Freightways

Annual Report 2024

Year Ended 30 June 2024

Better places

The power of movement

Image:
Some of the awesome Big Chill Ruakura team

Moving you to a better place is about never standing still

We're committed to being forward-looking and forward-acting in everything we do. In a challenging year, that drive, and our diversified portfolio helped absorb a lot of the downward pressure on the sectors and economies in which we operate.

Our people power our progress through our culture. We work hard to engage everyone in their work and to offer them training and opportunities across our brands. In particular, we pride ourselves on ensuring that employees and contractors are fairly paid for and have opportunities to be recognised for their efforts, skills, knowledge and experience.

This year, we got on with picking up, processing, and delivering to help our customers. And our teams went above and beyond to remind businesses and households that they can trust us to do right by them. Those processes, will, in turn reassure our shareholders that we remain a strong investment choice with good prospects for future growth.

Our commitment to communities also remains strong. From grassroots causes to our ongoing partnerships with KidsCan, RSPCA Queensland, Westpac Rescue Helicopter and more to exploring ways to reduce our emissions in the future as viable alternative cell technology emerges, we are determined to do right by communities and to offer our support, especially in these times of greater need.

Our businesses have been resilient in current economic conditions, and we are optimistic about the future. In particular, we are confident that we have made good use of the last two years to invest wisely in our infrastructure, road and air networks, systems, processes and, of course, our people. We're better placed as a result.

Good growth awaits.

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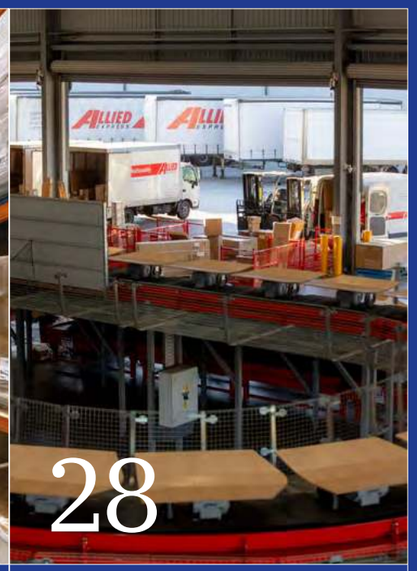

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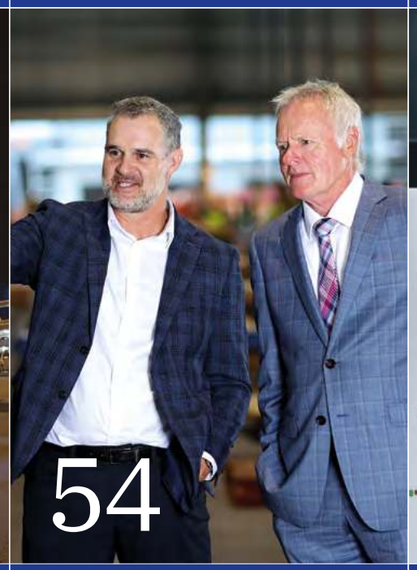

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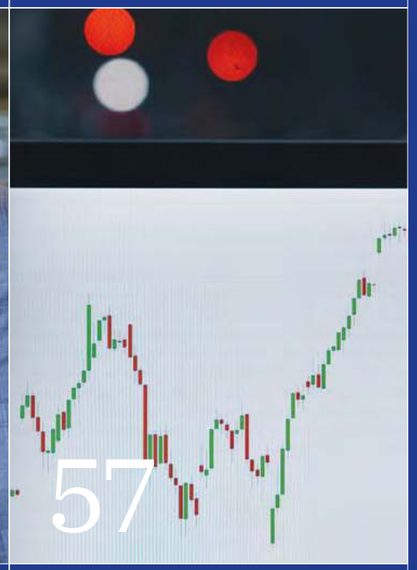

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This year's Highlights

UTILISATION OF BIG CHILL 3PL SITE AT RUAKURA IN-LINE WITH EXPECTATION BY YEAR END

8% GROUP WIDE REVENUE GROWTH

2% EXPRESS PACKAGE EBITA* GROWTH

14% DOCUMENT DESTRUCTION REVENUE GROWTH

10% GROUP WIDE EXPRESS PACKAGE REVENUE GROWTH

3% GROUP WIDE EBITA* GROWTH

23% AUSTRALIA REVENUE GROWTH

7% GROWTH IN CASH GENERATED FROM OPERATIONS

8% POSTAL REVENUE GROWTH

*EBITA is a non-GAAP measure (GAAP - Generally Accepted Accounting Principles)

Freightways growth strategy

OUR PURPOSE

What we do

Freightways is a business that is always on the move. Across the Group, we pick-up, process and deliver physical and digital items providing a reliable and efficient service for our customers. We look to develop our people through career opportunities. We seek appropriate and sustainable returns for our investors. And we look to move the dial for communities through the causes we support and employing or contracting local people.

OUR PRINCIPLES & CAPABILITIES

How we work

Three principles guide how our teams and our partners deliver:

- We take ownership and responsibility at every level for what we do and what we can improve.
- We think commercially about the deals we make so that they make sense for our customers, our contractors, our business and our shareholders.
- We work as a family by supporting people, by prioritising their safety and wellbeing and by doing our best to ensure they get home safe each day.

We depend on our capabilities to deliver what our customers, investors and communities expect. We're efficient. This critical capability enables us to move around 100,000,000 items through our various businesses every year. We are reliable. We target flawless execution, which enables us to shift multiple items through multiple touchpoints in our network, across two nations, every day. We act like entrepreneurs. We recognise and execute on high-value opportunities. We always look forward and up. We love our customers, both internal and external because we know they're crucial to our commercial success.

OUR VISION

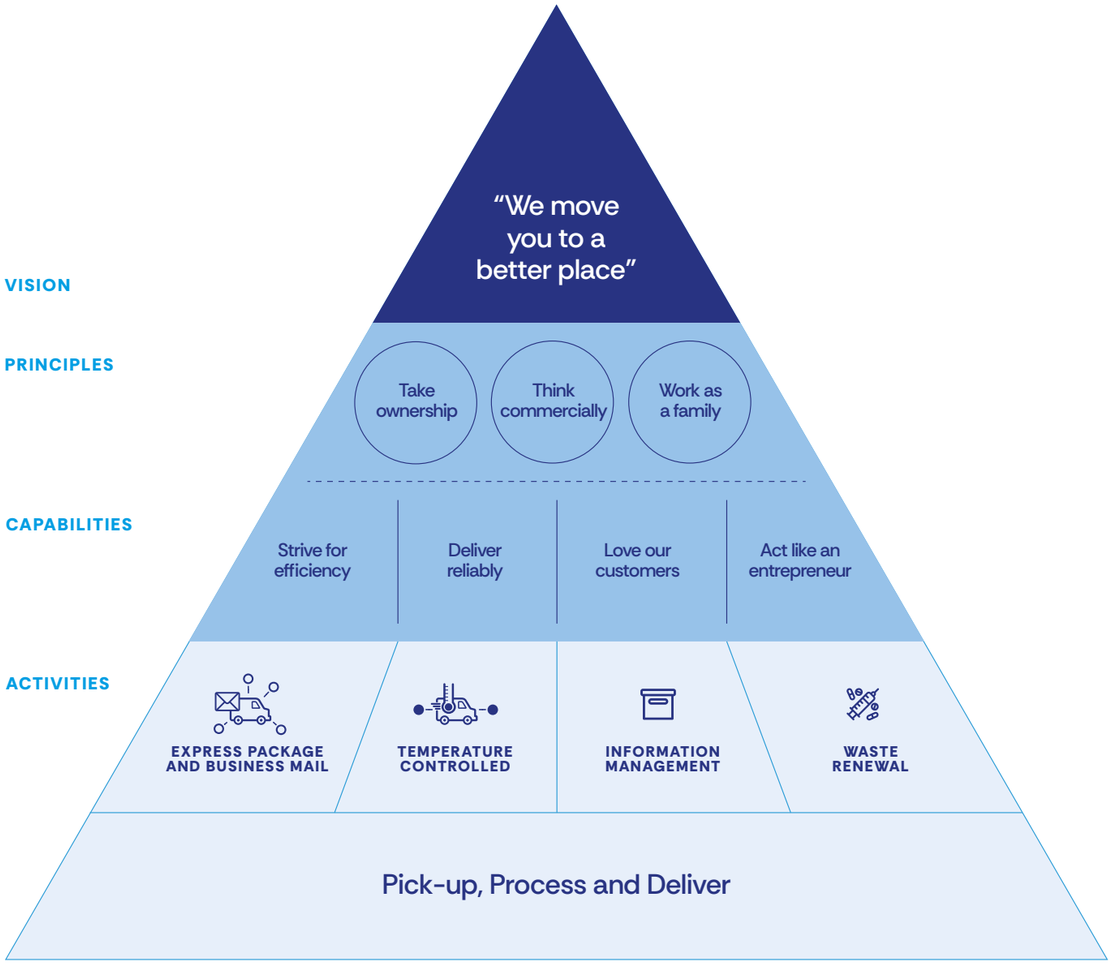
Why we do this

Better outcomes won't just happen. It takes a conscious effort from our team to move things forward for our customers, our team, our shareholders and our communities.

Our "why" is to move you to a better place.

STAKEHOLDERS:

OUR CUSTOMERS
OUR TEAM
OUR SHAREHOLDERS
OUR COMMUNITY



Our family of brands

Our market-leading brands combine shared infrastructure within New Zealand and Australia respectively, with specialist knowledge in each niche.

We work across a range of business sectors, achieving high levels of quality and efficiency, through our focus on adding value to how we pick-up, process and deliver.

Our strong culture and commitment unifies our people and feeds our deep team spirit.

We draw on all of that to continue to evolve our businesses to meet the changing needs of our customers.

EXPRESS PACKAGE AND BUSINESS MAIL

Our multi-brand strategy in the Australasian courier and business mail markets caters to a range of customer needs and delivery timeframes. It enables us to win a niche with a specialist focus – but also leverage the combined infrastructure across each segment. Our New Zealand Express Package operations share branch networks, air and road linehaul, and IT. These brands include New Zealand Couriers, Post Haste, Castle Parcels, NOW Couriers, SUB60, Security Express, Kiwi Express, STUCK, Kiwi Oversize, Freightways Global, and Pass the Parcel. We also offer airfreight capability for our overnight Express Package delivery service through our joint venture airline, Parcelair, and our linehaul partner, Parceline. Our national Australian network is operated by Allied Express and includes a full spectrum of national, local and 3rd Party Logistics (3PL) courier services.

DX Mail is New Zealand's only dedicated business mail specialist offering time-sensitive physical postal services. It leverages the Express Package network ensuring it can operate in a lean manner.

Dataprint offers mailhouse-print services and digital mail presentation platforms across New Zealand. Our technology and solutions transform data into effective communications for customers.

TEMPERATURE CONTROLLED

Big Chill Distribution and ProducePronto make up our national temperature-controlled business, together servicing the chilled logistics needs of Kiwi businesses. Combining our chilled national linehaul with an urban, chilled van network allows us to offer national delivery, same day delivery, 3PL and 4PL under one responsive umbrella utilising the Big Chill depots nationwide.

INFORMATION MANAGEMENT

The Information Management Group (TIMG) helps businesses in New Zealand and Australia protect and add value to the data they entrust us with. It offers physical storage and information management services, as well as digital information processing services such as digitalisation, business process outsourcing, online back-up and eDiscovery services. Last year we increased the utilisation of our New Zealand storage facilities by starting an eCommerce 3PL service called Stocka.

