ANNUAL REPORT 2014

Freightways

Freightways

New Zealand Couriers
www.nzcouriers.co.nz

Post Haste Couriers
www.posthaste.co.nz

Castle Parcels
www.castleparcels.co.nz

Now Couriers
www.nowcouriers.co.nz

SUB60
www.sub60.co.nz

Kiwi Express Couriers
www.kiwiexpress.co.nz

Security Express
www.securityexpress.co.nz

Pass The Parcel
www.passtheparcel.co.nz

Stuck
www.stuck.co.nz

DX Mail
www.dxmail.co.nz

Dataprint
www.dataprint.co.nz

Air Freight NZ

Fieldair Engineering
www.fieldair.co.nz

Parceline Express

Freightways Information Services

Online Security Services
www.onlinesecurity.co.nz

Archive Security
www.onlinesecurity.co.nz

Data Security Services
www.onlinesecurity.co.nz

Document Destruction Service
www.onlinesecurity.co.nz

Databank
www.databank.com.au

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

Filesaver
www.filesaver.com.au

COMPANY PARTICULARS

BOARD OF DIRECTORS

Sue Sheldon (Chairman)
Dean Bracewell (Managing Director)
Sir William Birch
Roger Corcoran
Kim Ellis
Mark Verbiest

REGISTERED OFFICE

32 Botha Road
Penrose
DX CX10120
Telephone: (09) 571 9670
Facsimile: (09) 571 9671
www.freightways.co.nz

AUDITORS

PricewaterhouseCoopers
188 Quay Street
Auckland
DX CP24073

SHARE REGISTRAR

Computershare Investor Services Limited
159 Hurstmere Road
Takapuna
Auckland 0622
DX CX10247

STOCK EXCHANGE

The fully paid ordinary shares of Freightways Limited are listed on NZX (the New Zealand Stock Exchange).

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

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GROUP PROFILE

FREIGHTWAYS' STRATEGY

Freightways' business strategy is to develop organic growth opportunities that exist in the express package, business mail and information management industries, diversify its operations further into the information management industry, including geographically, and execute acquisition and alliance opportunities in areas that complement its existing capabilities.

Express package & business mail

Freightways delivers approximately 200,000 items each business day and approximately 50 million items each year. In addition to its extensive nationwide network, Freightways offers a worldwide delivery service through alliances with international express package operators.

Freightways employs a multi-brand strategy within the network courier segment of the Express Package market via New Zealand Couriers, Post Haste Couriers, Castle Parcels and NOW Couriers. This strategy allows Freightways to successfully segment the market by meeting varying customer service and price requirements.

Freightways services the point-to-point segment through its SUB60, Kiwi Express and STUCK brands, and provides a secure service for valuables through Security Express.

DX Mail operates in the New Zealand postal services market. It provides a full range of domestic and international mail solutions to business customers. DX Mail is represented in all towns and cities throughout New Zealand. Its services include the processing of letters and parcels for box-to-box and street delivery. It also offers a full suite of mailhouse services for both physical and electronic transactional mail through its Dataprint business.

Information Management

Freightways' information management division offers a complete range of archive management services for documents, computer media and document destruction throughout New Zealand and Australia. It also provides both digital conversion and online back-up services to complement the physical storage and protection of documents and other media.

In New Zealand, Online Security Services provides a nationwide service from its locations in Auckland, Hamilton, Palmerston North, Wellington and Christchurch. It operates the brands of Archive Security, Document Destruction Services and Data Security Services.

In Australia, The Information Management Group operates in all states and territories through the brands of Archive Security, Filesaver, DataBank and Shred-X.

Internal service providers

Freightways manages its road and air linehaul requirements through the Parceline Express and Fieldair businesses. Fieldair also provides a wide range of avionics and engineering services to the NZ aviation industry. Information technology systems are provided to Freightways' various businesses via Freightways Information Services.



SUB60


PARCELS
PARCELS

FINANCIAL SUMMARY

FOR THE YEAR ENDED 30 JUNE 2014

	NOTE	2014 $000	2013 $000	PERCENTAGE VARIANCE
Operating revenue		432,279	406,117	6.4%
EBITA, excluding non-recurring items	(i)	71,998	65,012	10.8%
NPAT, excluding non-recurring items	(ii)	42,951	38,268	12.2%
Non-recurring items:				
- (increase) reversal of accrued acquisition earnout payments		(1,249)	2,079	-

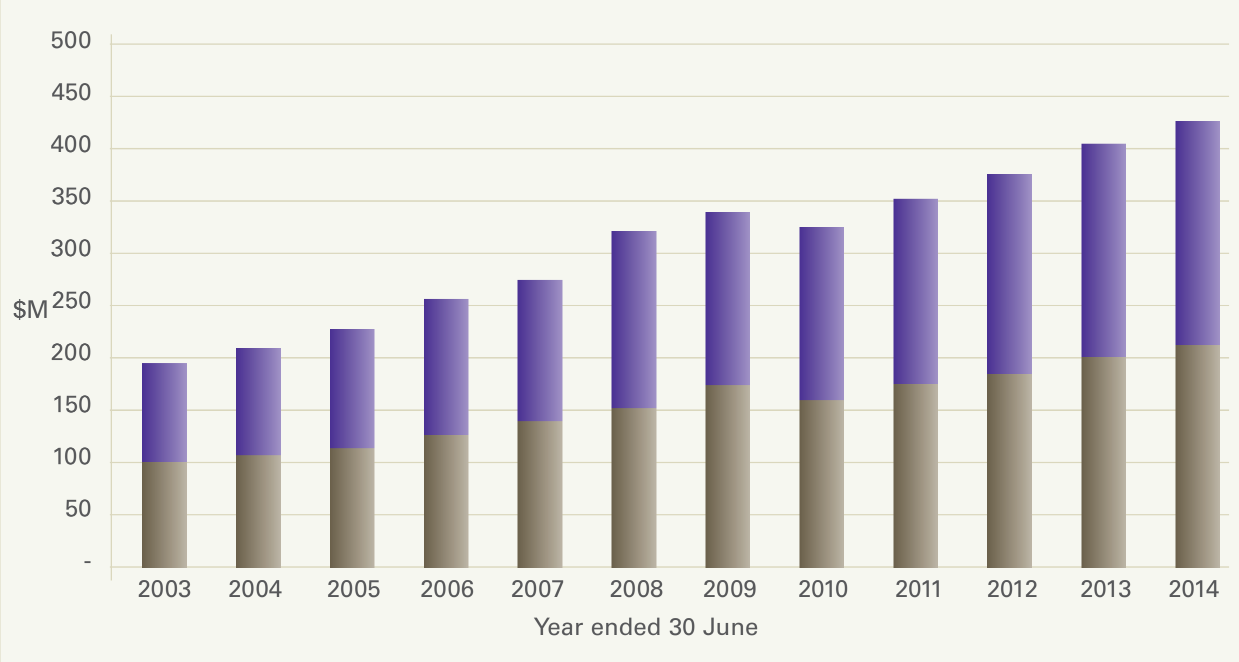
Note:
(i) Operating profit before interest, income tax and amortisation of intangibles, excluding non-recurring items
(ii) Profit for the year attributable to the shareholders, excluding non-recurring items

The Directors believe that the non-recurring items detailed above should not be included when assessing the underlying operating performance of the Group.

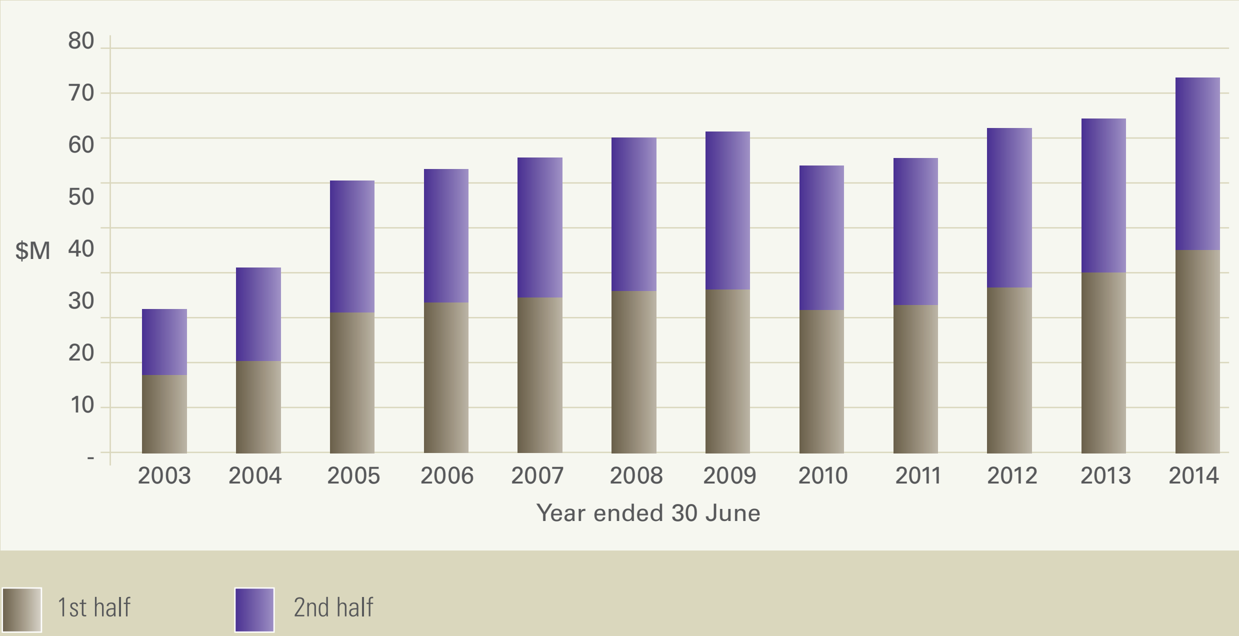
FINANCIAL SUMMARY

FOR THE YEAR ENDED 30 JUNE 2014

FREIGHTWAYS OPERATING REVENUE



FREIGHTWAYS EBITA*



NB: The historic EBITA amount above for the year ended 30 June 2003 has been presented on a pro-forma basis consistent with the Freightways Investment Statement and Prospectus issued in August 2003.

REPORT FROM THE CHAIRMAN AND MANAGING DIRECTOR

The Directors are pleased to present the consolidated financial result of Freightways Limited (Freightways) for the year ended 30 June 2014. This report discusses the 2014 full year result, reflects on some of Freightways' achievements over the past year and provides our outlook for the future.

Highlights include; the widespread strength of this result, good first half earnings growth followed by even better growth in the second half, organic growth strategies well executed, recent acquisitions successfully integrated and overall a record consolidated result for Freightways, enabling a record dividend to shareholders.

Operating performance

Consolidated operating revenue of $432 million for the year was 6% higher than the prior comparative period (pcp).

Earnings (operating profit) before interest, tax, depreciation and amortisation (EBITDA), Earnings (operating profit) before interest, tax and amortisation (EBITA), Net Profit after tax (NPAT) and NPAT before amortisation (NPATA) discussed below and throughout this commentary exclude the following non-recurring amounts that the Directors believe should not be included when assessing the underlying performance of the Freightways group:

- Full Year 2013 - a one-off benefit of $2.1 million ($1 million in the express package & business mail division and $1.1 million in the information management division) relating to the reversal of accrued acquisition earnout payments that were not expected to be paid; and
- Full Year 2014 - a one-off expense of $1.2 million in the information management division that relates to the expected final earnout payment for the Filesaver business acquired in 2011.

Excluding the above non-recurring items:

- EBITDA of $84 million for the year and EBITA of $72 million for the year were 9% and 11% higher than the pcp, respectively.
- Consolidated NPAT of $43 million for the year and NPATA of $44m for the year were 12% and 14% higher than the pcp, respectively.
- Earnings per share (EPS) for the year was 27.9 cents per share, an improvement of 12% over the pcp.

Cash flows generated from operations were again strong at $85 million.

Dividend

The Directors have declared a final dividend of $17.4 million compared with $15 million for the pcp final dividend. This represents a 15% increase in the final dividend to 11.25 cents per share, fully imputed at a tax rate of 28%, compared to 9.75 cents in the pcp. The final dividend will be paid on 6 October 2014. The record date for determination of entitlements to the final dividend is 19 September 2014.

The non-recurring item described above has been excluded from NPATA in determining the final dividend.

The Dividend Reinvestment Plan (DRP) will not be offered in relation to this final dividend. As a capital management tool, the application of the DRP will be reviewed for each future dividend.

REVIEW OF OPERATIONS

Divisional results are provided below for the express package & business mail division and the information management division for the full year ended 30 June 2014.

Express package & business mail

The express package & business mail division operates a multi-brand strategy in the domestic market through New Zealand Couriers, Post Haste, Castle Parcels, NOW Couriers, SUB60, Security Express, Kiwi Express, Stuck, Pass The Parcel, DX Mail and Dataprint.

Operating revenue of $332 million for the full year was 8% higher than the pcp.

REPORT FROM THE CHAIRMAN AND MANAGING DIRECTOR

EBITDA of $61 million for the full year and EBITA of $54 million for the full year were 11% and 12% higher than the pcp, respectively.

The widespread improved performance evident in our first half year result continued and gathered further momentum through the second half year. The execution of strategies to retain existing and attract new customers has been successful and we have seen an overall increase in volume growth from within this customer base. Pricing improvements to offset rising costs have also been well implemented.

Freightways' express package brands are positioned to service different niches of the market, including urgent one hour delivery, premium through economy metropolitan, and overnight to two day nationwide deliveries. Our brands service a broad range of industry sectors.

The large majority of Freightways' express package volumes are collected from businesses and delivered to businesses (B2B). The B2B volume increase we are experiencing from within our existing customer base reflects a growing domestic marketplace. The balance of our volume is collected either from businesses or consumers and delivered to consumers (B2C and C2C). A large amount of this volume is new to the industry as consumers increasingly shop online. With growth trends prevalent in both B2B and B2C the overall growth in the express package industry is positive.

The new B2C volume means that we are often delivering to addresses that we may not have delivered to in the past. A wide range of B2C specific strategies have been implemented to ensure the expectations of both the sender and receiver of the item are satisfied. These strategies have included the establishment in 2011 of the Pass The Parcel service that is dedicated to TradeMe's members and latterly the introduction of an expanded suite of online services to enable consumers to manage the delivery of their own items either to their own preferred secure drop-zone or to arrange re-delivery options when they are not at home to receive an item, possibly to an alternative address. We have also increased our network of agents to provide collection points in local neighbourhoods and introduced applications so that communication can be easily conducted from mobile phones or tablets. B2C and C2C volume can be challenging, particularly during peak buying periods such as in the lead-up to Christmas. Capacity planning within our linehaul and delivery fleets well in advance of these peaks contributes to our ability to provide a quality service at these times. This B2C and C2C volume growth is an exciting and challenging aspect of our industry that will continue to grow as consumers increasingly buy online.

