

PRELIMINARY FULL YEAR REPORT ANNOUNCEMENT

Mainfreight Limited For Full Year Ended 31 March 2011

Preliminary full year report on consolidated results (including the results for the previous corresponding full year). This report has been prepared in a manner which complies with generally accepted accounting practice and gives a true and fair view of the matters to which the report relates and is based on unaudited financial statements. The Listed Issuer has a formally constituted Audit Committee of the Board of Directors.

Income Statement for the Year Ended 31 March 2011

	Note	<u>Group</u>	
		2011 \$000	2010 \$000
Operating Revenue		1,339,947	1,131,146
Interest Income		1,553	1,012
Total Revenue		1,341,500	1,132,158
Transport Costs		(911,565)	(750,475)
Labour Expenses Excluding Share Based Payments		(228,496)	(203,330)
Occupancy Expenses and Rental Recharge		(26,475)	(25,914)
Depreciation and Amortisation Expenses		(15,797)	(16,301)
Other Expenses		(81,827)	(75,578)
Finance Costs		(6,540)	(6,327)
Derivative Fair Value Movement		110	526
Non-cash Share Based Payment Expense		(908)	(1,017)
Profit Before Non-recurring Expenses and Taxation for the Year		70,002	53,742
Income Tax on Profit Before Non-recurring Expenses		(22,761)	(15,490)
Net Profit Before Non-recurring Expenses for the Year		47,241	38,252
Non-recurring Expenses	3	(5,058)	(2,825)
Income Tax on Non-recurring Expenses	3	442	938
Deferred Tax on Long Lived Buildings	3	(16,910)	-
Non-recurring Expenses After Taxation	3	(21,526)	(1,887)
Profit Before Taxation for the Year		64,944	50,917
Income Tax Expense		(22,319)	(14,552)
Deferred Tax on Long Lived Buildings		(16,910)	-
Net Profit for the Year		25,715	36,365

Earnings per share for profit attributable to the ordinary equity holders of the company are:

		Cents	Cents
Basic Earnings Per Share:	Total Operations	26.11	36.93
Diluted Earnings Per Share:	Total Operations	26.11	36.93

Statement of Comprehensive Income for the Year Ended 31 March 2011

Net Profit for the Year		25,715	36,365
Other Comprehensive Income			
Exchange Differences on Translation of Foreign Operations		291	(6,530)
Income Tax Relating to Exchange Differences on Translation of Foreign Operations		-	-
Revaluation of Land		(2)	(1,750)
Income Tax Relating to Revaluation of Land		-	-
Other Comprehensive Income for the Year, Net of Tax		289	(8,280)
Total Comprehensive Income for the Year, Net of Tax		26,004	28,085

Balance Sheet as at 31 March 2011

	Note	<u>Group</u>	
		2011 \$000	2010 \$000
Shareholders' Equity			
Share Capital	2	66,545	65,637
Retained Earnings		196,960	189,954
Revaluation Reserve		37,962	37,964
Foreign Currency Translation Reserve		4,179	3,888
TOTAL EQUITY		305,646	297,443
Non-current Liabilities			
Bank Term Loan		97,072	119,384
Provisions for Onerous Leases		2,141	2,466
Employee Entitlements		672	1,257
Deferred Tax Liability		17,030	722
Finance Lease Liability		150	505
		117,065	124,334
Current Liabilities			
Trade Creditors & Accruals		136,344	122,633
Provisions for Onerous Leases		823	1,536
Employee Entitlements		25,498	14,477
Provision for Taxation		7,888	4,304
Finance Lease Liability		396	650
		170,949	143,600
TOTAL LIABILITIES AND EQUITY		593,660	565,377
Non-current Assets			
Property, Plant & Equipment		212,662	209,761
Software		11,089	9,612
Goodwill		117,158	123,014
Other Intangible Assets		4,924	6,371
Other Investments		80	80
Deferred Tax Asset		6,284	5,722
		352,197	354,560
Current Assets			
Bank		50,065	37,647
Trade Debtors		171,124	157,700
Derivative Financial Instruments		201	102
Income Tax Receivable		3,231	1,791
Properties Held for Sale		1,577	1,618
Other Debtors		15,265	11,959
		241,463	210,817
TOTAL ASSETS		593,660	565,377