WASTE RENEWAL

Shred-X offers document destruction, eDestruction and product destruction services in Australia. We also provide medical waste collection and processing services under the Med-X brand. This year we continued to find new ways to transform what would once have been waste into new products.

CHAIR & CEO'S REPORT

Going the extra mile pays off

In what was a challenging year for many businesses, as both the New Zealand and Australian economies slowed down, we are pleased with a resilient result despite lower customer activity – particularly across Express Package and Temperature Controlled transport.

The reality is that it has been a tough year for our customers. The declining macroeconomic environment meant consumers bought less on the back of higher interest rates and living costs.

However, our ability to win market share from strong service levels has been a critical factor in mitigating the recession we experienced in New Zealand, which means our businesses have performed well in these tough times.

Our diversification also helped. Being less reliant on solely the New Zealand economy and with specialised logistics services spanning several different sectors, including Waste Renewal and Information Management, gave us resilience and opportunities to grow.

Overall, operating revenue showed good growth, increasing by **7.8%** from last year on the back of solid performances from Allied Express and New Zealand Couriers. Earnings before interest and tax was up **1.8%**, with net profit after tax down by **5.8%** principally because of a higher interest expense.

One macroeconomic factor we were pleased to see reverse was the availability of quality labour in both markets. In recent years, the tight market has made it challenging to recover the total increase in labour costs. But since the later half of 2023, we've seen more job applicants and a lower turnover rate in our depots and drivers' network. This trend will help us better manage our margins with less pressure on wage rates.

7.8% Increase in overall operating revenue for the Group

5.8% Decrease in net profit after tax, due to higher interest expense

1.8% Increase in earnings before interest and tax increase

CHAIR & CEO'S REPORT

Keeping our customers moving to a better place

The year saw activity from our existing customers reduce by **5%** in New Zealand and a slightly higher rate in Temperature Controlled transport. However, we were able to mitigate a significant amount of that loss through new business gained by our sales and account management teams. Winning new customers through strong service levels and relationships that customers valued made a considerable difference and strengthened our positions in various niches in which we operate. These wins enabled us to keep our overall volume at a similar level to last year and mitigate the worst impacts of the New Zealand recession.

Resilience in a quieter market

In quieter times, the key to the Express Package businesses is to maintain a largely variable cost structure. A number of our costs flex up or down with an increase or decrease in customer activity. This makes our network courier and linehaul business resilient in challenging times and, in the context of our portfolio of businesses, helps us effectively balance our risks and exposures.

The hard yards we have put in over recent years to build courier remuneration meant our contractors were well paid for their work, and we were insulated against falling volumes. As it happened, item volumes remained largely constant, and our fleet size remained similar to last year with high service levels. In fact, New Zealand Couriers recorded their highest-ever Net Promoter Score this year.

In Australia, our Allied Express business's second year was again characterised by healthy revenue growth. The automation sortation systems we have implemented in NSW and Victoria, mean we now have one of the best freight sorting automation in the country for big and bulky freight, backed by loyal business relationships. These new facilities in Sydney and Melbourne will enable Allied Express to pick-up, process, and deliver greater quantities with better efficiency. We can now move freight through the depots much more quickly, weighing, cubing and measuring every single item, reducing manual handling and the likelihood of damage.

We've also increased the capacity for growth across Allied Express through larger depots that give us high-quality facilities across the five Australian states. We've complemented that increase in capacity by introducing sales capability in Australia to maximise the opportunities from Allied's service proposition.

Business Mail

Despite structural decline in the wider physical mail market in New Zealand, DX Mail have continued to expand their network in FY24 by adding new postie runs in Auckland, Waikato and Wellington to meet the increase in volume experienced during the year. This additional volume combined with cost efficiencies achieved through the new automated letter sortation systems resulted in a strong year-on-year improvement for DX Mail.

10% Express Package growth led by market share gains and greater capacity in the 25kg+ niche market

PHIL CLARKE
General Manager
Big Chill Distribution

CHAIR & CEO'S REPORT

Temperature Controlled was subdued

It's been a tougher year for the temperature-controlled market as consumers switched down their food choices, affecting demand for higher-grade, chilled, and frozen food.

Same-customer volumes were down about 8%. The Big Chill network is intrinsically fixed cost because the business owns the trucks, leases the facilities, and employs the team – meaning the impacts are higher when volumes drop. Conversely, we can leverage that model quickly and restore margins when volumes return.

In the meantime, we have continued to invest. Our Big Chill facility in Ruakura is now open, offering us new capacity to meet the demand for temperature-controlled logistics and expand our nationwide delivery capability. The 13,000sqm 3PL cold store facility brings to ten the number of depots in the nationwide network, increasing our links to the Port of Tauranga, the Waikato and the Bay of Plenty, and our same-day and overnight services to Auckland.

8% Decrease in same-customer volume due to lower consumer demand

Despite the sector challenges, utilisation at Ruakura has built up nicely, enabling us to achieve break-even by the end of the year. While the pick/ pack activity level is down from what we anticipated because of consumer demand, we are ahead of our forecasts in storage. We're confident inventory turnover will pick up when the economy rebounds.

Meanwhile, our new ProducePronto facility in Auckland enables us to grow our temperature-controlled, same-day and 4PL offering in the convenience food markets. We've also increased capacity in Wellington and Christchurch to make space for growth. ProducePronto focuses on convenience stores at the moment, but we are also looking at other opportunities for time-sensitive delivery of frozen and chilled food, at places that need on-time, reliable deliveries each day, such as fast food chains and cafes.

CHAIR & CEO'S REPORT

Good growth in our horizons

$3m Stocka revenue for FY24

Our Information Management business is a steady and consistent asset to own in tough times.

Earnings and revenue streams remain resilient because, by document storage's very nature, things remain stable. This year we've also seen good digital growth again, with revenue up 17% in Australia on the back of greater demand for scanning, lifting and reforming data. The team have strong forward future commitments which will ensure this growth continues into next year and beyond.

Stocka is one of our third horizon businesses that has gone from strength to strength this year. Targeted at an under-served niche, this brand works to supply storage and pick/ pack services to small and mid-sized eCommerce businesses with small packages to ship into our courier network. While only small at this stage, we expect to be able to use any spare document storage capacity to provide this service to customers in New Zealand and, in the future, Australia.

A mixed year for Waste Renewal

14% Document destruction revenue growth

Good market share and an ongoing investment in the right equipment has seen our Waste Renewal businesses continue to do well, particularly with document destruction.

While we have supposedly been moving towards an increasingly paperless world since the late 1970s, our teams have been gaining market share year-on -year for the last decade.

By contrast, our Med-X team, who handle medical waste, had a tough year as we suffered delays in getting regulatory approval for our Victoria waste treatment facility. Now that we have received it, we are confident we can improve our processing efficiency and grow our customer base.

Waste Renewal is an area of the Group where we have a lot of third horizon activity, and our teams have worked hard all year to find new products that align with our pick-up, process and deliver philosophy. Textile recycling and e-destruction have performed well this year, enabling us to keep fabrics and computer parts out of landfill. Our saveBOARD operations are also running in Sydney and New Zealand and slowly building momentum.

CHAIR & CEO'S REPORT

Sustainable and feasible

We have been TOITŪ certified for ten years now, and we remain committed to reducing our emissions across Scope 1,2 and 3. We will release our Climate-related Disclosures ahead of our Annual Shareholders' Meeting.

This year, our Climate-related Disclosures will include emissions reporting for Allied Express for the first time.

We have reviewed our Sustainable Development Goals (SDGs) materiality, and decided to reduce our priority SDGs to four to allow for a stronger focus on the other Goals.

SDG 13 - Climate Action is a priority, and we have the ambition to transition to alternative fuels through our road and air fleets as and when the technology and infrastructure to do so becomes available and feasible.

"This year, our people were a key factor in our ability to hold our own in softer market segments. Our deepest thanks to all of you for stepping up and doing so much to improve our performance..."

– MARK TROUGHEAR

TOITŪ CARBON REDUCE ISO 14064-1 ORGANISATION

Capital expenditure steady

Debt and gearing remain stable although near the top end of guidance. The range established by our Capital Management policy aims to maintain the company at an investment-grade profile. We remain committed to these guidelines and to preserving our credit profile, while taking into account the merger and acquisition opportunities that can be accretive for shareholders.

The current allocation for capital expenditure is approximately **3%** of revenue – and we will continue to invest at that level over the year. The major project we are about to start will consolidate how we can more flexibly price our services and bill across the Express Package business. The new system will also deliver efficiencies and mitigate billing risks. For example, it will enable us to be more flexible in how we charge for Pricing for Effort and different levels of service. We expect the spend for this project to be staggered over several years with $5m in FY25 and $5m in FY26 and expect we will start to see benefits in FY26, building into FY27.

Looking ahead

The economic climate has presented challenges on both sides of the Tasman and remains difficult across broad swathes of the economy. In New Zealand we are hopeful that we have seen the worst and will see some improvement, supported by lower interest rates, by the second half of FY25. In Australia, the situation is slightly more encouraging currently although the challenges with inflation are comparable.

In New Zealand, the market gains in our Express Package businesses, underpinned by the solid returns of our Information Management services highlight the benefits of our diversified approach. Our Temperature Controlled businesses are well positioned for when volumes return, and there is an opportunity at Ruakura to continue to scale should we decide to do so.

In Australia, our investment in Allied Express has delivered on our business case expectations. The business has experienced strong revenue growth in the last year and has a new capacity to grow into.

Meanwhile, we will continue to develop our third horizon business and to grow our presence in niche markets through 25kg+ courier, same-day temperature-controlled transport, high-value waste opportunities and Stocka.

This year, our people were a decisive factor in our ability to hold our own in softer market segments. Our deepest thanks to all of you for stepping up and doing so much to improve our performance.

Once again, our board has provided invaluable guidance and strategic input, and we thank them for their contributions. Finally, to our shareholders and customers, thank you for continuing to support us.

MARK TROUGHEAR
Chief Executive Officer

MARK CAIRNS
Chairman

Living our capabilities in 2024

Our capabilities are our intangible, strategic assets that we draw from to execute our business strategy, grow, get work done and serve our customers. They do not exist alone, but together create the Freightways' way of doing business.

This year, we have several stand-out examples of our capabilities in action.

DELIVER RELIABLY

NEW ZEALAND COURIERS' ANNUAL NETWORK PRESSURE TESTING SHOWED THEY DELIVERED TWICE AS FAST AS THEIR MAIN COMPETITOR.

OUR TEAMS ARE STABLE WITH LOW COURIER TURNOVER AND FEW VACANCIES, MEANING EXPERIENCED PEOPLE ARE DELIVERING FOR OUR CUSTOMERS.

OUR DIFOT (DELIVERY ON TIME AND IN FULL) MEASURES ARE AT THEIR HIGHEST LEVELS IN THE LAST FOUR YEARS.

STRIVE FOR EFFICIENCY

WE EXPECT STRONG EFFICIENCY GAINS WITH OUR AUSTRALIAN SORTATION SYSTEMS AS VOLUMES INCREASE.

THE CREATION OF FREIGHTWAYS GLOBAL MEANS WE NOW HAVE END-TO-END CONTROL OF THE IMPORT/ EXPORT CUSTOMER EXPERIENCE.

THE DATA WE COLLECT ON EVERY PARCEL PROVIDES THE BASIS FOR CONTINUOUS IMPROVEMENT IN TERMS OF MARGIN PER PARCEL.

LOVE OUR CUSTOMERS

WE CONTINUE TO PROVIDE EASY ACCESS TO OUR OPERATIONS THROUGH DIGITAL AND PHONE BASED LOCAL CHANNELS AS WELL AS A LARGE ON-THE-ROAD ACCOUNT MANAGEMENT TEAM WHO WORK TO BUILD STRONG CUSTOMER RELATIONSHIPS.

