Freightways

HALF YEAR REPORT | DECEMBER 2008

Freightways

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

DX Mail
www.dxmail.co.nz

Parceline Express

Online Security Services
www.onlinesecurity.co.nz

Document Destruction Service
www.destruction.co.nz

Data Security Services
www.datasecurity.co.nz

Archive Security
www.onlinerecords.co.nz

Databank
www.databank.com.au

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

Air Freight NZ

Fieldair Engineering
www.fieldair.co.nz

Freightways Information Services

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

HALF YEAR REVIEW FROM THE CHAIRMAN AND MANAGING DIRECTOR

The Directors are pleased to present the financial results of Freightways Limited (Freightways) for the half year ended 31 December 2008. Freightways has delivered a sound result from its express package and business mail division and an outstanding result from its growing information management division. This result once again demonstrates the resilience of Freightways' business model, the strength of its brand positioning and the importance of the successful execution of its strategic growth decisions in recent years.

Naturally the current economic downturn is impacting Freightways in various ways. This impact is discussed throughout this report in relation to each segment of Freightways' operations.

Operating performance

Consolidated operating revenue of $177 million for the half year was 10% higher than the prior corresponding period.

Earnings before interest, tax, depreciation and goodwill amortisation (EBITDA) of $36 million for the half year was 3% higher than the prior corresponding period, while earnings before interest, tax and goodwill amortisation (EBITA) of $32 million for the half year was 1% higher than the prior corresponding period.

Consolidated net profit after tax (NPAT) of $17 million for the half year was 1% higher than the prior corresponding period.

Cash generated from operations before interest and tax of $33 million was 3% higher than the prior corresponding period.

Dividend

The Directors have declared an interim dividend of $10.3 million which translates into 8.0 cents per share, and will be fully imputed at a tax rate of 33%. When determining the 2009 interim dividend Directors have given particular consideration to:

- the current economic downturn, which has resulted in modest overall earnings growth, constrained by lower activity from some existing customers, and the difficulty in accurately forecasting near term operating performance; and
- the overall funding requirements of the business, including the company's investment in two significant capital projects during 2009 to provide future capacity for its operations and the completion of the acquisition of several businesses. These investments add immediate inherent value and are also expected to contribute to future growth in earnings, however they have naturally required an immediate stepped cash outlay for a future incremental cash benefit.

The Directors have therefore elected to take a more conservative approach than has been normal in recent years when determining the level of dividend to be paid for this interim period. This decision is considered prudent and appropriate at this stage of the year. In looking forward it is difficult to determine the impact of the economic turmoil on Freightways' operating environment. Due to this uncertainty, Freightways will publish in April a Trading Update that will provide high level financial results for the third quarter. The interim dividend will be paid on 31 March 2009. The record date for determination of entitlement to the dividend is 13 March 2009.

REVIEW OF OPERATIONS

Express Package and Business Mail

The core express package business contributes the majority of Freightways' revenue and earnings. Freightways operates the brands of New Zealand Couriers, Post Haste Couriers, Castle Parcels, NOW Couriers, SUB60, Security Express and Kiwi Express.

The earnings performance of Freightways' express package business is slightly below the prior corresponding period.

The current economic downturn has translated into lower express package volumes from some of Freightways' existing customers. In addition, volumes are continuing to fluctuate markedly month to month which creates difficulties when planning near term capacity.

HALF YEAR REVIEW FROM THE CHAIRMAN AND MANAGING DIRECTOR

Freightways first saw signs of slowing activity from existing customers in 2006. Since that time it has strengthened its competitive positioning through various acquisitions and alliances, introduced new service lines, implemented new customer interfacing technologies, increased the training and subsequent depth of knowledge and experience amongst its team of people, continued to improve its service quality and sought productivity gains wherever possible. While in recent years costs have been difficult to contain, particularly in regard to labour, occupancy and fuel, these pressures have started to abate in recent months. The success of the many initiatives associated with each of the above points has resulted in excellent customer retention, increased market share, pricing improvement and is evidenced in the delivery of this half year result. While Freightways' express package division will naturally continue to be impacted by reduced activity from some of its customers, it is very well positioned with a highly variable cost base, a shared-risk business model and very experienced and highly motivated teams of people.

Freightways' express package strategy is to continue to defend and extend its presence in the express package market and to actively develop the market opportunities that are expected to materialise in this more challenging operating environment.

