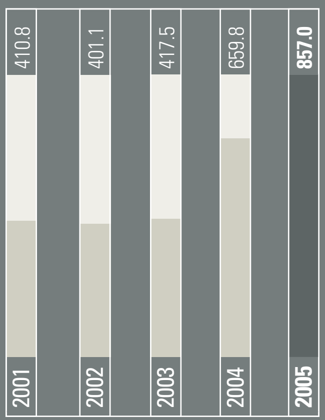
Special People. Special Company.

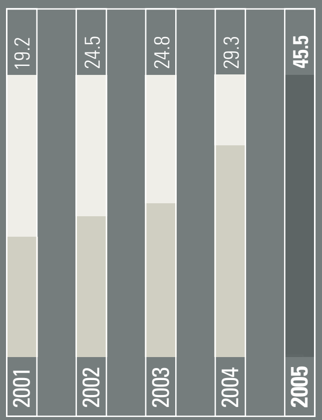
MAINFREIGHT ANNUAL REPORT | 2005

Results in Brief

000's	2005	2004
TRADING RESULTS		
• Group Revenue	857,043	659,874
• Net Surplus Mainfreight exc Owens	20,964	12,005
• Net Surplus Owens	(3,452)	(4,540)
• Owens Acquisition Costs	(3,992)	(1,497)
• Group Net Surplus	13,520	5,968
FINANCIAL POSITION		
• Total assets	238,931	286,444
• Total shareholders funds	79,242	72,716
RATIOS		
• Group surplus after tax to average		
– Total assets	5.1%	2.8%
– Shareholders' funds	17.8%	8.7%
• Earnings per share (adjusted)	18.6c	8.3c
• Shareholders equity	18.5%	9.6%
• Interest cover (times)	5.9	3.7
• Weighted average cost of capital	10.4%	10.2%
DISTRIBUTION TO SHAREHOLDERS		
• Dividends – paid in year		
– Per ordinary share	6.5c	6.5c
– Times covered by surplus after tax	2.17	1.11
PAID UP CAPITAL		
95,887,190 Ordinary shares	54,898	54,217

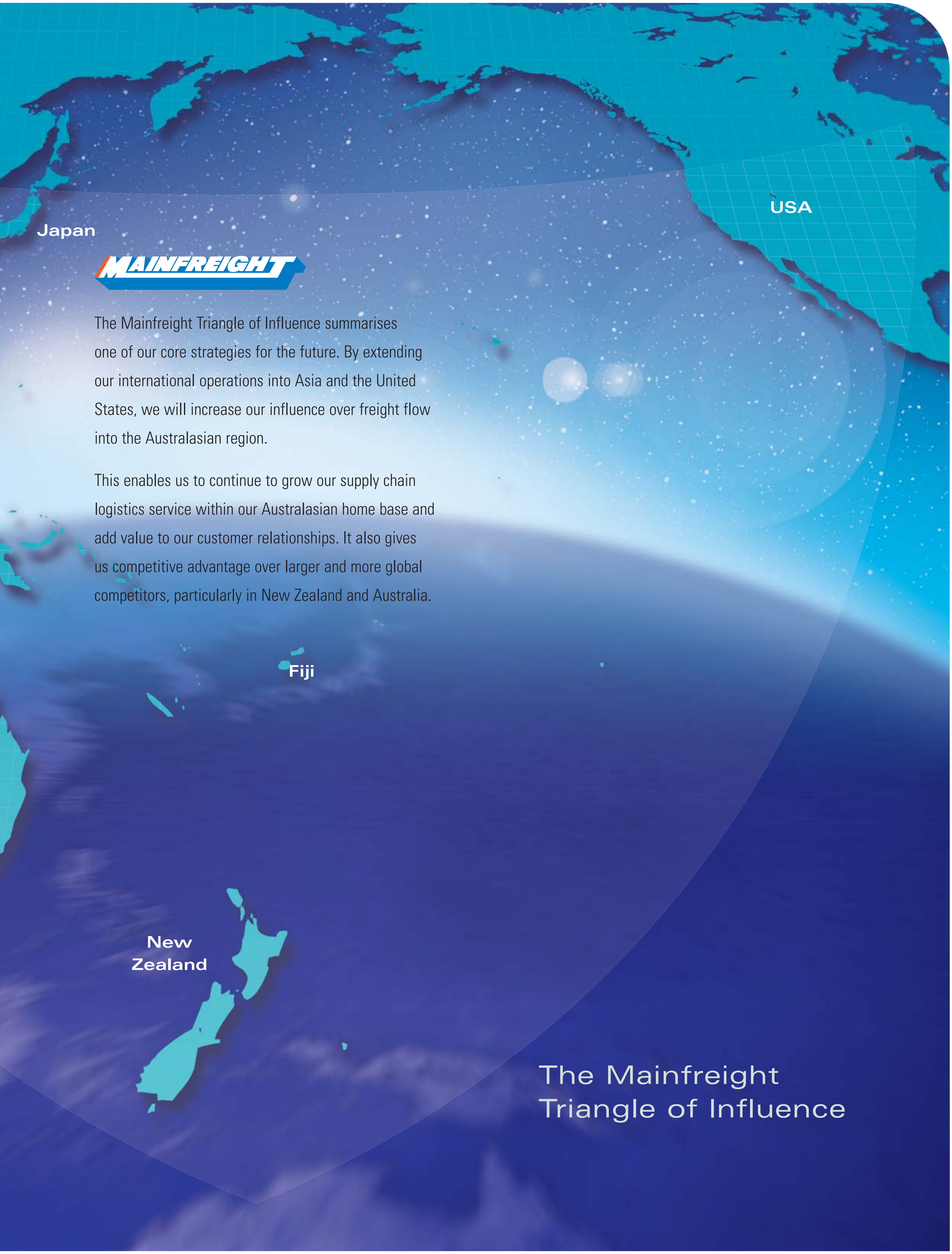


GROUP OPERATING REVENUE
$ MILLIONS



GROUP EBITDA
$ MILLIONS


China
Hong Kong
Papua New Guinea
Australia



The Mainfreight Triangle of Influence summarises one of our core strategies for the future. By extending our international operations into Asia and the United States, we will increase our influence over freight flow into the Australasian region.

This enables us to continue to grow our supply chain logistics service within our Australasian home base and add value to our customer relationships. It also gives us competitive advantage over larger and more global competitors, particularly in New Zealand and Australia.

The Mainfreight Triangle of Influence

Contents

Danielle Robinson of LEP Auckland.

Company Profile

Mainfreight Limited operates as a Supply Chain Logistics provider specialising in the handling of freight that is Less Than Container Load (LCL) with operating businesses in New Zealand, Australia, Asia, the United Kingdom and the United States, with 131 branches located throughout these countries.

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

In 1996 Mainfreight listed on the New Zealand Stock Exchange. Today Mainfreight employs over 2,800 people and has in excess of 20,000 customers world wide.

MAINFREIGHT

DAILY FREIGHT

CHEMCOURIERS

LEP

CaroTrans INTERNATIONAL, INC.

MAINFREIGHT INTERNATIONAL LTD

OWENS

Notice of Meeting

Notice is given that the annual meeting of shareholders of Mainfreight Limited will be held in the Pakuranga Hunt Room at the Ellerslie Convention Centre, Ellerslie Racecourse, 80-100 Ascot Avenue, Greenlane, Auckland on 29 July 2005 commencing at 2.30pm.

AGENDA

Please read in conjunction with explanatory notes on page 52.

ANNUAL REPORT

1. To receive the Annual Report for the 12 months ended 31 March 2005, including the financial statements and auditor's report.

RE-ELECTION OF DIRECTORS

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

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

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

   (See explanatory note, page 53)

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.

NEW CONSTITUTION

6. To consider and, if thought fit, pass the following resolution as a special resolution: "That the existing constitution of the Company be revoked and the Company adopt a new constitution in the form tabled at the meeting and signed by the Chairman for the purpose of identification."

   (See explanatory note, page 53)

DIRECTORS' REMUNERATION

7. 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 $80,000 from $280,000 to $360,000 such sum to be divided among the Directors as the Directors from time to time deem appropriate".

   (See explanatory note, page 54)

BY ORDER OF THE BOARD

Carl Howard-Smith
Director
27 June 2005

Chairman's Report

Strong leadership is a key area of competitive advantage for our company.

Your company has had a very satisfying year, achieving record profits in virtually all divisions.

Profits have been achieved through the energy, hard work and commitment of our worldwide team. This team is made up of many teams all working in harmony with each other to produce ever improving results for our many customers.

Each of these teams is lead by a dedicated leader, most of whom have had long experience in our business, and demonstrated the ability to lead.

Strong leadership is a key area of competitive advantage for our company. Our well defined business strategies also give us competitive advantage.

We have sought, through our size and the integration of domestic freight, warehousing, metro and international air and seafreight in New Zealand and Australia to attract freight to and from our branches in USA and Asia.

The result of this strategy is that we have become a dominant player in International Seafreight between the USA, Asia, Australia and New Zealand.

In the year to March 2006 we expect to earn some 40% of our pre-tax profit from International freight.

Another area of growing satisfaction has been our success in transplanting our Mainfreight way of doing business to other countries in which we operate. Already throughout our Australian businesses there is a commitment and understanding of the Mainfreight culture, and each year Hong Kong, China, and the USA businesses accept more of our style and the success it brings.

Our Owens acquisition, integration and turnaround to profit, has been the result of a strong acceptance of the Mainfreight culture.

With our continued growth, and for the benefit of new shareholders, it is appropriate to describe our place and capability in the businesses and countries in which we operate.

Bruce Plested, Executive Chairman

NEW ZEALAND

DOMESTIC LCL FREIGHT

Brands: Mainfreight, Daily Freight, Chemcouriers, Owens

Dominant operator in New Zealand, moving large volumes of freight each day between all towns and cities utilising rail, road or sea.

This year we opened new branches in Warkworth and Thames.

INTERNATIONAL FREIGHT

Brands: Mainfreight International, LEP International, Owens International

LCL and FCL Seafreight

Largest operator on the Tasman and significant player in the Asia, USA and European markets

Airfreight

Largest operator through Auckland and Christchurch airports

WAREHOUSING

Brands: Mainfreight, Owens

Largest third party operator in New Zealand with facilities in most New Zealand cities

METRO/WHARF CARTAGE

Brands: Mainfreight, Daily Freight, Chemcouriers, Owens

Significant player in all main centres

AUSTRALIA

DOMESTIC LCL FREIGHT

Brands: Mainfreight

Fast growing LCL freight services by road throughout Australia

INTERNATIONAL FREIGHT

Brands: Mainfreight Owens International, LEP International, AFL/AFS

LCL and FCL Seafreight

Largest operator on the Tasman and significant player in the Asia, USA and European markets

New branches this year in Adelaide and Perth

Airfreight

Significant operator to and from most parts of the world

Project Shipping

Specialised project shipping business based in Brisbane

WAREHOUSING

Brands: Mainfreight and LEP

Bulk to sophisticated warehousing in all main centres

USA

LCL INTERNATIONAL SEAFREIGHT

Brand: CaroTrans

Branches in 10 USA cities consolidating freight to all parts of the globe.

- Largest freight forwarder USA to New Zealand
- Second largest freight forwarder USA to Australia

Opened new branch in Cleveland Ohio this year.

AIRFREIGHT

Brand: ACI

Significant operator to Australia and New Zealand; developing to other destinations.

ASIA

LCL & FCL INTERNATIONAL SEAFREIGHT

Brand: Mainfreight Express

Joint ownership with branches in Hong Kong, Shanghai and Ningbo specialising in freight to New Zealand, Australia, USA and France.

- Largest freight forwarder China to Australia
- Third largest freight forwarder China to New Zealand

Opened branch in Ningbo in current year

UNITED KINGDOM

LCL AND FCL INTERNATIONAL SEAFREIGHT

Brand: Owens International

Minority shareholding in small British freight forwarder, looking to grow with the Mainfreight International network

COMMUNITY

Our commitment to childhood education through the Alan Duff Charitable Foundation programme "Books in Homes" continues in New Zealand.

With Owens now part of our Group we have increased the number of schools we support from 25 to 33. In Australia as the "Books in Homes" programme expands, LEP, Mainfreight Owens International and Mainfreight Distribution have together committed A$30,000 per annum to the development of providing books to pupils from low decile schools.

Our wonderful two way relationship with "Bairds Mainfreight Primary School" continues with a new principal and Board of Trustees.

We continue to offer financial assistance through scholarships to the children of Mainfreight team members to attend University. It is satisfying and rewarding that through this scheme, we now have the first University graduate from Bairds Mainfreight Primary School working in our Hamilton branch.

We also continue our efforts to care for the environment, adding rain water collection for toilets, truck washing and irrigation at our recently improved facilities at Mt Maunganui and Rotorua.

As I observed in last year's report, no one should underestimate the usefulness of business working with society, both locally and internationally. Business and business people are the largest group seeking understanding of the cultures and ways of other countries and peoples in an endeavour to promote trade. That all countries have trade with each other may be the greatest chance for world peace.

Our vision for the future remains the same, to create a global supply chain business built on our strengths in Australia and New Zealand, always operating as if the company will continue for another 100 years.

Bruce Plested
June 2005

Travellin Tumai, Mele Siale and Jackie Wilson of Bairds Mainfreight Primary School.


ALL-AMERICAN


N418MC
BOEING 747-400 Freighter
LEP

Group Managing Director's Report

Our year end net profit including the consolidation of Owens is $13.520 million, an improvement of 126.5% on the previous year.

Don Braid, Group Managing Director

GROUP OPERATING RESULTS

It has been an exciting and prosperous year for the family of Mainfreight.

We have actively grown our business, established more branches with greater coverage, provided our customers with a larger range of services and continued to differentiate ourselves from our competitors.

Our home base of Australia and New Zealand continues to provide us with more opportunities than we ever thought possible, allowing us to develop supply chain logistics strategies that will enable us to achieve our desire of being a prominent global provider of logistics in the future.

During this satisfactory growth period we were also able to fully consolidate the Owens business, divesting those operations that were unsatisfactory in terms of return and strategic advantage for our supply chain strategies. Today Owens is a far better business, more focused and capable of delivering acceptable returns to all stake holders, and more importantly, far better services for our customers.

Our year end net profit including the consolidation of Owens is $13.520 million, an improvement of 126.5% on the previous year. Our EBIT improved to $24.143 million, with revenues improving 29.9%. Adjusted to reflect last year's exchange rates, and excluding acquisition revenues, this sees revenue improvement of $76.126 million, a 13.6% increase.

THE NET SURPLUS ANALYSIS IS AS FOLLOWS:

NZ$M	This Year	Last Year
Mainfreight Trading	$21.566	$12.188
Owens Trading	$0.212	($3.512)
Owens Acquisition Costs	($3.992)	($1.497)
Restructuring Costs	($4.266)	($1.211)
Group Net Surplus	**$13.520**	**$5.968**

The improved financial performance and growth has come from all of our businesses, with the exception of LEP New Zealand where EBIT was reduced by 62.7% from the previous year.

The Mainfreight Group is New Zealand's largest airfreight freight forwarder by IATA rankings.

Substantial improvement has come from our Australian operations where our domestic business units, while still making an EBIT loss for the year, improved their EBIT by $5.155 million. Further, our Australian International businesses increased their EBIT by 55.6%.

Financial performance in the United States' operations of CaroTrans improved to satisfactory levels from the disappointing previous year where improvement saw EBIT move to USD1.185 million, up USD1.050 million on the previous year. Revenues improved 29.8% to USD51.913 million.

Our associates in Asia also provided improved financial performance and continue to provide growth opportunities for all of our divisions within our "Triangle of Influence" around the Pacific Rim.

BRAND UNITY

Throughout the year the unity within the Group between brands and country borders increased significantly where services of the individual businesses continued to merge together to further enhance our service offering to our expanding range of customers. All divisions of the Group are introduced to other divisions' customers and their services applied where required. This style of growth provides competitive advantage and opportunity.

As our International Supply Chain strategies continue their development, so too does the origin of our revenue and profit performance. In this financial year completed, revenues from our International freight divisions were 58.0% of total revenues, with EBIT increasing to 39.3% of our total Group performance.

Our International and Australian Supply Chain strategies have become very important in our financial performance and are integral to our long term growth. We have finally begun to succeed in achieving financial and operational success outside of the boundaries of New Zealand.

tex
COSCO
CAPITAL
CHEMCOURIERS
MAINFREIGHT
SCANIA
Globetrotter XL
DAILY FREIGHT

An amount of administrative cost reduction is available almost immediately with further rationalisation and synergy opportunities available over time.

OWENS GROUP

The Owens acquisition has been successful. The divestment process of the unsatisfactory or non-core business units was completed in a little over twelve months, with satisfactory returns. Sale Agreements were completed for the Container Services Division, Cooltainers, Rural Transport Services and Shipping Agencies and the financial instrument used to assist the sale of Hirepool. Divestment returns totalled $26 million, and have been utilised to retire debt and for working capital requirements.

The retained business units of Owens Transport, Owens International including Coolair, and Pan Orient in Australia, have all performed satisfactorily and will provide increasing profitability in the years to come.

Of further advantage to the Group has been the ability to manage freight tonnage across the supply chain between Mainfreight and Owens Group business units increasing utilisation and service performance. As these synergies continue to mature and develop, the long term opportunities will evolve, providing increased returns for the company.

