



MAINFREIGHT LIMITED

REGISTERED PROSPECTUS  
SHORT FORM

3 JULY 1997

For a renounceable pro rata issue of up to 12,313,628 new ordinary shares to be issued at one dollar twenty five cents \$1.25 each to the existing holders of ordinary shares and options in Mainfreight.

This is an important document,  
and you should act promptly

Organising Broker



BZW New Zealand Limited

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## **registration**

This registered Prospectus is dated 3 July 1997.

A copy of this Prospectus signed by or on behalf of the Directors of Mainfreight and having endorsed thereon or attached thereto all documents, information, certificates and other matters required to be so endorsed or attached by section 41 of the Securities Act 1978 has been delivered to the District Registrar of Companies at Auckland for registration under section 42 of the Securities Act 1978.

## **stock exchange listing**

The new shares have been accepted for listing by the New Zealand Stock Exchange and will be quoted upon completion of allotment procedures. However, the Exchange accepts no responsibility for any statement made in this Prospectus.

The New Zealand Stock Exchange ("NZSE") has authorised members to act in this Offer.

## **index**

As required by Regulation 5(6) of the Securities Regulations 1983.

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## important dates

Record date for the calculation of entitlements (5.00pm)	<b>4 July 1997</b>
Rights trading commences and ordinary shares quoted "Ex Rights Entitlement"	<b>7 July 1997</b>
Rights trading ceases	<b>29 July 1997</b>
New shares trade on a "delayed delivery" basis*	<b>30 July 1997</b>
Closing date for receipt of acceptances and renunciations (5.00pm)	<b>1 August 1997</b>
New shares allotted and share certificates mailed not later than	<b>7 August 1997</b>

**If you have sold your Mainfreight shares please send this document and enclosures to the member of the NZSE through whom you made the sale, requesting that they be forwarded to the new Mainfreight shareholder.**

\* Quotation of the new shares is anticipated to occur on or about 30 July 1997. The NZSE will place a "delayed delivery" designation on the new shares for the period from commencement of trading until three business days after certificates are posted to successful applicants. The designation is required because during most, if not all, of that period successful applicants will not have received certificates in respect of the new shares.

## summary of the offer

This document offers you the opportunity to subscribe for one ordinary Mainfreight Limited share ("new shares") for every five ordinary shares you currently hold.

The number of new shares you are entitled to subscribe for is stated on the Letter of Entitlement and Acceptance Form accompanying this document.

The subscription price of the new shares is \$1.25 each.

To subscribe for the shares, you must return your completed Letter of Entitlement and Acceptance Form to be received before 5.00pm on 1 August 1997.

You can accept the Offer in full or in part, or sell all or some of your rights to buy the new shares.

If you do not take up your entitlement or sell your rights, you will lose your rights to the new shares. However, the Company will then seek to find subscribers for those declined new shares.

The new shares will rank pari passu with the existing ordinary shares, but they will not qualify for the final dividend payable on 8 July 1997.

This document contains an Offer of value to you. If there are any aspects of the Offer, or this document, that are not clear, you should consult a Member of the New Zealand Stock Exchange.

## chairman's letter

Dear Shareholder

On 20 June 1997 the Directors of Mainfreight Limited ("Mainfreight") announced that the Company would make a renounceable rights issue to shareholders of 12,313,628 ordinary shares.

Shareholders have an entitlement of one new share for every five ordinary shares held at 5.00pm on 4 July 1997. The issue price of \$1.25 per share is payable in full on application.

The funds raised from the issue will enable Mainfreight to continue to expand its current operations in two distinct areas :

1. Acquisition opportunities which exist in the domestic logistics and international freight arenas.
2. The development of purpose-built freight and logistics facilities to accommodate new customers and to relocate existing operations from rental premises to owned purpose-built facilities.

Mainfreight's acquisition strategy is to purchase businesses which are complementary to the Company's logistics focus. Mainfreight endeavours to enhance returns from acquired assets through a combination of revenue growth, rationalising overheads and margin improvement through improved purchasing.

Acquisition opportunities exist in a number of specific areas :

- domestic and trans-Tasman freight forwarding;
- non-urgent and express parcels; and
- packaging and equipment hire.

While we do not expect to embark upon all of these potential acquisition avenues, the potential for growth from business purchases is considerable.

