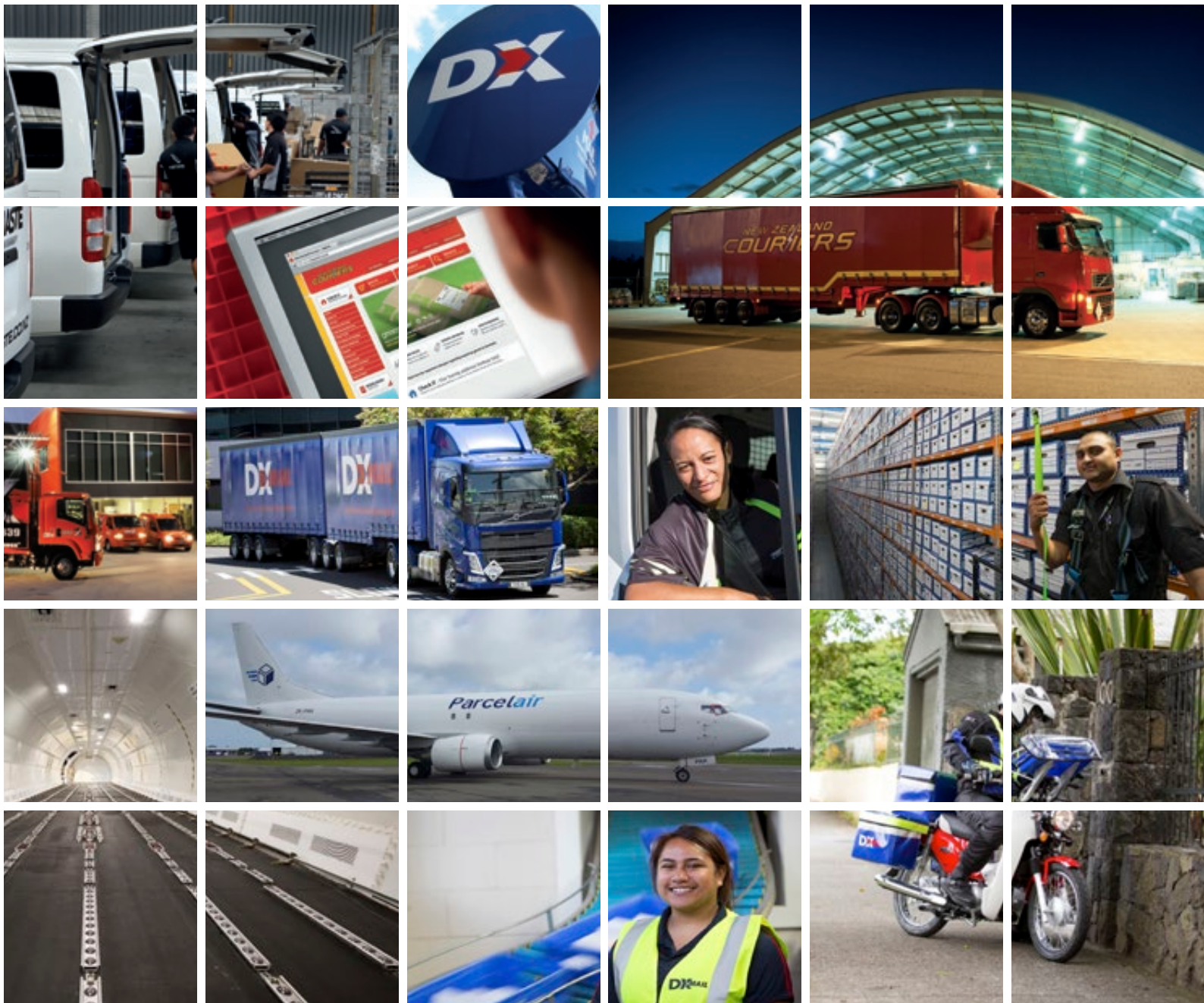
Freightways

ANNUAL REPORT 2016



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

The Information Management Group
www.timg.co.nz

Archive Security
www.timg.co.nz

Data Security Services
www.timg.co.nz

Document Destruction Service
www.timg.co.nz

Databank
www.timg.com

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
Peter Kean
Mark Rushworth
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 the NZX (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, The Information Management Group 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, and its Parcelair joint venture. 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 2016

	NOTE	2016 $000	2015 $000 (Restated)	PERCENTAGE VARIANCE
Operating revenue		505,360	479,458	5.4%
EBITA	(i)	81,361	73,821	10.2%
NPAT	(ii)	49,774	43,840	13.5%
EBITA, excluding non-recurring items		87,698	82,796	5.9%
NPAT, excluding non-recurring items, net of tax		54,337	50,289	8.0%
Non-recurring items:				
- write-down of aircraft		(4,944)	(5,633)	
- write-down of aircraft-related inventory		(1,393)	(1,997)	
- aircraft lease exit costs		-	(700)	
- premises lease exit costs		-	(645)	
Total		(6,337)	(8,975)	
Tax expense applicable to non-recurring items		1,774	2,526	
Non-recurring items, net of tax		(4,563)	(6,449)	

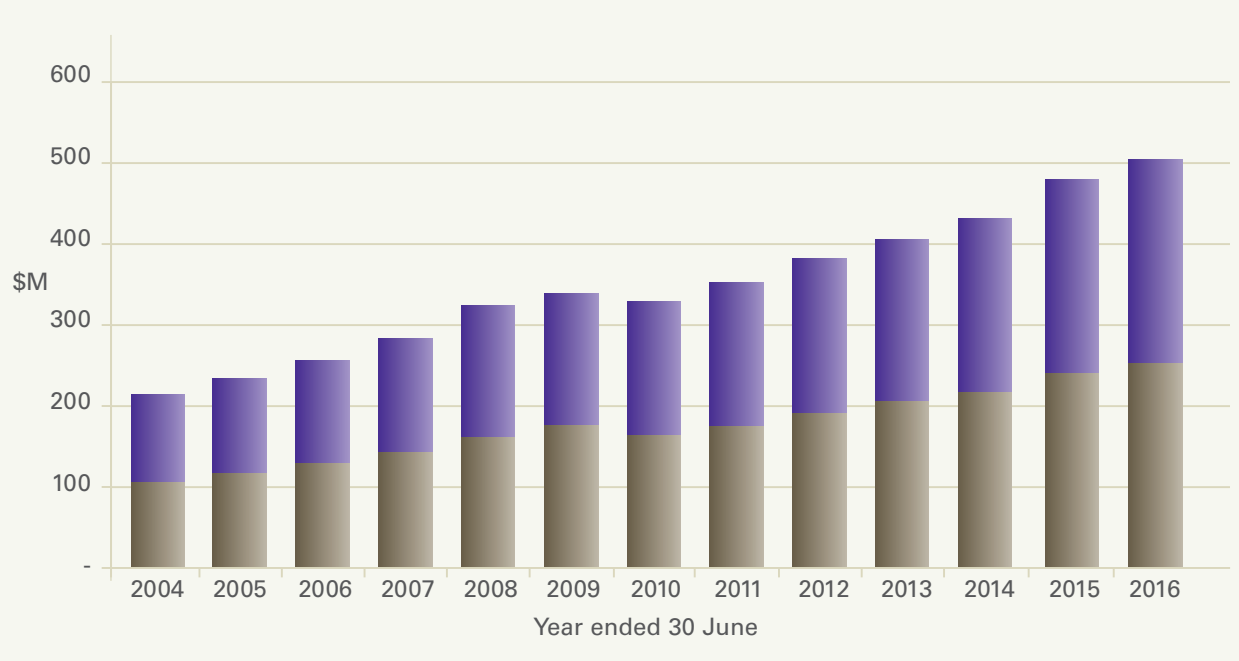
Note:
(i) Operating profit before interest, income tax and amortisation of intangibles
(ii) Profit for the year attributable to the shareholders

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

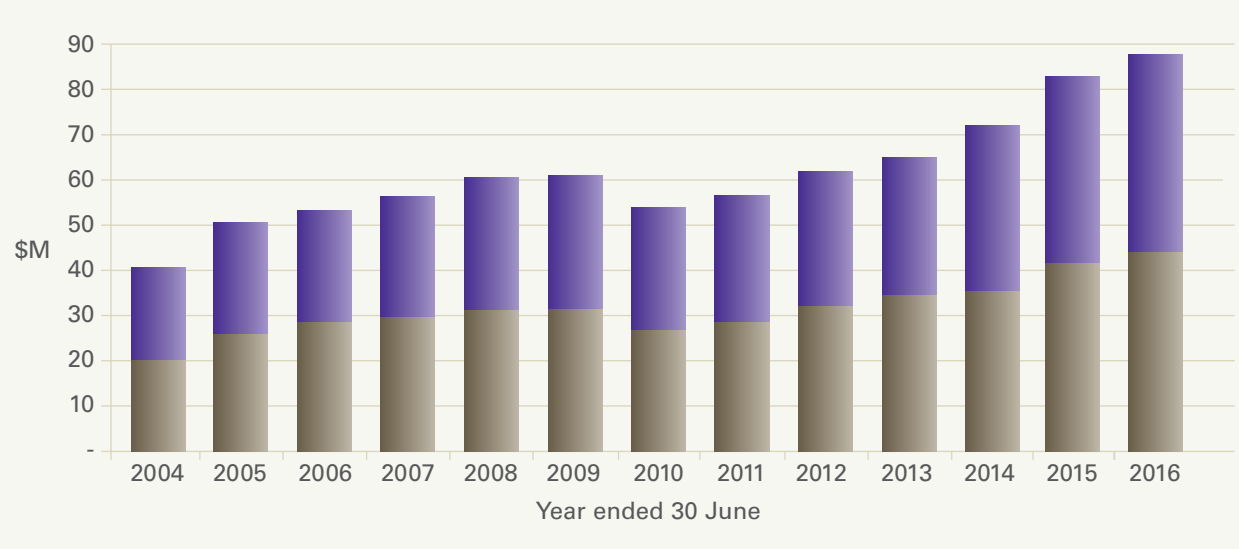
FINANCIAL SUMMARY

FOR THE YEAR ENDED 30 JUNE 2016

FREIGHTWAYS OPERATING REVENUE



FREIGHTWAYS EBITA*



1st half 2nd half

* 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 year ended 30 June 2016. This report discusses the result, reviews the operations of each division and provides an outlook for the financial year ahead.