Our smaller business mail operator, DX Mail, has been successful in growing its share of the postal services market, despite the industry's overall decline as increasingly more of us communicate electronically. DX Mails growth has come from businesses that still require overnight delivery for their standard-priced letters. Accordingly, DX Mail has introduced additional postie runs in many locations around New Zealand. To satisfy the demand from those businesses seeking electronic delivery of their mail, Dataprint was acquired two years ago. Dataprint positions our services higher on the supply chain than previously with a full suite of both physical and electronic mailhouse services. Dataprint's customers can choose from the options of physical or electronic delivery of their mail or a combination of both services, as most do. Dataprint has successfully grown its customer base in a variety of industry sectors. Dataprint is well positioned in the marketplace with an experienced team operating from modern premises and with new equipment. Dataprint has also recently joined a small number of New Zealand businesses in achieving Enviro-Mark® Diamond Certification, in recognition of its sustainability efforts and comprehensive environmental management system.

Overall the express package & business mail division has delivered a strong result.

REPORT FROM THE CHAIRMAN AND MANAGING DIRECTOR

Information management

The information management division is established in New Zealand through the brands of Online Security Services, Archive Security, Document Destruction Services and Data Security Services and in Australia through the brands of DataBank, Archive Security, Filesaver and Shred-X.

Operating revenue of $103 million for the full year was 3% above the pcp.

Excluding non-recurring items, EBITDA of $24 million for the full year and EBITA of $20 million for the full year were 5% and 8% higher than the pcp, respectively.

The translation of this division's results from its Australian operations into New Zealand dollars (NZD) was naturally impacted by the higher NZD that prevailed throughout 2014, compared to the pcp. A comparison of the division's performance using the 2013 average exchange rate shows revenue growth of 11%, EBITDA growth of 18% and EBITA growth of 14%, compared to the pcp.

Growth on both sides of the Tasman has been equally strong. Increased revenue relating to document and computer back-up tape storage, document destruction service activity and a growing take-up of the digital services offered by this division have all contributed to this strong performance. Five acquisitions with operations in Hawkes Bay, Otago, Queensland, New South Wales and Victoria were completed during the latter stages of the half year and early in the second half. All these acquisitions have been well implemented, are delivering against our expectations, have added scale and further geographic reach to our existing operations and expanded our customer base.

Overall, the performance of the information management division has again been very strong.

Internal service providers

Fieldair Holdings provides airfreight linehaul services, Parceline Express provides road linehaul services and Freightways Information Services provides IT development and support to the express package & business mail division. All three internal service providers have continued to deliver outstanding service, underpinning the service offered by our front line businesses.

Corporate

Corporate overhead costs continue to be well contained. Acquisitions during the full year have been funded from operating cash flows and an increase of approximately $6 million in net debt drawn from existing finance facilities.

Capital expenditure of $19 million was invested during the full year, primarily to provide capacity for growth, including expenditure on facilities and related equipment, IT infrastructure and airfreight capability. This capital expenditure also included $3 million to acquire two properties adjacent to our main Auckland site. These properties will assist in ensuring that we have sufficient physical capacity to accommodate future growth in our express package businesses.

OUTLOOK

We expect the positive performance evident in this full year result to continue and expect to achieve year-on-year earnings growth again in 2015, subject to business factors beyond its control.

Within our express package businesses we are particularly encouraged by the increased activity amongst our existing customer base. We expect this growth to continue both from Business to Business (B2B) and Business to Consumer (B2C) deliveries.

Our smaller DX Mail business will continue to operate in a challenging market, despite which it is expected to continue to attract customer demand, particularly for its overnight street delivery service. Demand for Dataprint's physical and particularly its digital mailhouse services is expected to continue to increase.

REPORT FROM THE CHAIRMAN AND MANAGING DIRECTOR

The growth that we are experiencing in our information management businesses is expected to continue, including from the digital services that we offer. Revenue earned from the sale of recycled paper is expected to remain at similar levels to those which have been achieved within this full year result.

Capital expenditure for the year ahead is expected to be approximately $17 million to support the growth and development of both Freightways operating divisions. Overall, cash flows are expected to remain strong throughout the 2015 financial year.

Freightways will continue to seek out and develop strategic growth opportunities, including acquisitions and alliances that complement its core capabilities.

CONCLUSION

Freightways has delivered a record full year result. The positive features of the markets it operates in, the resilience and adaptability of its business models to accommodate growth and changing market circumstances and the successful execution of its growth strategies by a very experienced and capable team are evident in this result. Accordingly, the Directors have been able to declare a fully imputed 11.25 cents per share final dividend.

The Directors acknowledge the outstanding work and ongoing dedication of the Freightways team of people throughout New Zealand and Australia.

Susan Sheldon
Chairman
18 August 2014

Dean Bracewell
Managing Director

DIRECTORS' REPORT

The Directors of Freightways Limited (Freightways) resolved to submit the following report with respect to the financial position of the Company and the Group as at 30 June 2014 and their financial performance and cash flows for the year ended on that date.

DIRECTORS

The names of the Directors of the Company in office at the date of this report are:

Sue Sheldon CNZM (B.COM, FCA, M INST D)

Sue was appointed a Director of Freightways in July 2003 and appointed Chairman in October 2010. She is a Chartered Accountant and full time professional director and is currently Chairman of Chorus Limited and Paymark Limited, a Director of Contact Energy Limited and the Independent Chair of the Audit & Risk Management Committee of the Christchurch City Council. Sue is a former President of the New Zealand Institute of Chartered Accountants.

Dean Bracewell (MANAGING DIRECTOR)

Dean has been Managing Director of the Freightways Group since 1999. He joined the Group in 1979 and other than a 5-year period, including time overseas, he has spent his entire career with the Freightways Group. Dean held a range of senior executive and general management roles in a number of the Freightways businesses prior to his appointment as Managing Director.

Sir William Birch GNZM (M NZ INST OF SURVEYORS, J.P.)

Sir William began his career in 1957, when he established a private practice as a surveyor in Pukekohe. His keen interest in community affairs led to 6 years as Deputy Mayor of Pukekohe and election to Parliament in 1972. During his 27 years in Parliament he served for 15 years as a Minister of the Crown. His portfolios included Energy, Labour, State Services, Health, Employment and 6 years as Minister of Finance between 1993 and 1999. Following the general election in 1999, Sir William retired from Parliament to start a private consultancy. He is now a Senior Advisor to Forsyth Barr in New Zealand. Sir William is also a director of a number of public and private companies and a trustee of the MFL and SIL Superannuation funds. Sir William was knighted by the Queen for public services in 1999.

Roger Corcoran

Roger, who is based in Australia, was appointed a Director in May 2009. He has gained extensive global business experience during a 30-year career with multi-national transport & logistics operator, TNT. Roger retired as CEO of TNT Australia, New Zealand and the Pacific Islands in December 2008, having worked throughout the world during his years with TNT.

Kim Ellis

Kim was appointed a Director in August 2009. He spent 28 years in chief executive roles in a number of sectors, including 13 years as Managing Director of Waste Management NZ Ltd until its sale in 2006 to Transpacific Industries Pty Limited, and has developed businesses in both New Zealand and Australia. Kim is now a professional director working with both private and listed companies. His current Board appointments include Port of Tauranga Limited, FSF Management Company Limited, Ballance Agri Nutrients Limited, NZ Social Infrastructure Fund Limited, Moa Group Limited and Envirowaste Services Limited.

Mark Verbiest (LLB, M INST D)

Mark was appointed a Director in February 2010. He is a professional director who has a strong working knowledge of technology and technology-related businesses, as well as having extensive capital markets experience. A lawyer by training, with widespread corporate legal experience in private practice, he spent 7.5 years on the senior executive team of Telecom NZ through until mid-2008, where among other things he had executive accountability for two business units. Mark is Chairman of Spark New Zealand Limited, Transpower New Zealand Limited and Willis Bond Capital Partners Limited. He is also a director of ANZ Bank New Zealand Limited, a consultant to law firm Simpson Grierson and a member of the Commercial Operations Advisory Board of the Treasury.

DIRECTORS' REPORT

The Board has determined for the purposes of the NZSX Listing Rules that, as at 30 June 2014, Sue Sheldon, Sir William Birch, Roger Corcoran, Kim Ellis and Mark Verbiest are independent Directors and Dean Bracewell as Managing Director is not an independent Director.

PRINCIPAL ACTIVITIES

Along with holding the investment in Freightways Express Limited (FEL), the Company guarantees the finance facilities of FEL and its subsidiaries.

The principal activities of the Group during the year ended 30 June 2014 were the operation of express package & business mail services and information management services.

CONSOLIDATED RESULT FOR THE YEAR

	2014 $000	2013 $000
Operating revenue	432,279	406,117
Operating profit before interest, income tax, non-recurring items and amortisation of intangibles	71,998	65,012
Amortisation of intangibles	(1,060)	(355)
Operating profit before interest, income tax and non-recurring items	70,938	64,657
Non-recurring items before income tax	(1,249)	2,079
Profit before interest and income tax	69,689	66,736
Net interest and finance costs	(11,672)	(13,014)
Profit before income tax	58,017	53,722
Income tax applicable to operating earnings	(16,315)	(13,375)
Profit for the year attributable to the shareholders	41,702	40,347

DIRECTORS HOLDING OFFICE DURING THE YEAR WERE:

Parent:

Sue Sheldon (Chairman)

Dean Bracewell (Managing Director)

Sir William Birch

Roger Corcoran

Kim Ellis

Mark Verbiest

Subsidiaries:

Dean Bracewell

Mark Royle

DIRECTORS' REPORT

REMUNERATION OF DIRECTORS

	GROUP		PARENT	
	2014 $	2013 $	2014 $	2013 $
Sue Sheldon	142,667	140,000	142,667	140,000
Dean Bracewell	1,161,092	1,136,821	-	-
Sir William Birch	66,333	65,000	66,333	65,000
Roger Corcoran	73,642	82,085	73,642	82,085
Kim Ellis	66,333	65,000	66,333	65,000
Mark Verbiest	76,333	75,000	76,333	75,000
Mark Royle	594,716	608,381	-	-
	2,181,116	2,172,287	425,308	427,085

Remuneration of executive Directors includes the incentive payments made during the year ended 30 June 2014 in respect of the two previous six-month performance periods (1 January to 30 June 2013 and 1 July to 31 December 2013). No amount is included above in respect of incentive payments for the period 1 January to 30 June 2014, as these were paid in August 2014. Remuneration of the Managing Director comprises a fixed remuneration package representing 70% of his total remuneration and an 'at risk' portion representing 30%, payable on achievement of short-term financial objectives. He also participates in the Freightways Senior Executive Performance Share Plan described in Note 20 of the Financial Statements on the same terms and conditions as other Freightways executives.

DIRECTORS' REPORT

REMUNERATION OF EMPLOYEES

The number of employees, not being directors, within the Group receiving annual remuneration and benefits above $100,000 are as indicated in the following table:

	GROUP		PARENT	
	2014	2013	2014	2013
$100,000 – $109,999	18	31	-	-
$110,000 – $119,999	19	18	-	-
$120,000 – $129,999	22	19	-	-
$130,000 – $139,999	9	9	-	-
$140,000 – $149,999	4	9	-	-
$150,000 – $159,999	14	8	-	-
$160,000 – $169,999	3	7	-	-
$170,000 – $179,999	11	5	-	-
$180,000 – $189,999	3	3	-	-
$190,000 – $199,999	6	9	-	-
$200,000 – $209,999	5	4	-	-
$210,000 – $219,999	2	5	-	-
$220,000 – $229,999	1	2	-	-
$230,000 – $239,999	1	2	-	-
$240,000 – $249,999	2	2	-	-
$260,000 – $269,999	1	1	-	-
$270,000 – $279,999	1	1	-	-
$280,000 – $289,999	2	2	-	-
$290,000 – $299,999	1	1	-	-
$300,000 – $309,999	-	1	-	-
$320,000 – $329,999	-	1	-	-
$330,000 – $339,999	1	-	-	-
$340,000 – $349,999	1	-	-	-
$350,000 – $359,999	1	1	-	-
$360,000 – $369,999	1	-	-	-
$390,000 – $399,999	-	1	-	-
$400,000 – $409,999	-	1	-	-
$430,000 – $439,999	1	-	-	-
$440,000 – $449,999	1	-	-	-

ENTRIES IN THE REGISTER OF DIRECTORS' INTERESTS

The Register of Directors' Interests records that the following directors of Freightways Limited and its subsidiaries have an equity interest in the Company. These Directors therefore have an interest in any transactions between Freightways Limited and any of its subsidiaries:

DIRECTORS' REPORT

Freightways Limited shares

At balance date Directors held the following number of equity securities in the Company:

DIRECTOR	FULLY PAID ORDINARY SHARES BENEFICIALLY	FULLY PAID ORDINARY SHARES NON-BENEFICIALLY	PARTLY PAID ORDINARY SHARES BENEFICIALLY
Sue Sheldon	-	121,262	-
Dean Bracewell	-	2,584,421	174,640
Sir William Birch	-	160,492	-
Roger Corcoran	-	-	-
Kim Ellis	-	50,000	-
Mark Verbiest	-	10,000	-
Mark Royle	-	118,085	47,149

The following table shows transactions recorded in respect of securities acquired or disposed of by Directors of the Group during the year ended 30 June 2014:

	NOTE	NUMBER ACQUIRED / (DISPOSED)	$ COST / (SALE)
Sir William Birch			
Non-beneficial ownership in shares acquired 31 March 2014		10,000	48,820
Dean Bracewell			
Non-beneficial ownership in shares acquired 11 September 2013	(i)	53,684	152,463
Beneficial ownership in partly-paid shares acquired 11 September 2013	(ii)	53,137	531
Mark Royle			
Non-beneficial ownership in shares acquired 11 September 2013	(i)	18,074	51,329
Beneficial ownership in partly-paid shares acquired 11 September 2013	(ii)	12,893	129
Non-beneficial ownership in partly-paid shares disposed of 10 January 2014	(iii)	(63)	(1)

Notes: (i) Partly-paid shares fully paid-up under the Freightways Senior Executive Performance Share Plan.
(ii) Allocation of partly-paid shares under the Freightways Senior Executive Performance Share Plan.
(iii) Partly-paid shares redeemed and cancelled by the Company under the Freightways Senior Executive Performance Share Plan.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Deeds of indemnity have been granted by the Company in favour of the Directors of the Company and its subsidiaries, to the fullest extent permitted by the Companies Act 1993. In accordance with the deeds of indemnity, the Company has insured all its Directors and the Directors of its subsidiaries against liabilities to other parties (except the Company or a related party of the Company) that may arise from their positions as Directors. The insurance does not cover liabilities arising from criminal actions.

For and on behalf of the Board this 18th day of August 2014.

Susan Sheldon

Susan Sheldon
Chairman

Dean Bracewell
Managing Director

INDEPENDENT AUDITORS' REPORT (TO THE SHAREHOLDERS OF FREIGHTWAYS LIMITED)

Report on the Financial Statements

We have audited the financial statements of Freightways Limited ("the Company") on pages 18 to 65, which comprise the balance sheets as at 30 June 2014, the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the entities it controlled at 30 June 2014 or from time to time during the financial year.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Other than in our capacity as auditors we have no relationship with, or interests in, Freightways Limited or any of its subsidiaries.