As a subsequent result to our year end, a full takeover has been made for the remaining shares in Owens Group. This is as a result of Toll Group accepting our offer of $1.17 per share for their shareholding in Owens Group.

While we have been able to manage Owens over the past 18 months and achieve most of the restructure and synergies we had originally planned, the full ownership and delisting of Owens now allows us to complete our original objectives and to achieve the maximum synergies available.

An amount of administrative cost reduction is available almost immediately with further rationalisation and synergy opportunities available over time.

We have a firm belief in the brand of Owens and with good strategic direction and management the financial and operational performances available will be beneficial to the Group's performance in the future.

Through the integration of brands, the Mainfreight Group provides end-to-end logistics for domestic and international customers.

Buktawa (Buck) Williams of Owens.

ECONOMIC TRADING CONDITIONS

Trading conditions in all of the countries we operate in were positive throughout the year and have enabled all our business units to grow organically and further establish themselves in their respective markets.

While fluctuating exchange rates can have some impact on exporters and importers alike, our natural hedge in having business units across a variety of countries, and utilising the different currencies has seen any effect kept to a minimum.

OUTLOOK

The outlook provided by economists and commentators alike appear to agree that most economies will slow during the next 12 to 24 months. While this may be, we remain positive and expect to see continued growth in supply chain logistics and in particular for all of our business units.

New Zealand

Our strong branding, quality driven services and the benefits of our Supply Chain Logistics strategies continue to assist the growth of our largest division.

Chris Walsh of Mainfreight Precision makes a residential delivery on behalf of Farmers.

OPERATING RESULTS – DOMESTIC

000's	This Year	Last Year
Revenue	$201,118	$181,434
EBIT	$22,932	$20,414
As a % of Revenue	11.4%	11.3%
Market Share (Transport)	32%	31%
(Outsourced Warehousing/Logistics)	22%	15%

Our New Zealand Transport and Logistics operations had a strong year once again with financial performance growing revenues by 10.7% and improving EBIT by 12.3%. Our strong branding, quality driven services and the benefits of our Supply Chain Logistics strategies continue to assist the growth of our largest division.

Our range of services across the freight market continues to expand and as our customers continue to review their logistical requirements, so does the opportunity to provide a greater range of services.

Growth continues in inter-city metropolitan and wharf services and our network today delivers to every destination throughout New Zealand.

Our focus remains on Less than Container Load freight that is predominantly in the Fast Moving Consumer Goods sector. This freight has less seasonality and is somewhat resistant to the economic cycles of the economy.

MARGINS

Margin management and regular rate reviews have again seen margins improve. Further the consolidation of Owens Transport freight into the Mainfreight network has assisted utilisation of both terminals and freight modes.

A non-exclusive freight arrangement with the Farmers Group of companies has also provided an opportunity to expand our fragile goods network. This network will include both commercial and residential deliveries with product ranging across the whiteware, brownware and office equipment markets.

Ben Beavin, Nga Beavin, Carlissa McPhee, Derek Young and Mitch Gregor of Mainfreight Logistics.

Throughout the year freight tonnage moved across all three modes of road, rail and sea. Unfortunately service standards in rail and sea linehaul have yet to improve to levels that would allow a greater amount of freight to move from road. It is hoped that improvements will materialise during the forthcoming year to allow less dependency on the use of road linehaul.

WAREHOUSING

Supply Chain Logistics plays a major role in the development of our warehousing product and as business continues to review outsourcing, opportunities continue to arise.

The market continues to mature in terms of outsourcing, particularly where companies are realising that in-house or low level outsourcing does not address demand, or is necessarily capital efficient.

Rising land and building construction costs and a tighter labour market has seen more companies move to outsource their warehousing. This has seen excellent growth flow into our warehousing network both in New Zealand and in Australia. Consequently our logistics division continues to position itself to capture the opportunities. In doing so we have standardised our operations in both New Zealand and Australia. The implementation and improvement of better technology particularly Mainchain and the operating system, MIMS, continues to assist our competitive advantage.

Niche markets have been targeted which complement our distribution networks, such as Fast Moving Consumer Goods and Dangerous Goods. In doing so our competence has moved from bulk storage to high value pick and pack.

Our team have become more highly skilled and our consistency and innovation across all warehouses has created a quality second to none in our market.

This division has developed into a major resource for Supply Chain Logistics growth and will be a strong catalyst for future growth.


JAI PRASAD

This alliance has formed the strongest freight and courier alliance in New Zealand offering the largest range of distribution services to customers.

During the year a strategic alliance was formed with Freightways, in part to provide our warehouses with a courier distribution option for our customers, and secondly to link our resources and services for our combined customer base. This alliance has formed the strongest freight and courier alliance in New Zealand offering the largest range of distribution services to customers.

OPERATING RESULTS – OWENS TRANSPORT

000's	This Year	Last Year*
Revenue	$69,452	$35,515
EBIT	$944	($387)
As a % of Revenue	1.4%	(1.1%)
Market Share		
(Transport)	13%	12%
(Outsourced warehousing logistics)	3%	Not available

* Five months of ownership

In the past 12 months Owens Transport has undergone a major transformation. In cities where performance was poor, branches were closed and Mainfreight was appointed as the local distribution agent. This provided stability and an opportunity to grow the core business in the major centres of Auckland, Wellington, Christchurch and Dunedin. In the regional areas where sub-contractors where utilised, a full review of services and rates were undertaken and where suitable freight tonnage was transferred to Mainfreight. The decentralising of Shared Services is complete and branch profit and loss responsibility has been implemented.

Activities are focused on the Less than Container Load sector moving from the previous predominantly bulk commodity tonnage. New business has been gained and market share continues to increase as services are implemented across the Supply Chain. New services in the form of Wharf Operations, Metropolitan Delivery Services and a restructured Tanker division are providing customers with valuable options not previously available.

As part of our strategic alliance with Freightways, Mainfreight now provides an end-to-end solution for customers with both bulk freight and specialised carrier requirements. Using our sophisticated logistics technology, we utilise this alliance to distribute high value cigars to bars, hotels and restaurants on behalf of Stuart Alexander and Co (NZ) Ltd.

While margins have improved during the year, further opportunity for improvement will prevail during the New Year.

COMPETITION

Competition in the New Zealand Domestic Transport and Warehousing sector remains intense, although a number of competitors have exited the industry either through acquisition or insolvency.

Our advantages continue to be in our network, technology and the added value quality services we are renowned for across the Supply Chain Logistics sector.

OPERATING RESULTS – NEW ZEALAND INTERNATIONAL

000's	This Year	Last Year
Revenue	$66,066	$71,308
EBIT	$1,905	$2,509
As a % of Revenue	2.9%	3.5%
Market Share	5%	6%

Financial performance has been disappointing as the restructure of LEP International impacts the division.

Performance and growth from Mainfreight International has been excellent. Volume and Revenue increased across all products and there has been some small margin improvement. Mainfreight International also benefited from the leverage that is gained by implementing Supply Chain solutions across the Group's activities. Focus for Mainfreight International remains on extending business relationships of existing Mainfreight Group customers with particular emphasis on developing our growth within our "Triangle of Influence" around the Pacific Rim.

Derek Hay, left, and Simona Nelisi from Owens Coolair Airfreight store prepare a consignment of live penguins for their journey from Auckland to Taipei.

Our competitive advantage remains within our company-owned networks providing purchasing power for linehaul, technology and supply chain advantages.

The results for LEP International disappointed, however significant changes have been completed within the division and it is now well positioned for growth and profit recovery.

In January 2005, LEP's Perishables Airfreight business was sold to Owens Coolair and the subsequent consolidation of operations sees LEP with a more focused dry freight operation.

A number of recent key personnel appointments made from within the Group are aimed at delivering more sales growth and a greater level of international freight forwarding competency.

Our global partner and minority shareholder in LEP International, GeoLogistics, has seen increased growth and performance which, when targeted as part of our import development will see increased freight tonnage for LEP. A number of bi-lateral trade development agreements have been established with GEO particularly in key partner trading countries complementing the Group's Pacific Rim strategy.

OPERATING RESULTS – OWENS INTERNATIONAL/COOLAIR

000's	This Year	Last Year*
Revenue	$93,407	$41,981
EBIT	$1,244	$168
As a % of Revenue	1.3%	0.40%
Market Share International	4%	4%
Market Share Coolair	25%	21%

* Five months of ownership 2004

Both business units operate in a similar market to that of Mainfreight International and LEP with Coolair predominantly focused on perishable airfreight.

Owens International provides a full range of international freight forwarding services including sea and air freight consolidation, full container movements, customs and documentation services. Financial performance was strong and above our expectations. The three key trade areas are North Asia, the Trans Tasman and USA with growth continuing in the Less than Container Load sector for both air and sea freight.

Owens International has seven branches throughout New Zealand and operates with a number of selected high quality agents in our preferred trade lanes.

Owens Coolair predominantly provides perishable export airfreight services with accompanying controlled temperature warehousing. As most freight tonnage is seasonal and export related, climatic and currency fluctuations can impact on tonnage moved. During the year a more focused management team were able to implement changes to improve performance, particularly in freezer warehousing and were able to absorb the LEP Perishables operation with little disruption. These changes are expected to assist profitability during the New Year.

COMPETITION

Competition in this sector is again very intense. It is dominated by global companies where cross subsidisation between countries is prevalent. Our competitive advantage remains within our company owned networks providing purchasing power for linehaul, technology and supply chain advantages.

Shipping company rationalisation currently underway may well add further competitive pressure as linehaul choice diminishes.


321
OWENS
GLOBAL LOGISTICS


FRAGILE
CHEP
CHEP

Australia

The success of our warehousing operations and supply chain strategies has seen increased growth in our warehousing sector and the additional flow on effect for Distribution.

OPERATING RESULTS – DOMESTIC

$NZ000's	This Year	Last Year
Revenue	$75,586	$55,499
EBIT	($315)	($5,470)
As a % of Revenue	(0.4%)	(9.9%)
Market Share		
(Transport)	4.2%	3%
(Logistics)	4%	n/a

Mainfreight Distribution had a strong year with financial performance improving markedly over previous years. Revenue growth and customer retention has been strong with both existing customers and new customer gains contributing.

This growth has been made possible by continuing to improve the levels of service in both transport and warehousing. Ensuring freight is received and dispatched on the same day and is delivered on the defined day our express transit times stipulate, and that our consistency and accuracy in stock receipt and dispatch is above the expectations of our customers.

LCL FREIGHT

A larger more focused sales team has assisted with organic growth in our core market of Less than Container Load freight. New customer activity has been concentrated on the small to medium size business sector where quality services are expected and margin erosion is limited as against larger commodity businesses that require full truck lot services.

Further, the success of our warehousing operations and supply chain strategies has seen increased growth in our warehousing sector and the additional flow on effect for Distribution. New services in Metropolitan delivery have also been launched in every state to complement our supply chain requirements.

In conjunction with our international division the opportunities to further grow our domestic operations in warehousing and distribution are extremely positive and when linked with common customers across New Zealand and Australia the future for Supply Chain Logistics growth furthers our commitment to an Australasian warehousing and distribution infrastructure.

COMPETITION

Our market share continues to grow yet remains small in comparison with what is available. While economic factors may slow growth in the domestic economy our strong business growth should see any effect kept to a minimum, if at all.

Competition remains intense with many operators across the full transport and warehousing spectrum. Our advantages remain with our focus on the LCL niche with "day definite" delivery and specialised pick and pack warehousing facilities and services. Our unity across brands and activities delivering supply chain solutions furthers this competitive advantage.

OPERATING RESULTS – AUSTRALIAN INTERNATIONAL

$NZ000's	This Year	Last Year
Revenue	$199,017	$152,413
EBIT	$7,161	$4,602
As a % of Revenue	3.6%	3.0%
Market Share	9%	8.5%

Our Australian International sector is performing very well and is exceeding our expectations.

Growth has come in both operations; organically for LEP International and through the acquisition of Owens International Australia for Mainfreight International. LEP International has benefited greatly through increased import volumes and in particular the improved performance from our partner and minority shareholder GeoLogistics. Further, the gaining of a number of large export related projects assisted profitability.

Top Row: Theo Takiari, Michael Dairy, Danny Ellyard.
Front Row: Warren Farrell, Fred Al-Mallou, Justin Hand, Ruth Mercer.


TREVOR STEVENS
LEP
LEP
INTERNATIONAL

Australia (continued)

The trade lane focus remains very strong within our "Triangle of Influence", being Asia, the United States and New Zealand.

Imports account for 70% of the income for LEP and a continued focus on specific trade lane development has seen growth well managed. The trade lanes of Asia and Europe are predominant with the USA and New Zealand making up the balance.

LEP continues to manage Pan Orient Shipping services which provides freight forwarding activities and services into the South Pacific including Papua New Guinea. Included in those activities are the specialised Project Services division which has seen a substantial increase in sales and profitability throughout the year. This is expected to continue into the New Year.

Mainfreight International has been rebranded Mainfreight Owens International and has had a difficult year merging the business units together. Revenues have been maintained and margins are improving as growth continues.

The trade lane focus remains very strong within our "Triangle of Influence", being Asia, the United States and New Zealand. Focus again is on further developing our import products and accessing the Supply Chain logistics activities now available within the Group.

When merging the two entities, the opportunity to open new branches in Adelaide and Perth were taken as well as developing a bulk tanker division predominantly catering for the international food and wine market. All three activities have been successful and will provide good growth opportunities in the future.

COMPETITION

Competition is intense in this sector, with many local and international competitors. Our ability to work within our "Triangle of Influence" and with a multi national operator of the size of GeoLogistics gives us considerable market advantage and procurement opportunities to compete.

Our import programmes are built around our strong brand awareness within a Free On Board (FOB) market leveraging better opportunities locally against our international competitors.

Left: Trevor Stevens, LEP International, Sydney.

Right: Filipine Vave, Mainfreight Distribution, Sydney.


CaroTrans
INTERNATIONAL INC
L.A.X Freight Hunters

United States of America

Our improvements continue in CaroTrans where today we have a sound financial and operational base with which to grow an important business unit in our international portfolio.

OPERATING RESULTS

US$000's	This Year	Last Year
Revenue	$51,913	$34,038
EBIT	$1,185	$135
As a % of Revenue	2.3%	0.4%
Market Share	12%	10%

Our improvements continue in CaroTrans where today we have a sound financial and operational base with which to grow an important business unit in our international portfolio.

CaroTrans continues to develop its operation with the opening of new branches and extending its focus towards more retail freight forwarding as against wholesale freight development. This has seen trading increase greatly between our businesses in Asia, Australia and New Zealand. In particular, our trade to Australia and New Zealand has seen volumes double during this last year.

While the difficulties of congestion continue in the United States port facilities, we have been able to circumnavigate the problems through a very good procurement policy and guaranteed space allotments with preferred shipping lines.

Trade with Asia, both import and export, has been minimal when compared with the total trade's capacity. The opportunities for us across this trade lane are exciting and will fuel our growth over the next five to ten years.

COMPETITION

Competition in the NVOCC LCL wholesale seafreight market is intense, with a number of global players competing for freight tonnage. Our advantages are enhanced as we develop our expertise across a number of trade lanes, particularly where we dominate to Australia and New Zealand.

Retail freight is a fiercely competitive market with large global freight forwarders very active in the larger trade lanes.

Rodnina Pese, Lueder Bitter and Mark Taitingfong of CaroTrans.

Asia

Our performance in Asia continues to improve although growth has been measured as we focus on trade lanes within our "Triangle of Influence".

OPERATING RESULTS – INTERNATIONAL

$US000's	This Year	Last Year
Revenue	$12,017	$8,938
EBIT	$1,142	$954
As a % of Revenue	9.5%	10.7%
Market Share (Total Trade)	2.25%	2.25%

Our performance in Asia continues to improve although growth has been measured as we focus on trade lanes within our "Triangle of Influence".

Our performance to Australia remains very strong; however our development to New Zealand and the USA has been below our expectations. Both markets are strong FOB buying markets and require the business units of Mainfreight International and CaroTrans to sell more effectively to gain shipping nominations. Sales campaigns have been launched in both countries to ensure growth is at acceptable levels over the next year.

Our Ningbo branch has now been open for nine months and is expected to grow as the USA trade lane develops. We are expecting to open our Shenzhen branch in the third quarter of 2005 where growth is likely to come from the Australian and New Zealand trade lanes.

Further branch development will be slowed until we can achieve sufficient growth in these established branches.

Left: Raymond Lo, Aubery Cheung, Fanny Tsang and Gary Lau of Mainfreight Hong Kong.

Right: Sylvia Tsai and Wilson Si of Mainfreight Hong Kong.

Summary

Our future is very promising as the unity within our family at Mainfreight gathers strength from our committed direction and style of doing business.

INTERNATIONAL TRADING

Our international divisions have performed satisfactorily over this past year and clearly now play a major role in our growth and contribute significantly to our profitability.

This is further enhanced as each operation trades within the Group. Between country borders and brands we are utilising all our freight tonnage to further enhance utilisation and margins.

Our LEP operations have a point of difference where they link with GeoLogistics which is a large multi-national freight forwarder and which attract clients of similar status.

