



Annual Report  
1996

**MAINFREIGHT**

## **contents**

Introduction	1
Directors' Report	2
Managing Director's Review	4
Branch Network	5
Financial Statements	6
Audit Report	17
Statutory Information	18
Five Year Financial Review	20
Directory	21

## **financial calendar**

1996 Annual Meeting	22nd August 1996
1st Quarter 1997 Result Release	22nd August 1996
Half Year 1997 Result Release	December 1996
1997 Interim Dividend	December 1996
3rd Quarter 1997 Result Release	March 1996
Full Year 1997 Result Release	June 1997
1997 Final Dividend	August 1997

## **notice of meeting**

The Annual Meeting of Shareholders will be held in the Auditorium of the Wigram Air Force Museum, Christchurch, on Thursday 22nd August at 9.00am. The notice of meeting, including business to be conducted at the meeting are contained on a separate page which has been issued to all shareholders in conjunction with this report.

## Introduction

Mainfreight Limited listed on the New Zealand Stock Exchange on 14 June 1996. This is the first annual report published by the Company as a public listed company.

## description of activities

Mainfreight operates in the transport sector of the New Zealand and Australian economies. The Group specialises in the domestic and international movement of less-than-container-load (LCL) freight, managed warehousing, full truck-load cartage and hazardous substances distribution.

As a consolidated group, Mainfreight employs 830 people - including owner driver contractors - who operate 260 branded vehicles, which service 250 towns and cities every day in the working week.

During 1996, Mainfreight companies moved an average of 16,600 tonnes per week on 30,100 consignments, measuring 34,400 cubic metres.

## highlights of the year

Mainfreight accomplished many milestones in 1996, with the following being representative of this busy year:

- A record net profit after tax (and before minorities) of \$5.004m;
- The implementation of a divisional group structure, incorporating the functional activities of Forwarding, Warehousing, Australia and International;
- The opening of two new Forwarding Division facilities in Palmerston North and Wellington;
- The commencement of a 9765m<sup>2</sup> purpose-built Warehousing Division facility in Christchurch, for Firestone New Zealand Limited;
- The continued profitable development of airfreight operations in our 50% owned subsidiary company, Mainfreight International.





## directors' report

The Directors are pleased to present this first published annual report following the introduction of public shareholders and listing on the New Zealand Stock Exchange on 14 June 1996.

**Financial Result** Consolidated sales for the year were steady at \$131m, even though the Forwarding division shed some \$5.2m of uneconomic business, as part of the Daily Freight integration. The net profit after tax (before minorities) increased by 42%, from \$3.532m to \$5.004m. This profit improvement was due to higher margins gained in our Forwarding activities, with strong profit results also recorded in the Warehousing, Australia and International activities. The result was slightly ahead of our Prospectus forecast, dated 6th May 1996.

**Financial Position** The Group has maintained a strong financial position, with shareholders' equity of \$19.984m, funding 44.3% of total assets. Earnings cover interest on debt eight times. Net cash flow from operations was \$8.073m, 9.9% lower than the previous year, reflecting an increase in tax payments. Expenditure on facilities, principally those in Palmerston North and Wellington contributed to the rise in the net cash invested from \$2.194m to \$6.854m. Net cash out flows from financing activities reduced by \$1.007m, due to the founding shareholders electing to forego a final dividend payment. The Group has debt funding facilities available if required for future business expansion.

**Dividend** In view of the change in Company ownership structure, no final dividend was taken by the founding shareholders.

**Statutory Information** Additional information is set out on pages 18 and 19.



**The Mainfreight Board of Directors**

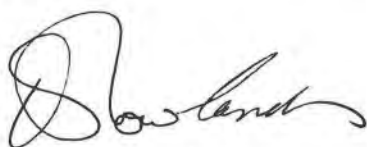
(Standing left to right) Carl Howard-Smith, John Fernyhough, Don Rowlands, Richard Prebble  
(Seated left to right) Neil Graham, Bruce Plested.

**Directors** Mr B.G. Plested and Mr N.L. Graham retire by rotation and are available for re-election.

**Audit** The Company's auditors, Arthur Andersen, will continue in office in accordance with the Companies Act 1993. The Company has a formally constituted Audit Committee.

**Reporting and Communications** The Directors and Management are mindful of the need for regular and proactive communication of the Group's affairs to shareholders, the Stock Exchange, regulatory bodies and the media. For this reason, Mainfreight will report its financial results quarterly. The first quarter 1997 result to 30 June 1996 will be released on 22nd August 1996.