WE ONLY GROW OUR CUSTOMER BASE IF WE KNOW OUR LOGISTICS CAN HANDLE THE INCREASES IN VOLUME. SACRIFICING CUSTOMER SERVICE FOR SHORT TERM FINANCIAL REWARD IS NOT HOW WE DO BUSINESS.

WE STRIVE TO UNDERSTAND OUR CUSTOMERS' NEEDS AND THE EXPECTATIONS OF THEIR CUSTOMERS SO THAT WE CAN POSITION THE RIGHT BRANDS FOR THE SERVICES OUR CUSTOMERS REQUIRE.

ACT LIKE AN ENTREPRENEUR

WE WILL CONTINUE TO USE OUR PRICING FOR EFFORT INITIATIVE TO CREATE THE PLATFORM FOR OUR CONTRACTORS TO BE REMUNERATED FAIRLY FOR THEIR EFFORT.

WE ARE CURRENTLY MAPPING HOW WE CAN ACCOMMODATE FUTURE PROJECTED GROWTH FOR OUR LARGEST TEMPERATURE-CONTROLLED CUSTOMERS.

WE CONTINUE TO ASSESS OUR HORIZON THREE INITIATIVES TO ENSURE THEY CAN SCALE INTO THE FUTURE.

CASE STUDY

Ruakura. Our new chilled facility

After significant weather challenges, we took possession of our new Ruakura temperature -controlled facility this year.

Built specifically for us by our partner and landlord, Tainui Group Holdings, the new Ruakura super-hub is perfectly positioned for our emerging needs.

STRIVE FOR EFFICIENCY

The ability to store, pick, pack and label items for transport all from our new state-of-the-art facility creates efficiencies for our customers.

ACT LIKE AN ENTREPRENEUR

Convenience food is a strong, growing market. The Big Chill network, Ruakura, and ProducePronto are perfectly positioned to capitalise on this segment.

Ruakura more than proves its worth

Connecting us via road and rail with both Auckland and Tauranga ports and very close to the inland port at Ruakura, our new three-hectare site is also close to the country's large dairy-producing regions, to growers and key manufacturers.

The motorway infrastructure in both directions makes for cost-effective linehaul, helping us to decrease travel times and relieve the pressure on our Auckland and Putaruru depots, which were at capacity. It also enables us to cost effectively service the wider Bay of Plenty region.

THE FACILITY

Four rooms across three hectares

The facility is broken into four 'rooms': two freezer rooms, where the product is kept below negative 24 degrees, and two chiller rooms, where the product is kept at two degrees celsius.

The site also has a temperature-controlled loading zone, with 12 different docks for trucks/ trailers/ containers to back up to for loading. At the same time, our food-safe capabilities ensure we have export eligibility for meat, dairy and seafood so we can connect these products directly to ports.

Movements are two-way. We receive incoming stock from producers for bulk 3PL and imported food from both the Auckland and Tauranga ports, which we can warehouse and then pick/ pack as required for internal markets or export. However, we also ship to others, redistributing food products throughout the country using our temperature -controlled network.

OUR CUSTOMERS

Feeding our revenues

Our customers tend to be dairy producers, food importers, and those working with meat products, seafood, pet food, poultry, and bakery goods, particularly those customers looking for long-term storage of high volume and high stock turnover.

They come to us because we can handle the scale and the complexity of their operations, we are export-capable, we offer transport, warehousing and 3PL in one operation, and our convenient location gives them greater access to crucial ports and their Auckland customer bases.

In terms of how we add value within the Freightways Group, Ruakura generates business for Freightways' other temperature-controlled business, ProducePronto. Combined, Big Chill and ProducePronto's specialised capabilities have allowed us to offer the market a unique set of storage, national delivery and same day express temperature-controlled services.

4 The number of rooms in the facility

-24° The temperature of our two freezer rooms

2° The temperature of our two chiller rooms

12 Number of docks available for trucks/ trailers for loading

STRIVE FOR EFFICIENCY

ACT LIKE AN ENTREPRENEUR

CAPACITY

Balancing capacity across the region

The addition of the Ruakura facility has enabled us to better service customers in the golden triangle between Auckland, Hamilton and Tauranga.

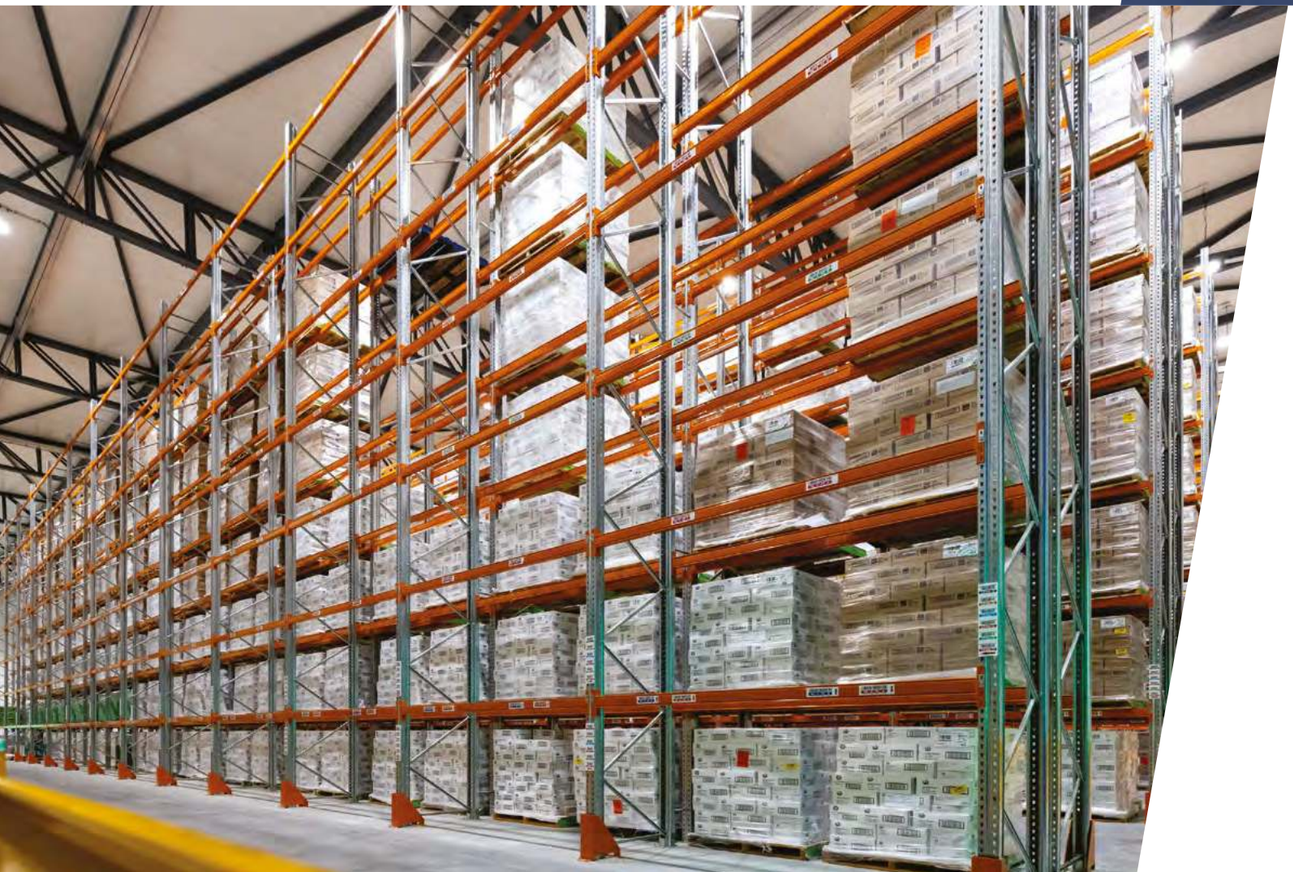
It has also allowed us to move some customers with product stored in Auckland to Hamilton where it is closer to either the port of origin (Port of Tauranga) or the ultimate delivery destination.

Demand in a weaker economy has been pleasingly strong with interest in Ruakura coming from both importers of frozen and chilled foodstuff as well as domestic manufacturers.

Balancing the demand across the Auckland and Hamilton sites has boosted Ruakura's utilisation quickly and freed up some valuable space in Auckland for new customers.

We have also made good efficiency gains by using Ruakura as a cross-dock facility/ transition point between our south and north linehaul to keep products moving on their journey.

Utilisation of Big Chill 3PL site at Ruakura in-line with expectation by year end



HEALTH AND SAFETY

Keeping our people safe

Work processes onsite emphasise safety. We have acoustic fences for noise control, and depot staff wear 'work-alone alarms' that will notify us should anything happen to a staff member.

Our forklifts have freezer cabins where drivers can wear less bulky attire and narrow aisle racking where forklifts are guided so no collisions can occur. All staff also undergo our standard health and safety training, along with specialised training for manual handling and food safety.

SUSTAINABILITY

Ready for the future

Tainui Group Holdings and builder Apollo Projects did a fantastic job with the building. The property has a Green Star Four rating and the structure has been strengthened to hold solar panels.

Plans have incorporated electric chargers for when battery technology is commercial-ready. We can also harvest rainwater from the roof for cleaning and irrigation purposes.

Looking ahead, we expect to extend our capabilities in export logistics via container loading for our busy export customers. This will allow our customers to focus on their production while we handle all logistics.

STRIVE FOR EFFICIENCY

ACT LIKE AN ENTREPRENEUR

STRIVE FOR EFFICIENCY

Efficiency gains from our new sortation systems will become evident as volumes grow. They will make us faster, more accurate and safer, and they will create the room we need in our network to take on more business.

LOVE OUR CUSTOMERS

The design of the new systems was all about enhancing Allied Express's long history of excellent customer service. Billing accuracy, timeliness, responsiveness, and the reduction of missorts helps the business remain a compelling choice for customers.

