MAINFREIGHT

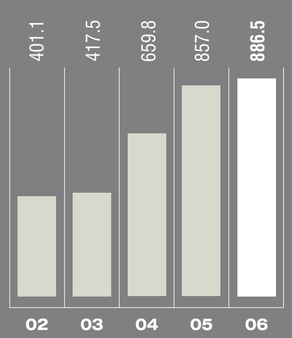
EVERY DAY EVERYWHERE

MAINFREIGHT

ANNUAL REPORT 2006

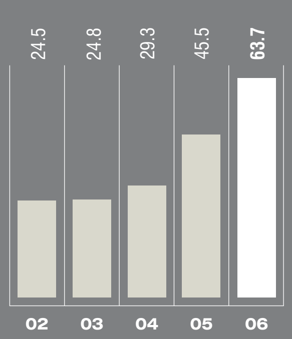
Results in Brief

	2006 $000	2005 $000
TRADING RESULTS		
Group Revenue	$886,511	$857,043
Net Surplus New Zealand	$15,621	$12,551
Net Surplus Off Shore	$13,414	$5,235
Net Surplus Sold/Restructuring Costs	-	($4,266)
Group Net Surplus	$29,035	$13,520
FINANCIAL POSITION		
Total assets	$316,869	$238,931
Total shareholders funds	$136,257	$79,242
Land revaluation recognised (Net)	$32,544	-
RATIOS		
Group surplus after tax to average		
– Total assets	10.4%	5.1%
– Shareholders funds	26.9%	17.8%
Earnings per share (adjusted)	30.2c	18.6c
Shareholders equity	30.7%	18.5%
Interest cover (times)	8.1	5.9
DISTRIBUTION TO SHAREHOLDERS		
Dividends – paid and proposed		
– Per ordinary share	12.0c	6.5c
– Times covered by net surplus	2.52	2.17
PAID UP CAPITAL		
96,090,690 Ordinary shares	$55,175	$54,898



GROUP OPERATING REVENUE

$ MILLIONS



GROUP EBITDA

$ MILLIONS


NON-FLAMMABLE COMPRESSED GAS
CORROSIVE
SATURDAY DELIVERY
FLAMMABLE GAS
SSR
FLAMMABLE SOLID
UNDER BOND
MISCELLANEOUS DANGEROUS SUBSTANCES
URGENT
FRAGILE
POISON GAS
SPONTANEOUSLY COMBUSTIBLE
DANGEROUS WHEN WET
MISCELLANEOUS DANGEROUS SUBSTANCES
ORGANIC PEROXIDE
FRAGILE
INFECTIOUS SUBSTANCE
MUST GO!
DANGEROUS WHEN WET
SSR
FLAMMABLE LIQUID
URGENT
NON-FLAMMABLE COMPRESSED GAS
UNDER BOND
DANGEROUS WHEN WET
OXIDIZING AGENT
FLAMMABLE SOLID
CORROSIVE
MUST GO!
POISON GAS
SPONTANEOUSLY COMBUSTIBLE
SATURDAY DELIVERY
ORGANIC PEROXIDE

Contents

One Team

OUR TEAM OF 3,164 MAINFREIGHT PEOPLE OPERATE NON-STOP ACROSS THE OCEANS, AIRSPACES AND LAND MASSES THAT LINK THE MARKETS OF THE WORLD.

IN FORGING A 100 YEAR BUSINESS, WE HAVE NEVER ADOPTED THE LATEST TRENDS OR WAIVERED FROM OUR LONG-STANDING VALUES. WE HAVE FOUND OUR OWN BETTER WAY OF DOING THINGS AND HAVE ALWAYS REJECTED MEDIOCRITY. TODAY WHILE WE ARE A TRUE MIX OF ETHNICITY AND CULTURES, WE ARE BOUND BY THE SAME PRINCIPLES, PASSION AND PRIDE THAT ARE UNIQUELY AND UNASHAMEDLY, MAINFREIGHT.

COMPANY PROFILE | Mainfreight Limited is a global Supply Chain Logistics provider, specialising in the handling of freight that is Less Than Container Load (LCL), with businesses operating in 139 branches throughout New Zealand, Australia, Asia, the United Kingdom and the United States.

The company was founded in 1978 by Executive Chairman, Bruce Plested, and has become the pre-eminent Supply Chain Logistics provider in New Zealand and Australia. We provide our customers with world class service across a full range of Logistics services that include Managed Warehousing, Domestic Distribution, Metro and Wharf Cartage and International Air and Sea Freight operations all linked by sophisticated technology.

In 1996 Mainfreight listed on the New Zealand Stock Exchange. Today Mainfreight employs over 3,000 people and has in excess of 20,000 customers world wide.

Notice of Meeting

Notice is given that the annual meeting of shareholders of Mainfreight Limited will be held in the Hall of Legends, Gate 5, ASB Stand at Eden Park, Walters Road, Kingsland, Auckland on 31 July 2006 commencing at 2.30pm.

AGENDA

ANNUAL REPORT

To receive the Annual Report for the 12 months ended 31 March 2006, including financial statements and auditor's report.

RE-ELECTION OF DIRECTORS

In accordance with the constitution of the Company Donald Rowlands retires by rotation and, being eligible, offers himself for re-election.

In accordance with the constitution of the Company Richard Prebble retires by rotation and, being eligible, offers himself for re-election.

In accordance with the constitution of the Company Neil Graham retires by rotation and, being eligible, offers himself for re-election.

AUDITOR

To record the reappointment of Ernst & Young as the Company's auditor and to authorise the Directors to fix the auditor's remuneration.

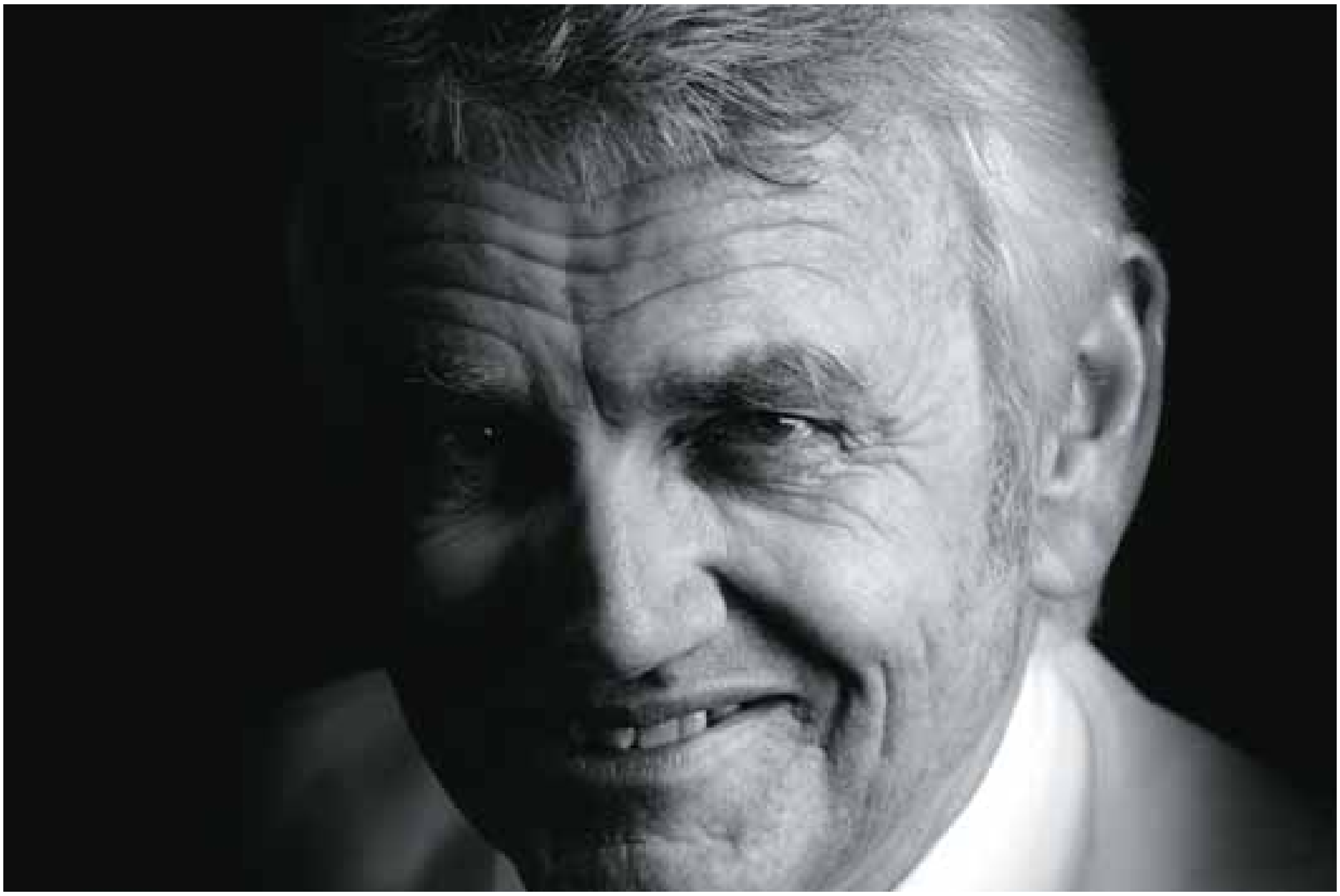
BY ORDER OF THE BOARD

Carl Howard-Smith
Director
28 June 2006

GLOSSARY OF TERMS

4PL	Fourth Party Logistics that incorporates the management of the supply chain for our customers
Cabotage	The removal of restrictions for International ship owners to partake in the carriage of domestic freight around the New Zealand coast
EBIT	Earnings before Interest and Tax
EBITA	Earnings before Interest, Tax, Goodwill Amortisation
EBITDA	Earnings before Interest, Tax, Depreciation and Goodwill Amortisation
FCL	Full Container Lot
FOB	Free On Board. A term utilised by importers and exporters determining the buying and selling criteria
FTL	Full Truck Lot
Inter city	The freight transport between cities.
Intra city	The freight transport within a city known as metropolitan cartage or "metro"
IRA	Inventory Record Accuracy. Mainfreight's level of IRA measures location count, inventory condition, systems alignment to inventory count, product integrity, total inventory count
LCL	Less than Container Lot
Linehaul	The method and mode used to transport goods between cities and countries.
LTL	Less than Truck Lot
NPAT	Net Profit After Tax
NZX	New Zealand Exchange Limited
On Track	The New Zealand Government body charged with the ownership and responsibility of Ex Rail required land and track infrastructure
Supply Chain Logistics	The physical movement and management of supplies and finished product from service to end user
Wharf Cartage	The transport of full containers onto and off the wharf

Chairman's Report



BRUCE PLESTED, EXECUTIVE CHAIRMAN | "Mainfreight has a determination to remain a New Zealand owned and operated business while continuing to pursue our global aspirations."

This report will not focus specifically on the Mainfreight Group. It will concentrate on the New Zealand business environment in which we operate, particularly in regard to the way in which our business is affected.

We have real concern, as do many of our contemporaries, regarding the position of the New Zealand economy. This is not because New Zealand is not progressing; it is because the rest of the world, over the past forty odd years, has progressed faster, and in many cases, much faster. We have been overtaken to the extent that by many important economic measures, we are near to, or bottom of, the O.E.C.D. countries.

What are some of these measures?

1. SAVINGS AND ASSET OWNERSHIP

Because of our high level of consumption, net savings in this country are actually a minus. We are the very worst savers amongst the O.E.C.D. countries. This means that funds needed for capital for business, or for home loans and other forms of borrowing, must come from offshore countries.

With relentless certainty, the rest of the world is taking over, and continues to increase ownership in New Zealand companies and New Zealand assets.

Where the ownership becomes a majority, we have seen many instances of poor management practices, where a once successful business continually declines. Aligned with this foreign ownership has been excessive dividend payments to offshore owners, without due regard to the needs of the business here in New Zealand.

As a company, Mainfreight supports any attempts such as the "Kiwi Saver" scheme to develop savings and a saving mentality.

However, it needs to be realised that New Zealand's lack of saving is contributing significantly to the transfer of New Zealand assets to overseas ownership. Only a compulsory and increasing savings programme is likely to reverse this trend.

2. ENTREPRENEURS

Another perhaps less known statistic, where New Zealand again features worst of all the O.E.C.D. countries, is our entrepreneurial start-up companies.

In New Zealand we begin our share of new businesses, but we sell them or quit them sooner than any other O.E.C.D. country.

Small businesses are important to the economy, but to make a real contribution to society, some of them need to grow into large businesses. Larger businesses can take on bigger challenges, they attract and inspire educated and qualified young people, as well as often employing quite large numbers of uneducated older people. Smaller business is able to grow and develop, often by being suppliers, and service providers to the larger businesses.

Why do our start-up businesses sell out (invariably to offshore owners if in a high tech area) earlier than in any other O.E.C.D. country?

Could it be any of the following:

- A selfishness borne of an education system which emphasises "my rights" without regard to "my obligations".
- A lack of killer instinct brought on by an education system increasingly designed to create caretakers rather than winners and losers.
- A speech from the Auckland Grammar Headmaster which concluded: "Yet we are rapidly coming to a point in New Zealand of education's main offering being that of a counter culture curriculum which offers no challenge to lively minds and virtually no obstacle to the indolent or incompetent."
- A dearth of patriotism caused by little political, educational, or business leadership in recent memory inspiring us instinctively to act in the interests of New Zealand and mankind.
- The extraordinary arrogance of many government department's, ex S.O.E's and large businesses which daily demonstrate their monopoly positions by manning their phones with computers and making us, their customers, just wait and wait and wait.

No detailed studies have been undertaken as to the lack of longevity of our start-up businesses. However, almost universally the entrepreneurs carry an anger towards a perceived widespread complacency to service and success.

3. EXPORTS AND GROWING ABROAD

Again, New Zealand is almost last amongst O.E.C.D. countries in the value of exports relative to our GDP.

New Zealand has no natural advantages when it comes to exporting. Almost without exception, no one comes to New Zealand to buy our exports – always we have to go out and sell them, and if we stop doing this the buyers find alternate supplies.

Our physical distance from the huge markets of Europe, USA and Asia is a barrier to all exporters, and is particularly difficult for a small business. These difficulties have little to do with the costs of freight, they are to do with the whole problem of finding, developing, maintaining and growing a market or business thousands of kilometres away from New Zealand.

The language, culture, customs, currency and even the time of day is different, and require huge dedication and sacrifice to develop relationships and success.

This problem of distance will never go away. We must live with it and find ways to succeed.

To summarise, we have the economic situation of growing overseas ownership of New Zealand brought on by our own lack of savings; start-up businesses which do not grow into big businesses and create a future for our talented; and one of the poorest levels of exports in the O.E.C.D. because of our geographical isolation.

In addition to all this we aspire to continue to be a first world country with taxpayer funded hospitals, legal system, education and social welfare.

We have quite rapidly lost our ranking in the economic world, and this decline is continuing. This trend will not be reversed by tinkering with the existing model. We will need bold initiatives and inspirational leadership.

Do we need 10 cents in the dollar company tax, should we become a state of Australia, do we need larger numbers of talented immigrants, do we need a government controlling and spending so much of our money?

We must find the ways to grow a much larger sustainable economy or the drift of talent and ever larger companies to other countries will continue.

Whatever the outcome, Mainfreight has a determination to remain a New Zealand owned and operated business while continuing to pursue our global aspirations.

Bruce Plested
May 2006

FROM SHANGHAI TO SYDNEY TO LA TO AUCKLAND WE ALL MARCH TO THE SAME BEAT.

Group Managing Director's Report

DON BRAID, GROUP MANAGING DIRECTOR | "Rather than viewing ourselves as an Australasian logistics company, we are on target to become a recognised global business all grown from our small base here in New Zealand."

GROUP OPERATING RESULTS

Our performance over this past year has been exceptional, allowing us to post the highest ever profit recorded in our company's history. Our net profit of $29.0 million, built on sales revenues of $886.5 million, has enabled us to increase dividends to shareholders from 6.5 cents per share to 12.0 cents per share.

Significantly, this profit has been achieved through the positive contributions of all our business units worldwide. It gives tremendous satisfaction to know our style of doing business is successful, not only in New Zealand, but also acts as a recipe for success in other countries.

During the year we have been able to continue to grow our operations and offer a greater range of services.

Rather than viewing ourselves as an Australasian logistics company, we are on target to become a recognised global business all grown from our small base here in New Zealand.

Our year end net profit of $29.0 million is an improvement of 114.8% on the previous year. Our EBIT improved to $48.5 million with revenues improving 3.4% to $886.5 million. Adjusted to reflect last year's exchange rates and eliminating sold business units, revenues improved 7.4%.

Profit performance from our overseas based operations has been considerable. Our off shore business units now contribute 43.4% to our EBIT and their combined revenue now exceed more than 52% of the Group's total sales. Our combined Australian operations improved their EBIT performance to $17.02 million from $7.96 million. An increase of 114.0%.

Our United States operations of CaroTrans improved their EBIT performance from $1.76 million to $4.03 million, an increase of 129.4%.

THE NET SURPLUS ANALYSIS IS AS FOLLOWS:

NZ$000's	This Year	Last Year
Net Surplus New Zealand	$15,621	$12,551
Net Surplus Off Shore	$13,414	$5,235
Net Surplus Sold/ Restructuring Costs	$0	($4,266)
Group Net Surplus	$29,035	$13,520

Our associates in the United Kingdom and China continued their improvements, albeit at levels of growth below our expectations.