For and on behalf of the Board  
9 July 1996

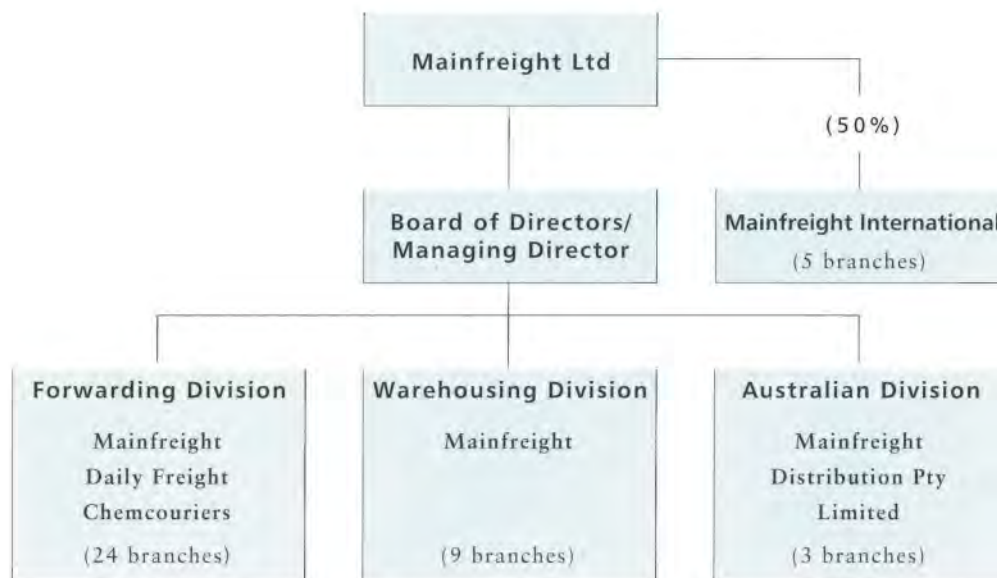


Don Rowlands, Chairman



Carl Howard-Smith, Director

**organisation** Mainfreight is managed along functional lines as depicted below:



## managing director's review

The 1996 financial year involved a high level of activity, particularly the ongoing absorption, stabilisation and profit improvement of the former Daily Freightways operations.

In this review I would like to concentrate on two areas of ongoing significance to Mainfreight; our building programme and our team focus.

During the year Mainfreight spent a further \$9.060m on fixed assets, principally facilities. This included:

- The opening of our new 3,963m<sup>2</sup> Forwarding facility in Palmerston North in October 1995;
- The addition of 4,981m<sup>2</sup> of elevated docked area to our existing Wellington Forwarding facility in March 1996;
- The purchase of branch facilities in Hastings;
- The purchase of land for freight terminal development in Rotorua;
- Our continued growth in contract warehousing, with the signing of an agreement to purpose-build a 9,765m<sup>2</sup> facility in Christchurch for Firestone New Zealand Limited;
- Creation of a new managed warehousing facility in Dunedin, adjacent to our Forwarding operations; and
- Development of Chemcouriers, our specialised hazardous substances operation, into the South Island.

This ongoing investment in facilities is critical to our ability to further improve our earnings and gain added efficiencies in freight and warehousing activities. Mainfreight's building programme has passed the peak with much of the facility upgrades to cope with Daily Freight's volume now in place. In the 1997 year we will complete the construction of purpose-built facilities in Rotorua and Whangarei.

The other key to our ongoing profitability and growth is quality team members. We intend to stay ahead of our competitors and give our shareholders a superior return by:

- Continuing to operate a tight, decentralised team focus in our branch operations;
- Employing only the very best people, and providing them with a stimulating work environment and a career path in the Group;
- Being focussed on our customers needs, and not being afraid to invest with them to meet new business growth; and
- Continuing to operate as a lot of small businesses within a larger business.



In spite of meeting prospectus targets, we were not satisfied with the 1996 results, given a particularly poor start to the year with a number of our branches not performing to capacity. As expected, the 1997 year shows early signs of improved branch profitability.

We are now in a position to build upon the 1996 result with a network of enviable facilities, skilled and energetic team members and a will to *do it better* for our customers and shareholders alike.



Bruce Plested, Managing Director



## branch network



# mainfreight

## Statement of Financial Performance for years ended 31 March

	Notes	GROUP		PARENT	
		1996 \$000	1995 \$000	1996 \$000	1995 \$000
OPERATING REVENUE		130,842	130,527	77,916	75,047
SURPLUS BEFORE TAXATION FOR THE YEAR	2	7,624	5,174	5,237	5,807
Income Tax Expense	4	2,620	1,642	1,696	1,908
SURPLUS AFTER TAXATION FOR THE YEAR		5,004	3,532	3,541	3,899
Minority Interest in Profits of Subsidiaries		(235)	(217)	–	–
NET AND OPERATING SURPLUS FOR THE YEAR		4,769	3,315	3,541	3,899

## Statement of Movements in Equity for years ended 31 March

		GROUP		PARENT	
		1996 \$000	1995 \$000	1996 \$000	1995 \$000
EQUITY AT THE BEGINNING OF THE YEAR		16,853	15,371	16,591	14,692
Net surplus		4,769	3,315	3,541	3,899
Total recognised revenues and expenses for the year		4,769	3,315	3,541	3,899
Movements in minority interest during the year		201	167	–	–
Dividends paid / proposed		(1,000)	(2,000)	(1,000)	(2,000)
EQUITY AT END OF THE YEAR		20,823	16,853	19,132	16,591