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

Statement of Changes in Equity for the Year Ended 31 March 2011

Consolidated 2011

	Ordinary Shares	Asset Revaluation Reserve	Foreign Currency Translation Reserve	Retained Earnings	Total
Balance at 1 April 2010	65,637	37,964	3,888	189,954	297,443
Profit for the Period	-	-	-	25,715	25,715
Other Comprehensive Income		(2)	291	-	289
Total Comprehensive Income for the Period	-	(2)	291	25,715	26,004
Transactions with Owners in Their Capacity as Owners:					
Shares Issued	-	-	-	-	-
Executive Share Scheme Costs	908	-	-	-	908
Supplementary Dividends	-	-	-	(339)	(339)
Dividends Paid	-	-	-	(18,709)	(18,709)
Foreign Investor Tax Credit	-	-	-	339	339
Balance at 31 March 2011	66,545	37,962	4,179	196,960	305,646

Consolidated 2010

	Ordinary Shares	Asset Revaluation Reserve	Foreign Currency Translation Reserve	Retained Earnings	Total
Balance at 1 April 2009	64,620	39,714	10,418	171,806	286,558
Profit for the Period	-	-	-	36,365	36,365
Other Comprehensive Income		(1,750)	(6,530)	-	(8,280)
Total Comprehensive Income for the Period	-	(1,750)	(6,530)	36,365	28,085
Transactions with Owners in Their Capacity as Owners:					
Shares Issued	-	-	-	-	-
Executive Share Scheme Costs	1,017	-	-	-	1,017
Supplementary Dividends	-	-	-	(352)	(352)
Dividends Paid	-	-	-	(18,217)	(18,217)
Foreign Investor Tax Credit	-	-	-	352	352
Balance at 31 March 2010	65,637	37,964	3,888	189,954	297,443

Cash Flow Statement for the Year Ended 31 March 2011

	Note	Group	
		2011 \$000	2010 \$000
Cash Flows From Operating Activities			
Receipts from Customers		1,327,310	1,115,468
Interest Received		1,552	1,012
Dividend Received		-	-
Payments to Suppliers and Team Members		(1,229,506)	(1,047,892)
Interest Paid		(6,430)	(5,801)
Income Taxes Paid		(21,142)	(9,099)
NET CASH FLOWS FROM OPERATING ACTIVITIES		71,784	53,688
Cash Flows From Investing Activities			
Proceeds from Sale of Property, Plant & Equipment		1,482	845
Proceeds from Sale of Software		26	4
Repayments by Team Members		19	1,099
Purchase of Property, Plant & Equipment		(14,120)	(13,261)
Purchase of Software		(5,531)	(4,388)
Purchase of Other Intangibles		-	-
Interest Costs Capitalised		-	-
Advances to Team Members		(19)	(9)
Additional Capital into Existing Subsidiaries		-	-
Acquisition of Subsidiaries		(3,686)	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		(21,829)	(15,710)
Cash Flows From Financing Activities			
Proceeds of Long Term Loans		-	12,911
Advances from Director		2,390	800
Advances and Repayments from Subsidiaries		-	-
Proceeds of Share Issues		-	-
Dividend Paid to Shareholders		(18,709)	(18,217)
Repayment of Advances from Director		(2,390)	(800)
Repayment of Loans		(19,009)	(812)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(37,718)	(6,118)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		12,237	31,860
Net Foreign Exchange Differences		181	(1,513)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		37,647	7,300
CASH AND CASH EQUIVALENTS AT END OF PERIOD		<u>50,065</u>	<u>37,647</u>
Comprised			
Bank and Short Term Deposits		50,065	37,647
Bank Overdraft		-	-
		<u>50,065</u>	<u>37,647</u>

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

Notes to the Financial Statements

For the Year Ended 31 March 2011

1 Summary of Significant Accounting Policies

(a) Basis of Preparation

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP) and the requirements of the Companies Act 1993 and the Financial Reporting Act 1993. The financial statements have been prepared on a historical cost basis, except for freehold land, and derivative financial instruments which have been measured at fair value.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000).

