Freightways

ANNUAL REPORT 2015

Freightways

New Zealand Couriers
www.nzcouriers.co.nz

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

Pass The Parcel
www.passtheparcel.co.nz

Stuck
www.stuck.co.nz

DX Mail
www.dxmail.co.nz

Dataprint
www.dataprint.co.nz

Air Freight NZ

Fieldair Engineering
www.fieldair.co.nz

Parceline Express

Freightways Information Services

Online Security Services
www.onlinesecurity.co.nz

Archive Security
www.onlinesecurity.co.nz

Data Security Services
www.onlinesecurity.co.nz

Document Destruction Service
www.onlinesecurity.co.nz

Databank
www.databank.com.au

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

Filesaver
www.filesaver.com.au

LitSupport
www.litsupport.com.au

COMPANY PARTICULARS

BOARD OF DIRECTORS

Sue Sheldon (Chairman)
Dean Bracewell (Managing Director)
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 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, LitSupport 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.

FINANCIAL SUMMARY

FOR THE YEAR ENDED 30 JUNE 2015

	NOTE	2015 $000	2014 $000	PERCENTAGE VARIANCE
Operating revenue		479,458	432,279	10.9%
EBITA	(i)	73,821	70,749	4.3%
NPAT	(ii)	43,283	41,702	3.8%
EBITA, excluding non-recurring items		82,795	71,998	15.0%
NPAT, excluding non-recurring items, net of tax		49,732	42,951	15.8%
Non-recurring items:				
- write-down of aircraft		(5,633)	-	
- write-down of aircraft-related inventory		(1,997)	-	
- aircraft lease exit costs		(700)	-	
- premises lease exit costs		(645)	-	
- increase in accrued acquisition earn-out payments		-	(1,249)	
Total		(8,975)	(1,249)	
Tax expense applicable to non-recurring items		2,526	-	
Non-recurring items, net of tax		(6,449)	(1,249)	

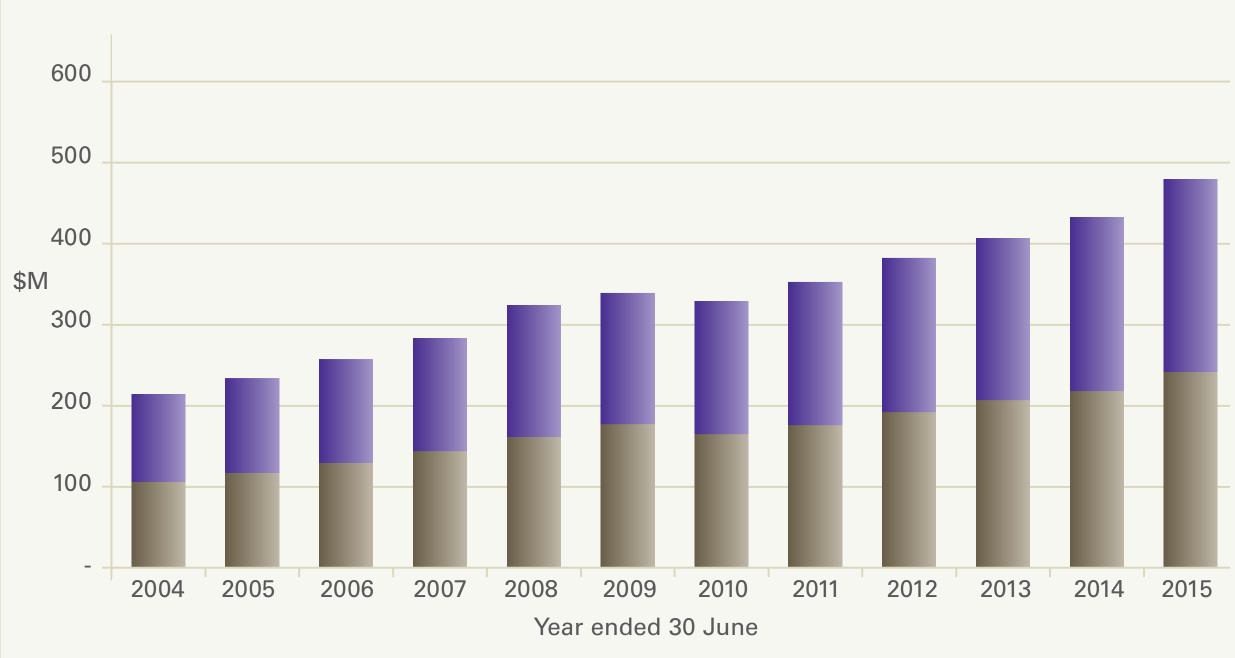
Note:
(i) Operating profit before interest, income tax and amortisation of intangibles
(ii) Profit for the year attributable to the shareholders

The Directors believe that the non-recurring items detailed above should not be included when assessing the underlying trading performance of the Group.

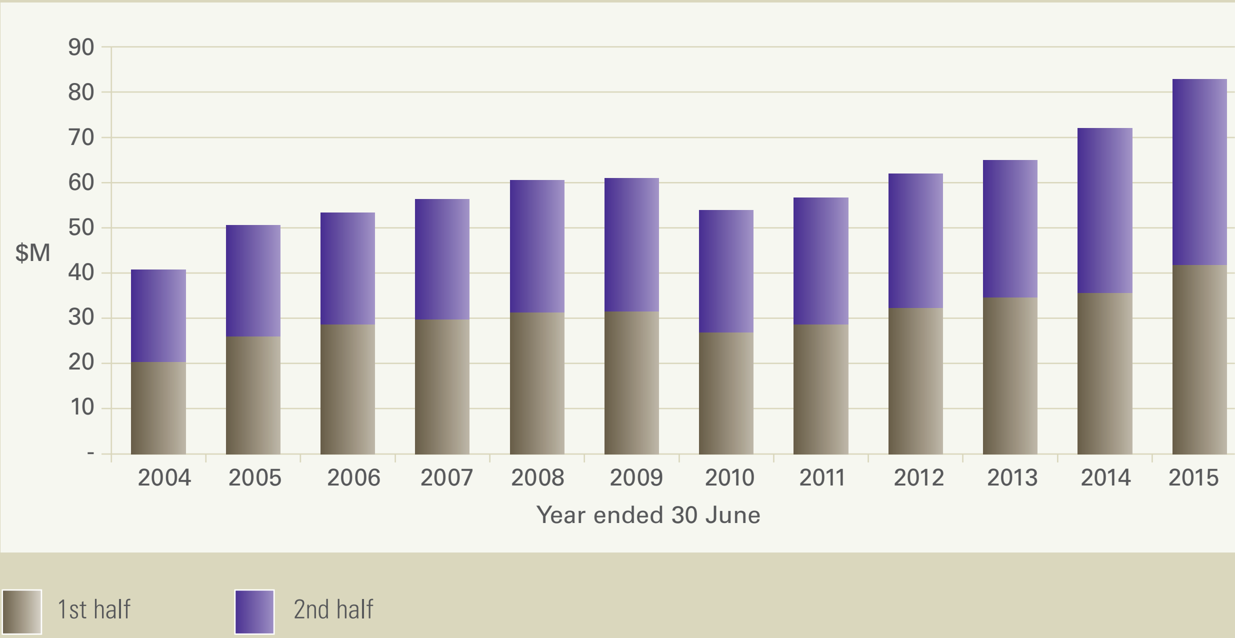
FINANCIAL SUMMARY

FOR THE YEAR ENDED 30 JUNE 2015

FREIGHTWAYS OPERATING REVENUE



FREIGHTWAYS EBITA*



* This EBITA graph represents the operating results of the Company, exclusive of any non-recurring items.

REPORT FROM THE CHAIRMAN AND MANAGING DIRECTOR

The Directors are pleased to present the consolidated financial result of Freightways Limited (Freightways) for the full year ended 30 June 2015. This report discusses the result, reflects on some of Freightways' recent achievements and provides an outlook for the future.

Highlights include:

- a strong annual result;
- an 11% increase in the final dividend compared to that of the prior comparative period (pcp);
- improved performance from all businesses, in all regions; and
- the successful implementation of organic and strategic growth strategies.

Operating performance

The below table presents the reported 2015 result and the underlying trading result for Freightways compared to the pcp, when excluding the impact of non-recurring items:

$ million	Note	2015 Result	Non-recurring items	Underlying 2015 Trading Result	Underlying 2014 Trading Result	Increase %
Revenue		479.5	-	479.5	432.3	11%
EBITDA	(i)	86.5	9.0	95.5	83.9	14%
EBITA	(ii)	73.8	9.0	82.8	72.0	15%
NPATA	(iii)	44.8	6.5	51.3	44.0	17%
NPAT	(iv)	43.3	6.5	49.7	43.0	16%
EPS (cents)		28.0	4.2	32.2	27.9	15%

Notes:

(i) Operating profit before interest, tax, depreciation and amortisation

(ii) Operating profit before interest, tax and amortisation

(iii) Net profit after tax (NPAT) before amortisation

(iv) Profit for the year attributable to the shareholders

Freightways' first quarter Trading Update provided a breakdown of the benefit relating to five additional trading days in that quarter compared to the pcp that contributed approximately $7 million of operating revenue, $2 million of EBITDA & EBITA and $1.4 million of NPATA & NPAT. This full year result also includes the benefit of these additional trading days compared to the pcp.

The results discussed throughout this commentary exclude the impact of the following non-recurring items that the Directors believe should not be included when assessing underlying trading performance:

- Full Year 2014: a one-off expense of $1.25 million in the information management division that related to the final earn-out payment for the Filesaver business acquired in 2011; and
- Full Year 2015: a total non-recurring charge of $9 million ($6.5 million after tax) that comprised:
  - a one-off expense of $7.6 million relating to the write-down of the carrying value of the existing Convair fleet of aircraft and related spare parts ($5.5 million after tax). As a non-cash item this write-down will not impact on Freightways' dividend payments to its shareholders;
  - a one-off expense of $0.7 million expected to be incurred in the 2016 financial year relating to the transition from the Convair aircraft ($0.5 million after tax); and
  - a one-off expense of $0.65 million expected to be incurred in the 2017 financial year relating to the relocation of three of Freightways' Sydney-based information management businesses into a single purpose-built site ($0.45 million after tax).