Opinion

In our opinion, the financial statements on pages 18 to 65:

(i) comply with generally accepted accounting practice in New Zealand;

(ii) comply with International Financial Reporting Standards; and

(iii) give a true and fair view of the financial position of the Company and the Group as at 30 June 2014, and their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 30 June 2014:

(i) we have obtained all the information and explanations that we have required; and

(ii) in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

Restriction on Distribution or Use

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

PricewaterhouseCoopers

Chartered Accountants, Auckland
18 August 2014

PricewaterhouseCoopers, 188 Quay Street, Private Bag 92162, Auckland 1142, New Zealand
T: +64 (9) 355 8000, F: +64 (9) 355 8001, www.pwc.com/nz

INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

	NOTE	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Operating revenue	2	432,279	406,117	-	-
Dividends received from subsidiaries		-	-	32,900	30,400
		432,279	406,117	32,900	30,400
Transport and logistics expenses		(181,080)	(169,613)	-	-
Employee benefits expenses		(111,132)	(106,703)	-	-
Occupancy expenses		(18,752)	(18,290)	-	-
General and administration expenses		(37,453)	(34,360)	(575)	(578)
Operating profit before interest, income tax, depreciation and software amortisation, non-recurring items and amortisation of intangibles		83,862	77,151	32,325	29,822
Depreciation and software amortisation	3	(11,864)	(12,139)	-	-
Operating profit before interest, income tax, non-recurring items and amortisation of intangibles		71,998	65,012	32,325	29,822
Amortisation of intangibles	3	(1,060)	(355)	-	-
Operating profit before interest, income tax and non-recurring items		70,938	64,657	32,325	29,822
Non-recurring items before income tax	3	(1,249)	2,079	-	-
Profit before interest and income tax		69,689	66,736	32,325	29,822
Net interest and finance costs	3	(11,672)	(13,014)	-	-
Profit before income tax		58,017	53,722	32,325	29,822
Income tax	4	(16,315)	(13,375)	161	162
Profit for the year attributable to the shareholders		41,702	40,347	32,486	29,984
Earnings per share	23				
Basic earnings per share (cents)		27.0	26.2	-	-
Diluted earnings per share (cents)		27.0	26.1	-	-

NB: All revenue and earnings are from continuing operations.

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

		GROUP		PARENT	
	NOTE	2014 $000	2013 $000	2014 $000	2013 $000
Profit for the year (NPAT)		41,702	40,347	32,486	29,984
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations	19	(1,985)	(1,869)	-	-
Cash flow hedges taken directly to equity, net of tax	19	2,433	3,597	-	-
Total other comprehensive income after income tax		448	1,728	-	-
Total comprehensive income for the year attributable to the shareholders		42,150	42,075	32,486	29,984

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2014

GROUP	CONTRIBUTED EQUITY $000	RETAINED EARNINGS $000	CASH FLOW HEDGE RESERVE $000	FOREIGN CURRENCY TRANSLATION RESERVE $000	TOTAL EQUITY $000
Balance at 1 July 2013	121,660	75,974	(7,854)	(2,481)	187,299
Profit for the year	-	41,702	-	-	41,702
Exchange differences on translation of foreign operations	-	-	-	(1,985)	(1,985)
Cash flow hedges taken directly to equity, net of tax	-	-	2,433	-	2,433
Total comprehensive income	-	41,702	2,433	(1,985)	42,150
Dividend payments	-	(30,461)	-	-	(30,461)
Shares issued	448	-	-	-	448
Balance at 30 June 2014	122,108	87,215	(5,421)	(4,466)	199,436

	CONTRIBUTED EQUITY $000	RETAINED EARNINGS $000	CASH FLOW HEDGE RESERVE $000	FOREIGN CURRENCY TRANSLATION RESERVE $000	TOTAL EQUITY $000
Balance at 1 July 2012	121,263	64,104	(11,451)	(612)	173,304
Profit for the year	-	40,347	-	-	40,347
Exchange differences on translation of foreign operations	-	-	-	(1,869)	(1,869)
Cash flow hedges taken directly to equity, net of tax	-	-	3,597	-	3,597
Total comprehensive income	-	40,347	3,597	(1,869)	42,075
Dividend payments	-	(28,477)	-	-	(28,477)
Shares issued	397	-	-	-	397
Balance at 30 June 2013	121,660	75,974	(7,854)	(2,481)	187,299

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

STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2014

PARENT	NOTE	CONTRIBUTED EQUITY $000	RETAINED EARNINGS $000	TOTAL EQUITY $000
Balance at 1 July 2013		121,703	32,357	154,060
Profit for the year		-	32,486	32,486
Total comprehensive income		-	32,486	32,486
Dividend payments	5	-	(30,461)	(30,461)
Shares issued		448	-	448
Balance at 30 June 2014		122,151	34,382	156,533

	NOTE	CONTRIBUTED EQUITY $000	RETAINED EARNINGS $000	TOTAL EQUITY $000
Balance at 1 July 2012		121,302	30,850	152,152
Profit for the year		-	29,984	29,984
Total comprehensive income		-	29,984	29,984
Dividend payments	5	-	(28,477)	(28,477)
Shares issued		401	-	401
Balance at 30 June 2013		121,703	32,357	154,060

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

The Board of Directors of Freightways Limited authorised these financial statements for issue on the date below.

For and on behalf of the Board this 18th day of August 2014.

Susan Sheldon

Susan Sheldon
Chairman

Dean Bracewell
Managing Director

BALANCE SHEETS

AS AT 30 JUNE 2014

	NOTE	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Current assets					
Cash and cash equivalents	6	3,880	3,484	7	6
Trade and other receivables	7	60,774	54,894	166,385	164,128
Income tax receivable		-	-	1,286	1,054
Inventories	8	8,776	8,562	-	-
Total current assets		73,430	66,940	167,678	165,188
Non-current assets					
Investments in subsidiaries	10	-	-	121,013	121,013
Trade and other receivables	7	279	456	-	-
Property, plant and equipment	11	93,576	89,522	-	-
Intangible assets	12	286,600	276,034	-	-
Deferred tax asset	13	-	313	-	-
Total non-current assets		380,455	366,325	121,013	121,013
Total assets		453,885	433,265	288,691	286,201
Current liabilities					
Trade and other payables	14	53,973	44,242	24	7
Finance lease liabilities	15	70	114	-	-
Income tax payable		5,320	4,452	-	-
Borrowings (unsecured)	18	-	-	132,134	132,134
Provisions	16	443	313	-	-
Derivative financial instruments	9	143	440	-	-
Unearned income	17	14,561	13,833	-	-
Total current liabilities		74,510	63,394	132,158	132,141
Non-current liabilities					
Trade and other payables	14	2,763	3,250	-	-
Borrowings (secured)	18	159,098	160,763	-	-
Deferred tax liability	13	8,881	6,561	-	-
Provisions	16	2,200	1,858	-	-
Finance lease liabilities	15	32	121	-	-
Derivative financial instruments	9	6,965	10,019	-	-
Total non-current liabilities		179,939	182,572	-	-
Total liabilities		254,449	245,966	132,158	132,141
Net assets		199,436	187,299	156,533	154,060
Equity					
Contributed equity		122,108	121,660	122,151	121,703
Retained earnings		87,215	75,974	34,382	32,357
Cash flow hedge reserve		(5,421)	(7,854)	-	-
Foreign currency translation reserve		(4,466)	(2,481)	-	-
Total equity	19	199,436	187,299	156,533	154,060

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2014

	NOTE	GROUP 2014 $000 INFLOWS (OUTFLOWS)	GROUP 2013 $000 INFLOWS (OUTFLOWS)	PARENT 2014 $000 INFLOWS (OUTFLOWS)	PARENT 2013 $000 INFLOWS (OUTFLOWS)
Cash flows from operating activities					
Receipts from customers		428,892	405,035	-	-
Payments to suppliers and employees		(343,805)	(327,674)	-	-
Cash generated from operations		85,087	77,361	-	-
Interest received		52	92	-	-
Interest and other costs of finance paid		(10,684)	(12,024)	-	-
Income taxes paid		(14,919)	(12,552)	(1,126)	(904)
Net cash inflows (outflows) from operating activities	21	59,536	52,877	(1,126)	(904)
Cash flows from investing activities					
Payments for property, plant and equipment		(15,913)	(11,508)	-	-
Payments for software		(1,629)	(1,355)	-	-
Proceeds from disposal of property, plant and equipment		113	86	-	-
Payments for businesses acquired (net of cash acquired)	28	(16,758)	(4,128)	-	-
Cash flows from other investing activities		(331)	(231)	-	-
Net cash outflows from investing activities		(34,518)	(17,136)	-	-
Cash flows from financing activities					
Dividends paid		(30,461)	(28,477)	(30,461)	(28,477)
Increase (decrease) in bank borrowings		5,676	(12,994)	-	-
Net proceeds from issue of ordinary shares		423	302	1	2
Finance lease liabilities repaid		(86)	(92)	-	-
Loans advanced from subsidiaries		-	-	31,587	29,376
Net cash inflows (outflows) from financing activities		(24,448)	(41,261)	1,127	901
Net increase (decrease) in cash and cash equivalents		570	(5,520)	1	(3)
Cash and cash equivalents at the beginning of year		3,484	9,130	6	9
Exchange rate adjustments		(174)	(126)	-	-
Cash and cash equivalents at end of year	6	3,880	3,484	7	6

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Reporting entity and statutory base

Freightways Limited is a profit-orientated company, registered and domiciled in New Zealand under the Companies Act 1993, listed on the New Zealand stock exchange and is an issuer in terms of the Securities Act 1978 and the Financial Reporting Act 1993.

The consolidated financial statements for the year ended 30 June 2014 comprise Freightways Limited ('the Company' or 'Parent') and subsidiary companies (together with the Company, referred to as the 'Group').

The financial statements are stated in New Zealand dollars rounded to the nearest thousand, unless otherwise indicated.

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and with International Financial Reporting Standards.

Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments, which have been measured at fair value.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates, where necessary, and may require management to exercise judgement in the process of applying the Group's accounting policies. There are no judgements made that are considered to have a significant risk of causing a material adjustment to the carrying value of assets or liabilities. Specific areas of critical accounting estimates and assumptions are as follows:

(i) Carrying value of indefinite life intangible assets

Impairment reviews are performed by management, at least annually, to assess the carrying value of indefinite life intangible assets, including goodwill and brand names. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. Refer to Note 12.

(ii) Accounting for unearned income

An unearned income liability is recorded in the balance sheet reflecting the future service obligation for products that have been sold in advance of their use. The balance is supported by reference to historical customer prepaid product usage patterns. Accordingly, the balance is sensitive to movements in the future level of customer purchases and use of prepaid products, which cannot be reliably estimated. Management regularly review the historical usage patterns to ensure adequate unearned income is recognised.

(iii) Fair value of derivatives

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of valuation methods and makes assumptions that are mainly based on market conditions existing at the end of each reporting period.

(iv) Customer relationships

The estimation of the useful lives of customer relationships has been based on historical experience. The useful lives are reviewed at least once per year and adjustments to useful lives are made when considered necessary.

(v) Acquisition earnout amounts payable

The valuation of the Group's acquisition earnout amounts payable are based on the post-acquisition performance of the acquired businesses. These fair value measurements require, among other things, significant estimation of post-acquisition performance of the acquired business and judgment on time value of money. Acquisition earnout amounts payable shall be re-measured at their fair value resulting from events or factors that emerge after the acquisition date, with any resulting gain or loss recognised in the income statement. Judgement is applied to determine key assumptions (such as growth in sales and margins) adopted in the estimate of post-acquisition performance of the acquired business. Judgement is also applied to determine the appropriate discount rate applied to calculate the present value of the amount payable. Changes to key assumptions may impact the future payable amount. Refer also to Note 3.

(b) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities that are controlled either directly by the Company or where the substance of the relationship between the Company and the entity indicates the Company controls it. The results of businesses acquired or disposed of during the year are included in the consolidated income statement from the date of acquisition or up to the date of disposal. In the financial statements of the Parent, investments in subsidiaries are stated at cost..

The consolidated financial statements include the Company and its subsidiaries accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed at the date of acquisition. Costs directly attributable to the acquisition are expensed to the income statement. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at acquisition date. The excess of the consideration transferred over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

All material transactions between subsidiaries or between the Parent and subsidiaries are eliminated on consolidation. Accounting policies of subsidiaries are consistent with those adopted by the Group.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in the income statement or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

(ii) Joint arrangements and joint operations

The proportionate interests in the assets, liabilities and expenses of a joint operation activity to develop an operating facility and lease it to a subsidiary have been incorporated in the financial statements under the appropriate headings. The amounts involved are not material. Refer also to Note 25.

(c) Segment reporting

A segment is a component of the Group that can be distinguished from other components of the Group by the products or services it sells, the market it operates in and the risks and returns applicable to it. Operating segments are reported upon in a manner consistent with the internal reporting used for allocating resources, assessing performance and strategic decision making.

(d) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year, adjusted to include all dilutive potential ordinary shares (for example, partly-paid shares on issue) as if they had been converted to ordinary shares at the beginning of the year.

(e) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Zealand Dollars, which is the Company's functional and presentation currency and the Group's presentation currency.

(ii) Transactions and balances

Transactions in foreign currencies are translated into the functional currency using the foreign exchange rate ruling at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges.

(iii) Foreign operations

The results and balance sheets of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions)
- all resulting exchange differences are recognised as a separate component of equity

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(f) Revenue recognition

(i) Goods and services

Revenue is measured at the fair value of the consideration received and receivable for goods and services supplied to customers in the ordinary course of business. The Group recognises revenue when the amount of revenue can be reliably measured and when it is probable that future economic benefits will flow to the entity. Income invoiced and received in advance of a service being provided is recorded in the balance sheet as 'Unearned Income'. This income is brought to account in the year in which the service is provided.

(ii) Interest income

Interest income is recognised on a time-proportionate basis using the effective interest method, which takes into account the effective yield on the relevant financial asset.

(iii) Dividend income

Dividend income from investments is recognised when the shareholder's right to receive payment is established.

(g) Income tax

The income tax expense for the year is the tax payable on the current year's taxable income based on the notional income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose as a result of a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable income.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts that have been recognised directly in equity, are also taken directly to equity.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

(h) Leases

(i) Finance leases

Leases of property, plant and equipment where the Group has substantially all of the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. The asset is depreciated over the shorter of the asset's useful life and the lease term. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(ii) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(i) Impairment of non-financial assets

Assets that have an indefinite life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value, less costs to sell, and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Bank overdrafts are shown within borrowings in the current liabilities on the balance sheet to the extent they exceed the legal right of off-set against cash included in current assets.

(k) Trade and other receivables

Trade and other receivables are recognised at their fair value and subsequently measured at amortised cost using the effective interest rate, less provision for impairment.

Recoverability of trade and other receivables is reviewed on an ongoing basis. Amounts that are known to be uncollectible are written off when identified. An allowance for doubtful receivables is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable.

(l) Inventories

Inventories are stated at the lower of cost, determined on a first-in-first-out basis, and net realisable value. Full provision is made for obsolescence, where applicable.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(m) Financial assets

Regular purchases and sales of financial assets are recognised on the trade date, i.e. the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Group has transferred substantially all the risks and rewards of ownership.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held to maturity' investments, 'available-for-sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance date.

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FOR THE YEAR ENDED 30 JUNE 2014

(ii) Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity.

(iii) Loans and receivables

Loans and receivables are non-derivative instruments with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date, which are classified as non-current assets. Loans and receivables are reported separately in Trade and other receivables and Cash and cash equivalents on the Balance Sheet.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the company intends to dispose of the investment within 12 months of the balance date.

