trustee, Sustainability Trust Chair, Rangitane Holdings & Investments Limited
Kevin Malloy	Director, Deputy Chair of Board and Chair of TVNZ's HR and Remuneration Committee, Television New Zealand Limited Board Member, Graeme Dingle Foundation Board member, Halberg Disability Sport Foundation Director, km54 Limited Director, NZ Cricket Board

Director	Interests
Alistair Nicholson (retired as Director of Kiwi Wealth Investments General Partner Limited on 26 November 2020)	<p>Director, Glendora Avocados Limited</p> <p>Director, Glendora Holdings Limited</p> <p>Director and shareholder, Hrothgar NZ Agri Holdings Limited</p> <p>Executive Chair, Vulpes Investment Management Limited</p> <p>Advisory Panel member, Next Foundation</p> <p>Director, Avocado Industry Council (until August 2020)</p> <p>Director, Avocado Growers' Association (until August 2020)</p> <p>Director, Lindis Crossing Vineyard Limited</p> <p>Director, Valic NZ Limited</p> <p>Shareholder, Sharesies Limited (from July 2020)</p> <p>Shareholder, Maungatapere Water Company Limited</p> <p>Shareholder, BPV Direct Management Investment Limited and subsidiaries</p>
Michael (Mike) O'Donnell	<p>Director/Shareholder, MOD Associates Limited</p> <p>Director, Serato Audio Research Limited</p> <p>Chairman/Shareholder, Timely Limited (until February 2021)</p> <p>Director, Tourism New Zealand</p> <p>Director, Radio NZ Limited</p> <p>Director, RealEstate.co.nz Limited</p> <p>Director, NZ Government to Government Knowhow</p> <p>Chair, Garage Project (from October 2020)</p> <p>Director, PaySauce Limited (from October 2020)</p> <p>Director, NZ High Tech Growth Trust (from February 2021)</p>
Jignasha Patel	See disclosures in NZ Post's Directors' section
Scott Pickering	<p>Chief Executive, Accident Compensation Corporation</p> <p>Director, Chubb Insurance New Zealand Limited</p> <p>Director, Chubb Holdings Australia Pty Limited</p> <p>Director, Chubb Insurance Australia Limited</p> <p>Director, Engage Consulting Limited (from May 2021)</p>
Dame Paula Rebstock (Chair of Kiwi Group Holdings Limited from 1 November 2020)	<p>Chair, Accident Compensation Corporation</p> <p>Chair, Women's Advisory Network, New Zealand Police (until September 2020)</p> <p>Director, Auckland Transport (until October 2020)</p> <p>Chair, New Zealand Defence Force Governance Board</p> <p>Chair, Auckland District Health Board Finance Risk and Assurance Committee and member of Human Resources Committee</p> <p>Director/Shareholder, On Being Bold</p> <p>Chair, Ngāti Whātua Ōrākei Whai Maia</p> <p>Deputy Chair and Director, Vector Limited (Deputy Chair from December 2020)</p> <p>Director, Sealink Travel Group New Zealand Limited (from July 2020)</p> <p>Director, Sealink New Zealand Limited (from July 2020)</p> <p>Director, Sealink Pine Harbour Limited (from July 2020)</p> <p>Director, Freightlink Limited (from July 2020)</p> <p>Senior Consultant, Strategis (from September 2020)</p> <p>Chair, National Hauora Coalition Limited (PHO) (from August 2020)</p>