(b) Statement of Compliance

The financial statements have been prepared in accordance with NZ GAAP. They comply with New Zealand equivalents to International Financial Reporting Standards and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The financial statements comply with International Financial Reporting Standards (IFRS).

(c) Basis of Consolidation

The consolidated financial statements comprise the financial statements of Mainfreight Limited and its subsidiaries (the "Group") as at 31 March each year (as outlined in note 13). Interests in associates are equity accounted (see note (j) below).

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Income and expenses for each subsidiary whose functional currency is not New Zealand dollars are translated at exchange

rates which approximate the rates at the actual dates of the transactions. Assets and liabilities of such subsidiaries are translated at exchange rates prevailing at balance date. All resulting exchange differences are recognised in the foreign currency translation reserve which is a separate component of equity.

In preparing the consolidated financial statements, all inter-company balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Minority interests not held by the Group are allocated their share of net profit after tax in the income statement and are presented within equity in the consolidated balance sheet, separately from parent shareholders' equity.

(d) Business Combinations

The acquisition method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange. Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Except for non-current assets or disposal groups classified as held for sale (which are measured at fair value less costs to sell), all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of the business combination over the net fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the Group's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of the consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(e) Segment Reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses whose operating results are regularly reviewed by the entity's chief operating decision maker and for which discrete financial information is available.

(f) Foreign Currency Translation

(i) Functional and Presentation Currency

Both the functional and presentation currency of Mainfreight Limited and its New Zealand subsidiaries is New Zealand dollars (\$). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(ii) Transactions and Balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All exchange differences in the consolidated financial statements are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment and differences arising on translation of a foreign operation. These are recognised in other comprehensive income and accumulated in reserves until disposal of the net investment at which time they are recognised in profit or loss. On disposal of a foreign operation, the cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss. Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined (refer to g (iii)).

(g) Financial Assets and Liabilities

All financial assets are measured at amortised cost with the exception of derivatives which are measured at fair value through profit and loss.

(i) Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(ii) Trade Receivables

Trade receivables, which generally have 7-30 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 6 months overdue are considered objective evidence of impairment. Trade receivables are written off as bad debts when all avenues of collection have been exhausted.

(iii) Derivative Financial Instruments and Hedging

The Group uses derivative financial instruments such as interest rate swaps to hedge (economically but not in accounting terms) its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss for the year.

The fair values of interest rate swap contracts are determined using a valuation technique based on cash flows discounted to present value using current market interest rates.

Hedges of a Net Investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for by including the gains or losses on the hedging instrument relating to the effective portion of the hedge directly in equity while any gains or losses relating to the ineffective portion of the hedge are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to profit or loss.

(iv) Recognition and De-recognition

Purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or been transferred.

(h) New Accounting Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted NZ IFRS 3 Business Combinations (revised) and amendments to NZ IAS 27 Consolidated and Separate Financial Statements as of 1 April 2010.

Standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the reporting period ending 31 March 2011. These are outlined in the table below.

Reference	Title	Summary	Application date of standard	Impact on Group financial statements	Application date for Group
NZ IFRS 9	NZ IFRS 9 Financial Instruments	<p>This standard is part of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. The standard applies to financial assets, their classification and measurement.</p> <p>All financial assets are required to be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs and subsequently measured at amortised cost or fair value.</p>	1 July 2013	The Group has not yet determined the effect, if any, on the Group Financial Statements.	1 April 2013

(i) Non-current Assets / Liabilities Held for Sale and Discontinued Operations

Non-current assets and disposal groups are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction. They are not depreciated or amortised. For an asset or disposal group to be classified as held for sale, it must be available for immediate sale in its present condition and its sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the income statement.

