

ANNUAL REPORT  
2001



# MAANVERREIĞHT



**DAILY FREIGHT**

**CHEMCOURIERS**



**CaroTrans**  
INTERNATIONAL, INC.



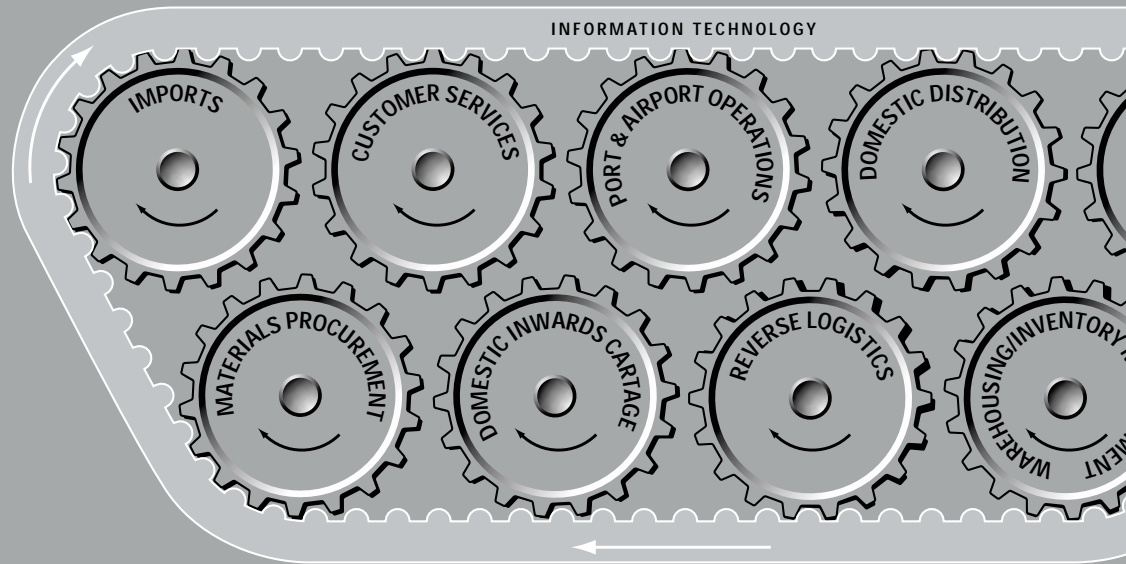
*“Mainfreight is a clear leader in  
Global Supply Chain Management  
in this part of the world”*

Supply chain management is not about trucks or transport; it's about providing intelligent end-to-end solutions and that is the business Mainfreight is in today.

Through its worldwide network of companies and people (explained on the following page) Mainfreight provides customers with the information, technologies, knowledge and e-commerce that moves product from the beginning to the end, adding value to the process and removing operating waste.

This integrates everything from the supply of raw material, to warehousing, stock inventory, supplier management, export and import, monitoring the process right through to cash collection if necessary.

# THE MAINFREIGHT INTEGRATION



## HOW DO WE DELIVER THE INTEGRATION

BRANDS	FUNCTION	BRANDS	FUNCTION
<b>NEW ZEALAND</b>		<b>AUSTRALIA</b>	
Mainfreight Forwarding	New Zealand Wide Freighting	Mainfreight Distribution	Australia Wide Branches Pe
Mainfreight Wharf	Wharf Cartage		
Mainfreight Metro	Intra City Cartage	Mainfreight Logistics	Australian W Branches Pe
Mainfreight Relocations	Furniture Removals		
Mainfreight Coolchain	Perishable Transport	Mainfreight International	Customs Bro
Mainfreight Logistics	Nationwide Warehousing	Lep International (75% Owned)	Customs Bro
Daily Freight Forwarding	New Zealand Wide Freighting	ACI International (75% Owned)	Wholesale A
Chemcouriers	Specialist Hazardous Freighting		
Mainfreight International	Customs Brokerage & International Freighting Sea & Air		
Lep International (75% Owned)	Customs Brokerage & International Freighting Sea & Air		

**REVENUE** NZ\$215M **No. PEOPLE** 1060

**REVENUE**



# INTEGRATED GLOBAL SUPPLY CHAIN



**Mainfreight's Global Supply Chain**

Management delivers tightly-integrated solutions that are backed by the organisation's information, technologies, expertise, knowledge, experience and e-commerce solutions.

## THE GLOBAL SUPPLY CHAIN?

FUNCTION	BRANDS	FUNCTION
Wide Freighting Perth, Adelaide, Melbourne, Ballarat, Sydney, Brisbane	OTHER CaroTrans USA (49.5% Shareholding)	Customs Brokerage & International Freighting Sea & Air Branches Los Angeles, Chicago, Baltimore, New York, Atlanta, Charleston, Miami, Houston, New Orleans.
Wide Warehousing Perth, Adelaide, Melbourne, Sydney, Brisbane	Mainfreight International Hong Kong (37.5% Shareholding)	Customs Brokerage & International Freighting Sea & Air
Customs Brokerage & International Freighting Sea & Air	Mainfreight International Shanghai (50% Shareholding)	Customs Brokerage & International Freighting Sea & Air
Sea & Airfreight		

REVENUE **NZ\$205M** No. PEOPLE **650**

REVENUE **NZ\$100M** No. PEOPLE **150**



# NOTICE OF MEETING

Notice is hereby given that the Annual Meeting of Shareholders will be held at the Remuera Room, Level 1, Ellerslie Function Centre, Ellerslie Racecourse, Greenlane, on Thursday 26th July 2001 at 2.30pm.

## Business

1. **Accounts.** To receive and adopt the Financial Statements together with the report of the Directors and Auditors for the year ended 31 March 2001.
2. **Re-election of Directors.** Mr Bruce Plested, Mr Neil Graham and Mr John Fernyhough retire in accordance with the constitution and, being eligible, offer themselves for re-election.
3. **Auditors.** To record the re-appointment of Arthur Andersen as auditors and to authorise the Directors to fix their remuneration for the ensuing year.

For and on behalf of the Board



Carl Howard-Smith  
Director  
28 June 2001

**Proxies.** Any shareholder of the Company entitled to attend and vote at the Annual Meeting is entitled to appoint a proxy to attend the meeting and vote instead of him or her. A proxy need not be a shareholder of the Company. A form of proxy is enclosed in this report.

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# 2001 FINANCIAL SUMMARY

*By Managing Director, Bruce Plested*

Financially the year to March 2001 was one of large contrasts. In the areas where we are well established we performed with distinction, and have cause for satisfaction with our USA business at the end of the first two years of ownership.

Unfortunately our newly acquired Australian business K & S Express, now operating as Mainfreight Distribution Pty Ltd, performed well below expectations in its first year's trading, significantly reducing our total profits.

All of the above resulted in an after tax profit of \$2.5M, down from \$9M in the previous year, a drop of some 73%. Sales at \$411M, (\$313M) were up by \$98M or 31% - \$64M of this increase was due to the purchase of K & S Express.

To more clearly understand the financial performance of the business, some net profit before tax and amortisation comparisons with last year are shown below.

The Board has viewed the groupings below during the past twelve months, basically as those businesses performing satisfactorily, and those as unsatisfactorily. From April 2001, the USA International business is regarded as a satisfactorily performing business.

While the losses in the Australian domestic business have overhung our activities all year, and will continue to through this current year, it is important to acknowledge our successes. Our New Zealand domestic forwarding market increased sales to \$139M, up 8% and operating profits to \$14.9M, up 15%. This business continues to grow strongly having grown the previous year by 10% in sales and 14% in operating profit. It is worth noting that this division absorbed some significant business losses in the latter part of the year. The first was the decision by Comalco in November to trial international shipping for the

movement of aluminium from Bluff to the upper North Island. The second was the decision by Firestone in Christchurch to take back in-house warehousing which had previously been done by Mainfreight in a dedicated 100,000' warehouse.

Mainfreight International in New Zealand returned to profit after three consecutive years of reducing losses. Lep New Zealand profits were down nearly 50% mid year, but with people changes nearly recovered to the previous year's record result by year end.

The Australian International businesses, while completing a satisfactory year, felt the effects in the second half of the slowing Australian economy. This effect is carrying on into the current year.

After a tough two years CaroTrans, our 49.5% owned USA International business, has made real progress and begins the current year operating profitably.

In February, we acquired an existing customs and shipping business in Perth, Australia, for just over A\$1M. This business now operates as Lep Western Australia.

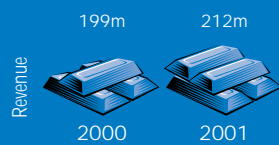
In February we sold for just under \$5M, and leased back, our Lep Mangere building. We also currently have on the market our Brisbane Mainfreight Distribution property worth A\$3.9M, and two properties in Melbourne valued at A\$7M.

	Net PBT 2001	Net PBT 2000	(Decrease) Increase	
New Zealand Domestic	14.9M	13.0M	\$1.9M	15%
New Zealand International	1.4M	1.6M	(\$0.2M)	(11%)
Australian International*	2.0M	1.6M	\$0.4M	22%
*(Including Hong Kong & Shanghai associates)	\$18.3M	\$16.2M	\$2.1M	13%
<i>Sales for this group grew from \$302M to \$337M (11%).</i>				
Australian Domestic & USA International	(\$10.6M)	(\$0.7M)	(\$9.9M)	
<b>Total</b>	<b>\$7.7M</b>	<b>\$15.5M</b>	<b>(\$7.8M)</b>	<b>(50%)</b>

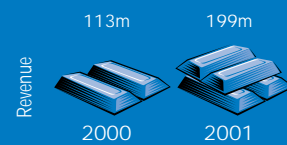
*"Financially it has been a year of enormous contrasts"*



### NEW ZEALAND REVENUE COMPARISON



### OFFSHORE REVENUE COMPARISON



# MANAGING DIRECTOR'S REPORT



*Bruce Plested, Managing Director*

Nearly a decade ago when businesses were rushing to create mission statements, Mainfreight came up with the following :

"The success of the company is built on two unshakeable beliefs.

1. The only way to keep ahead of our competition is by the superior performance of our people.
2. The only measurement of that superior performance is how the customer perceives it."

**We aim to delight our customers.**

Apart from the fact that we recognise our people and our customers as critical to our success, no mention is made of trucks, or freight or on-time delivery.

## *Why?*

Because we have understood for many years that we were attempting to supply our customers not with trucks, but rather with solutions, outcomes and ongoing satisfaction to problems perceived, barely perceived, or not previously considered in their supply chain.

Supply Chain is one of the new words of our time and Mainfreight Ltd is the "Supply Chain" leader of our time in this part of the world.