The excitement continues with the opportunities that these larger countries represent in profit and growth in the future. The levels of profitability we have achieved in New Zealand, with a mere population of 4 million people, are now ready to be replicated in countries with populations exceeding 20 million. This represents an exciting and demanding future for Mainfreight. Our expansion in other countries has lessened any impact that a fragile economy in New Zealand may have on business.

"Our style of doing business is successful, not only in New Zealand, but also acts as a recipe for success in other countries."


8:05 PM AUCKLAND

Our interest in Hirepool, through a 24.5% shareholding in Rakino, contributed positively throughout the year. Hirepool expanded its network and growth through a number of targeted acquisitions and has become the clear market leader in the equipment hire business in New Zealand. The proposed sale of Hirepool will have a positive effect on our balance sheet. It is hoped the result of this sale will be available to us mid-2006. While these additional funds will further improve debt to equity ratios, our determination to grow and acquire further businesses will ensure any surplus funds are well utilised.

Trading conditions in all operating countries were positive throughout the year. This enabled all our business units to grow organically, and further establish themselves in their respective markets.

Fluctuating exchange rates can have an adverse impact on exporters and importers alike. However our natural in-built hedge of having business units spread across a variety of countries and currencies, has seen any effect kept to a minimum.

The increase in fuel costs has been significant and unlikely to ease in the foreseeable future. While these cost increases have been onerous for both domestic and international freight users, the net effect for the company is minimal, due to the neutral effect created through our fuel adjustment for owner drivers and freight users. The concern is whether these cost increases will slow the growth of economies around the world. This has not been evident to date and we remain confident of our own growth prospects, and that of supply chain logistics growth world-wide.

Bradley Craig, Mainfreight Owens International, Auckland

New Zealand

OPERATING RESULTS – DOMESTIC

Mainfreight Transport and Logistics, Daily Freight, Chemcouriers, Owens Transport

$NZ000's	This Year	Last Year
Revenue	$269,179	$265,085
EBIT	$24,776	$22,559
As a % of Revenue	9.2%	8.5%
Market Share (Transport)	43%	32%
Market Share (Outsourced Warehousing/Logistics)	27%	22%

Once again our New Zealand domestic transport and logistics operations increased their revenues and EBIT contributions from the previous year. Revenues grew by 1.5% and EBIT increased 9.8% from $22.559 million to $24.776 million.

The development of the Owens domestic operations, alongside Mainfreight, Daily Freight and Chemcouriers, has been successful. Owens' freight mix has changed to predominantly LCL freight with the accompanying margin increases. Regional branches have moved to Mainfreight facilities, increasing their effectiveness and utilisation. The Mainfreight and Owens network now totals 56 branches providing consistent levels of service and quality throughout the country.

Freight volume and capability in the regional areas has increased, providing competitive advantage and access to many customers who have previously been serviced by regional operators. This continues to improve our supply chain logistics service to an ever widening range of customers. Freight volumes have been consistent across all our domestic operations, and our continued focus on LCL freight, predominantly in the fast moving consumer goods sector, has restricted the effects that a slowing economy may have.

We are not yet satisfied that we have our network as profitable as it should be, with a number of branches still under performing. The occupation of our new facility in Auckland will provide much needed relief for our Southdown operations. While initial costs will be a drain, improved facilities will improve margin and quality.


5:10 PM AKL


FREIGHT
9:35 PM AKL

Our reliance on rail, as a mode of linehaul, has halved during the past five years. We view this with grave disappointment as it remains our firm belief rail and sea are both effective and economic means to move freight. We are frustrated at the lack of improvement in both modes of linehaul.

Sadly, dedicated coastal shipping operators are few and far between due to the government's lack of understanding and action on Cabotage.

Rail services appear likely to remain restricted for as long as rail owners struggle to reach agreement with On Track regarding line fees. In an environment where fuel costs are increasing, it is imperative the most cost effective modes of freight transportation are utilised. We have a continued commitment to actively seek an improvement in rail and sea services. A commitment to improving both our own and our customers' competitive positions on freight costs.

WAREHOUSING

Supply chain logistics continue to play a major role in the growth of warehousing. An area of growing opportunity, as outsourcing becomes increasingly acceptable to business in general.

Efficient supply chain logistics is now recognised as a competitive advantage for many businesses and reviews of their own supply chains continue to provide us with many opportunities.

A growing trend in these reviews is the Australian business influence in decision making for the New Zealand branch operations of our customers. By aligning our Australian and New Zealand warehousing procedures, sales and management, we have been able to capture the growth opportunities for both countries.

Warehousing continues to require high capital cost from the outset, to prepare for growth, which produces a profit lag while business is developed.

During the year, a new site was commissioned in Wellington and a new 75,000 square foot site will open in Auckland, alongside our new freight facility in Otahuhu.

Our focus remains on those markets that compliment our domestic and international trades, predominantly fast moving consumer goods and dangerous goods, providing high value pick and pack operations. Our quality remains extremely high with our inventory management accuracy statistics rating as some of the best in the world.

Quality facilities, activities and world class technology provide real competitive advantage which is assisting our growth in this arena.

Warehousing remains the key component or "glue" as we call it, to developing our supply chain logistics activities across our substantial customer base.

Our New Zealand domestic transport and warehousing activities remain a key component for our future. While our revenues, profits and growth from outside New Zealand will come to dominate our future, the New Zealand operations will continue to remain very important and we are far from having reached maturity in this market.

There is plenty more for us to do in the New Zealand domestic freight market.

NEW ZEALAND INTERNATIONAL

Mainfreight Owens International, LEP, Coolair.

Operating Results – New Zealand International

NZ$000's	This Year	Last Year
Revenue	$148,887	$139,770
EBIT	$2,655	$2,394
As a % of Revenue	1.8%	1.7%
Market Share	10%	9%

*Note result includes Owens

We had a mixed year in our New Zealand International operations where growth in both revenue and profit was below our expectations.

While all four brands improved on last year's performance, including market share; we have yet to achieve the levels of growth we desire.

While export volumes were affected during the year, due to the level of the New Zealand dollar against the United States dollar, our focus has been on developing our import and airfreight markets.

LEP maintained its position from the previous year and remains focused on continuing its development, particularly in the import sector where its partnership and association with GEO Logistics is at its strongest. By developing specific trade lanes, utilising the GEO Logistics network, revenues and margins can be enhanced.

During the year Owens International strengthened its network, by changing its agency relationship in China and the United States to Mainfreight owned and partnered companies. Owens also formalised its own worldwide airfreight agency with the successful Japanese airfreight forwarder Kintetsu.

In light of the commonality in agencies and trade lane focus, we have merged the operations of Mainfreight International and Owens International. The merged business will become the largest sea freight and airfreight forwarder in New Zealand, specialising in air and sea freight consolidation services, to and from China, South East Asia, Japan, USA and Australia. European services will continue to be explored as the business develops.

Owens Coolair becomes a division of this operation, maintaining its focus on perishable airfreight.

Our combined perishable airfreight and dry airfreight tonnages make us the largest volume IATA ranked freight forwarder from New Zealand.

The network of Mainfreight Owens International now services the five main centres of Auckland, Tauranga, Napier, Wellington and Christchurch. Future growth prospects for this division are very encouraging as regional development will grow demand for our supply chain logistics to assist customers throughout New Zealand with their import and export requirements.

While competition remains intense in this sector, the ability of our own network, and the specialised services of our overseas partners and agents provide superior competitive advantage for both LEP and Mainfreight Owens International.

"The merged operations of Mainfreight International and Owens International will become the largest seafreight and air freight forwarder in New Zealand."


2:26 AM LAX
DL
CL


Born in Melbourne
03 926
SVH 503
10:15 AM MELB

Australia

AUSTRALIA

Mainfreight Distribution and Logistics, Owens

OPERATING RESULTS – DOMESTIC

A$000's	This Year	Last Year
Revenue	A$91,790	A$79,947
EBIT	A$3,816	A$417
As a % of Revenue	4.2%	0.5%
Market Share (Transport)	4.4%	4.2%
Market Share (Logistics)	5%	4%

*Note result includes Owens

Our warehousing and domestic transport operations in Australia have once again performed very credibly. For the first time in our listed history, we have achieved a positive net surplus in our Australian domestic operations. The level of this improvement has provided an excellent foundation for both businesses to continue to provide further ongoing substantial profits.

Customer retention and organic growth has provided the substantial increase in revenues while our quality of service levels have remained at a consistently high standard.

In transport we remain committed to our *day definite express delivery* market and are predominantly focused on less than container load freight.

In our warehousing sector we are again concentrating on the high value pick and pack fast moving consumer goods sector, ensuring that our consistency and accuracy in stock receipt and despatch is above our customer's expectations. Activity in the dangerous goods sector has produced a number of customer gains and includes 4PL activity on behalf of our customers in rural based warehouses in all states.

New customer activity remains committed to the small to medium sized business sector, where quality services are expected and margin erosion is limited, versus the larger commodity businesses that require Full Truck Lot (FTL) services and stand alone warehouse sites.

Metropolitan services continue to gather momentum and strength in the intra city market and we have persevered with Owens Transport services in Sydney and Brisbane to offer wharf cartage services to our supply chain logistics and international sector customers.

The influence of Australian business in logistics decision making for both New Zealand and Australia continues to strengthen, and confirms our decision to remain committed to an Australasian warehousing and distribution infrastructure.

While this market remains intensely competitive, with many players operating across both the Transport and Warehousing sectors, our commitment to the high quality express, fast moving consumer goods market, has allowed us market entry at a significant pace.

Changes in the competitive environment through major mergers and acquisitions provide future opportunity rather than threat.

Melbourne owner/driver, Jim Chubb

AUSTRALIAN INTERNATIONAL

Mainfreight Owens International, LEP, Pan Orient Shipping Services

OPERATING RESULTS – AUSTRALIAN INTERNATIONAL

A$000's	This Year	Last Year
Revenue	A$256,367	A$236,836
EBIT	A$11,801	A$6,837
As a % of Revenue	4.6%	2.9%
Market Share	12%	11%

*Note result includes Owens

Our three Australian International businesses performed well during this past year.

Good organic growth has been achieved in all three operations and Mainfreight Owens International has improved gross margins through a greater focus on trade lane development.

LEP have continued to build their inbound expertise in association with our partner, GEO Logistics. GEO Logistics was sold during the year to the Middle East Logistics company, PWC.

This acquisition has given GEO Logistics a stronger base on which to grow and this growth activity has given impetus to freight growth inbound for LEP Australia and, to a lesser extent, LEP New Zealand.

Pan Orient, our South Pacific freight forwarding and Project forwarding business, has performed well during the year, the majority of growth coming from activity surrounding the Goro Nickel contract in Noumea. As is normal with Project activity, this growth can be sporadic from year to year.

Supply Chain Logistics activity remains high on the priority list as our International businesses develop new business. Both LEP and Mainfreight Owens International are working very closely with our warehousing and domestic transport operations to seize upon new and additional business from the combined customer base available to us in Australia.

Competition remains intense in this international air and sea freight arena; however our very strong regional influence and brand awareness within a Free On Board (FOB) market is securing and leveraging better opportunities locally against our international competitors.

Our agency network and well focused trade lane expertise is also providing additional competitive advantage.

"We now have major opportunity for growth from within our collective Australian customer base."


10:30 PM SYDNEY

United States of America

OPERATING RESULTS
CaroTrans

US$000's	This Year	Last Year
Revenue	US$61,458	US$51,913
EBIT	US$2,785	US$1,185
As a % of Revenue	4.5%	2.3%
Market Share	15%	12%

Our US operations of CaroTrans have delivered on their promise of providing increased profits and growth within our International portfolio.

This business is maturing to give us a very sound platform with which to grow a significant business in one of the world's largest economies. This business also provides an important gateway for Mainfreight to access the developing South American and European markets.

Trade has developed organically, and very strongly, to and from our home in Australasia and has found some growth in the Asian trades, albeit at levels below our expectations. More growth will come from our Asian development but at a pace somewhat slower than expected.

Development of markets between the USA and India are underway. The "BRIC" countries of Brazil, Russia, India and China are developing very quickly as emerging markets for freight movement.

CaroTrans development from the wholesale freight market to the retail freight market has remained on course, but again has been measured against our expectations.

To enhance this retail growth it is our intention to launch the Mainfreight International brand in the US market within the next 12 months.

While the mega mergers of a number of shipping lines around the world have created frustrations, particularly in terms of customer service, they have also created new opportunities as previous direct shippers are now looking to the freight forwarding community for assistance, as their volumes become too small for the larger shipping lines to service. This provides us with business growth, offering these shippers a variety of service options and greater flexibility.

We remain excited with the opportunities our US operations can provide and, while competition remains intense in this sector, our unique style and LCL freight focus is providing an edge on our competitors.

Sam Vivao, Export Operations, CaroTrans, Los Angeles


3:25 PM LAX


MAINFREIGHT
HONG KONG
8:40 PM HK

Asia

ASIA Mainfreight Express Lines		
OPERATING RESULTS – INTERNATIONAL		
US$000's	**This Year**	**Last Year**
Revenue	US$16,871	US$12,017
EBIT	US$1,600	US$1,142
As a % of Revenue	9.5%	9.5%
Market Share	2.25%	2.25%

Figures reflect total business

Our Asian growth remains measured and well within our capacity. While this has been prudent as we find our feet in the largest freight market in the world, our desire is to increase our level of activity to and from Asia over the next one to five years. This activity will stretch our businesses into additional trade lane development and a greater degree of airfreight and supply chain logistics. Trade with the United States is developing, but not to our desired level of growth, and a greater sales focus will be taken to enhance this.

Our new Shenzhen branch opened in the third quarter of last year and has proven to be a stronger performer than Ningbo.

Shenzhen is located across the border from Hong Kong in South China. It is surrounded by three large shipping ports: Yan Tain, Shekou and Chiwan. Fifty percent of trade from the Shenzhen area is shipped from the port of Yan Tain. At present, this equates to seven million containers per annum. Upon completion of development stages three and four in 2009, it is expected that 25 million containers (TEUs) per annum will be shipped from Yan Tain.

Our operations in Shenzhen are currently developing logistics capability to assist pre-consolidation of freight from various shippers through bonded and 'free trade zone' bonded warehouses. This capability will provide our customers in the US, Australia and New Zealand, significant competitive advantage through increased supply chain efficiencies.

Our interests in developing further joint ventures in Malaysia, Thailand and Singapore are further enhanced as the industry consolidation, through mergers and acquisitions, compromises long standing arrangements between our competitors. We will take advantage of these growth opportunities as and when it is prudent to do so. As with our already existing Asian interests, partnerships are more suitable than 100% ownership.

INTERNATIONAL DEVELOPMENT

Our international divisions continue to provide growth and profit. This will continue as our more global approach to logistics develops. These divisions allow development into countries around the world and are a very good source of customer growth for our supply chain logistics model.

It is likely that we will develop our Mainfreight International business even further, expanding into countries that we have yet to have a presence in. This is more than likely to be through acquisitions and partnerships.

The new ownership of GEO Logistics by PWC has given that organisation, and subsequently LEP, the benefits of a more energised business. While this is of benefit to LEP it will not inhibit the Group's other global expansion or acquisition opportunities.

The acquisition of Owens provided us a small base in the United Kingdom; however it has not provided any sizeable growth in the short time we have been involved. Further, our partnership interests are below 50% making our influence even more difficult. To this end we will review our position with this business in order that our growth in the Northern Hemisphere becomes more structured and capable of more growth.

THE FUTURE

This past year has fulfilled our determination to have every division contributing positively. Our net surplus confirms the opportunities we have for future growth in our global business.

We profit from our principles, our passion and our pride

This is an exciting and challenging era for our company. It is comforting to know that our recipe for business can be successful in global markets,

all of which have populations and supply chain logistics requirements many times greater than our home base in New Zealand.

Our competitive advantages remain consistent – first and foremost quality. A unified group of companies offering full supply chain logistics services, an infrastructure and culture that promotes individual responsibility, entrepreneurialism, the avoidance of mediocrity, coupled with our technology and passion for freight.

Strong leadership and commitment in each of our business units will continue to drive growth and success for our company.

While we have in the past limited our international expansion to low cost infrastructure businesses operating in international freight forwarding, our success in domestic transportation and logistics in Australia and New Zealand allows us to take bolder steps in countries beyond Australasia always utilising our disciplines and style of business to ensure profitability and exceptional service for our customers.

Our future continues to be very promising, our committed direction creating a vast array of opportunities in the global logistics industry.

We look forward to sharing the benefits of this growth and success with our customers, our shareholders and our dedicated team of people.

We remain a very special company made up of very special people committed to achieving an even better future.

Don Braid

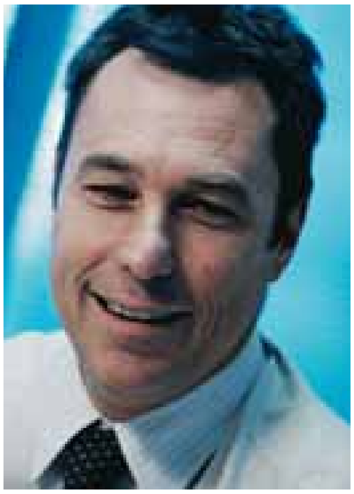
Our Management Team

CRAIG EVANS

General Manager
Supply Chain
20 years with Mainfreight

Revenues $27 million

Craig is responsible for our 22 warehousing operations throughout New Zealand and Australia and plays an integral role in the development of our supply chain strategies and relationships.

