



**NEW ZEALAND POST GROUP**

**Results for announcement under the SOE Disclosure Rules**

Reporting Period	Six months to 31 December 2010
Previous Reporting Period	12 months to 30 June 2010

	Amount (000s)	Percentage change since 31 December 2009
Revenue from ordinary activities	651,988	4.9%
Profit (loss) from ordinary activities after tax	21,476	(49.5%)
Net profit (loss)	15,776	(62.9%)

Interim /Final Dividend		
Interim Dividend	\$1.8 million	(68.4%)
Dividend Payment Date	15 March 2011	

Comments:	<p>The results for the six months ended 31 December 2010 were generally affected by slow economic activity, continued digital communications substitution and competitive trading conditions. They were further impacted by a \$26.0 million increase in bad debt provisioning by Kiwibank, a reduction in fair value gains in Kiwibank and a one-off \$5.7 million loss on sale of an Air Post aircraft.</p> <p>The Directors have declared an interim dividend of \$1.8 million for the period, compared with \$5.7 million for the half year ended 30 December 2009.</p> <p>The general conditions affecting the first half results have continued into the second half and the Directors do not expect the Group to achieve its full-year net profit target of \$60.8 million.</p> <p>Considerable progress has been made to implement the business changes and strategies required to reposition the Group to meet the increasingly rapid move by customers to digital technologies for communications and business transactions. The benefits of the strategy are expected to accrue progressively over time and to result in future value creation and improved returns. Challenges will remain in the immediate term to maximise the performance of the Group as it exists today.</p>
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**New Zealand Post Limited and Subsidiaries**  
**Consolidated Statements of Comprehensive Income**  
**For the six months ended 31 December 2010**

	Note	GROUP			PARENT		
		6 months ended 31 December 2010 unaudited \$'000	6 months ended 31 December 2009 unaudited \$'000	12 months ended 30 June 2010 audited \$'000	6 months ended 31 December 2010 unaudited \$'000	6 months ended 31 December 2009 unaudited \$'000	12 months ended 30 June 2010 audited \$'000
Revenue from operations	1	<b>651,988</b>	621,510	1,204,219	<b>378,976</b>	390,788	736,828
Expenditure	2	<b>638,760</b>	588,980	1,179,830	<b>374,448</b>	373,669	747,611
<b>Operating profit</b>		<b>13,228</b>	32,530	24,389	<b>4,528</b>	17,119	(10,783)
Other income	1	<b>7,267</b>	20,789	36,824	<b>7,809</b>	3,364	9,945
Finance costs (net)		<b>(5,818)</b>	(6,355)	(13,324)	<b>(5,348)</b>	(5,271)	(11,536)
Share of net profit of associates and jointly controlled entities		<b>7,041</b>	8,173	(13,817)	-	-	-
<b>Profit before income tax</b>		<b>21,718</b>	55,137	34,072	<b>6,989</b>	15,212	(12,374)
Income tax expense		<b>5,942</b>	12,603	32,793	<b>684</b>	2,982	12,332
<b>Profit/(loss) for the period (attributable to parent shareholders)</b>		<b>15,776</b>	42,534	1,279	<b>6,305</b>	12,230	(24,706)
<b>Other comprehensive income/(expense)</b>							
Fair value gains/(losses)							
- land and building revaluations, net of tax		-	-	(48)	-	-	(48)
- available for sale financial assets, net of tax		<b>(2,726)</b>	(5,599)	(3,366)	-	-	-
Cash flow hedges, net of tax		<b>4,483</b>	32,319	24,135	<b>(293)</b>	(112)	(2,328)
Currency translation differences		<b>(1,155)</b>	(63)	(478)	-	-	-
Share of other comprehensive income of associates and jointly controlled entities, net of tax		-	-	908	-	-	-
<b>Total other comprehensive income/(expense), net of tax</b>		<b>602</b>	26,657	21,151	<b>(293)</b>	(112)	(2,376)
<b>Total comprehensive income/(expense), (attributable to parent shareholders)</b>		<b>16,378</b>	69,191	22,430	<b>6,012</b>	12,118	(27,082)

New Zealand Post Limited and Subsidiaries  
Consolidated Statements of Changes in Equity  
For the six months ended 31 December 2010