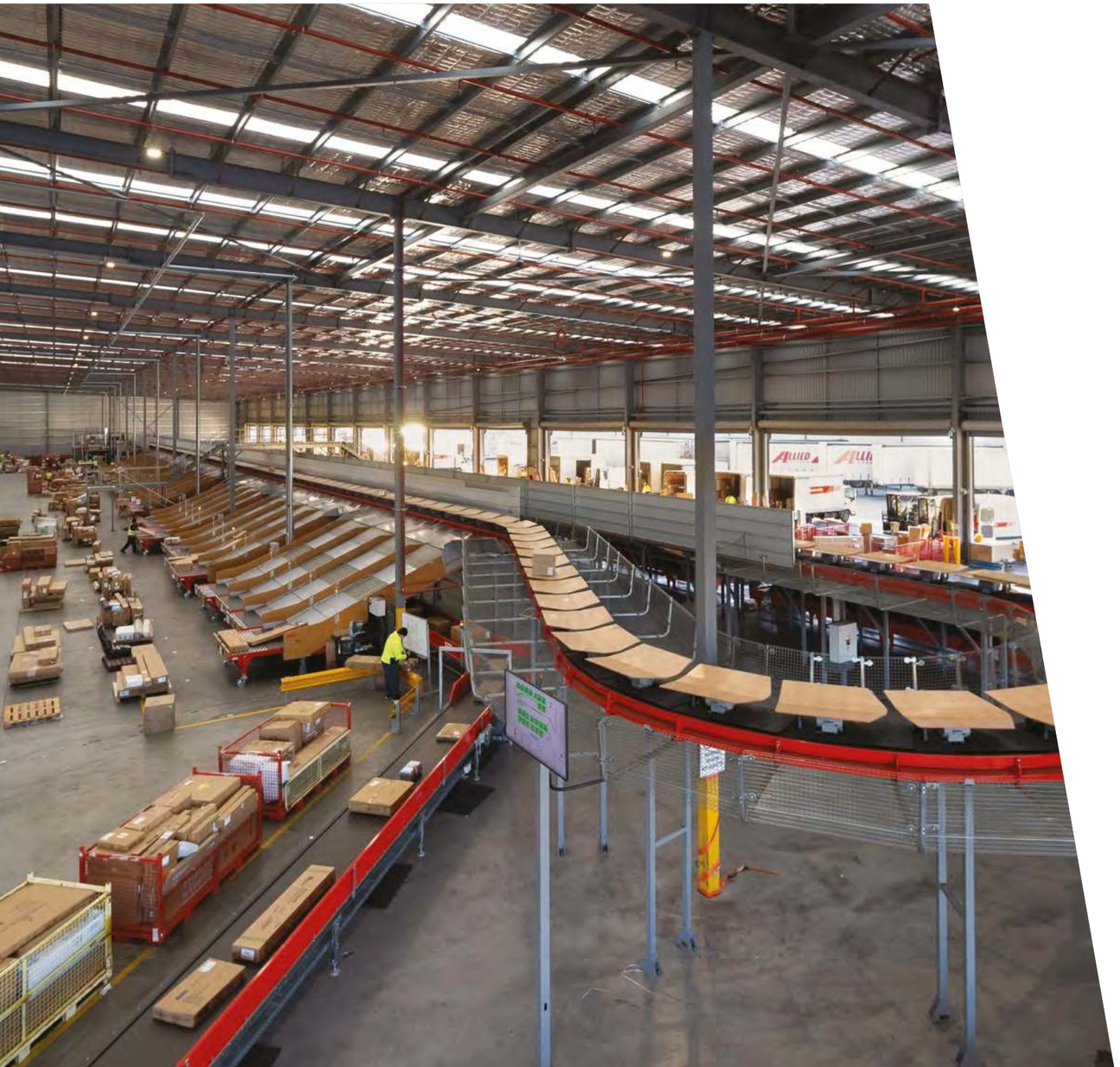
CASE STUDY

Allied Express. Auto-sortation facility for Sydney

In late September, our Allied team in Sydney kicked-off the use of our brand-new sortation system for oversized freight, a first for us and for this part of the world.

The project took around 16 months to build and execute. Our sister system in Melbourne came online at the end of the financial year.

That's Sydney re-sorted



The Sydney system stretches out to approximately the standard size of a soccer field. It can sort objects ranging from a single A4-sized envelope to a 50kg deadweight item up to 1.9 metres long and 900mm wide. (That's about the size of a treadmill box.)

THE BENEFITS

Sizing up the benefits

The system incorporates three induction points where freight is introduced: two are for pallet breakdown sortation, and one is for items picked up and hand-loaded by delivery drivers.

Once inducted, the freight moves along the conveyor until it reaches a dimensioner machine where every item is weighed, measured and its cubic volume is checked – all for accurate charging purposes. The dimensioner machine also scans all six sides of the item to locate and read the courier label, and assign the item a destination. This significantly reduces the likelihood of misreads or missorts, and helps with lowering double-handling and enhancing accuracy. Also, a control system before the dimensioner regulates freight flow by slowing down and creating space between each item, ensuring every piece of freight is separated and accurately measured.

Down the conveyor line from our dimensioner are vertical diverters that are designed to redirect any freight that is identified as exceeding the system's weight/ size limitations. Once scanned, these items are sent to a separate chute for manual sortation, minimising system downtime, and maintaining the smooth flow of freight through the system.

A substantial time-saving feature is that trucks can reverse directly up to the depot/ conveyor for safer and more efficient loading and unloading. This saves time and improves health and safety by reducing manual lifting and alleviating vehicle congestion.

"Reducing missorts reduces our operating costs and directly affects our bottom line."

FUNCTIONALITY

Sorting out the mistakes

Since the system was introduced, misdirects and missorts have decreased significantly. Misdirects can be costly to the business because the distances we cover are expansive.

If we send freight to Melbourne instead of Queensland, for example, that's an expensive error, often requiring us to fly freight to correct the mistake. Reducing missorts reduces our operating costs and directly improves our bottom line.

To ensure everything goes where it should, the sortation system has 85 chutes, each corresponding to a destination. One chute per destination means no doubling handling, a decrease in handling errors, an improvement in operational efficiency and an enhancement of customer reliability. All our intra-state, interstate, and local freight can be sorted and dispatched immediately.

EFFICIENCIES

Faster for our customers

The key benefits for our customers are faster delivery times, better accuracy, and enhanced track and trace.

More efficient sortation and packing means linehaul can depart earlier from our larger distribution hubs of Sydney and Melbourne and the freight on arrival can be processed to drivers earlier, enabling them to navigate the larger metropolitan cities earlier in the day.

The dimensioner integrates with our back-end system and provides more accurate information for our customers, call centre teams and those receiving the item.

The new-found efficiencies in our operations mean we can now bring more customers on board, knowing that we can provide them with a high level of on-time delivery and reduce the chance of damage and missorting of freight. The system will enable us to process over double the current volume – which comes in particularly useful in the peak shopping periods each year when item counts can increase by up to 40%.

More to come

Once we have systems up and running, we will better understand how to use those systems in tandem and separately to achieve even better handling.

"The key benefits for our customers are faster delivery times, more accuracy, and enhanced track and trace."

Supporting a deeper sense of community

At Freightways, we recognise the importance of being actively involved in and supporting the communities in which we work.

Across the Group, we support some 16 charitable organisations and not-for- profits at a national level and many more at a local or regional level.

Our businesses are all encouraged to support causes that resonate with their people and customer base, be they national initiatives like the NZRSA or more grassroots support like local sports teams, school or community projects. We are very proud of our people who take time out to support others. The following is a list of the organisations and causes we formally support.

- Beanies for Babies
- Cancer Society New Zealand
- Child Cancer Foundation
- Clontarf Foundation
- I Am Hope
- Keep New Zealand Beautiful
- KidsCan
- Life Flight
- NZ Breast Cancer Foundation
- NZRSA
- Prostate Cancer Foundation AUS
- Ronald McDonald House
- Rotary Club Newmarket
- RSPCA Queensland
- The Hearing House
- Westpac Rescue Helicopter

KidsCan

- 893 schools and 206 low-decile early childhood centres are supported
- 55,000 kids fed every day
- 6 million food items distributed in the last 12 months
- 77 schools and 130 early childhood centres await help

Our company's principal charity, KidsCan, helps Kiwi kids have the basics they need to learn and succeed at school. KidsCan believes that education is the ticket out of poverty. By supporting kids experiencing hardship with food, clothing, and health products, they can participate in learning and the opportunity for a better future. Freightways is proud to contribute financially to the great work done by KidsCan.

This year, we helped raise funds for Onehunga Primary's Year 5 and 6 camp at the end of Term 2. Various Freightways volunteers prepared, sold, and served meals as part of the fundraising effort. The funds collected went directly to cover the camp's expenses for their senior students.

During the winter of 2023, KidsCan ramped up its efforts to ensure Kiwi Kids experiencing hardship remained engaged in their learning through the supply of warm clothing and food. To help in distribution, our people dedicated their time, hands-on effort, and experience at the KidsCan warehouse in Auckland to pick, pack, and prepare packages to send to schools and organisations in need.

kidscan.org.nz

Child Cancer Foundation

We're proud of New Zealand Couriers' long-standing support of the Child Cancer Foundation (CCF) over the past two decades. This organisation supports kids living with cancer and their families. This year, our people found several ways to help.

New Zealand Couriers sponsored CCF's annual Go for Gold Gala Dinner and Quiz Fundraiser in Wellington. A team from the Wellington branch attended, helping to raise $85,000 that evening. New Zealand Couriers also sponsored the Auckland Go for Gold Event in June 2024.

New Zealand Couriers annually supports the CCF Annual Street Appeal as the Official Transport Partner. Our people also dressed up in the colours of their favourite sports teams, and contributions here helped CCF reach its annual goal of $6 million.

New Zealand Couriers donated 30,000 packets of white daisy seeds to CCF for volunteers to give seeds as tokens of appreciation to donors. White daisies symbolise hope and wellness for children who have cancer.

New Zealand Couriers also supported CCF's Whanau Connect 2023 Christmas parties. Whānau Connect, run by volunteers, serves as a platform for families living with cancer to connect through shared experiences and provide mutual support.

childcancer.org.nz

The Royal New Zealand Returned and Services Association

New Zealand Couriers is the RNZRSA's Official Poppy Partner and is honoured to support Poppy Day annually. Donations to the RNZRSA benefit New Zealand's military veterans and their families with counselling, advocacy, financial aid, mental health care access, health issues, and support for veterans and their families.

As the Official Poppy Partner, New Zealand Couriers distributes poppies and EFTPOS machines nationwide to support the Association's two significant fundraising days, Poppy Day and Anzac Day.

rsa.org.nz

16 Charitable organisations and not-for-profits supported

CASE STUDY

Creating Freightways Global

First Global Logistics has been a long-term partner to Freightways, helping brands overseas to quickly and efficiently deliver parcels to New Zealand households and businesses.

This year, the company became part of our Group.

ACT LIKE AN ENTREPRENEUR

Bringing First Global into the Freightways fold has made us a large player in the ever-growing eCommerce space. A vertically integrated offering from pick-up to delivery to the consumer means we can control the experience, end-to-end.

LOVE OUR CUSTOMERS

eCommerce delivery in New Zealand is inconsistent. Much depends on border processing times and last-mile delivery performance. We are here to be the dependable choice for our customers.

Crossing borders creating opportunities

Freightways Global

2M+ Total items Freightways Global clears annually

60% Percentage of business that is inbound freight from eCommerce businesses

Rebranded as Freightways Global, our new addition has added scale, capability and vertical integration to our international door-to-door service, delivering better efficiencies and outcomes for customers and businesses alike.

Freightways Global specialises in international cross-border logistics. The team manages all the details needed to get a package in and out of New Zealand, often while the package is still in the air.

The team is approved by MPI (Ministry for Primary Industries) and Customs to transition air and sea freight, so once a parcel has been cleared and the paperwork completed, it can be connected with our courier brands in New Zealand.

OUR STRATEGY

Increased vertical integration

"Acquiring First Global was the next step in our eCommerce strategy. It has given us better control of the customers' cross-border experience from pick-up to delivery. Their presence also gives us a firm pathway to grow this vertical." Scott Hedgman – GM for Sales, Freightways

These deep connections enable vertical integration that has not been previously available to our customers. "We know speed and accuracy are so important in eCommerce. When a shipment arrives, we have already been working on the compliances needed to land the goods while they're in transit. When it lands, we clear all items and get them into the delivery phase within 24 hours." Ruth Adin – GM, Freightways Global

"Acquiring First Global has given us better control of our customers' cross-border experience, from pick-up to delivery..."

– SCOTT HEDGMAN

SPECIALISATION

A specialist in four areas

Based in Mangere, Auckland, and operating in Auckland, Wellington, and Christchurch, Freightways Global clears hundreds of thousands of items monthly. We specialise in four areas of import/ export: eCommerce freight from places like the UK, US, Australia, and Asia; traditional freight; complex project-type international shipments such as vehicles and componentry, and express warehousing for pallet stock that needs to be held back for short periods.