Mainfreight has built a network of businesses which it owns throughout New Zealand and Australia and also operates with joint ownership's, a network throughout the United States, in Hong Kong and Shanghai. Beyond these regions, in Europe we work with Ziegler (our partner in CaroTrans) and with agents and alliances in most other countries.

In addition our Lep businesses are part of the GeoLogistics Ltd worldwide network, which has branches in some 450 cities worldwide, all connected by their Fast400 computer network. In those areas where both Mainfreight and GeoLogistics are operating we have formed close alliances and co-load with each other for mutual benefit.

## *Industry trends*

Industry has begun to recognise the importance of the Supply Chain in the overall efficiency, cost effectiveness, profitability and growth of business. This has seen an increasing demand for Supply Chain solutions and in many cases the number of logistics suppliers has been reduced to one.

It is apparent that these trends will continue as manufacturers look to be more competitive and drive to have a closer relationship with their end customer or the consumer.

What is noticeable as the trend continues is that no solution is the same for each business or industry segment. The advent of better technology now gives us a greater ability than ever to facilitate quicker transactions, reduce inventory management and analysis and react to consumer trends.

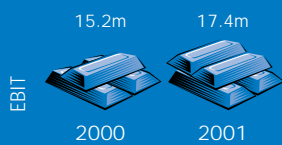
Bruce Plested - Group Managing Director

*"Our technology gives us a greater ability than ever to react to consumer trends"*

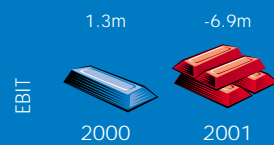




**NZ EBIT COMPARISON**



**OFFSHORE EBIT COMPARISON**



## NEW ZEALAND FORWARDING

### World class returns

Our New Zealand Forwarding business including the Mainfreight, Daily Freight and Chemcourier brands had an outstanding year with sales up 7% to \$137M and operating profits up 15% at \$15M.

These are excellent returns by world standards and are the backbone of the group's profits.

This business is very dependent upon the

commitment of its people and nowhere was this more obvious than at Daily Freight Auckland and Chemcouriers Auckland; the joint winners of our "Terry Cunneen Memorial Best Branch Award."

(See article below.)

### Another record year

The current year to March 2002 will be another record year for this business, as we

leverage off our increasing Supply Chain structure. This will provide growth for all divisions within forwarding, intercity freighting, metro (local cartage), wharf cartage, full truck load (FTL) and specialised services, i.e. hazardous goods, furniture removals.

### In recognition of excellence



*Don Campbell, Daily Freight Auckland Branch Manager*

"When Mainfreight took us over in 1994 Daily Freightways was on its knees, losing over \$1M per year and widely known through the business community as the "orange roughy".

Every year since, we have strived to improve the business and for the two previous years went close to winning the best branch award.

We are immensely proud to have won the trophy from our Mainfreight cousins in Dunedin this year. The benefits of our success are felt daily by our customers, as apart from profit and on time debtors collection, all the other categories on which we are judged are quality, i.e.

- On time despatch
- On time delivery
- Number of claims per number of consignments (in 1995 we had one claim for every 189 consignments, in this current year we have one claim for every 600 consignments)
- Cost of claims (in 1995 the cost was \$229,000 - in the current year \$102,000)
- Loading errors per 100 consignments (in 1995 11.2 per 100, currently 2.43 per 100)
- Credits issued (now about 12 per week out of 5,500 consignments)
- Sales and growth.

Other more subjective assessments are made for :

- People development (we now have 11 graduates on site, three in our specialist hazardous goods division Chemcouriers)
- Involvement with local IHC and with our sponsored Books in Homes schools, Mangere Central School and Mayfield School in Otara
- Innovation

We have to thank the Mainfreight managers Bryan Curtis and Mark Newman who ran the branch before me and got so much momentum and enthusiasm going and gave us the chance to show what we can do."

*"Sales are up 7% and operating profits are up 15%"*



## CUSTOMER SERVICE MEASUREMENT

The national improvement in loading skills and claims reduction measurement over the past five or six years clearly demonstrates our commitment to excellence.

### Claims Statistics

We count the number of consignments we move before incurring a claim as the best method of measuring claims improvement.

The higher the number of consignments before receiving a claim the better.

1996	244 consignments for 1 claim
1997	321 consignments for 1 claim
1998	374 consignments for 1 claim
1999	419 consignments for 1 claim
2000	413 consignments for 1 claim
2001	453 consignments for 1 claim

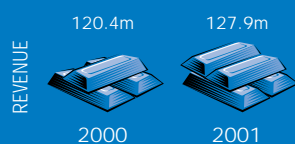
### Loading Errors

We also count the number of loading errors we make per 100 consignments. These errors can be :

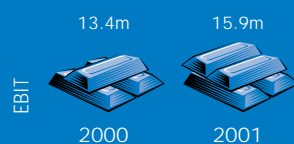
- freight shortlanded
- freight overlanded
- freight damaged

1997	3.18 loading errors per 100 consignments
1998	2.42 loading errors per 100 consignments
1999	2.24 loading errors per 100 consignments
2000	2.20 loading errors per 100 consignments
2001	2.04 loading errors per 100 consignments

### NEW ZEALAND FORWARDING REVENUE COMPARISON



### NEW ZEALAND FORWARDING EBIT COMPARISON



### NEW ZEALAND FORWARDING TEAM NUMBERS COMPARISON



# INTERNATIONAL NEW ZEALAND

## *A strategic advantage*

Our International businesses in New Zealand - Mainfreight International Ltd and Lep International N.Z. Ltd have finished the year with satisfactory results, following some mid year management changes.

A major change for the current year was to move our sales teams into the Supply Chain structure, rather than with their own brands. We believe that this will result in our own people and their customers obtaining a greater understanding and implementation of Supply Chain solutions. We have a major strategic advantage over all other competing international business where we are able to link into the extensive Mainfreight Supply Chain network.

### *Mainfreight's positioning*

As Mainfreight has developed its network both here in New Zealand and more recently throughout the Pacific Basin, our customers have asked us to do more for them. Initially this involved providing additional transport services such as wharf cartage and metropolitan delivery. However, as our relationships grew into partnerships it became abundantly clear that we would need to design and implement Supply Chain service solutions. This has involved becoming lead logistics providers with some customers where we take control of all the logistical functions. In some cases managing other service providers where service or costs are different to that of our own.

Our competencies have grown to incorporate:

- **Managed warehousing**, either our own or managing the asset that is owned by the customer
- **Fleet management**, as is the case with the Fernz tanker contract
- **Additional Transport** incorporating land, sea, air and transport services both domestically and internationally.

By understanding the needs of our customer for inbound and outbound logistics, we have been able to bring efficiencies and increase service levels.

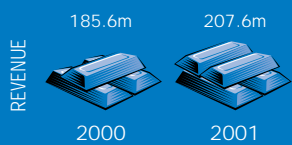
In some cases the redesigning of services to provide "new" markets for our customers has changed the way they do business.



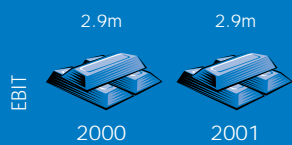
*"Linking into the Mainfreight Supply Chain network gives us a major strategic advantage over others in this industry"*



### INTERNATIONAL REVENUE COMPARISON



### INTERNATIONAL EBIT COMPARISON



### INTERNATIONAL TEAM NUMBERS COMPARISON



# MAINFREIGHT DISTRIBUTION PTY LTD

## *A frank and open account*

At the time of purchasing K & S Express we estimated the business was losing some A\$4M per year. Exact numbers were not available because the business was immersed in a larger company, K & S Freighters. Because of being part of a larger business, we needed to establish our own accounting and computer systems.

We had been working for some months prior to this acquisition on developing a new operating system for New Zealand, named Maintrak. While this was incomplete, and not yet in use in New Zealand, the decision was made to operate our new business on this new platform. K & S people were brought to New Zealand prior to the April takeover date and trained in the use of Maintrak. There was great enthusiasm for the system and our apparent preparedness.

### **Technology**

From day one we had enormous problems. The data links between the Australian branches and back to the host in New Zealand were slow and unreliable, for some weeks only allowing us to enter forty consignments an hour. We did not reach the speed we had been promised until October. In addition, there were literally millions of rates from the K & S Express

system to be entered into our own system manually, and this huge task took many months. As a consequence we mischarged our customers for many months. These problems lost us creditability with existing customers and cost us liquidity and caused a loss of morale within the business.

Right through the 2000 year fuel prices and our costs were rising, but because many rates were not yet in the computer we were not in any position to attempt to recover costs through a price increase.

Operationally we were coming to grips with our acquired assets which included people who were resistant to change, and where carriers had conspired to the detriment of our business.

### **Rate recovery**

In October 2000, after giving our market place only very ordinary service, we attempted to recover long overdue fuel costs with a general price increase. This was not successfully implemented, and we lost some large, albeit poorly paying, customers.

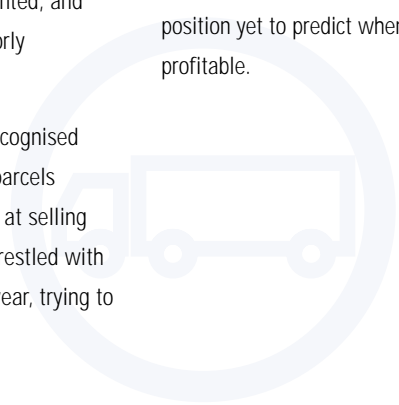
At the time of purchase we recognised that there was A\$16M pa of parcels revenue in the business, most at selling prices well below cost. We wrestled with this problem for much of the year, trying to

streamline the operation, which we achieved with reasonable success. However, the decision was made to establish an A\$15 per consignment minimum charge for inter city parcels, and much of the parcel business was lost. It is interesting the amount which is returning in recent months, on higher rates.

### **The outlook**

While we have been working hard all year on improving our operations, it is only in the last few months that we have genuinely achieved an improvement in our service. With this on-going improvement we will gain new business at economic rates.

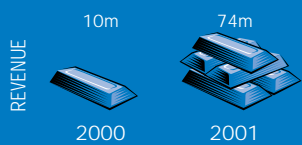
We continue to make operational improvements and this is reflected in improving trading margins. However it is important that our shareholders understand that the profitable development of this business is going to take time and continued human effort and we are not in a position yet to predict when it will be profitable.