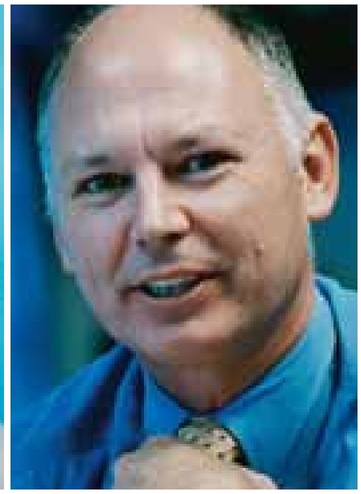


MARK NEWMAN

National Manager
Transport New Zealand
16 years with Mainfreight

Revenues $201 million

Mark's responsibilities include the Domestic Freight Forwarding operations in New Zealand, consisting of Mainfreight Transport, Daily Freight and Chemcouriers. Mark began his career with us loading freight and is one of our first Graduates.



KEVIN DRINKWATER

Group IT Manager
20 years with Mainfreight

IT Operational Spend $13 million

Kevin's portfolio covers all our IT solutions throughout our operations worldwide, including the development and application of new technology ensuring our technological competitive advantage continues and that these solutions add more value to our customer relationships and operating efficiencies.

CHRISTINE MEYER

Group Human Resource and Training Manager
12 years with Mainfreight

HR and Training Resource Spend $3 million

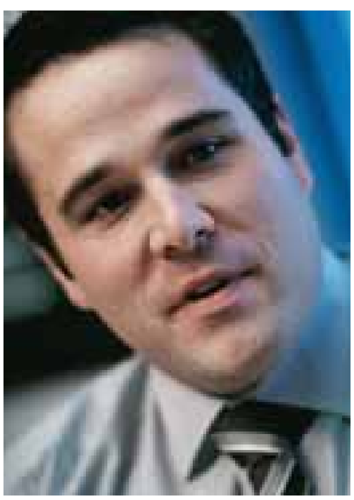
Christine's responsibilities include our training regimes, Training Academy, and graduate recruitment programmes. Her role also includes the management and development of Human Resources across the Group.

BRYAN CURTIS

National Manager
Owens Transport
26 years with Mainfreight

Revenues $68 million

Responsible for the Owens Transport business in New Zealand. Bryan is one of our "originals" and has had a variety of positions including operational, sales and branch management roles in New Zealand and Australia.



ANTHONY BROWNE

National Manager
LEP International New Zealand
10 years with Mainfreight

Revenues $38 million

Anthony joined Mainfreight as one of our early Graduates and has held a number of roles within Mainfreight including sales, sales management and running the successful business of Chemcouriers.

TIM WILLIAMS

Chief Financial Officer
12 years with Mainfreight

Tim joined Mainfreight through the acquisition of Daily Freightways in 1994 and since 1995 he has been responsible for the Group's financial affairs. This includes, in conjunction with the Managing Director, relationships with our Auditors, Tax Advisors, Brokers, Analysts, Bankers and the NZX.

JOHN HEPWORTH

International Manager
8 years with Mainfreight

John manages our International businesses in Australia, New Zealand, UK, the USA and our Asian interests. John's role also includes the identification and development of our International product in regions we have yet to establish ourselves in. John joined Mainfreight through our acquisition of his business, ISS Express Lines, in 1998.

MICK TURNBULL

National Manager
LEP International
Australia
8 years with Mainfreight

Revenues A$161 million

Mick is responsible for LEP International and the Owens Projects division in Australia and Pan Orient in Papua New Guinea. Mick joined Mainfreight at the time of our acquisition of LEP Australia and as a director of LEP Australasia has a valuable role in our agency/partnership with GEO worldwide.

MICHAEL LOFARO

National Manager
Mainfreight Owens International
Australia
8 years with Mainfreight

Revenues A$116 million

Michael manages Mainfreight Owens International's operations throughout Australia. He joined Mainfreight through the acquisition of ISS Express Lines of which he was a shareholder.

STEVEN NOBLE

National Manager
Mainfreight Logistics Australia
12 years with Mainfreight

Revenues A$12 million

Steven has the responsibility of our 10 Logistics (Warehousing) facilities throughout Australia. Steven has been with Mainfreight in a variety of roles and has previous experience in International Forwarding and Logistics.

RODD MORGAN

National Manager
Mainfreight Distribution Australia
3 years with Mainfreight

Revenues A$85 million

Rodd's responsibilities cover the transport operations of Mainfreight Distribution throughout Australia. Rodd has had 10 years experience in the Australian Transport industry, including leadership roles in Sales and Operations.

GREG HOWARD

CEO, CaroTrans Inc, USA
7 years with Mainfreight

Revenues US$70 million

Greg is a Bostonian and has spent most of his working life with CaroTrans. Greg spent two years in New Zealand as National Manager for Mainfreight International and has also had roles in a number of European countries while working for CaroTrans.

DAVID SHIAU

Managing Director
Mainfreight Express, Asia

Revenues US$17 million

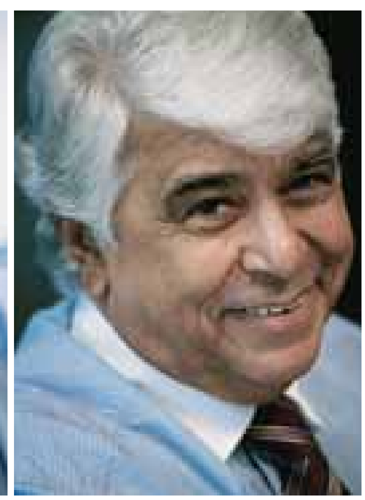
David has a relationship with our business which dates back some 21 years, as a partner and friend. David's responsibilities are the management and Directorship of our operations in Hong Kong, South China, Shanghai and North China.

JON GUNDY

National Manager
Mainfreight Owens International
2 years with Mainfreight

Revenues $113 million

Responsible for the Mainfreight Owens International business in New Zealand, and the Coolair operations, Jon joined Mainfreight through the acquisition of Owens, where he has held Operational and Sales Management roles within various Owens divisions over the last eight years.



CARL HOWARD-SMITH

General Counsel
Mainfreight Group
28 years with Mainfreight

Mainfreight's lawyer since its commencement in 1978, board member since 1983 and General Counsel. Carl plays an active and daily role with the executive management team across all divisions.

Thelma Hayes and Shayne White at Hastings Westpark Primary School, Australia, participants in the New Zealand-based Books in Homes programme.

WE'RE NOT ASHAMED OF MAKING MONEY. OR AVERSE TO SHARING IT.

Our People

SPECIAL PEOPLE SPECIAL COMPANY

While this statement is an integral part of the Mainfreight culture, it means little to our customers unless we delight them with our service and the total Mainfreight experience.

To deliver on this promise the Group committed to investing in giving our team members the skills they need to meet both our customer's expectations and to contribute to the ongoing development of our business. Specifically, every new and existing team member now attends a week-long course at the Mainfreight Training Academy.

This major commitment by Mainfreight is unprecedented within the industry and reflects the forward thinking and innovation which is helping us create a 100 year company. It is welcomed as a challenge to benchmark our quality standards and have them recognised industry wide.

The Training Academy's simulated working environment provides practical training in freight handling, along with modules on customer service, in-house computer systems and specific dangerous goods and fork hoist skills. In addition, each group also spends half day learning about the culture and philosophies which are uniquely Mainfreight.

Training has been developed in consultation with all brands within the Group with input from all levels to ensure both the hard skills and the softer values of Mainfreight are well understood and applied.

As a result, managers within the Group are experiencing graduates returning from training with greater enthusiasm and commitment and a real understanding of the processes and requirements of their roles. They also realise they belong to a company which values its people and gives them an opportunity to contribute to its success.

Our quality training provides our people with the best skills and knowledge required to operate safe and effective work places. Too often the bureaucratic health and safety regimes promoted by Government agencies focus on standards and procedures that simply do not work. Further, they inhibit productivity and are a costly waste of time and money. At Mainfreight our training regime is about promoting skills and awareness that reduce accidents and errors and maintain productivity and a genuine caring for each other.

Importantly, through training, our teams gain a deep understanding of "why we do things the way we do" and what Mainfreight stands for.

At the conclusion of their training, graduates attend a ceremony, often along with senior management. They are awarded their diploma, given a presentation on the direction of the business and the Mainfreight book.

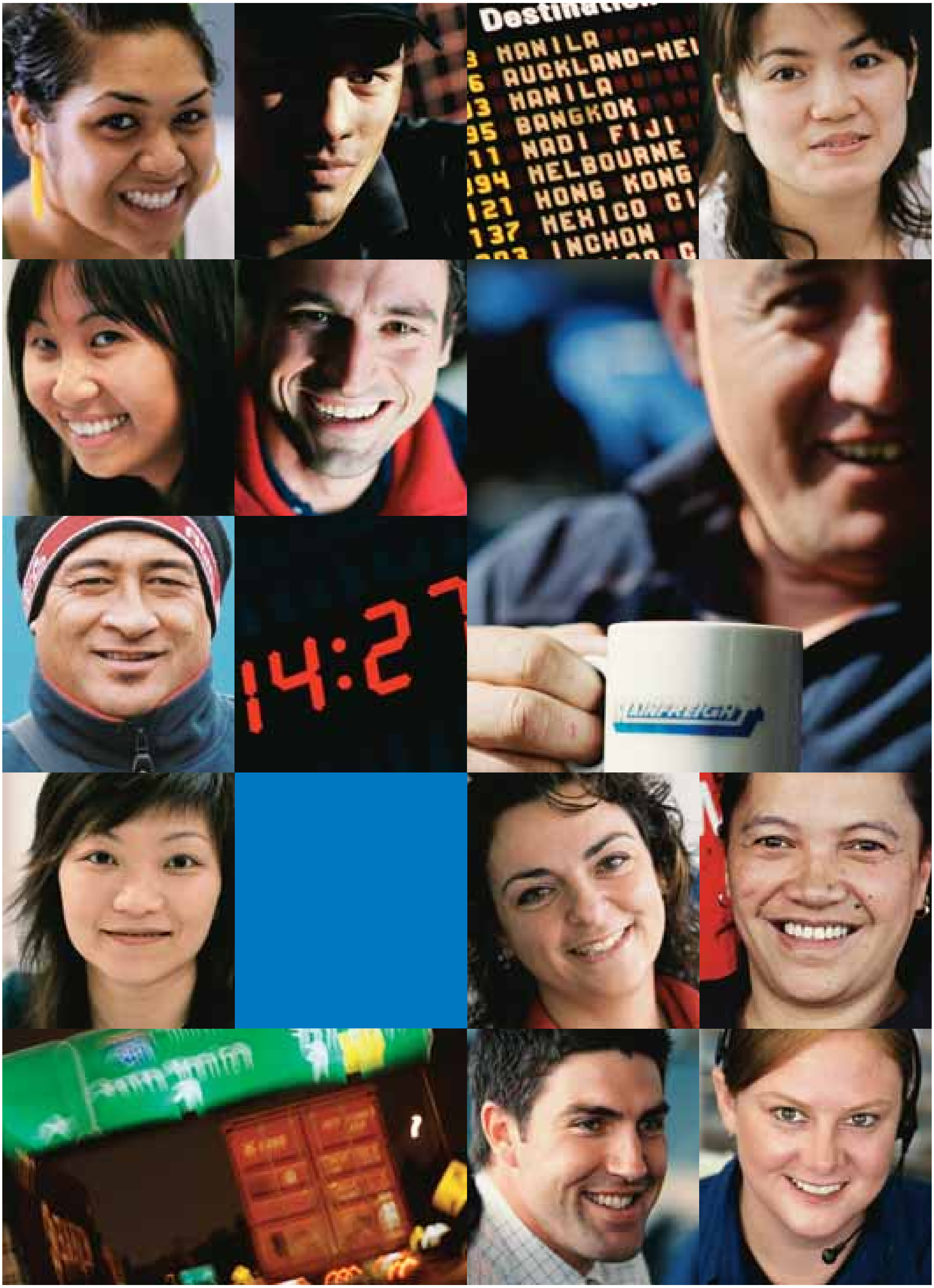
Courses have been developed for our owner operators, to be completed prior to commencing their relationship with us.

Leadership courses for our current management, and potential branch managers, have also been developed, providing our business with a ready supply of talented branch managers to help facilitate our growth. This builds on our philosophy of internal promotion to strengthen our culture and development.

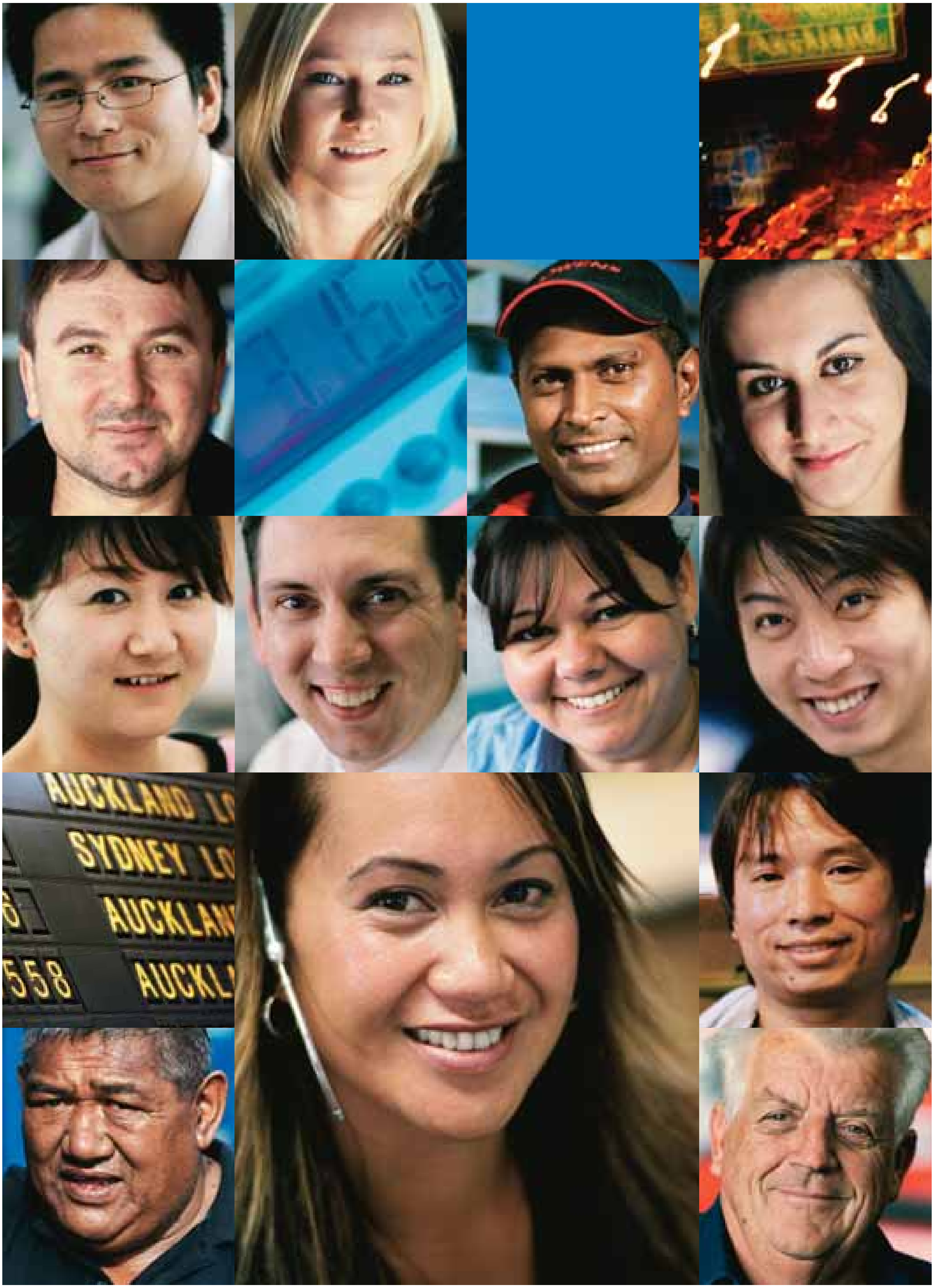
"Our 100 year vision is fuelled by the passion of our people, doing things the way only Mainfreight does."

Melbourne owner/driver Ray Pepper and son Jimmy


RAY PEPPER
3:25 PM MELB



"Our business is created around one strong team...



...not a handful of strong individuals.”

Technology

The past year has seen Mainfreight continue to implement systems that put us at the forefront of technology in the logistics and transport industry. Our success in developing innovative solutions, that provide the backbone to our operations, as well as those of our customers, is now being recognised in the United States as well as Australia and New Zealand. The evidence of this is the increasing number of customers who cite the benefit they derive from our information system capabilities as a key reason for choosing Mainfreight as a business partner.

Most impressed are those customers who choose Mainfreight Logistics for their warehousing requirements. They choose us for the capability to follow the progress of their orders over the internet, from the time they are placed with our warehouses to the time they are delivered.

