WWW.MAINFREIGHT.COM

The longest journey starts with one small step.

MAINFREIGHT ANNUAL REPORT 2003

Special People. Special Company.

MAINFREIGHT ANNUAL REPORT 2003

Notice of Meeting

Notice is hereby given that the Annual Meeting of Shareholders will be held at the Mainfreight Hamilton premises, 10 Tasman Road, Te Rapa, Hamilton on Thursday 31st July 2003 at 3.30pm.

Business

1. **Financial Statements.** To receive and adopt the Financial Statements together with the report of the Directors and Auditors for the year ended 31 March 2003.
2. **Re-election of Directors.** Mr Don Rowlands and Mr Richard Prebble retire by rotation and, being eligible, offer themselves for re-election. Mr Bryan Mogridge and Mr Emmet Hobbs, who were appointed as Directors during the year by the Board, retire in accordance with the constitution and, being eligible, offer themselves for re-election.
3. **Auditors.** To record the re-appointment of Ernst & Young as auditors, and to authorise the Directors to fix their remuneration for the ensuing year.
4. **Directors' Remuneration.** To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

   "That the total amount of Directors' fees payable annually to all the Directors taken together be increased by $80,000 from $200,000 to $280,000, such sum to be divided amongst the Directors as the Directors from time to time deem appropriate".

Explanatory notes on the proposed increase in Directors' remuneration are included with this notice of meeting.

5. **Changes to the Constitution.** To consider and, if thought fit, to pass the following special resolution:

That constitution of the Company be altered by:

(a) amending clause 4.8 by deleting subparagraph (i), deleting the reference to "(i), (ii) or (iii)" in subparagraph (iv), replacing that deleted reference with "(i) or (ii)" and consequently renumbering the remaining subparagraphs; and

(b) amending clause 27.2 by inserting the words "or a related series of transactions" after the words "means a transaction".

Explanatory notes on the proposed amendments to the Company's constitution are included with this notice of meeting.

For and on behalf of the Board.

Carl Howard-Smith
Director
27 June 2003

Explanatory Notes

Agenda Item 4: Directors' Remuneration

The current annual remuneration of all Directors taken together is $200,000. This level of remuneration caters for annual fees of $50,000 for the Chairman and $25,000 for each of the non-executive Directors.

This level of remuneration has not changed since the Company listed on the New Zealand Stock Exchange seven years ago in 1996.

The proposed increase in remuneration is designed to cater for annual fees of $70,000 for the Chairman and $35,000 for each of the non-executive Directors.

Over the last seven years the size, breadth and complexity of the Company's business has increased. The Company has expanded its activities within the Pacific Rim and is now part of the NZX index.

There has been a corresponding increase in the demands on Directors. There has also been an increased focus in recent years on corporate governance.

The proposed increase in Directors' fees in part reflects those increasing demands on Directors. It is designed to enable the Company to continue to attract and retain high quality Directors. The Board believes that the proposed level of Directors' fees is well within the market levels for Directors' fees for similar companies.

Under NZX Listing Rule 3.5.1 if the number of Directors increases the Board may, without any further shareholder approval by ordinary resolution, increase the total remuneration by such an amount as is necessary to enable the Company to pay any additional non-executive Director or Directors remuneration which does not exceed the average amount than being paid to each of the other non-executive Directors.

Agenda Item 5: Changes to the Constitution

Two minor amendments are proposed to be made to the constitution to make it consistent with some changes made to NZX Listing Rules which came into effect on 1 December 2002.

The first of those changes removes obsolete references in the constitution to the now repealed Companies Amendment Act which has been replaced by the Takeovers Code.

The other change widens slightly the definition of what is a material transaction with a related party.

The Company is required to amend its constitution to reflect those changes to the NZX Listing Rules at the first reasonable opportunity.

To amend the constitution a special resolution of shareholders is required. A special resolution is a resolution approved by 75% or more of the eligible votes cast on the resolution.

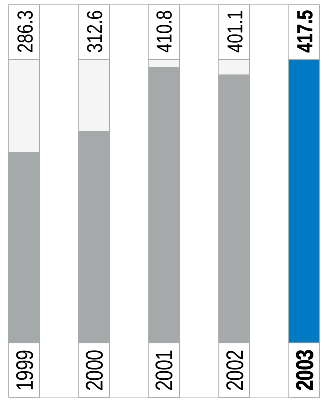
The NZX has approved the changes to the constitution. A copy of the amended constitution is available on request from the Company Secretary at P O Box 14-038, Panmure, Auckland. You may also inspect a copy of the amended constitution at the administration office of the Company at 473 Great South Road, Penrose, Auckland.

The Market Surveillance Panel of the NZX (the Panel) has granted a waiver from NZX Listing Rule 6.1.3. The waiver removes the requirement for an independent solicitor to review the proposed amendments to the Company's constitution. The Panel granted the waiver on the basis that the only amendments to the constitution reflect two minor changes to the NZX Listing Rules.

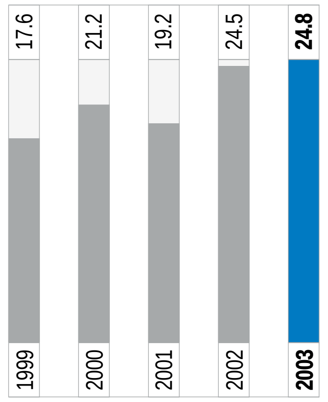
Proxies. Any shareholder of the Company entitled to attend and vote at the Annual Meeting is entitled to appoint a proxy to attend the meeting and vote instead of him or her. A proxy need not be a shareholder of the Company. A form of proxy is enclosed on this report on page 61.

Results in brief

	2003	2002
TRADING RESULTS		
• Group revenue ($000's)	417,503	401,074
• Group surplus after tax ($000's)	9,010	6,616
– First half	2,513	1,154
– Second Half	6,497	5,462
FINANCIAL POSITION		
• Total assets ($000's)	145,282	151,642
• Total shareholders' funds ($000's)	53,470	52,196
RATIOS		
• Group surplus after tax to average		
– Total assets	6.2%	4.4%
– Shareholders' funds	16.9%	12.7%
• Earnings per share	11.2¢	8.2¢
• Shareholders equity	28.7%	24.6%
• Interest cover (times)	6.1	5.0
DISTRIBUTION TO SHAREHOLDERS		
• Dividends – paid in year		
– Per ordinary share	6.5¢	6.5¢
– Times covered by surplus after tax	1.81	1.39
PAID UP CAPITAL		
• 80,380,035 Ordinary shares ($000's)	35,773	35,901



GROUP OPERATING REVENUE
$ MILLIONS



GROUP EBITDA
$ MILLIONS

Directory

Board of Directors

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

Administration Office

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

Registered Office

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

Overseas Offices

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

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

Mainfreight International
Incorporating ISS Express Lines
Trade Park Drive
Tullamarine
Victoria 3043
Tel (613) 9330 6000
www.mainfreight-international.com.au

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

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

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

Auditors

Ernst & Young
National Bank Centre
209 Queen Street
PO Box 199
Auckland

Bankers

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

Barristers to the Company

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

Share Registry

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

Annual Report by

Magnum Limited
2 Enfield Street, Mt Eden
Auckland
www.magnumltd.co.nz

Mark Lane, Owner Driver

Contents

Company Profile

Mainfreight Limited operates as a Supply Chain Logistics provider with operating businesses in New Zealand, Australia, Asia and the United States. We have 87 branches located throughout these countries.

The company was founded in 1978 by Executive Chairman, Bruce Plested, and has quickly become the pre-eminent Supply Chain Logistics provider in New Zealand. We provide our customers with world class service across a full range of Logistics, including Managed Warehousing, Domestic Distribution and International Air and Sea Freight operations linked together with sophisticated technology and computer systems.

In 1996 Mainfreight listed on the New Zealand Stock Exchange. Today Mainfreight employs nearly 2,000 people and has in excess of 18,000 customers world wide.

MAINFREIGHT

DAILY FREIGHT

CHEMCOURIERS

LEP INTERNATIONAL

CaroTrans INTERNATIONAL, INC.

MAINFREIGHT INTERNATIONAL LTD

Chairman's Report

Twenty five years ago two of us stood in an empty rented shed in Morrin Road, Panmure, Auckland. We had $7,200 in the bank and a developing passion to do freight in New Zealand better than it had ever been done before.

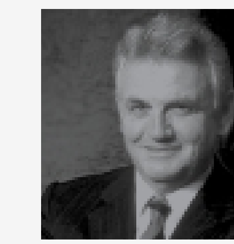
Today, the two of us are nearly 2,000 of us, operating 87 branches in five countries, with a turnover of over $400,000,000 p.a. and we are in the Top 50 Companies on the NZX.

Not for an hour in those 25 years have we wavered from trying to do our job better than it has been done before.

Every year has brought its challenges, but few more challenging than the possible fallout from the current precarious position experienced by TranzRail and Pacifica. These two businesses are a significant part of New Zealand's transport infrastructure and at the very least should not be exposed to foreign shipping marginally pricing domestic freight between the North and South Islands.

Australia, USA, Great Britain and most countries of the world do not subject their domestic transport infrastructure to this pressure.

Our Australian domestic freight business "Mainfreight Distribution Pty Ltd" has also remained a significant challenge, losing some $4.9 million EBIT in the past financial year as against my earlier prediction of breaking even. A large amount of human effort and sacrifice has gone into this business, resulting in new and satisfactory operating premises for most branches, plus the opening of four additional branches in Canberra, Townsville, Newcastle and Parkes. Unfortunately, we have not achieved the operating quality we would wish and consequently we have not attracted sufficient new business. New management has recently been appointed and our emphasis is now focused strongly on achieving higher operating standards, improving team morale and attracting new business.


Bruce Plested, Executive Chairman

The financial results of our Australian International and Logistics businesses are most satisfactory and we look forward to the supply chain synergies and opportunities which will result from a stronger domestic business.

I am saddened to write of the death of John Fernyhough, a Director and close associate. John brought financial and business credibility to our Board at the time of our public float in 1996. He was a thoughtful, supportive and sometimes feisty participant on our Board, even at our December 2002 meeting, only a few weeks before he died.

As a result of John's death and the resignation of Chris Dunphy as Executive Director, we have taken the opportunity to appoint two new independent Directors, Emmet Hobbs and Bryan Mogridge. Between them Emmet and Bryan bring not only business and Board experience, but also a more detailed understanding of operating in Australia. We are very excited with the calibre of these two new Board members.

We continue to believe that business is an important and potentially influential part of society, and we strive to play our part. The new words for this involvement of business with society are "capitalism of inclusion" or "sustainable business practice".

Our understanding of sustainable business practice is about profit but not greed, about open doors and few walls, about "we" and "us" not "I", about measuring oneself more harshly than one measures others, about not making enemies needlessly, about always striving for a better way and a better result, by understanding that all resources, including air and water and earth, are finite, about thinking beyond job and company with a generosity of spirit that enables business to benefit society near and far, beyond just the job being performed.

Moody Blue, Mainfreight's first truck, commissioned in 1978

The Mainfreight Team has been building these concepts since 1982 when we realised that people from the IHC (intellectually handicapped children) might enjoy a ride in a truck and a talk on the radio-telephone, not to mention pulling on an air horn. Since that date all our New Zealand branches have entertained their local IHC houses once a year. No cost to us, great fun for the IHC people and extraordinary pleasure for our teams who are involved.

We continue with our sponsorship of 25 schools in the Alan Duff "Books in Homes" program, helping provide five books per year to 5,200 of New Zealand's less privileged children. We also manage to supply them all with sun hats and a Mainfreight calendar each year, even a couple of fresh apples now and again.

The reaction of our own people suggests that we actually gain as much in the giving as the children gain in the receiving when Mainfreight is involved in presentations or interaction with Books in Homes schools, or our special "Bairds Mainfreight Primary School".

For two years Alan Duff has been selling the "Books In Homes" concept to the Australian Federal Government and it is likely to begin operating in some states during the coming year. Mainfreight has promised to be the first Australian corporate sponsor.

We hate waste and have been recycling at most branches for the past 15 years. In recent years we have begun using water collected from our terminal roofs for truck washing. Our latest stunning new 10,000m2 freight facility due for completion in Hamilton in June 2003 goes a stage further. Rainwater is used in all toilets as well as for truck washing, and office heating is provided with an enclosed fire fuelled by broken pallet wood.

How important is all this?

To quote New Zealand's own Kevin Roberts, "business offers the only real answer in creating a better world." If business does not work with society, then the two parties are likely to work against each other.

We have recently completed the contract to purchase the shares owned by our partner in Carotrans, Ziegler. This will prove to be a very significant purchase, enabling us to fully control our future aspirations in the international freight business in the USA, South America and the Pacific Rim countries.

We enter 2003-2004 with some significant challenges but a great deal of optimism. We have a sound financial base, excellent management, a fired up team very conscious of the new challenges, 150 university graduates, some of whom are making significant contributions, and a dream to build a global business from a New Zealand base. What more could we wish for!

Bruce Plested
Executive Chairman

Students at Bairds Mainfreight Primary School in Auckland's Otara.