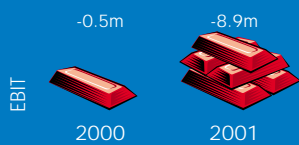
*"We have many more opportunities to reduce losses and improve quality and morale"*



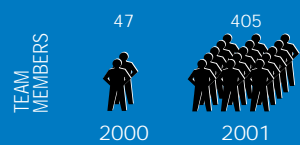
### AUSTRALIAN DOMESTIC REVENUE COMPARISON



### AUSTRALIAN DOMESTIC EBIT COMPARISON



### AUSTRALIAN DOMESTIC TEAM NUMBERS COMPARISON



## WHY HAVE WE INVESTED SO MUCH IN AUSTRALIA?

Australia is New Zealand's largest export market for manufactured goods, and New Zealand is Australia's third largest market. Many companies operate branches on both sides of the Tasman much as we do and regard the two countries as one business area. The United States and Europe and Asia all think of us as one marketplace.

### *The Australian opportunity*

We already have a well established international business in Australia (adding Perth to our list of Lep branches in February 2001). This creates constant transport and warehousing opportunities, together with demands from New Zealand customers already in Australia, or developing that market.

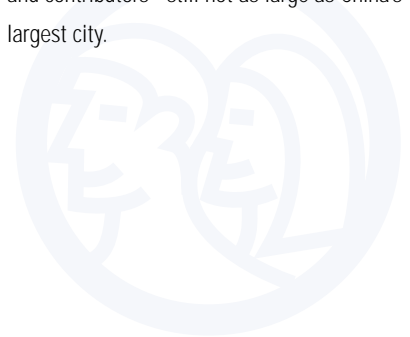
To take advantage of these conditions it is vital we increase our capability and network in the Australian domestic market. With a population base of 20M compared with New Zealand's 4M, our opportunity to profitably operate domestic freighting, metro and warehousing greatly expands our Supply Chain capability.

### *Scale of profitability*

Over the next few years as we firmly establish ourselves in Australia, of real significance to our shareholders will be the much larger profits which will be available to us working in an economy seven times the size of New Zealand. We have begun to create a global business exclusively from the profits we have earned in the New Zealand marketplace over the past 23 years. Imagine the growth we will be capable of in

Australia and globally in the next five to ten years as we build off the profits available from both countries.

Mainfreight believes that Australia and New Zealand would both significantly benefit by total economic and political union. As a state of Australia, we would continue to retain our name and culture and local governance, but combined we would be a more balanced and robust economy with 24 million consumers and contributors - still not as large as China's largest city.



*"Much greater profits will be available to us in an economy seven times the size of New Zealand"*



# CAROTRANS USA

*Our international hub of the future*

All of us know that the United States is the biggest economy in the world, and as New Zealanders and Australians we are used to looking from afar at its size and dynamism.

We bought a 49.5% shareholding in CaroTrans in April 1999, at a time when the business was losing in excess of US\$2M p.a., and it has taken us nearly 2 years to stop those losses.

Having stopped the losses, begun paying creditors on time and improved morale and operating standards, we have started to realise that we are actually a part of the world's biggest economy rather than looking in from the outside. With our improved reputation amongst the international freight players, we have begun to be approached with offers of work, the volume of which we

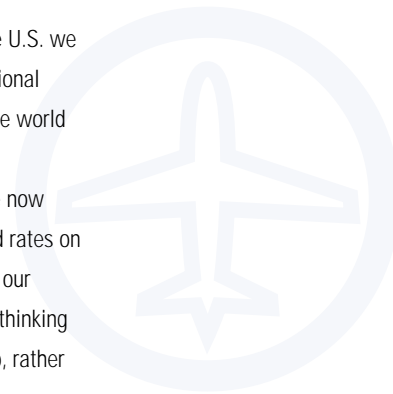
can only dream of in New Zealand or Australia. Of equal importance often with these offers has come additional work for us in Australia and New Zealand, and our part-owned businesses in Hong Kong and Shanghai, as well as to our agents where we have the strongest relationships, i.e. in Europe and Asia.

## *The international spin-off*

In other words, by our success in the U.S. we are now benefiting our own international companies and our agents around the world in a way that we had not previously conceived. As a result of this we are now able to negotiate shipping space and rates on a global basis and are likely to build our international business in the future, thinking of CaroTrans and the U.S. as the hub, rather

than Australia and New Zealand.

We are greatly excited by the future possibilities of having successfully established ourselves, be it in only a small way in the United States of America.



## *Logistics vs transport*

Logistics incorporates all the activities surrounding the movement of product through the manufacturing process and into the sales process. While components of these transactions can be classified as transport, the sum of them all is logistics. Point to point cartage is what Mainfreight has grown from. By developing these competencies and being able to offer many logistical services from the one business we have been able to tailor supply chain solutions incorporating the logistics for each customer.

## INFORMATION TECHNOLOGY

As we have grown, both organically and through acquisition, our core operating platforms have also continued to grow.

Our Global Supply Chain Management relies on a worldwide network of information, technologies, knowledge and e-commerce and our development of information technology is never static.

We have recognised the need to streamline our customers' logistics which includes providing solutions for the future. Our technology must also be capable of being involved in and assisting the solution and preferably be as transparent as possible across modes, activities and brands.

To achieve this we intend to link all our technologies across all divisions to assist with measurement and performance both internally and externally.

### Integration

Our IT development, implementation and integration will be reinvigorated by our new New Zealand IT Manager, Anthony Barrett, and by the return from CaroTrans, after two years, of Kevin Drinkwater to the position of Global IT Manager.

Our New Zealand transport business continues to operate on an early nineties software platform. During the 2001 calendar year we intend to replace this with a Windows-based product, written on an Informix database.

This package was originally introduced to our new Australian acquisition last year. It is to be known as Maintrak and will give us a more secure platform capable of linking with the rest of the business, written in a more user-friendly language. Linking to this software will be additional interfaces to provide computerised pickup and delivery functions and electronic communication direct to the cab of our vehicles.

### Warehousing software

Our warehousing software, known as MIMS (Mainfreight Inventory Management System) is to move to a central Informix platform during June and July 2001. The PC databases we currently use will merge to facilitate a networked platform across all our warehousing sites. This package is also being used via the Internet to allow our customers access to view stock levels, stock rotations, stock picks and of course track and trace at any given time. This package will also be used in our warehousing functions in Australia.

### International platforms

Our international platforms are a mixture of our own and those associated with us as Global Partners. Further rationalisation of these platforms will continue to ensure our Global IT strategy can be fulfilled.

In all cases web interfacing, EDI and track and trace capability will be available.

In terms of customer interfacing, our FreMan package capability continues to grow providing more timely and effective information for our customers. The launching of our HelpDesk application for use by all customers is due during 2001. This package allows the users to monitor and measure performance and is a valuable tool for customer services. It is expected that all databases across all divisions to be merged to access and measure service platform.



*"The growth and development of our IT is never static"*



INFORMATION TECHNOLOGY  
SPEND \$7.3M AS PERCENTAGE  
OF REVENUE = **1.78%**

TRAINING AND HR SPEND  
\$1.02M AS PERCENTAGE  
OF REVENUE = **0.25%**

## THE MAINFREIGHT CULTURE

In explaining to our shareholders what we are doing and our goals and aspirations, it seems appropriate to also explain some of our culture. Culture, we believe, is simply a word for "the way we do things around here."

This industry requires extra-ordinarily committed people, who must be prepared on any day to carry on working until the job is done. Our daily work can be effected by weather, fuel supplies, vehicle and ship wagon arrivals, the seasons, particularly winter and leading up to Xmas, short weeks, industrial action and all the special daily requirements of some fifteen thousand regular customers.

For this reason, the people who make up our company are critical to our success and must have some special attributes.

We have developed methods over the past 23 years for employing new people, and the ways in which we work. Much of this has come from the Japanese "Theory Z".

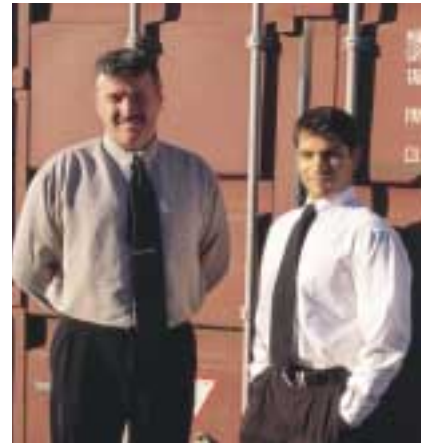
Generally employ young people :

- with obvious energy
- educated
- positive personalities
- management potential

Secondly, it is important that these new people learn the basis of the job extremely well. This involves slowing down their movement through the business so that they become champions at each part, not generalists.

Thirdly, we endeavour to treat everyone as if they are going to stay in our business for their whole working life (with the exception of

overseas travel). This means that the company makes a commitment to each person to stick with their learning and development, and that commitment is reciprocated.



*Craig Evans, General manager Supply Chain and Jaysen Magen, Technologist*



### What might we realistically achieve over the next five years.

2002

- Open a branch in Newcastle and Canberra
- Be operating profitably in Mainfreight Dist. Pty
- Open another branch in China
- Open first warehousing in USA
- Service by Mainfreight Dist to 100 Australian towns
- Computer integration with all our businesses in New Zealand, Australia, USA, Hong Kong and China.

2003

- Full year profit for Mainfreight Distribution
- Open a branch in Darwin
- Open another branch in China
- Open a branch in the United Kingdom
- Service by Mainfreight Distribution to 125 Australian towns
- Computer integration with most agents
- Purchase USA NVOCC
- Initiate joint ventures in South African and Chile or Argentina



### As a consequence of these beginnings

- Promotion is always from within, and on those rare occasions when a senior person leaves the company, we look upon it as an opportunity to promote a number of talented people from within.
- We have an ever-growing emphasis on teaching and training, with both internal and external programs in an endeavour to develop peoples' full potential.
- We operate an annual bonus scheme which starts with the distribution amongst the teams

of 10% of branch profits. This 10% however can be reduced or increased by such things as profit increase, claims reduction, on time delivery, people development, innovation etc.

- We operate a "Graduate" program where graduates are treated in the same way as all new people. Within the business we presently have 84 graduates, a number of whom have worked for several years during vacations. They are a constant source of challenge to the way in which we operate.
- We have huge understanding from our whole team about the things we believe in, like

clean trucks, care for the environment, world class service, constant improvement, weekly profits, the hundred year aim and a bit of rule breaking.

- We are in a business which by its very nature requires us to react quickly to the needs of our customers. To be pro-active, we have taken a long-term view of where we are going and how we will get there, and that is by giving people an environment to grow and experiment, succeed and fail, but never to accept mediocrity.

