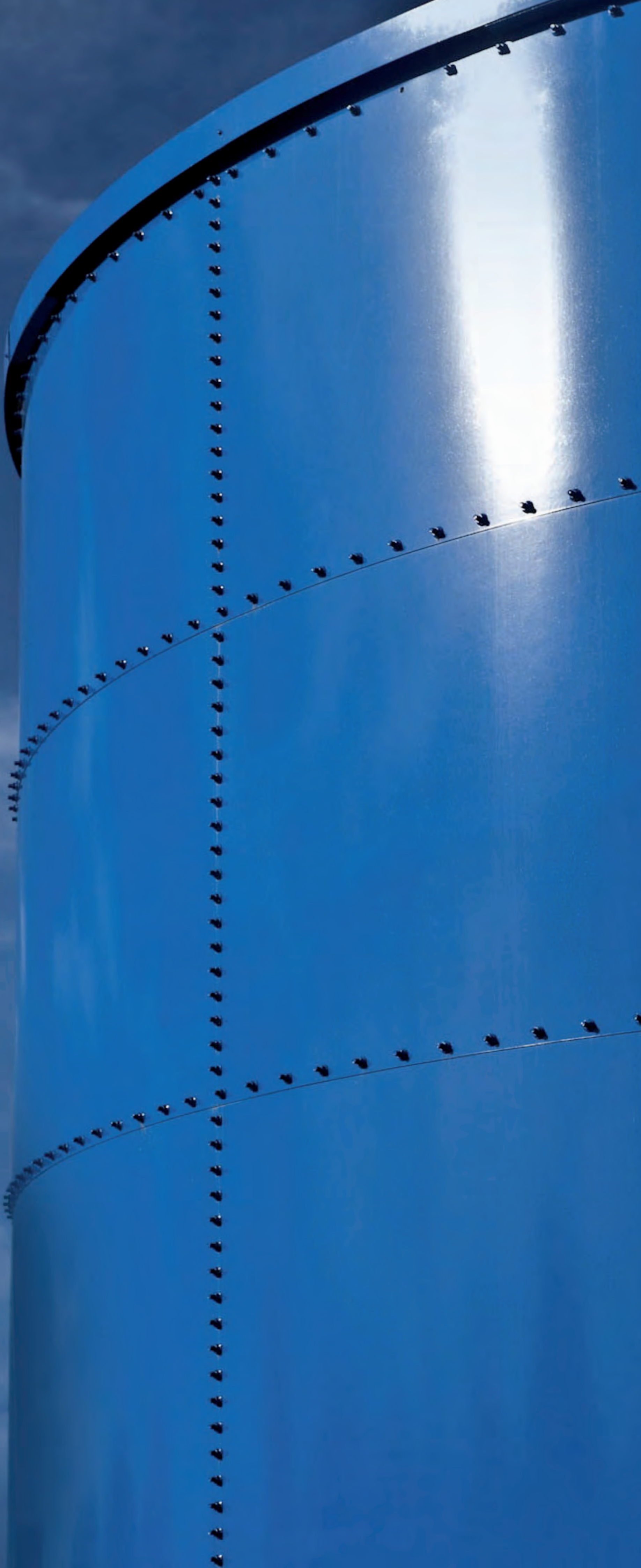
TRUE BLUE

Annual Report 2010



our PLACE IN THE *world*

As we forge new international frontiers and expand our global business, the deep-seated principles on which Mainfreight was founded are more important than ever.

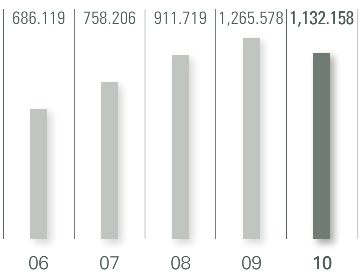
The economic challenges of 2009 put these principles to the test. From Shanghai to San Francisco, our people never wavered from the Mainfreight way. We focused on our strengths, acted decisively and, ultimately, overcame the global economic trend.

Through these times we have sharpened our edge, gained a new momentum and emerged a stronger and wiser Mainfreight.

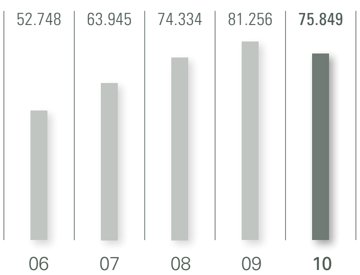
Wherever we operate, whatever the challenges, we are and always will be true to Mainfreight. True blue.

Results in Brief

	2010 $000	2009 $000
Trading Results		
Group Revenue	$1,132,158	$1,265,578
Group EBITDA	$75,849	$81,256
Net Profit New Zealand	$23,813	$25,130
Net Profit Offshore	$14,439	$14,872
Non-recurring Items	$(1,887)	$(4,520)
Group Net Profit	$36,365	$35,482
Financial Position		
Total Assets	$565,377	$547,710
Total Shareholders' Funds	$297,443	$286,558
Land Revaluation Recognised (Net)	$37,964	$39,714
Ratios		
Group Surplus After Tax to Average		
– Total Assets	6.5%	6.9%
– Shareholders' Funds	12.5%	13.2%
Adjusted Earnings per Share	38.9c	41.0c
Shareholders' Equity	29.7%	25.2%
Interest Cover (Times)	12.4	13.4
Distribution to Shareholders		
Dividends – Paid And Proposed		
– Per Ordinary Share (Normal)	18.5c	18.5c
– Times Covered by Net Profit	2.00	1.95
Paid Up Capital		
98,469,190 Ordinary Shares	$65,637	$64,620
Average annual shareholder return on investment:		
– Since listing in 1996	25.2%	
– Last 5 years	31.4%	



Group Operating Revenue
$ MILLION



Group EBITDA
$ MILLION

Notice of Meeting

Notice is given that the annual meeting of shareholders of Mainfreight Limited will be held in the Barrel Hall, Villa Maria Estate, 118 Montgomerie Road, Mangere, Auckland on 29 July 2010 commencing at 4.00pm.

Agenda

ANNUAL REPORT

1. To receive the Annual Report for the 12 months ended 31 March 2010, including financial statements and auditor's report.

RE-ELECTION OF DIRECTORS

2. In accordance with the constitution of the Company, Emmet Hobbs retires by rotation and, being eligible, offers himself for re-election.
3. In accordance with the constitution of the Company, Bryan Mogridge retires by rotation and, being eligible, offers himself for re-election.
4. In accordance with the constitution of the Company, Richard Prebble retires by rotation and, being eligible, offers himself for re-election.

AUDITOR

5. 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 2010

Glossary of Terms

EBIT	Earnings before Net Interest and Tax
EBITA	Earnings before Net Interest, Tax, Goodwill, Amortisation and Abnormals
EBITDA	Earnings before Net Interest Expense, Tax, Depreciation, Amortisation, Abnormals and Minority Interests
FCL	Full Container Load
FEU	Forty Foot Equivalent Unit (Container)
FMCG	Fast Moving Consumer Goods; everyday products that sell quickly
FOB	Free On Board; a term utilised by importers and exporters determining the buying and selling criteria
FTL	Full Truck Load
IATA	International Air Transport Association
Inter city	The freight transport between cities
Intra city/Metro	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 Load
Linehaul	The method and mode used to transport goods between cities and countries
LTL	Less than Truck Load
NPAT	Net Profit After Tax
NVOCC	Non Vessel Operating Common Carrier
NZX	New Zealand Exchange Limited
Retail Freight	The industry segment that Mainfreight operates in
Supply Chain Logistics	The physical movement and management of supplies and finished product from source to end user
TEU	Twenty Foot Equivalent Unit (Container)
Wharf Cartage	The transport of full containers on and off the wharf
Wholesale Freight	The industry segment that CaroTrans operates in

Company Profile

Mainfreight Limited is a global Supply Chain Logistics provider, with businesses operating in 166 branches throughout New Zealand, Australia, Asia 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. Operations are now well-established in China and the United States of America, and it is our intention to extend our footprint to be located in all the major trading nations of the world.

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, with sophisticated technology providing our customers with full supply chain transparency.

In 1996 Mainfreight listed on the New Zealand Stock Exchange. Today Mainfreight employs over 3,000 people, has in excess of 30,000 customers worldwide, and more than 4,000 shareholders.

www.mainfreight.com

If we do nothing about goal setting, that is what we will achieve. Mainfreight will continue to set challenging goals, and will continue to achieve many of them in full and on time

BRUCE PLESTED, Executive Chairman

AS A COMPANY, WE HAVE TO ADMIT THAT WE HAVE HAD GREAT SATISFACTION IN BATTLING THROUGH THE RECESSION

BRUCE PLESTED, Executive Chairman

The last two years remind me of one of our most successful managers, who said, "You know why I like this business? …It's because it's tough."

As a Company, we have to admit that we have had great satisfaction in battling through the recession. Using every ounce of our ability and physical energy we have not only survived, but improved our market position, and increased our tax paid profits by nearly $1 million.

In achieving this result, there were no mass redundancies, or enforced reduction of "head count". What a revolting, uncaring, unfeeling description – surely only in use by the least successful companies' management.

Mainfreight is now 32 years old and in that time we have never found it necessary to inflict large-scale redundancies. There are no guarantees in this life, but if an embargo on hiring is not sufficiently effective, and we have had to go further to reduce the size of our team, those involved are referred to and dignified as people, not "head count".

A couple of lessons we have learned over the past 32 years, and which have held us in good stead, are:

- Pay and understand the interest rate of the day, and pay and understand the exchange rate of the day. We all try to resist and manipulate interest and exchange rates – sometimes we win, and sometimes there are significant losses – but the actual costs must be understood and built into our business model.
- Some businesses used their position during the recession to gain excessively cheap freight rates to apply for several years. Those companies need to ensure that their business model is not artificially skewed for an extended period, as the result of unsustainable cheap freight rates.

Of interest to shareholders is our listing of targets and achievements for the future. It could be more appropriate to call these targets, aspirations, hopes and aims.

The publication of these targets is an attempt to give our team and shareholders the best understanding we can of where the business is aiming to go, and some sort of time frame we are seeking to achieve.

These targets are quite challenging and have exposed us to some criticism in the past for appearing to overreach ourselves, or in some cases, failing to achieve the goals.

In 2002, when our revenue was $401 million, our target was to reach annual revenue of $1 billion for the year ending March 2007. Well, we only reached $968 million that year, but in the 2009 financial year, we hit $1.265 billion.

Our 2010 goal, to achieve by 2015:

- Achieve revenue of $2 billion.
- USA operations to earn more profit than Australia and New Zealand operations.
- To have in excess of 300 branch locations around the world.
- To be located in six European countries.
- To be located in three South American countries.
- To have a branch network throughout Asia, including India.

These are brave goals, but two things will happen from this goal setting:

1. Our shareholders and team will know and understand where the Company is going.
2. Our team will strive to make these goals a reality.

As a country we need to set our own goals, targets, aspirations, hopes and aims, together with timelines of progress. Could these be some of them?

Health

2011 Reduce glue ear by 10%
Reduce diabetes by 2%
Reduce obesity by 2%

2012 Reduce glue ear by 10%
Reduce diabetes by 2%
Reduce obesity by 2%

2013 Reduce glue ear by 10%
Reduce diabetes by 2%
Reduce obesity by 2%

2014 Reduce glue ear by 10%
Reduce diabetes by 2%
Reduce obesity by 2%

2015 Glue ear to no longer be a serious heath problem
Reduce diabetes by 2%
Reduce obesity by 2%

Education

2011 Reduce school truancy from 15% to 13%.

Enhance desirability of the teaching profession by increasing salaries 1% above inflation.

Reduce University fees by 10% for students succeeding in Science, Medicine, Engineering, and Teaching.

2012 Reduce school truancy from 13% to 11%.

Enhance desirability of the teaching profession by increasing salaries 1% above inflation.

Reduce University fees by 10% for students succeeding in Science, Medicine, Engineering and Teaching.

2013 Reduce school truancy from 11% to 9%.

Enhance desirability of the teaching profession by increasing salaries 1% above inflation.

Reduce University fees by 10% for students succeeding in Science, Medicine, Engineering, and Teaching.

2014 Reduce school truancy from 9% to 8%.

Enhance desirability of the teaching profession by introduction of results based rewards.

Reduce University fees by 10% for students succeeding in Science, Medicine, Engineering, and Teaching.

2015 Reduce school truancy from 8% to 7%.

Continue to develop desirability of the teaching profession with results based rewards.

Offer free University fees to students succeeding in Science, Medicine, Engineering and Teaching, in return for practicing in New Zealand for five of the next ten years.

Economy

2011 Grow GDP by 3.5%.
Reduce cronyism of Government Boards.
Hold referendum for four year term Government.

2012 Grow GDP by 4%.
Make superannuation compulsory, and increase at 1% p.a. together with employer contribution of 1%.
Decrease company tax to 26%.
Reduce cronyism of Government Boards.

2013 Grow GDP by 4.5%.
Increase superannuation by 1% p.a.
Decrease company tax to 24%.
Reduce cronyism of Government Boards.

2014 Grow GDP by 5%.
Increase superannuation by 1% p.a.
Decrease company tax to 22%.
Reduce cronyism of Government Boards.

2015 Grow GDP by 5%.
Increase superannuation by 1% p.a.
Decrease company tax to 20%.
All Government Boards to be run by people with skills/ knowledge in the particular enterprise.

There are of course many and varied goals that we can set ourselves as a nation. As surely as mushrooms come up in a horse paddock, if we set goals as a country, we will achieve some of them. Just as surely – if we do nothing about goal setting, that is what we will achieve.

Mainfreight will continue to set challenging goals, and will continue to achieve many of them in full and on time.

BRUCE PLESTED, June 2010


高
綠野仙蹤
營業時間 11:00-23:00 Tel:2332
花園餐廳
牛扒之家

We managed our cost structures better, improved margins, aggressively expanded our market share by increasing our sales activities and, importantly, we continue to improve our quality

DON BRAID, Group Managing Director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KEEP CHILLED

THERE IS NO DOUBT THAT THE SUCCESS OF MAINFREIGHT IS BUILT ON THE PASSION AND DEDICATION OF OUR PEOPLE

Mainfreight Group Operating Results:

NZ$000's	This Year	Last Year
Group Revenue	$1,132,158	$1,265,577
Net Profit New Zealand	$23,813	$25,130
Net Profit Offshore	$14,439	$14,872
Group Net Profit before Abnormals	$38,252	$40,002
Non-recurring Items	$(1,887)	$(4,520)
Group Net Profit	$36,365	$35,482

These past 12 months have been an exciting and challenging time for us. As the world's economies faltered we saw freight volumes deteriorate in most of our business units around the world. We needed to respond quickly and effectively, and to have every single team member in every location committed and energised to achieve more at a lesser cost.

Our response to this decline was to manage our cost structures better, improve margins, aggressively expand our market share by increasing our sales activities and, importantly, continue to improve our quality.

As the year progressed, these initiatives saw our performance strengthen month by month, culminating in a net profit after abnormals slightly ahead of the year prior.

Revenues declined 10.5% to $1.13 billion, producing a net profit after abnormals of $36.37 million, up 2.5% on the year prior. EBITDA declined 6.7% to $75.85 million.

Included in these results is a $3.04 million discretionary bonus for our teams throughout the world, wherever branch performance bettered that of the previous year. A total of 55 branches and 1,104 team members will participate in this reduced bonus. In the previous year, the discretionary bonus was forgone by all our people as a measure to address the deteriorating economic conditions.

WE REMAIN COMMITTED TO BECOMING A GLOBAL LOGISTICS PROVIDER

As part of our cost reductions, salary reviews were placed on hold until we were able to see an improvement in financial performance. As improvements materialised, a 2% general salary increase was applied in January 2010.

These measures together with our non-replacement policy for people who left the business, saw our labour costs reduce substantially and our team numbers reduce by 110 to 3,242.

There is no doubt that the success of Mainfreight is built on the passion and dedication of our people; their efforts and abilities to do more with less during this past year remain a key component of our result. We thank them once again for these efforts and the personal sacrifices they have made.

During the year our sales strategies identified the many opportunities we have with our customers to add more value to our relationship by extending the range of services within our logistics supply chain.

On average, two-thirds of our customers have yet to take advantage of our full service range across the supply chain. This is a wonderful opportunity for us to improve our customers' effectiveness, enhance our relationships and increase sales revenues.

Difficulties and challenges are still with us in our newly acquired North American operations, and we have yet to find acceptable levels of growth in our Asian operations. Our people in both areas have accepted the challenges and the initiatives now in place will see more positive results emerge during 2010 and beyond.

Our ambition to become a global logistics provider remains strong; even with the economic difficulties of the past year we have continued to open new branches in China, New Zealand and Australia and to identify new areas where we can extend our services around the world.

Too often Mainfreight is yet to be seen as an international business. Sixty-seven per cent of our revenue is currently earned outside of New Zealand and while our New Zealand operations still have plenty of potential for further development, the international and domestic markets of Australia, Asia, Europe, South America and the United States are where we see significant opportunities for growth.

The initiatives taken during this past year have seen Mainfreight emerge a better business, and we are now well positioned to deliver on our ambitious aspirations.

Jose Carpio, Mainfreight Los Angeles

THE CONSIDERABLE PROGRESS MADE OPERATIONALLY GIVES US CONFIDENCE IN CAPTURING THE POTENTIAL THE UNITED STATES OFFERS US

Operating Results

Total USA: Mainfreight USA and CaroTrans

US$000's	This Year	Last Year
Revenue	US$228,205	US$288,691
EBITA	US$2,328	US$9,864
As a % of Revenue	1.0%	3.4%

In the United States, one of the world's largest freight markets, we have some of our biggest challenges, and of course some of our most significant opportunities. We are excited to be in the United States with a presence in both the domestic and international freight sectors. Our market share in both categories is small in comparison to our competitors; our competitive advantage remains with our high levels of quality and comprehensive range of freight services.

Mainfreight USA's performance has been disappointing and well below our expectations. Domestic freight tonnage within the United States declined dramatically in the face of the economic meltdown the US suffered.

For us, this occurred as we embarked upon a journey of change and improvement within our newly acquired business.

Operating Results

Mainfreight USA

US$000's	This Year	Last Year
Revenue	US$128,747	US$172,807
EBITA	US$(4,790)	US$1,619
As a % of Revenue	(3.7)%	0.9%
Market Share	0.5%	0.5%

Through the year we have extended our service offering by:

- Providing LTL freight services across all states to and from all the major US cities
- Expanding our trans-border services into Canada and launching a new Mexican service from Monterey, Mexico to Dallas, Texas
- Developing a stronger common overseas agent network throughout Europe and Asia and establishing LCL consolidation air and sea freight services to and from the USA
- Expanding our customs brokerage services to the east coast cities of New York, Albany and Charlotte
- Establishing our FTL division in Atlanta.


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PERFECTION HAS ITS PRICE.
YAHOO!
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MAINFREIGHT
Special people
Special company
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MAINFREIGHT

WE ARE EXCITED TO BE IN THE UNITED STATES WITH A PRESENCE IN BOTH THE DOMESTIC AND INTERNATIONAL FREIGHT SECTORS

In conjunction with these new service options, Mainfreight's operating standards, culture and objectives have been introduced and continue to be developed to provide us with the competitive advantage we seek in these markets.

While our financial performance disappoints, the considerable progress made operationally gives us confidence in capturing the potential this business offers us. It remains a significant component of our global expansion aspirations.