REPORT FROM THE CHAIRMAN AND MANAGING DIRECTOR

Dividend

The Directors have declared a final dividend of 12.5 cents per share, fully imputed at a tax rate of 28%. This represents a payout of approximately $19.3 million compared with $17.4 million for the pcp dividend of 11.25 cents per share; an 11% increase. The dividend will be paid on 5 October 2015. The record date for determination of entitlements to the dividend is 18 September 2015.

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

REVIEW OF OPERATIONS

Divisional results for the year ended 30 June 2015 are provided below for the express package & business mail division and the information management division. Both divisions had record results.

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, Stuck, Pass The Parcel, DX Mail and Dataprint.

Operating revenue of $360 million was 8% higher than the pcp.

EBITDA of $68 million and EBITA of $62 million were both 13% higher than the pcp. These earnings amounts exclude $8 million of non-recurring charges associated with the write-down in the carrying value of the existing Convair fleet of aircraft and related spare parts and the transition from that fleet.

All businesses in this division had improved revenue and earnings compared to the pcp. Increased volumes from within our existing customer base, quality new business wins and some improved pricing all contributed to this result. Additionally, innovative new and expanded services across our businesses within this division realised new revenue and increased market share. Our larger businesses of New Zealand Couriers, Post Haste, Castle Parcels and NOW Couriers experienced particularly strong growth in the first three quarters of the year, whereas the final quarter experienced lower levels of growth.

Freightways' business mail operator, DX Mail, continued to grow market share in the postal services market. DX Mail's growth has come from customers who still require overnight delivery for their standard-priced letters. DX Mail has increased its postie delivery fleet in response to this positive market demand. The Dataprint business, which is positioned higher on the supply chain than DX Mail with a full suite of both physical and digital transactional mailhouse services, also achieved a strong result through increased market share in all of its service lines.

Branch relocations to larger premises that occurred during the year or are planned to occur in the coming year include Auckland's North Harbour & East Tamaki, New Plymouth, Tauranga, Dunedin and Palmerston North.

The transition from Convair aircraft to Boeing 737-400 aircraft will occur between February and May 2016. Boeing 737-400's are expected to provide increased capacity, faster sector speeds, savings in annual capital expenditure and operating costs, and reduced carbon emissions per item of freight carried.

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 TIMG (The Information Management Group), DataBank, Archive Security, Filesaver, LitSupport and Shred-X.

Operating revenue of $122 million was 18% above the pcp.

REPORT FROM THE CHAIRMAN AND MANAGING DIRECTOR

EBITDA of $29 million and EBITA of $24 million were 18% and 20% higher than the pcp, respectively. These earnings amounts exclude the non-recurring item discussed above of $0.65 million in the 2015 financial year and $1.25 million in the pcp.

Growth on both sides of the Tasman has been consistently strong throughout the year. Demand for physical storage services for both documents and computer media continues to increase. Newly-introduced digital information management services have gained support from existing customers and assisted the winning of new customers. The document destruction businesses, particularly Shred-X in Australia, have seen increased demand for secure destruction services and improved prices from the sale of shredded paper for recycling. LitSupport, acquired in December 2014, is not yet trading to our expectations. The renegotiation of two major customer contracts and investment in additional sales resource since acquisition has meant that earnings are not yet at anticipated levels. If earnings targets are not achieved by December 2015, up to A$5m of the purchase price will be reimbursed by the vendors. Investment in larger document storage facilities in Queensland and South Australia occurred during the year, as well as the establishment of new document destruction facilities in New South Wales and the Australian Capital Territory. A new facility has been identified in Sydney to enable the consolidation of TIMG's business units, which are currently operated from three existing locations, and will be operational in 2017. A one-off charge of $0.65 million ($0.45 million after tax) relating to the future relocation of these businesses has been treated as a non-recurring item in this full year result.

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 division. All three internal service providers have continued to deliver quality service, and in doing so have strongly underpinned the service offered by the front line businesses.

Corporate

Corporate overhead costs continue to be well-contained. Acquisitions during the year have been funded from a combination of operating cash flows and borrowings from existing finance facilities.

Capital expenditure of $14 million was invested during the year, primarily to provide capacity for growth, including expenditure on facilities and related equipment, IT infrastructure and airfreight capability.

OUTLOOK

Freightways' businesses are well-positioned to benefit from the growth opportunities that exist in both the express package & business mail and information management markets.

The express package market is expected to continue to expand, albeit not at the same rate as seen in this full year result. This outlook is consistent with general economic forecasts and has been evident in express package volumes in the fourth quarter of the 2015 financial year. The business mail operations of DX Mail and Dataprint are expected to sustain their positive growth, largely from market share gains.

The information management market is expected to continue to grow due to the service and cost advantages for businesses of outsourcing their document and computer media storage requirements. Privacy of business information will continue to be a primary driver of demand for secure document destruction services. Customers will continue to seek complementary and substitute electronic services relating to the creation and management of business information, which Freightways' businesses are also able to offer.

Capital expenditure for the full year is expected to be approximately $20 million to support the growth and development of both of Freightways' operating divisions. Overall cash flows are expected to remain strong throughout the 2016 financial year.

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

REPORT FROM THE CHAIRMAN AND MANAGING DIRECTOR

CONCLUSION

The positive features of the markets Freightways operates in, the resilience of its business models to accommodate growth and adapt to changing market circumstances and the successful execution of its growth strategies by a very experienced and capable team are again evident in this record result. Accordingly, the Directors have been able to declare a fully imputed, 12.5 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
17 August 2015

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 Group as at 30 June 2015 and its 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 Paymark Limited, a Director of Contact Energy Limited and the Chairman of the Audit & Risk Management Committee of the Christchurch City Council. 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 five-year period, including time overseas, he has spent his entire career with the Freightways Group. Dean held a range of senior executive and general management roles in a number of the Freightways businesses prior to his appointment as Managing Director.

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 Ltd 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, Metlifecare 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 Spark New Zealand Limited, Transpower New Zealand Limited and Willis Bond Capital Partners Limited. He is also a director of ANZ Bank New Zealand Limited, a consultant to law firm Simpson Grierson and a member of the Commercial Operations Advisory Board of The Treasury.

The Board has determined for the purposes of the NZSX Listing Rules that, as at 30 June 2015, Sue Sheldon, Roger Corcoran, Kim Ellis and Mark Verbiest are independent Directors and Dean Bracewell as Managing Director is not an independent Director.

DIRECTORS' REPORT

PRINCIPAL ACTIVITIES

The principal activities of the Group during the year ended 30 June 2015 were the operation of express package & business mail services and information management services.

CONSOLIDATED RESULT FOR THE YEAR

	2015 $000	2014 $000
Operating revenue	479,458	432,279
Operating profit before interest, income tax and amortisation of intangibles	73,821	70,749
Amortisation of intangibles	(1,599)	(1,060)
Profit before interest and income tax	72,222	69,689
Net interest and finance costs	(12,579)	(11,672)
Profit before income tax	59,643	58,017
Income tax applicable to operating earnings	(16,360)	(16,315)
Profit for the year attributable to the shareholders	43,283	41,702

DIRECTORS HOLDING OFFICE DURING THE YEAR WERE:

Parent:

Sue Sheldon (Chairman)

Dean Bracewell (Managing Director)

Roger Corcoran

Kim Ellis

Mark Verbiest

Sir William Birch (resigned 30 October 2014)

Subsidiaries:

Dean Bracewell

Mark Royle

DIRECTORS' REPORT

REMUNERATION OF DIRECTORS

	GROUP 2015 $	GROUP 2014 $
Sue Sheldon	146,867	142,667
Dean Bracewell	1,068,833	1,161,092
Roger Corcoran	74,633	73,642
Kim Ellis	68,333	66,333
Mark Verbiest	78,533	76,333
Sir William Birch (resigned 30 October 2014)	22,333	66,333
Mark Royle	607,078	594,716
	2,066,610	2,181,116

Remuneration of executive Directors includes the incentive payments made during the year ended 30 June 2015 in respect of the two previous six-month performance periods (1 January to 30 June 2014 and 1 July to 31 December 2014). No amount is included above in respect of incentive payments for the period 1 January to 30 June 2015, as these were paid in August 2015. 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 21 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 2015	GROUP 2014
$100,000 – $109,999	32	18
$110,000 – $119,999	19	19
$120,000 – $129,999	21	22
$130,000 – $139,999	14	9
$140,000 – $149,999	7	4
$150,000 – $159,999	8	14
$160,000 – $169,999	5	3
$170,000 – $179,999	10	11
$180,000 – $189,999	4	3
$190,000 – $199,999	4	6
$200,000 – $209,999	6	5
$210,000 – $219,999	3	2
$220,000 – $229,999	2	1
$230,000 – $239,999	3	1
$240,000 – $249,999	-	2
$250,000 – $259,999	2	-
$260,000 – $269,999	3	1
$270,000 – $279,999	-	1
$280,000 – $289,999	1	2
$290,000 – $299,999	2	1
$330,000 – $339,999	-	1
$340,000 – $349,999	-	1
$350,000 – $359,999	1	1
$360,000 – $369,999	2	1
$370,000 – $379,999	2	-
$430,000 – $439,999	1	1
$440,000 – $449,999	-	1
$460,000 – $469,999	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	-	2,398,169	154,473
Roger Corcoran	-	-	-
Kim Ellis	-	50,000	-
Mark Verbiest	-	10,000	-
Mark Royle	-	136,751	38,325

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 2015:

	NOTE	NUMBER ACQUIRED / (DISPOSED)	$ COST / (SALE)
Dean Bracewell			
Non-beneficial ownership in shares acquired 10 September 2014	(i)	63,748	198,558
Beneficial ownership in partly-paid shares acquired 10 September 2014	(ii)	44,128	441
Non-beneficial ownership in shares disposed 27 February 2015		(250,000)	(1,579,553)
Mark Royle			
Non-beneficial ownership in shares acquired 10 September 2014	(i)	18,666	57,991
Beneficial ownership in partly-paid shares acquired 10 September 2014	(ii)	9,893	99
Non-beneficial ownership in partly-paid shares disposed of 10 September 2014	(iii)	(51)	(1)

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.
(iii) Partly-paid shares redeemed and cancelled by the Company 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 17th day of August 2015.

