Freightways

HALF YEAR REPORT | DECEMBER 2009

Freightways

New Zealand Couriers
www.nzcouriers.co.nz

Freightways

Post Haste Couriers
www.posthaste.co.nz

Castle Parcels
www.castleparcels.co.nz

Now Couriers
www.nowcouriers.co.nz

SUB60
www.sub60.co.nz

Kiwi Express Couriers
www.kiwiexpress.co.nz

Security Express

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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Penrose
DX CX10120
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HALF YEAR REVIEW FROM THE CHAIRMAN AND MANAGING DIRECTOR

The Directors are pleased to present the financial result of Freightways Limited (Freightways) for the half year ended 31 December 2009. This result, while below the prior half year, again demonstrates Freightways' resilience and is considered to be very satisfactory by your Directors, given the impact of the economic downturn on domestic activity during this period.

Operating performance

To ensure a like-for-like comparison for the purposes of this commentary only, references to the prior comparative period (pcp) are after normalising the actual result to remove 5 extra trading days that were accounted for in July of the pcp. This was also highlighted in Freightways' October 2009 Trading Update. These 5 extra trading days had contributed approximately $6 million to revenue, $1.5 million to EBITDA and EBITA and $1.1 million to NPAT in the pcp.

Consolidated operating revenue of $165 million for the half year was 4% lower than the normalised pcp.

Earnings before interest, tax, depreciation and goodwill amortisation (EBITDA) of $32 million for the half year was 8% lower than the normalised pcp, while earnings before interest, tax and goodwill amortisation (EBITA) of $27 million for the half year was 10% lower than the normalised pcp.

Consolidated net profit after tax (NPAT) of $14.5 million for the half year was 8% lower than the normalised pcp.

Dividend

The Directors have declared an interim dividend of 7 cents per share, fully imputed at a tax rate of 30%. This represents a payout of approximately $10.8 million compared with $10.3 million for the pcp interim dividend. The dividend will be paid on 31 March 2010. The record date for determination of entitlements to the dividend is 12 March 2010.

Capital management initiatives executed in 2009 have positioned the company with an appropriately structured balance sheet for the foreseeable future. Accordingly, the Dividend Reinvestment Plan (DRP) will not be offered in relation to this interim dividend. As a capital management tool, the application of the DRP will be reviewed for each future dividend.

REVIEW OF OPERATIONS

Express Package and Business Mail

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

Overall lower express package volumes from existing customers have meant lower revenue was earned in this half year than the pcp. Strategies implemented in this division to ensure the economic factors external to its direct control have not had a more serious impact on performance have contributed to the company's overall satisfactory result. The commitment of the Freightways team throughout this period and the benefit of the depth of experience in this team underpinned the successful implementation of these important strategies. While a great deal of focus has naturally been on service quality and cost management, which has seen costs reduce compared to the pcp, Freightways has been careful to continue to very actively seek quality market share growth and to continue to develop strategic growth opportunities. Among a number of key successes has been the winning of Australia Post's international inbound express mail service, air parcels and courier product deliveries into New Zealand.

The fluctuating customer activity that was evident through the early and mid-2009 calendar year has been less so towards the end of the year. While volumes remain lower than the previous year in some of our businesses, encouragingly this is not the case across the entire division. Until, however, a more broadly-based performance improvement is evidenced, we anticipate the recovery of the economy, and how it translates into the performance of Freightways' express package businesses, will be gradual.