The revenues of CaroTrans (our wholesale seafreight operation) have been impacted by the decline in FCL export volume from the United States particularly to Europe. However there was a noticeable improvement in the LCL sector where we excel, which improved our margins and assisted the development of added groupage services to more European, Middle East and South American destinations.

Export volumes from the United States of America have begun to improve through the year and this increase is expected to continue as the United States looks to the export sector to assist economic recovery.

Operating Results

CaroTrans

US$000's	**This Year**	**Last Year**
Revenue	US$99,458	US$115,884
EBITA	US$7,118	US$8,245
As a % of Revenue	7.2%	7.1%
Market Share	20%	20%

As shipping capacity lies idle in the Straits of Malacca, an increase in volume has seen current capacity become tight. This has assisted shipping lines to increase freight rates across most trade-lanes.

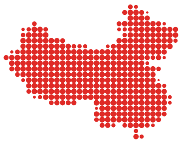
CaroTrans has capitalised on its relationships with ocean carriers to achieve confirmed space for our customers; a position of strength for us which we will use to good effect to assist further growth.

CaroTrans' presence in Asia and Australasia has seen volume grow into and from these areas. By further developing this formula, we are able to use CaroTrans as our entry to more markets and trade-lanes.









Asia

THE ASIA REGION REPRESENTS THE LARGEST FREIGHT AND LOGISTICS MARKET IN THE WORLD

Operating Results		
Mainfreight Asia		
US$000's	**This Year**	**Last Year**
Revenue	US$18,877	US$16,790
EBITA	US$1,232	US$1,644
As a % of Revenue	6.5%	9.8%
Market Share	3%	3%

We are now well established within China and Hong Kong, boasting branches in Shanghai, Ningbo, Shenzhen, Guangzhou, Xiamen and of course Hong Kong.

Plans are in place to open additional branches in Chengdu, Tianjin and Qingdao during 2010.

While EBITA was behind that of the prior year, in light of the freight volume reduction across this market our performance can be viewed as satisfactory. We are well positioned to find more growth.

Much of this growth will come from in-country sales, as trading terms within Asia begin to change from the FOB trading terms of previous years to a position where more China-based exporters are taking responsibility for freight negotiations. We will be more focused on in-country sales campaigns and sales development around the region. There are inherent risks associated with debtor collections and market competition but these are offset by the opportunities represented by the largest freight and logistics market in the world.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Australia

IT IS OUR DESIRE TO BECOME THE LARGEST FREIGHT FORWARDER IN THE AUSTRALIAN MARKET OVER TIME

Operating Results – Australia

Australia Total: Domestic and International

AU$000's	This Year	Last Year
Revenue	AU$312,886	AU$322,596
EBITA	AU$15,428	AU$9,712
As a % of Revenue	4.9%	3.0%

Australia's economy proved more resilient than most and our operations there have been our most successful during this past year. Both our International and Domestic businesses returned better profits than the previous year despite declining freight volumes.

In both divisions, our ability to lower our cost structures was a feature of these improved results.

In our International operation the elimination of duplicated costs associated with the Halford acquisition assisted our returns and allowed for a greater amount of efficiency in our day to day operations. In spite of revenue levels from the Halford acquisition being below our expectations we have been successful in developing more inbound airfreight tonnage from Europe to complement our strong footprint in inbound seafreight from Asia and the United States.

Operating Results – Australian International

Mainfreight International, CaroTrans

AU$000's	This Year	Last Year
Revenue	AU$161,603	AU$172,077
EBITA	AU$6,493	AU$5,307
As a % of Revenue	4.0%	3.1%
Market Share	10%	8%

Legal proceedings that were to have been commenced against the shareholders of Halford have been settled resulting in a reduction in the purchase price of AU$1.25 million.

Our share of the Australian freight forwarding market has increased, but remains small by Australian standards. It is our desire to become the largest international freight forwarder in this market over time. Certainly our growth and development of a world-wide network will assist our teams in Australia to attract more freight volume into our system

Outsourcing of supply chain activity by industry has gathered momentum in Australia, and will be of benefit to our International operations as well as our Domestic transportation and warehousing businesses.


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Returns have improved in our Domestic warehouse operations, with increased profitability, a reduction in our footprint, and better utilisation achieved with better margins. Consistency for the future in this sector remains one of our biggest challenges.

Improving our service levels, and the introduction of better costing and modelling tools have assisted in attracting more customers, particularly in the FMCG sector. A new warehouse has been opened in Adelaide and it is expected our two Sydney sites will be fully utilised by late 2010.

In our Domestic transport operations we have maintained our levels of growth and have managed costs to see improvement in our net returns.

The introduction of the Chemcouriers brand and operation for the movement of packaged hazardous goods freight has attracted customers and underscored our commitment to a hazardous goods warehouse in Melbourne.

Improving our quality, our margins and developing our network to deliver to more destinations remains the key to our growth ambitions in this attractive market.

Operating Results – Australian Domestic

Mainfreight Distribution and Logistics, Owens

AU$000's	This Year	Last Year
Revenue	AU$151,283	AU$150,519
EBITA	AU$8,935	AU$4,405
As a % of Revenue	5.9%	2.9%
Market Share (Transport)	5.8%	5.6%
Market Share (Logistics)	4.7%	4.5%

Suitable bare land has been identified in Melbourne to enable construction of a super site, similar to our facility at Prestons in Sydney.

Purpose-built facilities assist us to improve the quality and efficiency of our supply chain for our customers and, as we have seen in New Zealand, the considerable commitment attracts more freight and improves gross margins.

A turbulent year for the industry has seen consolidation within the Australian freight market and more can be expected.







The initiatives taken during this past year have seen Mainfreight emerge a better business, and we are now well positioned to deliver on our ambitious aspirations

New Zealand

MAINFREIGHT HAS A COMMITMENT TO RAIL THAT WILL BENEFIT OUR CUSTOMERS AND NEW ZEALAND

Operating Results

Total New Zealand: Domestic and International

NZ$000's	This Year	Last Year
Revenue	$374,967	$403,108
EBITA	$34,945	$37,469
As a % of Revenue	9.3%	9.3%

It became very obvious to us early in 2009 that freight volumes within New Zealand would decline as the effects of the world's economic difficulties found their way into the New Zealand economy.

Our reaction – to tighten our cost structures, manage our margins closely and to lead strong sales campaigns aimed at increasing valuable market share – culminated in better than expected Domestic performance and improved International performance.

In our Domestic operations, targeted sales campaigns gained us further exposure to larger FMCG customers and the supply chains of the major supermarkets. This resulted in freight volume that we had not previously handled.

After many years of attempting to find a level playing field with past rail owners for the movement of grain and seed within New Zealand, we were finally successful. Cross-subsidies began to be removed by the new administration within KiwiRail which has resulted in unprecedented grain tonnage being moved by us from the South Island to North Island destinations.

As a consequence of this tonnage and a better working relationship with KiwiRail, our rail spend has increased 15% over the corresponding period last year. In an effort to further improve our usage of rail, we have negotiated the lease of two important rail-served sites in Wellington and Palmerston North.

Operating Results – Domestic

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

NZ$000's	This Year	Last Year
Revenue	$267,504	$294,814
EBITA	$30,138	$32,978
As a % of Revenue	11.3%	11.2%
Market Share (Transport)	45%	44%
Market Share (Outsourced Warehousing/Logistics)	24%	22%

We will invest in new facilities on this land, enabling us to rail direct to these cities from most other cities in the North and South Islands. Mainfreight has a commitment to rail which will benefit our customers and New Zealand.

In line with e-commerce growth, our own online sales revenue also continues to increase with an additional $2 million added in these past 12 months. This experience will see us further developing our online products to include international trade in the future.

Our Domestic warehousing operations continued to find improvement, seeing utilisation increase. Our Wellington operation has been decommissioned as customer supply chains continue to show a preference for Auckland and Christchurch as distribution hubs. The exit of this surplus lease has resulted in a one-off cost of $414,000 after tax.

The release of our latest mobile inventory management system for our warehousing customers brings some of the world's best radio frequency technology to further improve accuracy and data capture.

As supply chain decisions continue to be taken across Australasia, we have standardised our systems and relationship management across both countries to better cater to this global decision-making trend.


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INTERNATIONALLY WE HAVE IMPROVED OUR PROFITABILITY, EVEN AS WE DEALT WITH DECLINING IMPORT VOLUMES

Operating Results – New Zealand International

Mainfreight International, CaroTrans

NZ$000's	This Year	Last Year
Revenue	$107,463	$108,294
EBITA	$4,807	$4,492
As a % of Revenue	4.5%	4.1%
Market Share	11%	10%

Internationally we have improved our profitability, even as we dealt with declining import volumes caused by customers reducing inventory levels.

In contrast, our export airfreight market share grew as we continued to add more value within the supply chain; investing in sophisticated new perishable facilities and bringing further innovation to our service capability, particularly into Asia.

Our regional airline and shipping relationships have been utilised well in providing our customers with space allocations in the face of capacity constraints. This remains a key competitive advantage in all our international markets.

Space availability for both air and sea freight services will continue to be a major issue for our exporters and importers in the foreseeable future. Our ability to manage this on behalf of our customers is a key component of our supply chain activities around the world.

Mainfreight International New Zealand continues to invest in its branch network, having 11 branches throughout the country. This network investment, similar to our Domestic strategies, allows us to reach more customers and to develop a skill base across a greater number of people. This strategy remains preferred over the "back rooming" that many international freight forwarders and shipping lines prefer to invest in.







THROUGH GOOD OLD-FASHIONED COMMON SENSE WE HAVE BEEN RECYCLING OFFICE AND DEPOT WASTE FOR 22 YEARS

Mainfreight has always attempted to reduce the environmental impact of its operations. Our sustainability initiatives have often resulted in reduced costs; so the bottom line and the environment are both winners.

Real or not, climate change remains an issue for businesses and governments everywhere. For Mainfreight, it begins with accepting that our business is based on an activity that generates carbon emissions and then taking responsibility to reduce those emissions over time in keeping with our competitiveness, and ability to deliver services as our customers expect.

Our response is twofold:

- We measure the carbon emissions we generate across Mainfreight New Zealand's operations, and will establish measurement across our global operations beginning with Australia and the United States of America during 2010.
- We continue to lobby for the ability to move more freight by rail because the simple fact is trucks emit 4.6 times more CO_2 per tonne km carried than trains. It is critical for the wealth and productivity of New Zealand and the world that rail services improve to effect this goal through capital investment in rolling stock and infrastructure.

To reduce transportation by road we continue to take the opportunity to build more freight facilities on rail-served land. We already have 12 rail-served sites in New Zealand with planned construction of three additional facilities due to begin this year. Importantly, these sites are on the main freight corridors of New Zealand. We also continue to push for more New Zealand Government investment in improving rail infrastructure, and the viability of coastal shipping. Identifying rail freight opportunities in Australia and the United States of America remains difficult.

In seeking to reduce our emissions, Mainfreight's initiatives include:

- Moving capacity from road to rail and coastal shipping
- Route planning – using GPS in congested international cities
- Truck size management – using smaller trucks for distribution within cities and larger trucks between cities
- Promoting off-peak distribution, particularly between cities
- Efficient driving techniques promulgated through our driver training programmes
- Vehicle maintenance guidelines for owner-drivers to promote efficient running of their trucks.

We have looked at biofuel opportunities in New Zealand, but issues still surround the consistent supply of reliable products by the supply market. We continue to keep a watching brief on future developments in this area. Effective 1 July 2010 fuel companies in New Zealand will apply an increase of approximately 3 cents per litre to offset the cost of carbon emissions as dictated by the New Zealand Emissions Trading Scheme.

MAINFREIGHT REMAINS COMMITTED TO REDUCING OUR CARBON FOOTPRINT

Reducing the environmental impact of IT infrastructure is important. Our data centres in New Zealand, Australia and the United States of America are as energy efficient as possible through initiatives including:

- Minimising computer room space to minimise cooling requirements
- Installing efficient cooling systems
- Using virtualisation to reduce hardware required, and heat generated – Mainfreight currently runs 48 major applications on 12 servers
- Using hardware with variable energy management systems – running at full capacity only on an "as needed" basis.

It is important to note that through good old-fashioned common sense, we have been recycling office and depot waste for 22 years in New Zealand, and have adopted a similar approach in all locations around the world. We store and use rainwater and recycle greywater for truck washing, ablutions and irrigation. Where possible, our new freight and warehousing facilities are built with environmental design principles in mind; energy-efficient lighting and heating solutions; and solar power installations where feasible. Rain gardens are installed as a feature within our landscaped grounds.

Notwithstanding the uncertainty and debate surrounding carbon trading methodologies, the effectiveness of the measurement system under the Kyoto Protocol, and the actual effects on the environment from carbon emissions, Mainfreight remains committed to reducing our carbon footprint and enhancing the environment through our long-held practices of recycling and other environmental activities, no matter where we are located in the world.

Our measurement process has been conducted under the guidelines and practices required by New Zealand Government agencies, however we have chosen not to renew membership to these organisations while doubt surrounds carbon trading regulations and the excessive costs being levied by New Zealand Government departments to audit and verify the outcomes.

For carbon emissions reduction to be successful, governments must trust businesses to measure, identify and reduce. Overly bureaucratic and aggressive regulatory policies will not see this succeed.


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We have proudly recorded the name of every current team member in our Mainfreight family around the world

These 3,242 people are the life of Mainfreight

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Training Centre Auckland Debi Fitzpatrick, Gordon Jackson, Rachel Hustler, Louise McNeil, Erica Jaffray, Tina McDonnell. Training Centre Christchurch Trace Donaghey,

OUR GRADUATE AND CADET PROGRAMMES CONTINUE TO INJECT COMMITTED AND ENERGETIC PEOPLE INTO OUR OPERATIONS

We have proudly recorded within the pages of this document the name of every current team member in our Mainfreight family around the world. These 3,242 people are the life of Mainfreight. Many of them are our future leaders, as we continue towards becoming a bigger, better global business. Our depth of talent remains very strong.

We start the 2011 financial year as a well established global business with an acute awareness of what makes us different – our culture or "the way we do things around here" in America, in China, in Australia and of course in New Zealand.

Central to our culture are our fast-growing teams around the globe. Our people are our key differentiator, and our commitment to finding, developing and placing the right people remains paramount.

Mainfreight's Graduates

	2010
New Zealand	92
Australia	43
United States	11
Asia	11
Total	157

Worldwide, when looking for a new person to start with Mainfreight we still ask ourselves the question "Does this person have potential to become a Branch Manager?". Our desire to employ bright, passionate leaders for tomorrow allows us to organically grow our future managers and not dilute our culture with people from other companies. "Promoting from within" has been a Mainfreight philosophy since day one and the long-term future for Mainfreight is built upon it.

With this in mind we have seen the introduction of an additional eight United States graduates in the past year, which will increase as our brand and graduate programme becomes more established in this country. Elsewhere our graduate and cadet programmes continue to inject committed and energetic people into our domestic and international operations.

More than ever our new people are prepared to view their career paths without geographic boundaries. The past 12 months have seen people relocate from New Zealand to Australia, from the United States to New Zealand, and from Australia to New Zealand. For some time our talented people tended to move northbound but the maturity of our international business and footprint now sees more of our people wanting to head south to learn new skills and experience Mainfreight down under.

To recruit the right people can be difficult, however growing their leadership potential within the business is key for succession. For almost ten years Mainfreight has been aligned with Outward Bound and annually sends 28 people to Anakiwa (New Zealand) to learn more about themselves and their leadership styles. The last course held in February saw nine of the 14 attendees come from branches outside of New Zealand and more than half of these nine hailing from China and the United States. The international face of the Mainfreight family was never better represented than on this course.

In a similar vein the "Emerging Branch Managers" courses see new and aspiring branch managers from around the world work together in a five-day training course to better understand the essentials of branch management.

A final key ingredient for all our team is a continued focus on being easy to deal with for customers. The training teams on both sides of the Tasman will have collectively trained almost 2,000 team members on what being "easy to deal with" means by the middle of this year. This mindset is powerful and refreshing in a technological age where good old-fashioned service at times has become a thing of the past.

New Zealand graduates (left to right): Chris Bond, Manisha Jobard, Lucy Partridge, Logan Lim and Sam Baker.


Applications - Microsoft Internet Explorer
檢視(V)
我的最愛(A)
工具(T)
說明(H)
搜尋
我的最愛
http://10.9.69.66/int/MartialArts/site/default.aspx
MAINFREIGHT
Applications
Messages
Logged on as: nichi.zhui
Welcome To The Martial Arts Citrix Farm
Applications
Desktops
Main
Adobe Reader 9
Connect
MFI Training
Microsoft Office Excel 2007

IT IS OUR INTENTION TO ENSURE OUR TECHNOLOGY ADVANTAGE REMAINS AHEAD OF OUR COMPETITORS' AND EXCEEDS THE EXPECTATIONS OF OUR CUSTOMERS

Our unique technology platform was further improved during the past year, particularly in the area of software development, despite the economic conditions and our reduction in capital expenditure.

We also completed the planned replacement of our New Zealand computer hardware and have gained significantly better processing power and data storage capability at a reduced annual cost. (All this equipment is leased).

The environmental impact has also been lowered through the virtualization of our servers, which has resulted in a reduction in physical equipment.

The implementation of our international software platform into the United States in February 2009 has demonstrated our ability to create global IT platforms. We have very competent teams of people to manage the processes of our technology and are well prepared and ready to install such systems as we continue our international expansion.

Our development teams in Australia and the United States are providing business improvement modules for ourselves and our customers; key components for improving the supply chain information management process.

Our United States shipment centre in Mainchain (our customer portal) now allows our customers to create bookings and bills of lading over the internet for both their domestic and international shipments. They are also able to monitor the progress of these shipments in real time.

It is our intention to reintroduce increased levels of capital expenditure on software development as our profitability allows, ensuring our technology advantage remains ahead of our competitors' and, importantly, exceeds the expectations of our customers.

OUR TEAMS HAVE LEARNED TO DO MORE WITH LESS AND HAVE INCREASED THE QUALITY OF SERVICE TO OUR CUSTOMERS

Mainfreight has become a better business through the measures put in place to address the recent tough economic conditions, and is now well placed to take advantage of any economic upturn there may be.

Our teams have learned to do more with less, and have increased the quality of service to our customers. While this quality and attitude of being easy to do business with is yet to meet our own expectations, we are finding more competitive advantage in everything we do.

Irrespective of the economic by-play, we continue to explore the many opportunities that the world's supply chain logistics market and customers provide us, not only in the countries where we currently reside, but also in those that we have yet to reach.

We remain passionately committed to increasing our market share and finding substantial growth in the countries we are currently in.

We are confident in our strategies for entry into other freight markets, and as we extend our reach we will provide a greater range of supply chain services for our customers than we ever have before.

We are excited by the opportunities that are available and will continue to deliver exceptional service and performance for our customers and shareholders.

True Blue Mainfreight!

DON BRAID


DAVID JONES
MAINFREIGHT
Special people Special company
THE WINNER IS THE ONE WHO
GIVES THE CUSTOMER THE MOST
DO NOT
OVERTAKE
TURNING VEHICLE
AL 66 EG

Our Management Team

John Hepworth

Director and President,
Mainfreight USA

12 years with Mainfreight

Revenues US$129 million

John has held senior roles in various parts of the world for Mainfreight and most recently has taken the role of Director and President of Mainfreight USA, leading that company's development and integration into the Group. John also has an oversight role for our International businesses in Australia, New Zealand and Asia, which includes identifying and developing opportunities for regions we have yet to establish ourselves in. John joined Mainfreight through our acquisition of his business, ISS Express Lines, in 1998.

