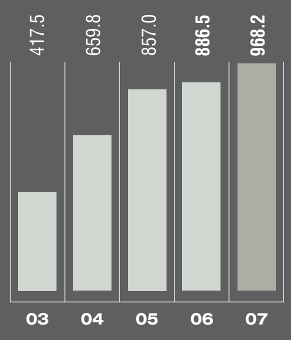
2007

ANNUAL REPORT

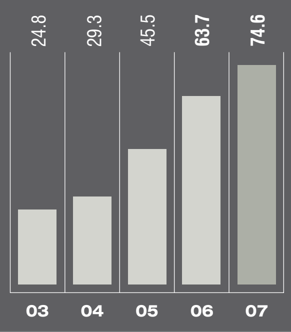
Results in Brief

	2007 $000	2006 $000
TRADING RESULTS		
Group Revenue	$968,197	$886,511
Net Surplus New Zealand	$16,561	$15,621
Net Surplus Offshore	$19,872	$13,414
Net Surplus Non-recurring items	$19,192	-
Group Net Surplus	$55,625	$29,035
FINANCIAL POSITION		
Total Assets	$354,252	$316,869
Total Shareholders' Funds	$155,318	$136,257
Land Revaluation Recognised (Net)	$38,774	$32,544
RATIOS		
Group Surplus After Tax To Average		
– Total Assets	16.6%	10.4%
– Shareholders Funds	38.2%	26.9%
Earnings Per Share (Adjusted)	41.1c	30.2c
Shareholders Equity	35.7%	30.7%
Interest Cover (Times)	11.7	8.1
DISTRIBUTION TO SHAREHOLDERS		
Dividends – Paid And Proposed		
– Per Ordinary Share (Normal)	15.0c	12.0c
– Per Ordinary Share (Special)	28.0c	-
– Times Covered By Net Surplus	1.34	2.52
PAID UP CAPITAL		
96,569,190 Ordinary Shares	$55,828	$55,175



GROUP OPERATING REVENUE

$ MILLION



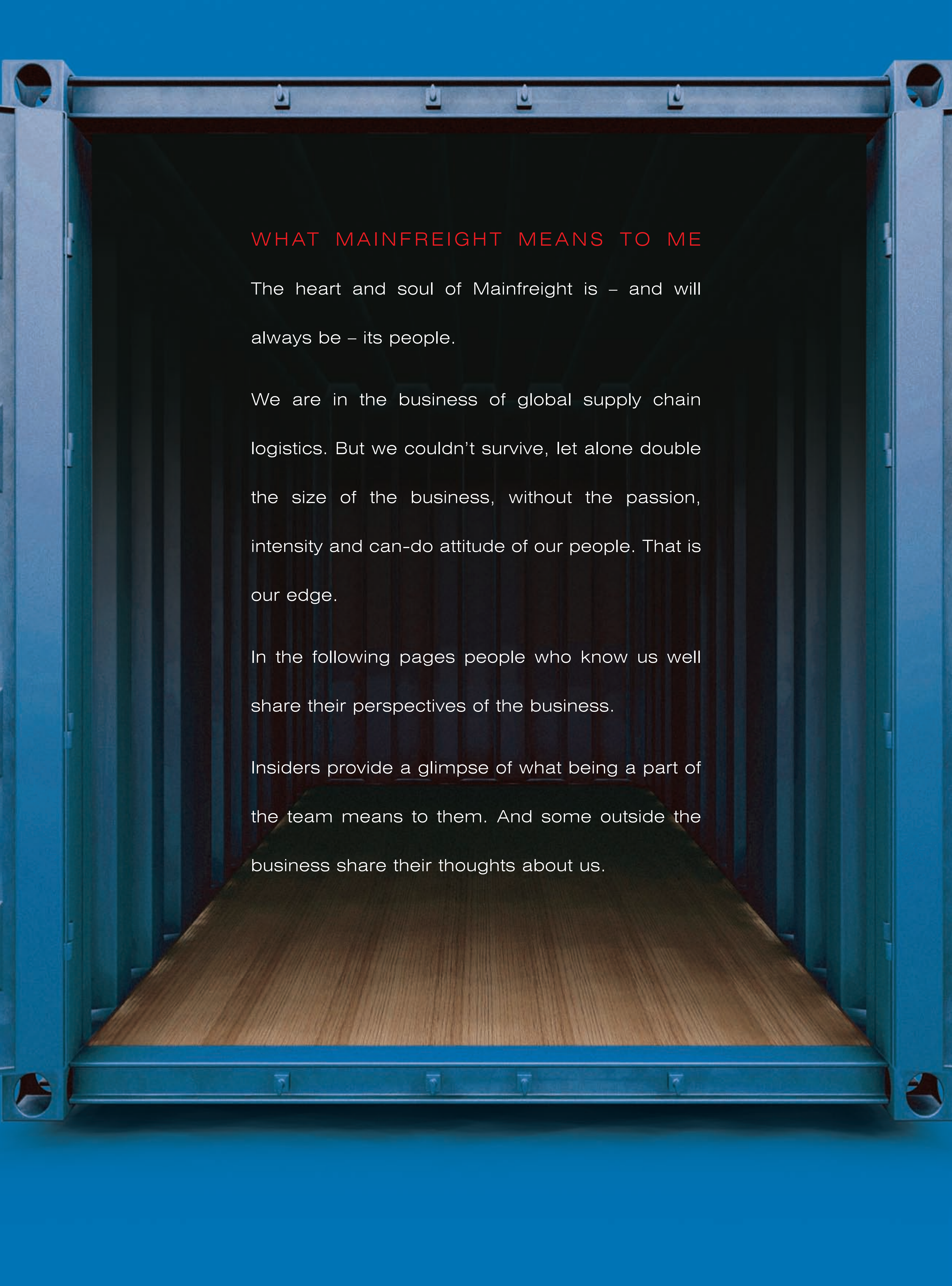
GROUP EBITDA

$ MILLION

Glossary of Terms

4PL	Fourth Party Logistics that incorporates the management of the supply chain for our customers
CABOTAGE	The removal of restrictions for International ship owners to partake in the carriage of domestic freight around the New Zealand coast
EBIT	Earnings before Interest and Tax
EBITA	Earnings before Interest, Tax and Goodwill Amortisation
EBITDA	Earnings before Interest Expense, Tax, Depreciation, Amortisation, Abnormals, Minority Interests and Associates.
FCL	Full Container Lot
FOB	Free On Board. A term utilised by importers and exporters determining the buying and selling criteria
FTL	Full Truck Lot
INTER CITY	The freight transport between cities.
INTRA CITY	The freight transport within a city known as metropolitan cartage or “metro”
IRA	Inventory Record Accuracy. Mainfreight’s level of IRA measures location count, inventory condition, systems alignment to inventory count, product integrity, total inventory count
LCL	Less than Container Lot
LINEHAUL	The method and mode used to transport goods between cities and countries.
LTL	Less than Truck Lot
NPAT	Net Profit After Tax
NVOCC	Non Vessel Operating Common Carrier
NZX	New Zealand Exchange Limited
SUPPLY CHAIN LOGISTICS	The physical movement and management of supplies and finished product from source to end user
TEU	Twenty Foot Equivalent Unit (Container)
WHARF CARTAGE	The transport of full containers onto and off the wharf

Contents



WHAT MAINFREIGHT MEANS TO ME

The heart and soul of Mainfreight is – and will always be – its people.

We are in the business of global supply chain logistics. But we couldn't survive, let alone double the size of the business, without the passion, intensity and can-do attitude of our people. That is our edge.

In the following pages people who know us well share their perspectives of the business.

Insiders provide a glimpse of what being a part of the team means to them. And some outside the business share their thoughts about us.

Notice of Meeting

Notice is given that the annual meeting of shareholders of Mainfreight Limited (the Company) will be held in the ASB Lounge, Gate 5, ASB Stand at Eden Park, Walters Road, Kingsland, Auckland on 31 July 2007 commencing at 2.30pm.

AGENDA

ANNUAL REPORT

1. To receive the Annual Report for the 12 months ended 31 March 2007, including financial statements and auditor's report.

RE-ELECTION OF DIRECTORS

2. In accordance with the constitution of the Company, Bruce Plested retires by rotation and, being eligible, offers himself for re-election.

3. In accordance with the constitution of the Company, Carl Howard-Smith retires by rotation and, being eligible, offers himself for re-election.

4. In accordance with the constitution of the Company, Emmet Hobbs retires by rotation and, being eligible, offers himself for re-election.

(see explanatory note, page 62)

AUDITOR

5. To record the reappointment of Ernst & Young as the Company's auditor and to authorise the Directors to fix the auditor's remuneration.

DIRECTORS' REMUNERATION

6. To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That the total amount of Directors' fees payable annually to all the Directors taken together be increased with effect from the commencement of the current financial year by $200,000 from $360,000 to $560,000, such sum to be divided among the Directors as the Directors from time to time deem appropriate".

(see explanatory note, page 62)

7. To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That shareholders approve the issue of 500,000 redeemable ordinary shares under the Mainfreight Limited Partly Paid Share Scheme to Don Braid, the Managing Director of the Company, in accordance with the terms of the Mainfreight Limited Partly Paid Share Scheme as described in the Explanatory Notes."

(see explanatory note, page 63)

BY ORDER OF THE BOARD

Carl Howard-Smith
Director
28 June 2007

One Team

Our team of 3,206 Mainfreight people operate non-stop across the oceans, airspaces and land masses that link the markets of the world.

In forging a 100-year business, we have never adopted the latest trends or wavered from our long-standing values. We have found our own better way of doing things and have always rejected mediocrity. Today, while we are a true mix of ethnicity and cultures, we are bound by the same principles, passion and pride that are uniquely and unashamedly, Mainfreight.

BRUCE PLESTED | EXECUTIVE CHAIRMAN

"There needs to be a clear understanding that the productive sector is the only means by which a country can prosper – interesting, challenging enterprises earning profits are the mechanism which creates opportunities for people to do well for themselves, the enterprise, and for mankind."

Chairman's Report

Mainfreight has had another successful year with a 25% increase in net operating profit after tax and before abnormals. This increase in dollar terms is $7.4 million.

Where did the $7.4 million tax paid dollars come from? Sadly only $900,000 came from the New Zealand economy – the balance of $6.5 million was earned in Australia and the USA.

New Zealand's $900,000 represented an increase over the previous year of 6%, the offshore $6.5 million represented an increase over the prior period of 48%.

Where should we be putting our efforts in the future? To the financial analysts and other scaremongers who downgraded us in the early part of the 21st century as we put together our offshore strategy, you were wrong, and we were right. Stop discouraging New Zealand companies from expanding offshore – of greatest risk is the low growth available in New Zealand.

More and more the New Zealand economy slides down the OECD economic rankings as we milk our productive sector in the hope of remaining a first world country with taxpayer funded hospitals, education and social welfare.

There needs to be a clear understanding that the productive sector is the only means by which a country can prosper – interesting, challenging enterprises earning profits are the mechanism which creates opportunities for people to do well for themselves, the enterprise, and for mankind.

It has seldom felt so uncomfortable to be part of the New Zealand productive sector. Due to factors beyond our control, the sector is facing:

1. Company tax rate of 33 cents in the dollar while Australia has been at 30 cents for some time. Although the government has signalled a reduction to 30 cents in 2008, there appears no intention to match our Asian trading partners

2. Interest rates higher than any of our traditional trading partners

3. A volatile and high exchange rate causing acute difficulties to most exporters

4. A growing, increasingly aggressive local government with more bureaucrats, delivering slower services, permits and resource consents. In Auckland at one of our facilities our people have been using portaloos for six months because of delays in issuing a building permit

5. Marauding private equity with large cheque books, and questionable business ethics acquiring New Zealand companies, manipulating their operations for short-term gains, and looking to then exit at exorbitant profits

6. A bureaucracy so entangled in its own rules that it takes years and years to make a decision on a new motorway
7. A bureaucracy prepared to spend $1 billion on a sports stadium planted right in the middle of Auckland's working wharves
8. A bureaucracy arrogantly determined to make business fund New Zealand's obligations under the Kyoto agreement through new fuel taxes, and new taxes for turning pine forests into farms
9. Mean, efficiency-destroying taxes, whereby grapes are allowed to be moved between regions free of excise duty, while wine, bottled or bulk incurs duty for the same movement.

Do the bureaucrats not understand that New Zealand is almost last amongst OECD countries in the value of exports relative to our GDP?

We are at a significant disadvantage to all our trading partners through:

– Our small population size
– Our distance from the main markets of the world, USA, Asia, and Europe
– The difficulties of serving markets of such large size
– Trade barriers, quotas, tariffs, alleged green barriers all inflicted in some way by the large nations on New Zealand exports.

In summary, we do not have a large enough or vibrant enough business sector in New Zealand. Economically, New Zealand has been on a long slow decline relative to other OECD countries for close to forty years, and this decline has accelerated in recent years. Surely with the benefit of hindsight, New Zealand governments can recognise that our productive sector is not performing to the level necessary to ensure this nation's future health and prosperity.

Right now we need bold new initiatives and inspirational leadership. Other countries have found ways to reverse economic decline, and that has involved low company tax rates as in Singapore and Ireland and a reduction in the weight of compliance costs.

Whatever the outcome, Mainfreight has a determination to remain a New Zealand owned and operated business while continuing to pursue global aspirations.

Bruce Plested
Executive Chairman
June 2007

"They're one of the few companies that delivers on their promises."

We look for businesses that can double their profits in three to five years. Mainfreight have always been able to articulate how they'll do that, and they consistently meet the milestones they set along the way.

We also like the fact that their business and strategy is understandable. We like to keep things simple – you should be able to draw your investment with a crayon! Mainfreight know where they're going, and it's easy for the rest of us to see where they're going too.

Carmel Fisher

Carmel Fisher, Managing Director
Fisher Funds


MAINFREIGHT

DON BRAID | GROUP MANAGING DIRECTOR

"As we grow to become a world player we must maintain our culture and style of business by keeping a strong grip on our policy of being anti-bureaucratic; continuing to allow branch managers to make bold decisions; being energetic and entrepreneurial; and so continue to grow our business.

We expect to double the size of our business over the next three to five years."

Group Managing Director's Report

This has been an exciting year for Mainfreight; a year where we improved our operating returns, increased dividends to our shareholders, and divested businesses in preparation for further global expansion.

We achieved a record net surplus with a 25% increase on the previous year prior to abnormals.

THE NET SURPLUS & REVENUE ANALYSIS IS AS FOLLOWS:

NZ$000	This Year	Last Year
Group Revenue	$968,197	$886,511
Net Surplus New Zealand	$16,561	$15,621
Net Surplus Offshore	$19,872	$13,414
Group Net Surplus before abnormals	$36,433	$29,035
Net Surplus Non Recurring Items	$19,192	$0
Group Net Surplus	$55,625	$29,035

It has been a year where organic growth has driven our improved performance, and where divestment of our interests in three businesses now sees us strategically positioned to acquire significant international businesses in the near future.

Our 24.9% shareholding in Hirepool, acquired with the purchase of Owens, has been sold.

This was clearly not core business for us, but proved to be a more than profitable investment with the sale allowing us to pay an extraordinary dividend to shareholders of 28c per share.

Subsequent to year end Pan Orient was sold, being the last remaining portion of the Owens' business identified for divestment. Pan Orient was the South Pacific freight forwarding and projects forwarding division that operated mostly out of Australia. While the Pan Orient business has been good to us, the consistency of that return was always going to be doubtful given the cyclical nature of projects work.

More significantly, as part of this transaction, we sold LEP New Zealand and LEP Australia.

The need to divest LEP was prompted by the aggressive global expansion plans of Agility (previously known as PWC – Public Warehousing Company of Kuwait), LEP's international agent and minority shareholder. Agility's declared intention was to acquire further businesses around the world, including a strong New Zealand and Australian operation. LEP could have been left with a strong competitor holding a minority interest; hence the decision to sell.

Worthy of mention is that we paid A$3.4 million for the 75% share of the LEP Australasian business some ten years ago, achieved good performance and profitability during our tenure, and have sold it for A$67 million.

Group Net Surplus **$55,625,000**

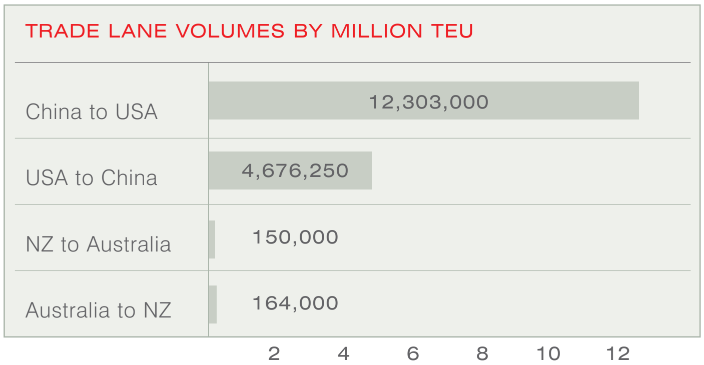
There are two key outcomes of the divestment. Firstly, we now have the freedom to expand around the world, without having to concern ourselves about the natural responsibility and respect we owed to Agility through their shareholding in LEP. Secondly, the proceeds from the sale see our balance sheet cash positive and well placed for our intended international expansion.

In short, we end the financial year as a more committed Mainfreight, dedicated to our stated goal of being a global supply chain provider. This is an exciting new era in the Mainfreight journey; a journey that is taking us from our small home based in Auckland, to a global logistics provider.

We certainly wish to have a stronger presence in the USA/China trade lanes. Our own operations in America, already satisfying customers with a good supply chain across those two markets, should see our tonnages grow in that flourishing trade lane, along with the opportunities that brings; opportunities bigger than we have ever seen in our history.

We are now actively pursuing acquisition opportunities in America, while in China and South-east Asia we are negotiating increased shareholding in both existing and new businesses. Some of the acquisition targets already have established networks in America, Europe and Asia providing us with the opportunity of gaining a credible presence on three continents.