Additional features added to CaroTrans systems during the year ensure an unparalleled level of communication and visibility to customers.

INTERNATIONAL – AUSTRALIA AND NEW ZEALAND

International systems have dominated the development of our technology initiatives during the year. This has centred on the new Windows based EDI Enterprise. This new international operations and accounting software package, for Mainfreight Owens International in New Zealand and Australia will provide considerable benefits. For the first time these Australian and New Zealand businesses will coexist on a common database and hardware platform. Benefits have already been achieved; however we anticipate more significant benefits through improved productivity and customer service over the next 24 months as we take advantage of the opportunities the system presents us.

LEP Australia and New Zealand have also introduced EDI Enterprise as their customs module, and integrated it with the GEOLogistics global operational system.

CAROTRANS

CaroTrans has introduced sophisticated automated communications modules for event notifications to customers and agents. Tightened security at US ports and US Rail infrastructure issues have meant frequent and significant delays can occur with both export and import freight. The introduction of an automated event notification by email or fax at CaroTrans has meant customers and agents are informed efficiently and quickly on the progress of their shipments.

Further enhancement of the CaroTrans web site has enabled agents and customers to track the progress of their export shipments to the USA, from the time of arrival to delivery, anywhere in the United States.

"Our information system capabilities continue to distinguish Mainfreight from our competitors in all our markets."

Victor Pirini, Mainfreight Logistics, Auckland


6:00 AM AKL

MAINFREIGHT TRANSPORT AND DISTRIBUTION

The introduction of a new breed of in cab technology began in 2005. The first enhancement was the introduction of Jobs On for our port operations. This module sends container pickup and delivery instructions to a data device mounted in the driver's cab. Drivers accept and update progress on jobs throughout the day. This leads to greater visibility for the port operations team and customers.

The second improvement has been the introduction of Symbol 9063 handheld scanners to replace our previous driver wands. These new scanners are the most appropriate units for our LCL pickup and delivery operations and overcome all the issues we have had with the older generation of wands. The key benefits of the new scanners are:

- their rugged build
- better data communications – built in modems connect to the Telecom 3G network and provide more reliable and faster data transfer
- more features – the units run on the Windows operating system so are capable of much more than merely recording pickup and delivery information.

These features all add up to immediate improvements in the accuracy and speed of information for drivers and operations team members, while at the same time leading to increased visibility for our customers. These scanners have allowed us to improve our SecureTrack solution for high value product distribution in Australia, where we now scan individual serial numbers on each product at the time of delivery, as well as pickup. The scanner's enhanced capability will allow us to introduce innovative new functionality in the next 12 months. We are currently midway through the deployment of over 600 of these new scanners in Australia and New Zealand.

During the latter part of the year we released a major rewrite of our Freman software. This software, originally built in 1992, is provided to customers to enable them to quickly create their consignment documentation and labels at dispatch. In Freman3, the third major version since the original implementation, we have enhanced its capabilities as well as speed. We are now able to remotely manage Freman from anywhere, even though it is installed at the customer's premises. We are able to update software, change settings and perform maintenance tasks over the internet from our offices.

"Every minute of every hour of every day we strive to find better, smarter ways to do business."

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LEP Australia and New Zealand have also introduced EDI Enterprise as their customs module, and integrated it with the GEOLogistics global operational system.

IT STATISTICS

1. **Percentage of consignment notes received electronically**

	This Year	Last Year
New Zealand	51%	51%
Australia	58%	59%

2. **Percentage of customer issues received electronically (Helpdesk)**

	This Year	Last Year
New Zealand	47%	55%
Australia	25%	45%

3. **Percentage of Logistics orders received electronically**

	This Year	Last Year
New Zealand	69%	60%
Australia	89%	84%

4. **Number of consignments tracked electronically**

	This Year	Last Year
New Zealand	437,774	180,876
Australia	56,061	32,481

5. **Percentage of House Bill of Ladings received electronically**

	This Year	Last Year
United States of America	14%	7%

6. **Automated EDI status messages sent to customers**

	This Year	Last Year
United States of America	54,802	47,391

POWERED BY
A 3000-STRONG
GLOBAL TEAM.
EVERY DAY.

Targets and Achievements

2005 TARGET	2005 STATUS	2006 TARGET	2006 STATUS
• Full year profit for Mainfreight Distribution	• Achieved	• Exceed worldwide revenue of NZ $1 billion	• Possible, but likely to take us until 2008
• Further expansion in China	• On target	• Service by Mainfreight Distribution to 250 Australian towns	• On target
• Develop direct investments in USA land transportation	• Still focused on logistics and warehousing activities only	• Further expansion within the USA	• Branches to open in San Francisco, Boston and Seattle in 2006
• Open international operations in the United Kingdom	• Completed through acquisition of Owens	• To be consistently profitable in Mainfreight Distribution	• On target
• Complete new premises for Mainfreight Auckland	• Began earthworks early 2005. Completion September 2006	• To consider other possible acquisitions outside of New Zealand	• Evaluations currently underway in Australia, USA, Asia and Europe
• To launch Mainfreight International in the USA	• Retail freight tonnage now 28% of CaroTrans' activities. Mainfreight International to launch in 2006	• To develop interests within South East Asia	• On target
• Launch Chemcouriers Australia	• Once profitability secure in Mainfreight Distribution	• 1,000,000 sq ft of warehousing in Australia	• Currently have 500,000 sq ft
		• Dividend funding will be assisted from our off shore earnings	• Off shore earnings equal 45.9% of total earnings

2007 TARGET	2007 STATUS	2008 TARGET	2008 STATUS	2009 TARGET
• To have identified and completed successful acquisitions in Australia and the USA	• On target	• To have revenues exceeding $1 billion	• On target	• To be further established as a Global Supply Chain Logistics Operator.25
• To have a business in the United Kingdom contributing significantly to our international divisions	• Under review with European ventures for consideration	• To have our off shore interests generating more profit than our New Zealand businesses	• Currently 44% of EBIT earned outside of New Zealand	• To have international operations across Europe and the United States, China, India, South East Asia and South America
• To have six or more profitable operations in North East Asia	• On target	• To be the dominant LCL logistics supply chain operator in Australasia	• On target	• To have established logistics operations in China and the USA with some involvement in domestic distribution
• To have Mainfreight International throughout the USA and generating more revenue than CaroTrans	• Likely to take until 2009	• To be achieving in excess of 7% return on revenue in our international divisions	• On target	• To have our Australian domestic and warehousing operations earning similar profits to that of our New Zealand operations
• To have developed a presence in South East Asia and India	• Acquisitions under review currently	• To begin to have global significance in international logistics using our foundations in USA, Europe, China and Australasia	• On target	• To have our American interests earning more profit than our Australian and New Zealand International operations
• To be seen by the market as a significant New Zealand owned company earning substantial profits off shore for the benefit of New Zealand				

Our expansion in other countries has lessened any impact that a fragile economy in New Zealand may have on business.

Property Portfolio

Our property strategies remain consistent as our growth continues. We prefer our property portfolio to have a mix of leased and owned facilities. We continue to utilise the land banks we have accumulated over the years to assist growth and expansion on preferred sites, reducing costly relocation activity when expansion is needed.

Where possible we prefer to own sites that host heavy traffic and activity, allowing us to better manage design and maintenance. Sites that have less of this activity are more suited to lease obligations.

Mainfreight changed its accounting policy to revalue freehold land this year. A revaluation of $32.811 million was recognised at the end of the financial year (minority share of revaluation was $0.277 million) valuing freehold land at $43.371 million.

Our property asset values in the past year have increased by $8.072 million, our Group properties having a market value of $10.539 million over book value.

During the year construction began on our "Super Site" for Mainfreight Auckland at Otahuhu. This is by far our largest and most ambitious building project. It will re-define our freight facilities in New Zealand and perhaps Australia. We expect to further improve our quality handling and be able to reduce logistics costs by utilising the two facilities for efficient cross docking of freight from warehouse for distribution.

Completion and occupation of Otahuhu will be during September 2006.

Land was purchased in Christchurch adjacent to our Mainfreight Transport site, further increasing our presence in the suburb of Sockburn. We would expect to construct a new facility for Daily Freight on this site within the next two years. Better site, equipment, vehicle and freight utilisation is expected and will be beneficial to both businesses.

Construction of a new facility in New Plymouth will begin on land already owned mid 2006.

With our growth in distribution and warehousing in Australia, our current facilities are becoming stretched. We have entered into an agreement with Macquarie Goodman to lease a purpose built site in Prestons, Sydney. It is expected that this site will equal our new "Super Site" in Auckland in size and efficiency.

Over the next 10 years we expect to invest more capital expenditure on property in Australia than we have currently in New Zealand, such is the growth in a much larger market.

ENVIRONMENTAL FEATURES FOR PROPERTY

Where possible our freight and warehousing facilities are built with environmental issues foremost in planning. Rainfall is collected and stored to provide valuable water for truck washing, ablutions and irrigation. Landscaping is designed to ensure we can beautify our land over and above local council requirements. Solar power opportunities for lighting are explored and where feasible, installed.

PROPERTY PORTFOLIO

		New Zealand		Australia	
		2006 m²	2005 m²	2006 m²	2005 m²
Properties Owned & Utilised	Freehold	73,643	73,643	3,525	3,525
	Leasehold	35,960	35,960	-	-
Properties Held for Future Sale		-	-	-	-
Leased with Term (3+ years)		58,338	28,909	106,045	95,045
TOTAL PROPERTIES		167,941	138,512	109,570	98,570

GROUP PROPERTY VALUATIONS

	2006 $m	2005 $m
Market Value	112.915	82.954
Book Value including revaluation	102.375	47.676
Land Revaluation	32.811	0
Value Growth	43.350	35.278

The Mainfreight "Super Site" under construction in Auckland, New Zealand.

Capital Expenditure

Capital Expenditure is directed and approved by the Board of Directors from recommendations made by senior management.

Essentially, expenditure can be classified into three divisions; Property and Buildings, Information Technology and General, including Plant and Equipment. It is not our desire to be an owner of trucks and associated equipment.

PROPERTY AND BUILDINGS

Property and Building decisions are based on growth, specialised facility needs, and operational efficiency gains, in conjunction with cash flow availability.

Monies expended on property in the past year totalled $20.6 million. Capital required for property development during 2006 and 2007 will be considerable and is likely to exceed $20 million.

INFORMATION TECHNOLOGY

Information Technology expenditure decisions are based on improving ongoing operational and administrative efficiencies and the ability to further enhance our competitive advantages within the market, including adding further value to our customer relationships and their supply chain requirements. Capital Expenditure on Information Technology in this past year was $4.0 million.

GENERAL

This area covers plant and equipment, containers, forkhoists, trailers, pallet racking and trucks.

Decisions for this area of expenditure are based on our operational requirements. In the main we lease all small tonnage fork hoist equipment, with ownership of large hoists only. Containers, pallet racking and the like are better to be owned to assist operational control.

Some trucks are purchased for short term initiatives, and once viable for owner operators, they are transferred.

Capital Expenditure in the past year in this category was $4.2 million. Disposal of assets was $0.6 million, which includes some vehicles sold to our owner drivers and surplus assets of Owens Group.

"Where possible, our freight and warehousing facilities are built with environmental issues foremost in planning."

7:10 PM AKL

Operating Statistics

CLAIMS NEW ZEALAND

2000	413 consignments for 1 claim
2001	453 consignments for 1 claim
2002	463 consignments for 1 claim
2003	417 consignments for 1 claim
2004	517 consignments for 1 claim
2005	513 consignments for 1 claim
2006	471 consignments for 1 claim

• Claim ratios for Australia are not measured as under Common Carrier Law customers insurance is direct

LOADING ERRORS NEW ZEALAND

2000	2.20 loading errors per 100 consignments
2001	2.04 loading errors per 100 consignments
2002	3.34 loading errors per 100 consignments
2003	3.08 loading errors per 100 consignments
2004	2.75 loading errors per 100 consignments
2005	2.76 loading errors per 100 consignments
2006	2.81 loading errors per 100 consignments

* Since 2001 a more stringent definition of handling errors was introduced.

LOADING ERRORS AUSTRALIA

2006	2.24 loading errors per 100 consignments

NEW ZEALAND DOMESTIC STATISTICS

	This Year	Last Year
Total Tonnes	2,218,480	2,129,440
Total Cubic Metres	4,711,203	4,416,031
Total Consignments	3,238,027	2,823,474

AUSTRALIAN DOMESTIC STATISTICS

	This Year	Last Year
Total Tonnes	283,343	295,125
Total Cubic Metres	990,774	958,643
Total Consignments	679,998	631,535

INTERNATIONAL STATISTICS

	This Year	Last Year
Airfreight Inbound and Outbound (kilos)	56,475,754	45,689,067
Seafreight Inbound & Outbound TEU's	138,273	133,113
Customs Clearances	98,852	80,679
IATA Ranking		
New Zealand	1st	2nd
Australia	10th	19th

LOGISTICS STATISTICS

	This Year	Last Year
New Zealand		
Inventory Record Accuracy (IRA)	98.5%	98.2%
Accuracy (IRA) Orders Processed	298,276	202,232
Facility Utilisation	83%	86%
Warehousing Footprint	81,500m²	80,500m²
Australia		
Inventory Record Accuracy (IRA)	98.2%	98.1%
Accuracy (IRA) Orders Processed	99,144	30,038
Facility Utilisation	80%	82%
Warehousing Footprints	48,000m²	37,500m²

Mainfreight's level of IRA measures location count, inventory condition, systems alignment to inventory count, product integrity, total inventory count.

TRAINING STATISTICS

	New Zealand	Australia
Induction	429	40
Licensing	894	48
Procedural	372	-
Systems	449	576
Total	**2,144**	**664**

"Our competitive advantages remain consistent – first and foremost, quality."

TEAM NUMBERS

	This Year	Last Year
NZ Domestic *Mainfreight, Daily Freight, Chemcouriers, Logistics, Owens*	1,867	1,390
NZ International *LEP and Mainfreight Owens International*	245	133
Australian Domestic *Mainfreight Distribution, Logistics, Owens*	379	433
Australian International *LEP Pty, Mainfreight Owens International Pty, Pan Orient*	478	367
International *CaroTrans USA and Mainfreight Express, Asia*	195	163
Owens *Transport, International, Coolair*	now included in above businesses	381
Total Group	**3,164**	**2,867**

DEBTORS DAYS OUTSTANDING

	This Year	Last Year
Debtors Days Outstanding	37.79	37.41

GENDER RATIOS

	Male	Female
New Zealand	70%	30%
Australia	60%	40%
USA	30%	70%
Asia	35%	65%
Total	**63%**	**37%**
Last Year	**64%**	**36%**

TRAINING AND HR SPEND

	This Year	Last Year
Training and HR Spend	$2.86m	$2.78m
As a % of Revenue	0.32%	0.32%

INFORMATION TECHNOLOGY

	This Year	Last Year
Information Technology Spend	$12.5m	$13.5m
As a % of Revenue	1.41%	1.57%

REVENUE COMPARISON

(000's)	This Year	Last Year
NZ Domestic $NZ	$269,179	$265,085
NZ International $NZ	$148,887	$139,770
Australian Domestic $A	$91,790	$79,947
Australian International $A	$256,367	$236,836
USA International $US	$61,458	$51,913
Sold Business Units $NZ	$0	$27,736
Group Total $NZ	**$886,511**	**$857,043**

EBITDA COMPARISON

(000's)	This Year	Last Year
NZ Domestic $NZ	$32,317	$30,469
NZ International $NZ	$4,846	$3,927
Australian Domestic $A	$5,854	$2,469
Australian International $A	$13,728	$8,766
USA International $US	$3,594	$2,072
Sold Business Units $NZ	$0	($4,194)
Group Total $NZ	**$63,709**	**$45,521**

Corporate Governance

THE ROLE OF THE BOARD OF DIRECTORS

The Board is responsible for the proper direction and control of the Group's activities. This responsibility includes such areas of stewardship as the identification and control of the Group's business risks, the integrity of management information systems and reporting to shareholders. While the Board acknowledges that it is responsible for the overall control framework of the Group, it recognises that no cost effective internal control system will preclude all errors and irregularities. Our system is based upon written procedures, policies and guidelines, organisational structures that provide an appropriate division of responsibility, and the careful selection and training of all qualified personnel.

The Board includes in its decision making; dividend payments, the raising of new capital, major borrowings, the approval of annual accounts and the provision of information to shareholders, major capital expenditure and acquisitions. It does however delegate the conduct of day to day affairs of the company to the Group Managing Director and Executive Chairman.

Financial statements are prepared monthly in conjunction with the weekly profit and loss statements generated at branch level. These are reviewed by the Board progressively through the year to monitor management's performance.

BOARD MEMBERSHIP

The Board currently comprises eight Directors, comprising an Executive Chairman, a Group Managing Director and six Directors, five of whom are independent. From time to time key executives are invited to attend full Board Meetings and are encouraged to fully participate in all debate. The Board met on five occasions in the financial year ended 31 March 2006.

DIRECTORS MEETINGS

The Directors hold five Board Meetings per year over two day periods throughout Australia and New Zealand in locations of interest and concern. At the close of day one of each meeting, customers and/or our team are invited to meet Directors and management.