*"We will get there by giving people an environment to grow and experiment; to succeed and fail; but never to accept mediocrity".*



2004

- Open a branch in Rockhampton
- Service by Mainfreight Distribution to 150 Australian towns
- Begin operations in another Asian country
- List on Australian stock exchange
- Purchase Australian freight company
- Now have 1,000,000' of warehousing in Australia

2005

- Open another branch in China
- Develop direct investments in USA land transportation

2006

- Exceed worldwide revenue of NZ\$1B
- Service by Mainfreight Distribution to 250 Australian towns

# PROPERTY PORTFOLIO

## Why we own property

Mainfreight's property philosophy is a mix of owning and leasing land and buildings. While the location and type of facility is critical to freight operations, this is not necessarily the case for our growing warehousing and international forwarding operations.

There are three reasons we own such a large amount of property in this age of sale and lease-back.

1. Efficiency and location. It is critical that our freight operations are served by rail sidings. We have strategically purchased and built facilities that enable us to work most efficiently and safely.
2. Future expansion. In many cases we have purchased more land than we need to allow us to grow in time, without relocating.
3. Lessor's requirements. When building, developers tend to maximise land coverage with leasable buildings. This restricts access and egress for heavy vehicles and makes it difficult to find suitable facilities.

**Table 1:**

	<i>Properties Owned &amp; Utilised</i>	<i>m2</i>
Union East Street	Whangarei * <sup>Δ</sup>	1,535
Westney Road	Auckland <sup>Δ</sup>	14,022
Sunshine Avenue	Hamilton	3,933
Te Maire St	Mt Manganui * <sup>Δ</sup>	6,309
Biak Street	Rotorua * <sup>Δ</sup>	1,541
Tyne Street	Napier * <sup>Δ</sup>	2,774
Omahu Street	Hastings	1,888
Railway Road	Palmerston North * <sup>Δ</sup>	4,893
Gracefield Road	Wellington * <sup>Δ</sup>	7,958
Parkers Road	Nelson	878
McAlpine Street	Christchurch *!	18,158
	<b>Total Area</b>	<b>63,889</b>

\* utilises rail sidings / docks

Δ involves a land bank

**Table 2:**

	<i>Properties Owned for Future Development</i>	
Railway Lane	Auckland	6.3ha

**Table 3:**

	<i>Properties Held for Future Sale</i>	<i>m2</i>
Beaudesert Road Δ	Brisbane	9,000
William Angliss Drive	Melbourne	9,010
Melrose Drive Δ	Melbourne	3,525
	<b>Total Area</b>	<b>21,535</b>

Δ for sale and lease-back

Lindrum Road *	Brisbane	1.7ha
----------------	----------	-------

\* bare land

**Table 4:**

	<i>Leased with Term (3+ years)</i>	<i>m2</i>
O'Rorke Road *	Auckland	18,355
Industry Road *	Auckland	4,063
Richard Pearse Drive	Auckland	5,322
Southdown Lane	Auckland	7,303
Western Hutt Road *	Wellington	7,435
Wilson's Road *	Christchurch	2,249
Jipcho Road *	Christchurch	6,672
Strathallen Street *	Dunedin	4,169
Lower Spey Street	Invercargill	1,153
Baker Street	Sydney	2,800
Powers Road	Sydney	10,000
Centre Road	Melbourne	12,000
Trade Park Drive	Melbourne	2,850
Miles Plain Road	Perth	6,565
	<b>Total Area</b>	<b>90,936</b>

\* ground leases only

*"Strategically located facilities enable us to operate most efficiently"*



# THE YEAR AHEAD AND BEYOND

## Management and succession

The year ahead will bring management changes in the company. At an appropriate time Don Braid, who is presently New Zealand Managing Director, will assume the role of Group Managing Director, giving him responsibility for our businesses and shared businesses in New Zealand, Australia, USA, Hong Kong and China.



*Don Braid,  
New Zealand  
Managing  
Director*

At the same time, Bruce Plested will assume the role of Executive Chairman. Don Rowlands, our present Chairman, will remain as a Director. Chris Dunphy, our executive director domiciled in Australia, will continue to manage the transition of Mainfreight

Distribution to profitability and pursue further strategic opportunities. John Hepworth will continue to drive our International Forwarding direction from the USA.

## Supply Chain

Further development of our Supply Chain concepts will occur. Only three years ago we set up a Supply Chain Division. In the last few months we have amalgamated all our sales people to have them reporting via the Supply Chain Division. This year we will begin integrating our Help Desk and Customer Service Centres under the Supply Chain Division.

We must keep our brands separate and competitive, but we must take advantage of the powerful synergies which present themselves when we see ourselves, and the market sees us, as one.

Mainfreight Distribution Pty Ltd will not be far from anyone's mind. With the improving service quality, there will be a new confidence from the New Zealand businesses and Australian International businesses to sell Mainfreight Distribution to their existing customers.

## Excellence

The year ahead should bring improved results from all our business units. We will continue to strive for excellence in everything we do; to be useful to the industry and countries we work in; to continue to recognise that it is only the performance of our people which keeps us from the jaws of mediocrity; to continue our support for education, in particular our 25 schools in the "Books in Homes" program; and to continue striving to contribute more to society and the economy than we take out.







*"We are taking advantage of the powerful synergies our brands provide"*

## DIRECTOR'S REPORT

The Directors are pleased to present this sixth published annual report of Mainfreight Limited.

### Activities

There were no changes during the year in the principal activities of the Group as supplier of freight, warehousing and logistics services to customers in New Zealand and Australia.

### Financial Result

Consolidated sales for the year were \$410.8m, up on the previous year by \$98.2m (31.4%). Acquisitions contributed \$63.9m. The net surplus after tax decreased by 72.8%, from \$9.0m to \$2.4m. This result included restructuring costs of \$1.051m after tax and an amortisation of goodwill increase on last year of \$1.055m. Comparisons to the 2000 result are set out in the Statistics section, page 44 of the Financial Statements.

### Financial Position

The Group has maintained a satisfactory financial position, with shareholders' equity of \$50.1m, funding 32.3% of total assets. Earnings cover interest on debt 3.2 times. Net cash flow from operations was \$2.6m, down from \$12.5m last year. Working capital requirements for the new acquisition of K & S Express of \$6.5m combined with the decrease in the Net Surplus resulted in

this decrease. Acquisition purchases off \$13.1m and net property and plant purchases of \$15.1m resulted in net cash from investing activities of \$28.2m. Net cash flow from financing activities was a surplus of \$21.7m as a result of increased term borrowing.

### Dividend

An interim dividend of 3.0 cents per share was paid on 15 December 2000, fully imputed. A supplementary dividend of 0.53 cents per share was paid to non-resident shareholders with the interim dividend. A fully imputed final dividend of 3.5 cents per share, payable on 20th July 2001, is proposed together with a supplementary dividend of 0.62 cents per share for non-resident shareholders.

### Statutory Information

Additional information is set out on pages 40 to 42 including directors' interests as required by the Companies Act 1993.

### Directors

Mr B.G. Plested, Mr N.L. Graham and Mr C.J. Fernyhough retire by rotation and are available for re-election.

### Audit

The Company's auditors, Arthur Andersen, 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 2001 is scheduled for release on 22 August 2001.

### Outlook


The Directors are satisfied with the direction and development of the Group. The next twelve months should see Mainfreight start to reap the benefits from the investments of the last few years.

For and on behalf of the Board

28 June 2001



Don Rowlands, Chairman



Carl Howard-Smith, Director

*"We aim to delight our customers"*

Don Rowlands - Chairman

John Fernyhough - Director

Bruce Pleased - Group Managing Director

Neil Graham - Director



Don Braid - Director

Carl Howard-Smith - Director

Chris Dunphy - Director

The Hon. Richard Prebble - Director

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## Statement of Financial Performance for the Year Ended 31st March 2001

	Notes	Group		Parent	
		2001 \$000	2000 \$000	2001 \$000	2000 \$000
Operating Revenue		410,846	312,614	105,841	97,777
Surplus Before Amortisation and Taxation for the Year	2	8,606	15,732	12,426	13,670
Amortisation Expense		2,060	1,005	-	-
Surplus Before Taxation for the Year		6,546	14,727	12,426	13,670
Income Tax Expense	4	2,650	4,958	2,926	2,932
Surplus After Taxation for the Year		3,896	9,769	9,500	10,738
Minority Interest in Surpluses of Subsidiaries		(430)	(504)	-	-
Share of Surplus (Deficit) of Associates	11	(1,024)	(290)	-	-
<b>NET AND OPERATING SURPLUS FOR THE YEAR</b>		<b>2,442</b>	<b>8,975</b>	<b>9,500</b>	<b>10,738</b>

## Statement of Movements in Equity for the Year Ended 31st March 2001

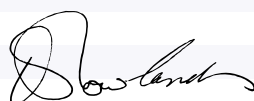
Equity at the Beginning of the Year	49,506	45,698	49,106	42,981
Net Surplus for the Year	2,442	8,975	9,500	10,738
Foreign Currency Translation Reserve	45	(109)	-	-
Total Recognised Revenues and Expenses for the Year	2,487	8,866	9,500	10,738
Contributions from Owners (Executive Options)	600	90	600	90
Movements in Minority Interest during the Year	430	(445)	-	-
Supplementary Dividends	(33)	(162)	(33)	(162)
Dividends Paid	(2,186)	(4,703)	(2,186)	(4,703)
Foreign Investor Tax Credit	33	162	33	162
<b>EQUITY AT END OF THE YEAR</b>	<b>50,837</b>	<b>49,506</b>	<b>57,020</b>	<b>49,106</b>