The emphasis is now on becoming a recognised player in the international logistics market, positioned to move freight between countries on the world's major trade lanes, and not solely Australia and New Zealand.



This global presence will enable us to facilitate trade between import and export customers through the Mainfreight interface. Assisting our customers to grow their businesses will be to our own long-term benefit.

In fact, as New Zealand and Australian companies continue to move their manufacturing offshore while retaining their decision making processes "down under", we are able to facilitate foreign to foreign shipments on their behalf. Our strong visual IT tracking solutions offer our customers full visibility from point of order to delivery. These types of transactions are increasingly prevalent today and assist our own network to develop.

It is our intention to acquire businesses at the right price, which will allow a strategic advantage and create the benefit of synergies through merger.

While we are clearly in acquisition mode, it is important to note that organic growth from our businesses is still of great importance to us.

Net Operating Profit **up 25%**

We will not lose sight of the imperative to grow our business without relying on acquisitions.

We will develop trade lanes that move product between our operations in New Zealand, Australia, China and America, so that profit is retained within the group. The key is to effectively inter-trade with companies we have already established. That way, we retain the revenue and the profit.

With this continued focus on growth we expect to double the size of our business over the next three to five years.

While expanding our global network, we maintain our Mainfreight approach of conducting ourselves with small business determination; of being customer focused and quality driven; of driving down our overheads; and most importantly of being easy to do business with.

As we grow to become a world player we must maintain our culture and style of business by keeping a strong grip on our policy of being anti-bureaucratic; continuing to allow branch mangers to make bold decisions; being energetic and entrepreneurial; and so continue to grow our business.

As we make acquisitions in America, Europe, Asia and elsewhere, we will encourage local management to be responsible for their business and adapt the Mainfreight way to suit their own culture. Some aspects will of course be non-negotiable, such as weekly profit and loss reports; open plan offices; lack of bureaucracy; and talking to each other rather than relying on email.

Our very survival depends on open communication, on having our founders and senior managers in the business, visiting customers and our people to ensure we retain the quality that is the key component to making certain we retain our ‘edge’.

While these aspects will always be non-negotiable, we are repeatedly asked, “how long can we keep running our operation from New Zealand?”.

To answer the question, in any business day we currently communicate with our people from Perth in the West to New York in the East. Europe may pose another problem for us, and we may have our international freight based in the USA as we grow, but we don’t see any reason to position ourselves anywhere else, and remain committed to our New Zealand roots and stock exchange listing.

It has been an exciting year that leaves us feeling energised and positive about the future.

Mrs April Brown with Virginia Frank, Marcus Mills, Brandon de Castro and Christina Guerville at Ethan Allen Elementary School, Philadelphia

"Kids are blown away by Books in Homes.
We can make a massive difference."

Books in Homes is a great New Zealand initiative that can have a colossal impact in the USA. Kids are just blown away that they get to choose their own books – and keep them!

And we're blown away that Mainfreight are doing so much to get the program going here. Mainfreight people are even putting their own money into it.

Books in Homes is a hand up, not a handout. Kids and communities contribute as well. I like that. It creates a sense of ownership and possibility. It transforms kids' lives and even whole communities.

Richard Quest, Associate Dean of Academic Excellence & Extension, Corning Community College, New York State.

New Zealand

Our home base of New Zealand has, in our terms, had a relatively flat year.

OPERATING RESULTS – DOMESTIC		
Mainfreight Transport and Logistics, Daily Freight, Chemcouriers, Owens Transport		
NZ$000	**This Year**	**Last Year**
Revenue	$270,092	$269,179
EBIT	$25,956	$24,776
As a % of Revenue	9.6%	9.2%
Market Share (Transport)	43%	43%
Market Share (Outsourced Warehousing/Logistics)	28%	27%

While we did have tougher economic conditions to operate with, we have adapted to the changing situation.

Over the years we have built a national network that in itself offers further opportunities for us to grow the business. This year we have refocused our attention in terms of using the intensity of this network to provide an increased range of services for our customers across the supply chain.

An example of this innovative thinking was the decision to use our network to establish freight services for internet trading between individuals.

Five years ago, we established Mainfreight Precision, specifically to service the needs of our customer, Farmers, and its chain of retail stores. Where traditionally we would have delivered product from warehouse to store, we began delivering furniture and appliances to the homes of their customers. It was a short step from there to capitalise on the opportunity presented by the large amount of product now being sold across the internet by individuals using sites such as Trade Me.

Trade Me users can now click on the Mainfreight website to first calculate the cost, and then organise pickup and delivery with another click of their mouse.

Visit www.mainfreight.co.nz

Grant Smith, Branch Manager
Mainfreight, Auckland


CAFE MELBA
Tasca

This is all part of the strategy to maximise use of our infrastructure.

Information is one of our most important assets. Over the past year Mainfreight continued to place significant emphasis on further development of our information systems and other technologies.

Mainfreight Auckland's new site at Otahuhu has created a number of firsts for Mainfreight in terms of technology and is setting new standards. The entire site is covered by a wireless communications network that gives us the platform to introduce more technology initiatives. Using data lines for telephone calls (technology to be rolled out to other branches) reduces our telephone and cabling costs as telephones and computers share the same cable.

A purpose-built data centre was incorporated into the site to house critical computing infrastructure that runs virtually all the systems for Australia and New Zealand. We are taking steps to protect the system with duplicate infrastructure, and an automatic back-up fibre optic cable service, along with generators, to ensure the system continues through a power outage.

Our technology continues to be a major factor in winning business for Australia and New Zealand with more customers handling all their dealings with us electronically.

We now have the means for customers to access proof of delivery information within seconds, anytime from anywhere, with technology that feeds pickup and delivery information directly to our systems and to our customers via the internet.

A revamped group website www.mainfreight.com went live in late March 2007 and we also launched our new careers website www.mainfreightcareers.com with the aim of attracting more high-calibre young people to our businesses.

With the introduction of KiwiSaver in New Zealand the Board has approved a company contribution of 1% from 1 July 2007 to further encourage savings by our team. It is our considered opinion that KiwiSaver should be compulsory to encourage all New Zealanders to save.

Our new facility in Auckland (Te Ara Taura) was purpose-designed and built to give our team not only the best facilities to move and warehouse freight, but to create a friendly, open atmosphere. It sets a good platform for ongoing growth in our home market, with the $35 million investment an indication of our belief that we have more to achieve in New Zealand.

For while we continue to be excited about our global growth, we are certainly not ignoring New Zealand, and our local expansion programme saw Owens Auckland move into the previous Mainfreight site at Southdown after a revamp; the opening of a new facility in New Plymouth; alterations to the Napier and Wellington operations; the start of a new Daily Freight facility in Christchurch; and plans to make substantial alterations to our operation in Palmerston North, and build a new facility in Whangarei.

In our logistics operations we have recognised the need to continually develop a better business to complement the distribution product that we have in international and domestic freight. We need to maximise warehouse space and make it more efficient for high yielding customers with greater stock turn, rather than just providing storage for large bulk commodity-based customers.

We have established better warehouses, and we have changed the style of customer to more pick-and-pack, with true third party warehousing. We now warehouse products such as toys, food and pharmaceuticals.

Further we have developed a trans-Tasman focus for our logistics operations to take advantage of our customers' decision-making processes taking a more global approach in third-party warehousing appointments.

During the year we commissioned two new warehouses in Wellington and Auckland.

Logistics contributed 5% of all freight consignments moved through our domestic transport network during the year.

OPERATING RESULTS – NEW ZEALAND INTERNATIONAL		
Mainfreight International, LEP, Coolair.		
NZ$000	**This Year**	**Last Year**
Revenue	$153,422	$148,887
EBIT	$3,795	$2,655
As a % of Revenue	2.5%	1.8%
Market Share	10%	10%

We merged Mainfreight International and Owens International to establish a more efficient network with branches in Auckland, Tauranga, Napier, Wellington and Christchurch. In the process we re-branded this business to exclude the Owens name and create the sole brand of Mainfreight International.

This is a far stronger network than before with a focus on imports that reflects the changing New Zealand trade pattern. We expect to open two new branches in Hamilton and Dunedin, strengthening our regional presence.

During the year we significantly increased our airfreight growth in both perishable and dry products. This increase further enhanced our number one IATA ranking from New Zealand. Future airfreight growth is likely to come from our import supply chain solutions originating from our network in Australia, USA and China, further reducing our dependence on the fragile New Zealand export market.

This is a far stronger network than before with a focus on imports that reflects the changing New Zealand trade pattern. We expect to open two new branches in Hamilton and Dunedin, strengthening our regional presence.

"It's like having my big family home for lunch.

The kitchen is the hub of the home and it's the same here. When building the new site a lot of thought went into the planning of both the kitchen and the dining area. Bruce has always insisted on tablecloths for a more "home" like feel to the lunch room and we maintain that at this new site – even though it means more work for me and my girls!

And the tables are in one long row so no-one has their back turned on anyone else.

You see a lot of respect in this room. At lunchtime you get the office guys deep in conversation with loaders – it's like my big family coming home for lunch!"

Maureen Paine

Maureen Paine, Cafeteria Manager, with Tyrone Ewart


Menu
14-18 May
M Nachos
T Beef Stroganoff
Chicken Caesar Salad
Roast of the
Pork

Australia

Our Australian operations had a much improved year.

OPERATING RESULTS – DOMESTIC		
Mainfreight Distribution and Logistics, Owens		
A$000	**This Year**	**Last Year**
Revenue	A$106,955	A$91,790
EBIT	A$8,486	A$3,816
As a % of Revenue	7.9%	4.2%
Market Share (Transport)	5%	4.4%
Market Share (Logistics)	4%	5%

Our domestic operation, Mainfreight Distribution, increased its EBIT performance by 137% and revenues by 16%.

We have developed a domestic distribution business, offering high quality, next day transport services for the express freight and logistics market. This was certainly helped by the establishment of a good network in all the capital cities, and some of the smaller regional centres. We still have branches that are not as profitable as they should be, but in Mainfreight fashion we see this as an opportunity for growth.

By developing the palletised LCL, next day freight market, we are poised to expand that small niche into a variety of LCL freight and follow the New Zealand pattern of intensifying the network to offer a greater range of services. This will include a dangerous goods delivery product similar to Chemcouriers in New Zealand, to bolster our warehousing operations that are already expanding into the hazardous goods arena.

Our Australian logistics business is expanding at the fastest rate we have seen, with the demand for warehousing operations unprecedented in our history. This comes from focusing on small to medium-sized customers and offering a finely-tuned combination of quality, technology-based warehousing services.

Demand for our domestic logistics operations has had a flow on to the transport business as we continue to offer Australian customers a full supply chain operation. In the past year logistics have contributed over 9.6% of all consignments moved in the domestic transport system.

In early 2008, we will move to our new leased facility in Sydney, purpose designed and built, that will be larger than our new Auckland home. This is both a reflection of the difference in market size and the speed with which we have grown in Australia. Where it took us nearly thirty years to justify a facility of such size in Auckland, it has taken us just ten years to warrant the Sydney expansion.

We are now in the planning stages for a facility of similar size in Melbourne to cater for the continued growth in the Australian domestic freight market.

Dzenard Gorovic, Operations Manager
Mainfreight Melbourne

In addition, we expect to occupy new facilities in Townsville, Newcastle and Canberra during 2007 to further bolster our regional network improving our quality and market penetration.

As in New Zealand, our technology has developed to an extent that it leads the industry in terms of effectiveness, and in particular, in its track and trace capability. Our customers now have almost instant access to pick-up and delivery information via the internet. This has seen a reduction in telephone calls to our customer service teams and associated inter-branch communications.

OPERATING RESULTS – AUSTRALIAN INTERNATIONAL

Mainfreight International, Lep, Pan Orient Shipping Services

A$000	This Year	Last Year
Revenue	A$265,636	A$256,367
EBIT	A$11,945	A$11,801
As a % of Revenue	4.5%	4.6%
Market Share	12%	12%

The sale of LEP will reduce our market share in the international sector but Mainfreight International has performed exceptionally well, principally in the inbound import business, developing its operations out of Asia and America and now focusing on Europe.

Overall international performance in Australia saw EBIT increase 1.2% and revenue improve 4%. Of more significance was the performance of Mainfreight International where EBIT improved 34.3% and revenues increased 10.9%.

Mainfreight International continued to grow its service offering to include bulk liquids in the food and chemical sectors, and has further enhanced the perishable supply chain solution to incorporate both air and seafreight capacity.

The focus on airfreight growth continues to be high and we have now established licensed airfreight bond stores at each site throughout Australia. We expect our airfreight revenues to grow to match our seafreight revenue.

Consistent with our strategy of increasing each country's network we expect to open more regional branches in Queensland, New South Wales and Victoria in 2007, and in South Australia and Western Australia in 2008.

Mainfreight International New Zealand and Australia are now well established on their new information systems allowing real time information flow and access for our customers. Full import order information is now received electronically from importers allowing the automatic matching of the product details against tariff lists. This is providing better clearance times and simplifying clearance procedures for our customers.

As our business grows in the USA, there will be even greater opportunities for Mainfreight International in both of our domestic markets of Australia and New Zealand.

While our Australian growth has been very successful, we still have a small market share in all three sectors of warehousing, international and domestic transport. The opportunity remains to grow these businesses.

We now have the right recipe for Australia. There is a stimulating, energetic team who have grasped the challenge in front of them, along with passion and a strong belief in the Mainfreight Australian culture and the opportunities that we have in front of us; in particular the benefits of supply chain logistics growth.

Rodd Morgan, National Manager, Mainfreight Distribution, Australia and Karney Jamieson, Branch Manager, Mainfreight Canberra

"They throw you in the deep end and let you go for it."

In the Mainfreight graduate programme I got to do just about every role in the company in about two years. It's given me a lot of respect for everyone – there's no easy jobs and some are really tough.

If you put your hand up, Mainfreight throw you in the deep end and let you go for it. I've had heaps of training, but it's always been up to me to take the opportunities I get.

I'm 24 and I've been in this role for three months. My main goal is to put Canberra into profit. Then I guess it'll be "what's next, guys?"

Karney Jamieson, Branch Manager, Mainfreight Canberra

United States of America

The CaroTrans business has developed well with new branches opening in San Francisco and Boston. Those branches are yet to be profitable but are part of the overall strategy of establishing stronger networks in each country and in particular in the United States.

As we have grown in the United States, we have become more efficient at loading direct containers from each branch to worldwide destinations, rather than moving freight through gateway branches such as New York, Los Angeles or Miami.

This has enabled us to fine tune the business, and vastly improve the service we offer our customers, who can now rely on regular export and import services to and from overseas markets. And, of course, provide us with better margins and profitability as each branch develops their own direct network of trade lanes.

Giving the customer a greater sense of control over their freight encourages them to develop more freight from each particular area.

The EBIT performance of US$3.97 million and revenue increase to US$72.85 million have been very satisfactory, and position CaroTrans very well for further growth and contribution.

OPERATING RESULTS

CaroTrans

US$000	**This Year**	**Last Year**
Revenue	US$72,849	US$61,458
EBIT	US$3,970	US$2,785
As a % of Revenue	5.5%	4.5%
Market Share	18%	15%

CaroTrans is now firmly established as a successful NVOCC providing wholesale services, acting as a consolidator of freight for other transport operators and freight forwarders to most parts of the world. Their electronic commerce program continues to expand with the ability to make bookings with and receive status updates from shipping lines. These improvements improve CaroTrans' efficiencies and visibility, and place them at a considerable competitive advantage to their peers.

Greg Howard, CEO
CaroTrans Inc, USA

In New Zealand and Australia we have become particularly strong with both wholesale and retail international products. Hence, the acquisitions we now wish to make in the United States are in the retail freight forwarding sector.

We proved with Australia and Asia that the easiest way to initially enter another country is through international freight as it does not require the asset infrastructure of the domestic freight market. Business can grow successfully without having to invest in further infrastructure and, while international freight margins are slimmer, revenues and returns can be grown without large capital outlays.

CaroTrans is a good example where we have doubled profit without doubling the number of people or costs in the business, delivering a very good return on revenue in what is traditionally a very low margin business.

Operating in larger markets will provide us with stronger revenue growth and, with Mainfreight's focus on margins, a stronger profit growth.

We now seek to deal directly with importers and exporters to develop Mainfreight as a retail freight forwarder in the United States. That is where our expertise lies, in dealing directly with the customer, the importer, the exporter, or the domestic freight customer.

Our intention is to have our retail operations established in the United States under the brand of Mainfreight, and use the services of CaroTrans to ship that freight to markets around the world. We will effectively create another customer for CaroTrans.

Because of the opportunities to expand our retail business, we have licensed the United States business to operate as an international freight forwarder and have been given approval by the Federal Maritime Commission to act as an ocean freight forwarder. We now have our "USA business Green Card".

We have also submitted an IATA application for air freight and are currently submitting applications to become a licensed US customs broker.

These applications then allow any acquisition we make to be incorporated into Mainfreight USA and to operate across the international freight-forwarding world.

We are excited about the opportunity for both acquisition and combined retail and wholesale growth across the USA. Not only will we be able to move freight into and out of America, but will also be able to utilise the operations to establish a domestic network in the USA, which will place us a few years ahead of where we thought we might be.

A satisfying year in the USA, where we have a small market share in a very rewarding environment, that will provide us with satisfactory growth in the future and likely become the centre of our international operations.

Tom Donahue, President
Mainfreight International Inc, USA

"We just pick up the phone and make it happen."

I came from a large US multinational where you needed approval from various levels of management before you could proceed on anything. Guess who pays the price for that? The customer.

You want to know the real difference with Mainfreight? When it takes something special to get a shipment from China to the US quickly, our team has the autonomy and initiative to get it done. We're not tied down by processes and legacy systems. We just pick up the phone and make it happen.

Tom Donahue


JOY&Peace

Asia

Asia has had another successful year, with satisfactory results, albeit below our expectations.