Group	Note	Fully Paid Ordinary Shares \$'000	Property Revaluation Reserves \$'000	Available For Sale Reserve \$'000	Cashflow Hedge Reserve \$'000	Foreign Currency Translation Reserve \$'000	Retained Earnings \$'000	Non-controlling Interest \$'000	Total \$'000
<b>Balance at 1 July 2009</b>		192,200	80,651	3,814	(72,587)	3,308	461,771	-	669,157
Profit/(loss) for the period		-	-	-	-	-	42,534	-	42,534
Other comprehensive income/(expense)		-	-	(8,357)	48,237	(94)	-	-	39,786
Income tax relating to components of other comprehensive income		-	-	2,758	(15,918)	31	-	-	(13,129)
<b>Total other comprehensive income/(expense), net of tax</b>		-	-	(5,599)	32,319	(63)	-	-	26,657
Transfer between revaluation reserve and retained earnings		-	(3,643)	-	-	-	3,643	-	-
<b>Transactions with Owners</b>									
Dividends paid to shareholders	4	-	-	-	-	-	-	-	-
<b>Balance at 31 December 2009 (unaudited)</b>		<u>192,200</u>	<u>77,008</u>	<u>(1,785)</u>	<u>(40,268)</u>	<u>3,245</u>	<u>507,948</u>	<u>-</u>	<u>738,348</u>
<b>Balance at 1 July 2009</b>		192,200	80,651	3,814	(72,587)	3,308	461,771	-	669,157
<b>Profit/(loss) for the periods</b>		-	-	-	-	-	1,279	-	1,279
Other comprehensive income/(expense)		-	(269)	(4,820)	34,479	(478)	-	-	28,912
Share of other comprehensive income of associates and jointly controlled entities, net of tax		-	-	-	-	908	-	-	908
Income tax relating to components of other comprehensive income		-	221	1,454	(10,344)	-	-	-	(8,669)
<b>Total other comprehensive income/(expense), net of tax</b>		-	(48)	(3,366)	24,135	430	-	-	21,151
Transfer between revaluation reserve and retained earnings		-	(3,643)	-	-	-	3,643	-	-
<b>Transactions with Owners</b>									
Issuance of cumulative perpetual preference shares		-	-	-	-	-	-	150,000	150,000
Issuance costs		-	-	-	-	-	-	(3,361)	(3,361)
Dividends paid to shareholders	4	-	-	-	-	-	(5,696)	-	(5,696)
<b>Balance at 30 June 2010 (audited)</b>		<u>192,200</u>	<u>76,960</u>	<u>448</u>	<u>(48,452)</u>	<u>3,738</u>	<u>460,997</u>	<u>146,639</u>	<u>832,530</u>
<b>Balance at 1 July 2010</b>		<b>192,200</b>	<b>76,960</b>	<b>448</b>	<b>(48,452)</b>	<b>3,738</b>	<b>460,997</b>	<b>146,639</b>	<b>832,530</b>
<b>Profit/(loss) for the period</b>		-	-	-	-	-	15,776	-	15,776
Other comprehensive income/(expense)		-	-	(3,894)	6,404	(1,155)	-	-	1,355
Share of other comprehensive income of associates and jointly controlled entities, net of tax		-	-	-	-	-	-	-	-
Income tax relating to components of other comprehensive income		-	-	1,168	(1,921)	-	-	-	(753)
<b>Total other comprehensive income/(expense), net of tax</b>		-	-	(2,726)	4,483	(1,155)	-	-	602
Transfer between revaluation reserve and retained earnings		-	(810)	-	-	-	810	-	-
<b>Transactions with Owners</b>									
Dividends paid to shareholders	4	-	-	-	-	-	(720)	-	(720)
Dividends paid to non-controlling interest		-	-	-	-	-	(4,279)	-	(4,279)
<b>Balance at 31 December 2010 (unaudited)</b>		<u>192,200</u>	<u>76,150</u>	<u>(2,278)</u>	<u>(43,969)</u>	<u>2,583</u>	<u>472,584</u>	<u>146,639</u>	<u>843,909</u>

  

