ANNUAL REPORT | 2006

Freightways

Freightways

New Zealand Couriers
www.nzcouriers.co.nz

Post Haste Couriers
www.posthaste.co.nz

Castle Parcels
www.castleparcels.co.nz

SUB60
www.sub60.co.nz

Kiwi Express Couriers
www.kiwiexpress.co.nz

Security Express

DX Mail
www.dxmail.co.nz

Parceline Express

Online Security Services
www.onlinesec.co.nz

Document Destruction Service
www.destruction.co.nz

Data Security Services
www.datasecurity.co.nz

Archive Security
www.onlinerecords.co.nz

Databank
www.databanktech.com

Air Freight NZ

Fieldair Engineering
www.fieldair.co.nz

Freightways Information Services

COMPANY PARTICULARS

BOARD OF DIRECTORS

Wayne Boyd (Chairman)
Dean Bracewell (Managing Director)
Sir William Birch
Warwick Lewis
Sue Sheldon

REGISTERED OFFICE

32 Botha Road
Penrose
DX CX10120
Telephone: (09) 571 9670
Facsimile: (09) 571 9671
www.freightways.co.nz

AUDITORS

PricewaterhouseCoopers
188 Quay Street
Auckland
DX CP24073

SHARE REGISTER

Computershare Investor Services Limited
Level 2
159 Hurstmere Road
Takapuna
DX CX10247

STOCK EXCHANGE

The fully paid ordinary shares of Freightways Limited are listed on NZSX (the New Zealand Stock Exchange).

As pioneers of New Zealand's express package industry, we trace our origins back to 1964.

TABLE OF CONTENTS

GROUP PROFILE

Overview

Freightways is a leading provider of express package services throughout New Zealand, with complementary businesses servicing the information management and business mail sectors. The Group's origins date back to 1964 through New Zealand Couriers – a pioneer in the express package industry in New Zealand. Since commencing operations in Auckland, Freightways has grown organically and by acquisition to become a leading New Zealand service provider, with representation in every major town and city throughout the country. Freightways has also recently established a presence in Australia through the acquisition of a niche information management business.

Express package

Freightways delivers approximately 200,000 items each business day and approximately 50 million items each year. In addition to its extensive nationwide network, Freightways offers a worldwide delivery service through alliances with international express package operators.

Freightways employs a multi-brand strategy within the network courier segment of the Express Package market, via its established New Zealand Couriers, Post Haste Couriers and Castle Parcels brands. This strategy allows Freightways to successfully segment the market by meeting varying customer service and price requirements.

Freightways services the point-to-point segment through its SUB60 and Kiwi Express brands, and provides secure express package services through Security Express.

Information management

Freightways' information management division, Online Security Services ('OSS'), operates three brands that collectively offer a complete range of secure paper-based and electronic business information management solutions. OSS has grown organically and by acquisition and represents an emerging growth opportunity for Freightways.

OSS operates throughout New Zealand and is a registered security business, with all employees being licensed under the Private Investigators and Security Guards Act 1974. OSS outsources the pick-up and delivery function of its Data Security Services and Archive Security brands to Freightways' secure express package provider, Security Express.

Freightways recently announced the acquisition of DataBank in Australia. DataBank provides offsite data storage services in Sydney and Melbourne, the same as OSS currently offers in New Zealand through its existing Data Security Services brand.

Business mail

DX Mail is a niche player in the New Zealand postal services market, catering specifically to business mail customers nationwide. As a specialist business mail delivery company, DX Mail is the only dedicated nationwide business mail alternative to New Zealand Post, providing a fast and cost-effective service to targeted customers.

Established in the 1970s as a document exchange system primarily for the legal, travel and financial sectors, deregulation of the New Zealand postal market has enabled DX Mail to expand its range of services to offer a total mail processing and delivery solution to the general business community including box-to-box delivery, domestic street delivery and international delivery.

Internal service providers

Freightways manages its road and air transport requirements through the Parceline Express and Fieldair divisions and provides information technology systems to its various businesses via Freightways Information Services ('FIS').

FREIGHTWAYS' STRATEGY

Freightways' primary business strategy is to continue the organic growth of its express package brands and expand its emerging information management and business mail operations. In addition, the Company will consider acquisition and alliance opportunities in areas that will enable it to leverage off its existing capabilities.



SUB60


NEW ZEALAND
COURIERS


POST HASTE

FINANCIAL SUMMARY

FOR THE YEAR ENDED 30 JUNE 2006

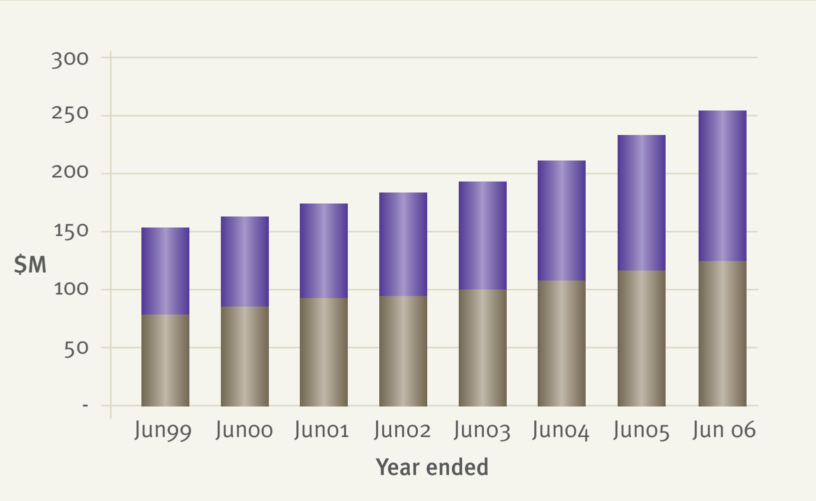
	NOTE	2006 $000	2005 $000	PERCENTAGE VARIANCE
Sales revenue		256,689	233,725	10%
EBITA	(i)	53,360	50,539	6%
Net surplus after income tax (NPAT)		24,306	21,991	11%
Depreciation		4,958	4,457	11%
Goodwill amortisation		4,970	4,957	-
Interest expense and finance charges (net)		9,347	9,893	(6%)
Net operating cash flows before interest and tax		53,300	54,914	(3%)
Interest cover	(ii)	5.7 times	5.6 times	
Dividends to ordinary shareholders		21,637	18,000	20%

Notes:
(i) Earnings before interest, tax and goodwill amortisation
(ii) Net operating cash flows before interest and tax, divided by net interest expense and finance charges

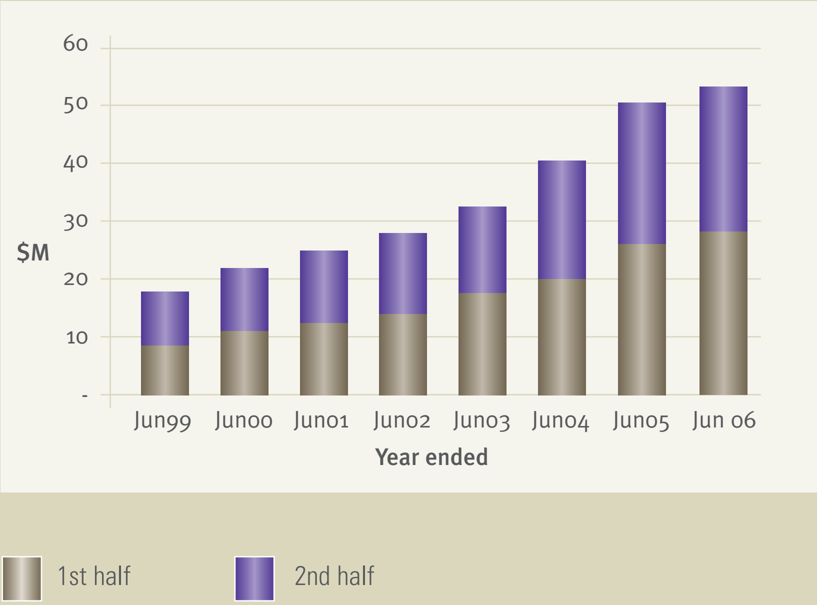
FINANCIAL SUMMARY

FOR THE YEAR ENDED 30 JUNE 2006

FREIGHTWAYS SALES REVENUE



FREIGHTWAYS EBITA



NB: Historic EBITA amounts above for the years ended 30 June 1999 to 2003 have been presented on a pro-forma basis consistent with the Freightways Investment Statement and Prospectus issued in August 2003.

REPORT FROM CHAIRMAN AND MANAGING DIRECTOR

The Directors are pleased to present the financial results of Freightways Limited (Freightways) for the year ended 30 June 2006. It has again been a successful year for Freightways with the Company delivering another record result.

Operating performance

Consolidated operating revenue for the year of $257 million was 10% higher than the prior corresponding period.

Earnings before interest, tax and amortisation (EBITA) were $53.4 million, 6% higher than the prior corresponding period.

Consolidated net profit after tax and before amortisation (NPATA) was $29.3 million, 9% higher than the prior corresponding period.

Cash generated from operations before interest and tax was $53.3 million.

Dividend

The Directors have declared a final dividend of $11.2 million, delivering a full year payout in line with the dividend policy. The final dividend translates to 8.75 cents per share fully imputed, which will be paid on 30 September 2006. The record date for determination of entitlements to the dividend is 15 September 2006. This brings the total payout in respect of the year to $22.1 million or 17.25 cents per share (fully imputed), 8% higher than the previous corresponding period.