OPERATING RESULTS – ASIA INTERNATIONAL		
Mainfreight Express Lines		
US$000	**This Year**	**Last Year**
Revenue	US$17,485	US$16,871
EBIT	US$1,713	US$1,600
As a % of Revenue	9.8%	9.5%
Market Share	2.30%	2.25%

Figures reflect total business

Asia is crucially important to our growth into Europe, America and South America. We would like to have a greater degree of control to markedly increase growth in those markets. Our Asian operations remain associate companies, however we have a desire for 100% ownership of our operations in Shanghai, Ningbo, Shenzhen and Hong Kong, and discussions are under way to achieve this.

This will require us to obtain an operating licence, the "Chinese business Green Card", which will come at a cost but will allow us to operate more independently and develop the business more than we have to date in the South-east Asian and China regions.

We also recognise Asia is not just China. It includes India, Singapore, Malaysia, Vietnam and Thailand to name a few, and these clearly have a role to play in our business for the future, and will become part of our network around the world.

In the past year we have further developed our technology influence within each Chinese branch where sales information is integrated with our Australian and New Zealand operations.

It is also our intention to migrate our Asian operations to the same technology platform that we currently operate in Australia and New Zealand and likely in an acquired retail business in America.

Asia continues to be of great importance to our growth strategies. We have a small footprint destined to increase greatly as we pursue the opportunities available.

Sylvia Tsai, Manager
Hong Kong

"There might be 3,000 of us - but the resemblance is as strong as ever

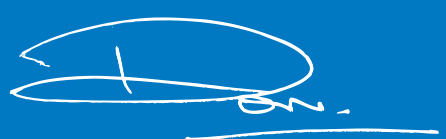
When I started here in the 80's we all learned to do things the Mainfreight way. Customer first. Immaculate image. Think for yourself. Work as a team.

We might have a team of 3000 all over the world now – but the Mainfreight way hasn't changed a bit. I see young fellas starting out now learning to do things the same way I did 20-odd years ago. For some of them, it can be a struggle to buy into such a demanding work ethic. But it's a winning recipe, and the ones who get it will end up running this company when guys like me are long gone."

Alan Murray

The Future

"This past year has been significant in its achievements and performance. We have improved our net surplus by 25.5%, increased revenues by 9.2% and have a truly robust balance sheet. It is our intention to take this business to the world."

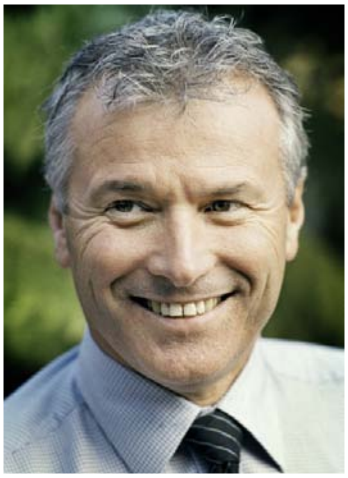


Don Braid - 2007

Alan Murray, Operations Manager, Chemcouriers, and Barry Thompson

Our Management Team












About Our Team

BRYAN CURTIS

National Manager
Owens Transport
New Zealand

27 years with Mainfreight

Revenues $59 million

Responsible for the Owens Transport business in New Zealand. Bryan is one of our "originals" and has had a variety of positions including operational, sales and branch management roles in New Zealand and Australia.

TOM DONAHUE

President
Mainfreight International Inc, USA

9 months with Mainfreight

Tom joined Mainfreight during 2006 and heads up our newly established freight forwarder/customs broker in the USA, Mainfreight International Inc. Tom has had many years' experience in the freight forwarding business in a variety of roles; his last as a VP of seafreight.

KEVIN DRINKWATER

Chief Information Officer

21 years with Mainfreight

IT Operational Spend $13 million

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

CRAIG EVANS

General Manager
Supply Chain

21 years with Mainfreight

Revenues $35 million

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

JON GUNDY

National Manager
Mainfreight International
New Zealand

3 years with Mainfreight

Revenues $113 million

Responsible for the Mainfreight International business in New Zealand. Jon joined Mainfreight through the acquisition of Owens, where he held Operational and Sales Management roles within various Owens divisions over the previous eight years.

JOHN HEPWORTH

International Manager

9 years with Mainfreight

John manages our International businesses in Australia, New Zealand, the USA and our Asian interests. John's role also includes the identification and development of our International product in regions we have yet to establish ourselves in. John joined Mainfreight through our acquisition of his business, ISS Express Lines, in 1998.

GREG HOWARD

CEO, CaroTrans Inc, USA

8 years with Mainfreight

Revenues US$84 million

Greg is a Bostonian and has spent most of his working life with CaroTrans. Greg spent two years in New Zealand as National Manager for Mainfreight International and has also had roles in a number of European countries while working for CaroTrans.

CARL HOWARD-SMITH

General Counsel
Mainfreight Group

29 years with Mainfreight

Mainfreight's lawyer since its commencement in 1978. Board member since 1983 and General Counsel. Carl plays an active and daily role with the executive management team across all divisions.

MICHAEL LOFARO

National Manager
Mainfreight International
Australia

9 years with Mainfreight

Revenues A$129 million

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

CHRISTINE MEYER

Group Human Resource and Training Manager

13 years with Mainfreight

HR and Training Resource Spend $3 million

Christine's responsibilities include our training regimes, Training Academy, and graduate recruitment programmes. Her role also includes the management and development of Human Resources across the Group.

RODD MORGAN

National Manager
Mainfreight Distribution
Australia

4 years with Mainfreight

Revenues A$98 million

Rodd's responsibilities cover the transport operations of Mainfreight Distribution throughout Australia. Rodd has previous experience in the Australian Transport industry, including leadership roles in Sales and Operations.

MARK NEWMAN

National Manager
Transport New Zealand

17 years with Mainfreight

Revenues $207 million

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

STEVEN NOBLE

National Manager
Mainfreight Logistics Australia

13 years with Mainfreight

Revenues A$17 million

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

DAVID SHIAU

Managing Director
Mainfreight Express, Asia

Revenues US$17 million

David has a relationship with our business which dates back some 22 years, as a partner and friend. David's responsibilities are the management and Directorship of our operations in Hong Kong and China.

TIM WILLIAMS

Chief Financial Officer

13 years with Mainfreight

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


EDWINA
WALKER
MAINFREIGHT
FLAMMABLE LIQUID
MAINFREIGHT

"I've been given a real chance here. I want to honour that by doing a great job."

I've kind of paved the way for female forklift drivers at Mainfreight. There's lots of heavy lifting, and I just said "well, let me show you what I can do", and here I am!

I learned a lot from my supervisor. When I made a mistake – even a big one – he'd pat me on the back and say "get on with it".

I love the whanau ngatanga here. Everyone's part of a big family and no one's higher than anyone else. I've been given a real chance at Mainfreight, and I want to honour that by doing a great job.

Edwina Walker

Edwina Walker, Afternoon Supervisor
Mainfreight Nelson

Targets and Achievements

2006

TARGET	STATUS
Exceed worldwide revenue of NZ $1 billion	Likely to take us until 2008; currently NZ$968 million
Service by Mainfreight Distribution to 250 Australian towns	Achieved
Further expansion within the USA	Branches opened in San Francisco, Boston in 2006
To be consistently profitable in Mainfreight Distribution	Achieved
To consider other possible acquisitions outside of New Zealand	Evaluations currently underway in Australia, USA, Asia and Europe
To develop interests within South East Asia	On target
1,000,000 sq ft of warehousing in Australia	Currently have 700,000 sq ft
Dividend funding will be assisted from our offshore earnings	Offshore earnings equal 54% of net earnings before abnormals

2007

TARGET	STATUS
To have identified and completed successful acquisitions in Australia and the USA	On target in the USA, however likely 2008 for Australia
To have a business in the United Kingdom contributing significantly to our international divisions	No longer an option and now a consideration for European expansion
To have six or more profitable operations in North East Asia	Likely 2008 and onward
To have Mainfreight International throughout the USA and generating more revenue than CaroTrans	Likely to take until 2009
To have developed a presence in South East Asia and India	Acquisitions continue to be reviewed
To be seen by the market as a significant New Zealand owned company earning substantial profits offshore for the benefit of New Zealand	In our considered opinion, we now contribute worthwhile profits to the New Zealand economy from our operations offshore

2008		2009		2010
TARGET	STATUS	TARGET	STATUS	TARGET
• To have revenues exceeding $1 billion	• On target	• To be further established as a Global Supply Chain Logistics Operator	• On target	• To have doubled our revenue from our 2006 result
• To have our offshore interests generating more profit than our New Zealand businesses	• Achieved 54% of net surplus before abnormals from outside of New Zealand and likely to increase substantially	• To have international operations across Europe and the United States, China, India, South East Asia and South America	• On target	• To be well established, with our own businesses, around the world in all countries of trading importance
• To be the dominant LCL logistics supply chain operator in Australasia	• On target	• To have established logistics operations in China and the USA with some involvement in domestic distribution	• On target	• To increase airfreight revenue to match seafreight revenue
• To be achieving in excess of 7% return on revenue in our international divisions	• On target	• To have our Australian domestic and warehousing operations earning similar profits to that of our New Zealand operations	• On target	
• To begin to have global significance in international logistics using our foundations in USA, Europe, China and Australasia	• On target	• To have our American interests earning more profit than our Australian and New Zealand International operations	• Likely in 2012	
• To increase the regional networks of Mainfreight International in New Zealand and Australia	• On target			

Technology Statistics

TECHNOLOGY STATISTICS

1. Percentage of consignment notes received electronically

	This Year	Last Year
New Zealand	51%	51%
Australia	64%	58%

2. Percentage of customer issues received electronically (Helpdesk)

	This Year	Last Year
New Zealand	48%	47%
Australia*	3%	25%

* Completion of our Helpdesk product in Australia saw a substantial increase in usage, thus issues received/created are less overall when compared to last year.

3. Percentage of Logistics orders received electronically

	This Year	Last Year
New Zealand	79%	69%
Australia	91%	89%

4. Number of consignments tracked electronically

	This Year	Last Year
New Zealand	420,671	437,774
Australia	136,108	56,061

5. Number of House Bills of Lading received electronically

	This Year	Last Year
United States of America	13%	14%

6. Automated EDI status messages sent to customers

	This Year	Last Year
United States of America	67,656	54,802

Our technology continues to be a major factor in winning business for Australia and New Zealand with more customers handling all their dealings with us electronically.

New data centre with C-Class Blade Centres each housing up to 16 physical servers, with Storage Area Network technology utilizing fibre optics for high speed data transfer: "the computer room".


BIG TREES CATCH WIND
LOOK FOR OPPORTUNITIES NOT GUARANTEES

"There're plenty of businesses talking the environmental talk...

But it's more difficult to find them actually walking the walk. From this new Auckland facility, it's clear Mainfreight is serious about the environment. All stormwater is treated. Some of it's re-used and the rest gets discharged as clean water. The raingardens reduce waste water and make a great space, daylight sensors save power, solar panels on the roof...

It's not easy. But these guys have proved that commercial success and sustainability can work together."

Andrea Rickard

Andrea Rickard, Senior Resource Manager
Tonkin + Taylor, Environmental and Engineering Consultants

Capital Expenditure

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

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

PROPERTY AND BUILDINGS

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

Monies expended on property in the past year totalled $27.3 million. Capital required for property development during 2007 and 2008 will be considerable and is likely to exceed $30 million.

INFORMATION TECHNOLOGY

Information Technology expenditure decisions are based on improving ongoing operational and administrative efficiencies and the ability to further enhance our competitive advantages within the market, including adding further value to our customer relationships and their supply chain requirements. Capital Expenditure on Information Technology in this past year was $2.5 million.

GENERAL

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

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

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

Capital Expenditure in the past year in this category was $5.1 million. Disposal of assets was $0.5 million.

Property Portfolio

Our property strategies remain consistent as our growth continues. We prefer our property portfolio to have a mix of leased and owned facilities. We continue to utilise the land banks we have accumulated over the years to assist growth and expansion on preferred sites, reducing costly relocation activity when expansion is needed.

Where possible we prefer to own sites that host heavy traffic and activity, allowing us to better manage design and maintenance. Sites that have less of this activity are more suited to lease obligations.

Our land asset values in the past year have increased by $6.230 million which was booked to the revaluation reserve.

During the year construction was completed on our "super site" for Mainfreight Auckland in Otahuhu (Te Ara Taura). This remains our largest and most ambitious building project. Occupation of the site was achieved on time during September and in the six months post-occupation our team have increased freight handling efficiencies and have started to reduce claims and improve quality. The warehouse is now 70% full and approaching breakeven status.

Tenders have been let for the construction of the Daily Freight Christchurch facility. This is expected to be completed by June 2008.

Construction of the new New Plymouth facility was completed in April 2007. Occupation commenced immediately and the new building has already assisted in attracting a number of new customers.

Building alterations are underway at the Owens Transport new Southdown facility (previously occupied by Mainfreight), and in Mainfreight Napier and Wellington.

Plans for new facilities for Mainfreight New Zealand in Palmerston North and Whangarei, Mainfreight International New Zealand (airfreight perishable handling) and Mainfreight Distribution in Newcastle and Melbourne are currently under consideration.

Construction of the design and lease facility for our Sydney domestic operations has begun and it will be available for us in early 2008.

Over the next ten years we expect to invest more capital on property in Australia than we have currently in New Zealand, such is the growth in a much larger market.

ENVIRONMENTAL FEATURES FOR PROPERTY

The environment remains foremost in our thinking when constructing new facilities in both New Zealand and Australia, and we incorporate as many positive environmental features as possible.

Rainfall is collected and stored to provide valuable water for truck washing, ablutions and irrigation. Rain gardens are used for filtering surface water run-off before it reaches the sea. Landscaping is designed to ensure we can beautify our land over and above local council requirements. Solar power opportunities for lighting and hot water are explored and where feasible, installed. Recycling facilities for wood, paper, glass and metals are established on every site.

PROPERTY PORTFOLIO

		New Zealand		Australia	
		2007 m^2	2006 m^2	2007 m^2	2006 m^2
Properties Owned & Utilised	Freehold	104,190	73,643	3,525	3,525
	Leasehold	35,960	35,960	-	-
Properties Held for Future Sale		3,769	-	-	-
Leased with Term (3+ years)		53,366	58,338	108,389	106,045
TOTAL PROPERTIES		197,285	167,941	111,914	109,570

GROUP PROPERTY VALUATIONS

	2007 $million	2006 $million
Market Value	136,894	112.915
Book Value including revaluation	131.552	102.375
Land Revaluation	39.041	32.811
Value Growth	44.383	43.350

Edwina Walker, Afternoon Supervisor
Mainfreight Nelson

"While my friends were sleeping in, we were busting our guts.

We're the world champs because while my friends were snoozing in bed, me and my teammates were busting our guts on the water, training, training, training. That and great coaching, and support from our parents.

I reckon life works that way too. You get what you put in. I like how Mainfreight encourages you to keep being better and then rewards you for it. And I love the team atmosphere! I checked out a lot of companies, and for me, Mainfreight stands out way above the rest as a place to work."

Tyler Sherman

Our People

The Mainfreight team is now 3,000-strong and it reflects the global face of our business. Young people are taking up positions worldwide. Through our cadetship programme they're travelling around the world and getting a real sense of the global business we are in.

For example, a number of young Chinese graduates are learning the business in New Zealand with the hope of either returning to China or to assist here in NZ with Mainfreight's trade development in their country.

As the business moves into different markets it is more important than ever that we have people who not only understand the local market and customs, but also understand the Mainfreight culture and way of doing things.

Our culture of promoting from within continues to sustain a strong sense of family and grow a deep knowledge base. As the business grows we are always looking to identify the next generation of talent. We actively search for young people who demonstrate their commitment to performance and teamwork, with a view to them ultimately becoming part of the Mainfreight family.

This year Mainfreight had a strong presence at New Zealand's national secondary school rowing championships, Maadi Cup. We believe the type of young people who compete in such a demanding team sport at this level, also have what it takes to lead Mainfreight into the next era.

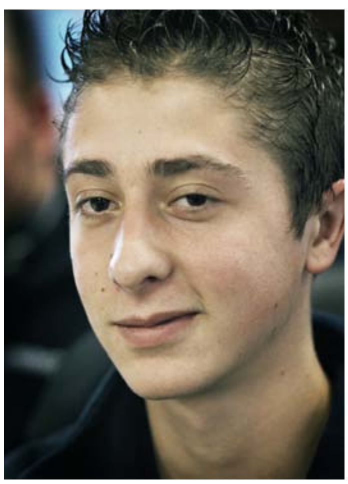
We will continue to think outside the square and find young people who have got what it takes. As our business expands into new countries we will continue to attract top people and more importantly, retain them through 'promoting from within'. This will ensure strong and stable leadership and clear direction for the business.