DX Mail operates in New Zealand's postal services market. In recent years, DX Mail has developed its own street delivery network in a number of regions around New Zealand to complement its traditional box-to-box document exchange business. DX Mail has gained real traction in the market and won several important new customers. This market support demonstrates the value customers attribute to DX Mail's provision of a competitive postal service to that of the Government-owned NZ Post. DX Mail is closely integrated with Freightways' express package business that performs the majority of its pick-up services.

DX Mail's earnings contribution to Freightways is relatively small. These earnings, while still at a reasonable margin, are well down on the prior corresponding period.

The current economic downturn has primarily affected DX with reduced letter volumes, most noticeably in its traditional legal, travel and finance markets. In addition, some volume has transitioned from physical letters to electronic communication.

Partially offsetting the impact of these issues has been the outstanding growth that DX Mail has consistently achieved since entering the general postal market. While this is a lower margin product than its traditional box-to-box product, the size of the market opportunity remains significant.

DX Mail's strategy is to continue to profitably grow and develop its presence across the NZ postal market.

Information Management

Freightways entered the information management market in 1999. Since that time it has grown to be the leading operator in New Zealand in two of its three primary service lines and the number two operator in its third service line. In 2006 Freightways entered the Australian information management market. Since that time Freightways has acquired other businesses and started its own businesses to now have a presence in every major state of Australia. While there remain further business development opportunities in each of its service lines, the success of this growth strategy to date has been important in assisting the diversification and strengthening of Freightways' overall earnings profile.

The earnings performance of Freightways' information management division is well ahead of the prior corresponding period. In particular, growth in all service lines has remained very positive throughout the half year.

The current economic downturn has not had any noticeable effect upon either the data or document storage service lines. Demand for these services is expected to continue to grow due to businesses seeking to free up expensive office space by outsourcing document storage, businesses needing to professionally manage the growing volume of business information they are generating and businesses needing to meet their ever-increasing compliance requirements.

In regard to the document destruction service line, revenue is earned firstly through 'service revenue' related to the pickup, collection and secure destruction of paper and secondly through 'paper sales revenue' from the sale of the related paper to the recycling market. The current economic downturn has resulted in reduced global demand for recycled paper which has subsequently resulted in reduced prices for some of the paper

HALF YEAR REVIEW FROM THE CHAIRMAN AND MANAGING DIRECTOR

sold by Freightways to recyclers. For this reason, Freightways' New Zealand paper sales revenue is expected to decline in the second half of this financial year. Australian paper sales revenue is not expected to decline due to contracts which are in place until at least June 2009 and due to the majority of paper generated in Australia being used domestically rather than being exported. The majority of Freightways' New Zealand volumes are exported.

A range of initiatives to offset the impact of lower paper prices for recycled paper are currently being implemented. These include sourcing alternative buyers, market pricing initiatives, stockpiling high grade paper in the expectation of improved prices in the near term and simplifying processes to sort paper into those specific grades where commercial demand remains, which in turn contributes to labour efficiencies. As demand for recycled paper returns it is expected that prices will recover. Overall the benefit of these offsetting initiatives will mean the impact on Freightways of lower paper sales revenue through until June 2009 is not expected to be material.

Having successfully established a sound operating platform across New Zealand and Australia, Freightways' information management strategy is to now leverage this platform to realise the positive growth opportunities that exist in this market, including the introduction of new service lines, while continuing to seek out and investigate potential acquisition opportunities.

The information management business has contributed 18% of Freightways' total operating earnings in this half year. The performance of this division has been outstanding.

Internal service providers

Fieldair Holdings Limited provides airfreight linehaul services, Parceline Express provides road linehaul services and Freightways Information Services provides IT support to the Freightways front line express package and business mail businesses. All three internal service providers have continued to deliver exceptional service.

Corporate costs have increased year on year, primarily to assist and support our Australian expansion.

Freightways' finance facilities were re-negotiated in August 2007 and extend out to November 2010. Freightways has benefited from a lower NZ business tax environment and a lower cost of funds as interest rates have declined in recent months. The full benefit of lower interest rates has been impacted by the unfavourable, non-cash charge of $0.6 million relating to the accounting treatment required under NZ IFRS for certain financial instruments. Freightways hedges a significant portion of its current and forecast bank borrowings. As interest rates have declined Freightways has progressively increased its level of long-term hedging in particular, to ensure lower rates on offer today are locked in for the long-term benefit of the company.

