ANNUAL REPORT 2013

Freightways

New Zealand Couriers
www.nzcouriers.co.nz

Freightways

Post Haste Couriers
www.posthaste.co.nz

Castle Parcels
www.castleparcels.co.nz

Now Couriers
www.nowcouriers.co.nz

SUB60
www.sub60.co.nz

Kiwi Express Couriers
www.kiwiexpress.co.nz

Security Express
www.securityexpress.co.nz

DX Mail
www.dxmail.co.nz

Dataprint
www.dataprint.co.nz

Parceline Express

Pass The Parcel
www.passtheparcel.co.nz

Stuck
www.stuck.co.nz

Online Security Services
www.onlinesecurity.co.nz

Document Destruction Service
www.onlinesecurity.co.nz

Data Security Services
www.onlinesecurity.co.nz

Archive Security
www.onlinesecurity.co.nz

Databank
www.databank.com.au

Filesaver
www.filesaver.com.au

Shred-X
www.shred-x.com.au

Air Freight NZ

Fieldair Engineering
www.fieldair.co.nz

Freightways Information Services

COMPANY PARTICULARS

BOARD OF DIRECTORS

Sue Sheldon (Chairman)
Dean Bracewell (Managing Director)
Sir William Birch
Roger Corcoran
Kim Ellis
Mark Verbiest

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 REGISTRAR

Computershare Investor Services Limited
159 Hurstmere Road
Takapuna
Auckland 0622
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.

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GROUP PROFILE

FREIGHTWAYS' STRATEGY

Freightways' business strategy is to develop organic growth opportunities that exist in the express package, business mail and information management industries, diversify its operations further into the information management industry, including geographically, and execute acquisition and alliance opportunities in areas that complement its existing capabilities.

Express package & business mail

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 New Zealand Couriers, Post Haste Couriers, Castle Parcels and NOW Couriers. 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, Kiwi Express and STUCK brands, and provides a secure service for valuables through Security Express.

DX Mail operates in the New Zealand postal services market. It provides a full range of domestic and international mail solutions to business customers. DX Mail is represented in all towns and cities throughout New Zealand. Its services include the processing of letters and parcels for box-to-box and street delivery. It also offers a full suite of mailhouse services for both physical and electronic transactional mail through its recently-acquired Dataprint business.

Information Management

Freightways' information management division offers a complete range of archive management services for documents, computer media and document destruction throughout New Zealand and Australia. It also provides both digital conversion and online back-up services to complement the physical storage and protection of documents and other media.

In New Zealand, Online Security Services provides a nationwide service from its locations in Auckland, Hamilton, Palmerston North, Wellington and Christchurch. It operates the brands of Archive Security, Document Destruction Services and Data Security Services.

In Australia, The Information Management Group operates in all states and territories through the brands of Archive Security, Filesaver, DataBank and Shred-X.

Internal service providers

Freightways manages its road and air linehaul requirements through the Parceline Express and Fieldair businesses. Fieldair also provides a wide range of avionics and engineering services to the NZ aviation industry. Information technology systems are provided to Freightways' various businesses via Freightways Information Services.



SUB60


CASTLE
PARCELS
CASTLE
PARCELS

FINANCIAL SUMMARY

FOR THE YEAR ENDED 30 JUNE 2013

	NOTE	2013 $000	2012 $000	PERCENTAGE VARIANCE
Operating revenue		406,117	382,455	6.2%
EBITA, excluding non-recurring income	(i)	65,012	61,910	5.0%
NPAT, excluding non-recurring income	(ii)	38,268	35,955	6.4%
Non-recurring income:				
- reversal of accrued acquisition earnout payments		2,079	-	-
- income tax credit as a result of tax law changes		-	52	-
- net insurance claim proceeds arising from Christchurch earthquakes		-	1,372	-
- insurance deductible refunded		-	87	-

Note:

(i) Operating profit before interest, income tax and amortisation of intangibles, excluding non-recurring income

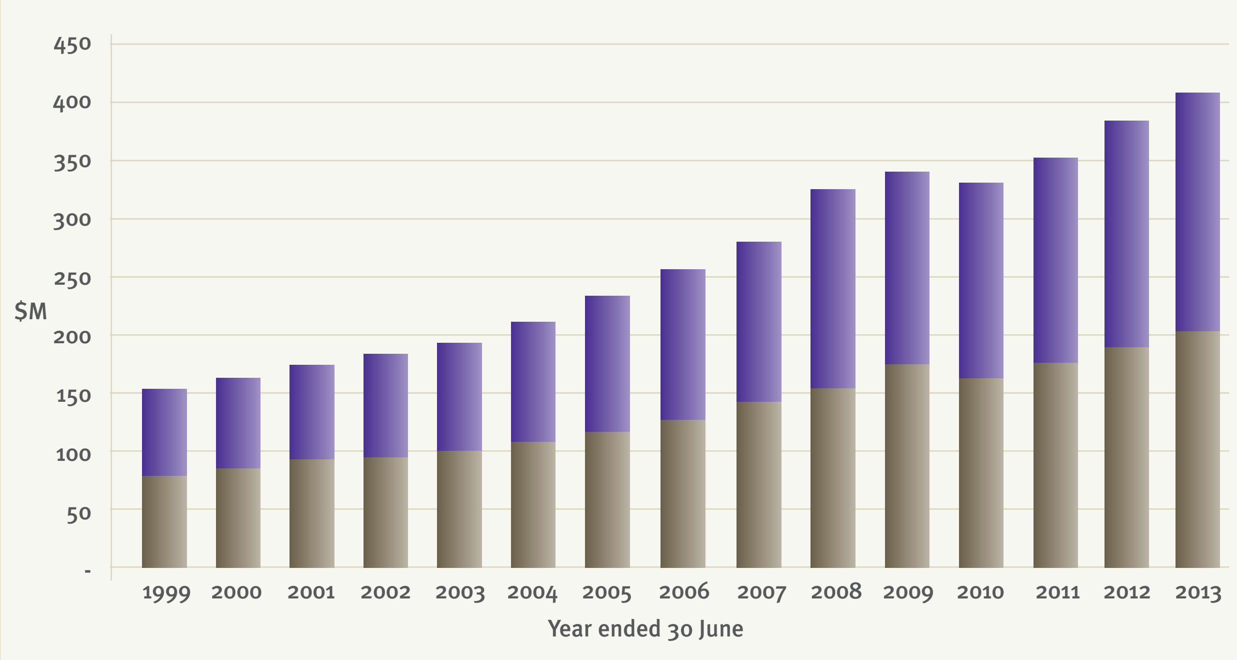
(ii) Profit for the year attributable to the shareholders, excluding non-recurring income

The Directors believe that the non-recurring income amounts detailed above should not be included when assessing the underlying operating performance of the Company.

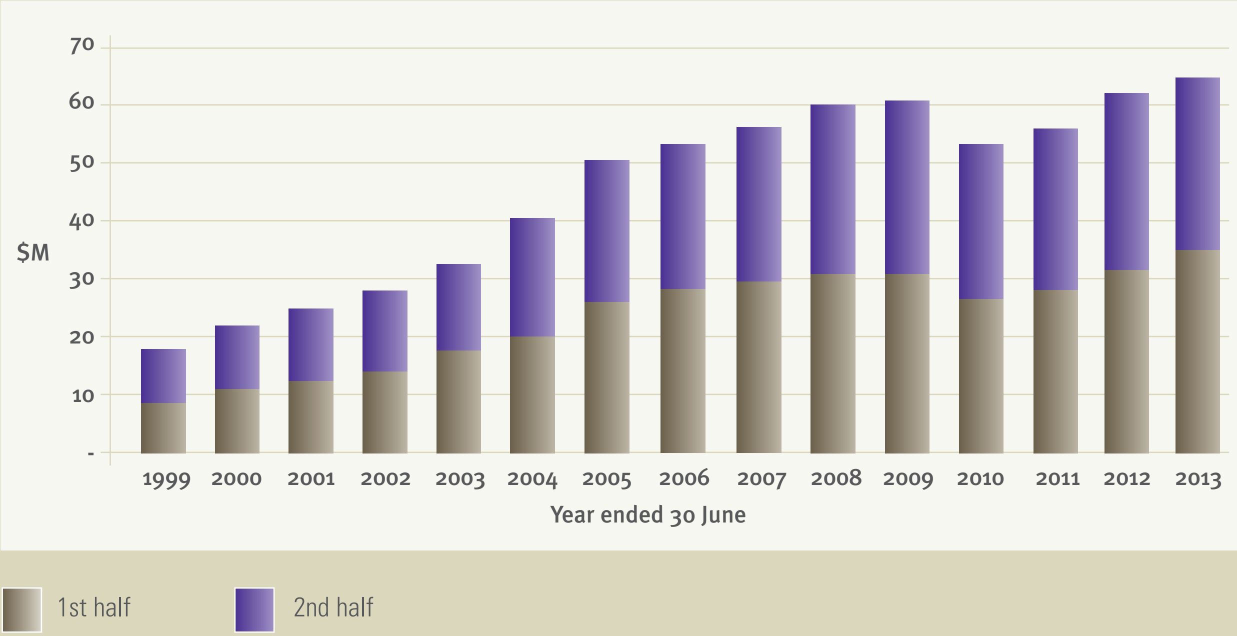
FINANCIAL SUMMARY

FOR THE YEAR ENDED 30 JUNE 2013

FREIGHTWAYS OPERATING REVENUE



FREIGHTWAYS EBITA*



* Operating profit before interest, income tax and amortisation of intangibles, excluding non-recurring items.

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 THE CHAIRMAN AND MANAGING DIRECTOR

The Directors are pleased to present the financial result of Freightways Limited (Freightways) for the year ended 30 June 2013. In its 10th year since listing on the New Zealand Stock Exchange (NZX) in September 2003, Freightways has delivered another record result. This report discusses the 2013 full year result, reflects on some of the many achievements of the Company over the past decade and provides our outlook for the future.

Operating performance

Consolidated operating revenue of $406 million for the year was 6% higher than the prior comparative period (pcp).

Earnings (operating profit) before interest, tax, depreciation and amortisation (EBITDA), Earnings (operating profit) before interest, tax and amortisation (EBITA) and Net Profit after tax (NPAT) amounts used in calculating the movements between years discussed below exclude the following non-recurring income amounts:

- Full Year 2012 EBITA included $1.5 million and NPAT $1 million relating to Christchurch earthquake insurance claim proceeds recorded against corporate costs.
- Full Year 2013 EBITA and NPAT both include $2.1 million relating to the reversal of accrued acquisition earnout payments that are not expected to be paid. Of the $2.1 million, $1 million was recorded in the express package & business mail division, while $1.1 million was recorded in the information management division.

The Directors believe that the non-recurring income amounts detailed above should not be included when assessing the underlying operating performance of the Company.

EBITDA (excluding non-recurring income) of $77 million for the year and EBITA (excluding non-recurring income) of $65 million for the year were 7% and 5% higher than the pcp, respectively.

Consolidated NPAT (excluding non-recurring income) of $38 million for the year was 6% higher than the pcp.

Cash flows generated from operations were again strong at $77 million.

Earnings per share (EPS) for the year (excluding non-recurring income) was 24.9 cents per share, an improvement of 6% over the pcp.

Dividend

The Directors have declared a final dividend of 9.75 cents per share, fully imputed at a tax rate of 28%. This represents a pay out of approximately $15 million compared with $14.6 million for the pcp final dividend of 9.5 cents per share. The final dividend will be paid on 1 October 2013. The record date for determination of entitlements to the final dividend is 13 September 2013.

The Dividend Reinvestment Plan (DRP) will not be offered in relation to this final dividend. As a capital management tool, the application of the DRP will be reviewed for each future dividend.

REVIEW OF OPERATIONS

Record results have been achieved in both the express package & business mail division and the information management division for the year ended 30 June 2013.

Express package & business mail

The express package & business mail division operates a multi-brand strategy in the domestic market through New Zealand Couriers, Post Haste, Castle Parcels, NOW Couriers, SUB60, Security Express, Kiwi Express, DX Mail and Dataprint.

Operating revenue of $308 million for the year was 6% higher than the pcp.

EBITDA (excluding non-recurring income) of $55 million for the year and EBITA (excluding non-recurring income) of $49 million for the year were 3% and 1% higher than the pcp, respectively.

2013 has been characterised by good revenue growth, yet only modest operating earnings (EBITDA & EBITA) growth (excluding non-recurring income). A changing business mix in both our express package and business mail

REPORT FROM THE CHAIRMAN AND MANAGING DIRECTOR

businesses and the cost of related investment to capture new growth has contributed to this outcome.

The express package business mix has continued to progressively change as increasing numbers of consumers buy goods online. This has meant faster growth in Business-to-Consumer (B2C) volume than Business-to-Business (B2B) volume. Our strategy to ensure we capture our share of this B2C growth and that we appropriately service it has included increased investment in customer support, IT development and in recent years the establishment of our 'Pass The Parcel' service. These strategies have proven successful, hence the growth we are achieving. Compared to B2B volumes, a feature of the B2C market is typically smaller packages and consequently lower revenue/margin per item. Over time we expect that margins relating to this work will increase, particularly as delivery density increases. Express package volumes are back to pre-earthquake levels in Christchurch. The cost of doing business in Christchurch is, however, higher than in the past and it will remain so for some time due to the disparate nature of B2B delivery addresses now compared to the previously compact CBD.

Our business mail division has continued to experience a change in business mix as its traditional box-to-box letter volumes and general business mail have declined through digital substitution. Our strategy to address this natural decline has been three-fold:

- Investment in a network of DX Mail posties in most centres throughout New Zealand to enable the capture of a greater share of street delivery mail. We expect the aggressive network changes proposed by our competitor, NZ Post, will ultimately slow down the delivery of its customers' letters. We expect those customers will in increasing numbers talk to DX Mail about its alternative services.
- The acquisition of Dataprint, a full service mailhouse that offers both 'digital and physical' mail delivery to its customers. In its first year of Freightways ownership this acquisition has performed very well. It has successfully leveraged its new sister companies' capabilities and customer reach to support its business development plans and vice-versa.
- The establishment of a Business Process Outsourcing service that brings together the capability of DX Mail, Dataprint and Freightways' Information Management division to assist in transitioning customers to a digital workflow environment.

Overall the express package & business mail division has delivered sound performance in a challenging year.

Information management

The information management division is established in New Zealand through the brands of Online Security Services, Archive Security, Document Destruction Services and Data Security Services, and in Australia through the brands of DataBank, Archive Security, Filesaver and Shred-X.

Operating revenue of $100 million for the full year was 8% above the pcp.