Bruce Plested and Don Braid also attend two Board Meetings of LEP in either New Zealand, Australia or Hong Kong, one Board Meeting of Mainfreight Express in Asia and one Board Meeting of Owens UK Limited. Emmet Hobbs is the director representing our interests on the Rakino Board which controls the business of Hirepool.

Director	Meetings Held	Meetings Attended	Meetings Attended Subsidiary
Bruce Plested	5	5	4
Don Rowlands	5	4	-
Neil Graham	5	5	-
Richard Prebble	5	5	-
Carl Howard-Smith	5	5	-
Don Braid	5	5	4
Emmet Hobbs	5	5	12
Bryan Mogridge	5	3	-

SHARE TRADING

The Board has set out a procedure which must be followed by Directors and Key Executive Management when trading in Mainfreight Limited shares. This procedure follows the Insider Trading (Approved Procedure for Company Officers) Notice 1996.

GROUP MANAGEMENT STRUCTURE

The Group's organisational structure is focused on its core competencies, domestic distribution, international sea and air freight forwarding, warehousing and supply chain management. These operations are located in New Zealand, Australia, the United States of America, Asia and the United Kingdom. Each division within each country has a National Manager who reports directly to the Group Managing Director. Each joint venture or subsidiary has at least one Company Director on the Board of that business.

THE ROLE OF SHAREHOLDERS

The Board aims to ensure that shareholders are informed of all major developments affecting the Group's state of affairs. Information is communicated to shareholders in the Annual Report, the Interim Report, twice yearly newsletters and the Quarterly Shareholder Bulletins. In accordance with recent amendments to the New Zealand Stock Exchange policy, the Board has adopted a policy of Continuous Disclosure as required. The Board encourages full participation of shareholders at the Annual Meeting to ensure a high level of accountability and identification with the Group's strategies and goals.

The Board has constituted the following standing Committees that focus on specified areas of the Board's responsibility.

AUDIT COMMITTEE

The Committee is required to establish a framework of internal control mechanisms to ensure proper management of the Group's affairs. The Committee is accountable to the Board for the recommendations of the external auditors, Ernst & Young, directing and monitoring the audit function and reviewing the adequacy and quality of the annual audit process. The Committee provides the Board with additional assurance regarding the accuracy of financial information for inclusion in the Group's Annual Report, including the Financial Statements. The Committee is also responsible for ensuring that the Group has an effective internal control framework.

These controls include the safeguarding of assets, maintaining proper accounting records, complying with legislation, including resource management and health and safety issues, ensuring the reliability of financial information, and assessing and over viewing business risk. The Committee also deals with Governmental and New Zealand Stock Exchange compliance requirements.

Audit Committee:

Carl Howard-Smith, Chairman
Richard Prebble, Director
Bryan Mogridge, Director

REMUNERATION COMMITTEE

The Committee review the remuneration and benefits of senior executives and makes recommendations to the Board. The Committee also monitors and reports on general trends and proposals concerning employment conditions and remuneration.

General remuneration for all team members is reviewed on an annual basis and takes into account CPI and responsibility changes for each individual. This does not include senior executives. Senior executive remuneration is reviewed every eighteen months.

Remuneration Committee:

Bruce Plested, Executive Chairman
Don Rowlands, Director
Emmet Hobbs, Director

Directors' Report

The Directors are pleased to present this eleventh published Annual Report of Mainfreight Limited.

ACTIVITIES

The current financial year saw the acquisition of the remaining 20.34% minority shareholding of Owens Group Limited for $13.9 million.

FINANCIAL RESULT

Consolidated sales for the year were $886.5 million, up on the previous year by $29.5 million (3.4%). The net surplus increased by 114.8%, from $13.520 million to $29.035 million. Comparisons to the 2005 result are set out in the five year review; page 82 of the financial statements.

FINANCIAL POSITION

The Group has improved its financial position with shareholders' equity of $136.3 million, funding 43.0% of total assets. Earnings cover interest on debt by 8.1 times. Net cash flow from operations was $47.4 million up from $10.9 million last year. A freehold land revaluation of $32.8 million was recognised at 31 March 2006. A deferred tax liability of $0.3 million arose on this revaluation.

DIVIDEND

A dividend of 3.5 cents per share was paid in July 2005, fully imputed. A supplementary dividend of 0.62 cents per share was paid to non-resident shareholders with this dividend. A further dividend of 5.0 cents per share was paid in December 2005, fully imputed. A supplementary dividend of 0.89 cents per share was paid to non-resident shareholders with this dividend. A fully imputed dividend of 7.0 cents per share, payable on 21 July 2006 is proposed, together with a supplementary dividend of 1.24 cents per share for non-resident shareholders. Books close for this dividend on 14 July 2006.

STATUTORY INFORMATION

Additional information is set out on pages 78 to 82 including Directors' Interests as required by the Companies Act 1993.

DIRECTORS

Mr Donald Rowlands, Mr Richard Prebble and Mr Neil Graham retire by rotation, and are available for re-election.

AUDIT

The Company's Auditors, Ernst & Young, will continue in office in accordance with the Companies Act 1993. The Company has a formally constituted Audit Committee.

REPORTING AND COMMUNICATIONS

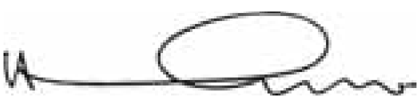
Mainfreight continues to support high levels of public company disclosure. Quarterly reporting is extremely effective in communicating the Group's affairs to shareholders, the Stock Exchange, regulatory bodies and the media. The first quarter result to 30 June 2006 is scheduled for release on 18 August 2006.

OUTLOOK

The Directors are satisfied with the direction and development of the Group. The next 12 months will continue the exciting developments that Mainfreight has underway with the subsequent benefits to our shareholders and stakeholders.

For and on behalf of the Board, 28 June 2006

Bruce Plested
Executive Chairman



Carl Howard-Smith
Director

Directors

Left to right: Don Braid, Bryan Mogridge, Carl Howard-Smith, Don Rowlands, Emmet Hobbs, Richard Prebble, Bruce Plested, Neil Graham.

DON BRAID Group Managing Director

Appointment to Board 2000 – 12 years with Mainfreight

16 years with Freightways Group. Joined Mainfreight through the acquisition of Daily Freightways.

BRYAN MOGRIDGE, ONZM Independent Director

Appointment to Board 2003

Other Directorships: Pyne Gould Corporation, Designworks-Enterprise IG (Chairman), West Auckland Trust Services Ltd, Waitakere City Holdings Ltd, Enterprise Waitakere, Rakon Ltd (Chairman), Momentum Energy Ltd (Chairman) and Guardian Healthcare Ltd (Chairman).

CARL HOWARD-SMITH Director

Appointment to Board 1983 – 28 years with Mainfreight

General Counsel to Mainfreight, Chairman of the Mainfreight Audit Committee, Commercial Law practice.

Other Directorships: A Director of private companies, Director of the SPCA.

DON ROWLANDS Independent Director

Appointment to Board 1983

Former Managing Director, CEO Fisher & Paykel Industries Ltd, Former Director Nestlé NZ Ltd, Former President of the Manufacturers Association.

Other Directorships: CWF Hamilton Ltd.

EMMET HOBBS Independent Director

Appointment to Board 2003

Former Executive Director Brambles Industrial Services Australia, Former Executive Director Qantas Freight, Director Hirepool, a number of private Directorships in New Zealand.

RICHARD PREBBLE Independent Director

Appointment to Board 1996

Former Minister of State Owned Enterprises, Transport, Civil Aviation, Railways and Associate Finance. Fellow of the Chartered Institute of Logistics and Transport.

Other Directorships: McConnell International Ltd, WEL Networks and a number of private Directorships and family companies.

BRUCE PLESTED Executive Chairman & founding owner

Appointment to Board 1978 – 28 years with Mainfreight

Founding Managing Director of Mainfreight.

NEIL GRAHAM, QBE Independent Director

Appointment to Board 1979 – 27 years with Mainfreight

Joint Managing Director of Mainfreight 1979-1999, various property and agriculture management roles.

Other Directorships: Cherrywood Enterprises Ltd, Graham Management Services Ltd, Valley of Peace Alpacas Ltd, Scott Forestry Ltd, 3F Corporation Ltd.

STABILITY IN LEADERSHIP GIVES US CLEAR AND CERTAIN DIRECTION.

Financial Contents

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31ST MARCH 2006

		Group		Parent	
		2006	2005	2006	2005
	Notes	$000	$000	$000	$000
Operating Revenue		$886,511	$857,043	$173,249	$164,667
Surplus Before Associates, Amortisation, Non-recurring items and Taxation for the Year	2	48,036	30,145	15,030	13,937
Non-recurring items	9	-	(6,238)	-	-
Share of Surplus of Associates	11	2,317	2,058	-	-
Amortisation Expense	8	(6,017)	(5,184)	-	-
Surplus Before Taxation for the Year		44,336	20,781	15,030	13,937
Income Tax Expense	4	14,115	7,237	2,602	2,143
Surplus After Taxation for the Year		30,221	13,544	12,428	11,794
Minority Interest in (Surpluses) of Subsidiaries		(1,186)	(24)	-	-
NET AND OPERATING SURPLUS FOR THE YEAR		$29,035	$13,520	$12,428	$11,794

STATEMENT OF MOVEMENTS IN EQUITY FOR THE YEAR ENDED 31ST MARCH 2006

	Group		Parent	
	2006	2005	2006	2005
	$000	$000	$000	$000
Net Surplus for the Year – Parent interest	29,035	13,520	12,428	11,794
Net Surplus for the Year – Minority interest	1,186	24	-	-
Revaluation Reserve – Parent Interest	32,267	-	31,436	-
Minority Interest arising on Revaluation	227	-	-	-
Currency translation difference – Parent interest	3,603	(1,457)	281	(223)
Currency translation difference – Minority interest	217	(29)	-	-
Total Recognised Revenues and Expenses for the Year	66,585	12,058	44,145	11,571
Contributions from Owners (Executive Options)	277	681	277	681
Minority Interest arising on Acquisition (Disposal)	(4,666)	(1,071)	-	-
Supplementary Dividends	(228)	(161)	(228)	(161)
Dividends Paid	(8,167)	(6,218)	(8,167)	(6,218)
Dividends Paid to Minority Shareholders	(500)	(330)	-	-
Foreign Investor Tax Credit	228	161	228	161
MOVEMENTS IN EQUITY FOR THE YEAR	53,529	$5,120	$36,255	$6,034
Equity at the start of the Year				
Parent Interest	79,242	72,716	91,246	85,212
Minority Interest	8,187	9,593	-	-
	87,429	82,309	91,246	85,212
Equity at the end of the Year				
Parent Interest	136,257	79,242	127,501	91,246
Minority Interest	4,701	8,187	-	-
	140,958	87,429	127,501	91,246

The accompanying notes form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31ST MARCH 2006

		Group		Parent	
		2006	2005	2006	2005
	Notes	$000	$000	$000	$000
Shareholders' Equity					
Share Capital	3	55,175	54,898	55,175	54,898
Accumulated Surplus		48,770	27,902	41,149	36,888
Revaluation Reserve		32,267	-	31,436	-
Foreign Currency Translation Reserve		45	(3,558)	(259)	(540)
Shareholders' Equity		136,257	79,242	127,501	91,246
Minority Interest		4,701	8,187	-	-
TOTAL EQUITY		140,958	87,429	127,501	91,246
Non-current Liabilities					
Bank Term Loan	5	72,311	58,461	72,311	58,461
Intercompany Advances	18	-	-	40,000	40,000
Employee Entitlements	16	909	726	-	-
Finance Lease Liability	6	93	164	-	-
		73,313	59,351	112,311	98,461
Current Liabilities					
Bank Overdraft	5	-	5,144	11,200	2,224
Intercompany Creditors	18	-	-	18,557	14,973
Trade Creditors & Accruals		81,491	72,991	18,292	15,762
Employee Entitlements	16	16,010	12,665	2,609	3,022
Provision for Taxation		5,044	1,088	-	-
Finance Lease Liability	6	53	263	-	-
		102,598	92,151	50,658	35,981
TOTAL LIABILITIES AND EQUITY		$316,869	$238,931	$290,470	$225,688
Non-current Assets					
Fixed Assets	7	127,332	72,163	106,872	55,581
Goodwill	8	38,885	34,970	-	-
Investments in Subsidiaries	10	-	-	153,965	139,240
Investments in Associates	11	7,554	5,445	-	-
Other Investments		80	80	157	157
Future Tax Benefit		-	874	-	-
Deferred Tax Asset	4	5,605	5,071	272	612
		179,456	118,603	261,266	195,590
Current Assets					
Bank		10,769	5,117	1,869	-
Trade Debtors		118,655	103,099	19,173	18,726
Intercompany Debtors	18	-	-	5,079	8,346
Future Tax Benefit		-	2,465	-	-
Tax Paid in Advance		225	1,312	1,437	1,329
Other Debtors		7,764	8,335	1,646	1,697
		137,413	120,328	29,204	30,098
TOTAL ASSETS		$316,869	$238,931	$290,470	$225,688

For and on behalf of the Board who authorised the issue of the Financial Report on 28 June 2006.

Dated 28 June 2006

B. G. Plested, Executive Chairman

C. G. O. Howard-Smith, Director

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST MARCH 2006

		Group		Parent	
		2006	2005	2006	2005
	Notes	$000	$000	$000	$000
Cash Flows From Operating Activities					
Cash was provided from:					
Receipts from Customers		877,503	867,925	172,868	164,762
Interest Received		478	236	68	119
Dividend Received		626	909	8,706	7,141
		878,607	869,070	181,642	172,022
Cash was dispersed to:					
Payments to Suppliers		(818,204)	(836,703)	(153,585)	(152,669)
Interest Paid		(6,465)	(4,942)	(5,025)	(3,731)
Income Taxes Paid		(6,535)	(7,077)	(2,089)	(2,280)
Shipping Line Account Movements		-	(9,405)	-	-
		(831,204)	(858,127)	(160,699)	(158,680)
NET CASH FLOWS FROM OPERATING ACTIVITIES	15	$47,403	$10,943	$20,943	$13,342
Cash Flows From Investing Activities					
Cash was provided from:					
Proceeds from Sale of Assets		627	4,367	247	817
Proceeds from Sale of Business Units		-	17,451	-	-
Proceeds from Sale of Investments		195	5,400	-	-
Repayments by Employees and Contractors		15	79	10	24
		837	27,297	257	841
Cash was applied to:					
Purchase of Fixed Assets		(28,813)	(13,575)	(22,785)	(8,744)
Advances to Employees and Contractors		(7)	(91)	(12)	(27)
Investment in Subsidiaries		(13,875)	(1,046)	(13,875)	(46)
Investment in Associates		(613)	(817)	-	-
		(43,308)	(15,529)	(36,672)	(8,817)
NET CASH FLOWS FROM INVESTING ACTIVITIES		$(42,471)	$11,768	$(36,415)	$(7,976)
Cash Flows From Financing Activities					
Cash was provided from:					
Proceeds of Long Term Loans		13,000	-	13,000	-
Advances from Director		1,234	37	1,234	37
Advances and Repayments from Subsidiaries		-	-	3,255	9,087
Proceeds of Share Issues		277	681	277	681
		14,511	718	17,766	9,805
Cash was applied to:					
Dividend Paid to Shareholders		(8,167)	(6,218)	(8,167)	(6,218)
Dividend Paid to Minority Interests		(500)	(330)	-	-
Repayment of Advances from Director	18	(1,234)	(37)	(1,234)	(37)
Repayment of Loans		(202)	(20,242)	-	(9,901)
		(10,103)	(26,827)	(9,401)	(16,156)
NET CASH FLOWS FROM FINANCING ACTIVITIES		$4,408	$(26,109)	$8,365	$(6,351)
NET (DECREASE) INCREASE IN CASH HELD		9,340	(3,398)	(7,107)	(985)
Effect of Foreign Exchange Rate Fluctuations on Cash Held		1,456	(304)	-	-
ADD OPENING CASH BROUGHT FORWARD		(27)	3,675	(2,224)	(1,239)
ENDING CASH CARRIED FORWARD		$10,769	$(27)	$(9,331)	$(2,224)
Comprised					
Bank and Short Term Deposits		10,769	5,117	1,869	-
Bank Overdraft		-	(5,144)	(11,200)	(2,224)
		$10,769	$(27)	$(9,331)	$(2,224)

The accompanying notes form an integral part of these financial statements.

01 Statement of Accounting Policies

The reporting entity is Mainfreight Limited. These financial statements have been prepared under the requirements of the Companies Act 1993 and the Financial Reporting Act 1993. The measurement base adopted is that of historical cost adjusted by the revaluation of freehold land.

(i) Revenue

Revenue as shown in the Statement of Financial Performance comprises all amounts received and receivable by the Group for services supplied to customers in the ordinary course of business. This includes revenue for all contracted deliveries for which the goods have been collected from the customer. Revenue is stated exclusive of goods and services tax.

(ii) Basis of Consolidation – Purchase Method

Subsidiaries are entities in which the Company has the capacity to determine the financing and operating policies and from which it has an entitlement to significant benefits of ownership. The consolidated financial statements include the Company and its subsidiaries, which are accounted for using the purchase method. The effects of all significant inter-company transactions between entities that have been consolidated are eliminated on consolidation. In the Company's financial statements investments in subsidiaries are recognised at cost.