Operating performance

The below table presents the reported 2016 result compared to the prior comparative period (pcp), both before and after the inclusion of non-recurring items:

	NOTE	2016 $M	2015 $M (Restated)	Increase %
Revenue		505.4	479.5	5.4
EBITA, before non-recuring items	(i)	87.7	82.8	5.9
Non-recurring items		(6.3)	(9.0)	
EBITA	(ii)	81.4	73.8	10.2
NPAT, before non-recurring items	(iii)	54.4	50.3	8.0
Non-recurring items after tax		(4.6)	(6.5)	
NPAT	(iv)	49.8	43.8	13.5
EPS (cents)		32.2	28.4	13.4

Notes:

(i) Operating profit before interest, tax and amortisation, before non-recurring items
(ii) Operating profit before interest, tax and amortisation
(iii) Net profit after tax (NPAT), before non-recurring items
(iv) Profit for the year attributable to shareholders

Freightways' first quarter Trading Update released in October 2015 provided a breakdown of the impact of five fewer trading days in that quarter compared to the pcp being $7 million of operating revenue, $2 million of EBITDA & EBITA and $1.4 million of NPATA & NPAT. This 2016 full year result also does not include the benefit of those additional trading days recorded in 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 results:

- 2016: A total non-recurring charge of $6.3 million ($4.6 million after tax) that comprised a one-off expense relating to the write-down of the carrying value of the Convair fleet of aircraft, that will be retired during August 2016, and related spare parts. As a non-cash item, this write-down will not impact on Freightways' dividend payments to its shareholders.
- 2015: A total non-recurring charge of $9 million ($6.5 million after tax) that comprised one-off expenses relating to the initial write-down of the carrying value of aircraft, related fleet transition costs and property relocation costs.

REPORT FROM THE CHAIRMAN AND MANAGING DIRECTOR

Dividend

The Directors have declared a final dividend of 14.5 cents per share, fully imputed at a tax rate of 28%, being a 16% increase above the pcp dividend of 12.5 cents per share. This represents a payout of approximately $22.5 million compared with $19.3 million for the pcp dividend. The dividend will be paid on 3 October 2016. The record date for determination of entitlements to the dividend is 16 September 2016.

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 2016 are provided below for the express package & business mail division and the information management division.

Express package & business mail

Operating revenue of $370 million was 2.9% higher than the pcp. EBITA of $62 million was consistent with the pcp, although allowing for the 5 extra trading days in the pcp, this result would have been ahead of the pcp.

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.

In addition to the many initiatives implemented during the year to further enhance the overall service provided to customers, Freightways also made a number of key investment decisions. These included:

- Upgrading the Convair aircraft fleet, as announced, by forming a joint venture company with an established aviation operator to lease and operate three Boeing 737-400s. The scheduled arrivals of the 2nd and 3rd aircraft were delayed due to the conversion programme from passenger to freighter configuration undertaken in the USA taking longer than anticipated. All three Boeing 737-400 aircraft will now be operating in the early part of the 2017 financial year;
- Leasing a new purpose-built and fully-automated facility in Christchurch to enable the consolidation of operations from three separate facilities into one that will have airside access to the Boeing 737-400 aircraft fleet. Capital expenditure relating to this project is tracking in line with the budgeted cost of $11 million. This new facility is expected to be fully operational by the end of the 2017 financial year. A positive return above Freightways' cost of capital for this project is expected to be achieved through efficiency and quality enhancements. Other property initiatives during 2016 included relocating to larger facilities in Dunedin and Tauranga to create more capacity to accommodate current and expected future volume growth; and
- Increased resourcing of our team of IT professionals and the appointment of a Chief Information Officer to assist in the positioning of Freightways as a technology leader in the markets it operates in.

Freightways' business mail operator, DX Mail, expanded its postie network and is servicing most urban locations throughout New Zealand. Despite the decline of the overall physical letter market, the demand for DX Mail's suite of services, that includes overnight delivery for standard-priced letters 5-days per week, is increasing. Dataprint, which provides physical and digital transactional mailhouse services, also increased market share in all of its service lines, both physical and digital.

Increased activity from some existing customers and the winning of additional new business contributed positively to revenue growth and the achievement of sound operating earnings margins in this division.

REPORT FROM THE CHAIRMAN AND MANAGING DIRECTOR

Information management

Compared to the pcp, which also included the benefit of the 5 extra trading days in the New Zealand operations, operating revenue of $137 million was 12.5% higher, while EBITA of $28 million was 18% higher.

Key decisions made during the year that will contribute to the long-term performance of this division included:

- The established information management brands on both sides of the Tasman, with the exception of Shred-X, to operate as The Information Management Group (TIMG) in the future. Shred-X, due to its unique positioning, particularly strong brand presence and existing market leadership position in Australia, will continue to operate under its own name; and
- Approximately $2.5 million to be invested during 2017 in completing the relocation of three Sydney-based information management facilities into a single purpose-built facility. Operating from a single site will deliver operating efficiencies that will contribute to a positive return on this investment.

Performance in this division has been strong throughout 2016. Increased utilisation of existing facilities, the successful integration of a number of small acquisitions, improved performance from the recently-acquired LitSupport, and a particularly strong result from Shred-X, that benefited from some large one-off destruction volumes, all contributed to this result. In addition to growth in the physical services provided by TIMG, demand for its digital information management services also continues to increase.

Internal service providers

Fieldair Holdings provides airfreight linehaul services to the express package & business mail division along with general engineering and contracting services to the general aviation market. Parceline Express provides road linehaul to our front line businesses. As volumes have grown, the services provided by these businesses have adapted to ensure the provision of quality long-term capacity.

Freightways Information Services provides IT development and support to the express package & business mail division. This team was expanded during the year to address increasing demand for technology-based innovation and to assist in achieving Freightways' strategic objective of being a technology leader in the markets it operates in. This team reports to the newly-created role of Freightways Chief Information Officer, a role which will oversee IT across the entire Freightways group.

Corporate

The maturity dates for all existing bank facilities were extended during the year by a further two years at a slightly reduced cost. Overall, net bank debt has reduced from $163 million in the pcp to $152 million.

Corporate overhead costs continue to be well-contained at a similar level to the prior year. Acquisitions during the year have been funded from operating cash flows.

Capital expenditure of $17 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 will continue to adapt and position itself to realise the growth opportunities that exist in the markets it operates in.

Subject to factors beyond its control, Freightways expects to again improve its overall year-on-year performance, albeit results from the express package & business mail division will partly be offset by investment in increased capacity in the information management division, specifically:

- The express package & business mail division is expected to benefit from increasing volumes and improve its performance compared to the prior year. The full benefit of the consolidation of existing facilities at Christchurch airport will start to be realised from the end of the 2017 financial year.

REPORT FROM THE CHAIRMAN AND MANAGING DIRECTOR

- The information management division is currently expected to perform slightly below the pcp due to the strong year just completed, that included some large one-off project work, and also due to one-off costs to be incurred in 2017 in respect of the Sydney premises relocation. These factors will offset the otherwise positive trading performance expected of the division. The benefits relating to this property consolidation initiative will start being realised in the latter stages of the 2017 financial year.

Strategic growth opportunities, including acquisitions and alliances that complement existing capabilities, will be executed where they make commercial sense.

Capital expenditure for the year ahead is expected to be approximately $23 million to support the growth and development of both Freightways operating divisions. Overall cash flows are expected to remain strong throughout the 2017 financial year.

CONCLUSION

The positive features of the markets Freightways operates in, the resilience of its businesses to accommodate growth and adapt to change and the successful execution of its growth strategies by an experienced team of people are again evidenced in this full year result.

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

Susan Sheldon
Chairman
15 August 2016

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 2016 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 a Director of Contact Energy Limited and Real Journeys Limited. She is 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 5-year period, including time overseas, he has spent his entire career with the Freightways Group. Dean held a range of senior executive and general management roles in a number of the Freightways businesses prior to his appointment as Managing Director.

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.

Peter Kean

Peter was appointed a Director in July 2016. He brings to Freightways many years of senior executive experience with the Lion group of companies in both New Zealand and Australia. Peter's last executive roles were as Managing Director of Lion Nathan New Zealand and Managing Director of Lion Dairy and Drinks, based in Melbourne. Peter retired from Lion in 2014 and has since developed his career in governance. Peter is also a Director of Sanford Limited, the New Zealand Rugby Union and a number of private companies.

Mark Rushworth (BE(HONS), MEM)

Mark was appointed a Director of Freightways in September 2015. He has extensive experience in the technology sector, with a decade's governance experience, predominantly in the high tech and innovation space. An electrical engineer by training, with widespread operations and marketing experience, he spent four years on the senior executive team of Vodafone NZ through until 2010, where among other things he had executive accountability for the fixed line business and as executive director of marketing. Currently Mark is the CEO of New Zealand's digital payments business Paymark Limited. Mark previously served as chief executive of Pacific Fibre and internet provider ihug.

DIRECTORS' REPORT

Mark Verbiest (LLB, CF 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 2016, Sue Sheldon, Roger Corcoran, Kim Ellis, Mark Rushworth and Mark Verbiest are independent Directors and Dean Bracewell as Managing Director is not an independent Director.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the year ended 30 June 2016 were the operation of express package & business mail services and information management services.