(j) Investments in Associates

The Group's investment in its associates is accounted for using the equity method of accounting in the consolidated financial statements and at cost in the Parent. The associates are entities over which the Group has significant influence and that are neither subsidiaries nor joint ventures. The Group generally deems they have significant influence if they have over 20% of the voting rights.

Under the equity method, investments in the associates are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in associates.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the Parent's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The reporting dates of the associates and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

(k) Property, Plant and Equipment

Property, plant and equipment, except freehold land, is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. All other repairs and maintenance are recognised in profit or loss as incurred.

Freehold land is measured at fair value, based on annual valuations by external independent valuers who apply the International Valuation Standards Committee International Valuation Standards, less any impairment losses recognised after the date of the revaluation. Depreciation is calculated on a straight-line basis at rates calculated to allocate the assets' cost, less estimated residual value, over their estimated useful lives as follows:

	<u>Per annum</u>
Land -	not depreciated
Buildings -	2% to 3%
Leasehold Improvements -	10% or life of lease if shorter
Furniture & Fittings -	10% to 20%
Motor Cars -	26% to 31%
Plant and Equipment -	10% to 25%
Computer Hardware -	28% to 36%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

Revaluations of Freehold Land

Revaluations increment is credited to other comprehensive income and accumulated in the asset revaluation reserve except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss.

Any revaluation decrement is recognised in profit or loss, except to the extent that it offsets a previous revaluation increase for the same asset, in which case the decrease is debited directly to other comprehensive income to the extent of the credit balance existing in the revaluation reserve for that asset.

Upon disposal or de-recognition, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(I) Leases – as a Lessee

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a Lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so

as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

(m) Goodwill and Intangibles

(i) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the business acquired are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- Represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- Is not larger than a segment based on the Group's operating segments determined in accordance with NZ IFRS 8 Segment Reporting.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating

unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

(ii) Intangibles

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit (group of cash-generating units) level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

Customer Lists and Relationships

Amortisation method used:

Amortised over the period of expected future benefit from the acquired customer list on a straight-line basis generally over five years.

Internally generated or acquired:

Acquired.

Impairment testing:

Reviewed annually for impairment indicators and when an impairment indicator has been identified an impairment test is completed. The amortisation method is reviewed at each financial year-end.

Agency Agreements

Amortisation method used:

Amortised over the period of expected future benefit from the acquired agencies on a straight-line basis generally from ten to twenty years.

Internally generated or acquired:

Acquired.

Impairment testing:

Reviewed annually for impairment indicators and when an impairment indicator has been identified an impairment test is completed. The amortisation method is reviewed at each financial year-end.

(iii) Software

The Group uses both internal and external resources to develop software. An intangible asset arising from expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefit from the related project.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use, or more frequently when an indication of impairment arises during the reporting period.

A summary of the policies applied to the Group's intangible assets is as follows:

Software

Amortisation method used:

Amortised over the period of expected future benefit from the related project on a straight-line basis generally from three to five years.

Internally generated or acquired:

Both.

Impairment testing:

Reviewed annually for impairment indicators and when an impairment indicator has been identified an impairment test is completed. The amortisation method is reviewed at each financial year-end.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is de-recognised.

(n) Trade and Other Payables

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition. Due to their short term nature they are not discounted.

(o) Interest-bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing Costs

Borrowing costs are recognised as an expense when incurred unless funding costs have been incurred which are directly attributable to the acquisition, construction, or production of a qualifying asset in which case funding costs are included within the cost of the asset.

Capitalisation of borrowing costs cease when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. There were no borrowing costs capitalised in 2011 (2010 nil).

(p) Provisions and Employee Leave Benefits

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

Employee Leave Benefits

(i) Wages, Salaries, Annual Leave and Sick Leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long Service Leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(q) Share-based Payment Transactions

Equity Settled Transactions

The Group provides benefits to some of its team members in the form of share-based payments, whereby team members render services in exchange for shares or rights over shares (equity-settled transactions).