Susan Sheldon

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 Group financial statements of Freightways Limited ("the Company") on pages 17 to 62, which comprise the balance sheet as at 30 June 2015, the statement of comprehensive income, the statement of changes in equity and the statement 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 the Group. The Group comprises the Company and the entities it controlled at 30 June 2015 or from time to time during the financial year.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards 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 auditors consider the internal controls relevant to the Company's preparation and fair presentation of the financial statements 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'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.

We are independent of the Group. Other than in our capacity as auditors and providers of other related assurance services we have no relationship with, or interests in, the Group.

Opinion

In our opinion, the financial statements on pages 17 to 62 present fairly, in all material respects, the financial position of the Group as at 30 June 2015, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Restriction on Use of our Report

This report is made solely to the Company's shareholders, as a body, in accordance with the Companies Act 1993. Our audit work has been undertaken so that we might state 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
17 August 2015

PricewaterhouseCoopers, 188 Quay Street, Private Bag 92162, Auckland 1142, New Zealand
T: +64 (9) 355 8000, F: +64 (9) 355 8001, www.pwc.co.nz

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2015

	NOTE	GROUP 2015 $000	GROUP 2014 $000
Operating revenue	2	479,458	432,279
Transport and logistics expenses		(189,546)	(177,680)
Employee benefits expenses		(126,789)	(111,132)
Occupancy expenses		(21,133)	(19,344)
General and administration expenses		(46,509)	(40,261)
Non-recurring items	3	(8,975)	(1,249)
Operating profit before interest, income tax, depreciation and software amortisation, and amortisation of intangibles		86,506	82,613
Depreciation and software amortisation	3	(12,685)	(11,864)
Operating profit before interest, income tax and amortisation of intangibles		73,821	70,749
Amortisation of intangibles	3	(1,599)	(1,060)
Profit before interest and income tax		72,222	69,689
Net interest and finance costs	3	(12,579)	(11,672)
Profit before income tax		59,643	58,017
Income tax	4	(16,360)	(16,315)
Profit for the year attributable to the shareholders		43,283	41,702
Earnings per share	24		
Basic earnings per share (cents)		28.0	27.0
Diluted earnings per share (cents)		28.0	27.0

NB: All revenue and earnings are from continuing operations.

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

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2015

		GROUP	
	NOTE	2015 $000	2014 $000
Profit for the year (NPAT)		43,283	41,702
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	20	1,622	(1,985)
Cash flow hedges taken directly to equity, net of tax	20	(1,360)	2,433
Total other comprehensive income after income tax		262	448
Total comprehensive income for the year attributable to the shareholders		43,545	42,150

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2015

GROUP	CONTRIBUTED EQUITY $000	RETAINED EARNINGS $000	CASH FLOW HEDGE RESERVE $000	FOREIGN CURRENCY TRANSLATION RESERVE $000	TOTAL EQUITY $000
Balance at 1 July 2014	122,108	87,215	(5,421)	(4,466)	199,436
Profit for the year	-	43,283	-	-	43,283
Exchange differences on translation of foreign operations	-	-	-	1,622	1,622
Cash flow hedges taken directly to equity, net of tax	-	-	(1,360)	-	(1,360)
Total comprehensive income	-	43,283	(1,360)	1,622	43,545
Dividend payments	-	(35,927)	-	-	(35,927)
Shares issued	750	-	-	-	750
Balance at 30 June 2015	122,858	94,571	(6,781)	(2,844)	207,804

	CONTRIBUTED EQUITY $000	RETAINED EARNINGS $000	CASH FLOW HEDGE RESERVE $000	FOREIGN CURRENCY TRANSLATION RESERVE $000	TOTAL EQUITY $000
Balance at 1 July 2013	121,660	75,974	(7,854)	(2,481)	187,299
Profit for the year	-	41,702	-	-	41,702
Exchange differences on translation of foreign operations	-	-	-	(1,985)	(1,985)
Cash flow hedges taken directly to equity, net of tax	-	-	2,433	-	2,433
Total comprehensive income	-	41,702	2,433	(1,985)	42,150
Dividend payments	-	(30,461)	-	-	(30,461)
Shares issued	448	-	-	-	448
Balance at 30 June 2014	122,108	87,215	(5,421)	(4,466)	199,436

The above Statement 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 17th day of August 2015.

Susan Sheldon

Susan Sheldon
Chairman

Dean Bracewell
Managing Director

BALANCE SHEET

AS AT 30 JUNE 2015

	NOTE	GROUP 2015 $000	GROUP 2014 $000
Current assets			
Cash and cash equivalents	6	13,946	3,880
Trade and other receivables	7	70,034	60,774
Inventories	8	5,870	8,776
		89,850	73,430
Assets held for sale	9	5,797	-
Total current assets		95,647	73,430
Non-current assets			
Trade and other receivables	7	273	279
Property, plant and equipment	12	84,511	93,576
Intangible assets	13	318,237	286,600
Total non-current assets		403,021	380,455
Total assets		498,668	453,885
Current liabilities			
Trade and other payables	15	57,436	53,973
Finance lease liabilities	16	32	70
Income tax payable		6,780	5,320
Provisions	17	1,413	443
Derivative financial instruments	10	338	143
Unearned income	18	16,041	14,561
Total current liabilities		82,040	74,510
Non-current liabilities			
Trade and other payables	15	12,327	2,763
Borrowings (secured)	19	177,007	159,098
Deferred tax liability	14	7,731	8,881
Provisions	17	2,932	2,200
Finance lease liabilities	16	-	32
Derivative financial instruments	10	8,827	6,965
Total non-current liabilities		208,824	179,939
Total liabilities		290,864	254,449
Net assets		207,804	199,436
Equity			
Contributed equity		122,858	122,108
Retained earnings		94,571	87,215
Cash flow hedge reserve		(6,781)	(5,421)
Foreign currency translation reserve		(2,844)	(4,466)
Total equity	20	207,804	199,436

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2015

	NOTE	GROUP 2015 $000 INFLOWS (OUTFLOWS)	GROUP 2014 $000 INFLOWS (OUTFLOWS)
Cash flows from operating activities			
Receipts from customers		480,180	428,892
Payments to suppliers and employees		(381,349)	(343,805)
Cash generated from operations		98,831	85,087
Interest received		143	52
Interest and other costs of finance paid		(11,369)	(10,684)
Income taxes paid		(19,160)	(14,919)
Net cash inflows from operating activities	22	68,445	59,536
Cash flows from investing activities			
Payments for property, plant and equipment		(11,613)	(15,913)
Payments for software		(1,870)	(1,629)
Proceeds from disposal of property, plant and equipment		292	113
Payments for businesses acquired (net of cash acquired)	29	(22,363)	(16,758)
Cash flows from other investing activities		(918)	(331)
Net cash outflows from investing activities		(36,472)	(34,518)
Cash flows from financing activities			
Dividends paid		(35,927)	(30,461)
Increase in bank borrowings		13,579	5,676
Net proceeds from issue of ordinary shares		394	423
Finance lease liabilities repaid		(38)	(86)
Net cash outflows from financing activities		(21,992)	(24,448)
Net increase in cash and cash equivalents		9,981	570
Cash and cash equivalents at the beginning of year		3,880	3,484
Exchange rate adjustments		85	(174)
Cash and cash equivalents at end of year	6	13,946	3,880

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Reporting entity and statutory base

Freightways Limited is a company registered under the Companies Act 1993 and is an FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013. The financial statements of the Group have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013 and the NZX Main Board Listing Rules. In accordance with the Financial Markets Conduct Act 2013, group financial statements are prepared and presented for Freightways Limited and its subsidiaries. Accordingly, separate financial statements for Freightways Limited are no longer required to be prepared and presented.

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

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP).

The Group is a for-profit entity for the purposes of complying with NZ GAAP. The consolidated financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS. The consolidated financial statements also comply with International Financial Reporting Standards (IFRS).

Certain comparatives have been restated to align with current year presentation.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments, which have been measured at fair value and assets held for sale which are stated at fair value less estimated costs to sell.

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 13.

(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 involves estimates. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

(v) Acquisition earn-out amounts payable

The valuation of the Group's acquisition earn-out amounts payable are based on the post-acquisition performance of the acquired businesses. These fair value measurements require, among other things, significant estimation of post-acquisition performance of the acquired business and judgement on time value of money. Acquisition earn-out 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 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 Notes 3 and 29.

(vi) Carrying value of aircraft and related inventory

The Group has announced that it will, through a Joint Venture with Airwork Limited, be transitioning from its fleet of Convair aircraft to a fleet of Boeing 737-400 freighter aircraft during the year ended 30 June 2016 and has written down the owned Convair aircraft and related inventory to their fair value less costs to sell. Determining the amount of the write-down requires significant judgement. In making this judgement, management of the Group evaluates, among other factors, original cost, market pricing of similar aircraft and insurance replacement values for the current fleet of aircraft. Refer to Notes 8 and 9.

(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.