(iii) Associate Companies

Associates are investees (but not subsidiaries or joint ventures) in which the Group has the capacity to significantly influence,but not unilaterally determine, the operating and / or financial policy decisions. Associates have been reflected in the consolidated financial statements on an equity accounting basis which recognises the Group's share of retained surpluses in the consolidated statement of financial performance and its share of post acquisition increases or decreases in net assets inthe consolidated statement of financial position. In the Company's financial statements investments in associates are recognised at cost.

(iv) Joint Ventures

Interest in Joint Ventures have been included, based on the Group's interest in the joint venture, in the Statement of Financial Position within the respective classification categories. The Group's share of net expenses has been included in the Statement of Financial Performance.

(v) Fixed Assets

All fixed assets are recorded at cost except for land which has been revalued as at 31 March 2006 to fair value.
Land was previously recorded at cost.
Properties intended for resale are stated at the lower of cost or net realisable value and are shown within Current Assets in the Statement of Financial Position.

(vi) Depreciation

Depreciation is provided using the straight line method at rates calculated to allocate the assets' cost, less estimated residual value, over their estimated useful lives.

Major depreciation rates are:	per annum
– Buildings	3%
– Leasehold Improvements	10% or life of lease
– Furniture & Fittings	10% to 20%
– Motor Cars	26% to 31%
– Plant & Equipment	10% to 25%
– Computer Hardware	28% to 36%
– Computer Software	20% to 36%

(vii) Impairment

If the recoverable amount of an asset is less than its carrying amount, the item is written down to its recoverable amount. The writedown of an asset recorded at historical cost is recognised as an expense in the Statement of Financial Performance. On assets that are not revalued the reversal of a writedown is recognised in the Statement of Financial Performance. Any impairment writedown in relation to a revalued asset is recognised in the Statement of Movements in Equity to the extent that the revaluation reserve of the class of assets to which it belongs is in credit. Any further writedown is recognised in the Statement of Financial Performance.

(viii) Debtors

Debtors are stated at estimated realisable value after providing against debts where collection is doubtful.

01 Statement of Accounting Policies continued

(ix) Taxation

The taxation charge against surplus for the year is the estimated total liability in respect of that surplus after allowance for permanent differences. The Company and Group follow the liability method of accounting for deferred taxation on a comprehensive basis. Future taxation benefits attributable to tax losses and debit balances in the deferred tax account are recognised to the extent of the accumulated credits arising from timing differences in the deferred taxation account and, in excess of this, where there is virtual certainty of realisation.

(x) Foreign Currencies

Assets and liabilities expressed in foreign currencies are converted to New Zealand dollars at the rate of exchange ruling at balance date.

Exchange differences arising on trading items are recognised in the period in which they occur by way of a credit or charge in the Statement of Financial Performance. Exchange differences on translation of foreign currency subsidiaries, together with any loans hedging those investments and any tax on those movements are taken to the Foreign Currency Translation Reserve. This represents the only movement in this reserve.

(xi) Leases

Finance leases, which effectively transfer to the entity substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the present value of the minimum lease payments. The leased assets and corresponding liabilities are disclosed and the leased assets are depreciated over the period the entity is expected to benefit from their use.

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are included in the determination of the operating surplus in equal instalments over the lease term.

(xii) Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of net tangible and identifiable intangible assets at the time of acquisition of a business.

Goodwill is amortised using the straight line method over the period during which benefits are expected to be received. This is typically 10 years and in no case exceeds 20 years.

(xiii) Investments

Long term investments are stated at cost, and investments held for resale are stated at the lower of cost and net realisable value.

(xiv) Financial Instruments

Financial instruments, with off-balance sheet risk, have been entered into for the primary purpose of reducing the exposure to fluctuations in foreign currency and interest rates.

The financial instruments are subject to the risk that market values may change subsequent to acquisition. However, such changes would generally be offset by an opposite change in value of the item being hedged. Gains and losses on contracts which hedge specific short term foreign currency denominated transactions are recognised as a component of the related transaction in the period in which the transaction is completed. The net differential paid or received on interest swaps is recognised as a component of interest expense over the period of the agreement.

(xv) Inventories

Inventories are recognised at the lower of cost, determined on a first-in first-out basis, and net realisable value.

(xvi) Changes in Accounting Policies

The Company and Group have revalued freehold land to market value at 31 March 2006. In prior years it was recorded at cost.

In the Group, the revaluation resulted in an increase in the value of land of $32,811,000, a decrease in the deferred tax asset of $267,000 and an increase in equity of $32,544,000.

In the Parent, the revaluation resulted in an increase in the value of land of $31,436,000 and an increase in equity of $31,436,000.

There have been no other changes in accounting policies during the year.

All other policies have been applied on a basis consistent with the previous year.

02 Surplus Before Amortisation and Taxation

The Surplus before Amortisation and Taxation is stated:	Group 2006 $000	Group 2005 $000	Parent 2006 $000	Parent 2005 $000
After Charging:				
Audit Fees – Parent Company Auditors	356	424	131	140
Audit Fees – Other Auditors	311	365	-	-
Other Fees Paid to Parent Company Auditors	385	333	194	129
Depreciation: Buildings	1,098	1,050	1,023	971
Leasehold Improvements	748	670	205	190
Plant Vehicles & Equipment – Owned	7,272	8,118	3,750	3,663
Plant Vehicles & Equipment – Finance Leased	90	119	-	-
Directors Fees	417	322	360	280
Foreign Currency Losses (Gains)	(788)	(501)	136	154
Interest: Fixed Loans	6,010	5,206	8,721	8,651
Finance Leases	44	111	-	-
Other Interest	411	104	314	783
Bad Debts Written Off	2,345	1,090	233	56
Change in Bad Debt Provision	(379)	363	(59)	9
Donations	191	133	161	79
(Surplus) Deficit on disposal of Assets	(243)	233	(67)	152
Rental & Operating Lease Costs	23,276	26,069	5,096	4,502
After Crediting:				
Interest Income	478	233	68	119
Rental Income	2,110	1,321	3,831	3,812
Dividend received	-	-	8,706	7,141

03 Share Capital

Paid Up Capital	55,175	54,898	55,175	54,898

96,090,690 ordinary shares (2005 95,887,190)

1,925,000 redeemable ordinary shares partly paid to 1c (2005 nil)

All ordinary shares have equal voting rights and share equally in dividends and any surplus on winding up (to the extent paid up – see below).

During the year a total of 203,500 executive options were exercised at an average price of $1.36 per share.

At balance date there were 478,500 (2005 709,500) options outstanding issued under an executive share option scheme. Each option gives the right to purchase one ordinary share at predetermined prices and dates.

At 31 March 2006 the following options were outstanding.

Quantity	Exercise Price	Exercise Dates
478,500	136.4 cents	01/07/02 to 01/07/07

On the 13 October 2005 the Company issued 1,925,000 redeemable ordinary shares (representing 2% of the issued capital) to the Mainfreight Share Scheme Trustee Ltd, the trustee of the Mainfreight Limited Partly Paid Share Scheme (the Scheme). The Scheme was established to enable key team members of the Company to acquire ordinary shares in the company. Within the trust all shares are allocated to team members.

The trustee is appointed by the board of Mainfreight Ltd and is able to exercise any voting rights attached to these shares.

The issue price was $3.40 per share, which was the market price at the time. The shares are partly paid to 1c and are due for payment in September 2008.

The shares participate in dividends and voting rights in proportion with the paid up amount.

At 31 March 2006 the following partly paid shares were outstanding.

Quantity	Exercise Price	Exercise Dates
1,925,000	340.0 cents	01/09/08 to 30/09/08

A dividend of 7.0 cents per share was declared after balance date totalling $6,726,348. Payment date is to be 21 July 2006.

04 Taxation

	Group 2006 $000	Group 2005 $000	Parent 2006 $000	Parent 2005 $000
Surplus Before Taxation	44,336	20,781	15,030	13,937
Less Share of Surplus of Associates	2,317	2,058	-	-
Surplus Before Taxation and Associates	42,019	18,723	15,030	13,937
Prima facie taxation at 33% NZ & 30% Australia (31 March 2005 NZ 33% & Australia 30%)	13,163	5,274	4,960	4,599
Adjusted by the tax effect of:				
Non-assessable dividend income	-	-	(2,707)	(2,408)
Tax Loss Benefit not previously utilised	(1,397)	-	-	-
Other non-assessable revenues	(19)	(3,262)	-	(125)
Non-deductible expenses	2,368	5,225	349	77
	14,115	7,237	2,602	2,143
Represented by:				
Current Tax	14,916	6,358	2,262	1,639
Deferred Tax	(801)	879	340	504
	14,115	7,237	2,602	2,143
Deferred Tax Liability (Asset)				
Opening balance	(5,071)	(6,652)	(612)	(1,116)
Adjusted for the tax effect of:				
Deferred Tax arising on Acquisition, Disposal or Revaluation	267	702	-	-
Difference between accounting and tax depreciation for the year	(204)	628	107	613
Foreign Exchange Movement on Opening Balances	(178)	104	-	-
Movements in provisions	(419)	147	233	(109)
Closing Balance	(5,605)	(5,071)	(272)	(612)
Imputation Credit Account				
Opening balance	19,252	16,342	14,527	12,786
Credits distributed during the year	(4,268)	(3,063)	(4,023)	(3,063)
Credits received during the year	-	-	3,732	1,680
Tax payments made	3,310	5,973	228	3,124
Closing balance	18,294	19,252	14,464	14,527
Representing credits available to owners of the Group at balance date:	17,685	18,497	14,464	14,527

05 Term Liabilities

The Bank Term Loan falls due for repayment in the following periods:

	Group		Parent	
	2006	2005	2006	2005
	$000	$000	$000	$000
Current	-	-	-	-
Non-Current	72,311	58,461	72,311	58,461
	72,311	58,461	72,311	58,461

A long term revolving facility with the Westpac Banking Corporation remains in place secured by debenture and cross company guarantees over the assets of the Parent and its wholly owned subsidiaries. (The facility expires on 27 November 2007. The facility was increased from $80,000,000 to $95,000,000 on 10 June 2005). An amendment signed 18 April 2006 allows the borrowing Group to offset deposits against borrowings when calculating indebtedness.

Interest was payable during the year at the average rate of 7.36% per annum (2005 6.73%).

06 Leases

At balance date the Group and Company had the following lease commitments:

	Group 2006 $000	Group 2005 $000	Parent 2006 $000	Parent 2005 $000
FINANCE LEASE LIABILITIES				
Payable:				
– not later than one year	61	285	-	-
– later than one year but not later than two years	65	78	-	-
– later than two years but not later than five years	37	100	-	-
– after five years	-	-	-	-
Minimum Lease Payments	163	463	-	-
Less Future Finance Charges	(17)	(36)	-	-
	146	427	-	-
CLASSIFIED IN THE STATEMENT OF FINANCIAL POSITION AS:				
Current	53	263	-	-
Non-Current	93	164	-	-
	146	427	-	-
OPERATING LEASE COMMITMENTS				
– not later than one year	22,794	22,503	4,948	4,120
– later than one year but not later than two years	17,629	16,167	3,791	2,318
– later than two years but not later than five years	30,087	24,760	5,629	1,742
– after five years	23,248	20,912	1,068	661
	93,758	84,342	15,436	8,841

07 Fixed Assets

Group

Asset Description	2006 Cost or Valuation $000	2006 Accum Depn $000	2006 Book Value $000	2005 Cost or Valuation $000	2005 Accum Depn $000	2005 Book Value $000
Land at Valuation	43,370	-	43,370	-	-	-
Land at Cost	-	-	-	10,519	-	10,519
Buildings	42,921	8,510	34,411	38,921	7,374	31,547
Leasehold Improvements	14,482	6,711	7,771	12,110	5,348	6,762
Plant, Vehicles & Equipment						
– Owned	75,522	52,749	22,773	69,828	48,093	21,735
– Finance Leases	561	381	180	639	410	229
Work in Progress	18,827	-	18,827	1,371	-	1,371
TOTALS	195,683	68,351	127,332	133,388	61,225	72,163

At 31 March 2006 Registered Valuers CB Richard Ellis Ltd performed a valuation of the Group's New Zealand freehold land, buildings and leasehold improvements and work in progress. This valuation together with Ellis Property Group Pty Ltd's 31 March 2006 valuation of the Group's Australian freehold property ($A 2,500,000) totalled $112,915,000 (2005 $82,954,000). The element of this valuation related to freehold land has been recorded in the financial statements resulting in the revaluation of freehold land by $32,811,000 (2005 nil). A deferred tax liability of $267,000 arose on the revaluation.

Included in the Group book values above but not in the valuations are Leasehold improvements of $2,005,000 (2005 $1,479,000).

Parent

Asset Description	2006 Cost or Valuation $000	2006 Accum Depn $000	2006 Book Value $000	2005 Cost or Valuation $000	2005 Accum Depn $000	2005 Book Value $000
Land at Valuation	41,390	-	41,390	-	-	-
Land at Cost	-	-	-	9,954	-	9,954
Buildings	39,116	7,741	31,375	36,054	6,718	29,336
Leasehold Improvements	5,523	1,967	3,556	5,110	1,762	3,348
Plant, Vehicles & Equipment						
– Owned	35,146	23,422	11,724	31,455	19,883	11,572
– Finance Leases	-	-	-	-	-	-
Work in Progress	18,827	-	18,827	1,371	-	1,371
TOTALS	140,002	33,130	106,872	83,944	28,363	55,581

At 31 March 2006 Registered Valuers CB Richard Ellis Ltd performed a valuation of the Company's freehold land, buildings, leasehold improvements and work in progress at $105,345,000 (2005 $75,490,000). The element of this valuation related to freehold land has been recorded in the financial statements resulting in the revaluation of freehold land by $31,436,000 (2005 nil).

08 Goodwill

	Group		Parent	
	2006	2005	2006	2005
	$000	$000	$000	$000
Opening balance	34,970	45,338	-	-
Adjustment for movement in exchange rate	723	(552)	-	-
Amounts Paid for Acquisitions during the year in excess of the fair value of their net tangible assets	9,209	46	-	-
Goodwill attributed to sold businesses in excess of the fair value of their net tangible assets	-	(4,678)	-	-
Goodwill Amortised over the year	(6,017)	(5,184)	-	-
Closing Balance	38,885	34,970	-	-
Goodwill arose (reduced) during the year from the purchase (disposal) of:				
Owens Group Limited	9,209	46	-	-
Owens Group Subsidiaries	-	(4,678)	-	-
	9,209	(4,632)	-	-

In June 2005 the minority shareholding in Owens Group Ltd was purchased at a cost of $13,875,000. This resulted in goodwill of $9,209,000.

There were no business units sold during the year and therefore no sale of goodwill on consolidation (2005 $4,678,000).

09 Non-Recurring Items

The Group did not incur any non-recurring costs during the year (2005 $6,238,000).

The costs last year related to Owens Group Ltd and were primarily redundancy and lease exit costs.

10 Investment in Subsidiary Companies

The Parent Company's investment in subsidiary companies comprised:

	2006	2005
	$000	$000
Shares at Cost	154,122	139,396

Principal Subsidiary Companies all with 31 March Balance Dates Include:	Principal Activity	Effective Shareholding	Effective Shareholding
Mainfreight International Ltd	International Freight Forwarding	100.0%	100.0%
Mainfreight Distribution Pty Ltd	Freight Forwarding	100.0%	100.0%
Daily Freight (1994) Ltd	Freight Forwarding	100.0%	100.0%
LEP International (NZ) Ltd	International Freight Forwarding	75.0%	75.0%
LEP International Pty Ltd	International Freight Forwarding	75.0%	75.0%
Mainfreight International Pty Ltd	International Freight Forwarding	100.0%	100.0%
Mainfreight Holdings Pty Ltd	Australian Holding Company	100.0%	100.0%
Carotrans International Inc	International Freight Forwarding	100.0%	100.0%
Owens Group Ltd	Group Services	100.0%	79.7%
Owens Transport Ltd	Freight Forwarding	100.0%	79.7%
Owens International Freight Ltd	International Freight Forwarding	100.0%	79.7%
Owens Refrigerated Freight Ltd	International Freight Forwarding	100.0%	79.7%
Pan Orient Shipping Services Pty Ltd	International Freight Forwarding	100.0%	79.7%
Kurada No. 8 Ltd	International Freight Forwarding	100.0%	79.7%
Owens Transport Pty Ltd	Freight Forwarding	100.0%	79.7%
Owens Group Services Ltd *	Group Services	nil	79.7%

The remaining minority shareholding in Owens Group Ltd was acquired in June 2005.

Owens Group Services Ltd was amalgamated into Owens Group Ltd on 28 March 2006.

11 Investment in Associate Companies

	Principal Activity	2006 Effective Shareholding	2005 Effective Shareholding
Bolwick Ltd	International Freight Forwarding	41.7%	41.7%
Mainfreight Express Ltd	International Freight Forwarding	50.0%	50.0%
Mogal International Ltd *	International Freight Forwarding	46.6%	37.4%
Rakino Group Ltd *	Industrial Services	24.5%	19.5%

* The effective shareholding increased in these associates as a result of the acquisition of the remaining minority shareholding in Owens Group Ltd.