Group Managing Director's Report

Group Operating Results

Don Braid, Group Managing Director

Our performance as a global logistics service provider continues to improve, as does our financial performance.

Our year end net profit result for this past twelve months is an acceptable $9.010 million, an improvement of 36.20% on the previous year. Our EBIT improved to $16.927 million with revenues improving 4.1% to $417.503 million. Adjusted to reflect last year's exchange rates, this improves to $432.512 million, or a 7.8% increase.

This financial performance improvement has come from a steady New Zealand domestic and international contribution which, whilst overshadowed by cost and margin issues during the first half, recovered in the 3rd and 4th quarters and is well positioned for a better contribution throughout 2003. Our International divisions in Australia and our associates in Asia and the United States contributed significantly.

It is becoming abundantly clear that our International sector will provide significant growth and contribution to our overall performance in the future and will become integral to our growth and development in the ensuing years.

Once again our Australian transport operations performed poorly, resulting in significant changes in both management and direction.

Throughout the year we continued to build on our strategic direction, improving and growing freight flow through our operating units utilising our supply chain philosophies and abilities for our customers.

We remain committed to our Australasian network, providing logistical services throughout both countries and utilising our influences on freight flow into New Zealand and Australia from our presence in Asia, the United States of America and beyond. This international positioning allows our business to gain in size and influence. It creates more opportunity for growth in operating structure and balance sheet effectiveness to compete with our larger global competitors. This is something a sole New Zealand presence does not allow.

New branches

Developments throughout the year saw new branches opened in Canberra, Townsville, Newcastle and Parkes in Australia for Mainfreight Distribution, the establishment of an airfreight forwarding operation for CaroTrans in the United States, a new branch in Tauranga for Mainfreight International, and the site management for Farmers Distribution in Auckland, New Zealand, for Mainfreight Transport.

Economic trading conditions in New Zealand were fair, with regional areas quite muted with the effect of poor farming revenues reducing retail expenditure, although the metropolitan areas of Auckland, Wellington and Christchurch were, and remain strong.

Australian conditions were favourable; however freight tonnage into Australia was affected markedly during September to November from Asia and the United States due to the world wide container shortage with the industrial action taken by waterfront workers on the West Coast of North America.

Fuel costs

Fuel costs worldwide have been on a rollercoaster ride reflecting supply issues, and the war in Iraq. These fluctuating costs have an effect on our customers with fuel surcharges and Bunker Adjustment Factors being applied to their freight rates for domestic and international freight movements respectively. The impact on our business is minimal as we recover these cost increases through the surcharges.

Rail network

Of more concern in our New Zealand domestic environment is the fragile condition of our Rail network and Coastal shipping infrastructure. In our opinion it is vital that New Zealand has a sustainable rail network that services the length and breadth of the country. Private sidings are required to assist valuable exports, imports and large domestic tonnage to move rail-head to rail-head, and cost effectively. The removal of sidings and valuable regional rail lines are short sighted decisions that will only impact further on our fragile roading infrastructure. We would like to move more freight by rail rather than road, but have been frustrated through the lack of service and availability.

The developments of the past few months as to Rail ownership are interesting and are possibly for the better. The competitive impact is unknown and will be reviewed and acted upon. We are committed to rail partnerships with an accommodating owner.

Coastal shipping

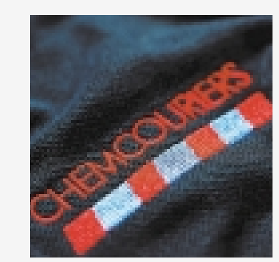
Coastal shipping continues to suffer at the hands of a deregulated environment. Pacifica Shipping continues to withdraw services and is looking to divest. We again urge Government to review Cabotage in New Zealand.

Lep's airfreight volumes exceed 25 million kilos per annum.

New Zealand

Operating Results – Domestic

000's	This Year	Last Year
Revenue	$160,908	$146,931
EBIT	$15,979	$15,851
As a % of Revenue	9.93%	10.79%
Market Share (Transport)	28%	
Market Share (Outsourced Warehousing)	12%	



Our New Zealand domestic financial performance was satisfactory, although it did not reach the previous year's improvement. Whilst revenues increased significantly, a growth of 9.5%, our cost control, particularly of labour, was poor. Margins were depressed for each of the first three quarters; however rate reviews undertaken during the third quarter have shown significant improvement for the fourth quarter and will continue to do so as we progress through 2003.

We have continued to develop our supply chain strategies with added value services being developed for many of our customers. Our Metro services – point to point cartage across our major metropolitan cities - continues to grow significantly and furthers our ability to service more of the physical logistics requirements of our customers.

Our network now extends to 305 destinations throughout New Zealand. Unquestionably, we have become the largest LCL freight provider within New Zealand, and will continue to utilise this extensive network to our advantage and to that of our customers.

Our Logistics division, which operates primarily in the third party warehousing sector, improved its financial performance during the year and is now well positioned to contribute significantly through 2003 and beyond. Operational performance has improved significantly, with utilisation of all 13 warehouses improving, and with the introduction of our new voice activated radio frequency pick technology, quality statistics have improved from 98.6% to 99.7%.

The Farmers Distribution contract, which commenced during the fourth quarter, is significant and will provide further opportunities to develop our supply chain abilities. Sectors of the contract require home delivery, expanding our already successful Metro services and providing further opportunity to capture freight delivery previously outside our area of capability.

Competition in New Zealand remains intense; however our continuing development of technology and added value services adds to our competitive advantage and assists to secure our market position. The possibility of further transport market rationalisation remains strong, providing both acquisition and market share opportunities.

Operating Results – International

000's	This Year	Last Year
Revenue	$73,033	$75,784
EBIT	$1,839	$1,726
As a % of Revenue	2.52%	2.28%
Market Share	6%	

The financial performance of our International divisions in New Zealand has improved on the previous year and is satisfactory in terms of the development of these businesses.

However, we have placed a greater emphasis on the business units of both Lep and Mainfreight International to achieve growth and profitability. In particular we have a greater focus on developing inbound freight strategies for customers involved in our supply chain activities. We are also benefiting from the development and growth of our Asian and American interests which have increased their inbound tonnage to New Zealand significantly.

Export volumes have been consistent throughout the year, although perishable volumes were on the decline. Competition in this sector is intense, with both global and local companies prevalent in the market. Competitive advantage is gained through our international agent and company owned networks, providing buying power, technology and supply chain attributes.

Unquestionably, we have become the largest LCL freight provider within New Zealand, and will continue to utilise this extensive network to our advantage and to that of our customers.

Tam Mellars, Owner Driver

Australia

Operating Results – Domestic

000's	This Year	Last Year
Revenue	$48,031	$52,764
EBIT	($4,876)	($4,518)
As a % of Revenue	(10.15%)	(8.56%)
Market Share	3%	

Our disappointing lack of financial improvement continues to overshadow the progress we have made operationally in this business. However the need for profitability is paramount, and accordingly we have made a number of key management and directional changes.

From April 1, 2003 Rodd Morgan accepted responsibility for Mainfreight Distribution's Transport division. Steven Noble moved to manage our Logistics division throughout Australia, which was previously merged with the Transport sector. New Branch Managers have been appointed to the Adelaide, Melbourne and Sydney operations.

Each of these appointments is key to ensuring we have an Australian business managed and led by Australians for our Australian customers.

Sales direction is focused on the small to medium sized enterprises where we can add real value in terms of service, technology and freight services aligned to our customers' requirements.

New branches were opened in Canberra, Townsville, Newcastle and Parkes (in central New South Wales) increasing our network and ability to service more destinations.

Our warehousing operations are profitable and growing. The foundation customers have remained with us and additional business growth is very positive for 2003. Both the Transport and Warehousing operations are utilising the same technology as our operations in New Zealand, which include enhancements that are providing administrative cost reductions and increased quality.

Sydney property issues remain in the short term; however we have the Seven Hills site now available for sale with vacant possession and, when sold, will provide much-needed lease cost relief. Occupation of our purpose built facility in Prestons, Sydney was in late May, adding further quality to freight movements in and out of New South Wales and a much needed morale boost for the team.

This Australian domestic network remains important to our overall Australasian service offering. It will continue to play a major part in our supply chain strategies for Australia and New Zealand and as our quality and profitability grow, so it will emerge from being a stand alone domestic Transport solution to a valuable division for our Supply Chain customers from around the world.

Our market share remains small in comparison with what is available, providing plenty of room for growth. Transport competition is intense with competitors across the full transport spectrum. Our advantages remain in our niche focus of being an LCL freight specialist concentrating on quality, time definite delivery throughout Australia, the use of owner operators to facilitate pick up, delivery and linehaul, and our technology systems which add value to our relationship with our customers.

Operating Results – International

000's	This Year	Last Year
Revenue	$145,250	$134,332
EBIT	$3,985	$3,407
As a % of Revenue	2.74%	2.54%
Market Share	8%	

Both International divisions performed satisfactorily for the past year and more importantly are positioned well for future growth and development. While revenues in Lep International improved substantially, Mainfreight International improved gross margins. International sea freight rates declined throughout the year - particularly from the Asia/Pacific region. It is expected that International sea freight rates will improve during the second and third quarters of 2003. Market share has improved for both divisions as has route development, in particular with our own operations located in Asia and the United States.

Competition

Competition is strong with both local and global competitors. There has been some market consolidation during the past year and more is expected. Supply chain abilities with technology enhancement certainly provide a competitive advantage for our operations as does the establishment of our distribution network throughout Australia.

Rodd Morgan and Glen Munro at Sydney's new Prestons facility

Mainfreight vehicle utilised by CaroTrans for freight movement within the USA.

Asia

Operating Results – International

000's	This Year	Last Year
Revenue	US$5,934	US$4,630
EBIT	US$392	US$186
As a % of Revenue	6.60%	4.02%
Market Share	1.5%	

Note: these results reflect total performance. Mainfreight Limited owns 37.5% of the Hong Kong operation and 50% of the Shanghai operation.

Our financial improvement continues for our two operations in Hong Kong and Shanghai, which are important for our growth in Asia over the next five years.

Managed and run in conjunction with our partner, David Shiau from Mainfreight Taiwan, both operations have increased their market share in their respective markets in LCL sea freight exports. Further, we have increased our trade lane focus to incorporate the United States, utilising CaroTrans. This has benefited both business units operationally and financially.

However, slower growth from other regions within China has not allowed us to open any additional branches during 2002. It is our intention to increase our network within China particularly around coastal ports where freight previously transited via Hong Kong and which are now being serviced directly.

Profitability and sustainability of these new branches are critical in our decision making process, in terms of when to open, not if. Economic trading conditions have been acceptable, however over tonnaging (excess shipping capacity), has created an overly competitive environment where ocean freight rates have decreased during 2002.

This, along with reduced tonnage inbound to Asia from Australia has seen freight rate increases being adopted by the Shipping Lines, to commence during the second quarter of 2003. This will add margin growth and assist the long term viability of LCL freight services to Australasia and the United States of America.

Competition is intense, however the Australasian markets are consignee driven allowing our network the ability to grow sales inbound from Asia.

United States of America

Operating Results – International

000's	This Year	Last Year
Revenue	US$37,119	US$37,404
EBIT	US$634	(US$1,048)
As a % of Revenue	1.70%	(2.80%)
Market Share	8%	

Note: the above results reflect total performance. Mainfreight Limited owned 52.11% of this business at March 31, 2003.

Financial performance has improved significantly during this past year. Better gross margin management and cost control has assisted. More importantly our operational performance has positioned the business to significantly improve during 2003 and beyond.

The restructuring that took place through 2001 and 2002 has seen improvements in trade lane profitability and customer focus. Trade development with our Asian operations has begun, as has a further increase in trade with our New Zealand and Australian operations.

Sales focus is on both wholesale and retail, particularly where our retail customers require supply chain solutions in the Australasian markets, therefore benefiting all divisions rather than just CaroTrans alone.

Sea freight margins have improved throughout the year as competitor activity has reduced.

The introduction of an airfreight product and service has added a greater range of services to our customers and in turn will assist air freight volumes between New Zealand, Australia and the United States.

Competition is strong with large global operators competing across many of the trade lanes. Competitive advantage again lies with our very strong technology and unique ability to provide LCL freight consolidation services on a regular weekly timetable over our chosen trade lanes.

The Future

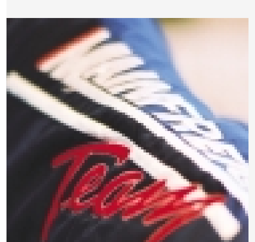
The last five years have seen significant development of our business in terms of our geographical presence in Australia, Asia and the United States. Each division has also matured to become a significant business in their core activity, while also working together to provide supply chain solutions for our customers.

This has enabled us to add value to our customer relationships and to find true competitive advantage over our competitors in each sector. When facilitated with our technology we truly have a business with competitive edge.

Further, our move to off shore markets, including Australia, strengthens our ability to have a dedicated Australasian network and an ability to influence logistics decisions and freight flow into this region.

While our presence in New Zealand is now 25 years on, it is abundantly clear that while further opportunities still exist in New Zealand for all of our business units, the ability to grow and compete with the major transport and logistics companies world wide is well beyond the growth available in New Zealand.