## Statement of Financial Position as at 31 March

		GROUP		PARENT	
		1996 \$000	1995 \$000	1996 \$000	1995 \$000
SHAREHOLDERS' EQUITY					
Issued and Paid Up Capital	3	5,200	5,200	5,200	5,200
Accumulated Surplus		14,784	11,015	13,932	11,391
SHAREHOLDERS' EQUITY		19,984	16,215	19,132	16,591
MINORITY INTEREST		839	638	–	–
TOTAL EQUITY		20,823	16,853	19,132	16,591
NON-CURRENT LIABILITIES					
Bank Term Loan	5	10,000	10,000	10,000	10,000
Finance Lease Liability	6	55	–	–	–
		10,055	10,000	10,000	10,000
CURRENT LIABILITIES					
Bank Overdraft		467	–	1,857	–
Creditors & Accruals		11,822	12,440	7,584	7,327
Employee Entitlements		1,574	1,221	1,046	845
Provision for Taxation		350	–	18	78
Deferred Tax Liability	4	–	–	–	29
Shareholder Advances	7	–	557	–	557
Finance Lease Liability	6	14	8	–	–
		14,227	14,226	10,505	8,836
TOTAL LIABILITIES AND EQUITY		45,105	41,079	39,637	35,427

The accompanying notes form part of these financial statements.



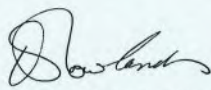
# mainfreight

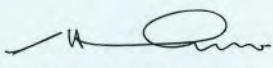
## Statement of Financial Position as at 31 March - continued

	Notes	GROUP		PARENT	
		1996 \$000	1995 \$000	1996 \$000	1995 \$000
FIXED ASSETS	8	27,452	23,031	22,013	17,675
GOODWILL		234	-	-	-
INVESTMENT IN SUBSIDIARIES		-	-	6,007	5,788
CURRENT ASSETS					
Bank Account		-	2,980	-	1,906
Short Term Deposits		3,300	180	2,700	-
Trade Debtors		13,870	14,350	8,405	8,043
Tax Refund Due		-	299	-	-
Other Debtors		93	221	416	2,015
Deferred Tax Asset	4	156	18	96	-
		17,419	18,048	11,617	11,964
<b>TOTAL ASSETS</b>		<b>45,105</b>	<b>41,079</b>	<b>39,637</b>	<b>35,427</b>

For and on behalf of the Board

Dated 9 July 1996

  
D. D. Rowlands CBE, Chairman

  
C. Howard-Smith, Director

## Statement of Cash Flows for years ended 31 March

		GROUP		PARENT	
		1996 \$000	1995 \$000	1996 \$000	1995 \$000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided from :					
Receipts from Customers		131,147	128,940	77,566	73,419
Interest Received		157	94	128	70
		131,304	129,034	77,694	73,489
Cash was applied to :					
Payments to Suppliers		(119,352)	(117,618)	(68,660)	(66,105)
Subvention Payment		-	-	(1,255)	-
Interest Paid		(1,251)	(991)	(1,155)	(630)
Income and Other Taxes Paid		(2,628)	(1,468)	(1,846)	(1,602)
		(123,231)	(120,077)	(72,916)	(68,337)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	14	<b>8,073</b>	<b>8,957</b>	<b>4,778</b>	<b>5,152</b>
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided from :					
Proceeds from Sale of Assets		1,977	4,514	1,923	4,129
Repayments by Employees and Contractors		68	173	68	145
Daily Freight (1994) Ltd Advance		-	-	1,471	2,999
Repayment of Loan by Mainfreight Trust	16	173	-	173	-
Sale of Shares in Mainfreight Distribution Pty Ltd		93	-	93	-
		2,311	4,687	3,728	7,273
Cash was applied to :					
Purchase of Fixed Assets		(9,060)	(6,608)	(7,907)	(6,091)
Advances to Employees and Contractors		(105)	(100)	(105)	(100)
Loan to Mainfreight Distribution Pty Ltd		-	-	-	(250)
Loans to Mainfreight Trust	16	-	(173)	-	(173)
		(9,165)	(6,881)	(8,012)	(6,614)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(6,854)</b>	<b>(2,194)</b>	<b>(4,284)</b>	<b>659</b>

# mainfreight

## Statement of Cash Flows for years ended 31 March – continued

		GROUP		PARENT	
	Notes	1996 \$000	1995 \$000	1996 \$000	1995 \$000
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was provided from :					
Proceeds of Long Term Loan		76	–	–	–
Advances by Shareholders		1,804	1,928	1,804	1,928
		1,880	1,928	1,804	1,928
Cash was applied to :					
Dividend Paid to Shareholders		(1,000)	(2,000)	(1,000)	(2,000)
Dividend Paid to Minority Interest Shareholder		(50)	(50)	–	–
Repayment of Loans		(15)	(669)	–	(648)
Repayment of Shareholder Advances		(2,361)	(1,762)	(2,361)	(1,762)
		(3,426)	(4,481)	(3,361)	(4,410)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(1,546)	(2,553)	(1,557)	(2,482)
NET (DECREASE) INCREASE IN CASH HELD		(327)	4,210	(1,063)	3,329
ADD OPENING CASH BROUGHT FORWARD		3,160	(1,050)	1,906	(1,423)
ENDING CASH CARRIED FORWARD		2,833	3,160	843	1,906
COMPRISED :					
Bank Account		–	2,980	–	1,906
Short Term Deposits		3,300	180	2,700	–
Bank Overdraft		(467)	–	(1,857)	–
		2,833	3,160	843	1,906

The accompanying notes form part of these financial statements.