REVIEW OF OPERATIONS

All subsidiaries have performed soundly and the strength of Freightways' business model has again been proven within a challenging business environment. Complementing our growth strategies has been an ongoing focus on the fundamental disciplines of business mix, margin integrity and cost management. Freightways' culture of operational excellence has pleasingly continued to deliver improved levels of customer service in key areas of our business.

Express package

Freightways' core express package businesses contribute the majority of Freightways' revenue and earnings. The brands of New Zealand Couriers, Post Haste Couriers, Castle Parcels, SUB60 and Security Express were joined by the acquisition of Kiwi Express in October 2005. Kiwi Express is a well established point-to-point courier business operating in Auckland and Wellington. The Kiwi Express brand has been maintained in the marketplace and will continue to operate in its own right while leveraging the existing capability of SUB60.

As expected and as advised to shareholders in our announcements of August 2005 and February 2006, Freightways has experienced lower growth from its existing customers in the express package market than has been experienced in recent years. This has occurred as a result of a less buoyant domestic economy and has been coupled with exceptionally high fuel prices and the increasing cost of doing business generally. Consequently, express package organic growth has been modest, with the primary drivers of revenue growth being good gains in market share and the increased pricing necessary to offset the escalating cost of fuel.

Investment has occurred in a number of areas, including network capacity and additional personnel to assist our service quality and growth strategies. Customer service initiatives further enhancing Freightways' competitive advantage will continue to be progressed wherever possible. For example, next generation technology and in-van data capture to be introduced during the first half of 2007 will provide customers access to real-time service information.

REPORT FROM CHAIRMAN AND MANAGING DIRECTOR

Business mail

DX Mail has increased its contribution to the Freightways result as it gains market share in its targeted business mail niche of the Postal Services market. Demand for DX Mail's broad suite of alternative letter delivery services continues to be strong. In the context of Freightways' total earnings, DX Mail's contribution remains relatively modest and our growth strategy is one which will be implemented progressively over a number of years. Strategically, DX Mail is integrated with New Zealand Couriers which picks up and delivers mail bags for DX Mail's growing customer base. Hence, as DX Mail grows New Zealand Couriers also receives the benefit of this growth.

DX Mail is a nationwide business mail competitor to NZ Post and is seen as an emerging growth opportunity within Freightways' portfolio of businesses.

Information management

Archive Security, Document Destruction Services and Data Security Services have again increased their contribution to the Freightways result. Archive Security, in particular, has achieved significant growth, both from existing customers and from new customers who have chosen to outsource the management of their archived documents. This growth has brought forward plans to extend the facilities we operate from in the main business centres of New Zealand. Having recently completed an extension in Christchurch, we plan to extend in Auckland during the 2007 financial year and in Wellington shortly thereafter.

Freightways also defines its information management business of Online Security Services, which comprises the three brands above, as an emerging growth opportunity. Increased outsourcing of the storage and management of backed-up computer data, archived documents and also document destruction has contributed to the strong growth of this business and growth of the market in general. Outsourcing decisions are being driven by an increasing awareness in the market of the need to professionally manage business information to assist business efficiency and risk management.

The success of Freightways' existing New Zealand operations has led to the recent acquisition in Australia of DataBank, a business based in Sydney and Melbourne that also services the information management market in the data storage niche. DataBank is the number two operator in Australia by market share, is a successful business with a similar operating culture to Freightways' existing information management businesses and has a very experienced and capable management team.

Internal service providers

Fieldair Holdings Limited provides airfreight linehaul services to the express package brands through the use of our fleet of freighter aircraft which are operated by its subsidiary, Air Freight NZ Limited. The benefits derived from directly controlling our core airfreight linehaul requirements continue to be evidenced through the provision of outstanding service reliability by this division. Our aviation engineering business, Fieldair Engineering Limited, provides design, manufacturing and maintenance services both internally and for the external aviation market. This division has experienced particularly strong growth.

Parceline Express Limited provides road linehaul services throughout New Zealand to link our nationwide branch network. It has continued to accommodate the growth from our front-line brands while providing them with a premium service.

Freightways Information Services Limited, our in-house IT services provider, has successfully progressed the transition to a next-generation information systems operating environment while maintaining the development and integrity of our existing system. This project is scheduled for completion during the 2007 financial year. Capital expenditure associated with this project is running to expectation.

Corporate costs continue to be managed within expectations. Existing finance facilities were utilised to fund the acquisition of Kiwi Express. The acquisition of DataBank, that occurred early in July 2006, was also debt-funded using new Australian dollar bank facilities.

REPORT FROM CHAIRMAN AND MANAGING DIRECTOR

OUTLOOK

Freightways' core express package business is expected to continue to perform soundly, although growth in this market will be influenced by the performance of New Zealand's domestic economy which continues to show signs of slowing. We have seen evidence of this slowing amongst our customer base for some time now and have not yet seen any signs to suggest the business environment we operate in will be any less challenging in the near term. While growth of our Business Mail division will also in part be influenced by slowing business activity, it is expected that the Information Management division will continue to show strong growth due to increased outsourcing and the ongoing organic growth experienced in this industry generally.

The recent acquisition of DataBank in Australia is a well considered and obviously important step in the development and growth of Freightways. It diversifies Freightways' interests both geographically and also deeper into the information management market where we have had proven success. In addition, it is expected that the newly-acquired DataBank will, in time, create the opportunity to develop further growth initiatives in Australasia.

Freightways will continue to take consistent, well developed strategies to the market to maintain and strengthen the positioning of our brands, to retain and develop our teams of people, to deliver premium service to our customers and to ensure the benefits of these strategies continue to be enjoyed by our shareholders. We will also continue to explore acquisitions that complement our existing capabilities.

Capital investment, expected to total approximately $9 million, will be spent during the next financial year in areas that support the growth of our core and emerging businesses. Investment will also continue to be made in the development of our people and to enable the achievement of our positioning and performance objectives.

The Company continues to prepare for the transition to International Financial Reporting Standards (IFRS). It is planned that Freightways will first report under IFRS for the half year ending 31 December 2007 and the full year ending 30 June 2008. The likely implications of adopting IFRS are more fully explained in the notes to the financial statements. However, the only material impact anticipated is that goodwill amortisation will no longer be charged against profits, resulting in an equivalent lift in the net surplus to shareholders for the relevant period reported. Developments in IFRS will continue to be monitored and evaluated during the period leading up to implementation.

CONCLUSION

Freightways has again delivered a record result during a very challenging year. This has been achieved through a continuing focus on fundamental business disciplines by a very capable and highly-motivated Freightways team.

Freightways' future will, in the short term, be influenced by the performance of New Zealand's domestic economy. Medium to longer term, and subject to business factors beyond its control, Freightways is exceptionally well positioned in all aspects of its business to continue to deliver positive performance to its shareholders and all other stakeholders.

The Directors acknowledge the outstanding work and dedication of the Freightways team.

Wayne Boyd
Chairman
31 July 2006

Dean Bracewell
Managing Director


POST HASTE

NEW ZEA
COUR

SUB60
MESSENGER


DIRECTORS' REPORT

The Directors of Freightways Limited (Freightways) resolved to submit the following report with respect to the financial position of the Company and the Group as at 30 June 2006 and their financial performance and cash flows for the year ended on that date.

DIRECTORS

The names of the Directors of the Company in office at the date of this report are:

Wayne Boyd CHAIRMAN LLB (HONS), M INST D MAICD

Wayne was appointed a Director and elected Chairman of Freightways in June 2003. After practising law for 18 years and spending five years in investment banking, he established a specialist advisory business and a career as a professional director. Wayne is Chairman of Telecom Corporation of New Zealand Limited, Auckland International Airport Limited, Meridian Energy Limited and Vulcan Steel Limited. He is also a director of Forsyth Barr Group Limited and Landco Limited.

Dean Bracewell MANAGING DIRECTOR

Dean has been Managing Director of the Freightways Group since 1999. He joined the Group in 1979 and other than a five-year period, including time overseas, he has spent his entire career with the Freightways Group. Dean held a range of senior executive and general management roles in a number of the Freightways businesses prior to his appointment as Managing Director.

Sir William Birch GNZM, M NZ INST OF SURVEYORS, J.P.

Sir William began his career in 1957, when he established a private practice as a surveyor in Pukekohe. His keen interest in community affairs led to six years as Deputy Mayor of Pukekohe and election to Parliament in 1972. During his 27 years in Parliament he served for 15 years as a Minister of the Crown. His portfolios included Energy, Labour, State Services, Health, Employment and six years as Minister of Finance between 1993 and 1999. Following the general election in 1999, Sir William retired from Parliament to start a private consultancy. As a member of the ABN AMRO Australia and New Zealand Advisory Council he is involved with the ABN AMRO group of companies in an advisory capacity on business transactions and is a director of ABN AMRO Holdings (No.1) Pty Limited. He is also currently a director of a number of other public and private companies, including St George (NZ), Viking Capital Limited and is a trustee of the MFL and SIL Superannuation funds. Sir William was knighted by the Queen for public services in 1999.

Warwick Lewis FCILT

Warwick established Chep Handling Systems Limited in 1974, having previously spent 18 years in the shipping industry both in New Zealand and the United Kingdom. After 13 years with Chep, he was appointed Commercial Manager of Freightways in 1986. Warwick became Managing Director in 1994 where he remained until his retirement in 1999.

Sue Sheldon B.COM, FCA, M INST D

Sue is a Chartered Accountant and full-time professional director. She is Chairman of the National Provident Fund Board of Trustees and Wool Industry Network Limited, Deputy Chairman of Christchurch International Airport Limited, a director of CanWest MediaWorks NZ Limited, Smiths City Group Limited, ASURE New Zealand Limited, FibreTech NZ Limited and Nimbus Bedware Limited. Sue is a former President of the Institute of Chartered Accountants of New Zealand, and is a Board member of Guides New Zealand.