The recent ownership battle for TranzRail is indicative of the challenges we face. TranzRail is a major transport infrastructure in our own back yard and in theory should represent to us an opportunity. Although we are one of the largest transport operators in New Zealand, the size of the New Zealand economy and the potential it represents is a major constraint on expansion in New Zealand.



This puts us at a disadvantage with overseas operators which have a much larger domestic base from which to launch their expansion ambitions. The future for Mainfreight lies in expanding into more countries, with more opportunities, with a global influence that allows us to determine our own future and to maximise shareholder returns. Further, this enables us to protect our core business in New Zealand. Our recent acquisition of shares in the Owens Group is evidence of our strong commitment to New Zealand as our home base.

- Profitability is of real importance for our Australian domestic business. We are comfortable with the management changes made, and the strategic and operational development of the business. Profitability and group supply chain contribution are now possible, and expected, as we continue in this market.
- Our international operations in New Zealand and Australia have matured sufficiently for us to now see ongoing growth and profitability. All four operations will increase their market share significantly as they look to dominate their market sectors.
- Our Asian and USA businesses will continue to form the basis of our Pacific Basin development, increasing their market share and freight influence into our Australasian network. This may include further Northern Hemisphere development, in particular the United Kingdom.
- Ownership changes at CaroTrans will allow for more development of the Mainfreight brand and a greater freedom to expand in the large economies that CaroTrans services.
- In Asia we continue to consider opportunities to expand our China branch network. We are only intending to open new branches where volumes are such that profitability is almost immediate. It is also pertinent to note that an international branch network is substantially more cost effective to establish than that of a domestic network.

Our quality focused network, added value technology and supply chain solution activities are providing our customers with real added competitive advantages in their respective market places. This provides our base for growth. We expect our returns to continue to improve at a similar level as they have over the past year, providing the expected benefits to our shareholders, stakeholders and customers alike.

Don Braid

Our Management Team

Craig Evans

General Manager, Supply Chain
17 years with Mainfreight
Revenues $19 million

Craig is responsible for our 20 warehousing operations throughout New Zealand and Australia and plays an integral role in the development of our supply chain strategies and relationships.

Christine Meyer

Group HR and Training Manager
9 years with Mainfreight

Christine's responsibilities include our quality and training regimes and graduate recruitment programmes. Her role also includes overseeing the Human Resource divisions across the Group.

Mark Newman

National Manager Transport New Zealand
13 years with Mainfreight
Revenues $158 million

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

John Hepworth

International Manager/CEO CaroTrans
5 years with Mainfreight
Revenues $74 million

John is responsible for our USA interests, CaroTrans and the development of our International product around the world. John joined Mainfreight through our acquisition of his business, ISS Express Lines.

Kevin Drinkwater

Group IT Manager
17 years with Mainfreight
IT Operational Spend $9.6 million

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

Mick Turnbull

National Manager Lep International Australia
5 years with Mainfreight
Revenues $83 million

Mick has the responsibility of managing our Lep International operations throughout Australia. Mick is also a Director of Lep Australasia and has a valuable role in our agency/partnership with GEO worldwide. Mick joined Mainfreight through our acquisition of Lep Australia and has previously worked for Brambles Ltd.

Bryan Curtis

23 years with Mainfreight
$28 million revenue

Bryan is our most senior Branch Manager and currently leads our most profitable branch, Mainfreight Transport Auckland. Bryan has had a variety of positions including operational, sales and branch management roles in New Zealand and Australia. He provides training and mentoring to Branch Managers throughout New Zealand and Australia.

David Shiau

Managing Director Mainfreight Express, Asia

David has a relationship with our business which dates some 20 years, both as a partner and friend. David's responsibilities are the management and Directorship of our operations in Hong Kong, South China, Shanghai and North China. David's own business, Mainfreight Taiwan, acts as our partner, although Mainfreight Limited has no ownership in Mainfreight Taiwan.

Michael Lofaro

National Manager Mainfreight International Australia
5 years with Mainfreight
Revenues $66 million

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

Tim Williams

Group Financial Controller
9 years with Mainfreight

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

Greg Howard

National Manager, Mainfreight International New Zealand
4 years with Mainfreight
Revenues $21 million

Greg is a Bostonian from the USA and has spent most of his working life with CaroTrans. He is currently responsible for Mainfreight International in New Zealand and the development of sales and trade between our business units here in Australasia, and CaroTrans.

Rodd Morgan

National Manager, Mainfreight Distribution, Australia
Has just joined Mainfreight
Revenues $55 million

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

Dennis Basten

National Manager Lep International New Zealand
5 years with Mainfreight
Revenues $55 million

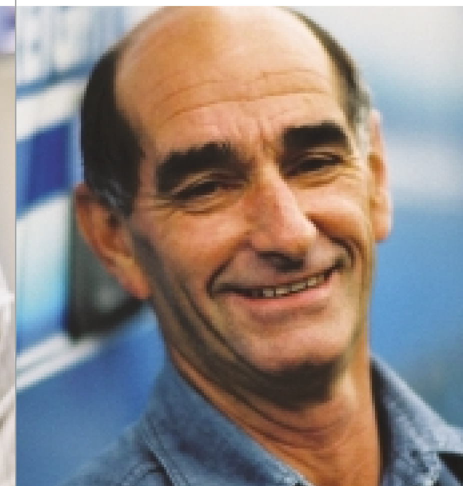
Dennis joined Mainfreight with the acquisition of Trade Air, and developed our Perishables division within Lep prior to his new role of managing Lep New Zealand.

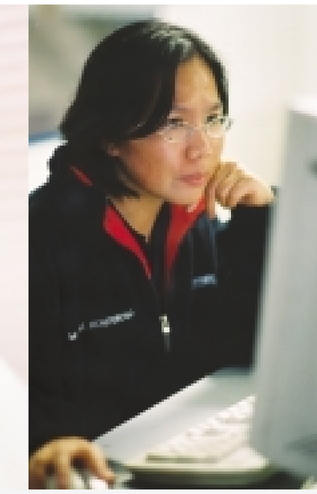
Steven Noble

National Manager Mainfreight Logistics, Australia
9 years with Mainfreight

Steven has the responsibility of our 7 Logistics (Warehousing) facilities through out Australia. Steven has been with Mainfreight in a variety of roles and has previous experience in International Forwarding and Logistics.





Our People

Central to the success of the Mainfreight Group are our people. We live by our motto "Special People, Special Company" We believe this is at the foundation of our difference and our competitive advantage.

However any statement that is designed to encase your culture and inspire passion and commitment in your people, must be executed with integrity and sincerity.

Below are some thoughts from our people on what it means to them to be a part of our business.

Fred, a driver, really likes the Mainfreight management structure - or lack of management structure. "If you have an issue you can get it sorted. The open plan offices mean everyone is involved, and everyone is accessible". He takes a great deal of pride in how his truck looks as he knows presenting the right image makes us stand out and he wants to be a part of it.

It's the teamwork that Paul, a storeman, likes. He likes the way we all get stuck in and help each other to get the job done. "Every couple of weeks we have a PAT (Positive Action Team) meeting and look at how we can improve on the way things are done. Everyone is encouraged to get involved with solutions," he says.

The new developments with technology make Oriana proud of the company. She also enjoys the social life. "Sitting in the café at lunch time having a hot meal is great - you get a chance to talk to people in other areas. Sometimes there are theme days, like the Polynesian day last week. All the ladies in the kitchen wore leis and we had Polynesian food. It makes you feel good to be part of it."

Brent, a new graduate fresh from three years at university is learning the operation by working on the floor. When he wonders about his career path a fellow graduate lets him know that the experience is setting him up for a strong future at Mainfreight.

Take Cameron for example. He started just three years ago as a young graduate in our Logistics business and now runs the Napier branch.

Grant, straight out of university four years ago started at Mainfreight in Logistics, progressed to LEP Christchurch as an Operations Manager, was promoted to LEP Wellington as a Branch Manager and has just begun his new role for us in Los Angeles.

External people measurement

This year we invited an external agency to audit our LEP team on their attitudes towards their employer. The company, Investors In People, are introducing an international standard in New Zealand.

The report reinforces our belief that what we say we do and believe, is in fact happening. In the auditor's words:

"Seldom has the assessor witnessed such a vibrant and exciting team culture, where the vast majority of people work hard to achieve, but more importantly work hard to support each other to achieve. This approach is vital in what is such a unique business environment which cannot be 'taught at University', but only on the job by getting stuck in. The key resource is the 'industry knowledge', drawn from daily internal and external client experiences and which is passed on from person to person. It is this reliance on others and the clear need to meet the 'weekly stats' that creates a very unique and effective team."

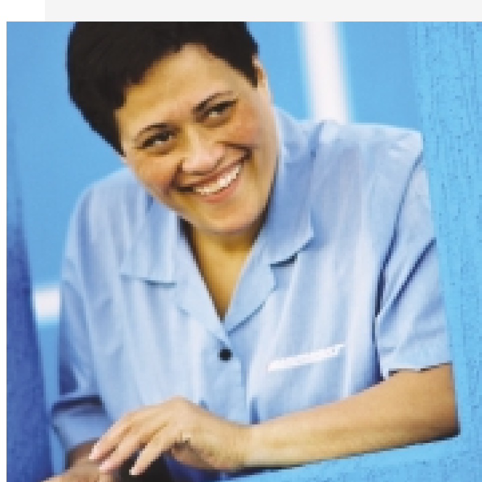
While we still have further work to do to achieve the standard, we easily meet the two key indicators that denote an effective team culture focused upon performance. These indicators are:

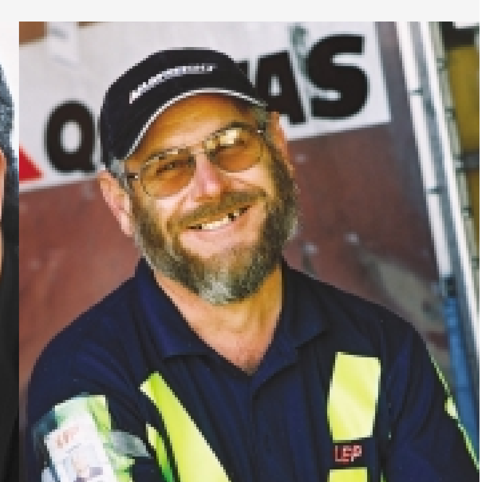
- People are encouraged to improve their own and other people's performance
- People believe their contribution to the organisation is recognised

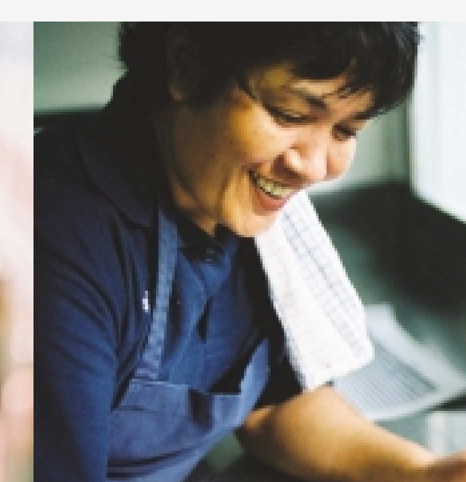
Training

Keeping people challenged and learning is vital to our growth. Not only does it keep the team progressing and improving their skills, it also helps develop fresh ideas for the business.

Outward Bound is one of several training providers with whom we have formed a partnership and this course is keenly sought after by our young graduates. This year representatives from Carotrans USA and LEP Australia joined us. This reflects our development as a global business where the relationships are critical in delivering supply chain solutions across all our divisions.



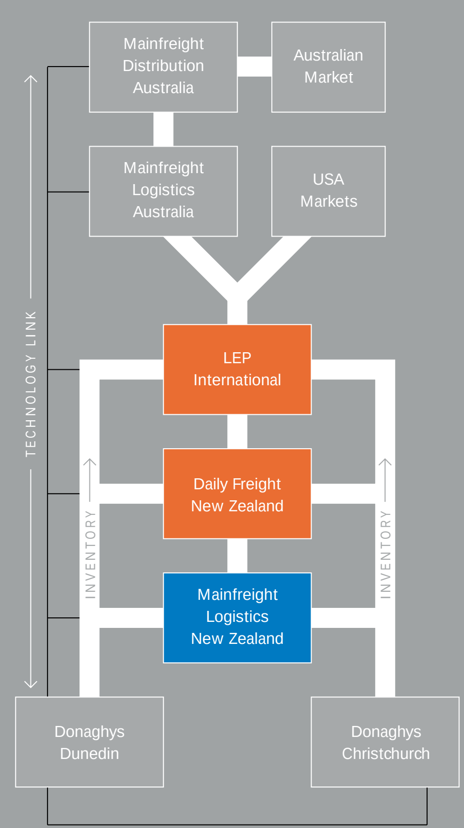





CASE STUDY

Group Supply Chain. Donaghys Industries

Supply Chain in Action



"Donaghys inventory management has improved markedly with the subsequent cost efficiencies and improving accountability delivering more value for their customer."

Donaghys Industries manufactures and supplies baling twine and other associated baling products to the agricultural, horticultural, marine and leisure marine sectors.