HALF YEAR REVIEW FROM THE CHAIRMAN AND MANAGING DIRECTOR

DX Mail operates in New Zealand's postal industry and competes directly with NZ Post across a wide range of postal services. DX Mail has over many years established itself as a viable alternative to the state-owned NZ Post and has developed many important customer relationships. This market support demonstrates the value that customers attribute to DX Mail's provision of a competitive postal service. Due to NZ Post's inherent advantages, obtained from the era during which it had a statutory monopoly, and the high barriers to establishing a competitive postal network, DX Mail remains in the formative stage of its development. As such it must access NZ Post's network for the final delivery of some of the mail it manages. DX Mail has an access agreement with NZ Post that was required under the terms of a Deed of Understanding between NZ Post and the Government and which formed a key part of the deregulation of the postal market in 1998. While rights of access to the incumbent's network exist in New Zealand's telecommunications market, the difference with the postal industry is that access to NZ Post's network is controlled by NZ Post itself, rather than an independent body. NZ Post determines how and where and at what price this access occurs. A recent attempt by NZ Post to radically change access arrangements for independent postal operators, including DX Mail, is viewed by Freightways as an attempt to simply thwart competition. As a result, Freightways has lodged a complaint with the Commerce Commission and asked the Government to facilitate the appointment of an independent regulator to take control of the postal industry for the good of the overall marketplace. DX Mail is a small contributor to Freightways' consolidated results and forms a strategic part of the Group's overall service portfolio.

Information Management

Freightways' Trans-Tasman information management businesses have shown great resilience to the economic downturn. While the document destruction arm was severely affected by lower revenue from the sale of its recycled paper, due to reduced global demand, this impact has largely been offset by the growth and development of the document and data storage businesses and efficiency gains as the benefits associated with consolidating operations in a number of locations were realised.

Investment in additional capacity has increased the cost base of this division, however this investment will reap future rewards as utilisation of this capacity increases. Market demand for all existing services offered by the information management division remains strong and new complementary service offers continue to be developed. While highly competitive, the information management market continues to perform to expectations, including providing Freightways with a very real and important platform for strategic growth.

The information management business has contributed approximately 20% of Freightways' total operating earnings in this half year and its overall half year performance has been very good.

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

The capital management initiatives executed during the 2009 calendar year have resulted in a lower overall debt position for the company than in the pcp. This lower level of debt has contributed to Freightways' ability to offset the higher margins that are currently being charged by its lenders. Freightways' finance facilities were renegotiated during the half year and came into effect on 9 September 2009.

Corporate costs have been contained and reduced compared to the pcp, as have all other major areas of cost within the operating businesses, other than for occupancy. Occupancy costs have been impacted by investment in increased capacity for our growing information management division and the sale and lease back of a property in Wellington in mid-2009.

HALF YEAR REVIEW FROM THE CHAIRMAN AND MANAGING DIRECTOR

OUTLOOK

External indicators suggest the domestic economy is showing signs of improvement and some positive signs have emerged in some areas of the Freightways group of businesses. We have not yet, however, experienced a sustained, across-the-board improvement, which indicates to us continuing market volatility and suggests that the impact on Freightways of an improving economy will be gradual. In the meantime, Freightways will continue to actively manage its cost base, seek to improve its service quality and develop growth initiatives wherever possible.

The express package division, while reliant on growth amongst its existing customer base to improve its year-on-year performance, will also benefit from the quality market share wins it has achieved in the first half of the financial year.

The information management division is expected to continue to demonstrate earnings resilience to the slower economic times we are still experiencing. The division's performance will be assisted by the sale of its recycled paper at the improving prices we are now seeing as global demand for paper returns. Increased capacity has been committed to in Melbourne and Adelaide to accommodate the growing demand for the services of this division.

Capital expenditure was $6 million for the half year. Forecast capital expenditure for the full year remains at the previously indicated $13 million.

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.

Subject to business factors beyond its control, Freightways is exceptionally well positioned to reap the benefits of further improvement in the marketplace.

CONCLUSION

Freightways has delivered a satisfactory half year result that, while below the pcp, again demonstrates the resilience of the company. Accordingly, the Directors have been able to declare a fully imputed 7 cents per share dividend.

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

Wayne Boyd
Chairman

Dean Bracewell
Managing Director

15 February 2010

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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 16. 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 2009 and its financial position as at that date. This information is stated in accordance with the accounting policies set out on page 11.