Mainfreight International, CaroTrans and Mainfreight Express (Asia) have 21 offices throughout the USA, Hong Kong, China, Australia and New Zealand. Their market is aimed at local (national) customers whose freight decisions are made locally.

Our "Triangle of Influence" within the Pacific Rim now represents 73% of our total international trade of which 54% is seafreight.

We have grown to be the largest airfreight freight forwarder from New Zealand utilising the IATA rankings.

THE FUTURE

The past year has been successful, not only for our highest ever net profit, but more so for the consolidation performance and growth of our capabilities within the global Supply Chain Logistics industry.

Our own organic growth, coupled with our Owens Group investment and the joint venture/partnership initiatives in Asia and in New Zealand with Freightways provide an exciting base on which to further build our business.

The competitive advantages that provide the point of difference for our customers are important as we continue to take market share and offer more value added services than ever before. These include our:

- Unity
- Focused service
- Infrastructure
- Technology
- Culture
- Caring

These points of difference are key to our continuing growth in market share and our ability to protect that market share in the years to come. It will also allow us to improve shareholder returns through more added value services with better service and increased customer loyalty.

We still have more to do and in the next 12 months are very focused on ensuring profitability through each of our 137 branches world wide. This is vital to improving on our success and creating significance. We are committed to providing our shareholders improved returns.

Quality remains paramount in delivering service and our people are key to this. The establishment during the year of our Training Academy is a step towards ensuring that our people, both today and tomorrow, maintain and improve standards of service. The Academy has been able to successfully train 297 new and current team members since it's inception in August. We expect to have trained all of our New Zealand domestic team by the year end, including any new recruits who join us.

Training courses have also extended to our Logistics and International divisions within New Zealand and we are hopeful that we will establish a similar facility in Australia as quickly as practicable. Once again, this initiative is an industry first and continues to assist Mainfreight gain further competitive advantage, in conjunction with the investment we believe in for our people.

Strong leadership and commitment in each of our business units has established success across our Group.

Our future is very promising as the unity within our family at Mainfreight gathers strength from our committed direction and style of doing business. We know we have a bigger role to play in the global logistics industry and we look forward to bringing the benefits of our growth to our customers, shareholders and team.

Special people in a special company creating a special business. We care.

Don Braid
Group Managing Director

three pillars of Mainfreight

CULTURE

Under promise, over deliver.

Keep reinventing with time and growth.

Education is optional, learning is compulsory.

Let the individuals decide.

Keep it simple.

Tear down the walls of bureaucracy, hierarchy and superiority.

Avoid mediocrity – maintain standards and beat them.

Look after our assets.

Immaculate image and presentation.

Promote from within.

FAMILY

Eat together – use mealtimes as a discussion time.

Listen to each other.

Share the profits and the successes.

Openly discuss problems and openly solve them.

Don't beat up your brothers and sisters.

Have respect – seek it from others and show it by actions.

PHILOSOPHY

One hundred year company.

Profit comes from hard work, not talk

We are driven by margin, not revenue.

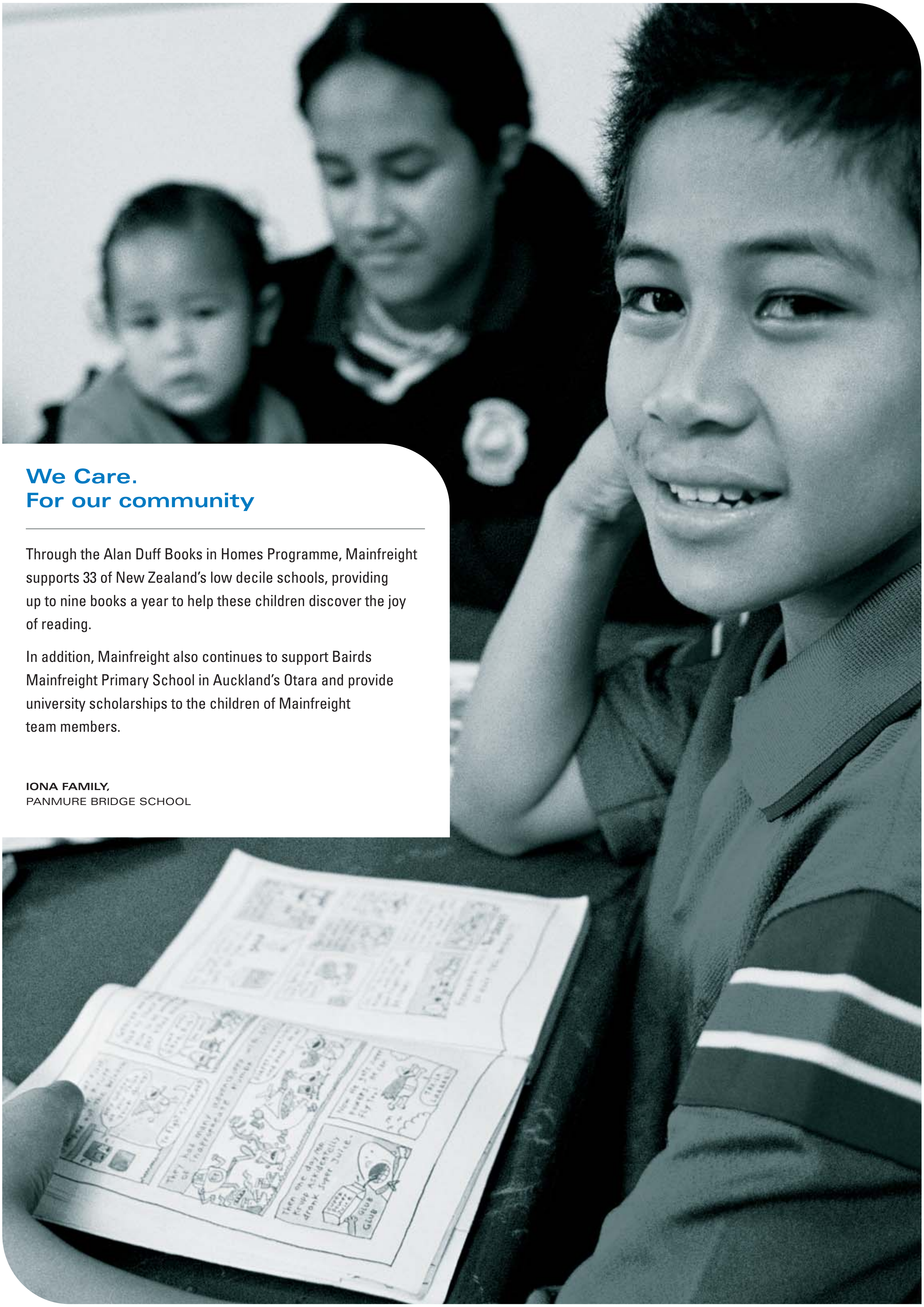
Train successors, so that you may advance.

An enduring company is built by many good people, not a few.

We are here to make a positive difference, as well as a dollar.

We "care" for our customers, environment and community.

Culture, Family, Philosopy,
The Mainfreight way



We Care.
For our community

Through the Alan Duff Books in Homes Programme, Mainfreight supports 33 of New Zealand's low decile schools, providing up to nine books a year to help these children discover the joy of reading.

In addition, Mainfreight also continues to support Bairds Mainfreight Primary School in Auckland's Otara and provide university scholarships to the children of Mainfreight team members.

IONA FAMILY,
PANMURE BRIDGE SCHOOL

We Care.
For our environment

Long before recycling became a global trend, Mainfreight recognised the need to take control of waste disposal and care for the environment. Today we recycle cans, glass, cardboard, pallets, paper, plastic and water. In addition, we collect rainwater at a number of our facilities which is used for truck washing, toilets and irrigation.

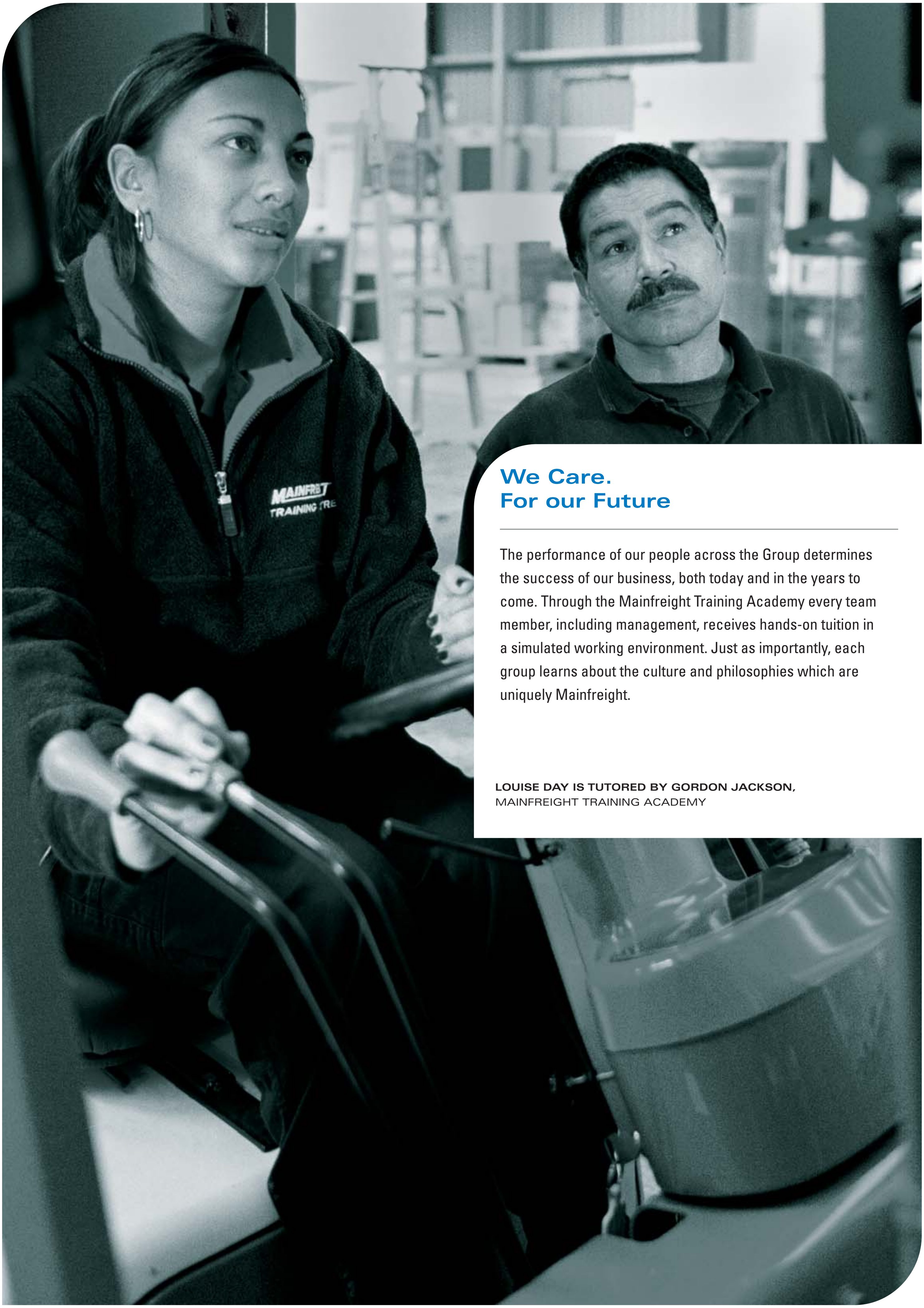
DIK POOLMAN OF MAINFREIGHT TRANSPORT
RECYCLING OUR WASTE PAPER

We Care.
About our customers' business

Just as we maintain our own facilities and vehicles immaculately, we have the same regard for our customers' property. Every day as we handle thousands of tonnes of freight, our people share a culture of caring.

This commitment to excellence is reflected in the diminishing number of claims we receive. In 2000, we received one claim per 413 consignments. Today, we receive just one claim per 513 consignments.

JAMES TANIWHA AND SUSAN KARORA,
MAINFREIGHT LOGISTICS, WESTNEY ROAD



We Care.
For our Future

The performance of our people across the Group determines the success of our business, both today and in the years to come. Through the Mainfreight Training Academy every team member, including management, receives hands-on tuition in a simulated working environment. Just as importantly, each group learns about the culture and philosophies which are uniquely Mainfreight.

LOUISE DAY IS TUTORED BY GORDON JACKSON,
MAINFREIGHT TRAINING ACADEMY

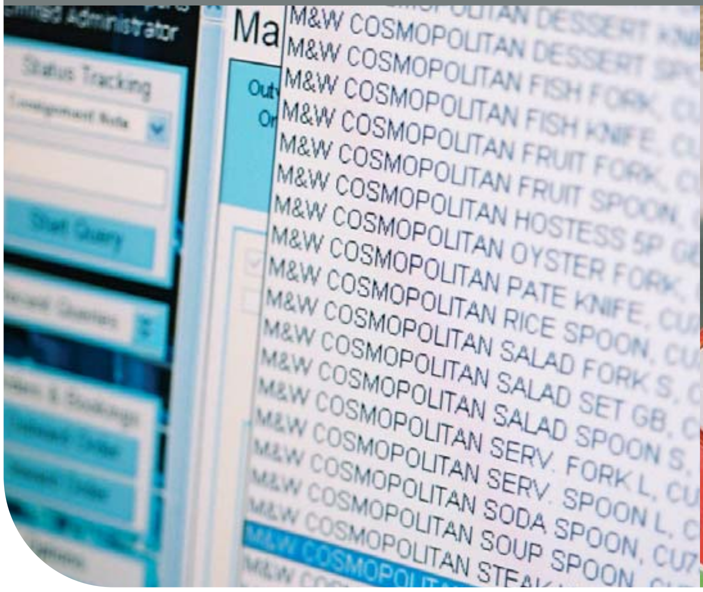
Strategic advantage through managed warehousing

Our strengths in managed warehousing provide considerable competitive advantage. We have invested significantly in world-class logistics facilities and technology to achieve processes which provide the optimum accuracy and efficiency.

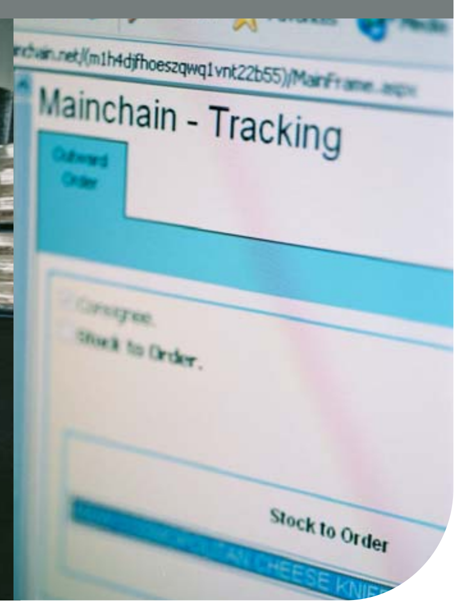
The introduction of leading edge technologies such as Voice Recognition Picking systems have improved the speed of picking by 20% and eliminated picking errors.

Our Mainchain technology gives customers on-line access to real time track and trace, import order progress reports, full visibility along the supply chain including activity levels and management reporting.

T.E.L. Import Limited import and distribute the popular Maxwell and Williams range of tableware from Asia. Their relationship with Mainfreight demonstrates the complexities and efficiencies of the warehousing processes.



1. T.E.L. Import notify Mainfreight Logistics of incoming consignment from Shanghai
2. Mainfreight International manages customs clearance and delivers container(s) to Westney Road Logistics facility
3. Stock logged into the warehouse using MIMS (Mainfreight Inventory Management System)
4. Unloaded into warehouse and scanned using Radio Frequency scanners
5. Data downloaded and verified against MIMS data and shipping manifests
6. T.E.L. Import views stock and activity data via Mainchain and places orders and despatch instructions on line
7. MIMS creates automated order and sends Voice instructions to "pickers" in the warehouse
8. Order picked, packed and MIMS verified
9. Consignment despatched via Mainfreight Metro for local deliveries and Daily Freight for inter city distribution
10. T.E.L. Import tracks deliveries using Mainchain



Our Management Team

Craig Evans [19 years]

GENERAL MANAGER, SUPPLY CHAIN

Revenues $NZ23 million

Craig is responsible for our 18 warehousing operations throughout New Zealand and Australia and plays an integral role in the development of our supply chain strategies and relationships.

Mark Newman [15 years]

NATIONAL MANAGER, TRANSPORT NZ

Revenues $NZ198 million

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

Kevin Drinkwater [19 years]

GROUP IT MANAGER

IT Operational Spend $NZ13 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.

Christine Meyer [11 years]

GROUP HUMAN RESOURCE AND TRAINING MANAGER

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.

Bryan Curtis [25 years]

NATIONAL MANAGER, OWENS TRANSPORT

Revenues $NZ69 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.

Anthony Browne [9 years]

NATIONAL MANAGER, LEP INTERNATIONAL NEW ZEALAND

Revenues $NZ43 million

Anthony joined Mainfreight as one of our early graduates and has held a number of roles within Mainfreight including sales, sales management and running the successful business of Chemcouriers.