Freightways Global is a one-stop shop for all sorts of international freight to/ from New Zealand. The team can handle almost anything, so while the majority of items flow directly into our Express Package brands we have moved a jet engine recently, and a submarine. We also manage the return logistics for customers when a receiver decides to return something they have purchased. Above all, Global prides itself on its robust systems expertise and capability around the brokerage, categorising, compliance and labelling of international freight.

ACT LIKE AN ENTREPRENEUR · LOVE OUR CUSTOMERS

VALUE PROPOSITION

Adding value for aggregators

When First Global joined Freightways, their team brought deep industry experience and relationships to the Group.

It created an opportunity for our teams to collaborate, creating a high-performing platform from which we can build the business further. "Our inbound customers are eCommerce product aggregators/ wholesalers," says Scott Hedgman, "while outbound customers are mostly business-to-consumer businesses."

SCOTT HEDGMAN
GM Sales, Freightways

SPECIALISATION

Optimistic about growth

Looking ahead, the addition of Global to our network increases potential run density for our residential courier base, which in turn increases courier remuneration.

The low-value, high-volume freight Global predominantly receives is perfect for our courier network.

"Significant opportunity exists to grow eCommerce as it continues to grow globally. And New Zealand is no different," confirms Ruth Adin. "The growth of the worldwide eCommerce merchants is a phenomenon of our times. Leveraging Freightways' pick-up, process and delivery capabilities will enable us to increase efficiency, reliability, customer-centricity and grow the business."

RUTH ADIN
GM, Freightways Global

"Leveraging Freightways' pick-up, process and delivery capabilities will enable us to increase efficiency, reliability, entrepreneurship, and customer centricity and grow the business..."

– RUTH ADIN

SUSTAINABILITY

Strategies for commitment

TOITŪ CARBON REDUCE
ISO 14064-1 ORGANISATION

ENVIRONMENTAL STATEMENT:

We recognise that our core business is reliant on transportation to service our customers. As an emissions intense organisation, our commitment to the TOITŪ certification process encourages our people and our partners to make environmentally positive decisions every day.

GUIDING PRINCIPLES

- We recognise that protecting the environment today is essential to creating a sustainable business future.
- We actively seek to minimise the environmental impact of all our activities.
- We work in partnership with all stakeholders to promote good environmental practice.
- We comply with relevant environmental legislation.
- We are a TOITŪ certified organisation. Our greenhouse gas emissions are measured in accordance with ISO 14064-1:2018 and we are committed to managing and reducing our relative emissions.
- We recognise that by gaining efficiencies for our core business model we enable our services to be delivered with as low environmental impact as possible.
- We regularly review our operational activities, systems and training to ensure our business practices are aligned with these guiding principles.

CLIMATE RISK DISCLOSURE

Ahead of our Annual Shareholders' meeting, in October 2024, we will release our first Climate Risks Disclosure report, that will consider the ways climate risk could impact our business and provide targets for the reduction of greenhouse gases associated with our operations.

01
Our responsible growth strategy

Goal: To balance the commercial needs of our business with our responsibility to protect the environment in which we operate.

SUPPORTING POLICIES:

- When implementing our positioning, people, performance and profit strategies, we will incorporate tactics that support our environmental approach.
- We will ensure development, growth and capital projects align with our commitment to reduce our carbon emissions and minimise our environmental impact.

02
Our cleaner air strategy

Goal: To promote cleaner air by minimising carbon emissions.

SUPPORTING POLICIES:

- Our vehicle fleet will not be leased for a period longer than four years to ensure we are using modern fuel efficient technology.
- As part of this transition, we are continuing to trial hybrid and electric vehicles.
- Our contractors are strongly encouraged to use later model, lower emission vehicles.
- Our hub & spoke network is segmented and reviewed on a continuous basis to ensure minimisation of kilometres.
- Our aviation business actively measures and manages its performance to ensure minimisation of fuel usage and emissions.
- We maintain TOITŪ certification by measuring our carbon emissions on a business-by-business basis and committing to managing and reducing them.

03
Our conservation & waste management strategy

Goal: To implement actions that, wherever practical, see us recycle, reuse and minimise waste of the products and resources we consume.

SUPPORTING POLICIES:

- Our range of recyclable courier satchels is currently transitioning to contain no less than 80% New Zealand sourced plastic waste.
- Wherever possible, our destruction businesses utilise 'best in class' recycling technologies to avoid resource waste and landfill solutions.
- We encourage our customers to receive electronic invoices to minimise paper waste.
- We commit to identifying, measuring and documenting our carbon emissions as part of our TOITŪ certification. We will continue to develop and refine systems to reduce emissions overtime.

04
Our education & awareness strategy

Goal: To promote education and awareness of better environmental practice among stakeholders.

SUPPORTING POLICIES:

- We promote our environmental approach among staff and ensure individuals understand their role with our environmental objectives.
- Our suppliers are actively encouraged to demonstrate their environmental practices to ensure they align with our objectives.
- We actively promote the benefits of good environmental practice among our customer base.
- We endeavour to actively educate and communicate with our staff, contractors, customers and suppliers, our commitment to emissions reduction, ensuring they understand our objectives and the role they can play in achieving these.

05
Our responsible partnership strategy

Goal: To seek to partner and work with others who can demonstrate a commitment to the environment.

SUPPORTING POLICIES:

- To make our business partners aware of our environmental policy, our TOITŪ certification commitment, and the expectations arising from these.
- Where all other things are equal, to choose the partners and contractors who can demonstrate sound environmental policies.

Image Credit:
Douglas Bagg, Unsplash.

Our material impacts for FY24

OUR ESG ACTIVITIES

Assessing our material issues

We undertook an initial assessment of our material issues for stakeholders more than four years ago.

Last year, we signalled that we would review our materiality this year to check the relevance of our ESG activities.

We have now completed that assessment and as a result, we have identified the issues that continue to impact and are most important to our business success and that internal and external stakeholders most engage with.

MATERIALITY ASSESSMENT

A double approach

The assessment involved an external party engaging with internal and external stakeholders, including board members, staff, executives, contractors, suppliers, and investors to obtain their opinions.

The double materiality assessment approach was chosen for its comprehensive nature, providing significant insights and directly recognising that organisations like ours have substantial financial and non-financial impacts that must coexist. As the name suggests, double materiality adopts different perspectives to gain a more holistic view:

- "Inside out" impacts – which look at the company's impacts on society and the environment by assessing scale (impact on health, the environment and culture), scope (how many people are affected) and irremediability (the ability to fix issues or not).
- "Outside in" financial materiality impacts – which examines size (the amount of economic impact) and likelihood (the chances of an impact happening).

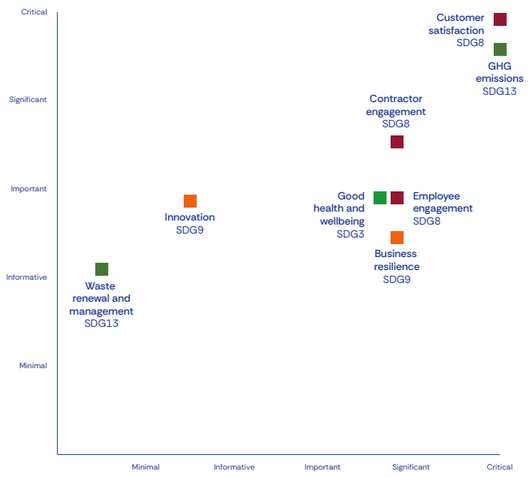
As we communicated last year, the assessment made an essential adjustment to our reporting strategy. We reduced the number of SDGs we consider from five to four, removing SDG 16 (Peace justice and strong institutions). This decision was made because, as a NZX and ASX-listed business, stakeholders considered other SDGs more critical in the Australasian context, allowing us to focus more on impactful activities.

REVISED SDG FRAMEWORK

Our SDG priorities

This year, we will report on our revised SDG framework as part of our non-financial decision-making and reporting in FY24.

The SDGs will remain constant, but we will update each 'Area of focus' to reflect where we believe attention will improve overall impact.



SDG 3

Good health and wellbeing

Areas of focus

- Health and safety in employment.
- Injury reduction.

SDG 8

Decent work and economic growth

Areas of focus

- Our commitment is to improve contractor return year on year.
- Learning and development. We will continue to invest in training our people so 80% or more of our promotions come from within.

SDG 9

Industry, innovation and infrastructure

Areas of focus

- We aim to have a customer churn of less than 2% of revenue.
- We are committed to continued growth over three horizons.

SDG 13

Climate action

Areas of focus

- GHG Emissions. We are committed to reduce our emissions over time for Scope 1, 2 and 3.
- The average age of linehaul vehicles within our direct control is four years or less.
- Committed to assist in the development of the circular use of waste.

SDG 3:

Good health and wellbeing

Areas of focus

- Health and safety in employment.
- Injury reduction.

HEALTH AND SAFETY INITIATIVES

We have several initiatives underway to help reduce harm including a significant focus on the risks posed by forklifts used through almost all of our businesses, as well as training that targets functional safety and management health and safety culture.

COMPREHENSIVE WORKPLACE SAFETY AND SKILLS TRAINING

Across the Group, our essential health and safety training programmes run to keep our people safe and our workplaces efficient.

Training includes Dangerous Goods Awareness and Handling, Manual Handling, Workplace Health and Safety, Fire Safety, First Aid Training, Forklift Operation and specialist equipment training.

In Australia, our Shred-X and Med-X businesses offer more programmes to leaders and staff, including Modern Slavery Refreshers, Mental Health First Aid, Cyber Security Training, Bullying and Sexual Harassment and Financial Management. Both businesses have an average target of thirty minutes of training per employee per month.

FORKLIFT SAFETY

We offer comprehensive forklift safety programmes across those parts of the Group that operate forklifts. Our forklift simulator allows us to carry out the majority of our training in-house. Through Worksafe, we are now working towards full self-certification licencing. In addition, businesses like TIMG and Stocka undertake hi-reach truck training to train those operating high-access equipment. In our depots, we've introduced AI tech that analyses our video footage to find near-miss forklift incidents. These enable us to address potential issues and hazards well before they occur. This is proving very effective, with no serious harm events involving forklifts in the last 12 months.

DRIVING SAFETY CULTURE

An awareness programme that was delivered to 32 of our operational managers and supervisors in the last 12 months.

We received positive feedback from recipients about building a proactive safety culture at work. Managers who attended are now recommending their team members and colleagues to attend.

HANDBRAKE ALARMS AND IN-CAB CAMERAS

We've also installed handbrake alarms in our metro and linehaul trucks that sound if the driver's door is open, and the handbrake hasn't been applied.

In-cab cameras in our linehaul vehicles record road activity and also face the interior to record driver behaviour and check for drowsiness.

PSYCHOLOGICAL HEALTH AND SAFETY TRAINING

We began offering this training this year. The goal is to encourage frank dialogue and to get people to speak up with questions, thoughts, issues and ideas. We want to become a safe workplace for expression.

EAP

We offer access to confidential external counselling for those suffering from physical and mental issues. The service, provided at no cost to our people, also covers financial and partner counselling.

1488 Employees completed some form of Workplace Safety and Skills Training

SDG 8:

Decent work and economic growth

Areas of focus

- Our commitment to improving contractor earnings year-on-year
- Learning and development. We will continue to invest in training our people so that 80% or more of our promotions come from within.

LEADING CONTRACTOR EARNINGS MODEL

Many of our vehicle fleets run under a contractor model. This means our contractors essentially run their own businesses. The effort they put into their business has a direct flow-on effect on the return they receive.