This report is made solely to the Company's shareholders, as a body. Our review work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an accountant's 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 review procedures, for this report, or for the opinions we have formed.

Directors' responsibilities

The Company's Directors are responsible for the preparation and presentation of the financial statements that present fairly the financial position of the Group as at 31 December 2009 and its financial performance and 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 to you 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 2009 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, auditors under the Companies Act 1993 and through the provision of taxation services.

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 financial position of the Group as at 31 December 2009 and its financial performance and cash flows for the half year ended on that date.

Our review was completed on 15 February 2010 and our review opinion is expressed as at that date.

PricewaterhouseCoopers

Chartered Accountants

Auckland

CONSOLIDATED INCOME STATEMENT

FOR THE HALF YEAR ENDED 31 DECEMBER 2009 (UNAUDITED)

	Note	6 mths ended 31 Dec 2009 $000	6 mths ended 31 Dec 2008 $000	Variance %
Operating revenue	3	164,919	177,392	(7%)
Transport and logistics expenses*		(75,011)	(80,894)	(7%)
Employee benefits expenses*		(37,335)	(39,156)	(5%)
Occupancy expenses		(5,751)	(4,775)	20%
General and administrative expenses		(15,037)	(16,447)	(9%)
Operating profit before interest, tax, depreciation and software amortisation		31,785	36,120	(12%)
Depreciation and software amortisation		(4,925)	(4,628)	6%
Operating profit before interest and income tax (EBITA)		26,860	31,492	(15%)
Net interest and finance costs		(6,871)	(8,402)	(18%)
Profit before income tax		19,989	23,090	(13%)
Income tax		(5,532)	(6,198)	(11%)
Profit for the period (NPAT)		14,457	16,892	(14%)
Earnings per share for the period:				
Basic earnings per share (cents)		9.5	13.1	
Diluted earnings per share (cents)		9.5	13.1	

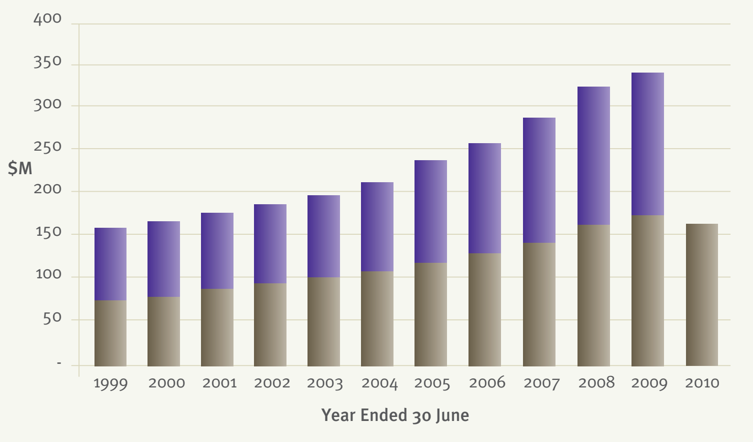
* Employee benefits of $5,466,000 (2008: $5,161,000) have been included in Transport and logistics expenses, due to the function performed by the relevant employees. The total Employee benefits expenses of the consolidated group for the six months ended 31 December 2009 were $42,801,000 (2008: $44,317,000).

NB: All revenue and earnings are from continuing operations.

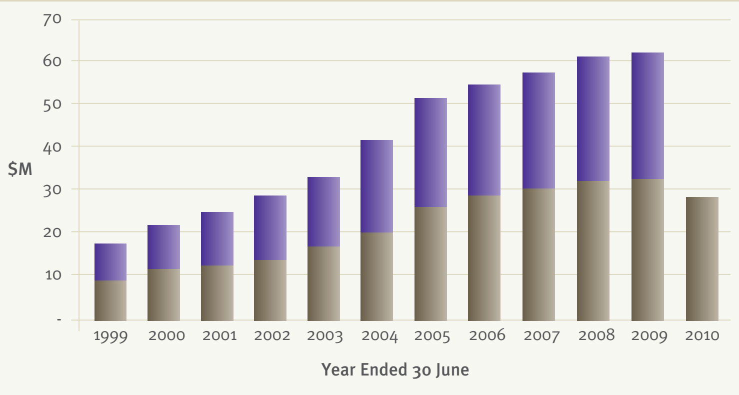
The above Income Statement should be read in conjunction with the accompanying notes.