Tim Williams [11 years]

Group Financial Controller

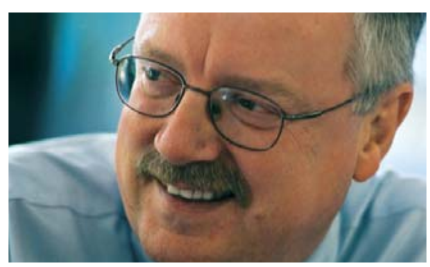
Tim joined Mainfreight through the acquisition of Daily Freightways in 1994 and since 1995 he has been responsible for the Group's financial affairs. This includes, in conjunction with the Managing Director, relationships with our Auditors, Tax Advisors, Bankers and NZX.

Kevin Bradley [11 years]

NATIONAL MANAGER, MAINFREIGHT INTERNATIONAL NZ

Revenues $NZ28 million

Kevin joined Mainfreight through the acquisition of Daily Freightways in 1994. He has had some 30 years experience in the New Zealand transport industry. Kevin manages our Mainfreight International division in New Zealand.



John Hepworth [7 years]

INTERNATIONAL MANAGER

John has responsibility for our International businesses in Australia, New Zealand, UK, USA and our Asian interests. John has recently returned to Australia, having spent four years as CEO of CaroTrans in the USA. John joined Mainfreight through our acquisition of his business, ISS Express Lines, in 1998.

Mick Turnbull [7 years]

NATIONAL MANAGER,
LEP INTERNATIONAL AUSTRALIA

Revenues $A136 million

Mick is responsible for LEP International and the Owens Projects division in Australia and Pan Orient in Papua New Guinea. Mick joined Mainfreight at the time of our acquisition of LEP Australia and as a director of LEP Australasia has a valuable role in our agency/partnership with GEO worldwide.

Michael Lofaro [7 years]

NATIONAL MANAGER, MAINFREIGHT OWENS INTERNATIONAL AUSTRALIA

Revenues $A116 million

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

Steven Noble [11 years]

NATIONAL MANAGER
LOGISTICS AUSTRALIA

Revenues $A9 million

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

Rodd Morgan [2 years]

NATIONAL MANAGER
MAINFREIGHT DISTRIBUTION AUSTRALIA

Revenues $A61 million

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

Greg Howard [6 years]

CEO, CAROTRANS INC, USA

Revenues $US58 million

Greg is a Bostonian and has spent most of his working life with CaroTrans. Greg has recently returned to the USA having spent two years in New Zealand as National Manager for Mainfreight International.

David Shiau

MANAGING DIRECTOR
MAINFREIGHT EXPRESS, ASIA

David has a relationship with our business which dates back some 20 years, both as a partner and friend. David's responsibilities are the management and Directorship of our operations in Hong Kong, South China, Shanghai and North China.

Jon Gundy [1 year]

NATIONAL MANAGER
OWENS INTERNATIONAL

Revenues $NZ52 million

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

Louise McNeill [1 year]

NATIONAL MANAGER
OWENS COOLAIR NEW ZEALAND

Revenues $NZ30 million

Louise joined Mainfreight through the Owens acquisition. Her responsibilities include the three perishable airfreight branches of Coolair and the perishable storage facility based at Auckland Airport.

Carl Howard-Smith [27 years]

GENERAL COUNSEL
MAINFREIGHT GROUP

Mainfreight 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.


BRANCH OF THE YEAR
2005
LEP


LEP
INTERNATIONAL
CaroTrans
INTERNATIONAL
BRANCH OF THE YEAR
2005
MAINFREIGHT
LOGISTICS
OWENS

Our People

This is a major commitment by Mainfreight which is unprecedented within the industry and reflects the forward thinking and innovation which is helping us create a 100 year company.

Luke Percasky (left) from Owens Transport, Christchurch, and Errol Palmer from Mainfreight Precision, Auckland.

Special People Special Company. While this statement is an integral part of the Mainfreight culture, it means little to our customers unless we delight them with our service and the total Mainfreight experience.

To deliver on this promise, the Group is committed to investing in giving our team members the skills they need to meet both our customers' expectations and to contribute to the ongoing development of our business. Specifically, every new and existing team member now attends a week-long course at the Mainfreight Training Academy.

This is a major commitment by Mainfreight which is unprecedented within the industry and reflects the forward thinking and innovation which is helping us create a 100 year company. It is welcomed as a challenge to benchmark our quality standards and have them recognised industry wide.

The Training Academy's simulated working environment provides practical training in freight handling, along with modules on customer service, in-house computer systems and specific dangerous goods and fork hoist skills. In addition, each group also spends half a day learning about the culture and philosophies which are uniquely Mainfreight.

Training has been developed in consultation with all brands within the Group with input from all levels to ensure both the hard skills and the softer values of Mainfreight are well understood and applied.

Mainfreight Family

While today, Debi Fitzpatrick (pictured) and the Human Resources team run the Training Centre, some of her earliest memories are of growing up around the Mainfreight extended family.

Debi's father Terry Cunneen was one of the Group's first managers, starting with Mainfreight in 1979. Debi remembers the Thursday night roasts her father cooked for the team as they worked through the night loading freight for Fridays – and the thrill of riding in the trucks he brought home at the weekends.

During his many years with Mainfreight, Debi's father was a major force in the business, and today is remembered with the Terry Cunneen Memorial Trophy, awarded to the Group's Branch of the Year.

The Cunneen family ties remain strong, with Debi's mother Shirley currently working for Mainfreight Logistics. Her brother Mike has also been with Mainfreight as an Owner Driver.

As a result, managers within the Group are experiencing graduates returning from training with greater enthusiasm and commitment and a real understanding of the processes and requirements of their roles. They also realise they belong to a company which values its people and gives them an opportunity to contribute to its success.

Importantly, through training, our teams are gaining a deep understanding of 'why we do things the way we do' and what Mainfreight stands for.

At the conclusion of their training, graduates attend a ceremony, often along with senior management. They are awarded their diploma, a presentation on the direction of the business and the Mainfreight book.

Currently we are developing new courses for owner drivers which all new owner drivers will be required to complete before their contract commences. Leadership courses for all potential branch managers will also be introduced later in the year.


MANUAL GEAR OIL
LIGHT

CASE STUDY

Fuji Xerox NZ Ltd

Mainfreight brands Owens Logistics, Owens Metro and Daily Freight work with Freightways Couriers to deliver an end-to-end solution for Fuji Xerox.

Fuji Xerox is known as a pioneer in the photocopying business, with equipment used in thousands of homes and offices around the world. Here in New Zealand, Fuji Xerox and its joint venture partner Xerox Corporation, offer the industry's broadest range of document products, services and solutions.

Their reputation has been built on high service levels – whether it's servicing a large corporate office in downtown Auckland or a shoe shop in a regional town like Te Puke.

This year the business formed a partnership with the Mainfreight Group to help manage their complex distribution requirements, while also providing visibility of stock activity and management reporting.

Leveraging Mainfreight's sophisticated logistics and integrated brands, Fuji Xerox now relies on just one supplier to manage the distribution of everything from large equipment to small individual parcels of toner and paper.

Using a mix of Owens Logistics, Owens Metro, Daily Freight and our new courier partners, Freightways, Fuji Xerox customers have a number of fast, efficient delivery options. This includes one hour express, same day delivery or next day regional delivery – not just to the door, but right to the photocopier if required.

From ordering to delivery, every step is managed and supported by Mainchain, Mainfreight's world class supply chain system. Throughout the process, Fuji Xerox customer services team members can oversee the full life cycle of orders from pick to delivery, in real time.

In a fast paced, service driven industry where expectations are high, this process gives Fuji Xerox real competitive edge.

Left: Cindy Orgovan, owner driver of Mainfreight Auckland.

Right: Alan Larsen of Owens Logistics.

Technology

Michael Hood of Mainfreight IT.

Logistics continues to dominate the focus of our technology opportunities and our efforts are proving successful in impressing current and prospective customers.

Since the completion of the upgrade of Owens technology midway through this financial year, our technology team has been able to refocus on developing our technology offerings.

Logistics continues to dominate the focus of our technology opportunities and our efforts are proving successful in impressing current and prospective customers. Our electronic commerce initiatives have been significantly enhanced, with CaroTrans being one of the primary beneficiaries. We have also continued to improve our infrastructure to make it as robust and as future proof as practical.

LOGISTICS SYSTEMS

The most significant development for logistics technology during this year has been the integration of MIMS (Mainfreight Inventory Management System) with a Scan Pack system for our Australian customers. Scan Packing is a critical requirement of major retailers in Australia and is becoming a mandatory requirement for their suppliers. They have fulfilment obligations to ensure all orders will be received and confirmed electronically and that each carton is labelled with the unique carton shipment label that provides a variety of product information. This information is also electronically transmitted to the retailer. The complication of this process and the cost to importers and manufacturers, especially those with pick and pack requirements, is seeing customers outsourcing their warehousing needs. Implemented for several existing customers, Mainfreight Logistics unique Scan Pack solution now sees us well placed to attract additional customers.

The year has also seen MIMS successfully moved to a new development platform based on Microsoft.NET technology. This move, from the original platform introduced in 1988, will enable improved development capabilities and efficiencies as well as enhancing the scale abilities of the system.

CAROTRANS

CaroTrans has continued to introduce innovative electronic commerce solutions with its customers. This year we have improved our systems to allow our customers to book their shipments, send their Bill of Lading instructions and receive status updates and billing from CaroTrans without the need to telephone or email us.

The process includes the bookings and Bill of Lading instructions being received electronically from the customer. The Bill of Lading instructions, being an international legal document, are then matched to the booking and the needs of our customer. No further manual checking is required.

Throughout the process our system will electronically send billing information and tracking status for the entire freight journey. This process provides significant time savings for CaroTrans and our customers.

LEP

LEP New Zealand and Australia underwent significant system upgrades during the year. Both companies are now on the latest version of GEO Logistics' world wide international freight system hosted in the United Kingdom.

This move has enabled both companies to offer their customers a better level of service through technology and real time tracking of shipments within the world wide GEO network. Additionally there has been a significant reduction in the work required to create any further import paperwork.

MAINFREIGHT ASIA

In November we introduced a new sales module for OnSale, our customer relationship management system. This sales module has been specifically built for Mainfreight International's offices in China, Hong Kong and Taiwan and allows them to enter sales leads for exports from their region to Australia, New Zealand and the USA. As this freight is generally controlled by the importers, they provide details of the importers for Mainfreight International Australia and New Zealand to follow up.

This new system allows easy entry of the key information over the internet by Mainfreight International Asia and full visibility of each step in the sales lead follow up.

In November we introduced a new sales module for OnSale, our customer relationship management system.

MAINFREIGHT TRANSPORT AND DISTRIBUTION

Maintrak, our domestic freight tracking system, and most critical system, was moved on to a new operating environment in September 2004. The move to the new technology will provide growth opportunities at a cost significantly lower than previous platforms.

Maintrak continues to be developed to offer customers enhanced levels of service and our team member's better tools to delight our customers.

MAINCHAIN

Statistics on Mainchain show an increased usage by customers. Designed to display critical information via the internet on any shipment, no matter where it is in the world, Mainchain has become a critical tool for our customers.

It is attracting over 3,500 people logging in each week, who make 37,500 tracking queries and enter 1,250 logistics orders per week. Mainchain has enabled CaroTrans to gain US based customers for Mainfreight Logistics simply because they have real time information on their products and orders at their fingertips 24 hours a day.

IT STATISTICS – DOMESTIC

1. Percentage of Consignment Notes received electronically

	This Year	Last Year
New Zealand	51%	50%
Australia	59%	52%
Owens	33%	22%

2. Percentage of Customer Issues received electronically (Helpdesk)

	This Year	Last Year
New Zealand	55%	57%
Australia	45%	Not available

3. Percentage of Logistics orders received electronically

	This Year	Last Year
New Zealand	60%	53%
Australia	84%	32%

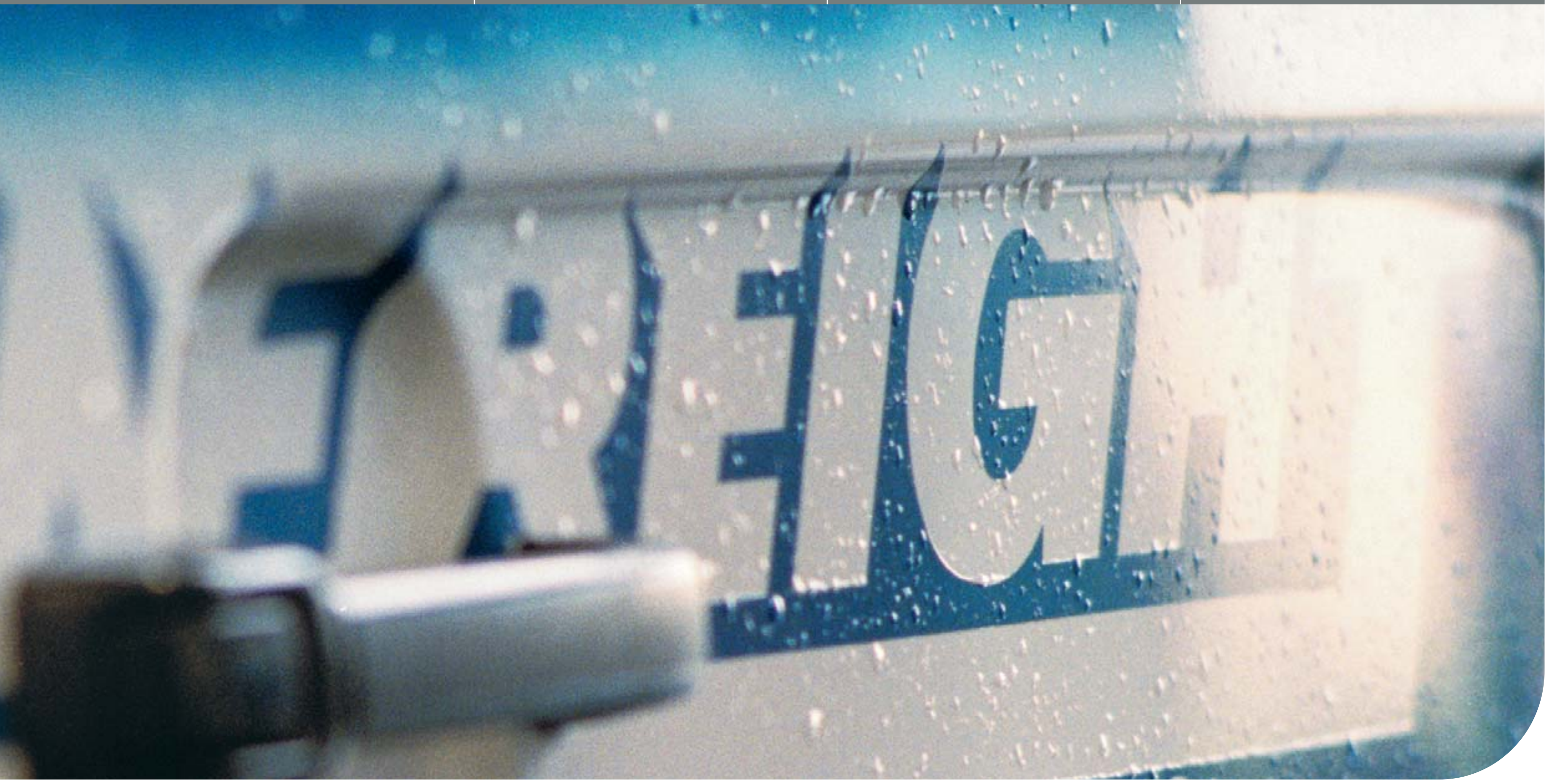
4. Number of consignments tracked electronically

	This Year	Last Year
New Zealand	180,876 pa	127,596 pa

Target and Achievements

2004		2005	
TARGET	**STATUS**	**TARGET**	**STATUS**
• Open a branch in Rockhampton	• Will not open a Rockhampton branch	• Full year profit for Mainfreight Distribution	• Achievable
• Service by Mainfreight Distribution to 150 Australian towns	• 173 now being serviced	• Further expansion in China	• On target
• Begin operations in another Asian country	• Still under review	• Develop direct investments in USA land transportation	• Still focused on logistics and warehousing activities only
• List on Australian Stock Exchange	• Still under review	• Open International operations in the United Kingdom	• Completed through acquisition of Owens
• Purchase Australian Freight Company	• Still under review	• Complete new premises for Mainfreight Auckland	• Began earthworks early 2005
• 1,000,000 sq ft of warehousing in Australia	• Currently have 420,000 sq ft now expected in 2006.	• To launch Mainfreight International in the USA	• Retail freight tonnage now 20% of CaroTrans' activities
• Mainchain technology providing see through track and tracing for all Supply Chain activity	• Completed	• Launch Chemcouriers Australia	• Once profitability secure in Mainfreight Distribution
• Explore European opportunities for international expansion	• Under consideration		

2006 TARGET	2006 STATUS	2007 TARGET	2008 TARGET
• Exceed worldwide revenue of NZ$1 billion	• Possible, but likely to take us until 2008	• To have identified and completed successful acquisitions in Australia and the USA	• To have revenues exceeding $1 billion
• Service by Mainfreight Distribution to 250 Australian towns	• On target	• To have our business in the United Kingdom contributing significantly to our international divisions	• To have our off shore interests generating more profit than our New Zealand businesses
• Further expansion within the USA	• On target	• To have six or more profitable operations in North East Asia	• To be the dominant LCL logistics supply chain operator in Australasia
• To be consistently profitable in Mainfreight Distribution	• On target	• To have Mainfreight International throughout the USA and generating similar revenue to CaroTrans	• To be achieving in excess of 7% return on revenue in our international divisions
• To consider other possible acquisitions outside of New Zealand	• On target	• To have developed a presence in South East Asia and India	• To begin to have global significance in international logistics using our foundations in USA, United Kingdom, China and Australasia
• To develop interests within South East Asia	• On target		
• 1,000,000 sq ft of warehousing in Australia	• On target		



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 property asset values in the past year have increased by $11.5 million, our Group properties having a market value of $35.3 million over book value.