The company's headquarters are at its Christchurch manufacturing base, with another facility in Dunedin. Products are distributed throughout New Zealand, Australia, North America and other parts of the world.

While Mainfreight and Donaghys have a long history together, in recent years both businesses recognised the opportunities for a closer partnership. Our growing supply chain capabilities and Donaghys' new business strategies provided the opportunity. As a result, we commissioned joint inventory management operations in Dunedin, Auckland, Melbourne, Sydney, Brisbane, Perth and Adelaide.

- All these facilities are linked and supported by international shipping and domestic freight services.
- Utilising Mainfreight's world class technology, this inventory management now enables both partners to position the business variably, with shared risk and opportunity.
- Mainfreight's strategy of investing in niche supply chain capability has been greatly enhanced in the rural supply delivery network as a result of this partnership.

Achieving Best in Class status remains the focus of both partners in providing service excellence for the customer base of Donaghys. As a result of Mainfreight's involvement, Donaghys have:

- Greater cost efficiencies
- Greater transparency
- Better inventory control
- Improved accountability

The success is measured on:

- Promoting leading edge technology, continual innovation
- Leveraging international shipping and air freight opportunities
- Standardised domestic networks in both Australia and New Zealand
- Philosophy alignment
- Best in Class focus

Mike O'Connell of Logistics, Auckland.

Supply Chain Strategies

Aligning the business divisions and team philosophy promotes the Mainfreight Group's Supply Chain. The specific focus of each division continues to be achieving Best in Class. This, combined with our world class technology and common team goals, gives us a strong competitive advantage.

Mainfreight's Supply Chain Fundamentals

- Best in Class by brand
- Simplicity of doing business
- Reduce execution time to implement solutions
- Collective customer focus by all divisions
- Technology transparency able to link all aspects of the Supply Chain
- Value stream thinking based on lean and agile principles
- Reducing total cost by integration

Our Logistics brand continues to expand, from ever-increasing customer demand for technology and warehousing that is information-relevant and quality-driven.

"Growth opportunities continue from customers seeking diversification and variability from non-core areas of their business."

Supply chain technology

Significant investment in leading edge technology is assisting the business. There is no better example than Mainchain, which provides a single viewing layer across all the International, Domestic and Logistics brands. This allows customers to gain instant historic and real-time access to key information.

In-house technology development and innovation are key drivers for Mainfreight.

WMS. For example, our Warehousing Management Systems (WMS) and support is now a core competence leased on a variable basis to the general market requiring in-house warehousing technology solutions.

A strategically placed network of warehouses throughout Australasia is providing flexible end market inventory placement.

Inventory Record Accuracy (IRA). Mainfreight measures inventory management in detail and exceeds market expectations. Measurement criteria records the following:

- Quality
- Quantity
- Location
- Timeliness

IRA Statistics

1998	1999	2000	2001	2002	2003
96.8%	97.2%	97.8%	98.4%	98.8%	98.9%

Pick Accuracy Statistics

Technology investments and team training continues to improve our picking accuracy targets.

1998	1999	2000	2001	2002	2003
97.9%	98.0%	98.2%	98.4%	98.6%	99.7%

Technology

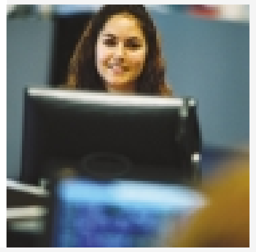
Customers have realised that information about the status of their goods has become as important as the actual delivery of the goods.

Since the introduction of our freight tracking system in 1990, Mainfreight has been at the forefront of Information Logistics. This is the timely provision of critical information to customers to enable them to better manage their supply chain.

Mainchain

Our latest offering for customers, Mainchain, takes us even further ahead. In essence Mainchain can track a supply chain movement across multiple countries and Mainfreight services - and also integrate information on services supplied by third parties.

For example when a Melbourne company places an order with an East Coast, US based manufacturer, Mainchain will track the movement of the goods from placement of the order in the US, through land transportation to Los Angeles and departure on a vessel from the port of Long Beach, to arrival in Melbourne and delivery to the customer or into a Mainfreight Logistics warehouse.



Although the information on this transaction is handled by up to four different Mainfreight companies, on four different computer systems and in two countries, Mainchain will present it to the customer in a consolidated view within seconds.

Mainchain has been built using Visual Studio.Net, the latest technology from Microsoft, at a fraction of the cost of integrating or rebuilding our existing systems, and will be less expensive to maintain. Microsoft Corporation recently chose Mainchain as one of the top 50 systems in the world built on Visual Studio.Net, the only Australasian system to achieve this.

Mainchain will continue to be developed so it can link with our agent partners and suppliers around the world to provide a truly global view of the supply chain. It will become the home of many of our existing and future customer focused technologies.

Other Initiatives

Whilst introducing new technologies we also continue to focus on building efficiencies within the business.

One of these initiatives is the introduction of a new Metro module for our intra city work. This module significantly increases the efficiency of documentation, with our Auckland office recording weekly savings in excess of 40 hours.

An automated process for LEP New Zealand allows overseas tracking status information to be automatically received and updated into their system, saving substantial amounts of manual input. LEP customers now also have the ability to enter their international shipment bookings over the Internet.

New team members now learn about the Group's activities and culture and complete induction exams over the web.

CaroTrans has received significant praise from customers and agents for their new web site that enables customers and agents to track their freight and view/print all their critical documents themselves. As well as achieving a great improvement in customer satisfaction Carotrans has improved efficiency and costs as it no longer needs to print and fax/courier 90% of their documents within the US or overseas.

Our onboard vehicle technology now allows drivers to input the name of the receiver into the wand at the time the delivery is scanned. This means that within minutes of the delivery our customers can now view the name of the person who accepted delivery for the goods as well as the date and time of delivery. We have already seen that this improvement has led to a reduction in the requests for "hard copy" proof of deliveries.

Mainfreight Logistics customers can now use EMIMS (Electronic Mainfreight Inventory Management System) to view, via the web, their order status, stock levels and other key information on product stored in our warehouses. It will also allow customers to input their own orders directly into our inventory management system.

Microsoft Corporation recently chose Mainchain as one of the top 50 systems in the world built on Visual Studio.Net

Electronic scoreboard for orders processed at Westney Road, Auckland site.

" Beverley Green of Orica Powder Coatings, expects Mainchain to save her team around 12 hours per week in administration and documentation. It has improved the speed and accuracy of the service they deliver. Costs have reduced, with lower courier and warehouse storage costs."

Focus on Technology Voice Picking

By integrating voice recognition technology into the picking process we have significantly improved accuracy and efficiency levels in our Westney Road warehouse.

Pickers operate with small lightweight computers attached to their waist which feed them instructions through headphones on where to go and what to pick. Pickers communicate with the computer by voice through a microphone attached to the headset and use this to confirm instructions and request further information.

As no paper, barcode scanner or any other equipment is required, the team members work in an entirely hands free environment allowing them to be free to pick and stack far more effectively.

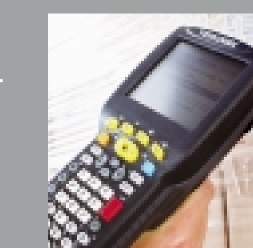
This system has improved the speed of picking by 20% and has eliminated picking errors.

We will be introducing Voice technology to other warehouses in Australia and New Zealand during the next twelve months.

To complement voice technology we have begun introducing Radio Frequency scanner terminals for unload and warehouse placement of inwards goods. This further enhances our stock accuracy and efficiency.

Meads Chalcoft, Mainfreight Westney Road.

"Since we introduced voice-picking online, our error rate has dropped from 2-3% to between 0 and 0.5%. Where an error has occurred, we can trace the source of the problem and take the necessary steps to make sure it doesn't happen again."



Targets and Achievements

2002

Target	Achieved
• Open branches in Canberra, Townsville and Newcastle	• Canberra opened 1 April, Newcastle opened 1 June Townsville opened 1 July
• Be operating profitably in Mainfreight Distribution	• Not achieved
• Open another branch in China	• Not achieved. Expected 2004.
• Open first warehouse in the USA	• Opened Miami facility November 2002
• Service by Mainfreight Distribution to 100 Australian towns	• 173 now being serviced
• Computer integration with all business units in New Zealand, Australia, USA and Asia	• Underway, with trials April 2003. Codenamed "Mainchain"
• Mainfreight International to open a third branch in New Zealand	• Tauranga opened in March 2003
• Mainfreight International branding and agency arrangements confirmed in Adelaide and Fremantle	• Completed January 2003
• Introduction of Voice Pick and RF Technology to Warehouses in Australia and New Zealand	• Completed Westney Road February 2003. Other selected warehouses by the end of 2003.

2003

Target	Achieved
• Full year profit for Mainfreight Distribution	• Not achievable until 2005
• Open a branch in Darwin	• Researched and not viable or of interest.
• Open a 3rd branch in China	• Not possible until 2004
• Open a branch in the United Kingdom	• Possibly 2004
• Service by Mainfreight Distribution to reach 125 Australian towns	• 173 now being serviced
• Computer integration with most agents	• On Target
• Purchase USA NVOCC	• Purchase of PCL Houston and ACI, USA
• Initiate joint ventures in South Africa, Chile and China	• South Africa – ongoing • Chile –ongoing • China – delayed due to SARS and volume development
• Launch Chemcouriers Australia	• Once profitability secure in Mainfreight Distribution
• Establish additional capacity and brands through further acquisition in New Zealand	• Opportunities being explored

2004

Target	Achieved
• Open a branch in Rockhampton	• Will not open a Rockhampton branch
• Service by Mainfreight Distribution to 150 Australian towns	• 173 now being serviced
• Begin operations in another Asian country	• Still under review
• List on Australian Stock Exchange	• Still under review
• Purchase Australian Freight Company	• Still under review
• 1,000,000 sq ft of warehousing in Australia	• On Target
• Mainchain technology providing see through track and tracing for all Supply Chain activity	• On Target
• Explore European opportunities for international expansion	• On Target

2005/2006

Target	Achieved
2005	
• Further expansion in China	• On target
• Develop direct investments in USA land transportation	• Still focused on logistics and warehousing activities
• Open International operations in the United Kingdom	• On Target
2006	
• Exceed worldwide revenue of NZ$1 Billion	• Possible, but likely to take us until 2008
• Service by Mainfreight Distribution to 250 Australian towns	• On Target

"Not for an hour of our 25 years, have we wavered from trying to do our job better than it has been done before"

Property Portfolio

Our property ownership and lease strategies remain consistent with our past year's philosophies. We prefer to mix the property portfolio with both owned and leased facilities and continue to desire small land banks where possible to ensure growth and expansion is orderly.

The locations of our freight and warehousing facilities remain critical to ensure easy access to transport infrastructure and cost effective supply chain activity.

All properties, be they owned or leased, are regularly reviewed for future benefit and optimum use.

		New Zealand		Australia	
		2003 m2	2002 m2	2003 m2	2002 m2
Properties Owned & Utilised	Freehold	67,281	63,889	3,525	0
	Leasehold	38,880	42,943	0	0
Properties Held for Future Sale		7,996	0	9,010	12,535
Leased with Term (3+ years)		13,778	13,778	57,315	57,315
Total Properties		127,935	120,610	69,850	69,850

** Note: Square metres refers to building area only.*

"Today we operate 87 branches across five countries with a 2000-strong team"

Capital Expenditure

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

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

Property and Buildings

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

Monies expended on property in the past year totalled $3.908 million. No property disposals occurred.

Information Technology

Information Technology expenditure decisions are based on improving ongoing operational and administrative efficiencies and the ability to further enhance our competitive advantages within the market, including adding further value to our customer relationships and their supply chain requirements. Capital Expenditure on Information Technology in this past year was $2.98 million.

General

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

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

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

Capital Expenditure in the past year in this category was $3.288 million. Disposal of assets was $1.125 million, which includes some vehicles bought and/or leased during the development of Mainfreight Distribution.

The new 7,000 sqm facility at Prestons, Sydney.

Operating Statistics

Team Numbers

	This Year	Last Year
NZ Domestic *Mainfreight, Daily Freight, Chemcouriers*	1,079	1,019
NZ International *Lep and Mainfreight International*	139	132
Australian Domestic *Mainfreight Distribution*	227	294
Australian International *Lep Pty and Mainfreight International Pty*	230	224
Associated Companies *CaroTrans, USA and Mainfreight Express, Asia*	144	140
Total Group	1,819	1,809
Gender Ratios	**64% Male**	**36% Female**

Revenue Comparison

000'S	**This Year**	**Last Year**
NZ Domestic	$160,908	$146,931
NZ International	$73,033	$75,784
Australian Domestic	$48,031	$52,764
Australian International	$145,250	$134,332
Eliminated Intercompany	($9,719)	($8,737)

Information Technology

000'S	**This Year**	**Last Year**
Information Technology Spend	$9,653	$7,591
As a % of Revenue	2.31%	1.89%

Training and Human Resource

000'S	**This Year**	**Last Year**
Training and HR Spend	$1,30	$1,24
As a % of Revenue	0.31%	0.31%

EBITDA Comparison

000'S	**This Year**	**Last Year**
NZ Domestic	$20,035	$19,413
NZ International	$2,736	$2,617
Australian Domestic	($3,145)	($2,252)
Australian International	$5,138	$4,674

Debtors Days Outstanding

	This Year	**Last Year**
	37,99	38,69

Customer Service Measurement

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

Claims

1997	321 consignments for 1 claim
1998	374 consignments for 1 claim
1999	419 consignments for 1 claim
2000	413 consignments for 1 claim
2001	453 consignments for 1 claim
2002	463 consignments for 1 claim
2003	**417 consignments for 1 claim**

Loading Errors

1997	3.18 loading errors per 100 consignments
1998	2.42 loading errors per 100 consignments
1999	2.24 loading errors per 100 consignments
2000	2.20 loading errors per 100 consignments
2001	2.04 loading errors per 100 consignments
2002	3.34 loading errors per 100 consignments
2003	**3.08 loading errors per 100 consignments**

** Note: The 2002 and 2003 figures reflect the introduction of a more stringent definition of handling errors.*

IT Statistics – Domestic

1. Percentage of Consignment Notes received electronically
NZ 44% AUS 33%

2. Percentage of Customer Issues received electronically (Helpdesk)
NZ 31%

3. Percentage of Logistics Orders received electronically
NZ 51%

4. Number of consignments tracked electronically
NZ 46,800 per annum

Warren Martin, Owner Driver at Auckland Metro

Corporate Governance

The Board of Mainfreight is committed to the highest standards of Corporate Governance Practice, including the ethical conduct of all Directors and people of Mainfreight Limited and its subsidiaries.

The Role of the Board of Directors

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

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

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

Board Membership

The Board currently comprises eight Directors, comprising an Executive Chairman, a Group Managing Director and six independent Directors. From time to time key executives are invited to attend full Board Meetings and are encouraged to fully participate in all debate. The Board met on five occasions in the financial year ended 31 March 2003.

Directors Meetings

The Directors hold five Board Meetings per year over a two day period throughout Australia and New Zealand in locations of interest and concern. At the close of day one of each Meeting, customers and our team are invited to meet Directors and Management.

Bruce Plested and Don Braid also attend three Board Meetings of CaroTrans in the USA, two Board Meetings of Lep in either New Zealand or Australia and one Board Meeting of Mainfreight Express in Asia.

The following table outlines the number of Board Meetings attended by Directors during the course of this past financial year.

Director	Meetings Held	Meetings Attended Mainfreight	Meetings Attended Subsidiaries
Bruce Plested	5	5	5
Don Rowlands	5	5	-
Neil Graham	5	5	1
John Fernyhough	5	3	-
Richard Prebble	5	5	-
Carl Howard-Smith	5	5	-
Chris Dunphy	5	4	-
Don Braid	5	5	6

Share Trading by Directors and Key Management

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

Group Management Structure

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

The Role of Shareholders

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

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

Audit Committee

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

These controls include safeguarding of assets; maintaining proper accounting records; complying with legislation; ensuring the reliability of financial information, and assessing and overviewing business risk. The Committee also deals with Governmental and New Zealand Stock Exchange compliance requirements.

Audit Committee:

Richard Prebble, Director
Carl Howard-Smith, Director

Remuneration Committee

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

Remuneration Committee:

Bruce Plested, Executive Chairman
Don Rowlands, Director

Directors' Report

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

Activities

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

Financial Result

Consolidated sales for the year were $417.5 million, up on the previous year by $16.4 million (4.1%). The net surplus increased by 36.2%, from $6.6 million to $9.0 million. Comparisons to the 2002 result are set out in the statistics section, page 59 of the financial statements.

Financial Position

The Group has improved its financial position with shareholders' equity of $53.5 million, funding 36.8% of total assets. Earnings cover interest on debt by 6.1 times. Net cash flow from operations was $16.9 million, up from $16.2 million last year. Net property and plant purchases of $9.0 million were reflected in the cash outflow from investing activities. Dividends of $5.0 million, combined with net repayment of borrowings of $9.8 million, resulted in payments of $14.8 million from financing activities.

Dividend

A dividend of 3.5 cents per share was paid on 19 July 2002, fully imputed. A supplementary dividend of 0.62 cents per share was paid to non-resident shareholders with this dividend. A further dividend of 3.0 cents per share was paid on 13 December 2002, fully imputed. A supplementary dividend of 0.53 cents per share was paid to non-resident shareholders with this dividend. A fully imputed dividend of 3.5 cents per share, payable on 18th July 2003 is proposed, together with a supplementary dividend of 0.62 cents per share for non-resident shareholders. Books close for this dividend on 11 July 2003.

Statutory Information

Additional information is set out on pages 55 to 57 including Director's interests as required by the Companies Act 1993.

Directors

Upon the death of Mr John Fernyhough, and the resignation of Mr Christopher Dunphy, the Board appointed Mr Bryan Mogridge and Mr Emmet Hobbs as Directors of the Company on 25 March 2003. Both of these Directors, together with Mr Don Rowlands and Mr Richard Prebble, in accordance with the constitution retire, and all being eligible, offer themselves for re-election.

Audit

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

Reporting and Communications

Mainfreight continues to support high levels of public company disclosure. Quarterly reporting is extremely effective in communicating the Group's affairs to shareholders, the Stock Exchange, regulatory bodies and the media. The first quarter result to 30 June 2003 is scheduled for release on 19 August 2003.

Outlook

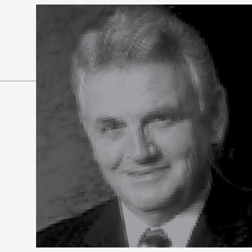
The Directors are satisfied with the direction and development of the Group. The next twelve months will continue the exciting developments that Mainfreight has underway with the subsequent benefits to our shareholders and stakeholders.

For and on behalf of the Board.
27 June 2003.

Bruce Plested
Executive Chairman

Carl Howard-Smith
Director

Bruce Plested

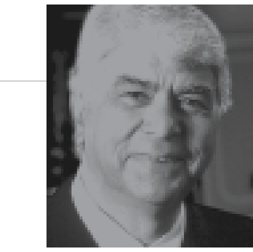


Executive Chairman & founding owner

25 years with Mainfreight
Appointment to Board 1978

Founding Managing Director of Mainfreight.

Carl Howard-Smith



25 years with Mainfreight
Appointment to Board 1983

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

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

Don Braid

9 years with Mainfreight
Appointment to Board 2000

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

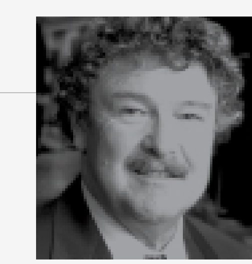
Richard Prebble

Appointment to Board 1996

Former Minister of Civil Aviation
Former Minister of Transport, Railways
Fellow of the New Zealand Transport Institute.

Other Directorships:
McConnell International Ltd.

Neil Graham, QBE

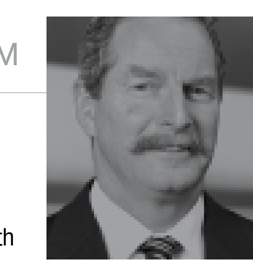


24 years with Mainfreight
Appointment to Board 1979

Joint Managing Director of Mainfreight 1979 to 1999.
Various property and Agriculture Management roles.

Other Directorships: Columbia Motor Yachts (Australasia) Ltd, Cherrywood Enterprises Ltd, Graham Management Services Ltd, Valley of Peace Alpacas Ltd, Scott Forestry Ltd.

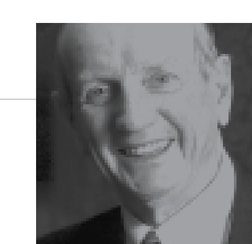
Bryan Mogridge, ONZM



Appointment to Board – April 2003

Other Directorships:
Pyne Gould Corporation, Plato Health Systems Ltd, Designworks (Chairman), West Auckland Trust Services Ltd, Waitakere City Holdings Ltd, Enterprise Waitakere.

Don Rowlands

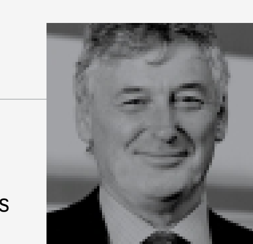


Appointment to Board 1983

Former Managing Director Fisher & Paykel
Former Director Nestle NZ Ltd
Former President of The Manufacturers Federation.

Other Directorships: CWF Hamilton Ltd.

Emmet Hobbs



Appointment to Board – April 2003

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

Statement of Financial Performance for the Year Ended 31 March 2003

		Group		Parent	
		2003	**2002**	**2003**	**2002**
	Notes	$000	$000	$000	$000
Operating Revenue		$417,503	$401,074	$121,475	$111,113
Surplus Before Associates, Amortisation and Taxation for the Year	2	15,862	15,112	10,575	8,593
Share of Surplus (Deficit) of Associates	11	918	(1,244)	-	-
Amortisation Expense	8	(2,045)	(2,178)	-	-
Surplus Before Taxation for the Year		14,735	11,690	10,575	8,593
Income Tax Expense	4	(5,021)	(4,355)	2,733	1,714
Surplus After Taxation for the Year		9,714	7,335	7,842	6,879
Minority Interest in Surpluses of Subsidiaries		(704)	(719)	-	-
NET AND OPERATING SURPLUS FOR THE YEAR		$9,010	$6,616	$7,842	$6,879

Statement of Movements in Equity for the Year Ended 31 March 2003

Net Surplus for the Year – Parent interest		9,010	6,616	7,842	6,879
Net Surplus for the Year – Minority interest		704	719	-	-
Currency translation difference – Parent Interest		(2,639)	(16)	(503)	-
Currency translation difference – Minority interest		(96)	-	-	-
Total Recognised Revenues and Expenses for the Year		6,979	7,319	7,339	6,879
Contributions from Owners (Executive Options)		-	250	-	250
Treasury Stock as a result of accounting policy change	1	(128)	-	(128)	-
Supplementary Dividends		(110)	(103)	(110)	(103)
Dividends Paid		(4,969)	(4,737)	(4,969)	(4,737)
Foreign Investor Tax Credit		110	103	110	103
MOVEMENTS IN EQUITY FOR THE PERIOD		$1,882	$2,832	$2,242	$2,392
Equity at the start of the Year					
Parent Interest		52,196	50,083	59,412	57,020
Minority Interest		1,473	754	-	-
		53,669	50,837	59,412	57,020
Equity at the end of the Year					
Parent Interest		53,470	52,196	61,654	59,412
Minority Interest		2,081	1,473	-	-
		55,551	53,669	61,654	59,412

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

Financial Contents

Statement of Financial Position as at 31 March 2003

	Notes	Group 2003 $000	Group 2002 $000	Parent 2003 $000	Parent 2002 $000
Shareholders' Equity					
Share Capital	3	35,773	35,901	35,773	35,901
Accumulated Surplus		20,309	16,268	26,384	23,511
Foreign Currency Translation Reserve		(2,612)	27	(503)	-
Shareholders' Equity		53,470	52,196	61,654	59,412
Minority Interest		2,081	1,473	-	-
TOTAL EQUITY		55,551	53,669	61,654	59,412
Non-current Liabilities					
Bank Term Loan	5	37,074	48,097	37,074	48,097
Intercompany Advances	18	-	-	40,000	-
Employee Entitlements	16	701	-	-	-
Finance Lease Liability	6	1,007	1,897	-	-
		38,782	49,994	77,074	48,097
Current Liabilities					
Bank Overdraft		2,914	3,116	1,467	199
Associate Company Advances	18	52	-	52	-
Intercompany Creditors	18	-	-	10,896	6,142
Trade Creditors & Accruals		40,055	35,330	13,859	9,567
Employee Entitlements	16	6,770	7,505	2,059	1,817
Advances from Director	18	-	1,563	-	1,563
Provision for Taxation		850	-	-	-
Finance Lease Liability	6	308	465	-	-
		50,949	47,979	28,333	19,288
TOTAL LIABILITIES AND EQUITY		$145,282	$151,642	$167,061	$126,797
Non-current Assets					
Fixed Assets	7	57,841	53,487	48,205	43,051
Goodwill	8	11,837	14,955	-	-
Investments in Subsidiaries	10	-	-	81,711	14,460
Investments in Associates	11	2,320	1,876	4,288	4,287
Other Investments		824	824	824	824
Future Tax Benefit		2,750	2,917	-	-
Deferred Tax Asset	4	2,509	1,918	342	319
		78,081	75,977	135,370	62,941
Current Assets					
Bank		-	3,876	-	-
Short Term Deposits		-	3,200	-	3,200
Intercompany Advances	18	-	-	2,899	31,523
Associate Company Advances	18	-	2,569	-	2,569
Trade Debtors		54,143	51,146	14,616	13,561
Intercompany Debtors	18	-	-	3,498	2,696
Tax Paid in Advance		159	438	375	956
Other Debtors		4,850	5,131	2,979	2,865
Property Held for Resale	7	8,049	9,177	7,324	6,358
Employee Share Purchase Scheme	9	-	128	-	128
		67,201	75,665	31,691	63,856
TOTAL ASSETS		$145,282	$151,642	$167,061	$126,797

For and on behalf of the Board who authorised the issue of the Financial Report on 27 June 2003.