Mainfreight also has a clear strategy of owning its land and buildings so as to enable specialised facilities to be constructed. Specialised features such as dock-ways and rail sidings in freight terminals, specific stud heights in warehouses and adjacent undeveloped land for future development increase Mainfreight's ability to operate as a low cost operator.

Mainfreight understands that Bruce Plested and Neil Graham will not take up their rights entitlements and will instead endeavour to sell them to other parties. This should result in an increase of the proportion of the Company's shares which are freely traded on the market.

This Prospectus sets out the details of the Offer and the procedure to be followed to take up or renounce the shares to which you are entitled.

Please read this Prospectus and accompanying Letter of Entitlement and Acceptance Form carefully.

The Board of Mainfreight recommends this issue to you for your careful consideration and support.

Yours sincerely



Don Rowlands  
Chairman

## terms of the offer

**The Offer** The Offer is a renounceable offer of 12,313,628 new shares in the capital of Mainfreight Limited ("Mainfreight" or the "Company") at an issue price of \$1.25 each to the existing holders of ordinary shares and options issued by Mainfreight.

**The Issuer** The issuer of the new shares is Mainfreight Limited, a company registered under the Companies Act 1993, having its registered office at 12–14 Southdown Lane, Penrose, Auckland.

**Entitlements** The Company is offering for subscription new ordinary shares to those persons registered as holding ordinary shares or options in the Company at 5.00pm on 4 July 1997, in the ratio of one new share for every existing five shares held.

Holders of the executive share options are entitled to participate in this Offer as if the options had been exercised.

The entitlement of each shareholder in respect of this Offer is shown on the Letter of Entitlement and Acceptance Form which is enclosed with and forms part of this Prospectus. Fractions, if any, will be disregarded.

**Ranking** The new shares will from the date of issue rank equally in all respects with the then existing ordinary shares in the capital of the Company.

The new shares will not participate in the final dividend for the year ended 31 March 1997, payable on 8 July 1997, but will rank with existing ordinary shares for all future dividends including the interim dividend, if any, payable in respect of the half year to 30 September 1997.

**Dividend Policy** In May 1996 the Company forecast a total dividend of 5.5 cents per share fully imputed for the year ended 31 March 1997. The Company paid an interim dividend of 2.5 cents per share fully imputed on 13 December 1996. The Company intends to pay a final dividend of 3.0 cents per share fully imputed on 8 July 1997. The Company expects to continue to pay dividends at a similar level in future years, subject to its cash flow, future earnings and investment needs.

**Price** The maximum number of new shares being offered is 12,313,628. The consideration for each ordinary share offered is \$1.25. Payment is to be made in full on application.

**Acceptance** The new shares must be paid for in full (that is \$1.25 per share) upon acceptance and not later than 5.00pm on 1 August 1997. Subject to the provisions below, this Offer may be accepted either in full or in part, or your entitlement or rights to the shares may be sold in full or in part.

There is no minimum acceptance.

Shareholders may NOT apply for new shares in excess of the number to which they are entitled.

Shareholders wishing to increase their holdings or "round up" their holdings to a minimum holding may purchase rights to the new shares on the New Zealand Stock Exchange. You are advised to contact a Member of the NZSE for that purpose.

## terms of the offer

This Offer is open for acceptance from the date of registration of this Prospectus and will close at 5.00pm on 1 August 1997 (the "Closing Date"). The Company will not accept applications or renunciations after this date.

If the Company receives, on or before the Closing Date, a renunciation and acceptance in respect of the same rights, the renunciation will take priority over the acceptance.

**Trading In Rights** Your right to participate in this Offer is renounceable, in whole or in part, in favour of any other person. The rights are tradeable and will be quoted on the NZSE. Quotation of rights commences on 7 July 1997 and will cease at the close of business on 29 July 1997.

**Procedure In Respect Of Rights Not Taken Up** If payment in full is not received by 5.00pm on 1 August 1997 (whether from the original offeree or any person in whose favour the rights have been renounced), the rights will lapse. The Company will seek to procure subscribers for any shares not so taken up as soon as practicable (and in any event by not later than 3.00pm on 8 August 1997) at a minimum issue price of \$1.25 per share.