"The opportunities in the United States are enormous and Mainfreight USA has a bright and exciting future."

Michael Lofaro

General Manager,
Mainfreight Asia

12 years with Mainfreight

Revenues US$19 million

Michael manages Mainfreight International's operations throughout Asia. He joined Mainfreight through the acquisition of ISS Express Lines of which he was a shareholder. Michael joined our Asian team early in January 2008 and has responsibility for our Asian development. Michael's previous roles include the leadership of Mainfreight International in Australia.

"China is a marathon, not a sprint race. We are here for the long term ..."

Greg Howard

Global Manager,
CaroTrans

11 years with Mainfreight

Revenues US$110 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. Greg's responsibilities include the development of our CaroTrans brand and NVOCC operations around the world.

"Since the NVO has become an integral part of global supply chain management, 'wholesale' is now sexy."

Michael Forkenbrock

National Manager,
CaroTrans Inc, USA

9 years with Mainfreight

Revenues US$99 million

Michael oversees the operations of CaroTrans in the United States. His previous roles in CaroTrans included sales leadership development and branch management assisting CaroTrans to record levels of growth and productivity over the past eight years. Prior to joining CaroTrans Michael worked in a variety of roles within the US NVOCC industry.

"Business is business; if you dress casual you think casual."

Mitch Gregor

National Manager,
Mainfreight Logistics
Australia

9 years with Mainfreight

Revenues AU$21 million

Mitch Gregor has responsibility for our Logistics (Warehousing) facilities throughout Australia. Mitch joined Mainfreight as a graduate and held a variety of operations, sales and branch management roles primarily in Logistics in New Zealand, before relocating to Australia at the end of 2008.

"Logistics for Mainfreight is not merely providing traditional functions for our customers and managing supply and demand. It's about offering technology, infrastructure and the experience of our fantastic people."

Rodd Morgan

National Manager,
Mainfreight Distribution
Australia

7 years with Mainfreight

Revenues AU$130 million

Rodd's responsibilities cover the transport operations of Mainfreight Distribution throughout Australia. Rodd has previous experience in the Australian Transport industry, including leadership roles in sales and operations.

"We, more than ever, see the improving quality of the service we provide to our customers as the reason why we are sitting on the edge of a sustained period of growth and profitability – much like the way that Australian Rules is taking over world sport."

Stephen Thorogood

National Manager,
Mainfreight International
Australia

12 years with Mainfreight

Revenues AU$162 million

Steven manages Mainfreight International's operations throughout Australia. He joined Mainfreight through the acquisition of ISS Express Lines in 1998. Steven has held numerous roles within the freight industry over many years including significant branch management roles within Mainfreight.

"I'm proud of our passionate, hard working team who are always working to satisfy the customer and continually looking for better solutions."

David Scott

National Group Sales Manager,
Australia

10 years with Mainfreight

Revenues AU$313 million

David is responsible for the leadership and management of all sales teams across the Group in Australia. David has held a variety of roles within the transport industry through Australasia.

"Australia: young sales team with a small share of a big market, room to grow and excited about it!"

Our Management Team, continued

Mark Newman

National Manager, Transport New Zealand

20 years with Mainfreight

Revenues $203 million

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

"This morning, like every morning, this world-class team comes to work to provide the very best service to our customers around the globe."

Craig Evans

General Manager, Supply Chain

24 years with Mainfreight

Revenues $46 million

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

"Customer expectations towards outsourcing inventory management are as high as those of a new mum choosing a crèche."

Jon Gundy

National Manager, Mainfreight International New Zealand

6 years with Mainfreight

Revenues $107 million

Responsible for the Mainfreight International business in New Zealand including the Perishables operations, Jon joined Mainfreight through the acquisition of Owens, where he held operational and sales management roles within various Owens divisions over the previous eight years.

"The International team has worked together for 10+ years and has developed momentum that will offer customers the most competitive import and export supply chain whilst delivering shareholders growth and returns. We are very excited about the ride ahead."

Bryan Curtis

National Manager, Owens Transport

30 years with Mainfreight

Revenues $46 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.

"After 30 years with Mainfreight in a variety of roles (beginning as storeman), I am still excited by the potential for growth, both in our existing services, and in areas not previously regarded as core business."

Carl George

National Group Sales Manager, New Zealand

15 years with Mainfreight

Revenues $375 million

Carl is responsible for the leadership and management of all sales teams across the Group in New Zealand. Carl has held a variety of roles since joining the company as a graduate in 1995.

"The 'black sheep' of the family, generally known for leading our budding sales team astray, and chasing anything that moves (freight that is!)."

Tim Williams

Chief Financial Officer

16 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.

"Keeping the bureaucracy at bay as we grow keeps you on your toes; we enjoy the challenges this growth provides us."

Carl Howard-Smith

General Counsel, Mainfreight Group

32 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.

"In a culture where lawyers are considered of little value, I've managed to survive for 32 years."

Kevin Drinkwater

Group IT Manager

24 years with Mainfreight

IT Operational Spend $21 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.

"Delivering knowledge through information."

Martin Devereux

Group Human Resource and Training Manager

10 years with Mainfreight

HR and Training Resource Spend $3 million

Martin joined Mainfreight as a member of our graduate intake during 2000, having completed law and management degrees at Waikato University. His roles have included loading freight, operations, sales and more recently, the management of our training division in Australia.

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

"It's funny, at Mainfreight I am always bullish about our growth."

Targets & Achievements

2009

TARGET	STATUS
To have revenues exceeding $1 billion	Achieved in the 2009 financial year, $1.265 billion; 2010 $1.13 billion
To have our offshore interests generating more profit than our New Zealand businesses	67% of revenue is generated from outside of New Zealand. Achieved 38% of net profit before abnormals in the 2010 financial year from outside of New Zealand and likely to increase
To be the dominant LCL logistics supply chain operator in Australasia	On target – in our considered opinion we have become the pre-eminent (strongest) LCL operator in the Australasian freight market
To be achieving in excess of 7% profit before tax in our international divisions	On target with CaroTrans achieving 6.4% and Mainfreight Asia 6.2%. Currently averaging 4.2% across all international operations
To increase the regional networks of Mainfreight International in New Zealand and Australia	Mainfreight International New Zealand has 11 branches and 2 more planned. Mainfreight International Australia is yet to establish any additional branches
To have international operations across Europe and the United States, China, India, South East Asia and South America	Development of our international network in the USA is progressing well. We have yet to develop beachheads in India, South East Asia or South America. Europe remains a priority
To have established logistics operations in China and the USA with some involvement in domestic distribution	On target; Mainfreight USA provides domestic distribution and some logistics services within the USA. China opportunities are currently under review. Suitable properties are being explored
To have our Australian domestic and warehousing operations earning similar profits to that of our New Zealand operations	Likely during 2012
To have our American interests earning more profit than our Australian and New Zealand International operations	Likely in 2015
To have all our international freight forwarding businesses operating on the same technology platform for uniformity in data entry and customer interface	Achieved in 2009

2010

TARGET	STATUS
To achieve profitability with Mainfreight USA	On target
To have doubled our revenue from our 2006 result, $686 million to $1,372 million	Likely in 2011 as organic growth and acquisition activity both contribute to our growth
To be well established, with our own businesses, around the world in all countries of trading importance	This development is likely to take longer than originally anticipated particularly in light of the current economic environment
To increase airfreight revenue to match seafreight revenue	Airfreight revenue currently $97 million, seafreight revenue $339 million
To increase our International branch network around the world	Opportunities being explored in Europe and South America

2011

TARGET	STATUS
To be significantly progressed in doubling our revenue from 2006	On target
To have more than 300 branch operations around the world	Likely to take longer as we consolidate operations during 2010 and 2011
To be established in Southeast Asia	Opportunities for expansion in the region under review
To have established a presence in Europe	On target
To have improved quality and margin return in our Australian domestic operations	On target
To be well advanced in developing our own International freight forwarding technology	On target
To have completed our new rail served sites in Wellington and Palmerston North, New Zealand	On target
To have a further three branches opened within China	On target

2012

TARGET	STATUS
To have more than $2 billion of revenue from worldwide operations	Likely to be in 2015
To have more than 400 branch operations around the world	Likely to be in 2018
To have doubled our spend on New Zealand rail from the $26m we currently spend	On target with new operations in Wellington and Palmerston North located on rail land providing further rail development
To have Australian domestic operations earning similar profits to those of our New Zealand operations	On target
To have constructed a supersite in Melbourne for Australian domestic transport and warehousing operations	On target with land likely to be acquired during 2010
To be the largest International freight forwarder in New Zealand and Australia	On target
To have increased our online New Zealand revenue to in excess of $5 million per annum	2009 revenue for online transactions $2 million per annum
To have the Mainfreight brand recognised around the world	In our considered opinion, Mainfreight is now recognised by a growing number of customers and competitors in many locations around the world
To have opened our first Southeast Asian branch	On target

2013

TARGET

- To have revenue of US$400 million in Mainfreight USA and to have doubled the number of owned branches from 12 to 24
- To have CaroTrans located on five continents
- To be KiwiRail's largest customer in New Zealand
- To have doubled our revenue to AU$600 million in our Mainfreight Australia operations

2014

TARGET

- To have revenue of US$500 million earning a rate of return of 7% in Mainfreight USA
- To have established a branch network throughout Southeast Asia
- To have sales revenues in excess of $100 million from our Asian interests earning a return on revenue of 7%

2015

TARGET

- To have in excess of $2 billion in sales revenue
- To have our American interests earning more profit than our Australian and New Zealand operations
- To have in excess of 300 branch locations around the world
- To be located in six European countries
- To be located in three South American countries
- To have a branch network throughout Asia including a presence in India

Ray Burgess, Mainfreight, Sydney

Capital Expenditure

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

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 $7.3 million. Capital required for property development during 2010 financial year is likely to be approximately $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 $4.4 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 $5.3 million.

Operating Statistics

The following figures provide an insight into our commitment to excellence and our increasingly strong performance in freight handling and customer service.

CLAIMS NEW ZEALAND

2006	471 consignments for 1 claim
2007	462 consignments for 1 claim
2008	462 consignments for 1 claim
2009	461 consignments for 1 claim
2010	496 consignments for 1 claim

*Claim ratios for Australia are not measured, as under Common Carrier Law customers' insurance is direct. It is our objective to commence measurement of claims ratios within Australia during 2010 and 2011.

LOADING ERRORS NEW ZEALAND

2006	2.81 loading errors per 100 consignments
2007	2.95 loading errors per 100 consignments
2008	2.79 loading errors per 100 consignments
2009	2.39 loading errors per 100 consignments
2010	2.35 loading errors per 100 consignments

LOADING ERRORS AUSTRALIA

2006	2.24 loading errors per 100 consignments
2007	2.33 loading errors per 100 consignments
2008	3.28 loading errors per 100 consignments
2009	2.63 loading errors per 100 consignments
2010	3.21 loading errors per 100 consignments

NEW ZEALAND DOMESTIC STATISTICS

	This Year	Last Year
Total Tonnes	1,689,438	1,693,904
Total Cubic Metres	3,950,802	4,110,025
Total Consignments	3,175,936	3,190,945
Delivery Performance	95.9%	96.1%

AUSTRALIAN DOMESTIC STATISTICS

	This Year	Last Year
Total Tonnes	462,712	410,382
Total Cubic Metres	1,439,069	1,312,476
Total Consignments	1,067,701	965,008
Delivery Performance	95.1%	95.8%

INTERNATIONAL STATISTICS

	This Year	Last Year
Airfreight Inbound and Outbound (kilos)	51,844,871	50,393,270
Seafreight Inbound and Outbound TEU's)	153,356	148,037
Customs Clearances	82,432	65,020
IATA Ranking		
New Zealand	1st	1st
Australia	23rd	27th

LOGISTICS STATISTICS

	This Year	Last Year
New Zealand		
Inventory Record Accuracy (IRA)	97.9%	97.2%
Orders Processed	458,327	427,630
Facility Utilisation	80.8%	76.1%
Warehousing Footprint	80,000m^2	84,000m^2
Domestic Consignments Generated	243,687	207,876
Value of Domestic Consignments Generated (new measure)	$12.7 million	$15.5 million
Percentage of Domestic Freight	5.1%	5.6%
Australia		
Inventory Record Accuracy (IRA)	96.8%	95.6%
Orders Processed	250,990	204,857
Facility Utilisation	78.7%	77.8%
Warehousing Footprint	55,000m^2	50,000m^2
Domestic Consignments Generated	167,613	166,002
Value of Domestic Consignments Generated (new measure)	$13.6 million	$11.2 million
Percentage of Domestic Freight	8.2%	8.5%

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		USA		Asia	
	This Year	Last Year	This Year	Last Year	This Year	Last Year	This Year	Last Year
Induction	97	277	68	157	28	–	–	–
Licensing	502	790	82	–	249	–	–	–
Procedural	1,594	651	972	185	49	–	–	–
Systems	127	390	48	399	178	391	80	100
Total	2,320	2,108	1,170	741	504	391	80	100

TEAM NUMBERS

	This Year	Last Year
NZ Domestic *Mainfreight, Daily Freight, Chemcouriers, Logistics, Owens*	1,595	1,650
NZ International *Mainfreight International, CaroTrans*	144	140
Australian Domestic *Mainfreight Distribution, Logistics, Owens*	694	698
Australian International *Mainfreight International, CaroTrans*	284	313
International *CaroTrans USA, Mainfreight USA, Mainfreight Asia*	525	551
Total Group	3,242	3,352

GENDER RATIOS

	Male	Female
New Zealand	73%	27%
Australia	68%	32%
USA	48%	52%
Asia	39%	61%
Total	67%	33%

TRAINING AND HR SPEND

	This Year	Last Year
Training and HR Spend	$3.15 million	$3.59 million
As a % of Revenue	0.28%	0.28%

DEBTOR DAYS OUTSTANDING

	This Year	Last Year
Debtors Days Outstanding	37.40	39.52

INFORMATION TECHNOLOGY STATISTICS

	This Year	Last Year
Information Technology Spend	$21.0 million	$23.2 million
As a % of Revenue	1.85%	1.83%

1. Percentage of consignment notes received electronically

	This Year	Last Year
New Zealand	61%	55%
Australia	73%	72%

2. Number of consignments tracked electronically

	This Year	Last Year
New Zealand	572,159	633,744
Australia	209,574	260,246

3. Percentage of Logistics orders received electronically

	This Year	Last Year
New Zealand	91%	90%
Australia	94%	87%
United States of America	84%	N/A

4. Logistics orders tracked electronically

This Year	Last Year
358,098	429,671

5. Electronic stock on hand enquiries

This Year	Last Year
309,535	262,981

6. Number of House Bill of Ladings received electronically

	This Year	Last Year
United States of America (CaroTrans)	17%	17%

7. International shipments tracked electronically

This Year	Last Year
172,609	126,586

8. Automated EDI status messages sent to customers

	This Year	Last Year
United States of America (CaroTrans)	192,365	300,514

REVENUE COMPARISON

$000	This Year	Last Year
New Zealand Domestic NZ$	$267,504	$294,814
New Zealand International NZ$	$107,463	$108,294
Australian Domestic AU$	$151,283	$150,519
Australian International AU$	$161,603	$172,077
USA Domestic & International US$	$228,205	$288,691
Asia International US$	$18,877	$16,790
Group Total NZ$	$1,132,158	$1,265,578

EBITDA COMPARISON

$000	This Year	Last Year
New Zealand Domestic NZ$	$39,030	$41,553
New Zealand International NZ$	$5,036	$4,897
Australian Domestic AU$	$10,583	$5,932
Australian International AU$	$7,329	$5,829
USA Domestic & International US$	$4,921	$11,621
Asia International US$	$1,393	$1,702
Group Total NZ$	$75,849	$81,256

EBITDA PRE-TEAM BONUS COMPARISON

$000	This Year	Last Year
New Zealand Domestic NZ$	$40,360	$41,553
New Zealand International NZ$	$5,213	$4,897
Australian Domestic AU$	$11,091	$5,932
Australian International AU$	$7,669	$5,829
USA Domestic & International US$	$5,125	$11,654
Asia International US$	$1,503	$1,917
Group Total NZ$	$78,883	$81,637


MAINFREIGHT
Special people
Special company

Sixty seven per cent of our revenue is currently earned outside of New Zealand. Australia, Asia, Europe, South America and the United States are where we see significant opportunity for growth.

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 six occasions in the financial year ended 31 March 2010.

Director	Meetings Held	Meetings Attended
Bruce Plested	6	6
Don Rowlands	6	6
Neil Graham	6	6
Richard Prebble	6	6
Carl Howard-Smith	6	6
Don Braid	6	6
Emmet Hobbs	6	6
Bryan Mogridge	6	6

Directors' Meetings

The Directors normally hold five Board Meetings per year over two day periods throughout Australia, New Zealand, United States and Asia 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.

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 Security Markets Regulations 2007.

Funding

During the year we took the decision to renegotiate our debt facilities earlier than the expiry date.

While this incurred increased line fees, we were successful in negotiating three-year debt facilities of NZ$125 million and a US$50 million facility, with Westpac and Commonwealth Bank of Australia. We have operated comfortably within banking covenant levels during the past financial year.

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 and Asia. Each division within each country has a National Manager who reports directly to the Group Managing Director.

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 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 reviews 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.

Due to the economic climate experienced last year, team member remuneration was not reviewed for the 2009/10 financial year. Executive remuneration has not been reviewed since March 2007. A 2% increase was applied to all salaries on 1 January 2010, with a further review planned in the new financial year of 2011.

With business performance improving in the second half of the financial year, a decision has been taken to re-introduce the discretionary bonus scheme, albeit on a much reduced scale.

It is our intention, subject to performance, to revert to the full discretionary bonus scheme during the 2011 financial year and beyond.

Remuneration Committee:

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

Directors' Report

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

Financial Result

Consolidated sales for the year were $1,132.2 million, down on the previous year by $133.4 million (10.5%). The net profit increased from $35.5 million to $36.4 million. Excluding non-recurring gains and losses the net profit decreased 4.4%. Comparisons to the 2009 result are set out in the five year review; page 114 of the financial statements.

Financial Position

The Group has improved its financial position with shareholders' equity of $297.4 million, funding 52.6% of total assets. Earnings cover interest on debt by 12.4 times. Net cash flow from operations was $53.7 million down from $63.1 million last year.

Freehold land was re-valued down by $1.8 million at 31 March 2010.

Dividend

A dividend of 10.0 cents per share was paid in July 2009, fully imputed. A supplementary dividend of 1.76 cents per share was paid to non-resident shareholders with this dividend. A further dividend of 8.5 cents per share was paid in December 2009, fully imputed. A supplementary dividend of 1.50 cents per share was paid to non-resident shareholders with this dividend. A fully imputed dividend of 10.0 cents per share, payable on 23 July 2010 is proposed, together with a supplementary dividend of 1.76 cents per share for non-resident shareholders. Books close for this dividend on 16 July 2010.

Statutory Information

Additional information is set out on pages 111 to 113 including Directors' Interests as required by the Companies Act 1993.

Directors

Mr Emmet Hobbs, Mr Bryan Mogridge and Mr Richard Prebble 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 2010 is scheduled for release on 19 August 2010.