EBITDA (excluding non-recurring income) of $23 million for the year and EBITA (excluding non-recurring income) of $19 million for the year were both 13% higher than the pcp.

The information management division has again recorded a strong result. Highlights within this division include:

- Strong growth of stored archive boxes, with similar levels of growth being achieved in all locations.
- Stepped growth in service activity and revenue achieved by our document destruction operations in Australia has contributed to increased utilisation of our recently established regional collection runs. This growth has also helped mitigate the lower prices we are receiving for the sale of recycled paper.
- Growth in our emerging digital services, which enable us to participate in the digital management, archiving and back-up of business information.

Overall, the performance of the information management division has again been very strong.

Internal service providers

Fieldair Holdings provides airfreight linehaul services, Parceline Express provides road linehaul services and Freightways Information Services provides IT development and support to the express package & business mail

REPORT FROM THE CHAIRMAN AND MANAGING DIRECTOR

division. All three internal service providers have continued to deliver outstanding service, underpinning the service offered by our front line businesses.

Corporate

Corporate overhead costs continue to be well contained and were lower than the prior year. Strong operating cash flows enabled bank borrowings to be reduced by $13 million during the year.

Freightways' finance facilities of NZD110 million and AUD70 million have been extended by two years with effect from 26 July 2013, at existing pricing. This has resulted in the profile of the facilities being restored to maturities spread equally between 3-years, 4-years and 5-years.

Capital expenditure of $13 million was invested during the year, primarily to provide capacity for growth, including expenditure on facilities and related equipment, IT infrastructure and airfreight.

A DECADE OF ACHIEVEMENT

Freightways is in its 10th year since listing on the NZX. In its 2003 investment statement & prospectus Freightways was described to potential investors as "a strong successful business … positioned to deliver continuing earnings growth … offering an attractive dividend yield." By any measure, Freightways has delivered upon these statements.

A strong successful business…

Freightways' core operating culture has stood the test of time, its business model has been progressively enhanced through investment in the development and retention of its people (that number approximately 3,000 across New Zealand and Australia), progressive capacity expansion to accommodate growth, the successful acquisition and start-up of a number of new businesses, the introduction each year of innovative new services and ongoing investment in the technology that supports our core business processes and the services that we offer our customers. Our customers ultimately tell us if we are on the right track and the retention and growth of our large customer base is a particularly pleasing aspect of the Company's development.

Diversification into the information management industry, that in 2013, has seen our information management division reach $100 million in revenue and contribute operating earnings of $23 million (EBITDA, excluding non-recurring income), has been a highly successful strategic move for Freightways. The information management strategy, while strengthening Freightways' overall earnings profile, has enabled our entry into the Australian market and today we operate businesses in every state and territory within Australia.

Freightways is a stronger and more successful business today than it was in 2003.

… positioned to deliver continuing earnings growth…

Freightways' performance has seen its revenue and profits more than double since listing on the NZX:

- Revenue growth since 2003 of 107%;
- Operating Earnings (EBITDA & EBITA) growth since 2003 of 102%; and
- NPAT growth since its first NZX published result in 2004 of 137%.

Freightways is better positioned today than it was in 2003 to deliver continuing earnings growth.

…offering an attractive dividend yield.

Freightways policy since its listing in 2003 has been to pay 75% of NPATA as dividends each year. The strong annual cash generation achieved by Freightways has meant that Directors have been able to consistently comply with this policy objective.

- Gross dividends since listing of 241 cents per share
- Total gross shareholder return (i.e. dividends plus share price appreciation) from September 2003 to July 2013 of 387%

REPORT FROM THE CHAIRMAN AND MANAGING DIRECTOR

The very positive cash generating ability of the Company is such that Directors remain comfortable with the current dividend policy for the foreseeable future.

OUTLOOK

Overall we expect to be operating in a positive but slow growth environment for the foreseeable future. Based on Freightways' current forecasting, 2014 is expected to demonstrate similar overall year-on-year improvement as was achieved in 2013.

Within our express package businesses we expect incremental volume growth from our existing customers. Price increases and efficiencies generated from this anticipated increase in volume are expected to offset cost increases. We will again step up our investment in technology solutions to support our expectations for market share growth. B2C retail deliveries generated through online shopping are again expected to grow more rapidly than B2B retail volumes, albeit this latter volume is expected to also increase compared to the prior year.

Our smaller DX Mail business will continue to operate in a challenging and overall declining market, yet it is expected to attract increasing customer demand for its street delivery, mailhouse and digital services (that also leverages the information management division's capabilities).

The information management division is again expected to return good year-on-year improvement, underpinned by strong volume growth. Accordingly, we will step up our investment in capacity with related lease costs increasing in 2014 by around $1 million. The revenue we receive from the sale of recycled paper will be slightly lower than that achieved in 2013 due to the closure of a paper mill in Queensland. The paper volumes that previously went to this mill are likely to be exported in the near term at a lower margin due to related increased transport costs. The impact of the recent loss of two customers from our media storage business is expected to be offset by new customers won during the year.

To address the increasing demand for the digitisation of business processes we have established a Business Process Outsourcing service that leverages the existing capabilities of Dataprint, DX Mail and our information management division. Encouraging progress has been made in establishing this service alongside our existing customers, including within government agencies. We expect our digital service revenues to continue growing.

Capital expenditure for the year ending 30 June 2014 is expected to be approximately $14 million to support the growth and development of both of Freightways' operating divisions. Overall, cash flows are expected to remain strong throughout the 2014 financial year.

Freightways will continue to seek out and develop growth opportunities, including acquisitions and alliances that complement its core capabilities.

Subject to business factors beyond its control, Freightways is well positioned to benefit from any further improvement in the markets in which it operates.

CONCLUSION

Freightways has delivered a record full year result. The positive features of the markets it operates in, the resilience and flexibility of its business models and the successful execution of its growth strategies by a very experienced and capable team are evident in this result. Accordingly, the Directors have been able to declare a fully imputed 9.75 cents per share final dividend.

The Directors acknowledge the outstanding work and ongoing dedication of the Freightways team of people throughout New Zealand and Australia.

Susan Sheldon
Chairman
12 August 2013

Dean Bracewell
Managing Director

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 2013 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:

Sue Sheldon CNZM (B.COM, FCA, M INST D)

Sue was appointed a Director of Freightways in July 2003 and appointed Chairman in October 2010. She is a Chartered Accountant and full-time professional director, and is currently Chairman of Chorus Limited and Paymark Limited, Deputy Chairman of the Reserve Bank of New Zealand and a Director of Contact Energy Limited. Sue is a former President of the New Zealand Institute of Chartered Accountants.

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 5-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 6 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 6 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. He is now a Senior Advisor to Forsyth Barr in New Zealand. Sir William is also a director of a number of public and private companies and a trustee of the MFL and SIL Superannuation funds. Sir William was knighted by the Queen for public services in 1999.

Roger Corcoran

Roger, who is based in Australia, was appointed a Director in May 2009. He has gained extensive global business experience during a 30-year career with multi-national transport & logistics operator, TNT. Roger retired as CEO of TNT Australia, New Zealand and the Pacific Islands in December 2008, having worked throughout the world during his years with TNT.

Kim Ellis

Kim was appointed a Director in August 2009. He spent 28 years in chief executive roles in a number of sectors, including 13 years as Managing Director of Waste Management NZ Limited until its sale in 2006 to Transpacific Industries Pty Limited, and has developed businesses in both New Zealand and Australia. Kim is now a professional director working with both private and listed companies. His current Board appointments include Port of Tauranga Limited, FSF Management Company Limited, Ballance Agri Nutrients Limited, NZ Social Infrastructure Fund Limited, Moa Brewing Limited and Envirowaste Services Limited.

Mark Verbiest (LLB, M INST D)

Mark was appointed a Director in February 2010. He is a professional director who has a strong working knowledge of technology and technology-related businesses, as well as having extensive capital markets experience. A lawyer by training, with widespread corporate legal experience in private practice, he spent 7.5 years on the senior executive team of Telecom NZ through until mid-2008, where among other things he had executive accountability for two business units. Mark is Chairman of Telecom Corporation of New Zealand Limited, Transpower New Zealand Limited and Willis Bond Capital Partners Limited. He is also a member of the Financial Markets Authority and a consultant to law firm Simpson Grierson.

DIRECTORS' REPORT

The Board has determined for the purposes of the NZSX Listing Rules that, as at 30 June 2013, Sue Sheldon, Sir William Birch, Roger Corcoran, Kim Ellis and Mark Verbiest 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 the finance facilities of FEL and its subsidiaries.

The principal activities of the Group during the year ended 30 June 2013 were the operation of express package & business mail services and information management services.

CONSOLIDATED RESULT FOR THE YEAR

	2013 $000	2012 $000
Operating revenue	406,117	382,455
Operating profit before interest, income tax, non-recurring income and amortisation of intangibles	65,012	61,910
Amortisation of intangibles	(355)	(89)
Operating profit before interest, income tax and non-recurring income	64,657	61,821
Non-recurring income before income tax	2,079	1,459
Profit before interest and income tax	66,736	63,280
Net interest and finance costs	(13,014)	(13,975)
Profit before income tax	53,722	49,305
Income tax:		
- Tax applicable to operating earnings	(13,375)	(12,352)
- Tax credit as a result of tax law changes	-	52
Total income tax	(13,375)	(12,300)
Profit for the year attributable to the shareholders	40,347	37,005

DIRECTORS HOLDING OFFICE DURING THE YEAR WERE:

Parent:

Sue Sheldon (Chairman)

Dean Bracewell (Managing Director)

Sir William Birch

Roger Corcoran

Kim Ellis

Mark Verbiest

Subsidiaries:

Dean Bracewell

Mark Royle

DIRECTORS' REPORT

REMUNERATION OF DIRECTORS

	GROUP		PARENT	
	2013	2012	2013	2012
	$	$	$	$
Sue Sheldon	140,000	133,336	140,000	133,336
Dean Bracewell	1,136,821	922,273	-	-
Sir William Birch	65,000	60,668	65,000	60,668
Roger Corcoran	82,085	80,739	82,085	80,739
Kim Ellis	65,000	60,668	65,000	60,668
Mark Verbiest	75,000	70,000	75,000	70,000
Mark Royle	608,381	594,546	-	-
	2,172,287	1,922,230	427,085	405,411

Remuneration of executive Directors includes the incentive payments made during the year ended 30 June 2013 in respect of the two previous six-month performance periods (1 January to 30 June 2012 and 1 July to 31 December 2012). No amount is included above in respect of incentive payments for the period 1 January to 30 June 2013, as these were paid in August 2013. Remuneration of the Managing Director comprises a fixed remuneration package representing 70% of his total remuneration and an 'at risk' portion representing 30%, payable on achievement of short-term financial objectives. He also participates in the Freightways Senior Executive Performance Share Plan described in Note 20 of the Financial Statements on the same terms and conditions as other Freightways executives.

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	
	2013	2012	2013	2012
$100,000 – $109,999	31	26	-	-
$110,000 – $119,999	18	21	-	-
$120,000 – $129,999	19	12	-	-
$130,000 – $139,999	9	13	-	-
$140,000 – $149,999	9	5	-	-
$150,000 – $159,999	8	9	-	-
$160,000 – $169,999	7	6	-	-
$170,000 – $179,999	5	5	-	-
$180,000 – $189,999	3	7	-	-
$190,000 – $199,999	9	6	-	-
$200,000 – $209,999	4	4	-	-
$210,000 – $219,999	5	2	-	-
$220,000 – $229,999	2	-	-	-
$230,000 – $239,999	2	2	-	-
$240,000 – $249,999	2	-	-	-
$260,000 – $269,999	1	-	-	-
$270,000 – $279,999	1	-	-	-
$280,000 – $289,999	2	2	-	-
$290,000 – $299,999	1	-	-	-
$300,000 – $309,999	1	2	-	-
$310,000 – $319,999	-	2	-	-
$320,000 – $329,999	1	-	-	-
$330,000 – $339,999	-	2	-	-
$350,000 – $359,999	1	-	-	-
$390,000 – $399,999	1	-	-	-
$400,000 – $409,999	1	-	-	-
$410,000 – $419,999	-	1	-	-

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:

DIRECTORS' REPORT

Freightways Limited shares

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

DIRECTOR	FULLY PAID ORDINARY SHARES BENEFICIALLY	FULLY PAID ORDINARY SHARES NON-BENEFICIALLY	PARTLY PAID ORDINARY SHARES BENEFICIALLY
Sue Sheldon	-	121,262	-
Dean Bracewell	-	2,530,737	174,640
Sir William Birch	-	150,492	-
Roger Corcoran	-	-	-
Kim Ellis	-	50,000	-
Mark Verbiest	-	10,000	-
Mark Royle	-	100,011	52,393

The following table shows transactions recorded in respect of securities acquired or disposed of by Directors of the Group during the year ended 30 June 2013:

	NOTE	NUMBER ACQUIRED / (DISPOSED)	$ COST / (SALE)
Kim Ellis			
Non-beneficial ownership in shares acquired 15 April 2013		20,000	90,700
Dean Bracewell			
Beneficial ownership in partly-paid shares acquired 10 September 2012	(ii)	53,539	535
Mark Royle			
Non-beneficial ownership in shares acquired 10 September 2012	(i)	14,017	39,647
Beneficial ownership in partly-paid shares acquired 10 September 2012	(ii)	14,489	145
Non-beneficial ownership in shares disposed 14 August 2012		(200,000)	(782,109)
Non-beneficial ownership in shares disposed 30 October 2012		(48,000)	(211,095)

Notes: (i) Partly-paid shares fully paid-up under the Freightways Senior Executive Performance Share Plan.
(ii) Allocation of partly-paid shares under the Freightways Senior Executive Performance Share Plan.

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.

For and on behalf of the Board this 12th day of August 2013.

Susan Sheldon
Chairman

Dean Bracewell
Managing Director

INDEPENDENT AUDITORS' REPORT (TO THE SHAREHOLDERS OF FREIGHTWAYS LIMITED)

Report on the Financial Statements

We have audited the financial statements of Freightways Limited ("the Company") on pages 18 to 64, which comprise the balance sheets as at 30 June 2013, the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the entities it controlled at 30 June 2013 or from time to time during the financial year.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal controls relevant to the Company and Group's preparation of financial statements that give a true and fair view of the matters to which they relate, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

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

Other than in our capacity as auditors we have no relationship with, or interests in, Freightways Limited or any of its subsidiaries.