The share of surplus of associates comprised:

	Group		Parent	
	2006 $000	2005 $000	2006 $000	2005 $000
Operating Surplus before goodwill amortisation	2,317	2,058	-	-
Amortisation Costs	-	-	-	-
	2,317	2,058	-	-
Investment in Associates comprised of:				
Opening balance	5,445	5,773	-	-
Dividend Received	(626)	(909)	-	-
Adjustment for movement in exchange rate	-	(5)	-	-
Purchase in Year and Additional Capital	613	817	-	-
Sale in Year	(195)	(2,289)	-	-
Share of Surplus	2,317	2,058	-	-
Closing Balance	7,554	5,445	-	-

There was no goodwill included in the carrying value of investments in associates. However goodwill on consolidation of $4,271,000 (2005 $3,287,000) arising on the purchase of Owens Group Ltd has been attributed the Rakino Group Ltd investment.

12 Capital Commitments and Contingent Liabilities

The Group and Company had the following capital commitments at 31st March 2006 (2005 $5,054,280).

– Christchurch New Property	3,900,000
– Otahuhu New Depot	12,622,677
– O’Rorke Road Auckland Canopy Extension	29,000

There is a $US 500,000 performance bond relating to project work performed by Pan Orient Shipping Services Pty Ltd.
There are additional bank performance guarantees and bonds totalling $757,000 undertaken by the Group.

13 Subsequent Events

On 31 May 2006 Mainfreight International Ltd and Owens International Freight Limited amalgamated. The new name of the combined business unit will be Mainfreight Owens International Ltd.

On 6 June 2006 LEP International (NZ) Ltd declared and paid a dividend of $2,875,000. The minority shareholder received $717,936 with the balance going to the parent company, Mainfreight Ltd.

14 Segmental Reporting

The Group operates in the domestic freight and international freight industries. The Owens Group acquisition business units are now included in the appropriate industrial and geographical segment.

The Group operates predominantly in three geographical segments – New Zealand, Australia and the USA. The basis for intersegment pricing is at normal trade price.

Industrial and Geographical Segments

	N.Z. Domestic	N.Z. Internat.	Australia Domestic	Australia Internat.	USA Internat.	Business Units Sold	Intercoy	2006 $000 Consolidated
Operating revenue								
– sales to customers outside the group	269,179	148,887	100,055	279,450	88,940	-	-	886,511
– intersegments sales	5,500	103	6,075	11,500	11,852	-	(35,030)	-
TOTAL REVENUE	274,679	148,990	106,130	290,950	100,792	-	(35,030)	886,511
EBITDA ***	32,317	4,846	6,381	14,964	5,201	-	-	63,709
TOTAL ASSETS	308,123	32,420	77,727	68,780	21,234	-	(191,415)	316,869

	N.Z. Domestic	N.Z. Internat.	Australia Domestic	Australia Internat.	USA Internat.	Business Units Sold	Intercoy	2005 $000 Consolidated
Operating revenue								
– sales to customers outside the group	265,085	139,770	87,690	259,774	76,988	27,736	-	857,043
– intersegments sales	3,548	3,552	4,798	12,096	9,305	-	(33,299)	-
TOTAL REVENUE	268,633	143,322	92,488	271,870	86,293	27,736	(33,299)	857,043
EBITDA ***	30,469	3,927	2,691	9,555	3,073	(4,194)	-	45,521
TOTAL ASSETS	241,844	35,760	66,965	54,553	14,118	-	(174,309)	238,931

*** EBITDA is defined as earnings before interest expense, tax, depreciation, amortisation, abnormals, minority interests and associates.

15 Reconciliation of Cash Flows with Reported Net Surplus

	Group 2006 $000	Group 2005 $000	Parent 2006 $000	Parent 2005 $000
Net surplus after taxation	30,221	13,544	12,428	11,794
Non-cash items:				
Depreciation	9,209	9,957	4,978	4,824
Amortisation of goodwill	6,017	5,184	-	-
Equity accounted earnings of associates net of dividends	(1,691)	(1,149)	-	-
(Increase) decrease in deferred tax asset	(534)	1,581	340	504
	43,222	29,117	17,746	17,122
Add (less) movements in other working capital items, net of effect of acquisitions:				
(Increase) decrease in accounts receivable	(15,080)	16,462	3,213	(2,846)
Increase (decrease) in accounts payable	9,238	(33,715)	(392)	59
Increase (decrease) in interest payable	205	(183)	205	(183)
(Increase) decrease in interest receivable	(30)	-	(2)	-
Increase (decrease) in taxation payable	8,382	932	(108)	(419)
Increase (decrease) in net GST	121	(307)	68	(320)
(Increase) decrease in inventories	-	3,737	-	
Adjustment for movement in exchange rate	1,588	(922)	281	(223)
Less items classified as investing activity:				
Net (surplus) deficit on sale of fixed assets	(243)	233	(68)	152
Net (surplus) deficit on sale of investments	-	267	-	-
Net (surplus) deficit on sale of goodwill	-	(4,678)	-	-
NET CASH INFLOW FROM OPERATING ACTIVITIES	47,403	10,943	20,943	13,342

16 Provisions

	Group Legal Claims 2006	Group Legal Claims 2005	Group Employee Entitlements 2006	Group Employee Entitlements 2005
Opening balance	-	-	2,019	2,520
Amounts acquired (sold) on acquisition (disposal)	-	-	-	(568)
Adjustment for movement in exchange rate	-	-	143	(135)
Amounts credited during the year	423	-	621	497
Amounts utilised during the year	-	-	(45)	(295)
Closing Balance	423	-	2,738	2,019

The employee entitlements provision above relates to the Group's expected liability for long service leave for Australian employees. The timing and amount of the realisation of this liability is uncertain. This provision is included in Employee Entitlements in the Statement of Financial Position.

The legal claims provision above relates to the Group's expected liability for various legal claims. The timing and amount of the realisation of this liability is uncertain. This provision is included in Trade Creditors and Accruals in the Statement of Financial Position.

There are no provisions in the accounts of the Parent company.

17 Financial Instruments

At balance date the Group and Company had the following financial assets: cash and bank balances, accounts receivable (trade and sundry), related party receivables and the following financial liabilities; accounts payable (trade and sundry), bank overdraft, related party payables, taxation payable, dividends payable.

CREDIT RISK

The values attached to each financial asset in the Statement of Financial Position represents the maximum credit risk.
There are no significant financial assets that have not been disclosed in the Statement of Financial Position.
No collateral is held with respect to any financial assets. There are no significant concentrations of credit risk.

FAIR VALUE

The fair value of all financial instruments recognised in the Statement of Financial Position is their stated value except for the interest rate participating swap as disclosed below.
There are no financial instruments that have not been disclosed in the Statement of Financial Position.

INTEREST RATE RISK

The interest rate on the bank account (whilst in overdraft) is variable. The company seeks to obtain the most competitive market rate of interest at all times.
An interest rate option on borrowings of $31,000,000 was repaid on 28 November 2005. An interest rate option on borrowings of $31,000,000 was made on 28 February 2005 with a cap rate of 7.53% including margin and a termination date of 28 November 2006. The Company receives a floating rate of interest at the BKBM rate which was 7.51% at balance date. The fair value of the interest rate option is a profit of $4,137 not recognised in the Statement of Financial Position.

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that the value of the group's assets, liabilities and financial performance will fluctuate due to changes in foreign currency rates.
The Group is primarily exposed to currency risk as a result of its operations in Australia, America and Asia.
The risk to the Group is that the value of the overseas subsidiaries' and associates' financial positions and financial performances will fluctuate in economic terms and as recorded in the consolidated accounts due to changes in overseas exchange rates.
The Group hedges some of the currency risk relating to its Australian subsidiaries by the New Zealand parent holding a bank loan denominated in Australian dollars. Any foreign currency movement in the net assets of the Australian subsidiaries is partly offset by an opposite movement in the Australian dollar loan.

	Group		Parent	
	2006	**2005**	**2006**	**2005**
	$A000	$A000	$A000	$A000
Net Assets & $A advances of Australian subsidiaries	43,868	32,238	-	-
Investment in Australian Subsidiary and Advances in $A	-	-	25,151	25,151
Australian dollar loan held by parent company	(11,000)	(11,000)	(11,000)	(11,000)
Net Assets relating to Australian Overseas Subsidiaries exposed to currency risk	32,868	21,238	14,151	14,151
	$US000	$US000	$US000	$US000
Net Assets & $USA advances of American subsidiary	1,448	1,448	1,448	1,448
Net Investments in Asian associates	1,114	935	47	55
Net Assets relating to Other Overseas Subsidiaries and Associates exposed to currency risk	2,562	2,383	1,495	1,503

Currency movements in the foreign denominated balances above are reflected in the Foreign Currency Translation Reserve.

The Group is exposed to currency risk in relation to trading balances denominated in other than the NZ dollar, principally by the trading of the Group's overseas businesses.

At 31 March 2006 the Group has the following monetary assets and liabilities denominated in foreign currencies, 38% of trade accounts payable (2005 45%), 50% of trade accounts receivable (2005 53%), 52% of cash assets (2005 0%) and 0% of cash liabilities (2005 71%). The Group monitors exchange rate movements.

18 Related Parties

The ultimate holding company is Mainfreight Limited.

In addition to transactions disclosed elsewhere in these financial statements, the Company transacted with the following related parties during the period:

Name of Related Party	Nature of Relationship	Type of Transactions	2006 Value of Transactions $000	2005 Value of Transactions $000
B. Plested	Director & Shareholder	Interest on Advances (7.3%)	34	3
B. Plested	Director & Shareholder	Advances to Company	1,234	37
B. Plested	Director & Shareholder	Repayment of Advances	1, 234	37
C. Howard-Smith	Director & Shareholder	Legal & Trustee Fees	211	200

Related Party Receivables Outstanding at Balance Date:

Name of Related Party	Nature of Relationship	Type of Transactions	Balance Receivable $000	Balance Receivable $000
Daily Freight (1994) Ltd	Subsidiary	Trade – 30 Days	2,983	4,003
Mainfreight International Ltd	Subsidiary	Trade – 30 Days	383	1,668
LEP International (NZ) Ltd	Subsidiary	Trade – 30 Days	278	281
LEP International Pty Ltd	Subsidiary	Trade – 30 Days	-	119
Mainfreight International Pty Ltd	Subsidiary	Trade – 30 Days	153	830
Mainfreight Holdings Pty Ltd	Subsidiary	Trade – 30 Days	-	500
Owens Group Ltd	Subsidiary	Trade – 30 Days	944	819
Carotrans International Inc	Subsidiary	Trade – 30 Days	338	126
			5,079	8,346

Related Party Payables Outstanding at Balance Date:

Name of Related Party	Nature of Relationship	Type of Transactions	Balance Payable $000	Balance Payable $000
Daily Freight (1994) Ltd	Subsidiary	Trade – 30 Days	19	7
Mainfreight International Ltd	Subsidiary	Trade – 30 Days	4	32
LEP International (NZ) Ltd	Subsidiary	Trade – 30 Days	5	7
Mainfreight Holdings Pty Ltd	Subsidiary	Trade – 30 Days	339	-
Owens Group Ltd	Subsidiary	Trade – 30 Days	9	-
Daily Freight (1994) Ltd	Subsidiary	Advance – On Call	4,360	7,750
Mainfreight International Ltd	Subsidiary	Advance – On Call	1,200	1,900
LEP International (NZ) Ltd	Subsidiary	Advance – On Call	1,741	4,026
Mainfreight Distribution Pty Ltd	Subsidiary	Advance – On Call	44,135	41,251
Owens Group Ltd	Subsidiary	Advance – On Call	6,745	-
			58,557	54,973

The Company transacts with each other company within the Group on an arms length basis.
No related party debts have been written off or forgiven during the period (2005 nil).
In addition to the above the Group transacted with the following related parties:

Name of Related Party	Nature of Relationship	Type of Transactions	Costs $000	Costs $000
C. Howard-Smith	Director & Shareholder	Legal Fees	30	30

Name of Related Party	Type of Transaction	Terms of Settlement	Balance Payable Payable $000	Balance Payable $000
Geologistics Ltd	Advance	On Call	29	29

Geologistics Ltd is the minority shareholder in LEP International (NZ) Ltd.

19 Discontinued Activities

There were no discontinued activities in the current year.

Disposal of Businesses within Owens Group Ltd in the prior year were as follows:

A) 31 May 2004
The Group sold its 80% shareholding in Owens Premier Inc.

B) 30 June 2004
The Group sold various 'Container Service' activities both in New Zealand and in Fiji. Contemporaneously with the sale Owens Group paid $1,000,000 for the minority shareholding in a subsidiary to facilitate the sale.

C) 19 July 2004
The Group sold its remaining 'Container Service' activities both in New Zealand and in Australia.

D) 15 September 2004
The Group sold its shareholding in The McArthur Shipping & Agency Pty Ltd.

E) 11 November 2004
The Group sold its 33% shareholding in Owens Braid Logistics Pty Ltd.

The financial performance relating to the discontinued activities is as follows:	**2006** $000	**2005** $000
Financial Performance		
REVENUE	-	25,495
EXPENSES	-	29,240
Surplus / (deficit) before taxation	-	(3,745)
Taxation (expense)/benefit	-	444
(Deficit) / Surplus after taxation discontinued activities	-	(3,301)
Minority Interest in (Surpluses) Deficits of Subsidiaries	-	513
(Deficit) / Surplus after taxation and minority interest from discontinued activities	-	(2,788)
Operating (Deficit) / Surplus continuing activities	-	16,308
Operating (Deficit) / Surplus after taxation	-	13,520
Financial Position		
Total Assets	-	-
Total Liabilities	-	-

20 International Financial Reporting Standards

Mainfreight Limited will be required to adopt the NZ equivalents to International Financial Reporting Standards (IFRS) between the 2006 and 2008 years and intends to convert in the year ended 31 March 2008. In presenting its first year's IFRS report, the Group will be required to restate the comparative financial statements to amounts reflecting the application of IFRS. The majority of adjustments required on transition will be made retrospectively against opening retained profits.

The Group is in the early stages of undertaking an assessment of the key business and compliance impacts expected to arise from changes as a result of IFRS implementation.

At this stage the Company has not been able to reliably quantify the impacts on the financial report except for goodwill amortisation. To this point, the key changes in accounting policies that are expected are as follows:

1. Goodwill

Under current NZ Generally Accepted Accounting Practice (NZ GAAP) goodwill on acquisitions is amortised on a straight line basis over the period, not exceeding 20 years, during which benefits are expected to be derived. Mainfreight currently amortises goodwill over a 10 year period. Should indicators of impairment exist at the entity level, the carrying value of goodwill would be assessed. In the event of a permanent impairment the carrying value would be reduced to net realisable value. NZIFRS no longer permits amortisation but subjects goodwill to an annual impairment test which may give rise to an impairment expense if the assessment of the recoverable amount of goodwill is lower than its carrying value. The recoverable amount of goodwill is assessed using a present value of expected future cash flows approach for each cash generating unit. The concept of assessing impairment for each cash generating unit was not specifically prescribed under existing NZ GAAP and therefore impairment testing has the potential to result in a different outcome on transition to NZIFRS. The removal of goodwill amortisation will result in a corresponding increase in net surplus under NZIFRS. Goodwill amortisation of $6.017 million was recorded in the year to 31 March 2006. A reduction in earnings may occur in the event of impairment.

20 International Financial Reporting Standards continued

2. Share based payments

The issuing of securities to employees and directors, including employee share option schemes and partly paid redeemable ordinary shares, will be recognised as an expense in the income statement over the period in which the related services are provided. As the company has issued partly paid redeemable ordinary shares to employees subsequent to the date when the NZIFRS 2 was released (7 November 2002), there is a requirement to charge the income statement with the value of effective options and performance rights over their respective vesting periods irrespective of whether or not the options or rights are ultimately exercised.

3. Deferred Taxation

Under current NZ GAAP the company accounts for deferred tax on a comprehensive basis using the liability method. This method involves recognising the tax effect of all timing differences between accounting and taxable income as a deferred tax asset or liability in the balance sheet. Under NZIFRS deferred tax is recognised on all temporary differences between the accounting and tax values for each asset and liability. This is known as the balance sheet approach. The transition from an income statement method to a balance sheet approach may require the recognition of additional deferred tax assets and liabilities.

4. Financial Instruments

Accounting for financial instruments under NZIFRS requires all derivative contracts to be carried at fair value on the balance sheet. NZIFRS is very prescriptive on when a derivative contract can be considered an effective hedge of an underlying position or future cash flow. If a financial transaction does not qualify for hedge accounting, then the mark to market fair value movement will be taken to the income statement. If it does qualify for hedge accounting, the mark to market fair value movement will be taken to a reserve within equity for cashflow hedges or directly to the income statement for fair value hedges. By comparison, under current NZ GAAP the fair value of derivative instruments is disclosed in the notes to the financial statements and is only recognised on balance sheet when the related asset or liability is recognised.

As work on the identification and quantification of IFRS differences is ongoing and NZ IFRS may change prior to the Group's transition, the actual impact of adopting NZ IFRS may vary from that indicated above and the variations may be material.

ERNST & YOUNG ▪ Chartered Accountants

To the Shareholders of Mainfreight Limited.

We have audited the financial statements on pages 59 to 76. The financial statements provide information about the past financial performance of the company and group and their financial position as at 31 March 2006. This information is stated in accordance with the accounting policies set out on pages 62 and 63.