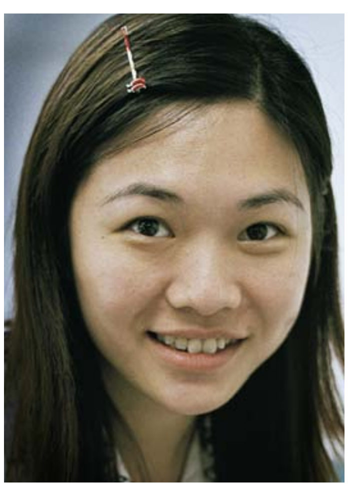
Tyler Sherman, 17 years old
Member of World Champion Junior Eight Rowing Team









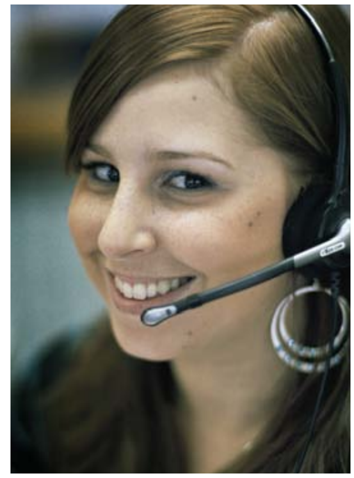


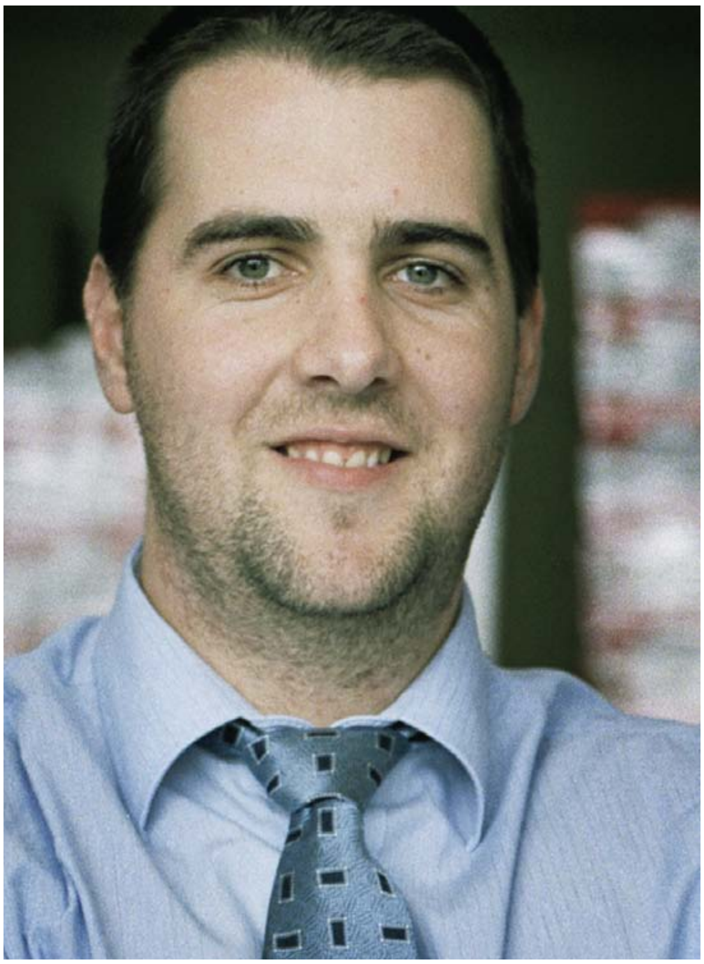
Staci Cheng,
Mainfreight International,
Auckland

At the start of this year I was given a great opportunity to become part of the Air Freight Imports Team at Mainfreight International in Auckland. Since I have been at Mainfreight International I have realised that it is easy for the team in China to find a person that can speak good English and communicate well.

But it will be very hard for them to find a person who understands Kiwis and the Mainfreight Culture. This is the person they need and this is the person I want to be.



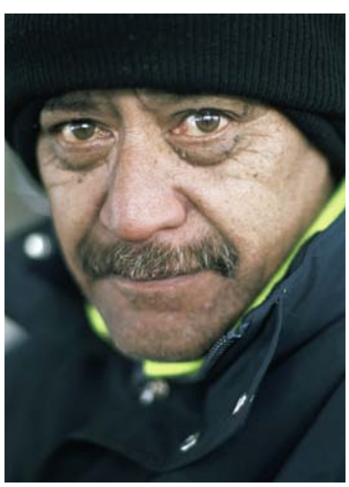





Tim Romeril,
Mainfreight International,
Melbourne

I started with Mainfreight 10 years ago as the company runner and within a few short months, was promoted to a position in the office. I quickly realised the culture of promoting from within would work in my favour, and provide me with endless opportunities.

I've worked in many areas of the business but the most important aspect would have to be dealing with customers on a day-to-day basis. The urgency, accuracy, and responsibility to ensure that the customers' needs are met – that's something you never forget.

Operating Statistics

CLAIMS NEW ZEALAND

2007	462 consignments for 1 claim
2006	471 consignments for 1 claim
2005	513 consignments for 1 claim
2004	517 consignments for 1 claim
2003	417 consignments for 1 claim

* Claim ratios for Australia are not measured as under Common Carrier Law customers insurance is direct

LOADING ERRORS NEW ZEALAND

2007	2.95 loading errors per 100 consignments
2006	2.81 loading errors per 100 consignments
2005	2.76 loading errors per 100 consignments
2004	2.75 loading errors per 100 consignments
2003	3.08 loading errors per 100 consignments

LOADING ERRORS AUSTRALIA

2007	2.33 loading errors per 100 consignments
2006	2.24 loading errors per 100 consignments

NEW ZEALAND DOMESTIC STATS

	This Year	Last Year
Total Tonnes	1,907,088	2,218,480
Total Cubic Metres	4,204,370	4,711,203
Total Consignments	3,088,303	3,238,027
Delivery Performance on time	95.10%	–

AUSTRALIAN DOMESTIC STATS

	This Year	Last Year
Total Tonnes	314,578	283,343
Total Cubic Metres	1,064,854	990,774
Total Consignments	691,295	679,998
Delivery Performance on time	97.13%	–

INTERNATIONAL STATISTICS

	This Year	Last Year
Airfreight		
Inbound and Outbound (kilos)	50,059,673	50,915,103 (corrected)
Seafreight		
Inbound and Outbound (TEU's)	152,580	138,273
Customs Clearances	103,110	98,852
IATA Ranking		
New Zealand	1st	1st
Australia	10th	10th

LOGISTICS STATISTICS

	This Year	Last Year
New Zealand		
Inventory Record Accuracy (IRA)	98.4%	98.5%
Orders Processed	308,144	298,276
Facility Utilisation	78%	83%
Warehousing Footprint	89,400 m^2	81,500 m^2
Domestic Consignments Generated	165,076	
Percentage of Domestic Freight	5%	
Australia		
Inventory Record Accuracy (IRA)	98.0%	98.2%
Orders Processed	109,404	99,144
Facility Utilisation	80%	80%
Warehousing Footprint	70,000 m^2	48,000 m^2
Domestic Consignments Generated	66,328	
Percentage of Domestic Freight	9.6%	

Mainfreight's level of IRA measures location count, inventory condition, systems alignment to inventory count, product integrity, total inventory count.

TRAINING STATISTICS

	New Zealand		Australia	
	2007	2006	2007	2006
Induction	354	429	160	40
Licensing for forklift and dangerous goods	720	894	27	48
Procedural for operations	1,458	372	118	-
Systems for IT	266	449	424	576
Total	2,798	2,144	729	664

TEAM NUMBERS

	This Year	Last Year
NZ Domestic *Mainfreight, Daily Freight, Chemcouriers, Logistics, Owens*	1,647	1,666
NZ International *LEP and Mainfreight International*	232	245
Australian Domestic *Mainfreight Distribution, Logistics, Owens*	609	580
Australian International *LEP Pty, Mainfreight International Pty, Pan Orient*	495	478
International *CaroTrans USA, and Mainfreight Express Asia*	223	195
Total Group	3,206	3,164

DEBTORS DAYS OUTSTANDING

	This Year	Last Year
Debtors Days Outstanding	37.19	37.41

GENDER RATIOS

	Male	Female
New Zealand	71%	29%
Australia	60%	40%
USA	32%	68%
Asia	39%	61%
Total	63%	37%
Last Year	63%	37%

TRAINING AND HR SPEND

	This Year	Last Year
Training and HR Spend	$3.25m	$2.86m
As a % of Revenue	0.34%	0.32%

INFORMATION TECHNOLOGY

	This Year	Last Year
IT Spend	$13.3m	$12.5m
As a % of Revenue	1.37%	1.41%

REVENUE COMPARISON

$000	This Year	Last Year
NZ Domestic NZ$	$270,093	$269,179
NZ International NZ$	$153,422	$148,887
Australian Domestic A$	$106,955	$91,790
Australian International A$	$265,636	$256,367
USA International US$	$72,849	$61,458
Group Total NZ$	$968,197	$886,511

EBITDA COMPARISON

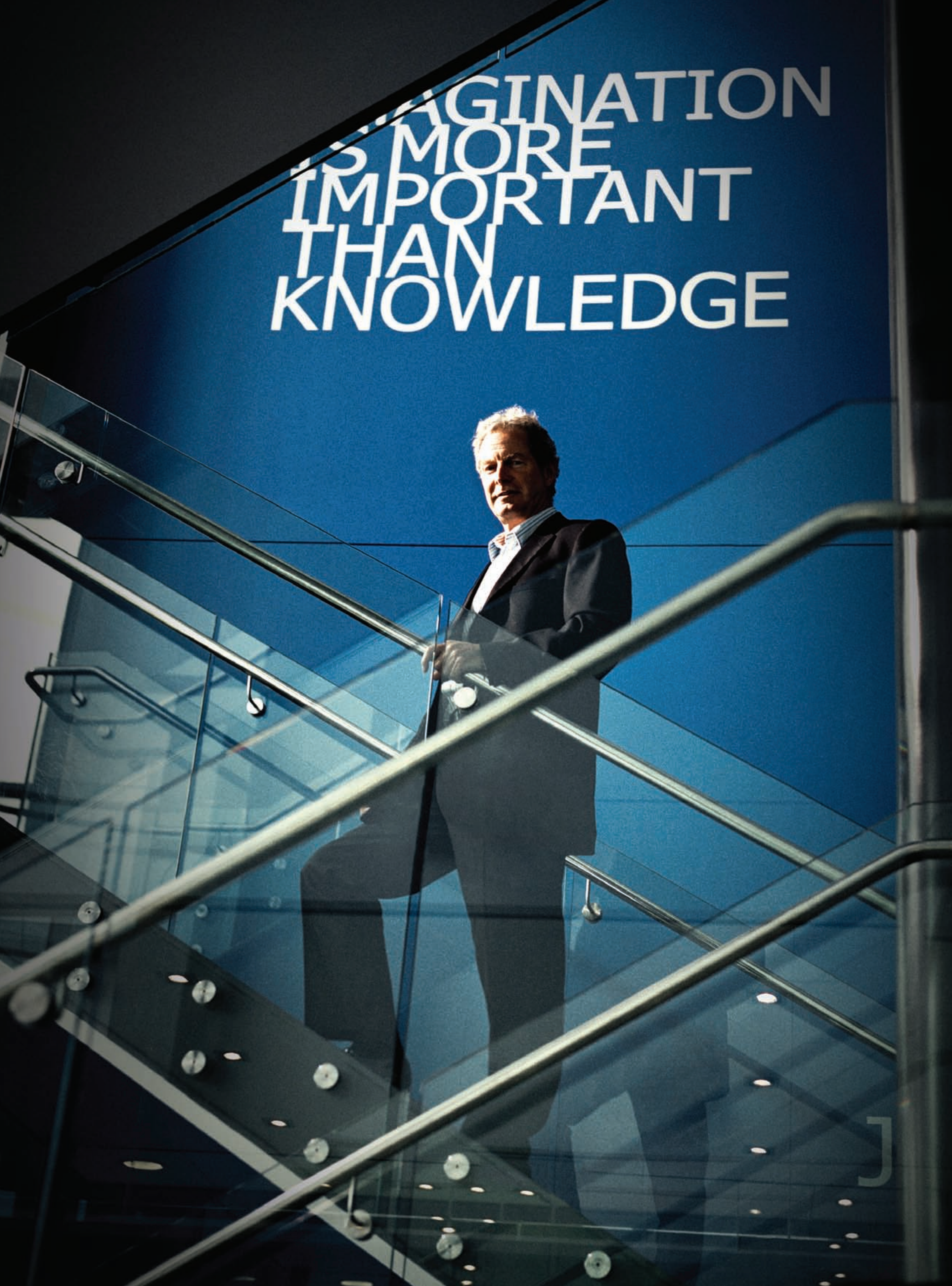
$000	This Year	Last Year
NZ Domestic NZ$	$33,851	$32,317
NZ International NZ$	$5,792	$4,846
Australian Domestic A$	$10,400	$5,854
Australian International A$	$13,499	$13,728
USA International US$	$4,713	$3,594
Group Total NZ$	$74,642	$63,709

"This is a business that's on the front foot...

Whether it's a global acquisition or a small-scale sponsorship, Mainfreight does things with a real intensity and pace. And the board leads from the front. As a group we're not tied up by political correctness or internal bureaucracy. If there's an opportunity, we thrash it out, argue, weigh it up – and get on with it. It's invigorating to be part of a board that's so passionate and decisive. There's no place for hand-wringing!"

Bryan Mogridge

Bryan Mogridge, Director


IMAGINATION
IS MORE
IMPORTANT
THAN
KNOWLEDGE

Corporate Governance

THE ROLE OF THE BOARD OF DIRECTORS

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

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

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

BOARD MEMBERSHIP

The Board currently comprises eight Directors, comprising an Executive Chairman, a Group Managing Director and six Directors, five of whom are independent. From time to time Key Executives are invited to attend full Board Meetings and are encouraged to fully participate in all debate. The Board met on six occasions in the financial year ended 31 March 2007.

DIRECTORS MEETINGS

The Directors normally hold five Board Meetings per year over two-day periods throughout Australia, New Zealand and the USA in locations of interest and concern. At the close of day one of each meeting, customers and/or our team are invited to meet Directors and Management.

Bruce Plested and Don Braid normally attend two Board Meetings of LEP in either New Zealand, Australia or Hong Kong, and one Board Meeting of Mainfreight Express in Asia. Emmet Hobbs is the Director representing our interests on the Rakino Board which controlled the business of Hirepool.

Director	Meetings Held	Meetings Attended	Meetings Attended Subsidiary / Associates
Bruce Plested	6	6	2
Don Rowlands	6	4	-
Neil Graham	6	5	-
Richard Prebble	6	6	-
Carl Howard-Smith	6	6	-
Don Braid	6	6	4
Emmet Hobbs	6	6	7
Bryan Mogridge	6	5	-

SHARE TRADING

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

GROUP MANAGEMENT STRUCTURE

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

THE ROLE OF SHAREHOLDERS

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

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

AUDIT COMMITTEE

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

These controls include the safeguarding of assets, maintaining proper accounting records, complying with legislation (including resource management and health and safety issues), ensuring the reliability of financial information, and assessing and over-viewing business risk. The Committee also deals with Governmental and New Zealand Stock Exchange compliance requirements.

Audit Committee:

Carl Howard-Smith, Chairman

Richard Prebble, Director

Bryan Mogridge, Director

REMUNERATION COMMITTEE

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

General remuneration for all team members is reviewed on an annual basis and takes into account CPI and responsibility changes for each individual. This does not include senior executives. Senior executive remuneration is reviewed every eighteen months.

Remuneration Committee:

Bruce Plested, Executive Chairman

Don Rowlands, Director

Emmet Hobbs, Director

"Children are our currency.
Not every business gets that."

It's not every business that's prepared to back their beliefs and do the right thing, but right from the word go, Mainfreight got right on board with Life Education Trust.

They're big on nurturing – whether it's the next generation or their own people, so they didn't need a sell on the value of education.

With their support this year, we're taking world-class learning experiences to 250,000 schoolchildren in 19 of these mobile learning centres.

They really get education. Simple as that.

Trevor Grice, Life Education Trust

Bernie Johnson, Educator,
Life Education Trust.


LIFE
EDUCATION
TRUST

Directors' Report

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

ACTIVITIES

FINANCIAL RESULT

Consolidated sales for the year were $968.2 million, up on the previous year by $81.7 million (9.2%). The net surplus increased from $29.035 million to $55.625 million. This year's net surplus included tax affected non-recurring gains of $19.192 million. Excluding these non-recurring items, net surplus increased 25.5%. Comparisons to the 2006 result are set out in the five year review; page 93 of the financial statements.

FINANCIAL POSITION

The Group has improved its financial position with shareholders' equity of $155.3 million, funding 43.8% of total assets. Earnings cover interest on debt by 11.7 times. Net cash flow from operations was $47.9 million up from $47.4 million last year.

Freehold land was revalued by a further $6.2 million at 31 March 2007.

DIVIDEND

A dividend of 7.0 cents per share was paid in July 2006, fully imputed. A supplementary dividend of 1.24 cents per share was paid to non-resident shareholders with this dividend. A further dividend of 7.0 cents per share was paid in December 2006, fully imputed. A supplementary dividend of 1.24 cents per share was paid to non-resident shareholders with this dividend. A special dividend of 28.0 cents per share was also paid in December 2006 as a result of funds received from the divestment of our interests in Hirepool. A supplementary dividend of 4.94 cents per share was paid to non-resident shareholders with this dividend. A fully imputed dividend of 8.0 cents per share, payable on 20 July 2007 is proposed, together with a supplementary dividend of 1.41 cents per share for non-resident shareholders. Books close for this dividend on 13 July 2007.

STATUTORY INFORMATION

Additional information is set out on pages 90 to 92 including Directors' Interests as required by the Companies Act 1993.

DIRECTORS

Mr Bruce Plested, Mr Carl Howard-Smith and Mr Emmet Hobbs retire by rotation, and are available for re-election.

AUDIT

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

REPORTING AND COMMUNICATIONS

Mainfreight continues to support high levels of public company disclosure. Quarterly reporting is extremely effective in communicating the Group's affairs to shareholders, the Stock Exchange, regulatory bodies and the media. The first quarter result to 30 June 2007 is scheduled for release on 21 August 2007.

OUTLOOK

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

For and on behalf of the Board, 28 June 2007

Bruce Plested
Executive Chairman

Carl Howard-Smith
Director

BRUCE PLESTED
Executive Chairman and Founding Owner

29 years with Mainfreight
Appointment to Board 1978
Founding Managing Director of Mainfreight, Chairman of the Mainfreight Remuneration Committee.

BRYAN MOGRIDGE, ONZM
Independent Director

Appointment to Board 2003
Other Directorships: Pyne Gould Corporation, Designworks-Enterprise IG (Chairman), West Auckland Trust Services Ltd, Waitakere City Holdings Ltd, Enterprise Waitakere, Rakon Ltd (Chairman), Momentum Energy Ltd (Chairman) and Guardian Healthcare Ltd (Chairman).

RICHARD PREBBLE
Independent Director

Appointment to Board 1996
Former Minister of State Owned Enterprises, Transport, Civil Aviation, Railways and Associate Finance. Fellow of the Chartered Institute of Logistics and Transport.