DIRECTORS' REPORT

The Board has determined for the purposes of the NZX Listing Rules that, as at 30 June 2006, Wayne Boyd, Sir William Birch, Warwick Lewis and Sue Sheldon are independent Directors and Dean Bracewell as Managing Director is not an independent Director.

PRINCIPAL ACTIVITIES

Along with holding the investment in Freightways Express Limited (FEL), the Company guarantees FEL and its subsidiaries' finance facilities.

The principal activities of the Group during the year ended 30 June 2006 were the operation of express package services, information management services and business mail services.

CONSOLIDATED RESULT FOR THE YEAR

	2006 $000	2005 $000
Sales revenue	256,689	233,725
Net surplus before income tax	39,043	35,689
Income tax	(14,737)	(13,698)
Net surplus after tax attributable to shareholders	24,306	21,991

DIRECTORS' REPORT

DIRECTORS HOLDING OFFICE DURING THE YEAR WERE:

Parent:

Wayne Boyd (Chairman)
Dean Bracewell (Managing Director)
Sir William Birch
Warwick Lewis
Sue Sheldon

Subsidiaries:

Dean Bracewell
Mark Royle
Rowan Kennedy (appointed 18 May 2006)

REMUNERATION OF DIRECTORS

	GROUP		PARENT	
	2006 $	2005 $	2006 $	2005 $
Wayne Boyd	100,000	100,000	100,000	100,000
Dean Bracewell	607,665	557,680	-	-
Sir William Birch	40,000	40,000	40,000	40,000
Warwick Lewis	40,000	40,000	40,000	40,000
Sue Sheldon	45,000	45,000	45,000	45,000
Michael Taranto (resigned 28 October 2004)	-	10,000	-	10,000
Mark Royle	326,487	307,081	-	-
Rowan Kennedy	-	-	-	-
	1,159,152	1,099,761	225,000	235,000

Remuneration of executive Directors includes the incentive payments made during the year ended 30 June 2006 in respect of the two previous six-month performance periods (1 January to 30 June 2005 and 1 July to 31 December 2005). No amount was paid, or included above, in respect of incentive payments for the period 1 January to 30 June 2006. Incentive payments for the six months ended 30 June 2006 were paid in August 2006.

DIRECTORS' REPORT

REMUNERATION OF EMPLOYEES

The number of employees, not being Directors, within the Group receiving annual remuneration and benefits above $100,000 are as indicated in the following table:

	GROUP		PARENT	
	2006	2005	2006	2005
$100,000 – $109,999	10	5	-	-
$110,000 – $119,999	8	7	-	-
$120,000 – $129,999	2	2	-	-
$130,000 – $139,999	3	2	-	-
$140,000 – $149,999	-	2	-	-
$150,000 – $159,999	1	1	-	-
$160,000 – $169,999	3	2	-	-
$170,000 – $179,999	-	2	-	-
$180,000 – $189,999	1	3	-	-
$190,000 – $199,999	2	-	-	-
$200,000 – $209,999	1	2	-	-
$210,000 – $219,999	1	1	-	-
$220,000 – $229,999	1	1	-	-
$230,000 – $239,999	1	-	-	-
$240,000 – $249,999	2	-	-	-
$320,000 – $329,999	1	-	-	-
$350,000 – $359,999	-	1	-	-

DIRECTORS' REPORT

ENTRIES IN THE REGISTER OF DIRECTORS' INTERESTS

The register of Directors' Interests records that the following Directors of Freightways Limited and its subsidiaries have an equity interest in the Company. These Directors therefore have an interest in any transactions between Freightways Limited and any of its subsidiaries:

Freightways Limited shares

At balance date Directors held the following number of equity securities in the Company:

	CLASS OF EQUITY SECURITY			
	FULLY PAID ORDINARY SHARES		UNPAID ORDINARY SHARES	
DIRECTOR	BENEFICIALLY	NON-BENEFICIALLY	BENEFICIALLY	NON-BENEFICIALLY
Wayne Boyd	-	154,590	-	77,295
Dean Bracewell	-	2,880,288	-	-
Sir William Birch	-	87,921	38,648	-
Warwick Lewis	-	214,528	-	38,648
Sue Sheldon	-	77,296	-	38,648
Mark Royle	-	675,000	-	-
Rowan Kennedy	-	-	-	-

DIRECTORS' REPORT

The following table shows transactions recorded in respect of those securities during the year ended 30 June 2006:

	NUMBER ACQUIRED / (DISPOSED)	$ COST / (SALE)
Wayne Boyd		
Unpaid shares fully paid 3 March 2006	77,295	139,858
Non-beneficial ownership in shares sold 3 March 2006	(77,295)	(139,858)
Non-beneficial ownership in shares acquired 3 March 2006	77,295	139,858
Dean Bracewell		
Unpaid shares fully paid 3 February 2006	877,392	292,464
Beneficial ownership in shares sold 15 February 2006	(377,392)	(1,211,428)
Non-beneficial ownership in shares acquired 15 February 2006	377,392	1,211,428
Beneficial ownership in shares sold 15 February 2006	(500,000)	(1,605,000)
Sir William Birch		
Unpaid shares fully paid 3 March 2006	38,648	69,930
Warwick Lewis		
Unpaid shares fully paid 3 March 2006	38,648	69,930
Sue Sheldon		
Unpaid shares fully paid 3 March 2006	38,648	69,930
Mark Royle		
Unpaid shares fully paid 3 March 2006	175,000	58,333
Beneficial ownership in shares sold 3 March 2006	(175,000)	(612,500)
Non-beneficial ownership in shares acquired 3 March 2006	175,000	612,500

DIRECTORS' REPORT

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Deeds of indemnity have been granted by the Company in favour of the Directors of the Company and its subsidiaries, to the fullest extent permitted by the Companies Act 1993. In accordance with the deeds of indemnity, the Company has insured all its Directors and the Directors of its subsidiaries against liabilities to other parties (except the Company or a related party of the Company) that may arise from their positions as Directors. The insurance does not cover liabilities arising from criminal actions.

AUDITORS

The remuneration for services provided to the Company and Group by the auditors for the current financial year was:

	GROUP		PARENT	
	2006 $000	2005 $000	2006 $000	2005 $000
Audit services	153	152	-	-
Other assurance services	10	10	-	-
	163	162	-	-

DONATIONS

During the year donations totalling $13,395 (2005: $16,943) were made by companies in the Group, of which none were made by the Parent.

For and on behalf of the Board this 31st day of July 2006.

Wayne Boyd
Chairman

Dean Bracewell
Managing Director

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers Tower
188 Quay Street
Private Bag 92162
Auckland
New Zealand
DX CP24073
Telephone +64 9 355 8000
Facsimile +64 9 355 8001

AUDITORS' REPORT

To the shareholders of Freightways Limited.

We have audited the financial statements on pages 20 to 47. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 30 June 2006 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 24 to 27.

Directors' Responsibilities

The Company's Directors are responsible for the preparation and presentation of the financial statements which give a true and fair view of the financial position of the Company and Group as at 30 June 2006 and their financial performance and cash flows for the year ended on that date.

Auditors' Responsibilities

We are responsible for expressing an independent opinion on the financial statements presented by the Directors and reporting our opinion to you.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

(a) the significant estimates and judgements made by the Directors in the preparation of the financial statements; and

(b) whether the accounting policies are appropriate to the circumstances of the Company and Group, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

We have no relationship with or interests in the Company or any of its subsidiaries other than in our capacities as auditors under the Companies Act 1993 and providers of other assurance services.

Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion:

(a) proper accounting records have been kept by the Company as far as appears from our examination of those records; and

(b) the financial statements on pages 20 to 47:

  (i) comply with generally accepted accounting practice in New Zealand; and

  (ii) give a true and fair view of the financial position of the Company and Group as at 30 June 2006 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 31 July 2006 and our unqualified opinion is expressed as at that date.

PricewaterhouseCoopers.

Chartered Accountants, Auckland

STATEMENTS OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2006

		GROUP		PARENT	
	NOTE	2006 $000	2005 $000	2006 $000	2005 $000
Operating revenue	1	256,862	234,169	25,000	24,037
Net surplus before income tax	2	39,043	35,689	24,523	19,095
Income tax	3	(14,737)	(13,698)	218	1,573
Net surplus after income tax attributable to shareholders		24,306	21,991	24,741	20,668

NB: All revenue and earnings are from continuing operations.