The current economic downturn has not affected Freightways' ability to finance its operations or growth initiatives. As Freightways seeks to renegotiate its finance facilities in the future, indications are that bank margins may increase, offsetting some of the benefit of lower interest rates.

Freightways has a very large customer base that is spread over many industry sectors which minimises its exposure to a single business or industry failure. While the risk of bad debts has increased for all Freightways businesses, its credit management policies and processes are well established with its customers and a material increase in its provision for doubtful debts is not anticipated at this stage. Credit control is actively managed across all Freightways businesses.

OUTLOOK

Freightways' express package and business mail division is expected to continue to perform soundly overall, although fluctuating month on month volume such as has been experienced through until December 2008 makes it difficult to accurately forecast near term performance. Customer activity will ultimately determine volumes and revenues. Cost increases are expected to moderate in the near term across most expense lines.

Freightways' information management businesses, both in New Zealand and Australia, are expected to continue their positive development. The completion of two significant developments in Queensland and Wellington during 2009 to provide increased capacity has contributed to a one-off stepped increase in Freightways' capital expenditure. These new facilities will result in a near-term margin reduction, as will lower

HALF YEAR REVIEW FROM THE CHAIRMAN AND MANAGING DIRECTOR

paper sales revenue, however overall earnings are expected to continue to increase as the benefit of growth initiatives are realised.

In recent years, Freightways has strengthened its earnings profile by diversifying its activities both geographically and deeper into the information management market. Freightways will continue to seek and investigate growth opportunities to support this strategy and will also explore other opportunities that complement its core capabilities.

Freightways will continue to be affected by the current economic downturn. In the medium to long-term, Freightways is exceptionally well positioned to reap the benefits of any improvement in the marketplace.

CONCLUSION

In a challenging operating environment, Freightways has delivered a sound result. Its core express package business has performed well and its information management business has delivered outstanding performance. This result has enabled Directors to declare the payment of an interim dividend of 8.0 cents per share, fully imputed at a tax rate of 33%. In light of the exceptional times we are currently operating in, a Trading Update will be provided in April to inform the market of third quarter results. Freightways expects to continue achieving positive performance for its shareholders and other stakeholders, subject to business factors beyond its control.

The Directors acknowledge the outstanding work and ongoing dedication of the Freightways team in this very difficult trading environment.

Wayne Boyd
Chairman

Dean Bracewell
Managing Director

16 February 2009

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ACCOUNTANTS' REPORT

To the shareholders of Freightways Limited.

We have reviewed the interim condensed consolidated financial statements ("financial statements") on pages 6 and 8 to 15. The financial statements provide information about the past financial performance and cash flows of the Group, comprising Freightways Limited and its subsidiaries for the half year ended 31 December 2008 and its financial position as at that date. This information is stated in accordance with the accounting policies set out on page 11.

Directors' responsibilities

The Company's Directors are responsible for the preparation and presentation of the financial statements that present fairly the balance sheet of the Group as at 31 December 2008 and its income statement and statement of cash flows for the half year ended on that date.

Accountants' responsibilities

We are responsible for reviewing the financial statements presented by the Directors in order to report whether, in our opinion and on the basis of the procedures performed by us, anything has come to our attention that would indicate that the financial statements do not present fairly the matters to which they relate.

Basis of opinion

A review is limited primarily to enquiries of company personnel and analytical review procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit on the financial statements and, accordingly, we do not express an audit opinion.

We have reviewed the financial statements of the Group for the half year ended 31 December 2008 in accordance with the Review Engagement Standards issued by the Institute of Chartered Accountants of New Zealand.

We have no relationship with or interests in the Company or any of its subsidiaries other than in our capacity as accountants conducting this review and auditors under the Companies Act 1993.

Review opinion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements which have been prepared in accordance with International Accounting Standard 34 and New Zealand Equivalent to International Accounting Standard 34: Interim Financial Reporting do not present fairly the balance sheet of the Group as at 31 December 2008 and its income statement and statement of cash flows for the half year ended on that date.

Our review was completed on 16 February 2009 and our review opinion is expressed as at that date.