There is currently one type of plan in place to provide these benefits, being The Mainfreight Limited Partly Paid Share Scheme, which provides benefits to the Managing Director and senior executives.

The cost of these equity-settled transactions with team members is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using the Black Scholes and binomial models. Further details are given in note 25.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of Mainfreight Limited.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the income statement is the product of; (i) the grant date fair value of the award; (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the

likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and (iii) the expired portion of the vesting period.

The charge to the income statement for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Equity-settled awards granted by Mainfreight Limited to team members of subsidiaries are recognised in the Parent's separate financial statements as an additional investment in the subsidiary with a corresponding credit to equity. These amounts are eliminated on consolidation. As a result, the expense recognised by Mainfreight Limited in relation to equity-settled awards only represents the expense associated with grants to employees of the parent. The expense recognised by the Group is the total expense associated with all such awards.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding partly-paid shares is reflected as additional share dilution in the computation of diluted earnings per share (see note 9).

(r) Contributed Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(s) Revenue Recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Rendering of Services

Revenue for all domestic contracted deliveries is recognised when goods have been collected from the customer. Revenues derived from international freight forwarding are recognised for exports on freight departure and for imports on freight arrival. Fees for warehousing are recognised as services are provided to the counter-party.

(ii) Interest Income

Revenue is recognised as interest accrues using the effective interest rate method.

(iii) Dividends

Revenue is recognised when the Group's right to receive the payment is established.

(t) Income Tax and Other Taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- When the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

In May 2010, the New Zealand Government announced changes to the tax legislation to remove the ability to depreciate buildings with a life over 50 years for tax deduction purposes. For the group, the application of this taxation change under NZIAS 12 Income Taxes creates a tax carrying value of nil from 1 April 2011 onwards for these buildings. This increases the deferred taxation liability by \$16.91 million and creates a one-off, non-cash

accounting adjustment to the taxation expense for deferred tax on buildings for the year ended 31 March 2011 of \$16.91 million. The application of NZIAS 12 which creates this large deferred taxation liability does not reflect taxation payable if the assets were sold.

Other Taxes

Revenues, expenses, liabilities and assets are recognised net of the amount of GST, except:

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a net basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(u) Earnings Per Share

Basic earnings per share is calculated as net profit attributable to members of the Parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- Costs of servicing equity (other than dividends);
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares.

2 Movements in Ordinary Shares on Issue

	<u>Parent</u>		
	<u>2011</u>	<u>2010</u>	
	<u>Shares</u>	<u>Shares</u>	
Closing Balance	98,469,190	98,469,190	
At 31 March 2011 the following partly paid shares were outstanding:			
	<u>Quantity</u>	<u>Exercise Price</u>	<u>Exercise Dates</u>
	1,830,000	724.0 cents	12/06/11 to 12/07/11
Net Tangible Assets	183,564	168,058	
Net Tangible Assets per Security (cps)	186.42	170.67	

3 Non-Recurring Expenses

During the year the Group had \$5,058,000 of non-recurring expenses (2010 \$2,825,000). The related after tax expense was \$21,527,000 (2010 \$1,887,000).

These items comprised of:

<u>2011 Year</u>	<u>Pre-Tax</u>	<u>Tax</u>	<u>Group</u>
	<u>\$000</u>	<u>\$000</u>	<u>After Tax</u>
			<u>\$000</u>
Onerous Lease Provisions	(273)	82	(191)
Acquisition Costs Wim Bosman	(4,336)	224	(4,112)
Earthquake Teammember Costs	(449)	135	(314)
Deferred Tax on Long Lived Buildings	-	(16,910)	(16,910)
	(5,058)	(16,469)	(21,527)
<hr/>			
<u>2010 Year</u>	<u>Pre-Tax</u>	<u>Tax</u>	<u>After Tax</u>
	<u>\$000</u>	<u>\$000</u>	<u>\$000</u>
Onerous Lease Provisions	(1,130)	339	(791)
Redundancies	(1,695)	599	(1,096)
	(2,825)	938	(1,887)