Outlook

The Directors are satisfied with the direction and development of the Group. The next twelve 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 2010

Bruce Plested, Executive Chairman

Carl Howard-Smith, Director

Rafael Quiles, Mainfreight Los Angeles

Directors

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

Bruce Plested ~ Executive Chairman and Founding Owner

32 years with Mainfreight,
Appointment to Board 1978

Founding Managing Director of Mainfreight

Don Braid ~ Group Managing Director

16 years with Mainfreight,
Appointment to Board 2000

Joined Mainfreight through the acquisition of Daily Freightways in 1994
16 years with Freightways Group

Neil Graham ~ Independent Director

31 years with Mainfreight,
Appointment to Board 1979

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

Other Directorships: Graham Management Services Ltd, Scott Forestry Ltd, 3F Corporation Ltd.

Don Rowlands ~ Independent Director

Appointment to Board 1983

Former Managing Director, CEO Fisher & Paykel Industries Ltd, Former Director Nestlé NZ Ltd and Progressive Enterprises Ltd, Former President of the Auckland and New Zealand Manufacturers Association.

Other Directorships: CWF Hamilton Ltd.
Patron of the 2010 World Rowing Championships

Carl Howard-Smith ~ Director

32 years with Mainfreight,
Appointment to Board 1983

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

Other Directorships: Hoegh Autoliners (NZ) Ltd, and a number of directorships of private companies.

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 Ltd, WEL Networks and a number of private directorships and family companies.

Bryan Mogridge ~ Independent Director

Appointment to Board 2003

Other Directorships: Rakon Ltd (Chairman), Pyne Gould Corporation, BUPA Care NZ Ltd (Chairman), UBS (Vice Chairman), Trio Group Ltd, Starship Foundation (Chairman), Waitakere City Holdings Ltd (Chairman) and Enterprise Waitakere (Chairman)

Emmet Hobbs ~ Independent Director

Appointment to Board 2003

Former Executive Director Brambles Industrial Services Australia, Former Executive Director Qantas Freight.

Other Directorships: Hirepool (Chairman), Ports of Auckland Ltd, Auckland Regional Holdings, and a number of private directorships in New Zealand

Financial Contents

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

	Note	Group 2010 $000	Group 2009 $000	Parent 2010 $000	Parent 2009 $000
Operating Revenue		1,131,146	1,264,479	182,353	197,279
Interest Income		1,012	1,099	410	228
Dividends Received		–	–	12,100	13,700
Total Revenue		1,132,158	1,265,578	194,863	211,207
Transport Costs		(750,475)	(846,041)	(102,252)	(110,002)
Labour Expenses Excluding Share Based Payments		(203,330)	(222,070)	(38,926)	(42,102)
Occupancy Expenses and Rental Recharge		(25,914)	(27,897)	3,803	3,840
Depreciation and Amortisation Expenses	6	(16,301)	(14,269)	(7,928)	(7,698)
Other Expenses		(75,578)	(87,214)	(22,349)	(24,305)
Finance Costs		(6,327)	(6,427)	(782)	710
Derivative Fair Value Movement	6	526	315	–	–
Non-cash Share Based Payment Expense	25	(1,017)	(1,059)	(1,017)	(1,059)
Profit Before Non-recurring Expenses and Taxation for the Year		53,742	60,916	25,412	30,591
Income Tax on Profit Before Non-recurring Expenses		(15,490)	(20,914)	(5,245)	(5,928)
Net Profit Before Non-recurring Expenses for the Year		38,252	40,002	20,167	24,663
Non-recurring Expenses	30	(2,825)	(6,523)	(659)	(431)
Income Tax on Non-recurring Expenses		938	2,003	197	129
Non-recurring Expenses After Taxation		(1,887)	(4,520)	(462)	(302)
Profit Before Taxation for the Year		50,917	54,393	24,753	30,160
Income Tax Expense	7	(14,552)	(18,911)	(5,048)	(5,799)
Net Profit for the Year		36,365	35,482	19,705	24,361

Earnings per share for profit attributable to the ordinary equity holders of the company are:

		Cents	Cents
Basic Earnings Per Share: Total Operations	9	36.93	36.38
Diluted Earnings Per Share: Total Operations	9	36.93	36.38

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2010

	Group 2010 $000	Group 2009 $000	Parent 2010 $000	Parent 2009 $000
Net Profit for the Year	36,365	35,482	19,705	24,361
Other Comprehensive Income				
Exchange Differences on Translation of Foreign Operations	(6,530)	15,307	–	–
Income Tax Relating to Exchange Differences on Translation of Foreign Operations	–	–	–	–
Revaluation of Land	(1,750)	(3,893)	(1,750)	(3,894)
Income Tax Relating to Revaluation of Land	–	–	–	–
Other Comprehensive Income for the Year, Net of Tax	(8,280)	11,414	(1,750)	(3,894)
Total Comprehensive Income for the Year, Net of Tax	28,085	46,896	17,955	20,467

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

BALANCE SHEET AS AT 31 MARCH 2010

	Note	Group 2010 $000	Group 2009 $000	Parent 2010 $000	Parent 2009 $000
Shareholders' Equity					
Share Capital	21	65,637	64,620	65,637	64,620
Retained Earnings		189,954	171,806	162,687	161,199
Revaluation Reserve		37,964	39,714	37,132	38,882
Foreign Currency Translation Reserve		3,888	10,418	–	–
TOTAL EQUITY		297,443	286,558	265,456	264,701
Non-current Liabilities					
Bank Term Loan	19	119,384	97,679	19,393	6,515
Trade Creditors & Accruals		–	2,425	–	–
Provisions for Onerous Leases	17	2,466	3,525	–	–
Employee Entitlements	16	1,257	960	–	–
Deferred Tax Liability	7	722	507	1,588	1,492
Finance Lease Liability	20	505	1,397	–	–
		124,334	106,493	20,981	8,007
Current Liabilities					
Current Portion of Bank Term Loan	19	–	22,507	–	–
Bank Overdraft	10	–	5,906	–	23,365
Intercompany Creditors	23	–	–	18,033	17,481
Trade Creditors & Accruals		122,633	109,806	17,385	19,481
Provisions for Onerous Leases	17	1,536	2,363	591	431
Derivative Financial Instruments	18	–	492	–	–
Employee Entitlements	16	14,477	12,036	2,615	1,736
Provision for Taxation		4,304	553	733	1,735
Finance Lease Liability	20	650	996	–	–
		143,600	154,659	39,357	64,229
TOTAL LIABILITIES AND EQUITY		565,377	547,710	325,794	336,937

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

	Note	Group 2010 $000	Group 2009 $000	Parent 2010 $000	Parent 2009 $000
Non-current Assets					
Property, Plant & Equipment	14	209,761	211,354	157,288	161,562
Software	15	9,612	9,728	6,419	6,056
Goodwill	15	123,014	139,485	–	–
Other Intangible Assets	15	6,371	8,884	–	–
Investments in Subsidiaries	13	–	–	126,049	126,127
Other Investments		80	80	80	80
Deferred Tax Asset	7	5,722	5,404	–	–
		354,560	374,935	289,836	293,825
Current Assets					
Bank	10	37,647	13,206	314	–
Trade Debtors	11	157,700	144,634	18,957	17,793
Intercompany Debtors	23	–	–	13,437	21,921
Derivative Financial Instruments	18	102	–	–	–
Income Tax Receivable		1,791	3,547	–	–
Properties Held for Sale	23	1,618	1,974	–	–
Other Debtors	12	11,959	9,414	3,250	3,398
		210,817	172,775	35,958	43,112
TOTAL ASSETS		565,377	547,710	325,794	336,937

For and on behalf of the Board who authorised the issue of these financial statements on 28 June 2010.

Bruce G. Plested, Executive Chairman

Carl G. O. Howard-Smith, Director

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2010

Consolidated 2010	**Ordinary Shares**	**Asset Revaluation Reserve**	**Foreign Currency Translation Reserve**	**Retained Earnings**	**Total**
Balance at 1 April 2009	64,620	39,714	10,418	171,806	286,558
Profit for the Period	–	–	–	36,365	36,365
Other Comprehensive Income	–	(1,750)	(6,530)	–	(8,280)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	–	(1,750)	(6,530)	36,365	28,085
Transactions with Owners in Their Capacity as Owners:					
Shares Issued	–	–	–	–	–
Executive Share Scheme Costs	1,017	–	–	–	1,017
Supplementary Dividends	–	–	–	(352)	(352)
Dividends Paid	–	–	–	(18,217)	(18,217)
Foreign Investor Tax Credit	–	–	–	352	352
BALANCE AT 31 MARCH 2010	65,637	37,964	3,888	189,954	297,443

Consolidated 2009	**Ordinary Shares**	**Asset Revaluation Reserve**	**Foreign Currency Translation Reserve**	**Retained Earnings**	**Total**
Balance at 1 April 2008	57,124	43,607	(4,889)	154,351	250,193
Profit for the Period	–	–	–	35,482	35,482
Other Comprehensive Income	–	(3,893)	15,307	–	11,414
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	–	(3,893)	15,307	35,482	46,896
Transactions with Owners in Their Capacity as Owners:					
Shares Issued	6,437	–	–	–	6,437
Executive Share Scheme Costs	1,059	–	–	–	1,059
Supplementary Dividends	–	–	–	(497)	(497)
Dividends Paid	–	–	–	(18,027)	(18,027)
Foreign Investor Tax Credit	–	–	–	497	497
BALANCE AT 31 MARCH 2009	64,620	39,714	10,418	171,806	286,558

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

Parent 2010	Ordinary Shares	Asset Revaluation Reserve	Retained Earnings	Total Equity
Balance at 1 April 2009	64,620	38,882	161,199	264,701
Profit for the Period	–	–	19,705	19,705
Other Comprehensive Income	–	(1,750)	–	(1,750)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	–	(1,750)	19,705	17,955
Transactions with Owners in Their Capacity as Owners:				
Shares Issued	–	–	–	–
Executive Share Scheme Costs	1,017	–	–	1,017
Supplementary Dividends	–	–	(352)	(352)
Dividends Paid	–	–	(18,217)	(18,217)
Foreign Investor Tax Credit	–	–	352	352
BALANCE AT 31 MARCH 2010	65,637	37,132	162,687	265,456

Parent 2009	Ordinary Shares	Asset Revaluation Reserve	Retained Earnings	Total Equity
Balance at 1 April 2008	57,124	42,776	154,865	254,765
Profit for the Period	–	–	24,361	24,361
Other Comprehensive Income	–	(3,894)	–	(3,894)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	–	(3,894)	24,361	20,467
Transactions with Owners in Their Capacity as Owners:				
Shares Issued	6,437	–	–	6,437
Executive Share Scheme Costs	1,059	–	–	1,059
Supplementary Dividends	–	–	(497)	(497)
Dividends Paid	–	–	(18,027)	(18,027)
Foreign Investor Tax Credit	–	–	497	497
BALANCE AT 31 MARCH 2009	64,620	38,882	161,199	264,701

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

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

	Note	Group 2010 $000	Group 2009 $000	Parent 2010 $000	Parent 2009 $000
Cash Flows From Operating Activities					
Receipts from Customers		1,115,468	1,302,811	181,288	203,561
Interest Received		1,012	1,099	410	227
Dividend Received		–	–	12,100	13,700
Payments to Suppliers and Team Members		(1,047,892)	(1,214,427)	(158,937)	(172,623)
Interest Paid		(5,801)	(6,112)	(3,193)	(1,181)
Income Taxes Paid		(9,099)	(20,304)	(5,954)	(3,777)
NET CASH FLOWS FROM OPERATING ACTIVITIES	22	53,688	63,067	25,714	39,907
Cash Flows From Investing Activities					
Proceeds from Sale of Property, Plant & Equipment		845	2,071	471	1,249
Proceeds from Sale of Software		4	–	4	–
Repayments by Team Members		1,099	25	1,093	24
Purchase of Property, Plant & Equipment		(13,261)	(36,591)	(3,111)	(25,332)
Purchase of Software		(4,388)	(6,185)	(3,131)	(3,389)
Purchase of Other Intangibles		–	(310)	–	–
Interest Costs Capitalised		–	(160)	–	(160)
Advances to Team Members		(9)	(1,112)	(9)	(1,103)
Additional Capital into Existing Subsidiaries		–	–	–	(30,237)
Acquisition of Subsidiaries	26	–	(19,614)	–	–
NET CASH FLOWS FROM INVESTING ACTIVITIES		(15,710)	(61,876)	(4,683)	(58,948)
Cash Flows From Financing Activities					
Proceeds of Long Term Loans		12,911	–	11,748	492
Advances from Director	23	800	–	800	–
Advances and Repayments from Subsidiaries		–	–	9,117	7,210
Proceeds of Share Issues		–	6,438	–	6,438
Dividend Paid to Shareholders		(18,217)	(18,027)	(18,217)	(18,027)
Repayment of Advances from Director	23	(800)	–	(800)	–
Repayment of Loans		(812)	(9,829)	–	–
NET CASH FLOWS FROM FINANCING ACTIVITIES		(6,118)	(21,418)	2,648	(3,887)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		31,860	(20,227)	23,679	(22,928)
Net Foreign Exchange Differences		(1,513)	6,019	–	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		7,300	21,508	(23,365)	(437)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		37,647	7,300	314	(23,365)
Comprised					
Bank and Short Term Deposits	10	37,647	13,206	314	–
Bank Overdraft		–	(5,906)	–	(23,365)
		37,647	7,300	314	(23,365)

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

1 Corporate Information

The financial statements of Mainfreight Limited (the "Company" or the "Parent") and the Group for the year ended 31 March 2010 were authorised for issue in accordance with a resolution of the directors.

Mainfreight Limited is a company limited by shares incorporated in New Zealand whose shares are publicly traded on the New Zealand Stock Exchange.

2 Summary of Significant Accounting Policies

(a) Basis of Preparation

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP) and the requirements of the Companies Act 1993 and the Financial Reporting Act 1993. The financial statements have been prepared on a historical cost basis, except for freehold land, and derivative financial instruments which have been measured at fair value.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($000).

(b) Statement of Compliance

The financial statements have been prepared in accordance with NZ GAAP. They comply with New Zealand equivalents to International Financial Reporting Standards and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The financial statements comply with International Financial Reporting Standards (IFRS).

(c) Basis of Consolidation

The consolidated financial statements comprise the financial statements of Mainfreight Limited and its subsidiaries (the "Group") as at 31 March each year (as outlined in note 13). Interests in associates are equity accounted (see note (j) below).

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Income and expenses for each subsidiary whose functional currency is not New Zealand dollars are translated at exchange rates which approximate the rates at the actual dates of the transactions. Assets and liabilities of such subsidiaries are translated at exchange rates prevailing at balance date. All resulting exchange differences are recognised in the foreign currency translation reserve which is a separate component of equity.

In preparing the consolidated financial statements, all inter-company balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Minority interests not held by the Group are allocated their share of net profit after tax in the income statement and are presented within equity in the consolidated balance sheet, separately from parent shareholders' equity.

2 Summary of Significant Accounting Policies (continued)

(d) Business Combinations

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the combination. Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Except for non-current assets or disposal groups classified as held for sale (which are measured at fair value less costs to sell), all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of the business combination over the net fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the Group's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of the consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(e) Segment Reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses whose operating results are regularly reviewed by the entity's chief operating decision maker and for which discrete financial information is available.

(f) Foreign Currency Translation

(i) Functional and Presentation Currency

Both the functional and presentation currency of Mainfreight Limited and its New Zealand subsidiaries is New Zealand dollars ($). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(ii) Transactions and Balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All exchange differences in the consolidated financial statements are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment and differences arising on translation of a foreign operation. These are recognised in other comprehensive income and accumulated in reserves until disposal of the net investment at which time they are recognised in profit or loss. On disposal of a foreign operation, the cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss. Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined (refer to g (iii)).

(g) Financial Assets and Liabilities

All financial assets are measured at amortised cost with the exception of derivatives which are measured at fair value through profit and loss.

(i) Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(ii) Trade Receivables

Trade receivables, which generally have 7-30 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 6 months overdue are considered objective evidence of impairment. Trade receivables are written off as bad debts when all avenues of collection have been exhausted.

(iii) Derivative Financial Instruments and Hedging

The Group uses derivative financial instruments such as interest rate swaps to hedge (economically but not in accounting terms) its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss for the year.

The fair values of interest rate swap contracts are determined by reference to market values for similar instruments.

Hedges of a Net Investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for by including the gains or losses on the hedging instrument relating to the effective portion of the hedge directly in equity while any gains or losses relating to the ineffective portion of the hedge are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to profit or loss.

(iv) Recognition and De-recognition

Purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or been transferred.

2 Summary of Significant Accounting Policies (continued)

(h) New Accounting Standards and Interpretations

The Group has adopted NZ IAS 1R Presentation of Financial Statements and amendments to NZ IFRS 7. The adoption of this standard has only affected the disclosure in these financial statements. There has been no effect on profit and loss or the financial position of the entity.

Standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the reporting period ending 31 March 2010. These are outlined in the table below.

Reference	Title	Summary	Application date of standard	Impact on Group financial statements	Application date for Group
NZ IFRS 3 (revised) and NZ IAS 27 (amended)	NZ IFRS 3 Business Combinations (revised) and NZ IAS 27 Consolidated and Separate Financial Statements (amended)	NZ IFRS 3 (revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. NZ IAS 27 (amended) requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give raise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.	1 July 2009	The changes introduced by NZ IFRS 3 (revised) and NZ IAS 27 (amended) must be applied prospectively and will affect future acquisitions and transactions with minority interests.	1 April 2010
NZ IFRS 9	NZ IFRS 9 Financial Instruments	This standard is part of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. The standard applies to financial assets, their classification and measurement. All financial assets are required to be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs and subsequently measured at amortised cost or fair value.	1 July 2013	The Group has not yet determined the effect, if any, on the Group Financial Statements.	1 April 2013
Improvements to NZ Equivalents to IFRS	Amendments to New Zealand Accounting Standards arising from the Annual Improvements Project.	The amendment to NZ IAS 36 clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment, as defined in IFRS 8 before aggregation for reporting purposes.	1 January 2010	This is not expected to have any impact on Group Financial Statements.	1 April 2010

2 Summary of Significant Accounting Policies (continued)

(i) Non-current Assets / Liabilities Held for Sale and Discontinued Operations

Non-current assets and disposal groups are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction. They are not depreciated or amortised. For an asset or disposal group to be classified as held for sale, it must be available for immediate sale in its present condition and its sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the income statement.

(j) Investments in Associates

The Group's investment in its associates is accounted for using the equity method of accounting in the consolidated financial statements and at cost in the Parent. The associates are entities over which the Group has significant influence and that are neither subsidiaries nor joint ventures. The Group generally deems they have significant influence if they have over 20% of the voting rights.

Under the equity method, investments in the associates are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in associates.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the Parent's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The reporting dates of the associates and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

(k) Property, Plant and Equipment

Property, plant and equipment, except freehold land, is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. All other repairs and maintenance are recognised in profit or loss as incurred.

Freehold land is measured at fair value, based on annual valuations by external independent valuers who apply the International Valuation Standards Committee International Valuation Standards, less any impairment losses recognised after the date of the revaluation.

Depreciation is calculated on a straight-line basis at rates calculated to allocate the assets' cost, less estimated residual value, over their estimated useful lives as follows:

	per annum
Land	not depreciated
Buildings	2% to 3%
Leasehold Improvements	10% or life of lease if shorter
Furniture & Fittings	10% to 20%
Motor Cars	26% to 31%
Plant and Equipment	10% to 25%
Computer Hardware	28% to 36%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

Revaluations of Freehold Land

Revaluations increment is credited to other comprehensive income and accumulated in the asset revaluation reserve except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss.