Other Directorships: McConnell Ltd, WEL Networks and a number of private directorships and family companies.

NEIL GRAHAM, QBE
Independent Director

28 years with Mainfreight
Appointment to Board 1979
Joint Managing Director of Mainfreight 1979-1996, various property and agriculture management roles.

Other Directorships: Cherrywood Enterprises Ltd, Graham Management Services Ltd, Valley of Peace Alpacas Ltd, Scott Forestry Ltd, 3F Corporation Ltd.

CARL HOWARD-SMITH
Director

29 years with Mainfreight
Appointment to Board 1983
General Counsel to Mainfreight, Chairman of the Mainfreight Audit Committee, Commercial Law practice.

Other Directorships: Kiwi Car Carriers Limited, Director of the SPCA, and a number of directorships of private companies.

DON ROWLANDS
Independent Director

Appointment to Board 1983
Former Managing Director, CEO Fisher & Paykel Industries Ltd, Former Director Nestle NZ Ltd, Former President of the Manufacturers Association.

Other Directorships: CWF Hamilton Ltd.

DON BRAID
Group Managing Director

13 years with Mainfreight
Appointment to Board 2000
16 years with Freightways Group. Joined Mainfreight through the acquisition of Daily Freightways.

EMMET HOBBS
Independent Director

Appointment to Board 2003
Former Executive Director Brambles Industrial Services Australia, Former Executive Director Qantas Freight.

Other Directorships: Hirepool (Chairman), and a number of private directorships in New Zealand.

Procedural Notes

1. Persons Entitled to Vote

   The persons who will be entitled to vote at the meeting are those persons (or their proxies or representatives) registered as holding Ordinary Shares on the Company's share register at 2.30pm on 29 July 2007.

2. Proxies and Corporate Representatives

   Shareholders entitled to attend and vote at the meeting may appoint a proxy or (in the case of a corporate shareholder) a representative to attend and vote on their behalf. A proxy need not be a shareholder of the Company. You may, if you wish, appoint "The Chairman of the Meeting" as your proxy by filling in the proxy form to that effect. A proxy form, with which you can appoint a proxy is enclosed.

   Proxy forms must be received at the office of the Company's share registrar:

   Computershare Investor Services Limited
   159 Hurstmere Road, Takapuna
   Auckland 0622
   Private Bag 92119
   Auckland 1442
   New Zealand
   or Fax: +64 9 488 8787

   by 2.30pm on 29 July 2007.

3. Ordinary Resolutions

   Each resolution to be considered at the meeting is to be considered as a separate ordinary resolution. To be passed, each of those resolutions requires the approval of a simple majority of the votes cast by the holders of ordinary shares who are entitled to vote and voting.

4. NZX

   NZX has reviewed and approved this Notice of Meeting under NZSX Listing Rule 6.1.

EXPLANATORY NOTES

AGENDA ITEMS 2 TO 4

Bruce Plested, Carl Howard-Smith and Emmet Hobbs all retire by rotation and, being eligible, offer themselves for re-election.

The Board considers that Emmet Hobbs qualifies as an independent director.

The Board considers that Bruce Plested and Carl Howard-Smith do not qualify as independent directors.

For further information about these directors see page 60 to 61.

AGENDA ITEM 6

The current annual remuneration of all Directors taken together is $360,000 which is currently divided among the Directors by annual payments of $90,000 to the Executive Chairman and $45,000 to each of the remaining Directors (excluding the Managing Director).

The Directors' remuneration was last increased at the annual meeting in July 2005 when it was increased from $280,000 to $360,000.

The proposed increase in remuneration will enable annual fees of $140,000 to be paid to the Executive Chairman and annual fees of $70,000 to be paid to each of the other Directors (excluding the Managing Director).

The Board has obtained analysis from Grant Samuel (an investment banking group) of the level of fees paid to directors by other listed New Zealand companies. After considering this analysis, the Board believes that the proposed increase is fair given the work load and responsibilities of the Directors and the global growth of the Company which is continuing to increase the size and breadth of the Company's business.

AGENDA ITEM 7

INTRODUCTION

On 13 October 2005, the Company established the Mainfreight Limited Partly Paid Share Scheme (the Scheme) to enable key executives of the Company and its subsidiaries to acquire ordinary shares in the Company from time to time through the Scheme Trustee, Mainfreight Share Scheme Trustee Limited (the Trustee). Forty-three executives of the Company and its subsidiaries currently participate in the Scheme and those executives have been issued, in total, 1,950,000 shares under the Scheme.

The Board believes that the Scheme fulfils an important role in creating an alignment of interests between the Company's key executives and its shareholders, through incentivising those key executives to grow the value of the Company. The Scheme also assists the Company to attract, motivate and retain key executives in an environment where such executives are in high demand.

Shareholder approval is being sought for the issue of 500,000 redeemable ordinary shares under the Scheme to Don Braid, Managing Director. 500,000 shares represent just over 0.5% of the share capital of the Company.

It is expected that these redeemable ordinary shares will be issued to Don Braid within one month of shareholder approval being obtained.

SHAREHOLDER APPROVAL REQUIRED

Under NZSX Listing Rule 7.3.6, the Company may only issue redeemable ordinary shares under the Scheme to a Director of the Company if the scheme for such participation and the precise level of entitlement of that Director have been previously approved by an ordinary resolution of shareholders.

Under NZSX Listing Rule 7.6.1, the Company may redeem the redeemable ordinary shares issued to Don Braid under the Scheme where the issue of those shares has been previously approved by an ordinary resolution of shareholders.

TERMS OF SCHEME

Below is a summary of principle terms of the Scheme.

- Eligibility to Participate in Scheme

  From time to time the Board may offer selected executives the ability to participate in the Scheme and to acquire shares in the Company through the Trustee. The number of shares offered to each selected executive is determined by the Board. In determining the executives who are offered participation and the level of participation the Board applies a number of criteria including role with the Group, duties and responsibilities, level of remuneration and contribution to the Group's performance. This same criteria has been used by the Board to determine the number of shares to be issued to Don Braid and the terms of his participation in the Scheme.

- Issue of Shares

  Where an executive accepts an offer to participate, the Company issues the relevant number of redeemable ordinary shares to the Trustee on a partly paid basis to hold for the benefit of the executive.

- Issue Price of Shares

  The issue price of the redeemable ordinary shares is the volume weighted average price of Company's shares on the NZSX over the 5 trading days prior to the issue date. The Trustee pays on the issue date an initial payment of 1 cent per share issued, in cash. The selected executive is then required to provide the Trustee with the 1 cent per share initial payment of the issue price in respect of the shares issued in respect of that executive.

- Payment of Balance of Issue Price of Shares

  The balance of the issue price is payable by an executive when called by the Company. It is expected that calls will only be made in connection with payments by the executive (see "Transfer of Vested Shares" below) or redemptions by the Trustee (see "Redemption by Trustee" below). The partly paid redeemable ordinary shares will entitle the holder to proportionate voting, dividends and rights to share in the surplus assets of the Company on a liquidation to the extent of the proportion of the issue price paid up on the shares.

- Redemption of Shares

  The redeemable ordinary shares are redeemable at the election of the holder. The redemption amount will be the amount of the issue price of the shares paid up at the date of the redemption. The redemption rights associated with the shares no longer apply once the shares are transferred to an executive (see the section headed "Transfer of Vested Shares to Executive" below). Therefore redemptions will only occur while the Trustee is the holder of the shares. The circumstances in which the Trustee may redeem the shares are described in the section headed "Redemption by Trustee" below.

- Vesting of Shares

  The shares held by the Trustee on behalf of each employee vest in the executive on the earlier of:

  (a) the 3rd anniversary of the issue date; and

  (b) the date on which a person or group of persons acting in concert acquires 50% or more of the ordinary shares in the Company on issue.

- Transfer of Vested Shares to Executive

  An executive may, at the executive's election, require that any vested shares held by the Trustee on the executive's behalf be transferred to the executive so long as each of the following conditions is met:

  (a) The executive elects to have the relevant shares transferred and pays the balance of the issue price in cleared funds to the Trustee within one month after the third anniversary of the issue date.

  (b) On the day immediately before the third anniversary of the issue date, the executive is employed by the Company or a subsidiary of the Company.

  The Trustee will apply the funds provided by the executive to pay up the shares. The redemption rights associated with the shares will no longer apply once the shares are transferred to the executive. Accordingly, the shares transferred to the executive will be fully paid ordinary shares ranking equally with all other ordinary shares in the Company except for dividends declared or payable in respect of any period prior to the date on which those shares became fully paid up.

- Participation Rights of Holder of Shares

  The Trustee, as a shareholder of the Company, will be able to participate in any rights issue, bonus issue or other offers to take up shares, subject to the Trustee complying with the terms of any such offer. This may result in the number of shares ultimately transferred to an executive increasing in accordance with the terms of those issues.

- Redemption of Shares by Trustee

  If an executive is not entitled to require the Trustee to transfer shares held on behalf of the executive to the executive (e.g. because the conditions set out above have not been met), the Trustee will redeem the shares held on behalf of that executive. It is anticipated that any such redemption will occur in conjunction with a call from the Company for the unpaid balance of the issue price of those shares and that the redemption amount and the unpaid balance will be set off. On redemption the shares will be cancelled. The initial payment of 1 cent per share issued will be returned to the executive out of the redemption proceeds.

- Listing of Shares

  Redeemable ordinary shares issued under the Scheme will not be listed on the NZSX. So long as the Company remains listed on the NZSX it is intended that the ordinary shares transferred to executives under the Scheme will be listed on the NZSX.

BOARD RECOMMENDATION

The Board believes that the proposed issue of redeemable ordinary shares to Don Braid is fair to the Company and its shareholders and to Don Braid. Many of the responsibilities performed by Don Braid in his role as Managing Director impinge on the Company's performance. Given that Don Braid is required to pay for the redeemable ordinary shares at a price reflecting the market price of the Company's shares at the time of issue of those shares, Don Braid will only benefit from the redeemable ordinary shares if the Company's performance continues to improve and the Company's share price increases.

The Board recommends to shareholders that 500,000 redeemable ordinary shares be issued to Don Braid in accordance with the terms set out above.

"They're the guardians of a great legacy. They'd better look after it. Or look out."

I was with Mainfreight nearly 20 years. I nearly didn't go back after the first day – I had to wash the dishes, which I never did in my previous job!

But that's the culture. You just pitch in and do what needs to be done. And I loved it. We worked bloody hard. And we had lots of fun. You've got to – otherwise why are you doing it?

It took us years of hard yakka to make Mainfreight what it is today. This next generation are the guardians of this great legacy. They'd better look after it. Or look out!

Dawn Allen

Dawn Allen, Retired PA to Neil Graham

Financial Contents

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2007

		Group		Parent	
		2007	2006	2007	2006
	Notes	$000	$000	$000	$000
Operating Revenue		968,197	886,511	175,637	173,249
Surplus Before Associates, Amortisation, Non-recurring Items and Taxation for the Year		59,687	48,036	60,749	15,030
Non-recurring Items	9	17,593	-	-	-
Share of Surplus of Associates	11	1,653	2,317	-	-
Amortisation Expense	8	(5,593)	(6,017)	-	-
Surplus Before Taxation for the Year	2	73,340	44,336	60,749	15,030
Income Tax Expense	4	16,320	14,115	2,117	2,602
Surplus After Taxation for the Year		57,020	30,221	58,632	12,428
Minority Interest in (Surpluses) of Subsidiaries		(1,395)	(1,186)	-	-
NET AND OPERATING SURPLUS FOR THE YEAR		$55,625	$29,035	$58,632	$12,428

STATEMENT OF MOVEMENTS IN EQUITY FOR THE YEAR ENDED 31 MARCH 2007

	Group		Parent	
	2007	2006	2007	2006
	$000	$000	$000	$000
Net Surplus for the Year – Parent Interest	55,625	29,035	58,632	12,428
Net Surplus for the Year – Minority Interest	1,395	1,186	-	-
Revaluation Reserve – Parent Interest	6,230	32,267	6,230	31,436
Minority Interest arising on Revaluation	-	277	-	-
Currency Translation Difference – Parent Interest	(2,903)	3,603	(117)	281
Currency Translation Difference – Minority Interest	(112)	217	-	-
Total Recognised Revenues and Expenses for the Year	60,235	66,585	64,745	44,145
Contributions from Owners (Executive Options)	653	277	653	277
Minority Interest arising on Acquisition (Disposal)	-	(4,666)	-	-
Supplementary Dividends	(1,669)	(228)	(1,669)	(228)
Dividends Paid	(40,544)	(8,167)	(40,544)	(8,167)
Dividends Paid to Minority Shareholders	(718)	(500)	-	-
Foreign Investor Tax Credit	1,669	228	1,669	228
MOVEMENTS IN EQUITY FOR THE YEAR	$19,626	$53,529	$24,854	$36,255
Equity at the start of the Year				
Parent Interest	136,257	79,242	127,501	91,246
Minority Interest	4,701	8,187	-	-
	$140,958	$87,429	$127,501	$91,246
Equity at the end of the Year				
Parent Interest	155,318	136,257	152,355	127,501
Minority Interest	5,266	4,701	-	-
	$160,584	$140,958	$152,355	$127,501

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

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2007

	Notes	Group 2007 $000	Group 2006 $000	Parent 2007 $000	Parent 2006 $000
Shareholders' Equity					
Share Capital	3	55,828	55,175	55,828	55,175
Accumulated Surplus		63,851	48,770	59,237	41,149
Revaluation Reserve		38,497	32,267	37,666	31,436
Foreign Currency Translation Reserve		(2,858)	45	(376)	(259)
Shareholders' Equity		155,318	136,257	152,355	127,501
Minority Interest		5,266	4,701	-	-
TOTAL EQUITY		160,584	140,958	152,355	127,501
Non-current Liabilities					
Bank Term Loan	5	84,457	72,311	84,457	72,311
Intercompany Advances	18	-	-	-	40,000
Employee Entitlements	16	720	909	-	-
Deferred Tax Liability	4	-	-	84	-
Finance Lease Liability	6	42	93		-
		85,219	73,313	84,541	112,311
Current Liabilities					
Bank Overdraft		-	-	-	11,200
Intercompany Creditors	18	-	-	28,498	18,557
Intercompany Advances	18	-	-	40,000	-
Directors Loan	18	2,413	-	2,413	-
Trade Creditors & Accruals		80,933	81,491	17,788	18,292
Employee Entitlements	16	18,879	16,010	2,853	2,609
Provision for Taxation		6,194	5,044	-	-
Finance Lease Liability	6	30	53	-	-
		108,449	102,598	91,552	50,658
TOTAL LIABILITIES AND EQUITY		$354,252	$316,869	$328,448	$290,470
Non-current Assets					
Fixed Assets	7	155,788	127,332	136,372	106,872
Goodwill	8	28,730	38,885	-	-
Investments in Subsidiaries	10	-	-	153,611	153,965
Investments in Associates	11	2,046	7,554	-	-
Other Investments	10	80	80	157	157
Deferred Tax Asset	4	6,891	5,605	-	272
		193,535	179,456	290,140	261,266
Current Assets					
Bank		19,453	10,769	2,844	1,869
Trade Debtors		125,035	118,655	19,770	19,173
Intercompany Debtors	18	-	-	4,817	5,079
Future Tax Benefit	9	1,706	-	-	-
Tax Paid in Advance		-	225	3,319	1,437
Properties Available For Sale		1,667	-	1,667	-
Other Debtors		12,766	7,764	5,891	1,646
		160,717	137,413	38,308	29,204
TOTAL ASSETS		$354,252	$316,869	$328,448	$290,470

For and on behalf of the Board who authorised the issue of the Financial Report on 28 June 2007.

Dated 28 June 2007

Bruce G. Plested, Executive Chairman

Carl G. O. Howard-Smith, Director

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2007

	Notes	Group 2007 $000	Group 2006 $000	Parent 2007 $000	Parent 2006 $000
Cash Flows From Operating Activities					
Cash was provided from:					
Receipts from Customers		959,200	877,503	174,831	172,868
Interest Received		399	478	198	68
Dividend Received		922	626	55,256	8,706
		960,521	878,607	230,285	181,642
Cash was applied to:					
Payments to Suppliers		(889,238)	(818,204)	(156,585)	(153,585)
Interest Paid		(5,487)	(6,465)	(5,633)	(5,025)
Income Taxes Paid		(17,908)	(6,535)	(3,760)	(2,089)
		(912,633)	(831,204)	(165,978)	(160,699)
NET CASH FLOWS FROM OPERATING ACTIVITIES	15	$47,888	$47,403	$64,307	$20,943
Cash Flows From Investing Activities					
Cash was provided from:					
Proceeds from Sale of Assets		536	627	61	247
Proceeds from Sale of Investments		22,747	195	-	-
Repayments by Employees and Contractors		28	15	23	10
		23,311	837	84	257
Cash was applied to:					
Purchase of Fixed Assets		(34,075)	(28,281)	(30,415)	(22,253)
Interest Costs Capitalised		(812)	(532)	(812)	(532)
Advances to Employees and Contractors		(17)	(7)	(12)	(12)
Investment in Subsidiaries		-	(13,875)	-	(13,875)
Investment in Associates		-	(613)	-	-
		(34,904)	(43,308)	(31,239)	(36,672)
NET CASH FLOWS FROM INVESTING ACTIVITIES		$(11,593)	$(42,471)	$(31,155)	$(36,415)
Cash Flows From Financing Activities					
Cash was provided from:					
Proceeds of Long Term Loans		12,188	13,000	12,501	13,000
Advances from Director	18	3,107	1,234	3,107	1,234
Advances and Repayments from Subsidiaries		-	-	4,000	3,255
Proceeds of Share Issues		653	277	653	277
		15,948	14,511	20,261	17,766
Cash was applied to:					
Dividend Paid to Shareholders		(40,544)	(8,167)	(40,544)	(8,167)
Dividend Paid to Minority Interests		(718)	(500)	-	-
Repayment of Advances from Director	18	(694)	(1,234)	(694)	(1,234)
Repayment of Loans		(72)	(202)	-	-
		(42,028)	(10,103)	(41,238)	(9,401)
NET CASH FLOWS FROM FINANCING ACTIVITIES		$(26,080)	$4,408	$(20,977)	$8,365
NET INCREASE / (DECREASE) IN CASH HELD		10,215	9,340	12,175	(7,107)
Effect of Foreign Exchange Rate Fluctuations on Cash Held		(1,441)	1,456	-	-
ADD OPENING CASH BROUGHT FORWARD		10,769	(27)	(9,331)	(2,224)
ENDING CASH CARRIED FORWARD		$19,543	$10,769	$2,844	$(9,331)
Comprised					
Bank and Short Term Deposits		19,543	10,769	2,844	1,869
Bank Overdraft		-	-	-	(11,200)
		$19,543	$10,769	$2,844	$(9,331)

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

1 Statement of Accounting Policies

The reporting entity is Mainfreight Limited. These financial statements have been prepared under the requirements of the Companies Act 1993 and the Financial Reporting Act 1993. Mainfreight is considered an issuer for the purposes of the Financial Reporting Act 1993. The measurement base adopted is that of historical cost adjusted by the revaluation of freehold land.