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 Company 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 NZ 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 arrangements and joint ventures

The Group applies NZ IFRS 11 to all joint arrangements. Under NZ IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures are changed where necessary to ensure consistency with the policies adopted by the Group.

(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 functional currency and the Group's 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 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 the balance sheet presented are translated at the closing rate at the date of the balance sheet
- income and expenses for the 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 is measured at the fair value of the consideration received and receivable for goods and services supplied to customers in the ordinary course of business. The Group recognises revenue when the amount of revenue can be reliably measured and when it is probable that future economic benefits will flow to the entity. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

(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 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

(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' 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.

(ii) 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 and Cash and cash equivalents on the balance sheet.

(n) Assets held for sale

Assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less estimated costs to sell.

(o) 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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

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	- 3 to 20 years

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

(p) 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 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 three 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.

(q) Investments

Investments are stated at fair value.

(r) 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.

(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.

(s) 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 approximates their fair values.

(t) 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.

(u) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

(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 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.

(v) 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.

(w) Borrowing costs

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

(x) 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.

(y) 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.

(z) 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.

(aa) Borrowings

Interest-bearing bank loans and overdrafts are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

(ab) Changes in accounting policies

The accounting policies and methods of computation are consistent with those used in the prior year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

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 2015:

	EXPRESS PACKAGE & BUSINESS MAIL $000	INFORMATION MANAGEMENT $000	CORPORATE & OTHER $000	INTER-SEGMENT ELIMINATION $000	CONSOLIDATED OPERATIONS $000
Income statement					
Sales to external customers	357,831	121,625	2	-	479,458
Inter-segment sales	2,048	30	4,358	(6,436)	-
Total revenue	359,879	121,655	4,360	(6,436)	479,458
Operating profit before interest, income tax, depreciation and software amortisation, and amortisation of intangibles	60,264	28,064	(1,822)	-	86,506
Depreciation and software amortisation	(6,619)	(4,607)	(1,459)	-	(12,685)
Operating profit before interest, income tax and amortisation of intangibles	53,645	23,457	(3,281)	-	73,821
Amortisation of intangibles	(50)	(1,549)	-	-	(1,599)
Profit before interest and income tax	53,595	21,908	(3,281)	-	72,222
Net interest and finance costs	(148)	(1,170)	(11,261)	-	(12,579)
Profit before income tax	53,447	20,738	(14,542)	-	59,643
Income tax	(15,113)	(6,601)	5,354	-	(16,360)
Profit for the year attributable to the shareholders	38,334	14,137	(9,188)	-	43,283
Balance sheet					
Segment assets	243,209	205,058	50,401	-	498,668
Segment liabilities	54,101	35,486	201,277	-	290,864
Additions to non-current assets, excluding deferred tax asset	7,307	35,422	584	-	43,313

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

As at and for the year ended 30 June 2014:

	EXPRESS PACKAGE & BUSINESS MAIL $000	INFORMATION MANAGEMENT $000	CORPORATE & OTHER $000	INTER-SEGMENT ELIMINATION $000	CONSOLIDATED OPERATIONS $000
Income statement					
Sales to external customers	329,611	102,666	2	-	432,279
Inter-segment sales	2,253	80	4,090	(6,423)	-
Total revenue	331,864	102,746	4,092	(6,423)	432,279
Operating profit before interest, income tax, depreciation and software amortisation, and amortisation of intangibles	60,655	23,105	(1,147)	-	82,613
Depreciation and software amortisation	(6,166)	(4,298)	(1,400)	-	(11,864)
Operating profit before interest, income tax and amortisation of intangibles	54,489	18,807	(2,547)	-	70,749
Amortisation of intangibles	(50)	(1,010)	-	-	(1,060)
Profit before interest and income tax	54,439	17,797	(2,547)	-	69,689
Net interest and finance costs	(147)	(120)	(11,405)	-	(11,672)
Profit before income tax	54,292	17,677	(13,952)	-	58,017
Income tax	(15,349)	(5,713)	4,747	-	(16,315)
Profit for the year attributable to the shareholders	38,943	11,964	(9,205)	-	41,702
Balance sheet					
Segment assets	250,337	160,767	42,781	-	453,885
Segment liabilities	51,598	22,223	180,628	-	254,449
Additions to non-current assets, excluding deferred tax asset	8,676	26,347	3,322	-	38,345

Segment assets and liabilities are disclosed net of inter-company balances.

For the year ended 30 June 2015, external revenue from customers in the Group's New Zealand and Australian operations was $399.1 million and $80.4 million, respectively (2014: $369.4 million and $62.9 million, respectively). As at 30 June 2015, non-current assets in respect of the New Zealand and Australian operations (excluding deferred tax assets) were $262.2 million and $140.8 million, respectively (2014: $274.1 million and $106.6 million, respectively).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

NOTE 3. INCOME AND EXPENSES

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

		GROUP	
	NOTE	2015 $000	2014 $000
Income:			
Interest income		143	96
Operating expenses:			
Net loss (gain) on disposal of property, plant and equipment		7	17
Depreciation	12	11,526	11,060
Amortisation of intangible assets	13	1,599	1,060
Amortisation of software	13	1,159	804
Operating lease expenses		21,502	20,349
Auditors' fees:			
Audit of annual financial statements and review of interim financial statements		317	281
Annual Shareholders Meeting scrutineering		6	6
Costs of offering credit:			
Impairment (gain) loss on trade receivables		550	333
Interest and finance costs:			
Interest on bank borrowings		11,322	11,530
Interest on finance leases		3	15
Derivative fair value movement		168	28
Unwinding of discount on acquisition earn-out liability		1,229	195
Other:			
Net foreign exchange (gain) loss		(71)	(343)
Directors' fees		391	425
Donations		190	217
Non-recurring items:*			
Write-down of aircraft		(5,633)	-
Write-down of aircraft-related inventory		(1,997)	-
Aircraft lease exit costs		(700)	-
Premises lease exit costs		(645)	-
Increase in accrued acquisition earn-out payments	29	-	(1,249)

* Non-recurring expense items for the year ended 30 June 2015 relate to:

- write-down of aircraft to their estimated fair value, less costs to sell;
- write-down of aircraft-related inventory to their estimated fair value, less estimated costs to sell;
- provision for cost to exit existing leased aircraft; and
- provision for one-off premises lease exit costs.

The non-recurring expense for the year ended 30 June 2014 related to an increase in the accrual for an upcoming acquisition earn-out payment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

NOTE 4. INCOME TAX EXPENSE

	GROUP	
	2015 $000	2014 $000
Current tax:		
Current tax on profit for the year	19,811	16,864
Deferred tax (Note 14):		
Reversal of temporary differences	(3,451)	(549)
Total deferred tax	(3,451)	(549)
Income tax expense (benefit)	16,360	16,315

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:

Profit before income tax	59,643	58,017
Income tax calculated at domestic tax rates applicable to the accounting profits in the respective countries:	16,790	16,311
Tax-effect of amounts which are treated differently when calculating taxable income:		
- Additional amounts deductible	(522)	(260)
- Other	92	264
Income tax expense (benefit)	16,360	16,315

The Group has no tax losses (2014: Nil) and no unrecognised temporary differences (2014: Nil).

	GROUP	
	2015 $000	2014 $000
Imputation credits account		
Imputation credits available for use in subsequent reporting periods:	22,918	18,732

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 2015 which was declared subsequent to 30 June 2015 will reduce the above-stated available balance of imputation credits by approximately $7.5 million.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

The tax (charge)/credit relating to components of other comprehensive income is as follows:

2015 ($000)	BEFORE TAX	TAX (CHARGE) / CREDIT	AFTER TAX
Exchange difference on translation of foreign operations	1,622	-	1,622
Cash flow hedges taken directly to equity	(1,889)	529	(1,360)
Other comprehensive income	(267)	529	262
Current tax		-	
Deferred tax		529	
		529	

2014 ($000)	BEFORE TAX	TAX (CHARGE) / CREDIT	AFTER TAX
Exchange difference on translation of foreign operations	(1,985)	-	(1,985)
Cash flow hedges taken directly to equity	3,379	(946)	2,433
Other comprehensive income	1,394	(946)	448
Current tax		-	
Deferred tax		(946)	
		(946)	

NOTE 5. DIVIDENDS

	GROUP	
	2015 $000	2014 $000
Recognised amounts		
Fully imputed dividends declared and paid during the year:		
Final dividend for 2014 at 11.25 cents per share (2013: 9.75 cents)	17,384	15,038
Interim dividend for 2015 at 12.00 cents per share (2014: 10.00 cents)	18,543	15,423
	35,927	30,461
Unrecognised amounts		
Final dividend for 2015 at 12.5 cents per share (2014: 11.25 cents)	19,343	17,388

Subsequent to balance date the above unrecognised dividend was approved by a directors' resolution dated 17 August 2015. This amount has not been recognised as a liability at the reporting date, but will be brought to account when paid.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

NOTE 6. CASH AND CASH EQUIVALENTS

	GROUP	
	2015 $000	2014 $000
Comprises:		
- Cash at bank	13,570	3,773
- Overnight deposit	376	107
Cash and cash equivalents in statement of cash flows	13,946	3,880

NOTE 7. TRADE AND OTHER RECEIVABLES

	GROUP	
	2015 $000	2014 $000
Current:		
Trade receivables	58,993	55,446
Provision for doubtful receivables	(1,742)	(1,192)
	57,251	54,254
Other debtors and prepayments	8,109	6,318
Estimated acquisition purchase price adjustment	4,389	-
Share plan loans receivable from employees	285	202
	70,034	60,774
Non-current:		
Share plan loans receivable from employees	240	117
Other debtors	33	162
	273	279

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 movements in the provision for doubtful receivables for the Group were as follows:

	GROUP	
	2015 $000	2014 $000
Opening balance	1,192	966
Provision for doubtful receivables	658	527
Receivables written off during the year as uncollectible	(134)	(271)
Exchange rate movement	26	(30)
Closing balance (Note 27.1(b))	1,742	1,192

Amounts charged to the provision for doubtful receivables are generally written off when there is no expectation of recovering additional cash.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

NOTE 8. INVENTORIES

	GROUP 2015 $000	GROUP 2014 $000
Finished goods	1,598	2,932
Convair parts	2,000	3,672
Ticket stocks, uniforms and consumables	2,272	2,172
	5,870	8,776

The cost of inventories recognised as an expense and included in 'general and administration expenses' amounted to $13.2 million (2014: $12.1 million).