CONSOLIDATED RESULT FOR THE YEAR

	2016 $000	2015 $000 (Restated)
Operating revenue	505,360	479,458
Operating profit before interest, income tax and amortisation of intangibles	81,361	73,821
Amortisation of intangibles	(1,685)	(1,599)
Profit before interest and income tax	79,676	72,222
Net interest and finance costs	(11,055)	(12,022)
Profit before income tax	68,621	60,200
Income tax	(18,847)	(16,360)
Profit for the year attributable to the shareholders	49,774	43,840

DIRECTORS HOLDING OFFICE DURING THE YEAR WERE:

Parent:

Sue Sheldon (Chairman)

Dean Bracewell (Managing Director)

Roger Corcoran

Kim Ellis

Mark Rushworth (appointed 1 September 2015)

Mark Verbiest

Subsidiaries:

Dean Bracewell

Mark Royle

DIRECTORS' REPORT

REMUNERATION OF DIRECTORS

	GROUP 2016 $	GROUP 2015 $
Sue Sheldon	148,300	146,867
Dean Bracewell	1,050,116	1,068,833
Roger Corcoran	80,532	74,633
Kim Ellis	75,000	68,333
Mark Rushworth (appointed 1 September 2015)	57,750	-
Mark Verbiest	85,300	78,533
Sir William Birch (resigned 30 October 2014)	-	22,333
Mark Royle	680,868	607,078
	2,177,866	2,066,610

Remuneration of executive Directors includes the incentive payments made during the year ended 30 June 2016 in respect of the two previous six-month performance periods (1 January to 30 June 2015 and 1 July to 31 December 2015). No amount is included above in respect of incentive payments for the period 1 January to 30 June 2016, as these were paid in August 2016. 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 22 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	
	2016	2015
$100,000 – $109,999	37	32
$110,000 – $119,999	39	19
$120,000 – $129,999	25	21
$130,000 – $139,999	11	14
$140,000 – $149,999	11	7
$150,000 – $159,999	13	8
$160,000 – $169,999	7	5
$170,000 – $179,999	9	10
$180,000 – $189,999	3	4
$190,000 – $199,999	8	4
$200,000 – $209,999	9	6
$210,000 – $219,999	3	3
$220,000 – $229,999	2	2
$230,000 – $239,999	3	3
$250,000 – $259,999	6	2
$260,000 – $269,999	2	3
$270,000 – $279,999	1	-
$280,000 – $289,999	1	1
$290,000 – $299,999	-	2
$300,000 – $309,999	1	-
$350,000 – $359,999	1	1
$360,000 – $369,999	-	2
$370,000 – $379,999	1	2
$380,000 – $389,999	2	-
$420,000 – $429,999	1	-
$430,000 – $439,999	1	1
$460,000 – $469,999	-	1
$490,000 – $499,999	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	-	2,454,159	140,524
Roger Corcoran	-	-	-
Kim Ellis	-	50,000	-
Mark Rushmorth	-	-	-
Mark Verbiest	-	10,000	-
Mark Royle	-	151,958	32,745

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 2016:

	NOTE	NUMBER ACQUIRED / (DISPOSED)	$ COST / (SALE)
Dean Bracewell			
Non-beneficial ownership in shares acquired 14 September 2015	(i)	55,990	218,661
Beneficial ownership in partly-paid shares acquired 14 September 2015	(ii)	42,065	421
Non-beneficial ownership in partly-paid shares disposed of 14 September 2015	(iii)	(24)	(1)
Mark Royle			
Non-beneficial ownership in shares acquired 14 September 2015	(i)	15,207	59,343
Beneficial ownership in partly-paid shares acquired 14 September 2015	(ii)	9,634	96
Non-beneficial ownership in partly-paid shares disposed of 14 September 2015	(iii)	(7)	(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 15th day of August 2016.

Susan Sheldon
Chairman

Dean Bracewell
Managing Director

pwc

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 63, which comprise the balance sheet as at 30 June 2016, the income statement, 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 2016 or from time to time during the financial year.

Directors' Responsibility for the Financial Statements

The Directors are responsible on behalf of the Company 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. Our firm carries out other services for the Group in the areas of Directors' Fees Benchmarking and other related assurance services. The provision of these other services has not impaired our independence.

Opinion

In our opinion, the financial statements on pages 17 to 63 present fairly, in all material respects, the financial position of the Group as at 30 June 2016, 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
15 August 2016

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 2016

	NOTE	GROUP 2016 $000	GROUP 2015 $000 (Restated)
Operating revenue	3	505,360	479,458
Transport and logistics expenses		(195,060)	(189,546)
Employee benefits expenses		(138,868)	(126,789)
Occupancy expenses		(23,360)	(21,133)
General and administration expenses		(49,613)	(46,509)
Non-recurring items	4	(6,337)	(8,975)
Operating profit before interest, income tax, depreciation and software amortisation, and amortisation of intangibles		92,122	86,506
Depreciation and software amortisation	4	(10,761)	(12,685)
Operating profit before interest, income tax and amortisation of intangibles		81,361	73,821
Amortisation of intangibles	4	(1,685)	(1,599)
Profit before interest and income tax		79,676	72,222
Net interest and finance costs	4	(11,055)	(12,022)
Profit before income tax		68,621	60,200
Income tax	5	(18,847)	(16,360)
Profit for the year attributable to the shareholders		49,774	43,840
Earnings per share	25		
Basic earnings per share (cents)		32.2	28.4
Diluted earnings per share (cents)		32.1	28.3

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 2016

	NOTE	GROUP 2016 $000	2015 $000 (Restated)
Profit for the year (NPAT)		49,774	43,840
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	21	(2,585)	1,648
Cash flow hedges taken directly to equity, net of tax	21	(2,636)	(1,360)
Total other comprehensive income after income tax		(5,221)	288
Total comprehensive income for the year attributable to the shareholders		44,553	44,128

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 2016

GROUP	CONTRIBUTED EQUITY	RETAINED EARNINGS	CASH FLOW HEDGE RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	TOTAL EQUITY
	$000	$000	$000	$000	$000
Balance at 1 July 2015	122,858	95,128	(6,781)	(2,818)	208,387
Profit for the year	-	49,774	-	-	49,774
Exchange differences on translation of foreign operations	-	-	-	(2,585)	(2,585)
Cash flow hedges taken directly to equity, net of tax	-	-	(2,636)	-	(2,636)
Total comprehensive income	-	49,774	(2,636)	(2,585)	44,553
Dividend payments	-	(39,078)	-	-	(39,078)
Shares issued	994	-	-	-	994
Balance at 30 June 2016	123,852	105,824	(9,417)	(5,403)	214,856

	NOTE	CONTRIBUTED EQUITY	RETAINED EARNINGS	CASH FLOW HEDGE RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	TOTAL EQUITY
		$000	$000	$000	$000	$000
Balance at 1 July 2014		122,108	87,215	(5,421)	(4,466)	199,436
Previously reported profit for the year		-	43,283	-	-	43,283
Adjustment for acquisition accounting	2	-	557	-	-	557
Profit for the year (restated)		-	43,840	-	-	43,840
Previously reported exchange differences on translation of foreign operations		-	-	-	1,622	1,622
Adjustment for acquisition accounting	2	-	-	-	26	26
Exchange differences on translation of foreign operations (restated)		-	-	-	1,648	1,648
Cash flow hedges taken directly to equity, net of tax		-	-	(1,360)	-	(1,360)
Total comprehensive income (restated)		-	43,840	(1,360)	1,648	44,128
Dividend payments		-	(35,927)	-	-	(35,927)
Shares issued		750	-	-	-	750
Balance at 30 June 2015 (restated)		122,858	95,128	(6,781)	(2,818)	208,387

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 15th day of August 2016.

Susan Sheldon
Chairman

Dean Bracewell
Managing Director

BALANCE SHEET

AS AT 30 JUNE 2016

	NOTE	GROUP 2016 $000	2015 $000 (Restated)
Current assets			
Cash and cash equivalents	7	7,065	13,946
Trade and other receivables	8	68,865	71,247
Inventories	9	5,248	5,870
		81,178	91,063
Assets held for sale	10	1,000	5,797
Total current assets		82,178	96,860
Non-current assets			
Trade and other receivables	8	190	273
Property, plant and equipment	13	88,621	84,511
Intangible assets	14	307,843	311,563
Total non-current assets		396,654	396,347
Total assets		478,832	493,207
Current liabilities			
Trade and other payables	16	54,679	57,436
Finance lease liabilities		79	32
Income tax payable		6,145	6,327
Provisions	18	1,115	1,413
Derivative financial instruments	11	779	338
Unearned income	19	16,391	16,041
Total current liabilities		79,188	81,587
Non-current liabilities			
Trade and other payables	16	6,368	6,744
Borrowings (secured)	20	158,801	177,007
Deferred tax liability	15	4,430	7,723
Provisions	18	3,035	2,932
Finance lease liabilities		32	-
Derivative financial instruments	11	12,122	8,827
Total non-current liabilities		184,788	203,233
Total liabilities		263,976	284,820
Net assets		214,856	208,387
Equity			
Contributed equity		123,852	122,858
Retained earnings		105,824	95,128
Cash flow hedge reserve		(9,417)	(6,781)
Foreign currency translation reserve		(5,403)	(2,818)
Total equity	21	214,856	208,387

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2016

	NOTE	GROUP 2016 $000 INFLOWS (OUTFLOWS)	GROUP 2015 $000 INFLOWS (OUTFLOWS)
Cash flows from operating activities			
Receipts from customers		506,676	480,180
Payments to suppliers and employees		(413,629)	(381,349)
Cash generated from operations		93,047	98,831
Interest received		129	143
Interest and other costs of finance paid		(10,050)	(11,369)
Income taxes paid		(21,332)	(19,160)
Net cash inflows from operating activities	23	61,794	68,445
Cash flows from investing activities			
Payments for property, plant and equipment		(14,992)	(11,613)
Payments for software		(2,051)	(1,870)
Proceeds from disposal of property, plant and equipment		268	292
Payments for businesses acquired (net of cash acquired)	30	(269)	(22,363)
Cash flows from other investing activities		(1,078)	(918)
Net cash outflows from investing activities		(18,122)	(36,472)
Cash flows from financing activities			
Dividends paid		(39,078)	(35,927)
Increase (decrease) in bank borrowings		(11,829)	13,579
Proceeds from issue of ordinary shares		658	394
Finance lease liabilities repaid		(81)	(38)
Net cash outflows from financing activities		(50,330)	(21,992)
Net increase (decrease) in cash and cash equivalents		(6,658)	9,981
Cash and cash equivalents at the beginning of year		13,946	3,880
Exchange rate adjustments		(223)	85
Cash and cash equivalents at end of year	7	7,065	13,946

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 2016

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 used 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 14.