(i) Revenue

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

(ii) Basis of Consolidation – Purchase Method

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

(iii) Associate Companies

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

(iv) Joint Ventures

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

(v) Fixed Assets

All fixed assets are recorded at cost except for land which has been revalued as at 31 March 2007 (and previous year ends) to fair value.

Freehold buildings intended for resale are stated at the lower of cost or net realisable value and are shown within Current Assets in the Statement of Financial Position.

Land intended for resale is stated at the lower of revaluation or at the time of designation as available for sale net realisable value and is shown within Current Assets in the Statement of Financial Position.

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset are capitalised as part of the cost of that asset. The capitalisation of borrowing costs ceases when substantially all of the activities necessary to prepare the asset for its intended use are complete.

(vi) Depreciation

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

Major classes of assets and their applicable depreciation rates are:	per annum
– Buildings	2% to 3%
– Leasehold Improvements	10% or life of lease
– Furniture & Fittings	10% to 20%
– Motor Cars	26% to 31%
– Plant & Equipment	10% to 25%
– Computer Hardware	28% to 36%
– Computer Software	20% to 36%

(vii) Impairment

If the recoverable amount of an asset is less than its carrying amount, the item is written down to its recoverable amount. The writedown of an asset recorded at historical cost is recognised as an expense in the Statement of Financial Performance. On assets that are not revalued the reversal of a writedown is recognised in the Statement of Financial Performance. Any impairment writedown in relation to a revalued asset is recognised in the Statement of Movements in Equity to the extent that the revaluation reserve of the class of assets to which it belongs is in credit. Any further writedown is recognised in the Statement of Financial Performance.

1 Statement of Accounting Policies continued

(viii) Debtors

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

(ix) Taxation

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

(x) Foreign Currencies

Assets and liabilities expressed in foreign currencies are converted to New Zealand dollars at the rate of exchange ruling at balance date.

Exchange differences arising on trading items are recognised in the period in which they occur by way of a credit or charge in the Statement of Financial Performance. Exchange differences on translation of independent foreign currency subsidiaries, together with any loans hedging those investments and any tax on those movements are taken to the Foreign Currency Translation Reserve. This represents the only movement in this reserve.

(xi) Leases

Finance leases, which effectively transfer to the entity substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the present value of the minimum lease payments. The leased assets and corresponding liabilities are disclosed and the leased assets are depreciated over the period the entity is expected to benefit from their use.

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are included in the determination of the operating surplus in equal instalments over the lease term.

(xii) Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of net tangible and identifiable intangible assets at the time of acquisition of a business.

Goodwill is amortised using the straight line method over the period during which benefits are expected to be received. This is typically 10 years and in no case exceeds 20 years.

(xiii) Investments

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

(xiv) Financial Instruments

Financial instruments, with off-balance sheet risk, have been entered into for the primary purpose of reducing the exposure to fluctuations in foreign currency and interest rates.

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

(xv) Inventories

Inventories are recognised at the lower of cost, determined on a first-in first-out basis, and net realisable value.

(xvi) Share Options

Under current New Zealand Accounting Standards there is no requirement to recognise as an expense the granting of executive share options. Accordingly no expense has been recognised for those share options as disclosed in note 3.

(xvii) Changes in Accounting Policies

There have been no changes in accounting policies during the year.

All policies have been applied on a basis consistent with the previous year.

2 Surplus Before Amortisation and Taxation

The Surplus before Amortisation and Taxation is stated:	Group 2007 $000	Group 2006 $000	Parent 2007 $000	Parent 2006 $000
After Charging:				
Audit Fees – Parent Company Auditors	350	356	116	131
Audit Fees – Other Auditors	324	311	-	-
Other Fees Paid to Parent Company Auditors	357	385	247	194
Depreciation: Buildings	1,571	1,098	1,476	1,023
Leasehold Improvements	843	748	202	205
Plant Vehicles & Equipment – Owned	6,982	7,272	3,797	3,750
Plant Vehicles & Equipment – Finance Leased	72	90	-	-
Directors Fees	375	417	360	360
Foreign Currency Losses / (Gains)	(1,164)	(788)	(404)	136
Interest: Fixed Loans	5,009	6,010	7,525	8,721
Finance Leases	25	44	-	-
Other Interest	453	411	3,883	314
Bad Debts Written Off	788	2,345	316	233
Change in Bad Debt Provision	57	(379)	(21)	(59)
Donations	241	191	166	161
(Surplus) / Deficit on Disposal of Fixed Assets	(295)	(243)	44	(67)
(Surplus) on Disposal of Investments in Associates	(17,120)	-	-	-
Rental & Operating Lease Costs	25,668	23,276	4,836	5,096
After Crediting:				
Interest Income	399	478	198	68
Rental Income	3,209	2,110	-	3,831
Dividend Received	-	-	55,255	8,706

3 Share Capital

Paid Up Capital	$55,828	$55,175	$55,828	$55,175

96,569,190 ordinary shares (2006: 96,090,690)

1,950,000 redeemable ordinary shares partly paid to 1c (2006: 1,925,000)

All ordinary shares have equal voting rights and share equally in dividends and any surplus on winding up (to the extent paid up – see below).

During the year a total of 478,500 executive options were exercised at an average price of $1.36 per share.

At balance date there were nil (2006: 478,500) options outstanding issued under an executive share option scheme. Each option gave the right to purchase one ordinary share at predetermined prices and dates.

On 31 July 2006 the Company issued 50,000 redeemable ordinary shares (representing .05% of the issued capital) to the Mainfreight Share Scheme Trustee Ltd, the trustee of the Mainfreight Limited Partly Paid Share Scheme (the Scheme). The Scheme was established to enable key team members of the Group to acquire ordinary shares in the company. Within the trust all shares are allocated to team members.

The trustee is appointed by the board of Mainfreight Ltd and is able to exercise any voting rights attached to these shares.

The issue price was $5.82 per share, which was the market price at the time. The shares are partly paid to 1c and are due for payment in August 2009.

The shares participate in dividends and voting rights in proportion with the paid up amount. Team members with an allocation of 25,000 partly paid shares issued in October 2005 resigned during the year and forfeited all rights or entitlements to those shares.

At 31 March 2007 the following partly paid shares were outstanding.

Quantity	Issue Price	Purchase Dates
1,900,000	340.0 cents	01/09/08 to 30/09/08
50,000	582.0 cents	01/08/09 to 31/08/09

4 Taxation

	Group		Parent	
	2007	2006	2007	2006
	$000	$000	$000	$000
Surplus Before Taxation	73,340	44,336	60,749	15,030
Less Share of Surplus of Associates	1,653	2,317	-	-
Surplus Before Taxation and Associates	$71,687	$42,019	$60,749	$15,030
Prima facie taxation at 33% NZ, 30% Australia, 34% USA (31 March 2006 33% NZ, 30% Australia, 34% USA)	22,751	13,163	20,047	4,960
Adjusted by the tax effect of:				
Non-assessable Dividend Income	-	-	(17,930)	(2,707)
Tax Loss Benefit not Previously Utilised	(1,963)	(1,397)	(89)	-
Deferred Tax not Previously Recognised	(1.059)	-	-	-
Other Non-assessable Revenues	(5,658)	(19)	-	-
Non-deductible Expenses	2,249	2,368	89	349
	$16,320	$14,115	$2,117	$2,602
Represented by:				
Current Tax	17,606	14,916	1,761	2,262
Deferred Tax	(1,286)	(801)	356	340
	$16,320	$14,115	$2,117	$2,602
Deferred Tax Liability (Asset)				
Opening Balance	(5,605)	(5,071)	(272)	(612)
Adjusted for the Tax Effect of:				
Deferred Tax arising on Acquisition, Disposal or Revaluation	-	267	-	-
Difference between Accounting and Tax Depreciation for the Year	(726)	(204)	361	107
Foreign Exchange Movement on Opening Balances	101	(178)	-	-
Movements in Provisions	(661)	(419)	(5)	233
Closing Balance	$(6,891)	$(5,605)	$84	$(272)
Imputation Credit Account				
Opening Balance	18,294	19,252	14,464	14,527
Credits Distributed During the Year	(20,323)	(4,268)	(19,969)	(4,023)
Credits Received During the Year	1	-	6,850	3,732
Tax Payments Made	8,421	3,310	1,990	228
Closing Balance	$6,393	$18,294	$3,335	$14,464
Representing credits available to owners of the Group at Balance Date:	$6,047	$17,685	$3,335	$14,464

5 Term Liabilities

The Bank Term Loan falls due for repayment in the following periods:	Group 2007 $000	Group 2006 $000	Parent 2007 $000	Parent 2006 $000
Current	-	-	-	-
Non-Current	84,457	72,311	84,457	72,311
	$84,457	$72,311	$84,457	$72,311

A long term revolving facility with the Westpac Banking Corporation remains in place. Previously secured by debenture and cross company guarantees over the assets of the parent and its wholly owned subsidiaries, the facility now operates under a negative pledge and cross company guarantees. The debentures were formally released on the signing of the new facility deed on 30 May 2007.

The facility expires on 31 December 2009. The facility was increased from $95,000,000 to $100,000,000 on 20 November 2006.

The facility allows the borrowing Group to offset deposits against borrowings when calculating indebtedness.
Interest was payable during the year at the average rate of 7.70% per annum (2006: 7.36%).

6 Leases

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

	Group 2007	Group 2006	Parent 2007	Parent 2006
Finance Lease Liabilities				
Payable:				
– not later than one year	34	61	-	-
– later than one year but not later than two years	23	65	-	-
– later than two years but not later than five years	22	37	-	-
– after five years	-	-	-	-
Minimum Lease Payments	79	163	-	-
Less Future Finance Charges	(7)	(17)	-	-
	$72	$146	-	-
Classified in the Statement of Financial Position as:				
Current	30	53	-	-
Non-current	42	93	-	-
	$72	$146	-	-
Operating Lease Commitments				
– not later than one year	26,727	22,794	5,923	4,948
– later than one year but not later than two years	21,583	17,629	4,639	3,791
– later than two years but not later than five years	33,018	30,087	5,704	5,629
– after five years	29,187	23,248	3,915	1,068
	$110,515	$93,758	$20,181	$15,436

7 Fixed Assets

Group

Asset Description	2007 Cost or Valuation $000	2007 Accum Depn $000	2007 Book Value $000	2006 Cost or Valuation $000	2006 Accum Depn $000	2006 Book Value $000
Land at Valuation	52,885	-	52,885	43,370	-	43,370
Buildings	81,500	9,745	71,755	42,921	8,510	34,411
Leasehold Improvements	14,728	6,981	7,747	14,482	6,711	7,771
Plant, Vehicles & Equipment						
– Owned	77,495	54,194	23,301	75,522	52,749	22,773
– Finance Leases	508	408	100	561	381	180
Work in Progress	-	-	-	18,827	-	18,827
Totals	$227,116	$71,328	$155,788	$195,683	$68,351	$127,332

At 31 March 2007 Registered Valuers CB Richard Ellis Ltd performed an annual valuation of the Group's New Zealand freehold land, buildings, leasehold improvements and work in progress. This valuation, together with Registered Valuers Ellis Property Group Pty Ltd's 31 March 2007 annual valuation of the Group's Australian freehold property at $A2,500,000 (2006: $A2,500,000) totalled $136,894,000 (2006: $112,915,000). The element of this valuation related to freehold land has been recorded in the financial statements resulting in the revaluation of freehold land by $39,041,000 (2006: $32,811,000) above cost. A deferred tax liability of $267,000 (2006: $267,000) arose on the revaluation.

Included in the Group book values above but not in the valuations are Leasehold improvements of $2,457,000 (2006: $2,005,000). Properties available for sale are included in these valuations.

Parent

Asset Description	2007 Cost or Valuation $000	2007 Accum Depn $000	2007 Book Value $000	2006 Cost or Valuation $000	2006 Accum Depn $000	2006 Book Value $000
Land at Valuation	50,960	-	50,960	41,390	-	41,390
Buildings	77,939	8,900	69,039	39,116	7,741	31,375
Leasehold Improvements	5,552	2,153	3,399	5,523	1,967	3,556
Plant, Vehicles & Equipment						
– Owned	37,599	24,625	12,974	35,146	23,422	11,724
Work in Progress	-	-	-	18,827	-	18,827
Totals	$172,050	$35,678	$136,372	$140,002	$33,130	$106,872

At 31 March 2007 Registered Valuers CB Richard Ellis Ltd performed an annual valuation of the Company's freehold land, buildings, leasehold improvements and work in progress at $129,238,000 (2006: $105,345,000).

The element of this valuation related to freehold land has been recorded in the financial statements resulting in the revaluation of freehold land by $37,666,000 (2006: $31,436,000) above cost. Properties available for sale are included in these valuations.

8 Goodwill

	Group 2007 $000	Group 2006 $000	Parent 2007 $000	Parent 2006 $000
Opening Balance	38,885	34,970	-	-
Adjustment for Movement in Exchange Rate	(465)	723	-	-
Amounts paid for Acquisitions During the Year in Excess of the Fair Value of their Net Tangible Assets	-	9,209	-	-
Goodwill Attributed to Sold Businesses in Excess of the Fair Value of their Net Tangible Assets	(4,097)	-	-	-
Goodwill Amortised over the Year	(5,593)	(6,017)	-	-
Closing Balance	$28,730	$38,885	-	-
Goodwill arose (reduced) during the year from the purchase (disposal) of:				
Owens Group Limited	-	9,209	-	-
Rakino Group Ltd Associate Sale	(4,097)	-	-	-
	$(4,097)	$9,209	-	-

On 31 July 2006 the 24.5% shareholding in Rakino Group Ltd was sold for $27,345,000. This resulted in goodwill disposed of totalling $4,097,000 (2006: $nil).

There were no business units purchased during the year and therefore no purchased goodwill on consolidation (2006: $9,209,000).

9 Non-Recurring Items

During the year the Group had $17,593,000 of non-recurring items (2006: $nil). The related after tax surplus was $19,192,000 (2006: $nil).

These items comprised of:

	Pre Tax $000	Tax $000	After Tax $000
Rakino Group Ltd Divestment Gain on Sale	17,145	-	17,145
Mogal International Ltd Divestment Loss on Sale	(25)	-	(25)
Australian WorkCover Refund for Prior Years	1,292	(388)	904
Acquisition Search & Setup Costs	(621)	216	(405)
Merger Costs of Mainfreight International and Owens International	(198)	65	(133)
Tax Asset not Previously Recognised now Recognised due to Virtual Certainty of Recovery	-	1,706	1,706
	$17,593	$1,599	$19,192

10 Investment in Subsidiary Companies

The Parent Company's investment in subsidiary companies comprised:

	2007	2006
	$000	$000
Shares at Cost	153,768	154,122

Principal Subsidiary Companies all with 31 March Balance Dates Include:	**Principal Activity**	**Effective Shareholding**	**Effective Shareholding**
Mainfreight Distribution Pty Ltd	Freight Forwarding	100.0%	100.0%
Daily Freight Ltd	Freight Forwarding	100.0%	100.0%
LEP International (NZ) Ltd***	International Freight Forwarding	75.0%	75.0%
LEP International Pty Ltd***	International Freight Forwarding	75.0%	75.0%
Mainfreight International Pty Ltd	International Freight Forwarding	100.0%	100.0%
Mainfreight Holdings Pty Ltd	Australian Holding Company	100.0%	100.0%
Carotrans International Inc	International Freight Forwarding	100.0%	100.0%
Owens Group Ltd	Group Services	100.0%	100.0%
Owens Transport Ltd	Freight Forwarding	100.0%	100.0%
Mainfreight Owens International Ltd	International Freight Forwarding	100.0%	100.0%
Pan Orient Shipping Services Pty Ltd***	International Freight Forwarding	100.0%	100.0%
Kurada No. 8 Ltd***	International Freight Forwarding	100.0%	100.0%
Owens Transport Pty Ltd	Freight Forwarding	100.0%	100.0%

On 31 May 2006 Mainfreight International Ltd and Owens International Freight Limited amalgamated. The new name of the combined business units was then changed to Mainfreight Owens International Ltd.

On 29 March 2007 Owens Refrigerated Freight Ltd was amalgamated into Mainfreight Owens International Ltd, retaining the name Mainfreight Owens International Ltd.

On 24 April 2007 Mainfreight Owens International Ltd's name was changed to Mainfreight International Ltd.

*** Refer Note 19.

11 Investment in Associate Companies

Principal Associate Companies all with 31 March Balance Dates Include:	Principal Activity	2007 Effective Shareholding	2006 Effective Shareholding
Bolwick Ltd	International Freight Forwarding	41.7%	41.7%
Mainfreight Express Ltd	International Freight Forwarding	50.0%	50.0%
Mogal International Ltd	International Freight Forwarding	0	46.6%
Rakino Group Ltd	Industrial Services	0	24.5%

The Group's interest in Rakino Group Ltd was sold on 31 July 2006 for $27,345,000. Of this amount $4,709,000 was received on 31 May 2007. This resulted in a gain on sale of $17,145,000.