During the year five building projects were undertaken, with completion due on four of these in mid 2005.

DAILY FREIGHT AUCKLAND

Substantial changes have been made to the loading dock and roof areas to cater for the increased tonnage moving through the facility.

MAINFREIGHT MOUNT MAUNGANUI

Roof and dock extensions have been made alongside the completion of further hard stand on the vacant land adjacent to the terminal, again to cater for increased freight tonnage.

MAINFREIGHT ROTORUA

The depot has been increased in size by three times to cater and provide for the increased volumes being handled by our Rotorua team.

MAINFREIGHT METRO AUCKLAND

With volumes nearly doubling in the past two years, it has been necessary to provide our Metro team with a facility. This has been built on land already owned at Westney Road, Mangere and is adjacent to our Logistics and Warehousing operation.

MAINFREIGHT AUCKLAND

Earth works commenced on our Otahuhu land in preparation for the construction of a new freight terminal and warehousing facility, replacing our current facility in Southdown Lane, Penrose. Construction is expected to be completed in late 2006.

ENVIRONMENTAL FEATURES FOR PROPERTY

Where possible our freight and warehousing facilities are built with environmental issues foremost in planning. Rainfall is collected and stored to provide valuable water for truck washing, ablutions and irrigation. Landscaping is designed to ensure we can beautify our land over and above local council requirements. Solar power opportunities for lighting are explored and where feasible, installed.

PROPERTY PORTFOLIO

		New Zealand		Australia	
		2005 m²	**2004 m²**	**2005 m²**	**2004 m²**
Properties Owned & Utilised	Freehold	73,643	70,806	3,525	3,525
	Leasehold	35,960	31,445	-	-
Properties Held for Future Sale		-	7,435	-	-
Leased with Term (3+ years)		28,909	35,463	95,045	74,436
TOTAL PROPERTIES		138,512	145,149	98,570	77,961

GROUP PROPERTY VALUATIONS

	2005 $m	**2004 $m**
Market Value	82.954	68.640
Book Value	47.676	44.893
Value Growth	35.278	23.747

Capital Expenditure

CAPITAL EXPENDITURE

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

Essentially, 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 $5.455 million with disposals of $0.587 million. Capital required for property development during 2005 and 2006 will be considerable and is likely to exceed $20 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 $4.462 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 $3.659 million. Disposal of assets was $3.780 million, which includes some vehicles sold to our owner drivers and surplus assets of Owens Group.

Operating Statistics

NEW ZEALAND DOMESTIC CUSTOMER SERVICE MEASUREMENT

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

Claims

1997	321 consignments for 1 claim
1998	374 consignments for 1 claim
1999	419 consignments for 1 claim
2000	413 consignments for 1 claim
2001	453 consignments for 1 claim
2002	463 consignments for 1 claim
2003	417 consignments for 1 claim
2004	517 consignments for 1 claim
2005	513 consignments for 1 claim

Loading Errors

1997	3.18 loading errors per 100 consignments
1998	2.42 loading errors per 100 consignments
1999	2.24 loading errors per 100 consignments
2000	2.20 loading errors per 100 consignments
2001	2.04 loading errors per 100 consignments
2002	3.34 loading errors per 100 consignments
2003	3.08 loading errors per 100 consignments
2004	2.75 loading errors per 100 consignments
2005	2.76 loading errors per 100 consignments

* Note: Since 2001 a more stringent definition of handling errors was introduced.

Information Technology

	This Year	Last Year
Information Technology Spend	$13.5m	$15.7m
As a % of Revenue	1.57%	2.38%

OPERATING STATISTICS

Team Numbers

	This Year	Last Year
NZ Domestic *Mainfreight, Daily Freight, Chemcouriers, Logistics*	1,390	1,204
NZ International *LEP and Mainfreight International*	133	139
Australian Domestic *Mainfreight Distribution, Logistics*	433	331
Australian International *LEP Pty and Mainfreight International Pty*	367	328
International *CaroTrans, USA and Mainfreight Express, Asia*	163	107
Owens *Transport, International, Coolair*	381	n/a
Total Group	2,867	2,107

Gender Ratios

	Male	Female
New Zealand	72%	28%
Australia	57%	43%
USA	33%	67%
Total	**64%**	**36%**
Last Year	**64%**	**36%**

Training and Human Resource

	This Year	Last Year
Training and HR Spend	$2.78m	$1.80m
As a % of Revenue	0.32%	0.27%

Logistics Statistics

	This Year	Last Year
New Zealand		
Inventory record accuracy (IRA)	98.20%	97.40%
Picking accuracy	99.30%	98.80%
Facility utilisation	86.0%	78.0%
Australia		
Inventory record accuracy (IRA)	98.10%	97.10%
Picking accuracy	98.90%	98.20%
Facility utilisation	82.0%	89.0%

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

NEW ZEALAND DOMESTIC STATS

	This Year	Last Year
Total Tonnes	2,129,440	1,919,584
Total Cube Metres	4,416,031	4,346,489
Total Consignments	2,823,474	2,707,174

INTERNATIONAL STATISTICS

	This Year	Last Year
Airfreight Inbound and Outbound (kilos)	45,689,067	30,922,520
Seafreight Inbound & Outbound TEU's	133,113	102,611
Customs Entries	80,679	74,716

Revenue Comparison

(000's)	This Year	Last Year
NZ Domestic $NZ	201,118	$181,434
NZ International $NZ	66,066	71,308
Australian Domestic $A	68,912	48,839
Australian International $A	181,444	134,123
USA International $US	51,913	34,038
Owens Group $NZ	238,268	143,717

EBITDA Comparison

	This Year	Last Year
NZ Domestic $NZ	28,518	24,997
NZ International $NZ	2,363	3,300
Australian Domestic $A	1,389	(3,319)
Australian International $A	7,914	5,247
USA International $US	2,072	848
Owens Group $NZ	1,362	(2,507)

	This Year	Last Year
Debtors Days Outstanding	37.41	38.22

Note: Mainfreight businesses only

Right: Marcus Galiki of Daily Freight.


PALMERSTON
NORTH
ALLAN
ROTORUA
DAILY FREIGHT

Mercy Bitong-Noche of CaroTrans USA.

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 five occasions in the financial year ended 31 March 2005.

DIRECTORS MEETINGS

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

Bruce Plested and Don Braid also attend two Board Meetings of LEP in either New Zealand or Australia, two Board Meetings of Mainfreight Express in Asia and one Board Meeting of Owens UK Limited. Bruce Plested, Don Braid and Carl Howard-Smith are also Directors of Owens Group Limited. Two one-day meetings were held for this business last year. Emmet Hobbs is the director representing our interests on the Rakino Board.

Director	Meetings Held	Meetings Attended	*Meetings Attended Subsidiary
Bruce Plested	5	5	12
Don Rowlands	5	5	-
Neil Graham	5	5	-
Richard Prebble	5	5	-
Carl Howard-Smith	5	5	2
Don Braid	5	5	12
Emmet Hobbs	5	5	12
Bryan Mogridge	5	5	-

* Includes Owens Group Limited

MANAGEMENT

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

GROUP MANAGEMENT STRUCTURE

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

THE ROLE OF SHAREHOLDERS

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

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

AUDIT COMMITTEE

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

These controls include safeguarding of assets, maintaining proper accounting records, complying with legislation, ensuring the reliability of financial information, and assessing and 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 review the remuneration and benefits of senior executives and makes recommendations to the Board. The Committee also monitors and reports on general trends and proposals concerning employment conditions and remuneration.

Remuneration Committee:

Bruce Plested, Executive Chairman
Don Rowlands, Director
Emmet Hobbs, Director

Directors' Report

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

ACTIVITIES

The current financial year saw the divestment of non strategic business units which were acquired with the Owens Group purchase. After balance date, a takeover offer for the remaining 20.34% of Owens Group Ltd was made with completion expected over the July / August 2005 period.

FINANCIAL RESULT

Consolidated sales for the year were $857.0 million, up on the previous year by $197.2 million (29.9%). The net surplus increased by 126.5%, from $5.968 million to $13.520 million. Comparisons to the 2004 result are set out in the Five Year Review; page 79 of the financial statements.

FINANCIAL POSITION

The Group has improved its financial position with shareholders' equity of $79.2 million, funding 33.2% of total assets. Earnings cover interest on debt by 5.9 times. Net cash flow from operations was $10.9 million down from $16.8 million last year. This decrease resulted from Owens Group cash flow requirements in the first six months of the financial year. The second half of the year saw operating cash flows of $17.9 million compared with $11.0 million in the previous period. $20.2 million of borrowings were repaid during the year. Divestment activities within Owens Group assisted.

DIVIDEND

A dividend of 3.5 cents per share was paid in July 2004, fully imputed. A supplementary dividend of 0.62 cents per share was paid to non-resident shareholders with this dividend. A further dividend of 3.0 cents per share was paid in December 2004, fully imputed. A supplementary dividend of 0.53 cents per share was paid to non-resident shareholders with this dividend. A fully imputed dividend of 3.5 cents per share, payable on 22 July 2005 is proposed, together with a supplementary dividend of 0.62 cents per share for non-resident shareholders. Books close for this dividend on 15 July 2005.

STATUTORY INFORMATION

Additional information is set out on pages 75 to 78 including Director's Interests as required by the Companies Act 1993.

DIRECTORS

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

Consolidated sales for the year were $857.0 million, up on the previous year by $197.2 million.

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 2005 is scheduled for release on 19 August 2005.

OUTLOOK

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

For and on behalf of the Board
27 June 2005

Bruce Plested
Executive Chairman

Carl Howard-Smith
Director

Directors

BRUCE PLESTED

Executive Chairman & founding owner

27 years with Mainfreight

Appointment to Board 1978

Founding Managing Director of Mainfreight.
Chairman of Owens Group.

DON BRAID

Group Managing Director

11 years with Mainfreight

Appointment to Board 2000

16 years with Freightways Group.
Joined Mainfreight through the acquisition of Daily Freightways,
Managing Director of Owens Group.

NEIL GRAHAM, QBE

Independent Director

26 years with Mainfreight

Appointment to Board 1979

Joint Managing Director of Mainfreight 1979-1999
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.

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.

CARL HOWARD-SMITH

Executive Director

27 years with Mainfreight

Appointment to Board 1983

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

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

RICHARD PREBBLE

Independent Director

Appointment to Board 1996

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

Other Directorships:
McConnell Ltd and a number of private Directorships.

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 and Guardian Health Care Ltd (Chairman).

EMMET HOBBS

Independent Director

Appointment to Board 2003

Former Executive Director, Brambles Industrial Services, Australia, Former Executive Director, Qantas Freight, Director Hirepool, a number of private Directorships in New Zealand.

Procedural Notes (from Notice of Meeting, page 2)

1. A shareholder may attend the meeting and vote or may appoint a proxy to attend the meeting and vote in place of the shareholder.

2. If you wish to appoint a proxy you should complete the proxy form which is enclosed with this notice of meeting. A proxy need not be a shareholder of the Company. If you wish, you may appoint "the Chairman of the Meeting" as your proxy.

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 or by mail to Private Bag 92 119, Auckland 1020, New Zealand so as to be received not later than 2.30pm on 27 July 2005.

4. Resolutions 1 to 5 and 7 are to be considered as ordinary resolutions and resolution 6 is to be considered as a special resolution. The resolutions to be considered as ordinary resolutions require approval of a simple majority of votes cast by the holders of ordinary shares. The resolution to be proposed as a special resolution requires approval of a 75% or more majority of the votes cast by the holders of ordinary shares.

Explanatory Notes

AGENDA ITEMS 2 TO 4: ELECTION OF DIRECTORS

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

The Board considers that Bryan Mogridge and Emmet Hobbs both qualify as independent directors.

The Board considers that Carl Howard-Smith does not qualify as an independent director (because of the portion of his annual earnings which he may derive from the Company).

AGENDA ITEM 6: NEW CONSTITUTION

INTRODUCTION

Agenda Item 6 is a proposal that the Company revokes its existing constitution and adopts a new constitution.

The proposed new constitution has been approved by New Zealand Exchange Limited ("NZX").

A copy of the proposed new constitution and the existing constitution may be viewed on the Company's website www.mainfreight.com Copies of those documents are also available on request from the Company at PO Box 14 038, Penrose, Auckland, Attention: Tim Williams. You may also inspect copies of those documents at the Company's offices at 473 Great South Road, Penrose, Auckland.

Many of the changes to be made by the adoption of the proposed new constitution are required as a result of the amendments to the NZSX Listing Rules in October 2003 and May 2004.

The amendments to the NZSX Listing Rules which came into effect in May 2004 permit a listed issuer to incorporate the relevant NZSX Listing Rules by reference. The proposed new constitution adopts this approach. The approach followed in the proposed new constitution has a number of advantages, including:

- removing the need for the Company to update its constitution each time the NZSX Listing Rules change, thereby saving the Company both time and money;
- permitting the Company to adopt any favourable amendments to the NZSX Listing Rules from the date that those amendments become effective, without the need first to either incorporate them in the constitution or obtain specific waivers or rulings in each case; and
- shortening and simplifying the constitution.

As a consequence, in the future, shareholders will not be required to pass a special resolution changing the Company's constitution to accommodate any further changes to the NZSX Listing Rules.

In accordance with the NZSX Listing Rules, if there is any provision in the proposed new constitution that is inconsistent with the NZSX Listing Rules relevant to the Company, the NZSX Listing Rules (as amended by any waiver or ruling relevant to the Company) will prevail.

The adoption of the proposed new constitution will allow and require the Company to operate immediately within the full parameters permitted by the NZSX Listing Rules. Set out below is an explanation of the various material amendments to the NZSX Listing Rules which will apply immediately to the Company upon adoption of the proposed new constitution. The NZSX Listing Rules may be viewed on the NZX's website www.nzx.com.

References to clause numbers are references to clause numbers in the proposed new constitution.

1. CLAUSE 4 –
   ISSUES OF NEW EQUITY SECURITIES

   Time limits

   In line with the NZSX Listing Rule amendments, the proposed new constitution incorporates by reference amendments to NZSX Listing Rule 7.3.2, which deal with time limits for the issue of equity securities following approval by shareholders. The NZSX Listing Rule amendments extend the time limits within which an issue of new equity securities approved by shareholders can be made as follows:

   (a) in the case of an issue made solely to employees, from within 12 months to within 36 months after the passing of the resolution of shareholders approving the issue; and

   (b) in all other cases, from within 6 months to within 12 months after the passing of the resolution of shareholders approving the issue.

$5,000 offers to holders of existing securities

The amendment to NZSX Listing Rule 7.3.4 now allows the Board to issue equity securities without shareholder approval to holders of existing equity securities if the consideration does not exceed $5,000 per existing security holder and the number of equity securities to be issued does not exceed 30% of the total number of fully paid equity securities already on issue. This provision is incorporated by reference into the proposed new constitution. This provision provides the Company with more flexibility to raise capital without seeking specific shareholder approval, on the basis that the capital is raised in relatively small sums from existing equity security holders.

Issues within 15% limit

NZSX Listing Rule 7.3.5 (which permits the Company to issue, without shareholder approval, equity securities to persons other than Directors, Associated Persons of Directors or Employees) has been amended to increase the maximum number of equity securities that can be issued in a 12-month period, without the need to obtain shareholder approval, from 10% to 15% of the total number of equity securities of that class on issue. That increased maximum number is incorporated by reference into the proposed new constitution.

Employee share issues

The proposed new constitution incorporates by reference amendments to NZSX Listing Rule 7.3.6. Those amendments increase the thresholds for issues of equity securities to employees without the need to obtain shareholder approval from:

(a) 2% to 3% of the total number of equity securities of that class on issue in the 12 month period preceding the date of issue; and

(b) 5% to 7% of the total number of equity securities of that class on issue in the 5 year period preceding the date of issue.

The amendments to the NZSX Listing Rules also provide (NZSX Listing Rule 7.3.7A) that if securities have been issued to directors or employees with shareholder approval, those securities cannot be repriced or their terms amended except in accordance with two specific NZSX Listing Rules (NZSX Listing Rules 8.1.7 and 8.1.9) or with the approval of NZX or with further shareholder approval. This restriction is also incorporated by reference into the proposed new constitution.

2. CLAUSE 5 – BUYBACKS OF EQUITY SECURITIES

The proposed new constitution incorporates by reference amendments to NZSX Listing Rule 7.6.1 which increase the limit imposed on the Company acquiring its own shares during any 12 month period without shareholder approval from 10% to 15% of the total number of equity securities of the class acquired on issue at the commencement of that period.