(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 2016

(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 judgment 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 2 and 30.

(vi) Carrying value of aircraft and related inventory

In June 2015, the Group 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 wrote 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, market demand and pricing of similar aircraft. Refer to Notes 9 and 10.

(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 2016

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) 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.

(d) 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.

(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.

(e) 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).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

(f) 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.

(g) 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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

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.

(h) 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) are 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 approximate their fair values.

(i) Employee entitlements

(i) Wages, salaries and annual leave

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

(ii) Long service leave

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

(iii) Share-based compensation

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

(j) 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.

(k) 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.

(l) 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 2016

NOTE 2. ACQUISITION ACCOUNTING RESTATEMENT

The initial accounting for acquisitions made during the 2015 financial year had previously been determined on a provisional basis. The fair value of assets acquired and liabilities assumed, including identified intangible assets, were subsequently finalised during the 12 months from the respective acquisition dates and upon confirmation of certain determinants that impacted earnings assumptions. The comparative financial statements have been restated to reflect the final determination of the fair value of assets acquired and liabilities assumed. Refer to note 30 for further explanation.

The following line items in the financial statements have been restated by the amounts indicated:

	As at 30 Jun 2015 $000 INCREASE/ (DECREASE)
Trade and other receivables	1,213
Goodwill	(6,674)
Trade and other payables	(5,583)
Income tax payable	(453)
Deferred tax liability	(8)
Foreign currency translation reserve	26
Retained earnings (net interest and finance costs adjusted)	557

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 3. 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 primary 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 by the Managing Director, as the chief operating decision maker, and the Board for allocating resources, assessing performance and strategic decision making.

The Group is organised into the following reportable operating segments:

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 2016:

	EXPRESS PACKAGE & BUSINESS MAIL $000	INFORMATION MANAGEMENT $000	CORPORATE $000	INTER-SEGMENT ELIMINATION $000	CONSOLIDATED OPERATIONS $000
Income statement					
Sales to external customers	368,536	136,821	3	-	505,360
Inter-segment sales	1,805	12	4,501	(6,318)	-
Total revenue	370,341	136,833	4,504	(6,318)	505,360
Operating profit before interest, income tax, depreciation and software amortisation, and amortisation of intangibles	60,178	33,238	(1,294)	-	92,122
Depreciation and software amortisation	(4,440)	(4,799)	(1,522)	-	(10,761)
Operating profit before interest, income tax and amortisation of intangibles	55,738	28,439	(2,816)	-	81,361
Amortisation of intangibles	(50)	(1,635)	-	-	(1,685)
Profit before interest and income tax	55,688	26,804	(2,816)	-	79,676
Net interest and finance costs	(2)	(928)	(10,125)	-	(11,055)
Profit before income tax	55,686	25,876	(12,941)	-	68,621
Income tax	(15,790)	(7,885)	4,828	-	(18,847)
Profit for the year attributable to the shareholders	39,896	17,991	(8,113)	-	49,774
Balance sheet					
Segment assets	247,047	189,448	42,337	-	478,832
Segment liabilities	53,621	27,826	182,529	-	263,976
Additions to non-current assets, excluding deferred tax asset	11,022	11,637	10	-	22,669

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

As at and for the year ended 30 June 2015:

	EXPRESS PACKAGE & BUSINESS MAIL $000	INFORMATION MANAGEMENT $000 (Restated)	CORPORATE $000	INTER-SEGMENT ELIMINATION $000	CONSOLIDATED OPERATIONS $000 (Restated)
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)	(613)	(11,261)	-	(12,022)
Profit before income tax	53,447	21,295	(14,542)	-	60,200
Income tax	(15,113)	(6,601)	5,354	-	(16,360)
Profit for the year attributable to the shareholders	38,334	14,694	(9,188)	-	43,840
Balance sheet					
Segment assets	243,209	199,597	50,401	-	493,207
Segment liabilities	54,101	29,442	201,277	-	284,820
Additions to non-current assets, excluding deferred tax asset	7,307	28,748	584	-	36,639

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

For the year ended 30 June 2016, external revenue from customers in the Group's New Zealand and Australian operations was $410.4 million and $95.0 million, respectively (2015: $399.1 million and $80.4 million, respectively). As at 30 June 2016, non-current assets in respect of the New Zealand and Australian operations (excluding deferred tax assets) were $267.6 million and $129.1 million, respectively (2015: $262.2 million and $134.1 million, respectively).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 4. INCOME AND EXPENSES

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

	NOTE	GROUP 2016 $000	GROUP 2015 $000 (Restated)
Income:			
Interest income		170	143
Operating expenses:			
Net loss (gain) on disposal of property, plant and equipment		17	7
Depreciation	13	9,384	11,526
Amortisation of intangible assets	14	1,685	1,599
Amortisation of software	14	1,377	1,159
Operating lease expenses		23,503	21,502
Auditors' fees:			
Audit of annual financial statements and review of interim financial statements		320	317
Annual Shareholders Meeting scrutineering		7	6
Directors benchmarking fees		9	-
Costs of offering credit:			
Impairment (gain) loss on trade receivables		(35)	550
Interest and finance costs:			
Interest on bank borrowings		10,318	11,322
Interest on finance leases		2	3
Derivative fair value movement		82	168
Unwinding of discount on acquisition earn-out liability		823	672
Other:			
Net foreign exchange (gain) loss		(11)	(71)
Directors' fees		447	391
Donations		199	190
Non-recurring items:*			
Write-down of aircraft		(4,944)	(5,633)
Write-down of aircraft-related inventory		(1,393)	(1,997)
Aircraft lease exit costs		-	(700)
Premises lease exit costs		-	(645)

* Non-recurring expense items for the years ended 30 June 2016 and 30 June 2015, as applicable, 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 (2015); and
- provision for one-off premises lease exit costs (2015).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 5. INCOME TAX EXPENSE

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.

	GROUP	
	2016 $000	2015 $000
Current tax:		
Current tax on profit for the year	21,244	19,810
Deferred tax (Note 15):		
Reversal of temporary differences	(2,397)	(3,450)
Total deferred tax	(2,397)	(3,450)
Income tax expense	18,847	16,360

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	68,621	60,200
Income tax calculated at domestic tax rates applicable to the accounting profits in the respective countries	19,412	16,790
Tax-effect of amounts which are treated differently when calculating taxable income:		
- Additional amounts deductible	(456)	(522)
- Other	(109)	92
Income tax expense	18,847	16,360

The Group has no tax losses (2015: Nil) and no unrecognised temporary differences (2015: Nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

	GROUP 2016 $000	2015 $000
Imputation credits account		
Imputation credits available for use in subsequent reporting periods	28,477	22,918

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 2016 which was declared subsequent to 30 June 2016 will reduce the above-stated available balance of imputation credits by approximately $8.74 million.

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

2016 ($000)	BEFORE TAX	TAX (CHARGE) / CREDIT	AFTER TAX
Exchange difference on translation of foreign operations	(2,585)	-	(2,585)
Cash flow hedges taken directly to equity	(3,661)	1,025	(2,636)
Other comprehensive income	(6,246)	1,025	(5,221)
Current tax		-	
Deferred tax		1,025	
		1,025	

2015 ($000)	BEFORE TAX	TAX (CHARGE) / CREDIT	AFTER TAX
Exchange difference on translation of foreign operations	1,648	-	1,648
Cash flow hedges taken directly to equity	(1,889)	529	(1,360)
Other comprehensive income	(241)	529	288
Current tax		-	
Deferred tax		529	
		529	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 6. DIVIDENDS

	GROUP 2016 $000	GROUP 2015 $000
Recognised amounts		
Fully imputed dividends declared and paid during the year:		
Final dividend for 2015 at 12.5 cents per share (2014: 11.25 cents)	19,345	17,384
Interim dividend for 2016 at 12.75 cents per share (2015: 12.00 cents)	19,733	18,543
	39,078	35,927
Unrecognised amounts		
Final dividend for 2016 at 14.5 cents per share (2015: 12.5 cents)	22,473	19,343

Subsequent to balance date the above unrecognised dividend was approved by a directors' resolution dated 15 August 2016. This amount has not been recognised as a liability at the reporting date, but will be brought to account when paid.

NOTE 7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances and overnight 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.

	GROUP 2016 $000	GROUP 2015 $000
Comprises:		
- Cash at bank	6,960	13,570
- Overnight deposit	105	376
Cash and cash equivalents in statement of cash flows	7,065	13,946

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 8. 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.

	GROUP	
	2016 $000	2015 $000 (Restated)
Current:		
Trade receivables	60,965	58,993
Provision for doubtful receivables	(1,649)	(1,742)
	59,316	57,251
Other debtors and prepayments	9,174	8,109
Estimated acquisition purchase price adjustment	-	5,602
Share plan loans receivable from employees	375	285
	68,865	71,247
Non-current:		
Share plan loans receivable from employees	172	240
Other debtors	18	33
	190	273

Trade receivables are non-interest bearing and are generally on 7-30 day terms.