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

## Statement of Financial Position as at 31st March 2001

	Notes	Group		Parent	
		2001 \$000	2000 \$000	2001 \$000	2000 \$000
<b>Shareholders' Equity</b>					
Share Capital	3	35,651	35,051	35,651	35,051
Accumulated Surplus		14,389	14,133	21,369	14,055
Foreign Currency Translation Reserve		43	(2)	-	-
Shareholders' Equity		50,083	49,182	57,020	49,106
Minority Interest		754	324	-	-
<b>TOTAL EQUITY</b>		<b>50,837</b>	<b>49,506</b>	<b>57,020</b>	<b>49,106</b>
<b>Non-current Liabilities</b>					
Bank Term Loan	5	48,062	26,740	48,062	26,740
Finance Lease Liability	6	2,238	97	-	-
		50,300	26,837	48,062	26,740
<b>Current Liabilities</b>					
Bank Overdraft		6,870	3,661	1,495	-
Commercial Bills		1,466	2,070	-	-
Intercompany Creditors	17	-	-	5,007	3,196
Creditors & Accruals		38,126	29,925	8,762	7,604
Employee Entitlements		6,545	4,386	1,755	1,490
Advance from Director	17	308	-	308	-
Provision for Taxation		29	-	-	74
Finance Lease Liability	6	507	75	-	-
		53,851	40,117	17,327	12,364
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>154,988</b>	<b>116,460</b>	<b>122,409</b>	<b>88,210</b>
<b>Non-current Assets</b>					
Fixed Assets	7	55,912	53,144	44,240	42,276
Goodwill	8	17,108	7,464	-	-
Investments in Subsidiaries	10	-	-	14,460	14,460
Investments in Associates	11	871	439	2,038	729
Future Tax Benefit		2,285	-	-	-
Deferred Tax Asset	4	1,635	931	175	306
		77,811	61,978	60,913	57,771
<b>Current Assets</b>					
Bank		564	2,086	-	812
Short Term Deposits		300	-	300	-
Intercompany Advances	17	-	-	31,907	8,560
Associate Company Advances	17	1,492	882	1,492	882
Trade Debtors		55,376	41,863	12,291	10,493
Intercompany Debtors	17	-	-	1,691	2,022
Tax Paid in Advance		527	471	64	-
Other Debtors		4,729	4,555	2,450	3,040
Property held for resale	7	14,056	4,448	11,168	4,448
Employee Share Purchase Scheme	9	133	177	133	182
		77,177	54,482	61,496	30,439
<b>TOTAL ASSETS</b>		<b>154,988</b>	<b>116,460</b>	<b>122,409</b>	<b>88,210</b>

For and on behalf of the Board



Dated 28 June 2001

D. D. Rowlands CBE, Chairman



C. G. O. Howard-Smith, Director

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

## Statement of Cash Flows for the Year Ended 31st March 2001

	Notes	Group		Parent	
		2001 \$000	2000 \$000	2001 \$000	2000 \$000
<b>Cash Flows From Operating Activities</b>					
Cash was provided from:					
Receipts from Customers		398,834	306,993	104,253	98,107
Interest Received		207	236	202	437
Dividend Received		-	-	3,000	4,848
		399,041	307,229	107,455	103,392
Cash was dispersed to:					
Payments to Suppliers		(387,488)	(287,468)	(90,811)	(84,741)
Interest Paid		(3,947)	(1,843)	(2,094)	(1,623)
Income and Other Taxes Paid		(4,991)	(5,391)	(2,933)	(2,997)
		(396,426)	(294,702)	(95,838)	(89,361)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	15	<b>2,615</b>	<b>12,527</b>	<b>11,617</b>	<b>14,031</b>
<b>Cash Flows From Investing Activities</b>					
Cash was provided from:					
Proceeds from Sale of Assets		5,117	1,144	5,054	1,093
Net Proceeds from Sale of Business Division		-	1,726	-	1,726
Repayments by Employees and Contractors		218	1,275	72	1,142
		5,335	4,145	5,126	3,961
Cash was applied to:					
Purchase of Fixed Assets		(20,242)	(10,577)	(15,914)	(8,464)
Advances to Employees and Contractors		(112)	(325)	(60)	(77)
Purchase of Businesses		(11,729)	(1,592)	(877)	(1,592)
Purchase of Associate Company Business		(1,456)	(729)	(1,310)	(729)
		(33,539)	(13,223)	(18,161)	(10,862)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(28,204)</b>	<b>(9,078)</b>	<b>(13,035)</b>	<b>(6,901)</b>
<b>Cash Flows From Financing Activities</b>					
Cash was provided from:					
Proceeds of Long Term Loan		23,773	1,223	21,323	3,869
Advances from Director		2,588	-	2,588	-
Employee Share Purchase Scheme	9	44	94	49	91
Proceeds of Share Issue		600	90	600	90
		27,005	1,407	24,560	4,050
Cash was applied to:					
Dividend Paid to Shareholders		(2,186)	(6,872)	(2,186)	(6,872)
Dividend Paid to Minority Interest Shareholder		-	(949)	-	-
Repayment of Advances from Director		(2,280)	-	(2,280)	-
Repayment of Loans		(167)	(91)	-	-
Advances to Subsidiary Companies		-	-	(20,073)	(3,318)
Advances to Associate Companies		(610)	(882)	(610)	(882)
		(5,243)	(8,794)	(25,149)	(11,072)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>21,762</b>	<b>(7,387)</b>	<b>(589)</b>	<b>(7,022)</b>
<b>NET (DECREASE) INCREASE IN CASH HELD</b>		<b>(3,827)</b>	<b>(3,938)</b>	<b>(2,007)</b>	<b>108</b>
<b>ADD OPENING CASH BROUGHT FORWARD</b>		<b>(3,645)</b>	<b>293</b>	<b>812</b>	<b>704</b>
<b>ENDING CASH CARRIED FORWARD</b>		<b>(7,472)</b>	<b>(3,645)</b>	<b>(1,195)</b>	<b>812</b>
<b>Comprised</b>					
Bank and Short Term Deposits		864	2,086	300	-
Bank Overdraft		(8,336)	(5,731)	(1,495)	812
		(7,472)	(3,645)	(1,195)	812

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

## Notes to the Financial Statements

### 1 Statement of Accounting Policies

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

#### (i) Revenue

Revenue shown in the Statement of Financial Performance comprises all amounts received and receivable by the Group for services supplied to customers in the ordinary course of business.

This includes revenue for all contracted deliveries for which the goods have been collected from the customer. Revenue is stated exclusive of goods and services tax.

#### (ii) Principles of Consolidation

The consolidated financial statements are prepared from the audited Financial Statements of the Parent Company and its subsidiaries as at 31 March 2001. All significant balances and transactions between Group Companies are eliminated on consolidation using the purchase method. Where subsidiaries are acquired during the year, their results are included only from the date of acquisition, while for subsidiaries disposed of during the year, their results are included to the date of disposal.

#### (iii) Associate Companies

There are companies in which the Group holds substantial shareholdings and on whose commercial and financial policy decisions it has significant influence.

The accounts of associate companies have been reflected in the consolidated financial statements on an equity accounting basis, which shows the Group's share of surpluses in the Consolidated Statement of Financial Performance and its share of post acquisition increases in net assets in the Consolidated Statement of Financial Position.

#### (iv) Joint Ventures

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

#### (v) Fixed Assets

All fixed assets are recorded at cost.

#### (vi) Depreciation

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

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

#### (vii) Debtors

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



## Notes to the Financial Statements

### 1 Statement of Accounting Policies

#### (viii) Taxation

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

#### (ix) Foreign Currencies

Assets and liabilities expressed in foreign currencies are converted to New Zealand dollars at the rate of exchange ruling at balance date. Surpluses and deficits realised on exchange are recognised in the period in which they occur by way of a credit or charge in the Statement of Financial Performance. Unrealised surpluses and deficits on translation of foreign currency subsidiaries are taken to the Foreign Currency Translation Reserve. This represents the only movement in this reserve.

#### (x) Leases

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

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

#### (xi) Goodwill

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

Goodwill is amortised by the straight line method over the period during which benefits are expected to be received. This is a maximum of 10 years.

#### (xii) Investments

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

#### (xiii) Financial Instruments

Financial instruments, with off-balance sheet risk, have been entered into for the primary purpose of reducing the exposure to fluctuations of foreign currency. The financial instruments are subject to the risk that market values may change subsequent to acquisition. However, such changes would generally be offset by an opposite change in value of the item being hedged.

#### (xiv) Changes in Accounting Policies

The Company has adopted FRS 5 Accounting for Events Occurring After Balance Date this financial year. As a result the proposed final dividend has not been recognised in these Financial Statements. Had this been recognised Equity would have reduced and Current Liabilities increased by \$2,551,000.

There have been no other changes in accounting policies during the year. All policies have been applied on a consistent basis with previous years.

## Notes to the Financial Statements

### 2 Surplus Before Amortisation and Taxation

	Group		Parent	
	2001	2000	2001	2000
	\$000	\$000	\$000	\$000
Thus Surplus before Amortisation and Taxation is stated:				
<b>After Charging:</b>				
Audit Fees and Expenses – Parent Company Auditors	146	140	71	73
Audit Fees and Expenses – Other Auditors	135	92	–	–
Other Fees Paid to Auditors	60	35	54	35
Depreciation	5,015	3,672	2,821	1,912
Directors Fees	165	165	150	150
Foreign Currency Losses (Gains)	(340)	(571)	–	–
Interest: Fixed Loans	3,109	1,505	3,109	1,505
Finance Leases	88	18	–	–
Other Interest	750	320	733	266
Bad Debts Written Off	188	758	86	127
Change in Bad Debt Provision	952	(211)	77	(24)
Donations	165	144	129	121
(Surplus) Deficit on disposal of Assets	(476)	134	(645)	111
Rental & Operating Lease Costs	13,559	7,694	3,876	3,577
<b>After Crediting:</b>				
Interest Income	207	236	1,954	590
Rental Income	1,748	1,032	3,388	2,184
Dividend received	–	–	3,000	4,849

### 3 Share Capital

Authorised, Issued and Paid Up Capital	35,651	35,051	35,651	35,051
72,872,766 ordinary shares (2000 year 72,372,766)				

During the financial year the Company issued 500,000 ordinary shares upon the exercise of executive share options for 120 cents per share.

At balance date there were 3,555,000 (2000 year 4,085,000) options outstanding issued under an executive share option scheme. Each option gives the right to purchase one ordinary share at predetermined prices and dates.

## Notes to the Financial Statements

### 4 Taxation

	Group		Parent	
	2001	2000	2001	2000
	\$000	\$000	\$000	\$000
Surplus Before Taxation	6,546	14,727	12,426	13,670
Prima facie taxation at 33% NZ & 34% Australia (31 March 2000 NZ 33% & Australia 36%)	2,084	4,860	4,101	4,511
Adjusted by the tax effect of:				
Non-assessable dividend income	-	-	(990)	(1,600)
Prior Tax Loss Benefit	(302)	-	-	-
Tax Rate Change	338	-	-	-
Other non-assessable revenues	(199)	-	(199)	-
Non-deductible expenses	729	98	15	21
	2,650	4,958	2,926	2,932
Represented by:				
Current Tax	4,285	5,889	3,101	3,238
Deferred Tax	(1,635)	(931)	(175)	(306)
	2,650	4,958	2,926	2,932
<b>Deferred Tax Account</b>				
Opening balance	(931)	(917)	(306)	(344)
Adjusted for the tax effect of:				
Difference between accounting and tax accumulated depreciation	131	(77)	138	46
Uncompleted sale and linehaul	(31)	14	-	-
Acquisition of provisions on purchase	(675)	-	-	-
Movements in provisions	(129)	49	(7)	(8)
Closing Balance	(1,635)	(931)	(175)	(306)
<b>Imputation Credit Account</b>				
Opening balance	8,399	7,254	6,893	5,087
Credits distributed during the year	(2,554)	(6,239)	(1,077)	(3,384)
Credits received during the year	1,478	2,388	1,478	2,388
Tax payments made	4,928	4,996	2,869	2,802
Closing balance	12,251	8,399	10,163	6,893
Representing credits available to owners of the Group at balance date:	12,090	8,355	10,163	6,893
<b>Tax Losses</b>				
Unrecognised tax losses available for set off against future assessable income:				
Tax Losses	5,318	6,017	-	-
Tax savings thereon	1,595	1,854	-	-

Parent company shareholders would be entitled to the benefit of 75% of these tax losses. The ability to use these tax losses depends on the generation of sufficient assessable income in the respective tax jurisdictions and continuity of business or ownership.