3. CLAUSE 20 – BOARD COMPOSITION

The proposed new constitution incorporates by reference amendments to NZSX Listing Rule 3.3.1 which require a minimum number of independent directors on the Board. The NZSX Listing Rule states that the minimum number of independent directors shall be two or, if there are eight or more directors, the greater of three directors or one-third of the total number of directors (rounded down to the nearest whole number of directors).

4. INDEPENDENT DIRECTORS

The proposed new constitution incorporates by reference new NZSX Listing Rules 3.3.1A, 3.3.1B and 3.3.1C in relation to independent directors. The effect of these Rules is:

(a) the Board must determine which of its directors are independent directors after the annual shareholders meeting each year;

(b) if a director is appointed by the Board, the Board must determine whether the director is an independent director;

(c) each time the Board makes such a determination, the Company must announce the outcome to NZX;

(d) the Board must also determine which of its directors are independent directors prior to the publication of its annual report each year so that that information can be included in the annual report; and

(e) the Company must make the necessary arrangements to require directors to provide sufficient information to the Board to enable it to make those determinations.

5. AUDIT COMMITTEE

The proposed new constitution incorporates by reference the amended NZSX Listing Rule 3.6 requirement that the Company establish an audit committee consisting of a minimum of three directors of the Company, a majority of whom must be independent directors and at least one of whom must have an accounting or financial background. The Company has had an audit committee in place for a number of years.

6. NOMINATION OF DIRECTORS

The proposed new constitution incorporates by reference the amendments to NZSX Listing Rule 3.3.2 in relation to the nomination of directors. The closing date for director nominations must not be more than two months before the date of a proposed annual shareholders meeting. The Company must make a market announcement of the opening date and closing date for director nominations no less than three months prior to the date of a proposed annual shareholders meeting. The Company must also specify in any notice of meeting in which a person is nominated for election as a director, the Board's view as to whether or not the nominee would qualify as an independent director.

7. CLAUSE 24 – DIRECTORS' REMUNERATION

Clause 24 incorporates by reference NZSX Listing Rule 3.5.1 which clarifies that no remuneration may be paid to a non-executive director of the Company in his or her capacity as a director of the Company unless that remuneration has been authorised by an ordinary resolution of shareholders of the Company. NZSX Listing Rule 3.5.1 extends the ambit of the rule to remuneration paid to a director of the Company by any subsidiary of the Company, other than a subsidiary which is listed.

8. MAJOR TRANSACTIONS

The proposed new constitution incorporates by reference the amendments to NZSX Listing Rule 9.1 in relation to major transactions. The quantitative threshold for determining whether shareholder approval is required for a major transaction now relates to transactions in respect of which the gross value is in excess of 50% of the Company's average market capitalisation (the previous test was based on 50% of the lesser of the Company's average market capitalisation or the gross value of its assets).

In addition, a takeover offer in respect of a Code Company made by the Company does not require shareholder approval under recent changes made to the NZSX Listing Rules.

9. TRANSACTIONS WITH RELATED PARTIES

The proposed new constitution incorporates by reference the amended NZSX Listing Rule 9.2. That rule relates to material transactions with related parties. The thresholds for determining whether a transaction is a related party transaction are now based on the average market capitalisation of the Company. The previous tests were based on the lesser of shareholders' funds or average market capitalisation of the Company.

The "aggregate gross value" test for sales and acquisitions of assets has now been replaced with the concept of "aggregate net value" which is to be calculated by reference to the greater of the net tangible asset backing or market value of the relevant assets.

In accordance with amendments to NZSX Listing Rule 9.2.1, a related party transaction which is an employment contract with a natural person who is not a director of the Company or any of its subsidiaries or which is a transaction with a total value of less than $250,000 is exempt from the requirement to obtain shareholder approval.

AGENDA ITEM 7: DIRECTORS' REMUNERATION

The current annual remuneration of all Directors taken together is $280,000 which is currently divided among the Directors by annual payments of $70,000 to the Executive Chairman and $35,000 to each of the remaining Directors (excluding the Managing Director).

The Directors' remuneration was last increased at the annual meeting in June 2003 when it was increased from $200,000 to $280,000. Prior to that the Directors' remuneration had not been increased since the Company listed in 1996.

The proposed increase in remuneration will enable annual fees of $90,000 to be paid to the Executive Chairman and annual fees of $45,000 to be paid to each of the other Directors (excluding the Managing Director).

Since 2003 the Company has acquired a controlling interest in the Owens Group and the size and complexity of the Group's business has increased accordingly. The Group's revenues have also significantly increased. This has placed a corresponding increase in the demands on the Directors. In recent years there has also been an increased focus on good governance.

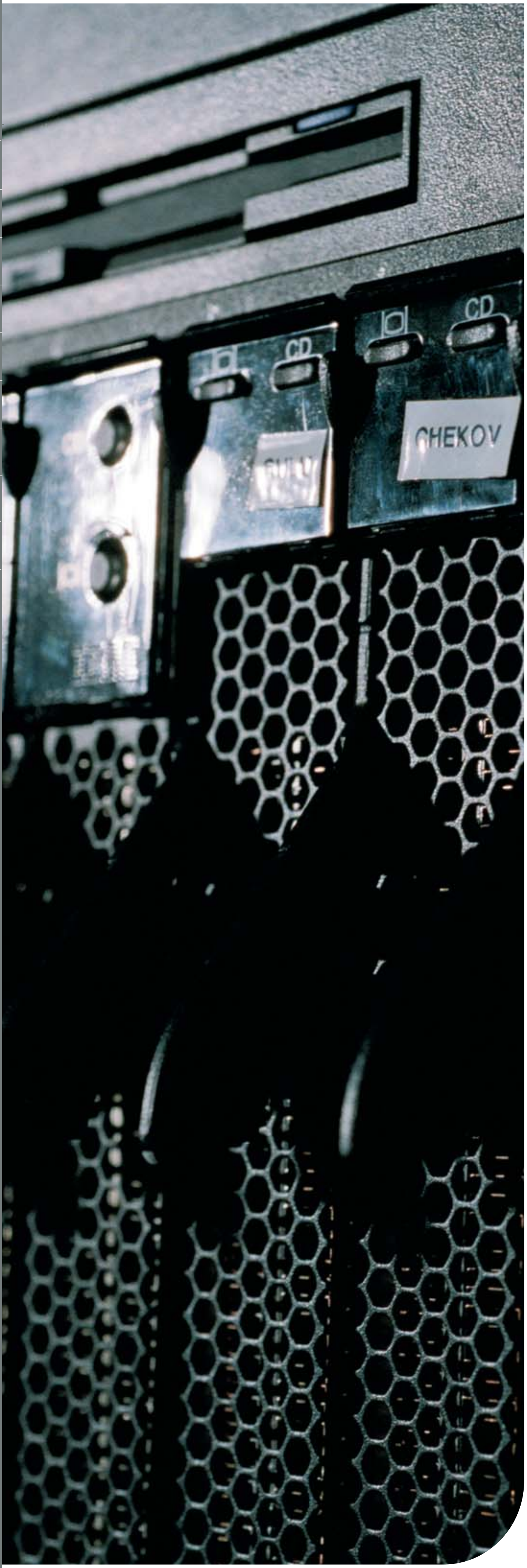
The Board believes that the proposed increase will enable fair remuneration to be paid for the work, commitment and responsibility of its Directors and is within current market levels for Directors' fees for similar companies.

NOTES

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

2. In accordance with the NZSX Listing Rules none of the Directors who will be entitled to be paid Directors' fees or any of their associated persons are entitled to vote on resolution 7. That voting prohibition will not prevent a person who is disqualified from voting, who has been appointed as a proxy or voting representative by another person who is not disqualified from voting under the NZSX Listing Rules, from voting in respect of the securities held by that other person in accordance with the express instructions of that other person.

Financial Contents



STATEMENT OF FINANCIAL PERFORMANCE

		Group		Parent	
		2005	2004	2005	2004
	Notes	$000	$000	$000	$000
Operating Revenue		$857,043	$659,874	$164,667	$145,238
Surplus Before Associates, Amortisation, Non-recurring items and Taxation for the Year	2	30,145	16,105	13,937	12,861
Non-recurring items	9	(6,238)	(2,262)	-	-
Share of Surplus (Deficit) of Associates	11	2,058	1,119	-	-
Amortisation Expense	8	(5,184)	(3,830)	-	-
Surplus Before Taxation for the Year		20,781	11,132	13,937	12,861
Income Tax Expense	4	7,237	5,605	2,143	2,586
Surplus After Taxation for the Year		13,544	5,527	11,794	10,275
Minority Interest in (Surpluses) Deficits of Subsidiaries		(24)	441	-	-
NET AND OPERATING SURPLUS FOR THE YEAR		$13,520	$5,968	$11,794	$10,275

STATEMENT OF MOVEMENTS IN EQUITY FOR THE YEAR ENDED 31ST MARCH 2005

Net Surplus for the Year – Parent interest	13,520	5,968	11,794	10,275
Net Surplus for the Year – Minority interest	24	(441)	-	-
Currency translation difference – Parent interest	(1,457)	181	(223)	186
Currency translation difference – Minority interest	(29)	124	-	-
Total Recognised Revenues and Expenses for the Year	12,058	5,832	11,571	10,461
Contributions from Owners (Share Issue & Executive Options)	681	18,444	681	18,444
Minority Interest arising on Acquisition (Disposal)	(1,071)	7,829	-	-
Supplementary Dividends	(161)	(123)	(161)	(123)
Dividends Paid	(6,218)	(5,347)	(6,218)	(5,347)
Dividends Paid to Minority Shareholders	(330)	-	-	-
Foreign Investor Tax Credit	161	123	161	123
MOVEMENTS IN EQUITY FOR THE YEAR	$5,120	$26,758	$6,034	$23,558
Equity at the start of the Year				
Parent Interest	72,716	53,470	85,212	61,654
Minority Interest	9,593	2,081	-	-
	82,309	55,551	85,212	61,654
Equity at the end of the Year				
Parent Interest	79,242	72,716	91,246	85,212
Minority Interest	8,187	9,593	-	-
	87,429	82,309	91,246	85,212

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

STATEMENT OF FINANCIAL POSITION AS AT 31ST MARCH 2005

		Group		Parent	
		2005	2004	2005	2004
	Notes	$000	$000	$000	$000
Shareholders' Equity					
Share Capital	3	54,898	54,217	54,898	54,217
Accumulated Surplus		27,902	20,930	36,888	31,312
Foreign Currency Translation Reserve		(3,558)	(2,431)	(540)	(317)
Shareholders' Equity		79,242	72,716	91,246	85,212
Minority Interest		8,187	9,593	-	-
TOTAL EQUITY		87,429	82,309	91,246	85,212
Non-current Liabilities					
Bank Term Loan	5	58,461	54,346	58,461	43,638
Intercompany Advances	18	-	-	40,000	40,000
Employee Entitlements	16	726	620	-	-
Finance Lease Liability	6	164	622	-	-
		59,351	55,588	98,461	83,638
Current Liabilities					
Bank Overdraft	5	5,144	4,392	2,224	1,239
Intercompany Creditors	18	-	-	14,973	12,265
Trade Creditors & Accruals		72,991	105,237	15,762	16,796
Employee Entitlements	16	12,665	12,845	3,022	2,775
Provision for Taxation		1,088	399	-	-
Current Portion Bank Loan	5	-	25,400	-	25,400
Finance Lease Liability	6	263	274	-	-
		92,151	148,547	35,981	58,475
TOTAL LIABILITIES AND EQUITY		$238,931	$286,444	$225,688	$227,325
Non-current Assets					
Fixed Assets	7	72,163	77,728	55,581	52,630
Goodwill	8	34,970	45,338	-	-
Investments in Subsidiaries	10	-	-	139,240	139,871
Investments in Associates	11	5,445	5,773	-	-
Other Investments		80	449	157	368
Future Tax Benefit		874	3,376	-	-
Deferred Tax Asset	4	5,071	6,652	612	1,116
		118,603	139,316	195,590	193,985
Current Assets					
Bank		5,117	8,067	-	-
Intercompany Advances	18	-	-	-	6,353
Associate Company Advances	18	-	225	-	-
Trade Debtors		103,099	121,808	18,726	19,135
Intercompany Debtors	18	-	-	8,346	4,131
Future Tax Benefit		2,465	-	-	-
Tax Paid in Advance		1,312	1,518	1,329	910
Other Debtors		8,335	5,902	1,697	2,811
Property Held for Resale	7	-	471	-	-
Other Investments		-	5,400	-	-
Inventories	19	-	3,737	-	-
		120,328	147,128	30,098	33,340
TOTAL ASSETS		$238,931	$286,444	$225,688	$227,325

For and on behalf of the Board who authorised the issue of the Financial Report on 27 June 2005.

Dated 27 June 2005 B. G. Plested, Executive Chairman C. G. O. Howard-Smith, Director

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST MARCH 2005

		Group		Parent	
		2005	2004	2005	2004
	Notes	$000	$000	$000	$000
Cash Flows From Operating Activities					
Cash was provided from:					
Receipts from Customers		867,925	745,009	164,762	141,260
Interest Received		236	184	119	46
Dividend Received		909	-	7,141	5,658
		869,070	745,193	172,022	146,964
Cash was dispersed to:					
Payments to Suppliers		(836,703)	(715,128)	(152,669)	(128,451)
Interest Paid		(4,942)	(4,755)	(3,731)	(2,849)
Income Taxes Paid		(7,077)	(8,494)	(2,280)	(3,708)
Shipping Line Account Movements		(9,405)	-	-	-
		(858,127)	(728,377)	(158,680)	(135,008)
NET CASH FLOWS FROM OPERATING ACTIVITIES	15	$10,943	$16,816	$13,342	$11,956
Cash Flows From Investing Activities					
Cash was provided from:					
Proceeds from Sale of Assets		4,367	9,167	817	8,108
Proceeds from Sale of Business Units		17,451	-	-	-
Proceeds from Sale of Investments		5,400	-	-	-
Repayments by Employees and Contractors		79	23	24	24
		27,297	9,190	841	8,132
Cash was applied to:					
Purchase of Fixed Assets		(13,575)	(12,433)	(8,744)	(8,868)
Advances to Employees and Contractors		(91)	(7)	(27)	(10)
Investment in Subsidiaries		(1,046)	(53,382)	(46)	(53,384)
Investment in Associates		(817)	-	-	-
Bank Overdraft from Acquisitions	8	-	(4,408)	-	-
		(15,529)	(70,230)	(8,817)	(62,262)
NET CASH FLOWS FROM INVESTING ACTIVITIES		$11,768	$(61,040)	$(7,976)	$(54,130)
Cash Flows From Financing Activities					
Cash was provided from:					
Proceeds of Long Term Loans & Bridging Finance		-	39,823	-	31,400
Advances from Director		37	665	37	665
Advances and Repayments from Subsidiaries		-	-	9,087	(2,094)
Proceeds of Share Issues		681	18,444	681	18,444
		718	58,932	9,805	48,415
Cash was applied to:					
Dividend Paid to Shareholders		(6,218)	(5,347)	(6,218)	(5,347)
Dividend Paid to Minority Interests		(330)	-	-	-
Repayment of Advances from Director	18	(37)	(665)	(37)	(665)
Repayment of Loans		(20,242)	(2,055)	(9,901)	-
Advances to Subsidiary Companies		-	(52)	-	-
		(26,827)	(8,119)	(16,156)	(6,012)
NET CASH FLOWS FROM FINANCING ACTIVITIES		$(26,109)	$50,813	$(6,351)	$42,403
NET (DECREASE) INCREASE IN CASH HELD		(3,398)	6,589	(985)	229
Effect of Foreign Exchange Rate Fluctuations on Cash Held		(304)	-	-	-
ADD OPENING CASH BROUGHT FORWARD		3,675	(2,914)	(1,239)	(1,468)
ENDING CASH CARRIED FORWARD		$(27)	$3,675	$(2,224)	$(1,239)
Comprised					
Bank and Short Term Deposits		5,117	8,067	-	-
Bank Overdraft		(5,144)	(4,392)	(2,224)	(1,239)
		$(27)	$3,675	$(2,224)	$(1,239)

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

01 Statement of Accounting Policies

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

(i) Revenue

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

(ii) Basis of Consolidation – Purchase Method

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

(iii) Associate Companies

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

(iv) Joint Ventures

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

(v) Fixed Assets

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

(vi) Depreciation

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

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

(vii) Impairment

If the recoverable amount of an asset is less than its carrying amount, the item is written down to its recoverable amount. The write down of an asset recorded at historical cost is recognised as an expense in the statement of financial performance.

On assets that are not revalued the reversal of a writedown is recognised in the statement of financial performance.

(viii) Debtors

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

01 Statement of Accounting Policies continued

(ix) Taxation

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

(x) Foreign Currencies

Assets and liabilities expressed in foreign currencies are converted to New Zealand dollars at the rate of exchange ruling at balance date. Exchange differences arising on trading items are recognised in the period in which they occur by way of a credit or charge in the Statement of Financial Performance. Exchange differences on translation of foreign currency subsidiaries 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 by the straight line method over the period during which benefits are expected to be received. This is typically 10 years and in no case exceeds 20 years.