NOTE 9. ASSETS HELD FOR SALE

	GROUP 2015 $000	GROUP 2014 $000
Aircraft held for sale	5,797	-

In June 2015, the Group announced that it will be transitioning from Convair aircraft to a fleet of Boeing 737-400 freighter aircraft through a Joint Venture with Airwork Limited. In accordance with IFRS 5, the owned Convair aircraft held for sale have been written down to their fair value less costs to sell. The write-down is a non-recurring fair value adjustment which has been measured using observable inputs, including original cost, market pricing of similar aircraft and replacement values for insurance purposes, and is therefore within Level 2 of the fair value hierarchy.

The Group intends to sell these assets within a year.

NOTE 10. DERIVATIVE FINANCIAL INSTRUMENTS

	GROUP 2015 $000 Asset (Liability)	GROUP 2014 $000 Asset (Liability)
Current:		
Interest rate swaps	(338)	(143)
Non-current:		
Interest rate swaps	(8,827)	(6,965)

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

	INTEREST RATE DERIVATIVES NZD 2015 $000	NZD 2014 $000	AUD 2015 $000	AUD 2014 $000
Interest rate swaps	98,000	93,000	70,000	65,000

The interest rate derivatives are 100% effective as cash flow hedges against the future interest payments of the Group (2014: 100%).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

An expense of $168,059, 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 (2014: $28,207).

Gains and losses recognised in the hedging reserve in equity on interest rate swap contracts as of 30 June 2015 will be continuously released to the income statement within finance costs until the repayment of the applicable bank borrowings.

NOTE 11. 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 2015

NOTE 12. PROPERTY, PLANT & EQUIPMENT

	LAND	BUILDINGS	LEASEHOLD ALTERATIONS	MOTOR VEHICLES	EQUIPMENT	TOTAL
2015 ($000)						
Opening net book value	13,775	27,741	3,734	4,068	44,258	93,576
Additions	-	503	762	1,938	8,502	11,705
Acquisitions through business combinations (Note 29)	-	-	-	69	1,289	1,358
Depreciation expense	-	(1,550)	(561)	(1,051)	(8,364)	(11,526)
Disposals	-	-	(79)	(105)	(115)	(299)
Write-down of aircraft	-	-	-	-	(5,633)	(5,633)
Transferred to assets held for sale	-	-	-	-	(5,797)	(5,797)
Exchange rate movement	67	76	71	175	738	1,127
Closing net book value	13,842	26,770	3,927	5,094	34,878	84,511
As at end of year						
Cost	13,842	39,555	8,723	12,153	73,781	148,054
Accumulated depreciation	-	(12,785)	(4,796)	(7,059)	(38,903)	(63,543)
Net book value	13,842	26,770	3,927	5,094	34,878	84,511
2014 ($000)						
Opening net book value	12,960	27,079	3,597	3,726	42,160	89,522
Additions	964	2,342	771	1,093	10,796	15,966
Acquisitions through business combinations	-	-	17	562	821	1,400
Depreciation expense	-	(1,502)	(504)	(1,050)	(8,004)	(11,060)
Disposals	-	-	-	(79)	(50)	(129)
Exchange rate movement	(149)	(178)	(147)	(184)	(1,465)	(2,123)
Closing net book value	13,775	27,741	3,734	4,068	44,258	93,576
As at end of year						
Cost	13,775	38,961	7,989	10,151	105,603	176,479
Accumulated depreciation	-	(11,220)	(4,255)	(6,083)	(61,345)	(82,903)
Net book value	13,775	27,741	3,734	4,068	44,258	93,576

No amount has been included in the cost of land and buildings in respect of assets under construction for which depreciation has not commenced (2014: $2.2 million).

The latest independent valuations of land and buildings (performed in June 2014) assess these assets to have a total fair value of $56.7 million. The fair values have been derived using the direct capitalisation approach. The valuation technique uses significant unobservable inputs, namely capitalisation rate and potential new market income of land and buildings. Therefore these are considered Level 3 valuations, as defined in Note 27.1(d).

Finance leases: Equipment includes items capitalised under finance leases with a cost of $0.2 million (2014: $0.4 million), together with accumulated depreciation of $0.1 million (2014: $0.1 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 2015

NOTE 13. INTANGIBLE ASSETS

	GOODWILL	BRAND NAMES	SOFTWARE	CUSTOMER RELATIONSHIPS	OTHER	TOTAL
2015 ($000)						
Opening net book value	152,714	109,738	8,502	14,460	1,186	286,600
Additions	-	-	1,871	-	922	2,793
Acquisition through business combinations (Note 29)	15,656	4,745	461	5,306	-	26,168
Amortisation expense	-	-	(1,159)	(1,326)	(273)	(2,758)
Exchange rate movement	3,867	993	69	440	65	5,434
Closing net book value	172,237	115,476	9,744	18,880	1,900	318,237
As at end of year						
Cost	190,899	115,476	17,521	21,117	2,755	347,768
Accumulated amortisation	(18,662)	-	(7,777)	(2,237)	(855)	(29,531)
Net book value	172,237	115,476	9,744	18,880	1,900	318,237
2014 ($000)						
Opening net book value	147,981	111,501	7,773	7,414	1,365	276,034
Additions	-	-	1,629	-	331	1,960
Acquisition through business combinations	10,820	-	-	7,997	-	18,817
Amortisation expense	-	-	(804)	(637)	(423)	(1,864)
Exchange rate movement	(6,087)	(1,763)	(96)	(314)	(87)	(8,347)
Closing net book value	152,714	109,738	8,502	14,460	1,186	286,600
As at end of year						
Cost	171,376	109,738	15,093	15,302	1,763	313,272
Accumulated amortisation	(18,662)	-	(6,591)	(842)	(577)	(26,672)
Net book value	152,714	109,738	8,502	14,460	1,186	286,600

Included in the cost of software is work in progress of $1.4 million (2014: $1.3 million) for which amortisation has not commenced.

An independent valuation of the brand names was conducted by Deloitte in August 2015. This independent report assessed the fair market value of the brand names as at 30 June 2015 to be between $280 million and $312 million. The fair values have been derived using the value-in-use approach. The valuation technique uses significant unobservable inputs, namely discount rate, growth rate and cash flow. Therefore these are considered Level 3 valuations, as defined in Note 27.1(d).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

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	
	2015 $000	2014 $000	2015 $000	2014 $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	4,125	1,310	1,310
Post Haste, Castle Parcels and NOW Couriers	22,008	22,008	18,395	18,395
Total Express Package & Business Mail	74,158	74,158	89,205	89,205
Online Security Services	16,945	16,945	4,400	4,400
The Information Management Group	35,579	31,406	11,570	11,032
Filesaver	5,013	4,957	1,873	1,786
LitSupport	14,330	-	4,952	-
Shred-X	26,212	24,648	3,476	3,315
Total Information Management	98,079	77,956	26,271	20,533
Total	172,237	152,114	115,476	109,738

(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 2015. Cash flows beyond June 2015 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 4% (2014: 4%). A 1% (2014: 1%) growth rate and 1% (2014: 1%) terminal growth rate have been applied to the express package & business mail businesses in the value-in-use calculation. For the information management segment, the compound annual earnings growth rate for the last five years of approximately 13% (2014: 12%) is considered indicative of the growth in this segment since the Company's expansion into Australia. A 3% (2014: 3%) growth rate and 3% (2014: 3%) terminal growth rate have been applied to the information management businesses in the value-in-use calculation.

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 2015

NOTE 14. DEFERRED LIABILITY

	2015 $000	2014 $000
Deferred tax liabilities		
Deferred tax liabilities to be recovered within 12 months	1,047	973
Deferred tax liabilities to be recovered after more than 12 months	6,684	7,908
Balance at end of year	7,731	8,881

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 AND EQUIPMENT	EMPLOYEE ENTITLEMENTS	ACCRUALS AND PROVISIONS	DERIVATIVE FINANCIAL INSTRUMENTS	INTANGIBLE ASSETS	TOTAL
2015 ($000)						
Balance at beginning of year	(9,059)	2,913	1,522	1,991	(6,248)	(8,881)
Transfer to income statement	2,264	241	1,176	46	(277)	3,450
Amounts relating to business combinations (Note 29)	-	270	49	-	(3,019)	(2,700)
Adjustment for cash flow hedge reserve	-	-	-	529	-	529
Exchange rate movement	2	74	35	-	(240)	(129)
Balance at end of year	(6,793)	3,498	2,782	2,566	(9,784)	(7,731)

	PROPERTY, PLANT AND EQUIPMENT	EMPLOYEE ENTITLEMENTS	ACCRUALS AND PROVISIONS	DERIVATIVE FINANCIAL INSTRUMENTS	INTANGIBLE ASSETS	TOTAL
2014 ($000)						
Balance at beginning of year	(9,458)	2,614	1,134	2,929	(3,467)	(6,248)
Transfer to income statement	1	356	411	8	(218)	558
Amounts relating to business combinations	275	64	12	-	(2,607)	(2,256)
Adjustment for cash flow hedge reserve	-	-	-	(946)	-	(946)
Exchange rate movement	123	(121)	(35)	-	44	11
Balance at end of year	(9,059)	2,913	1,522	1,991	(6,248)	(8,881)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