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.

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

	GROUP	
	2016 $000	2015 $000
Opening balance	1,742	1,192
Provision for doubtful receivables	108	658
Receivables written off during the year as uncollectible	(164)	(134)
Exchange rate movement	(37)	26
Closing balance (Note 28.1(b))	1,649	1,742

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 9. 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. The cost of inventories recognised as an expense and included in 'general and administration expenses' amounted to $13.6 million (2015: $13.2 million).

	GROUP	
	2016 $000	2015 $000
Finished goods	1,727	1,598
Convair parts (refer Note 10)	500	2,000
Ticket stocks, uniforms and consumables	3,021	2,272
	5,248	5,870

NOTE 10. 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. They are stated at the lower of carrying amount and fair value less estimated costs to sell and the Group intends to sell these assets within a year.

	GROUP	
	2016 $000	2015 $000
Aircraft held for sale	1,000	5,797

In June 2015, the Group 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. In accordance with IFRS 5, the Group wrote down the owned Convair aircraft and related inventory 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 among other factors, market demand and pricing of similar aircraft and is therefore within level 2 of the fair value hierarchy, as defined in note 28.1(d).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 11. DERIVATIVE FINANCIAL INSTRUMENTS

	GROUP	
	2016 $000	2015 $000
	Asset (Liability)	Asset (Liability)
Current:		
Interest rate swaps – cash flow hedge	(289)	(338)
Forward foreign exchange contracts – cash flow hedge	(490)	-
	(779)	(338)
Non-current:		
Interest rate swaps – cash flow hedge	(10,898)	(8,827)
Forward foreign exchange contracts – cash flow hedge	(1,224)	-
	(12,122)	(8,827)

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

	NZD		AUD	
	2016 $000	2015 $000	2016 $000	2015 $000
Interest rate swaps	80,000	98,000	73,000	70,000
Forward foreign exchange contracts	28,039	-	-	-

An expense of $0.1 million, 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 (2015: $0.2 million).

(i) Forward foreign exchange contracts

The forward foreign exchange contracts hedge highly probably forecast transactions denominated in foreign currency and are timed to mature when payments are scheduled to be made. Gains and losses recognised in the hedging reserve in equity on forward foreign exchange contracts as of 30 June 2016 are recognised in the income statement in the period during which the hedged forecast transaction affects the income statement. The cash flows are expected to occur monthly for the next five years.

(ii) Interest rate swaps

The interest rate derivatives are 100% effective as cash flow hedges against the future interest payments of the Group (2015: 100%).

Gains and losses recognised in the hedging reserve in equity on interest rate swap contracts as of 30 June 2016 will be continuously released to the income statement within finance costs until the repayment of the applicable bank borrowings.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 12. 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
LitSupport Pty Limited	Information management	Australia
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
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 (NZ) Limited (formerly Online Security Services Limited)	Information management	New Zealand
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.

There has been no change in investments in subsidiaries during the year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 13. PROPERTY, PLANT & 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.

Depreciation is calculated on a straight line basis on all tangible fixed assets, other than land and leasehold improvements, so as to expense the cost of the assets to their estimated residual values over their estimated useful lives. Land is not depreciated. Leasehold improvements are depreciated over the shorter of the unexpired period of the lease and the estimated useful life of the improvements. 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.

	LAND	BUILDINGS	LEASEHOLD ALTERATIONS	MOTOR VEHICLES	EQUIPMENT	TOTAL
2016 ($000)						
Opening net book value	13,842	26,770	3,927	5,094	34,878	84,511
Additions	-	13	936	1,104	12,971	15,024
Acquisitions through business combinations (Note 30)	-	-	55	160	393	608
Depreciation expense	-	(1,612)	(604)	(1,220)	(5,948)	(9,384)
Disposals	-	-	(6)	(24)	(221)	(251)
Exchange rate movement	(98)	(110)	(107)	(263)	(1,309)	(1,887)
Closing net book value	13,744	25,061	4,201	4,851	40,764	88,621
As at end of year						
Cost	13,744	39,434	9,454	12,447	85,615	160,694
Accumulated depreciation	-	(14,373)	(5,253)	(7,596)	(44,851)	(72,073)
Net book value	13,744	25,061	4,201	4,851	40,764	88,621

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

	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	-	-	-	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

Included in the cost of equipment is an amount of $3.4 million (2015: Nil) in respect of assets under construction for which depreciation has not commenced. This amount also includes capitalised borrowing costs of $0.1 million (2015: Nil).

The latest independent valuations of land and buildings (performed in June 2016) assess these assets to have a total fair value of $61.7 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 28.1(d).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 14. 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 is not amortised, but is tested for impairment annually or whenever 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 with indefinite useful lives are not subject to amortisation, but are tested for impairment annually or whenever events or changes in circumstances indicate that they might be impaired, and are carried at cost less amortisation and impairment losses. 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.

An independent valuation of the brand names was conducted by Deloitte in August 2016. This independent report assessed the fair market value of the brand names as at 30 June 2016 to be between $294 million and $326 million, 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 28.1(d).

(iii) Computer Software

External software costs, together with payroll and related costs for employees directly associated with the development of software, are capitalised. Costs associated with upgrades and enhancements are capitalised to the extent they result in additional functionality. Amortisation is charged on a straight-line basis over the estimated useful life of the software which ranges between 3 and 10 years. Included in the cost of software is work in progress of $1.6 million (2015: $1.4 million) for which amortisation has not commenced.

(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 useful life of the customer relationship which ranges between 10 and 20 years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

	GOODWILL	BRAND NAMES	SOFTWARE	CUSTOMER RELATIONSHIPS	OTHER	TOTAL
2016 ($000)						
Opening net book value	165,563	115,476	9,744	18,880	1,900	311,563
Additions	-	-	2,051	-	1,070	3,121
Acquisition through business combinations (Note 30)	2,659	-	-	1,257	-	3,916
Amortisation expense	-	-	(1,377)	(1,484)	(201)	(3,062)
Exchange rate movement	(5,246)	(1,500)	(121)	(707)	(121)	(7,695)
Closing net book value	162,976	113,976	10,297	17,946	2,648	307,843
As at end of year						
Cost	181,638	113,976	19,403	21,522	3,694	340,233
Accumulated amortisation	(18,662)	-	(9,106)	(3,576)	(1,046)	(32,390)
Net book value	162,976	113,976	10,297	17,946	2,648	307,843

	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 (restated)	8,982	4,745	461	5,306	-	19,494
Amortisation expense	-	-	(1,159)	(1,326)	(273)	(2,758)
Exchange rate movement	3,867	993	69	440	65	5,434
Closing net book value	165,563	115,476	9,744	18,880	1,900	311,563
As at end of year						
Cost (restated)	184,225	115,476	17,521	21,117	2,755	341,094
Accumulated amortisation	(18,662)	-	(7,777)	(2,237)	(855)	(29,531)
Net book value	165,563	115,476	9,744	18,880	1,900	311,563

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

Impairment tests for indefinite life intangible assets

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

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

	GOODWILL		BRAND NAMES	
	2016 $000	2015 $000 (Restated)	2016 $000	2015 $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
The Information Management Group (New Zealand) (formerly Online Security Services)	16,345	16,159	4,400	4,400
The Information Management Group (Australia)	33,039	35,412	10,776	11,570
Filesaver	4,842	5,198	1,745	1,873
LitSupport	8,202	8,424	4,612	4,952
Shred-X	26,390	26,212	3,238	3,476
Total Information Management	88,818	91,405	24,771	26,271
Total	162,976	165,563	113,976	115,476

(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 2017. Cash flows beyond June 2017 have been extrapolated using growth rates which do not exceed the historical compound annual earnings growth rates for each respective CGU, taking into consideration current and forecast economic conditions. The compound annual earnings growth rate for the Express Package & Business Mail segment over the past 10 years has been approximately 3% (2015: 4%). A 1% (2015: 1%) growth rate and 1% (2015: 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 5 years of approximately 14% (2015: 13%) is considered indicative of the growth in this segment since the Company's expansion into Australia. A 3% (2015: 3%) growth rate and 3% (2015: 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% (2015: 11%) has been applied to all CGU's, 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 CGU's, 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 2016

NOTE 15. DEFERRED LIABILITY

	2016 $000	2015 $000 (Restated)
Deferred tax liabilities		
Deferred tax liabilities to be recovered within 12 months	325	1,047
Deferred tax liabilities to be recovered after more than 12 months	4,105	6,676
Balance at end of year	4,430	7,723

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
2016 ($000)						
Balance at beginning of year	(6,793)	3,498	2,782	2,566	(9,776)	(7,723)
Prior period adjustment	182	(145)	103	-	(19)	121
Transfer to income statement	1,783	232	118	20	123	2,276
Amounts relating to business combinations (Note 30)	-	29	(3)	-	(364)	(338)
Adjustment for cash flow hedge reserve	-	-	-	1,025	-	1,025
Exchange rate movement	(5)	(120)	(54)	-	388	209
Balance at end of year	(4,833)	3,494	2,946	3,611	(9,648)	(4,430)

	PROPERTY, PLANT AND EQUIPMENT	EMPLOYEE ENTITLEMENTS	ACCRUALS AND PROVISIONS	DERIVATIVE FINANCIAL INSTRUMENTS	INTANGIBLE ASSETS (Restated)	TOTAL (Restated)
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	-	270	49	-	(3,011)	(2,692)
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	(9,776)	(7,723)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 16. 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.

	GROUP	
	2016 $000	2015 $000 (Restated)
Current:		
Trade creditors	29,363	29,313
Employee entitlements	13,996	14,515
Acquisition earn-out payables	-	1,955
Other creditors and accruals	11,320	11,653
	54,679	57,436
Non-current:		
Acquisition earn-out payables	5,620	5,225
Other non-current payables	748	1,519
	6,368	6,744

NOTE 17. LEASES

Operating lease commitments (non-cancellable)

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.