## Notes to the Financial Statements

### 1. Statement of Accounting Policies

#### A. General 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.

#### B. Particular Accounting Policies

The following particular accounting policies which significantly affect the measurement of profit and of financial position have been applied :

- (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) **Principles of Consolidation** The consolidated financial statements are prepared from the Financial Statements of the Parent Company and its subsidiaries as at 31 March 1996. All significant transactions between Group Companies are eliminated on consolidation using the purchase method. Where subsidiaries are acquired during the year, their results are included only from the date of acquisition, while for subsidiaries disposed of during the year, their results are included to the date of disposal.



- (iii) *Fixed Assets* All fixed assets are recorded at cost less depreciation where applicable. Depreciation is charged using the diminishing value method on the basis of tax legislation.

Major depreciation rates are:	per annum
– Buildings	4%
– Leasehold Improvements	9.5%
– Furniture & Fittings	12% to 20%
– Motor Cars	26%
– Plant & Equipment	10% to 25%
– Computer Hardware	33% to 40%
– Computer Software	40%

- (iv) *Debtors* Debtors are stated at estimated realisable value after providing against debts where collection is doubtful.

- (v) *Taxation* The taxation charge against surplus for the year is the estimated total liability in respect of that profit after allowance for permanent differences. The Group follows the liability method of accounting for deferred taxation, on a comprehensive basis, in that amounts provided are calculated at the current rate of company taxation. Future taxation benefits attributable to tax losses and debit balances in the deferred tax account are recognised only to the extent they offset credits arising from timing differences and where there is virtual certainty of realisation.

- (vi) *Foreign Currencies* Assets and liabilities expressed in foreign currencies are converted to New Zealand dollars at the rate of exchange ruling at balance date. Surpluses and deficits on exchange, both realised and unrealised, are recognised in the period in which they occur by way of a credit or charge in the Statement of Financial Performance.

- (vii) *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 amortised 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.

- (viii) *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 a maximum of 10 years.

- (ix) *Investments* Long term investments are stated at cost, and investments held for resale are stated at the lower of cost and net realisable value.

## C. Changes in Accounting Policies

There have been no changes in accounting policies during the year. All policies have been applied on a consistent basis with previous years.



# mainfreight

## Notes to the Financial Statements

### 2. Surplus before Taxation

The Surplus before Taxation is stated

	GROUP		PARENT	
	1996 \$000	1995 \$000	1996 \$000	1995 \$000
After Charging :				
Audit Fees and Expenses	113	60	84	29
Other Fees Paid to Auditors	52	6	52	6
Depreciation	2,322	2,167	1,318	1,285
Directors Remuneration (excl Directors and Legal Fees-note 16)	795	583	657	583
Directors Fees	58	62	58	62
Interest : Fixed Loans	1,035	918	1,035	564
Other Interest	216	73	120	66
Restructuring Costs	-	867	-	-
Bad Debts Written Off	211	300	155	172
Change in Bad Debt Provision	182	(27)	72	45
Donations	73	48	73	48
(Surplus) Deficit on Disposal of Assets	341	(587)	327	(471)
Subvention Payment	-	-	1,255	-
Rental & Operating Lease Costs	3,558	2,864	2,181	1,689
After Crediting :				
Interest Income	166	103	137	79
Rental Income	478	566	495	667
Dividend Received	-	-	887	50
Foreign Currency Gains	62	41	-	-

### 3. Share Capital

Authorised, Issued and Paid Up Capital				
5,200,000 ordinary shares of \$1 each	5,200	5,200	5,200	5,200

### 4. Taxation

Surplus Before Taxation	7,624	5,174	5,237	5,807
Prima facie taxation at 33% (31 March 1995 33%)	2,516	1,707	1,728	1,916
Adjusted by the tax effect of :				
Non-assessable dividend income	(16)	(16)	(293)	(16)
Subvention payment	-	-	277	-
Other non-assessable revenues	(119)	(470)	(118)	(134)
Non-deductible expenses	239	421	102	167
	2,620	1,642	1,696	1,933
Represented by :				
Current Tax	2,776	1,660	1,792	1,904
Deferred Tax	(156)	(18)	(96)	29
	2,620	1,642	1,696	1,933

## main freight

	GROUP		PARENT	
	1996	1995	1996	1995
	\$000	\$000	\$000	\$000
DEFERRED TAX ACCOUNT				
Opening balance	(18)	(255)	29	(254)
Adjusted for the tax effect of movements in:				
Provision for doubtful debts	(60)	(26)	(24)	(15)
Holiday pay, ACC and bonus accruals	(47)	166	(73)	253
Uncompleted sales	(31)	97	(28)	45
Closing Balance	(156)	(18)	(96)	29
IMPUTATION CREDIT ACCOUNT				
Imputation and Dividend Withholding Payment Credits				
Opening balance	5,636	5,011	5,372	4,802
Credits distributed during the year	(542)	(1,034)	(492)	(985)
Credits received during the year	25	24	437	24
Tax payments made	2,083	1,635	1,468	1,531
Closing balance	7,202	5,636	6,785	5,372
Representing credits available to owners of the Group at balance date :	7,202	5,636	6,785	5,372

These imputation credits were distributed post balance date (see note 15).