Opinion

In our opinion, the financial statements on pages 18 to 64:

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

(ii) comply with International Financial Reporting Standards; and

(iii) give a true and fair view of the financial position of the Company and the Group as at 30 June 2013, and their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 30 June 2013:

(i) we have obtained all the information and explanations that we have required; and

(ii) in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

Restriction on Distribution or Use

This report is made solely to the Company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

PricewaterhouseCoopers

Chartered Accountants, Auckland

12 August 2013

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INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

	NOTE	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
Operating revenue	2	406,117	382,455	-	-
Dividends received from subsidiaries		-	-	30,400	28,200
		406,117	382,455	30,400	28,200
Transport and logistics expenses		(169,613)	(156,851)	-	-
Employee benefits expenses		(106,703)	(100,079)	-	-
Occupancy expenses		(18,290)	(17,398)	-	-
General and administration expenses		(34,360)	(35,843)	(578)	(565)
Operating profit before interest, income tax, depreciation and software amortisation, non-recurring income and amortisation of intangibles		77,151	72,284	29,822	27,635
Depreciation and software amortisation	3	(12,139)	(10,374)	-	-
Operating profit before interest, income tax, non-recurring income and amortisation of intangibles		65,012	61,910	29,822	27,635
Amortisation of intangibles		(355)	(89)	-	-
Operating profit before interest, income tax and non-recurring income		64,657	61,821	29,822	27,635
Non-recurring income before income tax	3	2,079	1,459	-	-
Profit before interest and income tax		66,736	63,280	29,822	27,635
Net interest and finance costs	3	(13,014)	(13,975)	-	-
Profit before income tax		53,722	49,305	29,822	27,635
Income tax					
- Tax applicable to operating earnings		(13,375)	(12,352)	162	158
- Tax credit as a result of tax law changes		-	52	-	-
Total income tax	4	(13,375)	(12,300)	162	158
Profit for the year attributable to the shareholders		40,347	37,005	29,984	27,793

	NOTE	GROUP 2013	GROUP 2012	PARENT 2013	PARENT 2012
Earnings per share	23				
Basic earnings per share (cents)		26.2	24.1	-	-
Diluted earnings per share (cents)		26.1	24.0	-	-

NB: All revenue and earnings are from continuing operations.

The above Income Statements should be read in conjunction with the accompanying notes.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2013

		GROUP		PARENT	
	NOTE	2013 $000	2012 $000	2013 $000	2012 $000
Profit for the year (NPAT)		40,347	37,005	29,984	27,793
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations	19	(1,869)	(1,350)	-	-
Cash flow hedges taken directly to equity, net of tax	19	3,597	(6,440)	-	-
Total other comprehensive income after income tax		1,728	(7,790)	-	-
Total comprehensive income for the year attributable to the shareholders		42,075	29,215	29,984	27,793

The above Statements of Comprehensive Income should be read in conjunction with the accompanying notes.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2013

GROUP	CONTRIBUTED EQUITY	RETAINED EARNINGS	CASH FLOW HEDGE RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	TOTAL EQUITY
	$000	$000	$000	$000	$000
Balance at 1 July 2012	121,263	64,104	(11,451)	(612)	173,304
Profit for the year	-	40,347	-	-	40,347
Exchange differences on translation of foreign operations	-	-	-	(1,869)	(1,869)
Cash flow hedges taken directly to equity, net of tax	-	-	3,597	-	3,597
Total comprehensive income	-	40,347	3,597	(1,869)	42,075
Dividend payments	-	(28,477)	-	-	(28,477)
Shares issued	397	-	-	-	397
Balance at 30 June 2013	121,660	75,974	(7,854)	(2,481)	187,299

	CONTRIBUTED EQUITY	RETAINED EARNINGS	CASH FLOW HEDGE RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	TOTAL EQUITY
	$000	$000	$000	$000	$000
Balance at 1 July 2011	120,713	51,329	(5,011)	738	167,769
Profit for the year	-	37,005	-	-	37,005
Exchange differences on translation of foreign operations	-	-	-	(1,350)	(1,350)
Cash flow hedges taken directly to equity, net of tax	-	-	(6,440)	-	(6,440)
Total comprehensive income	-	37,005	(6,440)	(1,350)	29,215
Dividend payments	-	(24,230)	-	-	(24,230)
Shares issued	550	-	-	-	550
Balance at 30 June 2012	121,263	64,104	(11,451)	(612)	173,304

The above Statements of Changes in Equity should be read in conjunction with the accompanying notes.

STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

PARENT	CONTRIBUTED EQUITY $000	RETAINED EARNINGS $000	TOTAL EQUITY $000
Balance at 1 July 2012	121,302	30,850	152,152
Profit for the year	-	29,984	29,984
Total comprehensive income	-	29,984	29,984
Dividend payments	-	(28,477)	(28,477)
Shares issued	401	-	401
Balance at 30 June 2013	121,703	32,357	154,060

	CONTRIBUTED EQUITY $000	RETAINED EARNINGS $000	TOTAL EQUITY $000
Balance at 1 July 2011	120,719	27,287	148,006
Profit for the year	-	27,793	27,793
Total comprehensive income	-	27,793	27,793
Dividend payments	-	(24,230)	(24,230)
Shares issued	583	-	583
Balance at 30 June 2012	121,302	30,850	152,152

The above Statements of Changes in Equity should be read in conjunction with the accompanying notes.

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 12th day of August 2013.

Susan Sheldon

Susan Sheldon
Chairman

Dean Bracewell
Managing Director

BALANCE SHEETS

AS AT 30 JUNE 2013

		GROUP		PARENT	
	NOTE	2013 $000	2012 $000	2013 $000	2012 $000
Current assets					
Cash and cash equivalents	6	3,484	9,130	6	9
Trade and other receivables	7	54,894	53,401	164,128	162,183
Income tax receivable		-	-	1,054	1,087
Inventories	8	8,562	8,129	-	-
Total current assets		66,940	70,660	165,188	163,279
Non-current assets					
Investments in subsidiaries	10	-	-	121,013	121,013
Trade and other receivables	7	456	674	-	-
Property, plant and equipment	11	89,522	90,343	-	-
Intangible assets	12	276,034	275,295	-	-
Deferred tax asset	13	313	563	-	-
Total non-current assets		366,325	366,875	121,013	121,013
Total assets		433,265	437,535	286,201	284,292
Current liabilities					
Trade and other payables	14	44,242	41,918	7	6
Finance lease liabilities	15	114	26	-	-
Income tax payable		4,452	3,348	-	-
Borrowings (unsecured)	18	-	-	132,134	132,134
Provisions	16	313	363	-	-
Derivative financial instruments	9	440	345	-	-
Unearned income	17	13,833	13,937	-	-
Total current liabilities		63,394	59,937	132,141	132,140
Non-current liabilities					
Trade and other payables	14	3,250	3,991	-	-
Borrowings (secured)	18	160,763	178,971	-	-
Deferred tax liability	13	6,561	4,553	-	-
Provisions	16	1,858	1,479	-	-
Finance lease liabilities	15	121	66	-	-
Derivative financial instruments	9	10,019	15,234	-	-
Total non-current liabilities		182,572	204,294	-	-
Total liabilities		245,966	264,231	132,141	132,140
Net assets		187,299	173,304	154,060	152,152
Equity					
Contributed equity		121,660	121,263	121,703	121,302
Retained earnings		75,974	64,104	32,357	30,850
Cash flow hedge reserve		(7,854)	(11,451)	-	-
Foreign currency translation reserve		(2,481)	(612)	-	-
Total equity	19	187,299	173,304	154,060	152,152

The above Balance Sheets should be read in conjunction with the accompanying notes.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2013

	NOTE	GROUP 2013 $000 INFLOWS (OUTFLOWS)	GROUP 2012 $000 INFLOWS (OUTFLOWS)	PARENT 2013 $000 INFLOWS (OUTFLOWS)	PARENT 2012 $000 INFLOWS (OUTFLOWS)
Cash flows from operating activities					
Receipts from customers		405,035	378,640	-	-
Payments to suppliers and employees		(327,674)	(308,554)	-	-
Cash generated from operations		77,361	70,086	-	-
Interest received		92	142	-	-
Interest and other costs of finance paid		(12,024)	(13,584)	-	-
Income taxes paid		(12,552)	(11,548)	(904)	(928)
Net cash inflows (outflows) from operating activities	21	52,877	45,096	(904)	(928)
Cash flows from investing activities					
Payments for property, plant and equipment		(11,508)	(14,886)	-	-
Payments for software		(1,355)	(609)	-	-
Proceeds from disposal of property, plant and equipment		86	170	-	-
Payments for businesses acquired (net of cash acquired)	28	(4,128)	(22,425)	-	-
Advances to associates repaid	25	-	69	-	-
Cash flows from other investing activities		(231)	(536)	-	-
Net cash outflows from investing activities		(17,136)	(38,217)	-	-
Cash flows from financing activities					
Dividends paid		(28,477)	(24,230)	(28,477)	(24,230)
Increase (decrease) in bank borrowings		(12,994)	21,761	-	-
Net proceeds from issue of ordinary shares		302	314	2	2
Finance lease liabilities repaid		(92)	(26)	-	-
Loans advanced from subsidiaries		-	-	29,376	25,158
Net cash inflows (outflows) from financing activities		(41,261)	(2,181)	901	930
Net increase (decrease) in cash and cash equivalents		(5,520)	4,698	(3)	2
Cash and cash equivalents at the beginning of year		9,130	4,325	9	7
Exchange rate adjustments		(126)	107	-	-
Cash and cash equivalents at end of year	6	3,484	9,130	6	9

The above Statements of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Reporting entity and statutory base

Freightways Limited is a profit-orientated company, registered and domiciled in New Zealand under the Companies Act 1993, listed on the New Zealand stock exchange and is an issuer in terms of the Securities Act 1978 and the Financial Reporting Act 1993.

The consolidated financial statements for the year ended 30 June 2013 comprise Freightways Limited ('the Company' or 'Parent') and subsidiary companies (together with the Company, referred to as the 'Group').

The financial statements are stated in New Zealand dollars rounded to the nearest thousand, unless otherwise indicated.

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and with International Financial Reporting Standards.

Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments, which have been measured at fair value.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates, where necessary, and may require management to exercise judgement in the process of applying the Group's accounting policies. There are no judgements made that are considered to have a significant risk of causing a material adjustment to the carrying value of assets or liabilities. Specific areas of critical accounting estimates and assumptions are as follows:

(i) Carrying value of indefinite life intangible assets

Impairment reviews are performed by management, at least annually, to assess the carrying value of indefinite life intangible assets, including goodwill and brand names. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. Refer to Note 12.

(ii) Accounting for unearned income

An unearned income liability is recorded in the balance sheet reflecting the future service obligation for products that have been sold in advance of their use. The balance is supported by reference to historical customer prepaid product usage patterns. Accordingly, the balance is sensitive to movements in the future level of customer purchases and use of prepaid products, which cannot be reliably estimated. Management regularly review the historical usage patterns to ensure adequate unearned income is recognised.

(iii) Fair value of derivatives

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of valuation methods and makes assumptions that are mainly based on market conditions existing at the end of each reporting period.

(iv) Customer relationships

The estimation of the useful lives of customer relationships has been based on historical experience. The useful lives are reviewed at least once per year and adjustments to useful lives are made when considered necessary.

(v) Acquisition earnout payable

The valuations of the Group's acquisition earnout amounts payable are based on the acquired business' post-acquisition performance. These fair value measurements require, among other things, significant estimation of post-acquisition performance of the acquired business and significant judgement on time value of money. Acquisition earnout amounts payable shall be remeasured at their fair value resulting from events or factors that emerge after the acquisition date, with any resulting gain or loss recognised in the income statement. Judgement is applied to determine key assumptions (such as growth in sales and margins) adopted in the estimate of post-acquisition performance of the acquired business. Judgement is also applied to determine

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

the appropriate discount rate applied to calculate the present value of the amount payable. Changes to key assumptions may impact the future payable amount. Refer also to Note 3.

(b) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities that are controlled either directly by the Company or where the substance of the relationship between the Company and the entity indicates the Company controls it. The results of businesses acquired or disposed of during the year are included in the consolidated income statement 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.

The consolidated financial statements include the Company and its subsidiaries accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed at the date of acquisition. Costs directly attributable to the acquisition are expensed to the income statement. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at acquisition date. The excess of the consideration transferred over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

All material transactions between subsidiaries or between the Parent and subsidiaries are eliminated on consolidation. Accounting policies of subsidiaries are consistent with those adopted by the Group.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in the income statement or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

(ii) Joint ventures – jointly controlled assets

The proportionate interests in the assets, liabilities and expenses of a joint venture activity to develop an operating facility and lease it to a subsidiary have been incorporated in the financial statements under the appropriate headings. The amounts involved are not material. Refer also to Note 25.

(c) Segment reporting

A segment is a component of the Group that can be distinguished from other components of the Group by the products or services it sells, the market it operates in and the risks and returns applicable to it. Operating segments are reported upon in a manner consistent with the internal reporting used for allocating resources, assessing performance and strategic decision making.

(d) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year, adjusted to include all dilutive potential ordinary shares (for example, partly-paid shares on issue) as if they had been converted to ordinary shares at the beginning of the year.

(e) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in New Zealand dollars, which is the Company's and the Group's functional and presentation currency.

(ii) Transactions and balances

Transactions in foreign currencies are translated into the functional currency using the foreign exchange rate ruling at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges.

(iii) Foreign operations

The results and balance sheets of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions)
- all resulting exchange differences are recognised as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(f) Revenue recognition

(i) Goods and services

Revenue comprises the amounts received and receivable for goods and services supplied to customers in the ordinary course of business. Income invoiced and received in advance of a service being provided is recorded in the balance sheet as 'Unearned Income'. This income is brought to account in the year in which the service is provided.

(ii) Interest income

Interest income is recognised on a time-proportionate basis using the effective interest method, which takes into account the effective yield on the relevant financial asset.

(iii) Dividend income

Dividend income from investments is recognised when the shareholder's right to receive payment is established.

(g) Income tax

The income tax expense for the year is the tax payable on the current year's taxable income based on the notional income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose as a result of a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable income.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts that have been recognised directly in equity, are also taken directly to equity.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

(h) Leases

(i) Finance leases

Leases of property, plant and equipment where the Group has substantially all of the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. The asset is depreciated over the shorter of the asset's useful life and the lease term. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(ii) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(i) Impairment of non-financial assets

Assets that have an indefinite life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value, less costs to sell, and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Bank overdrafts are shown within borrowings in the current liabilities on the balance sheet to the extent they exceed the legal right of off-set against cash included in current assets.