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 STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2009 (UNAUDITED)

	6 mths ended 31 Dec 2009 $000	6 mths ended 31 Dec 2008 $000
Profit for the period (NPAT)	14,457	16,892
Other comprehensive income		
Cash flow hedges taken directly to equity, net of tax	1,354	(13,409)
Exchange differences on translation of foreign operations	(486)	(92)
Total other comprehensive income after income tax	868	(13,501)
Total comprehensive income for the period	15,325	3,391

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2009 (UNAUDITED)

	Note	6 mths ended 31 Dec 2009 $000	6 mths ended 31 Dec 2008 $000
Equity at the beginning of the period		146,055	91,724
Total comprehensive income for the period		15,325	3,391
Dividends paid		(12,706)	(11,916)
Issue of ordinary shares, net of costs		12,829	540
Equity at the end of the period	4	161,503	83,739

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

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2009 (UNAUDITED)

	Note	As at 31 Dec 2009 $000	As at 31 Dec 2008 $000	As at 30 Jun 2009 $000
ASSETS				
Current assets				
Cash and cash equivalents		4,642	2,536	16,970
Trade and other receivables		45,413	47,601	46,975
Inventories		7,170	7,014	6,765
Total current assets		57,225	57,151	70,710
Non-current assets				
Trade and other receivables		303	4,039	232
Property, plant and equipment		76,782	76,659	75,389
Intangible assets		245,850	239,213	246,268
Deferred tax asset		1,008	3,450	1,109
Other non-current assets		24	72	37
Total non-current assets		323,967	323,433	323,035
Total assets		381,192	380,584	393,745
LIABILITIES				
Current liabilities				
Trade and other payables		36,078	41,550	40,116
Finance lease liabilities		262	321	262
Provisions		1,019	801	915
Derivative financial instruments		500	392	49
Unearned Income		14,503	16,991	15,539
Total current liabilities		52,362	60,055	56,881
Non-current liabilities				
Trade and other payables		1,859	500	1,862
Borrowings (secured)	5	159,545	218,843	180,078
Deferred tax liability		1,216	-	-
Finance lease liabilities		-	249	191
Derivative financial instruments		4,707	17,198	8,678
Total non-current liabilities		167,327	236,790	190,809
Total liabilities		219,689	296,845	247,690
NET ASSETS		161,503	83,739	146,055
EQUITY				
Contributed equity	4	120,453	58,892	107,624
Retained earnings		45,366	36,220	43,615
Cash flow hedge reserve		(4,058)	(11,539)	(5,412)
Foreign currency translation reserve		(258)	166	228
TOTAL EQUITY	4	161,503	83,739	146,055

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2009 (UNAUDITED)

	Note	6 mths ended 31 Dec 2009 $000 INFLOWS (OUTFLOWS)	6 mths ended 31 Dec 2008 $000 INFLOWS (OUTFLOWS)
Cash flows from operating activities			
Receipts from customers		162,451	175,420
Payments to suppliers and employees		(134,193)	(142,202)
Cash generated from operations		28,258	33,218
Interest and other costs of finance paid		(8,897)	(8,167)
Income taxes paid		(8,061)	(5,355)
Net cash inflows from operating activities	6	11,300	19,696
Cash flows from investing activities			
Payments for property, plant & equipment		(5,867)	(13,213)
Payments for software		(487)	(813)
Proceeds from disposal of property, plant & equipment		83	105
Payments for businesses acquired		(389)	(12,037)
Advances from (to) associate		3,783	(2,538)
Payments for other investing activities		-	(16)
Net cash outflows from investing activities		(2,877)	(28,512)
Cash flows from financing activities			
Dividends paid		(9,709)	(11,916)
Increase (decrease) in bank borrowings		(20,298)	20,946
Net proceeds from issue of ordinary shares		9,423	-
Finance lease liabilities repaid		(191)	(264)
Net cash inflows (outflows) from financing activities		(20,775)	8,766
Net decrease in cash and cash equivalents		(12,352)	(50)
Cash and cash equivalents at the beginning of the period		16,970	2,423
Exchange rate adjustments		24	163
Cash and cash equivalents at end of the period		4,642	2,536