(xiii) Investments

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

(xiv) Financial Instruments

Financial instruments, with off-balance sheet risk, have been entered into for the primary purpose of reducing the exposure to fluctations of foreign currency 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) Changes in Accounting Policies

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

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

02 Surplus Before Amortisation and Taxation

	Group		Parent	
The Surplus before Amortisation and Taxation is stated:	2005	2004	2005	2004
	$000	$000	$000	$000
After Charging:				
Audit Fees – Parent Company Auditors	424	316	140	106
Audit Fees – Other Auditors	365	271	-	-
Other Fees Paid to Parent Company Auditors	333	201	129	171
Depreciation: Buildings	1,050	970	971	843
Leasehold Improvements	670	677	190	207
Plant Vehicles & Equipment – Owned	8,118	6,717	3,663	3,160
Plant Vehicles & Equipment – Finance Leased	119	134	-	-
Directors Fees	322	297	280	280
Foreign Currency Losses (Gains)	(501)	(673)	154	229
Interest: Fixed Loans	5,206	3,951	8,651	7,142
Finance Leases	111	120	-	-
Other Interest	104	684	783	1,246
Bad Debts Written Off	1,090	919	56	122
Change in Bad Debt Provision	363	(85)	9	(29)
Donations	133	124	79	72
(Surplus) Deficit on disposal of Assets	233	(1,536)	152	(1,287)
Rental & Operating Lease Costs	26,069	22,757	4,502	4,008
After Crediting:				
Interest Income	233	184	119	46
Rental Income	1,321	1,315	3,812	4,275
Dividend received	-	-	7,141	5,658

03 Share Capital

Paid Up Capital	54,898	54,217	54,898	54,217
95,887,190 ordinary shares (2004 95,370,190)				

All ordinary shares have equal voting rights and share equally in dividends and any surplus on winding up.

During the year a total of 517,000 executive options were exercised at an average price of $1.32 per share.

At balance date there were 709,500 (2004 1,226,500) options outstanding issued under an executive share option scheme. Each option gives the right to purchase one ordinary share at predetermined prices and dates.

At 31 March 2005 the following options were outstanding.

Quantity7	Exercise Price	Exercise Dates
709,500	136.4 cents	01/07/02 to 01/07/07

A dividend of 3.5 cents per share was declared after balance date totalling $3,358,939. Payment date is to be 22 July 2005.

04 Taxation

	Group		Parent	
	2005	2004	2005	2004
	$000	$000	$000	$000
Surplus Before Taxation	20,781	11,132	13,937	12,861
Less Share of Surplus (Deficit) of Associates	2,058	1,119	-	-
Surplus Before Taxation and Associates	18,723	10,013	13,937	12,861
Prima facie taxation at 33% NZ & 30% Australia	5,274	3,005	4,599	4,244
(31 March 2004 NZ 33% & Australia 30%)				
Adjusted by the tax effect of:				
Non-assessable dividend income	-	-	(2,408)	(1,815)
Tax Loss Benefit not previously utilised	-	-	-	-
Tax Rate Change	-	-	-	-
Other non-assessable revenues	(3,262)	(40)	(125)	(39)
Non-deductible expenses	5,225	2,640	77	196
	7,237	5,605	2,143	2,586
Represented by:				
Current Tax	6,358	7,872	1,639	3,359
Deferred Tax	879	(2,267)	504	(773)
	7,237	5,605	2,143	2,586
Deferred Tax Liability (Asset)				
Opening balance	(6,652)	(2,509)	(1,116)	(343)
Adjusted for the tax effect of:				
Deferred Tax arising on Acquistion or Disposal	702	(1,801)	-	-
Difference between accounting and tax for the year depreciation	628	(49)	613	(45)
Foreign Exchange Movement on Opening Balances	104	(72)	-	-
Movements in provisions	147	(2,221)	(109)	(728)
Closing Balance	(5,071)	(6,652)	(612)	(1,116)
Imputation Credit Account				
Opening balance	16,342	13,263	12,786	9,659
Credits distributed during the year	(3,063)	(2,633)	(3,063)	(2,634)
Credits received during the year	-	-	1,680	2,709
Tax payments made	5,973	5,712	3,124	3,052
Closing balance	19,252	16,342	14,527	12,786
Representing credits available to owners of the Group at balance date:	18,497	15,668	14,527	12,786

05 Term Liabilities

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

	Group		Parent	
	2005	**2004**	**2005**	**2004**
	$000	**$000**	**$000**	**000**
Current	-	25,400	-	25,400
Non-Current	58,461	54,346	58,461	43,638
	58,461	79,746	58,461	69,038

A long term revolving facility with the Westpac Banking Corporation remains in place secured by debenture and cross company guarantees over the assets of wholly owned subsidiaries of the Group. The facility was renewed for a further three years to 24 November 2007 at an increased level of $80,000,000, up from the previous $60,000,000.

Bridging finance of $25,400,000 at 31 March 2004 was repaid or refinanced during the year.

Interest was payable during the year at the average rate of 6.73% per annum (2004 6.20%).

06 Leases

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

FINANCE LEASE LIABILITIES				
Payable:				
– not later than one year	285	330	-	-
– later than one year but not later than two years	78	433	-	-
– later than two years but not later than five years	100	241	-	-
– after five years	-	-	-	-
Minimum Lease Payments	463	1,004	-	-
Less Future Finance Charges	(36)	(108)	-	-
	427	896	-	-
CLASSIFIED IN THE STATEMENT OF FINANCIAL POSITION AS:				
Current	263	274	-	-
Non-Current	164	622	-	-
	427	896	-	-
OPERATING LEASE COMMITMENTS				
– not later than one year	22,503	26,940	4,120	3,691
– later than one year but not later than two years	16,167	19,787	2,318	1,903
– later than two years but not later than five years	24,760	28,821	1,742	1,501
– after five years	20,912	33,068	661	1,101
	84,342	108,616	8,841	8,196

07 Fixed Assets

Group

	2005			2004		
		Accum	Book		Accum	Book
	Cost	Depn	Value	Cost	Depn	Value
Asset Description	$000	$000	$000	$000	$000	$000
Freehold Land	10,519	-	10,519	10,139	-	10,139
Buildings	38,921	7,374	31,547	37,724	7,261	30,463
Leasehold Improvements	12,110	5,348	6,762	20,480	11,702	8,778
Plant, Vehicles & Equipment						
– Owned	69,828	48,093	21,735	91,596	63,696	27,900
– Finance Leases	639	410	229	830	382	448
Work in Progress	1,371	-	1,371	-	-	-
TOTALS	133,388	61,225	72,163	160,769	83,041	77,728

At 31 March 2005 Registered Valuers DTZ New Zealand Ltd performed a valuation of the Group's New Zealand land and buildings and leasehold improvements. This valuation together with DTZ Australia (Vic) Pty Ltd's 31 March 2004 valuation of the Group's Australian property ($A 2,450,000) totalled $82,954,000 (2004 $68,640,000).

There were no properties held for resale at balance date (2004 book value $471,000).

The valuations were carried out on the following basis:

Vacant Properties ; Open market value

Others ; Existing use value

Properties held within the Owens Group Ltd were not included in these valuations. Included in the Group book values above but not in the valuations are Land $nil (2004 $97,000), Buildings $nil (2004 $126,000) and Leasehold Improvements of $1,479,000 (2004 $3,871,000).

Parent

	2005			2004		
		Accum	Book		Accum	Book
	Cost	Depn	Value	Cost	Depn	Value
Asset Description	$000	$000	$000	$000	$000	$000
Freehold Land	9,954	-	9,954	9,445	-	9,445
Buildings	36,054	6,718	29,336	34,366	5,870	28,496
Leasehold Improvements	5,110	1,762	3,348	4,905	1,579	3,326
Plant, Vehicles & Equipment						
– Owned	31,455	19,883	11,572	27,727	16,364	11,363
– Finance Leases	-	-	-	-	-	-
Work in Progress	1,371	-	1,371	-	-	-
TOTALS	83,944	28,363	55,581	76,443	23,813	52,630

At 31 March 2005 Registered Valuers DTZ New Zealand Ltd performed a valuation of the Company's land and buildings and leasehold improvements at $75,490,000 (2004 $61,485,000). There were no properties held for resale at balance date (2004 book value $471,000). The valuations were carried out on the following basis:

Vacant Properties ; Open market value

Others ; Existing use value

08 Goodwill

	Group		Parent	
	2005	2004	2005	2004
	$000	$000	$000	$000
Opening balance	45,338	11,837	-	-
Adjustment for movement in exchange rate	(552)	128	-	-
Amounts Paid for Acquisitions during the year in excess of the fair value of their net tangible assets	46	37,203	-	-
Goodwill sold in excess of the fair value of their net tangible assets	(4,678)	-	-	-
Goodwill Amortised over the year	(5,184)	(3,830)	-	-
Closing Balance	34,970	45,338	-	-

Goodwill arose (reduced) during the year from the purchase (disposal) of:

Carotrans International Inc	-	5,292	-	-
Owens Group Limited	46	31,911	-	-
Owens Group Subsidiaries	(4,678)	-	-	-
	(4,632)	37,203	-	-

During the year the Group incurred additional expenses of $46,000 that were related to the purchase of the Owens Group Ltd. During the year a number of Owens Group Ltd business units were sold. This resulted in goodwill of $4,678,000 on consolidation being sold.

Assets and liabilities of the consolidated entities sold were as follows:

	Owens Group
Property, plant & equipment	7,043
Investments	200
Receivables	9,942
Inventories	3,014
Payables	(6,864)
Goodwill sold	4,678
	18,013
Minority Interest	(1,562)
	16,451
TOTAL CONSIDERATION	16,451
Made up of:	
Cash Received	17,451
Cash Paid for Minorities	(1,000)
TOTAL CONSIDERATION	16,451

09 Non-Recurring Items

After the acquistion of Owens Group Ltd on 31 October 2003 the Group incurred restructuring costs of $5,536,000 (2004 $2,262,000). These costs were primarily redundancy and lease exit costs.

An investment writedown of $369,000 and surplus lease costs in Australia of $333,000 were also incurred during the year.

10 Investment in Subsidiary Companies

The Parent Company's investment in subsidiary companies comprised:

	2005 $000	2004 $000
Shares at Cost	139,396	139,871

Principal Subsidiary Companies all with 31 March Balance Dates Include:	Principal Activity	Effective Percentage	Shareholding
Mainfreight International Ltd	International Freight Forwarding	100.0%	100.0%
Mainfreight Distribution Pty Ltd	Freight Forwarding	100.0%	100.0%
Daily Freight (1994) 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	79.7%	79.7%
Owens Transport Ltd	Freight Forwarding	79.7%	79.7%
Owens International Freight Ltd	International Freight Forwarding	79.7%	79.7%
Owens Refrigerated Freight Ltd	International Freight Forwarding	79.7%	79.7%
Pan Orient Shipping Services Pty Ltd	International Freight Forwarding	79.7%	79.7%
Kurada No. 8 Ltd	International Freight Forwarding	79.7%	79.7%
Owens Transport Pty Ltd	Freight Forwarding	79.7%	79.7%
Owens Group Services Ltd	Group Services	79.7%	79.7%
Crossocean Forwarding Services (NZ) Ltd *	Amalgamated into Owens Group Ltd	Nil	79.7%
Seatrans New Zealand Ltd *	Amalgamated into Owens Group Ltd	Nil	79.7%
Owens Shipping Services Ltd *	Amalgamated into Owens Group Ltd	Nil	79.7%
Owens Container Services Ltd *	Amalgamated into Owens Group Ltd	Nil	79.7%
Nelson Shipping Ltd *	Amalgamated into Owens Group Ltd	Nil	79.7%
Westfield Container Depot Ltd *	Amalgamated into Owens Group Ltd	Nil	58.9%
Crossocean Forwarding Services Pty Ltd *	Business sold	79.7%	79.7%
Seatrans Australia Pty Ltd *	Business sold	79.7%	79.7%
Owens International Freight (Australia) Pty Ltd *	Business sold	79.7%	79.7%
Quality Container Management Pty Ltd *	Business sold	79.7%	79.7%
Owens Container Services Australia Pty Ltd *	Business sold	79.7%	79.7%
Hyde Park Tank Container Holdings Pty Ltd *	Business sold	79.7%	79.7%
The McArthur Shipping & Agency Co.Pty Ltd *	Business & Company sold	Nil	79.7%
Melbourne Container Park Pty Ltd *	Business & Company sold	Nil	58.9%
Owens Premier Inc *	Business & Company sold	Nil	63.7%
Suva Container Park Ltd *	Business & Company sold	Nil	40.6%

* A number of Owens Group business were sold during the year.

11 Investment in Associate Companies

	Principal Activity	2005 Effective Shareholding	2004 Effective Shareholding
Bolwick Ltd	International Freight Forwarding	41.7%	37.5%
Mainfreight Express Ltd	International Freight Forwarding	50.0%	50.0%
ISS Express Lines (SA) Pty Ltd	International Freight Forwarding	50.0%	50.0%
Transport Systems 2000 Ltd *	Business & Company sold	Nil	39.8%
Tauranga Container Park Ltd *	Business & Company sold	Nil	39.8%
Independent Reefer Services Ltd *	Business & Company sold	Nil	39.8%
Mogal International Ltd *	International Freight Forwarding	37.4%	37.4%
Rakino Group Ltd *	Industrial Services	19.5%	19.5%
Owens Braid Liquid Logistics Pty Ltd *	Business & Company sold	Nil	26.5%

* These companies are associates of the Owens Group.

The share of surplus (deficit) of associates comprised:

	Group 2005 $000	Group 2004 $000	Parent 2005 $000	Parent 2004 $000
Operating Surplus (Deficit) before goodwill amortisation	2,058	1,150	-	-
Amortisation Costs	-	(31)	-	-
	2,058	1,119	-	-
Investment in Associates comprised of:				
Opening balance	5,773	2,320	-	4,287
Transfer to Investment in Subsidiaries	-	(1,391)	-	(4,287)
Dividend Received	(909)	(157)	-	-
Adjustment for movement in exchange rate	(5)	(49)	-	-
Purchase in Year and Additional Capital	817	3,931	-	-
Sale in Year	(2,289)	-		
Share of Surplus (Deficit)	2,058	1,119	-	-
Closing Balance	5,445	5,773	-	-

Goodwill included in the carrying value of investments in associates totalled $nil (2004 $1,050,000).

12 Capital Commitments and Contingent Liabilities

The Group and Company had the following capital commitments at 31st March 2005 (2004 nil).

– O'Rorke Rd Depot Extension	1,037,406
– Rotorua Depot Extensions	1,050,117
– Mt Manganui Depot Extensions	595,847
– Otahuhu New Depot	2,370,910

All obligation guarantees have been given by the Company in favour of Westpac Banking Corporation in respect of Mainfreight Distribution Pty Ltd, Daily Freight (1994) Ltd and Lep International Pty Ltd.

13 Subsequent Events

On 15 April 2005 Lep International (NZ) Ltd declared and paid a dividend of $2,000,000. The minority shareholder received $499,434 with the balance going to the parent company.

On the 29 April 2005 Owens Group paid $490,000 for new ordinary shares in its associate Rakino Group Ltd. This kept Owens' effective shareholding at 24.5%. The additional share capital is to be used for Hirepool Ltd's continuing expansion programme.

On 19 May 2005 82,500 Mainfreight Ltd executive options were exercised at an exercise price of 136.36c per share.

On 20 May 2005 a formal takeover for the minority shareholding in Owens Group Ltd was made at a price of 117c per share. With 11,530,482 shares held by the minorities this gives a full price of $13,490,664 plus any associated transaction costs. Bank debt will be used to fund this transaction.

Subsequent to balance date the company has arranged additional funding to assist with the purchase of Owens Group Ltd minority shareholding.

14 Segmental Reporting

The Group operates in the domestic freight and international freight industries. The Owens Group acquisition has been disclosed as a separate segment.