Any revaluation decrement is recognised in profit or loss, except to the extent that it offsets a previous revaluation increase for the same asset, in which case the decrease is debited directly to other comprehensive income to the extent of the credit balance existing in the revaluation reserve for that asset.

Upon disposal or de-recognition, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(l) Leases – as a Lessee

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a Lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

(m) Goodwill and Intangibles

(i) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the business acquired are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- Represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- Is not larger than a segment based on the Group's operating segments determined in accordance with NZ IFRS 8 Segment Reporting.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

(m) Goodwill and Intangibles **(continued)**

(ii) Intangibles

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit (group of cash-generating units) level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

Customer Lists and Relationships

Amortisation method used:

Amortised over the period of expected future benefit from the acquired customer list on a straight-line basis generally over five years.

Internally generated or acquired:

Acquired.

Impairment testing:

Reviewed annually for impairment indicators and when an impairment indicator has been identified an impairment test is completed. The amortisation method is reviewed at each financial year-end.

Agency Agreements

Amortisation method used:

Amortised over the period of expected future benefit from the acquired agencies on a straight-line basis generally from ten to twenty years.

Internally generated or acquired:

Acquired.

Impairment testing:

Reviewed annually for impairment indicators and when an impairment indicator has been identified an impairment test is completed. The amortisation method is reviewed at each financial year-end.

(m) Goodwill and Intangibles (continued)

(iii) Software

The Group uses both internal and external resources to develop software. An intangible asset arising from expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefit from the related project.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use, or more frequently when an indication of impairment arises during the reporting period.

A summary of the policies applied to the Group's intangible assets is as follows:

Software

Amortisation method used:

Amortised over the period of expected future benefit from the related project on a straight-line basis generally from three to five years.

Internally generated or acquired:

Both.

Impairment testing:

Reviewed annually for impairment indicators and when an impairment indicator has been identified an impairment test is completed. The amortisation method is reviewed at each financial year-end.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is de-recognised.

(n) Trade and Other Payables

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition. Due to their short term nature they are not discounted.

(o) Interest-bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received plus directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing Costs

Borrowing costs are recognised as an expense when incurred unless funding costs have been incurred which are directly attributable to the acquisition, construction, or production of a qualifying asset in which case funding costs are included within the cost of the asset. Capitalisation of borrowing costs cease when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. There were no borrowing costs capitalised in 2010 (2009 $160,000 at an average capitalisation rate of 7.99%).

2 Summary of Significant Accounting Policies (continued)

(p) Provisions and Employee Leave Benefits

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

Employee Leave Benefits

(i) Wages, Salaries, Annual Leave and Sick Leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long Service Leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, at closely as possible, the estimated future cash outflows.

(q) Share-based Payment Transactions

Equity Settled Transactions

The Group provides benefits to some of its team members in the form of share-based payments, whereby team members render services in exchange for shares or rights over shares (equity-settled transactions).

There is currently one type of plan in place to provide these benefits, being The Mainfreight Limited Partly Paid Share Scheme, which provides benefits to the Managing Director and senior executives.

The cost of these equity-settled transactions with team members (for awards granted after 7 November 2002 that were unvested at 1 April 2006) is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using the Black Scholes and binomial models. Further details are given in note 25.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of Mainfreight Limited.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the income statement is the product of; (i) the grant date fair value of the award; (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and (iii) the expired portion of the vesting period.

The charge to the income statement for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Equity-settled awards granted by Mainfreight Limited to team members of subsidiaries are recognised in the Parent's separate financial statements as an additional investment in the subsidiary with a corresponding credit to equity. These amounts are eliminated on consolidation. As a result, the expense recognised by Mainfreight Limited in relation to equity-settled awards only represents the expense associated with grants to employees of the parent. The expense recognised by the Group is the total expense associated with all such awards.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

(q) Share-based Payment Transactions (continued)

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding partly-paid shares is reflected as additional share dilution in the computation of diluted earnings per share (see note 9).

(r) Contributed Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(s) Revenue Recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Rendering of Services

Revenue for all domestic contracted deliveries is recognised when goods have been collected from the customer. Revenues derived from international freight forwarding are recognised on a stage of completion basis. Fees for warehousing are recognised as services are provided to the counter-party.

(ii) Interest Income

Revenue is recognised as interest accrues using the effective interest rate method.

(iii) Dividends

Revenue is recognised when the Group's right to receive the payment is established.

(t) Income Tax and Other Taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- When the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

2 Summary of Significant Accounting Policies (continued)

(t) Income Tax and Other Taxes (continued)

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Other Taxes

Revenues, expenses, liabilities and assets are recognised net of the amount of GST, except:

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a net basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(u) Earnings Per Share

Basic earnings per share is calculated as net profit attributable to members of the Parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- Costs of servicing equity (other than dividends);
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares.

3 Financial Risk Management Objectives and Policies

The Group's principal financial instruments, other than derivatives, comprise bank loans and overdrafts, finance leases, cash and short-term deposits, inter-company receivables and payables, director loans, trade creditors and accruals and trade debtors.

The main purpose of these financial instruments is to raise finance and provide working capital for the Group's operations.

The Group also enters into derivative transactions, principally interest rate swaps. The purpose is to manage the interest rate risks arising from the Group's operations and its sources of finance. These are not currently hedge accounted.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, fair value interest rate risk, liquidity risk, foreign currency risk and credit risk.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in notes 2 and 4 to the financial statements.

Cash Flow Interest Rate Risk

The Group's exposure to cash flow risk through changes in market interest rates relates primarily to the Group's long-term debt obligations with a floating interest rate. The level of debt is disclosed in note 19.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt. To manage this mix in a cost-efficient manner, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 31 March 2010, after taking into account the effect of interest rate swaps, approximately 47% of the Group's borrowings are at a fixed rate of interest through to 2011 or 2012 (2009: 45%).

Fair Value Interest Rate Risk

As the Group holds fixed rate debt there is a risk that the economic value of a financial instrument will fluctuate because of changes in market interest rates. The level of fixed rate debt is disclosed in note 19 and it is acknowledged that this risk is a by-product of the Group's attempt to manage its cash flow interest rate risk. The Group is also exposed to fair value interest rate risk through the use of interest rate swaps. The Group accepts this risk as a by-product of its hedging strategy.

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 economically hedges some of the currency risk relating to its Australian operations by holding a portion of its bank borrowings 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. In addition the Group has loans in United States (US) dollars to assist in funding its US operations and to offset the variability of future post interest financial performance to foreign exchange rate fluctuations. These foreign currency borrowings are held in Australian and US entities respectively.

	Group		Parent	
	2010 AU$000	**2009** AU$000	**2010** AU$000	**2009** AU$000
Net Assets & AU$ Advances of Australian Subsidiaries	70,273	57,281	–	–
Investment in Australian Subsidiaries & Advances in AU$	–	–	(839)	(1,308)
NET ASSETS RELATING TO AUSTRALIAN OVERSEAS SUBSIDIARIES EXPOSED TO CURRENCY RISK	$70,273	$57,281	$(839)	$(1,308)
	US$000	US$000	US$000	US$000
Net Assets & US$ Advances of American & Asian Subsidiaries	33,457	31,997	–	–
Investment in American & Asian Subsidiaries in US$	–	–	17,217	14,402
NET ASSETS RELATING TO AMERICAN AND ASIAN SUBSIDIARIES EXPOSED TO CURRENCY RISK	$33,457	$31,997	$17,217	$14,402

3 Financial Risk Management Objectives and Policies (continued)

Currency movements in the foreign denominated balances above are reflected in the Foreign Currency Translation Reserve. The movements were comprised of the following:

	Group		Parent	
	2010 NZ$000	**2009** NZ$000	**2010** NZ$000	**2009** NZ$000
Retranslation of Net Assets in Foreign Subsidiaries	(6,530)	15,307	–	–
MOVEMENT IN FOREIGN CURRENCY TRANSLATION RESERVE	$(6,530)	$15,307	$ –	$ –

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 2010 the Group has the following monetary assets and liabilities denominated in foreign currencies: 75% of trade accounts payable (2009 73%), 74% of trade accounts receivable (2009 73%), 96% of cash assets (2009 100%), and 84% of cash liabilities (2009 95%). These amounts are inclusive of the above balances held in foreign subsidiaries.

The following sensitivity is based on the foreign currency risk exposures in existence at the balance sheet date:

At 31 March 2010, had the New Zealand Dollar moved as illustrated in the table below with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:

	Post Tax Profit Higher / Lower		Equity Higher / (Lower)	
	2010 $000	**2009** $000	**2010** $000	**2009** $000
Consolidated				
NZD/USD +10%	(196)	(801)	(4,887)	(5,652)
NZD/USD –10%	240	978	5,973	6,909
NZD/AUD +10%	(1,149)	(222)	(7,584)	(5,005)
NZD/AUD –10%	1,402	241	9,269	6,299
Parent				
NZD/USD +10%	(79)	(71)	(79)	(71)
NZD/USD –10%	96	86	96	86
NZD/AUD +10%	346	(3)	346	(3)
NZD/AUD –10%	(423)	4	(423)	4

The movement in equity is a combination of movement in post tax profit and the movement in the Foreign Currency Translation Reserve as values of overseas investments in subsidiaries change.

Management believes the balance date risk exposures are representative of the risk exposure inherent in the financial instruments.

Credit Risk

In the normal course of business the Group is exposed to credit risk from financial instruments including cash, trade receivables, loans to team members and derivative financial instruments.

Receivable balances are monitored on an ongoing basis with the result that, in management's view, the Group's exposure to bad debts is not significant. The Group does not have concentrations of credit risk by industry but does have concentrations by geographical sectors (refer to Segment Reporting in note 5).

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, loans to team members and certain derivative instruments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group has a policy only to deal with registered banks or financial institutions with high quality credit ratings.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for each individual customer in accordance with parameters set by the Board. These risk limits are regularly monitored.

3 Financial Risk Management Objectives and Policies (continued)

Liquidity Risk

Liquidity risk represents the Group's ability to meet their contractual obligations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, and finance leases. The Board considers that, in general, the Group has sufficient cash flows from operating activities to meet their obligations. If there are projected shortfalls, management ensures adequate committed finance is available.

At 31 March 2010, none of the Group's debt will mature in less than one year (2009: 19%).

The table below reflects all contractually fixed payments and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities, including derivative financial instruments as of 31 March 2010. The respective undiscounted cash flows for the respective upcoming fiscal years are presented. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 31 March 2010.

The remaining contractual maturities of the Group's and Parent entity's financial liabilities are:

	Consolidated 2010 Year ($000)					**Consolidated 2009 Year ($000)**			
	<6 months	6–12 months	1–2 years	2–5 Years	Total	<6 months	6–12 mths	1–2 years	Total
Term Loan	2,190	2,190	4,380	120,479	129,238	1,651	24,050	97,918	123,619
Overdraft	–	–	–	–	–	6,024	59	–	6,083
Creditors	120,201	768	690	1,776	123,435	115,694	–	2,425	118,189
Others	355	355	517	–	1,227	548	1,040	1,496	3,084
TOTAL	122,746	3,313	5,587	122,255	253,900	123,917	25,149	101,839	250,905

	Parent 2010 Year ($000)					**Parent 2009 Year ($000)**			
	<6 months	6–12 months	1–2 years	2–5 Years	Total	<6 months	6–12 mths	1–2 years	Total
Term Loan	378	378	757	19,582	21,095	131	131	6,537	6,799
Overdraft	–	–	–	–	–	23,833	234	–	24,067
Creditors	35,729	280	–	–	36,009	37,393	–	–	37,393
Others	–	–	–	–	–	–	–	–	–
TOTAL	36,107	658	757	19,582	57,104	61,357	365	6,537	68,259

At balance date, the Group has available approximately $77 million (2009: $75 million) of unused credit facilities available for its immediate use.

Fair value

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1: the fair value is calculated using quoted prices in active markets

Level 2: the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3: the fair value is estimated using inputs for the asset or liability that are not based on observable market data

The Group holds interest rate swaps which are classified as Level 2 in the hierarchy. For financial instruments not quoted in active markets, the Group uses valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs.

The methods for estimating fair value are outlined in the relevant notes to the financial statements.

4 Significant Accounting Judgements, Estimates and Assumptions

In applying the Group's accounting policies, management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions and the differences may be material. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

(a) Significant Accounting Judgements

Allocation of Goodwill

Goodwill relating to the acquisition of Halford International has been allocated to a group of cash generating units (CGU) because those CGU's have synergies or interrelated activities. Goodwill was allocated on geographical locations of the entities acquired and their nature of operations.

(b) Significant Accounting Estimates and Assumptions

Allocation of Purchase Price to Purchased Assets

The group has allocated the purchase price of purchased assets using an external valuer as detailed in note 26. The valuation estimated the values of customer lists, agency networks and brand names on the basis that they are separable or contractual. Assumptions underlying the calculations include the non- seperability of non-contracted customer relationships and that given Halford's share of the total market in Australia, the brand has been allocated $0 value.

Impairment of Goodwill and Intangibles with Indefinite Useful Lives

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating unit(s) to which the goodwill is allocated. No impairment was recognised in the current year in respect of goodwill. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill are discussed in note 15.

Share Based Payment Transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using Black Scholes and binomial models, with the assumptions detailed in note 25. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Long Service Leave Provision

As discussed in note 2(p), the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at balance date. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account based on past history.

Allowance for Impairment Loss on Trade Receivables

Where receivables are outstanding beyond the normal trading terms, the likelihood of the recovery of these receivables is assessed by management. Due to the large number of debtors, this assessment is based on supportable past collection history and historical write-offs of bad debts, which includes 100% over 180 days. The allowance for impairment loss is outlined in note 11.

Estimation of Useful Lives of Assets

The estimation of the useful lives of assets including intangibles have been based on historical experience as well as lease terms (for leased equipment), and turnover policies (for motor vehicles). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary. Depreciation and amortisation charges are included in note 6.

Estimation of Land Valuation

The group performs an annual valuation of the freehold land, buildings and leasehold improvements. The fair value is determined by an external valuer with the assumptions detailed in note 14.

5 Segmental Reporting

The Group operates in the domestic supply chain (i.e. moving and storing freight within countries) and international freight industries (i.e. moving freight between countries). In New Zealand and Australia the Domestic and International businesses are run from separate entities and their results are reported as such to management. The USA is reported to management as one segment as the businesses there perform both domestic and international services.

The accounting policies of the operating segments are the same as those described in the notes in note 2 with the exception of deferred tax and the fair value of derivative financial instruments which are not reported on a monthly basis.

The segmental results from operations are disclosed below.

Industrial and Geographical Segments

The following table represents revenue, margin and certain asset information regarding industrial and geographical segments for the years ended 31 March 2010 and 31 March 2009. Inter segment transactions are entered into on a fully commercial basis.

	NZ Domestic	NZ International	Australia Domestic	Australia International	USA	Asian International	Intercoy	**2010** $000 Consolidated
Operating Revenue								
– sales to customers outside the group	267,504	107,463	189,696	202,637	336,983	27,875	–	1,132,158
– inter-segment sales	2,592	(361)	10,526	9,532	20,699	13,147	(56,135)	–
TOTAL REVENUE	270,096	107,102	200,222	212,169	357,682	41,022	(56,135)	1,132,158
EBITDA	39,030	5,036	13,270	9,190	7,266	2,057	–	75,849
Depreciation & Amortisation	8,892	229	2,066	1,048	3,828	238	–	16,301
EBITA	30,138	4,807	11,204	8,142	3,438	1,819	–	59,548
Capital Expenditure	6,689	574	1,914	6,309	2,027	263	–	17,776
Trade Receivables	33,210	13,463	27,704	34,719	47,625	4,958	(5,664)	156,015
Non-current Assets	179,423	8,753	34,488	34,901	80,654	16,341	–	354,560
Total Assets	217,414	22,680	79,953	79,135	141,829	26,829	(5,664)	562,176
TOTAL LIABILITIES	84,352	15,249	43,416	44,038	73,112	10,231	(5,664)	264,734

	NZ Domestic	NZ International	Australia Domestic	Australia International	USA	Asian International	Intercoy	**2009** $000 Consolidated
Operating Revenue								
– sales to customers outside the group	294,814	108,294	183,202	209,442	444,004	25,822	–	1,265,578
– inter-segment sales	4,772	(445)	10,081	10,257	23,572	9,805	(58,042)	–
TOTAL REVENUE	299,586	107,849	193,283	219,699	467,576	35,627	(58,042)	1,265,578
EBITDA	41,553	4,897	7,220	7,095	17,873	2,618	–	81,256
Depreciation & Amortisation	8,575	406	1,858	636	2,704	90	–	14,269
EBITA	32,978	4,492	5,362	6,458	15,169	2,528	–	66,987
Capital Expenditure	29,204	606	2,818	1,216	8,425	591	–	42,860
Trade Receivables	31,927	12,725	23,386	33,059	45,787	3,921	(6,171)	144,634
Non-current Assets	183,882	8,414	33,010	28,285	103,658	17,686	–	374,935
Total Assets	219,306	21,446	59,039	65,419	162,154	26,517	(6,171)	547,710
TOTAL LIABILITIES	101,989	14,234	26,744	36,677	78,256	9,423	(6,171)	261,152

5 Segmental Reporting (continued)

Reconciliation between Segment EBITA and the Income Statement	2010 $000	2009 $000
Profit from Continuing Operations Before Non-recurring Restructuring Expenses and Taxation for the Year	53,742	60,916
Interest Income	(1,012)	(1,099)
Derivative Fair Value Movement	(526)	(315)
Non-cash Share Based Payment Expense	1,017	1,059
Finance Costs	6,327	6,427
EBITA	59,548	66,987

EBITDA is defined as earnings before net interest expense, tax, depreciation,amortisation,abnormals, share based payment expense, minority interests and associates.

There are no customers in any segment that comprise more than 10% of that segment's revenue.

The gegraphical segments are determined based on the location of the Group's assets. The industrial segments are determined with the operating businesses organised and managed seperately according to the nature of the services provided.