PricewaterhouseCoopers

Chartered Accountants

Auckland

CONSOLIDATED INCOME STATEMENT

FOR THE HALF YEAR ENDED 31 DECEMBER 2008 (UNAUDITED)

	6 mths ended 31 Dec 2008 $000	6 mths ended 31 Dec 2007 $000	Increase %	12 mths ended 30 Jun 2008 $000
Operating revenue	177,392	161,897	10%	323,910
Transport and logistics expenses*	(80,894)	(73,448)	10%	(149,846)
Employee benefits expenses*	(39,156)	(34,371)	14%	(68,916)
Occupancy expenses	(4,775)	(3,766)	27%	(7,914)
General and administrative expenses	(16,447)	(15,284)	8%	(28,771)
Operating profit before interest, tax, depreciation and software amortisation	36,120	35,028	3%	68,463
Depreciation and software amortisation	(4,628)	(3,737)	24%	(7,985)
Operating profit before interest and income tax (EBITA)	31,492	31,291	1%	60,478
Net interest and finance costs	(8,402)	(6,754)	25%	(14,420)
Income Tax	(6,198)	(7,772)	(20%)	(13,808)
Profit for the period (NPAT)	16,892	16,765	1%	32,250
Earnings per share for the period:				
Basic earnings per share (cents)	13.12	13.04		25.08
Diluted earnings per share (cents)	13.12	13.03		25.08

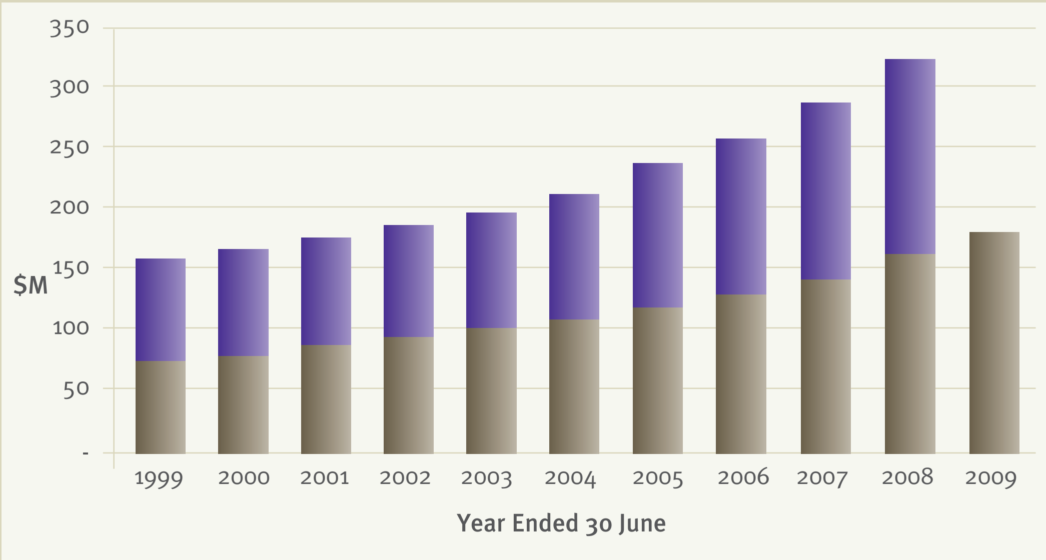
* Employee benefits of $5,161,000 (2007: $3,345,000) have been included in Transport and logistics expenses, due to the function performed by the relevant employees. The total Employee benefits expenses of the consolidated group for the six months ended 31 December 2008 were $44,317,000 (2007: $37,716,000)

NB: All revenue and earnings are from continuing operations.