### 5. Term Liabilities

The Group's term liabilities are a \$10 million advance from Westpac Banking Corporation. Registered First Mortgages had been taken over properties valued at the time of taking the mortgage at \$10,350,000. Interest was payable at the average rate of 10.5%.

Subsequent to 31 March 1996 the Group's banking facilities have been renegotiated (see note 15), with the effect of removing any repayment obligation until April 1999. In addition, the release of the Registered First Mortgages has been negotiated leaving a debenture and cross company guarantees in place. The March 1996 position has been adjusted to reflect the revised obligations.



# mainfreight

## Notes to the Financial Statements

### 6. Leases

	GROUP		PARENT	
	1996 \$000	1995 \$000	1996 \$000	1995 \$000
FINANCE LEASE LIABILITIES				
Payable :				
- not later than one year	22	9	-	-
- later than one year but not later than two	22	-	-	-
- later than two years but not later than five	36	-	-	-
Minimum Lease Payments	80	9	-	-
Less Future Finance Charges	(11)	(1)	-	-
	69	8	-	-
CLASSIFIED IN THE STATEMENT OF FINANCIAL POSITION AS :				
Current	14	8	-	-
Non-Current	55	-	-	-
	69	8	-	-
OPERATING LEASE COMMITMENTS				
At balance date the Group and Company had the following operating lease commitments :				
- not later than one year	3,146	2,491	2,149	1,403
- later than one year but not later than two years	2,626	1,654	1,831	796
- later than two years but not later than five years	2,690	2,401	2,308	1,530
- after five years	1,288	1,375	1,007	1,067
	9,750	7,921	7,295	4,796

### 7. Shareholder Advances

On 29 March 1996 all advances from Shareholders were repaid in full.

### 8. Fixed Assets

GROUP Asset Description	1996			1995		
	Cost \$000	Accum Depn \$000	Book Value \$000	Cost \$000	Accum Depn \$000	Book Value \$000
Freehold Land	4,723	0	4,723	3,632	0	3,632
Buildings	15,828	1,608	14,220	11,901	1,237	10,664
Leasehold Improvements	1,789	454	1,335	1,323	283	1,040
Plant, Vehicles & Equipment	14,196	7,022	7,174	13,907	6,212	7,695
Totals	36,536	9,084	27,452	30,763	7,732	23,031



## mainfreight

PARENT	1996			1995		
	Cost	Accum	Book	Cost	Accum	Book
Asset Description	\$000	Depn	Value	\$000	Depn	Value
		\$000	\$000		\$000	\$000
Freehold Land	4,723	0	4,723	3,632	0	3,632
Buildings	14,664	1,539	13,125	10,784	1,213	9,571
Leasehold Improvements	427	295	132	407	267	140
Plant, Vehicles & Equip.	9,246	5,213	4,033	9,401	5,069	4,332
Totals	29,060	7,047	22,013	24,224	6,549	17,675

At 31 March 1996 Registered Valuers Darroch and Co Ltd performed a valuation on the Group's land and buildings at \$23,996,000 (March 1995 \$18,670,000). The Company's land and buildings were similarly valued at \$20,281,000 (March 1995 \$14,590,000). The valuations were carried out on the following basis :

Vacant Properties	–	Open market value
Napier /Palmerston North /		
Gracefield Rd, Wellington	–	Depreciated replacement cost
Others	–	Existing use value

### 9. Investment in Subsidiary Companies

The Parent Company's investment in subsidiary companies comprised:	1996	1995
	\$000	\$000
Shares at Cost	6,007	5,788

Subsidiary Companies Include:	Balance Date	Principal Activity	Percentage Shareholding	
Mainfreight International Limited	31 March	International Freight Forwarding	50%	50%
Mainfreight Distribution Pty Limited	31 March	Freight Forwarding	80%	100%
Daily Freight (1994) Limited	31 March	Freight Forwarding	100%	100%

The shareholding in Mainfreight Distribution Pty Limited was reduced by 40 % at a sale price of \$92,168 in April 1995.

On 29 March 1996 the Company agreed to buy for \$200,000 all of the issued share capital of a company wholly-owned by Kevin Drinkwater, who was a director of the Company until he resigned on 31 March 1996. Likewise on 29 March 1996, the Company agreed to buy for \$200,000 all of the issued share capital of a company wholly-owned by Kerry Crocker who was a director of the Company until he resigned on 31 March 1996. Both of the vendors continue as executives of the Group. At the time those purchases were completed, those companies had no assets or liabilities except that they owned 10% each of the share capital of Mainfreight Distribution Pty Ltd.

### 10. Capital Commitments & Contingent Liabilities

The Group and Company had the following capital commitments at 31st March 1996 (31st March 1995 Group – \$1,593,244, Company – \$1,319,404).