6 Expenses and Other Income

The Profit before Taxation is stated:	Group 2010 $000	Group 2009 $000	Parent 2010 $000	Parent 2009 $000
After Charging:				
Audit Fees – Parent Company Auditors	716	716	189	213
Audit Fees – Other Auditors	23	120	–	–
Other Assurance Related Fees Paid to Parent Company Auditors	184	66	–	19
Tax Fees Paid to Parent Company Auditors for Tax Planning and Compliance	583	490	143	159
Due Diligence Fees Paid to Parent Company Auditors	–	–	–	–
Depreciation: Buildings	2,921	2,487	2,671	2,362
Leasehold Improvements	1,479	1,431	194	187
Plant, Vehicles & Equipment – Owned	6,413	5,457	2,398	2,258
Plant, Vehicles & Equipment – Finance Leased	356	411	–	–
Amortisation of Software	3,903	3,911	2,665	2,891
Amortisation of Customer Lists & Agency Agreements	1,229	572	–	–
Employee Benefits Expense				
Wages and Salaries	202,770	221,510	38,366	41,542
Directors' Fees	560	560	560	560
Share-based Payments Expense	1,017	1,059	1,017	1,059
TOTAL EMPLOYEE BENEFITS	204,347	223,129	39,943	43,161
Interest: Fixed Loans	3,031	4,633	954	–
Finance Leases	75	103	–	–
Other Interest	3,221	1,691	(172)	(710)
Derivative Fair Value Movement	(526)	(315)	–	–
Bad Debts Written Off/(Recovered)	2,287	3,627	214	329
Change in Bad Debt Provision	(140)	(383)	(180)	(53)
Donations	702	571	434	355
Rental & Operating Lease Costs	33,950	36,053	4,387	4,784
After Crediting Other Income:				
Interest Income	1,012	1,099	410	228
Net Gain (Loss) on Foreign Exchange	292	1,704	(50)	1,665
Net Gain on Disposal of Property, Plant & Equipment	6	69	2	57
Rental Income	4,415	5,244	281	428
Dividend Received	–	–	12,100	13,700

7 Income Tax

	Group		Parent	
	2010 $000	**2009** $000	**2010** $000	**2009** $000
Profit Before Taxation for the Year	50,917	54,393	24,753	30,160
Prima Facie Taxation at 30% NZ, 30% Australia, 40% USA, 16.5% Hong Kong, 25% China (31 March 2009 30% NZ, 30% Australia, 41% USA, 30% Hong Kong, 30% China)	15,144	17,099	7,426	9,048
Adjusted by the Tax Effect of:				
Non-assessable Dividend Income	–	–	(3,630)	(4,110)
Non-assessable Revenue	(78)	–	–	–
Prior Year Tax Adjustments	(907)	–	598	–
Non-deductible Share Based Payments	305	318	305	318
Non-deductible Expenses	88	1,494	349	543
Aggregate Income Tax Expense	14,552	18,911	5,048	5,799
Current Tax	14,653	17,724	4,953	4,747
Deferred Tax	(101)	1,187	95	1,052
	14,552	18,911	5,048	5,799
Imputation Credit Account				
Opening Balance	6,528	9,070	6,226	6,290
Credits Distributed During the Year	(7,807)	(8,879)	(7,807)	(8,879)
Credits Received During the Year	2	1	1	6,749
Tax Payments Made	9,083	6,336	8,498	2,066
CLOSING REPRESENTING CREDITS AVAILABLE TO OWNERS OF THE GROUP AT BALANCE DATE:	7,806	6,528	6,918	6,226

7 Income Tax (continued)

Recognised Deferred Tax Assets and Liabilities		Balance Sheet 2010 $000	Balance Sheet 2009 $000	Income Statement 2010 $000	Income Statement 2009 $000
CONSOLIDATED					
(i) Deferred Tax Assets					
Accelerated Depreciation: Buildings, Plant & Equipment		–	–	–	2,060
Doubtful Debts		1,256	1,394	3	82
Provisions:	Annual Leave	2,148	2,699	582	(913)
	Long Service Leave	1,133	632	(464)	120
	Bonuses	898	–	(898)	2,701
	Superannuation	125	63	(59)	(24)
	ACC	94	124	30	(22)
	Onerous Lease Provision	2,139	2,253	250	(2,253)
	Other	1,675	2,124	273	(1,245)
	Foreign Exchange Impact	–	–	(250)	–
Gross Deferred Tax Assets		9,468	9,289		
Set-off of Deferred Tax Liabilities		3,746	3,885		
NET DEFERRED TAX ASSETS PER BALANCE SHEET		5,722	5,404		
(ii) Deferred Tax Liabilities					
Customer Lists		1,418	1,763	(117)	602
Accelerated Depreciation: Buildings, Plant & Equipment		3,009	2,629	508	46
Unrealised FX Gains/Losses		41	–	41	33
Gross Deferred Tax Liabilities		4,468	4,392		
Set-off of Deferred Tax Liabilities Against Assets		3,746	3,885		
NET DEFERRED TAX LIABILITIES		722	507		
DEFERRED TAX INCOME/(EXPENSE)				(101)	1,187
PARENT					
(i) Deferred Tax Assets					
Doubtful Debts		47	102	54	15
Provisions:					
Annual Leave		430	446	16	19
Bonuses		280	–	(280)	626
ACC		68	75	8	(14)
Onerous Lease Provision		177	–	(177)	–
Gross Deferred Tax Assets		1,002	623		
Set-off of Deferred Tax Liabilities		1,002	623		
NET DEFERRED TAX ASSETS		–	–		
(ii) Deferred Tax Liabilities					
Accelerated Depreciation: Buildings, Plant & Equipment		2,590	2,115	474	406
Gross Deferred Tax Liabilities		2,590	2,115		
Set-off of Deferred Tax Liabilities Against Assets		1,002	623		
NET DEFERRED TAX LIABILITIES		1,588	1,492		
DEFERRED TAX INCOME/(EXPENSE)				95	1,052

8 Dividends Paid and Proposed

	Group		Parent	
	2010	**2009**	**2010**	**2009**
	$000	$000	$000	$000
Recognised Amounts				
Declared and Paid During the Year to Parent Shareholders				
Final Fully Imputed Dividend for 2009: 10.0 cents (2008: 10.0 cents)	9,847	9,657	9,847	9,657
Interim Fully Imputed Dividend for 2010: 8.5 cents (2009: 8.5 cents)	8,370	8,370	8,370	8,370
	18,217	18,027	18,217	18,027
Unrecognised Amounts				
Final Fully Imputed Dividend for 2010: 10.0 cents (2009: 10.0 cents)	9,847	9,847	9,847	9,847

After the balance date, the above unrecognised dividends were approved by directors' resolution dated 26 May 2010. These amounts have not been recognised as a liability in 2010 but will be brought to account in 2011.

9 Earnings Per Share

The following reflects the income used in the basic and diluted earnings per share computations:

Net profit from continuing operations attributable to ordinary equity holders of the Parent.

		Group	
		2010	**2009**
		$000	$000
For Basic and Diluted Earnings Per Share			
Net Profit Attributable to Ordinary Equity Holders of the Parent		36,365	35,482
Weighted Average Number of Shares		**Thousands**	**Thousands**
Weighted Number of Ordinary Shares for Basic Earnings Per Share		98,469	97,519
Effect of Dilution; Weighted Number of Partly Paid Shares		–	–
Weighted Number of Ordinary Shares Adjusted for the Effect of Dilution		98,469	97,519
		Cents	**Cents**
Earnings Per Share:	Total Operations	36.93	36.38
Diluted Earnings Per Share:	Total Operations	36.93	36.38

Partly Paid Redeemable Shares granted to team members as described in note 21 are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent that they are dilutive. They have not been included in the determination of basic earnings per share.

10 Current Assets – Cash and Cash Equivalents

	Group		Parent	
	2010 $000	2009 $000	2010 $000	2009 $000
Cash at Bank and in Hand	37,647	13,206	–	–

Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amounts of cash and cash equivalents represent fair value.

Reconciliation to Cash Flow Statement

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 31 March:

	Group		Parent	
	2010 $000	2009 $000	2010 $000	2009 $000
Cash at Bank and in Hand	37,647	13,206	314	–
Bank Overdrafts	–	(5,906)	–	(23,365)
AS PER BALANCE SHEET AND CASH FLOW STATEMENT	37,647	7,300	314	(23,365)

11 Current Assets – Trade Debtors and Other Receivables

	Group		Parent	
	2010	2009	2010	2009
Trade Debtors	160,226	147,300	19,115	18,131
Allowance for Impairment Loss	(2,526)	(2,666)	(158)	(338)
	157,700	144,634	18,957	17,793

Trade debtors are non-interest bearing and are generally on 7 to 30 day terms. An allowance for impairment loss is recognised when there is objective evidence that a trade debtor is impaired as described in note 4. Due to the short term nature of these receivables, their carrying value is assumed to apporimate fair value.

Movements in the allowance for impairment were as follows:

Balance at 1 April	2,666	3,049	338	391
Charge for the Year	2,147	3,244	33	276
Acquired Businesses	–	33	–	–
Amounts Written Off	(2,287)	(3,660)	(213)	(329)
BALANCE AT 31 MARCH	2,526	2,666	158	338

At 31 March, the ageing analysis of trade receivables is as follows:

		Total	0–30 Days	31–61 Days	61–90 Days PDNI*	61–90 Days CI#	+91 Days PDNI*	+91 Days CI#
2010	Group	160,226	104,843	40,631	6,693	376	5,533	2,150
	Parent	19,115	11,259	6,788	499	–	411	158
2009	Group	147,300	94,946	37,131	6,924	243	5,633	2,423
	Parent	18,131	11,181	4,941	1,163	62	508	276

* Past due not impaired (PDNI)
\# Considered Impaired (CI)

Credit risk management policy is disclosed in note 3.

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer receivables.

12 Current Assets – Other Debtors

	Group		Parent	
	2010	**2009**	**2010**	**2009**
	$000	$000	$000	$000
Sundry Prepayments	11,949	8,314	3,246	2,310
Loans to Team Members (note 23)	10	1,100	4	1,088
CARRYING AMOUNT OF OTHER DEBTORS	11,959	9,414	3,250	3,398

13 Investment in Subsidiary Companies

The Parent Company's investment in subsidiary companies comprised:

	2010	**2009**
	$000	$000
Shares at Cost	126,049	126,127

Principal Subsidiary Companies all with 31 March Balance Dates Include:	Principal Activity	Country of Incorporation	Effective Shareholding	Effective Shareholding
Daily Freight (1994) Ltd	Domestic Freight Forwarding	New Zealand	100.0%	100.0%
Owens Transport Ltd	Domestic Freight Forwarding	New Zealand	100.0%	100.0%
Mainfreight International Ltd	International Freight Forwarding	New Zealand	100.0%	100.0%
Owens Group Ltd	Group Services	New Zealand	100.0%	100.0%
Mainfreight Distribution Pty Ltd	Domestic Freight Forwarding	Australia	100.0%	100.0%
Owens Transport Pty Ltd	Domestic Freight Forwarding	Australia	100.0%	100.0%
Mainfreight International Pty Ltd	International Freight Forwarding	Australia	100.0%	100.0%
Carotrans Oceania Pty Ltd	International Freight Forwarding	Australia	100.0%	100.0%
Halford International Pty Ltd	International Freight Forwarding	Australia	100.0%	100.0%
Mainfreight Holdings Pty Ltd	Australian Holding Company	Australia	100.0%	100.0%
Carotrans International Inc.	International Freight Forwarding	United States	100.0%	100.0%
Mainfreight, Inc.	Domestic & International Freight Forwarding	United States	100.0%	100.0%
Mainfreight International, Inc.	International Freight Forwarding	United States	100.0%	100.0%
Bolwick Ltd	International Freight Forwarding	Hong Kong	100.0%	100.0%
Mainfreight Express Ltd	International Freight Forwarding	China	100.0%	100.0%

14 Non-current Assets – Property, Plant and Equipment

(a) Reconciliation of Carrying Amounts at the Beginning and End of the Period

Consolidated Year Ended 31 March 2010	Freehold Land $000	Freehold Buildings $000	Leasehold Improvements $000	Plant, Vehicles & Equipment $000	Leased Plant, Vehicles & Equipment $000	Work in Progress $000	TOTAL $000
At 1 April 2009, Net of Accumulated Depreciation and Impairment	74,558	97,147	10,903	25,035	2,721	990	211,354
Additions	2	6,065	1,181	5,711	429	–	13,388
Acquistion of Subsidiaries	–	–	–	–	–	–	–
Disposals	–	–	–	(845)	–	–	(845)
Transfer Between Asset Classifications	574	(551)	16	1,094	–	(1,023)	110
Revaluations	(1,750)	(103)	–	–	–	–	(1,853)
Depreciation Charge for the Year	–	(2,921)	(1,479)	(6,413)	(356)	–	(11,169)
Foreign Exchange Impact	(556)	227	(576)	123	(475)	33	(1,224)
AT 31 MARCH 2010, NET OF ACCUMULATED DEPRECIATION AND IMPAIRMENT	72,828	99,864	10,045	24,705	2,319	–	209,761
Cost or Fair Value	72,828	113,811	18,056	61,984	3,277	–	269,956
Accumulated Depreciation and Impairment	–	(13,947)	(8,011)	(37,279)	(958)	–	(60,195)
NET CARRYING AMOUNT	72,828	99,864	10,045	24,705	2,319	–	209,761

14 Non-current Assets – Property, Plant and Equipment (continued)

(a) Reconciliation of Carrying Amounts at the Beginning and End of the Period (continued)

Consolidated Year Ended 31 March 2009	Freehold Land $000	Freehold Buildings $000	Leasehold Improvements $000	Plant, Vehicles & Equipment $000	Leased Plant, Vehicles & Equipment $000	Work in Progress $000	TOTAL $000
At 1 April 2008, Net of Accumulated Depreciation and Impairment	71,779	84,444	9,000	18,962	1,055	1,282	186,522
Additions	4,500	14,702	3,398	9,523	1,587	990	34,700
Acquistion of Subsidiaries	–	–	88	907	–	–	995
Disposals	–	(200)	(863)	(838)	(22)	–	(1,923)
Transfer Between Asset Classifications	(255)	255	163	1,038	165	(1,366)	–
Revaluations	(3,893)	–	–	–	–	–	(3,893)
Depreciation Charge for the Year	–	(2,487)	(1,431)	(5,457)	(411)	–	(9,786)
Foreign Exchange Impact	2,427	433	548	900	347	84	4,739
AT 31 MARCH 2009, NET OF ACCUMULATED DEPRECIATION AND IMPAIRMENT	74,558	97,147	10,903	25,035	2,721	990	211,354
Cost or Fair Value	74,558	108,236	18,072	61,163	3,915	990	266,934
Accumulated Depreciation and Impairment	–	(11,089)	(7,169)	(36,128)	(1,194)	–	(55,580)
NET CARRYING AMOUNT	74,558	97,147	10,903	25,035	2,721	990	211,354

At 31 March 2010 independent registered valuers performed an annual valuation of the Group's New Zealand and overseas freehold land, buildings, leasehold improvements and work in progress. The Group's land holding at Clayton in Melbourne was not revalued by an external valuer in the current year. The land continues to be recorded at the 2008 valuation. The Directors have made sufficient enquiries to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Registered Valuer	Country	Valuation 2010	Valuation 2009
CB Richard Ellis Ltd	New Zealand	NZ$147,140,000	NZ$146,825,000
Charter Keck Cramer	Australia	AU$5,675,000	AU$3,000,000
Jones Lang LaSalle	Australia	AU$9,550,000	AU$9,550,000
Centaline Surveyors Ltd	Hong Kong	HK$31,280,000	HK$29,500,000
Accelerated Appraisals	USA	US$1,140,000	US$1,140,000
	Group Total	NZ$173,991,000	NZ$170,902,000

The element of this valuation related to freehold land has been recorded in the financial statements resulting in the revaluation of freehold land by $37,964,000 (2009 $39,714,000) above cost.

The valuer has considered relevant general and economic factors and in particular has investigated recent sales and leasing transactions of comparable properties that have occurred in the relevant locations within which the assets sit. The valuer has used two principal approaches which are a capitalisation analysis and a direct comparison approach.

Included in the Group book values above but not in the valuations are Leasehold Improvements of $6,270,000 (2009 $6,883,000). Properties available for sale are included in these valuations $1,618,000 (2009 $1,974,000).

Leased plant, vehicles and equipment is pledged as security for the related finance lease liabilities.

14 Non-current Assets – Property, Plant and Equipment (continued)

(a) Reconciliation of Carrying Amounts at the Beginning and End of the Period (continued)

Parent **Year Ended 31 March 2010**	**Freehold Land** $000	**Freehold Buildings** $000	**Leasehold Improvements** $000	**Plant, Vehicles & Equipment** $000	**Leased Plant, Vehicles & Equipment** $000	**Work in Progress** $000	**TOTAL** $000
At 1 April 2009, Net of Accumulated Depreciation and Impairment	58,340	90,003	2,604	10,615	–	–	161,562
Additions	2	708	95	2,306	–	–	3,111
Disposals	–	–	–	(471)	–	–	(471)
Transfer Between Asset Classifications	–	–	–	99	–	–	99
Revaluations	(1,750)	–	–	–	–	–	(1,750)
Depreciation Charge for the Year	–	(2,671)	(194)	(2,398)	–	–	(5,263)
AT 31 MARCH 2010, NET OF ACCUMULATED DEPRECIATION AND IMPAIRMENT	56,592	88,040	2,505	10,151	–	–	157,288
Cost or Fair Value	56,592	101,380	4,282	23,367	–	–	185,621
Accumulated Depreciation and Impairment	–	(13,340)	(1,777)	(13,216)	–	–	(28,333)
NET CARRYING AMOUNT	56,592	88,040	2,505	10,151	–	–	157,288

14 Non-current Assets – Property, Plant and Equipment (continued)

(a) Reconciliation of Carrying Amounts at the Beginning and End of the Period (continued)

Parent **Year Ended 31 March 2009**	**Freehold Land** $000	**Freehold Buildings** $000	**Leasehold Improvements** $000	**Plant, Vehicles & Equipment** $000	**Leased Plant, Vehicles & Equipment** $000	**Work in Progress** $000	**TOTAL** $000
At 1 April 2008, Net of Accumulated Depreciation and Impairment	57,733	77,459	3,266	9,015	–	–	147,473
Additions	4,500	14,906	236	4,391	–	–	24,033
Disposals	–	–	(711)	(533)	–	–	(1,244)
Revaluations	(3,893)	–	–	–	–	–	(3,893)
Depreciation Charge for the Year	–	(2,362)	(187)	(2,258)	–	–	(4,807)
AT 31 MARCH 2009, NET OF ACCUMULATED DEPRECIATION AND IMPAIRMENT	58,340	90,003	2,604	10,615	–	–	161,562
Cost or Fair Value	58,340	100,672	4,188	21,774	–	–	184,974
Accumulated Depreciation and Impairment	–	(10,669)	(1,584)	(11,159)	–	–	(23,412)
NET CARRYING AMOUNT	58,340	90,003	2,604	10,615	–	–	161,562

At 31 March 2010 Registered Valuers CB Richard Ellis Ltd performed an annual valuation of the Company's freehold land, buildings, leasehold improvements and work in progress at $143,547,000 (2009 $143,749,000).

The element of this valuation related to freehold land has been recorded in the financial statements resulting in the revaluation of freehold land by $37,132,000 (2009 $38,882,000) above cost. Properties available for sale are included in these valuations nil 2010 (nil 2009).