Parent	Note	Fully Paid Ordinary Shares \$'000	Property Revaluation Reserves \$'000	Available For Sale Reserve \$'000	Cashflow Hedge Reserve \$'000	Foreign Currency Translation Reserve \$'000	Retained Earnings \$'000	Non-controlling Interest \$'000	Total \$'000
<b>Balance at 1 July 2009</b>		192,200	80,651	-	-	-	790,772	-	1,063,623
Profit/(loss) for the period		-	-	-	-	-	12,230	-	12,230
Other comprehensive income/(expense)		-	-	-	(149)	-	-	-	(149)
Income tax relating to components of other comprehensive income		-	-	-	37	-	-	-	37
<b>Total other comprehensive income/(expense), net of tax</b>		-	-	-	(112)	-	-	-	(112)
Transfer between revaluation reserve and retained earnings		-	(3,643)	-	-	-	3,643	-	-
<b>Transactions with Owners</b>									
Dividends paid to shareholders	4	-	-	-	-	-	-	-	-
<b>Balance at 31 December 2009 (unaudited)</b>		<u>192,200</u>	<u>77,008</u>	<u>-</u>	<u>(112)</u>	<u>-</u>	<u>806,645</u>	<u>-</u>	<u>1,075,741</u>
<b>Balance at 1 July 2009</b>		192,200	80,651	-	-	-	790,772	-	1,063,623
<b>Profit/(loss) for the year</b>		-	-	-	-	-	(24,706)	-	(24,706)
Other comprehensive income/(expense)		-	(269)	-	(3,326)	-	-	-	(3,595)
Income tax relating to components of other comprehensive income		-	221	-	998	-	-	-	1,219
<b>Total other comprehensive income/(expense), net of tax</b>		-	(48)	-	(2,328)	-	-	-	(2,376)
Transfer between revaluation reserve and retained earnings		-	(3,643)	-	-	-	3,643	-	-
<b>Transactions with Owners</b>									
Dividends paid to shareholders	4	-	-	-	-	-	(5,696)	-	(5,696)
<b>Balance at 30 June 2010 (audited)</b>		<u>192,200</u>	<u>76,960</u>	<u>-</u>	<u>(2,328)</u>	<u>-</u>	<u>764,013</u>	<u>-</u>	<u>1,030,845</u>
<b>Balance at 1 July 2010</b>		<b>192,200</b>	<b>76,960</b>	<b>-</b>	<b>(2,328)</b>	<b>-</b>	<b>764,013</b>	<b>-</b>	<b>1,030,845</b>
<b>Profit/(loss) for the period</b>		-	-	-	-	-	6,305	-	6,305
Other comprehensive income/(expense)		-	-	-	(419)	-	-	-	(419)
Income tax relating to components of other comprehensive income		-	-	-	126	-	-	-	126
<b>Total other comprehensive income/(expense), net of tax</b>		-	-	-	(293)	-	-	-	(293)
Transfer between revaluation reserve and retained earnings		-	(810)	-	-	-	810	-	-
<b>Transactions with Owners</b>									
Dividends paid to shareholders	4	-	-	-	-	-	(720)	-	(720)
<b>Balance at 31 December 2010 (unaudited)</b>		<u>192,200</u>	<u>76,150</u>	<u>-</u>	<u>(2,621)</u>	<u>-</u>	<u>770,408</u>	<u>-</u>	<u>1,036,137</u>

**New Zealand Post Limited and Subsidiaries**  
**Consolidated Statements of Financial Position**  
**As at 31 December 2010**