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

	2016 $000	2015 $000
Within one year	22,424	21,700
After one year but not more than five years	52,208	47,053
After five years	22,413	17,716
	97,045	86,469

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 2016

NOTE 18. 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.

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. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

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.

	CUSTOMER CLAIMS $000	LONG SERVICE LEAVE $000	LEASE OBLIGATIONS $000	TOTAL $000
2016				
Balance at beginning of year	516	1,833	1,996	4,345
Current year provision	97	412	199	708
Amounts relating to business combinations	-	45	60	105
Expenses incurred	-	(59)	(765)	(824)
Movement in exchange rate	-	(142)	(42)	(184)
Balance at end of year	613	2,089	1,448	4,150
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

Analysis of total provisions:

	2016 $000	2015 $000
Current	1,115	1,413
Non-current	3,035	2,932
Total	4,150	4,345

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 19. 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.

NOTE 20. 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. Costs incurred in establishing finance facilities are amortised to the income statement over the term of the respective facilities.

	GROUP	
	2016 $000	2015 $000
Non-current:		
Bank borrowings	158,801	177,007

(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 2016, the carrying amount of the assets pledged as security is $174 million (2015: $171 million).

(b) Finance facilities

The following finance facilities existed at the reporting date:

	FACILITIES DENOMINATED IN NEW ZEALAND DOLLARS		FACILITIES DENOMINATED IN AUSTRALIAN DOLLARS	
	2016 $000	2015 $000	2016 $000	2015 $000
Bank overdraft				
- total bank overdraft facility available	8,000	8,000	20	20
- amount of overdraft facility unused	8,000	8,000	20	20
Loan facilities				
- total loan facilities available	110,000	110,000	97,000	97,000
- maturing 1 September 2016	-	37,000	-	27,500
- maturing 1 September 2017	-	37,000	-	35,000
- maturing 1 September 2018	37,000	36,000	27,500	34,500
- maturing 1 September 2019	37,000	-	35,000	-
- maturing 1 September 2020	36,000	-	34,500	-
- amount of loan facilities used	74,000	80,000	80,900	86,200
- amount of loan facilities unused	36,000	30,000	16,100	10,800
Effective interest rate at 30 June as amended for interest rate hedges	6.60%	7.38%	5.31%	6.02%

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 2016.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 21. 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.

	GROUP			
	2016 ORDINARY SHARES	2015 ORDINARY SHARES	2016 $000	2015 $000
Balance at beginning of year	154,519,061	154,220,552	122,858	122,108
Partly-paid ordinary shares issued	-	-	1	10
Partly-paid shares, fully paid up to ordinary shares	147,769	173,498	579	541
Employee share-based payment	-	-	(19)	(286)
Shares issued for employee share plan	90,000	115,000	437	529
(Increase) decrease in employee share plan unallocated shares	759	10,011	(4)	(44)
Balance at end of year	154,757,589	154,519,061	123,852	122,858

Contributed Equity

(i) Fully paid ordinary shares

As at 30 June 2016 there were 154,760,691 shares issued and fully paid (2015: 154,522,922). 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 14 September 2015, 121,691 partly-paid shares were issued to certain senior executives under the rules of the Freightways Senior Executive Performance Share Plan (2015: 124,221). The issue price per share was $5.39 (2015: $5.11) 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 22). During the year, 63 partly-paid shares were redeemed and cancelled (2015: 24,292). As at 30 June 2016 there were 383,721 partly-paid shares on issue, paid up to one cent per share (2015: 409,862). Partly-paid shares have no voting rights and no rights to dividends and surplus on winding up.

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

On 14 September 2015, 147,769 (2015: 173,498) 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 $3.92 (2015: $3.12).

(iv) Employee Share Plan

On 15 September 2015, the Company issued 90,000 fully paid ordinary shares at $4.86 each to Freightways Trustee Company Limited, as Trustee for the Freightways Employee Share Plan (September 2014: 115,000 fully paid ordinary shares at $4.60 each). In total, participating employees were provided with interest-free loans of $0.4 million to fund their purchase of the shares in the Share Plan (September 2014: $0.5 million). The loans are repayable over three years and repayment commenced in October 2015.

As at 30 June 2016 the Trustee held 539,766 (2015: 522,422) fully paid ordinary shares (representing 0.3% (2015: 0.3%) of all issued ordinary shares) of which 3,102 (2015: 3,861) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

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(g).

(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(c).

NOTE 22. 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.

Allocations are made annually in September each year. The terms for these allocations, including the relevant performance hurdles, are determined by the Board of Directors at the time of each allocation.

Details of outstanding allocations are as follows:

Share allocation date	13 Sept 2011	10 Sept 2012	11 Sept 2013	10 Sept 2014	14 Sept 2015
Number of partly-paid shares allocated	183,716	155,832	148,386	124,221	121,691
Market price per share at date of allocation	$3.15	$3.97	$4.12	$5.11	$5.39
Amount paid up per share upon allocation	$0.01	$0.01	$0.01	$0.01	$0.01
Total amount paid-up upon allocation	$1,837	$1,558	$1,484	$1,242	$1,217
Total amount paid-up upon vesting:					
- year ended 30 June 2014	-	-	-	-	-
- year ended 30 June 2015	$495,957	-	-	-	
- year ended 30 June 2016	$25,057	$547,973	-	-	-
Escrow periods ended 30 June:	2014 (100%)	2015 (100%)	2016 (100%)	2017 (100%)	2018 (100%)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

Total number of partly-paid shares on issue:

	2016	2015
Balance at beginning of the year	409,862	483,431
Issued during the year	121,691	124,221
Cancelled during the year	(63)	(24,292)
Fully paid up during the year	(147,769)	(173,498)
Balance at end of the year	383,721	409,862
Partly-paid shares eligible to be paid up at the end of the year	Nil	Nil

	2016 $000	2015 $000
Total amount expensed during the year for the senior executive performance share plan	573	564
Liability recognised at year end for estimated income tax applicable to bonuses payable to facilitate the paying-up of vested partly-paid shares	369	638

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

	NOTE	GROUP 2016 $000	GROUP 2015 $000 (Restated)
Profit for the year		49,774	43,840
Add non-cash items:			
Depreciation and amortisation	4	12,446	14,284
Movement in provision for doubtful debts		(35)	570
Movement in deferred income tax		(3,043)	(4,006)
Net loss on disposal of property, plant and equipment		17	7
Net foreign exchange loss (gain)		(11)	(71)
Movement in derivative fair value		82	168
Non-recurring items		6,337	8,975
Items not included in profit for the year:			
Cash flow hedges taken directly to equity		2,636	1,360
Movement in working capital, net of effects of acquisitions of businesses:			
Decrease (increase) in trade and other receivables		(4,110)	(1,941)
Decrease (increase) in inventories		(837)	976
Increase (decrease) in trade and other payables		(1,356)	3,648
Increase (decrease) in income taxes payable		(106)	635
Net cash inflows from operating activities		61,794	68,445

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FOR THE YEAR ENDED 30 JUNE 2016

NOTE 24. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Group had made capital commitments to purchase or construct buildings and equipment for $9.9 million at 30 June 2016 (2015: $13.5 million), principally relating to the completion of operating facilities throughout the Group.

As at 30 June 2016, the Group had outstanding letters of credit and bank guarantees issued by its lenders totalling approximately $2.4 million (2015: $2.2 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 25. EARNINGS PER SHARE*

Basic earnings per share

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

	GROUP	
	2016	2015 (Restated)
Profit for the year attributable to shareholders ($000)	49,774	43,840
Weighted average number of ordinary shares ('000):	154,712	154,464
Basic earnings per share (cents)	32.2	28.4

Diluted earnings per share

Diluted earnings per share is calculated by dividing the profit for the year attributable to shareholders 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:

	GROUP	
	2016	2015 (Restated)
Profit for the year attributable to shareholders ($000)	49,774	43,840
Weighted average number of ordinary shares ('000):	154,712	154,464
Effect of dilution	383	410
Diluted weighted average number of ordinary shares ('000):	155,095	154,874
Diluted earnings per share (cents)	32.1	28.3

* Basic and diluted earnings per share calculated on the profit for the year attributable to shareholders, excluding non-recurring items, net of tax (refer Note 4), are 35.1 cents and 35.0 cents, respectively (2015: 32.6 cents and 32.5 cents, respectively).

NOTE 26. NET TANGIBLE ASSETS PER SECURITY

Net tangible assets (liabilities) per security at 30 June 2016 was ($0.53) (2015: ($0.60)).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 27. 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	
	2016 $000	2015 $000
Short-term employee benefits	6,240	6,349
Long-term employee benefits	-	-
Post-employment benefits	-	-
Termination benefits	-	-
Share-based payments (Note 22)	369	639

NOTE 28. FINANCIAL RISK MANAGEMENT

28.1 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 months cash requirement forecasts.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

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

GROUP	LESS THAN 6 MONTHS	6-12 MONTHS	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS	TOTAL
2016 ($000)						
Bank borrowings	2,874	2,802	5,741	175,453	-	186,870
Trade and other payables	44,462	13,215	6,367	-	-	64,044
Finance lease liabilities	40	36	35	-	-	111
Derivative financial instruments – interest rate swaps*	1,581	1,653	3,168	5,321	528	12,251
2015 ($000)						
Bank borrowings	3,701	3,701	7,403	196,986	-	211,791
Trade and other payables (restated)	45,747	8,456	6,670	75	-	60,948
Finance lease liabilities	8	7	7	10	-	32
Derivative financial instruments – interest rate swaps*	1,577	1,462	2,734	4,144	55	9,972

* 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.