(b) Carrying Amounts if Land Was Measured at Cost Less Accumulated Impairment

If Freehold Land was measured using the cost model the carrying amounts would be as follows:

	Group		**Parent**	
	2010 $000	**2009** $000	**2010** $000	**2009** $000
Cost	34,864	34,844	19,460	19,458
Accumulated Impairment	–	–	–	–
Net Carrying Amount	34,864	34,844	19,460	19,458

15 Non-current Assets – Intangible Assets and Goodwill

(a) Reconciliation of Carrying Amounts at the Beginning and End of the Period

					Group	Parent
Year Ended 31 March 2010	**Agency Agreements** $000	**Customer Lists / Rel'ships** $000	**Software** $000	**Goodwill** $000	**Total** $000	**Software** $000
At 1 April 2009, Net of Accumulated Amortisation and Impairment	5,987	2,897	9,728	139,485	158,097	6,056
Adjustment for Movement in Exchange Rate	(854)	(430)	(487)	(16,471)	(18,242)	–
Additions	–	–	4,388	–	4,388	3,131
Amortisation	(360)	(869)	(3,903)	–	(5,132)	(2,665)
Disposals	–	–	(4)	–	(4)	(4)
Transfer Between Asset Classifications	–	–	(110)	–	(110)	(99)
AT 31 MARCH 2010, NET OF ACCUMULATED AMORTISATION AND IMPAIRMENT	4,773	1,598	9,612	123,014	138,997	6,419
Cost (Gross Carrying Amount)	5,508	2,780	29,067	143,038	180,393	17,312
Accumulated Amortisation and Impairment	(735)	(1,182)	(19,455)	(20,024)	(41,396)	(10,893)
NET CARRYING AMOUNT	4,773	1,598	9,612	123,014	138,997	6,419

					Group	Parent
Year Ended 31 March 2009	**Agency Agreements** $000	**Customer Lists / Rel'ships** $000	**Software** $000	**Goodwill** $000	**Total** $000	**Software** $000
At 1 April 2008, Net of Accumulated	3,635	830	7,150	91,828	103,443	5,565
Amortisation and Impairment						
Adjustment for Movement in Exchange Rate	1,406	300	451	28,388	30,545	–
Additions	305	1,731	6,186	151	8,373	3,387
Amortisation	(302)	(270)	(3,911)	–	(4,483)	(2,891)
Disposals	–	–	(148)	–	(148)	(5)
Acquistion of a Subsidiary – (note 26)	943	306	–	19,118	20,367	–
AT 31 MARCH 2009, NET OF ACCUMULATED AMORTISATION AND IMPAIRMENT	5,987	2,897	9,728	139,485	158,097	6,056
Cost (Gross Carrying Amount)	6,442	3,301	28,110	159,450	197,303	14,351
Accumulated Amortisation and Impairment	(455)	(404)	(18,382)	(19,965)	(39,206)	(8,295)
NET CARRYING AMOUNT	5,987	2,897	9,728	139,485	158,097	6,056

15 Non-current Assets – Intangible Assets and Goodwill (continued)

(b) Impairment Tests for Goodwill

(i) Description of the cash generating units and other relevant information

Goodwill acquired through business combinations have been allocated to 6 groups of cash generating units (CGU's) for impairment testing as follows:

New Zealand Domestic

The recoverable amount has been determined based on a value in use calculation using cash flow projections based on financial forecasts approved by senior management covering a five year period. The pre-tax discount rate applied to cash flow projections is 16.8% (2009 17.1%). The long term growth rate used was 2.1%.

New Zealand International

The recoverable amount has been determined based on a value in use calculation using cash flow projections based on financial forecasts approved by senior management covering a five year period. The pre-tax discount rate applied to cash flow projections is 16.8% (2009 17.1%).

The long term growth rate used was 2.1%.

Australian Domestic

The recoverable amount has been determined based on a value in use calculation using cash flow projections based on financial forecasts approved by senior management covering a five year period. The pre-tax discount rate applied to cash flow projections is 16.1% (2009 14.1%). The long term growth rate used was 2.5%.

Australian International

The recoverable amount has been determined based on a value in use calculation using cash flow projections based on financial forecasts approved by senior management covering a five year period. The pre-tax discount rate applied to cash flow projections is 16.1% (2009 14.1%). The long term growth rate used was 2.5%.

USA International and Domestic

The recoverable amount has been determined based on a value in use calculation using cash flow projections based on financial forecasts approved by senior management covering a five year period. The pre-tax discount rate applied to cash flow projections is 15.2% (2009 9.1%). The long term growth rate used was 2.2%.

Asia International

The recoverable amount has been determined based on a value in use calculation using cash flow projections based on financial forecasts approved by senior management covering a five year period. The pre-tax discount rate applied to cash flow projections is 12.3% (2009 9.1%). The long term growth rate used was 1.9%.

(ii) Carrying amount of goodwill allocated to each group of cash generating units.

	Group	
	2010 $000	**2009** $000
New Zealand Domestic	12,215	12,215
New Zealand International	6,872	6,868
Australian Domestic	6,340	6,031
Australian International	20,918	19,851
USA International and Domestic	66,577	84,427
Asia International	10,092	10,093
	123,014	139,485

(iii) Key assumptions used in value in use calculations for cash generating units

The calculation of value in use for all CGU's is most sensitive to the following assumptions; gross margins, discount rates and growth rates used.

Gross margins are based on the average achieved in the last twelve months allowing for expected efficiency and utilisation gains Discount rates reflect management's estimate of the time value of money and the risks specific to each unit.

For the purposes of impairment testing a terminal growth rate has been used for all segments based on the long-term industry and country averages. Management believes they can exceed this long-term growth rate for all segments.

(iv) Sensitivity to changes in assumptions

With regard to the assessment of the value in use for all CGU's, management believes that no resonably possible change in any of the above key assumptions would cause the carrying values of the units to materially exceed its recoverable amount.

16 Employee Entitlements

Current	Group 2010 $000	Group 2009 $000	Parent 2010 $000	Parent 2009 $000
Long Service Leave	2,801	2,510	–	–
Annual Leave	8,629	9,145	1,683	1,736
Bonus Accrual	3,047	381	932	–
	14,477	12,036	2,615	1,736
Non-current				
Long Service Leave	1,257	960	–	–

17 Provisions

	Group Onerous Leases 2010	Group Onerous Leases 2009	Parent Onerous Leases 2010	Parent Onerous Leases 2009
Opening Balance	5,888	–	431	–
Provided for During the Year	1,130	5,888	591	431
Utilised During Year	(3,016)	–	(431)	–
CLOSING BALANCE	4,002	5,888	591	431
Onerous Lease Provisions				
– Not Later than One Year	1,536	2,363	591	431
– Later than One Year but not Later than Two Years	690	1,067	–	–
– Later than Two Years but not Later than Five Years	1,764	1,881	–	–
– After Five Years	12	577	–	–
	4,002	5,888	591	431

Provsions were made for the ongoing lease costs on facilities that were surplus to the Group and Parent requirements.

18 Derivatives

	Group 2010 $000	Group 2009 $000	Parent 2010 $000	Parent 2009 $000
Current Assets				
Interest Rate Swap Contracts	102	–	–	–
Current Liabilities				
Interest Rate Swap Contracts	–	492	–	–

Derivative financial instruments are used by the Group in the normal course of business to hedge exposure to fluctuations in interest rates.

Hedge accounting is not applied.

Refer to note 3 for credit risk and interest rate risk exposure on derivative financial instruments.

19 Bank Term Loan

The Bank Term Loan falls due for repayment in the following periods:	Group 2010 $000	Group 2009 $000	Parent 2010 $000	Parent 2009 $000
Current	–	22,507	–	–
Non-current	119,384	97,679	19,393	6,515
	119,384	120,186	19,393	6,515

A long-term revolving facility of NZ$75,000,000 plus US$50,000,000 with the Westpac Banking Corporation was established on 30 July 2009 expiring on 30 June 2012.

A further facility for NZ$50,000,000 was re-negotiated on 28 July 2009 with the Commonwealth Bank of Australia expiring on 30 June 2012.

All facilities operate under a negative pledge and cross company guarantees.

The facilities allow the borrowing Group to offset deposits against borrowings when calculating indebtedness for covenant compliance.

The carrying amount of the Group's current and non-current borrowings approximate their fair value.

Interest was payable during the year at the average rate of 4.30% per annum (2009 5.33%).

20 Leases

At balance date the Group and Company had the following lease commitments:	Group 2010 $000	Group 2009 $000	Parent 2010 $000	Parent 2009 $000
Finance Lease Liabilities				
Payable:				
– Not Later than One Year	700	1,108	–	–
– Later than One Year but not Later than Two Years	443	850	–	–
– Later than Two Years but not Later than Five Years	84	634	–	–
– After Five Years	–	–	–	–
Minimum Lease Payments	1,227	2,592	–	–
Less Future Finance Charges	(72)	(199)	–	–
	1,155	2,393	–	–
Classified in the Statement of Financial Position as:				
Current	650	996	–	–
Non-current	505	1,397	–	–
	1,155	2,393	–	–
Operating Lease Commitments (non-cancellable)				
– Not Later than One Year	40,422	39,913	5,649	6,638
– Later than One Year but not Later than Two Years	32,737	31,590	2,756	4,048
– Later than Two Years but not Later than Five Years	50,744	49,743	2,187	2,898
– After Five Years	72,249	73,307	92	92
	196,152	194,553	10,684	13,676

21 Contributed Equity

	Group		Parent	
	2010	**2009**	**2010**	**2009**
	$000	$000	$000	$000
Authorised, Issued and Fully Paid Up Capital	65,637	64,620	65,637	64,620

98,469,190 ordinary shares (2009 98,469,190)

2,370,000 ordinary shares partly paid to 1c (2009 2,420,000)

Neither ordinary shares or partly paid ordinary shares have a par value.

All ordinary shares have equal voting rights and share equally in dividends and any surplus on winding up.

Movements in Ordinary Shares on Issue		Parent		Parent	
		2010	**2009**	**2010**	**2009**
		Shares	Shares	$000	$000
Opening Balance		98,469,190	96,569,190	64,620	57,124
Exercise of Partly Paid Share Scheme	(i)	–	1,900,000	–	6,437
Employee Share Based Payments Scheme	(ii)	–	–	1,017	1,059
CLOSING BALANCE		98,469,190	98,469,190	65,637	64,620

(i) In September 2008 a total of 1,900,000 partly paid ordinary shares were fully paid by the participants at an average price of $3.40 per share.

(ii) Refer note 25.

At 31 March 2010 the following partly paid shares were outstanding:	**Quantity**	**Exercise Price**	**Exercise Dates**
	500,000	702.0 cents	20/09/10 to 20/10/10
	1,870,000	724.0 cents	12/06/11 to 12/07/11

Capital Management

When managing capital, the Board of Directors' (the "Board") objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. The Board also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

The Board is constantly reviewing and adjusting the capital structure to take advantage of favourable costs of capital. As the market is constantly changing, the Board may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Board has no current plans to issue further shares on the market.

The Board monitors capital through the Group gearing ratio (net debt/total capital).

	Group	
	2010	**2009**
	$000	$000
Total Borrowings	120,539	128,485
Less cash and cash equivalents	(37,647)	(13,206)
Net Debt	82,892	115,279
Total Equity	297,443	286,558
TOTAL CAPITAL	380,335	401,837
Gearing Ratio	21.8%	28.7%

22 Reconciliation of Cash Flows with Reported Net Surplus

	Group 2010 $000	Group 2009 $000	Parent 2010 $000	Parent 2009 $000
Net Surplus After Taxation	36,365	35,482	19,705	24,361
Non-cash Items:				
Depreciation and Amortisation	16,301	14,269	7,928	7,698
Share Based Payments	1,017	1,059	1,017	1,059
(Increase)/Decrease in Deferred Tax Asset	(317)	1,272	–	–
Increase/(Decrease) in Deferred Tax Liability	215	507	96	1,052
	53,581	52,589	28,746	34,170
Add/(less) Movements in Other Working Capital Items, Net of Effect of Acquisitions:				
(Increase)/Decrease in Accounts Receivable	(12,355)	15,575	(936)	7,669
(Increase)/Decrease in Derivatives	(594)	(115)	–	–
Increase/(Decrease) in Accounts Payable	7,913	(3,903)	(1,143)	(2,759)
Increase/(Decrease) in Interest Payable	452	(227)	476	(5)
(Increase)/Decrease in Interest Receivable	(94)	5	(56)	3
Increase/(Decrease) in Taxation Payable	5,507	(4,062)	(1,002)	970
Increase/(Decrease) in Net GST	(218)	(120)	(368)	(84)
Adjustment for Movement in Exchange Rate	(497)	3,394	–	–
Less Items Classified as Investing Activity:				
Net (Surplus)/Deficit on Sale of Fixed Assets	(7)	(69)	(3)	(57)
Net (Surplus)/Deficit on Sale of Investments	–	–	–	–
NET CASH INFLOW FROM OPERATING ACTIVITIES	53,688	63,067	25,714	39,907

23 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	2010 Value of Transactions $000	2009 Value of Transactions $000
B. Plested	Director & Shareholder	Interest on Advances (4.2%)	8	–
B. Plested	Director & Shareholder	Advances to Company	800	–
B. Plested	Director & Shareholder	Repayment of Advances	800	–
C. Howard-Smith	Director & Shareholder	Legal & Trustee Fees	271	321
Loans (non-directors)	Team Members	Interest Bearing Loan	10	1,100

During the prior year the Group acquired an apartment for a team member at a cost of US $1.2 million. The Group has an agreement to sell the apartment to the team member for US $1.2 million by 31 December 2010. In the period to 31 March 2010 the Group has not charged rent or interest to the team member. This asset is included in the USA segment in note 5.

Advances from B. Plested were unsecured.

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	749	3,341
Mainfreight International Ltd	Subsidiary	Trade – 30 Days	819	382
Mainfreight Holdings Pty Ltd	Subsidiary	Trade – 30 Days	45	–
Owens Transport Ltd	Subsidiary	Trade – 30 Days	1,826	1,759
Carotrans International Inc	Subsidiary	Trade – 30 Days	36	471
Mainfreight, Inc	Subsidiary	Trade – 30 Days	709	–
Owens Transport Pty Ltd	Subsidiary	Trade – 30 Days	–	116
Bolwick Ltd	Subsidiary	Trade – 30 Days	122	19
Daily Freight (1994) Ltd	Subsidiary	Advance – On Call	3,000	2,124
Owens Group Ltd	Subsidiary	Advance – On Call	765	693
Mainfreight Distribution Pty Ltd	Subsidiary	Advance – On Call	–	6,468
Bolwick Ltd	Subsidiary	Advance – On Call	5,366	6,548
			13,437	21,921

Related Party Payables 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	18	37
Mainfreight International Ltd	Subsidiary	Trade – 30 Days	12	11
Mainfreight Holdings Pty Ltd	Subsidiary	Trade – 30 Days	–	872
Owens Transport Ltd	Subsidiary	Trade – 30 Days	–	3
Mainfreight Distribution Pty Ltd	Subsidiary	Trade – 30 Days	19	–
Owens Transport Pty Ltd	Subsidiary	Trade – 30 Days	13	–
Mainfreight, Inc	Subsidiary	Trade – 30 Days	–	304
Daily Freight (1994) Ltd	Subsidiary	Advance – On Call	3,400	1,270
Mainfreight International Ltd	Subsidiary	Advance – On Call	2,600	2,350
Mainfreight Distribution Pty Ltd	Subsidiary	Advance – On Call	–	–
Owens Transport Ltd	Subsidiary	Advance – On Call	5,150	4,950
Mainfreight International Pty Ltd	Subsidiary	Advance – On Call	6,821	7,684
			18,033	17,481

23 Related Parties (continued)

Transactions with Related Parties:	Sales to Related Parties	Purchases from Related Parties	Other Transactions with Related Parties
Parent 2010 Year			
Subsidiaries – Freight Sales	15,911	9,128	–
Subsidiaries – Lease & Administration Charges	9,089	2,012	–
Subsidiaries – Dividend Revenue	–	–	12,100
Parent 2009 Year			
Subsidiaries – Freight Sales	16,973	10,445	–
Subsidiaries – Lease & Administration Charges	11,497	4,281	–
Subsidiaries – Dividend Revenue	–	–	13,700

The Company transacts with each other company within the Group on an arms' length basis. The advances are not secured and interest charged was at commercial bank rates. No related party debts have been written off or forgiven during the period (2009 nil).

24 Key Management Personnel

	Group		Parent	
Compensation of Key Management Personnel	2010 $000	2009 $000	2010 $000	2009 $000
Short-term Employee Benefits*	4,966	5,938	3,263	3,868
Share Based Payments	466	534	337	368
Termination Benefits	–	–	–	–
	5,432	6,472	3,600	4,236

* Last year's numbers includes bonuses paid that relate to the 2008 year and that were accrued in the 2008 year's financial accounts.

Partly paid shares held by executive directors have the following expiry dates and exercise prices:

Quantity	Issue Price	Exercise Dates
500,000	702 cents	20/09/10 to 20/10/10

Partly paid shares held by key management personnel excluding directors have the following expiry dates and exercise prices:

Quantity	Issue Price	Exercise Dates
800,000	724 cents	12/06/11 to 12/07/11

25 Share-based Payment Plans

(a) Recognised Share-based Payment Expenses

The expense recognised for employee services received during the year from partly paid share scheme is shown in the table below:

	Group		Parent	
	2010	**2009**	**2010**	**2009**
	$000	$000	$000	$000
Partly Paid Shares issued September 2005	–	235	–	235
Partly Paid Shares issued August 2006	4	12	4	12
Partly Paid Shares issued September 2007	209	208	209	208
Partly Paid Shares issued July 2008	804	604	804	604
	1,017	1,059	1,017	1,059

(b) Partly Paid Share Scheme

Eligibility to Participate in Scheme

From time to time the Board may offer selected executives the ability to participate in the Scheme and to acquire shares in the Company through the Trustee. The number of shares offered to each selected executive is determined by the Board.

Issue of Shares

Where an executive accepts an offer to participate, the Company issues the relevant number of redeemable ordinary shares to the Trustee on a partly-paid basis to hold for the benefit of the executive.

Issue Price

The issue price of the redeemable ordinary shares is the weighted average price of Company's shares on the NZSX over the 5 trading days prior to the issue date.

Vesting of Shares

The shares held by the Trustee on behalf of each employee vest in the employee on the earlier of:

(a) the third anniversary of the issue date; and

(b) the date on which a group of persons acting in concert acquires 50% or more of the ordinary shares in the Company on issue.

On the third anniversary of the issue date, to exercise the right to purchase the partly paid shares, the participant needs to pay the exercise price within the exercise period less any amounts previously paid.

If a participant leaves before the shares vest they do not receive the shares.

25 Share-based Payment Plans (continued)

(c) Summary of Partly Paid Shares Issued

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, partly paid shares issued during the year:

	2010 No.	2010 WAEP	2009 No.	2009 WAEP
Outstanding at the Beginning of the Year.	2,420,000	7.17	2,450,000	4.19
Granted During the Year	–	–	1,905,000	7.24
Exercised During the Year	–	–	(1,900,000)	3.40
Forfeited During the Year	(50,000)	5.82	(35,000)	7.24
Outstanding at the End of the Year	2,370,000	$7.19	2,420,000	$7.17
Exercisable at the End of the Year	–	–	–	–

At 31 March 2010 the following partly paid shares were outstanding.

	Quantity	Issue / Exercise Price	Exercise Dates
	500,000	702 cents	20/09/10 to 20/10/10
	1,870,000	724 cents	12/06/11 to 12/07/11

The following table lists the inputs to the models used for the valuation of the partly paid shares issued in September 2007 and June 2008.

	June 2008	September 2007
Dividend Yield (%)	2.00	2.00
Expected Volatility (%)	20.00	20.00
Risk-free Interest Rate (%)	7.00	6.90
Expected Life of Options (Years)	3.00	3.00
Option Exercise Price ($)	7.24	7.02
Weighted Average Share Price at Measurement Date ($)	7.24	7.02

The volatility of the underlying share is the inferred volatility from Mainfreight's share price since the issue of the partly paid shares.

The weighted average fair value of the partly paid shares granted during the year is n/a (2009: $1.29).

The weighted average remaining contractual life is 13 months (2009 25 months).

26 Business Combinations

Halford International Pty Ltd

On 1 July 2008 the Group acquired all the shares in Halford International Pty Ltd. The total cost of the acquisition was AU$22,105,000 including associated costs.