	Note	GROUP			PARENT		
		As at 31 December 2010 unaudited \$'000	As at 31 December 2009 unaudited \$'000	As at 30 June 2010 audited \$'000	As at 31 December 2010 unaudited \$'000	As at 31 December 2009 unaudited \$'000	As at 30 June 2010 audited \$'000
<b>ASSETS</b>							
<b>Current assets</b>							
Cash and cash equivalents		157,950	128,246	126,253	166,765	118,901	128,358
Trade and other receivables		177,797	248,385	181,062	123,693	198,676	122,878
Inventories		17,221	17,916	14,136	11,590	11,102	8,920
Assets held for sale		250	-	3,110	250	-	3,110
Taxation receivable		2,450	-	1,926	4,213	-	6,772
Derivative financial assets		3,144	2,795	2,226	3,144	2,795	2,226
Other current assets		9,263	11,476	10,113	3,512	3,982	4,135
<b>Total current assets</b>		<b>368,075</b>	<b>408,818</b>	<b>338,826</b>	<b>313,167</b>	<b>335,456</b>	<b>276,399</b>
<b>Specific banking assets</b>							
Cash and cash equivalents		335,266	363,592	303,866	-	-	-
Due from other financial institutions		77,966	18,705	156,871	-	-	-
Financial assets held for trading		700,284	875,873	671,152	-	-	-
Available for sale assets		757,040	893,247	544,453	-	-	-
Loans and advances		10,934,435	9,726,420	10,418,502	-	-	-
Derivative financial instruments		58,393	51,639	46,320	-	-	-
<b>Total specific banking assets</b>		<b>12,863,384</b>	<b>11,929,476</b>	<b>12,141,164</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Non-current assets</b>							
Deferred tax asset		8,234	13,219	629	-	-	-
Investment properties		30,486	36,686	30,486	30,486	36,686	30,486
Property, plant and equipment		325,759	330,870	341,302	272,301	276,144	274,142
Intangible assets		150,111	149,698	148,438	27,297	32,354	33,940
Loans to related parties		-	-	-	824,682	825,242	830,405
Investments accounted for using the equity method	6	75,612	97,979	74,627	70,337	69,731	69,731
Investments in subsidiaries	6	-	-	-	75,601	76,261	75,601
<b>Total non-current assets</b>		<b>590,202</b>	<b>628,452</b>	<b>595,482</b>	<b>1,300,704</b>	<b>1,316,418</b>	<b>1,314,305</b>
<b>Total assets</b>		<b>13,821,661</b>	<b>12,966,746</b>	<b>13,075,472</b>	<b>1,613,871</b>	<b>1,651,874</b>	<b>1,590,704</b>
<b>LIABILITIES</b>							
<b>Current liabilities</b>							
Trade and other payables		271,213	289,704	259,835	182,164	219,281	181,222
Provisions		10,561	4,360	11,557	4,369	4,360	5,312
Taxation payable		-	1,729	-	-	533	-
Borrowings	3	169,609	52,777	52,141	158,357	40,606	39,780
Derivative financial liabilities		4,200	3,374	3,326	4,200	3,374	3,326
<b>Total current liabilities</b>		<b>455,583</b>	<b>351,944</b>	<b>326,859</b>	<b>349,090</b>	<b>268,154</b>	<b>229,640</b>
<b>Specific banking liabilities</b>							
Due to other financial institutions		25,341	580,952	164,051	-	-	-
Deposits		11,140,720	9,740,311	10,295,325	-	-	-
Debt securities issued	3	839,392	884,436	795,237	-	-	-
Derivative financial instruments		155,398	215,692	202,588	-	-	-
<b>Total specific banking liabilities</b>		<b>12,160,851</b>	<b>11,421,391</b>	<b>11,457,201</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Non-current liabilities</b>							
Loans from related parties		-	-	-	203,255	196,864	202,406
Deferred tax liability		-	-	-	22,217	5,100	22,220
Employee benefit liabilities		3,269	3,293	3,317	3,172	3,217	3,233
Deferred settlement liability		11,773	9,989	10,788	-	-	-
Borrowings	3	346,276	441,781	444,777	-	102,798	102,360
<b>Total non-current liabilities</b>		<b>361,318</b>	<b>455,063</b>	<b>458,882</b>	<b>228,644</b>	<b>307,979</b>	<b>330,219</b>
<b>Total liabilities</b>		<b>12,977,752</b>	<b>12,228,398</b>	<b>12,242,942</b>	<b>577,734</b>	<b>576,133</b>	<b>559,859</b>
<b>EQUITY</b>							
<b>Parent shareholders' equity</b>							
Share capital	4	192,200	192,200	192,200	192,200	192,200	192,200
Retained earnings		472,584	507,948	460,997	770,408	806,645	764,013
Other reserves	4	32,486	38,200	32,694	73,529	76,896	74,632
<b>Total equity attributable to parent shareholder</b>		<b>697,270</b>	<b>738,348</b>	<b>685,891</b>	<b>1,036,137</b>	<b>1,075,741</b>	<b>1,030,845</b>
Non-controlling interest	4	146,639	-	146,639	-	-	-
<b>Total equity</b>		<b>843,909</b>	<b>738,348</b>	<b>832,530</b>	<b>1,036,137</b>	<b>1,075,741</b>	<b>1,030,845</b>
<b>Total equity and liabilities</b>		<b>13,821,661</b>	<b>12,966,746</b>	<b>13,075,472</b>	<b>1,613,871</b>	<b>1,651,874</b>	<b>1,590,704</b>

**New Zealand Post Limited and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**For the six months ended 31 December 2010**

	Note	GROUP			PARENT		
		6 months ended 31 December 2010 unaudited \$'000	6 months ended 31 December 2009 unaudited \$'000	12 months ended 30 June 2010 audited \$'000	6 months ended 31 December 2010 unaudited \$'000	6 months ended 31 December 2009 unaudited \$'000	12 months ended 30 June 2010 audited \$'000
<b>Cash flows from operating activities</b>							
Receipts from customers		574,784	552,537	1,062,555	398,221	378,260	742,150
Kiwibank interest received		347,589	260,125	553,565	-	-	-
Other interest received		4,435	1,959	6,551	5,590	4,606	13,033
Dividends received		7,778	2,778	7,829	7,847	2,776	7,829
Payments to suppliers and employees		(556,490)	(586,045)	(1,065,514)	(357,437)	(376,510)	(697,523)
Subvention payments		-	-	-	-	-	(400)
Net payments to agencies		(11,073)	(23,795)	(37,698)	(14,243)	(27,374)	(38,249)
Kiwibank interest paid		(233,672)	(174,334)	(403,395)	-	-	-
Other interest paid		(8,598)	(8,915)	(18,665)	(10,919)	(9,259)	(24,135)
Income tax paid		(14,300)	(10,000)	(20,327)	-	(1,024)	1,328
Kiwibank increase in loans and advances		(594,980)	(1,260,775)	(1,933,045)	-	-	-
Kiwibank (increase)/decrease in balances due from other financial institutions		78,905	(18,705)	(156,871)	-	-	-
Kiwibank increase in deposits		819,942	1,447,092	2,002,648	-	-	-
Kiwibank increase/(decrease) in balances due to other financial institutions		(138,710)	264,304	(152,597)	-	-	-
Kiwibank increase/(decrease) in financial assets held for trading		(29,597)	(149,381)	51,026	-	-	-
Kiwibank (increase)/decrease in available for sale assets		(215,349)	(189,330)	138,751	-	-	-
<b>Net cash flows from operating activities</b>	5	<b>30,664</b>	<b>107,515</b>	<b>34,813</b>	<b>29,059</b>	<b>(28,525)</b>	<b>4,033</b>
<b>Cash flows from investing activities</b>							
Sale of property, plant and equipment		7,663	21,646	21,858	3,997	21,633	21,858
Purchase of property, plant and equipment		(2,918)	(21,379)	(47,968)	(2,705)	(12,901)	(20,357)
Investments in associates and other companies	6	(606)	-	-	(606)	-	-
Investments in subsidiaries	6	-	(13,106)	(12,392)	-	(1,000)	(1,000)
Net advances from/(to) subsidiaries		(482)	-	-	110	(28,175)	(31,472)
Purchase of intangible software assets		(29,719)	(9,897)	(24,016)	(10,523)	(2,732)	(9,009)
<b>Net cash flows from investing activities</b>		<b>(26,062)</b>	<b>(22,736)</b>	<b>(62,518)</b>	<b>(9,727)</b>	<b>(23,175)</b>	<b>(39,980)</b>
<b>Cash flows from financing activities</b>							
Issue of borrowings	3	99,075	79,415	40,000	99,075	79,415	40,000
Issue of Perpetual Preference Shares		-	-	150,000	-	-	-
Issuance costs of perpetual preference shares		-	-	(3,361)	-	-	-
Repayment of borrowings	3	(80,000)	(80,000)	(41,185)	(80,000)	(80,000)	(41,185)
Dividends paid to parent shareholders		-	-	(5,696)	-	-	(5,696)
Dividends paid to non-controlling interest		(4,279)	-	-	-	-	-
Dividends paid to minority shareholders		(456)	(957)	(1,336)	-	-	-
Kiwibank (decrease)/increase in debt securities issued		44,155	(28,104)	(117,303)	-	-	-
<b>Net cash flows from financing activities</b>		<b>58,495</b>	<b>(29,646)</b>	<b>21,119</b>	<b>19,075</b>	<b>(585)</b>	<b>(6,881)</b>
<b>Net increase/(decrease) in cash held</b>		<b>63,097</b>	<b>55,133</b>	<b>(6,586)</b>	<b>38,407</b>	<b>(52,285)</b>	<b>(42,828)</b>
Cash at the beginning of the period		430,119	436,705	436,705	128,358	171,186	171,186
<b>Cash at the end of the period</b>		<b>493,216</b>	<b>491,838</b>	<b>430,119</b>	<b>166,765</b>	<b>118,901</b>	<b>128,358</b>
<b>Composition of cash</b>							
Kiwibank cash and cash equivalents		335,266	363,592	303,866	-	-	-
Other cash and cash equivalents		157,950	128,246	126,253	166,765	118,901	128,358
		<b>493,216</b>	<b>491,838</b>	<b>430,119</b>	<b>166,765</b>	<b>118,901</b>	<b>128,358</b>

**New Zealand Post Limited and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**For the six months ended 31 December 2010**

**REPORTING ENTITY**

New Zealand Post Limited (the 'Parent') and its subsidiaries provide postal services, banking services, business solutions and courier services to New Zealand and Australian customers. The Parent is a limited liability company incorporated and domiciled in New Zealand. The Parent's registered office is Waterloo Quay, Wellington. The Group comprises the Parent, its subsidiaries (including Kiwibank Limited, a registered Bank - referred to as 'Kiwibank'), its associates and its jointly controlled entities.

**BASIS OF PREPARATION**

The financial statements have been prepared in accordance with the Companies Act 1993, the Financial Reporting Act 1993, and the State-Owned Enterprises Act 1986. For the purpose of complying with New Zealand generally accepted accounting practice the Parent is designated as a profit-oriented entity.

These interim financial statements for the Group and Parent are for the six months ended 31 December 2010. They have been prepared in accordance with NZ IAS 34 *Interim Financial Reporting*, and all other New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and IFRIC interpretations issued and effective, or issued and early adopted, as at this time.

**CHANGES IN ACCOUNTING POLICIES**

The same accounting policies and methods of computation are followed in these financial statements as those applied in the Group's latest audited financial statements.

**COMPARATIVE FIGURES**

There have been no material changes to comparative figures.

	GROUP			PARENT		
	6 months ended 31 December 2010 unaudited \$'000	6 months ended 31 December 2009 unaudited \$'000	12 months ended 30 June 2010 audited \$'000	6 months ended 31 December 2010 unaudited \$'000	6 months ended 31 December 2009 unaudited \$'000	12 months ended 30 June 2010 audited \$'000
<b>1 Revenue and Other Income</b>						
<i>Included in Revenue from operations is:</i>						
Banking interest revenue	348,498	268,334	563,852	-	-	-
Banking interest expense	259,125	201,977	429,718	-	-	-
Net banking interest revenue	89,373	66,357	134,134	-	-	-
Banking and lending fee income	43,048	39,737	77,054	-	-	-
<i>Included in Other income is:</i>						
Financial instruments at fair value net gain/(loss)	7,263	20,787	36,823	(38)	-	1,530
Dividends received	3	2,778	-	7,847	3,364	8,414
<b>2 Expenditure</b>						
<i>Included in Expenditure is:</i>						
Amortisation of computer software assets	13,127	11,212	22,595	5,034	5,096	10,237
Amortisation of other intangible assets	1,966	1,467	3,368	-	4	4
Depreciation	19,107	18,175	37,768	10,296	10,859	21,812
Foreign exchange net loss/(gain)	886	(77)	249	(151)	(201)	750
Property operating lease and rental costs	21,846	21,010	42,987	19,049	18,319	37,477
Other operating lease and rental costs	8,463	6,979	15,205	4,810	4,369	9,207
Net (gain)/loss on disposal of assets	6,914	(1,364)	(621)	800	(1,388)	(595)
Impairment	31,006	7,894	22,674	-	-	3,059
Uncalled capital line fee	503	-	-	503	-	-
<b>3 Borrowings</b>						
The following provides information about borrowings issued and repaid during the periods presented:						
<b><i>Kiwibank Fixed Rate Debt Securities Issued</i></b>						
No fixed rate bonds were issued in the 6 months ended 31 December 2010 (6 months ended 31 December 2009 and 12 months ended 30 June 2010 - \$A250m fixed-rate bond issued).						
<b><i>Commercial Paper</i></b>						
During the 6 months ended 31 December 2010 \$99.1m of commercial paper was issued and \$80.0m was repaid. (6 months ended 31 December 2009 - \$79.4m of commercial paper was issued and \$80.0m was repaid, 12 months ended 30 June 2010 - \$160.0m of commercial paper was issued and \$158.8m was repaid).						
<b><i>Bank Loans</i></b>						
At 31 December 2010 the Group had bank loans drawn down of US\$8.7m (6 months ended 31 December 2009 and 12 months ended 30 June 2010 - US\$8.7m).						
<b>4 Equity</b>						
<b><i>Ordinary Share Capital</i></b>						
At 31 December 2010 there were 192.2m ordinary shares issued and fully paid up (31 December 2009 and 30 June 2010 - 192.2m ordinary shares fully paid up).						
During the 6 months ended 31 December 2010 no dividends were paid to parent shareholders. (6 months ended 31 December 2009 - nil, 12 months ended 30 June 2010 - \$5.7m).						
<b><i>Non-controlling Interest</i></b>						
At 31 December 2010 there were 150.0m perpetual callable non-cumulative preference shares issued and paid up (6 months ended 31 December 2009 - nil, year ended 30 June 2010 - 150.0m perpetual callable non-cumulative preference shares issued and paid up).						
During the 6 months ended 31 December 2010 \$4.3m of dividends were paid to non-controlling interests (6 months ended 31 December 2009 and year ended 30 June 2010 - nil)						
<b><i>Property Revaluation Reserves</i></b>						
The property revaluation reserves are used to record increments and decrements in the fair value of land and buildings to the extent that they offset for each asset.						
<b><i>Available for Sale Reserve</i></b>						
The available for sale reserve records movements in the fair value of available for sale financial assets.						

**Notes to the Consolidated Financial Statements**  
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**4 Equity continued**

**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.

**Foreign Currency Translation Reserve**

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

**5 Reconciliation of Profit to Net Cash Flows from Operating Activities**

	GROUP			PARENT		
	6 months ended 31 December 2010 unaudited \$'000	6 months ended 31 December 2009 unaudited \$'000	12 months ended 30 June 2010 audited \$'000	6 months ended 31 December 2010 unaudited \$'000	6 months ended 31 December 2009 unaudited \$'000	12 months ended 30 June 2010 audited \$'000
Profit/(loss) for the period	15,776	42,534	1,279	6,305	12,230	(24,706)
<i>Non-cash items:</i>						
Amortisation of intangible software assets	13,127	11,212	25,963	5,034	5,096	11,101
Amortisation of other intangible assets	1,966	1,467	-	-	4	-
Impairment	30,678	7,894	22,674	-	-	3,059
Financial instruments at fair value net (gain)/loss	(3,543)	(20,787)	(36,823)	38	-	(1,530)
Depreciation expense	19,107	18,175	37,768	10,296	10,859	21,812
Unrealised foreign exchange net loss	802	2,237	4,808	198	2,346	4,786
Discount unwind on deferred net settlement	-	-	707	-	-	707
Share of net profit of associates and jointly controlled entities	(7,041)	(8,173)	13,817	-	-	-
	<u>55,096</u>	<u>12,025</u>	<u>68,914</u>	<u>15,566</u>	<u>18,305</u>	<u>39,935</u>
<i>Changes in assets and liabilities:</i>						
Increase/(decrease) in trade and other receivables	3,265	(27,765)	41,345	(815)	(33,697)	42,346
(Increase)/decrease in inventories	(3,085)	(3,394)	386	(2,670)	(2,664)	(482)
(Increase)/decrease in other assets	4,159	(128)	1,804	5,449	3,232	3,648
(Increase)/decrease in financial assets held for trading	(29,597)	(149,381)	51,026	-	-	-
Decrease/(increase) in available for sale assets	(215,349)	(189,330)	138,751	-	-	-
Increase in loans and advances	(594,980)	(1,260,775)	(1,933,045)	-	-	-
Decrease/(increase) in due from other financial institutions	78,905	(18,705)	(152,597)	-	-	-
(Decrease)/increase in due to other financial institutions	(138,710)	264,304	(156,871)	-	-	-
(Decrease)/increase in trade and other payables	11,378	(26,017)	(73,854)	942	(22,644)	(65,487)
(Decrease)/increase in provisions	(996)	(5,315)	1,882	(943)	(5,140)	(4,188)
Increase/(decrease) in tax liabilities	(8,129)	354	20,783	2,556	2,071	12,441
Increase in other liabilities	826	1,170	1,122	813	1,170	1,122
Increase in deposits	819,942	1,447,092	2,002,648	-	-	-
(Decrease)/increase in Kiwibank interest payable	25,249	19,434	21,862	-	-	-
Dividends from associates	-	2,776	-	-	-	-
	<u>(47,122)</u>	<u>54,320</u>	<u>(34,758)</u>	<u>5,332</u>	<u>(57,672)</u>	<u>(10,600)</u>
<i>Items classified as investing activities:</i>						
Net loss/(gain) on disposal of assets	6,914	(1,364)	(622)	1,856	(1,388)	(596)
	<u>6,914</u>	<u>(1,364)</u>	<u>(622)</u>	<u>1,856</u>	<u>(1,388)</u>	<u>(596)</u>
Net cash inflows from operating activities	<u>30,664</u>	<u>107,515</u>	<u>34,813</u>	<u>29,059</u>	<u>(28,525)</u>	<u>4,033</u>

**6 Investments**

In the six months ended 31 December 2010 the Group:

- Decreased its investment in Datacom from 35.96% to 35.79% on 8 March 2010. On 29 October 2010, the Group acquired additional shares, however its investment further decreased to 34.77%.

In the year ended 30 June 2010 and the 6 months ended 31 December 2009 the Group:

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

	GROUP			PARENT		
	6 months ended 31 December 2010 unaudited \$'000	6 months ended 31 December 2009 unaudited \$'000	12 months ended 30 June 2010 audited \$'000	6 months ended 31 December 2010 unaudited \$'000	6 months ended 31 December 2009 unaudited \$'000	12 months ended 30 June 2010 audited \$'000
<b>Summary of the effect of the above acquisitions</b>						
Investment in associates	606	-	-	-	-	-
Deferred settlement liability	-	13,106	-	-	-	-
<b>Cash impact of acquisitions</b>	<u>606</u>	<u>13,106</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

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

There were no disposals of subsidiaries from the Group during the period (6 months ended 31 December 2010 and 12 months ended 30 June 2010 - nil)

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**7 Segment Information**

	External Revenue	Intersegment Revenue	Segment Profit Before Income Tax	Segment Profit	Segment Total Assets
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>6 months ended 31 December 2010</b>					
<b>unaudited</b>					
Postal services	336,733	34,277	9,704	9,704	235,319
Banking services	169,389	-	19,904	13,908	12,968,625
Business solutions	101,371	7,524	9,062	7,857	163,124
Property services	10,061	26,873	6,083	6,083	222,049
Other operating segments	34,434	1,140	595	(1,948)	51,416
Reconciliations	-	(69,814)	(23,630)	(19,828)	181,128
Group	<u>651,988</u>	<u>-</u>	<u>21,718</u>	<u>15,776</u>	<u>13,821,661</u>
<b>6 months ended 31 December 2009</b>					
<b>unaudited</b>					
Postal services	354,165	34,396	20,359	20,359	342,190
Banking services	165,864	322	31,771	23,965	12,086,580
Business solutions	89,823	9,722	8,323	7,487	147,200
Property services	10,117	25,840	6,939	6,939	253,167
Other operating segments	1,541	1,081	4,467	4,604	85,173
Reconciliations	-	(71,361)	(16,722)	(20,820)	52,436
Group	<u>621,510</u>	<u>-</u>	<u>55,137</u>	<u>42,534</u>	<u>12,966,746</u>
<b>12 months ended 30 June 2010</b>					
<b>audited</b>					
Postal services	664,910	67,492	(1,356)	(1,356)	243,182
Banking services	301,442	932	64,680	45,848	12,238,375
Business solutions	180,696	16,439	18,505	16,034	156,819
Property services	19,833	52,477	12,098	12,098	221,656
Other operating segments	37,338	2,084	(16,333)	(17,347)	57,870
Reconciliations	-	(139,424)	(43,522)	(53,998)	157,570
Group	<u>1,204,219</u>	<u>-</u>	<u>34,072</u>	<u>1,279</u>	<u>13,075,472</u>

**Basis of segmentation**

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

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

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

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

**Basis of measurement**

The Group's reportable segment revenue, result and assets disclosed above are the same as those used by the chief operating decision makers in making decisions about allocation resources and in assessing segment performance. Transactions between reportable segments are accounted for in accordance with contractual arrangements and the accounting policies outlined in the summary of significant accounting policies.

	<b>GROUP</b>			<b>PARENT</b>		
	6 months ended 31 December 2010	6 months ended 31 December 2009	12 months ended 30 June 2010	6 months ended 31 December 2010	6 months ended 31 December 2009	12 months ended 30 June 2010
	unaudited	unaudited	\$'000	unaudited	unaudited	\$'000
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>8 Commitments</b>						
<b>Capital expenditure commitments</b>						
Total capital expenditure committed to at reporting date but not provided for in the financial statements	6,761	2,765	4,351	2,207	1,292	1,447
<b>Analysis of non-cancellable lease commitments</b>						
Payable no later than one year	35,801	43,952	34,414	29,540	35,493	28,997
Payable later than one, not later than five years	78,579	103,490	81,366	68,668	87,699	71,615
Payable later than five years	32,914	39,915	35,254	26,328	32,010	28,699
	<u>147,294</u>	<u>187,357</u>	<u>151,034</u>	<u>124,536</u>	<u>155,202</u>	<u>129,311</u>

**9 Contingencies**

There have been no material changes in contingencies since 30 June 2010.

**10 Events Occurring After Reporting Date**

The Board of New Zealand Post Limited has declared an interim dividend of \$1.8m which will be paid on 15 March 2011.

On 22nd February 2011, an earthquake of 6.3 on the Richter scale impacted the Christchurch area with the consequent loss of life and significant property damage. The financial consequences of this disaster on companies within the New Zealand Post Group has not been quantified and no provision has been made in the Financial Statements relating to this event.