### Choices Available To Shareholders

#### A *To Accept Your Entitlement In Full*

- (i) Complete and sign the enclosed Letter of Entitlement and Acceptance Form in accordance with the instructions on that form;
- (ii) Attach your cheque (made payable to "Mainfreight Limited" and crossed "Not Transferable"), for the full amount of the acceptance money shown on your Letter of Entitlement and Acceptance Form; and
- (iii) Forward both your cheque and the Letter of Entitlement and Acceptance Form to be received by the Registrar no later than 5.00 pm on 1 August 1997 to either of the following:  
Mainfreight Limited  
c/- Registry Managers (New Zealand) Limited  
Private Bag 92-119  
Auckland 1030  
New Zealand  
  
or  
  
to any Member of the NZSE or the Organising Broker in time to enable forwarding to the Share Registrar by 5.00pm on 1 August 1997.

#### B *To Sell Your Entitlement In Full*

- (i) Instruct a Member of the NZSE to sell the number of rights specified on your Letter of Entitlement and Acceptance Form. Rights may only be traded in the period between 7 July and 29 July 1997;

## terms of the offer

- (ii) Complete the relevant section of the Security Renunciation Form (which is on the reverse of the Letter of Entitlement and Acceptance Form) ensuring you have included the "Reference Number" shown on the Letter of Entitlement and Acceptance Form; and
- (iii) Send your Letter of Entitlement and Acceptance Form including the completed Security Renunciation Form promptly to the Member of the NZSE through whom you have sold your rights.

*If you intend to sell any of your rights, you must do so before rights trading ceases on 29 July 1997.*

### *C To Accept Part Of Your Entitlement And Sell The Balance*

- (i) Instruct a Member of the NZSE to sell the number of rights you wish to renounce. Rights may only be traded in the period between 7 July and 29 July 1997;
- (ii) Complete the relevant section of the Security Renunciation Form (which is on the reverse of the Letter of Entitlement and Acceptance Form) ensuring you have included the "Reference Number" shown on the Letter of Entitlement and Acceptance Form and stating the number of rights you wish to sell;
- (iii) Complete and sign the enclosed Letter of Entitlement and Acceptance Form, in accordance with the instructions on that form, for the number of new shares you wish to accept;
- (iv) Attach your cheque (made payable to "Mainfreight Limited" and crossed "Not Transferable") for the amount payable for the number of new shares you wish to accept, and
- (v) Forward your cheque and the completed Letter of Entitlement and Acceptance Form including the completed Security Renunciation Form promptly to the Member of the NZSE through whom you sold your rights.

*If you intend to sell any of your rights, you must do so before rights trading ceases on 29 July 1997.*

**Allotment** The new shares will be allotted and new certificates issued on or before 7 August 1997. Share certificates will be sent to the registered holders by the Company as soon as practicable after allotment.

**Underwriting** The Offer of shares in this Prospectus has not been underwritten.

**Issue Expenses** The estimated amount of issue expenses which include share registry expenses, legal expenses, arrangement fees, printing and postage, NZSE fees, all of which are payable by Mainfreight, is approximately \$150,000.

## **substantial security holders**

The Market Surveillance Panel has granted the Company a waiver from compliance with NZSE Listing Rule 7.1.15 in relation to this Prospectus. The information set out below is provided in accordance with that waiver. According to notices given to Mainfreight under the Securities Amendment Act 1988, as at 9 June 1997, the following persons were substantial security holders in Mainfreight.

<b><i>Substantial Security Holder</i></b>	<b><i>Number of Voting Securities</i></b>
B G Plested	22,643,567
N L Graham	7,005,223
AMP Society	3,953,903

The total number of issued voting securities of Mainfreight as at that date was 59,768,140. None of the persons listed above guarantee or undertake any other liability in respect of the securities being offered.

## **takeover provisions**

Mainfreight's constitution contains the "minority veto" takeover provisions.

## **prospects and forecasts**

The Directors believe that the trading prospects for Mainfreight are positive even during the current period of lower economic growth. This is due to four main factors :

1. The achievement of ongoing rationalisation benefits from recent acquisitions, such as Lep International (NZ) Limited, which was purchased in August 1996.
2. Taking advantage of purchasing power, better capacity utilisation in the loading of domestic freight units, higher load factors and fewer damages claims are all resulting in improved operating margins.
3. An increasing interest by clients in the out-sourcing of warehousing functions to Mainfreight, with a consequent increase in operating activity. During periods of lower economic growth there is a tendency for businesses to review costs and seek alternatives to internal warehouse management and ownership.
4. As Australian-owned manufacturers continue to rationalise their New Zealand operations, demand for container packing and warehouse facilities in Australia continues to grow.