## Notes to the Financial Statements

### 5 Term Liabilities

Term Liabilities fall due for repayment in the following periods:

	Group		Parent	
	2001	2000	2001	2000
	\$000	\$000	\$000	\$000
Current	-	-	-	-
Non-Current	48,062	26,740	48,062	26,740
	48,062	26,740	48,062	26,740

A long term facility with the Westpac Banking Corporation remains in place secured by debenture and cross company guarantees. The facility agreement was varied on 13 April 2000 increasing the facility from \$40,000,000 to \$50,000,000. The agreement was further varied on 19 July 2000 increasing the facility to \$55,500,000. Interest was payable at the average rate of 7.08% per annum (2000 5.97%).

### 6 Leases

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

#### FINANCE LEASE LIABILITIES

Payable:

• not later than one year	696	86	-	-
• later than one year but not later than two years	594	100	-	-
• later than two years but not later than five years	2,028	-	-	-
• after five years	-	-	-	-
Minimum Lease Payments	3,318	186	-	-
Less Future Finance Charges	(573)	(14)	-	-
	2,745	172	-	-

#### CLASSIFIED IN THE STATEMENT OF FINANCIAL POSITION AS:

Current	507	75	-	-
Non-Current	2,238	97	-	-
	2,745	172	-	-

#### OPERATING LEASE COMMITMENTS

• not later than one year	8,923	5,808	2,374	2,691
• later than one year but not later than two years	6,588	3,685	1,324	1,827
• later than two years but not later than five years	10,495	5,115	1,825	2,211
• after five years	14,714	3,481	1,174	1,766
	40,720	18,089	6,697	8,495

## Notes to the Financial Statements

### 7 Fixed Assets

#### Group

Asset Description	2001			2000		
	Cost	Accum Depn	Book Value	Cost	Accum Depn	Book Value
	\$000	\$000	\$000	\$000	\$000	\$000
Freehold Land	8,773	-	8,773	10,685	-	10,685
Buildings	28,600	4,192	24,408	30,465	3,899	26,566
Leasehold Improvements	7,000	1,806	5,194	6,721	1,455	5,266
Plant, Vehicles & Equipment						
• Owned	32,905	18,060	14,845	26,198	15,692	10,506
• Finance Leases	3,090	398	2,692	310	189	121
<b>Totals</b>	<b>80,368</b>	<b>24,456</b>	<b>55,912</b>	<b>74,379</b>	<b>21,235</b>	<b>53,144</b>

At 31 March 2001 Registered Valuers Darroch and Co Ltd and Herron Todd White (Vic) Pty Ltd performed a valuation of the Group's land and buildings at \$65,180,000 (March 2000 \$59,436,000). This includes a valuation on the properties held for resale. The valuations were carried out on the following basis:

Vacant Properties	: Open market value
Napier/Palmerston North /Gracefield Rd, Wellington	: Depreciated replacement cost
Others	: Existing use value

In addition the directors valued one property in Mainfreight Ltd not covered by these valuations at \$849,452 (March 2000 \$849,452).

#### Parent

Asset Description	2001			2000		
	Cost	Accum Depn	Book Value	Cost	Accum Depn	Book Value
	\$000	\$000	\$000	\$000	\$000	\$000
Freehold Land	8,773	-	8,773	10,048	-	10,048
Buildings	26,542	3,854	22,688	26,502	3,495	23,007
Leasehold Improvements	4,733	968	3,765	4,379	786	3,593
Plant, Vehicles & Equipment						
• Owned	18,868	9,854	9,014	13,745	8,117	5,628
• Finance Leases	-	-	-	-	-	-
<b>Totals</b>	<b>58,916</b>	<b>14,676</b>	<b>44,240</b>	<b>54,674</b>	<b>12,398</b>	<b>42,276</b>

At 31 March 2001 Registered Valuers Darroch and Co Ltd and Herron Todd White (Vic) Pty Ltd performed a valuation of the Company's land and buildings at \$59,481,000 (March 2000 \$53,752,000). This includes a valuation on the properties held for resale. The valuations were carried out on the following basis:

Vacant Properties	: Open market value
Napier /Palmerston North /Gracefield Rd, Wellington	: Depreciated replacement cost
Others	: Existing use value

In addition the directors valued one property in Mainfreight Ltd not covered by these valuations at \$849,452 (March 2000 \$849,452).

## Notes to the Financial Statements

### 8 Goodwill

	Group		Parent	
	2001	2000	2001	2000
	\$000	\$000	\$000	\$000
Opening balance	7,464	10,256	-	-
Adjustment for movement in exchange rate	1	4	-	-
Adjustment to previous year acquisition price	-	(64)	-	-
Amounts Paid for Acquisitions during the year in excess of the fair value of their net tangible assets	11,703	-	-	-
Goodwill disposed during the year	-	(1,727)	-	-
Goodwill Amortised over the year	(2,060)	(1,005)	-	-
Closing Balance	17,108	7,464	-	-

Goodwill arose during the year from the purchase of:

Intertraffic – T.F.I Pty Ltd	-	(1,791)	-	-
K&S Express Division	10,349	-	-	-
Brambles Perth International Division	1,354	-	-	-
	11,703	(1,791)	-	-

On 2 April 2000 the Group acquired the business of K & S Express division for \$10,940,000

On 1 February 2001 the Group acquired the business of Brambles Perth International division for \$1,357,000

	K & S Express	Brambles Perth	TOTAL
Fixed Assets	1,669	123	1,792
Deferred Tax Asset	607	68	675
Employee Entitlements	(1,685)	(188)	(1,873)
NET ASSETS	591	3	594

Goodwill arising as a result of these acquisitions is shown in this note.

### 9 Employee Share Purchase Scheme

Opening balance	177	271	182	273
Staff Loan Repayment During the Year	(44)	(94)	(49)	(91)
Closing Balance	133	177	133	182

On 15 December 1997 the Company issued 216,000 ordinary shares to the Trustees of the Mainfreight Ltd Staff Share Purchase Scheme for 130 cents per share. Fulltime staff with a minimum of 1 years continuous service who had not been issued shares under the previous staff share issue were entitled to participate in the scheme. 120 staff took up the offer and were issued 1800 shares each. The purchase price is repayable over 3 years.

The shares issued amounted to 0.3% of issued capital. The power to control the trustees of the scheme is held by the Company's Board of Directors.

## Notes to the Financial Statements

### 10 Investment in Subsidiary Companies

The Parent Company's investment in subsidiary companies comprised:	<b>2001</b>	<b>2000</b>
	\$000	\$000
Shares at Cost	14,460	14,460

Principal Subsidiary Companies Include:	Balance Date	Principle Activity	Effective Percentage Shareholding	
Mainfreight International Ltd	31 March	International Freight Forwarding	100%	100%
Mainfreight Distribution Pty Ltd	31 March	Freight Forwarding	100%	100%
Daily Freight (1994) Ltd	31 March	Freight Forwarding	100%	100%
Lep International (NZ) Ltd	31 March	International Freight Forwarding	75%	75%
Lep International Pty Ltd	31 March	International Freight Forwarding	75%	75%
Mainfreight International Pty Ltd	31 March	International Freight Forwarding	100%	100%

### 11 Investment in Associate Companies

Carotrans International Inc	31 March	International Freight Forwarding	49.5%	49.5%
Bolwick Limited	31 March	International Freight Forwarding	25.0%	25.0%
Mainfreight Express Limited	31 March	International Freight Forwarding	50.0%	50.0%
Travel Style Pty Ltd	31 March	International Freight Forwarding	50.0%	0.0%

The company injected \$1,309,000 additional capital into Carotrans International on 8 September 2000.

The Group purchased 50% of Travel Style Pty Ltd in April 2000 for \$147,000.

The share of surplus (deficit) of associates of (\$1,024,000) comprised of:

	Group		Parent	
	2001	2000	2001	2000
	\$000	\$000	\$000	\$000
Operating Deficit before goodwill amortisation and restructuring	(794)	(643)	-	-
Restructuring Costs	-	(168)	-	-
Amortisation Costs	(230)	(230)	-	-
Profit on sale of business division	-	751	-	-
	(1,024)	(290)	-	-
Investment in Associates comprised of:				
Opening balance	439	-	729	-
Purchase in Year and Additional Capital	1,456	729	1,309	729
Share of Surplus (Deficit)	(1,024)	(290)	-	-
Closing Balance	871	439	2,038	729

### 12 Capital Commitments and Contingent Liabilities

The Group and Company had the following capital commitments at 31st March 2001.

(31st March 2000 12,222,019).

• Mt Manganui Terminal Extension	632,947
• Napier Terminal Extension	391,000
• Palmerston North Terminal Extension	21,769

All obligation guarantees are given by the Company in favour of Westpac Banking Corporation in respect of Mainfreight Distribution Pty Ltd, Daily Freight (1994) Ltd and Lep International Pty Ltd.

## Notes to the Financial Statements

### 13 Subsequent Events

A further 12.5% of Bolwick Ltd was purchased on 2 April 2001 for \$80,000 (HK\$250,000) bringing shareholding to 37.5%.  
On 16 April 2001 further capital of \$2,172,000 was put into Carotrans International Inc.  
This maintained the Company's shareholding in the business at 49.5%.

### 14 Segmental Reporting

The Group operates in the domestic freight and international freight industries.  
The Group operates predominantly in two geographical segments – New Zealand and Australia. The basis for intersegment pricing is at normal trade price.