(k) Trade and other receivables

Trade and other receivables are recognised at their fair value and subsequently measured at amortised cost using the effective interest rate, less provision for impairment.

Recoverability of trade and other receivables is reviewed on an ongoing basis. Amounts that are known to be uncollectible are written off when identified. An allowance for doubtful receivables is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable.

(l) Inventories

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

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(m) Financial assets

Regular purchases and sales of financial assets are recognised on the trade date, i.e. the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Group has transferred substantially all the risks and rewards of ownership.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held to maturity' investments, 'available-for-sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

(ii) Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity.

(iii) Loans and receivables

Loans and receivables are non-derivative instruments with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date, which are classified as non-current assets. Loans and receivables are reported separately in Trade and other receivables on the Balance Sheet.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the Company intends to dispose of the investment within 12 months of the balance date.

Available-for-sale financial assets and financial assets at fair value through profit or loss are carried at fair value. Held to maturity investments and loans and receivables are carried at amortised cost less impairment using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets through profit or loss category are recognised in the Income Statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold, the accumulated fair value adjustments are included in the Income Statement as gains and losses from investment securities.

(n) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes all expenditure directly attributable to the acquisition or construction of the item, including interest.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated will flow to the Group and the cost of the asset can be measured reliably. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are recognised in the income statement as incurred.

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.

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. Land is not depreciated. 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 alterations	- period of the lease or estimated useful life
Motor vehicles	- 5 to 10 years
Equipment, including aircraft components	- 3 to 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

(o) Intangible assets

(i) Goodwill

Goodwill represents the excess of the consideration transferred in an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired business at the date of acquisition. Goodwill on acquisitions of businesses is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested

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FOR THE YEAR ENDED 30 JUNE 2013

for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(ii) Brand names

Acquired brand names are recognised at cost, being their fair value at the date of acquisition if acquired in a business combination. Brand names are carried at cost less amortisation and impairment losses. Brand names with indefinite useful lives are not subject to amortisation but are subject to a review for impairment annually or whenever events and circumstances may have triggered an impairment. The useful lives and amortisation methods are reviewed and adjusted, if appropriate, at each balance sheet date.

Brand names are allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the brand names.

(iii) Computer software

External software costs together with payroll and related costs for employees directly associated with the development of software are capitalised. Costs associated with upgrades and enhancements are capitalised to the extent they result in additional functionality. Amortisation is charged on a straight-line basis over the estimated useful life of the software which ranges between 3 and 10 years.

(iv) Customer relationships

- ***Contractual***

An intangible asset is recorded in respect of the amount of any contractual termination fees payable by customers of businesses acquired in respect of their document holdings. As it is not known when permanent retrieval fees may arise, this asset is only amortised upon the actual retrieval fee being charged to the respective customer.

- ***Other***

Non-contractual customer relationships acquired in a business combination are recognised at fair value at the acquisition date. These customer relationships have an estimated finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the customer relationship which ranges between 10 and 20 years.

(p) Investments

Investments in subsidiaries are stated at cost less impairment. Other investments are stated at fair value.

(q) Derivative financial instruments

Derivative financial instruments, such as interest rate caps and collar contracts and fixed rate agreements are entered into from time to time to manage interest rate exposure on borrowings. Forward exchange contracts are also entered into from time to time to manage foreign exchange exposures. Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured and restated to their fair value at the reporting date. The method of recognising the resultant gain or loss depends on whether the derivative financial instrument is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates derivative financial instruments as either fair value hedges (hedges of the fair value of recognised assets or liabilities or a firm commitment) or cash flow hedges (hedges of highly probable forecast transactions).

At the inception of the transaction, the Group documents the relationship between the hedging instrument and the hedged item, as well as its risk management objective and strategy for undertaking the hedge transaction. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivative financial instruments that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Fair value hedges

Changes in the fair value of derivative financial instruments that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

(ii) Cash flow hedges

The effective portion of changes in the fair value of derivative financial instruments that are designated and qualify as cash flow hedges is recognised in equity in the cash flow hedge reserve. The gain or loss relating to any ineffective portion is recognised immediately in the income statement.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when hedged income or expenses are recognised or when a forecast sale or purchase occurs. When the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are immediately transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken immediately to the income statement.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative financial instruments do not qualify for hedge accounting or hedge accounting has not been adopted. Changes in the fair value of these derivative financial instruments are recognised immediately in the income statement.

(r) Fair value estimation

The fair value of financial assets and financial liabilities is estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined using accepted treasury valuation techniques, such as estimated discounted cash flows, by an external treasury management system provider. The carrying value of trade receivables (less provision for doubtful receivables) and payables is assumed to approximate their fair values.

(s) Trade and other payables

Trade and other payables are recognised when the Group becomes obligated to make future payments resulting from the purchase of goods or services. They are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method. The amounts are unsecured.

(t) Employee entitlements

(i) Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services rendered up to the reporting date. They are measured for recognition by assessing the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

Liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by the employee. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

(iii) Share-based compensation

The Group operates an equity-settled, share-based compensation plan for senior executives, under which the Group receives services from employees as consideration for partly-paid ordinary shares in the Company. The fair value of the employee services received in exchange for the partly-paid ordinary shares is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the partly-paid ordinary shares allotted, taking into account market vesting conditions (for example, total shareholder return measures such as outperforming the median of the NZX50 Index), but excluding the impact of any non-market service and performance vesting conditions (for example, compound growth rates for earnings per share and remaining an employee of the Group over a specified time period). Non-market vesting conditions are included in assumptions about the number of partly-paid ordinary shares that are expected to vest. The total amount expensed is

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FOR THE YEAR ENDED 30 JUNE 2013

recognised over the relevant vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the Group revises its estimates of the number of partly-paid ordinary shares that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement.

(u) Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The increase in the provision due only to the passage of time is recognised as an interest expense.

(v) Borrowing costs

Costs incurred in establishing finance facilities are amortised to the income statement over the term of the respective facilities.

(w) Capitalised interest and finance costs

Interest and finance costs incurred for the construction of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other interest and finance costs are expensed.

(x) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a reduction in the amount of proceeds arising from the issue of shares.

(y) Goods and services tax (GST)

The income statement and statement of cash flows have been prepared so that all components are stated exclusive of GST. All items in the balance sheet are stated net of GST, with the exception of trade receivables and payables, which include GST invoiced.

(z) Borrowings and inter-company balances

Interest-bearing bank loans and overdrafts are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method. In respect of the Company, no interest is payable or receivable on inter-company balances. These balances are recognised at face value, which is also considered to reflect their fair value.

(aa) Changes in accounting policies

Except as described below, the accounting policies and methods of computation are consistent with those used in the prior year.

The Group has adopted the following new and revised standards for which application was mandatory for the first time in the financial year beginning 1 July 2012:

Revised IAS 1 Presentation of Financial Statements (mandatory for annual reporting periods beginning on or after 1 July 2012). In June 2011, the IASB made an amendment to IAS 1 *Presentation of Financial Statements*. The amendment requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future.

The Group adopted Revised IAS 1 from 1 July 2012 resulting in a change of presentation in the statement of comprehensive income to indicate items of other comprehensive income that may subsequently be reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

NOTE 2. SEGMENT REPORTING

The Group is organised into the following reportable operating segments which categorise the business into its primary markets and reflect the structure and internal reporting used by the Managing Director, as the chief operating decision maker, and the Board to assist strategic decision-making and allocation of resources:

Express package & business mail

Comprises network courier, point-to-point courier and postal services.

Information management

Comprises secure paper-based and electronic business information management services.

Corporate and other

Comprises corporate, financing and property management services.

The Group has no individual customer that represents more than 2% of external sales revenue.

As at and for the year ended 30 June 2013:

	EXPRESS PACKAGE & BUSINESS MAIL $000	INFORMATION MANAGEMENT $000	CORPORATE & OTHER $000	INTER-SEGMENT ELIMINATION $000	CONSOLIDATED OPERATIONS $000
Income statement					
Sales to external customers	306,351	99,764	2	-	406,117
Inter-segment sales	1,912	146	3,916	(5,974)	-
Total revenue	308,263	99,910	3,918	(5,974)	406,117
Operating profit before interest, income tax, depreciation and software amortisation, non-recurring income and amortisation of intangibles	54,816	23,246	(911)	-	77,151
Depreciation and software amortisation	(6,043)	(4,746)	(1,350)	-	(12,139)
Operating profit before interest, income tax, non-recurring income and amortisation of intangibles	48,773	18,500	(2,261)	-	65,012
Amortisation of intangibles	(70)	(285)	-	-	(355)
Operating profit before interest, income tax and non-recurring income	48,703	18,215	(2,261)	-	64,657
Non-recurring income before tax	1,000	1,079	-	-	2,079
Profit before interest and income tax	49,703	19,294	(2,261)	-	66,736
Net interest and finance costs	(142)	(31)	(12,841)	-	(13,014)
Profit before income tax	49,561	19,263	(15,102)	-	53,722
Income tax	(13,772)	(5,286)	5,683	-	(13,375)
Profit for the year attributable to the shareholders	35,789	13,977	(9,419)	-	40,347
Balance sheet					
Segment assets	242,702	150,405	40,158	-	433,265
Segment liabilities	45,500	16,329	184,137	-	245,966

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

As at and for the year ended 30 June 2012:

	EXPRESS PACKAGE & BUSINESS MAIL $000	INFORMATION MANAGEMENT $000	CORPORATE & OTHER $000	INTER-SEGMENT ELIMINATION $000	CONSOLIDATED OPERATIONS $000
Income statement					
Sales to external customers	290,447	91,998	10	-	382,455
Inter-segment sales	1,484	13	3,785	(5,282)	-
Total revenue	291,931	92,011	3,795	(5,282)	382,455
Operating profit before interest, income tax, depreciation and software amortisation, non-recurring income and amortisation of intangibles	53,394	20,575	(1,685)	-	72,284
Depreciation and software amortisation	(4,908)	(4,258)	(1,208)	-	(10,374)
Operating profit before interest, income tax, non-recurring income and amortisation of intangibles	48,486	16,317	(2,893)	-	61,910
Amortisation of intangibles	-	(89)	-	-	(89)
Operating profit before interest, income tax and non-recurring income	48,486	16,228	(2,893)	-	61,821
Non-recurring income before tax	-	133	1,326	-	1,459
Profit before interest and income tax	48,486	16,361	(1,567)	-	63,280
Net interest and finance costs	(9)	(6)	(13,960)	-	(13,975)
Profit before income tax	48,477	16,355	(15,527)	-	49,305
Income tax	(13,986)	(4,626)	6,312	-	(12,300)
Profit for the year attributable to the shareholders	34,491	11,729	(9,215)	-	37,005
Balance sheet					
Segment assets	236,094	159,821	41,620	-	437,535
Segment liabilities	42,460	17,097	204,674	-	264,231

Transactions between reportable segments are carried out at arm's length. Segment assets and liabilities are disclosed net of inter-company balances.

For the year ended 30 June 2013, external revenue from customers in the Group's New Zealand and Australian operations was $342.4 million and $63.7 million, respectively (2012: $322.8 million and $59.7 million, respectively). As at 30 June 2013, non-current assets in respect of the New Zealand and Australian operations (excluding deferred tax assets) were $266.0 million and $100.0 million, respectively (2012: $257.2 million and $106.4 million, respectively).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

NOTE 3. INCOME AND EXPENSES

Profit before income tax includes the following specific income and expenses:

		GROUP		PARENT	
	NOTE	2013 $000	2012 $000	2013 $000	2012 $000
Income:					
Interest income		225	281	-	-
Operating expenses:					
Net loss (gain) on disposal of property, plant and equipment		(57)	12	-	-
Depreciation	11	10,943	9,370	-	-
Amortisation of software	12	1,196	1,004	-	-
Amortisation of intangible assets	12	355	89	-	-
Operating lease expenses		20,515	18,844	-	-
Auditors' fees:					
Audit services		297	291	-	-
Costs of offering credit:					
Impairment (gain) loss on trade receivables		(1)	141	-	-
Interest and finance costs:					
Interest on bank borrowings		13,145	14,227	-	-
Interest on finance leases		24	9	-	-
Derivative fair value movement		70	20	-	-
Other:					
Net foreign exchange (gain) loss		(142)	(43)	-	-
Directors' fees		427	405	427	405
Donations		130	118	-	-
Non-recurring income:					
Reversal of accrued acquisition earnout payments*		2,079	-	-	-
Net insurance claim proceeds arising from Christchurch earthquakes		-	1,372	-	-
Insurance deductibles refunded		-	87	-	-

* This non-recurring income relates to the reversal of two accrued acquisition earnout payments for which the financial hurdle required to be met, has not been met or is not expected to be met.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

NOTE 4. INCOME TAX EXPENSE

	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
Current tax:				
Current tax on profit for the year	13,417	12,625	(162)	(158)
Deferred tax (Note 13):				
Reversal of temporary differences	(42)	(377)	-	-
Impact of reduction in NZ tax rate	-	52	-	-
Total deferred tax	(42)	(325)	-	-
Income tax expense (benefit)	13,375	12,300	(162)	(158)

Income tax applicable to the Group's net profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the profits of the consolidated entities, as follows:

	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
Profit before income tax	53,722	49,305	29,822	27,635
Income tax calculated at domestic tax rates applicable to the accounting profits in the respective countries:	15,152	13,857	8,350	7,738
Tax-effect of amounts which are treated differently when calculating taxable income:				
- Non-taxable intercompany dividends	-	-	(8,512)	(7,896)
- Adjustment for reduction in NZ tax rate	-	(52)	-	-
- Additional amounts deductible	(1,786)	(1,457)	-	-
- Other	9	(48)	-	-
Income tax expense (benefit)	13,375	12,300	(162)	(158)

The Group has no tax losses (2012: Nil) and no unrecognised temporary differences (2012: Nil).

	GROUP 2013 $000	GROUP 2012 $000
Imputation credits account		
Imputation credits available for use in subsequent reporting periods:	16,588	16,832

The above amounts represent the balance of the imputation account as at the end of the reporting period, adjusted for:

(a) Imputation credits that will arise from the payment of the amount of the provision for income tax;

(b) Imputation debits that will arise from the payment of dividends recognised as a liability at the reporting date; and

(c) Imputation credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

Imputation credits that will be attached to the final dividend for 2013 which was declared subsequent to 30 June 2013 will reduce the above-stated available balance of imputation credits by approximately $5.8 million.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

NOTE 5. DIVIDENDS

	PARENT	
	2013 $000	2012 $000
Recognised amounts		
Fully imputed dividends declared and paid during the year:		
Final dividend for 2012 at 9.50 cents per share (2011: 7.25 cents)	14,630	11,153
Interim dividend for 2013 at 9.00 cents per share (2012: 8.50 cents)	13,847	13,077
	28,477	24,230
Unrecognised amounts		
Final dividend for 2013 at 9.75 cents per share (2012: 9.50 cents)	15,037	14,632

Subsequent to balance date the above unrecognised dividend was approved by a directors' resolution dated 12 August 2013. This amount has not been recognised as a liability at the reporting date, but will be brought to account when paid.