In May 2010, the New Zealand Government announced changes to the tax legislation to remove the ability to depreciate buildings with a life over 50 years for tax deduction purposes. For the group the application of this taxation change under NZIAS 12 Income Taxes create a tax carrying value of nil from 1 April 2011 onwards for these buildings. This increases the deferred taxation liability by \$16.91 million and creates a one-off, non-cash accounting adjustment to the taxation expense for deferred tax on buildings for the year ended 31 March 2011 of \$16.91 million. The application of NZIAS 12 which creates this large deferred taxation liability does not reflect taxation payable if the assets were sold.

4 Annual Report and Annual Meeting

The annual report is expected to be available on 28 June 2011.

The Annual Meeting is to be held at the Barrel Hall, Villa Maria Estate, 118 Montgomerie Road, Mangere, Auckland at 4.00pm on 28 July 2011

5 Segmental Reporting

The Group operates in the domestic supply chain (i.e. moving and storing freight within countries) and international freight industries (i.e. moving freight between countries). In New Zealand and Australia the Domestic and International businesses are run from separate entities and their results are reported as such to management. The USA is reported to management as one segment as the businesses there perform both domestic and international services.

The accounting policies of the operating segments are the same as those described in the notes in note 2 with the exception of deferred tax and the fair value of derivative financial instruments which are not reported on a monthly basis.

The segmental results from operations are disclosed below.

Industrial and Geographical Segments

The following table represents revenue, margin and certain asset information regarding industrial and geographical segments for the years ended 31 March 2011 and 31 March 2010. Inter segment transactions are entered into on a fully commercial basis.

	NZ Domestic	NZ Internat.	Australia Domestic	Australia Internat.	USA	Asian Internat.	Intercoy	2011 \$000 Consolidated
Operating Revenue								
- sales to customers outside the group	290,760	121,806	225,292	247,000	420,468	36,174	-	1,341,500
- inter-segment sales	5,581	(291)	15,005	9,189	25,605	19,992	(75,081)	-
Total Revenue	296,341	121,515	240,297	256,189	446,073	56,166	(75,081)	1,341,500
EBITDA	42,253	5,610	16,909	8,716	14,626	3,470	-	91,584
Depreciation & Amortisation	8,709	226	2,136	974	3,490	262	-	15,797
EBITA	33,544	5,384	14,773	7,742	11,136	3,208	-	75,787
Capital Expenditure	14,847	76	1,830	835	2,070	358	-	20,016
Trade Receivables	43,799	13,966	29,722	35,229	49,849	5,789	(7,230)	171,124
Non-current Assets	184,071	8,603	35,854	35,508	72,171	15,990	-	352,197
Total Assets	238,560	23,251	86,771	84,940	135,908	31,460	(7,230)	593,660
Total Liabilities	104,763	15,469	47,713	43,953	69,084	12,542	(5,510)	288,014

	NZ Domestic	NZ Internat.	Australia Domestic	Australia Internat.	USA	Asian Internat.	Intercoy	2010 \$000 Consolidated
Operating Revenue								
- sales to customers outside the group	267,504	107,463	189,696	202,637	336,983	27,875	-	1,132,158
- inter-segment sales	2,592	(361)	10,526	9,532	20,699	13,147	(56,135)	-
Total Revenue	270,096	107,102	200,222	212,169	357,682	41,022	(56,135)	1,132,158
EBITDA	39,030	5,036	13,270	9,190	7,266	2,057	-	75,849
Depreciation & Amortisation	8,892	229	2,066	1,048	3,828	238	-	16,301
EBITA	30,138	4,807	11,204	8,142	3,438	1,819	-	59,548
Capital Expenditure	6,689	574	1,914	6,309	2,027	263	-	17,776
Trade Receivables	34,895	13,463	27,704	34,719	47,625	4,958	(5,664)	157,700
Non-current Assets	179,423	8,753	34,488	34,901	80,654	16,341	-	354,560
Total Assets	220,615	22,680	79,953	79,135	141,829	26,829	(5,664)	565,377
Total Liabilities	87,552	15,249	43,416	44,038	73,112	10,231	(5,664)	267,934