Dated 27 June 2003

B. G. Plested, Executive Chairman

C. G. O. Howard-Smith, Director

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

Statement of Cash Flows for the Year Ended 31 March 2003

	Notes	Group 2003 $000	Group 2002 $000	Parent 2003 $000	Parent 2002 $000
Cash Flows From Operating Activities					
Cash was provided from :					
Receipts from Customers		412,023	404,834	120,462	109,982
Interest Received		326	266	321	261
Dividend Received		-	-	3,000	3,000
		412,349	405,100	123,783	113,243
Cash was dispersed to :					
Payments to Suppliers		(387,069)	(380,304)	(105,177)	(99,754)
Interest Paid		(3,120)	(3,533)	(3,330)	(4,920)
Income Taxes Paid		(5,283)	(5,073)	(2,680)	(2,758)
		(395,472)	(388,910)	(111,187)	(107,432)
NET CASH FLOWS FROM OPERATING ACTIVITIES	15	$16,877	$16,190	$12,596	$5,811
Cash Flows From Investing Activities					
Cash was provided from :					
Proceeds from Sale of Assets		1,125	9,092	194	8,139
Net Proceeds from Sale of Business Division		-	133	-	133
Repayments by Employees and Contractors		92	151	59	35
		1,217	9,376	253	8,307
Cash was applied to :					
Purchase of Fixed Assets		(10,176)	(7,311)	(9,251)	(4,991)
Advances to Employees and Contractors		(42)	(191)	(38)	(38)
Investment in Subsidiaries		-	-	(67,251)	-
Investments in Associates	11	-	(2,249)	-	(2,249)
		(10,218)	(9,751)	(76,540)	(7,278)
NET CASH FLOWS FROM INVESTING ACTIVITIES		$(9,001)	$(375)	$(76,287)	$1,029
Cash Flows From Financing Activities					
Cash was provided from :					
Proceeds of Long Term Loan		-	304	-	33
Advances from Director	18	-	5,073	-	5,073
Advances and Repayments from Subsidiaries		-	-	72,922	2,647
Repayments from Associates		2,288	-	2,288	-
Employee Share Purchase Scheme	9	-	5	-	5
Proceeds of Share Issue		-	250	-	250
		2,288	5,632	75,210	8,008
Cash was applied to :					
Dividend Paid to Shareholders		(4,969)	(4,737)	(4,969)	(4,737)
Repayment of Advances from Director	18	(1,563)	(3,818)	(1,563)	(3,818)
Repayment of Loans		(10,506)	(383)	(9,456)	-
Advances to Subsidiary Companies		-	-	-	(1,020)
Advances to Associate Companies		-	(1,077)	-	(1,077)
		(17,038)	(10,015)	(15,988)	(10,652)
NET CASH FLOWS FROM FINANCING ACTIVITIES		$(14,750)	$(4,383)	$59,222	$(2,644)
NET (DECREASE) INCREASE IN CASH HELD		(6,874)	11,432	(4,469)	4,196
ADD OPENING CASH BROUGHT FORWARD		3,960	(7,472)	3,001	(1,195)
ENDING CASH CARRIED FORWARD		$(2,914)	$3,960	$(1,468)	$3,001
Comprised					
Bank and Short Term Deposits		-	7,076	-	3,200
Bank Overdraft		(2,914)	(3,116)	(1,468)	(199)
		$(2,914)	$3,960	$(1,468)	$3,001

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

Notes to the Financial Statements

1 Statement of Accounting Policies

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

(i) Revenue

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

(ii) Basis of Consolidation – Purchase Method

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

(iii) Associate Companies

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

(iv) Joint Ventures

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

(v) Fixed Assets

All fixed assets are recorded at cost. Properties intended for resale are stated at the lower of cost or net realisable value and are shown within Current Assets in the Statement of Financial Position.

(vi) Depreciation

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

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

(vii) Impairment

If the recoverable amount of an asset is less than its carrying amount, the item is written down to its recoverable amount. The write down of an asset recorded at historical cost is recognised as an expense in the statement of financial performance. When a revalued asset is written down to recoverable amount the write down is recognised as a downward revaluation to the extent that the revaluation reserve of the class of asset concerned is in credit.

The carrying amount of an asset that has previously been written down to recoverable amount is increased to its current recoverable amount if there has been a reversal of the impairment loss. The increased carrying amount of the item will not exceed the carrying amount that would have been determined if the write down to recoverable amount had not occurred. On assets that are not revalued the reversal is recognised in the statement of financial performance; On revalued assets the reversal is recognised as revenue to the extent that the impairment was recognised as an expense, and the balance is treated as an upward revaluation.

(viii Debtors

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

Notes to the Financial Statements

1 Statement of Accounting Policies

(ix) Taxation

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

(x) Foreign Currencies

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

(xi) Leases

Finance leases, which effectively transfer to the entity substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the present value of the minimum lease payments. The leased assets and corresponding liabilities are disclosed and the leased assets are depreciated over the period the entity is expected to benefit from their use. Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are included in the determination of the operating surplus in equal instalments over the lease term.

(xii) Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of net tangible and identifiable intangible assets at the time of acquisition of a business. Goodwill is amortised by the straight line method over the period during which benefits are expected to be received. This is typically 10 years and in no case exceeds 20 years.

(xiii) Investments

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

(xiv) Financial Instruments

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

(xv) Impact of Recently Introduced Financial Reporting Standards

The Financial Reporting Standards Board (FRSB) recently issued four new statements:

- **Business Combinations**
  FRS 36 – Accounting for acquisitions resulting in combinations of entities or operations and FRS 37 – Consolidating investments in subsidiaries. The introduction of these standards has had the effect of revising the treatment of the Employee Share Scheme. Shares held by the scheme are now treated as treasury stock, and so have been accounted for as a reduction to equity. This change has resulted in both receivables and share capital being reduced by $128,000.
- **Investments in Associates:** FRS 38 – Accounting for investments in associates. The introduction of this standard has resulted in the share of associate company surplus after taxation being recorded in surplus before taxation in the statement of financial performance. Previously equity accounted earnings of associate companies appeared following operating surplus after taxation in the statement of financial performance.
- **Property, Plant and Equipment:** FRS 3 – Accounting for property plant and equipment. The introduction of this standard has had no financial effect on the financial statements during the period.

(xvi) Changes in Accounting Policies

There have been no changes in accounting policies during the year other than described in note (xv) above. All policies have been applied on a consistent basis with previous years.

2 Surplus Before Amortisation and Taxation

	Group		Parent	
The Surplus before Amortisation and Taxation is stated :	2003	2002	2003	2002
	$000	$000	$000	$000
After Charging :				
Audit Fees and Expenses - Parent Company Auditors	193	174	73	107
Audit Fees and Expenses - Other Auditors	189	189	-	-
Other Fees Paid to Auditors	126	54	112	42
Depreciation: Buildings	933	883	817	761
Leasehold Improvements	442	419	204	200
Plant Vehicles & Equipment - Owned	4,159	3,899	2,650	2,234
Plant Vehicles & Equipment - Finance Leased	258	607	-	-
Directors Fees	190	166	175	150
Foreign Currency Losses (Gains)	(294)	(497)	333	234
Interest: Fixed Loans	2,743	2,821	2,743	2,821
Finance Leases	137	198	-	-
Other Interest	230	513	587	2,296
Bad Debts Written Off	1,251	1,696	220	323
Change in Bad Debt Provision	(456)	155	20	126
Donations	174	170	146	142
(Surplus) Deficit on disposal of Assets	(216)	(285)	3	(344)
Rental & Operating Lease Costs	13,083	12,092	3,854	3,866
After Crediting :				
Interest Income	326	266	368	647
Rental Income	1,036	1,431	3,449	3,608
Dividend received	-	-	3,000	3,000

3 Share Capital

Paid Up Capital	35,773	35,901	35,773	35,901
80,380,035 ordinary shares (2002 73,072,766)				

All ordinary shares have equal voting rights and share equally in dividends and any surplus on winding up. On 13 September 2002 the Company issued a one for ten taxable bonus issue creating an additional 7,307,269 ordinary shares.

Monies owed for shares held by trustees on behalf of the company were previously treated as a receivable but are now treated as treasury stock and offset against share capital – see note 1 (xv).

At balance date there were 2,766,500 (2002 2,765,000) options outstanding issued under an executive share option scheme. Each option gives the right to purchase one ordinary share at predetermined prices and dates.

At 31 March 2003 the following options were outstanding.

Quantity	Exercise Price	Exercise Dates
1,127,500	109.1 cents	01/07/99 to 30/06/03
478,500	127.3 cents	01/06/01 to 01/06/04
1,160,500	136.4 cents	01/07/02 to 01/07/07

After year end 1,067,000 options were issued to employees for nil consideration with a final exercise date of 29 August 2003. Each option allows the holder to acquire one ordinary share at an exercise price of 100.0 cents. These options were replacements for a Put and Call Share Scheme offered in August 2000. This scheme was later withdrawn prior to any transaction occuring under the scheme.

A dividend of 3.5 cents per share was declared after balance date totalling $2,813,301. Payment date is to be 18 July 2003.

4 Taxation

	Group		Parent	
	2003	2002	2003	2002
	$000	$000	$000	$000
Surplus Before Taxation	14,735	11,690	10,575	8,593
Less Share of Surplus (Deficit) of Associates	918	(1,244)	-	-
Surplus Before Taxation and Associates	13,817	12,934	10,575	8,593
Prima facie taxation at 33% NZ & 30% Australia	4,554	4,152	3,490	2,835
(31 March 2002 NZ 33% & Australia 30%)				
Adjusted by the tax effect of :				
Non-assessable dividend income	-	-	(990)	(990)
Tax Loss Benefit not previously utilised	(451)	(477)	-	-
Tax Rate Change	-	48	-	-
Other non-assessable revenues	(4)	(146)	(3)	(146)
Non-deductible expenses	922	778	236	15
	5,021	4,355	2,733	1,714
Represented by :				
Current Tax	5,748	4,638	2,756	1,858
Deferred Tax	(727)	(283)	(23)	(144)
	5,021	4,355	2,733	1,714
Deferred Tax Account				
Opening balance	(1,918)	(1,635)	(319)	(175)
Adjusted for the tax effect of :				
Difference between accounting and tax				
accumulated depreciation	(85)	(96)	(41)	(35)
Foreign Exchange Movement on Opening Balances	136	-	-	-
Movements in provisions	(642)	(187)	18	(109)
Closing Balance	(2,509)	(1,918)	(342)	(319)
Imputation Credit Account				
Opening balance	14,992	12,251	12,066	10,163
Credits distributed during the year	(7,149)	(2,332)	(6,694)	(2,333)
Credits received during the year	-	-	1,478	1,478
Tax payments made	5,420	5,073	2,809	2,758
Closing balance	13,263	14,992	9,659	12,066
Representing credits available to owners				
of the Group at balance date :	12,767	14,538	9,659	12,066
Tax Losses				
Unrecognised tax losses available for set off against				
future assessable income :				
Tax Losses	-	1,938	-	-
Tax savings thereon	-	581	-	-

5 Term Liabilities

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

	Group		Parent	
	2003	2002	2003	2002
	$000	$000	$000	$000
Current	-	-	-	-
Non-Current	37,074	48,097	37,074	48,097
	37,074	48,097	37,074	48,097

A long term revolving facility with the Westpac Banking Corporation remains in place secured by debenture and cross company guarantees over the assets of wholly owned subsidiaries of the Group.The facility was renewed for a further three years to 28 May 2005 at an increased level of $60,000,000, up from the previous $55,500,000.

Interest was payable during the year at the average rate of 5.90% per annum (2002 5.94%).