NOTE 6. CASH AND CASH EQUIVALENTS

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Comprises:				
- Cash at bank	3,365	7,743	6	9
- Overnight deposit	119	1,387	-	-
Cash and cash equivalents in statement of cash flows	3,484	9,130	6	9

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

NOTE 7. TRADE AND OTHER RECEIVABLES

	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
Current:				
Trade receivables	48,811	47,389	-	-
Provision for doubtful receivables	(966)	(1,049)	-	-
	47,845	46,340	-	-
Other debtors and prepayments	6,798	6,891	-	-
Share plan loans receivable from employees	251	170	-	-
Due from subsidiary (Note 25)	-	-	164,128	162,183
	54,894	53,401	164,128	162,183
Non-current:				
Share plan loans receivable from employees	152	236	-	-
Other debtors	304	438	-	-
	456	674	-	-

Trade receivables are non-interest bearing and are generally on 7-30 day terms. An allowance for impairment loss is recognised when there is objective evidence that a trade receivable is impaired.

The Company has no provision for doubtful receivables. The movements in the provision for doubtful receivables for the Group were as follows:

	GROUP 2013 $000	GROUP 2012 $000
Opening balance	1,049	793
Provision for doubtful receivables	98	226
Receivables written off	(162)	(93)
Provisions added from acquired businesses	-	126
Exchange rate movement	(19)	(3)
Closing balance (Note 26.1(b))	966	1,049

NOTE 8. INVENTORIES

The Company has no inventory. The amounts below are for the Group.

	GROUP 2013 $000	GROUP 2012 $000
Finished goods	6,590	6,068
Ticket stocks, uniforms and consumables	1,972	2,061
	8,562	8,129

The cost of inventories recognised as an expense and included in ‘general and administration expenses’ amounted to $10.1 million (2012: $10.4 million).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

NOTE 9. DERIVATIVE FINANCIAL INSTRUMENTS

The Company has no derivative financial instruments. The amounts below are for the Group.

	GROUP	
	2013 $000 Asset (Liability)	2012 $000 Asset (Liability)
Current:		
Interest rate swaps	(440)	(345)
Non-current:		
Interest rate swaps	(10,019)	(15,234)

The notional or principal contract amounts of derivative financial instruments outstanding at balance date are:

	INTEREST RATE DERIVATIVES			
	NZD		AUD	
	2013 $000	2012 $000	2013 $000	2012 $000
Interest rate swaps	114,000	126,000	70,000	82,000

The interest rate derivatives are 100% effective as cash flow hedges against the future interest payments of the Group (2012: 100%).

An expense of $70,000, representing the amortisation of the ineffective portion of the derivative financial instruments terminated in prior years, was recognised in the income statement during the year (2012: $20,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

NOTE 10. INVESTMENTS IN SUBSIDIARIES

The Company'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	Country of incorporation
Air Freight NZ Limited*	Express package linehaul	New Zealand
Castle Parcels Limited	Express package services	New Zealand
Fieldair Engineering Limited*	General & aviation engineering services	New Zealand
Fieldair Holdings Limited*	Holding company (refer * below)	New Zealand
Freightways Finance Limited	Group treasury management	New Zealand
Freightways Information Services Limited	IT infrastructure support services	New Zealand
Freightways Properties Limited	Property management	New Zealand
Freightways Trustee Company Limited	Trustee of Freightways Employee Share Plan	New Zealand
Info Management Services Australia LP	Australian treasury services	Australia
Information Management Group Limited	Information management	New Zealand
Messenger Services Limited	Express package services	New Zealand
New Zealand Couriers Limited	Express package services	New Zealand
New Zealand Document Exchange Limited	Business mail	New Zealand
NOW Couriers Limited	Express package services	New Zealand
Online Security Services Limited	Information management	New Zealand
Parceline Express Limited	Express package linehaul	New Zealand
Post Haste Limited	Express package services	New Zealand
Shred-X Pty Limited	Information management	Australia
The Information Management Group Pty Limited	Information management	Australia

* 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 2013

NOTE 11. PROPERTY, PLANT & EQUIPMENT

The Company has no property, plant and equipment. The amounts below are for the Group.

	LAND	BUILDINGS	LEASEHOLD ALTERATIONS	MOTOR VEHICLES	EQUIPMENT	TOTAL
2013 ($000)						
Opening net book value	13,068	26,915	3,869	4,179	42,312	90,343
Additions	-	1,740	434	821	8,153	11,148
Acquisitions through business combinations	-	-	-	-	450	450
Disposals	-	-	-	(23)	(6)	(29)
Depreciation expense	-	(1,445)	(586)	(1,051)	(7,861)	(10,943)
Exchange rate movement	(108)	(131)	(120)	(200)	(888)	(1,447)
Closing net book value	12,960	27,079	3,597	3,726	42,160	89,522
As at end of year						
Cost	12,960	36,822	7,514	9,809	96,407	163,512
Accumulated depreciation	-	(9,743)	(3,917)	(6,083)	(54,247)	(73,990)
Net book value	12,960	27,079	3,597	3,726	42,160	89,522
2012 ($000)						
Opening net book value	13,090	26,130	2,672	3,849	34,452	80,193
Additions	-	2,122	598	1,495	10,930	15,145
Acquisitions through business combinations	-	-	1,096	26	3,775	4,897
Disposals	-	-	(7)	(88)	(91)	(186)
Depreciation expense	-	(1,310)	(481)	(1,049)	(6,530)	(9,370)
Exchange rate movement	(22)	(27)	(9)	(54)	(224)	(336)
Closing net book value	13,068	26,915	3,869	4,179	42,312	90,343
As at end of year						
Cost	13,068	35,228	7,296	9,713	89,251	154,556
Accumulated depreciation	-	(8,313)	(3,427)	(5,534)	(46,939)	(64,213)
Net book value	13,068	26,915	3,869	4,179	42,312	90,343

In the prior year the cost of buildings included an amount of $2.1 million in respect of assets under construction for which depreciation had not commenced. This amount also included capitalised borrowing costs of $0.1 million. There were no assets under construction as at 30 June 2013.

The latest independent valuations of land and buildings (performed in June 2012) assess these assets to have a total value of $51.4 million. These valuations do not include any buildings under construction, which are included in property, plant and equipment at cost.

Finance leases: Equipment includes items capitalised under finance leases with a cost of $0.4 million (2012: $0.1 million), together with accumulated depreciation of $0.1 million (2012: $0.02 million). These specific assets are pledged as security for the related finance lease liabilities. Refer note 1(h)(i).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Compensation for equipment damaged by earthquake: Following the Christchurch earthquakes of September 2010 and February 2011, the Group's businesses incurred costs in maintaining services and reinstating damaged storage facilities. An insurance recovery relating to the earthquakes of $1.5 million was recognised in the prior year as non-recurring income (refer Note 3). Of this insurance recovery, $0.5 million was compensation for damaged equipment.

NOTE 12. INTANGIBLE ASSETS

The Company has no intangible assets. The amounts below are for the Group.

	GOODWILL	BRAND NAMES	SOFTWARE	CUSTOMER RELATIONSHIPS	OTHER	TOTAL
2013 ($000)						
Opening net book value	148,216	111,464	7,185	7,096	1,334	275,295
Additions	-	-	1,355	-	248	1,603
Acquisition through business combinations	3,953	1,310	500	588	-	6,351
Amortisation expense	(20)	-	(1,196)	(185)	(150)	(1,551)
Exchange rate movement	(4,168)	(1,273)	(71)	(85)	(67)	(5,664)
Closing net book value	147,981	111,501	7,773	7,414	1,365	276,034
As at end of year						
Cost	166,643	111,501	13,593	7,645	1,522	300,904
Accumulated amortisation	(18,662)	-	(5,820)	(231)	(157)	(24,870)
Net book value	147,981	111,501	7,773	7,414	1,365	276,034
2012 ($000)						
Opening net book value	138,034	109,569	7,596	-	808	256,007
Additions	-	-	609	-	541	1,150
Acquisition through business combinations	10,884	2,191	-	7,213	-	20,288
Amortisation expense	-	-	(1,004)	(82)	(7)	(1,093)
Exchange rate movement	(702)	(296)	(16)	(35)	(8)	(1,057)
Closing net book value	148,216	111,464	7,185	7,096	1,334	275,295
As at end of year						
Cost	148,216	111,464	11,828	7,178	1,341	280,027
Accumulated amortisation	-	-	(4,643)	(82)	(7)	(4,732)
Net book value	148,216	111,464	7,185	7,096	1,334	275,295

Included in the cost of software is work in progress of $1.6 million (2012: $0.7 million) for which amortisation has not commenced.

An independent valuation of the brand names was conducted by Deloitte in July 2013. This independent report assessed the fair market value of the brand names as at 30 June 2013 to be between $216 million and $241 million.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Impairment tests for indefinite life intangible assets

Goodwill and brand names are allocated to the Group's cash-generating units (CGUs) identified according to subsidiary.

The carrying amount of intangible assets allocated by CGU is outlined below:

	GOODWILL		BRAND NAMES	
	2013 $000	2012 $000	2013 $000	2012 $000
Messenger Services	7,338	7,338	5,100	5,100
New Zealand Couriers	31,372	31,372	58,500	58,500
New Zealand Document Exchange	9,315	9,315	5,900	5,900
Dataprint	4,125	-	1,310	-
Post Haste and Castle Parcels	14,730	14,730	14,900	14,900
NOW Couriers	7,278	7,278	3,495	3,495
Total Express Package & Business Mail	74,158	70,033	89,205	87,895
Online Security Services	14,862	14,862	4,400	4,400
The Information Management Group	34,176	36,122	12,237	13,039
Filesaver	5,498	6,081	1,981	2,191
Shred-X	19,287	21,118	3,678	3,939
Total Information Management	73,823	78,183	22,296	23,569
Total	147,981	148,216	111,501	111,464

(i) Key assumptions used for value-in-use calculations

On an annual basis, the recoverable amount of goodwill and brand names is determined based on value-in-use calculations specific to the CGU associated with both goodwill and brand names.

These calculations use pre-tax cash flow projections based on financial budgets prepared by management for the year ended 30 June 2014. Cash flows beyond June 2014 have been extrapolated using growth rates which do not exceed the historical compound annual earnings growth rates for each respective CGU, taking into consideration current and forecast economic conditions. The compound annual earnings growth rate for the express package & business mail segment over the past 10 years has been approximately 3%. For the information management segment, the compound annual earnings growth rate for the last 5 years of approximately 11% is considered indicative of the growth in this segment since the Company's expansion into Australia. The growth rates applied for the CGUs in the value-in-use calculation ranged from 1% to 3%.

A pre-tax discount rate of 11% has been applied to all CGUs, which approximates the Group's weighted average cost of capital.

The value-in-use calculations indicate that the recoverable amounts of goodwill and brand names exceed their carrying values and therefore there is no impairment in the value of goodwill and brand names.

(ii) Sensitivity to changes in assumptions

With regard to the value-in-use assessment for all CGUs, management believes that no reasonably possible change in any of the above assumptions would cause the carrying values of goodwill and brand names to materially exceed their respective recoverable amounts.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

NOTE 13. DEFERRED TAX ASSET (LIABILITY)

The Company has no deferred tax balances. The amounts below are for the Group.

	2013 $000	2012 $000
Deferred tax asset		
Deferred tax asset to be recovered within 12 months	-	-
Deferred tax asset to be recovered after more than 12 months	313	563
Balance at end of year	313	563

	2013 $000	2012 $000
Deferred tax liabilities		
Deferred tax liabilities to be recovered within 12 months	10	30
Deferred tax liabilities to be recovered after more than 12 months	6,551	4,523
Balance at end of year	6,561	4,553

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same jurisdiction, is as follows:

	PROPERTY, PLANT & EQUIPMENT	EMPLOYEE ENTITLEMENTS	ACCRUALS & PROVISIONS	DERIVATIVE FINANCIAL INSTRUMENTS	INTANGIBLE ASSETS	TOTAL
2013 ($000)						
Balance at beginning of year	(9,590)	2,042	1,877	4,362	(2,681)	(3,990)
Transfer to income statement	28	622	(717)	20	(116)	(163)
Amounts relating to business combinations (Note 28)	-	29	-	-	(620)	(591)
Adjustment for cash flow hedge reserve	-	-	-	(1,453)	-	(1,453)
Exchange rate movement	104	(80)	(25)	-	(50)	(51)
Balance at end of year	(9,458)	2,614	1,134	2,929	(3,467)	(6,248)

	PROPERTY, PLANT & EQUIPMENT	EMPLOYEE ENTITLEMENTS	ACCRUALS & PROVISIONS	DERIVATIVE FINANCIAL INSTRUMENTS	INTANGIBLE ASSETS	TOTAL
2012 ($000)						
Balance at beginning of year	(9,847)	1,849	938	1,852	-	(5,208)
Transfer to income statement:						
- reduction in New Zealand tax rate	67	(2)	(13)	-	-	52
- other	1	188	98	6	-	293
Amounts relating to business combinations (Note 28)	192	20	861	-	(2,712)	(1,639)
Adjustment for cash flow hedge reserve	-	-	-	2,504	-	2,504
Exchange rate movement	(3)	(13)	(7)	-	31	8
Balance at end of year	(9,590)	2,042	1,877	4,362	(2,681)	(3,990)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

NOTE 14. TRADE AND OTHER PAYABLES

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Current:				
Trade creditors	24,705	23,958	7	6
Employee entitlements	10,840	10,572	-	-
Acquisition earn-out payments	833	-	-	-
Other creditors and accruals	7,864	7,388	-	-
	44,242	41,918	7	6
Non-current:				
Acquisition earn-out payments	1,707	2,884	-	-
Other non-current payables	1,543	1,107	-	-
	3,250	3,991	-	-

NOTE 15. LEASES

The Company has no lease commitments. The amounts below are for the Group.