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 2009

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 and IAS 34 Interim Financial Reporting.

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

2. CHANGES IN ACCOUNTING POLICIES

Except as described below, the accounting policies and methods of computation are consistent with those used in the most recent annual report which can be obtained from Freightways' registered office or www.freightways.co.nz.

The Group has adopted the following new and revised standards for which application is mandatory for the first time in the financial year beginning 1 July 2009:

- NZ IAS1 (Revised), Presentation of Financial Statements. The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement.

  Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

  The Group has elected to present two statements: an income statement and a statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.

- NZ IFRS2 Share-Based Payments. The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Application of this revised standard has not had a material impact on the Group's half year financial statements.

- NZ IFRS3, Business Combinations (Revised) and NZ IAS27, Consolidated and Separate Financial Statements (Revised). The revised standards continue to apply the acquisition method to business combinations but with some significant changes to the treatment of transaction costs and contingent consideration. Application of these revised standards has not had a material impact on the Group's half year financial statements.

- NZ IAS23 Borrowing Costs (Revised). The revised standard requires the capitalisation of borrowing costs that are directly attributable to the acquisition or construction of qualifying assets, which are assets which take a substantial time to be readied for their intended use or sale. As the revised standard is consistent with the Group's existing accounting policy, the application of the new standard has had no impact on the Group's half year financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2009

3. SEGMENT INFORMATION

(a) Description of segments

The Group is organised into the following reportable operating segments which categorise the business into its primary markets and reflect the structure and internal reporting used by management and the Board to assist strategic decision-making:

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 2009					
Sales to external customers	132,791	32,128	-	-	164,919
Inter-segment sales	567	74	1,661	(2,302)	-
Total revenue	133,358	32,202	1,661	(2,302)	164,919
Operating profit before interest and income tax (EBITA)	22,173	5,415	(728)	-	26,860
Half year ended 31 December 2008					
Sales to external customers	147,723	29,659	10	-	177,392
Inter-segment sales	550	82	1,606	(2,238)	-
Total revenue	148,273	29,741	1,616	(2,238)	177,392
Operating profit before interest and income tax (EBITA)	26,650	5,734	(892)	-	31,492

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2009

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 2009	107,624	43,615	(5,412)	228	146,055
Profit for the period	-	14,457	-	-	14,457
Dividend payment	-	(12,706)	-	-	(12,706)
Shares issued, net of costs	12,829	-	-	-	12,829
Cash flow hedges taken directly to equity, net of tax	-	-	1,354	-	1,354
Foreign currency translation reserve	-	-	-	(486)	(486)
Balance at 31 December 2009	120,453	45,366	(4,058)	(258)	161,503
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, net of costs	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

Fully paid ordinary shares

As at 31 December 2009, there were 153,592,160 fully paid ordinary shares and 155,701 partly paid ordinary shares on issue. All fully paid ordinary shares have equal voting rights and share equally in dividends and surplus on winding up.

Senior Executive Performance Share Plan

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

On 17 August 2009, 12,440 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 issue price per share was $3.01.