STATEMENTS OF MOVEMENTS IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2006

		GROUP		PARENT	
		2006	2005	2006	2005
	NOTE	$000	$000	$000	$000
Equity at beginning of year		70,498	65,567	70,988	67,380
Net surplus for the year					
(being total recognised revenues and expenses)		24,306	21,991	24,741	20,668
Distributions to shareholders					
Dividends to ordinary shareholders	4	(21,637)	(18,000)	(21,637)	(18,000)
		(21,637)	(18,000)	(21,637)	(18,000)
Contributions from shareholders					
Proceeds from unpaid shares fully paid	15	942	940	942	940
Issue of ordinary shares	15	831	-	831	-
		1,773	940	1,773	940
Movement in equity for the year		4,442	4,931	4,877	3,608
Equity at end of year		74,940	70,498	75,865	70,988

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2006

		GROUP		PARENT	
	NOTE	2006 $000	2005 $000	2006 $000	2005 $000
Current assets					
Cash and bank balances	22	1,652	2,237	-	-
Accounts receivable	5	33,417	30,312	1,517	12
Inventories	6	5,536	3,524	-	-
Total current assets		40,605	36,073	1,517	12
Non-current assets					
Investments in subsidiaries	7	-	-	121,013	121,013
Accounts receivable	5	293	-	85,518	82,000
Fixed assets	8	49,097	46,744	-	-
Intangible assets	9	156,156	157,012	-	-
Deferred tax asset	10	-	1,032	-	146
Total non-current assets		205,546	204,788	206,531	203,159
Total assets		246,151	240,861	208,048	203,171
Current liabilities					
Payables and accruals	11	23,501	24,461	49	49
Provisions	13	167	958	-	-
Unearned income	14	19,219	17,944	-	-
Total current liabilities		42,887	43,363	49	49
Non-current liabilities					
Borrowings	12	128,000	127,000	132,134	132,134
Deferred tax liability	10	324	-	-	-
Total non-current liabilities		128,324	127,000	132,134	132,134
Total liabilities		171,211	170,363	132,183	132,183
Net assets		74,940	70,498	75,865	70,988
Equity					
Share capital	15	57,384	55,611	57,384	55,611
Retained earnings	21	17,556	14,887	18,481	15,377
Total Equity		74,940	70,498	75,865	70,988

The Board of Directors of Freightways Limited authorised these financial statements for issue on the date below.

For and on behalf of the Board this 31st day of July 2006.

Wayne Boyd
Chairman

Dean Bracewell
Managing Director

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2006

	NOTE	GROUP 2006 $000 INFLOWS (OUTFLOWS)	GROUP 2005 $000 INFLOWS (OUTFLOWS)	PARENT 2006 $000 INFLOWS (OUTFLOWS)	PARENT 2005 $000 INFLOWS (OUTFLOWS)
Cash flows from operating activities					
Receipts from customers		255,797	233,371	-	-
Payments to suppliers and employees		(202,497)	(178,457)	-	-
Interest received		152	444	-	-
Interest and other costs of finance paid		(8,786)	(9,506)	-	-
Income taxes paid		(14,174)	(14,313)	(559)	(580)
Net cash inflows from operating activities	22	30,492	31,539	(559)	(580)
Cash flows from investing activities					
Payments for fixed assets		(7,486)	(8,613)	-	-
Payments for businesses acquired	22	(3,959)	(390)	-	-
Proceeds from disposal of fixed assets		59	-	-	-
Net cash outflows from investing activities		(11,386)	(9,003)	-	-
Cash flows from financing activities					
Dividends to ordinary shareholders	4	(21,637)	(18,000)	(21,637)	(18,000)
Increase (decrease) in bank borrowings		1,000	(4,000)	-	-
Proceeds from unpaid shares fully paid	15	942	940	942	940
Loans advanced from subsidiaries		-	-	21,254	17,640
Net cash outflows from financing activities		(19,695)	(21,060)	559	580
Net increase (decrease) in cash held		(589)	1,476	-	-
Cash at beginning of year		2,237	761	-	-
Exchange rate adjustments		4	-	-	-
Cash at end of year	22	1,652	2,237	-	-

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2006

REPORTING ENTITY

The financial statements for the 'Parent' are for Freightways Limited as a separate legal entity. The consolidated financial statements for the 'Group' are for the economic entity comprising Freightways Limited and its subsidiaries.

STATUTORY BASE

Freightways Limited is a company registered under the Companies Act 1993. The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

MEASUREMENT BASE

The financial statements have been prepared using the accounting principles recognised as appropriate for the measurement and reporting of financial performance, financial position and cash flows on an historical cost basis.

ACCOUNTING POLICIES

The financial statements are prepared in accordance with New Zealand generally accepted accounting practice. The following accounting policies that materially affect the measurement of financial performance, financial position and cash flows have been applied on a basis consistent with prior periods:

a) Basis of consolidation

The consolidated financial statements include the Parent and its subsidiaries accounted for using the purchase method. All material transactions between subsidiaries or between the Parent and subsidiaries are eliminated on consolidation. The results of subsidiaries acquired or disposed of during the year are included in the consolidated Statement of Financial Performance from the date of acquisition or up to the date of disposal. In the financial statements of the Parent, investments in subsidiaries are stated at cost.

b) Revenue

Goods and services – Revenue comprises the amounts received and receivable for goods and services supplied to customers in the ordinary course of business. Income received and invoiced in advance, for express package and document exchange services is recognised in the Statement of Financial Performance only when earned. Accordingly, unearned income received and invoiced is shown in the Statement of Financial Position liabilities as 'Unearned income'. This income is brought to account in the year in which the service is provided.

Investment income – Dividend income is recognised in the year the dividend is declared. Interest and rental income is accounted for as earned.

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2006

c) Income tax

The income tax expense charged to the Statement of Financial Performance is based on the accounting surplus, adjusted for permanent differences between accounting and tax rules. The impact of all timing differences between accounting and taxable income is recognised as a deferred tax liability or asset. This is the comprehensive basis for the calculation of deferred tax under the liability method. A deferred tax asset, or the tax effect of losses carried forward that exceed the deferred tax liability, is recognised in the financial statements only where there is virtual certainty that the benefit of the timing differences, or losses, will be utilised.

d) Foreign currencies

Transactions denominated in foreign currency are converted to New Zealand dollars at the exchange rate in effect at the date of the transaction. Monetary assets and liabilities arising from trading transactions are translated at closing rates. Gains and losses due to fluctuations on these items are included in the Statement of Financial Performance.

e) Equity

Costs associated with raising equity are recognised as a reduction in the amount of proceeds arising from the issue of shares.

f) Fixed assets

The cost of fixed assets is the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service. The cost of self-constructed assets includes the cost of materials used in construction, direct labour on the project, finance costs that are directly attributable to the project and an appropriate proportion of variable and fixed overheads. Costs cease to be capitalised as soon as the asset is ready for productive use. Aircraft overhaul costs are capitalised when incurred and depreciated over the shorter of the estimated useful life of the aircraft and the estimated useful life of the overhaul. The Group does not have a policy to regularly revalue assets.

g) Depreciation

Depreciation is calculated on a straight line basis on all tangible fixed assets, other than land and leasehold improvements, so as to expense the cost of the assets to their estimated residual values over their estimated useful lives. Leasehold improvements are depreciated over the shorter of the unexpired period of the lease and the estimated useful life of the improvements. Appropriate depreciation rates and methods have been applied for each component of aircraft. Estimated useful lives are as follows:

	Estimated useful life
Buildings	25 to 50 years
Leasehold improvements	period of the lease or estimated useful life
Motor vehicles	5 to 10 years
Equipment, including aircraft components	3 to 10 years

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2006

h) Brand names

Certain brand names considered to be identifiable assets with a realisable value have been included in the Statement of Financial Position. No amortisation of these brand names is provided for in these financial statements, as the Directors believe the useful lives of the brand names are of such duration that any amortisation would be immaterial. Brand names are carried at an amount considered to represent fair value, as determined at the time of their acquisition. Periodic independent valuations are carried out in order to determine that the value of each brand name has been maintained.

i) Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of net tangible and identifiable intangible assets acquired at the time of acquisition of a business or an equity interest in a controlled entity. Goodwill is amortised against operating income on a systematic basis over a period of time, not exceeding 20 years, during which benefits are expected to arise.

j) Receivables

Receivables are stated at their estimated realisable value.

k) Inventories

Inventories are stated at the lower of cost, determined on a first-in-first-out basis, and net realisable value. Full provision has been made for obsolescence, where applicable.

l) Impairment of assets

Annually, the Directors assess the carrying value of each asset. Where the estimated recoverable amount of the asset is less than its carrying amount, the asset is written down. Any impairment loss is recognised in the Statement of Financial Performance.

m) Leases

The Group has operating leases for certain plant and equipment, land and buildings and motor vehicles used in the business. Lease payments in respect of operating leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items, are included in the determination of the operating surplus in equal instalments over the lease term.

n) Investments

Investments in subsidiaries and associates are stated at cost in the Statement of Financial Position of the Parent. Other investments are stated at the lower of cost and net realisable value.

o) Provisions

Provisions are made in respect of actual or specific risks and commitments existing at balance sheet date, of which the amount is uncertain but can be estimated using a reliable method.

p) Borrowing costs

Costs incurred in establishing finance facilities are amortised to the Statement of Financial Performance over the term of the respective facilities.

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2006

q) Derivative financial instruments

Derivative financial instruments, such as interest rate floors, cap and collar contracts and fixed rate agreements are entered into from time to time to manage interest rate exposures on borrowings. Where such instruments are entered into and the hedge is effective, recognition occurs only on the occurrence of the underlying transaction. Payments and receipts under these interest arrangements are recognised in the Statement of Financial Performance upon fluctuations in the interest payments on floating rate financial liabilities and over the contract period of the instrument. Other derivative financial instruments entered into include forward exchange contracts used from time to time to manage foreign currency exposures on substantial foreign currency denominated commitments.

Financial instruments carried on the Statement of Financial Position include cash and bank balances, receivables, investments, related company loans, trade creditors and borrowings. The recognition methods associated with these items are set out within the Statement of Accounting Policies.

r) Cash flows

For the purpose of the Statement of Cash Flows, cash includes cash on hand, deposits held at call with banks and investments in money market instruments, net of bank overdrafts.

s) Goods and Services Tax (GST)

The Statement of Financial Performance and Statement of Cash Flows have been prepared so that all components are stated exclusive of GST. All items in the Statement of Financial Position are stated net of GST, with the exception of trade receivables and payables, which include GST invoiced.

t) Rounding

All figures in these financial statements are rounded to the nearest thousand dollars, as denoted by ($000), unless otherwise indicated.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

	GROUP		PARENT	
	2006 $000	2005 $000	2006 $000	2005 $000
NOTE 1. OPERATING REVENUE				
Sales revenue	256,689	233,725	-	-
Other revenue				
Dividends received from subsidiaries	-	-	25,000	24,000
Interest received	173	444	-	37
	256,862	234,169	25,000	24,037

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

	GROUP 2006 $000	GROUP 2005 $000	PARENT 2006 $000	PARENT 2005 $000
NOTE 2. NET SURPLUS BEFORE INCOME TAX				
Net surplus before income tax has been determined after charging (crediting):				
Amortisation of goodwill	4,970	4,957	-	-
Auditors' remuneration				
- for audit services	153	152	-	-
- for other assurance services	10	10	-	-
Bad debts written off	63	111	-	-
Depreciation of:				
- buildings	764	765	-	-
- leasehold improvements	223	156	-	-
- motor vehicles	101	56	-	-
- equipment	3,870	3,480	-	-
Total depreciation	4,958	4,457	-	-
Transfers to (from) provision for:				
- Doubtful debts	14	75	-	-
Interest and borrowing costs paid:				
- banks	9,492	10,183	3	4,509
- other	28	154	-	-
Directors' fees	225	235	225	235
Donations	13	17	-	-
Net loss (gain) on disposal of fixed assets	(4)	30	-	-
Net foreign exchange loss (gain)	(10)	11	-	-
Operating lease expenses	8,493	7,509	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

	GROUP		PARENT	
	2006 $000	2005 $000	2006 $000	2005 $000
NOTE 3. INCOME TAX				
Net surplus before income tax	39,043	35,689	24,523	19,095
Prima facie income tax at 33%	12,884	11,777	8,092	6,301
Tax effect of permanent differences:				
Amortisation of goodwill	1,640	1,636	-	-
Dividends	-	-	(8,250)	(7,920)
Other	213	285	(60)	46
Income tax expense (benefit)	14,737	13,698	(218)	(1,573)
The taxation charge is represented by:				
Current	13,381	13,939	(364)	(1,354)
Deferred	1,356	(241)	146	(219)
	14,737	13,698	(218)	(1,573)

There are no income tax losses or unrecognised timing differences carried forward by the Parent or Group.

	GROUP	
	2006 $000	2005 $000
Imputation credit account		
Balance at beginning of year	11,327	6,382
Income tax payments made during the year	13,617	13,745
Imputation credits attaching to dividends paid during the year	(10,658)	(8,800)
Balance at end of year	14,286	11,327
At balance date the imputation credits available to shareholders were	14,286	11,327

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

	PARENT 2006 $000	2005 $000	2006 CENTS PER SHARE	2005 CENTS PER SHARE
NOTE 4. DIVIDENDS				
Current year interim dividend	10,902	9,450	8.5	7.5
Prior year final dividend	10,735	8,550	8.5	6.9
Supplementary dividends	559	579		
Foreign investor tax credit	(559)	(579)		
Total dividends recognised in the financial statements	21,637	18,000		
Current year final dividend, declared subsequent to balance date	11,230	10,734	8.75	8.5

	GROUP 2006 $000	GROUP 2005 $000	PARENT 2006 $000	PARENT 2005 $000
NOTE 5. ACCOUNTS RECEIVABLE				
Current:				
Trade debtors	29,705	28,407	-	-
Provision for doubtful debts	(635)	(621)	-	-
	29,070	27,786	-	-
Other debtors and prepaid expenses	3,715	2,526	831	12
Income tax receivable	632	-	686	-
	33,417	30,312	1,517	12
Non-current:				
Share Plan loans receivable from employees	293	-	-	-
Loan to subsidiary	-	-	85,518	82,000
	293	-	85,518	82,000

	GROUP 2006 $000	GROUP 2005 $000	PARENT 2006 $000	PARENT 2005 $000
NOTE 6. INVENTORIES				
Finished goods	4,060	2,557	-	-
Ticket stocks, uniforms and consumables	1,476	967	-	-
	5,536	3,524	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

NOTE 7. INVESTMENTS IN SUBSIDIARIES

The Parent's investment in its only directly-owned subsidiary, Freightways Express Limited (FEL), comprises shares at cost. Listed below are all the significant subsidiaries wholly-owned directly or indirectly by FEL. All subsidiaries have a balance date of 30 June.

Name of entity	Principal activities
Air Freight NZ Limited*	Express package linehaul
Castle Parcels Limited	Express package services
Fieldair Engineering Limited*	General & aviation engineering services
Freightways Finance Limited	Group treasury management
Fieldair Holdings Limited*	Parent company (refer * below)
Freightways Information Services Limited	IT infrastructure support services
Freightways Properties Limited	Property management
Freightways Trustee Company Limited	Trustee of Freightways Employee Share Plan
Messenger Services Limited	Express package services
New Zealand Couriers Limited	Express package services
New Zealand Document Exchange Limited	Business mail
Online Security Services Limited	Information management
Parceline Express Limited	Express package linehaul
Post Haste Limited	Express package services

* Fieldair Holdings Limited is a subsidiary of New Zealand Couriers Limited. Fieldair Engineering Limited and Air Freight NZ Limited are subsidiaries of Fieldair Holdings Limited.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

	GROUP 2006 $000	GROUP 2005 $000
NOTE 8. FIXED ASSETS		
The Company has no fixed assets. The amounts below are for the Group.		
Land		
At cost	8,275	8,275
Buildings		
At cost	18,402	18,402
Accumulated depreciation	(2,879)	(2,113)
Book value	15,523	16,289
Leasehold alterations		
At cost	1,503	1,124
Accumulated depreciation	(644)	(422)
Book value	859	702
Motor vehicles		
At cost	576	291
Accumulated depreciation	(198)	(97)
Book value	378	194
Equipment		
At cost*	37,064	30,459
Accumulated depreciation	(13,002)	(9,175)
Book value	(24,062)	21,284
Total		
At cost	65,820	58,551
Accumulated depreciation	(16,723)	(11,807)
Book value	49,097	46,744

*Included in this amount for 2006 is equipment work in progress of $3.5 million (2005: $4.2 million) for which depreciation had not commenced; and capitalised borrowing costs of $236,000 (2005: $173,000).

The Directors consider the value of freehold land and buildings to be $37,197,200 based on independent valuations performed in July 2006.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

	GROUP		PARENT	
	2006 $000	2005 $000	2006 $000	2005 $000
NOTE 9. INTANGIBLE ASSETS				
Goodwill acquired	84,843	82,129	-	-
Accumulated amortisation	(17,487)	(12,517)	-	-
	67,356	69,612	-	-
Brand names acquired	88,800	87,400	-	-
	156,156	157,012	-	-

The value of brand names has been reviewed as described in Statement of Accounting Policies note (h). An independent valuation of these brand names was conducted by Deloitte in July 2005. This independent report assessed the fair market value of the brand names as at 30 June 2005 to be between $165.1 million and $183.8 million. The Directors are of the opinion that there has been no impairment in the value of brand names and goodwill acquired, as disclosed.

	GROUP 2006 $000	GROUP 2005 $000	PARENT 2006 $000	PARENT 2005 $000
NOTE 10. DEFERRED TAX ASSET (LIABILITY)				
Balance at beginning of year	1,032	791	146	(73)
Transfer to statement of financial performance (Note 3)	(1,356)	241	(146)	219
Balance at end of year	(324)	1,032	-	146

	GROUP 2006 $000	GROUP 2005 $000	PARENT 2006 $000	PARENT 2005 $000
NOTE 11. PAYABLES AND ACCRUALS				
Trade creditors	15,187	14,642	(12)	15
Employee entitlements	3,464	3,866	-	-
Other creditors and accruals	4,850	5,790	61	18
Income tax payable	-	163	-	16
	23,501	24,461	49	49

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

	GROUP 2006 $000	GROUP 2005 $000	PARENT 2006 $000	PARENT 2005 $000
NOTE 12. BORROWINGS				
Non-current:				
Bank borrowings	128,000	127,000	-	-
Loans from subsidiaries (Note 20)	-	-	132,134	132,134
	128,000	127,000	132,134	132,134

Security for borrowings

The bank borrowings are secured by a charge over the assets of the Company's subsidiaries in favour of its primary lenders.

Finance facilities

The following finance facilities existed at balance date:

	NEW ZEALAND DOLLARS 2006 $000	NEW ZEALAND DOLLARS 2005 $000	AUSTRALIAN DOLLARS 2006 $000	AUSTRALIAN DOLLARS 2005 $000
BNZ				
– total bank overdraft facility available	2,000	2,000	-	-
– amount of credit unused	2,000	2,000	-	-
Westpac				
– total loan facilities available	77,500	77,500	20,000	-
– amount of facilities used	65,000	65,000	-	-
– amount of facilities unused	12,500	12,500	20,000	-
ANZ				
– total loan facilities available	77,500	77,500	7,500	-
– amount of facilities used	63,000	62,000	-	-
– amount of facilities unused	14,500	15,500	7,500	-
Effective Interest Rate (as amended for interest rate hedges)	7.25%	7.10%	-*	-

In June 2006 additional bank facilities were established with ANZ and Westpac which enable Australian Dollars (AUD) to be drawn in both New Zealand and Australia.

The finance facilities summarised above are available until November 2008.