(a) Finance lease commitments

The Group leases certain plant and equipment, and as a result has the following finance lease commitments:

	2013 $000	2012 $000
Within one year	99	19
After one year but not more than five years	115	59
After five years	-	-
Minimum lease payments	214	78
Less: future finance charges	21	14
	235	92
Classified in the balance sheet:		
Current liabilities	114	26
Non-current liabilities	121	66
	235	92

(b) Operating lease commitments (non-cancellable)

The Group leases certain premises, motor vehicles and plant and equipment, and as a result has the following operating lease commitments:

	2013 $000	2012 $000
Within one year	17,970	18,281
After one year but not more than five years	43,583	41,167
After five years	28,839	31,232
	90,392	90,680

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

NOTE 16. PROVISIONS

The Company has no provisions. The amounts below are for the Group.

	2013 $000 CUSTOMER CLAIMS	2012 $000 CUSTOMER CLAIMS
Current		
Balance at beginning of year	363	246
Current year provision, net of claims paid	(50)	117
Balance at end of year	313	363

	LONG SERVICE LEAVE	LEASE OBLIGATIONS	TOTAL
Non-current			
2013 ($000)			
Balance at beginning of year	938	541	1,479
Current year provision	281	137	418
Amounts relating to business combinations	-	123	123
Expenses incurred	(59)	(64)	(123)
Movement in exchange rate	(71)	32	(39)
Balance at end of year	1,089	769	1,858
2012 ($000)			
Balance at beginning of year	666	551	1,217
Current year provision	276	12	288
Amounts relating to business combinations	29	-	29
Expenses incurred	(22)	(20)	(42)
Movement in exchange rate	(11)	(2)	(13)
Balance at end of year	938	541	1,479

Explanation of provisions

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

Provision for long service leave relates to the potential leave obligation for employees who reach continuous employment milestones required under Australian regulations.

Provision for lease obligations relates to estimated payments to reinstate leased buildings used to an appropriate condition upon the expiry of the lease term.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

NOTE 17. UNEARNED INCOME

The Company has no unearned income. The amounts below are for the Group.

	GROUP	
	2013 $000	2012 $000
Unearned income	13,833	13,937

NOTE 18. BORROWINGS

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Current:				
Loans from subsidiaries (Note 25)	-	-	132,134	132,134
Non-current:				
Bank borrowings	160,763	178,971	-	-

(a) Security for borrowings

The bank borrowings are secured by a charge over the assets of the majority of the Company's New Zealand subsidiaries in favour of its primary lenders and guarantees from the Company's primary Australian subsidiaries.

(b) Finance facilities

The following finance facilities existed at the reporting date:

	NEW ZEALAND DOLLARS		AUSTRALIAN DOLLARS	
	2013 $000	2012 $000	2013 $000	2012 $000
BNZ				
- total bank overdraft facility available	8,000	8,000	-	-
- amount of overdraft facility unused	8,000	8,000	-	-
- total loan facilities available	15,000	15,000	17,000	17,000
- maturing 1 September 2014	5,000	5,000	7,500	7,500
- maturing 1 September 2015	5,000	5,000	7,500	7,500
- maturing 1 September 2016	5,000	5,000	2,000	2,000
- amount of loan facilities used	12,181	13,222	14,200	14,200
- amount of loan facilities unused	2,819	1,778	2,800	2,800

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

(b) Finance facilities (continued)

	NEW ZEALAND DOLLARS 2013 $000	NEW ZEALAND DOLLARS 2012 $000	AUSTRALIAN DOLLARS 2013 $000	AUSTRALIAN DOLLARS 2012 $000
Westpac				
- total loan facilities available	55,000	55,000	36,000	36,000
- maturing 1 September 2014	19,000	19,000	12,000	12,000
- maturing 1 September 2015	18,000	18,000	12,000	12,000
- maturing 1 September 2016	18,000	18,000	12,000	12,000
- amount of loan facilities used	44,850	48,600	31,714	34,247
- amount of loan facilities unused	10,150	6,400	4,286	1,753
ANZ (New Zealand)				
- total loan facilities available	40,000	40,000	-	-
- maturing 1 September 2014	13,000	13,000	-	-
- maturing 1 September 2015	14,000	14,000	-	-
- maturing 1 September 2016	13,000	13,000	-	-
- amount of loan facilities used	32,669	35,378	-	-
- amount of loan facilities unused	7,331	4,622	-	-
ANZ (Australia)				
- total loan facilities available	-	-	17,000	17,000
- maturing 1 September 2014	-	-	4,000	4,000
- maturing 1 September 2015	-	-	4,000	4,000
- maturing 1 September 2016	-	-	9,000	9,000
- amount of loan facilities used	-	-	13,786	15,686
- amount of loan facilities unused	-	-	3,214	1,314
NAB (Australia)				
- total bank overdraft facility available	-	-	20	20
- amount of overdraft facility unused	-	-	20	20

	FACILITIES DENOMINATED IN NEW ZEALAND DOLLARS 2013	FACILITIES DENOMINATED IN NEW ZEALAND DOLLARS 2012	FACILITIES DENOMINATED IN AUSTRALIAN DOLLARS 2013	FACILITIES DENOMINATED IN AUSTRALIAN DOLLARS 2012
Effective interest rate at 30 June as amended for interest rate hedges	7.34%	8.23%	7.61%	8.17%

During July 2013, the Group negotiated a two-year extension of its bank facilities. The extended facilities are spread equally between 3-year, 4-year and 5-year maturity and became effective from 26 July 2013.

The Group was in compliance with all of its banking covenants throughout the year ended 30 June 2013.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

NOTE 19. EQUITY

	GROUP			
	2013 ORDINARY SHARES	2012 ORDINARY SHARES	2013 $000	2012 $000
Balance at beginning of year	153,824,730	153,628,758	121,263	120,713
Partly-paid ordinary shares issued	-	-	-	2
Partly-paid shares, fully paid up to ordinary shares	84,127	38,212	239	115
Employee share-based payment (Note 20)	-	-	(133)	(16)
Shares issued for employee share plan	75,000	170,000	268	483
(Increase) decrease in employee share plan unallocated shares	8,218	(12,240)	23	(34)
Balance at end of year	153,992,075	153,824,730	121,660	121,263

	PARENT			
	2013 ORDINARY SHARES	2012 ORDINARY SHARES	2013 $000	2012 $000
Balance at beginning of year	153,838,159	153,629,947	121,302	120,719
Partly-paid ordinary shares issued	-	-	2	2
Partly-paid shares, fully paid up to ordinary shares	84,127	38,212	131	115
Employee share-based payment (Note 20)	-	-	-	(17)
Shares issued for employee share plan	75,000	170,000	268	483
Balance at end of year	153,997,286	153,838,159	121,703	121,302

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Contributed equity

(i) Fully paid ordinary shares

As at 30 June 2013 there were 153,997,286 shares issued and fully paid (2012: 153,838,159). All fully paid ordinary shares have equal voting rights and share equally in dividends and surplus on winding up.

(ii) Partly-paid ordinary shares

On 10 September 2012, 155,832 partly-paid shares were issued to certain senior executives under the rules of the Freightways Senior Executive Performance Share Plan (2011: 183,716). The issue price per share was $3.97 (2012: $3.15) and the shares have been paid up by the relevant participants to one cent per share. The balance of the issue price per share may only be paid up upon the participants meeting agreed performance hurdles and upon the expiry of the applicable three-year escrow period in accordance with the Plan rules (refer Note 20). No partly-paid shares were cancelled during the year (2012: 17,211). As at 30 June 2013 there were 521,597 partly-paid shares on issue, paid up to one cent per share (2012: 449,892). Partly-paid shares have no voting rights and no rights to dividends and surplus on winding up.

(iii) Partly-paid shares, fully paid up to ordinary shares

On 10 September 2012, 84,127 (2011: 38,212) partly-paid shares were fully paid-up by certain Freightways senior executives upon the achievement of agreed performance targets in accordance with the terms of the original issue of the relevant partly-paid shares under the Freightways Senior Executive Performance Share Plan. The average issue price per share was $2.84 (2011: $3.01).

(iv) Employee Share Plan

On 11 September 2012, the Company issued 75,000 fully paid ordinary shares at $3.57 each to Freightways Trustee Company Limited, as Trustee for the Freightways Employee Share Plan (2011: 170,000 fully paid ordinary shares at $2.84 each). In total, participating employees were provided with interest-free loans of $0.3 million to fund their purchase of the shares in the Share Plan (2011: $0.5 million). The loans are repayable over three years and repayment commenced in October 2012.

As at 30 June 2013 the Trustee held 513,309 (2012: 546,955) fully paid ordinary shares (representing 0.3% (2012: 0.4%) of all issued ordinary shares) of which 5,211 (2012: 13,429) were unallocated. These shares are held for allocation in the future.

The Employee Share Plan operates in accordance with section DC13 of the New Zealand Income Tax Act 2007 and the Trustees are appointed by the Freightways Limited Board of Directors.

Nature and Purpose of Reserves

(i) Cash flow hedge reserve

The cash flow hedge reserve is used to record gains or losses on a hedging instrument within a cash flow hedge. The amounts are recognised in the income statement when the associated hedged transactions affect profit or loss, as described in Note 1(q).

(ii) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations into New Zealand dollars, as described in Note 1(e).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

NOTE 20. SHARE-BASED PAYMENTS

Freightways Senior Executive Performance Share Plan (the 'Plan').

In September 2008, the Board approved the introduction of a long-term incentive scheme for certain Freightways senior executives using a performance share plan. The Plan aligns senior executives' long-term objectives with the interests of Freightways Limited shareholders.

Payment of any benefit is dependent upon the achievement of agreed performance targets. Partly-paid shares (paid up to one cent per share) are issued at the discretion of the Board, subject to a three-year escrow period. At the end of each escrow period the Group will pay a bonus to the senior executives to the extent the performance targets have been achieved, sufficient for the shares to be fully paid up. In the event that the performance targets have not been achieved at the expiry of the escrow period, the partly-paid shares may be redeemed by the Company.

An initial allocation was made on 1 January 2009 and further allocations are made annually in August or September each year. The terms for these allocations, including the relevant performance hurdles, will be determined by the Board of Directors at the time of each allocation.

Details of outstanding allocations are as follows:

Share allocation date	1 Jan 2009	25 Aug 2009	10 Sept 2010	13 Sept 2011	10 Sept 2012
Number of partly-paid shares allocated	64,784	103,357	173,685	183,716	155,832
Market price per share at date of allocation	$3.01	$2.83	$2.85	$3.15	$3.97
Amount paid up per share upon allocation	$0.01	$0.01	$0.01	$0.01	$0.01
Total amount paid-up upon allocation	$648	$1,034	$1,737	$1,837	$15,583
Total amount paid-up upon vesting:					
- year ended 30 June 2010	$37,320	-	-	-	-
- year ended 30 June 2011	$23,361	-	-	-	-
- year ended 30 June 2012	$114,636	-	-	-	-
- year ended 30 June 2013	$11,952	$226,003	-	-	-
Escrow periods ended 30 June:	2009 (20%) 2010 (30%) 2011 (50%)	2012 (100%)	2013 (100%)	2014 (100%	2015 (100%)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Total number of partly-paid shares on issue:

	2013	2012
Balance at beginning of the year	449,892	321,599
Issued during the year	155,832	183,716
Cancelled during the year	-	(17,211)
Fully paid up during the year	(84,127)	(38,212)
Balance at end of the year	521,597	449,892
Partly-paid shares eligible to be paid up at the end of the year	Nil	Nil

	2013 $000	2012 $000
Total amount expensed during the year for the senior executive performance share plan	492	292
Liability recognised at year end for bonuses payable to facilitate the paying-up of vested partly-paid shares	418	266

The fair value of the Plan was estimated as at the date of each allocation of partly-paid shares using both the binomial option pricing model and monte carlo simulation and taking into account the terms and conditions upon which the partly-paid shares were issued.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

NOTE 21. RECONCILIATION OF PROFIT FOR THE YEAR WITH CASH FLOWS FROM OPERATING ACTIVITIES

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Profit for the year	40,347	37,005	29,984	27,793
Add non-cash items:				
Depreciation & amortisation	12,494	10,463	-	-
Movement in provision for doubtful debts	(64)	133	-	-
Movement in deferred income tax	2,797	(3,899)	-	-
Net loss on disposal of fixed assets	(57)	12	-	-
Net foreign exchange loss (gain)	(142)	(43)	-	-
Movement in derivative fair value	70	20	-	-
Transactions settled through loans from subsidiary	-	-	(31,797)	(28,672)
Items not included in profit for the year:				
Cash flow hedges taken directly to equity	(3,597)	6,440	-	-
Movement in working capital, net of effects of acquisitions of businesses:				
Decrease (increase) in trade and other receivables	(1,992)	(4,420)	-	-
Decrease (increase) in inventories	(474)	(706)	-	-
Increase (decrease) in trade and other payables	2,930	(1,852)	2	1
Increase (decrease) in income taxes payable	565	1,943	907	(50)
Net cash inflows (outflows) from operating activities	52,877	45,096	(904)	(928)

NOTE 22. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Group had made capital commitments to purchase or construct buildings and equipment for $0.6 million at 30 June 2013 (2012: $1.7 million), principally relating to the completion of operating facilities throughout the Group.

The Company had no commitments for property, plant and equipment at 30 June 2013 (2012: Nil).

As at 30 June 2013, the Group had outstanding letters of credit and bank guarantees issued by its lenders totalling approximately $1.9 million (2012: $1.8 million). The letters of credit relate predominantly to support for regular payroll payments. The bank guarantees relate to security given to various landlords in respect of leased operating facilities.

The Company had no contingent liabilities at 30 June 2013 (2012: Nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

NOTE 23. EARNINGS PER SHARE*

Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year:

	GROUP	
	2013	2012
Profit for the year ($000)	40,347	37,005
Weighted average number of ordinary shares ('000):	153,966	153,796
Basic earnings per share (cents)	26.2	24.1

Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding during the year to assume conversion of all dilutive potential ordinary shares had occurred at the beginning of the year:

	GROUP	
	2013	2012
Profit for the year ($000)	40,347	37,005
Weighted average number of ordinary shares ('000):	153,966	153,796
Effect of dilution	522	450
Diluted weighted average number of ordinary shares ('000):	154,488	154,246
Diluted earnings per share (cents)	26.1	24.0

* Basic and diluted earnings per share calculated on the profit for the year, excluding non-recurring reversal of accrued acquisition earnout payments (2012 excluding Christchurch earthquake insurance claim proceeds and direct costs incurred), are 24.9 cents and 24.8 cents, respectively (2012: 23.4 cents and 23.3 cents, respectively).