Reconciliation between Segment EBITA and the Income Statement

	2011 \$000	2010 \$000
Profit from Operations Before Non-recurring Expenses and Taxation for the Year	70,002	53,742
Interest Income	(1,553)	(1,012)
Derivative Fair Value Movement	(110)	(526)
Non-cash Share Based Payment Expense	908	1,017
Finance Costs	6,540	6,327
EBITA	75,787	59,548

EBITDA is defined as earnings before net interest expense, tax, depreciation, amortisation, abnormal, royalties, share based payment expense, minority interests and associates.

There are no customers in any segment that comprise more than 10% of that segment's revenue.

The geographical segments are determined based on the location of the Group's assets. The industrial segments are determined with the operating businesses organised and managed separately according to the nature of the services provided.

EMAIL: announce@nzx.com

Notice of event affecting securities

NZSX Listing Rule 7.12.2. For rights, NZSX Listing Rules 7.10.9 and 7.10.10. For change to allotment, NZSX Listing Rule 7.12.1, a separate advice is required.

Number of pages including this one
(Please provide any other relevant details on additional pages)

Full name of Issuer: **Mainfreight Limited**

Name of officer authorised to make this notice: **Tim Williams** Authority for event, e.g. Directors' resolution: **Directors Resolution**

Contact phone number: **(09) 259 5500** Contact fax number: **(09) 270 7402** Date: **25 / 5 / 2011**

Nature of event Tick as appropriate

Bonus Issue If ticked, state whether: Taxable / Non Taxable Conversion Interest Rights Issue Renounceable

Rights Issue non-renounceable Capital change Call Dividend If ticked, state whether: Interim Full Year Special DRP Applies

EXISTING securities affected by this *If more than one security is affected by the event, use a separate form*

Description of the class of securities: **Ordinary Shares** ISIN: **NZMFTE000159**
If unknown, contact NZX

Details of securities issued pursuant to this event *If more than one class of security is to be issued, use a separate form for each class*

Description of the class of securities: ISIN:
If unknown, contact NZX

Number of Securities to be issued following event: Minimum Entitlement: Ratio, e.g. 1 for 2 for

Conversion, Maturity, Call Payable or Exercise Date: Treatment of Fractions:

Strike price per security for any issue in lieu or date Strike Price available: Tick if *pari passu* OR provide an explanation of the ranking

Monies Associated with Event *Dividend payable, Call payable, Exercise price, Conversion price, Redemption price, Application money.*

In dollars and cents

Amount per security (does not include any excluded income)	\$0.110	Source of Payment	Revenue
Excluded income per security (only applicable to listed PIEs)	<input type="text"/>		
Currency	NZ \$	Supplementary dividend details - NZSX Listing Rule 7.12.7	Amount per security in dollars and cents: \$0.019412
Total monies	\$10,831,611		Date Payable: 22 July, 2011

Taxation *Amount per Security in Dollars and cents to six decimal place:*

In the case of a taxable bonus issue state strike price: \$

Resident Withholding Tax	\$0.004714	Imputation Credits (Give details)	\$0.047143
Foreign Withholding Tax	\$ <input type="text"/>	FWP Credits (Give details)	<input type="text"/>

Timing (Refer Appendix 8 in the NZSX Listing Rules)

Record Date 5pm For calculation of entitlements: **15 July, 2011**

Application Date Also, Call Payable, Dividend / Interest Payable, Exercise Date, Conversion Date. In the case of applications this must be the last business day of the week. **22 July, 2011**

Notice Date Entitlement letters, call notices, conversion notices mailed:

Allotment Date For the issue of new securities. Must be within 5 business days of application closing date.

OFFICE USE ONLY
Ex Date:
Commence Quoting Rights:
Cease Quoting Rights 5pm:
Commence Quoting New Securities:
Cease Quoting Old Security 5pm:

Security Code:
Security Code:

