

Freightways INVESTMENT STATEMENT AND PROSPECTUS

Joint Lead Managers



IMPORTANT INFORMATION

Investment decisions are very important. They often have long-term consequences. Read all documents carefully. Ask questions. Seek advice before committing yourself.

The information in this section is required under the Securities Act 1978.

CHOOSING AN INVESTMENT

When deciding whether to invest, consider carefully the answers to the following questions that can be found on the pages noted below:

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In addition to the information in this document, important information can be found in the current registered prospectus for the investment. You are entitled to a copy of that prospectus on request.*

CHOOSING AN INVESTMENT ADVISER

You have the right to request from any investment adviser a written disclosure statement stating his or her experience and qualifications to give advice. That document will tell you:

- Whether the adviser gives advice only about particular types of investments;
- Whether the advice is limited to the investments offered by one or more particular financial organisations; and
- Whether the adviser will receive a commission or other benefit from advising you.

You are strongly encouraged to request that statement. An investment adviser commits an offence if he or she does not provide you with a written disclosure statement within five working days of your request. You must make the request at the time the advice is given or within one month of receiving the advice.

In addition:

- If an investment adviser has any conviction for dishonesty or has been adjudged bankrupt, he or she must tell you this in writing; and
- If an investment adviser receives any money or assets on your behalf, he or she must tell you in writing the methods employed for this purpose.

Tell the adviser what the purpose of your investment is. This is important because different investments are suitable for different purposes.

*This is the wording required by Schedule 3D to the Securities Regulations 1983 which contemplates a separate investment statement and prospectus. For this Offer the two documents have been combined and accordingly the prospectus available on request is identical to this document.

IMPORTANT NOTICE

This Offer Document is a combined investment statement and prospectus prepared for the purposes of the Securities Act 1978 and the Securities Regulations 1983 as at and dated 28 August 2003. The purpose of the 'Answers to Important Questions' section of this Offer Document is to provide certain key information that is likely to assist a prudent but non-expert person to decide whether or not to acquire Shares under this Offer.

However, investors should note that other important information about the Shares and the Offer is available in the remainder of this Offer Document.

If you are in any doubt as to how to deal with this Offer Document, please consult a NZX Firm or your other financial or legal adviser immediately.

No person in this Offer Document, nor any other person, guarantees the Shares to be issued pursuant to this Offer.

Neither Freightways, the Seller, nor any of their respective directors, officers, employees, consultants or advisers take responsibility for the taxation liability of a Shareholder or investor in relation to this Offer. Shareholders and investors should seek their own taxation advice.

A copy of this Offer Document, duly signed by the directors (or their authorised agent(s)) of Freightways and of the Seller (as issuers) for the purposes of the Securities Act 1978 and, having endorsed or attached copies of the documents required by the Act and the Regulations to be so endorsed or attached including the Auditors' Report set out on pages 88 to 90, has been delivered to the Registrar of Companies for registration under the Act.




This Offer Document constitutes a public offering of these Shares only in New Zealand. It is not to be sent or given to any person outside New Zealand in circumstances in which the Offer of the Shares or distribution or use of this Offer Document would be unlawful. This Offer Document may not be sent into or distributed in the United States.

IMPORTANT DATES

Prospectus registered	Thursday, 28 August 2003
Offer opens	Monday, 1 September 2003
Closing Date for Exchange Offer and Public Offer applications	Friday, 12 September 2003
Pricing and Exchange Offer and Public Offer allocations announced	Monday, 15 September 2003
Allocation confirmations sent to successful Public Offer and Exchange Offer applicants	Friday, 19 September 2003
Refunds sent to unsuccessful and/or scaled Public Offer applicants	Friday, 19 September 2003
Closing Date for applications under firm allocations	Friday, 26 September 2003
Shares list on NZSX	Monday, 29 September 2003
Holding statements sent to shareholders no later than	Tuesday, 30 September 2003

These dates may be subject to change

Freightways

		 <p>New Zealand Couriers www.nzcouriers.co.nz</p>	 <p>Post Haste Couriers www.posthaste.co.nz</p>	 <p>Castle Parcels www.castleparcels.co.nz</p>	 <p>SUB60 www.sub60.com</p>
 <p>Security Express www.securityexpress.co.nz</p>	 <p>DX Mail www.dxmail.co.nz</p>	 <p>Parceline Express www.parceline.co.nz</p>	 <p>Air Freight NZ www.airfreightnz.co.nz</p>	 <p>Fieldair Engineering www.fieldair.co.nz</p>	 <p>Online Security Services www.onlinesec.co.nz</p>
 <p>Data Security Services www.datasecurity.co.nz</p>	 <p>Document Destruction Service www.destruction.co.nz</p>	 <p>Freightways Information Service www.freightways.co.nz</p>	 <p>Online Records Management www.onlinerecords.co.nz</p>		



We trace our origins to 1964. Today we deliver around 200,000 items throughout New Zealand every working day.

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Freightways is a leading provider of express package services throughout New Zealand, with complementary information management and business mail operations.

A STRONG, SUCCESSFUL BUSINESS...

A pioneer of the express package industry in New Zealand, successfully operating in this market for nearly 40 years.

...POSITIONED TO DELIVER CONTINUING EARNINGS GROWTH...

Average Operating Earnings (as defined in the Glossary) growth of 16.6% per annum between FY1999 and FY2003 and forecast FY2004 Operating Earnings growth of 12.8% on a pro forma basis.

...OFFERING AN ATTRACTIVE DIVIDEND YIELD

Forecast FY2004 gross dividend yield of 9.0% - 10.8%, based on the Indicative Price Range.

OFFER SUMMARY

Company	Freightways Limited
Seller	ABN AMRO Capital (Belgium) N.V.
Shares being sold by the Seller	77.5 million
New Shares being issued ¹	11.3 million to 9.2 million
Total Shares Offered for Sale ¹	88.8 million to 86.7 million
Total fully paid Shares on issue upon completion of the Offer ¹	122.4 million to 120.3 million
Indicative Price Range Per Share	\$1.55 to \$1.90
Market Capitalisation ¹	\$189.8 million to \$228.7 million

Notes

¹ Calculated using the Indicative Price Range of \$1.55 to \$1.90. The Seller and the Company reserve the right to set the Final Price outside the Indicative Price Range.

FREIGHTWAYS FY2004 FORECAST IMPLIED MULTIPLES AND YIELD¹

	OFFER PRICE PER SHARE	
	\$1.55	\$1.90
Fully Paid Shares on Issue (million) ²	122.4	120.3
Market Capitalisation (\$ million) ³	\$189.8	\$228.7
Enterprise Value (\$ million) ⁴	\$329.8	\$368.7
FY2004 forecast EBITA (\$ million)		\$36.1
FY2004 forecast NPAT (\$ million)		\$12.7
FY2004 forecast NPAT (pre goodwill amortisation) (\$ million)		\$17.6
FY2004 forecast Cash Dividend (\$ million) ⁵		\$14.0
Offer Multiples and Yield⁶		
Enterprise Value/EBITA	9.1x	10.2x
Price/Earnings ⁷	15.1x	18.2x
Price/Earnings (pre goodwill amortisation) ⁸	11.0x	13.2x
Gross Dividend Yield ⁹	10.8%	9.0%
Diluted Offer Multiples and Yield¹⁰		
Enterprise Value/EBITA	9.1x	10.2x
Price/Earnings ⁷	15.6x	18.8x
Price/Earnings (pre goodwill amortisation) ⁸	11.3x	13.6x
Gross Dividend Yield ⁹	10.5%	8.7%

Note: EBITA means earnings before interest, taxes and amortisation costs.

NPAT means net profit after taxes.

¹ Figures in this table are derived from the forecasts prepared by Freightways and set out on pages 54 to 59. The forecast multiples and yield should be read in conjunction with the forecast assumptions set out on pages 57 to 59 and the risk factors set out on pages 98 to 102.

² Fully paid Shares on issue at the conclusion of the Offer.

³ Calculated as fully paid Shares on issue at the conclusion of the Offer multiplied by Final Price per Share.

⁴ Calculated as market capitalisation plus net debt of \$140 million upon completion of the Offer and redemption of the Preference Shares.

⁵ In respect of the year ending 30 June 2004, a forecast interim dividend of \$6.75 million is expected to be paid in March 2004 and a projected final dividend of \$7.25 million (as set out on page 61) is expected to be paid in September 2004. No dividend will be paid on Shares in respect of the year ended 30 June 2003.

⁶ Shares on issue in Offer Multiples and Yield calculated assuming one-third of the outstanding 5,632,176 unpaid Shares issued under the Employee Share Ownership Plan are paid up in full during the financial year ending 30 June 2004.

⁷ Calculated as offer price per Share divided by earnings per share. Earnings per share calculated as forecast net profit after tax divided by Shares on issue.

⁸ Calculated as offer price per Share divided by earnings per share (pre goodwill amortisation). Earnings per share (pre goodwill amortisation) calculated as forecast net profit after tax and before amortisation divided by Shares on issue.

⁹ Calculated as cash dividend per Share divided by Final Price per Share. Cash dividend per share calculated as forecast net dividend divided by Shares on issue. The dividends in respect of the year ending 30 June 2004 are forecast to be fully imputed.

¹⁰ Shares on issue in Diluted Offer Multiples and Yield calculated assuming all of the outstanding 5,632,176 unpaid Shares issued under the Employee Share Ownership Plan are paid up in full during the financial year ending 30 June 2004.

FREIGHTWAYS — A COMPANY THAT DELIVERS

LETTER FROM THE CHAIRMAN

Dear Investor

On behalf of the Board of Freightways Limited I am delighted to invite you to participate in this Offer of Shares in the Company. This opportunity has arisen because Freightways' major shareholder, ABN AMRO Capital (Belgium) N.V., is selling 77.5 million Shares, approximately 70% percent of the fully paid Shares in the Company, by way of an initial public offering.

As part of this Offer, the Company is also proposing to raise \$17.5 million of primary capital to assist with funding the redemption of the Preference Shares previously issued by Freightways Express Limited. This primary capital raising will proceed first by way of an Exchange Offer to Preference Shareholders in recognition of the loyalty and support they have shown towards the Freightways Group.

Existing ordinary shareholders, including management, will retain approximately 27% of the fully paid Shares in the Company for at least 12 months after completion of the Offer.

Freightways' origins date back to 1964 with the establishment of a local Auckland delivery company that later became New Zealand Couriers, a pioneer of the New Zealand express package industry. Today, Freightways is a major provider of express package services with complementary operations in information management and business mail. Freightways has established a reputation for timely, reliable and innovative services through its leading brands such as New Zealand Couriers, Post Haste Couriers, Castle Parcels, SUB60, Document Destruction Service and DX Mail.

Freightways has consistently been a strong performer recording revenue and operating earnings growth in each of the last five years. Freightways is well positioned to deliver continuing earnings growth from the increasing demand for its services. Furthermore, an investment in Freightways offers an attractive forecast gross dividend yield for the financial year ending 30 June 2004 of between 9.0% and 10.8% based on the Indicative Price Range.

We look forward to welcoming you as a Freightways shareholder.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Wayne', with a long, sweeping horizontal stroke extending to the left.

Wayne Boyd
Chairman
Freightways Limited

LETTER FROM THE SELLER

Dear Investor

On behalf of ABN AMRO Capital (Belgium) N.V. ('AACB'), it gives me great pleasure to invite you to participate in the initial public offering of Freightways Limited. Freightways has established a proud reputation as a leading service provider to the New Zealand business community over many years, and has a strong track record of growth that reflects the quality of the Company's businesses, brands and management team.

Our partnership with the Freightways management team commenced in September 2002, when AACB acquired Freightways' then parent, AUSDOC Group Limited. Since that time, the management team has delivered consistent operational performance and we, with the assistance of both management and industry advisers and consultants, carefully reviewed Freightways' businesses and then restructured its finances. With the conclusion of these endeavours, and as part of wider portfolio considerations, we have chosen to partially realise the value of our investment in Freightways.

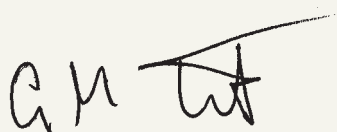
Immediately prior to this Offer, Freightways' Foundation Shareholders (which include AACB) owned 90.9% of the Company's fully paid Shares, with the management of Freightways, advisers and consultants to AACB together owning the remaining 9.1%. At the completion of this Offer, the Foundation Shareholders will own just under 20% of the Company's fully paid Shares, while the management, advisers and consultants identified above will own just over 8% of the Company's fully paid Shares.

The Foundation Shareholders will retain their significant shareholdings for at least 12 months following completion of the Offer.

Through its ongoing Board involvement, AACB will continue to play a role in the strategic direction of Freightways, in conjunction with the other directors who bring to Freightways a collection of talents and experiences relevant to the Company's future development.

We commend this Offer to you for your consideration and look forward to welcoming you as a fellow shareholder in Freightways.

Yours sincerely



Michael Taranto
Authorised Representative
ABN AMRO Capital (Belgium) N.V.

INVESTMENT FEATURES

A STRONG, SUCCESSFUL BUSINESS...

- Freightways' flagship brand, New Zealand Couriers, has successfully operated in the express package industry for nearly 40 years, having been a **pioneer of the industry in New Zealand**.
- Freightways has established a reputation for **timely, reliable and innovative services** through its **leading brands** such as New Zealand Couriers, Post Haste Couriers and SUB60.
- Freightways is one of two major participants in New Zealand's express package industry, with an estimated 39% market share. It operates in a **stable and consolidated industry environment**.
- Freightways has a **diverse and loyal customer base** that extends across most industries throughout New Zealand. No single customer exceeds 2% of Freightways' total revenue, and the Company's top 10 customers account for less than 9% of total revenue.
- Freightways' time-sensitive services increase efficiencies and add value by being **embedded in the supply chains** of many of its customers.
- The scale of Freightways' **established network and infrastructure drives efficiencies** and is not easily replicated.
- Freightways' independent contractor model is based on per job payments and contributes to achieving **superior operational performance, with a variable cost base**.
- Freightways has an **experienced and committed team**, with a strong culture of operational excellence and profit achievement demonstrated through consistent performance.

...POSITIONED TO DELIVER CONTINUING EARNINGS GROWTH...

- Between FY1999 and FY2003, Freightways has **consistently increased its revenues by at least 5% per annum** from a combination of **higher volumes** from existing customers, **gaining new customers** and **margin improvement**.
- As a result of its established, national network, Freightways' core business is able to increase volumes and add customers at **relatively low incremental cost**.
- This is an important driver of Freightways' earnings growth and has enabled Freightways to **convert its revenue growth into Operating Earnings** (as defined in the Glossary) **growth averaging 16.6% per annum** between FY1999 and FY2003 on a pro forma basis.
- Freightways forecasts **revenue growth of 6.0%** in the financial year to 30 June 2004 to result in forecast **Operating Earnings growth of 12.8%** and growth in net profit after tax and before goodwill amortisation ('NPATA') of **21.8% on a pro forma basis**, largely due to financial leverage.
- **Information management and business mail**, while constituting only a small part of Freightways' revenues and Operating Earnings, **represent growth opportunities** that are expected to drive additional volumes to Freightways' express package brands.
- Freightways will continue to **explore incremental commercial growth opportunities** in areas that complement its existing core business operations.

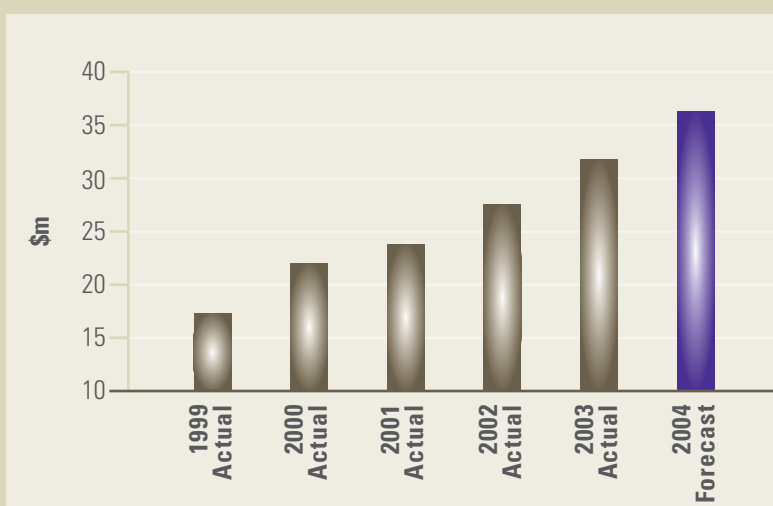
INVESTMENT FEATURES

... OFFERING AN ATTRACTIVE DIVIDEND YIELD

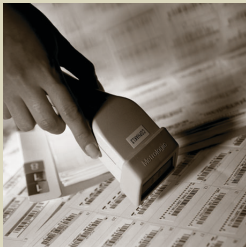
- Freightways is able to offer investors a **forecast gross dividend yield of 9.8%*** for FY2004 due to its high conversion of earnings into cash flow.
- Freightways has relatively **low capital expenditure** requirements due to the available capacity in its existing network and the low capital requirements that are a feature of its business model.
- Freightways' express package business model has **limited net working capital requirements** enabling the business to grow with only minimal additional funding.
- Freightways' dividend policy is to **pay out 75% of NPATA** (see 'What returns will I get?' on pages 97 and 98 for a more detailed discussion of the dividend policy and the returns associated with this investment). Cash retained will further strengthen the Company's financial position.
- While past performance would indicate that Freightways is well positioned to continue revenue and earnings growth there is no guarantee that this will occur. The detailed prospective financial information, including the underlying assumptions, is set out on pages 54 to 61. See 'What are my Risks?' on pages 98 to 102 for a more detailed discussion of the risks associated with this investment.

* Calculated using the mid-point of the Indicative Price Range of \$1.55 to \$1.90. The Seller and the Company reserve the right to set the Final Price outside the Indicative Price Range.

FREIGHTWAYS EBITA*



* Based on pro forma historical summary on page 20. EBITA means earnings before interest, taxes and amortisation costs.



DETAILS OF THE OFFER

This Offer Document is a combined investment statement and prospectus in respect of an Offer by the Seller and Freightways of ordinary shares ('Shares') in Freightways.

THE OFFER

The Seller acquired Freightways Express Limited ('FEL') as part of its successful 100% takeover bid for the ASX-listed company, AUSDOC, which was completed in September 2002. Following the takeover and a subsequent detailed review of the businesses of AUSDOC, the capital structure of AUSDOC was reorganised in December 2002.

Freightways was then incorporated as a wholly-owned subsidiary of the Seller and it acquired 100% of FEL. The Foundation Shareholders agreed at the same time that the Seller would sell a total of 9.1% of the fully paid Shares to the Affiliate Shareholders (which includes the management team of Freightways and the advisers and consultants to the Foundation Shareholders) and would also reorganise part of its own holding and transfer 7.0% of the fully paid Shares to ABNED Nominees Pty Limited ('ABNED').

The sale of Shares from the Foundation Shareholders to the Affiliate Shareholders and the transfer of Shares from the Seller to another of the Foundation Shareholders, ABNED, were then completed in the period after December 2002.

The Foundation Shareholders now hold 90.9% of the fully paid Shares of Freightways and the Affiliate Shareholders now hold 9.1% of the fully paid Shares of Freightways. Further details of the Foundation Shareholders and the Affiliate Shareholders' shareholdings are set out in the table contained in paragraph 7.1 of the Statutory Information on page 109 of this Offer Document.

The Offer comprises the sale of Shares in Freightways on the following basis:

- A secondary sale by the Seller of 77.5 million existing Shares at the Final Price (being Shares valued at \$120.1 million to \$147.3 million based on the Indicative Price Range) to members of the public in New Zealand and institutional investors in New Zealand and Australia; and
- A primary offer by Freightways of \$17.5 million of new Shares at the Final Price (being 11.3 million to 9.2 million Shares based on the Indicative Price Range) to New Zealand resident Preference Shareholders under the Exchange Offer and, if the Exchange Offer is not fully subscribed, to members of the public in New Zealand and institutional investors in New Zealand and Australia. The purpose of the primary offer is to assist with funding the redemption of the Preference Shares.

The opening date of the Offer will be Monday, 1 September 2003. The Exchange Offer and the Public Offer close at 5.00pm on Friday, 12 September 2003. The closing date of the Offer for applications pursuant to firm allocations is 5.00pm on Friday, 26 September 2003. The Seller and the Company may amend these dates at their discretion, subject to prior approval of NZX.

DETAILS OF THE OFFER

PRICING

An Indicative Price Range of \$1.55 to \$1.90 has been set by the Seller and the Company.

The Seller and the Company will set the Final Price on or before 10.00am Monday, 15 September 2003 following a book building process described in 'Pricing of Shares'. The Seller and the Company reserve the right to set the Final Price outside the Indicative Price Range. All Shares allocated under the Offer will be sold or issued at the Final Price. All applications for Shares under the Offer should be made on a dollar value basis.

SHAREHOLDINGS FOLLOWING THE OFFER

The number of new Shares to be issued by Freightways will depend directly upon the Final Price. The respective ownership of the Foundation Shareholders, the Affiliate Shareholders (which includes the management team of Freightways and the advisers and consultants to the Seller) and the participants in the Offer (comprising the issue of new Shares and the sale of existing Shares) is presented in the table below.

	PRE-OFFER	POST-OFFER (\$1.55 PER SHARE)	POST-OFFER (\$1.90 PER SHARE)
Fully paid Shares held by the Affiliate Shareholders ¹	10.1m (9.1%)	10.1m (8.3%)	10.1m (8.4%)
Fully paid Shares held by the Foundation Shareholders	101.0m (90.9%)	23.5m (19.2%)	23.5m (19.5%)
Fully paid Shares sold under the Offer by the Seller	N/A	77.5m (63.3%)	77.5m (64.4%)
Fully paid Shares issued by Freightways under the Offer	N/A	11.3m (9.2%)	9.2m (7.7%)
Total fully paid Shares on issue	111.1m (100%)	122.4m (100%)	120.3m (100%)

¹ This includes 2.7% of the fully paid Shares held by management (pre-Offer), but does not include any unpaid Shares issued under either the Employee Share Ownership Plan or the Directors Share Ownership Plan. The total number of unpaid Shares issued under these plans is 6,327,837. Details of the plans are set out on pages 44 to 48.

Following the successful completion of the Offer, the Foundation Shareholders will own 23,487,620 fully paid Shares in the Company, representing a 19.2% to 19.5% stake (based on the Indicative Price Range). Investors in the Offer will own 72.5% to 72.1% of the fully paid Shares in the Company and the Affiliate Shareholders will own 8.3% to 8.4% (based on the Indicative Price Range). Details of the transfer restrictions which apply to the Shares which the Affiliate Shareholders, the Foundation Shareholders and Freightways Directors and employees will hold following completion of the Offer, are outlined in 'Transfer Restrictions' on pages 91 and 92.

EXCHANGE OFFER TO FREIGHTWAYS' PREFERENCE SHAREHOLDERS

In 1997 and 2001, FEL issued a total of 60 million Preference Shares primarily to New Zealand investors at an issue price of \$1.00 each. On 24 July 2003 FEL forwarded notice to all Preference Shareholders that it would be redeeming all Preference Shares in accordance with their terms on Friday, 31 October 2003.

DETAILS OF THE OFFER

Preference Shareholders as at Friday, 31 October 2003 will be paid \$1.00 in cash per Preference Share in respect of their redemption, together with a semi-annual dividend of approximately \$0.034 in cash and \$0.017 in imputation credits per Preference Share. Preference Shareholders who participate in the Exchange Offer (as described below) will not receive these amounts in respect of any Preference Shares which they exchange for Shares in Freightways.

As part of this Offer, registered Preference Shareholders as at 5.00pm Friday, 12 September 2003 with New Zealand addresses are entitled to participate in the Exchange Offer by exchanging in aggregate up to \$17.5 million worth of their Preference Shares for Shares under the Exchange Offer. Shares allocated to successful applicants under the Exchange Offer will be allocated at the Final Price with the consideration for the Shares being satisfied by Freightways acquiring their Preference Shares at a price of \$1.02811 per Preference Share. This Price represents the principal value of each Preference Share plus cash dividends accrued from 30 April 2003 to 29 September 2003, the expected date of listing of Shares. No cash is payable by Freightways or by the Preference Shareholders under the Exchange Offer.

Preference Shareholders participating in the Exchange Offer will be entitled to a minimum allocation of Shares equivalent to 30% of their Preference Shareholding. If any such entitlement is less than \$1,000, that applicant must also apply for additional Shares on a cash basis to bring their total application amount to at least \$1,000.

Preference Shareholders may seek to exchange Preference Shares in addition to their minimum entitlement under the Exchange Offer, which will be accepted to the extent that aggregate applications in respect of minimum entitlements under the Exchange Offer are less than \$17.5 million. Applications for additional Shares under the Exchange Offer will be, if required, scaled on a pro rata basis.

Preference Shareholders are also able to apply for Shares under the Public Offer, and in the event of scaling of applications under the Public Offer, Preference Shareholders who have also applied to participate in the Exchange Offer will receive an allocation preference over general Public Offer applicants. Preference Shareholders should use their Exchange Offer application form to apply for additional Shares in order to receive this preference for additional cash applications in the Public Offer. These applicants should note that they may choose whether or not all, or a portion, of their cash application will be reduced and refunded to the extent they apply for and receive Shares in addition to their minimum entitlement under the Exchange Offer.

In order to facilitate the Exchange Offer, FEL has requested that NZX suspend trading in the Preferences Shares from Wednesday, 10 September 2003 to Friday, 12 September 2003, and NZX has agreed to this request.

In applying for Shares under the Exchange Offer, a Preference Shareholder agrees that if their application is accepted by Freightways, Freightways will be permitted to take steps to prevent the subsequent transfer of their Preference Shares. Upon allotment of Shares under the Exchange Offer, the applicable Preference Shares will be transferred to Freightways.

The dollar value of Preference Shares exchanged for Shares under the Exchange Offer will, where necessary, be rounded up to the nearest cent and allocations under the Exchange Offer will be rounded down to the nearest Share. No refunds will be given by the Company or the Seller for any difference arising solely due to any rounding.

From completion of the Offer until Friday, 31 October 2003, FEL will not enforce any minimum or multiple holding restriction upon Preference Shareholders who successfully participate in the Exchange Offer.

DETAILS OF THE OFFER

PUBLIC OFFER

A Public Offer is incorporated in the Offer and is open to Preference Shareholders, Eligible Freightways Employees, Contractors and Directors and members of the public in New Zealand. The closing date for the Public Offer is 5.00pm on Friday, 12 September 2003 unless extended by the Seller and the Company. Public Offer applicants should submit their application as soon as possible in accordance with the instructions on page 120.

If the dollar value of Shares applied for by Public Offer applicants is less than or equal to \$20 million, applications pursuant to the Public Offer will be satisfied in full.

If total applications under the Public Offer are greater than \$20 million, then the size of the Public Offer may be increased (depending on overall demand for the Offer) and/or the Public Offer may be scaled to a level of not less than \$20 million. However, if scaling occurs, Preference Shareholders who have applied for Shares in addition to participating in the Exchange Offer and Eligible Freightways Employees, Contractors and Directors will receive an allocation preference over members of the public.

Scaling, if any, will be determined by the Company and the Seller in consultation with the Joint Lead Managers and may not necessarily be on a pro rata basis. Scaling may also be based on the size of the application and the date on which the application was received.

FIRM ALLOCATIONS TO NZX FIRMS

An aggregate amount of up to \$35 million of Shares (being approximately 25% to 21% of the Offer based on the Indicative Price Range) has been offered for firm allocations to clients of the Organising Brokers, the Co-Managers and other NZX Firms, and may be accepted by these parties no later than Thursday, 4 September 2003. Further firm allocations may be obtained by NZX Firms under the book building process described under the heading 'Pricing of Shares' below. In the event the Offer is oversubscribed, applications pursuant to firm allocations will not be subject to scaling.

PRICING OF SHARES

The Indicative Price Range for the Shares is \$1.55 to \$1.90. Between Wednesday, 10 September 2003 and Friday, 12 September 2003 the Joint Lead Managers will undertake a book building process inviting institutional and other professional investors in New Zealand and Australia, and NZX Firms to submit bids indicating the number of Shares they wish to purchase at a range of prices. This book building process, in conjunction with demand from other investor classes at this point, will be used to assist the Seller and the Company to determine the Final Price.

The Final Price will be the same for all investors. It will be set prior to 10.00am, Monday, 15 September 2003 taking into account various factors, including the following:

- The overall demand profile for Shares at various prices;
- Pricing indications from institutional and other investors and NZX Firms under the book building process;
- The level of demand for Shares from applicants under the Exchange Offer and the Public Offer;
- The desire of the Seller and the Company to have an orderly and successful aftermarket for the Shares; and
- Any other factors the Seller and the Company consider relevant.

The Seller and the Company reserve the right to set the Final Price outside the Indicative Price Range.

DETAILS OF THE OFFER

The Final Price will be released to the market through NZX and will be subsequently announced by a press release to the media and posted on the Company's website (www.freightways.co.nz) in the 'Investor Relations' section on Monday, 15 September 2003.

The number of Shares offered pursuant to the Offer will not be determined until the Final Price is set. All applications for Shares under the Offer should be made on a dollar value basis. The number of Shares allocated to an investor will be rounded down to the nearest whole Share, and no refund will be given by the Seller or the Company for any difference resulting solely from rounding.

ALLOCATIONS

Allocations of Shares under the Exchange Offer will be made firstly on the basis of minimum entitlements of Preference Shareholders, which will be allocated in full. Allocations will then be made to Preference Shareholders who have applied to exchange additional Preference Shares, and if scaling of these over-acceptances is required it will be done on a pro rata basis.

Allocations of Shares to investors participating in the Public Offer will be determined after the closing date for the Public Offer using the criteria and guidelines previously stated.

Allocations of Shares to institutional and other professional investors and NZX Firms participating in the book building process will be determined by the Joint Lead Managers in conjunction with the Seller and the Company.

Among other factors, the following criteria will be used in determining allocations to participants in the book building process:

- Price leadership, incorporating the levels of Shares bid for over the Indicative Price Range, and the degree of price sensitivity of that demand;
- Participation in marketing activities organised by the Joint Lead Managers;
- Consistency of a bidder's feedback in relation to the Offer, and consistency of a bidder's bidding behaviour;
- Timeliness of bids, in particular the submission of bids early in the book building process; and
- In the case of institutional and other professional investors, that investor's bid size in relation to its holdings of other companies listed on the NZSX.

Allocations to investors and NZX Firms participating in the book building process will be advised as soon as practicable on Monday, 15 September 2003.

Allocations are not to be made to employees of NZX Firms except through the Exchange Offer or the Public Offer.

No oversubscriptions will be accepted in the Offer.

The following numbers and percentages of classes of securities in the Company will be retained by the current holders and are not available for application under the Offer:

DETAILS OF THE OFFER

- 23,487,620 Shares held by the Foundation Shareholders representing approximately 21.1% of the fully paid Shares at the date of this Offer Document;
- 10,148,754 Shares held by the Affiliate Shareholders representing 9.1% of the fully paid Shares at the date of this Offer Document;
- 5,632,176 unpaid Shares held by Participating Employees and representing 100% of the unpaid Shares at the date of this Offer Document issued under the Employee Share Ownership Plan; and
- 695,661 unpaid Shares held by Participating Directors and representing 100% of the unpaid Shares at the date of this Offer Document issued under the Directors Share Ownership Plan.

Further, up to \$17.5 million of new Shares are reserved for allocation to participants in the Exchange Offer.

HOW TO APPLY

Applications to subscribe for Shares must be made on the application form contained at the back of this Offer Document (or, in the case of applications by Preference Shareholders or Eligible Freightways Employees, Contractors and Directors, on the additional form accompanying this Offer Document).

Applicants who are applying under the Exchange Offer should complete their green application form entitled 'Exchange Offer Application Form'. Applications under the Exchange Offer must be delivered to the Share Registry, Computershare Investor Services Limited, no later than 5.00pm on Friday, 12 September 2003, or to any NZX Firm or to one of the Organising Brokers in sufficient time for the documents to be forwarded to and received by the Share Registry no later than 5.00pm on Friday, 12 September 2003. Preference Shareholders may also apply for Shares in the Public Offer by completing the appropriate section of their Exchange Offer application form and including payment in full for the additional amount. For Preference Shareholders who take part in the Exchange Offer, there is no minimum restriction in respect of their Public Offer applications. However, Preference Shareholders with a minimum entitlement under the Exchange Offer of less than \$1,000 wishing to participate in the Exchange Offer are required to apply for additional Shares in the Public Offer (on a cash basis) to bring their total application amount to at least \$1,000. Preference Shareholders should refer to their green application form and attached instructions for further information.

Applicants who are Eligible Freightways Employees, Contractors and Directors should complete their blue application form. These applications, together with the appropriate payment, must be delivered to the Share Registry, no later than 5.00pm on Friday, 12 September 2003, or to any NZX Firm or to one of the Organising Brokers in sufficient time for the documents to be forwarded to and received by the Share Registry no later than 5.00pm on Friday, 12 September 2003. These applications must be for a minimum of \$1,000 with no restrictions thereafter.

Applications from other Public Offer applicants must be delivered to the Share Registry by 5.00pm on Friday, 12 September 2003, or to any NZX Firm or to one of the Organising Brokers in sufficient time for the documents to be forwarded to and received by the Share Registry no later than 5.00pm on Friday, 12 September 2003. These applications must be for a minimum of \$2,500 with no restrictions thereafter.

DETAILS OF THE OFFER

Applications from retail investors pursuant to firm allocations must be lodged with the NZX Firm through which a firm allocation was obtained, in sufficient time to reach the Share Registry no later than 5.00pm on Friday, 26 September 2003. These applications must be for a minimum of \$2,500 with no restrictions thereafter. The application must be accompanied by payment for the application at the Final Price.

All applications except those pursuant to the Exchange Offer must be accompanied by payment in full. Cheques should be made payable to 'Freightways Share Offer'. Application monies will be banked upon receipt into a designated bank account pending allocation of Shares. The banking of such monies does not constitute confirmation of allotment of any Shares.

OPENING AND CLOSING DATES

The Opening Date of the Offer will be Monday, 1 September 2003. The Exchange Offer and the Public Offer close at 5.00pm on Friday, 12 September 2003. The closing date of the Offer for applications pursuant to firm allocations will be 5.00pm on Friday, 26 September 2003.

The Seller and the Company may amend these dates at their discretion.

QUOTATION

Application has been made to NZX for permission to list the Shares and all the requirements of NZX relating thereto that can be complied with on or before the date of this Offer Document have been duly complied with. However, NZX accepts no responsibility for any statement in this Offer Document.

Initial quotation of the Shares on the NZSX is expected to occur under the symbol FRE on Monday, 29 September 2003.

ALLOTMENT

Allotment and/or transfer is scheduled to take place on Saturday, 27 September 2003. Applicants should ascertain their allocation before trading in the Shares. Applicants can do so by telephoning Computershare Investor Services Limited on 09 488 8777 or, where applicable, the NZX Firm from whom the firm allocation was received. Allocations of Shares will be made on the assumption that an applicant's cheque will clear. If an applicant's cheque does not clear on presentation, any allocation to that applicant may be cancelled. Any notification of an applicant's allocation of Shares is conditional on that applicant's cheque clearing.

The Seller and the Company reserve the right to decline any application in whole or in part, without giving any reason. Money received in respect of applications which are declined in whole or in part will be refunded in whole or in part (as the case may be). Refunds will be posted within 5 business days after allocation of Shares to successful applicants or after an application has been declined (as applicable). Interest will not be paid on any application money refunded to applicants.

Applicants selling Shares prior to receiving shareholder holding statements will do so at their own risk. None of the Seller, the Company, the Joint Lead Managers, the Organising Brokers, the Co-Managers, nor any of their respective officers, employees or advisers accepts any liability or responsibility should any person attempt to sell or otherwise deal with Shares before the statement showing the number of Shares allocated to the applicant is received by the applicant for those Shares.

DETAILS OF THE OFFER

BROKERAGE

ABN AMRO Rothschild and First NZ Capital are together Joint Lead Managers to the Offer. The Organising Brokers are ABN AMRO Equities NZ Limited and First NZ Capital Securities. Fees and commissions payable to the Joint Lead Managers and Organising Brokers are detailed on page 97.

The Co-Managers of the Offer are ABN AMRO Craigs Limited and Forsyth Barr Limited.

The Seller and the Company will pay:

- to the Joint Lead Managers a brokerage fee of 1.10% of the proceeds in respect of Shares allotted to institutional investors pursuant to the book building process;
- to the Joint Lead Managers a brokerage fee of 0.75% of the proceeds in respect of Shares allotted under the Exchange Offer and in respect of Shares allotted to Preference Shareholders, and Eligible Freightways Employees, Contractors and Directors under the Public Offer from which the Joint Lead Managers will pay to NZX Firms a brokerage fee of 0.5% of the proceeds in respect of Shares allotted to Preference Shareholders under the Public Offer pursuant to valid applications submitted by Preference Shareholders bearing their stamp;
- to NZX Firms, including the Organising Brokers and the Co-Managers, a brokerage fee of 1.25% of the proceeds in respect of other Shares allotted pursuant to valid applications submitted by retail investors bearing their stamp;
- to NZX Firms a firm commitment fee of 0.5% of the proceeds in respect of Shares allotted to valid applications submitted under firm allocations bearing their stamp; and
- to institutional investors a firm commitment fee of 0.5% of the proceeds in respect of Shares allotted to institutional investors pursuant to the book building process.

UNDERWRITING

The Offer is not underwritten.

OVERSEAS OFFERS

The Offer (excluding the Exchange Offer) is only being made to members of the public in New Zealand and to institutional investors in New Zealand and Australia. The Exchange Offer is only being made to Preference Shareholders in New Zealand. No person may offer, sell or deliver any Shares or distribute any documents (including this Offer Document) to any person outside New Zealand except in accordance with all of the legal requirements of the relevant jurisdiction. Unless otherwise agreed with the Company and the Seller, any person or entity subscribing for Shares in the Offer shall by virtue of such subscription be deemed to represent to each of the Offerors and their directors that he, she or it is not in a jurisdiction which does not permit the making to him, her or it of an offer of the kind described in this Offer Document, and is not acting for the account or benefit of a person within such jurisdiction. None of the Offerors nor any of their directors, officers, employees, consultants or advisers accepts any responsibility to determine whether a person is able to participate in the Offer.

SUMMARY FINANCIAL INFORMATION

PRO FORMA HISTORICAL SUMMARY

The pro forma historical summary on pages 20 and 21 has been prepared to enable investors to compare forecast financial information with the five year historical performance of the underlying operating businesses of Freightways. The summary also enables investors to compare the forecast with the most recent financial year on a basis consistent with Freightways' proposed debt and equity structure.

Pro forma historical financial information used below for the financial years ended 30 June 1999 to 2003 is extracted from the historical financial information of FEL set out on page 62 and adjusted for (a) the impact of higher depreciation arising upon the acquisition by Freightways of the FEL shares; (b) the removal of historical management fees paid to the parent company of the Freightways Group in the respective years; and (c) the inclusion of the anticipated incremental compliance costs arising as a result of listing; so that the historical results are comparable with Freightways' forecast performance. Accordingly, the pro forma figures presented below differ from the actual historical information set out on page 62. The adjustments made to construct the pro forma historical summary are shown below and the assumptions are shown on page 21.

In addition, the pro forma FY2003 financial information and the pro forma forecast FY2004 financial information show net profit after tax assuming: (a) the debt facilities put in place on 1 July 2003 to enable the redemption of the Preference Shares on 31 October 2003 had been in place and fully drawn throughout FY2003 and FY2004; (b) no Preference Shares had been on issue during those years; and (c) the impact of higher goodwill amortisation arising upon the acquisition by Freightways of the FEL shares. This reflects the proposed debt and equity structure effective from 1 November 2003 upon redemption of all the Preference Shares. This means the figures presented below will differ from the forecast information for FY2004 shown on pages 54 to 56 which reflects the drawdown of debt facilities to partly fund the redemption of the Preference Shares on 31 October 2003.

Pages 54 to 59 contain the detailed forecast financial information, including the principal assumptions applied in arriving at the forecasts.

The following adjustments are included in the respective amounts presented on the next page:

YEAR ENDED 30 JUNE	NOTE	PRO FORMA UNAUDITED HISTORICAL					PRO FORMA FORECAST
		1999 \$000	2000 \$000	2001 \$000	2002 \$000	2003 \$000	2004 \$000
Fair value depreciation	1	(420)	(420)	(420)	(440)	(484)	-
Management fees to parent	2	1,142	1,563	1,206	1,166	458	60
Incremental compliance costs	3	(321)	(321)	(321)	(321)	(321)	20
EBITA adjustment		401	822	465	405	(347)	80
Amortisation of goodwill	1					1,590	
Interest	4					4,986	810

SUMMARY FINANCIAL INFORMATION

PRO FORMA HISTORICAL SUMMARY

		PRO FORMA UNAUDITED HISTORICAL				PRO FORMA FORECAST	
YEAR ENDED 30 JUNE		1999	2000	2001	2002	2003	2004
	NOTE	\$000	\$000	\$000	\$000	\$000	\$000
FINANCIAL PERFORMANCE							
Operating revenue		154,876	163,617	176,133	186,204	195,625	207,297
Earnings Before Interest, Tax and Amortisation (‘EBITA’)		17,406	21,349	24,610	28,112	32,104	36,198
Amortisation of goodwill						(4,824)	(4,819)
Earnings Before Interest and Tax (‘EBIT’)						27,280	31,379
Interest	4					(9,943)	(9,200)
Net Profit Before Tax						17,337	22,179
Tax expense	5					(7,336)	(8,938)
Net Profit After Tax (‘NPAT’)						10,001	13,241
CASH FLOW							
Earnings Before Interest, Tax, Depreciation and Amortisation (‘EBITDA’)		20,643	25,582	29,449	33,500	38,071	41,893
Interest						(9,603)	(8,860)
Tax						(7,336)	(8,938)
Change in working capital	6					-	-
Operating cash flow						21,132	24,095
Capital expenditure (capex)		(7,422)	(6,631)	(6,408)	(4,650)	(6,218)	(4,988)
Operating cash flow after capex						14,914	19,107

SUMMARY FINANCIAL INFORMATION

Notes:

- 1) Additional amounts of depreciation have been expensed in the pro forma historical summary to present those years with the equivalent level of annual depreciation that would have occurred if Freightways' acquisition of the FEL shares in December 2002 had taken place at the start of the 1999 financial year. In addition, goodwill amortisation has been expensed in the pro forma FY2003 and FY2004 financial information to present the 2003 financial year on an equivalent basis to the 2004 financial year. Upon acquisition of FEL, Freightways assessed the fair values of the assets and liabilities acquired, resulting in a number of assets being restated at fair value and a resultant amount of goodwill on consolidation arising. The assets adjusted to fair value at 13 December 2002 included land and buildings, aircraft and brand names. The increased values for buildings and aircraft gave rise to a higher future depreciation charge. The increased goodwill arising on consolidation as a result of the acquisition gave rise to a higher future amortisation charge. The pro forma adjustments made to the years presented provide an annualised depreciation and amortisation impact to earnings for those years.
- 2) The impact of historical management fees paid outside the Freightways Group to its various parent companies during the past five years has been removed as they related to services which are not expected to arise in future periods.
- 3) The anticipated costs of external board members and other incremental compliance costs have been recognised as if they had been incurred in all the years presented. Other than remuneration of non-executive directors, the compliance costs associated with the proposed listing are not anticipated to be significantly higher than historically experienced. FEL has had listed Preference Shares since 1997, and accordingly the historical level of compliance costs has been increased only marginally to reflect the anticipated higher number of active shareholders on the share register following completion of the Offer and going forward.
- 4) Interest has been calculated assuming the debt facilities were drawn on average at \$140 million throughout FY2003 and FY2004 of which \$45 million was subject to hedging arrangements. An average New Zealand 90-day bank bill rate of 5.77% has been used for 2003 and an average of 5.10% for FY2004. Freightways pays a margin above these rates and hedging costs to its principal lenders. Interest expense also includes an average year's amortisation of borrowing costs based on the recently established facilities. The amortisation of borrowing costs in FY2003 and FY2004 have been treated as non-cash items and have been excluded from interest shown in the cash flow section of the pro forma historical summary.
- 5) Tax expense has been calculated at the statutory rate of 33% of pro forma net profit before tax and after including the impact of certain non-deductible expenditures (primarily goodwill amortisation).
- 6) The impact on pro forma operating cash flow after capex from changes in working capital for FY2003 and FY2004 is considered to be insignificant.



INDUSTRY OVERVIEW

Freightways operates primarily in the New Zealand express package industry, with complementary operations in the information management and business mail industries.

EXPRESS PACKAGE INDUSTRY

Overview

The New Zealand express package industry is well established and is estimated by Freightways management to have annual sales in excess of \$425 million. Companies within the industry offer a range of delivery options, distinguished primarily by service level and price. The variety of services offered caters for the differing requirements of express package customers, which are predominantly businesses and operate in a range of industries.

The express package industry is divided into two segments – network couriers and point-to-point couriers. The network courier segment is estimated by Freightways management to account for approximately 90% of total industry revenues.

Network couriers deliver packages (typically up to a maximum weight of 25 kilograms) in a time-sensitive manner locally, regionally, nationally and internationally. Service standards range from 2½ hours for local deliveries, and same day for regional deliveries to overnight by 9.00am or midday and two-day for nationwide deliveries. This segment generally comprises packages delivered via a fleet of couriers utilising a central depot system (often referred to as a ‘hub and spoke’ operation). Network courier operations typically link with ‘express road’ and ‘air freight’ linehaul systems. This infrastructure connects towns and cities throughout New Zealand, enabling a nationwide express delivery service.

Point-to-point couriers primarily provide time-critical local metropolitan deliveries, typically offering customers a 1-hour delivery service. Certain operators also provide same day regional and nationwide deliveries. Metropolitan consignments are generally picked up and delivered by the same courier.

Features of the Express Package Industry

Historically, demand for courier services has shown a consistent growth trend as market demand for the more timely supply of products has increased. Important drivers of industry growth include:

- higher quality service being sought by customers;
- competitive pricing, which has contributed to volume growth;
- increased convenience through simple pre-paid ticketing systems, internet-based customer services and extended network reach; and
- a trend towards ‘just-in-time’ inventory management, which leads to more frequent consignments of smaller quantities of product.

In times of economic downturn, businesses may implement a greater level of ‘just-in-time’ inventory management in order to generate operating efficiencies, thereby increasing demand for express package deliveries. This source of demand can mitigate the impact of a slowing economy.

The services of express package providers are embedded in the supply chains of many businesses across a range of industries. Customers gain efficiencies through the timely and cost effective procurement of supplies and delivery of products. The short time to delivery offered by express package companies differentiates these services from other less time-sensitive segments of the transport industry.

INDUSTRY OVERVIEW

Freightways' Position in the Express Package Industry

Competition in the express package industry principally centres around service level and price. Brand strength and network reach are other important points of differentiation among service providers.

Market share data is not compiled for the network courier segment. However, Freightways estimates that it has a combined 39% share of the market through its New Zealand Couriers, Post Haste Couriers and Castle Parcels brands. Freightways' major competitor, state-owned New Zealand Post Limited, has completed a number of acquisitions in the industry over the past decade assisting with consolidation of the segment. Together, Freightways and New Zealand Post Limited have an estimated 85% market share in a stable industry environment.

In the smaller point-to-point courier segment, Freightways estimates that its SUB60 brand has the number one market share in New Zealand's three major point-to-point markets of Auckland, Wellington and Christchurch. In comparison to the network courier segment, point-to-point markets are typically less consolidated and tend to be characterised by a larger number of smaller operators.

INFORMATION MANAGEMENT INDUSTRY

Overview

The New Zealand information management industry has exhibited high growth in recent years, as businesses have shown an increasing desire to outsource their information management requirements. Freightways estimates that the industry has annual revenues of approximately \$60 million. The Company currently operates in the following three segments of the industry through Online Security Services:

- **records management:** archiving, storage and retrieval of paper-based and/or electronic information;
- **secure document destruction:** secure collection and destruction of paper-based information; and
- **offsite tape management:** archiving, storage and retrieval of computer media (back-up tapes).

Records management is the largest segment in the information management industry. This segment has exhibited strong growth as businesses increasingly move to store paper documents off-site due to the rising cost of office space, greater awareness of the importance of risk management and more efficient technology-based solutions. Freightways believes that records management represents a continuing growth opportunity, as it is estimated that only 50% of potential customers currently outsource the management of their records.

The document destruction segment is also experiencing growth. This is driven by greater environmental awareness and growth in confidential document destruction due to increased exposure to litigation for breaches of the Privacy Act 1993 and increasing occurrences of industrial espionage in competitive industries.

Growth in the offsite tape management segment is steadier, with some substitution to electronic data storage.

Freightways' Position in the Information Management Industry

Freightways is a relatively new entrant to the records management segment, and has a small but growing market share. Competitors in the records management segment include Recall, Pickfords Records Management and a number of smaller operators.

INDUSTRY OVERVIEW

Freightways is estimated by management to have the number one market share in the secure document destruction and offsite tape management segments.

The offsite tape management market is relatively consolidated. Freightways and its major competitor, Recall, are estimated to have a combined market share of approximately 80%.

BUSINESS MAIL INDUSTRY

Overview

The size of the New Zealand mail market has been relatively stable in recent years with organic market growth largely offset by the increased use of electronic communications. Freightways estimates that the total domestic market has annual revenues of approximately \$600 million. This broad market can be divided into a number of segments including that of business mail. This segment consists of a wide range of services including box-to-box document exchange, facilities management, street delivery of domestic-addressed mail and handling of international inbound and outbound letters.

Freightways' Position in the Business Mail Industry

Since the deregulation of the New Zealand postal services market in 1998, a number of competitors to the state-owned incumbent New Zealand Post Limited have emerged. These operators are typically small and regionally based. By contrast, Freightways' DX Mail business operates in a niche market catering specifically to the business mail segment. The Company has expanded its services since deregulation to become New Zealand's only nationwide competitor to New Zealand Post Limited in the business mail niche.

Niche segments of New Zealand's postal services market are expected to continue to provide growth opportunities for Freightways.



BUSINESS DESCRIPTION

COMPANY OVERVIEW

Freightways is a leading provider of express package services throughout New Zealand, with complementary businesses servicing the information management and business mail sectors. The Company's origins date back to 1964 through New Zealand Couriers – a pioneer in the express package industry in New Zealand. Since commencing operations in Auckland, Freightways has grown organically and by acquisition to become a leading New Zealand service provider, with 16 branches in major towns and cities throughout the country.

EXPRESS PACKAGE

Key strengths:

Multi-brand strategy with high brand recognition

Network of independent contractors

National linehaul network which is dedicated to express package business, providing significant economies of scale and which is not easily replicated

Freightways' business model enables volume growth at low incremental cost, resulting in earnings growth in excess of volume and revenue growth

Diverse and loyal customer base – Freightways' largest customer accounts for less than 2% of total revenue

Culture of operational excellence and focus on profit achievement

Freightways delivers approximately 200,000 items each business day and approximately 50 million items each year for more than 25,000 active customers. In addition to its extensive domestic network of 930 contractors, Freightways offers an integrated worldwide delivery service through agreements with international express package operators.

Freightways employs a highly effective multi-brand strategy within the network courier segment, via its established New Zealand Couriers, Post Haste Couriers and Castle Parcels brands. 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 brand, and provides secure express package services through Security Express.

New Zealand Couriers, Freightways' flagship brand, is positioned as the premier provider of network courier services to New Zealand businesses. With service standards ranging from 2½ hours for local deliveries to overnight by 9.00am for nationwide deliveries, New Zealand Couriers sits at the premium service/premium price end of Freightways' multi-brand strategy. New Zealand Couriers is Freightways' largest brand by revenue and Operating Earnings.

BUSINESS DESCRIPTION

EXPRESS PACKAGE

Post Haste Couriers was founded in 1980 and is positioned as a mid-level service/mid-price provider of network courier services throughout New Zealand. Post Haste caters to the needs of the commercial and industrial sectors by completing all overnight intercity deliveries next morning and residential consignments on a next day basis. Post Haste also offers same day delivery locally and regionally to selected towns and cities.

Castle Parcels operates in the economy next day (two day inter-island) delivery segment, with the ability to cater for high volume parcel customers. Castle Parcels has branches in the three main business centres of Auckland, Wellington and Christchurch, and operates a fleet of mid-size trucks in these centres. For deliveries outside these centres, Castle Parcels utilises the Post Haste Couriers and New Zealand Couriers fleets.

SUB60 is New Zealand's leading point-to-point courier, specialising in time critical (typically 1 hour) metropolitan deliveries in Auckland, Wellington and Christchurch. Consignments are handled by the same SUB60 contractor from pick-up until delivery, ensuring greater speed and security of delivery. SUB60 also offers urgent same day intercity deliveries.

Security Express is a secure express package service specialising in the transportation of valuable items and documentation within Auckland, Wellington and Christchurch and nationwide from these centres. Security Express offers a completely secure service, from the moment a call is logged through to the arrival of a consignment at its destination. Security Express' contractors are all licensed security guards.

FREIGHTWAYS LINEHAUL NETWORK



BUSINESS DESCRIPTION

EXPRESS PACKAGE

OVERVIEW OF EXPRESS PACKAGE BUSINESS

	New Zealand Couriers	Post Haste Couriers
Market segment	Network courier (time sensitive)	Network courier (time sensitive)
Service level	Premium	Mid-level
Services provided	<ul style="list-style-type: none"> • Local: Reaches customers up to seven times a day • Regional: Same day delivery to towns and cities nationwide, often two to three times a day • Nationwide: Comprehensive nationwide network, providing overnight delivery to over 99% of the New Zealand population by 9.00am (to main business centres) • International: Express, premium and special services offered worldwide • Dedicated services: Customised services to meet the unique needs of a client's organisation • Returns and freight forwards: Time sensitive express collection from a 3rd party anywhere in NZ and from over 50 countries worldwide with delivery anywhere in NZ 	<ul style="list-style-type: none"> • Local: Providing same day delivery, typically through four delivery cycles per day • Regional: Same day delivery to selected regional towns and cities • Inter-city: Overnight by 12 noon nationwide, Inter-Island two day service • Returns and freight forwards: Returns from a client's customer and/or goods from a client's supplier can be collected on their behalf anywhere in New Zealand • International: Worldwide express package delivery
Service area	<ul style="list-style-type: none"> • 16 branches throughout New Zealand • Nationwide and international coverage 	<ul style="list-style-type: none"> • 16 branches throughout New Zealand • Nationwide and international coverage

Castle Parcels	SUB60	Security Express
Network courier (time sensitive)	Point-to-point (time critical)	Secure express package delivery
Economy	Premium	Premium
<ul style="list-style-type: none"> Local: Morning pick-up/afternoon delivery and afternoon pick-up/next morning delivery for local metropolitan Auckland, Wellington and Christchurch Regional: Same day delivery to selected regional towns and cities Inter-city: Next business day within the Island and two day service Inter-Island (business to business). Returns and freight forwards: Returns from a client's customer, and/or goods from a client's supplier can be collected on their behalf from anywhere in New Zealand 	<ul style="list-style-type: none"> Local (metropolitan point to point): 1 hour delivery Regional: Same day delivery Nationwide (air link): Same day delivery Vehicle and courier hire International: Worldwide 	<ul style="list-style-type: none"> Banking services Express delivery service for classified documents Computer media transport Secure inter-city movements Payroll data deliveries Mail clearance / transportation Negotiable item express services (jewellery / vouchers)
<ul style="list-style-type: none"> Branches in Auckland, Wellington and Christchurch Nationwide coverage 	<ul style="list-style-type: none"> Branches in Auckland, Wellington and Christchurch Nationwide coverage using commercial airlines and other Freightways brands 	<ul style="list-style-type: none"> Branches in Auckland, Wellington and Christchurch Nationwide coverage from these cities

BUSINESS DESCRIPTION

EXPRESS PACKAGE

FEATURES OF FREIGHTWAYS' EXPRESS PACKAGE BUSINESS

In addition to Freightways' highly effective multi-brand strategy, a number of other features of the Company's business model have driven its continued success:

Network of independent contractors

Each Freightways express package brand has a network of owner-driver contractors who provide their own vehicles and are paid on the basis of jobs completed. This volume-based business relationship provides motivation for contractors to provide superior service (essentially timely delivery). The contractor network also provides Freightways with a variable cost base and reduces capital expenditure requirements.

The partnership between Freightways and its contractors has been a highly successful feature of the Company since its inception. This relationship enables both Freightways and its contractors to benefit from the growth of the business.

Dedicated national linehaul network

Freightways' express package brands are supported by a dedicated national linehaul network that has been continually developed over the near 40-year history of the Company. Freightways' contractors own and operate a total of 54 linehaul trucks that together cover every major arterial route in New Zealand, supported by an air network of five freight aircraft that are owned and operated by Freightways and provide nightly services between the North and South Islands. This dedicated network enables its brands to offer service levels and achieve efficiencies that are difficult for smaller operators to replicate.

Freightways' dedicated linehaul network benefits from economies of scale, enabling the Company to handle additional volumes at relatively low incremental cost. This, in combination with the independent contractor network, is an important driver of Freightways' ability to generate earnings growth in excess of volume and revenue growth and underpins its operational competitive advantage.

Customer relationships

Freightways has a diverse customer base throughout New Zealand, with a particularly strong presence in the manufacturing, wholesale, retail and distribution sectors. This broad base of customers reduces Freightways' reliance upon any single industry or customer. The Company generates less than 2% of total revenue from its largest customer and less than 9% of total revenue from its top 10 customers.

An important contributing factor to the increase in Freightways' express package market share in recent years has been the ability to retain its existing customer base, providing a stable foundation for growth. Freightways has succeeded in generating customer loyalty by seeking to build and maintain long-term customer relationships by providing superior levels of service at competitive prices.

BUSINESS DESCRIPTION

OTHER BUSINESSES

INFORMATION MANAGEMENT

Key strengths:

Offers customers a total information management solution

Operates at the premium 'secure' end of all information management segments

Growing presence in the high growth records management segment

Strong brands and experienced people

Freightways' information management division, Online Security Services ('OSS'), operates three brands that collectively offer a complete range of secure paper-based and electronic business information management solutions. While accounting for only a small proportion of Freightways' current revenue, OSS has grown organically and by acquisition and represents an important growth opportunity for Freightways.

OSS operates throughout New Zealand and is a registered security business, with all employees being licensed under the Private Investigators and Security Guards Act 1974. OSS outsources the pick-up and delivery function of its Data Security Services and Online Records Management brands to Freightways' secure express package provider, Security Express.

The three brands operated by OSS are positioned at the premium service end of their respective markets, and offer distinct, yet complementary information management services:

Online Records Management ('ORM') provides a national off-site document management service whereby client documents are collected, archived (and electronically imaged if required), stored and made available for re-delivery 24 hours a day, 7 days a week.

From a small base, ORM has achieved high growth since developing its presence in recent years. This growth has led to the construction of a larger, purpose-built facility in Christchurch to replace the existing facility (due for completion by the end of 2003), with increased capacity also being investigated in Auckland and Wellington.

Part of ORM's service offering includes Online-DIRECT, a technology solution that enables the management of stored documents via secure connections over the Internet. This service complements the traditional 'boxes on shelves' records management service.

Document Destruction Service provides a secure process for the destruction of paper-based information. All product is collected and shredded in compliance with the New Zealand Security Association's Code of Practice as required by major banks, corporate entities and government departments.

Data Security Services is New Zealand's foremost off-site computer tape management service, and has been providing companies with cost effective and secure storage services since 1983. Data Security Services uses specially designed vaults located in Auckland, Palmerston North, Wellington and Christchurch. Client back-up tapes are collected, archived, stored and made available for re-delivery 24 hours a day, 7 days a week.

BUSINESS DESCRIPTION
OTHER BUSINESSES

BUSINESS MAIL

Key strengths:

- Overnight delivery; flexible and efficient service
- Dedicated business mail solutions
- Alternative to state-owned New Zealand Post Limited
- Complete solutions for vertical markets including the travel and legal industries
- Accesses Freightways’ express linehaul systems
- Drives volumes to New Zealand Couriers

DX Mail is a niche player in the New Zealand postal services market, catering specifically to business mail customers nationwide. As a specialist business mail delivery company, DX Mail is the only dedicated nationwide business mail alternative to New Zealand Post, providing a fast and cost effective service to targeted customers.

Established in the 1970s as a document exchange system primarily for the legal, travel and financial sectors, deregulation of the New Zealand postal market has enabled DX Mail to expand its range of services to offer a total mail processing and delivery solution to the general business community. There are currently more than 8,000 New Zealand businesses on the DX Mail exchange network.

DX Mail’s business mail services typically originate with a mail pick-up either direct from a business customer or from a DX Mail exchange, of which there are over 280 throughout New Zealand. Mail is then delivered by one of four methods: delivery via DX Mail’s established box-to-box delivery network, street delivery via DX Mail (where sufficient delivery density exists), outsourcing to regional operators, or interconnection into New Zealand Post where a small discount is earned in exchange for pre-sorting mail.

DX Mail has selectively developed its operational capability and entered into alliances with international express package operators and postal operators in order to broaden its service range and customer base.

INTERNAL SERVICES PROVIDERS

Freightways manages its road and air transport requirements through the Parceline Express and Fieldair divisions and provides information technology systems to its various businesses via Freightways Information Services (‘FIS’).

Parceline Express provides road linehaul services to Freightways’ express package and business mail businesses. The Parceline Express network is comprised of independent contractors who operate over the major arterial routes across New Zealand each evening. The road linehaul network links with Fieldair’s air linehaul service to provide Freightways with a dedicated national linehaul network.

Fieldair’s primary purpose is to operate and maintain a fleet of five Convair 580 freight aircraft, which operate nightly dedicated air linehaul services between the North and South Islands. It provides maintenance and support services for these aircraft and for external customers. Freightways acquired Fieldair in November 1999, gaining full control of its air linehaul requirements and avoiding reliance on any external party.

BUSINESS DESCRIPTION

OTHER BUSINESSES AND FURTHER INFORMATION

Freightways Information Services is an in-house shared services provider of a range of information technology and advisory services to the Freightways businesses. It is responsible for the design, development, maintenance and support of Freightways' in-house express package application software. FIS has extensive experience in managing mission-critical, high volume transaction processing systems and works closely with the Freightways businesses to apply this experience to the development of e-commerce and Internet-based systems.

EMPLOYEES AND CONTRACTORS – A CULTURE OF OPERATIONAL EXCELLENCE

One of Freightways' key strengths is the experience and expertise of its employees and contractors. Freightways has an established culture of operational excellence, and through the commitment of its employees and strong business relationships with its contractors, the Company has developed a reputation for delivering a timely, reliable and professional service.

Freightways employs approximately 1,150 people and contracts approximately 930 independent contractors. Employees provide management, sales, technical and support functions across all businesses, while independent contractors provide pick-up, linehaul and delivery services within the express package business.

Freightways has a lean corporate office, with a decentralised management structure in which each business has its own General Manager and finance, sales, operations and customer service teams. Shared roles exist for several functions across Freightways' businesses.

The Company has a policy of fostering career development and internal promotion across all of its businesses, providing depth of experience throughout the Freightways team. In-house training programmes are conducted regularly to facilitate ongoing learning and advancement. These commitments encourage employee retention, preserving a wealth of industry knowledge and expertise within the business. This is reflected in the experience of the Freightways senior management team that has an average tenure with the Company of more than ten years.

Management is committed to ensuring a safe workplace environment for its employees and contractors.

PROPERTY AND OTHER FIXED ASSETS

Freightways' headquarters are located at a company-owned site in the suburb of Penrose, Auckland. The site also houses the main depots for the New Zealand Couriers, Post Haste Couriers and Castle Parcels brands. The large scale and strategic location of this facility is a contributing factor to the efficiency of the Company's express package operations. In regional locations, where practical, the Freightways brands share facilities to reduce operating costs and improve efficiency.

In addition to its main Penrose site in Auckland, Freightways owns two properties in Wellington, a strategically positioned New Zealand Couriers / DX Mail facility and a purpose built facility for the information management businesses. All other sites where Freightways has operations are leased.

Freightways' subsidiary Air Freight NZ Limited owns five Convair 580 aircraft that form part of its nationwide linehaul network. The Company does not own any of the vehicles that are used in its express package operations.

BUSINESS DESCRIPTION

FURTHER INFORMATION

BACKGROUND TO OFFER

The Seller completed its takeover of AUSDOC in September 2002. AUSDOC was then the parent company of Freightways. The Seller immediately embarked upon a detailed review of the businesses and capital structure of AUSDOC. For that purpose the Seller engaged the services of industry advisers and consultants, and it also undertook extensive liaison with the management team of Freightways (as well as the management team of the AUSDOC businesses in Australia). Among other things, this review included consideration of the best way to continue growing the business of Freightways.

As a result of the review by the Seller and its advisers and consultants, and the management teams, it was decided to reorganise the capital structure of AUSDOC in December 2002 (which led to the separation of Freightways from the Australian businesses of AUSDOC). It was also decided after the review that the best way to unlock the value of Freightways and to provide for its continued growth was to access public investors through a listing on the NZSX. This Offer is the culmination of that process.

BUSINESS STRATEGY

Freightways' primary business strategy is to continue the organic growth of its express package brands and expand its complementary information management and business mail operations. In addition, the Company will consider incremental growth opportunities in areas that will enable it to leverage off its existing core businesses. The central components that underpin this strategy are described below.

Expand Existing Businesses

Freightways aims to continue to pursue the strategies that have produced consistent annual revenue growth of at least 5% per annum between FY1999 and FY2003. In its express package business, Freightways aims to continue to defend and extend its core business, improve margins and increase its market share. Freightways will also continue to investigate and offer innovative products and services, tailoring them to meet market needs.

Freightways aims to increase market share and margins in information management, with an emphasis on the recently developed records management business. In business mail, Freightways intends to maintain its core document exchange network and develop greater incremental penetration in domestic business mail niches.

Explore Incremental Growth Opportunities

The Company intends to leverage its experience by exploring incremental commercial growth opportunities that will complement its existing operations.

Focus on Profit Achievement

Freightways' continued commercial success is largely attributable to the culture of profit achievement ingrained within each of its businesses. The Company operates a highly successful divisional reporting process whereby weekly accounts are prepared and compared against budget. This process promotes visibility on a branch-by-branch basis, ensuring profit centre accountability and providing motivation for employees.

Investments in Technologies, Facilities and Capital Equipment

Freightways will continue to invest in technologies, facilities and capital equipment where it considers such investment to be value enhancing. Replacement and additional facilities will be leased and/or purchased as required.

BUSINESS DESCRIPTION

FURTHER INFORMATION

Development of Alliances with International Operators

Freightways currently works with major international express package operators and a number of international postal operators, and will seek to develop these alliances to complement its strong New Zealand businesses and expand its global distribution capabilities.

FREIGHTWAYS' DIVIDEND POLICY

The Company's dividend policy is to declare dividends at a rate of 75% of NPATA in conjunction with the release of the half year and full year results. Payment of dividends is proposed to be in March and September each year.

It is also the current intention of the Directors that dividends will carry imputation credits to the extent that imputation credits are available.

Under the New Zealand dividend imputation system, New Zealand corporate income tax paid by the Company may be imputed to New Zealand resident shareholders by way of imputation credits attached to dividends paid. The Company can obtain a tax credit to the extent that imputation credits are attached to dividends paid to non-New Zealand tax residents. This reduced tax liability effectively provides the Company with cash to pay a 'supplementary' dividend to such non-New Zealand tax residents, which can then be offset against New Zealand non-resident dividend withholding tax such that in the case of fully imputed dividends, the level of the 'supplementary' dividend should fully offset the non-resident withholding tax liability. The Board intends to utilise the Foreign Investor Tax Credit ('FITC') regime for the benefit of non-New Zealand tax residents.

The Directors reserve the right to amend the dividend policy at any time. Each dividend will be determined after due consideration of the capital requirements, operating performance, financial position and cash flows of the Company at the time.



DIRECTORS OF FREIGHTWAYS



*Left to right:
Warwick Lewis,
Susan Sheldon,
Dean Bracewell,
Sir William Birch.*

*Seated:
Michael Taranto,
Wayne Boyd.*

DIRECTORS OF FREIGHTWAYS

The Board of Directors of Freightways is responsible for setting the objectives of the Company and the strategies for achieving these objectives. The Board also sets the policy framework of Freightways within which business is conducted and monitors the ongoing performance of Freightways and management.

The Board is comprised of the following individuals, who were all appointed to the Board on 30 June 2003.

WAYNE BOYD

Chairman

LLB (HONS), M INST D MAICD

Wayne was appointed a Director and elected Chairman of Freightways in June 2003. After practising law for 18 years and spending five years in investment banking, he established a specialist advisory business and a career as a professional director. Wayne is Chairman of Auckland International Airport Limited, Ngai Tahu Holdings Corporation Limited and Shotover Jet Limited, and a director of VECTOR Limited, Forsyth Barr Group Limited, Tru-Test Corporation Limited and a number of private companies.

DEAN BRACEWELL

Managing Director

Dean has been Managing Director of FEL since 1999. He joined the Freightways Group in 1979 and other than a five 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 six 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 six 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. As a member of the ABN AMRO Australia and New Zealand Advisory Council he is involved with the ABN AMRO group of companies in an advisory capacity on business transactions. He is currently a director of a number of public and private companies including William Birch Consulting Limited, St George Bank New Zealand Limited, Dorchester Pacific Limited, and trustee of MFL Mutual Fund Limited and Superannuation Investments Limited.

Sir William was knighted by the Queen for public services in 1999.

DIRECTORS OF FREIGHTWAYS

WARWICK LEWIS**FCILT**

Warwick established Chep Handling Systems Limited in 1974, having previously spent 18 years in the shipping industry both in New Zealand and the United Kingdom. After 13 years with Chep, he was appointed Commercial Manager of Freightways in 1986. Warwick became Managing Director in 1994 where he remained until his retirement in 1999.

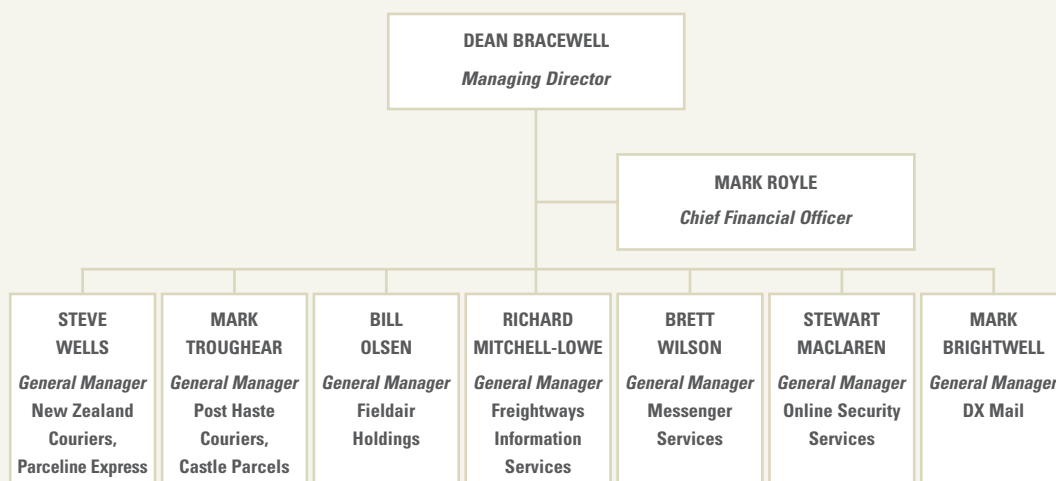
SUSAN SHELDON**B.COM, FCA, M INST D**

Sue is a chartered accountant and consults from her Christchurch practice, Sue Sheldon Advisory. She is Deputy Chairman of Meridian Energy Limited and Christchurch International Airport Limited, Chairman of the Board of Trustees of the National Provident Fund and a director of Ngai Tahu Holdings Corporation Limited and Asure New Zealand Limited. Sue is a former President of the Institute of Chartered Accountants of New Zealand, and is a Board member of Guides New Zealand.

MICHAEL TARANTO**B.COM (HONS), MBA**

Michael has been an executive with ABN AMRO Capital since 2001. He has ten years experience directing private equity investments, including six years with Macquarie Bank Limited. He was a strategic consultant with Bain & Company for three years, and before that operated in the IT sector. Michael is also a director of ABN AMRO Capital Advisory (Australia) Pty Limited, and is a board member of three other companies in which the Seller has an investment.

MANAGEMENT OF FREIGHTWAYS



DEAN BRACEWELL

Managing Director

Dean's curriculum vitae is provided under 'Directors of Freightways' on page 40.

Dean is supported by a team with extensive experience throughout the Freightways Group.

MARK ROYLE

Chief Financial Officer

Mark has over 18 years accounting and commercial experience, of which 13 years were with a major international chartered accounting firm. He was appointed Finance Director of FEL in January 2001, following a number of years at Freightways' previous parent company, AUSDOC, as Group Financial Controller and subsequently Company Secretary.

STEVE WELLS

General Manager, New Zealand Couriers

General Manager, Parceline Express

Steve was appointed Branch Manager of Post Haste, Invercargill in 1984. From 1985 to 1991, he held the position of National Operations Manager of Post Haste. He was appointed General Manager of Messenger Services in 1991, General Manager of Post Haste in 1996, and General Manager of New Zealand Couriers encompassing responsibility for New Zealand Document Exchange and Parceline Express in 1998.

MARK TROUGHEAR

General Manager, Post Haste

Mark joined Freightways in 1996 as a sales representative with New Zealand Couriers. He progressed through various roles in the business prior to his appointment as National Marketing and Sales Manager of New Zealand Couriers in 2000. In March 2003, Mark was appointed General Manager of Post Haste, which includes the Castle Parcels business.

MANAGEMENT OF FREIGHTWAYS

BRETT WILSON

General Manager, Messenger Services

Brett first joined Freightways in 1989 within New Zealand Couriers, where he held various positions including Wellington Manager and National Sales Manager. Brett left New Zealand Couriers in 1997 and gained three years experience in unrelated industries prior to rejoining the Freightways Group as General Manager, Messenger Services in March 2000.

STEWART MACLAREN

General Manager, Online Security Services

Stewart joined Freightways in 1990 and held the position of General Manager Stocklink Distribution (incorporating Online Security Services) until June 2000 when the business was restructured into two distinct operating businesses. He was appointed General Manager Online Security Services at that time.

RICHARD MITCHELL-LOWE

General Manager, Freightways Information Services

Richard joined Freightways Information Services as a programmer in 1988 and was subsequently promoted to Project Manager. He has been instrumental in the development of the core operating systems and ensuring their alignment with business strategy. Richard was appointed General Manager in 1996.

BILL OLSEN

General Manager, Fieldair

Bill began his career with Fieldair in 1965 when he joined its subsidiary, Airland, as a Lodestar/agricultural pilot. In March 1973 he was appointed Area Manager Hawkes Bay moving on to the position of General Manager the following year. Bill was appointed Managing Director of Fieldair in November 1982. Fieldair was acquired by FEL in 1999.

MARK BRIGHTWELL

General Manager, DX Mail

Mark joined Freightways in a part time role at DX Mail in 1994 while studying at university. His first full time role was as supervisor of a facilities management site. Mark undertook various roles at DX Mail prior to his appointment as General Manager in July 2001.

DAVID TOMBS

General Manager (on secondment)

David originally became associated with Freightways as a contractor to Castle Couriers in 1987. He subsequently became an employee and held operational roles, including National Operations Manager of New Zealand Couriers in 1993 and General Manager of Messenger Services in 1996. David was appointed General Manager of fetch in April 2000 and then of the merged Stocklink/fetch business in 2001. He has been working on secondment to the purchaser of the Stocklink business which was divested in February 2003.

INCENTIVE PLANS

DIRECTORS SHARE OWNERSHIP PLAN

The Directors Share Ownership Plan is designed to align the interests of Directors with Shareholders, and to incentivise each Participating Director to increase the enterprise value of the Freightways Group. As at the date of this Offer Document, the Participating Directors in the plan are Wayne Boyd, Sir William Birch, Warwick Lewis, Susan Sheldon and Michael Taranto. The Seller agreed to extend the plan to each of them on or before the date of their appointment as Directors. The current Participating Directors were thereafter, before the date of this Offer Document, issued with an aggregate of 695,661 unpaid Shares and under and otherwise in accordance with the terms of the Directors Share Ownership Plan. A Participating Director may nominate a nominee to receive and hold any Shares to which the Director is entitled under the Directors Share Ownership Plan, provided that the nominee is approved by the Company.

Under the terms of the Constitution, any further issues of Shares to Directors under this plan will require the prior approval of Shareholders.

Shares issued under the Directors Share Ownership Plan are issued wholly unpaid, and the Company will specify a certain period of time during which the relevant Shares may not be paid up. The Shares issued to the current Participating Directors under the Directors Share Ownership Plan were issued in three equal tranches with unpaid periods of sixteen months, twenty-eight months and forty months from the date of issue, 26 August 2003. The Company may in its discretion declare that an unpaid period has expired prior to the date initially specified (for example, if a takeover offer in respect of the Company is made which in the view of the Board is likely to succeed). After the expiry of the relevant unpaid period the unpaid Shares in that tranche may be paid up in full.

The issue price of a Share issued under the Directors Share Ownership Plan will be the value of the Share at the time of issue as determined by the Board upon the basis of such advice as the Board determines to be appropriate. The issue price of the Shares issued to Participating Directors or their nominees before the date of this Offer Document was fixed in accordance with the following formula in relation to each tranche:

- a) for tranche 1, the Final Price plus 15% less any cash dividends declared in respect of Shares during the tranche 1 unpaid period ('Tranche 1 Issue Price');
- b) for tranche 2, the Tranche 1 Issue Price plus 15% less any cash dividends declared in respect of Shares during the tranche 2 unpaid period ('Tranche 2 Issue Price'); and
- c) for tranche 3, the Tranche 2 Issue Price plus 15% less any cash dividends declared in respect of Shares during the tranche 3 unpaid period.

While a Share issued under the Directors Share Ownership Plan remains unpaid it will rank equally with a Share, except that it will:

- a) carry no voting rights;
- b) carry no rights to any dividends; and
- c) not be transferable without the written consent of the Company which the Company may give or withhold in its absolute discretion.

Once a Share issued under the Directors Share Ownership Plan has been paid up in full it will rank equally in all respects with a Share, and the restrictions, redemption rights and obligations described in this section which apply while a Share remains unpaid will cease to apply.

INCENTIVE PLANS

An unpaid Share issued under the Directors Share Ownership Plan must be redeemed by the Company forthwith upon the occurrence of an insolvency event. An insolvency event occurs if an application is made to the Court for the liquidation of the Company, or the Company becomes unable to pay its debts, or a meeting of Shareholders is called to consider a proposal for the liquidation of the Company (other than as part of a bona fide restructuring of the Company). The Company may also redeem an unpaid Share if the Company is not listed on the NZSX on or before 31 December 2003. The consideration payable by the Company upon the redemption of an unpaid Share due to an insolvency event or non-listing will be the relevant issue price, or if the issue price cannot be determined, such other amount (if any) which the Participating Director would otherwise be liable to pay up on the unpaid Share.

In the event that a Participating Director ceases to be engaged by a member of the Freightways Group, whether as a result of resignation, dismissal, redundancy, death, disablement or otherwise, then, subject to the exception described below, the Company may redeem any Shares issued under the Directors Share Ownership Plan which remain unpaid on the date of cessation of engagement. If on cessation the Participating Director undertakes to the satisfaction of the Company that he or she will not, for a reasonable period specified by the Company, become associated with a competitor of FEL or AUSDOC Information Management Pty Limited (whether as an employee, contractor, director, shareholder, joint venturer, partner or otherwise), then any Shares issued to the Participating Director under the Directors Share Ownership Plan which are no longer subject to an unpaid period on the date of cessation of engagement may be paid up in full within 6 months of such date. Any such Shares which are not paid up in full within 6 months of such date may be redeemed by the Company.

Any Share issued under the Directors Share Ownership Plan which has not been paid-up in full or redeemed by the Company may be redeemed by the Company on the later of the third anniversary of the date of issue and 13 December 2008.

If the Company redeems a Share issued under the Directors Share Ownership Plan, the consideration payable by the Company will, except as described above, be the relevant issue price. Upon redemption of a Share issued under the Directors Share Ownership Plan the following procedure will apply:

- a) notwithstanding any unpaid periods that may not have expired in relation to such a Share, the Company will call upon the Participating Director to pay the full amount unpaid on the relevant Share within 7 days;
- b) the Company may advance the unpaid amount to the Participating Director interest free and the Participating Director must apply the advance to payment of the issue price;
- c) on the date which is 14 days after the Company has called for payment of the relevant issue price in (a) above, the Company will redeem the Share for the issue price; and
- d) the amount payable by the Company to a Participating Director upon redemption under (c) above, will be offset against any amount payable in respect of the Share if a loan has not been made by the Company under (b) above, or the amount of any loan made by the Company to the Participating Director under (b) above.

Any proposal by the Company to make an advance as described in sub-paragraph (b) above, will constitute the provision of financial assistance and, under the Listing Rules, will require a separate approval of each class of Shareholders.

INCENTIVE PLANS

EMPLOYEE SHARE OWNERSHIP PLAN

The Employee Share Ownership Plan is designed to align the interests of Entitled Employees with Shareholders, and to incentivise Entitled Employees by giving them a financial interest in an increase in the enterprise value of the Freightways Group. The Seller agreed with each of the current Participating Employees in December 2002 to issue them with unpaid Shares under and in accordance with the terms of the Employee Share Ownership Plan. Those Participating Employees were thereafter issued with an aggregate of 5,632,176 unpaid Shares before the date of this Offer Document. The Employee Share Ownership Plan was put in place as part of management incentive and retention arrangements and to reflect the partnership between management and the Seller.

The Board will, in consultation with the board of FEL, select further Entitled Employees. The Board may, in its absolute discretion, determine the number of Shares which each Entitled Employee may subscribe for under the Employee Share Ownership Plan. As at the date of this Offer Document, the total number of Shares on issue or to be issued under the Employee Share Ownership Plan is not proposed to exceed the relevant limits in the Listing Rules, below which limits the Shares may be issued without further Shareholder approval.

Shares issued under the Employee Share Ownership Plan are issued wholly unpaid, and the Company will specify a certain period of time during which the relevant Shares may not be paid up by the Participating Employee. Shares under the Employee Share Ownership Plan issued to Participating Employees before the date of this Offer Document were issued in three equal tranches with unpaid periods of one year, two years and three years from 13 December 2002, the date Freightways acquired FEL. The Company may in its discretion declare that an unpaid period has expired prior to the date initially specified. After the expiry of the relevant unpaid period the unpaid Shares in that tranche may be paid up in full.

The issue price of a Share issued under the Employee Share Ownership Plan will be the value of the Share at the time of issue as determined by the Board upon the basis of such advice as the Board determines to be appropriate. The issue price of each Share issued under the Employee Share Ownership Plan was \$1.00 (before the 3 for 1 share split described on page 93 of this Offer Document).

While a Share issued under the Employee Share Ownership Plan remains unpaid it will rank equally with a Share, except that it will:

- a) carry no voting rights;
- b) carry no rights to receive any dividends; and
- c) will not be transferable without the written consent of the Company which the Company may give or withhold in its absolute discretion.

Once a Share issued under the Employee Share Ownership Plan has been paid up in full it will rank equally in all respects with a Share, and the restrictions, redemption rights and obligations described in this section which apply while a Share remains unpaid will cease to apply.

An unpaid Share issued under the Employee Share Ownership Plan must be redeemed by the Company forthwith upon the occurrence of an insolvency event. An insolvency event occurs if an application is made to the Court for the liquidation of the Company, or the Company becomes unable to pay its debts, or a meeting of Shareholders is called to consider a proposal for the liquidation of the Company (other than as part of a bona fide restructuring of the Company).

INCENTIVE PLANS

If the Company does not list on the NZSX before 31 December 2003, the Company may require a Participating Employee to enter into a Shareholders' agreement which will set out the manner in which the affairs of the Company will be conducted and the terms and conditions applicable to holding Shares. If the Participating Employee fails or refuses to sign such an agreement when reasonably requested to do so by the Company, the Company may buy back (or nominate another person to purchase) all paid up Shares issued under the Employee Share Ownership Plan to that Participating Employee.

In the event of a change in control of the Company, the Company will notify each Participating Employee in writing of such occurrence. A change in control of the Company occurs if any person, other than a related company of the Seller or the Company, acquires or becomes contractually bound to acquire not less than 50.1% of the fully diluted Share capital, or all or substantially all of the business of the Freightways Group. The following provisions will not apply if the change in control is as a result of an acquisition or contractual obligation pursuant to an initial public offering.

- a) A Participating Employee may, within 30 days of being notified by the Company of a change in control, pay up, or be required by the Company to pay up, any Shares issued under the Employee Share Ownership Plan to that Participating Employee which remain subject to an unpaid period. The Company may redeem any Shares which remain unpaid after such 30 day period.
- b) The Company may, within 30 days of a change in control, buy back (or nominate another person to purchase) all paid up Shares issued under the Employee Share Ownership Plan to a Participating Employee.
- c) If a Participating Employee, upon being notified of a change in control, pays up any unpaid Shares, then the Company must within 60 days of the change of control, buy back (or nominate another person to purchase) all such paid up Shares issued under the Employee Share Ownership Plan to that Participating Employee.
- d) If the Company does not exercise the option described in (b), then a Participating Employee may require the Company, within 90 days of the change in control, to buy back (or nominate another person to purchase) all paid up Shares issued under the Employee Share Ownership Plan to that Participating Employee.

The purchase price payable for any Share bought back or purchased as described in (b), (c) or (d) above, will be the net effective price per Share paid by the person acquiring control of the Company. The Company may deduct any amount owed by the Participating Employee to the Company.

In the event that a Participating Employee ceases to be employed by a member of the Freightways Group prior to the later of (i) the third anniversary of the date of the relevant subscription agreement, and (ii) 13 December 2008, whether as a result of resignation, dismissal, redundancy, death, disablement or otherwise, then, subject to the exception described below, the Company may redeem any Shares issued under the Employee Share Ownership Plan which remain unpaid on the date of cessation of employment. If on cessation the Participating Employee undertakes to the satisfaction of the Company that he or she will not, for a reasonable period specified by the Company, become associated with a competitor of FEL or AUSDOC Information Management Pty Limited (whether as an employee, contractor, director, shareholder, joint venturer, partner or otherwise), then any Shares issued to that Participating Employee under the Employee Share Ownership Plan which are no longer subject to an unpaid period on the date of cessation of employment may be paid up in full within months of such date. Any such Shares which are not paid up in full within 6 months of such date may be redeemed by the Company.

INCENTIVE PLANS

On cessation of a Participating Employee's employment, the Company may buy back (or nominate another person to purchase) all paid up Shares issued under the Employee Share Ownership Plan to that Participating Employee. The purchase price payable for any such Share bought back or purchased at the option of the Company, will be the higher of (i) the fair market value of that Share determined by an independent expert, and (ii) the issue price of that Share.