The model is a win/ win. For Freightways, there is a level of variability and certainty as volumes rise or fall, keeping with economic ups and downs. For our couriers they can earn great incomes through their productivity and the customer relationships they forge. Initiatives like Pricing for Effort (PFE) ensures our customers' pricing directly reflects the resources and efforts our contractors invest to make each delivery. Our contractors lean heavily on the support of our account management, sales, customer service, and administration teams. Because our people work hard to have commercial discussions with customers, our contractors can focus on delivery.

Freightways and our contractors are assessing new vehicle types to inform ourselves as to when we can feasibly transition to alternative fuel cell technology for our vehicles. It is important our couriers are remunerated appropriately so that they can make a return on investment when this time comes.

DEVELOPING OUR PEOPLE

We invest strongly in helping our people gain knowledge and experience. Our learning programmes further develop our people, which in turn enriches our internal capabilities.

Logistics lie at the heart of what we do, and much of the knowledge around how our logistics work has grown organically over time and is embedded with our senior people. In fact, many of our executives, including our CEO, are long-term employees. Our management ranks are also filled with people who deeply understand the core capabilities needed for success.

We offer comprehensive workplace training and leadership courses across Freightways, which include a wide range of programmes, from induction to business fundamentals and people leadership.

500+ More than 500 people received career development training from us in FY24

FREIGHTWAYS WIDE PROGRAMMES

Freightways Fundamentals starts our people on their business leadership journey, which includes leadership, financial literacy, and sales acceleration.

- 170 attendees in FY24

Strengths Development leverages CliftonStrengths to identify and cultivate employees natural talents.

- 150 attendees in FY24

LEAD selects mid-career leaders for internal and external leadership development.

- 12 attendees in FY24 and 60 in total since 2018

The Cadet Programme selects university and technical institute graduates to receive comprehensive exposure to the Freightways business over two years.

- The programme has been running for over 25 years with an average of 8 cadets each year

eLearning programmes include micro-modules designed to nurture soft skills, teamwork building, and advanced people leadership.

BUSINESS-SPECIFIC PROGRAMMES

In addition each business will offer programmes specific to their development needs, examples of these are;

- **Post Haste Group** offer a Grow Our People (30 attendees in FY24) and an HR Management (22 ongoing attendees in FY24) programme to promote rising stars into team leader and people management roles.
- **TIMG AU** runs three programmes: HR101 (40 attendees in FY24), the People Manager Training Programme, and a Talent Development Programme to strengthen leadership capabilities, promote a productive work environment, and support career progression within Freightways.
- **New Zealand Couriers** offer Driving Ahead, which is part of the New Zealand Certificate in Business (Introduction to Team Leadership) – Level 3. (59 attendees FY24. 68 graduates to date)
- **Shred-X/ Med-X** programmes include Customer Engagement, Financial Software Training, Financial Management run by Westpac, and MS Excel micro-learning tutorials.

These investments not only build core skills, loyalty and a strong culture, they also enable us to fill 80% of our vacant positions internally. We also encourage mobility within the business, with many of our people shifting between various divisions and brands. This in turn broadens their understanding of our wider business.

SDG 9:

Industry, innovation and infrastructure

Areas of focus

- We aim to have a customer churn rate of less than 2% of revenue.
- We are committed to continued growth over three horizons.

ACHIEVING LOW CUSTOMER CHURN

Retaining our customers is essential for us financially, but it also speaks to our commitment to building loyal and enduring relationships.

Our goal is to keep customer turnover under 2% of revenue, and we can do that successfully through our focus on account management, the overall customer experience, and daily performance.

Reliability is critical. Every year, we have an independent party run pressure tests comparing New Zealand Couriers' performance against our competitors. New Zealand Couriers is consistently the most reliable network in the country.

This year, we achieved a 15% increase in address validation for our New Zealand hub-and-spoke Express Package businesses, which has significantly improved our delivery accuracy, sorting efficiency and successful first attempt deliveries.

We are customer-focused in how we bring new products to market. All product development is built using direct customer insight. For example, we launched two new businesses last year: Stocka and Kiwi Oversize. Both meet an under-served vital customer need and have exceeded performance projections.

COMMITTED TO GROWTH IN HORIZONS TWO & THREE

Our growth strategy features continuing and scaled innovation. We use a 'three horizons' growth model, where Horizon One is our core business and Horizon Two businesses utilise our fixed cost base and provide additional strong growth prospects. Our Horizon Three are the innovators, focusing on delivering long-term revenue streams by identifying emerging niches with revenue potential.

OUR EXPRESS PACKAGE HORIZONS

Horizon Two for our courier network is our business-to-consumer (B2C) delivery market.

Over the last few years, our efforts have centred around building runs that can deliver efficiently and reliably for our customers as well as growing our presence among eCommerce retailers.

15% Increase in address validation in FY24, significantly improving our delivery accuracy and sorting efficiency

Our Pricing for Effort (PFE) initiative is pivotal in linking our courier remuneration to the mileage and density these deliveries represent.

Horizon Three is our focus on the niche 25kg+—50kg market. In 2022, we launched Kiwi Oversize in Auckland, Wellington, and Christchurch. Our ability to use existing resources meant Kiwi Oversize had a strong service proposition, but low start-up costs. In Australia, Allied Express specialises in more than 22kg in the five key states. Recent automation investment into our operations sets the business up to accommodate new levels of growth.

OUR WASTE RENEWAL HORIZONS

Horizon Two Waste Renewal business involves shifting our paper waste collection and processing capability to medical waste.

Some years back, we purchased a small Sydney medical waste business and rebranded it as Med-X, which is now located in NSW, QLD, and VIC. Med-X offers waste management for medical, biosecurity, and hygiene products.

Horizon Three finds value in high-value recyclables. An example is saveBOARD, which recycles composite packaging waste to re-enter the local building products supply chain. Shred-X's eWaste facility also disassembles electronics, extracts precious metals, resells valuable components, and recycles everything else. This year, we have also started recycling textiles.

OUR INFORMATION MANAGEMENT HORIZONS

Horizon Two for TIMG revolves around providing solutions for digital conversion.

Over the last few years, TIMG has developed its digital information management capabilities, including document, book, and microfiche scanning, digital mailrooms, eDiscovery, and online form processing. Digital products currently account for a growing portion of TIMG's revenue annually.

Horizon Three for this business focuses on delivering efficient and cost-effective 3PL fulfilment services for eCommerce customers, utilising available space across our significant secure building footprint and express delivery through our Freightways courier brands. The TIMG Stocka business continues to enjoy compounding annual growth, with increasing demand for end-to-end logistics from customers across Australia and New Zealand.

TEMPERATURE CONTROLLED HORIZONS

Horizon Two for the temperature-controlled sector is Big Chill's 3PL. Specifically, our new facility in Ruakura has been developed to grow this opportunity for fast-moving consumer goods clients.

Horizon Three provides same-day logistics to convenience stores, cafes, and fast food. We purchased ProducePronto in 2021. Today, that brand runs a fleet of vans out of Auckland, Wellington, and Christchurch, delivering daily temperature-controlled food to clients. Recent expansions include a new hub in Auckland and larger shared facilities with Big Chill in Wellington and Christchurch.

SDG 13:

Climate action

Areas of focus

- The average age of linehaul vehicles within our direct control is four years or less.
- Committed to assist in the development of circular use of waste.

CASE STUDY: USING AN EV FOR COURIER DELIVERIES

Albert Padilla is a contractor driver at our North Harbour branch in Auckland. In July 2023, he bought a Ford E Transit 2023 vehicle for his business.

He did so because of the fuel savings, and because his run is closer to the depot, so range isn't an issue. Albert likes the fact that the vehicle is quiet, that he's not causing any air pollution and that he can save money.

However, while his EV works well for his loads and range, it would be more of an issue for those with longer runs. Albert says he is fortunate to be set up with a charger at home, so he can charge his EV each evening, which is enough to get him through the next day.

"My EV works well for me and my circumstances," says Albert. "It's good to be using a cleaner vehicle on my run, and my customers like to see their packages being delivered with an EV."

EVs are still not without their challenges, he says. The eight year battery warranty is meaningless for a courier because drivers change their vehicles more regularly than this. EVs are also not well suited to rural areas because the battery is not supposed to be shaken, and they cannot be driven in flooded areas. They also typically cost more than conventional courier vehicles.

While the challenges of owning a commercial EV are still very real, we celebrate Albert for being one of the first contractors in our Group to own one.

VEHICLE LIFE CYCLE

A pre-requisite of being part of the Freightways network is that drivers ensure all vehicles are modern and in good condition.

The rates we charge include an allowance for vehicle expenditure and capital outlay for our contractors and also our non-contractor operated businesses.

Modern vehicles are also more fuel efficient and cleaner burning because of advances in engine technology and the use of catalytic converters, which infuse oxygen into the exhaust.

The average age for our linehaul vehicles is around four years old. That's because of the distances they cover and the need to retain reliability and a strong brand presence. Our light commercial fleets accumulate mileage through lots of short, urban trips, so the vehicles are a little older on average because they take longer to accumulate miles.

Increasingly, our new vehicles meet the Euro 6 standard which sets out the latest, reduced acceptable limits of harmful pollutants that can be emitted by commercial vehicles in the EU.

Image: North Harbour, Auckland contractor, Albert Padilla and Freightways CEO, Mark Troughear.

SUPPORTING THE CIRCULAR ECONOMY

In Australia, our Shred-X and Med-X brands are actively driving the development of a circular economy, a system that minimises waste and maximises the value of resources.

Med-X is making significant strides in sustainability, particularly in the launch of it's SharpCYCLE™ brand - a range of 100% recyclable single-use sharps containers and development of accompanying recycling system. This innovative system, whereby collected single-use containers are decanted, separated from their contents, treated and then granulated for remanufacture into other plastic products, is estimated to reduce sharps container landfill volumes by over 28%.

Shred-X's commitment to recycling is not just a statement but a significant action. By diverting a staggering 45,000 tonnes of paper, including confidential documents and intellectual property, from landfills across Australia, Shred-X is making a substantial and tangible impact on waste reduction.

Processing eWaste is also a core service for Shred-X, which has full GCC certification to collect, decommission, destroy data, recover value, and recycle materials.

Shred-X holds the highest industry certifications for its eWaste disposal services, including NAID AAA and SERI R2v3 certification which is the most widely adopted sustainability standard for the reuse and recycling of used electronics worldwide. In FY24, Shred-X collected and recycled in excess of 750,000 kgs of eWaste and repurposed over 80,000 kgs of IT assets and components during the same period.

Textile recycling is the new edge for the circular economy, and Shred-X has been a front runner in finding value in repurposing textile waste. In FY24, Shred-X expanded its collection, consolidation, and sortation services and successfully diverted at least one million kilograms of textiles from landfills. They have developed strong relationships with Australian recyclers and joined Seamless, Australia's product stewardship scheme for textiles, which launched in July this year. Shred-X's role is to drive circularity by connecting waste producers with high-value recycling outcomes in the coming months.

Euro 6 standard vehicle count July 2024

2	15	1	30
PARCELINE	BIG CHILL	ALLIED EXPRESS	PRODUCEPRONTO

LEADERSHIP

Our Board

MARK CAIRNS
Chairman
BE (Hons), BBS, MMGT, FIPENZ, CF Inst D

PETER KEAN
Director
PMD – Harvard

ABBY FOOTE
Director
LLB (Hons), BCA, CF Inst D, INFINZ (Cert)

FIONA OLIVER
Director
LLB, BA. CF Inst D

DAVID GIBSON
Director
BCom, LLB (Hons)

MARK RUSHWORTH
Director
BE (Hons), MEM

Our Leadership

MARK TROUGHEAR
Chief Executive Officer
BMS – University of Waikato

STEPHAN DESCHAMPS
Chief Financial Officer
MBA, Master in Finance, B Poli Sci, M Fin - Institut d'Etudes Politique, Paris

NICOLA SILKE
General Counsel and Company Secretary
LLB (Hons), BA – University of Canterbury

AMI VAN GILS
Head of People & Culture
BA – University of Auckland

MATTHEW COCKER
Chief Information Officer
PHD – Georgetown University

NEIL WILSON
General Manager Freightways

AARON STUBBING
General Manager Express Package Division

Directors' Report

The Directors of Freightways Group Limited (**Freightways**) resolved to submit the following report with respect to the financial position of the Group as at 30 June 2024 and its financial performance and cash flows for the year ended on that date.