On 31 October 2006 Mogal International Ltd was sold resulting on a loss on sale of $25,000.

The share of surplus of associates comprised:

	Group		Parent	
	2007	2006	2007	2006
	$000	$000	$000	$000
Operating Surplus before Goodwill Amortisation	1,653	2,317	-	-
Amortisation Costs	-	-	-	-
	$1,653	$2,317	-	-
Investment in Associates comprised of:				
Opening Balance	7,554	5,445	-	-
Dividend Received	(922)	(626)	-	-
Purchase in Year and Additional Capital	-	613	-	-
Sale in Year	(6,239)	(195)	-	-
Share of Current Year Surplus	1,653	2,317	-	-
Closing Balance	$2,046	$7,554	-	-

There was no goodwill included in the carrying value of investments in associates. However last year goodwill on consolidation of $4,271,000 arising on the purchase of Owens Group Ltd had been attributed the Rakino Group Ltd investment. This goodwill was disposed of with the sale of Rakino Group Ltd at 31 July 2006.

12 Capital Commitments and Contingent Liabilities

The Group and Company had the following capital commitments at 31 March 2007 (2006: $16,551,627).

– New Plymouth New Depot	283,000
– Otahuhu New Depot	81,000
– Wellington Terminal Alterations	472,000
– Napier Terminal Alterations	563,000

There was a US$500,000 performance bond relating to project work performed by Pan Orient Shipping Services Pty Ltd. This was released upon the sale of Pan Orient subsequent to balance date.

There are additional bank performance guarantees and bonds totalling $2,433,000 undertaken by the Group.

The Group has a contingent liability relating to a counter claim for A$1,100,000 which has been filed against the Group following a claim the Group has made for recovery of a trade receivable. The Group is of the view that the counter claim is unlikely to succeed.

The Group is party to sub-lease / tenancy agreements where third parties lease excess office / industrial space from the Group. In the event of default by third parties the Group would be exposed to these liabilities.

13 Subsequent Events

On 20 April 2007 LEP International (NZ) Ltd declared and paid a dividend of $1,800,000. The minority shareholder received $449,491 with the balance going to the parent company, Mainfreight Ltd.

Mainfreight Owens International Ltd's name was changed to Mainfreight International Ltd on 24 April 2007.

On 17 May 2007 the New Zealand Government announced plans to reduce the corporate tax rate from 33% to 30% from 1 April 2008. The effect on Deferred Tax Assets or Liabilities as at 31 March 2007 anticipated to still be in place at 31 March 2008 would be to reduce the deferred tax liability by an estimated $75,000.

A dividend of 8.0 cents per share was declared on 29 May 2007 date totalling $7,725,535. Payment date is to be 20 July 2007.

The Westpac term loan facility debentures were formally released on the signing of the new facility deed on 30 May 2007 (refer note 5).

A conditional agreement to sell the Group's 75% shareholding in LEP International (NZ) Ltd and LEP International Pty Ltd and the Group's 100% shareholding in Pan Orient Shipping Services Pty Ltd and Kurada No. 8 Ltd was signed on 31 March 2007. This agreement was completed on 1 June 2007. The aggregate sale price was A$83,345,402. Sale proceeds of A$76,145,402 were received on 1 June 2007 with the balance of A$7,200,000 placed in escrow. Of this escrow amount A$5,700,000 is expected over June or July as relevant PNG Government consents are obtained and the remaining balance over the next 12 months dependent on certain project contract wins being achieved. Further payments relate to a working capital adjustment that will be determined upon completion of closing accounts. After allowing for taxes and other costs associated with the transaction a gain on sale in excess of NZ$65,000,000 is expected.

14 Segmental Reporting

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

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

Industrial and Geographical Segments

2007	NZ Domestic	NZ Internat.	Australia Domestic	Australia Internat.	USA Internat.	Intercoy	$000 Consolidated
Operating revenue							
– sales to customers outside the group	270,093	153,422	124,525	309,275	110,882	-	968,197
– intersegments sales	6,270	(776)	9,130	13,947	17,669	(46,240)	-
Total Revenue	$276,363	$152,646	$133,655	$323,222	$128,551	$(46,240)	$968,197
EBITDA ***	33,851	5,792	12,109	15,717	7,173	-	74,642
Total Assets	$340,222	$28,859	$83,167	$64,906	$22,668	$(185,570)	$354,252

2006	NZ Domestic	NZ Internat.	Australia Domestic	Australia Internat.	USA Internat.	Intercoy	$000 Consolidated
Operating Revenue							
– sales to customers outside the group	269,179	148,887	100,055	279,450	88,940	-	886,511
– intersegments sales	5,500	103	6,075	11,500	11,852	(35,030)	-
Total Revenue	$274,679	$148,990	$106,130	$290,950	$100,792	$(35,030)	$886,511
EBITDA ***	32,317	4,846	6,381	14,964	5,201	-	63,709
Total Assets	$308,123	$32,420	$77,727	$68,780	$21,234	$(191,415)	$316,869

*** EBITDA is defined as earnings before interest expense, tax, depreciation, amortisation, abnormals, minority interests and associates.

15 Reconciliation of Cash Flows with Reported Net Surplus

	Group		Parent	
	2007	**2006**	**2007**	**2006**
	$000	$000	$000	$000
Net Surplus after Taxation	57,020	30,221	58,632	12,428
Non-cash Items:				
Depreciation	9,468	9,209	5,475	4,978
Amortisation of Goodwill	5,593	6,017	-	-
Equity Accounted Earnings of Associates Net of Dividends	(731)	(1,691)	-	-
(Increase) / Decrease in Deferred Tax Asset	(1,286)	(534)	356	340
	70,064	43,222	64,463	17,746
Add (Less) Movements in Other Working Capital Items, Net of Effect of Acquisitions:				
(Increase) / Decrease in Accounts Receivable	(5,204)	(15,080)	1,338	3,213
Increase / (Decrease) in Accounts Payable	1,707	9,238	807	(392)
Increase / (Decrease) in Interest Payable	(346)	205	(200)	205
(Increase) / Decrease in Interest Receivable	(161)	(30)	(196)	(2)
Increase / (Decrease) in Taxation Payable	(332)	8,382	(1,881)	(108)
Increase / (Decrease) in Net GST	111	121	49	68
(Increase) / Decrease in Inventories	-	-	-	-
Adjustment for Movement in Exchange Rate	(537)	1,588	(117)	281
Less Items Classified as Investing Activity:				
Net / (Surplus) Deficit on Sale of Fixed Assets	(294)	(243)	44	(68)
Net / (Surplus) Deficit on Sale of Investments	(17,120)	-	-	-
Net / (Surplus) Deficit on Sale of Goodwill	-	-	-	-
Net Cash Inflow From Operating Activities	$47,888	$47,403	$64,307	$20,943

16 Provisions

	Group		Group	
	Legal Claims	**Legal Claims**	**Employee Entitlements**	**Employee Entitlements**
	2007	2006	2007	2006
Opening Balance	423	-	2,738	2,019
Adjustment for Movement in Exchange Rate	-	-	(76)	143
Amounts Credited During the Year	-	423	568	621
Amounts Utilised During the Year	(423)	-	(173)	(45)
Closing Balance	-	$423	$3,057	$2,738

The employee entitlements provision above relates to the Group's expected liability for long service leave for Australian employees. The timing and amount of the realisation of this liability is uncertain. This provision is included in Employee Entitlements in the Statement of Financial Position.

The legal claims provision above related to the Group's expected liability for various legal claims. The timing and amount of the realisation of this liability was uncertain at balance date last year. The provision was included in Trade Creditors and Accruals in the Statement of Financial Position. The provision was fully utilised during the year. There are no provisions in the accounts of the Parent company.

17 Financial Instruments

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

Credit Risk

The values attached to each financial asset in the Statement of Financial Position represents the maximum credit risk. There are no significant financial assets that have not been disclosed in the Statement of Financial Position.

No collateral is held with respect to any financial assets. There are no significant concentrations of credit risk.

Fair Value

The fair value of all financial instruments recognised in the Statement of Financial Position is their stated value except for the interest rate option as disclosed below.

Interest Rate Risk

The interest rate on the bank account (whilst in overdraft) is variable. The Company seeks to obtain the most competitive market rate of interest at all times.

An interest rate option on borrowings of $31,000,000 was repaid on 28 November 2006. An interest rate option on borrowings of $31,000,000 was made on 28 February 2007 with a cap rate of 7.795% including margin and a termination date of 28 November 2007. The Company receives a floating rate of interest at the BKBM rate which was 8.104% at balance date. The fair value of the interest rate option is a profit of $33,419 not recognised in the Statement of Financial Position.

Foreign Currency Risk

Foreign currency risk is the risk that the value of the Group's assets, liabilities and financial performance will fluctuate due to changes in foreign currency rates.

The Group is primarily exposed to currency risk as a result of its operations in Australia, America and Asia.

The risk to the Group is that the value of the overseas subsidiaries' and associates' financial positions and financial performances will fluctuate in economic terms and as recorded in the consolidated accounts due to changes in overseas exchange rates.

The Group hedges some of the currency risk relating to its Australian subsidiaries by the New Zealand parent holding a bank loan denominated in Australian dollars. Any foreign currency movement in the net assets of the Australian subsidiaries is partly offset by an opposite movement in the Australian dollar loan.

	Group		Parent	
	2007	**2006**	**2007**	**2006**
	A$000	A$000	A$000	A$000
Net Assets & A$ advances of Australian subsidiaries	51,275	43,868	-	-
Investment in Australian Subsidiary and Advances in A$	-	-	25,151	25,151
Australian Dollar Loan Held by Parent Company	(11,000)	(11,000)	(11,000)	(11,000)
Net Assets relating to Australian Overseas Subsidiaries Exposed to Currency Risk	$40,275	$32,868	$14,151	$14,151
	US$000	US$000	US$000	US$000
Net Assets & US$ advances of American subsidiary	1,448	1,448	1,448	1,448
Net Investments in Asian associates	1,451	1,114	55	47
Net Assets relating to Other Overseas Subsidiaries and Associates Exposed to Currency Risk	$2,899	$2,562	$1,503	$1,495

17 Financial Instruments continued

Currency movements in the foreign denominated balances above are reflected in the Foreign Currency Translation Reserve. The movements were comprised of the following:

	Group		Parent	
	2007 NZ$000	2006 NZ$000	2007 NZ$000	2006 NZ$000
Net Assets in Foreign Subsidiaries	(3,140)	4,171	-	-
Australian Dollar Loan held by Parent Company	354	(849)	-	-
Tax Effect on Australian Dollar Loan held by Parent Company	(117)	281	(117)	281
Currency Translation Difference – Parent Interest	$(2,903)	$3,603	$(117)	$281

The Group is exposed to currency risk in relation to trading balances denominated in other than the NZ dollar, principally by the trading of the Group's overseas businesses.

At 31 March 2007 the Group has the following monetary assets and liabilities denominated in foreign currencies, 56% of trade accounts payable (2006: 38%), 61% of trade accounts receivable (2006: 50%), 94% of cash assets (2006: 52%) and 0% of cash liabilities (2006: 0%). The Group monitors exchange rate movements.

18 Related Parties

The ultimate holding company is Mainfreight Limited.

In addition to transactions disclosed elsewhere in these financial statements, the Company transacted with the following related parties during the period:

Name of Related Party	Nature of Relationship	Type of Transactions	2007 Value of Transactions $000	2006 Value of Transactions $000
B. Plested	Director & Shareholder	Interest on Advances (7.3%)	56	34
B. Plested	Director & Shareholder	Advances to Company	3,107	1,234
B. Plested	Director & Shareholder	Repayment of Advances	694	1, 234
B. Plested	Director & Shareholder	Advance – On Call	2,413	-
C. Howard-Smith	Director & Shareholder	Legal & Trustee Fees	220	211

Related Party Receivables Outstanding at Balance Date:

Name of Related Party	Nature of Relationship	Type of Transactions	Balance Receivable $000	Balance Receivable $000
Daily Freight Ltd	Subsidiary	Trade – 30 Days	2,618	2,983
Mainfreight Owens International Ltd	Subsidiary	Trade – 30 Days	1,071	383
LEP International (NZ) Ltd	Subsidiary	Trade – 30 Days	186	278
LEP International Pty Ltd	Subsidiary	Trade – 30 Days	-	-
Mainfreight International Pty Ltd	Subsidiary	Trade – 30 Days	52	153
Mainfreight Holdings Pty Ltd	Subsidiary	Trade – 30 Days	-	-
Owens Transport Ltd	Subsidiary	Trade – 30 Days	784	944
Carotrans International Inc	Subsidiary	Trade – 30 Days	106	338
			$4,817	$5,079

18 Related Parties continued

Related Party Payables Outstanding at Balance Date:

Name of Related Party	Nature of Relationship	Type of Transactions	2007 Balance Payable $000	2006 Balance Payable $000
Daily Freight Ltd	Subsidiary	Trade – 30 Days	13	19
Mainfreight International Ltd	Subsidiary	Trade – 30 Days	31	4
LEP International (NZ) Ltd	Subsidiary	Trade – 30 Days	1	5
Mainfreight Holdings Pty Ltd	Subsidiary	Trade – 30 Days	1,109	339
Owens Transport Ltd	Subsidiary	Trade – 30 Days	2	9
Daily Freight Ltd	Subsidiary	Advance – On Call	3,300	4,360
Mainfreight Owens International Ltd	Subsidiary	Advance – On Call	2,250	3,025
LEP International (NZ) Ltd	Subsidiary	Advance – On Call	1,866	1,741
LEP International Pty Ltd	Subsidiary	Advance – On Call	797	-
Mainfreight Distribution Pty Ltd	Subsidiary	Advance – On Call	51,515	44,135
Owens Transport Ltd	Subsidiary	Advance – On Call	7,600	2,300
Owens Group Ltd	Subsidiary	Advance – On Call	14	2,620
			$68,498	$58,557

The Company transacts with each other company within the Group on an arms length basis.

No related party debts have been written off or forgiven during the period (2006: nil).

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

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

Name of Related Party	Type of Transaction	Terms of Settlement	Balance Payable $000	Balance Payable $000
Geologistics Ltd	Advance	On Call	29	29

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

19 Discontinued Activities

On 31 July 2006 the Group sold its interests in its associate Rakino Ltd and on 31 October 2006 sold its interests in its associate Mogal International Ltd.

Subsequent to year end the following subsidiaries were sold on 1 June 2007:
LEP International (NZ) Ltd
LEP International Pty Ltd
Pan Orient Shipping Services Pty Ltd
Kurada No. 8 Ltd

The results from continuing and discontinued operations are disclosed below. Included in the results of discontinued operations are LEP International (NZ) Ltd, LEP International Pty Ltd, Pan Orient Shipping Services Pty Ltd, Kurada No. 8 Ltd and our associate company earnings of Rakino Ltd and Mogal International Ltd.

The financial performance relating to the discontinued activities (including those settled post balance date) is as follows:	**2007** $000	**2006** $000
Continuing Activities		
Operating Revenue	758,203	688,707
EBITDA	64,296	52,892
Operating Surplus before Non-recurring Items	31,083	21,302
Non-recurring Items After Taxation	2,072	-
Operating Surplus	$33,155	$21,302
Discontinued Activities		
Operating Revenue	209,991	197,804
EBITDA	10,346	10,727
Operating Surplus before Non-recurring Items	5,350	7,733
Non-recurring Items After Taxation	17,120	-
Operating Surplus	$22,470	$7,733
Totals		
Operating Revenue	968,194	886,511
EBITDA	74,642	63,709
Operating Surplus before Non-recurring Items	36,433	29,035
Non-recurring Items After Taxation	19,192	-
Net Surplus	$55,625	$29,035

20 International Financial Reporting Standards

Mainfreight Limited is required to adopt the NZ equivalents to International Financial Reporting Standards ("NZ IFRS") in its 2008 financial year. In presenting its first year's NZ IFRS report, the Group will be required to restate the comparative financial statements to amounts reflecting the application of NZ IFRS. The majority of adjustments required on transition will be made retrospectively against opening retained profits.

The Group has identified the standards that will have a significant impact expected to arise from changes as a result of NZ IFRS implementation.

The significant changes in accounting policies that are expected and their financial impact estimated is as follows:

(i) Goodwill

Under current NZ Generally Accepted Accounting Practice (NZ GAAP) goodwill on acquisitions is amortised on a straight line basis over the period, not exceeding 20 years, during which benefits are expected to be derived. Mainfreight currently amortises most goodwill over a 10 year period. Should indicators of impairment exist at the entity level, the carrying value of goodwill would be assessed. In the event of a permanent impairment the carrying value would be reduced to net realisable value. NZ IFRS no longer permits amortisation but subjects goodwill to an annual impairment test which may give rise to an impairment expense if assessment of the recoverable amount of goodwill is lower than its carrying value. The recoverable amount of goodwill is assessed using a present value of expected future cash flows approach for each cash generating unit. The concept of assessing impairment for each cash generating unit was not specifically prescribed under existing NZ GAAP and therefore impairment testing has the potential to result in a different outcome on transition to NZ IFRS. The removal of goodwill amortisation will result in a corresponding increase in net surplus under NZ IFRS. Goodwill amortisation of $5.593 million was recorded in the year to 31 March 2007. Under NZ IFRS the reported profit will increase by this amount subject to any reduction in earnings that may occur in the event of impairment.

(ii) Share Based Payments

The issuing of securities to employees and directors, including employee share option schemes and partly paid redeemable ordinary shares, will be recognised as an expense in the Income Statement over the period in which the related services are provided. As the Company has issued partly paid redeemable ordinary shares to employees subsequent to the date when the NZ IFRS 2 was released there is a requirement to charge the income statement with the value of effective options and performance rights over their respective vesting periods irrespective of whether or not the options or rights are ultimately exercised. The estimated cost that would have been recognised in the Profit and Loss Account for the 2007 year would have been $477,000 if NZ IFRS had been adopted.