– Firestone Storage Facility, Christchurch	\$2,300,000
– Rotorua Transport Depot	\$600,000
– Whangarei Transport Depot	\$340,000

The Company has given all obligations guarantees in favour of Westpac Banking Corporation, in respect of Mainfreight Distribution Pty Limited and Daily Freight (1994) Limited.

### 11. Directors' Loans

All directors' loans were fully repaid by 31 March 1996.

## Notes to the Financial Statements

### 17. Comparison with Forecast

The following is a comparison of actual 31 March 1996 results with those forecast included in the prospectus dated 6 May 1996.

	<i>Actual \$000</i>	<i>Forecast \$000</i>
Operating Revenue	130,842	130,383
Surplus before taxation	7,624	7,445
Taxation	(2,620)	(2,523)
Surplus after taxation	5,004	4,922
Minority Interest	(235)	(193)
Net Surplus	4,769	4,729
Fixed Assets	27,452	27,505
Cash	3,300	2,509
Other Current Assets	14,119	15,235
Goodwill	234	290
Total Assets	45,105	45,539
Term Liabilities	10,055	10,000
Current Liabilities	14,227	14,785
Total Liabilities	24,282	24,785
Net Cash Flows from Operating Activities	8,073	7,362
Net Cash Flows from Investing Activities	(6,406)	(6,854)
Net Cash Flows from Financing Activities	(1,607)	(1,546)

Better than forecast revenue levels in the last quarter resulted in the net surplus slightly exceeding forecast.

Collection of Trade Debtors in March were very strong resulting in a lower Trade Debtors figure in the Statement of Financial Position than forecast.

Payments of Creditors in March were higher than forecast resulting in a lower Creditors figure in the Statement of Financial Position than forecast.

Net Cash Flows from Operating Activities varied from forecast due primarily to strong Trade Debtor collections.

Net Cash Flows from Investing Activities varied from forecast due to timing of payments made on capital expenditure.



**15. Subsequent Events**

On 1 April 1996 Mainfreight Distribution Pty Ltd agreed to buy back the shares of its remaining minority shareholders (representing 20% of the share capital of Mainfreight Distribution Pty Ltd.). 10% was purchased from each of Judith Davies and Brian Curtis for NZ\$200,000 each. Both of the vendors continue as executives of Mainfreight Distribution Pty Ltd.

On 3 April 1996 a taxable bonus issue of 13,775,226 ordinary \$1.00 shares, with full imputation credits attached, was made out of retained earnings, increasing the share capital to 18,975,226 ordinary \$1.00 shares.

On 4 April 1996 the Company changed its name from Mainfreight Transport Limited to Mainfreight Limited.

On 4 April 1996 the banking facility of the Group with Westpac Banking Corporation was re-negotiated. Mortgages over specific properties (see note 5) have been released. The long term facility limit has been increased to \$20,000,000. Principal is repayable in April 1999 unless the facility is extended.

On 30 April 1996 the share capital of the Company was subdivided in the ratio of 6.25 shares of 32 cents each for every 2 shares of \$1.00 each.

On 3 May 1996 the Company was reregistered under the Companies Act 1993.

On 14 June 1996 the Company was listed on the New Zealand Stock Exchange.

**16. 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:

<i>Name of related party</i>	<i>Nature of Relationship</i>	<i>Type of Transactions</i>	<i>1996 Revenue \$000</i>	<i>1995 Revenue \$000</i>
Daily Freight (1994) Limited	Subsidiary	Trade & Rent	3,379	3,744
Mainfreight International Limited	Subsidiary	Trade & Rent	555	720

<i>Name of related party</i>	<i>Nature of Relationship</i>	<i>Type of Transactions</i>	<i>Costs \$000</i>	<i>Costs \$000</i>
Daily Freight (1994) Limited	Subsidiary	Trade	689	58
Mainfreight International Limited	Subsidiary	Trade & Rent	87	78
C.G.O. Howard-Smith	Director	Legal Fees	80	75

Related Party Receivables Outstanding at Balance Date :

<i>Name of related party</i>	<i>Type of Transaction</i>	<i>Terms of Settlement</i>	<i>Balance Receivable \$000</i>	<i>Balance Receivable \$000</i>
Daily Freight (1994) Limited	Trade	30 Days	61	101
Mainfreight International Limited	Trade	30 Days	60	73
Mainfreight Trust	Advances	On Call	-	173

Related Party Payables Outstanding at Balance Date :

<i>Name of related party</i>	<i>Type of Transaction</i>	<i>Terms of Settlement</i>	<i>Balance Payable \$000</i>	<i>Balance Payable \$000</i>
Daily Freight (1994) Limited	Trade	30 Days	28	8
Mainfreight International Limited	Trade	30 Days	1	16
B.G. Plested	Advance	On Call	-	430
N.L. Graham	Advance	On Call	-	127

No related party debts have been written off or forgiven during the period (31 March 1995 nil).