NOTE 15. TRADE AND OTHER PAYABLES

	GROUP 2015 $000	2014 $000
Current:		
Trade creditors	29,313	28,279
Employee entitlements	14,515	12,000
Acquisition earn-out payments	1,955	3,597
Other creditors and accruals	11,653	10,097
	57,436	53,973
Non-current:		
Acquisition earn-out payments	10,808	1,728
Other non-current payables	1,519	1,035
	12,327	2,763

NOTE 16. LEASES

(a) Finance lease commitments

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

	2015 $000	2014 $000
Within one year	32	67
After one year but not more than five years	-	30
Minimum lease payments	32	97
Less: future finance charges	-	5
	32	102
Classified in the balance sheet:		
Current liabilities	32	70
Non-current liabilities	-	32
	32	102

(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:

	2015 $000	2014 $000
Within one year	21,700	17,556
After one year but not more than five years	50,381	43,802
After five years	21,221	21,839
	93,302	83,197

The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

NOTE 17. PROVISIONS

	CUSTOMER CLAIMS $000	LONG SERVICE LEAVE $000	LEASE OBLIGATIONS $000	TOTAL $000
2015				
Balance at beginning of year	443	1,236	964	2,643
Current year provision	516	254	986	1,756
Amounts relating to business combinations	-	428	66	494
Expenses incurred	(443)	(167)	(46)	(656)
Movement in exchange rate	-	82	26	108
Balance at end of year	516	1,833	1,996	4,345
2014				
Balance at beginning of year	313	1,089	769	2,171
Current year provision	130	312	246	688
Amounts relating to business combinations	-	7	-	7
Expenses incurred	-	(56)	(13)	(69)
Movement in exchange rate	-	(116)	(38)	(154)
Balance at end of year	443	1,236	964	2,643

Analysis of total provisions:

	2015 $000	2014 $000
Current	1,413	443
Non-current	2,932	2,200
Total	4,345	2,643

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 and equipment used to an appropriate condition upon the expiry of the respective lease terms.

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FOR THE YEAR ENDED 30 JUNE 2015

NOTE 18. UNEARNED INCOME

	GROUP	
	2015 $000	2014 $000
Unearned income	16,041	14,561

NOTE 19. BORROWINGS

	GROUP	
	2015 $000	2014 $000
Non-current:		
Bank borrowings	177,007	159,098

(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. As at 30 June 2015, the carrying amount of the assets pledged as security is $171 million (2014: $177 million).

(b) Finance facilities

The following finance facilities existed at the reporting date:

	NEW ZEALAND DOLLARS		AUSTRALIAN DOLLARS	
	2015 $000	2014 $000	2015 $000	2014 $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 2016	5,000	5,000	7,500	7,500
- maturing 1 September 2017	5,000	5,000	7,500	7,500
- maturing 1 September 2018	5,000	5,000	2,000	2,000
- amount of loan facilities used	10,841	11,625	14,200	14,200
- amount of loan facilities unused	4,159	3,375	2,800	2,800

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(b) Finance facilities (continued)

	NEW ZEALAND DOLLARS 2015 $000	NEW ZEALAND DOLLARS 2014 $000	AUSTRALIAN DOLLARS 2015 $000	AUSTRALIAN DOLLARS 2014 $000
Westpac (New Zealand)				
- total loan facilities available	55,000	55,000	-	47,200
- maturing 1 September 2016	19,000	19,000	-	15,200
- maturing 1 September 2017	18,000	18,000	-	16,000
- maturing 1 September 2018	18,000	18,000	-	16,000
- amount of loan facilities used	40,027	42,850	-	40,256
- amount of loan facilities unused	14,973	12,150	-	6,944
Westpac (Australia)				
- total loan facilities available	-	-	55,500	-
- maturing 1 September 2016	-	-	16,000	-
- maturing 1 September 2017	-	-	19,750	-
- maturing 1 September 2018	-	-	19,750	-
- amount of loan facilities used	-	-	50,638	-
- amount of loan facilities unused	-	-	4,862	-
ANZ (New Zealand)				
- total loan facilities available	40,000	40,000	-	-
- maturing 1 September 2016	13,000	13,000	-	-
- maturing 1 September 2017	14,000	14,000	-	-
- maturing 1 September 2018	13,000	13,000	-	-
- amount of loan facilities used	29,132	31,225	-	-
- amount of loan facilities unused	10,868	8,775	-	-
ANZ (Australia)				
- total loan facilities available	-	-	24,500	17,800
- maturing 1 September 2016	-	-	4,000	4,800
- maturing 1 September 2017	-	-	7,750	4,000
- maturing 1 September 2018	-	-	12,750	9,000
- amount of loan facilities used	-	-	21,362	13,944
- amount of loan facilities unused	-	-	3,138	3,856
NAB (Australia)				
- total bank overdraft facility available	-	-	20	20
- amount of overdraft facility unused	-	-	20	20

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FOR THE YEAR ENDED 30 JUNE 2015

	FACILITIES DENOMINATED IN NEW ZEALAND DOLLARS 2015	2014	FACILITIES DENOMINATED IN AUSTRALIAN DOLLARS 2015	2014
Effective interest rate at 30 June as amended for interest rate hedges	7.38%	7.16%	6.02%	6.79%

The fair values of borrowings are not materially different to their carrying amount, since the interest payable on those borrowings is either close to market rate or the borrowings are of a short-term nature.

During July 2015, the Group negotiated a two-year extension of its bank facilities. The extended facilities are spread between 3-year, 4-year and 5-year maturity and became effective from 1 July 2015.

The Group was in compliance with all of its banking covenants throughout the year ended 30 June 2015.

NOTE 20. EQUITY

	GROUP			
	2015 ORDINARY SHARES	2014 ORDINARY SHARES	2015 $000	2014 $000
Balance at beginning of year	154,220,552	153,992,075	122,108	121,660
Partly-paid ordinary shares issued	-	-	10	1
Partly-paid shares, fully paid up to ordinary shares	173,498	162,138	541	462
Employee share-based payment	-	-	(286)	(260)
Shares issued for employee share plan	115,000	75,000	529	278
(Increase) decrease in employee share plan unallocated shares	10,011	(8,661)	(44)	(33)
Balance at end of year	154,519,061	154,220,552	122,858	122,108

Contributed Equity

(i) Fully paid ordinary shares

As at 30 June 2015 there were 154,522,922 shares issued and fully paid (2014: 154,234,424). 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 2014, 124,221 partly-paid shares were issued to certain senior executives under the rules of the Freightways Senior Executive Performance Share Plan (2014: 148,386). The issue price per share was $5.11 (2014: $4.12) 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 21). During the year, 24,292 partly-paid shares were redeemed and cancelled (2014: 24,414). As at 30 June 2015 there were 409,862 partly-paid shares on issue, paid up to one cent per share (2014: 483,804). Partly-paid shares have no voting rights and no rights to dividends and surplus on winding up.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

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

On 10 September 2014, 173,498 (2014: 162,138) 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 $3.12 (2014: $2.85).

(iv) Employee Share Plan

On 18 September 2014, the Company issued 115,000 fully paid ordinary shares at $4.60 each to Freightways Trustee Company Limited, as Trustee for the Freightways Employee Share Plan (September 2013: 75,000 fully paid ordinary shares at $3.71 each). In total, participating employees were provided with interest-free loans of $0.5 million to fund their purchase of the shares in the Share Plan (September 2013: $0.3 million). The loans are repayable over three years and repayment commenced in October 2014.

As at 30 June 2015 the Trustee held 522,422 (2014: 501,968) fully paid ordinary shares (representing 0.3% (2014: 0.3%) of all issued ordinary shares) of which 3,861 (2014: 13,872) 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(r).

(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 2015

NOTE 21. 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	25 Aug 2009	10 Sept 2010	13 Sept 2011	10 Sept 2012	11 Sept 2013	10 Sept 2014
Number of partly-paid shares allocated	103,357	173,685	183,716	155,832	148,386	124,221
Market price per share at date of allocation	$2.83	$2.85	$3.15	$3.97	$4.12	$5.11
Amount paid up per share upon allocation	$0.01	$0.01	$0.01	$0.01	$0.01	$0.01
Total amount paid-up upon allocation	$1,034	$1,737	$1,837	$1,558	$1,484	$1,242
Total amount paid-up upon vesting:						
- year ended 30 June 2013	$226,003	-	-	-	-	-
- year ended 30 June 2014	$34,443	$421,524	-	-	-	-
- year ended 30 June 2015	$6,458	$37,658	$495,957	-	-	-
Escrow periods ended 30 June:	2012 (100%)	2013 (100%)	2014 (100%)	2015 (100%)	2016 (100%)	2017 (100%)

Total number of partly-paid shares on issue:

	2015	2014
Balance at beginning of the year	483,431	521,597
Issued during the year	124,221	148,386
Cancelled during the year	(24,292)	(24,414)
Fully paid up during the year	(173,498)	(162,138)
Balance at end of the year	409,862	483,431
Partly-paid shares eligible to be paid up at the end of the year	Nil	Nil

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

	2015 $000	2014 $000
Total amount expensed during the year for the senior executive performance share plan	564	554
Liability recognised at year end for bonuses payable to facilitate the paying-up of vested partly-paid shares	638	652

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.