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FOR THE YEAR ENDED 30 JUNE 2016

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

	GROUP	
	2016 $000	2015 $000 (Restated)
Cash and cash equivalents	7,065	13,946
Trade and other receivables	64,311	67,650
	71,376	81,596

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	
	2016 $000	2015 $000
Current	51,472	49,331
31-60 days over standard terms	6,501	6,069
60-90 days over standard terms	1,143	1,735
91+ days over standard terms	1,849	1,858
	60,965	58,993

The Group has $7.8 million (2015: $7.9 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 20, at 30 June 2016 the Group had Australian dollar denominated bank borrowings of AUD80,900,000 (2015: AUD86,200,000). Of these borrowings, AUD14,200,000 (2015: 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.

NOTES TO THE FINANCIAL STATEMENTS

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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 re-priced at intervals not exceeding 180 days.

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

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

The 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 year's 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
2016 ($000)						
Financial assets						
Cash and cash equivalents	7,065	51	(51)	51	(51)	-
Trade and other receivables	64,501	-	-	-	-	-
Financial liabilities						
Borrowings	158,801	(1,143)	1,143	(1,143)	1,143	1,353/(1,654)
Derivative financial instruments	12,901	746	(746)	4,100	(4,266)	-
2015 ($000)						
Financial assets						
Cash and cash equivalents	13,946	100	(100)	100	(100)	-
Trade and other receivables (restated)	67,923	-	-	-	-	-
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)	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

(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;
- In respect of forward foreign exchange contracts, the fair value is calculated using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value; 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.

Specific valuation techniques used to value aircraft held for sale include among other factors, market demand and pricing of similar aircraft.

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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
2016				
Assets				
Aircraft held for sale	-	1,000	-	1,000
Total assets	-	1,000	-	1,000
2015				
Assets				
Estimated purchase price adjustment (restated)	-	-	5,602	5,602
Aircraft held for sale	-	5,797	-	5,797
Total assets	-	5,797	5,602	11,399

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
2016				
Liabilities				
Derivative financial instruments	-	12,901	-	12,901
Contingent consideration in a business combination	-	-	5,620	5,620
Total liabilities	-	12,901	5,620	18,521
2015				
Liabilities				
Derivative financial instruments	-	9,165	-	9,165
Contingent consideration in a business combination (restated)	-	-	7,180	7,180
Total liabilities	-	9,165	7,180	16,345

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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 2016.

	CONTINGENT CONSIDERATION IN A BUSINESS COMBINATION	
	2016 $000	2015 $000 (Restated)
Opening balance	1,578	5,325
Acquisition of businesses	-	4,542
Losses recognised in the income statement	823	672
Settlement	(1,941)	(3,667)
Purchase price adjustment	5,536	(5,602)
Exchange rate adjustments	(376)	308
Closing balance	5,620	1,578
Total losses for the year included in the income statement for liabilities held at the end of the reporting period, under:		
- Net interest and finance costs	823	672
	823	672

Contingent consideration in a business combination mainly relates to the prior year acquisition of LitSupport Pty Ltd explained in Note 30.

28.2 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-months basis. The most significant covenant relating to capital management is a requirement for the Group to ensure Shareholders Funds are maintained above a minimum level. There have been no breaches of banking covenants or events of review during the current or prior year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 29. FINANCIAL INSTRUMENTS BY CATEGORY

(a) Assets, as per balance sheet

	LOANS AND RECEIVABLES		DERIVATIVES USED FOR HEDGING		TOTAL	
	2016 $000	2015 $000 (Restated)	2016 $000	2015 $000	2016 $000	2015 $000 (Restated)
Group:						
Trade and other receivables (excluding prepayments)	62,851	66,181	-	-	62,851	66,181
Cash and cash equivalents	7,065	13,946	-	-	7,065	13,946
Total	69,916	80,127	-	-	69,916	80,127

(b) Liabilities, as per balance sheet

	DERIVATIVES USED FOR HEDGING		OTHER FINANCIAL LIABILITIES AT AMORTISED COST		TOTAL	
	2016 $000	2015 $000	2016 $000	2015 $000 (Restated)	2016 $000	2015 $000 (Restated)
Group:						
Borrowings (excluding finance lease liabilities)	-	-	158,801	177,007	158,801	177,007
Finance lease liabilities	-	-	111	32	111	32
Derivative financial instruments	12,901	9,165	-	-	12,901	9,165
Trade and other payables	-	-	61,047	64,180	61,047	64,180
Total	12,901	9,165	219,959	241,219	232,860	250,384

NOTE 30. BUSINESS COMBINATIONS

Current period acquisitions

During the year ended 30 June 2016, the Group acquired the business and assets of a number of small information management businesses in Australia and New Zealand for an aggregate purchase consideration totalling approximately $3.9 million. These businesses have been integrated into the Group's information management division. The businesses acquired were:

- Confidential Document Solutions on 20 July 2015
- Secure Document Destruction Company on 3 August 2015
- Document Security Taranaki on 5 October 2015

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

The contribution of these businesses to the Group results for the year ended 30 June 2016 was revenue of $2.8 million and operating profit before interest, income tax and amortisation of intangibles of $0.9 million.

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 $3.2 million and $1.0 million, respectively.

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

	$000
Purchase consideration	
Cash paid during the period	3,854
Total purchase consideration	3,854
Fair value of assets and liabilities arising from the acquisition	
Prepayments	4
Property, plant and equipment	608
Customer relationships	1,257
Goodwill	2,659
Trade and other payables	(336)
Deferred tax liability	(338)
	3,854

The goodwill of $2.7 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.

Prior period acquisitions

LitSupport Pty Ltd ("LTS")

On 3 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 future maximum earnout of $13.9 million (A$12.9 million). This acquired subsidiary operates within the Group's information management division.

As a result of not meeting an initial financial hurdle for the 2015 calendar year, the vendors were required to refund $5.3 million (A$5 million) of the initial purchase price to the Company. This refund was received in March 2016.

The initial accounting for this acquisition had previously been determined on a provisional basis. The fair value of assets acquired and liabilities assumed, including identified intangible assets, were subsequently finalised within 12 months from the acquisition date and upon confirmation of certain determinants that impacted earnings assumptions. The following table summarises the final amounts determined for consideration paid and the fair value of assets acquired and liabilities assumed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

	FINAL ACQUISITION ACCOUNTING 31 DEC 2015 $000	PROVISIONAL ACQUISITION ACCOUNTING 30 JUN 2015 $000	PROVISIONAL ACQUISITION ACCOUNTING 31 DEC 2014 $000
Purchase consideration			
Cash paid	18,313	18,343	18,321
Additional cash consideration payable	-	-	120
Estimated purchase price adjustment	(5,338)	(4,389)	-
Fair value of future earn-out payment	4,360	8,452	10,624
Total purchase consideration	17,335	22,406	29,065
Fair value of assets and liabilities arising from the acquisition			
Cash and cash equivalents	1,478	1,478	1,467
Trade and other receivables	2,664	2,664	2,296
Plant and equipment	1,819	1,819	2,472
Brand name	4,745	4,745	4,853
Customer relationships	4,314	4,314	5,392
Goodwill	8,072	13,539	18,643
Trade and other payables	(3,325)	(3,713)	(3,170)
Deferred tax liability	(2,432)	(2,440)	(2,843)
Finance lease	-	-	(45)
	17,335	22,406	29,065

The future earn-out payment of up to a maximum discounted amount of $8.8 million 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 expects could be required to be made in respect of this acquisition is between nil and $6.2 million. The Group has forecast several scenarios and probability-weighted each to determine a fair value for this contingent payment arrangement.

The goodwill 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.

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 required 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 2014. The final earn-out payment of $0.8 million was paid in August 2015.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

Previous acquisitions

During the year ended 30 June 2015, the Group acquired a number of small 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 initial accounting for these acquisitions had previously been determined on a provisional basis. The fair value of assets acquired and liabilities assumed, including identified intangible assets, were subsequently finalised within 12 months from the acquisition dates and upon confirmation of certain determinants that impacted earnings assumptions. The following table summarises the final amounts determined for consideration paid and the fair value of assets acquired and liabilities assumed.

	FINAL ACQUISITION ACCOUNTING 31 DEC 2015 $000	PROVISIONAL ACQUISITION ACCOUNTING 30 JUN 2015 $000	PROVISIONAL ACQUISITION ACCOUNTING 31 DEC 2014 $000
Purchase consideration			
Cash paid during the period	1,810	1,810	1,810
Estimated working capital adjustment & future earn-out payments	181	862	2,079
Total purchase consideration	1,991	2,672	3,889
Fair value of assets and liabilities arising from the acquisitions			
Inventories	40	40	40
Customer relationships	957	957	1,470
Goodwill	1,376	2,057	2,916
Trade and other payables	(137)	(137)	(137)
Deferred tax liability	(245)	(245)	(400)
	1,991	2,672	3,889

Future earn-out payments up to a maximum discounted amount of $0.2 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 $0.3 million. The Group has forecast several scenarios and probability-weighted each to determine a fair value for this contingent payment arrangement.

The goodwill of $1.4 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.

As at 30 June 2015, future earn-out payment relating to an acquisition made in December 2013 of up to a maximum undiscounted amount of $1.1 million was potentially payable within the next twelve months. During the year ended 30 June 2016 the earn-out payment of $1.1 million was paid.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 31. SIGNIFICANT EVENTS AFTER BALANCE DATE

Dividend declared

On 15 August 2016, the Directors declared a fully imputed final dividend of 14.5 cents per share (approximately $22.5 million) in respect of the year ended 30 June 2016. The dividend will be paid on 3 October 2016. The record date for determination of entitlements to the dividend is 16 September 2016.

Acquisition of LexData

Effective 1 July 2016, Freightways acquired the business and assets of LexData Management Pty Limited (LexData), an Australian-based information management business. The initial purchase price paid for LexData was not material. The initial accounting for the business combination is incomplete at the time these financial statements are authorised for issue, given the short period of ownership. The fair value of assets and liabilities acquired, including identifiable intangible assets, will be disclosed in the consolidated financial statements for the half year ending 31 December 2016 on a provisional basis and finalised by 30 June 2017.