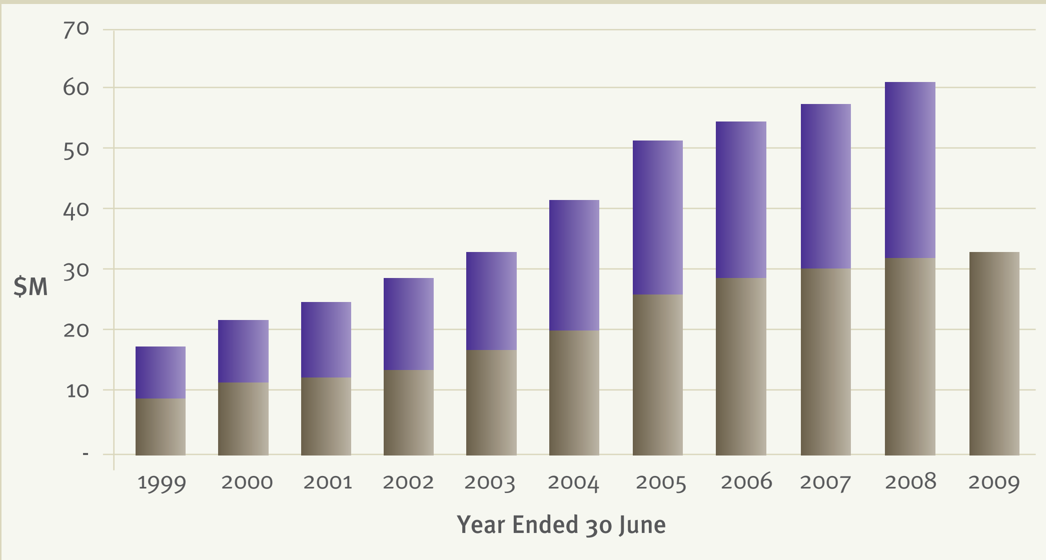
The above Income Statement should be read in conjunction with the accompanying notes.

FINANCIAL SUMMARY

FREIGHTWAYS OPERATING REVENUE



FREIGHTWAYS EBITA



1st half   2nd half

NB:

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

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2008 (UNAUDITED)

	Note	As at 31 Dec 2008 $000	As at 31 Dec 2007 $000	As at 30 Jun 2008 $000
ASSETS				
Current assets				
Cash and cash equivalents		2,536	2,283	2,423
Trade and other receivables		47,601	48,353	45,094
Inventories		7,014	6,290	6,288
Derivative financial instruments		-	210	197
Total current assets		57,151	57,136	54,002
Non-current assets				
Trade and other receivables		4,039	528	1,381
Property, plant and equipment		76,659	60,379	67,771
Intangible assets		239,213	211,440	235,394
Derivative financial instruments		-	3,687	1,959
Deferred tax asset		3,450	570	832
Other non-current assets		72	351	65
Total non-current assets		323,433	276,955	307,402
Total assets		380,584	334,091	361,404
LIABILITIES				
Current liabilities				
Trade and other payables		41,550	44,708	43,279
Finance lease liabilities		321	494	422
Provisions		801	488	712
Unearned income		16,991	21,057	18,457
Derivative financial instruments		392	-	-
Total current liabilities		60,055	66,747	62,870
Non-current liabilities				
Trade and other payables		500	-	1,405
Borrowings (secured)		218,843	173,643	201,219
Deferred tax liability		-	2,851	3,728
Finance lease liabilities		249	540	458
Derivative financial instruments		17,198	-	-
Total non-current liabilities		236,790	177,034	206,810
Total liabilities		296,845	243,781	269,680
NET ASSETS		83,739	90,310	91,724
EQUITY				
Contributed equity		58,892	58,351	58,352
Retained earnings		36,220	28,062	31,244
Cash flow hedge reserve		(11,539)	3,910	1,870
Foreign currency translation reserve		166	(13)	258
TOTAL EQUITY	4	83,739	90,310	91,724

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2008 (UNAUDITED)

	Note	6 mths ended 31 Dec 2008 $000	6 mths ended 31 Dec 2007 $000
Equity at the beginning of the period		91,724	84,325
Exchange differences on translation of foreign operations		(92)	(5)
Cash flow hedges taken directly to equity, net of tax		(13,409)	567
Net income recognised directly in equity		(13,501)	562
Profit for the period		16,892	16,765
Total recognised income and expenses for the period		3,391	17,327
Dividends paid		(11,916)	(11,576)
Issue of ordinary shares		540	234
Equity at the end of the period	4	83,739	90,310

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2008 (UNAUDITED)