6 Leases

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

FINANCE LEASE LIABILITIES				
Payable :				
• not later than one year	396	629	-	-
• later than one year but not later than two years	396	629	-	-
• later than two years but not later than five years	723	1,518	-	-
• after five years	-	-	-	-
Minimum Lease Payments	1,515	2,776	-	-
Less Future Finance Charges	(200)	(414)	-	-
	1,315	2,362	-	-
CLASSIFIED IN THE STATEMENT OF FINANCIAL POSITION AS :				
Current	308	465	-	-
Non-Current	1,007	1,897	-	-
	1,315	2,362	-	-
OPERATING LEASE COMMITMENTS				
• not later than one year	12,287	11,858	3,347	2,644
• later than one year but not later than two years	9,328	9,004	2,556	1,725
• later than two years but not later than five years	11,792	13,987	1,521	1,863
• after five years	19,229	20,876	644	821
	52,636	55,725	8,068	7,053

Notes to the Financial Statements

7 Fixed Assets

Group

	2003			2002		
		Accum	Book		Accum	Book
	Cost	Depn	Value	Cost	Depn	Value
Asset Description	$000	$000	$000	$000	$000	$000
Freehold Land	9,968	-	9,968	6,730	-	6,730
Buildings	29,289	5,527	23,762	30,231	4,886	25,345
Leasehold Improvements	7,563	2,524	5,039	7,585	2,179	5,406
Plant, Vehicles & Equipment						
• Owned	38,054	23,234	14,820	34,325	20,460	13,865
• Finance Leases	1,703	559	1,144	3,109	968	2,141
Work in Progress	3,108	-	3,108	-	-	-
TOTALS	89,685	31,844	57,841	81,980	28,493	53,487

At 31 March 2003 Registered Valuers DTZ New Zealand Ltd and DTZ Australia (Vic) Pty Ltd performed a valuation of the Group's land and buildings and leasehold improvements at $63,081,000 (2002 $60,069,000). This includes a valuation on the properties held for resale whose book value is $8,049,000. The valuations were carried out on the following basis:

Vacant Properties ; Open market value
Others ; Existing use value

Parent

	2003			2002		
		Accum	Book		Accum	Book
	Cost	Depn	Value	Cost	Depn	Value
Asset Description	$000	$000	$000	$000	$000	$000
Freehold Land	9,397	-	9,397	6,730	-	6,730
Buildings	26,534	5,028	21,506	28,725	4,539	24,186
Leasehold Improvements	4,811	1,372	3,439	4,776	1,168	3,608
Plant, Vehicles & Equipment						
• Owned	24,335	13,580	10,755	19,694	11,167	8,527
• Finance Leases	-	-	-	-	-	-
Work in Progress	3,108	-	3,108	-	-	-
TOTALS	68,185	19,980	48,205	59,925	16,874	43,051

At 31 March 2003 Registered Valuers DTZ New Zealand Ltd and DTZ Australia (Vic) Pty Ltd performed a valuation of the Company's land and buildings and leasehold improvements at $54,637,000 (2002 $54,362,000). This includes a valuation on the properties held for resale whose book value is $7,324,000. The valuations were carried out on the following basis:

Vacant Properties ; Open market value
Others ; Existing use value

8 Goodwill

	Group		Parent	
	2003	2002	2003	2002
	$000	$000	$000	$000
Opening balance	14,955	17,108	-	-
Adjustment for movement in exchange rate	(1,073)	25	-	-
Goodwill Amortised over the year	(2,045)	(2,178)	-	-
Closing Balance	11,837	14,955	-	-

9 Employee Share Purchase Scheme

Opening balance	128	133	128	133
Reclassification to Treasury stock on change of accounting policy – note 1 (xv).	(128)	-	(128)	-
Staff Loan Repayment During the Year	-	(5)	-	(5)
Closing Balance	-	128	-	128

On 15 December 1997 the Company issued 216,000 ordinary shares to the Trustees of the Mainfreight Ltd Staff Share Purchase Scheme for 130 cents per share. Fulltime staff with a minimum of 1 years continuous service who had not been issued shares under the previous staff share issue were entitled to participate in the scheme. 120 staff took up the offer and were issued 1,800 shares each. The purchase price was repayable over 3 years from date of issue.

The shares issued amount to 0.2% of issued capital. Voting rights remain with the Trustees and the power to control the Trustees of the Scheme is held by the Company's Board of Directors. Shares reverting to the Employee Share Scheme which were not taken up by employees have been reclassified as treasury stock in the current year. Refer to note 1 (xv).

10 Investment in Subsidiary Companies

The Parent Company's investment in subsidiary companies comprised:

	2003	2002
	$000	$000
Shares at Cost	81,711	14,460

Principal Subsidiary Companies Include:	Balance Date	Principal Activity	Effective Percentage	Shareholding
Mainfreight International Ltd	31-Mar	International Freight Forwarding	100%	100%
Mainfreight Distribution Pty Ltd	31-Mar	Freight Forwarding	100%	100%
Daily Freight (1994) Ltd	31-Mar	Freight Forwarding	100%	100%
Lep International (NZ) Ltd	31-Mar	International Freight Forwarding	75%	75%
Lep International Pty Ltd	31-Mar	International Freight Forwarding	75%	75%
Mainfreight International Pty Ltd	31-Mar	International Freight Forwarding	100%	100%
Mainfreight Holdings Pty Ltd	31-Mar	Australian Holding Company	100%	100%

On 28 March 2003 Mainfreight Distribution Pty Ltd issued additional capital of $A23,300,000 redeemable preference share capital and $NZ40,000,000 redeemable preference share capital to Mainfreight Ltd to finance the expected long term capital needs of the Australian businesses. This capital was used to repay loans from Mainfreight Ltd to Mainfreight Distribution Pty Ltd with the balance loaned to Mainfreight Ltd until required.

11 Investment in Associate Companies

Carotrans International Inc	31-Mar	International Freight Forwarding	52.10%	49.50%
Bolwick Limited	31-Mar	International Freight Forwarding	37.50%	37.50%
Mainfreight Express Limited	31-Mar	International Freight Forwarding	50.00%	50.00%
ISS Express Lines (SA) Pty Ltd	31-Mar	International Freight Forwarding	50.00%	50.00%
Travel Style Pty Ltd	31-Mar	International Freight Forwarding	50.00%	50.00%

A further 2.6% of Carotrans International Inc was acquired on 1 November 2002 bringing the effective shareholding to 52.1%. The interest in Carotrans continues to be equity accounted as Mainfreight does not have the ability to exercise unilateral control of Carotran's operations.

The share of surplus (deficit) of associates comprised :

	Group		Parent	
	2003	2002	2003	2002
	$000	$000	$000	$000
Operating Surplus (Deficit) before goodwill amortisation	1,038	(1,014)	-	-
Amortisation Costs	(120)	(230)	-	-
	918	(1,244)	-	-
Investment in Associates comprised of :				
Opening balance	1,876	871	4,287	2,038
Adjustment for movement in exchange rate	(474)	-	-	-
Purchase in Year and Additional Capital	-	2,249	-	2,249
Share of Surplus (Deficit)	918	(1,244)	-	-
Closing Balance	2,320	1,876	4,287	4,287

12 Capital Commitments and Contingent Liabilities

The Group and Company had the following capital commitments at 31st March 2003 (2002 814,420).

- Hamilton Terminal $1,688,134
- Christchurch Warehouse Extentions $779,443

All obligation guarantees have been given by the Company in favour of Westpac Banking Corporation in respect of Mainfreight Distribution Pty Ltd, Daily Freight (1994) Ltd and Lep International Pty Ltd. A letter of credit for $US1,830,000 has been provided by Mainfreight Ltd on behalf of it's associate company Carotrans International Inc.

13 Subsequent Events

On 6 June 2003 the company purchased a further effective 42.6% of Carotrans Inc for $US1,845,808. In addition loans the vendor has made to Carotrans of $US804,192 are to be repaid by Mainfreight Limited.

On 27 May 2003 Mainfreight Ltd purchased 10.08% of Owens Group Limited for $5,472,000. On 13 June 2003 Mainfreight Ltd acquired a further 4.92% of Owens Group for $2,761,552 to bring its total shareholding to 15.00%. Owens Group is a New Zealand publicly listed transport company.

14 Segmental Reporting

The Group operates in the domestic freight and international freight industries.

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

Industrial and Geographical Segments

	N.Z. Domestic	N.Z. Internat.	Australia Domestic	Australia Internat.	Intercoy	2003 $000 Consolidated
Operating revenue						
• sales to customers outside the group	158,473	71,170	47,281	140,579	-	417,503
• intersegments sales	2,435	1,863	750	4,671	(9,719)	-
Total revenue	160,908	73,033	48,031	145,250	(9,719)	417,503
EBITDA	20,035	2,736	(3,145)	5,138	-	24,764
TOTAL ASSETS	167,795	17,288	63,608	27,750	(131,159)	145,282

						2002 $000
Operating revenue						
• sales to customers outside the group	145,136	73,954	52,107	129,877	-	401,074
• intersegments sales	1,795	1,830	657	4,455	(8,737)	-
Total revenue	146,931	75,784	52,764	134,332	(8,737)	401,074
EBITDA	19,413	2,617	(2,252)	4,674	-	24,452
TOTAL ASSETS	129,248	14,353	25,996	27,454	(45,409)	151,642

In March 2003 the Company increased its capital investment in its Australian subsidiary Mainfreight Distribution Pty Ltd to allow for the expected long term capital needs of the Australian businesses. As a result total assets of both the Australian and New Zealand domestic operations have increased. Both increases eliminate on consolidation.

15 Reconciliation of Cash Flows with Reported Net Surplus

	Group 2003 $000	Group 2002 $000	Parent 2003 $000	Parent 2002 $000
Net surplus after taxation	9,714	7,335	7,842	6,879
Non-cash items :				
Depreciation	5,792	5,808	3,671	3,195
Amortisation of goodwill	2,045	2,178	-	-
Equity accounted earnings of associate companies	(918)	1,244	-	-
(Increase) decrease in deferred tax asset	(591)	(283)	(23)	(144)
	16,042	16,282	11,490	9,930
Add (less) movements in other working capital items, net of effect of acquisitions :				
(Increase) decrease in accounts receivable	(2,911)	2,224	(2,100)	(4,309)
Increase (decrease) in accounts payable	4,472	(1,369)	2,854	1,061
Increase (decrease) in interest payable	(187)	(219)	(136)	(313)
(Increase) decrease in interest receivable	17	111	62	667
Increase (decrease) in taxation payable	1,296	(572)	581	(892)
Increase (decrease) in net GST	21	18	12	11
Adjustment for movement in exchange rate	(1,657)	-	(170)	-
Less item classified as investing activity :				
Net (surplus) deficit on sale of fixed assets	(216)	(285)	3	(344)
NET CASH INFLOW FROM OPERATING ACTIVITIES	16,877	16,190	12,596	5,811

16 Provisions

	Group 2003	Group 2002	Parent 2003	Parent 2002
Opening balance	1,502	1,280	-	-
Adjustment for movement in exchange rate	(168)	-	-	-
Amounts credited during the year	254	395	-	-
Amounts utilised during the year	(155)	(173)	-	-
CLOSING BALANCE	1,433	1,502	-	-

The provision above relates to the Group's expected liability for long service leave for Australian employees. Timing of the realisation of this liability is uncertain. This provision is included in Employee Entitlements in the Statement of Financial Position. Of the provisions $701,000 (2002: $nil) is shown within non-current liabilities in the statement of financial position.

17 Financial Instruments

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

CREDIT RISK

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

FAIR VALUE

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

INTEREST RATE RISK

The interest rate on the bank account (whilst in overdraft) is variable. The company seeks to obtain the most competitive market rate of interest at all times.
An interest rate participating swap for $12,500,000 was renewed on 30 November 2002 for twelve months. The interest rate paid including margin was fixed at 6.51%. The Company receives a floating rate of interest at the BKBM rate which was 6.22% at balance date. The fair value of the interest rate swap is a loss of $42,810 not recognised in the Statement of Financial Position.

FOREIGN CURRENCY RISK

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

	Group		Parent	
	2003	**2002**	**2003**	**2002**
	A$000	A$000	A$000	A$000
Net Assets & $A advances of Australian subsidiaries	19,352	20,602	-	-
Investment in Australian Subsidiary and Advances in $A	-	-	27,043	27,828
Australian dollar loan held by parent company	(11,000)	(11,000)	(11,000)	(11,000)
Net Assets relating to Overseas Subsidiaries				
exposed to currency risk	8,352	9,602	16,043	16,828
	US$000	US$000	US$000	US$000
Net Investments in Asian & American Associates	1,026	732	1,026	732
Net Assets relating to Overseas Associates				
exposed to currency risk	1,026	732	1,026	732

Currency movements in the foreign denominated balances above are reflected in the Foreign Currency Translation Reserve.
The Group is exposed to currency risk in relation to trading balances denominated in other than the NZ dollar, principally by the trading of the Group's overseas businesses.
At 31 March 2003 the Group has the following monetary assets and liabilities denominated in foreign currencies, 42% of trade accounts payable (2002 45%), 49% of trade accounts receivable (2002 50%), 0% of cash assets (2002 19%) and 88% of cash liabilities (2002 93%). The Group monitors exchange rate movements.