Available-for-sale financial assets and financial assets at fair value through profit or loss are carried at fair value. Held to maturity investments and loans and receivables are carried at amortised cost less impairment using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets through profit or loss category are recognised in the Income Statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold, the accumulated fair value adjustments are included in the Income Statement as gains and losses from investment securities.

(n) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes all expenditure directly attributable to the acquisition or construction of the item, including interest.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated will flow to the Group and the cost of the asset can be measured reliably. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are recognised in the income statement as incurred.

Aircraft overhaul costs are capitalised when incurred and depreciated over the shorter of the estimated useful life of the aircraft and the estimated useful life of the overhaul.

Depreciation is calculated on a straight line basis on all tangible fixed assets, other than land and leasehold improvements, so as to expense the cost of the assets to their estimated residual values over their estimated useful lives. Land is not depreciated. Leasehold improvements are depreciated over the shorter of the unexpired period of the lease and the estimated useful life of the improvements. Appropriate depreciation rates and methods have been applied for each component of aircraft. Estimated useful lives are as follows:

	Estimated useful life
Buildings	- 25 to 50 years
Leasehold alterations	- period of the lease or estimated useful life
Motor vehicles	- 5 to 10 years
Equipment, including aircraft components	- 3 to 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

(o) Intangible assets

(i) Goodwill

Goodwill represents the excess of the consideration transferred in an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired business at the date of acquisition. Goodwill on acquisitions of businesses is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested

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FOR THE YEAR ENDED 30 JUNE 2014

for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Goodwill is allocated to cash generating units for the purpose of impairment testing.

(ii) Brand names

Acquired brand names are recognised at cost, being their fair value at the date of acquisition if acquired in a business combination. Brand names are carried at cost less amortisation and impairment losses. Brand names with indefinite useful lives are not subject to amortisation but are subject to a review for impairment annually or whenever events and circumstances may have triggered an impairment. The useful lives and amortisation methods are reviewed and adjusted, if appropriate, at each balance sheet date.

Brand names are allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the brand names.

(iii) Computer software

External software costs together with payroll and related costs for employees directly associated with the development of software are capitalised. Costs associated with upgrades and enhancements are capitalised to the extent they result in additional functionality. Amortisation is charged on a straight-line basis over the estimated useful life of the software which ranges between 3 and 10 years.

(iv) Customer relationships

- ***Contractual***

An intangible asset is recorded in respect of the amount of any contractual termination fees payable by customers of businesses acquired in respect of their document holdings. As it is not known when permanent retrieval fees may arise, this asset is only amortised upon the actual retrieval fee being charged to the respective customer.

- ***Other***

Non-contractual customer relationships acquired in a business combination are recognised at fair value at the acquisition date. These customer relationships have an estimated finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the customer relationship which ranges between 10 and 20 years.

(p) Investments

Investments in subsidiaries are stated at cost less impairment. Other investments are stated at fair value.

(q) Derivative financial instruments

Derivative financial instruments, such as interest rate caps and collar contracts and fixed rate agreements are entered into from time to time to manage interest rate exposure on borrowings. Forward exchange contracts are also entered into from time to time to manage foreign exchange exposures. Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured and re-stated to their fair value at the reporting date. The method of recognising the resultant gain or loss depends on whether the derivative financial instrument is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates derivative financial instruments as either fair value hedges (hedges of the fair value of recognised assets or liabilities or a firm commitment) or cash flow hedges (hedges of highly probable forecast transactions).

At the inception of the transaction, the Group documents the relationship between the hedging instrument and the hedged item, as well as its risk management objective and strategy for undertaking the hedge transaction. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivative financial instruments that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Fair value hedges

Changes in the fair value of derivative financial instruments that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

(ii) Cash flow hedges

The effective portion of changes in the fair value of derivative financial instruments that are designated and qualify as cash flow hedges is recognised in equity in the cash flow hedge reserve. The gain or loss relating to any ineffective portion is recognised immediately in the income statement.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when hedged income or expenses are recognised or when a forecast sale or purchase occurs. When the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are immediately transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken immediately to the income statement.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative financial instruments do not qualify for hedge accounting or hedge accounting has not been adopted. Changes in the fair value of these derivative financial instruments are recognised immediately in the income statement.

(r) Fair value estimation

The fair value of financial assets and financial liabilities is estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) are determined using accepted treasury valuation techniques, such as estimated discounted cash flows, by an external treasury management system provider. The carrying value of trade receivables (less provision for doubtful receivables) and payables are assumed to approximate their fair values.

(s) Trade and other payables

Trade and other payables are recognised when the Group becomes obligated to make future payments resulting from the purchase of goods or services. They are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method. The amounts are unsecured.

(t) Employee entitlements

(i) Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services rendered up to the reporting date. They are measured for recognition by assessing the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

Liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by the employee. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

(iii) Share-based compensation

The Group operates an equity-settled, share-based compensation plan for senior executives, under which the Group receives services from employees as consideration for partly-paid ordinary shares in the Company. The fair value of the employee services received in exchange for the partly-paid ordinary shares is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the partly-paid ordinary shares allotted, taking into account market vesting conditions (for example, total shareholder return measures such as outperforming the median of the NZX50 Index), but excluding the impact of any non-market service and performance vesting conditions (for example, compound growth rates for earnings per share and remaining an employee of the Group over a specified time period). Non-market vesting conditions are included in assumptions about the number of partly-paid ordinary shares that are expected to vest. The total amount expensed is recognised over the relevant vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the Group revises its estimates of the number of partly-paid ordinary shares that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement.

(u) Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The increase in the provision due only to the passage of time is recognised as an interest expense.

(v) Borrowing costs

Costs incurred in establishing finance facilities are amortised to the income statement over the term of the respective facilities.

(w) Capitalised interest and finance costs

Interest and finance costs incurred for the construction of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other interest and finance costs are expensed.

(x) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a reduction in the amount of proceeds arising from the issue of shares.

(y) Goods and services tax (GST)

The income statement and statement of cash flows have been prepared so that all components are stated exclusive of GST. All items in the balance sheet are stated net of GST, with the exception of trade receivables and payables, which include GST invoiced.

(z) Borrowings and inter-company balances

Interest-bearing bank loans and overdrafts are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method. In respect of the Company, no interest is payable or receivable on inter-company balances. These balances are recognised at face value, which is also considered to reflect their fair value.

(aa) Changes in accounting policies

Except as described below, the accounting policies and methods of computation are consistent with those used in the prior year.

The Group has adopted the following new and revised standards for which application was mandatory for the first time in the financial year beginning 1 July 2013:

- NZ IFRS 10 Consolidated Financial Statements replaces the guidance on control and consolidation in NZ IAS 27 Consolidated and Separate Financial Statements and NZ SIC-12 Consolidation – Special Purpose Entities.
- NZ IFRS 11 Joint Arrangements introduces criteria for determining the type of joint arrangement which focuses on the rights and obligations of the arrangement rather than legal form.
- NZ IFRS 12 sets out the required disclosures for entities reporting under the two new standards, NZ IFRS 10 and NZ IFRS 11, and replaces the disclosure requirements currently found in NZ IAS 28.
- NZ IAS 27 is renamed Separate Financial Statements and is now a standard dealing solely with separate financial statements.
- Amendments to NZ IAS 28 include the requirements for associates and joint ventures that have to be equity accounted following the issue of NZ IFRS 11.
- NZ IFRS 13 Fair Value Measurement (mandatory for annual reporting periods beginning on or after 1 January 2013). NZ IFRS 13 explains how to measure fair value and aims to enhance fair value disclosures.
- NZ IAS 16 (Amendment as part of annual improvements project 2011) (effective for annual periods beginning on or after 1 January 2013). The amendment clarifies that spare parts and servicing equipment are classified

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FOR THE YEAR ENDED 30 JUNE 2014

as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment. Following the amendment, equipment used for more than one period is classified as property, plant and equipment.

The Group adopted these new standards and amendments from 1 July 2013 and there has been no material impact on the financial statements.

- Amendments to NZ IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which has been included in NZ IAS 36 by the issue of NZ IFRS 13.

  The amendment is not mandatory for the group until 1 July 2014, however the Group has decided to early adopt the amendment as of 1 July 2013.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 2. SEGMENT REPORTING

The Group is organised into the following reportable operating segments which categorise the business into its primary markets and reflect the structure and internal reporting used by the Managing Director, as the chief operating decision maker, and the Board to assist strategic decision-making and allocation of resources:

Express package & business mail

Comprises network courier, point-to-point courier and postal services.

Information management

Comprises secure paper-based and electronic business information management services.

Corporate and other

Comprises corporate, financing and property management services.

The Group has no individual customer that represents more than 2% of external sales revenue.

As at and for the year ended 30 June 2014:

	EXPRESS PACKAGE & BUSINESS MAIL $000	INFORMATION MANAGEMENT $000	CORPORATE & OTHER $000	INTER-SEGMENT ELIMINATION $000	CONSOLIDATED OPERATIONS $000
Income statement					
Sales to external customers	329,611	102,666	2	-	432,279
Inter-segment sales	2,253	80	4,090	(6,423)	-
Total revenue	331,864	102,746	4,092	(6,423)	432,279
Operating profit before interest, income tax, depreciation and software amortisation, non-recurring items and amortisation of intangibles	60,655	24,354	(1,147)	-	83,862
Depreciation and software amortisation	(6,166)	(4,298)	(1,400)	-	(11,864)
Operating profit before interest, income tax, non-recurring items and amortisation of intangibles	54,489	20,056	(2,547)	-	71,998
Amortisation of intangibles	(50)	(1,010)	-	-	(1,060)
Operating profit before interest, income tax and non-recurring items	54,439	19,046	(2,547)	-	70,938
Non-recurring items before tax	-	(1,249)	-	-	(1,249)
Profit before interest and income tax	54,439	17,797	(2,547)	-	69,689
Net interest and finance costs	(147)	(120)	(11,405)	-	(11,672)
Profit before income tax	54,292	17,677	(13,952)	-	58,017
Income tax	(15,349)	(5,713)	4,747	-	(16,315)
Profit for the year attributable to the shareholders	38,943	11,964	(9,205)	-	41,702
Balance sheet					
Segment assets	250,337	160,767	42,781	-	453,885
Segment liabilities	51,598	22,223	180,628	-	254,449
Additions to non-current assets, excluding deferred tax asset	8,676	26,347	3,322	-	38,345

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FOR THE YEAR ENDED 30 JUNE 2014

As at and for the year ended 30 June 2013:

	EXPRESS PACKAGE & BUSINESS MAIL $000	INFORMATION MANAGEMENT $000	CORPORATE & OTHER $000	INTER-SEGMENT ELIMINATION $000	CONSOLIDATED OPERATIONS $000
Income statement					
Sales to external customers	306,351	99,764	2	-	406,117
Inter-segment sales	1,912	146	3,916	(5,974)	-
Total revenue	308,263	99,910	3,918	(5,974)	406,117
Operating profit before interest, income tax, depreciation and software amortisation, non-recurring items and amortisation of intangibles	54,816	23,246	(911)	-	77,151
Depreciation and software amortisation	(6,043)	(4,746)	(1,350)	-	(12,139)
Operating profit before interest, income tax, non-recurring items and amortisation of intangibles	48,773	18,500	(2,261)	-	65,012
Amortisation of intangibles	(70)	(285)	-	-	(355)
Operating profit before interest, income tax and non-recurring items	48,703	18,215	(2,261)	-	64,657
Non-recurring items before tax	1,000	1,079	-	-	2,079
Profit before interest and income tax	49,703	19,294	(2,261)	-	66,736
Net interest and finance costs	(142)	(31)	(12,841)	-	(13,014)
Profit before income tax	49,561	19,263	(15,102)	-	53,722
Income tax	(13,772)	(5,286)	5,683	-	(13,375)
Profit for the year attributable to the shareholders	35,789	13,977	(9,419)	-	40,347
Balance sheet					
Segment assets	242,702	150,405	40,158	-	433,265
Segment liabilities	45,500	16,329	184,137	-	245,966
Additions to non-current assets, excluding deferred tax asset	13,654	4,110	1,787	-	19,551

Transactions between reportable segments are carried out at arm’s length. Segment assets and liabilities are disclosed net of inter-company balances.

For the year ended 30 June 2014, external revenue from customers in the Group's New Zealand and Australian operations was $369.4 million and $62.9 million, respectively (2013: $342.4 million and $63.7 million, respectively). As at 30 June 2014, non-current assets in respect of the New Zealand and Australian operations (excluding deferred tax assets) were $274.1 million and $106.6 million, respectively (2013: $266.0 million and $100.0 million, respectively).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 3. INCOME AND EXPENSES

Profit before income tax includes the following specific income and expenses:

		GROUP		PARENT	
	NOTE	2014 $000	2013 $000	2014 $000	2013 $000
Income:					
Interest income		96	225	-	-
Operating expenses:					
Net loss (gain) on disposal of property, plant and equipment		17	(57)	-	-
Depreciation	11	11,060	10,943	-	-
Amortisation of intangible assets	12	1,060	355	-	-
Amortisation of software	12	804	1,196	-	-
Operating lease expenses		20,349	20,515	-	-
Auditors' fees:					
Audit of annual financial statements and review of interim financial statements		287	297	-	-
Costs of offering credit:					
Impairment (gain) loss on trade receivables		333	(1)	-	-
Interest and finance costs:					
Interest on bank borrowings		11,725	13,145	-	-
Interest on finance leases		15	24	-	-
Derivative fair value movement		28	70	-	-
Other:					
Net foreign exchange (gain) loss		(343)	(142)	-	-
Directors' fees		425	427	425	427
Donations		217	130	-	-
Non-recurring items:					
(Increase) reversal of accrued acquisition earnout payments *	28	(1,249)	2,079	-	-

* The non-recurring expense for the year ended 30 June 2014 relates to an increase in the accrual for an upcoming acquisition earnout payment. The non-recurring benefit for the year ended 30 June 2013 relates to the reversal of two accrued acquisition earnout payments for which the financial hurdle required to be met, was not met or was not expected to be met.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 4. INCOME TAX EXPENSE

	GROUP		PARENT	
	2014 $000	2013 $000	2014 $000	2013 $000
Current tax:				
Current tax on profit for the year	16,864	13,417	(161)	(162)
Deferred tax (Note 13):				
Reversal of temporary differences	(549)	(42)	-	-
Total deferred tax	(549)	(42)	-	-
Income tax expense (benefit)	16,315	13,375	(161)	(162)

Income tax applicable to the Group's net profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the profits of the consolidated entities, as follows:

Profit before income tax	58,017	53,722	32,325	29,822
Income tax calculated at domestic tax rates applicable to the accounting profits in the respective countries	16,311	15,152	9,051	8,350
Tax-effect of amounts which are treated differently when calculating taxable income:				
- Non-taxable intercompany dividends	-	-	(9,212)	(8,512)
- Additional amounts deductible	(260)	(1,786)	-	-
- Other	264	9	-	-
Income tax expense (benefit)	16,315	13,375	(161)	(162)

The Group has no tax losses (2013: Nil) and no unrecognised temporary differences (2013: Nil).