Interest was paid on shareholder advances at an average rate of 10.5% (1995 - 0%)

In addition to the above the Group transacted with the following related parties :

<i>Name of related party</i>	<i>Nature of Relationship</i>	<i>Type of Transactions</i>	<i>Costs \$000</i>	<i>Costs \$000</i>
C.G.O. Howard-Smith	Director	Legal Fees	32	32



---

A Member Firm of  
Arthur Andersen & Co, SC

---

National Bank Centre  
209 Queen Street Auckland 1  
PO Box 199 Auckland 1  
(64 9) 302 0280  
Financial Consulting Fax (64 9) 302 0370  
Taxation Fax (64 9) 302 0916  
Business Advisory Fax (64 9) 302 3451  
Corporate Recovery Fax (64 9) 302 0915

## **To the Directors of Mainfreight Limited**

We have audited the accompanying financial statements of Mainfreight Limited (formerly Mainfreight Transport Limited) set out on pages 6 to 16. The financial statements provide information about the past financial performance and financial position of Mainfreight Limited and subsidiaries as at 31 March 1996. This information is stated in accordance with the accounting policies set out on pages 8 and 9.

### **Directors' Responsibilities**

The Directors are responsible for the preparation of financial statements which give a true and fair view of the financial position of Mainfreight Limited and subsidiaries as at 31 March 1996 and of results of their operations and cash flows for the year then ended.

### **Auditors' 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 Company's and Group's circumstances, 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. We obtained 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.

Our firm carries out other assignments for Mainfreight Limited and subsidiaries in the area of taxation advice and special consultancy projects. The firm has no other interests in Mainfreight Limited and subsidiaries.


### **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 referred to above:
  - a) comply with generally accepted accounting practice; and
  - b) give a true and fair view of the financial position of the Company and Group as at 31 March 1996 and the results of their operations and cash flows for the year then ended.

Our audit was completed on 9 July 1996 and our unqualified opinion is expressed as at that date.



Auckland

## mainfreight

### 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.

<i>Name</i>	<i>Remuneration</i>	<i>Current Director or Date resigned</i>
Don Rowlands	\$32,000	Current
Bruce Plested	\$199,000	Current
Neil Graham	\$177,000	Current
Carl Howard-Smith*	\$15,000	Current
John Fernyhough	Nil	Appointed 31 March 1996
Richard Prebble	Nil	Appointed 31 March 1996
Kevin Drinkwater	\$147,000	Resigned 31 March 1996
Kerry Crocker	\$147,000	Resigned 31 March 1996
Don Braid	\$147,000	Appointed 17 November 1995; Resigned 31 March 1996

\* Excludes legal fees (refer note 16 to the Financial Statements).

**Employees' Remuneration** The Group paid remuneration including benefits to 4 employees (other than directors) during the year in excess of \$100,000 in the following bands:

<i>Remuneration</i>	<i>Number of Employers</i>
\$100,000 - 110,000	1
\$110,000 - 120,000	1
\$120,000 - 130,000	1
\$140,000 - 150,000	1

**Donations and Auditors** Donations and auditors fees are set out in note 2 of the Financial Statements.

**Minority veto provisions** The Company has adopted "minority veto" provisions in its constitution.

### Directors' Shareholdings at Balance Date

	<i>1996</i>	<i>1995</i>
B.G. Plested	3,285,689	3,285,689
N.L. Graham	1,914,311	1,914,311
TOTAL	5,200,000	5,200,000

## mainfreight

**Substantial Security Holders** The following information is given pursuant to Section 26 of the Securities Amendment Act 1988.

The following are recorded by the Company as at 1 July 1996 as Substantial Security Holders in the Company, and have declared the following relevant interest in voting securities under the Securities Amendment Act 1988.

		%
B G Plested	22,643,567	38.2
N L Graham	7,005,223	11.8
AMP Society	3,000,000	5.1
TOTAL on issue	59,297,580	100.0

**Largest Security Holders** as at 1 July 1996

<i>Shares Held</i>		%
B G Plested	22,643,567	38.19
NZCSD Ltd	13,840,000	23.34
N L Graham	7,005,223	11.81
BZW N Z Nominees Ltd	5,503,690	9.28
Perpetual Nominees Ltd	1,700,000	2.87
Guardian Assurance Ltd	1,100,000	1.86
Warnford Nominees Ltd	425,000	0.72
Quinambo Nominees Ltd	300,000	0.51
Athene Nominees Ltd	250,000	0.42
NZ Anglican Church Pension Board	250,000	0.42
Penthouse Nominees Ltd	250,000	0.42
Clime Asset Management Ltd	200,000	0.34
J M Plested	182,000	0.31
B J Curtis	181,800	0.31
J H Davies	181,800	0.31
NZ Guardian Trust Co Ltd	170,000	0.29
Debenture Nominees Ltd	161,000	0.27
P G F Belchamber	100,000	0.17
BNZ Nominees Ltd	100,000	0.17
Public Nominees Ltd	100,000	0.17
KR & ER Crocker	100,000	0.17
RDH Steel Trust	100,000	0.17