NOTE 24. NET TANGIBLE ASSETS PER SECURITY

Net tangible assets (liabilities) per security at 30 June 2013 was ($0.53) (2012: ($0. 62)).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

NOTE 25. TRANSACTIONS WITH RELATED PARTIES

Loan to subsidiary: During the year net advances of $29 million were made to the Company by FEL (2012: $24 million), which together with $30 million (2012: $28 million) of additional dividends receivable from FEL, resulted in a loan to subsidiary balance as at year end of $164 million (2012: $162 million and 2011: $158 million). The receivable balance is set out in Note 7. This loan is repayable on demand. There is no interest payable on this loan. The loan has been reclassified from non-current to current in the prior years to reflect the term and conditions in relation to the loan.

Loan from subsidiary: The Company has a loan agreement with its wholly-owned subsidiary Freightways Finance Limited, which resulted in a loan from subsidiary balance as at year end of $132 million (2012 and 2011: $132 million). The payable balance is set out in Note 18. This loan is repayable on demand. There is no interest payable on this loan. The loan has been reclassified from non-current to current in the prior years to reflect the term and conditions in relation to the loan.

Intra-group transactions: During the year the Company received $30 million (2012: $28 million) of dividends from its directly-owned subsidiary (FEL).

Trading with related parties: The Group has not entered into any material external related party transactions which require disclosure. The Group does trade, on normal commercial terms, with certain companies in which there are common directorships. These counterparties include Telecom Corporation of New Zealand Limited and Contact Energy Limited.

Due from associates: During 2007, the Group entered into a property development joint venture (JV) in respect of a new operating facility for one of its Australian subsidiaries. As part of this JV arrangement the Group made progress payments to the developer on behalf of the JV. During the prior year, the other JV partners repaid the $0.1 million balance of their outstanding advances. As at 30 June 2013 there were no amounts due from associates (2012: $nil).

Key management compensation: Compensation paid during the year (or payable as at year end in respect of the year) to key management, which includes senior executives of the Group and non-executive independent directors, is as follows:

	GROUP		PARENT	
	2013 $000	2012 $000	2013 $000	2012 $000
Short-term employee benefits	5,278	4,908	427	405
Long-term employee benefits	-	-	-	-
Post-employment benefits	-	-	-	-
Termination benefits	-	-	-	-
Share-based payments (Note 20)	418	266	418	266

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

NOTE 26. FINANCIAL RISK MANAGEMENT

26.1 Financial risk factors

The Group's activities expose it to various financial risks, including liquidity risk, credit risk and market risk (which includes currency risk and cash flow interest rate risk). The Group's overall risk management programme focuses on the uncertainty of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Treasury activities are performed centrally by the Group's corporate team, supplemented by external financial advice and the use of derivative financial instruments is governed by a Group Treasury Policy approved by the Company's Board of Directors.

The Group does not engage in speculative transactions or hold derivative financial instruments for trading purposes.

(a) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group's approach to liquidity risk management includes maintaining sufficient cash reserves and ensuring adequate committed finance facilities are available. In assessing its exposure to liquidity risk, the Group regularly monitors rolling 3, 6 and 12-month cash requirement forecasts.

The table below analyses the Group's financial liabilities into relevant maturity groupings, based on the remaining period from the reporting date to the contractual maturity date.

The amounts disclosed below are contractual, undiscounted cash flows, except for interest rate swaps.

GROUP	LESS THAN 6 MONTHS	6-12 MONTHS	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS	TOTAL
2013 ($000)						
Bank borrowings	5,747	5,747	75,784	123,548	-	210,826
Trade and other payables	38,612	9,872	2,145	834	-	51,463
Finance lease liabilities	57	57	121	-	-	235
Derivative financial instruments*	2,187	1,978	3,074	4,034	290	11,563
2012 ($000)						
Bank borrowings	6,489	6,489	12,978	217,906	-	243,862
Trade and other payables	38,753	8,747	1,199	546	-	49,245
Finance lease liabilities	13	13	26	40	-	92
Derivative financial instruments*	2,361	2,310	3,983	6,656	2,136	17,446

The Company has no liquidity risk itself as its requirements for cash are met by subsidiaries in the Group, as and when necessary. Its only liabilities are loans owing to subsidiaries, for which there are no fixed terms of repayment.

* The amounts expected to be payable in relation to the interest rate swaps have been estimated using forward interest rates applicable at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

(b) Credit risk

Credit risk refers to the risk of a counterparty failing to discharge its obligation. Financial instruments which potentially subject the Group to credit risk principally consist of bank balances, accounts receivable and derivative financial instruments.

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

The Group's Treasury Policy ensures due consideration is given to the financial standing of the counterparty banks with which the Group holds cash reserves and transacts derivative financial instruments. The quantum of transactions entered into with the Group's various financial lenders is also balanced to mitigate exposure to concentrated counterparty credit risk with any one financial provider.

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

The Group considers its maximum exposure to credit risk to be as follows:

	GROUP	
	2013 $000	2012 $000
Cash and cash equivalents	3,484	9,130
Trade and other receivables	51,798	50,323
	55,282	59,453

Trade receivables analysis

The Company has no trade receivables. The amounts below are for the Group.

At 30 June aging analysis of trade receivables is as follows:

	2013 $000	2012 $000
Current	40,080	37,732
31-60 days over standard terms	6,555	7,068
60-90 days over standard terms	1,452	1,210
91+ days over standard terms	724	1,379
	48,811	47,389

The Group has $7.8 million (2012: $8.6 million) of financial assets that are overdue and not impaired.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

(c) Market risk

Foreign exchange risk

Exposure to foreign exchange risk arises when (i) a transaction is denominated in a foreign currency and any movement in foreign exchange rates will affect the value of that transaction when translated into the functional currency of the Company or a subsidiary; and (ii) the value of assets and liabilities of overseas subsidiaries is required to be translated into the Group's reporting currency.

The Group's Treasury Policy is used to assist in managing foreign exchange risk. In accordance with Treasury Policy guidelines, foreign exchange hedging is used as soon as a defined exposure to foreign exchange risk arises and exceeds certain thresholds.

As disclosed in Note 18, at 30 June 2013 the Group had Australian dollar denominated bank borrowings of AUD59,700,000 (2012: AUD64,133,000). Of these borrowings, AUD14,200,000 (2012: AUD14,200,000) were borrowed by a New Zealand subsidiary and have been translated at the prevailing foreign currency rate as at balance date. The rest of the Australian dollar denominated bank borrowings have been borrowed by an Australian subsidiary and are translated as part of the consolidation of the Group for reporting purposes. The Group has no other outstanding foreign currency denominated monetary items.

The table on the following page details the Group's sensitivity to the increase and decrease in the New Zealand dollar (NZD) against the Australian dollar (AUD) in respect of the Australian dollar denominated bank borrowings, borrowed in New Zealand. The sensitivity analysis only includes outstanding foreign currency denominated monetary items at the reporting date and adjusts their translation as at that date for the change in foreign currency rates. A positive number indicates a decrease in Liabilities (bank borrowings) and the Foreign Currency Translation Reserve (included in equity) where the NZD strengthens against the AUD.

Interest rate risk

Exposure to cash flow interest rate risk arises in borrowings of the Group that are at the prevailing market interest rate current at the time of drawdown and are re-priced at intervals not exceeding 180 days.

Interest rate risk is identified by forecasting short and long-term cash flow requirements.

The Group's Treasury Policy is used to assist in managing interest rate risk. Treasury Policy requires projected annual core debt to be effectively hedged within interest rate risk control limits against adverse fluctuations in market interest rates.

The Company only lends to and borrows from subsidiaries. No interest is charged on these intercompany loans.

The following table demonstrates the sensitivity of the Group's equity and profit after tax to a potential change in interest rates by plus or minus 100 basis points, with all other variables held constant and in relation only to that portion of the Group's borrowings that are subject to floating interest rates.

Significant assumptions used in the interest rate sensitivity analysis include:

(i) reasonably possible movements in interest rates were determined based on the Group's current mix of debt in New Zealand and Australia, the level of debt that is expected to be renewed and a review of the last two years' historical movements; and

(ii) price sensitivity of derivatives has been based on a reasonably possible movement of interest rates at balance dates by applying the change as a parallel shift in the forward curve.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Sensitivity Analysis

		INTEREST RATE MOVEMENT IMPACT ON PROFIT		INTEREST RATE MOVEMENT IMPACT ON EQUITY		NZD/AUD MOVEMENT IMPACT ON LIABILITIES & EQUITY
	CARRYING AMOUNTS	+100 BASIS POINTS	-100 BASIS POINTS	+100 BASIS POINTS	-100 BASIS POINTS	+ OR - 10% (FROM NZD1: AUD0.80)
2013 ($000)						
Financial assets						
Cash and cash equivalents	3,484	25	(25)	25	(25)	-
Trade and other receivables	55,350	-	-	-	-	-
Financial liabilities						
Borrowings	160,763	(1,157)	1,157	(1,157)	1,157	1,614/(1,972)
Derivative financial instruments	10,459	971	(971)	4,954	(5,179)	-
2012 ($000)						
Financial assets						
Cash and cash equivalents	9,130	66	(66)	66	(66)	-
Trade and other receivables	53,513	-	-	-	-	-
Financial liabilities						
Borrowings	178,971	(1,289)	1,289	(1,289)	1,289	1,614/(1,972)
Derivative financial instruments	15,579	1,076	(1,076)	6,184	(6,508)	-

(d) Fair value estimation

The carrying value less impairment provision of trade receivables and payables is a reasonable approximation of their fair values due to the short-term nature of trade receivables and payables. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The fair values of financial instruments are estimated using discounted cash flows. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

Unless otherwise stated, all other carrying amounts are assumed to equal or approximate fair value.

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – Quoted prices (adjusted) in active markets for identical assets or liabilities at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Level 2 – Inputs that are observable for the asset or liability, either directly (i.e., as prices; other than quoted prices referred to in Level 1 above) or indirectly (i.e., derived from prices). The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the fair value of an instrument is included in Level 2.

Level 3 – Inputs for the asset or liability that are not based on observable market data (i.e., unobservable inputs). In these cases, the fair value of an instrument would be included in Level 3.

Specific valuation techniques used to value financial instruments include:

- In respect of interest rate swaps, the fair value is calculated as the present value of the estimated future cash flows based on observable yield curves; and
- discounted cash flow analysis for other financial instruments.

The Company has no financial instruments carried at fair value. The amounts below are for the Group and all resulting fair value estimates are disclosed as Level 2 measurements.

	LEVEL 1 $000	LEVEL 2 $000	LEVEL 3 $000	TOTAL $000
2013				
Liabilities				
Derivative financial instruments – interest rate swaps	-	10,459	-	10,459
Total liabilities	-	10,459	-	10,459
2012				
Liabilities				
Derivative financial instruments – interest rate swaps	-	15,579	-	15,579
Total liabilities	-	15,579	-	15,579

26.2 Capital Risk Management

Group capital (Shareholders Funds) consists of share capital, other reserves and retained earnings. To maintain or alter the capital structure, the Group has the ability to vary the level of dividends paid to shareholders, return capital to shareholders or issue new shares, reduce or increase bank borrowings or sell assets. The Group does not have any externally imposed capital requirements.

The Group's long-term debt facilities impose a number of banking covenants. These covenants are calculated monthly and are reported to the banks quarterly on a rolling 12-month basis. The most significant covenant relating to capital management is a requirement for the Group to ensure Shareholders Funds are maintained above a minimum level. There have been no breaches of banking covenants or events of review during the current or prior year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

NOTE 27. FINANCIAL INSTRUMENTS BY CATEGORY

(a) Assets, as per balance sheet

	LOANS AND RECEIVABLES		DERIVATIVES USED FOR HEDGING		TOTAL	
	2013 $000	2012 $000	2013 $000	2012 $000	2013 $000	2012 $000
Group:						
Trade and other receivables (excluding prepayments)	50,832	50,558	-	-	50,832	50,558
Cash and cash equivalents	3,484	9,130	-	-	3,484	9,130
Total	54,316	59,688	-	-	54,316	59,688
Parent:						
Trade and other receivables (excluding prepayments)	164,128	162,183	-	-	164,128	162,183
Cash and cash equivalents	6	9	-	-	6	9
Total	164,134	162,192	-	-	164,134	162,192

(b) Liabilities, as per balance sheet

	DERIVATIVES USED FOR HEDGING		OTHER FINANCIAL LIABILITIES AT AMORTISED COST		TOTAL	
	2013 $000	2012 $000	2013 $000	2012 $000	2013 $000	2012 $000
Group:						
Borrowings (excluding finance lease liabilities)	-	-	160,763	178,971	160,763	178,971
Finance lease liabilities	-	-	235	92	235	92
Derivative financial instruments	10,459	15,579	-	-	10,459	15,579
Trade and other payables	-	-	47,493	45,909	47,493	45,909
Total	10,459	15,579	208,491	224,972	218,950	240,551
Parent:						
Borrowings (excluding finance lease liabilities)	-	-	132,134	132,134	132,134	132,134
Finance lease liabilities	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-
Trade and other payables	-	-	7	5	7	5
Total	-	-	132,141	132,139	132,141	132,139

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

NOTE 28. BUSINESS COMBINATIONS

Dataprint

On 2 July 2012, Freightways acquired the business and assets of Dataprint NZ Limited (Dataprint), a full-service, New Zealand-based mailhouse that provides its customers with both physical and digital solutions for their transactional and marketing mail. This acquired business has been integrated into the Group's express package & business mail division. The initial purchase price paid for Dataprint was $3 million, with a further $3.5 million payable over a three-year period, subject to performance targets being achieved.

The contingent consideration arrangement requires the Group to pay the former owners of Dataprint further payments based on the financial performance for the three months ended 30 November 2012 and for the years ended 30 June 2013, 2014 and 2015, up to a maximum discounted amount of $3.1 million. The first of these payments, being an amount of $1 million, was made to the vendors based on the financial performance for the three months ended 30 November 2012. A further $0.8 million was paid on 2 August 2013 (refer Note 29). Excluding the $1.8 million of contingent payments made since the acquisition, as noted above, the potential undiscounted amount of remaining future payments that the Group could be required to make under this arrangement is between $nil and $1.7 million.

Dataprint was acquired at the beginning of the year ended 30 June 2013. The contribution of Dataprint to the Group results for the year ended 30 June 2013 was revenue of $6.3 million and operating profit before interest and income tax of $1.6 million.