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

NOTE 32. 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 2016

- NZ IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018).
  - 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 2018 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.
- NZ IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019).
  - NZ IFRS 16 replaces the current guidance in NZ IAS 17. Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under NZ IAS 17, a lessee was required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). NZ IFRS 16 now requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Included is an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.
  - The standard is effective for accounting periods beginning on or after 1 January 2019. Early adoption is permitted but only in conjunction with NZ IFRS 15, 'Revenue from Contracts with Customers'. The Group intends to adopt NZ IFRS 16 on its effective date and has yet to assess its full impact.

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 2016

	NUMBER OF HOLDERS	NUMBER OF SHARES HELD	% OF ISSUED CAPITAL
Size of shareholding			
1 to 1,999	2,316	2,640,418	1.70
2,000 to 4,999	2,721	8,379,822	5.41
5,000 to 9,999	1,503	9,870,282	6.38
10,000 to 49,999	960	16,149,183	10.43
50,000 to 99,999	38	2,424,431	1.57
100,000 to 499,999	35	6,386,662	4.13
500,000 to 999,999	8	5,936,765	3.84
1,000,000 and over	10	102,973,128	66.54
Total shareholders	7,591	154,760,691	100.00
Geographic distribution			
New Zealand	7,448	153,178,112	98.98
Australia	84	1,347,520	0.87
Other	59	235,059	0.15
	7,591	154,760,691	100.00

Substantial security holders as at 31 July 2016

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	%
ANZ New Zealand Investments Limited, ANZ Bank New Zealand Limited and OnePath Funds Management Limited	12,028,346	7.77
Fisher Funds Management Limited	10,874,730	7.03
Harris Associates LP	9,798,432	6.33

The total number of issued voting securities of the Company as at 31 July 2016 was 154,760,691.

SHAREHOLDER INFORMATION

Top twenty registered shareholders of listed shares as at 31 July 2016

	NUMBER OF SHARES HELD	% OF ISSUED CAPITAL
HSBC Nominees (New Zealand) Limited <HKBN45>*	14,312,006	9.25
TEA Custodians Limited <TEAC40>*	11,426,160	7.38
National Nominees New Zealand Limited <NNLZ90>*	9,416,601	6.08
Citibank Nominees (New Zealand) Limited <CNOM90>*	7,001,647	4.52
ANZ Custodial Services New Zealand Limited <PBNK90>*	6,693,442	4.33
JPMorgan Chase Bank <CHAM24>*	5,268,634	3.40
FNZ Custodians Limited	5,192,712	3.36
HSBC Nominees (New Zealand) Limited <HKBN90>*	5,022,900	3.25
Forsyth Barr Custodians Limited <1-Custody>	4,295,159	2.78
Accident Compensation Corporation <ACCI40>*	4,009,021	2.59
Custodial Services Limited <A/C 3>	3,784,335	2.45
ANZ Wholesale Australasian Share Fund <PNAS90>*	3,229,427	2.09
Port Devon Limited	3,153,469	2.04
BNP Paribas Nominees (NZ) Limited*	2,931,300	1.89
Investment Custodial Services Limited <A/C C>	2,876,903	1.86
HSBC Nominees A/C NZ Superannuation Fund Nominees Limited <SUPR40>*	2,189,197	1.41
BNP Paribas Nominees (NZ) Limited <COGN40>*	1,878,652	1.21
Custodial Services Limited <A/C 2>	1,490,011	0.96
BNP Paribas Nominees (NZ) Limited <BPSS40>*	1,488,781	0.96
Lucerne Road Investments Limited	1,402,896	0.91
	97,063,253	62.72

* 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.

As at 30 June 2016, Freightways' Board comprised six Directors: The non-executive Chairman, the Managing Director and four non-executive directors. A further non-executive director was appointed with effect from 1 July 2016. Freightways' Board currently includes six independent directors. Key executives attend board meetings by invitation.

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 2016, the Board was comprised of 5 male directors and 1 female non-executive Chairman (2015: 4 male directors and 1 female non-executive Chairman), and all 5 officers of the Company, who are not directors, were male (2015: all 5 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 2016 financial year:

DIRECTOR	MEETINGS HELD	MEETINGS ATTENDED
Sue Sheldon	12	12
Dean Bracewell	12	12
Roger Corcoran	12	12
Kim Ellis	12	12
Mark Rushworth (appointed 1 September 2015)	9	9
Mark Verbiest	12	12

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	4

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	3	3
Kim Ellis	3	3
Sue Sheldon	3	3

CORPORATE GOVERNANCE STATEMENT

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 Rushworth, Mark Verbiest and Dean Bracewell. Meetings were held and attended, as follows:

DIRECTOR	MEETINGS HELD	MEETINGS ATTENDED
Sue Sheldon	2	2
Dean Bracewell	2	2
Roger Corcoran	2	2
Kim Ellis	2	2
Mark Rushworth (appointed 1 September 2015)	2	2
Mark Verbiest	2	2

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

The Information Management Group (NZ) Limited
33 Botha Road
Penrose
DX EX10975
AUCKLAND
Telephone: 09 580 4360
www.timg.co.nz

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

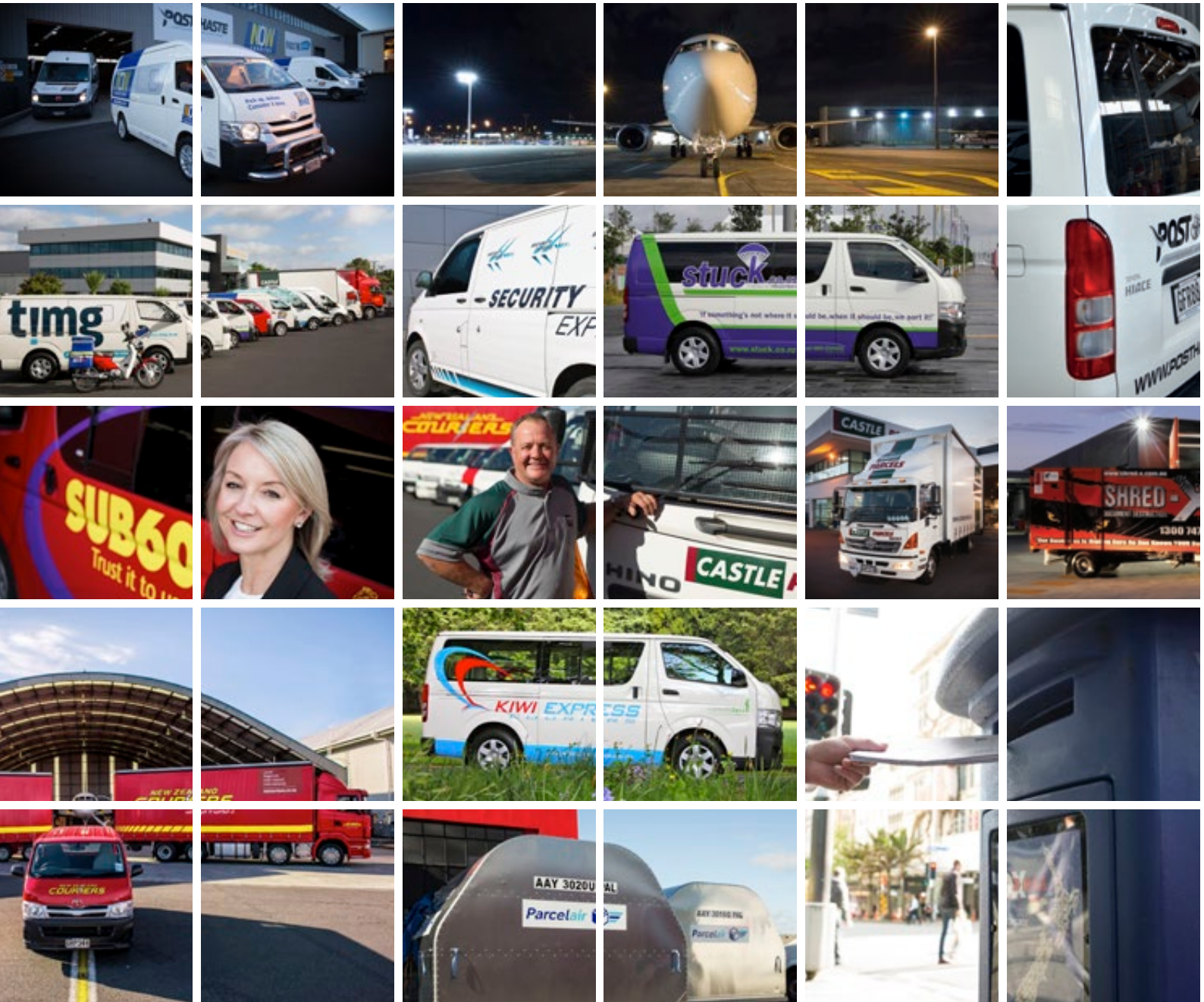
Fieldair Holdings Limited
Palmerston North International Airport
Palmerston North
DX PX10029
PALMERSTON NORTH
Telephone: 06 357 1149
www.fieldair.co.nz

Castle Parcels Limited
163 Station Road
Penrose
DX CX10245
AUCKLAND
Telephone: 09 525 5999
www.castleparcels.co.nz

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

Shred-X Pty Limited
PO Box 1184
Oxenford
Queensland 4215
AUSTRALIA
Telephone: +61 1 300 747 339
www.shred-x.com.au

The Information Management Group Pty Limited
PO Box 984
Chatswood
New South Wales 2057
AUSTRALIA
Telephone: +61 2 9882 3420
www.timg.com
www.filesaver.com.au
www.litsupport.com.au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SECURITY
stuck
CASTLE
SHRED
KIWI EXPRESS
Parcelair