	Note	6 mths ended 31 Dec 2008 $000 INFLOWS (OUTFLOWS)	6 mths ended 31 Dec 2007 $000 INFLOWS (OUTFLOWS)
Cash flows from operating activities			
Receipts from customers		175,420	157,230
Payments to suppliers and employees		(142,202)	(125,055)
Cash generated from operations		33,218	32,175
Net interest and other costs of finance paid		(8,167)	(6,503)
Income taxes paid		(5,355)	(5,484)
Net cash inflows from operating activities	10	19,696	20,188
Cash flows from investing activities			
Payments for property, plant & equipment		(13,213)	(5,038)
Proceeds from disposal of property, plant & equipment		105	141
Payments for software		(813)	(479)
Payments for businesses acquired		(12,037)	(21,397)
Advances to associate		(2,538)	(347)
Payments for other investing activities		(16)	(223)
Net cash outflows from investing activities		(28,512)	(27,343)
Cash flows from financing activities			
Dividends paid		(11,916)	(11,578)
Increase in bank borrowings		20,946	19,808
Finance lease liabilities repaid		(264)	(574)
Net cash inflows from financing activities		8,766	7,656
Net increase in cash and cash equivalents		(50)	501
Cash and cash equivalents at the beginning of the period		2,423	1,786
Exchange rate adjustments		163	(4)
Cash and cash equivalents at end of the period		2,536	2,283

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2008

1. BASIS OF PREPARATION

The interim financial statements are those of Freightways Limited (the 'Company') and its subsidiary companies (together with the Company, referred to as the 'Group'). The Company is registered under the Companies Act 1993, and is an issuer in terms of the Securities Act 1978 and the Financial Reporting Act 1993. The interim financial statements have been prepared in accordance with NZ IAS 34 Interim Financial Reporting.

The Group is designated as a profit-orientated entity for financial reporting purposes.

2. CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies, however, certain comparatives have been reclassified to comply with the current period's presentation.

3. SEGMENT INFORMATION

(a) Description of segments

The Group is organised into the following main business segments:

Express Package and 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.

(b) Segment Analysis

	EXPRESS PACKAGE & BUSINESS MAIL	INFORMATION MANAGEMENT	CORPORATE & OTHER	INTER SEGMENT ELIMINATION	CONSOLIDATED OPERATIONS
	$000	$000	$000	$000	$000
Half year ended 31 December 2008					
Operating revenue	148,273	29,741	1,616	(2,238)	177,392
Operating profit before interest and income tax	26,650	5,734	(892)	-	31,492
Half year ended 31 December 2007					
Operating revenue	140,102	22,418	1,559	(2,182)	161,897
Operating profit before interest and income tax	27,250	4,750	(709)	-	31,291

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2008

4. EQUITY

	CONTRIBUTED EQUITY $000	RETAINED EARNINGS $000	CASH FLOW HEDGE RESERVE $000	FOREIGN CURRENCY TRANSLATION RESERVE $000	TOTAL EQUITY $000
Balance at 1 July 2008	58,352	31,244	1,870	258	91,724
Profit for the period	-	16,892	-	-	16,892
Dividend payment	-	(11,916)	-	-	(11,916)
Shares issued	540	-	-	-	540
Cash flow hedges taken directly to equity, net of tax	-	-	(13,409)	-	(13,409)
Foreign currency translation reserve	-	-	-	(92)	(92)
Balance at 31 December 2008	58,892	36,220	(11,539)	166	83,739
Balance at 1 July 2007	58,117	22,873	3,343	(8)	84,325
Profit for the period	-	16,765	-	-	16.765
Dividend payment	-	(11,576)	-	-	(11,576)
Shares issued	234	-	-	-	234
Cash flow hedges taken directly to equity, net of tax	-	-	567	-	567
Foreign currency translation reserve	-	-	-	(5)	(5)
Balance at 31 December 2007	58,351	28,062	3,910	(13)	90,310

5. POST BALANCE DATE EVENTS

Dividend declared

On 16 February 2009, the Directors declared an interim dividend of 8.0 cents per share or $10.3 million to be paid on 31 March 2009 to the shareholders of record as at 13 March 2009. A supplementary dividend of 1.4 cents per share will be paid to overseas shareholders when the interim dividend is paid.

Senior Executive Share Performance Plan

On 1 January 2009, 64,784 partly paid ordinary shares were issued to certain senior executives under the rules of the Freightways Senior Executive Performance Share Plan. The issue price per share is $3.01 and the issued 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 relevant vesting period in accordance with the Plan rules.

6. SHAREHOLDERS' EQUITY

On 29 August 2008, the Company issued 200,000 fully paid ordinary shares at $2.84 each to Freightways Trustee Company Limited, as Trustee for the Freightways Employee Share Plan. In total, participating employees were provided with interest-free loans of $0.55 million to fund their purchase of the shares in the Share Plan. The loans are repayable over three years and repayment commenced in September 2008.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2008

7. CONTINGENT LIABILITIES

There are no significant contingent liabilities relating to the Group at the date of this interim report.