	GROUP	
	2014 $000	2013 $000
Imputation credits account		
Imputation credits available for use in subsequent reporting periods:	18,732	16,588

The above amounts represent the balance of the imputation account as at the end of the reporting period, adjusted for:

(a) Imputation credits that will arise from the payment of the amount of the provision for income tax;

(b) Imputation debits that will arise from the payment of dividends recognised as a liability at the reporting date; and

(c) Imputation credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

Amounts charged to the provision for doubtful receivables are generally written off when there is no expectation of recovering additional cash.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

The tax (charge)/credit relating to components of other comprehensive income is as follows:

2014 ($000)	BEFORE TAX	TAX (CHARGE) / CREDIT	AFTER TAX
Exchange difference on translation of foreign operations	(1,985)	-	(1,985)
Cash flow hedges taken directly to equity	3,379	(946)	2,433
Other comprehensive income	1,394	(946)	448
Current tax		-	
Deferred tax		(946)	
		(946)	

2013 ($000)	BEFORE TAX	TAX (CHARGE) / CREDIT	AFTER TAX
Exchange difference on translation of foreign operations	(1,869)	-	(1,869)
Cash flow hedges taken directly to equity	4,996	(1,399)	3,597
Other comprehensive income	3,127	(1,399)	1,728
Current tax		-	
Deferred tax		(1,399)	
		(1,399)	

NOTE 5. DIVIDENDS

	PARENT 2014 $000	PARENT 2013 $000
Recognised amounts		
Fully imputed dividends declared and paid during the year:		
Final dividend for 2013 at 9.75 cents per share (2012: 9.50 cents)	15,038	14,630
Interim dividend for 2014 at 10.00 cents per share (2013: 9.00 cents)	15,423	13,847
	30,461	28,477
Unrecognised amounts		
Final dividend for 2014 at 11.25 cents per share (2013: 9.75 cents)	17,388	15,037

Subsequent to balance date the above unrecognised dividend was approved by a directors' resolution dated 18 August 2014. This amount has not been recognised as a liability at the reporting date, but will be brought to account when paid.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 6. CASH AND CASH EQUIVALENTS

	GROUP		PARENT	
	2014 $000	2013 $000	2014 $000	2013 $000
Comprises:				
- Cash at bank	3,773	3,365	7	6
- Overnight deposit	107	119	-	-
Cash and cash equivalents in statement of cash flows	3,880	3,484	7	6

NOTE 7. TRADE AND OTHER RECEIVABLES

	GROUP		PARENT	
	2014 $000	2013 $000	2014 $000	2013 $000
Current:				
Trade receivables	55,446	48,811	-	-
Provision for doubtful receivables	(1,192)	(966)	-	-
	54,254	47,845	-	-
Other debtors and prepayments	6,318	6,798	-	-
Share plan loans receivable from employees	202	251	-	-
Due from subsidiary (Note 25)	-	-	166,385	164,128
	60,774	54,894	166,385	164,128
Non-current:				
Share plan loans receivable from employees	117	152	-	-
Other debtors	162	304	-	-
	279	456	-	-

Trade receivables are non-interest bearing and are generally on 7-30 day terms. An allowance for impairment loss is recognised when there is objective evidence that a trade receivable is impaired.

The Company has no provision for doubtful receivables. The movements in the provision for doubtful receivables for the Group were as follows:

	GROUP	
	2014 $000	2013 $000
Opening balance	966	1,049
Provision for doubtful receivables	489	98
Receivables written off during the year as uncollectible	(271)	(162)
Provisions added from acquired businesses	38	-
Exchange rate movement	(30)	(19)
Closing balance (Note 26.1(b))	1,192	966

Amounts charged to the provision for doubtful receivables are generally written off when there is no expectation of recovering additional cash.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 8. INVENTORIES

The Company has no inventory. The amounts below are for the Group.

	GROUP	
	2014 $000	2013 $000
Finished goods	6,604	6,590
Ticket stocks, uniforms and consumables	2,172	1,972
	8,776	8,562

The cost of inventories recognised as an expense and included in 'general and administration expenses' amounted to $12.1 million (2013: $10.1 million).

NOTE 9. DERIVATIVE FINANCIAL INSTRUMENTS

The Company has no derivative financial instruments. The amounts below are for the Group.

	GROUP	
	2014 $000 Asset (Liability)	2013 $000 Asset (Liability)
Current:		
Interest rate swaps	(143)	(440)
Non-current:		
Interest rate swaps	(6,965)	(10,019)

The notional or principal contract amounts of derivative financial instruments outstanding at balance date are:

	INTEREST RATE DERIVATIVES			
	NZD		AUD	
	2014 $000	2013 $000	2014 $000	2013 $000
Interest rate swaps	93,000	114,000	65,000	70,000

The interest rate derivatives are 100% effective as cash flow hedges against the future interest payments of the Group (2013: 100%).

An expense of $28,207, representing the amortisation of the ineffective portion of the derivative financial instruments terminated in prior years, was recognised in the income statement during the year (2013: $70,000).

Gains and losses recognised in the hedging reserve in equity on interest rate swap contracts as of 30 June 2014 will be continuously released to the income statement within finance costs until the repayment of the applicable bank borrowings.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 10. INVESTMENTS IN SUBSIDIARIES

The Company's investment in its only directly-owned subsidiary, Freightways Express Limited (FEL), comprises shares at cost. Listed below are all the significant subsidiaries wholly-owned directly or indirectly by FEL. All subsidiaries have a balance date of 30 June.

Name of entity	Principal activities	Country of incorporation
Air Freight NZ Limited*	Express package linehaul	New Zealand
Castle Parcels Limited	Express package services	New Zealand
Fieldair Engineering Limited*	General & aviation engineering services	New Zealand
Fieldair Holdings Limited*	Holding company (refer * below)	New Zealand
Freightways Finance Limited	Group treasury management	New Zealand
Freightways Information Services Limited	IT infrastructure support services	New Zealand
Freightways Properties Limited	Property management	New Zealand
Freightways Trustee Company Limited	Trustee of Freightways Employee Share Plan	New Zealand
Info Management Services Australia LP	Australian treasury services	Australia
Information Management Group Limited	Information management	New Zealand
Messenger Services Limited	Express package services	New Zealand
New Zealand Couriers Limited	Express package services	New Zealand
New Zealand Document Exchange Limited	Business mail	New Zealand
NOW Couriers Limited	Express package services	New Zealand
Online Security Services Limited	Information management	New Zealand
Parceline Express Limited	Express package linehaul	New Zealand
Post Haste Limited	Express package services	New Zealand
Shred-X Pty Limited	Information management	Australia
The Information Management Group Pty Limited	Information management	Australia

* Fieldair Holdings Limited is a subsidiary of New Zealand Couriers Limited. Fieldair Engineering Limited and Air Freight NZ Limited are subsidiaries of Fieldair Holdings Limited.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 11. PROPERTY, PLANT & EQUIPMENT

The Company has no property, plant and equipment. The amounts below are for the Group.

	LAND	BUILDINGS	LEASEHOLD ALTERATIONS	MOTOR VEHICLES	EQUIPMENT	TOTAL
2014 ($000)						
Opening net book value	12,960	27,079	3,597	3,726	42,160	89,522
Additions	964	2,342	771	1,093	10,796	15,966
Acquisitions through business combinations (Note 28)	-	-	17	562	821	1,400
Disposals	-	-	-	(79)	(50)	(129)
Depreciation expense	-	(1,502)	(504)	(1,050)	(8,004)	(11,060)
Exchange rate movement	(149)	(178)	(147)	(184)	(1,465)	(2,123)
Closing net book value	13,775	27,741	3,734	4,068	44,258	93,576
As at end of year						
Cost	13,775	38,961	7,989	10,151	105,603	176,479
Accumulated depreciation	-	(11,220)	(4,255)	(6,083)	(61,345)	(82,903)
Net book value	13,775	27,741	3,734	4,068	44,258	93,576
2013 ($000)						
Opening net book value	13,068	26,915	3,869	4,179	42,312	90,343
Additions	-	1,740	434	821	8,153	11,148
Acquisitions through business combinations	-	-	-	-	450	450
Disposals	-	-	-	(23)	(6)	(29)
Depreciation expense	-	(1,445)	(586)	(1,051)	(7,861)	(10,943)
Exchange rate movement	(108)	(131)	(120)	(200)	(888)	(1,447)
Closing net book value	12,960	27,079	3,597	3,726	42,160	89,522
As at end of year						
Cost	12,960	36,822	7,514	9,809	96,407	163,512
Accumulated depreciation	-	(9,743)	(3,917)	(6,083)	(54,247)	(73,990)
Net book value	12,960	27,079	3,597	3,726	42,160	89,522

Included in the cost of land and buildings is an amount of $2.2 million (2013: Nil) in respect of assets under construction for which depreciation has not commenced.

The latest independent valuations of land and buildings (performed in June 2014) assess these assets to have a total fair value of $56.7 million. The fair values have been derived using the direct capitalisation approach. The valuation technique uses significant unobservable inputs, namely capitalisation rate and potential new market income of land and buildings. Therefore these are considered level 3 valuations, as defined in note 26.1(d).

Finance leases: Equipment includes items capitalised under finance leases with a cost of $0.4 million (2013: $0.4 million), together with accumulated depreciation of $0.1 million (2013: $0.01 million). These specific assets are pledged as security for the related finance lease liabilities. Refer note 1(h)(i).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 12. INTANGIBLE ASSETS

The Company has no intangible assets. The amounts below are for the Group.

	GOODWILL	BRAND NAMES	SOFTWARE	CUSTOMER RELATIONSHIPS	OTHER	TOTAL
2014 ($000)						
Opening net book value	147,981	111,501	7,773	7,414	1,365	276,034
Additions	-	-	1,629	-	331	1,960
Acquisition through business combinations (Note 28)	10,820	-	-	7,997	-	18,817
Amortisation expense	-	-	(804)	(637)	(423)	(1,864)
Exchange rate movement	(6,087)	(1,763)	(96)	(314)	(87)	(8,347)
Closing net book value	152,714	109,738	8,502	14,460	1,186	286,600
As at end of year						
Cost	171,376	109,738	15,093	15,302	1,763	313,272
Accumulated amortisation	(18,662)	-	(6,591)	(842)	(577)	(26,672)
Net book value	152,714	109,738	8,502	14,460	1,186	286,600
2013 ($000)						
Opening net book value	148,216	111,464	7,185	7,096	1,334	275,295
Additions	-	-	1,355	-	248	1,603
Acquisition through business combinations	3,953	1,310	500	588	-	6,351
Amortisation expense	(20)	-	(1,196)	(185)	(150)	(1,551)
Exchange rate movement	(4,168)	(1,273)	(71)	(85)	(67)	(5,664)
Closing net book value	147,981	111,501	7,773	7,414	1,365	276,034
As at end of year						
Cost	166,643	111,501	13,593	7,645	1,522	300,904
Accumulated amortisation	(18,662)	-	(5,820)	(231)	(157)	(24,870)
Net book value	147,981	111,501	7,773	7,414	1,365	276,034

Included in the cost of software is work in progress of $1.3 million (2013: $1.6 million) for which amortisation has not commenced.

An independent valuation of the brand names was conducted by Deloitte in July 2014. This independent report assessed the fair market value of the brand names as at 30 June 2014 to be between $263 million and $291 million. The fair values have been derived using the value-in-use approach. The valuation technique uses significant unobservable inputs, namely discount rate, growth rate and cash flow. Therefore these are considered level 3 valuations, as defined in note 26.1(d).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

Impairment tests for indefinite life intangible assets

Goodwill and brand names are allocated to the Group's cash-generating units (CGUs) identified according to subsidiary.

The carrying amount of intangible assets allocated by CGU is outlined below:

	GOODWILL		BRAND NAMES	
	2014 $000	2013 $000	2014 $000	2013 $000
Messenger Services	7,338	7,338	5,100	5,100
New Zealand Couriers	31,372	31,372	58,500	58,500
New Zealand Document Exchange	9,315	9,315	5,900	5,900
Dataprint	4,125	4,125	1,310	1,310
Post Haste, Castle Parcels and NOW Couriers	22,008	22,008	18,395	18,395
Total Express Package & Business Mail	74,158	74,158	89,205	89,205
Online Security Services	16,945	14,862	4,400	4,400
The Information Management Group	31,406	34,176	11,032	12,237
Filesaver	4,957	5,498	1,786	1,981
Shred-X	24,648	19,287	3,315	3,678
Total Information Management	77,956	73,823	20,533	22,296
Total	152,114	147,981	109,738	111,501

(i) Key assumptions used for value-in-use calculations

On an annual basis, the recoverable amount of goodwill and brand names is determined based on value-in-use calculations specific to the CGU associated with both goodwill and brand names.

These calculations use pre-tax cash flow projections based on financial budgets prepared by management for the year ended 30 June 2015. Cash flows beyond June 2014 have been extrapolated using growth rates which do not exceed the historical compound annual earnings growth rates for each respective CGU, taking into consideration current and forecast economic conditions. The compound annual earnings growth rate for the Express Package & Business Mail segment over the past 10 years has been approximately 4%. A 1% growth rate has been applied to the Express Package & Business Mail businesses in the value-in-use calculation. For the Information Management segment, the compound annual earnings growth rate for the last 5 years of approximately 12% is considered indicative of the growth in this segment since the Company's expansion into Australia. A 3% growth rate has been applied to the Information Management businesses in the value-in-use calculation.

A pre-tax discount rate of 11% has been applied to all CGU's, which approximates the Group's weighted average cost of capital.

The value-in-use calculations indicate that the recoverable amounts of goodwill and brand names exceed their carrying values and therefore there is no impairment in the value of goodwill and brand names.

(ii) Sensitivity to changes in assumptions

With regard to the value-in-use assessment for all CGU's, management believes that no reasonably possible change in any of the above assumptions would cause the carrying values of goodwill and brand names to materially exceed their respective recoverable amounts.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 13. DEFERRED TAX ASSET (LIABILITY)

The Company has no deferred tax balances. The amounts below are for the Group.

	2014 $000	2013 $000
Deferred tax asset		
Deferred tax asset to be recovered within 12 months	-	-
Deferred tax asset to be recovered after more than 12 months	-	313
Balance at end of year	-	313

	2014 $000	2013 $000
Deferred tax liabilities		
Deferred tax liabilities to be recovered within 12 months	973	10
Deferred tax liabilities to be recovered after more than 12 months	7,908	6,551
Balance at end of year	8,881	6,561

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same jurisdiction, is as follows:

	PROPERTY, PLANT AND EQUIPMENT	EMPLOYEE ENTITLEMENTS	ACCRUALS AND PROVISIONS	DERIVATIVE FINANCIAL INSTRUMENTS	INTANGIBLE ASSETS	TOTAL
2014 ($000)						
Balance at beginning of year	(9,458)	2,614	1,134	2,929	(3,467)	(6,248)
Transfer to income statement	1	356	411	8	(218)	558
Amounts relating to business combinations (Note 28)	275	64	12	-	(2,607)	(2,256)
Adjustment for cash flow hedge reserve	-	-	-	(946)	-	(946)
Exchange rate movement	123	(121)	(35)	-	44	11
Balance at end of year	(9,059)	2,913	1,522	1,991	(6,248)	(8,881)

	PROPERTY, PLANT AND EQUIPMENT	EMPLOYEE ENTITLEMENTS	ACCRUALS AND PROVISIONS	DERIVATIVE FINANCIAL INSTRUMENTS	INTANGIBLE ASSETS	TOTAL
2013 ($000)						
Balance at beginning of year	(9,590)	2,042	1,877	4,362	(2,681)	(3,990)
Transfer to income statement	28	622	(717)	20	(116)	(163)
Amounts relating to business combinations (Note 28)	-	29	-	-	(620)	(591)
Adjustment for cash flow hedge reserve	-	-	-	(1,453)	-	(1,453)
Exchange rate movement	104	(79)	(26)	-	(50)	(51)
Balance at end of year	(9,458)	2,614	1,134	2,929	(3,467)	(6,248)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 14. TRADE AND OTHER PAYABLES

	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Current:				
Trade creditors	28,279	24,705	24	7
Employee entitlements	12,000	10,840	-	-
Acquisition earn-out payments	3,597	833	-	-
Other creditors and accruals	10,097	7,864	-	-
	53,973	44,242	24	7
Non-current:				
Acquisition earn-out payments	1,728	1,707	-	-
Other non-current payables	1,035	1,543	-	-
	2,763	3,250	-	-

NOTE 15. LEASES

The Company has no lease commitments. The amounts below are for the Group.

(a) Finance lease commitments

The Group leases certain plant and equipment, and as a result has the following finance lease commitments:

	2014 $000	2013 $000
Within one year	67	99
After one year but not more than five years	30	115
After five years	-	-
Minimum lease payments	97	214
Less: future finance charges	5	21
	102	235
Classified in the balance sheet:		
Current liabilities	70	114
Non-current liabilities	32	121
	102	235

(b) Operating lease commitments (non-cancellable)

The Group leases certain premises, motor vehicles and plant and equipment, and as a result has the following operating lease commitments:

	2014 $000	2013 $000
Within one year	17,556	17,970
After one year but not more than five years	43,802	43,583
After five years	21,839	28,839
	83,197	90,392

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 16. PROVISIONS

The Company has no provisions. The amounts below are for the Group.

	2014 $000 CUSTOMER CLAIMS	2013 $000 CUSTOMER CLAIMS
Current		
Balance at beginning of year	313	363
Current year provision, net of claims paid	130	(50)
Balance at end of year	443	313

	LONG SERVICE LEAVE	LEASE OBLIGATIONS	TOTAL
Non-current			
2014 ($000)			
Balance at beginning of year	1,089	769	1,858
Current year provision	312	246	558
Amounts relating to business combinations	7	-	7
Expenses incurred	(56)	(13)	(69)
Movement in exchange rate	(116)	(38)	(154)
Balance at end of year	1,236	964	2,200
2013 ($000)			
Balance at beginning of year	938	541	1,479
Current year provision	281	137	418
Amounts relating to business combinations	-	123	123
Expenses incurred	(59)	(64)	(123)
Movement in exchange rate	(71)	32	(39)
Balance at end of year	1,089	769	1,858

Explanation of provisions

Provision for customer claims relates to actual claims received from customers that are being considered for payment as at reporting date and are expected to be resolved within the next two months.

Provision for long service leave relates to the potential leave obligation for employees who reach continuous employment milestones required under Australian regulations.

Provision for lease obligations relates to estimated payments to reinstate leased buildings used to an appropriate condition upon the expiry of the lease term.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 17. UNEARNED INCOME

The Company has no unearned income. The amounts below are for the Group.

	GROUP 2014 $000	GROUP 2013 $000
Unearned income	14,561	13,833

NOTE 18. BORROWINGS

	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Current:				
Loans from subsidiaries (Note 25)	-	-	132,134	132,134
Non-current:				
Bank borrowings	159,098	160,763	-	-

(a) Security for borrowings

The bank borrowings are secured by a charge over the assets of the majority of the Company's New Zealand subsidiaries in favour of its primary lenders and guarantees from the Company's primary Australian subsidiaries. As at 30 June 2014, the carrying amount of the assets pledged as security is $177 million (2013: $161 million).

(b) Finance facilities

The following finance facilities existed at the reporting date:

	NEW ZEALAND DOLLARS 2014 $000	NEW ZEALAND DOLLARS 2013 $000	AUSTRALIAN DOLLARS 2014 $000	AUSTRALIAN DOLLARS 2013 $000
BNZ				
- total bank overdraft facility available	8,000	8,000	-	-
- amount of overdraft facility unused	8,000	8,000	-	-
- total loan facilities available	15,000	15,000	17,000	17,000
- maturing 1 September 2014	-	5,000	-	7,500
- maturing 1 September 2015	-	5,000	-	7,500
- maturing 1 September 2016	5,000	5,000	7,500	2,000
- maturing 1 September 2017	5,000	-	7,500	-
- maturing 1 September 2018	5,000	-	2,000	-
- amount of loan facilities used	11,625	12,181	14,200	14,200
- amount of loan facilities unused	3,375	2,819	2,800	2,800

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

(b) Finance facilities (continued)

	NEW ZEALAND DOLLARS		AUSTRALIAN DOLLARS	
	2014 $000	2013 $000	2014 $000	2013 $000
Westpac				
- total loan facilities available	55,000	55,000	47,200	36,000
- maturing 1 September 2014	-	19,000	-	12,000
- maturing 1 September 2015	-	18,000	-	12,000
- maturing 1 September 2016	19,000	18,000	15,200	12,000
- maturing 1 September 2017	18,000	-	16,000	-
- maturing 1 September 2018	18,000	-	16,000	-
- amount of loan facilities used	42,850	44,850	40,256	31,714
- amount of loan facilities unused	12,150	10,150	6,944	4,286
ANZ (New Zealand)				
- total loan facilities available	40,000	40,000	-	-
- maturing 1 September 2014	-	13,000	-	-
- maturing 1 September 2015	-	14,000	-	-
- maturing 1 September 2016	13,000	13,000	-	-
- maturing 1 September 2017	14,000	-	-	-
- maturing 1 September 2018	13,000	-	-	-
- amount of loan facilities used	31,225	32,669	-	-
- amount of loan facilities unused	8,775	7,331	-	-
ANZ (Australia)				
- total loan facilities available	-	-	17,800	17,000
- maturing 1 September 2014	-	-	-	4,000
- maturing 1 September 2015	-	-	-	4,000
- maturing 1 September 2016	-	-	4,800	9,000
- maturing 1 September 2017	-	-	4,000	-
- maturing 1 September 2018	-	-	9,000	-
- amount of loan facilities used	-	-	13,944	13,786
- amount of loan facilities unused	-	-	3,856	3,214
NAB (Australia)				
- total bank overdraft facility available	-	-	20	20
- amount of overdraft facility unused	-	-	20	20

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

	FACILITIES DENOMINATED IN NEW ZEALAND DOLLARS 2014	2013	FACILITIES DENOMINATED IN AUSTRALIAN DOLLARS 2014	2013
Effective interest rate at 30 June as amended for interest rate hedges	7.16%	7.34%	6.79%	7.61%

During July 2013, the Group negotiated a two year extension of its bank facilities. The extended facilities are spread equally between 3-year, 4-year and 5-year maturity and became effective from 26 July 2013.

The Group was in compliance with all of its banking covenants throughout the year ended 30 June 2014.

NOTE 19. EQUITY

	GROUP			
	2014 ORDINARY SHARES	2013 ORDINARY SHARES	2014 $000	2013 $000
Balance at beginning of year	153,992,075	153,824,730	121,660	121,263
Partly-paid ordinary shares issued	-	-	1	-
Partly-paid shares, fully paid up to ordinary shares	162,138	84,127	462	239
Employee share-based payment (Note 20)	-	-	(260)	(133)
Shares issued for employee share plan	75,000	75,000	278	268
(Increase) decrease in employee share plan unallocated shares	(8,661)	8,218	(33)	23
Balance at end of year	154,220,552	153,992,075	122,108	121,660

	PARENT			
	2014 ORDINARY SHARES	2013 ORDINARY SHARES	2014 $000	2013 $000
Balance at beginning of year	153,997,286	153,838,159	121,703	121,302
Partly-paid ordinary shares issued	-	-	1	2
Partly-paid shares, fully paid up to ordinary shares	162,138	84,127	169	131
Employee share-based payment (Note 20)	-	-	-	-
Shares issued for employee share plan	75,000	75,000	278	268
Balance at end of year	154,234,424	153,997,286	122,151	121,703

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

Contributed equity

(i) Fully paid ordinary shares

As at 30 June 2014 there were 154,234,424 shares issued and fully paid (2013: 153,997,286). All fully paid ordinary shares have equal voting rights and share equally in dividends and surplus on winding up.

(ii) Partly-paid ordinary shares

On 11 September 2013, 148,386 partly-paid shares were issued to certain senior executives under the rules of the Freightways Senior Executive Performance Share Plan (2013: 155,832). The issue price per share was $4.12 (2013: $3.97) and the shares have been paid up by the relevant participants to one cent per share. The balance of the issue price per share may only be paid up upon the participants meeting agreed performance hurdles and upon the expiry of the applicable three-year escrow period in accordance with the Plan rules (refer Note 20). During the year, 24,414 partly-paid shares were redeemed and cancelled (2013: Nil). As at 30 June 2014 there were 483,804 partly-paid shares on issue, paid up to one cent per share (2013: 521,597). Partly-paid shares have no voting rights and no rights to dividends and surplus on winding up.

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

On 11 September 2013, 162,138 (2013: 84,127) partly-paid shares were fully paid-up by certain Freightways senior executives upon the achievement of agreed performance targets in accordance with the terms of the original issue of the relevant partly-paid shares under the Freightways Senior Executive Performance Share Plan. The average issue price per share was $2.85 (2013: $2.84).

(iv) Employee Share Plan

On 12 September 2013, the Company issued 75,000 fully paid ordinary shares at $3.71 each to Freightways Trustee Company Limited, as Trustee for the Freightways Employee Share Plan (2012: 75,000 fully paid ordinary shares at $3.57 each). In total, participating employees were provided with interest-free loans of $0.3 million to fund their purchase of the shares in the Share Plan (2012: $0.3 million). The loans are repayable over three years and repayment commenced in October 2013.

As at 30 June 2014 the Trustee held 501,968 (2013: 513,309) fully paid ordinary shares (representing 0.3% (2013: 0.3%) of all issued ordinary shares) of which 13,872 (2013: 5,211) were unallocated. These shares are held for allocation in the future.

The Employee Share Plan operates in accordance with section DC13 of the New Zealand Income Tax Act 2007 and the Trustees are appointed by the Freightways Limited Board of Directors.

Nature and Purpose of Reserves

(i) Cash flow hedge reserve

The cash flow hedge reserve is used to record gains or losses on a hedging instrument within a cash flow hedge. The amounts are recognised in the income statement when the associated hedged transactions affect profit or loss, as described in note 1(q).

(ii) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations into New Zealand dollars, as described in note 1(e).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 20. SHARE-BASED PAYMENTS

Freightways Senior Executive Performance Share Plan (the 'Plan').

In September 2008, the Board approved the introduction of a long-term incentive scheme for certain Freightways senior executives using a performance share plan. The Plan aligns senior executives' long-term objectives with the interests of Freightways Limited shareholders.

Payment of any benefit is dependent upon the achievement of agreed performance targets. Partly-paid shares (paid up to one cent per share) are issued at the discretion of the Board, subject to a three-year escrow period. At the end of each escrow period the Group will pay a bonus to the senior executives to the extent the performance targets have been achieved, sufficient for the shares to be fully paid up. In the event that the performance targets have not been achieved at the expiry of the escrow period, the partly-paid shares may be redeemed by the Company.

An initial allocation was made on 1 January 2009 and further allocations are made annually in August or September each year. The terms for these allocations, including the relevant performance hurdles will be determined by the Board of Directors at the time of each allocation.

Details of outstanding allocations are as follows:

Share allocation date	25 Aug 2009	10 Sept 2010	13 Sept 2011	10 Sept 2012	11 Sept 2013
Number of partly-paid shares allocated	103,357	173,685	183,716	155,832	148,386
Market price per share at date of allocation	$2.83	$2.85	$3.15	$3.97	$4.12
Amount paid up per share upon allocation	$0.01	$0.01	$0.01	$0.01	$0.01
Total amount paid-up upon allocation	$1,034	$1,737	$1,837	$1,558	$1,484
Total amount paid-up upon vesting:					
- year ended 30 June 2013	$226,003	-	-	-	-
- year ended 30 June 2014	$34,443	$421,524	-	-	-
Escrow periods ended 30 June:	2012 (100%)	2013 (100%)	2014 (100%)	2015 (100%)	2016 (100%)

NOTES TO THE FINANCIAL STATEMENTS

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Total number of partly-paid shares on issue:

	2014	2013
Balance at beginning of the year	521,597	449,892
Issued during the year	148,386	155,832
Cancelled during the year	(24,414)	-
Fully paid up during the year	(162,138)	(84,127)
Balance at end of the year	483,431	521,597
Partly-paid shares eligible to be paid up at the end of the year	Nil	Nil

	2014 $000	2013 $000
Total amount expensed during the year for the senior executive performance share plan	554	492
Liability recognised at year end for bonuses payable to facilitate the paying-up of vested partly-paid shares	652	418

The fair value of the Plan was estimated as at the date of each allocation of partly-paid shares using both the binomial option pricing model and monte carlo simulation and taking into account the terms and conditions upon which the partly-paid shares were issued.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 21. RECONCILIATION OF PROFIT FOR THE YEAR WITH CASH FLOWS FROM OPERATING ACTIVITIES

		GROUP		PARENT	
	NOTE	2014 $000	2013 $000	2014 $000	2013 $000
Profit for the year		41,702	40,347	32,486	29,984
Add non-cash items:					
Depreciation & amortisation	3	12,924	12,494	-	-
Movement in provision for doubtful debts		218	(64)	-	-
Movement in deferred income tax		2,218	2,797	-	-
Net loss on disposal of property, plant and equipment		17	(57)	-	-
Net foreign exchange loss (gain)		(343)	(142)	-	-
Movement in derivative fair value		28	70	-	-
Transactions settled through loans from subsidiary		-	-	(34,754)	(31,797)
Items not included in profit for the year:					
Cash flow hedges taken directly to equity		(2,433)	(3,597)	-	-
Movement in working capital, net of effects of acquisitions of businesses:					
Decrease (increase) in trade and other receivables		(5,889)	(1,992)	-	-
Decrease (increase) in inventories		(266)	(474)	-	-
Increase (decrease) in trade and other payables		10,399	2,930	17	2
Increase (decrease) in income taxes payable		961	565	1,125	907
Net cash inflows (outflows) from operating activities		59,536	52,877	(1,126)	(904)

NOTE 22. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Group had made capital commitments to purchase or construct buildings and equipment for $1.2 million at 30 June 2014 (2013: $0.6 million), principally relating to the completion of operating facilities throughout the Group.

The Company had no commitments for property, plant and equipment at 30 June 2014 (2013: Nil).

As at 30 June 2014, the Group had outstanding letters of credit and bank guarantees issued by its lenders totalling approximately $2.1 million (2013: $1.9 million). The letters of credit relate predominantly to support for regular payroll payments. The bank guarantees relate to security given to various landlords in respect of leased operating facilities.

The Company had no contingent liabilities at 30 June 2014 (2013: Nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 23. EARNINGS PER SHARE*

Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year:

	GROUP 2014	2013
Profit for the year ($000)	41,702	40,347
Weighted average number of ordinary shares ('000):	154,187	153,966
Basic earnings per share (cents)	27.0	26.2

Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding during the year to assume conversion of all dilutive potential ordinary shares had occurred at the beginning of the year:

	GROUP 2014	2013
Profit for the year ($000)	41,702	40,347
Weighted average number of ordinary shares ('000):	154,187	153,966
Effect of dilution	483	522
Diluted weighted average number of ordinary shares ('000):	154,671	154,488
Diluted earnings per share (cents)	27.0	26.1

* Basic and diluted earnings per share calculated on the profit for the year, excluding the non-recurring increase in the accrual for an upcoming acquisition earnout payment (2013 excluding the reversal of two accrued acquisition earnout payments), are 27.9 cents and 27.8 cents, respectively (2013: 24.9 cents and 24.8 cents, respectively).

NOTE 24. NET TANGIBLE ASSETS PER SECURITY

Net tangible assets (liabilities) per security at 30 June 2014 was ($0.51) (2013: ($0.53)).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 25. TRANSACTIONS WITH RELATED PARTIES

Loan to subsidiary: During the year net advances of $31 million were made to the Company by FEL (2013: $29 million), which together with $33 million (2013: $30 million) of additional dividends receivable from FEL, resulted in a loan to subsidiary balance as at year end of $166 million (2013: $164 million). The receivable balance is set out in Note 7. This loan is repayable on demand. There is no interest payable on this loan. The loan has been reclassified from non-current to current in the prior years to reflect the term and conditions in relation to the loan.

Loan from subsidiary: The Company has a loan agreement with its wholly-owned subsidiary Freightways Finance Limited, which resulted in a loan from subsidiary balance as at year end of $132 million (2013 and 2012: $132 million). The payable balance is set out in Note 18. This loan is repayable on demand. There is no interest payable on this loan.

Intra-group transactions: During the year the Company received $33 million (2013: $30 million) of dividends from its directly-owned subsidiary (FEL).

Trading with related parties: The Group has not entered into any material external related party transactions which require disclosure. The Group does trade, on normal commercial terms, with certain companies in which there are common directorships. These counterparties include Spark New Zealand Limited and Contact Energy Limited.

Due from joint operations: During 2007, the Group entered into a property development joint operation in respect of a new operating facility for one of its Australian subsidiaries. As part of this joint operation arrangement the Group made progress payments to the developer on behalf of the joint operation. As at 30 June 2014 there were no amounts due from the joint operation (2013: Nil).

Key management compensation: Compensation paid during the year (or payable as at year end in respect of the year) to key management, which includes senior executives of the Group and non-executive independent directors, is as follows:

	GROUP		PARENT	
	2014 $000	2013 $000	2014 $000	2013 $000
Short-term employee benefits	5,617	5,278	425	427
Long-term employee benefits	-	-	-	-
Post-employment benefits	-	-	-	-
Termination benefits	-	-	-	-
Share-based payments (Note 20)	652	418	652	418

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 26. FINANCIAL RISK MANAGEMENT

26.1 Financial risk factors

The Group's activities expose it to various financial risks, including liquidity risk, credit risk and market risk (which includes currency risk and cash flow interest rate risk). The Group's overall risk management programme focuses on the uncertainty of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Treasury activities are performed centrally by the Group's corporate team, supplemented by external financial advice and the use of derivative financial instruments is governed by a Group Treasury Policy approved by the Company's Board of Directors.

The Group does not engage in speculative transactions or hold derivative financial instruments for trading purposes.

(a) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group's approach to liquidity risk management includes maintaining sufficient cash reserves and ensuring adequate committed finance facilities are available. In assessing its exposure to liquidity risk, the Group regularly monitors rolling 3, 6 and 12 months cash requirement forecasts.

The table below analyses the Group's financial liabilities into relevant maturity groupings, based on the remaining period from the reporting date to the contractual maturity date.

The amounts disclosed below are contractual, undiscounted cash flows, except for interest rate swaps.

GROUP	LESS THAN 6 MONTHS	6-12 MONTHS	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS	TOTAL
2014 ($000)						
Bank borrowings	5,363	5,363	10,725	190,498	-	211,949
Trade and other payables	47,538	11,319	1,907	-	-	60,764
Finance lease liabilities	45	25	32	-	-	102
Derivative financial instruments*	1,498	1,290	1,864	2,835	308	7,795
2013 ($000)						
Bank borrowings	5,747	5,747	75,784	123,548	-	210,826
Trade and other payables	38,612	9,872	2,145	834	-	51,463
Finance lease liabilities	57	57	121	-	-	235
Derivative financial instruments*	2,187	1,978	3,074	4,034	290	11,563

The Company has no liquidity risk itself as its requirements for cash are met by subsidiaries in the Group, as and when necessary. Its only liabilities are loans owing to subsidiaries, for which there are no fixed terms of repayment.

* The amounts expected to be payable in relation to the interest rate swaps have been estimated using forward interest rates applicable at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

(b) Credit risk

Credit risk refers to the risk of a counterparty failing to discharge its obligation. Financial instruments which potentially subject the Group to credit risk principally consist of bank balances, accounts receivable and derivative financial instruments.

The Group has credit policies that are used to manage the exposure to credit risk. As part of these policies, exposures with counterparties are monitored on a regular basis. The Group performs credit evaluations on all customers requiring credit and generally does not require collateral.

The Group's Treasury Policy ensures due consideration is given to the financial standing of the counterparty banks with which the Group holds cash reserves and transacts derivative financial instruments. A minimum Standard & Poor's long-term credit rating of A+ is required to qualify as an approved counterparty. The quantum of transactions entered into with the Group's various financial lenders is also balanced to mitigate exposure to concentrated counterparty credit risk with any one financial provider.

The Group does not have any significant concentrations of credit risk.

The Group considers its maximum exposure to credit risk to be as follows:

	GROUP	
	2014 $000	2013 $000
Cash and cash equivalents	3,880	3,484
Trade and other receivables	58,293	51,798
	62,173	55,282

Trade receivables analysis

The Company has no trade receivables. The amounts below are for the Group.

At 30 June aging analysis of trade receivables is as follows:

	2014 $000	2013 $000
Current	45,682	40,080
31-60 days over standard terms	7,175	6,555
60-90 days over standard terms	913	1,452
91+ days over standard terms	1,676	724
	55,446	48,811

The Group has $8.6 million (2013: $7.8 million) of financial assets that are overdue and not impaired.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

(c) Market risk

Foreign exchange risk

Exposure to foreign exchange risk arises when (i) a transaction is denominated in a foreign currency and any movement in foreign exchange rates will affect the value of that transaction when translated into the functional currency of the Company or a subsidiary; and (ii) the value of assets and liabilities of overseas subsidiaries are required to be translated into the Group's reporting currency.

The Group's Treasury Policy is used to assist in managing foreign exchange risk. In accordance with Treasury Policy guidelines, foreign exchange hedging is used as soon as a defined exposure to foreign exchange risk arises and exceeds certain thresholds.

As disclosed in Note 18, at 30 June 2014 the Group had Australian dollar denominated bank borrowings of AUD68,400,000 (2013: AUD59,700,000). Of these borrowings, AUD14,200,000 (2013: AUD14,200,000) were borrowed by a New Zealand subsidiary and have been translated at the prevailing foreign currency rate as at balance date. The rest of the Australian dollar denominated bank borrowings have been borrowed by an Australian subsidiary and are translated as part of the consolidation of the Group for reporting purposes. The Group has no other outstanding foreign currency denominated monetary items.

The table on the following page details the Group's sensitivity to the increase and decrease in the New Zealand dollar (NZD) against the Australian dollar (AUD) in respect of the Australian dollar denominated bank borrowings, borrowed in New Zealand. The sensitivity analysis only includes outstanding foreign currency denominated monetary items at the reporting date and adjusts their translation as at that date for the change in foreign currency rates. A positive number indicates a decrease in Liabilities (bank borrowings) and the Foreign Currency Translation Reserve (included in equity) where the NZD strengthens against the AUD.

Interest rate risk

Exposure to cash flow interest rate risk arises in borrowings of the Group that are at the prevailing market interest rate current at the time of drawdown and are re-priced at intervals not exceeding 180 days.

Interest rate risk is identified by forecasting short and long-term cash flow requirements.

The Group's Treasury Policy is used to assist in managing interest rate risk. Treasury Policy requires projected annual core debt to be effectively hedged within interest rate risk control limits against adverse fluctuations in market interest rates.

The Company only lends to and borrows from subsidiaries. No interest is charged on these intercompany loans.

The following table demonstrates the sensitivity of the Group's equity and profit after tax to a potential change in interest rates by plus or minus 100 basis points, with all other variables held constant and in relation only to that portion of the Group's borrowings that are subject to floating interest rates.

Significant assumptions used in the interest rate sensitivity analysis include:

(i) reasonably possible movements in interest rates were determined based on the Group's current mix of debt in New Zealand and Australia, the level of debt that is expected to be renewed and a review of the last two years' historical movements; and

(ii) price sensitivity of derivatives has been based on a reasonably possible movement of interest rates at balance dates by applying the change as a parallel shift in the forward curve.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

Sensitivity Analysis

		INTEREST RATE MOVEMENT				NZD/AUD MOVEMENT
		IMPACT ON PROFIT		IMPACT ON EQUITY		IMPACT ON LIABILITIES & EQUITY
	CARRYING AMOUNTS	+100 BASIS POINTS	-100 BASIS POINTS	+100 BASIS POINTS	-100 BASIS POINTS	+ OR - 10% (FROM NZD1: AUD0.80)
2014 ($000)						
Financial assets						
Cash and cash equivalents	3,880	28	(28)	28	(28)	-
Trade and other receivables	61,053	-	-	-	-	-
Financial liabilities						
Borrowings	159,098	(1,146)	1,146	(1,146)	1,146	1,614/(1,972)
Derivative financial instruments	7,108	805	(805)	3,764	(3,911)	-
2013 ($000)						
Financial assets						
Cash and cash equivalents	3,484	25	(25)	25	(25)	-
Trade and other receivables	55,350	-	-	-	-	-
Financial liabilities						
Borrowings	160,763	(1,157)	1,157	(1,157)	1,157	1,614/(1,972)
Derivative financial instruments	10,459	971	(971)	4,954	(5,179)	-

(d) Fair value estimation

The carrying value less impairment provision of trade receivables and payables is a reasonable approximation of their fair values due to the short-term nature of trade receivables and payables. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The fair values of financial instruments are estimated using discounted cash flows. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

Unless otherwise stated, all other carrying amounts are assumed to equal or approximate fair value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

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

Level 1 – Quoted prices (adjusted) in active markets for identical assets or liabilities at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 – Inputs that are observable for the asset or liability, either directly (i.e., as prices; other than quoted prices referred to in Level 1 above) or indirectly (i.e., derived from prices). The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the fair value of an instrument is included in Level 2.

Level 3 – Inputs for the asset or liability that are not based on observable market data (i.e., unobservable inputs). In these cases, the fair value of an instrument would be included in Level 3.

Specific valuation techniques used to value financial instruments include:

- In respect of interest rate swaps, the fair value is calculated as the present value of the estimated future cash flows based on observable yield curves; and
- discounted cash flow analysis for other financial instruments.

The Company has no financial instruments carried at fair value. The amounts below are for the derivative financial instruments of the Group and all resulting fair value estimates are disclosed as Level 2 measurements. There were no transfers between levels during the year.

	LEVEL 1 $000	LEVEL 2 $000	LEVEL 3 $000	TOTAL $000
2014				
Liabilities				
Derivative financial instruments – interest rate swaps	-	7,108	-	7,108
Total liabilities	-	7,108	-	7,108
2013				
Liabilities				
Derivative financial instruments – interest rate swaps	-	10,459	-	10,459
Total liabilities	-	10,459	-	10,459

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

The following table presents the changes in Level 3 instruments, which are carried at fair value through profit or loss, for the year ended 30 June 2014.

	CONTINGENT CONSIDERATION IN A BUSINESS COMBINATION	
	2014 $000	2013 $000
Opening balance	2,540	2,884
Acquisition of businesses	2,065	2,861
Losses (gain) recognised in the income statement	1,444	(1,909)
Settlement	(833)	(1,000)
Exchange rate adjustments	109	(296)
Closing balance	5,325	2,540
Total losses or (gains) for the year included in the income statement for liabilities held at the end of the reporting period, under:		
- Non-recurring items; and	1,249	(2,079)
- Net interest and finance costs	195	170
	1,444	(1,909)

26.2 Capital Risk Management

Group capital (Shareholders Funds) consists of share capital, other reserves and retained earnings. To maintain or alter the capital structure, the Group has the ability to vary the level of dividends paid to shareholders, return capital to shareholders or issue new shares, reduce or increase bank borrowings or sell assets. The Group does not have any externally imposed capital requirements.

The Group's long term debt facilities impose a number of banking covenants. These covenants are calculated monthly and are reported to the banks quarterly on a rolling 12-months basis. The most significant covenant relating to capital management is a requirement for the Group to ensure Shareholders Funds are maintained above a minimum level. There have been no breaches of banking covenants or events of review during the current or prior year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 27. FINANCIAL INSTRUMENTS BY CATEGORY

(a) Assets, as per balance sheet

	LOANS AND RECEIVABLES		DERIVATIVES USED FOR HEDGING		TOTAL	
	2014 $000	2013 $000	2014 $000	2013 $000	2014 $000	2013 $000
Group:						
Trade and other receivables (excluding prepayments)	59,582	50,832	-	-	59,582	50,832
Cash and cash equivalents	3,880	3,484	-	-	3,880	3,484
Total	63,462	54,316	-	-	63,462	54,316
Parent:						
Trade and other receivables (excluding prepayments)	166,385	164,128	-	-	166,385	164,128
Cash and cash equivalents	7	6	-	-	7	6
Total	166,392	164,134	-	-	166,392	164,134

(b) Liabilities, as per balance sheet

	DERIVATIVES USED FOR HEDGING		OTHER FINANCIAL LIABILITIES AT AMORTISED COST		TOTAL	
	2014 $000	2013 $000	2014 $000	2013 $000	2014 $000	2013 $000
Group:						
Borrowings (excluding finance lease liabilities)	-	-	159,098	160,763	159,098	160,763
Finance lease liabilities	-	-	102	235	102	235
Derivative financial instruments	7,108	10,459	-	-	7,108	10,459
Trade and other payables	-	-	51,411	44,953	56,736	47,493
Total	7,108	10,459	210,611	205,951	223,044	218,950
Parent:						
Borrowings (excluding finance lease liabilities)	-	-	132,134	132,134	132,134	132,134
Finance lease liabilities	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-
Trade and other payables	-	-	24	7	24	7
Total	-	-	132,158	132,141	132,158	132,141

NOTE 28. BUSINESS COMBINATIONS

During the year ended 30 June 2014, the Group acquired a number of small information management businesses in Australia and New Zealand for purchase consideration totalling approximately $18.3 million. These businesses have been integrated into the Group's information management division.

The contribution of these businesses to the Group results for the year ended 30 June 2014 was revenue of $5.0 million and operating profit before interest, income tax and amortisation of intangibles of $1.0 million. In addition, $0.6 million was incurred in execution costs during the year.

If these acquisitions had all occurred at the beginning of the year, the contribution to revenue and operating profit before interest, income tax and amortisation of intangibles for the year is estimated at $8.4 million and $1.9 million, respectively.

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

	$000
Purchase consideration	
Cash paid during the year	16,201
Fair value of future earn-out payments	2,065
Total purchase consideration	18,266
Fair value of assets and liabilities arising from the acquisition	
Cash and cash equivalents	246
Trade and other receivables	888
Plant and equipment	1,400
Customer relationships	7,997
Trade and other payables	(652)
Unearned income	(183)
Deferred tax liability	(2,250)
Total identifiable net assets	7,446
Goodwill	10,820
	18,266

Future earn-out payments up to a maximum discounted amount of $1.9 million, included in purchase consideration above, may be payable over the next two years, but are contingent upon certain financial performance hurdles being achieved. The potential undiscounted amount of all future earn-out payments of purchase consideration that the Group could be required to make in respect of these acquisitions is between nil and $2.1 million. The Group has forecast several scenarios, and probability-weighted each to determine a fair value for this contingent payment arrangement.

The goodwill of $10.8 million arising upon these acquisitions is attributable to such benefits as the strategic value of increasing and strengthening the respective national network coverage of the Group's information management services in both New Zealand and Australia, intellectual property obtained and economies of scale expected to be enhanced by integrating these businesses into the operations of the Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

The acquisition accounting for these acquisitions has been determined on a provisional basis. The fair value of assets and liabilities acquired, including identified intangible assets, will be finalised within 12 months from the respective acquisition dates and upon confirmation of certain determinants.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

Dataprint

On 2 July 2012, Freightways acquired the business and assets of Dataprint NZ Limited (Dataprint), a full-service, New Zealand-based mailhouse that provides its customers with both physical and digital solutions for their transactional and marketing mail. This acquired business has been integrated into the Group's express package & business mail division. The initial purchase price paid for Dataprint was $3 million, with a further $3.5 million payable over a three-year period, subject to performance targets being achieved.

The contingent consideration arrangement requires the Group to pay the former owners of Dataprint further payments based on the financial performance for the three months ended 30 November 2012 and for the years ended 30 June 2013, 2014 and 2015, up to a maximum discounted amount of $3.1 million. The first of these payments, being an amount of $1 million, was made to the vendors based on the financial performance for the three months ended 30 November 2012. A further $0.8 million was paid on 2 August 2013. The potential earn-out payable upon achievement of agreed annual earnings performance for the years ended 30 June 2014 and 30 June 2015, up to a maximum discounted amount of $1.6 million (2013: $2.2 million), is still expected to be paid and remains in the balance sheet as an accrual.

Filesaver

During December 2011, the Group acquired the business and assets of Filesaver, a specialist document storage, archiving and imaging business in Australia. This acquired business has been integrated into the Group's information management division. The maximum purchase price of $8.4 million includes an initial payment of $6 million (which was made upon acquisition) and contingent consideration of up to $2.4 million based on the financial performance for year ended 30 June 2014. Forecast earnings indicate that the earn-out payable to the vendors is not likely to exceed $1.7 million. Accordingly, an earn-out payment accrual of $1.7 million as at 30 June 2014 has been recognised (2013: $0.5 million).

NOTE 29. SIGNIFICANT EVENTS AFTER BALANCE DATE

Dividend declared

On 18 August 2014, the Directors declared a fully imputed final dividend of 11.25 cents per share (approximately $17.4 million) in respect of the year ended 30 June 2014. The dividend will be paid on 6 October 2014. The record date for determination of entitlements to the dividend is 19 September 2014.

Acquisition earn-out payment

On 1 August 2014, the Group made an acquisition earn-out payment of $0.8 million to the vendors of Dataprint based on the achievement of the financial performance hurdle for the year ended 30 June 2014 (refer Note 28).

At the date of this report, there have been no other significant events subsequent to the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 30. STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE

New standards, amendments and interpretations to existing standards have been published by the International Accounting Standards Board (IASB) and the External Reporting Board (XRB) that are mandatory for future periods and which the Group will adopt when they become mandatory. These new standards, amendments and interpretations include:

- NZ IFRS 9 Financial Instruments (mandatory for annual periods beginning on or after 1 January 2018). The major changes under the new standard are:

- All financial assets are required to be classified into two measurement categories: at fair value and at amortised cost. The determination is based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.
- For financial liabilities, the standard retains most of the NZ IAS 39 requirements. An additional presentational requirement has been added for liabilities designated at fair value through profit and loss. Where the fair value option is taken, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income.
- NZ IFRS 9 (2013) is a revised version of NZ IFRS 9. The revised standard incorporates new hedge accounting requirements including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.
- NZ IFRS 9 (2014) requires the use of the expected credit losses model when calculating impairment of financial instruments.

The Group intends to adopt NZ IFRS 9 from 1 July 2018.

- NZ IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2017).

- NZ IFRS 15 addresses recognition of revenue from contracts with customers. It replaces the current revenue recognition guidance in NZ IAS 18 Revenue and NZ IAS 11 Construction Contracts and is applicable to all entities with revenue. It sets out a 5-step model for revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group has yet to assess the full impact of NZ IFRS 15. The Group will apply this standard from 1 July 2017.

At this time it is not possible to reasonably estimate the impact on the Group of adopting these standards.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

SHAREHOLDER INFORMATION

Stock exchange listing

The Company's fully paid ordinary shares are listed on NZX (the New Zealand Stock Exchange).

Distribution of shareholders and shareholdings as at 31 July 2014

	NUMBER OF HOLDERS	NUMBER OF SHARES HELD	% OF ISSUED CAPITAL
Size of shareholding			
1 to 1,999	2,111	2,440,957	1.58
2,000 to 4,999	2,710	8,333,767	5.40
5,000 to 9,999	1,606	10,655,103	6.91
10,000 to 49,999	1,059	17,900,788	11.61
50,000 to 99,999	40	2,591,200	1.68
100,000 to 499,999	32	5,630,367	3.65
500,000 to 999,999	11	7,941,590	5.15
1,000,000 and over	10	98,740,652	64.02
Total shareholders	7,579	154,234,424	100.00
Geographic distribution			
New Zealand	7,450	152,708,534	99.01
Australia	73	1,270,811	0.82
Other	56	255,079	0.17
	7,579	154,234,424	100.00

Substantial security holders as at 31 July 2014

Based upon notices received, the following persons are deemed to be substantial security holders in accordance with Section 26 of the Securities Markets Act 1988:

	VOTING SECURITIES NUMBER	%
Fisher Funds Management Limited	12,756,250	8.27%
Harris Associates LP	11,547,501	7.50%

The total number of issued voting securities of the Company as at 31 July 2014 was 154,234,424.

SHAREHOLDER INFORMATION

Top twenty registered shareholders of listed shares as at 31 July 2014

	NUMBER OF SHARES HELD	% OF ISSUED CAPITAL
HSBC Nominees (New Zealand) Limited <HKBN45> *	17,064,449	11.07
TEA Custodians Limited <TEAC40> *	11,417,952	7.41
JPMorgan Chase Bank <CHAM24> *	8,023,457	5.20
Private Nominees Limited <PBNK90> *	7,658,559	4.97
FNZ Custodians Limited	6,755,926	4.38
BNP Paribas Nominees (NZ) Limited <COGN40> *	5,666,961	3.68
Accident Compensation Corporation <ACCI40> *	5,357,600	3.47
New Zealand Superannuation Fund Nominees Limited <SUPR40> *	4,186,705	2.72
Citibank Nominees (New Zealand) Limited <CNOM90> *	3,982,641	2.58
Custodial Services Limited <A/C 3>	3,612,038	2.34
Port Devon Limited	3,453,469	2.24
Investment Custodial Services Limited <A/C C>	2,595,000	1.68
National Nominees New Zealand Limited <NNLZ90> *	2,577,036	1.67
HSBC Nominees (New Zealand) Limited <HKBN90> *	2,225,982	1.44
ANZ Wholesale Australasian Share Fund <PNAS90>	2,216,172	1.44
Forsyth Barr Custodians Limited <1-33>	1,775,374	1.15
Lucerne Road Investments Limited	1,652,896	1.07
Custodial Services Limited <A/C 2>	1,312,822	0.85
Westpac NZ Shares 2002 Wholesale Trust <A/C>	1,271,512	0.82
Custodial Services Limited <A/C 1>	1,253,748	0.81
	94,060,299	60.99

* held through NZ Central Securities Depository Limited

CORPORATE GOVERNANCE STATEMENT

This statement is an overview of the Group's main corporate governance policies, practices and processes adopted or followed by the Board of Directors. The Group's corporate governance processes do not materially differ from the principles set out in the NZX Corporate Governance Best Practice Code.

THE ROLE OF THE BOARD OF DIRECTORS

The Board of Directors of Freightways Limited (the Board) is committed to the highest standards of corporate governance and ethical behaviour, both in form and substance, amongst its Directors and the people of the Company and its subsidiaries (Freightways).

BOARD RESPONSIBILITIES

The Board's corporate governance responsibilities include overseeing the management of Freightways to ensure proper direction and control of Freightways' activities.

In particular, the Board will establish corporate objectives and monitor management's implementation of strategies to achieve those objectives. It will approve budgets and monitor performance against budget. The Board will ensure adequate risk management strategies are in place and monitor the integrity of management information and the timeliness of reporting to shareholders and other stakeholder groups.

The Board will follow the corporate governance rules established by the New Zealand Stock Exchange and Directors will act in accordance with their fiduciary duties in the best interests of the Company.

A formal charter has been adopted by the Board that elaborates on Directors' responsibilities. The Board will internally evaluate its performance annually. Any recommendations flowing from this review will be implemented promptly. The Board will review its Corporate Governance practice against current best practice and continue to develop company policies and procedures, as deemed necessary.

BOARD COMPOSITION

In accordance with the Company's constitution the Board will comprise not less than three directors. The Board will be comprised of a mix of persons with complementary skills appropriate to the Company's objectives and strategies. The Board must include not less than two persons (or if there are eight or more directors, three persons or one third rounded down to the nearest whole number of directors) who are deemed to be independent.

Freightways' Board currently comprises six Directors: The non-executive Chairman, the Managing Director and four non-executive directors. Key executives attend board meetings by invitation. Freightways' Board includes five independent directors.

DIVERSITY

The Company does not have a formal diversity policy. The Company is however committed to encouraging diversity throughout all levels of its operations and by ensuring all employees have an equal opportunity to realise their career ambitions within Freightways. As required to be reported by the NZX Listing Rules, the Company advises that from a gender diversity perspective, as at 30 June 2014, the Board was comprised of 5 male directors and 1 female non-executive Chairman (2013: 5 male directors and 1 female non-executive Chairman), and all 5 officers of the Company, who are not directors, were male (2013: all 6 officers of the Company, who are not directors, were male).

CORPORATE GOVERNANCE STATEMENT

BOARD MEETINGS

The following table outlines the number of board meetings attended by Directors during the course of the 2014 financial year:

DIRECTOR	MEETINGS HELD	MEETINGS ATTENDED
Sue Sheldon	11	11
Dean Bracewell	11	11
Sir William Birch	11	11
Roger Corcoran	11	10
Kim Ellis	11	11
Mark Verbiest	11	10

BOARD COMMITTEES

Standing committees have been established to assist in the execution of the Board's responsibilities. These committees utilise their access to management and external advisors at a suitably detailed level, as deemed necessary and report back to the full Board. Each of these committees has a charter outlining its composition, responsibilities and objectives. The committees are as follows:

Audit & Risk Committee: The Audit & Risk Committee is responsible for overseeing risk management, accounting and audit activities and reviewing the adequacy and effectiveness of internal controls, meeting with and reviewing the performance of external auditors, reviewing the Annual and Half Year Reports and making recommendations on financial and accounting policies.

The members are Mark Verbiest (Chairman), Sir William Birch, Kim Ellis and Sue Sheldon. All members are independent non-executive Directors. Meetings were held and attended, as follows:

DIRECTOR	MEETINGS HELD	MEETINGS ATTENDED
Mark Verbiest	4	4
Sir William Birch	4	4
Kim Ellis	4	4
Sue Sheldon	4	4

CORPORATE GOVERNANCE STATEMENT

Remuneration Committee: The Remuneration Committee is responsible for overseeing the Freightways human resource practices, reviewing the remuneration and benefits of the Managing Director and senior management, reviewing and recommending the remuneration of Board members, and making recommendations to the Board in respect of succession planning.

The members of the Remuneration Committee are Sir William Birch (Chairman), Roger Corcoran and Sue Sheldon. Meetings were held and attended, as follows:

DIRECTOR	MEETINGS HELD	MEETINGS ATTENDED
Sir William Birch	2	2
Roger Corcoran	2	2
Sue Sheldon	2	2

Nominations Committee: The Nominations Committee is responsible for ensuring the Board is composed of Directors who contribute to the successful management of the Company, ensuring formal review of the performance of the Board, individual Directors and the Board's committees, ensuring effective induction programmes are in place for the Directors and confirming the status of Directors' independence for external reporting purposes.

The members of the Nominations Committee are Sue Sheldon (Chairman), Sir William Birch, Roger Corcoran, Kim Ellis, Mark Verbiest and Dean Bracewell. Meetings were held and attended, as follows:

DIRECTOR	MEETINGS HELD	MEETINGS ATTENDED
Sue Sheldon	2	2
Dean Bracewell	2	2
Sir William Birch	2	2
Roger Corcoran	2	2
Kim Ellis	2	2
Mark Verbiest	2	2

CORPORATE GOVERNANCE STATEMENT

CODE OF ETHICS

Freightways expects its Directors and employees to maintain high ethical standards that are consistent with Freightways' core values, business objectives and legal and policy obligations. A formal Code of Ethics has been adopted by the Board. Freightways' people are expected to continue to lead according to this Code. The Code deals specifically with conflicts of interest, proper use of information, proper use of assets and property, conduct and compliance with applicable laws, regulations, rules and policies.

DELEGATION OF AUTHORITY

The Board delegates its authority where appropriate to the Managing Director for the day-to-day affairs of Freightways. Formal policies and procedures exist that detail the parameters that the Managing Director and in turn his direct reports are able to operate within.

SHARE TRADING BY DIRECTORS AND MANAGEMENT

The Board has adopted a policy that ensures compliance with New Zealand's insider trading laws. This policy requires prior consent by the Chief Financial Officer in relation to any trading by executive management, and in the case of Directors of the Company and its subsidiaries, prior consent by the Chairman of the Board.

TREASURY POLICY

Exposure to foreign exchange and interest rate risks is managed in accordance with the Group's Treasury Policy that sets limits of management authority. Derivative financial instruments are used by the Group to manage its business risks; they are not used for speculative purposes.


CASTLE
PARCELS

DIRECTORY

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

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

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

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

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

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

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

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

NOW Couriers Limited
161 Station Road
Penrose
AUCKLAND
Telephone: 09 526 9170
www.nowcouriers.co.nz

Shred-X Pty Limited
PO Box 1184
Oxenford
Queensland 4215
AUSTRALIA
Telephone: +61 1 300 667 555
www.shred-x.com.au

The Information Management Group Pty Limited
PO Box 984
Chatswood
New South Wales 2057
AUSTRALIA
Telephone: +61 2 9882 3420
www.databank.com.au
www.filesaver.com.au