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

								2005
	N.Z.	**N.Z.**	**Australia**	**Australia**	**USA**	**Owens**	**Intercoy**	**$000**
	Domestic	**Internat.**	**Domestic**	**Internat.**	**Internat.**	**Group**		**Consolidated**
Operating revenue								
– sales to customers outside the group	201,118	66,066	75,586	199,017	76,988	238,268	-	857,043
– intersegments sales	11,055	3,552	1,326	12,096	9,305	7,507	(44,841)	-
TOTAL REVENUE	212,173	69,618	76,912	211,113	86,293	245,775	(44,841)	857,043
EBITDA ***	28,518	2,363	1,524	8,681	3,073	1,362	-	45,521
TOTAL ASSETS	224,774	16,516	62,104	46,163	14,118	44,978	(169,722)	238,931

								2004
	N.Z.	**N.Z.**	**Australia**	**Australia**	**USA**	**Owens**	**Intercoy**	**$000**
	Domestic	**Internat.**	**Domestic**	**Internat.**	**Internat.**	**Group**		**Consolidated**
Operating revenue								
– sales to customers outside the group	181,434	71,308	55,499	152,413	55,319	143,717	-	659,690
– intersegments sales	3,436	2,649	830	8,389	7,920	5,259	(28,483)	-
TOTAL REVENUE	184,870	73,957	56,329	160,802	63,239	148,976	(28,483)	659,690
EBITDA ***	24,997	3,300	(3,772)	5,962	1,378	(2,507)	-	29,358
TOTAL ASSETS	226,907	17,320	63,810	40,880	12,583	93,914	(168,970)	286,444

*** 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	
	2005	2004	2005	2004
	$000	$000	$000	$000
Net surplus after taxation	13,544	5,527	11,794	10,275
Non-cash items:				
Depreciation	9,957	8,498	4,824	4,210
Amortisation of goodwill	5,184	3,830	-	-
Equity accounted earnings of associate companies	(1,149)	(1,119)	-	-
(Increase) decrease in deferred tax asset	1,581	(824)	504	(773)
	29,117	15,912	17,122	13,712
Add (less) movements in other working capital items, net of effect of acquisitions:				
(Increase) decrease in accounts receivable	16,462	2,029	(2,846)	(4,895)
Increase (decrease) in accounts payable	(33,715)	1,620	59	4,125
Increase (decrease) in interest payable	(183)	298	(183)	284
(Increase) decrease in interest receivable	-	-	-	-
Increase (decrease) in taxation payable	932	(2,437)	(419)	(535)
Increase (decrease) in net GST	(307)	456	(320)	366
(Increase) decrease in inventories	3,737	-	-	-
Adjustment for movement in exchange rate	(922)	474	(223)	186
Less item classified as investing activity:				
Net (surplus) deficit on sale of fixed assets	233	(1,536)	152	(1,287)
Net (surplus) deficit on sale of investments	267	-	-	-
Net (surplus) deficit on sale of goodwill	(4,678)	-	-	-
NET CASH INFLOW FROM OPERATING ACTIVITIES	10,943	16,816	13,342	11,956

No cash balances were held in Owens Group on behalf of shipping principals as at 31 March 2005 (2004 $9,405,000). In the prior year these were only available to settle shipping principal creditors. No trade receivables were held on behalf of shipping principals (2004 $703,000).

No trade creditors were payable in relation to shipping principal creditors (2004 $9,838,000).

16 Provisions

	Group 2005	Group 2004	Parent 2005	Parent 2004
Opening balance	2,520	1,433	-	-
Amounts acquired (sold) on acquistion (disposal)	(568)	956	-	-
Adjustment for movement in exchange rate	(135)	67	-	-
Amounts credited during the year	497	468	-	-
Amounts utilised during the year	(295)	(674)	-	-
CLOSING BALANCE	2,019	2,250	-	-

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

17 Financial Instruments

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

CREDIT RISK

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

FAIR VALUE

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

There are no financial instruments not disclosed in the Statement of Financial Position.

INTEREST RATE RISK

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

An interest rate participating swap for $12,500,000 was repaid on 30 November 2004.

An interest rate option on borrowings of $31,000,000 was made on 28 February 2005 with a cap rate of 7.30% including margin and a termination date of 28 November 2005. The Company receives a floating rate of interest at the BKBM rate which was 7.08% at balance date. The fair value of the interest rate option is a profit of $26,728 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 the consolidated accounts due to changes in overseas exchange rates.

The Group hedges some of the currency risk relating to it's 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	
	2005	2004	2005	2004
	$A000	$A000	$A000	$A000
Net Assets & $A advances of Australian subsidiaries	32,238	28,216	-	-
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	21,238	17,216	14,151	14,151
	$US000	$US000	$US000	$US000
Net Assets & $USA advances of American subsidiary	1,448	2,386	1,448	1,448
Net Investments in Asian associates	935	797	55	797
Net Assets relating to Other Overseas Subsidiaries and Associates exposed to currency risk	2,383	3,183	1,503	2,245

Currency movements in the foreign denominated balances above are reflected in the Foreign Currency Translation Reserve.

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

At 31 March 2005 the Group has the following monetary assets and liabilities denominated in foreign currencies, 45% of trade accounts payable (2004 50%), 53% of trade accounts receivable (2004 58%), 0% of cash assets (2004 0%) and 71% of cash liabilities (2004 99%). The Group monitors exchange rate movements.

18 Related Parties

The ultimate holding company is Mainfreight Limited.

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

Name of Related Party	Nature of Relationship	Type of Transactions	2005 Value of Transactions $000	2004 Value of Transactions $000
B. Plested	Director & Shareholder	Interest on Advances (8.5%)	3	6
B. Plested	Director & Shareholder	Advances to Company	37	665
B. Plested	Director & Shareholder	Repayment of Advances	37	665
C. Howard-Smith	Director & Shareholder	Legal & Trustee Fees	200	200

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 (1994) Ltd	Subsidiary	Trade – 30 Days	4,003	1,975
Mainfreight International Ltd	Subsidiary	Trade – 30 Days	1,668	425
Lep International (NZ) Ltd	Subsidiary	Trade – 30 Days	281	94
Lep International Pty Ltd	Subsidiary	Trade – 30 Days	119	34
Mainfreight International Pty Ltd	Subsidiary	Trade – 30 Days	830	506
Mainfreight Holdings Pty Ltd	Subsidiary	Trade – 30 Days	500	890
Owens Group Ltd	Subsidiary	Trade – 30 Days	819	744
Carotrans International Inc	Subsidiary	Trade – 30 Days	126	62
Mainfreight International Ltd	Subsidiary	Advance – On Call	-	-
Mainfreight Distribution Pty Ltd	Subsidiary	Advance – On Call	-	669
Owens Group Ltd	Subsidiary	Advance – On Call	-	5,655
Owens Associate Companies	Associate	Advance – On Call	-	225
			8,346	11,279

Related Party Payables Outstanding at Balance Date:

Name of Related Party	Nature of Relationship	Type of Transactions	Balance Payable $000	Balance Payable $000
Daily Freight (1994) Ltd	Subsidiary	Trade – 30 Days	7	14
Mainfreight International Ltd	Subsidiary	Trade – 30 Days	32	52
Lep International (NZ) Ltd	Subsidiary	Trade – 30 Days	7	6
Daily Freight (1994) Ltd	Subsidiary	Advance – On Call	7,750	6,027
Mainfreight International Ltd	Subsidiary	Advance – On Call	1,900	2,400
Lep International (NZ) Ltd	Subsidiary	Advance – On Call	4,026	3,766
Mainfreight Distribution Pty Ltd	Subsidiary	Advance – On Call	41,251	40,000
Carotrans International Inc	Associate	Advance – On Call	-	-
			54,973	52,265

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 (2004 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.

Certain assets of Lep International (NZ) Ltd were sold to Owens International Ltd for $300,000.

19 Inventories

	Group		Parent	
	2005	2004	2005	2004
	$000	$000	$000	$000
Raw materials	-	1,286	-	-
Consumables	-	2,382	-	-
Work in progress	-	69	-	-
	-	3,737	-	-

These inventories are held within the container services division of Owens Group.

20 Disposal of Businesses

Disposal of Businesses within Owens Group Ltd during the year were:

A) 31 May 2004
The Group sold its 80% shareholding in Owens Premier Inc.

B) 30 June 2004
The Group sold various 'Container Service' activities both in New Zealand and in Fiji. Contemporaneously with the sale Owens Group paid $1,000,000 for the minority shareholding in a subsidiary to facilitate the sale.

C) 19 July 2004
The Group sold its remaining 'Container Service' activities both in New Zealand and in Australia.

D) 15 September 2004
The Group sold its shareholding in The McArthur Shipping & Agency Pty Ltd.

E) 11 November 2004
The Group sold its 33% shareholding in Owens Braid Logistics Pty Ltd.

The financial performance relating to the discontinued activities is as follows:	2005	2004
	$000	$000
Financial Performance		
REVENUE	25,495	42,262
EXPENSES	29,240	44,518
Surplus / (deficit) before taxation	(3,745)	(2,256)
Taxation (expense)/benefit	444	(307)
(Deficit) / Surplus after taxation discontinued activities	(3,301)	(2,563)
Minority Interest in (Surpluses) Deficits of Subsidiaries	513	521
(Deficit) / Surplus after taxation and minority interest from discontinued activities	(2,788)	(2,042)
Operating (Deficit) / Surplus continuing activities	16,308	8,010
Operating (Deficit) / Surplus after taxation	13,520	5,968
Financial Position		
Total Assets	-	48,106
Total Liabilities	-	25,492

ERNST & YOUNG ▪ Chartered Accountants

To the Shareholders of Mainfreight Limited.

We have audited the financial statements on pages 57 to 73. The financial statements provide information about the past financial performance of the company and group and their financial position as at 31 March 2005. This information is stated in accordance with the accounting policies set out on pages 60 and 61.

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 2005 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 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 57 to 73:
  - 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 2005 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 27 June 2005 and our unqualified opinion is expressed as at that date.

Ernst & Young

Auckland

STATUTORY INFORMATION

Directors

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

Name	Remuneration	Current Director or Date Appointed or Resigned
Bruce Plested ^^	$242,000	Current
Don Braid #	$621,000	Current
Don Rowlands	$35,000	Current
Neil Graham	$35,000	Current
Carl Howard-Smith*	$35,000	Current
Richard Prebble	$35,000	Current
Bryan Mogridge	$35,000	Current
Emmet Hobbs	$35,000	Current

* Excludes legal and trustee fees (refer to note 18 to the Financial Statements).
^^ Excludes interest on advances (refer to note 18 to the Financial Statements).
# Includes performance bonuses, vehicle and other non-cash remuneration.

Employees' Remuneration

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

	Mainfreight excluding Owens Number of Employees Full Year Remuneration		Owens Group Full Year Remuneration Number of Employees Full Year Remuneration	
Remuneration	NZ Based	Overseas Based	NZ Based	Overseas Based
$100,000 - $110,000	7	7	2	3
$110,000 - $120,000	5	7	3	-
$120,000 - $130,000	3	6	3	2
$130,000 - $140,000	5	4	2	-
$140,000 - $150,000	2	2	3	-
$150,000 - $160,000	3	1	1	-
$160,000 - $170,000	1	1	1	-
$170,000 - $180,000	-	2	-	-
$180,000 - $190,000	1	-	-	-
$190,000 - $200,000	-	2	-	1
$200,000 - $210,000	1	-	-	-
$210,000 - $220,000	-	1	1	-
$220,000 - $230,000	-	1	-	-
$230,000 - $240,000	-	1	-	-
$250,000 - $260,000	1	-	-	-
$260,000 - $270,000	-	1	-	-
$300,000 - $310,000	3	-	-	-
$350,000 - $360,000	-	1	-	-
$440,000 - $450,000	-	-	-	1
TOTAL NUMBER OF EMPLOYEES	32	37	16	7

A number of the Owens Group employee remunerations include a redundancy component. 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

	2005	2004
BG Plested		
– shares held with beneficial interest	18,942,766	21,377,766
– held by associated persons	1,257,560	1,231,460
NL Graham		
– shares held with beneficial interest	6,300,517	6,300,517
CG Howard-Smith		
– held as trustee of staff share purchase scheme	33,090	33,090
– shares held with beneficial interest	400,000	625,000
DD Rowlands		
– shares held with beneficial interest	569,482	706,200
BW Mogridge		
– shares held with beneficial interest	200,000	100,000
EJ Hobbs		
– shares held with beneficial interest	100,000	100,000
DR Braid		
– shares held with beneficial interest	1,796,890	1,211,890
– held by associated persons	9,250	7,750
RW Prebble		
– shares held with beneficial interest	450,000	550,000
TOTAL	30,059,555	32,243,673

Directors' shareholdings at balance date were 31.4% of total shares issued.

STATUTORY INFORMATION

Substantial Security Holders

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

The following are recorded by the Company as at 1 June 2005 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	18,942,766
Fisher Funds Management Limited	13,350,303
Harris Associates L.P.	8,246,881
Tower Corporation	6,989,278
Accident Compensation Corporation	5,527,580

The total number of voting securities issued by the Company as at 1 June 2005 was 95,969,690.

Largest Security Holders as at 1 June 2005

BG Plested & C Howard-Smith as trustees of Pie Melon Bay Trust	18,942,766	19.74%
Trustees Executors and Agency Company of New Zealand Ltd	11,817,230	12.31%
National Nominees NZ Ltd	10,921,018	11.38%
Accident Compensation Corporation	6,648,344	6.93%
NZ Superannuation Fund Nominees Ltd	3,811,232	3.97%
Custody and Investment Nominees Ltd	3,230,007	3.37%
NL Graham Family Trust	3,150,259	3.28%
HM Graham Family Trust	3,150,258	3.28%
Citibank Nominees (New Zealand) Ltd	2,250,722	2.35%
Braid Family Trust	1,796,890	1.87%
Westpac Banking Corp	1,393,979	1.45%
ASB Nominees Limited	1,209,410	1.26%
First NZ Capital Custodians Ltd	1,081,604	1.13%
Rect Funds Management Ltd	975,000	1.02%
J. Hepworth	687,500	0.72%
DD Rowlands	569,482	0.59%
Macquarie Equities Custodians Ltd	565,000	0.59%
PM Masfen & JA Masfen	550,000	0.57%
RW Prebble	450,000	0.47%
CG & PD Howard-Smith Family Trust	400,000	0.42%

Spread of Security Holders as at 1 June 2005

Size of Shareholding	Number of Holders	%	Total Number Held	%
1 - 999	232	8.73%	116,471	0.12%
1,000 - 4,999	1,361	51.15%	3,256,849	3.39%
5,000 - 9,999	507	19.05%	3,284,548	3.42%
10,000 - 49,999	474	17.81%	8,130,428	8.47%
50,000 - 99,999	39	1.47%	2,816,431	2.93%
100,000 - 999,999	36	1.35%	10,081,544	10.50%
1,000,000 - PLUS	12	0.45%	68,283,419	71.15%
TOTAL	2,661	100.00%	95,969,690	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	Sale of 1,000,000 shares on market at 200c per share	19 August 2004
	Transfer to Mainfreight employees of 935,000 shares sold on 29 August 2000 for $1.40 per share, upon payment of balance of purchase price.	25 August 2004
	Sale of 500,000 shares at $2.50 per share to other Mainfreight director.	11 March 2005
Don Braid	Sale of 140,000 shares on market at 200c per share	19 August 2004
	Receipt of transfer of 275,000 shares purchased from Bruce Plested on 29 August 2000 for $1.40 per share, upon payment of balance of purchase price.	25 August 2004
	Sale of 50,000 shares on market at 265c per share.	28 February 2005
	Purchase of 500,000 shares at $2.50 per share from other Mainfreight director.	11 March 2005
Richard Prebble	Sale of 100,000 shares on market at 200c per share.	19 August 2004
Bryan Mogridge	Purchased 100,000 shares at $2.16 per share on market.	30 December 2004
Carl Howard-Smith	Sale of 125,000 shares on market at 200c per share.	19 August 2004
	Sale of 100,000 shares on market at 265c per share.	28 February 2005
Don Rowlands	Sale of 136,718 shares on market at an average 179c per share	17 June 2004

FIVE YEAR REVIEW

	Notes	2005 ($000's)	2004 ($000's)	2003 ($000's)	2002 ($000's)	2001 ($000's)
Net Sales		857,043	659,874	417,503	401,074	410,846
EBITDA	1	45,521	29,358	24,764	24,452	19,160
Surplus before Abnormals, Interest & Tax		30,381	17,030	16,927	16,466	12,085
Abnormals	2	6,238	2,262	0	0	1,592
EBIT	3	24,143	14,768	16,927	16,466	10,493
Net Interest Cost		5,188	4,571	2,784	3,266	3,740
Net Surplus (NPAT)	4	13,520	5,968	9,010	6,616	2,442
PRO-FORMA CASHFLOW	5	26,626	16,736	16,633	16,565	10,971
Net Tangible Assets	6	44,272	27,378	41,633	37,241	32,975
Net Debt	7	58,915	76,967	41,303	48,062	58,279
Total Assets		238,931	286,444	145,282	151,642	154,988
EBIT Margin (before Abnormals) (%)		3.5	2.6	4.1	4.1	2.9
Equity Ratio (%)	8	18.5	9.6	28.7	24.6	21.3
Return on NTA (%)	9	30.5	21.8	21.6	17.8	7.4
Net Interest Cover (x)	10	5.86	3.73	6.08	5.04	3.23
EARNINGS PER SHARE (CPS)	11	14.14	6.93	11.73	9.07	3.36
Adjusted Earnings per Share (cps)	11,12	18.60	8.33	11.73	9.07	4.90
Pro-forma Cashflow per Share (cps)	11	27.84	19.44	21.65	22.70	15.11
NTA per Share (cps)	11	46.30	31.80	54.18	51.03	45.41

Notes:

1. EBITDA is defined as earnings before interest expense, tax, depreciation,amortisation,abnormals, minority interests and associates.
2. Abnormal items for the year ended 31 March 2001 relate to restructuring costs in Mainfreight Distribution Pty Ltd following the acquisition of the K & S Express business.
   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.
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 79.6% of Owens Group Ltd.
7. Net debt is long term plus short term debt less cash balances.
8. Equity Ratio is Net Tangible Assets as a percentage of Total Assets.
9. Return on NTA is NPAT as a percentage of Net Tangible Assets.
10. Net Interest Cover is Surplus before Abnormals, Interest and Tax divided by Net Interest Cost.
11. Per Share calculations are based on the average issued capital in each year – 95.628 million Shares in 2005.
12. Adjusted Earnings per Share figures are based on NPAT with tax affected abnormal items added back.

NOTES

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
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