DIRECTORS

The names and profiles of the Directors of the Company in office at the date of this report are:

Mark Cairns | BE (Hons), BBS, MMGT, FEngNZ, CF Inst D

Mark was appointed a Director in April 2021. He was Chief Executive of Port of Tauranga, New Zealand's largest and most successful port, from 2005 until his retirement in June 2021 to pursue a full-time governance career. Mark was previously Chief Executive of Toll Owens Limited and Owens Cargo Company Limited. Mark has extensive experience in logistics, infrastructure, contracting and significant exposure to capital markets. Mark is also a director of Auckland International Airport Limited.

Abby Foote | LLB (Hons), BCA, CF Inst D, INFINZ (cert)

Abby was appointed a Director in June 2018. She is a professional director with over 15 years governance experience, with qualifications in both law and accounting. Abby has experience in a range of senior management, finance and legal roles, with a focus on corporate finance and commercial transactions. Abby is currently a director of KMD Brands Limited.

David Gibson | B.Com, LLB (Hons)

David was appointed to the Board in April 2022. David is a professional director and has a strong background in strategy and finance with over 20 years investment banking experience, including as Co-Head of Investment Banking in New Zealand for Deutsche Bank and Deutsche Craigs. During his finance career David has advised on many of New Zealand's largest capital market transactions. David is also a director of Contact Energy Limited, NZME Limited, Goodman NZ and Rangatira Limited.

Peter Kean | PMD Harvard

Peter was appointed a Director in July 2016. He brings to Freightways many years of senior executive experience with the Lion group of companies in both New Zealand and Australia. Peter's last executive roles were as Managing Director of Lion Nathan New Zealand and Managing Director of Lion Dairy and Drinks, based in Melbourne. Peter retired from Lion in 2014 and has since developed his career in governance. Peter is involved in a number of private companies both in New Zealand and in Australia.

Fiona Oliver | LLB, BA, CF Inst D

Fiona was appointed a Director in July 2021. She is a professional director, holding governance roles across a range of business sectors including infrastructure, retirement villages, technology, and financial services. She is a director of Summerset Group Limited, Gentrack Group Limited, Clarus (previously the First Gas Group), Listed Investment Vehicles Marlin Global, Barramundi and Kingfish and Wynyard Group Limited (in liquidation). Fiona's executive career was in financial services in New Zealand and overseas. In New Zealand, she managed BT Funds Management, Westpac's investment arm, and AMP's Wealth Management division. In Sydney and London, Fiona managed the Risk and Operations function of AMP's global private capital division. Fiona has also practised as a senior corporate solicitor in New Zealand and overseas, specialising in mergers and acquisitions.

Mark Rushworth | BE (Hons), MEM

Mark was appointed a Director in September 2015. He has extensive experience in the technology sector, with a decade's governance experience, predominantly in the high tech and innovation space. An electrical engineer by training, with widespread operations and marketing experience, he spent 4 years on the senior executive team of Vodafone NZ, where among other things he had executive accountability for the fixed line business and as Director of Marketing. Mark previously served as chief executive of Pacific Fibre, ihug and financial services company, Paymark Limited. Mark is currently Chief Executive Officer of private equity owned UP Education and a director of a number of private companies.

INDEPENDENCE OF THE BOARD

The Board has determined for the purposes of the NZX Listing Rules that, as at 30 June 2024, Mark Cairns, Abby Foote, David Gibson, Peter Kean, Fiona Oliver and Mark Rushworth are independent Directors.

The Board assessed each Director's independence with regard to the NZX Listing Rules, the interests and relationships of each Director and by considering each of the factors set out in Table 2.4 of the NZX Corporate Governance Code. The Board is satisfied that none of the factors set out in Table 2.4 apply to any of the Directors.

Directors' Report

BOARD SKILLS MATRIX

The Board focuses on governance, strategy and the oversight of the performance of the different Freightways businesses and brands. The Directors bring both proven experience in governance and a strong background in business to their decision making. Together, they provide the wide-ranging skills needed to ensure the Board has the expertise to set and approve strategic direction, make senior management appointments, monitor performance, manage risk and oversee our many stakeholder relationships. The Board Skills Matrix below sets out the skills of the Directors against the range of expertise Freightways requires to succeed.

H = High competency, knowledge and experience

P = Practised/direct experience

A = Awareness

Skills & Experience: Area	**Skills & Experience:** Description	H	P	A
Governance	Understanding of legal and regulatory frameworks underpinning corporate governance principles	6		
New Zealand & Australian Listed Markets	Experience as a Non-Executive Director of a listed entity (NZ or Australian)	5	1	
Audit and Risk	Experience in identifying, assessing and monitoring systemic, existing and emerging financial and non-financial risks	3	3	
Business Operations at Scale	Experience operating a large and/or complex company or group of companies in multiple countries over a period of time	3	1	2
International Transport, Logistics, & Sector Aligned Expertise	Experience and expertise in the international transport, logistics, freight or associated sectors	1	2	3
Marketing, Brand, & Sales	Experience in brand development, customer relationships and supply chain	3	1	2
IT Platforms and Digital Innovation	Experience in technology and innovation and the impact on business operations and customer experience	1	3	2
Australian Market	Experience and understanding of the Australian market, including the macro-political and economic environments	4		2
Health & Safety	Experience with the development and oversight of frameworks focused on the identification, assessment and assurance of operational workplace, health and safety risks	4		2
Environmental & Social	Understanding the potential risks and opportunities from an environmental and social perspective	2	4	
Entrepreneurial	Experience in starting, managing and scaling new businesses and innovations	4		2

PRINCIPAL ACTIVITIES

The principal activities of the Group during the year ended 30 June 2024 were the operation of express package & business mail services and information management services.

Directors' Report

CONSOLIDATED RESULT FOR THE YEAR

	2024 $000	2023 $000
Operating revenue	**1,209,151**	**1,121,620**
Operating profit before interest and income tax	136,358	133,962
Net interest and finance costs	(35,062)	(28,585)
Profit before income tax	101,296	105,377
Income tax	(30,370)	(30,080)
Profit for the year attributable to the shareholders	**70,926**	**75,297**

DIRECTORS HOLDING OFFICE DURING THE YEAR WERE:

Parent:

Mark Cairns (Chairman)
Abby Foote
David Gibson
Peter Kean
Fiona Oliver
Mark Rushworth

Subsidiaries:

Mark Troughear
Stephan Deschamps
Stephen Micallef (Australian subsidiaries only)

APPROVED REMUNERATION OF DIRECTORS (EFFECTIVE 1 NOVEMBER 2023):

Director remuneration is paid from the total director fee pool that was last approved by shareholders at the Annual Shareholders Meeting on 26 October 2023.

		Group Fees (per annum)	
	Position	**2024 $**	2023 $
Board of Directors	Chair	185,000	180,000
Board of Directors	Member	100,000	100,000
Audit & Risk Committee	Chair	23,000	20,000
Audit & Risk Committee	Member	14,000	-
People & Safety Committee	Chair	19,000	15,000
People & Safety Committee	Member	10,000	-
Committee work pool (if required)		42,145	42,145
Total annual fee pool limit		**965,000**	**857,145**

Directors' Report

REMUNERATION RECEIVED BY DIRECTORS

	2024 $	2023 $
Directors of Freightways (Parent company)		
Mark Cairns	199,333	180,000
Abby Foote	122,000	120,000
David Gibson	109,333	100,000
Peter Kean	117,667	115,000
Fiona Oliver	106,667	100,000
Mark Rushworth	106,667	100,000
Total non-executive Directors	**761,667**	**715,000**

Directors of the Company's subsidiaries do not receive any remuneration or other benefits in their capacity as a director of those companies, except indemnity and insurance referred to in the Directors' and Officers' Liability Insurance section on page 16.

CHIEF EXECUTIVE'S REMUNERATION

	2024 $	2023 $
CEO – Mark Troughear		
Salary	1,013,000	945,000
Benefits	41,000	39,000
Subtotal	1,054,000	984,000
Pay for Performance		
STI	436,000	511,000
LTI	267,000	298,000
Subtotal	703,000	809,000
Total remuneration	**1,757,000**	**1,793,000**

Directors' Report

FIVE-YEAR SUMMARY – CHIEF EXECUTIVE'S REMUNERATION

Financial Year	CEO	Total remuneration ($000)	% STI against maximum	% vested LTI against maximum	Span of LTI performance period
2024	Mark Troughear	1,757	79	91	FY21–FY23
2023	Mark Troughear	1,793	91	84	FY20–FY22
2022	Mark Troughear	1,668	100	100	N/A
2021	Mark Troughear	970	88	–	N/A
2020	Mark Troughear	843	72	–	N/A

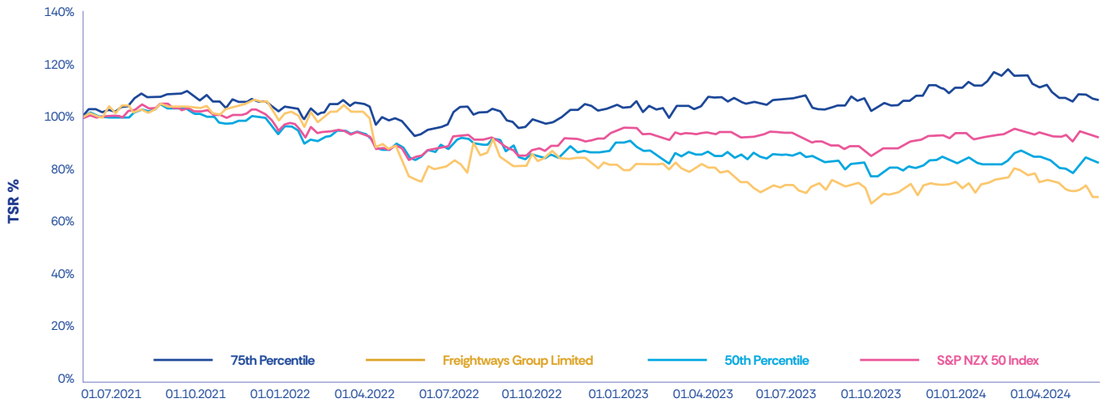
The remuneration of the CEO in the remuneration tables above includes the STI and LTI incentive payments made during the year ended 30 June 2024 in respect of the 2023 financial year performance. No amount is included above in respect of incentive payments for the 2024 financial year, as these were paid in August 2024.