NOTE 22. RECONCILIATION OF PROFIT FOR THE YEAR WITH CASH FLOWS FROM OPERATING ACTIVITIES

		GROUP	
	NOTE	2015 $000	2014 $000
Profit for the year		43,283	41,702
Add non-cash items:			
Depreciation & amortisation	3	14,284	12,924
Movement in provision for doubtful debts		570	218
Movement in deferred income tax		(4,006)	2,218
Net loss on disposal of property, plant and equipment		7	17
Net foreign exchange loss (gain)		(71)	(343)
Movement in derivative fair value		168	28
Non-recurring items		8,975	-
Items not included in profit for the year:			
Cash flow hedges taken directly to equity		1,360	(2,433)
Movement in working capital, net of effects of acquisitions of businesses:			
Decrease (increase) in trade and other receivables		(1,941)	(5,889)
Decrease (increase) in inventories		976	(266)
Increase (decrease) in trade and other payables		4,205	10,399
Increase (decrease) in income taxes payable		635	961
Net cash inflows (outflows) from operating activities		68,445	59,536

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FOR THE YEAR ENDED 30 JUNE 2015

NOTE 23. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Group had made capital commitments to purchase or construct buildings and equipment for $13.5 million at 30 June 2015 (2014: $1.2 million), principally relating to the completion of operating facilities throughout the Group.

As at 30 June 2015, the Group had outstanding letters of credit and bank guarantees issued by its lenders totalling approximately $2.2 million (2014: $2.1 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.

NOTE 24. 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	
	2015	2014
Profit for the year ($000)	43,283	41,702
Weighted average number of ordinary shares ('000):	154,464	154,187
Basic earnings per share (cents)	28.0	27.0

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	
	2015	2014
Profit for the year ($000)	43,283	41,702
Weighted average number of ordinary shares ('000):	154,464	154,187
Effect of dilution	410	483
Diluted weighted average number of ordinary shares ('000):	154,874	154,670
Diluted earnings per share (cents)	28.0	27.0

* Basic and diluted earnings per share calculated on the profit for the year, excluding non-recurring items, net of tax (refer Note 3), are 32.2 cents and 32.1 cents, respectively (2014: 27.9 cents and 27.8 cents, respectively).

NOTE 25. NET TANGIBLE ASSETS PER SECURITY

Net tangible assets (liabilities) per security at 30 June 2015 was ($0.65) (2014: ($0.51)).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

NOTE 26. TRANSACTIONS WITH RELATED PARTIES

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 Spark New Zealand Limited, ANZ Bank New Zealand Limited, Envirowaste Services Limited and Contact Energy Limited.

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	
	2015 $000	2014 $000
Short-term employee benefits	6,349	5,617
Long-term employee benefits	-	-
Post-employment benefits	-	-
Termination benefits	-	-
Share-based payments (Note 21)	638	652

NOTE 27. FINANCIAL RISK MANAGEMENT

27.1 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 following table 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.

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GROUP	LESS THAN 6 MONTHS	6-12 MONTHS	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS	TOTAL
2015 ($000)						
Bank borrowings	3,701	3,701	7,403	196,986	-	211,791
Trade and other payables	45,747	8,456	12,253	75	-	66,531
Finance lease liabilities	8	7	7	10	-	32
Derivative financial instruments*	1,577	1,462	2,734	4,144	55	9,972
2014 ($000)						
Bank borrowings	5,363	5,363	10,725	190,498	-	211,949
Trade and other payables	47,538	11,319	1,907	-	-	60,764
Finance lease liabilities	45	25	32	-	-	102
Derivative financial instruments*	1,498	1,290	1,864	2,835	308	7,795

* 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.

(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. A minimum Standard & Poor's long-term credit rating of A+ is required to qualify as an approved counterparty. 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.

For counterparties to trade receivables that are neither past due nor impaired, payments have historically been received regularly and on time.

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

	GROUP	
	2015 $000	2014 $000
Cash and cash equivalents	13,946	3,880
Trade and other receivables	66,437	58,293
	80,383	62,173

Cash and cash equivalents are held with banks with Standard & Poor's rating of AA-.

Trade receivables analysis

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

	GROUP	
	2015 $000	2014 $000
Current	49,332	45,682
31-60 days over standard terms	6,069	7,175
60-90 days over standard terms	1,735	913
91+ days over standard terms	1,858	1,676
	58,994	55,446

The Group has $7.9 million (2014: $8.6 million) of financial assets that are overdue and not impaired.

(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 are 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 19, at 30 June 2015 the Group had Australian dollar denominated bank borrowings of AUD86,200,000 (2014: AUD68,400,000). Of these borrowings, AUD14,200,000 (2014: 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) where the NZD strengthens against the AUD.

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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 repriced 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 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.

Sensitivity Analysis

		INTEREST RATE MOVEMENT				NZD/AUD MOVEMENT
		IMPACT ON PROFIT		IMPACT ON EQUITY		IMPACT ON LIABILITIES & EQUITY
	CARRYING AMOUNTS	+100 BASIS POINTS	-100 BASIS POINTS	+100 BASIS POINTS	-100 BASIS POINTS	+ OR - 10% IN VALUE OF NZD
2015 ($000)						
Financial assets						
Cash and cash equivalents	13,946	100	(100)	100	(100)	-
Trade and other receivables	66,710	-	-	-	-	-
Financial liabilities						
Borrowings	177,007	(1,274)	1,274	(1,274)	1,274	1,453/(1,776)
Derivative financial instruments	9,165	781	(781)	4,273	(4,655)	-
2014 ($000)						
Financial assets						
Cash and cash equivalents	3,880	28	(28)	28	(28)	-
Trade and other receivables	61,053	-	-	-	-	-
Financial liabilities						
Borrowings	159,098	(1,146)	1,146	(1,146)	1,146	1,614/(1,972)
Derivative financial instruments	7,108	805	(805)	3,764	(3,911)	-

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(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.

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.

Specific valuation techniques used to value contingent consideration in a business combination and estimated purchase price adjustments include:

- fair value is calculated as the present value of the estimated future cash flows based on management's assessment of future performance; and
- management's knowledge of the business and the industry it operates in.

NOTES TO THE FINANCIAL STATEMENTS

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The amounts below are for an estimated purchase price adjustment. There were no transfers between levels during the year.

	LEVEL 1 $000	LEVEL 2 $000	LEVEL 3 $000	TOTAL $000
2015				
Assets				
Estimated purchase price adjustment	-	-	4,389	4,389
Total assets	-	-	4,389	4,389

There was no estimated purchase price adjustment applicable in 2014.

The amounts below are for the derivative financial instruments and contingent consideration in a business combination. There were no transfers between levels during the year.

	LEVEL 1 $000	LEVEL 2 $000	LEVEL 3 $000	TOTAL $000
2015				
Liabilities				
Derivative financial instruments – interest rate swaps	-	9,165	-	9,165
Contingent consideration in a business combination	-	-	12,763	12,763
Total liabilities	-	9,165	12,763	21,928
2014				
Liabilities				
Derivative financial instruments – interest rate swaps	-	7,108	-	7,108
Contingent consideration in a business combination	-	-	5,325	5,325
Total liabilities	-	7,108	5,325	12,433

The following table presents the changes in Level 3 instruments, which are carried at fair value through profit or loss, for the year ended 30 June 2015.

	CONTINGENT CONSIDERATION IN A BUSINESS COMBINATION 2015 $000	2014 $000
Opening balance	5,325	2,540
Acquisition of businesses	9,346	2,065
Losses (gain) recognised in the income statement	1,229	1,444
Settlement	(3,667)	(833)
Estimated purchase price adjustment	(4,389)	-
Exchange rate adjustments	530	109
Closing balance	8,374	5,325
Total losses or (gains) for the year included in the income statement for liabilities held at the end of the reporting period, under:		
- Non-recurring items; and	-	1,249
- Net interest and finance costs	1,229	195
	1,229	1,444

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27.2 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.

NOTE 28. FINANCIAL INSTRUMENTS BY CATEGORY

(a) Assets, as per balance sheet

	LOANS AND RECEIVABLES		DERIVATIVES USED FOR HEDGING		TOTAL	
	2015 $000	2014 $000	2015 $000	2014 $000	2015 $000	2014 $000
Group:						
Trade and other receivables (excluding prepayments)	64,695	59,582	-	-	64,695	59,582
Cash and cash equivalents	13,946	3,880	-	-	13,946	3,880
Total	78,641	63,462	-	-	78,641	63,462

(b) Liabilities, as per balance sheet

	DERIVATIVES USED FOR HEDGING		OTHER FINANCIAL LIABILITIES AT AMORTISED COST		TOTAL	
	2015 $000	2014 $000	2015 $000	2014 $000	2015 $000	2014 $000
Group:						
Borrowings (excluding finance lease liabilities)	-	-	177,007	159,098	177,007	159,098
Finance lease liabilities	-	-	32	102	32	102
Derivative financial instruments	9,165	7,108	-	-	9,165	7,108
Trade and other payables	-	-	69,764	51,411	69,764	51,411
Total	9,165	7,108	246,803	210,611	255,968	217,719

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

NOTE 29. BUSINESS COMBINATIONS

LitSupport Pty Ltd ("LTS")

During December 2014, the Group acquired 100% of LTS, a company operating in the Australian information management market, for an initial payment of $18.3 million (A$17.1 million) and a potential future maximum earn-out of $13.9 million (A$12.9 million). This acquired subsidiary is now operating within the Group's information management division. A summary of this acquisition is set out below.

The contribution of LTS to the Group results for the year ended 30 June 2015 was revenue of $9.8 million and operating profit before interest, income tax and amortisation of intangibles of $0.8 million, which includes $0.2 million of transaction execution costs.

If the acquisition had occurred at the beginning of the year, the contribution to revenue and operating profit before interest, income tax and amortisation of intangibles for the year is estimated at $17.0 million and $1.6 million, respectively, including transaction execution costs of $0.2 million.

The following table summarises the consideration paid, the fair value of assets acquired and liabilities assumed.