If the Company does not exercise the option described in the preceding paragraph, the Participating Employee may, within 30 days of cessation of employment or paying up unpaid Shares, require the Company to buy back (or nominate another person to purchase) all paid up Shares issued under the Employee Share Ownership Plan to that Participating Employee. The purchase price payable for any such Share bought back or purchased at the option of the Participating Employee, will (subject to the exception for redundancy described below) be the lower of (i) the fair market value of that Share determined by an independent expert, and (ii) the issue price of that Share. If the Participating Employee has ceased to be employed as a result of redundancy, then the purchase price will be the higher of the two amounts.

Any Share issued under the Employee Share Ownership Plan which has not been paid up in full or redeemed by the Company, may be redeemed by the Company on the later of the third anniversary of the date of issue and 13 December 2008.

If the Company redeems a Share issued under the Employee Share Ownership Plan, the consideration payable by the Company will, unless otherwise specified, be the issue price. Upon redemption of a Share the following procedure will apply:

- a) notwithstanding any unpaid periods that may not have expired in relation to such Share, the Company will call upon the Participating Employee to pay the full amount unpaid on the relevant Share within 7 days;
- b) the Company may advance the unpaid amount to the Participating Employee interest free and the Participating Employee must apply the advance to payment of the issue price;
- c) on the date which is 14 days after the Company has called for payment of the issue price in (a) above, the Company will redeem the Share for the issue price; and
- d) the amount payable by the Company to a Participating Employee upon redemption under (c) above, will be offset against any amount payable in respect of the Share if a loan has not been made by the Company under (b) above, or the amount of any loan made by the Company to the Participating Employee under (b) above.

Any proposal by the Company to make an advance as described in sub-paragraph (b) above, will constitute the provision of financial assistance and, if the amount of such assistance exceeds the relevant value thresholds set out in the Listing Rules, will require a separate approval of each class of Shareholders.

OVERVIEW OF THE SELLER

The Seller is a member of the group of companies which operates the private equity business of ABN AMRO Holding N.V. under the trading name of 'ABN AMRO Capital'. The Seller is ultimately wholly-owned by ABN AMRO Holding N.V.

ABN AMRO Holding N.V. is a Netherlands based financial institution with operations throughout the world. It is currently the eighth largest bank in Europe and the seventeenth largest in the world (based on Tier I capital), employing a global workforce of more than 105,000 full time (or equivalent) employees.

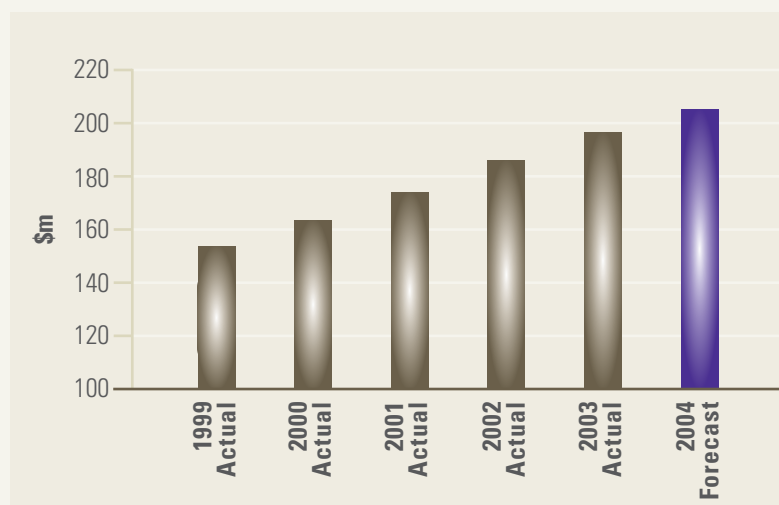
ABN AMRO Capital is a leading provider of private equity capital in Australia and New Zealand and throughout the world, with more than €2 billion (\$4 billion) invested in its portfolio of 350 companies. ABN AMRO Capital invests in a wide variety of industry sectors, usually by partnering with management teams to facilitate leveraged buy-outs, recapitalisations, public-to-private, or acquisition financing transactions.

ABN AMRO Capital aims to identify and make investments in established companies with capable management and a viable business. While ABN AMRO Capital considers that it can contribute significant value to the strategic direction of an established business through representation on the board of directors, it is not its policy to become involved in the day to day management of the companies in which it invests. This approach enables it to most effectively combine its financing and investing skills with management's detailed knowledge of the relevant industry, business and company.

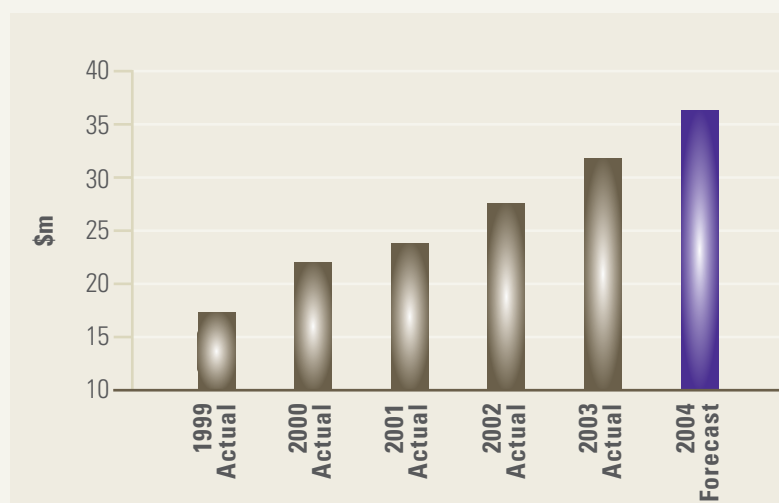
The Foundation Shareholders together will be the largest shareholders in Freightways upon completion of the Offer, with just under 20% of the issued paid up capital of the Company.

FINANCIALS

FREIGHTWAYS REVENUE*



FREIGHTWAYS EBITA*



* Based on pro forma historical summary on page 20. EBITA means earnings before interest, taxes and amortisation costs.



PROSPECTIVE FINANCIAL INFORMATION

The prospective financial information consists of:

- forecast financial information and the underlying assumptions for the year ending 30 June 2004 presented on pages 54 to 59; and
- a projected statement of cash flows and the underlying assumptions for the six months ending 31 December 2004 presented on pages 60 and 61.

The prospective financial information has been the subject of due diligence by the Directors. Although due care and attention has been taken in preparing the prospective financial information, the Directors cannot provide assurance that the prospective financial information will be achieved. Actual results may vary from the prospective financial information due to the non-occurrence of anticipated events or alternatively events occurring that were not anticipated and any variations may be material.

FORECAST FINANCIAL INFORMATION

FORECAST STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2004

	GROUP 2004 \$000
Operating revenue	207,297
Earnings before interest, tax, depreciation and amortisation ('EBITDA')	41,813
Depreciation	(5,695)
Earnings before interest, tax and amortisation ('EBITA')	36,118
Amortisation of goodwill	(4,819)
Earnings before interest and tax ('EBIT')	31,299
Interest	(8,390)
Net surplus before income tax	22,909
Income tax	(9,376)
Net surplus after income tax ('NPAT')	13,533
Net surplus attributable to minority interest	(784)
Net surplus attributable to members of the Company	12,749

FORECAST STATEMENT OF MOVEMENTS IN EQUITY FOR THE YEAR ENDING 30 JUNE 2004

Equity at beginning of year, comprising:	
- Ordinary shareholders' interest	40,318
- Minority interest	60,000
	100,318
Net surplus for the year, comprising:	
- Ordinary shareholders' interest	12,749
- Minority interest	784
Total recognised revenues and expenses	13,533
Dividends to ordinary shareholders	(6,750)
Dividends to minority interest	(784)
Distributions to minority interest on redemption of Preference Shares	(42,977)
Reduction in minority interest upon issue of ordinary Shares	(17,500)
Issue of ordinary Shares	17,500
Issue costs arising on issue of ordinary Shares	(500)
Proceeds from unpaid Shares fully paid	626
Movement in equity for the year	(36,852)
Equity at end of year, comprising:	
- Ordinary shareholders' interest	63,466
- Minority interest	-
	63,466

FORECAST FINANCIAL INFORMATION

FORECAST STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2004

	GROUP 2004 \$000
Current assets	
Cash and bank balances	1,680
Accounts receivable	28,507
Inventories	2,158
Total current assets	32,345
Non-current assets	
Fixed assets	42,790
Goodwill	68,829
Brand names	86,000
Deferred tax asset	878
Total non-current assets	198,497
Total assets	230,842
Current liabilities	
Payables and accruals	19,851
Provisions	378
Unearned income	14,147
Total current liabilities	34,376
Non-current liabilities	
Borrowings	133,000
Total non-current liabilities	133,000
Total liabilities	167,376
Net assets	63,466
Equity	
Share capital	54,671
Retained earnings	8,795
Total equity	63,466

FORECAST FINANCIAL INFORMATION

FORECAST STATEMENT OF CASH FLOWS FOR THE YEAR ENDING 30 JUNE 2004

	GROUP 2004 \$000 INFLOWS (OUTFLOWS)
Cash flows from operating activities	
Receipts from customers	205,164
Payments to suppliers and employees	(166,090)
Interest received	80
Interest and other costs of finance paid	(8,168)
Income taxes paid	(9,542)
Net cash inflows from operating activities	21,444
Cash flows from investing activities	
Payments for fixed assets	(4,988)
Proceeds from sale of business	700
Net cash outflows from investing activities	(4,288)
Cash flows from financing activities	
Dividends to ordinary shareholders	(6,750)
New bank borrowings	140,000
Repayment of bank borrowings	(112,955)
Costs of share issue	(500)
Dividends to minority interest	(1,464)
Distributions to minority interest on redemption of Preference Shares	(42,977)
Proceeds from unpaid Shares fully paid	626
Net cash outflows from financing activities	(24,020)
Net decrease in cash held	(6,864)
Cash at beginning of year	8,544
Cash at end of year	1,680

PRINCIPAL ASSUMPTIONS UNDERLYING THE FORECAST

The principal assumptions upon which the forecast financial information is based are summarised below and should be read in conjunction with 'What are my Risks?' on pages 98 to 102.

The prospective financial information for the year ending 30 June 2004 presented on pages 54 to 59 constitutes a forecast as defined in New Zealand Financial Reporting Standard No. 29, 'Prospective Financial Information' and has been prepared on the basis of assumptions as to future events that the Directors reasonably expect to occur associated with the actions the Directors reasonably expect to take as at the date the information was prepared. The forecast was prepared as at 28 August 2003 for use in this Offer Document. No actual results have been incorporated into the forecast. The forecast information may not be suitable for any other purpose. There is no present intention to update this prospective financial information or to publish prospective financial information in the future.

In preparing the forecast financial information, the accounting policies set out on pages 69 to 72 as part of the historical financial information have been applied without change. There is no expectation of any change to the accounting policies that would require a material change in the reporting of the Freightways Group activities in the future. With respect to the accounting policy on depreciation, a review of the estimated economic life of aircraft components has been completed and the effect of this review is to revise their economic lives effective 1 July 2003. The impact of this change in accounting estimate is a reduction in the forecast depreciation expense for the year ending 30 June 2004 by approximately \$600,000.

GENERAL ASSUMPTIONS

Economic Environment

There will be no material change in the general economic environment.

Legislative and Regulatory Environment

There will be no material change to the legislative and regulatory environment in which Freightways operates.

Income Tax

There will be no change to the New Zealand tax regime, including no change to the company tax rate of 33%.

Competitive Environment

There will be no material changes to the competitive markets in which Freightways operates and no new entrants that will materially change the competitive environment.

Industry Conditions

There will be no material change to competitive activity, industry structure, general industry conditions or the employee and independent contractor environment.

Management of Freightways

Freightways' senior management and other key people will continue in their current roles.

Disruptions to Operations

There will be no material disruptions to Freightways' operations including power failures, natural disasters, disruption to the air or road linehaul networks, fires and explosions, and normal hazards associated with operating a network structure.

Capacity of Operations

There will be sufficient capacity within Freightways' linehaul and independent contractor networks to deliver the forecast revenue and earnings growth.

PRINCIPAL ASSUMPTIONS UNDERLYING THE FORECAST

COMPANY-SPECIFIC ASSUMPTIONS

Revenue

Revenue will grow at the rate of approximately 6% per annum, which is within the range of FEL's historical revenue growth rate of between 5% and 8% per annum between FY1999 and FY2003. The forecast assumes that levels of demand for Freightways' services continue at not less than prevailing levels and on similar terms and that growth targets comparable to previous years' performance are achieved.

Cost Increases and Suppliers

The impact of general inflation and other factors contributing to increased costs have been considered and appropriately allowed for in the forecasts. It is assumed there will be no material change to supplier and independent contractor relationships and terms. Costs are expected to vary in proportion to revenue growth on a basis consistent with the historical relationship experienced.

As a result, the forecast EBITA growth rate of approximately 13% per annum is comparable with FEL's historical underlying earnings growth rate after allowing for additional compliance and related costs.

Freightways' operating model has historically allowed for sufficient flexibility, by its mix of both variable and fixed costs, to allow Freightways to respond to moderate changes in demand for its services and mitigate the impact of such fluctuations on its trading performance.

Interest Rates

Interest expense has been forecast based on an average New Zealand 90-day bank bill rate of 5.10% and allowing for the margin above this rate that Freightways pays its lenders and the costs of hedging. The Company has in place a treasury policy that requires between 40% and 90% of outstanding borrowings to be effectively hedged against adverse fluctuations in market interest rates. The policy has the primary objective of ensuring interest costs do not materially exceed forecast and projected annual interest costs. The Company is currently in compliance with its treasury policy and is forecast to be in compliance during the forecast period.

Dividends

The Directors forecast paying a fully imputed interim dividend of \$6.75 million in March 2004 to ordinary Shareholders from profits forecast to be earned in the first half of the forecast period.

The Directors propose that an interim dividend will be paid each March and a final dividend each September. No dividend will be paid on the Company's ordinary Shares in respect of the year ended 30 June 2003 during the forecast period.

As the Preference Shares will remain on issue until their redemption on 31 October 2003, a dividend representing six months at the fixed dividend rate of 10.16%, including imputation credits, is payable. The total Preference Share dividend actually paid on 31 October 2003 will be lower to the extent that no amount will be payable on those Preference Shares exchanged in the Exchange Offer. Refer Exchange Offer assumption on the next page.

The Preference Share dividend payable on 31 October 2003 will be paid from retained earnings, allowing all profits generated in the year ending 30 June 2004 to be available for distribution to ordinary shareholders. The Preference Share dividend is expected to be fully imputed.

Goodwill Amortisation

Goodwill amortisation expense will be \$4,819,000, which reflects the historical level of amortisation expense in FEL plus the full year's impact of the amortisation of goodwill on acquisition of FEL.

PRINCIPAL ASSUMPTIONS UNDERLYING THE FORECAST

Depreciation

Depreciation expense of \$5,695,000 includes the impact of the change in accounting estimate and the full year's impact of the increase in the fair value of buildings and aircraft on acquisition of FEL.

Working Capital

It is assumed there will be no material change to the working capital profile that has historically enabled Freightways to largely self-fund its existing operations and organic growth.

Prepaid Revenues

There will be no material change in prepaid ticket sales and redemption patterns from those in the previous financial year.

Capital Expenditure

There will be capital expenditure of \$4,988,000. Freightways' historical investment has been \$6.3 million on average for the last five years.

Proceeds from sale of business

The balance of the proceeds from the divestment of the Stocklink warehousing and logistics business in February 2003 will be received in two instalments, one in September 2003 and a final one in February 2004.

Capital Structure

On 3 July 2003 new bank facilities totalling \$140 million were partly drawn down to repay the then existing bank borrowings of \$106 million. A further \$7 million of bank borrowings is forecast to be repaid during the remaining forecast period.

The Company's wholly-owned subsidiary, FEL, announced its intention to redeem its \$60 million of issued Preference Shares on 31 October 2003 and pay dividends accrued on the shares to that date.

The Company has committed to use the remaining undrawn balance of the \$140 million loan facilities on 31 October 2003 to provide its subsidiary FEL with additional funds to facilitate the redemption of Preference Shares not exchanged under the Exchange Offer and the payment of the associated dividend. Refer to the 'Exchange Offer' assumption below.

Finance Facilities

There are adequate finance facilities in place and available to the Company to cover its anticipated funding requirements for the forecast period.

Exchange Offer

\$17.5 million of ordinary Shares will be issued to Preference Shareholders under the Exchange Offer in consideration for the redemption of their Preference Shares and dividends accrued to the date of exchange. Refer to the 'Details of the Offer' section for further details of the Exchange Offer.

Offer Costs

Freightways will pay costs directly attributable to the Offer of \$500,000 and will be accounted for as a reduction in equity.

Unpaid Shares

In accordance with NZ GAAP no remuneration expense has been recognised in relation to the unpaid Shares issued to Participating Employees and Participating Directors.

The first tranche of unpaid Shares under the Employee Share Ownership Plan will be paid up during the forecast period resulting in proceeds of \$626,000 being received. Refer to the 'Incentive Plans' section for further details.

PROJECTED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDING 31 DECEMBER 2004

In addition to the forecast statement of cash flows for the year ending 30 June 2004 contained on page 56, a projected statement of cash flows for the six months ending 31 December 2004 is presented below:

	GROUP 31 DECEMBER 2004 \$000 INFLOWS (OUTFLOWS)
Cash flows from operating activities	
Receipts from customers	121,246
Payments to suppliers and employees	(98,923)
Interest and other costs of finance paid	(4,304)
Income taxes paid	(3,597)
Net cash inflows from operating activities	14,422
Cash flows from investing activities	
Payments for fixed assets	(3,480)
Net cash outflows from investing activities	(3,480)
Cash flows from financing activities	
Dividends to ordinary shareholders	(7,250)
Repayment of bank borrowings	(4,000)
Net cash outflows from financing activities	(11,250)
Net decrease in cash held	(308)
Cash at beginning of period	1,680
Cash at end of period	1,372

PRINCIPAL ASSUMPTIONS UNDERLYING THE PROJECTION

The principal assumptions upon which the projected statement of cash flows is based are summarised below and should be read in conjunction with 'What are my Risks?' on pages 98 to 102.

The prospective financial information for the six months ending 31 December 2004 presented above constitutes a projection as defined in New Zealand Financial Reporting Standard No. 29, 'Prospective Financial Information' and has been prepared on the basis of a number of hypothetical but realistic assumptions that reflect possible courses of action that the Directors reasonably expect to take as at the date the information was prepared. A projection is not a forecast. The projection was prepared as at 28 August 2003 for use in this Offer Document. No actual results have been incorporated into the projection. The projection may not be suitable for any other purpose. There is no present intention to update this prospective financial information or to publish prospective financial information in the future.

PRINCIPAL ASSUMPTIONS UNDERLYING THE PROJECTION

In preparing the projected statement of cash flows, the accounting policies set out on pages 69 to 72 as part of the historical financial information have been applied without change. There is no expectation of any change to the accounting policies that would require a material change in the reporting of the Freightways Group activities in the future.

GENERAL ASSUMPTIONS

The projected statement of cash flows assumes the same general assumptions described under 'General Assumptions' in the forecast financial information on page 57.

COMPANY-SPECIFIC ASSUMPTIONS

Operational Cash Flows

The level of operational cash flows assumes historical seasonality and an underlying annual revenue growth of approximately 6%. Costs are expected to vary in proportion to revenue growth on a basis consistent with the FY2004 forecast resulting in an earnings growth of approximately 13.5%. Historical levels of efficiency in managing the components of working capital will be maintained.

Interest Rates

Interest expense for the six months ending 31 December 2004 has been projected based on an average New Zealand 90-day bank bill rate of 5.10% and allowing for the margin above this rate that Freightways pays its lenders and the costs of hedging. It is projected the Company will be in compliance with its treasury policy during the projection period.

Income Tax

The timing of provisional income tax payments during the projection period will remain consistent with previous years, being a payment on 7 October. A 33% corporate rate of income tax has been used for the projection period and it is assumed there will be no material change in the New Zealand income tax or GST rates during this projection period. It is also assumed no new tax will be introduced that will have a material adverse impact on Freightways.

Capital Expenditure

Capital expenditure for the six months ending 31 December 2004 is based on a total annual spend for the full year consistent with Freightways' historical investment which has been \$6.3 million on average for the last five years.

Dividends

A fully imputed final dividend of \$7.25 million in respect of the year ending 30 June 2004 is projected to be paid in September 2004 to ordinary Shareholders.

Capital Structure

A \$4 million net repayment of borrowings is projected to be made during the projection period.

Unpaid Shares

In accordance with NZ GAAP no remuneration expense has been recognised in relation to the unpaid Shares issued to Participating Employees and Participating Directors.

The second tranche of unpaid Shares under the Employee Share Ownership Plan and the first tranche of unpaid Shares under the Directors Share Ownership Plan will not be paid up during the projection period. Refer to the 'Incentive Plans' section for further details.

SUMMARY HISTORICAL FINANCIAL INFORMATION

BASIS OF PREPARATION

The historical financial information summarised below is derived from the audited consolidated financial statements of FEL for the financial years ended 30 June 1999, 2000, 2001, 2002 and 2003 and the audited consolidated financial statements of Freightways for the period 13 December 2002 to 30 June 2003. The accounting policies as set out on pages 69 to 72 have been consistently applied for all financial periods presented.

	AUDITED FEL FOR THE YEAR ENDED 30 JUNE					AUDITED FREIGHTWAYS FOR THE PERIOD ENDED 30 JUNE 2003
	1999 \$000	2000 \$000	2001 \$000	2002 \$000	2003 \$000	2003 \$000
Operating revenue	154,876	163,617	176,133	186,204	195,625	104,260
Other revenue	189	303	118	1	1	1,255
Total revenue	155,065	163,920	176,251	186,205	195,626	105,515
Expenditure	(141,325)	(146,682)	(155,420)	(162,513)	(166,409)	(90,864)
Net interest	(4,340)	(4,837)	(4,578)	(2,190)	(1,649)	(4,957)
Net surplus before tax and extraordinary items	9,400	12,401	16,253	21,502	27,568	9,694
Tax expense	(4,199)	(5,149)	(6,398)	(8,419)	(10,222)	(4,205)
Net surplus before extraordinary items	5,201	7,252	9,855	13,083	17,346	5,489
Extraordinary items	-	-	-	-	-	-
Net surplus	5,201	7,252	9,855	13,083	17,346	5,489
Minority interest	-	(35)	-	-	-	(2,216)
Dividends paid or payable						
- ordinary Shares	(3,000)	(4,200)	(7,100)	(10,100)	(13,200)	-
- Preference Shares	(2,262)	(2,262)	(2,625)	(3,972)	(3,970)	-
Net surplus (deficit) retained in group	(61)	755	130	(989)	176	3,273
Dividends – cents per share						
- ordinary Shares	7.7	10.8	18.2	25.9	33.8	-
- Preference Shares	7.5	7.5	7.0	6.6	6.6	-

SUMMARY HISTORICAL FINANCIAL INFORMATION

AS AT 30 JUNE	AUDITED FEL					AUDITED FREIGHTWAYS
	1999 \$000	2000 \$000	2001 \$000	2002 \$000	2003 \$000	2003 \$000
Total tangible assets	56,417	72,031	74,879	68,884	72,556	81,287
Total assets	159,244	171,945	171,470	161,729	162,167	240,935
Total liabilities	88,879	100,515	71,650	62,898	63,160	140,617
Total equity	70,365	71,430	99,820	98,831	99,007	100,318
Net tangible assets ('NTA')	(32,462)	(28,484)	3,229	5,986	9,396	(59,330)
Number of ordinary Shares issued (000s)	N/A	N/A	N/A	N/A	N/A	37,045
NTA backing per Share (cents)	N/A	N/A	N/A	N/A	N/A	(1.60)
Adjusted NTA	N/A	N/A	N/A	N/A	N/A	Note 11
Adjusted and diluted NTA	N/A	N/A	N/A	N/A	N/A	Note 11

Notes:

- Amounts presented for Freightways are for the period from 13 December 2002, being the date Freightways acquired FEL, to 30 June 2003.
- Amounts presented include the following transactions with the Freightways Group's parent companies:
 - management fees paid of:

	FEL FOR THE YEAR ENDED 30 JUNE					FREIGHTWAYS FOR THE PERIOD ENDED 30 JUNE 2003
	1999 \$000	2000 \$000	2001 \$000	2002 \$000	2003 \$000	\$000
	1,142	1,563	1,206	1,166	458	130

- advances made, in advance of dividend payments, by FEL to its various parent companies during the relevant periods. The balance owed to FEL was as follows:

AS AT 30 JUNE	1999 \$000	2000 \$000	2001 \$000	2002 \$000	2003 \$000
	10,961	11,017	10,224	3,647	2,323*

* This balance is an advance to Freightways which eliminates on consolidation and therefore is not included in the Freightways Group figures above.

SUMMARY HISTORICAL FINANCIAL INFORMATION

Notes (continued):

3. During the year ended 30 June 1999 FEL acquired land and constructed buildings with a cost of \$6.3 million.
4. During the year ended 30 June 2000 FEL acquired all the outstanding shares of Fieldair Holdings Limited for consideration of \$9 million which was financed primarily by an increase in bank borrowings of \$10 million.
5. In May 2001 FEL issued 30 million Preference Shares for net proceeds of \$28.6 million. Bank borrowings of \$32 million were repaid out of the proceeds from the issuance of the Preference Shares and cash flows from operations.
6. The annual dividend rate (inclusive of imputation credits, if any) applicable to issued Preference Shares until 31 October 2000 was 11.25%. The annual dividend rate was reset on 1 November 2000 to 11.08%, and annually thereafter to 9.25% in 2001 and to 10.16% in 2002.
7. In June 2003 FEL purchased and commissioned a fifth Convair 580 aircraft at a cost of \$2.4 million.
8. In December 2002 Freightways acquired FEL for consideration of \$121 million. The acquisition was accounted for as a purchase transaction and resulted in Freightways recognising goodwill of \$31.8 million and recording the acquired fixed assets at their fair values, resulting in a fair value adjustment of \$10.7 million increase in asset values. Refer to Note 21 of the 'Detailed Historical Financial Information' section.
9. Included in the revenue of Freightways for the period ended 30 June 2003 is a realised foreign exchange gain of \$1,255,000 arising from the repayment of the initial acquisition borrowings that were denominated in Australian dollars. All borrowings are now New Zealand dollar denominated.
10. The minority interest figure for Freightways for the period ended 30 June 2003 represents dividend payments to Preference Shareholders of FEL.
11. In accordance with clause 8(5) of the First Schedule to the Regulations, as amended by the Securities Act (Freightways Limited) Exemption Notice 2003, set out below are the adjusted and adjusted and diluted net tangible asset backing per Share as at 30 June 2003 calculated assuming that:
 - a) all the new Shares (\$17.5 million) had been allotted under the Exchange Offer and by calculating the maximum number of Shares to be issued based on an assumed Final Price of \$1.55, \$1.73 and \$1.90. The Board reserves the right to set the Final Price outside the Indicative Price Range;
 - b) the three for one share split (described on page 93 of this Offer Document) had occurred, offer related costs of \$500,000 were incurred and reduced equity, and no subscriptions were received before that date (as all new Shares will be issued under the Exchange Offer); and
 - c) the adjusted and diluted NTA backing per Share assumes in addition to a) and b) above, the unpaid Shares as described in the 'Incentive Plans' section of this Offer Document had been allotted and proceeds received before that date.

ASSUMED FINAL PRICE	ADJUSTED NTA BACKING PER SHARE*	ADJUSTED AND DILUTED NTA BACKING PER SHARE*
\$1.55	\$(0.49)	\$(0.44)
\$1.73	\$(0.49)	\$(0.44)
\$1.90	\$(0.50)	\$(0.44)

* The figures in parentheses are negative due to an excess of liabilities over tangible assets.

DETAILED HISTORICAL FINANCIAL INFORMATION

The detailed historical financial information on the following pages has been derived from the audited financial statements for the Freightways Group for the period ended 30 June 2003.

Freightways was incorporated on 4 December 2002 and on 13 December 2002 acquired all the ordinary shares of FEL. Freightways did not trade in the period presented in the financial statements, but provides the Freightways Group with finance facilities and performs a holding company function.

The consolidated financial statements include the trading of the FEL group of companies for the period from 13 December 2002 to 30 June 2003. (The Annual Report of FEL for the year ended 30 June 2003 can be found on the Freightways Internet website www.freightways.co.nz in the Investor Relations section.)

STATEMENTS OF FINANCIAL PERFORMANCE

FOR THE PERIOD ENDED 30 JUNE 2003

	NOTE	GROUP 2003 \$000	PARENT 2003 \$000
Operating revenue	1	105,739	9,213
Net surplus before income tax	2	9,694	3,898
Income tax	3	(4,205)	936
Net surplus after income tax		5,489	4,834
Net surplus attributable to minority interest		(2,216)	-
Net surplus after income tax attributable to parent shareholders		3,273	4,834

STATEMENTS OF MOVEMENTS IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 2003

	NOTE	GROUP 2003 \$000	PARENT 2003 \$000
Equity at beginning of period		-	-
Net surplus for the period, comprising:			
- Parent shareholders' interest		3,273	4,834
- Minority interest		2,216	-
Total recognised revenues and expenses		5,489	4,834
Minority interest arising upon acquisition		60,000	-
Dividends to parent shareholders	4	-	-
Distributions to minority interest		(2,216)	-
Proceeds on issue of ordinary Shares	15	38,035	38,035
Buy-back of ordinary Shares	15	(990)	(990)
Movement in equity for the period		100,318	41,879
Equity at end of period, comprising:			
- Parent shareholders' interest		40,318	41,879
- Minority interest		60,000	-
		100,318	41,879

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2003

	NOTE	GROUP 2003 \$000	PARENT 2003 \$000
Current assets			
Cash and bank balances	21	8,544	-
Accounts receivable	5	26,015	647
Inventories	6	2,467	-
Total current assets		37,026	647
Non-current assets			
Investments in subsidiaries	7	-	121,013
Accounts receivable	5	-	30,372
Fixed assets	8	43,729	-
Intangible assets	9	159,648	-
Deferred tax asset	10	532	-
Total non-current assets		203,909	151,385
Total assets		240,935	152,032
Current liabilities			
Payables and accruals	11	20,219	1,875
Borrowings	12	-	2,323
Provisions	13	378	-
Unearned income	14	14,065	-
Total current liabilities		34,662	4,198
Non-current liabilities			
Borrowings	12	105,955	105,955
Total non-current liabilities		105,955	105,955
Total liabilities		140,617	110,153
Net assets		100,318	41,879
Equity			
Share capital	15	37,045	37,045
Retained earnings	20	3,273	4,834
Parent shareholders' equity		40,318	41,879
Minority interests		60,000	-
Total equity		100,318	41,879

STATEMENTS OF CASH FLOWS

FOR THE PERIOD ENDED 30 JUNE 2003

	NOTE	GROUP 2003 \$000 INFLOWS (OUTFLOWS)	PARENT 2003 \$000 INFLOWS (OUTFLOWS)
Cash flows from operating activities			
Receipts from customers		108,149	-
Payments to suppliers and employees		(87,753)	-
Interest received		224	-
Interest and other costs of finance paid		(3,855)	-
Income taxes paid		(6,628)	-
Net cash inflows from operating activities	21	10,137	-
Cash flows from investing activities			
Payments for fixed assets		(4,203)	-
Proceeds from sales of fixed assets		12	-
Proceeds from sale of business		500	-
Net cash outflows from investing activities		(3,691)	-
Cash flows from financing activities			
Buy-back of issued Shares	15	(990)	(990)
Proceeds from Share issue	15	990	990
Distributions to minority interest		(2,046)	-
Repayment of bank borrowings		(2,717)	-
Net cash outflows from financing activities		(4,763)	-
Net increase in cash held		1,683	-
Cash at beginning of period		-	-
Cash acquired through acquisition of subsidiary	21	6,861	-
Cash at end of period	21	8,544	-

STATEMENT OF ACCOUNTING POLICIES

FOR THE PERIOD ENDED 30 JUNE 2003

REPORTING ENTITY

The financial statements for the 'Parent' are for Freightways Limited (formerly Freightways Holdings Limited) as a separate legal entity from the date of its incorporation on 4 December 2002. The consolidated financial statements for the 'Group' are for the economic entity comprising Freightways Limited, and its subsidiaries from 13 December 2002, being the date the Company acquired 100% of the ordinary shares of Freightways Express Limited ('FEL').

STATUTORY BASE

Freightways Limited is a company registered under the Companies Act 1993. The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

MEASUREMENT BASE

The financial statements have been prepared using the accounting principles recognised as appropriate for the measurement and reporting of financial performance and the financial position on an historical cost basis.

ACCOUNTING POLICIES

The financial statements are prepared in accordance with New Zealand generally accepted accounting practice. The following accounting policies that materially affect the measurement of financial performance, financial position and cash flows have been applied:

a) Basis of consolidation

The consolidated financial statements include the Parent, and its subsidiaries accounted for using the purchase method. All material transactions between subsidiaries or between the Parent and subsidiaries are eliminated on consolidation. The results of subsidiaries acquired or disposed of during the period are included in the consolidated Statement of Financial Performance 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.

b) Revenue

- **Goods and services** – Revenue comprises the amounts received and receivable for goods and services supplied to customers in the ordinary course of business. Income received and invoiced in advance, for express package and document exchange services is recognised in the Statement of Financial Performance only when earned. Accordingly, unearned income received and invoiced is shown in the Statement of Financial Position liabilities as 'Unearned income'. This income is brought to account in the period in which the service is provided.
- **Investment income** – Dividend income is recognised in the period the dividend is declared. Interest and rental income is accounted for as earned.

STATEMENT OF ACCOUNTING POLICIES

FOR THE PERIOD ENDED 30 JUNE 2003

c) Income tax

The income tax expense charged to the Statement of Financial Performance is based on the accounting surplus, adjusted for permanent differences between accounting and tax rules. The impact of all timing differences between accounting and taxable income is recognised as a deferred tax liability or asset. This is the comprehensive basis for the calculation of deferred tax under the liability method. A deferred tax asset, or the effect of losses carried forward that exceed the deferred tax liability, is recognised in the financial statements only where there is virtual certainty that the benefit of the timing differences, or losses, will be utilised.

d) Foreign currencies

Transactions denominated in foreign currency are converted to New Zealand dollars at the exchange rate in effect at the date of the transaction. Monetary assets and liabilities arising from trading transactions are translated at closing rates. Gains and losses due to fluctuations on these items are included in the Statement of Financial Performance.

e) Equity

Preference Shares are accounted for as share capital by FEL and as minority interest by the Group on the basis that the shares have no fixed term to maturity, are redeemable at the option of FEL only and the non-payment of dividends would not constitute a default by FEL. Entitlement to dividends is cumulative and any dividends not paid will be compounded from the date for payment of the dividend.

f) Fixed assets

The cost of fixed assets is the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service. The cost of self-constructed assets includes the cost of materials used in construction, direct labour on the project, finance costs that are directly attributable to the project and an appropriate proportion of variable and fixed overheads. Costs cease to be capitalised as soon as the asset is ready for productive use. 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. The Group does not have a policy to regularly revalue assets.

g) Depreciation

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. 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 improvements	- period of the lease or estimated useful life
Motor vehicles	- 5 to 10 years
Equipment, including aircraft components	- 3 to 10 years

STATEMENT OF ACCOUNTING POLICIES

FOR THE PERIOD ENDED 30 JUNE 2003

h) Brand names

Certain brand names considered to be identifiable assets with a realisable value have been included in the Statement of Financial Position. No amortisation of these brand names is provided for in these financial statements, as the Directors believe the useful lives of the brand names are of such duration that any amortisation would be immaterial. Brand names are carried at an amount considered to represent fair value, as determined at the time of the Company's acquisition of FEL in December 2002. Periodic independent valuations are carried out in order to determine that the value of each brand name has been maintained.

i) Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of net tangible and identifiable intangible assets acquired at the time of acquisition of a business or an equity interest in a controlled entity. Goodwill is amortised against operating income on a systematic basis over a period of time, not exceeding 20 years, during which benefits are expected to arise.

j) Receivables

Receivables are stated at their estimated realisable value.

k) Inventories

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

l) Impairment of assets

Annually, the Directors assess the carrying value of each asset. Where the estimated recoverable amount of the asset is less than its carrying amount, the asset is written down. The impairment loss is recognised in the Statement of Financial Performance.

m) Leases

The Group has operating leases for certain plant and equipment, land and buildings and motor vehicles used in the business. Lease payments in respect of operating leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items, are included in the determination of the operating surplus in equal instalments over the lease term.

n) Investments

Investments in subsidiaries and associates are stated at cost in the Statement of Financial Position of the Parent. Other investments are stated at the lower of cost and net realisable value.

o) Provisions

Provisions are made in respect of actual or specific risks and commitments existing at balance sheet date, of which the amount is uncertain but can be estimated using a reliable method.

p) Borrowing costs

Costs incurred in establishing finance facilities are amortised to the Statement of Financial Performance over the term of the respective facilities.

STATEMENT OF ACCOUNTING POLICIES

FOR THE PERIOD ENDED 30 JUNE 2003

q) Derivative financial instruments

Derivative financial instruments, such as interest rate floors, cap and collar contracts and fixed rate agreements are entered into from time to time to manage interest rate exposures on borrowings. Payments and receipts under these interest arrangements are recognised in the Statement of Financial Performance upon fluctuations in the interest payments on floating rate financial liabilities and the contract period of the instrument.

Financial instruments carried on the Statement of Financial Position include cash and bank balances, receivables, investments, related company loans, trade creditors and borrowings. The recognition methods associated with these items are set out within the Statement of Accounting Policies.

r) Cash flows

For the purpose of the Statement of Cash Flows, cash includes cash on hand, deposits held at call with banks and investments in money market instruments, net of bank overdrafts.

s) Goods and Services Tax ('GST')

The Statement of Financial Performance and Statement of Cash Flows have been prepared so that all components are stated exclusive of GST. All items in the Statement of Financial Position are stated net of GST, with the exception of trade receivables and payables, which include GST invoiced.

t) Rounding

All figures in these financial statements are rounded to the nearest thousand dollars, as denoted by (\$000), unless otherwise indicated.

u) Comparative figures

As the Company was incorporated in December 2002 and acquired FEL in the same month, there are no comparative figures.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2003

	GROUP 2003 \$000	PARENT 2003 \$000
NOTE 1. OPERATING REVENUE		
Sales revenue	104,260	-
Other revenue		
Dividends received from subsidiaries	-	7,000
Interest received:		
- banks	224	-
- related companies	-	958
Realised foreign exchange gain	1,255	1,255
	105,739	9,213
NOTE 2. NET SURPLUS BEFORE INCOME TAX		
Net surplus before income tax has been determined after charging as expenses:		
Amortisation of goodwill	2,616	-
Auditors' remuneration:		
- for audit services	70	-
- for other assurance services	38	6
Bad debts written off	(7)	-
Depreciation of:		
- buildings	407	-
- leasehold alterations	118	-
- motor vehicles	23	-
- equipment	2,647	-
Total depreciation	3,195	-
Transfers to (from) provision for:		
- doubtful debts	30	-
Interest and borrowing costs paid		
- banks	5,181	4,846
- related companies	-	202
Management fees paid to related companies	130	-
Directors' fees	-	-
Donations	2	-
Loss on sale of fixed assets	7	-
Operating lease expenses	3,417	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2003

	GROUP 2003 \$000	PARENT 2003 \$000
NOTE 3. INCOME TAX		
Net surplus before income tax	9,694	3,898
Prima facie income tax at 33%	3,199	1,286
Tax effect of permanent differences:		
- Amortisation of goodwill	863	-
- Dividends	-	(2,310)
- Other	143	88
Income tax expense (benefit)	4,205	(936)
The taxation charge is represented by:		
- Current	4,101	(936)
- Deferred	104	-
	4,205	(936)

There are no income tax losses or unrecognised timing differences carried forward. The Company sold the benefit of tax losses totalling \$936,000 to a subsidiary company.

	PARENT 2003 \$000
Imputation credit account	
Balance at beginning of period	-
Imputation credits attached to dividends received during the period	3,448
Imputation credits attaching to taxable bonus issue received during the period	1,589
Imputation credits attached to taxable bonus issue made during the period	(4,724)
Imputation credits attaching to share buy-back made during the period	(313)
Imputation credits arising from income tax payments made during the period	-
Balance at end of period	-
At balance date the imputation credits available to the shareholders were:	
- Through direct shareholding in the parent company	-
- Through indirect interests in subsidiaries	3
	3

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2003

NOTE 4. DIVIDENDS

A taxable bonus issue was made by the issue of a single share with imputation credits attached. Refer Notes 3 and 15.

	GROUP 2003 \$000	PARENT 2003 \$000
NOTE 5. ACCOUNTS RECEIVABLE		
Current:		
Trade debtors	23,305	-
Provision for doubtful debts	(450)	-
	22,855	-
Other debtors and prepaid expenses	3,160	647
	26,015	647
Non-current:		
Loan to subsidiary	-	30,372
NOTE 6. INVENTORIES		
Finished goods	1,234	-
Ticket stocks, uniforms and consumables	1,233	-
	2,467	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2003

NOTE 7. INVESTMENTS IN SUBSIDIARIES

The Parent's investment in its only directly-owned subsidiary, 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
Air Freight NZ Limited*	Express package linehaul
Fieldair Engineering Limited*	General & aviation engineering services
Fieldair Holdings Limited*	Parent company of above two subsidiaries
Castle Parcels Limited	Express package services
Freightways Information Services Limited	IT infrastructure support services
Freightways Properties Limited	Property management
Messenger Services Limited	Express package services
New Zealand Couriers Limited	Express package services
New Zealand Document Exchange Limited	Business mail
Parceline Express Limited	Express package linehaul
Post Haste Limited	Express package services
Online Security Services Limited**	Information management

* 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.

** Online Security Services Limited was formerly named Stocklink Distribution Limited, having changed its name following the sale of the Stocklink warehousing and logistics business on 28 February 2003. There was no significant impact on the financial position or performance of the Group from the sale of this business.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2003

	GROUP 2003 \$000	BOOK VALUE
AT COST	ACCUMULATED DEPRECIATION	
NOTE 8. FIXED ASSETS		
The Company has no fixed assets. The amounts below are for the Group.		
Land	8,275	8,275
Buildings	18,400	17,993
Leasehold alterations	600	482
Motor vehicles	131	108
Equipment	19,518	16,871
Total fixed assets	46,924	43,729

The Directors consider the value of freehold land and buildings to be \$26,325,000 based on independent valuations performed in July 2003.

	GROUP 2003 \$000	PARENT 2003 \$000
NOTE 9. INTANGIBLE ASSETS		
Goodwill on consolidation	76,264	-
Accumulated amortisation	(2,616)	-
	73,648	-
Brand names at cost	86,000	-
	159,648	-

The value of brand names has been reviewed as described in Statement of Accounting Policies Note (h). An independent valuation of these brand names was conducted by Deloitte Touche Tohmatsu ('DTT') in August 2002. This independent report valued the brand names between \$73.3 million and \$83.2 million. Further assessment by DTT as at December 2002 indicated a value range between \$80.2 million and \$91.1 million. The Directors are of the opinion that there has been no permanent diminution in the value of brand names as disclosed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2003

	GROUP 2003 \$000	PARENT 2003 \$000
NOTE 10. DEFERRED TAX ASSET		
Balance at beginning of period	-	-
Balance acquired on acquisition	636	-
Transfer to statement of financial performance (Note 3)	(104)	-
Balance at end of period	532	-

NOTE 11. PAYABLES AND ACCRUALS

Trade creditors	10,712	-
Employee entitlements	1,625	-
Other creditors and accruals	7,379	1,875
Distribution to minority interests payable	680	-
Income tax	(177)	-
	20,219	1,875

NOTE 12. BORROWINGS

Current:

Loans from subsidiaries	-	2,323
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Non-current:

Bank borrowings	105,955	105,955
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Security for borrowings

The loan from a subsidiary is unsecured.

The bank borrowings are currently secured by a charge over the Company's shares in FEL. Following the redemption of the Preference Shares on 31 October 2003, a charge will be taken over the assets of the Company's subsidiaries in favour of its primary lenders.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2003

	GROUP 2003 \$000	PARENT 2003 \$000
Finance facilities		
The following finance facilities existed as at balance date:		
Credit standby arrangements with BNZ:		
- total bank overdraft facility available	2,000	-
- amount of credit unused	2,000	-
Loan facilities provided by ANZ:		
- total loan facilities available	105,955	105,955
- amount of facilities used	105,955	105,955
- amount of facilities unused	-	-
Loans drawn are repayable as follows:		
- cash advance facilities (1-2 years)	105,955	105,955
- cash advance facilities (2-5 years)	-	-
Interest rates	7.1 – 8.1%	7.1 – 8.1%

On 3 July 2003, bank borrowings from ANZ Banking Group (NZ) Limited ('ANZ') were repaid in full utilising new banking facilities provided by Bank of New Zealand ('BNZ') and AMP Henderson ('AMP'). The new finance facilities summarised below are available, in respect of BNZ until 30 June 2006, and in respect of AMP until 31 March 2007:

	GROUP 2003 \$000	PARENT 2003 \$000
Credit standby arrangements with BNZ:		
- total bank overdraft facility available	2,000	-
Loan facilities:		
- total loan facilities available with BNZ	120,000	120,000
- total loan facilities available with AMP	20,000	20,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2003

	GROUP 2003 \$000	PARENT 2003 \$000
NOTE 13. PROVISIONS		
Restructuring provision		
Balance at beginning of period	-	-
Balance acquired on acquisition	270	-
Current period provision	-	-
Restructuring expenses incurred	(270)	-
Balance at end of period	-	-

Provision for restructuring relates to expenses of reorganising the business activities of a subsidiary and consist of an allowance for loss on disposal of fixed assets and future lease costs for unused premises.

Customer claims provision		
Balance at beginning of period	-	-
Balance acquired on acquisition	132	-
Current period provision	18	-
Claims expenses incurred	-	-
Balance at end of period	150	-

Provision for customer claims relates to actual claims received from customers that are being considered for payment as at balance date.

Supplier contracts provision		
Balance at beginning of period	-	-
Balance acquired on acquisition	228	-
Current period provision	-	-
Contract expenses incurred	-	-
Balance at end of period	228	-

Provision for supplier contracts relates to estimated payments to suppliers resulting from contract amendments.

Total provisions	378	-
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2003

	GROUP 2003 \$000	PARENT 2003 \$000
NOTE 14. UNEARNED INCOME		
Income received in advance	14,065	-

NOTE 15. SHARE CAPITAL

Issued and Paid Up Capital:

Ordinary Shares

– 37,045,458 fully paid

– 1,877,392 unpaid

	37,045	37,045
	-	-
	37,045	37,045

Fully paid ordinary Shares

All fully paid ordinary Shares have equal voting rights and share equally in dividends and surplus on winding up.

The Company issued a single \$1 ordinary Share on incorporation on 4 December 2002. On 13 December 2002, a further 37,045,456 \$1 ordinary Shares were issued to ABN AMRO Capital (Belgium) N.V. to assist the funding of the Company's acquisition of FEL on that date.

During the year the Company made a taxable bonus issue to its immediate holding company as a means of utilising available imputation credits. A single \$1 ordinary Share, with the available imputation credits attached, was issued. Refer to Note 3 for movements in imputation credits.

On 13 June 2003 the Company bought back and cancelled 990,000 ordinary Shares from its immediate parent company at \$1 each. Immediately following the buy back, the Company issued 990,000 ordinary Shares at \$1 each for cash to the executive directors and certain employees of FEL and its subsidiaries, including DJ Bracewell who is also a director of the Company.

Unpaid ordinary Shares

Unpaid Shares have no voting or dividend rights and would not participate in any surplus on winding up.

The unpaid Shares were issued to the executive directors and certain employees of FEL and its subsidiaries, including DJ Bracewell who is also a director of the Company. Refer further to Note 19.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2003

	GROUP 2003 \$000	PARENT 2003 \$000
NOTE 16. CAPITAL AND LEASING COMMITMENTS		
The Group leases certain premises and plant & equipment and as a result has the following operating lease commitments:		
- Payable not later than one year	4,333	-
- Payable between one and two years	2,599	-
- Payable between two and five years	3,244	-
- Payable later than five years	1,248	-
	11,424	-

The Group had no capital commitments at 30 June 2003.

The Company had no capital commitments at 30 June 2003.

NOTE 17. CONTINGENT LIABILITIES

Litigation:

Certain claims have been lodged against the Group in respect of which liability is denied. Estimated maximum contingent liability:

	189	-

Warranties:

As part of the sale of the Stocklink business, a subsidiary, FEL, has given normal commercial vendor warranties to the purchaser for twelve months from the date of sale, 28 February 2003, capped at approximately \$1.2 million. To date no claim has been received and none is expected in relation to these warranties.

Guarantees:

The Group had previously provided two limited guarantees totalling A\$40 million in favour of ANZ Banking Group Limited, the principal lender to a related company, AUSDOC Holdings Pty Ltd (formerly named ABN AMRO Capital Australia Pty Ltd). These guarantees were released on 3 July 2003.

NOTE 18. STATEMENT OF OPERATIONS BY SEGMENTS

Group companies operate predominantly in the express package industry segment and solely in New Zealand.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2003

NOTE 19. TRANSACTIONS WITH RELATED PARTIES

The parent company of Freightways is ABN AMRO Capital (Belgium) N.V. The ultimate parent company is ABN AMRO Holding N.V. Freightways was incorporated during December 2002 and acquired all the ordinary shares in FEL. FEL's parent company prior to 13 December 2002 was the Australian company AUSDOC International Pty Ltd, a wholly-owned subsidiary of AUSDOC Holdings Pty Ltd ('AHPL', formerly ABN AMRO Capital Australia Pty Ltd). On 12 September 2002 AHPL acquired ownership of the Australian listed AUSDOC Group Limited ('AUSDOC'), which had previously been FEL's ultimate parent company.

During the period FEL advanced loans of \$2.3 million to the Company. Interest paid to FEL of \$202,000 on outstanding advances during the period was calculated at commercial rates. The outstanding balance is set out in Note 12.

As part of AHPL's restructuring of FEL's finances following the takeover of AUSDOC, AHPL advanced FEL a loan of \$30,372,000 to repay the outstanding bank borrowings on 7 October 2002. This loan was assigned to the Company during the period and is now owed by FEL to the Company. FEL paid interest to the Company of \$958,000 on this loan for the period ended 30 June 2003. The outstanding balance is set out in Note 5.

FEL paid management fees of \$130,000 to AHPL for the period ended 30 June 2003.

At balance date, 1,877,392 unpaid Shares (representing 4.8% of all issued ordinary Shares) were on issue to the FEL executive directors, including DJ Bracewell who is also a director of the Company, and selected employees of FEL's subsidiaries. The respective shareholders have the ability to fully pay up one third of their Shares on 13 December in each of the years 2003, 2004 and 2005 to an agreed issue price of \$1 per Share (before the 3 for 1 share split described on page 93 of this Offer Document), being the fair market value of the Shares at the time the unpaid Shares were issued. Once fully paid up, the Shares will rank equally with the existing ordinary Shares as to voting and dividend rights. If a shareholder leaves the employment of the Freightways Group while their Shares remain unpaid, the Company can redeem those unpaid Shares and purchase any fully paid Shares at fair market value. There is no impact on the Statement of Financial Performance as a result of these share transactions.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2003

	GROUP 2003 \$000	PARENT 2003 \$000
NOTE 20. RETAINED EARNINGS		
Balance at beginning of period	-	-
Net surplus for the period	5,489	4,834
Dividends to parent shareholders (Note 4)	-	-
Distribution to minority interest	(2,216)	-
Balance at end of period	3,273	4,834

NOTE 21. CASH FLOW INFORMATION

Reconciliation of cash

Cash at the end of the period as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

- Cash at bank	1,044	-
- Overnight deposit	7,500	-
	8,544	-

Reconciliation of net surplus after income tax to net cash provided by operating activities

Net surplus after income tax	5,489	4,834
Depreciation	3,195	-
Amortisation of goodwill	2,616	-
Movement in employee entitlements	15	-
Movement in provision for doubtful debts	30	-
Movement in deferred income tax	(104)	-
Net foreign exchange gain	(1,255)	(1,255)
Net loss on sales and write off of fixed assets	7	-
Transactions settled through loans from subsidiary	-	(4,807)

Movement in working capital, net of effects of acquisition (disposal) of businesses and subsidiaries:

(Increase) decrease in receivables	2,122	(647)
(Increase) decrease in inventories	(466)	-
Increase (decrease) in trade and other creditors	(2,962)	1,875
Increase (decrease) in income taxes payable	1,450	-
Net cash provided by operating activities	10,137	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2003

Non-cash Investing Activities – Acquisition of Subsidiary Company

On 13 December 2002 the Company acquired all the ordinary shares in FEL.

Details of the acquisition are as follows:

	SUBSIDIARY ACQUIRED \$000
Fair value of assets & liabilities acquired:	
Cash	6,861
Receivables	34,281
Inventories	2,933
Fixed assets	43,254
Goodwill	76,264
Brand names	86,000
Other assets	555
Payables and accruals	(24,463)
Unearned income	(13,601)
Borrowings	(30,372)
Other liabilities	(699)
Minority interests	(60,000)
	121,013
Consideration:	
Cash consideration settled by related companies using:	
- proceeds from Shares issued to parent company	37,045
- loans provided by related companies	83,968
	121,013

Non-cash Financing Activities – Loans from Subsidiary

During the year the Company's subsidiary, FEL, settled a number of transactions on behalf of the Company, resulting in a loan outstanding to FEL. \$2,717,000 of the Company's bank borrowings were repaid to ANZ by FEL on behalf of the Company and included in the loan to subsidiary balance. The outstanding balance as at balance date is set out in Note 12.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2003

NOTE 22. SIGNIFICANT EVENTS AFTER BALANCE DATE

On 23 July 2003, the Company's subsidiary, FEL, announced its intention to exercise its option to redeem all the Preference Shares on 31 October 2003.

The Company refinanced its bank borrowings on 1 July 2003. Refer Note 12.

On 8 August 2003, as a result of a 3 for 1 share split (described on page 93 of this Offer Document) the Company issued a further 74,090,916 fully paid ordinary Shares for no consideration and 3,754,784 unpaid ordinary Shares. The rights attached to the new Shares issued are as described in Note 15.

Also in August 2003, the Company's name was changed from Freightways Holdings Limited to Freightways Limited.

On 22 August 2003, the Company's parent, ABN AMRO Capital (Belgium) N.V., announced its intention to proceed with an offering of the Company's Shares to the public. If successful, the initial public offering will result in the majority of the Company's Shares being listed on the NZSX and held by the public.

NOTE 23. FINANCIAL INSTRUMENTS

The Company and Group are subject to certain financial risks, which primarily arise as a result of their debt portfolio.

Credit risk

Financial instruments which potentially subject the Group to credit risk principally consist of bank balances, accounts receivable and investments.

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

	GROUP 2003 \$000	PARENT 2003 \$000
Maximum exposures to credit risk as at balance date are:		
Bank balances	1,044	-
Overnight deposits	7,500	-
Receivables	25,166	-
Loan to subsidiary	-	30,372

The above maximum exposures are net of any recognised provision for losses on these financial instruments. No collateral is held on the above amounts.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2003

Concentrations of credit risk

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

Currency risk

The Group has no direct exposure to foreign exchange risk. However, hedging is obtained for any substantial foreign currency denominated commitments, as required. The foreign exchange gain realised during the period, as set out in Note 1, arose from a short-term loan denominated in Australian dollars (A\$) as part of the Group restructuring in December 2002. The A\$ loan was repaid upon establishing the initial New Zealand dollar banking facilities in March 2003. This was a non-recurring event associated the acquisition of FEL.

Interest rate risk

Borrowings of the Company and Group are at the market interest rate current at the time of drawdown.

- **Subsidiaries** – A subsidiary, FEL, has entered into a fixed rate agreement with the following terms:

Date of Commencement	Term of Agreement	Fixed Rate Per Annum	Principal (\$000)
31 October 2000	3 years	7.94%	20,000

The fair value of the above instrument as at 30 June 2003 was \$146,225, being the cost of final settlement.

Interest on the loan to subsidiary set out in Note 5. is at the market interest rate current at the time of drawdown plus a commercial margin, consistent with previous banking arrangements that the subsidiary had with BNZ. As part of the restructuring of the finance facilities by the Company, the subsidiary has attributed the interest hedge to this loan from the Company. At the expiry of this fixed rate agreement the Company will continue to charge FEL an interest rate commensurate with the Company's cost of borrowings. The interest rate charged on this basis by the Company will be reviewed at least quarterly.

- **Parent** – As stated in Note 12, new borrowing facilities were put in place from 3 July 2003. Interest rates are based on the New Zealand 90-day bank bill rate at the time of drawdown plus a commercial margin.
- **Assets** – The interest rate on short-term deposits is the market rate for funds on 24-hour call current at the time of deposit.

Credit facilities

The Group has total bank overdraft facilities of \$2,000,000. Of this, no amount was used by the Group as at balance date.

Fair values

The fair value of each class of financial instrument is the carrying value as stated in the financial statements, with the exception of the fixed rate agreement described above.

AUDITORS' REPORT

PricewaterhouseCoopers Tower
188 Quay Street
Private Bag 92162
Auckland
New Zealand
DX CP24073
Telephone +64 9 355 8000
Facsimile +64 9 355 8001

The Directors

Freightways Limited
DX Box CX10120
AUCKLAND

28 August 2003

Auditors' report for inclusion in the prospectus

Dear Directors

As auditors of Freightways Limited ('the Company') we have prepared this report pursuant to clause 42 of the First Schedule of the Securities Regulations 1983 for inclusion in a prospectus to be dated 28 August 2003.