Directors' Responsibilities

The directors are responsible for the preparation of financial statements which comply with generally accepted accounting practice in New Zealand and give a true and fair view of the financial position of the company and group as at 31 March 2006 and of their financial performance and cash flows for the year ended on that date.

Auditor's Responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the directors and report our opinion to you.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the directors in the preparation of the financial statements; and
- whether the accounting policies are appropriate to the circumstances of the company and group, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Ernst & Young provides taxation advice to the company and group.

Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the company as far as appears from our examination of those records; and
- the financial statements on pages 59 to 76:
  - comply with generally accepted accounting practice in New Zealand; and
  - give a true and fair view of the financial position of the company and group as at 31 March 2006 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 28 June 2006 and our unqualified opinion is expressed as at that date.

Ernst & Young

Auckland

DIRECTORS

The following people held office or ceased to hold office as Director during the year and received the following remuneration including benefits during the year.

Name	Remuneration	Current Director or Date Appointed or Resigned
Bruce Plested ^ ^	$252,000	Current
Don Braid #	$714,000	Current
Don Rowlands	$45,000	Current
Neil Graham	$45,000	Current
Carl Howard-Smith*	$45,000	Current
Richard Prebble	$45,000	Current
Bryan Mogridge	$45,000	Current
Emmet Hobbs	$45,000	Current

*Excludes legal and trustee fees (refer to note 18 to the Financial Statements).

^ ^ Excludes interest on advances (refer to note 18 to the Financial Statements).

#Includes performance bonuses, vehicle and other non-cash remuneration.

EMPLOYEES' REMUNERATION

The Mainfreight Group paid remuneration including benefits during the year in excess of $100,000 in the following bands (excluding directors):

	NZ Based Number of Employees	Overseas Based Number of Employees
$100,000 - $110,000	18	11
$110,000 - $120,000	3	17
$120,000 - $130,000	7	9
$130,000 - $140,000	6	13
$140,000 - $150,000	7	6
$150,000 - $160,000	3	6
$160,000 - $170,000	-	5
$170,000 - $180,000	-	5
$180,000 - $190,000	1	6
$190,000 - $200,000	2	1
$200,000 - $210,000	2	-
$210,000 - $220,000	1	2
$220,000 - $230,000	1	1
$230,000 - $240,000	-	1
$250,000 - $260,000	-	1
$260,000 - $270,000	1	-
$270,000 - $280,000	-	2
$280,000 - $290,000	1	1
$320,000 - $330,000	2	-
$330,000 - $340,000	-	1
$340,000 - $350,000	1	-
$370,000 - $380,000	-	1
TOTAL NUMBER OF EMPLOYEES	56	89

Overseas based remuneration is converted to New Zealand dollars.

DONATIONS AND AUDITORS' FEES

Donations and auditors' fees are set out in note 2 of the Financial Statements.

DIRECTORS' SHAREHOLDINGS AT BALANCE DATE	2006	2005
BG Plested		
– shares held with beneficial interest	17,817,766	18,942,766
– held by associated persons	1,262,960	1,257,560
NL Graham		
– shares held with beneficial interest	6,300,517	6,300,517
CG Howard-Smith		
– held as trustee of staff share purchase scheme	33,090	33,090
– shares held with beneficial interest	330,000	400,000
DD Rowlands		
– shares held with beneficial interest	569,482	569,482
BW Mogridge		
– shares held with beneficial interest	200,000	200,000
E Hobbs		
– shares held with beneficial interest	100,000	100,000
DR Braid		
– shares held with beneficial interest	1,917,890	1,796,890
– held by associated persons	10,250	9,250
RW Prebble		
– shares held with beneficial interest	368,000	450,000
TOTAL	28,909,955	30,059,555

Directors' shareholdings at balance date were 30.1% of total shares issued.

SUBSTANTIAL SECURITY HOLDERS

The following information is given pursuant to Section 26 of the Securities Markets Act 1988.

The following are recorded by the Company as at 1 June 2006 as Substantial Security Holders in the Company, and have declared the following relevant interest in voting securities under the Securities Markets Act 1988:

BG Plested & C Howard-Smith as trustees of Pie Melon Bay Trust	17,817,766
Fisher Funds Management Limited	11,274,293
Harris Associates L.P.	7,097,200
Tower Corporation	6,945,735
Accident Compensation Corporation	6,677,144

The total number of voting securities issued by the Company as at 1 June 2006 was 95,969,690.

LARGEST SECURITY HOLDERS AS AT 1 JUNE 2006

BG Plested & C Howard-Smith as trustees of Pie Melon Bay Trust	17,817,766	18.54%
National Nominees NZ Ltd	12,796,566	13.32%
Trustees Executors and Agency Company of New Zealand Ltd	8,032,601	8.36%
Accident Compensation Corporation	6,571,299	6.84%
Citibank Nominees (New Zealand) Ltd	5,437,945	5.66%
NZ Superannuation Fund Nominees Ltd	4,567,098	4.75%
NL Graham Family Trust	3,150,259	3.28%
HM Graham Family Trust	3,150,258	3.28%
Westpac Banking Corp	2,249,490	2.34%
Custody and Investment Nominees Ltd	2,100,762	2.19%
DR Braid Family Interests	1,947,890	2.03%
First NZ Capital Custodians Ltd	1,143.818	1.19%
ANZ Nominees Ltd	993,667	1.03%
ASB Nominees Limited	927,900	0.97%
J Hepworth	907,500	0.94%
New Zealand Equity Nominee Pool	678,419	0.71%
KM Drinkwater Family Interests	650,000	0.68%
DD Rowlands	569,482	0.59%
PM Masfen & JA Masfen	550,000	0.57%
Macquarie Equities Custodians Ltd	540,000	0.56%

SPREAD OF SECURITY HOLDERS AS AT 1 JUNE 2006

Size of Shareholding	Number of Holders	%	Total Number Held	%
1 - 999	251	9.78%	125,382	0.13%
1,000 - 4,999	1,337	52.04%	3,133,492	3.26%
5,000 - 9,999	485	18.88%	3,160,508	3.29%
10,000 - 49,999	416	16.19%	7,102,154	7.39%
50,000 - 99,999	34	1.32%	2,452,016	2.55%
100,000 - 999,999	34	1.32%	11,181,386	11.64%
1,000,000 - PLUS	12	0.47%	68,935,752	71.74%
TOTAL	2,569	100.00%	96,090,690	100.00%

The following entries were made in the interests register during the year.

Name of Director or other Person having Interest	Details of Interest	Date Interest Disclosed
Bruce Plested	Transfer to Mainfreight employees of 1,320,000 shares on 1 July 2002 upon payment of balance of purchase price of 118.18c per share.	1 July 2005
	Purchase of 195,000 shares off market at 270c per share.	1 July 2005
	Associates purchased 5,400 shares on market at $3.30c per share.	9 December 2005
Don Braid	Purchased 100,000 shares on market and transferred 4,000 to 2 associated persons at 170c per shares (disclosed Aug 2005).	5 March 2004
	Transfer of 275,000 shares purchased on 1 July 2002 upon payment of purchase price of 118.18c per share.	1 July 2005
	Sale of 250,000 shares on market at average 350.1c per share.	22 September 2005
	Associates purchased 1,000 shares on market at $3.30c per share.	9 December 2005
Richard Prebble	Sale of 82,000 shares on market at 354c per share.	19 December 2005
Carl Howard-Smith	Sale of 70,000 shares on market at 350.3c per share.	22 September 2005

The table below provides a summary of key performance and financial statistics.

	Notes	2006 ($000's)	2005 ($000's)	2004 ($000's)	2003 ($000's)	2002 ($000's)
Net Sales		886,511	857,043	659,874	417,503	401,074
EBITDA	1	63,709	45,521	29,358	24,764	24,452
Surplus before Abnormals, Interest & Tax		48,484	30,381	17,030	16,927	16,466
Abnormals	2	0	6,238	2,262	0	0
EBIT	3	48,484	24,143	14,768	16,927	16,466
Net Interest Cost		5,987	5,188	4,571	2,784	3,266
Net Surplus (NPAT)	4	29,035	13,520	5,968	9,010	6,616
PRO-FORMA CASHFLOW	5	43,129	26,626	16,736	16,633	16,565
Net Revaluations Recognised	6	32,544	0	0	0	0
Net Tangible Assets	6	97,372	44,272	27,378	41,633	37,241
Net Debt	7	61,688	58,915	76,967	41,303	48,062
Total Assets		316,869	238,931	286,444	145,282	151,642
EBIT Margin (before Abnormals) (%)		5.5	3.5	2.6	4.1	4.1
Equity Ratio (%) after Revaluation	8	30.7	18.5	9.6	28.7	24.6
Equity Ratio (%) before Revaluation	8	22.8	18.5	9.6	28.7	24.6
Return on NTA (%) after Revaluation	9	29.8	30.5	21.8	21.6	17.8
Return on NTA (%) before Revaluation	9	44.8	30.5	21.8	21.6	17.8
Net Interest Cover (x)	10	8.10	5.86	3.73	6.08	5.04
EARNINGS PER SHARE (CPS)	11	30.23	14.14	6.93	11.73	9.07
Adjusted Earnings per Share (cps)	11,12	30.23	18.60	8.33	11.73	9.07
Pro-forma Cashflow per Share (cps)	11	44.91	27.84	19.44	21.65	22.70
NTA per Share (cps)	11	101.38	46.30	31.80	54.18	51.03

Notes:

1. EBITDA is defined as earnings before interest expense, tax, depreciation, amortisation, abnormals, minority interests and associates.
2. Abnormal items for the year ended 31 March 2004 relate to restructuring costs in Owens Group Ltd.
   Abnormal items for the year ended 31 March 2005 relate to restructuring costs in Owens Group Ltd and the writeoff of an investment in Mainfreight Ltd.
3. EBIT is defined as earnings before interest and tax and associates.
4. Net Surplus (NPAT) is net profit after tax, abnormals and minorities but before dividends.
5. Pro-forma Cashflow is defined as NPAT before amortisation of goodwill, depreciation, minorities and associates.
6. Net Tangible Assets includes 75% of LEP International (NZ) Ltd, 75% of LEP International Pty Ltd and 100% of Owens Group Ltd. Land was revalued in the 2006 year by $32,544,000 (net).
7. Net debt is long term plus short term debt less cash balances.
8. Equity Ratio is Net Tangible Assets as a percentage of Total Assets.
9. Return on NTA is Net Surplus as a percentage of Net Tangible Assets.
10. Net Interest Cover is Surplus before Abnormals, Interest and Tax divided by Net Interest Cost.
11. Per Share calculations are based on the average issued capital in each year – 96.091 million Shares in 2006.
12. Adjusted Earnings per Share figures are based on Net Surplus with tax affected abnormal items added back.

ANNUAL MEETING 31 JULY 2006, 2.30PM

Admission Card

Hall of Legends
Gate 5 ASB Stand
Eden Park
Walters Road, Kingsland, Auckland

If you propose to ATTEND the Meeting:
Bring this Admission Card and Proxy/Voting form intact.
If you do NOT propose to ATTEND the Meeting but wish to be represented by proxy:
Complete the Proxy/Voting form below, detach this Admission Card and fold the form as indicated, seal and mail.
The form is pre-addressed and requires no postage stamp if posted in New Zealand.

TEAR

Proxy Form

(Detach and return by mail if you do not propose to attend the meeting)

Holder No. ____________________ No. of voting securities ____________________

I/We ____

being a shareholder/shareholders of Mainfreight Limited, hereby appoint*

Name: ______________________________ of ______________________________

or failing him/her ______________________________ of ______________________________

as my/our proxy to exercise my/our vote at the Annual Meeting of the Company to be held on 31 July 2006 and at any adjournment of that meeting.

** If you wish, you may appoint as your proxy "The Chairman of the Meeting".*
Unless otherwise instructed, the proxy will vote as he/she thinks fit.
Should you wish to direct the proxy how to vote, please indicate with a (✓) in the appropriate boxes below.

FOLD

VOTING INSTRUCTIONS/VOTING PAPER

This part of the form can be used either as voting instructions for a proxy or as a voting paper at the meeting (if a poll is called).
This form is to be used to vote as follows on the resolutions below.
(Please note that if the shares are held jointly, the voting instructions given in this section are given on behalf of each joint holder).

Holder No. ____________________ No. of voting securities ____________________

Tick (✓) the box that applies:	For	Against
1. To receive the Annual Report		
2. Re-election of Donald Rowlands as a director		
3. Re-election of Richard Prebble as a director		
4. Re-election of Neil Graham as a director		
5. To authorise directors to fix auditors' remuneration		

Usual Signature(s) ______________________________ Signed this ______________ day of ______________ 2006

NOTES

1. As a shareholder you may attend the meeting and vote, or you may appoint a proxy to attend the meeting and vote in your place. A proxy need not be a shareholder of the Company.
2. If you are joint holders of shares each of you must sign this Proxy Form. If you are a company this Proxy Form must be signed on behalf of the company by a person acting under the company's express or implied authority.
3. Proxy Forms must be produced to the office of Mainfreight's share registrar, Computershare Investor Services Limited, either by fax to 64 9 488 8787, by delivery to Level 2, 159 Hurstmere Road, Takapuna, North Shore City, Auckland, New Zealand, by mail to Private Bag 92119, Auckland 1020, New Zealand so as to be received not later than 2.30pm on 29 July 2006.
4. If this Proxy Form has been signed under a power of attorney a copy of the power of attorney (unless already deposited with the Company) and a signed certificate of non-revocation of the power of attorney must be produced to the Company with this Proxy Form.
5. If you return this form without directing the proxy how to vote on any particular matter, the proxy will vote as he or she thinks fit. If a vote is required on any matter at the meeting in addition to the matters on the agenda, the proxy may vote or abstain from voting on that matter as he or she thinks fit.
6. Notification of change of address: Should the address to which this Proxy Form was sent be incorrect, please complete and return the details below, regardless of whether or not you are appointing a proxy.

Previous address: ______________________________

Present address: ______________________________

TEAR TEAR

FreePost Authority Number **3948**

Free

The Share Registrar
Mainfreight Limited
C/- Computershare Investor Services Limited
Private Bag 92119
Auckland 1020
New Zealand

FOLD FOLD

MAILING INSTRUCTIONS	
1	**If mailing Proxy Form from within New Zealand,** use this Proxy Form as a reply paid envelope by following the directions below: **i** Tear off Admission Card **ii** Fold along line indicated **iii** Seal with tape
2	**If mailing Proxy Form from outside New Zealand,** place Proxy Form in an envelope and affix the necessary postage from the country of mailing. Address to: **The Share Registrar** **Mainfreight Limited** **C/- Computershare Investor Services Limited** **Private Bag 92119** **Auckland 1020** **New Zealand**

Directory

BOARD OF DIRECTORS

Bruce G. Plested, ACA, Executive Chairman
Donald R. Braid, Group Managing Director
Donald D. Rowlands, CBE
Neil L. Graham, QBE
Carl G. O. Howard-Smith, LLB
The Hon. Richard W. Prebble, BA, LLB (Hons)
Emmet J. Hobbs
Bryan W. Mogridge, ONZM

ADMINISTRATION OFFICE

473 Great South Road
Penrose
PO Box 14-038, Panmure
Auckland
Tel (09) 526 6370

REGISTERED OFFICE

12-14 Southdown Lane
Penrose
PO Box 14-038, Panmure
Auckland
Tel (09) 526 0950
www.mainfreight.com

OVERSEAS OFFICES

Mainfreight Distribution Pty Ltd
1653 Centre Road
Clayton
Victoria 3168
Tel (613) 9265 5300
www.mainfreight.com.au

Mainfreight Owens International Pty Ltd
Trade Park Drive
Tullamarine
Victoria 3043
Tel (613) 9330 6000
www.mainfreight-international.com.au

LEP International Pty Ltd
154 Melrose Drive
Tullamarine
Victoria 3043
Private Bag 8
Tel (613) 9339 0888
www.lep.com.au

CaroTrans International Inc.
2401 Morris Avenue
Union, NJ 7083
United States of America
www.carotrans.com

Mainfreight Express Hong Kong
Room 902,
Hollywood Plaza,
610 Nathan Road,
Mongkok, Kowloon
Hong Kong

Mainfreight Express Ltd Shanghai
Room 603, Ocean Towers No. 550
Yan An (E) Road
Shanghai 200001
China

Owens International Freight Ltd
Churchill House
Horndon Business Park
Station Road
Brentwood, Essex
United Kingdom

AUDITORS

Ernst & Young
National Bank Centre
41 Shortland Street
PO Box 199
Auckland

BANKERS

Westpac Banking Corporation
Westpac Tower
188 Quay Street
PO Box 934, Auckland

SHAREBROKER AND ADVISOR

ASB Securities Ltd
Level 13
ASB Bank Centre
135 Albert Street, Auckland

INVESTMENT ADVISORS

Grant Samuel and Associates Ltd
Level 31, Vero Centre
48 Shortland Street
Auckland

LAWYERS

Howard-Smith
45 Lake Road, Takapuna
Private Bag 33-339
Auckland

Bell Gully
Barristers & Solicitors
Level 21, Vero Centre
48 Shortland Street
PO Box 4199, Auckland

SHARE REGISTRY

Computershare Registry Services Ltd
Level 2, 159 Hurstmere Road, Takapuna
Private Bag 92-119
Auckland

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Sausage Rolls in New York?

Yeah right.

MAINFREIGHT