8. CAPITAL COMMITMENTS

Capital commitments entered into but not accrued at balance date totalled approximately $5 million (2007: $3 million). These commitments relate to various projects within the Group, including the development of a purpose-built facility in New Zealand.

9. SHARES ON ISSUE

As at 31 December 2008, there were 128,821,935 fully paid ordinary shares and 64,784 partly paid ordinary shares on issue.

10. RECONCILIATION OF PROFIT FOR THE PERIOD WITH CASH FLOWS FROM OPERATING ACTIVITIES

	6 mths ended 31 Dec 2008 $000	6 mths ended 31 Dec 2007 $000
Profit for the period	16,892	16,765
Add non-cash items:		
Depreciation and software amortisation	4,628	3,737
Movement in provision for doubtful debts	104	18
Movement in deferred income tax	(312)	(433)
Net loss (gain) on disposal of fixed assets	(1)	(7)
Net foreign exchange loss (gain)	(64)	-
Movement in derivative fair value	621	176
Movement in working capital:		
(Increase) decrease in trade and other receivables	(3,182)	(5,408)
(Increase) decrease in inventories	(729)	(471)
Increase (decrease) in trade and other payables	410	2,893
Increase (decrease) in income taxes payable	1,329	2,918
Net cash inflows from operating activities	19,696	20,188

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2008

11. BUSINESS COMBINATIONS

AccessIM

In November 2008, the Group acquired the business and assets of Access Information Management (AccessIM), which operates a document and data storage business in Perth. The purchase price for AccessIM is $4.1 million, as set out below. The contribution of AccessIM to the Group results for the half year was revenue of $0.3 million and operating profit before interest and income tax of $0.1 million.

If AccessIM had been acquired at the beginning of the half year, the contribution to revenue and operating profit for the half year before interest and income tax is estimated at $1 million and $0.2 million, respectively.

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

	$000
Purchase consideration	
Cash paid during the half year	3,102
Cash payable to complete settlement	750
Direct costs relating to the acquisition, paid during the half year	236
Total purchase consideration	4,088
Fair value of net identifiable assets acquired (refer below)	419
Goodwill	3,669
	4,088

The goodwill is attributable to AccessIM having strong profitability and a strong trading position in the Perth information management market.

The assets and liabilities arising from the acquisition are as follows:

	FAIR VALUE $000
Property, plant & equipment	541
Net deferred tax assets	6
Trade and other payables	(20)
Unearned income	(108)
	419

The acquiree's carrying amounts were deemed to be an accurate reflection of their fair value at the date of the acquisition.

The New Zealand dollar amounts are shown as at acquisition date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2008

Databank Technologies Pty Limited

In July 2006, the Group acquired 100% of the Australian information management company, Databank Technologies Pty Limited (Databank). Payment of the purchase price was staged over two years, with initial payments of $23.7 million being made in the year ended 30 June 2007. Two additional payments were payable upon achievement of agreed annual earnings performance for the years ended 30 June 2007 and 2008, respectively. The first of these payments of $9 million was made in the year ended 30 June 2008. Following the finalisation of the results for the year ended 30 June 2008, the final payment of $7.3 million was paid to the vendors during the half year ended 31 December 2008 and was treated as intangible assets.

Other acquisitions

In July 2008, the Group also acquired two small Australian businesses which operate in the information management sector in Australia for $1.7 million in total, as set out below.

The contribution of these acquisitions to the Group results for the half year was revenue of $0.5 million and operating profit before interest and income tax of $0.2 million.

Details of net assets acquired and goodwill are as follows:

	$000
Purchase consideration	
Cash paid during the half year	935
Direct costs relating to the acquisition, paid during the half year	474
Estimated future earn-out payments	315
Total purchase consideration	1,724
Fair value of assets and liabilities arising from acquisition	
Plant & equipment	17
Deferred tax asset	6
Trade and other payables	(21)
Goodwill	1,722
	1,724

The acquirees' carrying amounts were deemed to be an accurate reflection of their fair value at the date of the acquisitions.

The New Zealand dollar amounts are shown as at acquisition date.

12. NET TANGIBLE ASSETS PER SECURITY

Net tangible assets (liabilities) per security at 31 December 2008 was ($1.17) (2007: ($0.91)).

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

DIRECTORY

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