#### Industrial and Geographical Segments

						<b>2001</b>
	N.Z. Domestic	N.Z. Internat.	Australia Domestic	Australia Internat.	Intercoy	\$000 Consolidated
Operating revenue						
• sales to customers outside the group	137,200	74,849	73,303	125,494	–	410,846
• intersegments sales	1,639	1,789	697	5,463	(9,588)	–
<b>Total revenue</b>	<b>138,839</b>	<b>76,638</b>	<b>74,000</b>	<b>130,957</b>	<b>(9,588)</b>	<b>410,846</b>
Surplus before taxation	14,785	975	(10,539)	1,325	–	6,546
<b>Total Assets</b>	<b>123,631</b>	<b>14,143</b>	<b>33,335</b>	<b>26,714</b>	<b>(42,835)</b>	<b>154,988</b>
						<b>2000</b>
						\$000
Operating revenue						
• sales to customers outside the group	127,398	71,754	7,601	105,861	–	312,614
• intersegments sales	1,672	1,674	2,473	6,349	(12,168)	–
<b>Total revenue</b>	<b>129,070</b>	<b>73,428</b>	<b>10,074</b>	<b>112,210</b>	<b>(12,168)</b>	<b>312,614</b>
Surplus before taxation	12,863	1,071	(511)	1,304	–	14,727
<b>Total Assets</b>	<b>89,769</b>	<b>13,632</b>	<b>5,562</b>	<b>24,547</b>	<b>(17,050)</b>	<b>116,460</b>



## Notes to the Financial Statements

### 15 Reconciliation of Cash Flows with Reported Net Surplus

	Group		Parent	
	2001	2000	2001	2000
	\$000	\$000	\$000	\$000
Net surplus/deficit after taxation	3,896	9,769	9,500	10,738
Non-cash items:				
Depreciation	5,015	3,672	2,821	1,912
Amortisation of goodwill	2,060	1,005	-	-
(Increase) decrease in deferred tax asset	(704)	(14)	131	38
	10,267	14,432	12,452	12,688
Add (less) movements in other working capital items, net of effect of acquisitions:				
(Increase) decrease in accounts receivable	(13,645)	(6,810)	(979)	457
Increase (decrease) in accounts payable	9,207	4,995	879	791
Increase (decrease) in interest payable	542	85	542	85
(Increase) decrease in interest receivable	(128)	-	(506)	(135)
Increase (decrease) in taxation payable	(3,254)	(419)	(138)	(102)
Increase (decrease) in net GST	102	110	12	136
Less item classified as investing activity:				
Net (surplus) deficit on sale of fixed assets	(476)	134	(645)	111
Net cash inflow from operating activities	2,615	12,527	11,617	14,031

### 16 Financial Instruments

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

#### CREDIT RISK

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

#### FAIR VALUE

The fair value of all financial instruments recognised in the Statement of Financial Position is their stated value. There are no financial instruments not disclosed in the Statement of Financial Position.

#### CURRENCY & INTEREST RATE RISK

The interest rate on the bank account (whilst in overdraft) is variable. The company seeks to obtain the most competitive market rate of interest at all times.

At 31 March 2001 the Group has the following financial instruments denominated in foreign currencies, 48% of accounts payable (trade) and 54% of accounts receivable (trade). The Group monitors exchange rate movements.

## Notes to the Financial Statements

### 17 Related Parties

The ultimate holding company is Mainfreight Limited.

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

			2001	2000
Name of Related Party	Nature of Relationship	Type of Transactions	\$000	\$000
B. Plested	Director	Interest on Advances	(107)	-
B. Plested	Director	Advances to Company	(2,588)	-
B. Plested	Director	Repayment of Advances	2,280	-
C. Howard-Smith	Director	Legal & Trustee Fees	113	106

Related Party Receivables Outstanding at Balance Date:

			Balance	Balance
Name of Related Party	Nature of Relationship	Type of Transactions	Receivable \$000	Receivable \$000
Daily Freight (1994) Ltd	Subsidiary	Trade – 30 Days	900	1,396
Mainfreight International Ltd	Subsidiary	Trade – 30 Days	261	131
Lep International (NZ) Ltd	Subsidiary	Trade – 30 Days	156	218
Lep International Pty Ltd	Subsidiary	Trade – 30 Days	324	206
Mainfreight International Pty Ltd	Subsidiary	Trade – 30 Days	50	71
Mainfreight International Ltd	Subsidiary	Advance – On Call	681	681
Lep International (NZ) Ltd	Subsidiary	Advance – On Call	-	854
Mainfreight Distribution Pty Ltd	Subsidiary	Advance – On Call	28,489	4,880
Lep International Pty Ltd	Subsidiary	Advance – On Call	2,737	2,145
Carotrans International Inc	Associate	Advance – On Call	1,492	882
			35,090	11,464

Related Party Payables Outstanding at Balance Date:

			Balance	Balance
Name of Related Party	Nature of Relationship	Type of Transactions	Payable \$000	Payable \$000
Daily Freight (1994) Ltd	Subsidiary	Trade – 30 Days	56	64
Mainfreight International Ltd	Subsidiary	Trade – 30 Days	20	7
Lep International (NZ) Ltd	Subsidiary	Trade – 30 Days	15	10
Lep International Pty Ltd	Subsidiary	Trade – 30 Days	-	-
Mainfreight Holdings Pty Ltd	Subsidiary	Trade – 30 Days	135	135
Daily Freight (1994) Ltd	Subsidiary	Advance – On Call	4,200	2,980
Lep International (NZ) Ltd	Subsidiary	Advance – On Call	581	-
B. Plested	Director	Advance – On Call	308	-
			5,315	3,196

The Company transacts with each other company within the Group on an arms length basis. No related party debts have been written off or forgiven during the period (31 March 2000 nil). In addition to the above the Group transacted with the following related parties:

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

			Balance	Balance
Name of Related Party	Type of Transaction	Terms of Settlement	Payable \$000	Payable \$000
Geologistics Ltd	Advance	On Call	216	287

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

## Auditors' Report

To the Shareholders of  
Mainfreight Limited

We have audited the accompanying financial statements of Mainfreight Limited ("the Company") set out on pages 25 to 38. The financial statements provide information about the past financial performance and financial position of Mainfreight Limited and subsidiaries ("the Group") and the Company as at 31 March 2001. This information is stated in accordance with the accounting policies set out on pages 28 and 29.

### Directors' Responsibilities

The Directors are responsible for the preparation of financial statements which give a true and fair view of the financial position of the Group and Company as at 31 March 2001 and of the results of their operations and cash flows for the year then ended.

### Auditors' Responsibilities

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

### Basis of Opinion

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

- the significant estimates and judgements made by the Directors in the preparation of the financial statements; and
- whether the accounting policies are appropriate to the Company's and Group's circumstances, consistently applied and adequately disclosed.

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

Our firm carries out other assignments for the Group in the area of taxation advice and special consultancy projects. The firm has no other interests in the Group.

### Unqualified Opinion

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

In our opinion:

- proper accounting records have been kept by the Company as far as appears from our examination of those records; and
- the financial statements referred to above:
  - a) comply with generally accepted accounting practice in New Zealand; and
  - b) give a true and fair view of the financial position of the Company and Group as at 31 March 2001 and the results of their operations and cash flows for the year then ended.

Our audit was completed on 28 June 2001 and our unqualified opinion is expressed as at that date.



Auckland

## Statutory Information

### Directors

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

Name	Remuneration	Current Director or Date Appointed or Resigned
Don Rowlands	\$50,000	Current
Bruce Pledst <sup>** #</sup>	\$170,000	Current
Neil Graham	\$25,000	Current
Carl Howard-Smith <sup>*</sup>	\$25,000	Current
John Fernyhough	\$25,000	Current
Richard Prebble	\$25,000	Current
Chris Dunphy <sup>#</sup>	\$305,000	Current
Don Braid <sup>#</sup>	\$235,000	Current

\* Excludes legal and trustee fees (refer to note 17 to the Financial Statements).

\*\* Excludes interest on advances (refer to note 17 to the Financial Statements).

# Includes vehicle and other non-cash remuneration. Chris Dunphy is remunerated in Australian currency

### Employees' Remuneration

The Group paid remuneration including benefits to 18 New Zealand based and 29 overseas based employees (other than directors) during the year in excess of \$100,000 in the following bands:

Remuneration	New Zealand Based	Overseas Based
	Number of Employees	Number of Employees
\$100,000 – \$110,000	5	3
\$110,000 – \$120,000	5	9
\$120,000 – \$130,000	3	5
\$130,000 – \$140,000	–	3
\$140,000 – \$150,000	2	1
\$150,000 – \$160,000	1	3
\$160,000 – \$170,000	1	1
\$180,000 – \$190,000	1	1
\$200,000 – \$210,000	–	2
\$220,000 – \$230,000	–	1

### Donations and Auditors' Fees

Donations and auditors' fees are set out in note 2 of the Financial Statements. The company has an Audit Committee comprising of Carl Howard-Smith and Richard Prebble.

### Minority Veto Provisions

The Company has adopted "minority veto" provisions in its constitution.

## Statutory Information

### Directors' Shareholdings at Balance Date

	2001	2000
BG Plested		
• beneficially owned	21,393,567	22,893,567
• held by associated persons	270,100	270,100
NLGraham		
• beneficially owned	5,909,561	6,005,223
CG Howard-Smith		
• held as trustee of staff share purchase scheme	130,840	260,440
• held by associated persons	550,000	50,000
DD Rowlands		
• beneficially owned	642,000	142,000
CJ Ferryhough		
• beneficially owned	100,000	100,000
• held by associated persons	126,300	126,300
CS Dunphy		
• beneficially owned	325,000	325,000
• held by associated persons	578,000	580,000
DR Braid		
• beneficially owned	6,264	6,264
• held by associated persons	506,000	531,000
RW Prebble	500,000	–
<b>TOTAL</b>	<b>31,037,632</b>	<b>31,289,894</b>

### Substantial Security Holders

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

The following are recorded by the Company as at 1 June 2001 as Substantial Security Holders in the Company, and have declared the following relevant interest in voting securities under the Securities Amendment Act 1988:

BG Plested	21,393,567
Shamrock Holdings of California Inc	5,968,889
NL Graham	5,909,561

### Spread of Security Holders as at 1 June 2001

Size of Shareholding	Number		Total Number	
	of Holders	%	Held	%
1 – 999	127	6.46%	63,614	0.09%
1,000 – 4,999	1,092	55.52%	2,489,962	3.42%
5,000 – 9,999	356	18.10%	2,304,952	3.16%
10,000 – 49,999	343	17.44%	5,677,392	7.79%
50,000 – 99,999	21	1.07%	1,373,014	1.88%
100,000 – 999,999	21	1.07%	5,808,940	7.97%
1,000,000 – PLUS	7	0.36%	55,154,892	75.69%
<b>TOTAL</b>	<b>1,967</b>	<b>100.00%</b>	<b>72,872,766</b>	<b>100.00%</b>