## Statutory Information (continued)

Director	Interests
Alistair Ryan (retired as Director of Kiwibank Limited on 30 August 2020)	Member, Audit Oversight Committee Director, Barramundi Limited Director, Metlifecare Limited Director, Metlifecare LTIP Trustee Limited Director, Kingfish Limited Director, Marlin Global Limited Director, Dorsal Digital Limited
David Smith	Director, TDB Advisory Limited Director, NPV Advisory Limited Director, Logan Leith Trustee Limited Director, Catalist Markets Limited Member, Manawatu Investment Group (MIG) Investment Committee (from October 2020) Beneficiary; Decision-maker for dealing in relation to the Logan Leith Trust No. 2. FNZ Custodians for Logan Leith Trust No. 2 is a registered minority holder of Kiwi Capital Funding Limited Perpetual Capital Notes (KCFHA)
Elliot Smith	Director, Hessey Investment Limited
Richie Smith	See disclosures in NZ Post's Directors' section
Rob Smith	Director, Bizadvisor Limited Director, Te Aria Properties Akl Limited Director, The Interiors Group Limited Director, Carpet Court Retailing Limited Director, Carpet Court Partnerships Limited Director, Carpet Court NZ Limited Director, Carpet Court Franchising Limited Chair, FloorNZ (until March 2021) Director, Glover Road Properties Ltd Director, Upton Street Developments Ltd (from December 2020)
John Sproat	See disclosures in NZ Post's Directors' section
Mark Stephen	Director and shareholder, Pip Stephen Interior Design Limited Trustee/Beneficiary, Homestead Trust Trustee/Beneficiary, Arrow Crib Trust (from October 2020)
Michelle van Gaalen	Managing Director, Belron NZ Limited and all associated subsidiaries Director and Shareholder, Anton Robert Investments Limited Trustee, Government Superannuation Fund Authority (until August 2020) Director, Annuitas Management Limited (until July 2020)
David Walsh	Director, New Zealand Post Holdings Limited Director, Datam Limited Director, New Zealand Post Group Finance Limited (until 30 June 2021) Director, New Zealand Post Australia Holdings Pty Limited
Graeme Watt (resigned as Director of Kiwi Asset Finance Limited on 2 September 2020)	Director, Kiwi Dynamic Investors Limited Director, Cabbage Tree Investments Limited Trustee, Plantation Road Trust

Director	Interests
Richard Westlake (Chair of The New Zealand Home Loan Company Limited)	Founder & Managing Director, Westlake Governance Limited Chair, Samaritans Aotearoa New Zealand (from October 2020 to June 2021) President and Committee Member, Kāpiti Districts Aero Club Inc (from June 2021)

### Subsidiary Directors and Fees

Director	Subsidiary	Total Fees & Benefits (NZD)
Gregg Behrens (Chair)	Kiwi Wealth Investments General Partner Limited Portfolio Custodial Nominees Limited Kiwi Wealth Limited Kiwi investments Management Limited Kiwi Wealth Management Limited	\$114,424.04* Incl. continuing education allowance
Ian Blair	Kiwibank Limited	\$104,462.31* * Incl. fees paid as Chair of Risk Credit & Compliance Committee (from July 2020 until September 2020) and membership fees for the Audit & Risk Committee (from October 2020)
Norbert Bojarski	Kiwi Group Holdings Limited Kiwi Capital Funding Limited Kiwi Financial Services Retail Limited (Alternate Director until May 2021)	\$48,533.32* * Fees paid to NZ Post – –
Monique Cairns	The New Zealand Home Loan Company Limited	\$52,116.70*
Carol Campbell	Kiwibank Limited	\$99,462.30* * Incl. fees paid as a member of the Audit & Risk Committee (from October 2020)
Kristy Campbell	The New Zealand Home Loan Company Limited	\$52,116.70*
Paul Chambers	AMP Home Loans Limited (from September 2020 until December 2020) New Zealand Home Lending Limited (from September 2020) Kiwibank Investment Management Limited (from September 2020)	
Gary Crawford	Portfolio Custodial Nominees Limited	\$9,999.96
Mary Jane Daly (appointed Director from August 2020)	Kiwibank Limited	\$101,014.76* * Incl. fees paid as Chair of the Finance, Audit & Disclosure Committee (September 2020) and Chair of the Audit & Risk Committee (from October 2020)
Rodger Finlay	Kiwi Group Holdings Limited (Chair from 17 June 2020 to 31 October 2020)	\$55,466.64* * Incl. fees paid as Chair
Joe Gallagher	New Zealand Post Trustees Limited	–
Jessica Gilbert	Kiwi Group Holdings Limited (alternate Director until 28 October 2020)	–
Will Goodwin	Kiwi Group Holdings Limited	\$63,533.33* Fees paid to Guardians of New Zealand Superannuation
Sarah Graydon	New Zealand Post Trustees Limited	\$15,000