The fair value and carrying value of the identifiable assets and liabilities of this acquistion are disclosed below:

	Fair Value $000	Carrying Value $000
Plant & Equipment	995	995
Software Development Costs	–	–
Intangibles – Customer List and Agency Arrangements	1,249	–
Intangibles – Goodwill	–	295
Deferred Tax	592	592
Bank	2,348	2,348
Trade Debtors	12,391	12,391
Other Debtors	14	14
	17,589	16,635
Trade Creditors and Accruals	(9,397)	(9,379)
Provision for Tax	(444)	(444)
Value of Identifiable Net Assets	7,748	6,812
Goodwill Arising on Acquistion	19,117	
	26,865	
Cost of the Combination:		
Cash Paid	20,422	
Contingent Settlement	4,903	
Direct Costs Associated with Acquisition	1,540	
	26,865	
The Cash Outflow on Acquistion is as Follows:		
Net Cash Acquired with the Subsidiary	2,348	
Cash Paid	(21,962)	
Net Consolidated Cash Outflows	(19,614)	

As Halford Interntional Pty Ltd has been merged with Mainfreight International Pty Ltd it is not possible to accurately measure its contribution to the net profit of the Group. Similarly it is not possible to estimate its contribution if the combination had taken place at the beginning of the year.

Not included in the $19,117,000 of goodwill recognised above is a customer base and agency network of $1,249,000 recognised seperately.

The other key factors contributing to the goodwill relate to the synergies existing within the acquired business and also synergies expected to be achieved as a result of combining the acquistion with the rest of the Group.

The Group is currently disputing the amount of contingent settlement with the vendors. Should the amount provided for in the balance sheet be in excess of the final payment any adjustment will be made by way of reduction of goodwill.

27 Fair Value and Interest Rate Risk

(a) Fair Values

All assets and liabilities recognised in the balance sheet, whether they are carried at cost or at fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes.

(b) Interest Rate Risk

Interest on financial instruments classified as floating have their rates repriced at intervals of less than one year. Fixed rate instruments are fixed until the maturity of the instrument.

The Group constantly analyses its interest rate risk exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing and the mix of fixed and variable interest rates.

The following sensitivity analysis is based on the interest rate exposures in existence at the balance sheet date.

At 31 March 2010, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit (including swap fair value movements) and equity would have been affected as follows:

	Post Tax Profit Higher (Lower)		Equity Higher (Lower)	
	2010	**2009**	**2010**	**2009**
	$000	$000	$000	$000
Consolidated				
+ 1% (100 Basis Points)	(580)	(807)	(580)	(807)
–.5% (50 Basis Points)	290	403	290	403
Parent				
+ 1% (100 Basis Points)	(134)	(209)	(134)	(209)
–.5% (50 Basis Points)	67	105	67	105

28 Capital Commitments and Contingent Liabilities

The Group had the following capital commitments at 31 March 2010 totalling $408,000 (2009 $4,498,000).

– Melbourne International Freight Facility 408,000

There are additional bank performance guarantees and bonds totalling $700,000 (2009 $1,590,000) undertaken by the Group.

	Group	
	2010	**2009**
Guarantees Comprise:	$000	$000
Rental Guarantee	367	852
Bill of Lading Guarantee	–	183
Custom Guarantees	–	14
	367	1,049
Performance Bonds Comprise:		
Royal Insurance Fire & General	–	260
NZ Stock Exchange	75	75
Australian State Authorities Superannuation	–	96
ANZ Bond	–	86
Cheque Cashing Authority	54	14
Credit Card	204	10
	333	541

The Group is party to sub-lease/tenancy agreements where third parties lease excess office/industrial space from the Group. In the event of default by third parties the Group would be exposed to these liabilities.

As a result of the IRD's programme of routine and regular tax audits, the Group anticipates that IRD audits may occur in the future. The Group is similarly subject to routine tax audits in certain overseas jurisdictions. The ultimate outcome of any future tax audits cannot be determined with an acceptable degree of reliability at this time. Nevertheless, the Group believes that it is making adequate provision for its taxation liabilities. However, there may be an impact to the Group if any revenue authority investigations result in an adjustment that increases the Group's taxation liabilities.

29 Subsequent Events

A dividend of 10.0 cents per share was declared on 26 May 2010 date totalling $9,846,919. Payment date is to be 23 July 2010.

In May 2010, the Government announced that with effect from the 2011/12 tax year, a zero depreciation rate will apply for tax purposes for buildings with an expected useful life of 50 years or more. This change in tax legislation is expected to impact on the measurement of deferred tax assets and liabilities. The impact of this change is still being evaluated and, therefore, an estimate cannot be made at the date of issue of these financial statements.

The corporate tax rate was also changed from 30% to 28%. This change in rate is not expected to have a material impact on the Group's recognised deferred tax assets and liabilities.

On 2 June 2010 an agreement to settle the dispute with the Halford vendors over the amount of the contingent settlement was reached with a full and final payment of AU$2,750,000 made on that date. This is below the amount accrued in the balance sheet. The differential after allowing for legal and other costs associated with the dispute will be treated as a reduction in goodwill and have no impact on earnings (see note 26).

30 Non-Recurring Restructuring Expenses and Gains on Sales

During the year the Group had $2,825,000 of non-recurring expenses (2009 $6,523,000). The related after tax expense was $1,887,000 (2009 $4,520,000). The Parent had $659,000 of non-recurring expenses (2009 $431,000). The related after tax expense was $462,000 (2009 $302,000).

These items comprised of:

	Group			Parent		
2010 Year	**Pre-Tax** $000	**Tax** $000	**After Tax** $000	**Pre-Tax** $000	**Tax** $000	**After Tax** $000
Onerous Lease Provisions	(1,130)	339	(791)	(591)	177	(414)
Redundancies	(1,695)	599	(1,096)	(68)	20	(48)
	(2,825)	938	(1,887)	(659)	197	(462)
2009 Year	**Pre-Tax** $000	**Tax** $000	**After Tax** $000	**Pre-Tax** $000	**Tax** $000	**After Tax** $000
Onerous Lease Provisions	(5,888)	1,766	(4,122)	(431)	129	(302)
Redundancies	(635)	237	(398)	–	–	–
	(6,523)	2,003	(4,520)	(431)	129	(302)

Independent Auditor's Report

To the Shareholders of Mainfreight Limited

Report on the Financial Statements

We have audited the financial statements of Mainfreight Limited and its subsidiaries on pages 61 to 108, which comprise the balance sheet of Mainfreight Limited and the group as at 31 March 2010, and the statement of comprehensive income, income statement, statement of changes in equity and statement of cash flows for the year then ended of the company and group, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the company's shareholders, as a body, in accordance with section 205(1) of the Companies Act 1993. Our audit has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of the financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). These auditing standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected, depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we have considered the internal control relevant to the entity's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Ernst & Young provides taxation and accounting advice to the company and group. We have no other relationship, or interest in the company and group.

Partners and employees of our firm may deal with the company and group on normal terms within the ordinary course of trading activities of the business of the company and group.

continued

Independent Auditor’s Report *continued*

Opinion

In our opinion, the financial statements on pages 61 to 108:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the financial position of Mainfreight Limited and the group as at 31 March 2010 and the financial performance and cash flows of the company and group for the year then ended.

Report on Other Legal and Regulatory Requirements

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

In our opinion proper accounting records have been kept by Mainfreight Limited as far as appears from our examination of those records.

Ernst & Young

28 June 2010
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 2010	Remuneration 2009	Current Director or Date Appointed or Resigned
Bruce Plested ^^	$291,000	$307,000	Current
Don Braid #	$870,000	$1,140,000	Current
Don Rowlands	$70,000	$70,000	Current
Neil Graham	$70,000	$70,000	Current
Carl Howard-Smith*	$70,000	$70,000	Current
Richard Prebble	$70,000	$70,000	Current
Bryan Mogridge	$70,000	$70,000	Current
Emmet Hobbs	$70,000	$70,000	Current

^^ Excludes interest on advances (refer to note 23 to the Financial Statements).

\# Includes performance bonuses, vehicle and other non-cash remuneration but excludes share based payments. Remuneration in 2009 includes bonus of $255,000 paid in August 2008 that relates to the prior year and that was accrued in the prior year's financial accounts.

* Excludes legal and trustee fees (refer to note 23 to the Financial Statements).

Employees' Remuneration

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

Remuneration	New Zealand Based Number of Employees	Overseas Based Number of Employees	Remuneration	New Zealand Based Number of Employees	Overseas Based Number of Employees
$100,000–$110,000	14	40	$270,000–$280,000	1	1
$110,000–$120,000	10	48	$280,000–$290,000		3
$120,000–$130,000	8	29	$290,000–$300,000		1
$130,000–$140,000	3	21	$300,000–$310,000		1
$140,000–$150,000	3	18	$310,000–$320,000		1
$150,000–$160,000	3	6	$320,000–$330,000	2	1
$160,000–$170,000	2	12	$330,000–$340,000		2
$170,000–$180,000	3	6	$340,000–$350,000	2	2
$180,000–$190,000		8	$350,000–$360,000		2
$190,000–$200,000		6	$370,000–$380,000		1
$200,000–$210,000		2	$380,000–$390,000		1
$210,000–$220,000	1	6	$390,000–$400,000		1
$220,000–$230,000	1	3	$470,000–$480,000		1
$230,000–$240,000		4	$520,000–$530,000		1
$240,000–$250,000	2	3	$550,000–$560,000		2
$250,000–$260,000		6	$590,000–$600,000		1
$260,000–$270,000		1	TOTAL NUMBER OF EMPLOYEES	55	241

Overseas based remuneration is converted to New Zealand dollars.

Donations and Auditors' Fees

Donations and auditors' fees are set out in note 6 of the Financial Statements.

Directors' Shareholdings at Balance Date

		2010	2009
BG Plested	– shares held with beneficial interest	17,146,196	17,146,196
	– held by associated persons	1,293,900	1,290,400
NL Graham	– shares held with beneficial interest	6,400,517	6,400,517
CG Howard-Smith	– held as trustee of staff share purchase scheme	35,350	35,350
	– shares held with beneficial interest	300,000	300,000
DD Rowlands	– shares held with beneficial interest	569,482	569,482
BW Mogridge	– shares held with beneficial interest	200,000	200,000
EJ Hobbs	– shares held with beneficial interest	100,000	100,000
DR Braid	– shares held with beneficial interest	2,757,890	2,757,890
	– held by associated persons	14,358	12,358
RW Prebble	– shares held with beneficial interest	88,274	88,274
TOTAL		28,905,967	28,900,467

Directors' shareholdings at balance date were 29.36% 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 2 June 2010 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 & CG Howard-Smith as trustees of Pie Melon Bay Trust	17,117,766
Fisher Funds Management Ltd	7,101,035
Accident Compensation Corporation	6,911,982
ING (NZ) Ltd	5,129,103

The total number of voting securities issued by the Company as at 2 June 2009 was 98,469,190

Largest Security Holders as at 2 June 2010

BG Plested & CG Howard-Smith as trustees of Pie Melon Bay Trust	17,117,766	17.38%
TEA Custodians Ltd	7,707,222	7.83%
Accident Compensation Corporation	7,112,532	7.22%
HSBC Nominees (New Zealand) Ltd	4,828,114	4.90%
National Nominees NZ Ltd	4,065,242	4.13%
Citibank Nominees (New Zealand) Ltd	3,818,660	3.88%
Premier Nominees Ltd	3,429,610	3.48%
NL Graham Family Trust	3,200,259	3.25%
HM Graham Family Trust	3,200,258	3.25%
NZ Superannuation Fund Nominees Ltd	3,173,013	3.22%
Custodial Services Ltd	2,837,128	2.88%
DR Braid Family Interests	2,757,890	2.80%
FNZ Custodians Ltd	1,481,035	1.50%
NZ Guardian Trust Investment Nominees Ltd	1,478,000	1.50%
Investment Custodial Services Ltd	1,225,639	1.24%
Asteron Life Ltd	1,135,371	1.15%
Custody and Investment Nominees Ltd	824,728	0.84%
KM Drinkwater Family Interests	650,000	0.66%
J Hepworth	600,787	0.61%
DD Rowlands	569,482	0.58%

Spread of Security Holders as at 2 June 2010

Size of Shareholding	Number of Holders	%	Total Number Held	%
1–999	792	19.27%	393,035	0.40%
1,000–4,999	2,156	52.47%	4,819,956	4.89%
5,000–9,999	627	15.26%	4,080,624	4.14%
10,000–49,999	432	10.51%	7,047,331	7.16%
50,000–99,999	36	0.88%	2,424,899	2.46%
100,000–999,999	50	1.22%	14,263,700	14.48%
1,000,000–PLUS	16	0.39%	65,439,645	66.46%
TOTAL	4,109	100.00%	98,469,190	100.00%

Interests Register

There were no entries in the interests register during the year.

Five Year Review

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

	Notes	2010 $000	2009 $000	2008 $000	2007 $000	2006 $000
Net Sales Continuing Operations		1,132,158	1,265,578	911,719	758,206	686,119
Net Sales Discontinued Operations		–	–	32,447	209,991	200,392
EBITDA CONTINUING OPERATIONS	1	75,849	81,256	74,334	63,945	52,748
EBITDA DISCONTINUED OPERATIONS	1	–	–	690	10,346	10,727
Surplus Before Abnormals, Interest & Tax		59,548	66,987	64,335	65,207	49,336
Abnormals	2	2,825	6,523	(61,893)	(17,419)	–
EBIT CONTINUING OPERATIONS	3	56,723	60,464	63,725	55,886	39,769
EBIT DISCONTINUED OPERATIONS	3	–	–	62,503	26,740	9,567
Net Interest Cost		4,789	5,013	3,168	5,143	5,987
Goodwill Amortisation		–	–	–	–	4,931
Net Surplus (NPAT)	4	36,365	35,482	101,622	60,600	28,344
PRO-FORMA CASH FLOW	5	55,491	56,274	50,008	52,391	41,352
Net Revaluations Recognised	6	37,964	39,714	43,607	38,497	32,544
Net Tangible Assets	6	168,058	138,189	153,900	136,454	97,372
Net Debt	7	82,893	115,279	79,891	71,133	61,688
Total Assets		565,377	547,710	478,985	360,790	317,955
EBIT Margin (Before Abnormals) (%)		5.3	5.3	7.1	8.6	7.2
Equity Ratio (%) After Revaluation	8	29.7	25.2	32.1	37.8	30.6
Equity Ratio (%) Before Revaluation	8	24.7	19.4	25.3	30.4	22.7
Return on NTA (%) After Revaluation	9	21.6	25.7	66.0	44.4	29.1
Return on NTA (%) Before Revaluation	9	28.0	36.0	92.1	61.9	43.7
Net Interest Cover (x)	10	12.43	13.36	20.31	12.68	8.24
EARNINGS PER SHARE (CPS)	11	36.93	36.38	105.23	62.81	29.51
Adjusted Earnings Per Share (cps)	11,12	38.85	41.02	42.55	43.10	29.51
Pro-forma Cash Flow Per Share (cps)	11	56.35	57.71	51.78	54.30	43.06
NTA Per Share (cps)	11	170.67	141.70	159.37	141.43	101.38

Notes:

1. EBITDA is defined as earnings before net interest expense, tax, depreciation,amortisation,abnormals, share based payment expense, minority interests and associates.
2. Abnormal items for the year ended 31 March 2007 relate to gain on sale of associate company Rakino, prior year Workplace Cover refunds in Australia,amalgamtion costs of Mainfreight International and Owens International and acquistion search costs.
   Abnormal items for the year ended 31 March 2008 relate to gain on sale of subsidiary companies Lep International NZ & Australia, Pan Orient and Kurada No.8 Ltd and further gain on sale of associate company Rakino.
   Abnormal items for the year ended 31 March 2009 relate to onerous lease costs and redundancy costs.
   Abnormal items for the year ended 31 March 2010 relate to onerous lease costs and redundancy costs.
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 Cash Flow is defined as NPAT before amortisation of goodwill, depreciation, minorities and associates excluding abnormals.
6. Net Tangible Assets included 75% of Lep International (NZ) Ltd and 75% of Lep International Pty Ltd in years 2006 and 2007.
   Net Tangible Assets includes Software Land was first revalued in 2006 by $32,811,000, in 2007 by $6,230,000 and by $5,500,000 in 2008. A reduction in valuation of $3,893,000 occurred in 2009 and a further reduction of $1,750,000 occurred in 2010.
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–98.469 million shares in 2010.
12. Adjusted Earnings per Share figures are based on Net Surplus with tax affected abnormal items added back.

PROXY FORM ADMISSION CARD

Annual Meeting 29 July 2010, 4.00pm

Barrel Hall
Villa Maria Estate
118 Montgomerie Road
Mangere, 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

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 29 July 2010 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

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	Proxy Discretion	Abstain
1. To receive the Annual Report				
2. Re-election of Emmet Hobbs as a director				
3. Re-election of Bryan Mogridge as a director				
4. Re-election of Richard Prebble as a director				
5. To authorise directors to fix auditors' remuneration				

Usual Signature(s) ______________________ Signed this ____________ day of ____________ 2010

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 1142, New Zealand so as to be received not later than 4.00pm on 27 July 2010.
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 2888

Free

The Share Registrar
Mainfreight Limited
C/o Computershare Investor Services Limited
Private Bag 92119
Auckland 1142
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/o Computershare Investor Services Limited** **Private Bag 92119** **Auckland 1142** **New Zealand**

DIRECTORY

Board of Directors

Bruce G. Plested, CA, 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, BA, Bloody Nice Guy
Bryan W. Mogridge, BSc, ONZM, FNZID

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*"Mainfreight Lane" if the Council was kind enough

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Auckland 1140

Commonwealth Bank
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PO Box 35
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PO Box 4306
Auckland 1140

Share Registrar

Computershare Investor Services Limited
Private Bag 92119
Auckland 1142
159 Hurstmere Road
Takapuna, North Shore City 0622
New Zealand

Managing Your Shareholding Online:

To change your address, update your payment instructions and to view your investment portfolio including transactions, please visit;
www.computershare.co.nz/investorcentre

General enquiries can be directed to;
enquiry@computershare.co.nz
Private Bag 92119, Auckland 1142
Telephone +64 9 488 8777
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Please assist our registrar by quoting your CSN or shareholder number

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Please visit our website to learn more about us, and for investor information: **www.mainfreight.com**
For career opportunities visit:
www.mainfreightcareers.com
Please visit our website if you wish to obtain an electronic version of this annual report.

The Mainfreight annual report is printed with mineral oil free soy based inks on environmentally responsible Advance Laser Offset produced using farmed eucalyptus trees and pulp from Well Managed Forests manufactured in a mill with ISO 14001 and ISO9001 certifications and is manufactured in an elemental chlorine free process.

CERTIFICATE OF MERIT

This is to certify that

BRUCE PLESTED

completed the 8.4 kilometre Ports of Auckland Round the Bays fun run from Quay St to St Heliers on 14th March 2010 in the time of

53:21 MINS 69TH IN MAINFREIGHT LTD

Ports of Auckland Round the Bays 2010 — Sunday Star Times — Fairfax Media

ALLEN WILLIAMS
CEO FAIRFAX MEDIA NEW ZEALAND

JENS MADSEN
MANAGING DIRECTOR PORTS OF AUCKLAND

NICK HOY
PRESIDENT AUCKLAND JOGGERS' CLUB

Age and treachery will always beat youth and enthusiasm

CERTIFICATE OF MERIT

This is to certify that

DON BRAID

completed the 8.4 kilometre Ports of Auckland Round the Bays fun run from Quay St to St Heliers on 14th March 2010 in the time of

57:34 MINS 89TH IN MAINFREIGHT LTD

Ports of Auckland Round the Bays 2010 — Sunday Star Times — Fairfax Media

ALLEN WILLIAMS
CEO FAIRFAX MEDIA NEW ZEALAND

JENS MADSEN
MANAGING DIRECTOR PORTS OF AUCKLAND

NICK HOY
PRESIDENT AUCKLAND JOGGERS' CLUB