Directors' responsibilities

The Company's Directors are responsible for the preparation and presentation of:

- a) the financial statements which give a true and fair view of the state of affairs of Freightways Limited and its subsidiaries ('the Group') as at 30 June 2003 and its financial performance and cash flows for the period ended on that date, as required by clauses 23 to 38 of the First Schedule of the Securities Regulations 1983;
- b) the summary of financial statements of the Group for the period ended 30 June 2003 as required by clauses 8(2) and 8(3) of the First Schedule of the Securities Regulations 1983;
- c) the summary of financial statements pertaining to the acquisition of Freightways Express Limited for the years ended 30 June 1999, 2000, 2001, 2002 and 2003, as required by clause 11(2) of the First Schedule of the Securities Regulations 1983;
- d) the prospective financial information of the Group for the year ending 30 June 2004 and the prospective statement of cash flows of the Group for the six months ending 31 December 2004, including the assumptions on which they are based; and
- e) the financial statements which give a true and fair view of the state of affairs of the Company as at 30 June 2003 and its financial performance and cash flows for the period ended on that date.

Auditors' responsibilities

We are responsible for expressing an independent opinion on:

- a) the financial statements of the Group presented by the Directors and reporting our opinion in accordance with clause 42(1) of the First Schedule of the Securities Regulations 1983; and
- b) the financial statements of the Company presented by the Directors and reporting our opinion to you.

AUDITORS' REPORT

We are also responsible for reporting, in accordance with clauses 42(1)(g) and 42(2) of the First Schedule of the Securities Regulations 1983, on the following matters which have been prepared and presented by the Directors:

- a) the amounts included in the summary of financial statements of the Group for the period ended 30 June 2003;
- b) the amounts included in the summary of financial statements pertaining to the acquisition of Freightways Express Limited for the years ended 30 June 1999, 2000, 2001, 2002 and 2003; and
- c) the prospective financial information of the Group for the year ending 30 June 2004 and prospective statement of cash flows for the six months ending 31 December 2004.

We have no relationship with or interests in the Company or any of its subsidiaries other than in our capacities as auditors and providers of other assurance services.

Basis of opinion on the financial statements

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

- a) the significant estimates and judgements made by the Directors in the preparation of the financial statements; and
- b) whether the accounting policies used and described on pages 69 to 72 are appropriate to the circumstances of the Group and Company, consistently applied and adequately disclosed.

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

Basis of opinion on the summary of financial statements

We have undertaken procedures to provide reasonable assurance that the amounts set out in the summary of financial statements of the Group on pages 62 to 64, pursuant to clauses 8(2) and 8(3) of the First Schedule of the Securities Regulations 1983, have been correctly taken from the audited financial statements of the Group for the period ended 30 June 2003.

Basis of opinion on the summary of financial statements pertaining to the acquisition of Freightways Express Limited

We have undertaken procedures to provide reasonable assurance that the amounts set out in the summary of financial statements pertaining to the acquisition of Freightways Express Limited on pages 62 to 64, pursuant to clause 11(2) of the First Schedule of the Securities Regulations 1983, have been correctly taken from the audited financial statements of Freightways Express Limited for the years ended 30 June 1999, 2000, 2001, 2002 and 2003.

Basis of opinion on the prospective financial information and the prospective statement of cash flows

To meet our reporting responsibilities we have examined the prospective financial information for the year ending 30 June 2004 and the prospective statement of cash flows for the six months ending 31 December 2004 to confirm that, so far as the accounting policies and calculations are concerned, the prospective financial information and the prospective statement of cash flows have been properly compiled on the footing of the assumptions made or adopted by the Directors as set out on pages 54 to 61 of this prospectus and are presented on a basis consistent with the accounting policies normally adopted by the Group.

AUDITORS' REPORT

Unqualified opinion on the financial statements, the summary of financial statements and the summary of financial statements pertaining to the acquisition of Freightways Express Limited

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

In our opinion:


- a) proper accounting records have been kept by the Group as far as appears from our examination of those records;
- b) the financial statements of the Group, on pages 66 to 87 of this prospectus, as required by clauses 23 to 38 of the First Schedule of the Securities Regulations 1983, and that are required to be audited, have been drawn up to:
 - i) comply with the Regulations;
 - ii) subject to those Regulations, comply with generally accepted accounting practice in New Zealand; and
 - iii) give a true and fair view of the state of affairs of the Group as at 30 June 2003 and its financial performance and cash flows for the period ended on that date;
- c) the financial statements of the Company, on pages 66 to 87 of this prospectus give a true and fair view of the state of affairs of the Company as at 30 June 2003 and its financial performance and cash flows for the period ended on that date; and
- d) the amounts or details set out in:
 - i) the summary of financial statements, on pages 62 to 64 of this prospectus, as required by clauses 8(2) and 8(3) of the First Schedule of the Securities Regulations 1983, have been correctly taken from the audited financial statements of the Group from which they were extracted; and
 - ii) the summary of financial statements pertaining to the acquisition of Freightways Express Limited, on pages 62 to 64 of this prospectus, as required by clause 11(2) of the First Schedule of the Securities Regulations 1983, have been correctly taken from the audited financial statements of Freightways Express Limited from which they were extracted.

Unqualified opinion on the prospective financial information and prospective statement of cash flows

In our opinion, the prospective financial information for the year ending 30 June 2004 and the prospective statement of cash flows for the six months ending 31 December 2004, so far as the accounting policies and calculations are concerned, have been properly compiled on the footing of the assumptions made or adopted by the Directors of the Company as set out on pages 54 to 61 of this prospectus and are presented on a basis consistent with the accounting policies normally adopted by the Group.

Actual results are likely to be different from the prospective financial information since anticipated events frequently do not occur as expected and the variation could be material. Accordingly, we express no opinion as to whether the prospective financial information will be achieved.

Yours faithfully



Chartered Accountants
Auckland

TRANSFER RESTRICTIONS

The Foundation Shareholders, Affiliate Shareholders, the Directors, and certain employees of Freightways are, as at the date of this Offer Document, subject to certain restrictions upon their ability to freely transfer Shares. A description of the restrictions affecting Shareholders in each of these categories is set out in this section of the Offer Document.

Shares issued or transferred to investors as part of the Offer will not be subject to any transfer restrictions.

Foundation Shareholders

The Foundation Shareholders have entered into an agreement with the Joint Lead Managers affecting 23,487,620 Shares which the Foundation Shareholders propose to retain at the close of the Offer, on the assumption that the Offer is fully subscribed. The terms of that agreement provide that the Foundation Shareholders may not, except as described at the end of this sub-section:

- dispose of, or agree or offer to dispose of, any of the affected Shares;
- create, or agree or offer to create, any security interest in any of the affected Shares; or
- do, or omit to do, any act if the act or omission would have the effect of transferring effective ownership or control of any of the affected Shares.

The restrictions described above apply during the period ending on the earlier of:

- the date which is 12 months after the date on which the Shares are quoted on the NZSX; and
- the date upon which any other person, or persons acting jointly or in concert, together in each case with their associates, hold or control 15% or more of the voting rights in the Company.

The restrictions described above do not apply:

- a) to any proposed disposal, creation of a security interest in, or act or omission which transfers effective ownership or control:
 - in relation to any Shares sold by the Seller as part of the Offer;
 - where the prior written consent of the Joint Lead Managers is obtained;
 - if the other party to the proposed transaction is a related company of a Foundation Shareholder that first executes a deed agreeing to be similarly bound, in favour of the Joint Lead Managers; or
 - if the proposed transaction is to provide security in favour of a financier who has lent money or provided other financial accommodation to a Foundation Shareholder; or
- b) if the other party to the proposed transaction has given a takeover notice to the Company or has made a takeover offer in respect of some or all of the Shares in accordance with the Takeovers Code and the Foundation Shareholders have accepted that takeover offer.

Affiliate Shareholders

Before the date of this Offer Document, Affiliate Shareholders had been transferred, or had subscribed for and been issued with Shares and, at about the same time, each entered into a separate deed with the Seller which provides, among other things, that the relevant Affiliate Shareholder may not (and may not offer, agree or attempt to), except as described at the end of this sub-section:

- sell, transfer or assign any of the affected Shares to any other person;
- create any equitable interest in any of the affected Shares in favour of any other person without the prior written consent of the Seller (which may be given or withheld in the Seller's absolute discretion); or

TRANSFER RESTRICTIONS

- carry out or engage in any conduct, or omit to carry out or engage in any conduct, which has the effect of transferring effective ownership or control of any of the affected Shares to any other person.

The restrictions described above apply during the period ending on the earlier of:

- the date which is 12 months after the date on which the Shares are quoted on the NZSX;
- the date on which the Seller and the relevant Affiliate Shareholder enter into a shareholders' agreement in the event that the Shares are not quoted on the NZSX before 31 December 2003; and
- the date on which the Seller, its nominee, or another person (who is not a related company of the Seller, ABNED, a person acquiring Shares from the Seller as part of the Offer, or a full time Freightways employee) becomes the holder of all affected Shares as a result of a transfer of all such Shares under certain drag-along, tag-along, buy-back or put-back provisions set out in the relevant deed. In relation to Affiliate Shareholders who are not management, these circumstances also include where all affected Shares are acquired as a result of a transfer under certain change of control and stand-still provisions set out in the relevant deed.

The restrictions described above do not apply to transfers under the drag-along, tag-along, buy-back or put-back provisions referred to in the preceding sub-paragraph.

Notwithstanding the restrictions described above, those Affiliate Shareholders who are also management of Freightways, may at any time sell up to 25% of their holding of affected Shares on the NZSX provided the Shares are quoted on the NZSX on or before 31 December 2003.

Participants in the Employee Share Ownership Plan

Before the date of this Offer Document, Entitled Employees had subscribed for and been issued with, in aggregate, 5,632,176 unpaid Shares under the Employee Share Ownership Plan described on pages 46 to 48. Until unpaid Shares issued under the Employee Share Ownership Plan have been paid up in full, they are not transferable without the written consent of the Company which may be given or withheld in the absolute discretion of the Company.

Participants in the Directors Share Ownership Plan

Before the date of this Offer Document, Entitled Directors had subscribed for and been issued with, in aggregate, 695,661 unpaid Shares under the Directors Share Ownership Plan described on pages 44 and 45. Until unpaid Shares issued under the Directors Share Ownership Plan have been paid up in full, they are not transferable without the written consent of the Company which may be given or withheld in the absolute discretion of the Company.

No Guarantee in respect of Shares

None of the persons described or referred to as Shareholders in this section of the Offering Document, excepting the Seller, guarantees or undertakes any liability in respect of the Shares being offered.

As stated under 'Who is involved in providing it for me?' on page 95 of the 'Answers to Important Questions' section of this Offer Document, the Seller has obligations as an issuer for the purposes of the Act.

INVESTMENT STATEMENT – ANSWERS TO IMPORTANT QUESTIONS

WHAT SORT OF INVESTMENT IS THIS?

Offer

The Seller and the Company are offering 88,790,323 to 86,710,526 Shares (based on the Indicative Price Range of \$1.55 to \$1.90 per Share).

The Seller is offering to sell 77,500,000 existing Shares. The Company is offering \$17.5 million of new Shares (being 11,290,323 to 9,210,526 Shares based on the Indicative Price Range). The offering by the Company includes the Exchange Offer whereby existing Preference Shareholders may acquire Shares in the Company in exchange for some or all of their Preference Shares.

The terms of the new Shares will be identical to the terms of the existing Shares on issue, and the new Shares will rank equally in all respects with the existing Shares at the date on which they are issued.

Share split

On 8 August 2003, the Company undertook a 3 for 1 share split, resulting in:

- a) the number of fully paid Shares increasing from 37,045,458 to 111,136,374; and
- b) the number of unpaid Shares held by employees pursuant to the Employee Share Ownership Plan increasing from 1,877,392 to 5,632,176.

The share split was undertaken before the 695,661 unpaid Shares were issued to Directors pursuant to the Directors Share Ownership Plan. Accordingly, those Shares were unaffected by the share split.

Shares

Each Share gives the holder the right to:

- a) attend and vote at a meeting of the Company, including the right to cast one vote per Share on a poll on any resolution including but not limited to a resolution to:
 - i) appoint or remove a Director or auditor;
 - ii) alter the Constitution;
 - iii) approve a major transaction;
 - iv) approve an amalgamation of the Company under section 221 of the Companies Act 1993; and
 - v) put the Company into liquidation;
- b) an equal share in any distribution, including dividends, if any, authorised by the Board;
- c) an equal share in the distribution of the surplus assets in any liquidation of the Company;
- d) be sent certain information; and
- e) the other rights as a shareholder conferred by the Companies Act 1993 and the Constitution.

Dividends

Details of the Company's dividend policy are set out under 'What returns will I get?' in this section of the Offer Document.

INVESTMENT STATEMENT – ANSWERS TO IMPORTANT QUESTIONS

Stock exchange listing

Application has been made to NZX for permission to list the Shares and all the requirements of NZX relating thereto that can be complied with on or before the date of this Offer Document have been duly complied with. However, NZX accepts no responsibility for any statement in this Offer Document. NZX has authorised NZX Firms to act in this issue.

Shares allocated as a result of the Offer are expected to be quoted and tradeable from Monday, 29 September 2003.

Constitution

The list below sets out some of the more material features of the Constitution. It is not an exhaustive list of such features. The Constitution is available for inspection by prospective investors.

Restrictions on the Directors' power to issue Shares or options which are convertible or exchangeable into Shares

The Directors may issue equity securities with Shareholder approval by ordinary resolution and without Shareholder approval if made pro rata to existing holdings or under certain permitted procedures.

Acquisition of Shares by the Company and provision of financial assistance

The Company may acquire its own Shares, or provide financial assistance in connection with the purchase of its own Shares with Shareholder approval by ordinary resolution and without Shareholder approval if effected pro rata to existing holdings or under certain procedures.

Board has limited power to authorise Director's remuneration

The Board's power to authorise payment of remuneration by the Company to a Director (in his or her capacity as a Director) is subject to the prior approval of Shareholders by ordinary resolution.

Restricted Transactions

The Constitution requires the approval of Shareholders by ordinary resolution for the following:

- a) any transaction entered into by any member of the Freightways Group in which the gross value for the transaction is greater than 50% of the lesser of the average market capitalisation of the Company or the gross value of the Company's assets;
- b) any transaction that will change the essential nature of the Company's business;
- c) material transactions entered into by any member of the Freightways Group with, or for the benefit of, the Directors, substantial Shareholders or their respective associates; or
- d) any issue of Shares that would materially increase the ability of any person or group of associated persons to exercise effective control of the Company.

In addition, section 129 of the Companies Act 1993 requires special resolution approval prior to the Company entering into any transaction (whether by way of an acquisition, disposition or otherwise) involving more than half the value of the Company's assets before the acquisition, disposition or otherwise.

INVESTMENT STATEMENT – ANSWERS TO IMPORTANT QUESTIONS

Minority buy out rights

If, by special resolution, the Company resolves to alter or revoke its Constitution in a way which imposes or removes a restriction on the activities of the Company, approve a major transaction or approve a statutory amalgamation or take action that affects the rights attached to Shares and the Company becomes entitled to take the action, any Shareholder voting against the resolution is entitled to require the Company to purchase, or to arrange for another person to purchase, that Shareholder's Shares for a fair and reasonable price nominated by the Company, or, if the Shareholder objects to such a price, a price determined by arbitration. The Company must comply with this requirement unless it obtains a Court exemption or arranges to have the resolution rescinded.

Other terms of the Offer

This is a simplified and general description of some of the rights and obligations of Shareholders. All terms of the Offer and the Shares, except those rights and obligations implied by law, are set out elsewhere in this Offer Document or in the Constitution, which is available for public inspection on the Companies Office electronic register at www.companies.govt.nz, or at the registered office of the Company.

WHO IS INVOLVED IN PROVIDING IT FOR ME?

The name and address of the issuer of Shares is Freightways Limited, 2nd Floor, Freightways House, 32 Botha Road, Penrose, Auckland. The Company is offering \$17.5 million of new Shares (being 11,290,323 to 9,210,526 Shares based on the Indicative Price Range).

ABN AMRO Capital (Belgium) N.V. is offering to sell 77,500,000 existing Shares held by it. Accordingly ABN AMRO Capital (Belgium) N.V. is also an issuer of the Shares, and has obligations as an issuer, under the Act and the Regulations.

Activities

The principal activities of the Company and the Freightways Group are:

- a) the provision of express package services throughout New Zealand;
- b) the archiving, storage, and retrieval of paper based and electronic information, and the secure collection and destruction of paper based information; and
- c) the provision of business mail services, including box-to-box document exchange, facilities management, street delivery of domestic-addressed mail and handling of international inbound and outbound letters.

The Company acquired FEL on 13 December 2002 whose origins date back to 1964.

HOW MUCH DO I PAY?

The Indicative Price Range for the Shares is \$1.55 to \$1.90 per Share. The Final Price will be announced by the Seller and the Board of Freightways on Monday, 15 September 2003, taking into account various factors, including:

- a) the overall demand profile for Shares at various prices;
- b) pricing indications from institutional and other investors and NZX Firms under the book building process;
- c) the level of demand for Shares from applicants under the Exchange Offer and the Public Offer;
- d) the desire of the Seller and the Company to have an orderly and successful aftermarket for the Shares; and
- e) any other factors the Seller and the Company consider relevant.

INVESTMENT STATEMENT – ANSWERS TO IMPORTANT QUESTIONS

The Seller and the Company reserve the right to set the Final Price outside the Indicative Price Range.

The Final Price will be released to the market through NZX and will be subsequently announced by a press release to the media and posted on the Company's website (www.freightways.co.nz) in the 'Investor Relations' section on Monday, 15 September 2003.

Applications under the Public Offer are to be made in New Zealand dollar amounts. Applications from general Public Offer applicants must be for a minimum of \$2,500. Applications from Eligible Freightways Employees, Contractors and Directors on their prescribed application forms must be for a minimum of \$1,000. For Preference Shareholders who take part in the Exchange Offer, there is no minimum restriction in respect of their Public Offer Applications. However, Preference Shareholders with a minimum entitlement under the Exchange Offer of less than \$1,000 wishing to participate in the Exchange Offer are required to apply for additional Shares on a cash basis to bring their total application amount to at least \$1,000. Applications pursuant to firm allocations must be for a minimum of \$2,500. Applications must be accompanied by payment in full and cheques should be made payable to 'Freightways Share Offer' and crossed 'Not Transferable' and must be forwarded either to:

Freightways Limited
C-/ Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Private Bag 92 119
AUCKLAND

or to any NZX Firm or to one of the Organising Brokers, in sufficient time for the Application Form to be forwarded to and received by the Share Registry by the applicable closing date.

No cash is payable by subscribers for Shares under the Exchange Offer. The consideration for such Shares will be satisfied by Freightways acquiring Preference Shares from such subscribers at a price of \$1.02811 per Preference Share.

All applications except those pursuant to the Exchange Offer must be accompanied by payment in full. If an applicant fails to make payment for the Shares under the Offer or an applicant's cheque fails to clear, then the entitlement of that applicant to apply for Shares will lapse, or any transfer of Shares to the applicant may be reversed.

If an application is being made pursuant to the Exchange Offer or the Public Offer, it must be delivered to the Share Registry by no later than 5.00pm on Friday, 12 September 2003, or to any NZX Firm or to one of the Organising Brokers in sufficient time for the Application Form to be forwarded to and received by the Share Registry no later than 5.00pm on Friday, 12 September 2003.

If an application is being made pursuant to a firm allocation, it must be lodged with the NZX Firm through which firm allocation was obtained in sufficient time to reach the Share Registry by no later than 5.00pm on Friday, 26 September 2003.

Applications to subscribe for Shares under the Offer must be made on the applicable Application Form, in accordance with the application instructions.

INVESTMENT STATEMENT – ANSWERS TO IMPORTANT QUESTIONS

WHAT ARE THE CHARGES?

Existing shareholders may be liable for brokerage fees on Shares bought and sold through an NZX Firm. Investors are not required to pay any charges to the Offerors in relation to the Offer.

Issue expenses (including brokerage and lead management fees, share registry expenses, legal fees, investment advisory fees, accounting fees, advertising costs, printing costs and postage and courier costs relating to this Offer) are estimated to amount to \$5.2 million. This amount is calculated at the mid-point of the Indicative Price Range and is inclusive of an incentive fee payable by the Seller to the Joint Lead Managers of an amount to be determined based on a range of criteria relating to the Offer. The Company will pay \$500,000 of the issue expenses and the Seller will pay the balance of all costs associated with the Offer. No commissions are payable. No preliminary expenses were incurred by the Company in relation to its commencement of business on 4 December 2002.

WHAT RETURNS WILL I GET?

Shares

Returns (if any) from Shares will consist of dividends and other distributions and changes in Share price between the acquisition and sale of Shares (after deducting any brokerage and other expenses).

Dividend policy

The Company's dividend policy is to declare dividends at a rate of 75% of NPATA in conjunction with the release of the half year and full year results. Payment of dividends is proposed to be in March and September each year.

It is also the current intention of the Directors that dividends will carry imputation credits to the extent that imputation credits are available.

Under the New Zealand dividend imputation system, New Zealand corporate income tax paid by the Company may be imputed to New Zealand resident shareholders by way of imputation credits attached to dividends paid. The Company can obtain a tax credit to the extent that imputation credits are attached to dividends paid to non-New Zealand tax residents. This reduced tax liability effectively provides the Company with cash to pay a 'supplementary' dividend to such non-New Zealand tax residents, which can then be offset against New Zealand non-resident dividend withholding tax such that in the case of fully imputed dividends, the level of the 'supplementary' dividend should fully offset the non-resident withholding tax liability. The Board intends to utilise the Foreign Investor Tax Credit ('FITC') regime for the benefit of non-New Zealand tax residents.

The Directors reserve the right to amend the dividend policy at any time. Each dividend will be determined after due consideration of the capital requirements, operating performance, financial position and cash flows of the Company at the time.

INVESTMENT STATEMENT – ANSWERS TO IMPORTANT QUESTIONS

Returns

The key factors that determine the returns are:

- market prices for Shares;
- the Board's decisions in relation to distributions; and
- applicable taxes.

Nothing contained in this Offer Document should be construed as a promise of profitability, and the Company can give no assurance about the level of dividends, if any, the level of imputation credits or the level of supplementary dividends. These levels will depend on a number of factors, including those discussed under the heading 'What are my Risks?' below.

The information set out in this section should be read in conjunction with the information set out in the section entitled 'What are my Risks?' below. The factors described in that section could reduce or eliminate the dividends or other returns intended to be derived from holding the Shares.

New Zealand taxes may affect the return to investors. Dividends will be subject to New Zealand withholding and final taxes but the investor's liability in respect of such taxes may be reduced or satisfied to the extent the dividends have imputation credits attached. Wherever possible, dividends paid by the Company will have the maximum allowable imputation credits attached. In addition, in some cases gains on the sale of Shares may be taxable.

The above comments and the descriptions referred to are of a general nature only. They do not constitute legal advice. Persons considering the purchase, ownership or disposition of Shares should consult their own tax advisers concerning the tax consequences of owning Shares, in light of their particular situation.

The Company will be legally liable to pay any distributions on the Shares.

If you sell any of your Shares, the purchaser of those Shares will be legally liable to pay you the purchase price of those Shares.

None of the Company, the Seller, nor any other person guarantees or promises the return of capital or any amount of any returns in relation to the Offer or the Shares. The dates on which, frequency and quantum of any returns are unknown.

WHAT ARE MY RISKS?

The principal risk for investors is that of being unable to recoup their original investment. This could happen for a number of reasons, including in the event that:

- the returns which investors receive from holding their Shares (which may consist of dividends and other distributions, and the price received on a sale of Shares) is less than the price they have paid due to the Company's operating and/or financial performance, market volatility or for other reasons;
- they are unable to sell their Shares at all; or
- the Company is placed in receivership or liquidation. Investors could receive none or less than the returns mentioned above if the Company becomes insolvent for any reason.

INVESTMENT STATEMENT – ANSWERS TO IMPORTANT QUESTIONS

If the Company's operating and/or financial performance is worse than investors expect, the future market price of the Shares may be less than the price paid for them and returns on the Shares may be less than anticipated. Some of the principal factors which may affect the Company's share price performance are detailed in this section.

Prospective purchasers of Shares should consider carefully the following risk factors, in addition to the other information in this Offer Document, before purchasing Shares.

Company-specific risks

Competition Risk

Freightways' core network courier business operates in an industry which is consolidated, with the two major participants accounting for an estimated 85% of industry revenues. The industry structure has been stable for a number of years. Freightways' dedicated national express package linehaul network, courier run density, economies of scale, leading brands and reputation for service would be difficult to replicate.

Freightways has been able to increase its market share of the express package industry in recent years and considers that it is well placed to maintain its competitive position.

Freightways' smaller businesses – point-to-point couriers, business mail and information management – all operate in competitive markets but management believes Freightways is well placed to maintain its sound competitive position in these sectors. It has established market positions, customer loyalty and the ability to offer a well priced and efficient service.

Notwithstanding the above, there can be no assurance that the competitive environment will not change and by consequence have a material adverse impact on Freightways' performance.

Contractor Risk

Freightways engages independent contractors for the pick-up, linehaul and delivery of its express package and postal services. Freightways operates on the basis that these are genuine contracting relationships and this business model has been in existence for nearly 40 years. Major service providers in other segments of the transport industry operate the same or similar models, as also occurs in other industries.

The status of independent contractor confers a range of benefits, including the ability to gain reward on the basis that the contractor operates his/her own business and the ability to deduct business related expenses for taxation purposes.

Under this business model there is a risk that an independent contractor may challenge his/her status and claim to be an employee. Depending on the nature of any potential case this may include a claim to gain employee entitlements (including, for example, access to personal grievance procedures) instead of, or in addition to, the benefits he/she already receives as an independent contractor.

Freightways has obtained legal advice that, on the basis of the contractor agreements it uses and the manner in which Freightways conducts its relationships with its independent contractors, it is unlikely that the courts would determine that a Freightways contractor was an employee.

INVESTMENT STATEMENT – ANSWERS TO IMPORTANT QUESTIONS

Disruption of Operations Risk

A significant portion of Freightways' infrastructure is located in main centres of New Zealand. The operation of Freightways' facilities involve many risks, including power failures, natural disasters, disruption to the air or road linehaul networks, fires and explosions, and normal hazards associated with operating a networked infrastructure. The Company believes that if there is significant interruption of operations at one or more of its facilities it would be able to mitigate any resulting disruption of operations by transferring operations to other Freightways' facilities within or near to the affected centre. If, as a result of disruptions to its operations, Freightways could not meet the needs of its customers, this could have a material adverse impact on Freightways' performance.

Interest Rate Risk

Freightways has in place a treasury policy with the primary objective of mitigating the impact of adverse fluctuations in market interest rates on the Company's interest costs. This policy involves the use of interest rate hedging and requires between 40% and 90% of outstanding borrowings to be hedged. To the extent borrowings are unhedged and/or existing hedging becomes ineffective against a material adverse fluctuation in market interest rates, the Company's total interest costs could be higher than forecast and projected, resulting in a material adverse impact on Freightways' financial performance.

Loss of Management Expertise

Freightways believes it has assembled a high quality management team. In the normal course of business, Freightways faces the risk of loss of one or more of those individuals for a variety of reasons. This risk is mitigated by the depth of experience of the management team and specifically by having people capable of covering the loss of an individual, either permanently or while a replacement is recruited. However, the loss of key personnel could materially impact on the future performance of the business.

General business risks

Regulatory Risk

As a business with operations in New Zealand, the Company is exposed to government regulatory policies that could have a direct bearing on business operations. The Company is subject to the normal rules and regulations concerning labour markets including relating to occupational health and safety. To the best of its knowledge, the Company believes that it currently complies with the applicable regulations. However, no assurance can be given that current laws and regulations or the adoption of new laws and regulations may not have a material adverse effect on the Company's operations, financial performance or prospects. In particular, any new regulations which may be imposed by the Civil Aviation Authority, or any change in government regulatory policy in respect of the deregulated postal services market, may have such a material adverse effect on Freightways' performance.

Economic Activity

Freightways' business and its performance are subject to changes in the New Zealand economy at large, including but not limited to consumer demand, inflation, interest rates, exchange rates and the government's regulatory and fiscal policy. It is possible that a downturn in the New Zealand economy, or within Freightways' customer base, could have a material adverse impact on Freightways' performance as the level of demand for Freightways' services may not continue at prevailing levels and on similar terms and sales patterns. It is therefore possible that growth targets comparable to previous years may not be achieved.

INVESTMENT STATEMENT – ANSWERS TO IMPORTANT QUESTIONS

Other risks

Forward-Looking Statements

Certain statements in the Offer Document constitute forward-looking statements, including the assumptions described on pages 57 to 61 of this Offer Document. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among other things, general economic and business conditions, regulatory risk, labour relations and other factors presented in this Offer Document.

Given these uncertainties, prospective investors are cautioned not to place undue reliance on such forward-looking statements. In addition, under no circumstances should the inclusion of such forward-looking statements in this Offer Document be regarded as a representation or warranty by the Company or the Seller or any other person with respect to the achievement of the results set out in such statements, or that the underlying assumption used will in fact be the case. The Company disclaims any responsibility to update any such risk factors or publicly announce the result of any revisions to any of the forward-looking statements contained in this Offer Document to reflect future developments or events, other than where it is required to do so by the Act, the Regulations or the Listing Rules.