18 Related Parties

The ultimate holding company is Mainfreight Limited.
In addition to transactions disclosed elsewhere in these financial statements, during the period the Company transacted with the following related parties:

			2003	**2002**
			Value of Transactions	Value of Transactions
Name of Related Party	Nature of Relationship	Type of Transactions	$000	$000
B. Plested	Director & Shareholder	Interest on Advances (8.5%)	26	108
B. Plested	Director & Shareholder	Advances to Company	-	(5,073)
B. Plested	Director & Shareholder	Repayment of Advances	1,563	3,818
C. Howard-Smith	Director & Shareholder	Legal & Trustee Fees	150	139

Related Party Receivables Outstanding at Balance Date :

			Balance Receivable	Balance Receivable
Name of Related Party	Nature of Relationship	Type of Transactions	$000	$000
Daily Freight (1994) Ltd	Subsidiary	Trade - 30 Days	2,214	1,714
Mainfreight International Ltd	Subsidiary	Trade - 30 Days	225	185
Lep International (NZ) Ltd	Subsidiary	Trade - 30 Days	260	230
Lep International Pty Ltd	Subsidiary	Trade - 30 Days	104	50
Mainfreight International Pty Ltd	Subsidiary	Trade - 30 Days	81	95
Mainfreight Holdings Pty Ltd	Subsidiary	Trade - 30 Days	614	422
Mainfreight International Ltd	Subsidiary	Advance - On Call	-	-
Mainfreight Distribution Pty Ltd	Subsidiary	Advance - On Call	2,899	31,523
Lep International Pty Ltd	Subsidiary	Advance - On Call	-	-
Carotrans International Inc	Associate	Advance - On Call	-	2,569
			6,397	36,788

Related Party Payables Outstanding at Balance date:

			Balance Payable	Balance Payable
Name of Related Party	Nature of Relationship	Type of Transactions	$000	$000
Daily Freight (1994) Ltd	Subsidiary	Trade - 30 Days	35	81
Mainfreight International Ltd	Subsidiary	Trade - 30 Days	21	6
Lep International (NZ) Ltd	Subsidiary	Trade - 30 Days	7	31
Mainfreight Holdings Pty Ltd	Subsidiary	Trade - 30 Days	-	-
Daily Freight (1994) Ltd	Subsidiary	Advance - On Call	5,937	3,477
Mainfreight International Ltd	Subsidiary	Advance - On Call	1,450	-
Lep International (NZ) Ltd	Subsidiary	Advance - On Call	3,446	2,547
Mainfreight Distribution Pty Ltd	Subsidiary	Advance - On Call	40,000	-
Carotrans International Inc	Associate	Advance - On Call	52	-
B. Plested	Director & Shareholder	Advance - On Call	-	1,563
			50,948	7,705

The Company transacts with each other company within the Group on an arms length basis.
No related party debts have been written off or forgiven during the period (2002 nil).
In addition to the above the Group transacted with the following related parties :

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

			Balance Payable	Balance Payable
Name of Related Party	Type of Transaction	Terms of Settlement	$000	$000
Geologistics Ltd	Advance	On Call	178	530

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

Auditor's Report

ERNST & YOUNG ▪ Chartered Accountants

To the Shareholders of Mainfreight Limited.

We have audited the financial statements on pages 39 to 53. The financial statements provide information about the past financial performance of the company and group and their financial position as at 31 March 2003. This information is stated in accordance with the accounting policies set out on pages 42 and 43.

Directors' Responsibilities

The directors are responsible for the preparation of financial statements which comply with generally accepted accounting practice in New Zealand and give a true and fair view of the financial position of the company and group as at 31 March 2003 and of their financial performance and cash flows for the year ended on that date.

Auditor's Responsibilities

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

Basis of Opinion

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

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

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

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

Unqualified Opinion

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

In our opinion:

- proper accounting records have been kept by the company as far as appears from our examination of those records; and
- the financial statements on pages 39 to 53:
  - comply with generally accepted accounting practice in New Zealand; and
  - give a true and fair view of the financial position of the company and group as at 31 March 2003 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 27 June 2003 and our unqualified opinion is expressed as at that date.

Ernst & Young

Auckland

Statutory Information

Directors

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

Name	Remuneration	Current Director or Date Appointed or Resigned
Bruce Plested ^^	$222,000	Current
Don Braid #	$370,000	Current
Don Rowlands	$25,000	Current
Neil Graham	$25,000	Current
Carl Howard-Smith*	$25,000	Current
Richard Prebble	$25,000	Current
Bryan Mogridge	n/a	Appointed 25 March 2003
Emmet Hobbs	n/a	Appointed 25 March 2003
John Fernyhough	$25,000	Deceased 12 February 2003
Chris Dunphy #	$352,236	Resigned 19 February 2003

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

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

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

Employees' Remuneration

The Group paid remuneration including benefits to 27 New Zealand based and 27 overseas based employees (other than directors) during the year in excess of $100,000 in the following bands :

Remuneration	New Zealand Based Number of Employees	Overseas Based Number of Employees
$100,000 - $110,000	6	6
$110,000 - $120,000	5	5
$120,000 - $130,000	3	7
$130,000 - $140,000	6	1
$140,000 - $150,000	-	1
$150,000 - $160,000	-	2
$160,000 - $170,000	-	2
$170,000 - $180,000	1	-
$180,000 - $190,000	2	-
$190,000 - $200,000	1	-
$200,000 - $210,000	-	1
$210,000 - $220,000	1	1
$220,000 - $230,000	-	1
$250,000 - $260,000	2	-

Donations and Auditors' Fees

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

Statutory Information

Directors' Shareholdings at Balance Date

	2003	2002
BG Plested		
• shares held with beneficial interest	23,666,574	21,495,567
• held by associated persons	355,502	345,820
NL Graham		
• shares held with beneficial interest	6,500,517	5,909,561
CG Howard-Smith		
• held as trustee of staff share purchase scheme	143,924	130,840
• shares held with beneficial interest	625,000	550,000
DD Rowlands		
• shares held with beneficial interest	706,200	642,000
CJ Fernyhough (ceased as director)		
• shares held with beneficial interest	-	226,300
CS Dunphy (ceased as director)		
• shares held with beneficial interest	-	975,000
• held by associated persons	-	88,000
DR Braid		
• shares held with beneficial interest	881,890	506,264
• held by associated persons	7,750	6,000
RW Prebble		
• shares held with beneficial interest	550,000	500,000
TOTAL	33,437,357	31,375,352

Statutory Information

Substantial Security Holders

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

The following are recorded by the Company as at 3 June 2003 as Substantial Security Holders in the Company, and have declared the following relevant interest in voting securities under the Securities Markets Act 1988:

BG Plested & C Howard-Smith as trustees of Pie Melon Bay Trust	22,930,124
Harris Associates L.P.	7,765,726

The total number of voting securities issued by the Company as at 3 June 2003 was 80,979,535.

Largest Security Holders as at 3 June 2003

BG Plested & C Howard-Smith as trustees of Pie Melon Bay Trust	22,930,124	28.32%
National Nominees NZ Ltd	9,486,423	11.71%
NL Graham Family Trust	3,250,259	4.01%
HM Graham Family Trust	3,250,258	4.01%
ASB Nominees Limited	1,985,000	2.45%
Rect Funds Management Ltd	1,604,894	1.98%
Trustees Executors and Agency Company of New Zealand Ltd	1,588,265	1.96%
Royal and Sun Alliance Life Ltd	1,490,741	1.84%
AMP Investments	1,273,524	1.57%
Custody and Investment Nominees Ltd	1,190,867	1.47%
RDH Steel	1,100,000	1.36%
Portfolio Nominees Ltd	852,515	1.05%
Portfolio Custodians Ltd	767,329	0.95%
DD Rowlands	706,200	0.87%
Citibank Nominees (New Zealand) Limited	634,262	0.78%
The New Zealand Guardian Trust Company Limited	614,742	0.76%
CG & PD Howard-Smith Family Trust	594,000	0.73%
Invia Custodians Pty Ltd	577,500	0.71%
NZGT Nominees Limited	560,200	0.69%
P.M Masfen & J.A. Masfen	550,000	0.68%
RW Prebble	550,000	0.68%

Spread of Security Holders as at 3 June 2003

Size of Shareholding	Number of Holders	%	Total Number Held	%
1 - 999	169	6.80%	87,329	0.11%
1,000 - 4,999	1,171	47.07%	2,893,876	3.57%
5,000 - 9,999	485	19.49%	3,275,720	4.05%
10,000 - 49,999	573	23.03%	10,655,086	13.16%
50,000 - 99,999	43	1.73%	2,918,120	3.60%
100,000 - 999,999	36	1.45%	12,324,049	15.22%
1,000,000 - PLUS	11	0.44%	48,825,355	60.29%
TOTAL	2,488	100.00%	80,979,535	100.00%

Interests Register

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

Name of Director or other Person having Interest	Details of Interest	Date Interest Disclosed
Bruce Plested	Purchased 19,500 shares for $1-39 per share	22 July 2002
	Transferred 21,495,567 shares to family trust.	4 September 2002
	Associate sold 24,900 for average price of $1-10	13 February 2003
Don Braid	Associates purchased 1,150 shares average price of $1-25 per share	6 May 2002
Neil Graham	Transferred 5,909,561 shares to family trusts.	4 September 2002
All Directors	All Directors shareholdings were all increased by 10% with the one for ten taxable bonus issue	13 September 2002
Chris Dunphy & Don Braid	Jointly owned company purchased 650,000 shares at a price of $1-05	2 October 2002
Carl Howard-Smith	Associated trust purchased 20,000 shares at $1.08 per share.	25 November 2002
Chris Dunphy	Associated person sold 17,766 shares for $1-15 per share	28 January 2003
Richard Prebble	Transferred 30,000 shares to personal superannuation scheme	29 January 2003

Statistics

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

	Notes	2003 ($000's)	2002 ($000's)	2001 ($000's)	2000 ($000's)	1999 ($000's)
Net Sales		417,503	401,074	410,846	312,614	286,321
EBITDA	1	24,764	24,452	19,160	21,247	17,588
Surplus before Abnormals,Interest & Tax		16,927	16,466	12,085	16,570	13,100
Abnormals	2	0	0	1,592	0	537
EBIT	3	16,927	16,466	10,493	16,570	12,563
Net Interest Cost		2,784	3,266	3,740	1,607	1,266
Net Surplus (NPAT)	4	9,010	6,616	2,442	8,975	6,882
PRO-FORMA CASHFLOW	5	16,633	16,565	10,971	14,446	11,559
Net Tangible Assets	6	41,633	37,241	32,975	41,718	34,673
Net Debt	7	41,303	48,062	58,279	30,557	25,637
Total Assets		145,282	151,642	154,988	116,460	104,625
EBIT Margin (before Abnormals) (%)		4.1	4.1	2.9	5.3	4.6
Equity Ratio (%)	8	28.7	24.6	21.3	35.8	33.1
Return on NTA (%)	9	21.6	17.8	7.4	21.5	19.8
Net Interest Cover (x)	10	6.08	5.04	3.23	10.31	10.35
EARNINGS PER SHARE (CPS)	11	11.21	8.23	3.04	11.17	8.56
Adjusted Earnings per Share (cps)	11,12	11.21	8.23	5.02	11.17	9.23
Pro-forma Cashflow per Share (cps)	11	20.69	20.61	13.65	17.97	14.38
NTA per Share (cps)	11	51.80	46.33	41.02	51.90	43.14

Notes :

1. EBITDA is defined as earnings before interest expense, tax, depreciation,amortisation,abnormals, minority interests and associates.
2. Abnormal items for the year ended 31 March 2001 relate to restructuring costs in Mainfreight Distribution Pty Ltd following the acquistion of the K & S Express business.
   Abnormal items for the year ended 31 March 1999 relate to restructuring costs in Lep International Pty Ltd, Mainfreight International Ltd and Mainfreight Distribution Pty Ltd.
3. EBIT is defined as earnings before interest and tax.
4. Net Surplus (NPAT) is net profit after tax, abnormals and minorities but before dividends.
5. Pro-forma Cashflow is defined as NPAT before amortisation of goodwill, depreciation, minorities and associates.
6. Net Tangible Assets includes 75% of Lep International (NZ) Ltd and 75% of Lep International Pty Ltd.
7. Net debt is long term plus short term debt less cash balances.
8. Equity Ratio is Net Tangible Assets as a percentage of Total Assets.
9. Return on NTA is NPAT as a percentage of Net Tangible Assets.
10. Net Interest Cover is Surplus before Abnormals,Interest and Tax divided by Net Interest Cost.
11. Per Share calculations are based on the current issued capital of 80.380 million Shares.
12. Adjusted Earnings per Share figures are based on NPAT with abnormal items added back.

Notes

Mainfreight Proxy Form

I/We ______________________________
(full names in block letters)

of ______________________________
(address)

____
(full names in block letters)

being a shareholder/shareholders of Mainfreight Limited hereby appoint*

Full Name of Proxy ______________________________

Address ______________________________

or failing him/her ______________________________

of ______________________________

as my proxy for me/us on my/our behalf at the Annual Meeting of Mainfreight Limited to be held on Thursday 31 July 2003 at 3.30pm, and at any adjournment thereof.

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

resolutions

	For	Against
1. To receive the Financial Statements and Reports of Directors and Auditors		
2. (a) To re-elect Mr Don Rowlands as a Director		
(b) To re-elect Mr Richard Prebble as a Director		
(c) To re-elect Mr Bryan Mogridge as a Director		
(d) To re-elect Mr Emmet Hobbs as a Director		
3. To authorise the Directors to fix the remuneration of the Auditors		
4. To approve an increase in Directors' remuneration		
5. To approve changes to the constitution		

Signed this ____________ day of ____________ 2003

Usual Signatures(s) ______________________ Number of Shares held ______________

note

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

A Shareholder of Mainfreight Limited entitled to attend and vote is entitled to appoint a proxy to attend and vote on his/her behalf.

A Proxy need not be a Shareholder of Mainfreight Limited. To be valid, instruments appointing a proxy must be deposited at the registered office of Mainfreight Limited at 12-14 Southdown Lane, Penrose, Auckland, not less than 48 hours before the holding of the Annual Meeting (that is on or before 3.30pm on Tuesday 29 July 2003).

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

change of address advice

Previous Address ______________________________

____

Present Address ______________________________

____

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

tape here

No postage stamp required
if posted in New Zealand

tape here

BUSINESS REPLY POST
Authority No. 2888 Auckland NZ
Postage and fee will be paid on delivery to:

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