## Statutory Information (continued)

Director	Subsidiary	Total Fees & Benefits (NZD)
Jonathon (Jon) Hartley (Chair)	Kiwibank Limited	\$191,962.38* * Incl. fees as a member of the Audit & Risk Committee (from October 2020)
David Havercroft	Kiwi Wealth Investments General Partner Limited Portfolio Custodial Nominees Limited Kiwi Wealth Limited Kiwi Investments Management Limited Kiwi Wealth Management Limited (from March 2021)	\$68,306.36* * Includes fees for Chair of the Audit and Risk Committee and the Tech Committee
Mike Hendriksen	AMP Home Loans Limited (until December 2020) New Zealand Home Lending Limited Kiwi Asset Finance Limited	
Anna Kenny	New Zealand Post Trustees Limited	\$15,000
Nick Lewis (Chair)	Kiwi Insurance Limited	\$84,000*
Jacqueline (Jackie) Lloyd	Kiwi Group Holdings Limited	\$63,533.31*
Leigh MacDonald (ceased as alternate director in August 2020)	Kiwi Financial Services Retail Limited	–
Kevin Malloy	Kiwibank Limited	\$113,675.94* * Incl. fees paid as Chair of Remuneration, People and Culture Committee and continuing education allowance
Jennifer Newman	New Zealand Post Trustees Limited	–
Alistair Nicholson (retired as Director in November 2020)	Kiwi Wealth Investments General Partner Limited Portfolio Custodial Nominees Limited Kiwi Wealth Limited Kiwi investments Management Limited Kiwi Wealth Management Limited	\$26,361.08* * Incl fees paid as Chair of Investment Governance Committee
Michael (Mike) O'Donnell	Kiwibank Limited (until November 2020) Kiwi Wealth Investments General Partner Limited Kiwi Wealth Limited Kiwi Investments Management Limited Portfolio Custodial Nominees Limited Kiwi Wealth Management Limited (from March 2021)	\$34,687.49 \$73,278.08* * Incl fees paid as Chair of Remuneration Committee and continuing education allowance
Jignasha Patel	New Zealand Post Trustees Limited	\$7,500
Scott Pickering	Kiwibank Limited	\$98,365.94* * Incl. fees paid for continuing education allowance
Dame Paula Rebstock (Chair)	Kiwi Group Holdings Limited (Chair from 1 November 2020)	\$80,866.67*
Alistair Ryan (retired as Director in August 2020)	Kiwibank Limited	\$18,447.58* * Incl. fees paid as Chair of the Finance, Audit & Disclosure Committee
Elliot Smith	Kiwibank Investments Management Limited	–

Director	Subsidiary	Total Fees & Benefits (NZD)
David Smith	Kiwi Capital Funding Limited (Chair)	\$23,333.31*
	Kiwi Insurance Limited	\$42,000.00*
Richie Smith	New Zealand Post Trustees Limited (Chair)	\$15,000
Rob Smith	The New Zealand Home Loan Company Limited	\$52,111*
John Sproat	Kiwibank Limited	\$92,500
Mark Stephen	Kiwi Asset Finance Limited	–
	Kiwi Financial Services Retail Limited (until May 2021)	–
Peter Taylor	New Zealand Post Trustees Limited	–
Michelle van Gaalen	Kiwi Insurance Limited	\$42,000.00*
John van Woerkom	New Zealand Post Group Finance Limited (until 30 June 2021)	–
David Walsh	Kiwi Financial Services Retail Limited (until May 2021)	–
	New Zealand Post Holdings Limited	–
	Datam Limited	–
	New Zealand Post Group Finance Limited (until 30 June 2021)	–
	New Zealand Post Australia Holdings Limited	–
Graeme Watt	Kiwi Asset Finance Limited (until September 2020)	–
	AMP Home Loans Limited (until August 2020)	–
	New Zealand Home Lending Limited (until August 2020)	–
	Kiwibank Investment Management Limited (until August 2020)	–
Richard Westlake (Chair)	The New Zealand Home Loan Company Limited (Chair)	\$96,366.70*

\* The fees and benefits reflect a voluntary 20% reduction of annual directors' fees by directors of various KGH Group subsidiaries.

The sums deducted have been paid to nominated charities.

## Statutory Information (continued)

### Other disclosures made in the Interest registers

Use of Company Information	<p>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 and 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.</p> <p>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.</p>
Kiwibank only – 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.
Kiwi Wealth only – Directors' Continuing Professional Development (CPD)	Kiwi Wealth provides a budget of up to \$5,000 per director, to use for ongoing education/professional development.

# Directory

## Chair

Rodger Finlay

## Members

Carol Campbell  
Jignasha Patel  
Nagaja Sanatkumar  
Richie Smith  
John Sproat

## Executive Leadership Team (as at 30 June 2021)

Chief Executive Officer	David Walsh
Chief People Officer	Monica Ayers
Chief International Business Officer and Chief Data and Technology Officer	Sohail Choudhry
Chief Customer Officer	Bryan Dobson
Chief Operating Officer	Brendon Main
Chief Financial Officer	Rhonda Richardson
Chief Transformation Officer	Janet Selwood
Chief Governance and Sustainability Officer	Malcolm Shaw

## Bankers

Bank of New Zealand Limited

## Auditors

Kevin Brown 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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