**Spread of Security Holders** as at 1 July 1996

<i>Size of Shareholding</i>	<i>Number of Holders</i>	<i>%</i>	<i>Total Number Held</i>	<i>%</i>
1 – 999	2	0.19	1,000	0.00
1,000 – 4,999	694	66.41	1,225,500	2.07
5,000 – 9,999	169	16.17	934,700	1.58
10,000 – 49,999	151	14.45	1,855,300	3.13
50,000 – 99,999	7	0.67	437,000	0.74
100,000 – 999,999	16	1.53	3,051,600	5.15
1,000,000 – PLUS	6	0.57	51,792,480	87.34
	1045	100.00	59,297,580	100.00



## mainfreight

### five year financial review

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

	Notes	1996 (\$'000's)	1995 (\$'000's)	1994 (\$'000's)	1993 (\$'000's)	1992 (\$'000's)
Net Sales		130,842	130,527	76,627	71,085	70,634
Surplus before Abnormals, Interest & Tax		8,997	7,361	4,948	5,584	4,354
Abnormals	1	122	1,196	402	0	0
EBIT	2	8,875	6,165	4,546	5,584	4,354
Net Interest Cost		1,085	888	96	154	300
Net Surplus (NPAT)	3	4,769	3,315	2,646	3,431	2,555
Cashflow	4	7,326	5,699	3,852	4,778	3,716
Net Tangible Assets	5	19,750	16,215	14,900	13,254	10,824
Net Debt	6	7,236	7,405	11,454	1,210	4,848
Total Assets		45,105	41,079	35,905	23,134	22,824
EBIT Margin (before Abnormals) (%)		6.9	5.6	6.5	7.9	6.2
Equity Ratio (%)	7	43.8	39.5	41.5	57.3	47.4
Return on NTA (%)	8	24.1	20.4	17.8	25.9	23.6
Net Interest Cover (x)	9	8.29	8.29	51.54	36.26	14.51
Earnings per Share (cps)	10	8.04	5.59	4.46	5.79	4.31
Adjusted Earnings per Share (cps)	10,11	8.25	7.61	5.14	5.79	4.31
Cashflow per Share (cps)	10	12.35	9.61	6.50	8.06	6.27
NTA per Share (cps)	10	33.31	27.34	25.13	22.35	18.25

#### Notes:

1. Abnormal items for the year ended 31 March 1996 relate to flotation costs. Abnormal items for the year ended 31 March 1994 related to due diligence costs with respect to an acquisition which did not proceed, and in the year ended 31 March 1995 related to restructuring costs on the purchase of Daily Freight.
2. EBIT is defined as earnings before interest and tax.
3. Net Surplus (NPAT) is net profit after tax, abnormals and minorities but before dividends.
4. Cashflow is defined as NPAT plus amortisation of goodwill, depreciation and minorities.
5. Net Tangible Assets includes 50% of the Net Tangible Assets of Mainfreight International (which is an in-substance subsidiary).
6. Net debt is long term plus short term debt less cash balances.
7. Equity Ratio is Net Tangible Assets as a percentage of Total Assets.
8. Return on NTA is NPAT as a percentage of Net Tangible Assets.
9. Net Interest Cover is Surplus before Abnormals, Interest & Tax divided by Net Interest Cost.
10. Per Share calculations are based on the current issued capital of 59,298 million Shares.
11. Adjusted Earnings per Share figures are based on NPAT with abnormal items added back.

## Directory

### BOARD OF DIRECTORS

**Donald D Rowlands**

Chairman

**Bruce G Plested**

Managing Director

**Neil L Graham**

Executive Director

**Carl G O Howard-Smith**

**C John Fernyhough**

**The Hon. Richard W Prebble**

### OFFICERS OF THE COMPANY

**Don Braid**

General Manager, Forwarding  
12-14 Southdown Lane, Penrose

**Kevin Drinkwater**

General Manager, Warehousing  
42 O'Rourke Road, Penrose

**Bryan Curtis**

General Manager, Australia  
Beaconsfield, Sydney, NSW

**Christine Meyer**

National Training & Quality Manager

**Tim Williams**

Group Accountant

**Kerry Crocker**

National Operations Manager

**Chris Dunphy**

Business Development Manager

**Mike Bowers**

Manager, ChemCouriers

**Greg Miller**

North Island Sales Manager

### REGISTERED OFFICE

12-14 Southdown Lane, Penrose  
P.O. Box 14-038, Panmure, Auckland  
Phone 09-526-0950  
Fax 09-526-0959

### ADMINISTRATION OFFICE

473 Great South Road, Penrose  
P.O. Box 14-038, Panmure, Akl.  
Phone 09-526-6370  
Fax 09-526-6379

### AUDITORS

**Arthur Andersen**

209 Queen Street  
Auckland

### BARRISTER TO THE COMPANY

**Howard-Smith & Co**

45 Lake Road, Takapuna  
Auckland

### BANKERS

**Westpac Banking Corporation**

Westpac Tower, 120 Albert Street  
Auckland

### SHARE REGISTRY

**Registry Managers**

277 Broadway, Newmarket  
Auckland

### SOLICITORS TO THE COMPANY

**Bell Gully Buddle Weir**

34 Shortland Street  
Auckland

### ANNUAL REPORT BY:

**Magnum Printing Consultants**

2A Fairview Road, Mt Eden  
Auckland



# Mainfreight Napier



. . . the last word in self promotion