Absence of Market for Shares and Volatility of Share Price

Prior to the Offer there has been no public market for the Shares. There can be no assurance that an active trading market will develop for the Shares or that the Shares will trade in the public market subsequent to the Offer at or above the Final Price.

The market price of the Shares following the Offer may be volatile. Factors such as competition, regulatory changes, operating surplus and cash flow, general trends in interest rates and currencies, New Zealand and international equity markets and the New Zealand economy, as well as other factors, could cause the market price of the Shares to fluctuate. Such fluctuations may have a material adverse effect on the market price of the Shares.

Changes in Taxation

Any change to the rate of company income tax has the potential to impact on Shareholder returns. Changes to the rates of income tax applying to individuals and/or trusts similarly will impact after-tax Shareholder returns.

Shares Eligible for Future Sale

No prediction can be made as to the effect, if any, that future sales of Shares, or the availability of Shares for future sales, will have on the market price of the Shares prevailing from time to time. Sales of substantial numbers of Shares, or the perception that such sales may occur, may adversely affect prevailing market prices for the Shares.

INVESTMENT STATEMENT – ANSWERS TO IMPORTANT QUESTIONS

Consequences of Insolvency

Shareholders will not be liable to pay any additional money (in excess of the Final Price, payable to the Company upon subscription for the Shares) to any person in the event of insolvency of the Company. All claims of creditors or other persons against the Company rank ahead of the claims of Shareholders in the event of any liquidation or winding up of the Company. All Shareholders rank equally upon a winding up or liquidation of the Company, in each case for an equal share per Share of any surplus assets of the Company, after payment or discharge of all other claims. No other person currently ranks equally with, or behind, such claims.

CAN THE INVESTMENT BE ALTERED?

Neither the Company, an investor nor any other person has the right to alter the consideration payable by the investor, described in the paragraph headed 'How much do I pay?' on page 95.

The rights attaching to Shares are governed by the Constitution and the Companies Act 1993. The Constitution may only be altered by a special resolution of Shareholders, subject to the rights of interest groups under the Companies Act 1993, or in certain circumstances by Court order. Section 117 of the Companies Act 1993 restricts the Company from taking any action which affects the rights attached to Shares unless that action has been approved by a special resolution of Shareholders whose rights are affected by the action. Under certain circumstances, a Shareholder whose rights are affected by a special resolution may require the Company to purchase its Shares.

HOW DO I CASH IN MY INVESTMENT?

Application has been made to NZX for permission to list the Shares and all the requirements of NZX relating thereto that can be complied with on or before the date of this Offer Document have been duly complied with. However, NZX accepts no responsibility for any statement in this Offer Document. An investor is free to sell his or her Shares.

At the date of registration of this Offer Document, there is no established market for Shares, but existing Shares will be listed on the NZSX on Monday, 29 September 2003. However, the Company is of the opinion that a ready market will develop for Shares. Any sales on the NZSX will attract normal brokerage fees.

Shares allocated in the Offer are expected to be quoted and tradeable from Monday, 29 September 2003, the date of listing. Applicants should not attempt to sell Shares until they know whether, and how many, Shares have been allocated to them. None of the Company, the Seller, nor any other person associated with the Offer, nor any of their respective officers, employees or advisers, accepts any liability or responsibility should any person attempt to sell or otherwise deal with Shares before confirmation of allotment of Shares is received by the applicant for those Shares.

INVESTMENT STATEMENT – ANSWERS TO IMPORTANT QUESTIONS

WHO DO I CONTACT WITH ENQUIRIES ABOUT MY INVESTMENT?

Enquiries about the investment may be made to:

Computershare Investor Services Limited

Level 2, 159 Hurstmere Road

Private Bag 92 119

AUCKLAND

Telephone: +64 9 488 8777

Facsimile: +64 9 488 8787

IS THERE ANYONE TO WHOM I CAN COMPLAIN IF I HAVE PROBLEMS WITH THE INVESTMENT?

A complaint about your investment may be made to Computershare Investor Services Limited at the address shown under the heading 'Who do I contact with enquiries about my investment?'.

There is no ombudsman to whom complaints can be made about this investment.

WHAT OTHER INFORMATION CAN I OBTAIN ABOUT THIS INVESTMENT?

Other information about the Company and the Shares is contained or referred to in the statutory information section of this Offer Document and in the financial statements of the Company.

You can obtain the most recent financial statements of the Company free of charge from the offices of the Company at 2nd Floor, Freightways House, 32 Botha Road, Penrose, Auckland, during normal business hours.

This Offer Document, the financial statements of the Company, and other documents of, or related to (including the Company's Constitution and the material contracts referred to in this Offer Document) the Company are filed on a public register at the office of the Registrar of Companies, Ministry of Economic Development and are available for public inspection on the Companies Office's electronic register at www.companies.govt.nz. The Companies Office may charge a fee for this service.

The Company is required to send the annual and six-monthly financial statements of the Company to each Shareholder in accordance with the requirements of the Companies Act 1993 and the Listing Rules of NZX.

The Company is required upon request by any holder of Shares to provide to that holder the most recent annual report (if any) of Freightways, the most recent financial statements of the Company and the most recent prospectus and investment statement relating to Shares in the Company. A request for those documents should be made to the Company at the address shown on page 96 under the heading 'Who is involved in providing it for me?'. No charge will be made for the provision of those documents.

EXEMPTIONS AND WAIVERS

EXEMPTIONS FROM THE ACT AND REGULATIONS

Regulations 3(1) and 7A(1) of the Regulations: The Company, the Seller and every person acting on behalf of them are exempted, subject to certain conditions, from Regulations 3(1) and 7A(1) of the Regulations insofar as those provisions would require the Offering Document to contain information about the Seller as an issuer of the Shares.

Sub-clause 1(4) of the First Schedule to the Regulations: The Company, the Seller and every person acting on behalf of them are exempted from sub-clause 1(4) of the First Schedule to the Regulations in respect of the Shares.

This exemption is necessary as the Final Price of the Shares cannot be stated in this Offer Document and will be determined by the Seller and the Board and announced on or before 15 September 2003. This Offer Document instead contains a description of the factors which will be considered by the Seller and the Board in setting the Final Price payable for the Shares offered.

Sub-Clause 8(5) of the First Schedule to the Regulations: The Company, the Seller and every person acting on behalf of them are exempted from sub-clause 8(5) of the First Schedule to the Regulations in respect of the Shares.

Given that the Final Price of the Shares will not be determined before the date of this Offer Document, it is not possible to determine the total number of new Shares that will be issued under the Offer. It is therefore not possible to show the net tangible asset backing per Share at the date of the latest statement of financial position contained in this Offer Document on the assumption that the Offer has been fully subscribed and the offered Shares allotted before that date. This Offer Document instead shows the net tangible asset backing per Share calculated as if the number of Shares on which the assumptions are based is calculated by reference to the maximum number of Shares that would be allotted if the Final Price was at the high point, the mid point, and the low point of the Indicative Price Range.

Sub-Clause 10(1)(c) of the First Schedule to the Regulations: The Company, the Seller and every person acting on behalf of them are exempted from sub-clause 10(1)(c) of the First Schedule to the Regulations.

This Offer Document instead contains prospective statements of cash flows for the Freightways Group for each of the periods of 12 months commencing on 1 July 2003 and ending on the close of 30 June 2004, and of 6 months commencing on 1 July 2004 and ending on the close of 31 December 2004. The financial statements of the Freightways Group for the 12 month period beginning 1 July 2003 and its interim financial statements for the six month period beginning 1 July 2004 will also each include a comparison of the actual cash flows of the Company for that period with the relevant prospective statement of cash flows for the same period, in the manner required under paragraph 5.4 of Financial Reporting Standard No 9 (as if those statements were required to comply with that standard).

EXEMPTIONS AND WAIVERS

WAIVERS FROM THE LISTING RULES

Freightways has obtained the following waivers from NZX:

- a waiver from the application of Listing Rule 1.1.2 and the provisions of Appendix 2 to the Listing Rules to allow Preference Shareholders to hold less than the minimum holding requirements during the period from completion of the Offer until 31 October 2003;
- a waiver from the application of Listing Rule 7.1.8 to allow the Offerors to state in this Offer Document the maximum dollar amount of Shares reserved, instead of the number and percentage of Shares reserved, for allocation under the Exchange Offer;
- a waiver from the application of Listing Rule 7.1.17 in relation to the size of text for statements required by the Listing Rules to be incorporated in this Offer Document, to permit text to be included in this Offer Document provided that it is no smaller than that of text in a 10 point Arial font on A4 page and no smaller than the surrounding text on the same page;
- a waiver from the application of Listing Rule 7.6.3 to allow Freightways to redeem its own Shares where, under the terms of the Directors Share Ownership Plan and the Employee Share Ownership Plan, it is obliged or entitled to do so;
- a waiver from the application of Listing Rule 9.2.1 to allow Freightways to enter into the Exchange Offer without the prior approval of Shareholders; and
- a waiver from the application of Listing Rule 11.1 to allow Freightways to impose transfer restrictions on Shares issued under the Directors Share Ownership Plan and the Employee Share Ownership Plan while those Shares remain unpaid.

STATUTORY INFORMATION

This statutory information is provided in accordance with the First Schedule to the Regulations.

1 MAIN TERMS OF THE OFFER

- 1.1 **Issuer:** The issuer of the Shares is Freightways Limited, which has its registered office at 2nd Floor, Freightways House, 32 Botha Road, Penrose, Auckland.
- 1.2 **Description of securities offered:** The securities being offered are fully paid ordinary Shares in the Company. A fuller description of the Shares being offered is set out in the section under 'Shares' on page 93 of this Offer Document.
- 1.3 **Maximum amount:** The maximum amount of Shares being offered in this Offer Document is 77,500,000 Shares being offered by the Seller and \$17.5 million of Shares being offered by the Company.
- 1.4 **Price or other consideration:** The Indicative Price Range is \$1.55 to \$1.90 per Share. The Final Price will be announced by the Seller and the Board of Freightways on Monday, 15 September 2003.

The Seller and the Board of Freightways reserve the right to set the Final Price outside the Indicative Price Range.

Preference Shareholders participating in the Exchange Offer may offer to exchange their Preference Shares for Shares. Shares allocated to successful applicants under the Exchange Offer will be allocated at the Final Price with the consideration being satisfied by the Company acquiring their Preference Shares at a price of \$1.02811 per Preference Share. No money is payable in respect of applications made under the Exchange Offer.

2 NAME AND ADDRESS OF OFFERORS

- 2.1 The full name of the Seller and its principal place of business outside New Zealand, are set out in the Directory. The Seller does not have a principal place of business in New Zealand but can be contacted in New Zealand at the registered office of the Company which is set out in the Directory.
- 2.2 The net amount of the consideration received by the Company in respect of the original allotment of the Shares offered for sale by the Seller as part of the Offer was \$25,833,333.

3 DETAILS OF INCORPORATION OF FREIGHTWAYS

- 3.1 **Date of incorporation and registered number:** The Company was incorporated and registered in New Zealand on 4 December 2002 under the Companies Act 1993. The Company's registered number is AK/1255822.
- 3.2 **Public file:** There is no place in New Zealand where a public file relating to the Company is kept. The public register relating to the Company is available for public inspection on the Companies Office electronic register at www.companies.govt.nz.

STATUTORY INFORMATION

4 PRINCIPAL SUBSIDIARIES OF FREIGHTWAYS

- 4.1 FEL is a subsidiary of the Company, the amount of whose total tangible assets exceeds 5% of the amount of the total tangible assets of the Freightways Group. 100% of the issued ordinary shares in FEL are held by the Company and 39.4% of FEL's entire issued capital is held by members of the Freightways Group. The balance of 60.6% is held by the Preference Shareholders. FEL has 60 million \$1.00 Preference Shares on issue as at the Specified Date. On 24 July 2003 FEL forwarded notice to all Preference Shareholders that it would be redeeming all Preference Shares in accordance with their terms on Friday, 31 October 2003.
- 4.2 The following companies are also subsidiaries of the Company whose total tangible assets each individually exceed 5% of the total tangible assets of the Freightways Group:
- a) Air Freight NZ Limited;
 - b) New Zealand Couriers Limited;
 - c) Post Haste Limited;
 - d) Online Security Services Limited; and
 - e) Freightways Properties Limited.
- 100% of the issued share capital of each of these companies is held by FEL.

5 DIRECTORATE AND ADVISERS

- 5.1 **Details:** The names of the Directors, and their technical or professional qualifications are set out on pages 40 and 41 of this Offer Document. The address in New Zealand at which each of the Directors may be contacted is the address of the Company's registered office, which is set out in the Directory. The city in which the principal residence of Mr Boyd, Mr Bracewell and Mr Lewis is situated is Auckland. The city in which the principal residence of Mrs Sheldon is situated is Christchurch. The city in which the principal residence of Mr Taranto is situated is Sydney. The town in which the principal residence of Sir William Birch is situated is Pukekohe.
- 5.2 **Executive Directors:** Dean Bracewell is a Director of the Company and managing director of FEL. There are no other Directors who are also employees of the Company or any of its subsidiaries.
- 5.3 **No Bankruptcy:** No Director of the Company has been adjudged bankrupt during the five years preceding the Specified Date.
- 5.4 **Details:** The names of the auditors, the share registrar, the Joint Lead Managers, the Co-Managers, the Organising Brokers and solicitors who have been involved in the preparation of this Offer Document are set out in the Directory.
- 5.5 **Experts:** There are no experts named in this Offer Document.
- 5.6 **Underwriter:** The Offer is not being underwritten.

STATUTORY INFORMATION

6 RESTRICTIONS ON DIRECTORS' POWERS

6.1 Constitution

The Constitution provides that the Directors may not:

- issue or acquire any equity securities except in accordance with the provisions of the Constitution;
- give financial assistance for the purpose of, or in connection with, the acquisition of equity securities issued or to be issued, except in limited circumstances and in accordance with the provisions of the Constitution;
- cause the Company to issue, acquire or redeem securities in relation to a person or group of associated persons entitled before the issue, acquisition or redemption to exercise or direct the exercise of not less than 1% of the total votes attaching to the Company's securities, where there is a significant likelihood that it will result in that person or group of persons materially increasing their ability to exercise or direct the exercise of effective control of the Company, without the prior approval of an ordinary resolution of Shareholders;
- cause the Company to enter into any transaction or series of linked or related transactions to acquire, sell, lease, exchange or otherwise dispose of (otherwise than by way of charge) assets of the Company which would change the essential nature of the business of the Company in respect of which the gross value is in excess of 50% of the lesser of the average market capitalisation or the gross value of assets of the Company, without the prior approval of a resolution of Shareholders;
- enter into certain material transactions with related parties if that related party is, or is likely to become a direct or indirect party to the material transaction or at least one of a related series of transactions of which the material transaction forms part or, in the case of a guarantee or similar material transaction, a direct or indirect beneficiary of such guarantee or other transaction, without the prior approval of a resolution of Shareholders; or
- vote on any matter in which he or she is interested unless permitted by the Companies Act 1993 where he or she has complied with the relevant provisions and signed a certificate in respect of the matter.

Also see a description of some of the material features of the Company's Constitution as set out on page 94.

6.2 Companies Act 1993

The Companies Act 1993 contains a number of other provisions which could have the effect or consequence, in certain circumstances, of restricting the powers of Directors. For example, the Directors must not allow the Company to enter into any major transactions (as that term is defined in the Companies Act 1993) without the prior approval of a special resolution of Shareholders. These provisions are common to any company registered under the Companies Act 1993.

6.3 NZX Listing Rules

Application has been made to NZX for permission to list the Shares being offered and all the requirements of NZX relating thereto that can be complied with on or before the date of this Offer Document have been duly complied with. However, NZX accepts no responsibility for any statement in this Offer Document. Further restrictions will be imposed on Directors by the Listing Rules, for example and as mentioned above in relation to related party transactions. Such restrictions are common to any company listed on the NZSX.

STATUTORY INFORMATION

7 SUBSTANTIAL EQUITY SECURITY HOLDERS OF FREIGHTWAYS

7.1 As at 28 August 2003, the following persons were the only registered holders of Shares:

Holder	Number of Shares
ABN AMRO Capital (Belgium) N.V.	93,159,830
ABNED Nominees Pty Limited	7,827,790
Port Devon Limited	5,445,681
First NZ Capital Custodians Limited	4,470,000 ¹
Dean John Bracewell	4,132,176 ²
Ross Hutcheson Pty Limited	660,000
RRT Hutcheson	588,000
Kallantina Radio Holdings Pty Limited	485,073
Standard 130 Limited	231,885 ³
Sir William Birch	115,944 ³
Warwick Edward Lewis, Helen Carol Lorraine Lewis and Michael William Radcliffe	115,944 ³
Susan Jane Sheldon, Peter Jarvis Sheldon and Maurice John Walker	115,944 ³
ABN AMRO Capital Advisory (Australia) Pty Limited	115,944 ³
Total	117,464,211

¹ This number of Shares includes 3,000,000 unpaid Shares held on behalf of participants in the Employee Share Ownership Plan and 1,470,000 fully paid Shares held on behalf of management.

² This number of Shares includes 2,632,176 unpaid Shares issued under the Employee Share Ownership Plan.

³ This number comprises only unpaid Shares issued under the Directors Share Ownership Plan.

7.2 None of the persons described above guarantees or undertakes any liability in respect of the Shares being offered.

7.3 As required by Listing Rule 7.1.15, the Company has, not earlier than two months prior to the date of this Offer Document, made a written request under sections 28 and 29 of the Securities Markets Act 1988 (as though the Company were listed) requiring the Foundation Shareholders, as the only registered holders of relevant interests (as defined in that Act) of 5% or more of the Shares, to provide disclosure of: (a) any relevant interest; (b) the nature of that interest; and (c) where the relevant interest is beneficial ownership, the consideration and other terms and conditions of any transaction under which that interest was acquired within two years before the date of this Offer Document.

The Foundation Shareholders, upon receipt of this request have provided the information requested as set out in the following table.

Relevant Interest Holder	Number of Shares in which Relevant Interest is held	Nature of Relevant Interest	Consideration and terms and conditions, if any
ABN AMRO Capital (Belgium) N.V.	93,159,830	Legal and beneficial ownership	31,053,273
ABN AMRO Capital (Belgium) N.V.	7,827,790	Relevant interest under section 5(1)(b) and (d) ¹	N/A
ABNED Nominees Pty Limited	7,827,790	Legal ownership in capacity as trustee	2,609,263

¹ This relevant interest under section 5(1)(b) and (d) of the Securities Markets Act 1988 is the power to control the disposal of Shares and the exercise of any right to vote attached to the Shares.

STATUTORY INFORMATION

8 DESCRIPTION OF ACTIVITIES OF THE FREIGHTWAYS GROUP

- 8.1 The activities of the Freightways Group during the five years preceding the Specified Date are described in more detail in the section of this Offer Document entitled 'Business Description' on pages 27 to 37. However, the Company has not traded for five years preceding the Specified Date as it was only incorporated on 4 December 2002.
- 8.2 The principal fixed assets of the Freightways Group are:
- a) land and buildings comprising Freightways' headquarters located at Penrose, Auckland, and two properties in Wellington; and
 - b) equipment including five Convair 580 freight aircraft, racking for records management storage, IT hardware and software, and freight containers.

The principal fixed assets are owned by Freightways.

9 SUMMARY OF FINANCIAL STATEMENTS

- 9.1 Under the Securities Act (Freightways Limited) Exemption Notice 2003, the Company, the Seller and every person acting on behalf of them is exempted from compliance, subject to certain conditions, with sub-clause 8(5) of the First Schedule to the Regulations.
- 9.2 A financial statement in summary form in respect of the Freightways Group for the five accounting periods preceding the Specified Date is set out on pages 62 to 64.

10 PROSPECTS AND FORECASTS

- 10.1 A statement as to the trading prospects of the Freightways Group together with any material information that may be relevant to those prospects is set out in the section of this Offer Document relating to the prospective financial information in respect of the Freightways Group, on pages 54 to 61. Any special trade factors and risks which could materially affect the prospects of the Freightways Group and which are not likely to be known or anticipated by the general public are set out under the heading 'What are my Risks?'.
- 10.2 It is not the purpose of the Offer to provide finance for any particular capital project.

11 PROVISIONS RELATING TO INITIAL FLOTATIONS

- 11.1 **Directors' Plans:** The plans of the Directors in respect of the Freightways Group during the year commencing on the Specified Date are set out in detail in the section of this Offer Document entitled 'Business Description' on pages 27 to 37. The sources of finance that will be used for these plans include funds on hand, funds raised under the Offer and funds generated from operations.
- 11.2 **Use of Proceeds not limited to Stated Plans:** Notwithstanding the plans of the Directors, the proceeds of the Offer may be applied towards any other undertaking in which the Company may lawfully engage.
- 11.3 **Prospective Statement of Cash Flows:** A prospective statement of cash flows of the Freightways Group which the Directors expect to occur in respect of:
- a) the period of 12 months commencing on 1 July 2003 and ending on the close of 30 June 2004 is set out on page 56; and
 - b) the period of six months commencing on 1 July 2004 and ending on the close of 31 December 2004 is set out on page 60.

STATUTORY INFORMATION

11.4 **Minimum amount that must be raised:** There is no minimum amount that, in the opinion of the Directors, must be raised in order to provide sums required to be provided in respect of:

- a) the purchase price of any property to be purchased which is to be defrayed in whole or in part out of the proceeds of the Offer;
 - b) any preliminary expenses or commission;
 - c) working capital; or
 - d) the repayment of any money borrowed by the Company in respect of any of the foregoing matters,
- as no sums are required in relation to the items referred to in paragraphs (a), (c) and (d) and the Directors are satisfied that the existing resources of the Company are adequate to meet its share of all expenses associated with the Offer. The primary capital raising is, however, for the purpose of assisting with the redemption of the Preference Shares and the minimum amount to be raised under the primary raising before the Offer will proceed, is \$17.5 million.

12 ACQUISITION OF BUSINESS OR SUBSIDIARY

12.1 Freightways Limited acquired all of the ordinary shares in FEL within two years of the Specified Date. A description of the business carried on by FEL in the course of the five years before the Specified Date is set out on pages 27 to 37. In respect of FEL, the matters specified in clause 8 (other than sub-clauses (3)(b)(v) and (5)) of the First Schedule to the Regulations in respect of the five accounting periods preceding the Specified Date are included in the 'Summary Historical Financial Information' section on pages 62 to 64.

13 SECURITIES PAID UP OTHERWISE THAN IN CASH

13.1 The Company has not within the five years preceding the Specified Date allotted any securities paid up otherwise than in cash.

14 OPTIONS TO SUBSCRIBE FOR SECURITIES OF THE FREIGHTWAYS GROUP

14.1 No options to subscribe for securities of any member of the Freightways Group have been granted to or are proposed to be granted to any person.

15 APPOINTMENT AND RETIREMENT OF DIRECTORS

15.1 **Existing Appointments:** None of the existing Directors of the Company have been appointed to the Board in a manner that is materially different from that specified in sections 153 and 155 of the Companies Act 1993.

15.2 **Retirement Age:** There is no retirement age for the Company's Directors.

15.3 **Right to Appoint Additional Directors:** No person (other than the members of the Company in general meeting or the Directors acting as a board to fill a casual vacancy) has the right to appoint a Director or Directors.

15.4 **Alternate Directors:** Each Director has the power to appoint a person to act as an alternate Director in his or her place.

STATUTORY INFORMATION

16 DIRECTORS' INTERESTS

- 16.1 **Nature of Relationship and Services Rendered:** Dean Bracewell is a Director and the managing director of FEL providing executive and management services to FEL.
- 16.2 **Retirement Benefits and Compensation:** The Constitution provides that the Company may make payments to a Director in connection with the retirement or cessation of office of that Director provided that the payment is first authorised by an ordinary resolution of Shareholders or does not exceed the total remuneration paid to that Director in any three years chosen by the Company.
- 16.3 **Material Transactions:** The Freightways Group has not entered into any material transactions, in the five years preceding the Specified Date, with a Director or any of the persons specified in paragraph 15 of the First Schedule to the Regulations.
- 16.4 **Directors' Interests:**
- a) Wayne Boyd has nominated Standard 130 Limited (trustee of the Mercurean Trust) as the holder of the 231,885 unpaid Shares to which he is entitled under the Directors Share Ownership Plan.
 - b) Dean Bracewell holds 1,500,000 fully paid Shares, 2,632,176 unpaid Shares issued under the Employee Share Ownership Plan, and 2,000 Preference Shares.
 - c) Sir William Birch is a non executive member of the ABN AMRO Australia and New Zealand Advisory Council, and is an adviser to various subsidiaries of ABN AMRO Holding N.V. Sir William Birch holds 115,944 unpaid Shares issued under the Directors Share Ownership Plan.
 - d) Warwick Lewis has nominated Warwick Edward Lewis, Helen Carol Lorraine Lewis and Michael William Radcliffe (trustees of the Whitehaven Trust) as the holders of the 115,944 unpaid Shares to which he is entitled under the Directors Share Ownership Plan, and 500,000 Preference Shares.
 - e) Susan Sheldon has nominated Susan Jane Sheldon, Peter Jarvis Sheldon and Maurice John Walker (trustees of the Fifeshire Trust) as the holders of the 115,944 unpaid Shares to which she is entitled under the Directors Share Ownership Plan.
 - f) Michael Taranto is an executive officer of ABN AMRO Services Australia Limited and a director of ABN AMRO Capital Advisory (Australia) Pty Limited. ABN AMRO Capital Advisory (Australia) Pty Limited advises the Seller on its investments in Australia and New Zealand. Michael Taranto has nominated ABN AMRO Capital Advisory (Australia) Pty Limited (a company of which he is a director) as the legal and beneficial owner of the 115,944 unpaid Shares to which he is entitled under the Directors Share Ownership Plan. Michael Taranto has an interest in the Shares held by the Foundation Shareholders.

17 PROMOTER'S INTERESTS

- 17.1 There is no promoter of the Shares offered.

18 MATERIAL CONTRACTS

- 18.1 The following material contracts have been entered into by the Company in the two years preceding the Specified Date (not being contracts entered into in the ordinary course of business):
- a) Deeds of indemnity dated 8 August 2003 granted by the Company in favour of each of the Directors, to the fullest extent permitted by the Companies Act 1993.
 - b) Deed of indemnity dated 8 August 2003 granted by the Company in favour of its chief financial officer, Mark Royle, to the fullest extent permitted by the Companies Act 1993.

STATUTORY INFORMATION

Facilities totalling \$160,000,000 are available under certain circumstances which are described below together with the description of the relevant documentation:

- c) A \$130,000,000 Revolving Cash Advance Facility Agreement dated 1 July 2003 ('Advances Facility Agreement') between Freightways and BNZ under which BNZ, at the request of Freightways, agrees to make cash advances to Freightways, up to a limit of \$130,000,000 until completion of the allotment under the initial public offer, and up to a limit of \$120,000,000 following completion of the allotment under the initial public offer. A facility with a limit of \$85,000,000 is available until 30 October 2003. From 31 October 2003 (being the repayment date of the Preference Shares), if the initial public offer has not occurred or completion of allotment under the initial public offer has not occurred, a facility with a limit of up to \$130,000,000 is available. If the initial public offer has occurred, then upon completion of the allotment under the initial public offer, a facility with a limit of \$120,000,000 is available. In addition to compliance with certain financial covenants, Freightways and its guaranteeing subsidiaries provide various representations and undertakings including at any time prior to the initial public offer, an undertaking not to make any distribution other than to a guaranteeing subsidiary or as required under the terms of issue of the Preference Shares, or if the initial public offer does not proceed by 31 October 2003, an undertaking not to make any such distribution until \$10,000,000 of the facility is repaid and cancelled on, or before, 30 June 2004.
- d) A Note Purchase Agreement between Freightways and AMP (in its capacities as both Note Agent and Noteholder) dated 1 July 2003 ('Note Purchase Agreement') under which Freightways issues, and AMP subscribes for, notes. The note facility consists of Tranche A of \$20,000,000 which is available until 1 August 2003 and which shall be used for general working capital purposes and for refinancing existing loans, and Tranche B of \$10,000,000 which is available until 1 November 2003 and which may be used in assisting in the repayment of the Preference Shares if the initial public offer does not proceed prior to 31 October 2003. The amounts owing in respect of the notes are secured under the security trust deed referred to below but rank behind subordinated advances owing under the Advances Facility Agreement. As secured obligations of Freightways and its guaranteeing subsidiaries, the notes would rank ahead of Freightways' and its guaranteeing subsidiaries' unsecured obligations. In addition to compliance with the financial covenants, Freightways and its guaranteeing subsidiaries provide various representations and undertakings including:
 - i) an undertaking not to make any distribution other than to a guaranteeing subsidiary or as required under the terms of issue of the Preference Shares, provided that, in respect of any such distribution, no Event of Default (as defined in the Note Purchase Agreement) is subsisting or the total debt service cover ratio is not less than or equal to 1.5 times, or no payment default under the Advances Facility Agreement or the Note Purchase Agreement is subsisting;
 - ii) a condition precedent to drawdown such that Freightways' Borrowed Money (as defined in the Note Purchase Agreement) does not exceed \$150,000,000 immediately following the issuance of Tranche A and \$170,000,000 immediately following the issuance of Tranche B.
- e) A Security Trust Deed between Freightways, The New Zealand Guardian Trust Company Limited ('Security Trustee'), BNZ and AMP dated 2 July 2003. Under the Security Trust Deed, Freightways agrees to grant a security interest over all its present and after-acquired property (being the shares it holds in Freightways Express Limited) to the Security Trustee to hold for the benefit of BNZ and AMP. Under the Advances Facility Agreement and the Note Purchase Agreement ('Finance Agreements'), Freightways further agrees that, immediately following redemption of the Preference Shares, it will procure that each wholly-owned subsidiary of Freightways, as required to comply with the coverage

STATUTORY INFORMATION

ratios contained in the Finance Agreements, guarantees the obligations of Freightways under the Finance Agreements and grants a security interest over all that subsidiary's present and after-acquired property to the Security Trustee to hold for the benefit of BNZ and AMP. In order for Freightways to comply with the coverage ratios, FEL (being a wholly-owned subsidiary of Freightways) will be required to guarantee Freightways' obligations under the Finance Agreements and grant a security interest over all its present and after-acquired property to the Security Trustee immediately following the redemption of the Preference Shares.