Details of net assets acquired and goodwill for Dataprint are as follows:

	$000
Purchase consideration	
Cash paid during the period (initial purchase price, net of cash adjustments)	2,895
Fair value of future earn-out payment	3,072
Total purchase consideration	5,967
Fair value of assets and liabilities arising from the acquisition	
Plant and equipment	450
Software	500
Brand name	1,310
Customer relationships	500
Goodwill	4,125
Other payables and provisions	(327)
Deferred tax liability	(591)
	5,967

The goodwill of $4.1 million arising upon the acquisition is attributable to intellectual property obtained and economies of scale expected from integrating Dataprint into the operations of the Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Filesaver

During December 2011, the Group acquired the business and assets of Filesaver, a specialist document storage, archiving and imaging business in Australia. This acquired business has been integrated into the Group's information management division. The maximum purchase price of $8.4 million includes an initial payment of $6 million (which was made upon acquisition) and contingent consideration of up to $2.4 million based on the financial performance for year ended 30 June 2014. Forecast earnings indicate that the earn-out payable to the vendors is not likely to exceed $0.6 million. Accordingly, the earn-out payment accrual has been decreased by $1.1 million as at 30 June 2013 by recognising a non-recurring income item in the consolidated income statement for the year ended 30 June 2013.

Universal Mail

In November 2010, the Group acquired the business and assets of Universal Mail, a small New Zealand domiciled international postal service provider. This acquired business has been integrated into the Group's express package & business mail division. Payment of the purchase price is staged over three years, with initial payments in total of $1.9 million (which was made upon acquisition). Two additional earn-out payments were payable upon achievement of agreed annual earnings performance for the periods ended 31 December 2011 and 30 June 2013. The agreed annual earnings performance for the period ended 31 December 2011 was not met and the estimated payment of $0.3 million recorded in the balance sheet as at 30 June 2011 for the first earn-out payment was reversed during the year ended 30 June 2012. The agreed annual earnings performance for the year ended 30 June 2013 has also not been met and the estimated payment of $1 million recorded in the balance sheet as at 30 June 2012 now has been reversed by recognising a non-recurring income item in the consolidated income statement for the year ended 30 June 2013.

NOTE 29. SIGNIFICANT EVENTS AFTER BALANCE DATE

Dividend declared

On 12 August 2013, the Directors declared a fully imputed final dividend of 9.75 cents per share (approximately $15.0 million) in respect of the year ended 30 June 2013. The dividend will be paid on 1 October 2013. The record date for determination of entitlements to the dividend is 13 September 2013.

Renewal of bank facilities

During July 2013, the Group negotiated a two-year extension of its bank facilities of NZD110 million and AUD70 million. The extended facilities, at existing pricing, are spread equally between 3-year, 4-year and 5-year maturity and became effective from 26 July 2013.

Acquisition earn-out payment

On 2 August 2013, the Group made an acquisition earn-out payment of $0.8 million to the vendors of Dataprint based on the achievement of the financial performance hurdle for the year ended 30 June 2013 (refer Note 28).

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

NOTE 30. STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE

New standards, amendments and interpretations to existing standards have been published by the International Accounting Standards Board (IASB) and the External Reporting Board (XRB) that are mandatory for future periods and which the Group will adopt when they become mandatory. These new standards, amendments and interpretations include:

- NZ IFRS 9 Financial Instruments: Classification and Measurement (mandatory for annual periods beginning on or after 1 January 2015). The major changes under the new standard are:

- it replaces the multiple classification and measurement models in NZ IAS 39 *Financial Instruments: Recognition and Measurement* with a single model that has two classification categories: amortised cost and fair value;
- a financial asset is measured at amortised cost if two criteria are met: (a) the objective of the business model is to hold the financial assets for the collection of the contractual cash flows, and (b) the contractual cash flows under the instrument solely represent the payment of principal and interest;
- when a financial asset is eligible for amortised cost measurement, an entity can elect to measure it at fair value if it eliminates or significantly reduces an accounting mismatch;
- no bifurcation of an embedded derivative where the host is a financial asset;
- equity instruments must be measured at fair value, however an entity can elect on initial recognition to present the fair value changes on equity investments directly in other comprehensive income. There is no subsequent recycling of fair value gains and losses to profit and loss, however dividends from such investments will continue to be recognised in profit and loss; and
- when an entity holds a tranche in a waterfall structure it must determine the classification of that tranche by looking through to the assets ultimately underlying that portfolio and assess the credit quality of the tranche compared with the underlying portfolio. If an entity is unable to look through, then the tranche must be measured at fair value.

The Group intends to adopt NZ IFRS 9 from 1 July 2015.

- NZ IFRS 10 Consolidated Financial Statements, NZ IFRS 11 Joint Arrangements, NZ IFRS 12 Disclosure of Interests in Other Entities and revised NZ IAS 27 Separate Financial Statements and NZ IAS 28 Investments in Associates and Joint Ventures (mandatory for annual reporting periods beginning on or after 1 January 2013). The major changes under the standards are:

- NZ IFRS 10 replaces all of the guidance on control and consolidation in NZ IAS 27 *Consolidated and Separate Financial Statements* and NZ SIC-12 *Consolidation – Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships. While the Group does not expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

- NZ IFRS 11 introduces a principles-based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or joint venture. Joint ventures are accounted for using the equity method and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. NZ IFRS 11 also provides guidance for parties that participate in joint arrangements but do not share joint control. While the Group does not expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance.
- NZ IFRS 12 sets out the required disclosures for entities reporting under the two new standards, IFRS 10 and IFRS 11, and replaces the disclosure requirements currently found in IAS 28. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's investments.
- NZ IAS 27 is renamed *Separate Financial Statements* and is now a standard dealing solely with separate financial statements. Application of this standard by the Group and Company will not affect any of the amounts recognised in the financial statements, but may impact the type of information disclosed in relation to the Parent's investments in the financial statements.
- Amendments to NZ IAS 28 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate and vice versa. The amendments also introduce a "partial disposal" concept. The Group is still assessing the impact of these amendments.

  The Group intends to adopt the new standards from 1 July 2013.

• NZ IFRS 13 Fair Value Measurement (mandatory for annual reporting periods beginning on or after 1 January 2013). NZ IFRS 13 explains how to measure fair value and aims to enhance fair value disclosures. The Group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements.

  The Group intends to adopt this new standard from 1 July 2013.

• IAS 16 (Amendment as part of annual improvements project 2011) (effective for annual periods beginning on or after 1 January 2013). The amendment clarifies that spare parts and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment. Following the amendment, equipment used for more than one period is classified as property, plant and equipment. The Group has already commenced an assessment of the related impact of adopting the amendment. The Group is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of the financial statements will result.

  The Group intends to adopt this amendment from 1 July 2013.

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 31 July 2013

	NUMBER OF HOLDERS	NUMBER OF SHARES HELD	% OF ISSUED CAPITAL
Size of shareholding			
1 to 1,999	2,087	2,413,720	1.56
2,000 to 4,999	2,684	8,304,725	5.39
5,000 to 9,999	1,639	10,872,630	7.06
10,000 to 49,999	1,143	19,372,131	12.58
50,000 to 99,999	42	2,704,487	1.76
100,000 to 499,999	34	6,103,554	3.96
500,000 to 999,999	10	7,123,898	4.63
1,000,000 and over	11	97,102,141	63.06
Total shareholders	7,650	153,997,286	100.00
Geographic distribution			
New Zealand	7,515	152,068,351	98.75
Australia	77	1,680,826	1.09
Other	58	248,109	0.16
	7,650	153,997,286	100.00

Substantial security holders as at 31 July 2013

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

	VOTING SECURITIES NUMBER	%
Fisher Funds Management Limited	14,327,703	9.30%
Harris Associates LP	9,883,801	6.42%

The total number of issued voting securities of the Company as at 31 July 2013 was 153,997,286.

SHAREHOLDER INFORMATION

Top twenty registered shareholders of listed shares as at 31 July 2013

	NUMBER OF SHARES HELD	% OF ISSUED CAPITAL
HSBC Nominees (New Zealand) Limited <HKBN45> *	17,517,239	11.38
TEA Custodians Limited <TEAC40> *	13,774,373	8.94
JPMorgan Chase Bank <CHAM24> *	8,179,068	5.31
Private Nominees Limited <PBNK90> *	6,526,807	4.24
FNZ Custodians Limited	6,475,127	4.20
Accident Compensation Corporation <ACCI40> *	5,476,331	3.56
BNP Paribas Nominees (NZ) Limited <COGN40> *	4,565,986	2.96
New Zealand Superannuation Fund Nominees Limited <SUPR40> *	4,263,074	2.77
Custodial Services Limited <A/C 3>	3,675,857	2.39
Port Devon Limited	3,453,469	2.24
National Nominees New Zealand Limited <NNLZ90> *	2,973,008	1.93
Citibank Nominees (New Zealand) Limited <CNOM90> *	2,281,542	1.48
Investment Custodial Services Limited <A/C C>	2,135,301	1.39
HSBC Nominees (New Zealand) Limited <HKBN90> *	2,085,386	1.35
Forsyth Barr Custodians Limited <1-33>	1,904,698	1.24
Premier Nominees Ltd – Onepath Wholesale Australasian Shr Fund <PNAS90> *	1,901,495	1.23
Lucerne Road Investments Limited	1,652,896	1.07
Custodial Services Limited <A/C 1>	1,429,057	0.93
Cartref Portfolio Pty Limited <Cartref Investments A/C>	1,263,676	0.82
Custodial Services Limited <A/C 2>	1,255,780	0.82
	92,790,170	60.25

* held through NZ Central Securities Depository Limited

Waiver granted by NZX, applicable as at 30 April 2012:

The Company obtained a waiver from NZX from the application of Listing Rule 7.6.1 to allow the Company to redeem its own shares where, under the terms of the Freightways Senior Executive Performance Share Plan, it is obliged or entitled to do so.

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 of Directors. 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 Directors of Freightways Limited (the Board) 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 (Freightways).

BOARD RESPONSIBILITIES

The Board's corporate governance responsibilities include overseeing the management of 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 Stock 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.

BOARD COMPOSITION

In accordance with the Company's constitution the Board will comprise not less than three directors. The Board will be comprised of 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 six Directors: the non-executive Chairman, the Managing Director and four non-executive directors. Key executives attend board meetings by invitation. Freightways' Board includes five independent directors.

DIVERSITY

The Company does not have a formal diversity policy. The Company is, however, committed to encouraging diversity throughout all levels of its operations and by ensuring all employees have an equal opportunity to realise their career ambitions within Freightways. As required to be reported by the NZX Listing Rules, the Company advises that from a gender diversity perspective, as at 30 June 2013, the Board was comprised of 5 male directors and 1 female non-executive Chairman, and all 6 officers of the Company, who are not directors, were male.

CORPORATE GOVERNANCE STATEMENT

BOARD MEETINGS

The following table outlines the number of board meetings attended by Directors during the course of the 2013 financial year:

DIRECTOR	MEETINGS HELD	MEETINGS ATTENDED
Sue Sheldon	11	11
Dean Bracewell	11	11
Sir William Birch	11	11
Roger Corcoran	11	11
Kim Ellis	11	11
Mark Verbiest	11	11

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. The committees are as follows:

Audit & Risk Committee: The Audit & Risk Committee is responsible for overseeing risk management, accounting and audit activities, and reviewing the adequacy and effectiveness of internal controls, meeting with and reviewing the performance of external auditors, reviewing the Annual and Half Year Reports and making recommendations on financial and accounting policies.

The members are Mark Verbiest (Chairman), Sir William Birch, Kim Ellis and Sue Sheldon. All members are independent non-executive Directors. Meetings were held and attended, as follows:

DIRECTOR	MEETINGS HELD	MEETINGS ATTENDED
Mark Verbiest	5	5
Sir William Birch	5	5
Kim Ellis	5	5
Sue Sheldon	5	5

CORPORATE GOVERNANCE STATEMENT

Remuneration Committee: The Remuneration Committee is responsible for overseeing the Freightways human resource practices, reviewing the remuneration and benefits of the Managing Director and senior management, reviewing and recommending the remuneration of Board members, and making recommendations to the Board in respect of succession planning.

The members of the Remuneration Committee are Sir William Birch (Chairman), Roger Corcoran and Sue Sheldon. Meetings were held and attended, as follows:

DIRECTOR	MEETINGS HELD	MEETINGS ATTENDED
Sir William Birch	2	2
Roger Corcoran	2	2
Sue Sheldon	2	2

Nominations Committee: The Nominations Committee is responsible for ensuring the Board is composed of Directors who contribute to the successful management of the Company, ensuring formal review of the performance of the Board, individual Directors and the Board's committees, ensuring effective induction programmes are in place for the Directors and confirming the status of Directors' independence for external reporting purposes.

The members of the Nominations Committee are Sue Sheldon (Chairman), Sir William Birch, Roger Corcoran, Kim Ellis, Mark Verbiest and Dean Bracewell. Meetings were held and attended, as follows:

DIRECTOR	MEETINGS HELD	MEETINGS ATTENDED
Sue Sheldon	2	2
Dean Bracewell	2	2
Sir William Birch	2	2
Roger Corcoran	2	2
Kim Ellis	2	2
Mark Verbiest	2	2

CORPORATE GOVERNANCE STATEMENT

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.

DELEGATION OF AUTHORITY

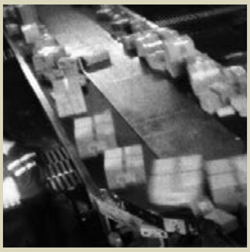
The Board delegates its authority where appropriate to the Managing Director for the day-to-day affairs of Freightways. Formal policies and procedures exist that detail the parameters that the Managing Director and in turn his direct reports are able to operate within.

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 financial instruments are used by the Group to manage its business risks; they are not used for speculative purposes.


CASTLE
PARCELS



POST HASTE

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
32 Botha Road
Penrose
DX EX10911
AUCKLAND
Telephone: 09 526 3680
www.sub60.co.nz
www.kiwiexpress.co.nz
www.stuck.co.nz
www.securityexpress.co.nz

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

Post Haste Limited
32 Botha Road
Penrose
DX EX10978
AUCKLAND
Telephone: 09 579 5650
www.posthaste.co.nz
www.passtheparcel.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
163 Station Road
Penrose
DX CX10245
AUCKLAND
Telephone: 09 525 5999
www.castleparcels.co.nz

NOW Couriers Limited
161 Station Road
Penrose
AUCKLAND
Telephone: 09 526 9170
www.nowcouriers.co.nz

Shred-X Pty Limited
PO Box 1184
Oxenford
Queensland 4215
AUSTRALIA
Telephone: +61 1 300 667 555
www.shred-x.com.au

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Chatswood
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www.filesaver.com.au

Freightways