	$000
Purchase consideration	
Cash paid during the period	18,343
Estimated purchase price adjustment	(4,389)
Fair value of future earn-out payment	8,452
Total purchase consideration	22,406
Fair value of assets and liabilities arising from the acquisition	
Cash and cash equivalents	1,478
Trade and other receivables	2,664
Plant and equipment	1,819
Brand name	4,745
Customer relationships	4,314
Goodwill	13,539
Trade and other payables	(3,713)
Deferred tax liability	(2,440)
	22,406

The future earn-out payment of up to a maximum discounted amount of $8.8 million, included in the purchase consideration above, may be payable in September 2017, but is contingent upon certain financial performance hurdles being achieved for the year ended 30 June 2017. The potential undiscounted amount of the future earn-out payment that the Group could be required to make in respect of this acquisition is between nil and $13 million. The Group has forecast several scenarios and probability-weighted each to determine a fair value for this contingent payment arrangement.

The goodwill of $13.5 million arising upon this acquisition is attributable to such benefits as positioning the Group's information management services higher on the service chain of the industry and intellectual property obtained. 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 2015

The acquisition accounting for this acquisition has been determined on a provisional basis. The fair value of assets and liabilities acquired, including identified intangible assets, will be finalised within 12 months from the acquisition date and upon confirmation of certain determinants.

Other acquisitions

During the year ended 30 June 2015, the Group acquired a number of other information management businesses in Australia for initial payments totalling $1.8 million and potential future maximum earn-outs totalling $2.3 million. These businesses have been integrated into the Group's information management division.

The contribution of these businesses to the Group results for the year ended 30 June 2015 was revenue of $1.5 million and operating profit before interest, income tax and amortisation of intangibles of $0.01 million, which includes $0.05 million of transaction execution costs.

If these acquisitions had all occurred at the beginning of the year, the contribution to revenue and operating profit before interest, income tax and amortisation of intangibles for the year is estimated at $1.9 million and $0.02 million, respectively, including transaction execution costs of $0.05 million.

The following table summarises the consideration paid, the fair value of assets acquired and liabilities assumed.

	$000
Purchase consideration	
Cash paid during the period	1,810
Estimated working capital adjustment & future earn-out payments	862
Total purchase consideration	2,672
Fair value of assets and liabilities arising from the acquisitions	
Inventories	40
Customer relationships	957
Goodwill	2,057
Trade and other payables	(137)
Deferred tax liability	(245)
	2,672

Future earn-out payments up to a maximum discounted amount of $0.9 million, included in purchase consideration above, may be payable over the next two years, but are contingent upon certain financial performance hurdles being achieved. The potential undiscounted amount of all future earn-out payments of purchase consideration that the Group could be required to make in respect of these acquisitions is between nil and $1.3 million. The Group has forecast several scenarios and probability-weighted each to determine a fair value for this contingent payment arrangement.

The goodwill of $2.1 million arising upon these acquisitions is attributable to the intellectual property obtained and economies of scale expected to be enhanced by integrating these businesses into the operations of the Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

The acquisition accounting for these acquisitions has been determined on a provisional basis. The fair value of assets and liabilities acquired, including identified intangible assets, will be finalised within 12 months from the respective acquisition dates and upon confirmation of certain determinants.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

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. Further payments of $0.8 million each were made in August 2013 and August 2014. The potential earn-out payable upon achievement of agreed annual earnings performance for the year ended 30 June 2015, up to a maximum discounted amount of $0.8 million (2014: $1.6 million), is still expected to be paid and remains in the balance sheet as an accrual.

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. The financial performance for the year ended 30 June 2014 indicated an earn-out of $1.7 million was payable. This final earn-out was paid in September 2014.

Previous acquisitions

As at 30 June 2014, future earn-out payments of up to a maximum discounted amount of $1.9 million were potentially payable over the two-year period ending 30 June 2016. During the year ended 30 June 2015, one earn-out payment of $1.1 million was made and a discounted amount of $1.1 million remains payable within the next 12 months if certain financial performance hurdles are achieved. The potential undiscounted amount of this future earn-out payment, up to a maximum of $1.1 million, is still expected to be paid and remains in the balance sheet as an accrual.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

NOTE 30. SIGNIFICANT EVENTS AFTER BALANCE DATE

Dividend declared

On 17 August 2015, the Directors declared a fully imputed final dividend of 12.5 cents per share (approximately $19.3 million) in respect of the year ended 30 June 2015. The dividend will be paid on 5 October 2015. The record date for determination of entitlements to the dividend is 18 September 2015.

Renewal of bank facilities

The Group has negotiated a two-year extension of its bank facilities of NZD110 million and AUD97 million. The extended facilities, at improved pricing, are spread between 3-year, 4-year and 5-year maturity and became effective from 1 July 2015.

Acquisition earn-out payment

On 3 August 2015, 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 2015 (refer Note 29).

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

NOTE 31. 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 (mandatory for annual periods beginning on or after 1 January 2018).
  - NZ IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of NZ IFRS 9 was issued in September 2014. It replaces the guidance in NZ IAS 39 that relates to the classification and measurement of financial instruments. NZ IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in NZ IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. NZ IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under NZ IAS 39.
  - The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group intends to adopt NZ IFRS 9 on its effective date and has yet to assess its full impact.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

- NZ IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2017).
  - NZ IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and therefore has the ability to direct the use and obtain the benefits from the good or service. The standard replaces NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations.
  - The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Group intends to adopt NZ IFRS 15 on its effective date and is currently assessing its full impact. This standard is not expected to significantly impact the Group.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

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 2015

	NUMBER OF HOLDERS	NUMBER OF SHARES HELD	% OF ISSUED CAPITAL
Size of shareholding			
1 to 1,999	2,308	2,632,118	1.70
2,000 to 4,999	2,776	8,531,779	5.52
5,000 to 9,999	1,592	10,464,140	6.77
10,000 to 49,999	997	16,769,926	10.85
50,000 to 99,999	44	2,883,206	1.87
100,000 to 499,999	34	6,155,278	3.98
500,000 to 999,999	11	8,087,394	5.23
1,000,000 and over	10	98,999,081	64.08
Total shareholders	7,772	154,522,922	100.00
Geographic distribution			
New Zealand	6,885	152,853,180	98.92
Australia	33	1,439,677	0.93
Other	13	230,065	0.15
	6,931	154,522,922	100.00

Substantial security holders as at 31 July 2015

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	12,756,250	8.27%
Harris Associates LP	8,233,145	5.33%

The total number of issued voting securities of the Company as at 31 July 2015 was 154,522,922.

SHAREHOLDER INFORMATION

Top twenty registered shareholders of listed shares as at 31 July 2015

	NUMBER OF SHARES HELD	% OF ISSUED CAPITAL
HSBC Nominees (New Zealand) Limited <HKBN45>*	14,328,455	9.27
TEA Custodians Limited <TEAC40>*	13,093,518	8.47
Private Nominees Limited <PBNK90>*	6,374,633	4.13
Citibank Nominees (New Zealand) Limited <CNOM90>*	6,084,927	3.94
Accident Compensation Corporation <ACCI40>*	5,353,096	3.46
FNZ Custodians Limited	5,255,059	3.40
HSBC Nominees (New Zealand) Limited <HKBN90>*	4,926,364	3.19
JPMorgan Chase Bank <CHAM24>*	4,903,629	3.17
Custodial Services Limited <A/C 3>	3,909,691	2.53
BNP Paribas Nominees (NZ) Limited*	3,683,618	2.38
Port Devon Limited	3,253,469	2.11
BNP Paribas Nominees (NZ) Limited*	3,166,608	2.05
National Nominees New Zealand Limited <NNLZ90>*	3,051,436	1.97
ANZ Wholesale Australasian Share Fund <PNAS90>	2,957,035	1.91
Investment Custodial Services Limited <A/C C>	2,715,938	1.76
BNP Paribas Nominees (NZ) Limited <COGN40>*	2,619,137	1.69
New Zealand Superannuation Fund Nominees Limited <SUPR40>*	2,379,646	1.54
Forsyth Barr Custodians Limited <1-33>	2,164,793	1.40
Custodial Services Limited <A/C 2>	1,476,631	0.96
Lucerne Road Investments Limited	1,402,896	0.91
	93,100,579	60.24

* held through NZ Central Securities Depository Limited

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 five Directors: the non-executive Chairman, the Managing Director and three non-executive directors. Key executives attend board meetings by invitation. Freightways' Board includes four 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 2015, the Board was comprised of four male directors and one female non-executive Chairman (2014: five male directors and one female non-executive Chairman), and all five officers of the Company, who are not directors, were male (2014: all five 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 2015 financial year:

DIRECTOR	MEETINGS HELD	MEETINGS ATTENDED
Sue Sheldon	10	9
Dean Bracewell	10	10
Roger Corcoran	10	10
Kim Ellis	10	10
Mark Verbiest	10	10
Sir William Birch (resigned 30 October 2014)	3	3

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), 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	4	4
Kim Ellis	4	4
Sue Sheldon	4	3
Sir William Birch (resigned 30 October 2014)	2	2

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 Roger Corcoran (Chairman), Kim Ellis and Sue Sheldon. Meetings were held and attended, as follows:

DIRECTOR	MEETINGS HELD	MEETINGS ATTENDED
Roger Corcoran	2	2
Kim Ellis (appointed 30 October 2014)	1	1
Sue Sheldon	2	2
Sir William Birch (resigned 30 October 2014)	1	1

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), Roger Corcoran, Kim Ellis, Mark Verbiest and Dean Bracewell. Meetings were held and attended, as follows:

DIRECTOR	MEETINGS HELD	MEETINGS ATTENDED
Sue Sheldon	1	1
Dean Bracewell	1	1
Roger Corcoran	1	1
Kim Ellis	1	1
Mark Verbiest	1	1
Sir William Birch (resigned 30 October 2014)	-	-

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.

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
20 Fairfax Avenue
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
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Telephone: 09 526 9170
www.nowcouriers.co.nz

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www.litsupport.com.au


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DOCUMENT DESTRUCTION
1300 747 339


DX


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