* No funds had been drawn from the AUD facilities as at 30 June 2006.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

	GROUP 2006 $000	GROUP 2005 $000	PARENT 2006 $000	PARENT 2005 $000
NOTE 13. PROVISIONS				
Restructuring provision				
Balance at beginning of year	480	500	-	-
Current year provision	-	50	-	-
Restructuring expenses incurred	(480)	(70)	-	-
Balance at end of year	-	480	-	-

Provision for restructuring relates to expenses of reorganising the business activities of a subsidiary. This expenditure had been completed by the end of October 2005.

	GROUP 2006 $000	GROUP 2005 $000	PARENT 2006 $000	PARENT 2005 $000
Customer claims provision				
Balance at beginning of year	250	219	-	-
Current year provision	(83)	31	-	-
Balance at end of year	167	250	-	-

Provision for customer claims relates to actual claims received from customers that are being considered for payment as at balance date and are expected to be resolved within two months.

	GROUP 2006 $000	GROUP 2005 $000	PARENT 2006 $000	PARENT 2005 $000
Supplier contracts provision				
Balance at beginning of year	228	228	-	-
Current year provision	(228)	-	-	-
Contract expenses incurred	-	-	-	-
Balance at end of year	-	228	-	-

Provision for supplier contracts related to estimated payments to suppliers resulting from contract amendments. No such payments are now expected to become payable and the provision was reversed during the year.

	GROUP 2006 $000	GROUP 2005 $000	PARENT 2006 $000	PARENT 2005 $000
Total provisions	167	958	-	-
NOTE 14. UNEARNED INCOME				
Income received in advance	19,219	17,944	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

	GROUP		PARENT	
	2006 $000	2005 $000	2006 $000	2005 $000
NOTE 15. SHARE CAPITAL				
Issued and Paid Up Capital:				
Ordinary shares				
Balance at beginning of year	55,611	54,671	55,611	54,671
Shares issued during the year	831	-	831	-
Unpaid shares fully paid	942	940	942	940
Balance at end of year	57,384	55,611	57,384	55,611

Fully paid ordinary shares

As at 30 June 2006 there were 128,261,696 shares issued and fully paid (2005: 125,971,065). All fully paid ordinary shares have equal voting rights and share equally in dividends and surplus on winding up.

During the year, issued and paid up capital increased as a result of 1,970,631 (2005: 2,020,631) unpaid shares, in total, being fully paid up in February and March for $942,106 (2005: $940,052).

Unpaid ordinary shares

As at 30 June 2006 there were 193,239 unpaid shares on issue (2005: 2,163,870). Unpaid shares have no voting or dividend rights and would not participate in any surplus on winding up.

Employee Share Plan

On 3 August 2005, the Company issued 320,000 fully paid ordinary shares at $2.70 to Freightways Trustee Company Limited, as Trustee for the Freightways Employee Share Plan ('the Share Plan'). The terms of the issue were approved by the Freightways Limited Board. In total, participating employees were provided with interest-free loans of $0.8 million to fund the purchase of shares in the Share Plan. The loans are repayable over three years commencing September 2005. The Share Plan operates in accordance with section DC12 of the New Zealand Income Tax Act 2004 and the Trustees are appointed by the Freightways Limited Board.

At 30 June 2006 the Trustee held 285,483 fully paid ordinary shares (representing 0.2% of all issued ordinary shares) of which 12,346 were unallocated. These shares are held for allocation in the future.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

	GROUP 2006	GROUP 2005
NOTE 16. EARNINGS PER SHARE		
Basic Earnings Per Share		
The calculation of basic earnings per share is based on:		
Net surplus attributable to ordinary shareholders ($000)	24,306	21,991
Weighted average number of ordinary shares ('000):		
Ordinary shares on issue at beginning of year	125,971	123,950
Unpaid shares fully paid – February and March 2005	-	672
Shares issued – August 2005	291	-
Unpaid shares fully paid – February 2006	354	-
Unpaid shares fully paid – March 2006	357	-
	126,973	124,622
Basic earnings per share (cents)	19.1	17.6
Diluted Earnings Per Share		
The calculation of diluted earnings per share is based on:		
Diluted net surplus attributable to ordinary shareholders ($000)	24,306	21,991
Diluted weighted average number of ordinary shares ('000):		
Weighted average number of ordinary shares	126,973	124,622
Unpaid shares	193	2,164
	127,166	126,786
Diluted earnings per share (cents)	19.1	17.3

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

	GROUP		PARENT	
	2006 $000	2005 $000	2006 $000	2005 $000
NOTE 17. CAPITAL AND LEASING COMMITMENTS				
The Group leases certain premises and plant & equipment and as a result has the following operating lease commitments:				
– Payable not later than one year	7,212	6,697	-	-
– Payable between one and two years	5,295	5,364	-	-
– Payable between two and five years	10,174	7,967	-	-
– Payable later than five years	12,391	9,764	-	-
	35,072	29,792	-	-

As at 30 June 2006 a contractual commitment of $860,000 existed in relation to new equipment. A further capital commitment of $15,000 existed in relation to equipment for an operating subsidiary.

The Group had no other capital commitments at 30 June 2006 (2005: nil).

The Company had no capital commitments at 30 June 2006 (2005: nil).

NOTE 18. CONTINGENT LIABILITIES

The Group had no contingent liabilities at 30 June 2006 (2005: nil).

NOTE 19. STATEMENT OF OPERATIONS BY SEGMENTS

During the year, Group companies operated predominantly in the express package industry segment and solely in New Zealand.

NOTE 20. TRANSACTIONS WITH RELATED PARTIES

Loan to subsidiary: During the year net advances of $29 million were made by the Company to FEL, which together with $25 million of dividends receivable from FEL, resulted in a loan to subsidiary balance as at year end of $86 million (2005: $82 million). The receivable balance is set out in Note 5. There is no interest payable on this loan.

Loan from subsidiary: The Company has a loan agreement with its wholly-owned subsidiary Freightways Finance Limited. The payable balance is set out in Note 12. There is no interest payable on this loan.

Intra-group transactions: During the year the Company received dividends as disclosed in Note 1 from its directly-owned subsidiary (FEL).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

Unpaid shares: At balance date, 193,239 (2005: 386,478) unpaid shares were on issue to the Company's non-executive directors (or their nominees) and nil (2005: 1,777,392) unpaid shares were on issue to the executive directors (including DJ Bracewell who is also a director of the Company), and selected employees of the Group. These shareholdings account for all unpaid shares on issue and in total represent 0.2% (2005: 1.7%) of all issued ordinary shares.

During the year, the Company's non-executive directors (or their nominees) fully paid up one third of their respective shareholdings (Tranche 2). In respect of their remaining shareholdings, they (or their nominees) have the ability to fully pay up the final third of their shares on 31 December 2006 (Tranche 3). The terms of the three tranches are based on the following respective issue prices:

(i) for tranche 1, the final IPO price plus 15% less any cash dividends declared during the period ended 31 December 2004 (Tranche 1 Issue Price, which was $1.7125 per share);

(ii) for tranche 2, the Tranche 1 Issue Price plus 15% less any cash dividends declared during the year ended 31 December 2005 (Tranche 2 Issue Price, which was $1.8094 per share); and

(iii) for tranche 3, the Tranche 2 Issue Price plus 15% less any cash dividends declared during the year ended 31 December 2006.

Once fully paid up, the shares will rank equally with the existing ordinary shares as to voting and dividend rights. If a director leaves the Freightways Board while their shares remain unpaid, the Company can redeem those unpaid shares. One director resigned from the Board during the prior year and his 115,944 unpaid shares were redeemed and cancelled. There is no impact on the Statement of Financial Performance as a result of these share transactions.

During the year, the Group's executive directors and selected employees fully paid up the final tranche (tranche 3) of the unpaid shares in accordance with the terms of the issue. The fully paid up shares rank equally with the existing ordinary shares as to voting and dividend rights.

If a shareholder leaves the employment of the Freightways Group while their shares remain unpaid, the Company can redeem those unpaid shares and purchase any fully paid shares at fair market value. One shareholder left the employment of the Group during the prior year and his remaining 50,000 unpaid shares were redeemed and cancelled. There is no impact on the Statement of Financial Performance as a result of these share transactions.

Trading with related parties: The Group trades with certain companies in which there are common directorships, including Auckland International Airport Limited, Christchurch International Airport Limited, Telecom Corporation of New Zealand Limited and Meridian Energy Limited. In addition, a subsidiary purchases steel racking from Capital Racking Limited. Capital Racking Limited purchases steel from Vulcan Steel Limited, of which Wayne Boyd is the Chairman.