(iii) Deferred Taxation

Under current NZ GAAP the Company accounts for deferred tax on a comprehensive basis using the liability method. This method involves recognising the tax effect of all timing differences between accounting and taxable income as a deferred tax asset or liability in the balance sheet. Under NZ IFRS deferred tax is recognised on all temporary differences between the accounting and tax values for each asset and liability. This is known as the balance sheet approach. The transition from an income statement method to a balance sheet approach may require the recognition of additional deferred tax assets and liabilities. Minimal impact to opening Accumulated Surplus is expected.

(iv) Financial Instruments

Accounting for financial instruments under NZ IFRS requires all derivative contracts to be carried at fair value on the balance sheet. NZ IFRS is very prescriptive of when a derivative contract can be considered an effective hedge of an underlying position or future cash flow. If a financial transaction does not qualify for hedge accounting, then the mark to market fair value movement will be taken to the Income Statement. If it does qualify for hedge accounting, the mark to market fair value movement will be taken to a reserve within equity for cash flow hedges or directly to the Income Statement for fair value hedges. By comparison, under current NZ GAAP the fair value of derivative instruments is disclosed in the notes to the financial statements and is only recognised on balance sheet when the related asset or liability is recognised. The Group does not expect to apply hedge accounting other than in respect of its Australian dollar loan which hedges the net investment in the Australian businesses. During the year the Group held financial instruments whose fair value had increased by $33,000. Had NZ IFRS standards been applied reported profit for the 2007 year would have been increased by $33,000.

As work on the identification and quantification of NZ IFRS differences is ongoing and NZ IFRS may change prior to the Group's transition, the actual impact of adopting NZ IFRS may vary from that indicated above and the variations may be material.

ERNST & YOUNG ▪ Chartered Accountants

To the Shareholders of Mainfreight Limited.

We have audited the financial statements on pages 69 to 87. The financial statements provide information about the past financial performance of the company and group and their financial position as at 31 March 2007. This information is stated in accordance with the accounting policies set out on pages 72 and 73.

Directors' Responsibilities
The directors are responsible for the preparation of financial statements which comply with generally accepted accounting practice in New Zealand and give a true and fair view of the financial position of the company and group as at 31 March 2007 and of their financial performance and cash flows for the year ended on that date.

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

Basis of Opinion
An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:
- the significant estimates and judgements made by the directors in the preparation of the financial statements; and
- whether the accounting policies are appropriate to the circumstances of the company and group, consistently applied and adequately disclosed.

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

Ernst & Young provides taxation, accounting, and information systems advice to the company and group.

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

In our opinion:
- proper accounting records have been kept by the company as far as appears from our examination of those records; and
- the financial statements on pages 69 to 87:
  - comply with generally accepted accounting practice in New Zealand; and
  - give a true and fair view of the financial position of the company and group as at 31 March 2007 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 28 June 2007 and our unqualified opinion is expressed as at that date.

Ernst & Young
Auckland

DIRECTORS

The following people held office as Directors during the year and received the following remuneration including benefits during the year.

Name	Remuneration	Current Director or Date Appointed or Resigned
Bruce Plested ^ ^	$272,000	Current
Don Braid #	$792,000	Current
Don Rowlands	$45,000	Current
Neil Graham	$45,000	Current
Carl Howard-Smith *	$45,000	Current
Richard Prebble	$45,000	Current
Bryan Mogridge	$45,000	Current
Emmet Hobbs	$45,000	Current

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

Includes performance bonuses, vehicle and other non-cash remuneration.

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

EMPLOYEES' REMUNERATION

The Mainfreight Group paid remuneration including benefits during the year in excess of $100,000 in the following bands (excluding directors):

	NZ Based Number of Employees	Overseas Based Number of Employees
$100,000 - $110,000	12	11
$110,000 - $120,000	15	22
$120,000 - $130,000	7	15
$130,000 - $140,000	2	10
$140,000 - $150,000	4	11
$150,000 - $160,000	3	5
$160,000 - $170,000	2	8
$170,000 - $180,000	1	6
$180,000 - $190,000	1	7
$190,000 - $200,000	1	3
$200,000 - $210,000	1	3
$210,000 - $220,000	1	2
$220,000 - $230,000	1	1
$230,000 - $240,000	-	2
$260,000 - $270,000	-	1
$280,000 - $290,000	-	1
$290,000 - $300,000	-	1
$310,000 - $320,000	1	1
$320,000 - $330,000	2	1
$350,000 - $360,000	2	-
$390,000 - $400,000	-	1
$430,000 - $440,000	-	1
TOTAL NUMBER OF EMPLOYEES	56	113

Overseas based remuneration is converted to New Zealand dollars.

DONATIONS AND AUDITORS' FEES

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

DIRECTORS' SHAREHOLDINGS AT BALANCE DATE	2007	2006
BG Plested		
– shares held with beneficial interest	17,817,766	17,817,766
– held by associated persons	1,334,060	1,262,960
NL Graham		
– shares held with beneficial interest	6,400,517	6,300,517
DR Braid		
– shares held with beneficial interest	2,057,890	1,917,890
– held by associated persons	10,358	10,250
DD Rowlands		
– shares held with beneficial interest	569,482	569,482
RW Prebble		
– shares held with beneficial interest	368,000	368,000
CG Howard-Smith		
– shares held with beneficial interest	300,000	330,000
– held as trustee of staff share purchase scheme	33,090	33,090
B Mogridge		
– shares held with beneficial interest	200,000	200,000
E Hobbs		
– shares held with beneficial interest	100,000	100,000
TOTAL	29,191,163	28,909,955

Directors' shareholdings at balance date were 30.2% of total shares issued.

SUBSTANTIAL SECURITY HOLDERS

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

The following are recorded by the Company as at 1 June 2007 as Substantial Security Holders in the Company, and have declared the following relevant interest in voting securities under the Securities Markets Act 1988:

BG Plested & C Howard-Smith as trustees of Pie Melon Bay Trust	17,817,766
Fisher Funds Management Limited	11,274,293
Accident Compensation Corporation	6,677,144
Commonwealth Bank of Australia and Subsidiaries	4,871,602

The total number of voting securities issued by the Company as at 1 June 2007 was 96,569,190.

LARGEST SECURITY HOLDERS AS AT 1 JUNE 2007

BG Plested & C Howard-Smith as trustees of Pie Melon Bay Trust	17,817,766	18.45%
TEA Custodians Ltd	9,004,169	9.32%
National Nominees NZ Ltd	7,753,837	8.03%
Citibank Nominees (New Zealand) Ltd	7,543,367	7.81%
Accident Compensation Corporation	5,864,084	6.07%
NZ Superannuation Fund Nominees Ltd	4,619,785	4.78%
HSBC Nominees (New Zealand) Ltd	3,972,455	4.11%
NL Graham Family Trust	3,200,259	3.31%
HM Graham Family Trust	3,200,258	3.31%
DR Braid Family Interests	2,057,890	2.13%
ANZ Nominees Ltd	1,551,394	1.61%
Custody and Investment Nominees Ltd	1,334,467	1.38%
FNZ Custodians Ltd	1,276,095	1.32%
ASB Nominees Limited	999,000	1.03%
J Hepworth	907,500	0.94%
Investment Custodial Services Ltd	829,135	0.86%
KM Drinkwater Family Interests	650,000	0.67%
NZ Guardian Trust Investment Nominees Ltd	582,700	0.60%
DD Rowlands	569,482	0.59%
New Zealand Equity Nominee Pool	551,989	0.57%

SPREAD OF SECURITY HOLDERS AS AT 1 JUNE 2007

Size of Shareholding	Number of Holders	%	Total Number Held	%
1 - 999	431	14.72%	213,253	0.23%
1,000 - 4,999	1,502	51.32%	3,403,580	3.52%
5,000 - 9,999	516	17.63%	3,365,280	3.48%
10,000 - 49,999	393	13.43%	6,708,293	6.95%
50,000 - 99,999	35	1.20%	2,530,076	2.62%
100,000 - 999,999	37	1.26%	11,152,882	11.55%
1,000,000 - PLUS	13	0.44%	69,195,826	71.65%
TOTAL	2,927	100.00%	96,569,190	100.00%

INTERESTS REGISTER

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

Name of Director or other Person having Interest	Details of Interest	Date Interest Disclosed
Bruce Plested	Associate purchased 10,000 shares on market at 530c per share.	26 June 2006
	Associate purchased 20,000 shares on market at 615c per share.	8 September 2006
	Associate purchased 41,100 shares on market at 800c per share.	21 December 2006
Don Braid	Purchase of 30,000 shares at 565c per share from other Mainfreight director.	31 May 2006
	Exercise of 110,000 options held since 1999 at 136.36c per share.	7 December 2006
	Associate purchased 108 shares on market at 806c per share.	28 December 2006
Carl Howard-Smith	Sale of 30,000 shares at 565c per share to other Mainfreight director.	31 May 2006
Neil Graham	Purchase of 100,000 shares on market at average price of 609.5c per share by family trusts.	14 September 2006

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

	Notes	2007 $000	2006 $000	2005 $000	2004 $000	2003 $000
Net Sales		968,197	886,511	857,043	659,874	417,503
EBITDA	1	74,642	63,709	45,521	29,358	24,764
Surplus before Abnormals, Interest & Tax		59,581	48,484	30,381	17,030	16,927
Abnormals	2	-17,593	0	6,238	2,262	0
EBIT	3	77,174	48,484	24,143	14,768	16,927
Net Interest Cost		5,088	5,987	5,188	4,571	2,784
Net Surplus (NPAT)	4	55,625	29,035	13,520	5,968	9,010
PRO-FORMA CASHFLOW	5	70,428	43,129	26,626	16,736	16,633
Net Revaluations Recognised	6	38,774	32,544	0	0	0
Net Tangible Assets	6	126,588	97,372	44,272	27,378	41,633
Net Debt	7	67,399	61,688	58,915	76,967	41,303
Total Assets		354,252	316,869	238,931	286,444	145,282
EBIT Margin (before Abnormals) (%)		6.2	5.5	3.5	2.6	4.1
Equity Ratio (%) after Revaluation	8	35.7	30.7	18.5	9.6	28.7
Equity Ratio (%) before Revaluation	8	27.8	22.8	18.5	9.6	28.7
Return on NTA (%) after Revaluation	9	43.9	29.8	30.5	21.8	21.6
Return on NTA (%) before Revaluation	9	63.3	44.8	30.5	21.8	21.6
Net Interest Cover (x)	10	11.71	8.10	5.86	3.73	6.08
EARNINGS PER SHARE (CPS)	11	57.65	30.23	14.14	6.93	11.73
Adjusted Earnings per Share (cps)	11,12	41.08	30.23	18.60	8.33	11.73
Pro-forma Cashflow per Share (cps)	11	73.00	44.91	27.84	19.44	21.65
NTA per Share (cps)	11	131.20	101.38	46.30	31.80	54.18

Notes:

1. EBITDA is defined as earnings before interest expense, tax, depreciation, amortisation, abnormals, minority interests and associates.
2. Abnormal items for the year ended 31 March 2004 relate to restructuring costs in Owens Group Ltd.

   Abnormal items for the year ended 31 March 2005 relate to restructuring costs in Owens Group Ltd and the writeoff of an investment in Mainfreight Ltd.

   Abnormal items for the year ended 31 March 2007 relate to gain on sale of associate company Rakino, prior year Workplace Cover refunds in Australia, amalgamation costs of Mainfreight International and Owens International and acquisition search costs.
3. EBIT is defined as earnings before interest and tax and associates.
4. Net Surplus (NPAT) is net profit after tax, abnormals and minorities but before dividends.
5. Pro-forma Cashflow is defined as NPAT before amortisation of goodwill, depreciation, minorities and associates.
6. Net Tangible Assets includes 75% of LEP International (NZ) Ltd, 75% of LEP International Pty Ltd and 100% of Owens Group Ltd.

   Land was first revalued in 2006 by $32,811,000 and in 2007 by $6,230,000.
7. Net debt is long term plus short term debt less cash balances.
8. Equity Ratio is Net Tangible Assets as a percentage of Total Assets.
9. Return on NTA is Net Surplus as a percentage of Net Tangible Assets.
10. Net Interest Cover is Surplus before Abnormals, Interest and Tax divided by Net Interest Cost.
11. Per Share calculations are based on the average issued capital in each year – 96.569 million Shares in 2007.
12. Adjusted Earnings per Share figures are based on Net Surplus with tax affected abnormal items added back.

NOTES

TEAR

FOLD

PROXY FORM

ANNUAL MEETING 31 JULY 2007, 2.30PM

Admission Card

ASB Lounge
Eden Park
Walters Road
Mt Eden, Auckland

If you propose to ATTEND the Meeting:
Bring this Admission Card and Proxy/Voting form intact.
If you do NOT propose to ATTEND the Meeting but wish to be represented by proxy:
Complete the Proxy/Voting form below, detach this Admission Card and fold the form as indicated, seal and mail.
The form is pre-addressed and requires no postage stamp if posted in New Zealand.

Proxy Form

(Detach and return by mail if you do not propose to attend the meeting)

Holder No. ____________________ No. of voting securities ____________________

I/We ____

being a shareholder/shareholders of Mainfreight Limited, hereby appoint*

Name: ____________________ of ____________________

or failing him/her ____________________ of ____________________

as my/our proxy to exercise my/our vote at the Annual Meeting of the Company to be held on 31 July 2007 and at any adjournment of that meeting.

** If you wish, you may appoint as your proxy "The Chairman of the Meeting".*
Unless otherwise instructed, the proxy will vote as he/she thinks fit.
Should you wish to direct the proxy how to vote, please indicate with a (✓) in the appropriate boxes below.

VOTING INSTRUCTIONS/VOTING PAPER

This part of the form can be used either as voting instructions for a proxy or as a voting paper at the meeting (if a poll is called).
This form is to be used to vote as follows on the resolutions below.
(Please note that if the shares are held jointly, the voting instructions given in this section are given on behalf of each joint holder).

Holder No. ____________________ No. of voting securities ____________________

Tick (✓) the box that applies:	For	Against
1. To receive the Annual Report		
2. Re-election of Bruce Plested as a director		
3. Re-election of Carl Howard-Smith as a director		
4. Re-election of Emmet Hobbs as a director		
5. To authorise directors to fix auditors' remuneration		
6. To increase the total amount of Directors' fees to $560,000		
7. To approve the issue of 500,000 redeemable ordinary shares under the Mainfreight Limited Partly Paid Scheme to the Managing Director		

Usual Signature(s) ____________________ Signed this ____________ day of ____________ 2007

NOTES

1. As a shareholder you may attend the meeting and vote, or you may appoint a proxy to attend the meeting and vote in your place. A proxy need not be a shareholder of the Company.
2. If you are joint holders of shares each of you must sign this Proxy Form. If you are a company this Proxy Form must be signed on behalf of the company by a person acting under the company's express or implied authority.
3. Proxy Forms must be produced to the office of Mainfreight's share registrar, Computershare Investor Services Limited, either by fax to 64 9 488 8787, by delivery to Level 2, 159 Hurstmere Road, Takapuna, North Shore City, Auckland, New Zealand, by mail to Private Bag 92119, Auckland 1142, New Zealand so as to be received not later than 2.30pm on 29 July 2007.
4. If this Proxy Form has been signed under a power of attorney a copy of the power of attorney (unless already deposited with the Company) and a signed certificate of non-revocation of the power of attorney must be produced to the Company with this Proxy Form.
5. If you return this form without directing the proxy how to vote on any particular matter, the proxy will vote as he or she thinks fit. If a vote is required on any matter at the meeting in addition to the matters on the agenda, the proxy may vote or abstain from voting on that matter as he or she thinks fit.
6. Notification of change of address: Should the address to which this Proxy Form was sent be incorrect, please complete and return the details below, regardless of whether or not you are appointing a proxy.

Previous address: ____________________

Present address: ____________________

TEAR TEAR

FreePost Authority Number 3948

Free

The Share Registrar
Mainfreight Limited
C/- Computershare Investor Services Limited
Private Bag 92119
Auckland 1142
New Zealand

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MAILING INSTRUCTIONS	
1	**If mailing Proxy Form from within New Zealand,** use this Proxy Form as a reply paid envelope by following the directions below: **i** Tear off Admission Card **ii** Fold along line indicated **iii** Seal with tape
2	**If mailing Proxy Form from outside New Zealand,** place Proxy Form in an envelope and affix the necessary postage from the country of mailing. Address to: **The Share Registrar** **Mainfreight Limited** **c/- Computershare Investor Services Limited** **Private Bag 92119** **Auckland 1142** **New Zealand**

Directory

BOARD OF DIRECTORS

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

REGISTERED & ADMINISTRATION OFFICE

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www.mainfreight.com

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www.mainfreight.com.au

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www.mainfreight-international.com.au

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www.carotrans.com

Mainfreight International Inc
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Costa Mesa, CA 92626
United States of America

Mainfreight Express Hong Kong
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39 Wang Kwong Road
Kowloon Bay
Hong Kong

Mainfreight Express Ltd Shanghai
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No 998 Ren Ming Road
Shanghai 200021
China

AUDITORS

Ernst & Young
Ernst & Young AXA Building
41 Shortland Street
PO Box 2146
Auckland

BANKERS

Westpac Banking Corporation
PricewaterhouseCoopers Building
188 Quay Street
PO Box 934
Auckland

SHAREBROKER AND ADVISOR

ASB Securities Ltd
ASB Bank Centre
135 Albert Street
PO Box 35
Auckland

INVESTMENT ADVISORS

Grant Samuel and Associates Ltd
Vero Centre
48 Shortland Street
Auckland

LAWYERS

Howard-Smith & Co
445 Lake Road, Takapuna
Private Bag 33339
Auckland

Bell Gully
Barristers & Solicitors
Vero Centre
48 Shortland Street
PO Box 4199
Auckland

SHARE REGISTRY

Computershare Registry Services Ltd
Level 2, 159 Hurstmere Road, Takapuna
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