## Statutory Information

### Largest Security Holders as at 1 June 2001

BG Plested	21,393,567	29.36%
Shamrock Holdings of California Inc	5,968,889	8.19%
NL Graham	5,909,561	8.11%
ANZ Nominees Limited	4,178,551	5.73%
National Mutual Life Assurance of Australasia Ltd	2,684,655	3.68%
Royal and Sun Alliance Life Ltd	2,376,490	3.26%
Trustees Executors and Agency Company of New Zealand Ltd	2,086,406	2.86%
ABN Amro Nominees Ltd	1,807,000	2.48%
Guardian Assurance Ltd	1,629,189	2.24%
Citibank Nominees	1,380,089	1.89%
Accident Rehabilitation & Compensation Insurance Corporation	1,232,000	1.69%
Armstrong Jones (NZ) Ltd	1,078,405	1.48%
Penumbra Investments	1,000,000	1.37%
RDH Steel	1,000,000	1.37%
National Nominees	963,961	1.32%
DD Rowlands	642,000	0.88%
CG & PD Howard-Smith	540,000	0.74%
Invia Custodians Pty Ltd	525,000	0.72%
P.M Masfen & J.A. Masfen	500,000	0.69%
RW Prebble	500,000	0.69%

## Interests Register

Name of Director or other Person having Interest	Date Interest Disclosed	Details of Interest
Chris Dunphy & Don Braid	5 May 2000	Jointly owned company (Penumbra Investments Ltd) sold 50,000 shares at a price of \$1-75.
Bruce Plested	16 June 2000	Advanced Mainfreight \$2,588,137 on 16 June 2000 at an interest rate of 8.5%. The company repaid \$2,280,116 by 31 March 2001 leaving \$308,021 outstanding. Interest of \$106,697 was paid or accrued at balance date.
	29 August 2000	Sold 500,000 shares to Carl Howard-Smith under options 27 June 1996 at \$1-20 each.
	29 August 2000	Sold 500,000 shares to Don Rowlands under options of 27 June 1996 at \$1-20 each.
	28 March 2001	Sold 500,000 shares to Richard Prebble under options of 27 June 1996 at \$1-20 each.
Carl Howard-Smith	29 August 2000	Exercised options to purchase 500,000 shares from Bruce Plested at \$1-20 each.
Don Rowlands	29 August 2000	Exercised options to purchase 500,000 shares from Bruce Plested at \$1-20 each.
Richard Prebble	28 March 2001	Exercised options to purchase 500,000 shares from Bruce Plested at \$1-20 each.
Neil Graham	22 December 2000	Sold 34,022 shares at \$1-30 per share.
	15 March 2001	Sold 61,640 shares at \$1-20 per share.

## Corporate Governance Statement

This statement gives readers an overview of the Group's main corporate governance policies and processes adopted or followed by the Board.

### 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. The 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 qualified personnel.

### Group Management Structure

The Group's organisational structure is focused on its three main activities : domestic forwarding, international forwarding and logistics. These divisions are all separately managed, with at least one of the Company's Directors being on the Board of each subsidiary.

### Risk Identification and Management

The Group has in place policies and procedures to identify areas of significant business risk and implement procedures to effectively manage those risks. Where appropriate, the Board obtains advice directly from external advisers. Once a risk is identified, the Board is advised and corrective action is taken promptly to mitigate the risk.

### Board Committees

The Board has constituted a number of standing Committees that focus on specific 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, Arthur Andersen, 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: safeguarding of assets; maintaining proper accounting records, complying with legislation; ensuring the reliability of financial information.

#### 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.

#### 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 and the Quarterly Shareholder Bulletins.

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.

## Statistics

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

		2001	2000	1999	1998	1997
	Notes	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)
Net Sales		410,846	312,614	286,321	210,322	162,872
EBITDA	1	19,160	21,247	17,588	16,020	14,150
Surplus before Abnormals, Interest & Tax		12,085	16,570	13,100	12,565	11,584
Abnormals	2	1,592	0	537	0	525
EBIT	3	10,493	16,570	12,563	12,565	11,059
Net Interest Cost		3,740	1,607	1,266	777	1,073
Net Surplus (NPAT)	4	2,442	8,975	6,882	7,258	5,953
Cashflow	5	9,947	14,156	11,559	11,059	8,871
Net Tangible Assets	6	32,975	41,718	34,673	35,530	20,197
Net Debt	7	58,279	30,557	25,637	11,909	16,222
Total Assets		154,988	116,460	104,625	89,823	64,791
EBIT Margin (before Abnormals) (%)		2.9	5.3	4.6	6.0	7.1
Equity Ratio (%)	8	21.3	35.8	33.1	39.6	31.2
Return on NTA (%)	9	7.4	21.5	19.8	20.4	29.5
Net Interest Cover (x)	10	3.23	10.31	10.35	16.17	10.80
Earnings per Share (cps)	11	3.35	12.32	9.44	9.96	8.17
Adjusted Earnings per Share (cps)	11,12	5.54	12.32	10.18	9.96	8.89
Cashflow per Share (cps)	11	13.65	19.43	15.86	15.18	12.17
NTA per Share (cps)	11	45.25	57.25	47.58	48.76	27.72

### Notes:

- EBITDA is defined as earnings before interest, tax, depreciation, amortisation and abnormals.
- Abnormal items for the year ended 31 March 2001 relate to restructuring costs in Mainfreight Distribution Pty Ltd following the acquisition of the K & S Express business. Abnormal items for the year ended 31 March 1999 relate to restructuring costs in Lep International Pty Ltd, Mainfreight International Ltd and Mainfreight Distribution Pty Ltd. Abnormal items for the year ended 31 March 1997 relate to flotation costs.
- EBIT is defined as earnings before interest and tax.
- Net Surplus (NPAT) is net profit after tax, abnormals and minorities but before dividends.
- Cashflow is defined as NPAT plus amortisation of goodwill, depreciation and minorities.
- Net Tangible Assets includes 75% of Lep International (NZ) Ltd and 75% of Lep International Pty Ltd.
- Net debt is long term plus short term debt less cash balances.
- Equity Ratio is Net Tangible Assets as a percentage of Total Assets.
- Return on NTA is NPAT as a percentage of Net Tangible Assets.
- Net Interest Cover is Surplus before Abnormals, Interest and Tax divided by Net Interest Cost.
- Per Share calculations are based on the current issued capital of 72.873 million Shares.
- Adjusted Earnings per Share figures are based on NPAT with abnormal items added back.



## Mainfreight Proxy Form

I/We \_\_\_\_\_  
 (full names in block letters)

Of \_\_\_\_\_  
 \_\_\_\_\_  
 (full names in block letters)

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

Full Name of Proxy \_\_\_\_\_

Address \_\_\_\_\_

or failing him/her \_\_\_\_\_

of \_\_\_\_\_

**as my proxy for me/us on my/our behalf at the Annual Meeting of Mainfreight Limited to be held on Thursday 26 July 2001 at 2.30pm, and at any adjournment thereof.**

Unless otherwise instructed below, the Proxy may vote as he or she thinks fit or abstain from voting. Should the shareholder(s) wish to direct the Proxy how to vote, please indicate with a tick in the appropriate boxes below.

### resolutions

	For	Against
1. To receive the Financial Statements and Reports of Directors and Auditors	<input type="checkbox"/>	<input type="checkbox"/>
2. a) To re-elect Mr B G Plested as a Director	<input type="checkbox"/>	<input type="checkbox"/>
b) To re-elect Mr N L Graham as a Director	<input type="checkbox"/>	<input type="checkbox"/>
c) To re-elect Mr C J Fernyhough as a Director	<input type="checkbox"/>	<input type="checkbox"/>
3. To authorise the Directors to fix the remuneration of the Auditors.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2001

Usual Signatures(s) \_\_\_\_\_ Number of Shares held \_\_\_\_\_

### note

All Shareholders are entitled to attend this meeting and are entitled to vote.

A Shareholder of Mainfreight Limited entitled to attend and vote is entitled to appoint a proxy to attend and vote on his/her behalf. A proxy need not be a Shareholder of Mainfreight Limited. To be valid, instruments appointing a proxy must be deposited at the registered office of Mainfreight Limited at 12-14 Southdown Lane, Penrose, Auckland, not less than 48 hours before the holding of the Annual Meeting.

Joint holders should all sign this form. Companies should execute this form by an officer or attorney duly authorised in accordance with their constitution. If this form is executed under Power of Attorney a Certificate of Non-revocation of Power of Attorney together with a copy of the Power of Attorney, should be forwarded with this form if they have not already been produced to Mainfreight Limited.

### change of address advice

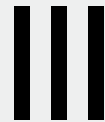
Previous Address \_\_\_\_\_

Present Address \_\_\_\_\_

\* If you wish you may appoint as your proxy "The Chairman of the Meeting"



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**The Registrar**  
**Mainfreight Ltd**  
**C/- Computer Share Registry Services Ltd**  
**Private Bag 92119**  
**Auckland 1020**  
**New Zealand**

# DIRECTORY

## *Board of Directors*

Donald D. Rowlands, CBE, Chairman  
Bruce G. Plested, ACA, Managing Director  
Donald R. Braid  
Christopher S. Dunphy BA, Dip Bus. Fin  
C John Fernyhough, LLM (Hons) Jr. Dur.  
Neil L. Graham QBE  
Carl G O Howard-Smith, LLB  
The Hon. Richard W Prebble, BA, LLB (Hons),

## *Administration Office*

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

## *Registered Office*

12-14 Southdown Lane  
Penrose  
P.O. Box 14-038, Panmure  
Auckland  
Tel (09) 526 0950  
<http://www.mainfreight.co.nz>

## *Overseas offices*

Lep International Pty Ltd  
154 Melrose Drive  
Tullamarine  
Victoria 3043  
Private Bag 8P0  
Tel (613) 9339 0888

Mainfreight Distribution Pty Ltd  
1653 Centre Road  
Clayton  
Victoria 3168  
Tel (613) 9265 5300

Mainfreight International  
Incorporating ISS Express Lines  
Trade Park Drive  
Tullamarine  
Victoria 3043  
Tel (613) 9330 6000

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

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

Mainfreight Express Ltd  
Room 15A  
Dong Hai Commercial Building  
588 Yan An Dong Road  
Shanghai  
China

## *Auditors*

Arthur Andersen  
National Bank Centre  
209 Queen Street  
PO Box 199  
Auckland

## *Bankers*

Westpac Banking Corporation  
Westpac Tower  
120 Albert Street  
PO Box 934  
Auckland

## *Barristers to the Company*

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

## *Share Registry*

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

## *Annual Report by*

Magnum Limited  
2 Enfield Street, Mt Eden  
Auckland



"Deliver it where?"

**MAINFREIGHT**

[www.mainfreight.com](http://www.mainfreight.com)