All trading with related parties is at arm's length and on a commercial basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

	GROUP 2006 $000	GROUP 2005 $000	PARENT 2006 $000	PARENT 2005 $000
NOTE 21. RETAINED EARNINGS				
Balance at beginning of year	14,887	10,896	15,377	12,709
Net surplus for the year	24,306	21,991	24,741	20,668
Dividends to shareholders (Note 4)	(21,637)	(18,000)	(21,637)	(18,000)
Balance at end of year	17,556	14,887	18,481	15,377

	GROUP 2006 $000	GROUP 2005 $000	PARENT 2006 $000	PARENT 2005 $000
NOTE 22. CASH FLOW INFORMATION				
Reconciliation of cash				
Cash at the end of the year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:				
– Cash at bank	1,652	978	-	-
– Overnight deposit	-	1,259	-	-
	1,652	2,237	-	-
Reconciliation of net surplus after income tax to net cash provided by operating activities				
Net surplus after income tax	24,306	21,991	24,741	20,668
Depreciation	4,958	4,457	-	-
Amortisation of goodwill	4,970	4,957	-	-
Movement in provision for doubtful debts	14	75	-	-
Movement in deferred income tax	1,356	241	(146)	219
Net loss (gain) on disposal of fixed assets	(4)	30	-	-
Net foreign exchange loss (gain)	(10)	11	-	-
Transactions settled through loans from subsidiary	-	-	(24,741)	(20,668)
Movement in working capital, net of effects of acquisition (disposal) of businesses and subsidiaries:				
(Increase) decrease in receivables	(2,488)	(1,113)	(819)	878
(Increase) decrease in inventories	(2,012)	(851)	-	-
Increase (decrease) in trade and other creditors	196	2,116	1,107	(1,622)
Increase (decrease) in income taxes payable	(794)	(375)	(701)	(55)
Net cash provided by operating activities	30,492	31,539	(559)	(580)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

Acquisition of Businesses

During the year Group subsidiaries acquired a number of complementary businesses for cash:

	$000
– Kiwi Express Couriers	3,509
– Others	680
	4,189

Details of the acquisitions are as follows:

	BUSINESSES ACQUIRED 2006 $000	BUSINESSES ACQUIRED 2005 $000
Fair value of assets & liabilities acquired:		
Fixed assets	75	-
Goodwill (to be amortised over 20 years)	2,714	390
Brand names	1,400	-
	4,189	390
Consideration:		
Cash consideration	3,959	390
Balance of purchase price payable	230	-
	4,189	390

Non-cash Financing Activities – Loan to Subsidiary

During the current and prior years the Company's subsidiary, FEL, settled a number of transactions on behalf of the Company and the amounts were deducted from the outstanding loan receivable from FEL. The outstanding balance as at 30 June 2006 is set out in Note 5.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

NOTE 23. SIGNIFICANT EVENTS AFTER BALANCE DATE

Acquisition of Databank Technologies Pty Limited

On 6 July 2006, Freightways Limited acquired 100% of the Australian information management company, Databank Technologies Pty Limited (DataBank).

Payment of the purchase price is staged over two years. Initial payments totalling approximately AUD18 million will be made during July and August. Two subsequent payments of up to a maximum of approximately AUD6 million each are expected to become payable after finalisation of the results for the years ended 30 June 2007 and 2008, respectively, but only if agreed annual earnings performance has been achieved in those years. Other than the net assets acquired of AUD1.6 million, the purchase consideration will be recorded in intangible assets.

Earnings before interest, tax, depreciation and goodwill amortisation in the first year of the Company's ownership is anticipated to be AUD2.7 million.

To facilitate this acquisition, the Group arranged additional banking facilities with its existing lenders. The new facilities enable the Group to borrow funds denominated in Australian dollars. Refer Note 12.

Dividends

On 31 July 2006, the Directors declared a final dividend of 8.75 cents per share ($11.2 million) in respect of the year ended 30 June 2006. The dividend will be paid on 30 September 2006. The record date for determination of entitlements to the dividend is 15 September 2006.

The financial effects of the above events have not been recognised in these financial statements.

At the date of this report, there have been no other significant events subsequent to balance date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

NOTE 24. FINANCIAL INSTRUMENTS

The Group is subject to certain financial risks, which primarily arise as a result of its debt portfolio.

Credit risk

Financial instruments which potentially subject the Group to credit risk principally consist of bank balances, accounts receivable and investments.

The Group has credit policies that are used to manage the exposure to credit risk. As part of these policies, exposures with counter parties are monitored on a regular basis. The Group performs credit evaluations on all customers requiring credit and generally does not require collateral.

Maximum exposures to credit risk as at balance date are:

	GROUP		PARENT	
	2006 $000	2005 $000	2006 $000	2005 $000
Bank balances	1,652	978	-	-
Overnight deposits	-	1,259	-	-
Receivables	31,559	28,997	-	-
Loan to subsidiary	-	-	85,518	82,000

The above maximum exposures are net of any recognised provision for losses on these financial instruments. No collateral is held on the above amounts.

Concentrations of credit risk

The Group does not have any significant concentrations of credit risk.

Currency risk

– Policy:

The Group has a treasury policy that requires foreign currency denominated risk to be effectively hedged against adverse fluctuations in foreign currency exchange rates.

– Foreign currency denominated commitments:

Group policy is to hedge any substantial foreign currency denominated commitments.

– Overseas subsidiaries:

Group policy is to create a natural hedge against the foreign exchange exposure to balance sheet currency translation risk. To achieve this the Group will maximise the borrowings in the local currency of the overseas subsidiary up to the total amount of the foreign currency denominated investment.

Group policy is to hedge earnings of any overseas subsidiaries, where those earnings are material and reasonably certain.

– Unrecognised balances:

There were no foreign exchange instruments outstanding at balance date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

Interest rate risk

Borrowings of the Group are at the market interest rate current at the time of drawdown and are re-priced at intervals not exceeding 180 days.

– Policy:

The Group has a treasury policy that requires between 40% and 90% of outstanding borrowings to be effectively hedged against adverse fluctuations in market interest rates. The policy has the primary objective of ensuring interest costs are reasonably predictable from year to year. As at balance date 61% (2005: 66%) of borrowings are effectively hedged.

– Unrecognised balances:

The notional or principal contract amounts of interest rate contracts outstanding at balance date are:

	GROUP		PARENT	
	2006 $000	2005 $000	2006 $000	2005 $000
Interest rate swaps	67,000	67,000	-	-
Interest rate caps	5,000	15,000	-	-
Interest rate collars (cap & floor)	12,000	17,000	-	-
	84,000	99,000	-	-

These financial instruments have the following maturity profile as at 30 June 2006:

	<1 YEAR $000	1-3 YEARS $000	3-5 YEARS $000	5-10 YEARS $000
Interest rate swaps	-	10,000	23,000	34,000
Interest rate caps	-	5,000	-	-
Interest rate collars (cap & floor)	6,000	6,000	-	-
	6,000	21,000	23,000	34,000

The cash settlement requirement for interest rate swaps is the current market value, which is: $928,728 receivable (2005: $145,927 payable). The current market value of the interest caps and collars is $124,586 receivable (2005: $166,359 receivable).

– Loans:

Group

Interest rates on bank facilities are based on the 90-day bank bill rate at the time of drawdown plus a commercial margin.

Parent

The Company has loans to and from subsidiaries. No interest is charged on intercompany loans.

– Assets:

The interest rate on short-term deposits is the market rate for funds on 24-hour call current at the time of deposit.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

Credit facilities

The Group has total bank overdraft facilities of $2,000,000. Of this, no amount was used by the Group as at balance date.

Fair values

The fair value of each class of financial instrument is the carrying value as stated in the financial statements, with the exception of the interest rate swaps, caps and collars described above.

NOTE 25. TRANSITION TO NEW ZEALAND EQUIVALENTS OF IFRS

It will be mandatory for the Group to comply with the New Zealand equivalents of International Financial Reporting Standards (IFRS) for its first reporting period commencing after 1 January 2007. For the Group this period will be the half year ended 31 December 2007.

Managing the transition to IFRS

In September 2004, a project was commenced to plan for the transition to IFRS. This project involved an initial assessment of the impact of IFRS on the Group's consolidated financial statements. The key differences between NZ GAAP and IFRS were identified and considered. The likely impact of implementing IFRS was determined and quantified where possible. Developments in IFRS will continue to be monitored and evaluated during the period leading up to implementation and this may identify further key differences.

The next phase of the project is establishing the opening IFRS balance sheet as at 1 July 2006.

Adoption of IFRS

The Group intends to adopt IFRS for the first time when reporting its interim results for the half year ended 31 December 2007. The first annual financial statements prepared under IFRS will be for the year ended 30 June 2008. In adopting IFRS, the Group will need to restate the comparatives presented in these reports. Adjustments required to restate comparatives upon adoption of IFRS will be made retrospectively against opening retained earnings.

Key differences to accounting policies

Based on the Group's current analysis of the implications of adopting IFRS, the key differences expected to arise in accounting policies are set out on page 47, together with an estimate of the effect these changes would have on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

KEY DIFFERENCE IDENTIFIED	POTENTIAL IMPACT
Goodwill	
The current accounting policy is to systematically amortise goodwill over the period of time, not exceeding 20 years, during which the benefits are expected to arise and to subject the carrying amount of goodwill to an annual impairment test. Under IFRS, goodwill will no longer be systematically amortised, but will remain subject to an annual impairment test.	Goodwill amortisation will not be charged to the Statement of Financial Performance and therefore net surplus before and after tax will increase. For the year ended 30 June 2006, the amount of that increase would have been $5 million. As at 30 June 2006, there had been no impairment of the carrying amount of goodwill on the Statement of Financial Position. Accordingly, the recorded intangible asset of goodwill under IFRS would have been $5 million higher, as there would have been no amortisation and there was no impairment loss applicable.
Financial instruments	
Under current accounting policy, the Group's derivative financial instruments, which are all interest rate hedging instruments, are not carried on the Statement of Financial Position. Their current market value is disclosed by way of note only. IFRS requires all financial instruments, including derivatives, to be recognised in the Statement of Financial Position.	Under IFRS, recording the fair value of the interest rate hedging instruments on the Statement of Financial Position as at 30 June 2006 would result in both Total Assets and Equity increasing by approximately $1 million. As the Group's interest rate hedging instruments are all considered effective hedges as at 30 June 2006, there would be no impact on the Statement of Financial Performance for the year ending on that date.
Income tax	
Currently the accounting policy for income tax is to calculate income tax expense in the Statement of Financial Performance based on the accounting surplus adjusted for permanent differences between accounting and tax rules. The impact of all timing differences between accounting and taxable income is recognised as a deferred tax liability or asset on the Statement of Financial Position. IFRS requires the comparison of the Statement of Financial Position carrying values with the tax base values to determine the deferred tax liability or asset to be recorded on the Statement of Financial Position. The movement in the deferred tax balances for the period will be recorded as the tax expense in the Statement of Financial Performance.	A comparison of the Statement of Financial Position carrying values with the tax base values as at 30 June 2006 indicated that if IFRS had been applied as at balance date additional deferred tax balances may need to be recognised with respect to revalued assets. The tax expense would remain unchanged and therefore there would be no impact on the Statement of Financial Performance.