These factors are likely to be reflected in the result for the June 1997 quarter, compared with the corresponding quarter last year.



The funds received from this rights issue are proposed to be applied as follows :

- Approximately \$3.25 million will be used to fund acquisitions expected to occur during the 1998 financial year. The combination of this new equity and existing funding lines could enable purchases of up to \$9 million without the need for further debt facilities.
- A 20 acre undeveloped site in South Auckland has been conditionally purchased for \$2.75 million. The development of this site will enable Mainfreight to consolidate a number of its Auckland freight and warehousing activities on to one site as leases expire. The size of the site enables a land bank to be established for future development.
- An estimated \$5 million will be spent on purchasing and developing two other New Zealand projects; a new integrated airfreight facility adjacent to Auckland International Airport for Lep International (NZ) Limited and a new freight handling facility in Hamilton.
- An estimated A\$4 million for the purchase and development of an eight acre site in Laverton, Melbourne to allow for the development of container packing and warehouse facilities. Mainfreight currently has 80,000ft<sup>2</sup> of leased warehouse space at a cost of A\$370,000 per annum which will be relocated to this site.

In operating terms, the additional cost of these property developments will be offset by an ongoing reduction in rentals, and new business income. The Company believes that these developments will have a positive impact on shareholder value.

The Company operates in the New Zealand and Australian markets, providing a range of services. The demand for these services is derived from the manufacturing, retail, import, export and distribution sectors of these economies.

## **special trade factors and risks**

Additional industry and Company-specific risks include :

- currency fluctuations which affect the New Zealand and Australian export and import trade patterns;
- material increases in oil prices, which is the fuel source for land transport modes;
- significant increases in road user charges have been mooted by recent government studies, which would result in increased cartage costs being incurred for all products moved partly or in whole by road; and
- disruption to operations by industrial disputes at border crossings, such as maritime ports.

## financial information

Copies of Mainfreight's most recent annual report including audited financial statements for the period ended 31 March 1997 have been sent to shareholders.

Copies of the 1997 annual report (including these financial statements) may be obtained free of charge from Mainfreight Limited at 473 Great South Road, Penrose, Auckland.

## other terms of offer and securities

All terms of the issue and all terms of the securities being offered are set out in this Prospectus, except for those implied by law or set out in a document that is registered with a public official and is available for public inspection and is referred to in this Prospectus.

**Overseas Shareholders** No action has been taken by Mainfreight to qualify the new shares and/or rights for trading in any jurisdiction other than New Zealand. No person may offer, sell, or deliver any new shares or rights or distribute any documents (including this Prospectus) to any person outside New Zealand except in accordance with all the legal requirements of the relevant jurisdiction.

## directors' statement

The Directors of the Company, after due inquiry by them in relation to the period between 31 March 1997 and the date of registration of this Prospectus, are of the opinion that no circumstances have arisen that materially adversely affect the trading or profitability of Mainfreight Limited and its subsidiaries (the "Group") or the value of the Group's assets or the ability of the Group to pay its liabilities due within the next 12 months.

This Prospectus has been signed by each Director or his duly authorised agent as follows :



Donald D Rowlands



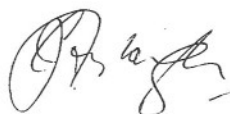
Bruce G Plested



Neil L Graham



Carl G O Howard-Smith



C John Fernyhough



The Hon. Richard W Prebble

## directory

### **Board of Directors**

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

### **Administration Office**

473 Great South Road  
Penrose  
PO Box 14-038, Panmure  
Auckland

### **Registered Office**

12-14 Southdown Lane  
Penrose  
P.O. Box 14-038, Panmure  
Auckland

### **Auditors**

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

### **Organising Broker**

BZW New Zealand Limited  
Level 10, Southpac Tower  
45 Queen Street  
CPO Box 3464  
Auckland

### **Bankers**

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

### **Share Registry**

Registry Managers (New Zealand) Limited  
Level 3, 277 Broadway Newmarket  
Private Bag 92-119  
Auckland

### **Solicitors to the Company**

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

### **Solicitors to the Offer**

Bell Gully Buddle Weir  
34 Shortland Street  
PO Box 4199  
Auckland

**MAINFREIGHT** 