(ii) Issue of partly-paid shares

On 25 August 2009, 103,357 partly-paid shares were issued to certain senior executives under the rules of the Freightways Senior Executive Performance Share Plan. The issue price per share was $2.83 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2009

Employee Share Plan

On 28 August 2009, the Company issued 150,000 fully paid ordinary shares at $2.67 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 $0.3 million to fund their purchase of the shares in the Share Plan. The loans are repayable over three years and repayment commenced in September 2009.

Dividend Reinvestment Plan

On 30 September 2009, 985,691 fully paid ordinary shares were issued at $3.1071 to shareholders participating in the Freightways Dividend Reinvestment Plan (DRP) in respect of the dividend paid on 30 September 2009. A further 3,124,754 fully paid ordinary shares were issued at $3.1071 to the underwriters of the DRP which provided the Company with the funds necessary to pay cash to those shareholders who chose not to participate in the DRP for this dividend.

In total, approximately $0.2 million of transaction costs were incurred in respect of the operation and underwriting of the DRP for the dividend paid on 30 September 2009. These costs were deducted from the gross equity raised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2009

5. BORROWINGS (SECURED)

On 9 September 2009 a refinancing was completed to replace the then existing banking arrangements with a three-bank syndicated debt facility. The new facility is available until 9 September 2012.

As at 31 December 2009, the Group's debt facility comprised NZ$120 million and A$80 million, of which NZ$91 million and A$55 million had been drawn, respectively. The Group also had an undrawn bank overdraft facility of NZ$8 million available.

The Group was in compliance with its banking covenants throughout this financial period.

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

	6 mths ended 31 Dec 2009 $000	6 mths ended 31 Dec 2008 $000
Profit for the period	14,457	16,892
Add non-cash items:		
Depreciation and software amortisation	4,925	4,628
Movement in provision for doubtful debts	226	104
Movement in deferred income tax	1,315	(312)
Net loss (gain) on disposal of fixed assets	(36)	(1)
Net foreign exchange loss (gain)	(383)	(64)
Movement in derivative fair value	(125)	621
Items not included in profit for the period:		
Payments for terminated derivatives	(1,460)	-
Movement in working capital:		
(Increase) decrease in trade and other receivables	(2,614)	(3,182)
(Increase) decrease in inventories	(405)	(729)
Increase (decrease) in trade and other payables	(1,557)	410
Increase (decrease) in income taxes payable	(3,043)	1,329
Net cash inflows from operating activities	11,300	19,696

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2009

7. CAPITAL COMMITMENTS

Capital commitments entered into but not accrued at balance date totalled approximately $1.6 million (2008: $5 million). These commitments relate to various capital projects within the Group, including the development of a purpose-built facility in New Zealand.

8. CONTINGENT LIABILITIES

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

9. NET TANGIBLE ASSETS PER SECURITY

Net tangible assets (liabilities) per security at 31 December 2009 was ($0.52) (2008: ($1.17)).

10.POST BALANCE DATE EVENTS

Dividends declared

On 15 February 2010, the Directors declared an interim dividend of 7.0 cents per share or $10.8 million to be paid on 31 March 2010 to the shareholders of record as at 12 March 2010. A supplementary dividend of 1.23 cents per share will be paid to overseas shareholders when the interim dividend is paid. The Freightways Dividend Reinvestment Plan will not operate for this dividend.

DIRECTORY

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

Messenger Services Limited
32 Botha Road
Penrose
DX EX10911
AUCKLAND
Telephone: 09 526 3680
www.sub60.co.nz
www.kiwiexpress.co.nz

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

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

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

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

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

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

NOW Couriers Limited
36 Victoria Street
Onehunga
AUCKLAND
Telephone: 09 634 9150
www.nowcouriers.co.nz

Shred-X Pty Limited
PO Box 1184
Oxenford
Queensland 4215
AUSTRALIA
Telephone: +61 1 300 667 555

Databank Technologies Pty Limited
PO Box 984
Chatswood
New South Wales 2057
AUSTRALIA
Telephone: +61 2 9882 3420