The actual effect of adopting IFRS may vary from the information presented, and that variation may be material.

SHAREHOLDER INFORMATION

Stock exchange listing

The Company's fully paid ordinary shares are listed on NZSX (the New Zealand Stock Exchange).

Distribution of shareholders and shareholdings as at 20 July 2006

	NUMBER OF HOLDERS	NUMBER OF SHARES HELD	% OF ISSUED CAPITAL
Size of shareholding			
1 to 1,999	1,702	2,184,215	1.70
2,000 to 4,999	2,472	7,554,469	5.89
5,000 to 9,999	1,610	10,410,271	8.12
10,000 to 49,999	1,159	18,770,112	14.63
50,000 to 99,999	54	3,494,993	2.72
100,000 to 499,999	47	10,102,077	7.88
500,000 to 999,999	12	8,474,852	6.61
1,000,000 and over	15	67,270,707	52.45
Total shareholders	7,071	128,261,696	100.00
Geographic distribution			
New Zealand	6,992	126,076,332	98.30
Australia	36	1,971,440	1.54
Other	43	213,924	0.16
	7,071	128,261,696	100.00

Substantial security holders as at 20 July 2006

Based upon notices received, the following persons are deemed to be substantial security holders in accordance with Section 26 of the Securities Amendment Act 1988:

	VOTING SECURITIES NUMBER	%
Fisher Funds Management Limited	13,707,440	10.85
ING (NZ) Limited	8,099,322	6.41

The total number of issued voting securities of the Company as at 20 July 2006 was 128,261,696.

SHAREHOLDER INFORMATION

Top twenty registered shareholders of listed shares as at 20 July 2006

	NUMBER OF SHARES HELD	% OF ISSUED CAPITAL
TTEA Custodians Limited*	10,047,066	7.83
Westpac Banking Corporation – Client Assets No.2*	6,994,878	5.45
NZ Superannuation Fund Nominees Limited*	6,335,125	4.94
National Nominees New Zealand Limited*	5,660,428	4.41
Accident Compensation Corporation*	5,488,320	4.28
Port Devon Limited	5,445,681	4.25
First NZ Capital Custodians Limited	5,344,876	4.17
Citibank Nominees (New Zealand) Limited*	5,001,631	3.90
Premier Nominees Limited – Armstrong Jones New Zealand Share Fund*	3,930,064	3.06
TEA Custodians Ltd – No.2 Account*	3,016,860	2.35
Custody and Investment Nominees Limited*	2,883,492	2.25
Lucerne Road Investments Limited	2,002,896	1.56
Investment Custodial Services Limited	1,938,022	1.51
Custodial Services Limited	1,863,149	1.45
Cogent Nominees Limited*	1,318,219	1.03
AMP Investment Strategic Equity Growth Fund*	910,903	0.71
DJ Bracewell, MW Ratcliffe & PA Bracewell	877,392	0.68
Private Nominees Limited	868,581	0.68
HSBC Nominees (NZ) Limited*	790,000	0.62
Custodial Services Limited	738,931	0.58
	71,456,514	55.71

*held through NZ Central Securities Depository Limited

Waivers granted by NZX, applicable as at 30 June 2006

The Company has the following waivers from NZX:

a) a waiver from the application of Listing Rule 7.6.3 to allow the Company to redeem its own shares where, under the terms of the Directors Share Ownership Plan and the Employees Share Ownership Plan, it is obliged or entitled to do so; and

b) a waiver from the application of Listing Rule 11.1 to allow the Company to impose transfer restrictions on shares issued under the Directors Share Ownership Plan and the Employees Share Ownership Plan while those shares remain unpaid.

CORPORATE GOVERNANCE STATEMENT

This statement is an overview of the Group's main corporate governance policies, practices and processes adopted or followed by the Board. The Group's corporate governance processes do not materially differ from the principles set out in the NZX Corporate Governance Best Practice Code.

THE ROLE OF THE BOARD OF DIRECTORS

The Board of Freightways Limited is committed to the highest standards of corporate governance and ethical behaviour, both in form and substance, amongst its Directors and the people of the Company and its subsidiaries.

BOARD RESPONSIBILITIES

The Board of Directors' corporate governance responsibilities include overseeing the management of the Company and its subsidiaries (Freightways) to ensure proper direction and control of Freightways' activities.

In particular the Board will establish corporate objectives and monitor management's implementation of strategies to achieve those objectives. It will approve budgets and monitor performance against budget. The Board will ensure adequate risk management strategies are in place and monitor the integrity of management information and the timeliness of reporting to shareholders and other stakeholder groups.

The Board will follow the corporate governance rules established by the New Zealand Exchange and Directors will act in accordance with their fiduciary duties in the best interests of the Company.

A formal charter has been adopted by the Board that elaborates on Directors' responsibilities. The Board will internally evaluate its performance annually. Any recommendations flowing from this review will be implemented promptly. The Board will review its Corporate Governance practice against current best practice and continue to develop company policies and procedures as deemed necessary.

CODE OF ETHICS

Freightways expects its Directors and employees to maintain high ethical standards that are consistent with Freightways' core values, business objectives and legal and policy obligations. A formal Code of Ethics has been adopted by the Board. Freightways people are expected to continue to lead according to this code. The code deals specifically with conflicts of interest, proper use of information, proper use of assets and property, conduct and compliance with applicable laws, regulations, rules and policies.

BOARD COMPOSITION

In accordance with the Company's constitution the Board will comprise not less than three and not more than 10 directors. The Board will comprise a mix of persons with complementary skills appropriate to the Company's objectives and strategies. The Board must include not less than two persons (or if there are eight or more directors, three persons or one third rounded down to the nearest whole number of directors) who are deemed to be independent.

Freightways' Board currently comprises five Directors: the non-executive Chairman, Managing Director and three non-executive directors. Key executives attend board meetings by invitation. Freightways' Board includes four independent directors.

CORPORATE GOVERNANCE STATEMENT

BOARD COMMITTEES

Standing committees have been established to assist in the execution of the Board's responsibilities. These Committees utilise their access to management and external advisors at a suitably detailed level, as deemed necessary and report back to the full Board. Each of these Committees has a charter outlining its composition, responsibilities and objectives:

Audit and Risk Committee: Members are Sue Sheldon (Chairman), Warwick Lewis and Sir William Birch. All members are independent non-executive Directors.

Remuneration Committee: Members are Sir William Birch (Chairman) and Wayne Boyd.

Nominations Committee: Wayne Boyd (Chairman), Sir William Birch, Warwick Lewis and Sue Sheldon.

In addition, the Board will establish Committees to deal with particular matters, as it considers appropriate.

BOARD MEETINGS

The following table outlines the number of board meetings attended by Directors during the course of the 2006 financial year:

	FULL	BOARD COMMITTEES		
	BOARD	AUDIT & RISK	REMUNERATION	NOMINATIONS
Wayne Boyd	12	-	2	1
Dean Bracewell	12	-	-	1
Sir William Birch	12	5	2	1
Warwick Lewis	11	5	-	1
Sue Sheldon	12	5	-	1
Meetings held	12	5	2	1

DELEGATION OF AUTHORITY

The Board delegates its authority where appropriate to the Managing Director for the day-to-day affairs of Freightways. Formal policies and procedures exist that detail the parameters that the Managing Director, and, in turn, his direct reports are able to operate within.

SHARE TRADING BY DIRECTORS AND MANAGEMENT

The Board has adopted a policy that ensures compliance with New Zealand's insider trading laws. This policy requires prior consent by the Chief Financial Officer in relation to any trading by executive management, and, in the case of Directors of the Company and its subsidiaries, prior consent by the Chairman of the Board.

TREASURY POLICY

Exposure to foreign exchange and interest rate risks is managed in accordance with the Group's Treasury Policy that sets limits of management authority. Derivative instruments are used by the Group to manage its business risks; they are not used for speculative purposes.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DIRECTORY

For inquiries in relation to Freightways' services and products contact the offices listed below or refer to Freightways' website at www.freightways.co.nz.

Messenger Services Limited
161 Station Road
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DX EX10911
AUCKLAND
Telephone: 09 526 3680
www.sub60.co.nz
www.kiwiexpress.co.nz

New Zealand Document Exchange Limited
32 Botha Road
Penrose
DX CR59901
AUCKLAND
Telephone: 09 526 3150
www.dxmail.co.nz

New Zealand Couriers Limited
32 Botha Road
Penrose
DX CX10119
AUCKLAND
Telephone: 09 571 9600
www.nzcouriers.co.nz

Online Security Services Limited
33 Botha Road
Penrose
DX EX10975
AUCKLAND
Telephone: 09 580 4360
www.onlinesec.co.nz

Post Haste Limited
32 Botha Road
Penrose
DX EX10978
AUCKLAND
Telephone: 09 579 5650
www.posthaste.co.nz

Fieldair Holdings Limited
Palmerston North International Airport
Palmerston North
DX PX10029
PALMERSTON NORTH
Telephone: 06 357 1149
www.fieldair.co.nz

Castle Parcels Limited
161 Station Road
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DX CX10245
AUCKLAND
Telephone: 09 525 5999
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