Under the Security Trust Deed:

- i) The Freightways Group may incur additional indebtedness of up to \$10,000,000 on terms identical or better to the Advances Facility Agreement.
- ii) The Freightways Group may incur further indebtedness, on terms identical or better to the Advances Facility Agreement, to repay partly the notes outstanding under the Note Purchase Agreement provided that there is still a minimum of \$12,000,000 outstanding under those notes following that part repayment.
- iii) The Freightways Group may incur further indebtedness to repay the notes fully provided that the additional indebtedness also meets transaction costs and expenses.

No other indebtedness ranking *pari passu* or senior to the notes issued under the Note Purchase Agreement may be incurred. In addition, Freightways may only refinance the Advances Facility Agreement in accordance with and on terms consistent with the Security Trust Deed or unless otherwise agreed by the Note Agent.

Further no distributions may be made prior to an initial public offering other than to Freightways or one of its guaranteeing subsidiaries or in accordance with the Preference Shares, and provided that:

- i) no Event of Default (as defined in the Security Trust Deed) has occurred and is subsisting; and
 - ii) no money is due and owing under the Advances Facility Agreement or the Note Purchase Agreement.
- f) A share sale agreement between Freightways and AUSDOC International Pty Limited ('AUSDOC') dated 16 December 2002 under which AUSDOC agreed to sell and Freightways agreed to buy, on 13 December 2002, 39,000,102 ordinary shares in FEL, being all of the ordinary shares of FEL issued as at that date, for a purchase price of \$111.6 million.

19 PENDING PROCEEDINGS

- 19.1 There are no legal proceedings or arbitrations pending at the Specified Date which may have a material adverse effect on the Freightways Group.

20 PRELIMINARY AND ISSUE EXPENSES

- 20.1 Issue expenses (including brokerage and lead management fees, share registry expenses, legal fees, investment advisory fees, accounting fees, advertising costs, printing costs and postage and courier costs relating to this Offer) are estimated to amount to \$5.2 million. This amount is calculated at the mid-point of the Indicative Price Range and is inclusive of an incentive fee payable by the Seller to the Joint Lead Managers of an amount to be determined based on a range of criteria relating to the Offer. The Company will pay \$500,000 of the issue expenses and the Seller will pay the balance of all costs associated with the Offer. No commissions are payable. No preliminary expenses were incurred by the Company in relation to its commencement of business on 4 December 2002.

STATUTORY INFORMATION

21 RESTRICTIONS ON THE FREIGHTWAYS GROUP

- 21.1 There are no restrictions on the ability of any member of the Freightways Group to make distributions or borrow money, other than as described in sub-sections 18.1 (c), (d) and (e) of this 'Statutory Information' section.

22 OTHER TERMS OF OFFER AND SECURITIES

- 22.1 All the terms of the Offer, and all the terms of the Shares being offered, are as set out in this Offer Document, other than those implied by law or set out in a document which is registered with a public official, referred to in this Offer Document, and available for public inspection.

23 FINANCIAL STATEMENTS

- 23.1 Consolidated financial statements for the Freightways Group in respect of the period ended 30 June 2003 are set out on pages 66 to 87 of this Offer Document in accordance with clauses 23 to 38 of the First Schedule to the Regulations.

24 PLACES OF INSPECTION OF DOCUMENTS

- 24.1 The Constitution and the material contracts referred to in paragraph 18 of this section of the Offer Document are available for public inspection either on the Companies Office electronic register at www.companies.govt.nz, or at the registered office of the Company, specified in section 1 of this 'Statutory Information' section, during normal office hours. The Companies Office may charge a fee for inspection of certain documents.

25 OTHER MATERIAL MATTERS

- 25.1 There are no other material matters relating to the Offer other than the matters set out elsewhere in this Offer Document or in the financial statements referred to in this Offer Document and contracts entered into in the ordinary course of business of the Freightways Group.

26 AUDITORS' CONSENT

- 26.1 The auditors' report required by paragraph 42 of the First Schedule to the Regulations is set out on pages 88 to 90 of this Offer Document. PricewaterhouseCoopers have given and have not withdrawn their consent to be named in this Offer Document as auditors of the Company and to the distribution of this Offer Document with the auditors' report included in the form and context in which it appears.

27 DIRECTORS' STATEMENT

- 27.1 In the opinion of the Directors, after due enquiry, in relation to the period between 30 June 2003 (being the date of the latest statement of financial position of the Company, referred to in this Offer Document) and 28 August 2003 (the Specified Date), there have arisen no circumstances that materially adversely affect:
- a) the trading or profitability of the Freightways Group;
 - b) the value of the Freightways Group's assets; or
 - c) the ability of the Freightways Group to pay its liabilities due within the next 12 months.

STATUTORY INFORMATION

28 SIGNATURES

This Offer Document has been signed by each of the directors (or by their authorised agents) of the Company and of the Seller (as issuers).

SIGNED BY:

W R Boyd (or his authorised agent)
as director of the Company as an issuer

G M Taranto (or his authorised agent)
as director of the Company as an issuer

W F Birch (or his authorised agent)
as director of the Company as an issuer

M van Pesch (or his authorised agent)
as director of the Seller as an issuer

D J Bracewell (or his authorised agent)
as director of the Company as an issuer

A P D Degeest (or her authorised agent)
as director of the Seller as an issuer

W E Lewis (or his authorised agent)
as director of the Company as an issuer

G J G M Dillen (or his authorised agent)
as director of the Seller as an issuer

S J Sheldon (or her authorised agent)
as director of the Company as an issuer

GLOSSARY

ABN AMRO Capital means the trading name of the group of companies which operates the private equity business of ABN AMRO Holding N.V.

ABNED means ABNED Nominees Pty Limited.

Act means the Securities Act 1978.

Affiliate Shareholders means all or any of the management team of Freightways and the advisers and consultants (and those associated with or nominated by them) to all or any of the Foundation Shareholders.

AMP means AMP Henderson Global Investors Limited.

ANZ means Australia and New Zealand Banking Group Limited.

Application Form means one of the Application Forms for this Offer in this combined investment statement and prospectus.

ASX means Australian Stock Exchange Limited.

AUSDOC means AUSDOC Group Limited.

BNZ means Bank of New Zealand.

Board means the Board of Directors of Freightways.

Co-Managers means ABN AMRO Craigs Limited and Forsyth Barr Limited.

Company means Freightways Limited and, where the context requires, its subsidiaries.

Constitution means the constitution of Freightways Limited.

Director means a director of Freightways.

Directors Share Ownership Plan means the share ownership plan discussed on pages 44 and 45.

EBIT means earnings before interest and taxes.

EBITA means earnings before interest, taxes and amortisation costs.

EBITDA means earnings before interest, taxes, depreciation and amortisation costs.

Eligible Freightways Employees, Contractors and Directors means Freightways employees, contractors and directors as at the date of this Offer Document.

Employee Share Ownership Plan means the share ownership plan discussed on pages 46 to 48.

Entitled Employee means an employee nominated by the Board as being entitled to participate in the Employee Share Ownership Plan.

Exchange Offer means the offer by Freightways to New Zealand resident Preference Shareholders described on pages 12 and 13 to purchase Preference Shares at a price of \$1.02811 per Preference Share in exchange for Shares under the Offer.

FEL means Freightways Express Limited and, where the context requires, its subsidiaries.

Final Price means the price set by the Board on or about 15 September 2003 and payable by a subscriber under the Offer to the Company or any associated person in respect of a Share.

GLOSSARY

FIS means Freightways Information Services Limited.

Foundation Shareholders means all or any of ABN AMRO Holding N.V. and all of its related corporations, directors and officers, and any entities in which all or any of them have a substantial interest (and includes, but is not limited to, the Seller and ABNED).

Freightways means Freightways Limited and, where the context requires, its subsidiaries.

Freightways Group means Freightways Limited and its subsidiaries.

FY means a financial year ended or ending on 30 June.

Indicative Price Range means the indicative price range per Share set out on page 14.

Joint Lead Managers means ABN AMRO Rothschild and First NZ Capital.

Listing Rules means the listing rules of NZX.

NPAT means net profit after taxes.

NPATA means net profit after taxes and before amortisation costs.

NZ GAAP means generally accepted accounting practice in New Zealand.

NZSX means NZX's main equities market.

NZSX50 means the benchmark index of that name published by NZX.

NZX means New Zealand Exchange Limited.

NZX Firm means an entity designated as such by NZX under its business rules.

Offer means the offer of Shares described in the Offer Document which includes the Exchange Offer.

Offer Document means this combined investment statement and prospectus.

Offerors means:

- a) ABN AMRO Capital (Belgium) N.V.; and
- b) Freightways Limited.

Operating Earnings means EBITA.

ORM means Online Records Management.

Organising Brokers means ABN AMRO Equities NZ Limited and First NZ Capital Securities.

OSS means Online Security Services.

Participating Director means a Director who has acquired Shares under the Directors Share Ownership Plan.

Participating Employee means an Entitled Employee who has acquired Shares under the Employee Share Ownership Plan.

Preference Shareholders means the holders of Preference Shares.

Preference Shares means the redeemable preference shares issued by FEL.

GLOSSARY

Prospective Financial Information means the prospective financial information on pages 54 to 61 of this Offer Document.

Public Offer means the Offer insofar as it relates to members of the public in New Zealand participating other than in the Exchange Offer, by way of firm allocation or as a participant in the book building process.

Regulations means the Securities Regulations 1983.

Seller means ABN AMRO Capital (Belgium) N.V.

Share means an ordinary share in Freightways.

Shareholders means the holders of Shares.

Share Registry means Computershare Investor Services Limited.

Specified Date means the date the Offer Document is delivered to the Registrar of Companies for registration under section 42 of the Act, which is expected to be 28 August 2003.

Takeovers Code means the code of that title set out in the Schedule to the Takeovers Code Approval Order 2000 (SR 2000/210).

APPLICATION FORM AND INSTRUCTIONS

INSERT DETAILS

Insert full name(s), address and telephone numbers.

Applications must be in the name(s) of natural persons, companies or other legal entities, up to a maximum of two names per application. At least one full given name and surname is required for each natural person. Applications in the name of a minor, fund, estate, business, firm or partnership, club or other unincorporated body cannot be accepted. In those cases, applications must be made in the individual name(s) of the person(s) who is (are) the legal guardian(s), trustee(s), proprietor(s), partner(s) or office bearer(s) (as appropriate).

Insert the dollar value of Shares applied for. Note that applications must be for a minimum of \$2,500.

Insert IRD number.

If you know your Computershare Investor Services shareholder number, please insert it.

SIGNING

Read the Investment Statement and Prospectus and application form carefully and SIGN the form. It must be signed by the applicant(s) personally, or under company seal, if it has one, or by two directors of a company, or one director if there is only one director, or in either case by an attorney. If your application form is signed by an attorney, the power of attorney document is not required to be lodged, but the attorney must complete the certificate on the reverse of the application form. Joint applicants must all sign the application form.

Date the application form.

PAYMENT

Payment of the full amount of the Shares must accompany the application form.

Payment must be in New Zealand dollars for immediate value. Post dated cheques will not be accepted. Cheques must be drawn on a registered New Zealand bank.

Cheques must be made out in favour of '**Freightways Share Offer**' and crossed '**Not Transferable**'.

Those institutional investors invited to participate in the institutional book building process will be advised of settlement procedures in their invitation letter.

APPLICATION FORM AND INSTRUCTIONS

TREATMENT OF APPLICATION

The return of an application form with your cheque for the application money will constitute your offer to purchase or subscribe for Shares. If your application form is not completed correctly, or if the accompanying payment is the wrong amount, it may still be treated as valid.

The decision of the Offerors and the Joint Lead Managers as to whether to treat your application form as valid, and how to construe, amend or complete it, shall be final. The decision on the number of Shares to be allocated or transferred to you shall also be final. You will not, however, be treated as having offered to purchase a greater value of Shares, than that for which payment has been made.

Investors applying under the Offer whose applications are not accepted, or are accepted in respect of a lesser value of Shares than the amount for which they applied, will receive a refund of all or part, of their application monies without interest, as applicable. Allocations, if rounded, will be rounded down to the nearest whole number of Shares. Refunds will not be paid for any difference arising solely due to rounding.

CLOSING DATES

Application forms under the Exchange Offer must be received by the Share Registry by no later than 5.00pm on Friday, 12 September 2003. Application forms under the Public Offer must also be received by the Share Registry by 5.00pm on Friday, 12 September 2003 unless this date is extended by the Seller and the Company. Applications pursuant to Firm Allocations must be received by 5.00pm on Friday, 26 September 2003.

The Seller and the Company may amend these dates at their discretion.

Investors and NZX firms invited to bid in the book building process will receive further information regarding the book building process in their letters of invitation.

APPLICATION FORM AND INSTRUCTIONS

DELIVERY

Applications cannot be revoked or withdrawn.

Application forms may be mailed or delivered, with payment, to one of the following:

a) Freightways Share Offer

c/- Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna
Private Bag 92119, Auckland 1020
Telephone: 09 488 8777
Facsimile: 09 488 8787

b) the office of any NZX Firm.

c) or one of the Organising Brokers:

ABN AMRO Equities NZ Limited

48 Shortland Street
PO Box 3464
DX Box CY150
Auckland
Telephone: 09 358 7500
Freephone: 0508 226 226
Facsimile: 09 377 9797

First NZ Capital Securities

Level 20, ANZ Centre
23-29 Albert Street
PO Box 5333
DX Box CP22009
Auckland
Telephone: 09 302 5500
Freephone: 0800 005 678
Facsimile: 09 377 6761

Or:

Level 11, Castrol House
36 Customhouse Quay
PO Box 574
Wellington
Telephone: 04 472 6926
Freephone: 0508 226 226
Facsimile: 04 472 4700

Or:

Level 10, Caltex Tower
282-292 Lambton Quay
PO Box 3394
DX Box SP20046
Wellington
Telephone: 04 474 4400
Freephone: 0800 005 678
Facsimile: 04 496 5311

Application forms which are not lodged directly with the Share Registry must be lodged with the relevant person in time to enable them to be forwarded to the Share Registry before the applicable closing date.

Applications which are received by the Share Registry after the applicable closing date will not be accepted.

This Application Form constitutes an offer to purchase the Shares described herein. The full amount of the purchase price for the Shares is due upon application. The closing date for the offer is 5.00pm, Friday 26 September 2003 for firm allocation applications and 5.00pm, Friday 12 September 2003 for all other applications.

Broker's Stamp

FOR INSTRUCTIONS ON HOW TO COMPLETE AND DELIVER THIS FORM SEE THE ACCOMPANYING APPLICATION INSTRUCTIONS

APPLICATION FORM

INVESTOR DETAILS (Block Letters Please)

Title: First Name(s): Surname:

Title: First Name(s): Surname:

Corporate Name:

Postal Address: Suburb:

City: Post code:

Telephone Number Home: Business Phone:

INVESTMENT DETAILS The minimum application amount is NZ\$2,500.00

Amount applied for: NZ\$

Cheques must be payable to 'Freightways Share Offer' and crossed 'Not Transferable'. Payment must be made in New Zealand dollars with a cheque drawn on a registered New Zealand bank.

IRD Number: Computershare Investor Services Shareholder Number:

AGREEMENT OF TERMS

- 1) I/We offer to purchase the value of Shares shown above and agree to purchase such Shares (or such lesser value of Shares as the Offerors may allocate to me(us)) on the terms and conditions set out in the Investment Statement and Prospectus and this Application Form.
- 2) I/We agree to be bound by the Constitution of Freightways Limited (as amended from time to time).
- 3) All details and statements made by me/us are complete and accurate and this Application complies with the terms of the Investment Statement and Prospectus.
- 4) I/We represent that I am/we are not, as a result of the law of any place, a person to whom the Investment Statement and Prospectus should not be given.
- 5) I/We appoint Computershare Investor Services Limited as my/our authorised agent to execute any transfers or other documents as may be necessary or appropriate to register allocated Shares in my/our name on the applicable register or sub-register.

Signature: Date: Signature: Date:

Attorneys: Please complete and sign the certificate of non-revocation below.

Upon acceptance, in whole or in part, of an applicant's offer to purchase Shares, the Offerors will transfer those Shares to the applicant and will procure registration of the applicant as the holder of those Shares, subject to all applicable laws. This Application Form must not be issued, circulated or distributed unless accompanied by the Investment Statement and Prospectus.

CERTIFICATE OF NON-REVOCATION OF POWER OF ATTORNEY

I, of HEREBY CERTIFY THAT:
(name of Attorney) (Address and Occupation of Attorney)

1. By a Power of Attorney dated the day of (month. year)

(Name and Occupation of person for whom Attorney is signing) (Address of person for whom Attorney is signing)

('the Donor') appointed me his/her/its Attorney on the terms and conditions set out in the Power of Attorney:

2. I have executed the application for Shares printed on the face of this form as Attorney pursuant to the powers conferred on me by that Power of Attorney.
3. At the date of this certificate I have not received any notice or information of the revocation of that Power of Attorney, whether by the death or dissolution of the Donor or otherwise.

Signed at this day of 2003 Signature of Attorney:

ADDITIONAL APPLICATION TERMS

This application constitutes an irrevocable offer by the applicant to acquire the value of Shares specified in the Application Form, or such lesser value of Shares as the Seller, the Company and the Joint Lead Managers may determine, on the terms and conditions set out in this combined Investment Statement and Prospectus, and this Application Form.

If the aggregate value of Shares applied for exceeds the value offered then applicants may be allocated a lower value of fewer Shares than the value for which they applied. The value of Shares allocated to an applicant will be determined by the Seller and the Company in conjunction with the Joint Lead Managers. No reasons will be given regarding the level of allocations. Applications that are the subject of firm allocations will not be scaled.

The Seller and the Company reserve the right to decline any application in whole or in part, without giving any reason. Money received in respect of applications which are declined in whole or in part will be refunded in whole or in part (as the case may be). Refunds will be posted within five business days after allocation of Shares to successful applicants or after an application has been declined (as applicable). Interest will not be paid on any application money refunded to applicants.

Shareholding statements will be dispatched as soon as is practicable after allocation, but in any event not later than five business days after closing of the Offer.

Applicants should not attempt to sell their shareholdings until they have received their shareholding statements.

The Final Price for the Shares will be determined in the manner described in the Investment Statement and Prospectus.

If this Application Form is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be treated as valid. The Offerors' decision as to whether to treat an application as valid, and how to construe, amend or complete it, shall be final. The Offerors' decision on the value of Shares to be allocated to an applicant shall also be final. Applicants will not, however, be treated as having offered to purchase a greater value of Shares than that indicated on the Application Form.

Application money will be banked upon receipt into a designated bank account pending allocation of Shares. The banking of such monies does not constitute confirmation of allotment of any Shares. Interest earned on that account will be paid to the Offerors. If application money is paid by a cheque which does not clear, that application may be rejected or an allocation made to the applicant may be cancelled.

Expressions defined in the Investment Statement and Prospectus have the same meanings in this Application Form. This Application Form is governed by New Zealand law.

CORRECT FORM OF REGISTRABLE NAMES

Note that ONLY LEGAL ENTITIES are allowed to hold Shares. Applications must be in the name(s) of natural person(s), companies or other legal entities acceptable to the Issuers. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms of registrable names below.

TYPE OF INVESTOR

CORRECT FORM

INDIVIDUAL	Use given name in full, not initials	John Joseph Smith
COMPANY	Use company title, not abbreviations	ABC Limited
TRUSTS	Do not use the names of deceased or trust name, use trustee(s) names; all trustees may apply as joint applicants	Sue Smith and John Smith/Sue Smith Family A/C
DECEASED ESTATES	Do not use the names of deceased, use executor(s) personal names	Michael Smith Est/John Smith A/C
PARTNERSHIPS	Do not use the names of partnership, use partner(s) personal names	John Smith & Michael Smith/John Smith & Son A/C
CLUBS/UNINCORPORATED BODIES	Do not use names of clubs etc, use office bearer(s) personal names	Sue Smith/ABC Tennis Association A/C
SUPERANNUATION FUNDS	Do not use name of fund, use name of trustee	John Smith Limited/Super Fund A/C

This Application Form constitutes an offer to purchase the Shares described herein. The full amount of the purchase price for the Shares is due upon application. The closing date for the offer is 5.00pm, Friday 26 September 2003 for firm allocation applications and 5.00pm, Friday 12 September 2003 for all other applications.

Broker's Stamp

FOR INSTRUCTIONS ON HOW TO COMPLETE AND DELIVER THIS FORM SEE THE ACCOMPANYING APPLICATION INSTRUCTIONS

APPLICATION FORM

INVESTOR DETAILS (Block Letters Please)

Title: First Name(s): Surname:

Title: First Name(s): Surname:

Corporate Name:

Postal Address: Suburb:

City: Post code:

Telephone Number Home: Business Phone:

INVESTMENT DETAILS The minimum application amount is NZ\$2,500.00

Amount applied for: NZ\$

Cheques must be payable to 'Freightways Share Offer' and crossed 'Not Transferable'. Payment must be made in New Zealand dollars with a cheque drawn on a registered New Zealand bank.

IRD Number: Computershare Investor Services Shareholder Number:

AGREEMENT OF TERMS

- 1) I/We offer to purchase the value of Shares shown above and agree to purchase such Shares (or such lesser value of Shares as the Offerors may allocate to me(us)) on the terms and conditions set out in the Investment Statement and Prospectus and this Application Form.
- 2) I/We agree to be bound by the Constitution of Freightways Limited (as amended from time to time).
- 3) All details and statements made by me/us are complete and accurate and this Application complies with the terms of the Investment Statement and Prospectus.
- 4) I/We represent that I am/we are not, as a result of the law of any place, a person to whom the Investment Statement and Prospectus should not be given.
- 5) I/We appoint Computershare Investor Services Limited as my/our authorised agent to execute any transfers or other documents as may be necessary or appropriate to register allocated Shares in my/our name on the applicable register or sub-register.

Signature: Date: Signature: Date:

Attorneys: Please complete and sign the certificate of non-revocation below.

Upon acceptance, in whole or in part, of an applicant's offer to purchase Shares, the Offerors will transfer those Shares to the applicant and will procure registration of the applicant as the holder of those Shares, subject to all applicable laws. This Application Form must not be issued, circulated or distributed unless accompanied by the Investment Statement and Prospectus.

CERTIFICATE OF NON-REVOCATION OF POWER OF ATTORNEY

I, of HEREBY CERTIFY THAT:
(name of Attorney) (Address and Occupation of Attorney)

1. By a Power of Attorney dated the day of (month. year)

(Name and Occupation of person for whom Attorney is signing)

(Address of person for whom Attorney is signing)

('the Donor') appointed me his/her/its Attorney on the terms and conditions set out in the Power of Attorney:

2. I have executed the application for Shares printed on the face of this form as Attorney pursuant to the powers conferred on me by that Power of Attorney.

3. At the date of this certificate I have not received any notice or information of the revocation of that Power of Attorney, whether by the death or dissolution of the Donor or otherwise.

Signed at this day of 2003 Signature of Attorney:

ADDITIONAL APPLICATION TERMS

This application constitutes an irrevocable offer by the applicant to acquire the value of Shares specified in the Application Form, or such lesser value of Shares as the Seller, the Company and the Joint Lead Managers may determine, on the terms and conditions set out in this combined Investment Statement and Prospectus, and this Application Form.

If the aggregate value of Shares applied for exceeds the value offered then applicants may be allocated a lower value of fewer Shares than the value for which they applied. The value of Shares allocated to an applicant will be determined by the Seller and the Company in conjunction with the Joint Lead Managers. No reasons will be given regarding the level of allocations. Applications that are the subject of firm allocations will not be scaled.

The Seller and the Company reserve the right to decline any application in whole or in part, without giving any reason. Money received in respect of applications which are declined in whole or in part will be refunded in whole or in part (as the case may be). Refunds will be posted within five business days after allocation of Shares to successful applicants or after an application has been declined (as applicable). Interest will not be paid on any application money refunded to applicants.

Shareholding statements will be dispatched as soon as is practicable after allocation, but in any event not later than five business days after closing of the Offer.

Applicants should not attempt to sell their shareholdings until they have received their shareholding statements.

The Final Price for the Shares will be determined in the manner described in the Investment Statement and Prospectus.

If this Application Form is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be treated as valid. The Offerors' decision as to whether to treat an application as valid, and how to construe, amend or complete it, shall be final. The Offerors' decision on the value of Shares to be allocated to an applicant shall also be final. Applicants will not, however, be treated as having offered to purchase a greater value of Shares than that indicated on the Application Form.

Application money will be banked upon receipt into a designated bank account pending allocation of Shares. The banking of such monies does not constitute confirmation of allotment of any Shares. Interest earned on that account will be paid to the Offerors. If application money is paid by a cheque which does not clear, that application may be rejected or an allocation made to the applicant may be cancelled.

Expressions defined in the Investment Statement and Prospectus have the same meanings in this Application Form. This Application Form is governed by New Zealand law.

CORRECT FORM OF REGISTRABLE NAMES

Note that ONLY LEGAL ENTITIES are allowed to hold Shares. Applications must be in the name(s) of natural person(s), companies or other legal entities acceptable to the Issuers. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms of registrable names below.

TYPE OF INVESTOR

CORRECT FORM

INDIVIDUAL	Use given name in full, not initials	John Joseph Smith
COMPANY	Use company title, not abbreviations	ABC Limited
TRUSTS	Do not use the names of deceased or trust name, use trustee(s) names; all trustees may apply as joint applicants	Sue Smith and John Smith/Sue Smith Family A/C
DECEASED ESTATES	Do not use the names of deceased, use executor(s) personal names	Michael Smith Est/John Smith A/C
PARTNERSHIPS	Do not use the names of partnership, use partner(s) personal names	John Smith & Michael Smith/John Smith & Son A/C
CLUBS/UNINCORPORATED BODIES	Do not use names of clubs etc, use office bearer(s) personal names	Sue Smith/ABC Tennis Association A/C
SUPERANNUATION FUNDS	Do not use name of fund, use name of trustee	John Smith Limited/Super Fund A/C

DIRECTORY

(as at the date of this Offer Document)

DIRECTORS OF THE SELLER

Matthijs van Pesch
Anne Degeest
Gert Dillen

DIRECTORS OF THE COMPANY

Wayne Boyd
Dean Bracewell
Sir William Birch
Warwick Lewis
Susan Sheldon
Michael Taranto

REGISTERED OFFICE OF THE COMPANY

2nd Floor
Freightways House
32 Botha Road
Penrose
Auckland

JOINT LEAD MANAGERS

ABN AMRO Rothschild

48 Shortland Street
PO Box 3464
DX Box CY150
Auckland

First NZ Capital

Level 20, ANZ Centre
23-29 Albert Street
PO Box 5333
DX Box CP22009
Auckland

ORGANISING BROKERS

ABN AMRO Equities NZ Limited

48 Shortland Street
PO Box 3464
DX Box CY150
Auckland
Freephone: 0508 226 226
Telephone: 09 358 7500

First NZ Capital Securities

Level 20, ANZ Centre
23-29 Albert Street
PO Box 5333
Wellesley Street
DX Box CP22009
Auckland
Freephone: 0800 005 678
Telephone: 09 302 5500

DIRECTORY

CO-MANAGERS

ABN AMRO Craigs Limited

Farming House
102 Spring Street
PO Box 13155
DX Box HP40034
Tauranga
Freephone: 0508 226 226
Telephone: 07 577 6049

Forsyth Barr Limited

Level 6, Forsyth Barr House
Cnr Lambton Quay and Johnston Street
PO Box 5266
DX Box SP22518
Wellington
Freephone: 0800 367 227
Telephone: 04 499 7464

SHARE REGISTRAR

Computershare Investor Services Limited

Level 2
159 Hurstmere Rd
Takapuna
Private Bag 92119
DX Box CX10247
Auckland
Telephone: 09 488 8777

THE SELLER

ABN AMRO Capital (Belgium) N.V.

Regentlaan 53
1000 Brussels
Belgium

SOLICITORS

Russell McVeagh

48 Shortland Street
PO Box 8
DX Box CX10085
Auckland

AUDITORS

PricewaterhouseCoopers

Level 22, PricewaterhouseCoopers Tower
188 Quay Street
Private Bag 92162
DX Box CP24073
Auckland