BREAKDOWN OF CHIEF EXECUTIVE'S PAY FOR PERFORMANCE (RELATED TO FY24 OBJECTIVES)

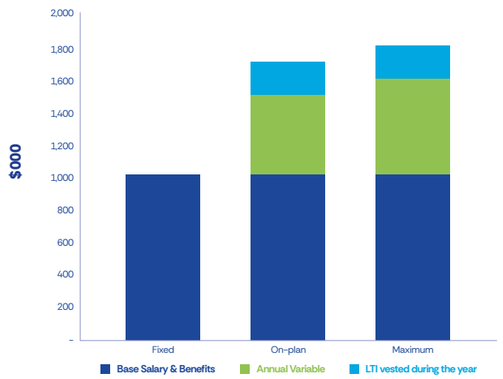
	Description	Performance measures	Achieved (%)
STI	55% of base salary. Based on a combination of financial and non-financial performance measures.	50% weighting on achievement of Board approved earnings before interest, tax and amortisation (EBITA).	75%
		50% weighting on individual performance comprising strategy development & delivery, health & safety and carbon emissions reduction strategy.	100%
LTI	Conditional awards of shares under long-term incentive scheme with a vesting period of 3 years ending 30 June 2024.	Relative TSR (rTSR) – Based on Freightways' TSR compared to that of the constituents of the NZX50 Index over the vesting period. 50% of the rTSR Share Rights eligible for vesting will vest if Freightways outperforms the NZX50 Index median, pro-rated up to 100% for achieving the 75th quartile of the Index constituents.	Not achieved
		Absolute TSR (aTSR) – Up to 50% of Share Rights will vest based on net operating profit after tax (NOPAT) exceeding a cost of capital hurdle over the vesting period.	75% achieved and will be exercised in the first half of FY25

Directors' Report

THREE-YEAR SUMMARY: TSR PERFORMANCE



CHIEF EXECUTIVE'S REMUNERATION PERFORMANCE PAY FOR FY24



REMUNERATION OF OTHER OFFICERS

Fixed remuneration of other officers, not being Directors of the Company, representing a range from 78.5% to 80.5% of their total remuneration, is benchmarked to market and consists of base salary and matched KiwiSaver contributions up to a maximum of 3%. The officers participate in an at-risk short-term incentive (STI) scheme, representing a range from 19.5% to 21.5% of their total remuneration, that reflects the achievement of predetermined company profit levels and individual performance objectives aligned to business strategy and goals. In addition, the officers receive a range from 1% to 2% of earnings before interest, tax and amortisation (EBITA) over a Board approved EBITA target. The officers also participate in the Freightways Senior Executive Performance Share Plan (the 'Plan') described in Note 22 of the Financial Statements by way of an annual allocation of Performance Share Rights (PSRs). The PSRs have a 3-year vesting period and are subject to the achievement of financial hurdles, as described in Note 22. Both the STI scheme and Senior Executive Performance Share Plan are variable, performance-based incentives and are only awarded if specific financial and non-financial performance hurdles are met, and at the discretion of the Board.

REMUNERATION FRAMEWORK

The remuneration framework of the Company is detailed in the Company's Remuneration Policy (which can be found at https://www.freightways.co.nz/about/corporate-governance/) and is overseen by the People & Safety Committee. Further information on the Remuneration Policy and the People & Safety Committee is set out within the Corporate Governance Statement on page 68.

Directors' Report

REMUNERATION OF EMPLOYEES

The following table notes the number of employees or former employees, not being Directors of the Company, within the Group who, during the reporting period, received remuneration and any other benefits in their capacity as employees, the value of which was or exceeded $100,000 per annum, in brackets of $10,000:

Group

	2024	2023		**2024**	2023
$100,000 – $109,999	28	136	$340,000 – $349,999	4	2
$110,000 – $119,999	112	96	$350,000 – $359,999	-	4
$120,000 – $129,999	98	63	$360,000 – $369,999	2	1
$130,000 – $139,999	67	48	$370,000 – $379,999	2	2
$140,000 – $149,999	22	33	$380,000 – $389,999	2	-
$150,000 – $159,999	27	24	$390,000 – $399,999	1	-
$160,000 – $169,999	31	22	$400,000 – $409,999	2	-
$170,000 – $179,999	23	24	$410,000 – $419,999	1	1
$190,000 – $199,999	19	13	$440,000 – $449,999	-	1
$200,000 – $209,999	16	13	$450,000 – $459,999	1	-
$210,000 – $219,999	17	9	$470,000 – $479,999	1	-
$220,000 – $229,999	11	8	$550,000 – $559,999	-	1
$230,000 – $239,999	4	4	$560,000 – $569,999	1	-
$240,000 – $249,999	7	4	$580,000 – $589,999	-	1
$250,000 – $259,999	7	6	$600,000 – $609,999	1	-
$260,000 – $269,999	5	1	$610,000 – $619,999	-	1
$270,000 – $279,999	5	4	$640,000 – $649,999	1	1
$280,000 – $289,999	2	1	$650,000 – $659,999	-	1
$290,000 – $299,999	2	4	$840,000 – $849,999	1	1
$300,000 – $309,999	4	2	$1,750,000 – $1,759,999	1	-
$310,000 – $319,999	1	1	$1,790,000 – $1,799,999	-	1
$320,000 – $329,999	2	1	**Total Employees**	**549**	**550**
$330,000 – $339,999	3	1			

Directors' Report

ENTRIES IN THE REGISTER OF DIRECTORS' INTERESTS

The Register of Directors' Interests records that the following Directors of Freightways Group Limited have an equity interest in the Company.

FREIGHTWAYS GROUP LIMITED SHARES

At 30 June 2024 Directors of Freightways Group Limited held the following number of equity securities in the Company:

Director	Fully-paid ordinary shares
Mark Cairns	50,000
Abby Foote	14,665
David Gibson	20,812
Peter Kean	51,500
Fiona Oliver	2,859
Mark Rushworth	28,000

The following table shows transactions recorded in respect of securities acquired or disposed of by Directors of Freightways Group Limited during the year ended 30 June 2024:

	Number Acquired/ (Disposed)	Cost / (Sale) $000
Abby Foote		
Ordinary shares acquired on 2 October 2023 under the Freightways Dividend Reinvestment Plan (DRP)	302	3
Fiona Oliver		
Ordinary shares acquired on 2 October 2023 under the Freightways DRP	59	1

Directors' Report

OTHER INTERESTS

Listed below are details of the entries made in the Interests Register of the Company during the year, together with the existing entries as at 30 June 2024.

Name	Name of company / entity	Nature of interest
Abby Foote	Christchurch City Holdings Limited	Director**
	KMD Brands Limited	Director
	Sanford Limited	Director**
David Gibson	Goodman Property Services group companies (including GMT Bond Issuer Limited)	Director
	NZME Limited	Director
	Rangatira Limited	Director
	Contact Energy Limited	Director*
Fiona Oliver	Barramundi Limited	Director
	Gentrack Group Limited	Director
	Clarus (previously First Gas group companies)	Director
	Kingfish Limited	Director
	Marlin Global Limited	Director
	Guardians of New Zealand Superannuation	Director
	Summerset Group Holdings Limited	Director
Mark Cairns	Auckland International Airport Limited	Director
	Meridian Energy Limited	Director**
	Ministerial Advisory Group on the Kiwirail Interisland Ferry service	Independent expert advisor*
Mark Rushworth	UP Education	Group Chief Executive
Peter Keen	Trojan Holdings Limited	Director

* Entry added by notice given by the Director during the year.
** Entry removed by notice given by the Director during the year.

Directors' Report

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Deeds of indemnity have been granted by the Company in favour of the Directors of the Company and its subsidiaries, to the fullest extent permitted by the Companies Act 1993. In accordance with the deeds of indemnity, the Company has insured all its Directors and the Directors of its subsidiaries against liabilities to other parties (except the Company or a related party of the Company) that may arise from their positions as Directors. Freightways' liability insurance also covers Officers of the Group. The insurance does not cover liabilities arising from criminal actions.

For and on behalf of the Board this 19th day of August 2024.

Mark Cairns
Chairman

Abigail Foote
Director

Financial statements

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Independent Auditor's Report
To the shareholders of Freightways Group Limited

Independent auditor's report
To the shareholders of Freightways Group Limited

Our opinion
In our opinion, the accompanying financial statements of Freightways Group Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 30 June 2024, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards Accounting Standards (IFRS Accounting Standards).

What we have audited
The Group's financial statements comprise:

- the balance sheet as at 30 June 2024;
- the income statement for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the areas of a greenhouse gas emissions preconditions assessment in relation to climate reporting. In addition, certain partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the Group. The provision of these other services and relationships has not impaired our independence as auditor of the Group.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Independent Auditor's Report
To the shareholders of Freightways Group Limited

Description of the key audit matter	How our audit addressed the key audit matter
Revenue recognition The Group's revenue of $1,209 million for the current year primarily consisted of express package and business mail – courier, express freight, refrigerated transport and storage, and postal services, and information management – storage, destruction and digital services, as disclosed in Note 3 of the financial statements. The Group has deferred revenue of $14.5 million included in contract liabilities for service obligations not yet performed as at 30 June 2024. Revenue recognition under NZ IFRS 15 is a key audit matter due to the number of revenue streams and information systems used to record revenue. Management judgement is also required to estimate the contract liability for deferred revenue based upon historical usage patterns as disclosed in Note 19.	We obtained an understanding and evaluated the Group's processes and controls relating to revenue recognition for each material revenue stream and recognition of a contract liability for deferred revenue. Our audit procedures in relation to revenue recognition for each material revenue stream included: • challenging the material judgements made by management in applying the standard, including assessing a sample of individual contracts against the requirements of NZ IFRS 15, particularly the determination of performance obligations; • performing a test of controls to ensure the controls in place are effective to prevent and detect material misstatement at a transactional level; • performing substantive analytical procedures to ensure the accuracy of revenue for specific revenue streams, including considering the reliability of the data used in the analytics; • testing a sample of revenue transactions to assess the completion of performance obligations; • testing a sample of revenue transactions to assess the accuracy of pricing to supporting documentation; • for a sample of transactions within accounts receivable at balance date we obtained either confirmation of the amount owing from the customer, or evidence of the amount owing from alternative procedures including testing of subsequent receipts or shipping documentation; and • assessing the disclosures made against the requirements of the accounting standards. • Our audit procedures in relation to the contract liability for deferred revenue included: • testing the system reports from which the data used in the contract liability calculation is derived; and • understanding the models used by management to determine the release to revenue for estimated unredeemed tickets based upon historical usage patterns and testing them by utilising substantive analytical procedures.

Independent Auditor's Report
To the shareholders of Freightways Group Limited

Description of the key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill and indefinite lived brand names As disclosed in Note 14, the Group has goodwill and indefinite lived brands with carrying values of $411.1 million and $157.4 million respectively (30 June 2023: $406.7 million and $157.3 million). Goodwill and brand names are allocated to cash-generating units (CGUs) for the purpose of impairment testing. Management performed an annual impairment assessment using value in use (VIU) models to determine whether the carrying value of assets held by each CGU is recoverable. The carrying value of goodwill and indefinite lived brands is an area of focus for the audit and a key audit matter as it is a significant amount on the balance sheet and involves estimation and judgement about future business performance which includes certain key assumptions such as revenue growth, earnings before Interest, tax, depreciation and amortisation (EBITDA) margin, terminal year growth rate, the pre-tax discount rate and the likely impact of climate change. For each CGU, the recoverable amount based on the value in use calculation was higher than the carrying value of the CGU and as a result, no impairment charge was recognised.	Based on the level of headroom and the sensitivity to impairment of each CGU, our audit procedures relating to the estimates and judgments in the VIU models include the following: • gaining an understanding of the business process and controls applied by management in preparing the impairment assessments; • considering the appropriateness of the determination of each CGU and recalculating the carrying amounts of the CGU net assets; • evaluating whether corporate costs had been allocated appropriately and included in the cash flows for each CGU; • testing the mathematical accuracy of the models used to determine the VIU of each CGU; • reviewing historical years actual revenue and EBITDA against the original budgeted performance to determine the reliability of the budgeting process and considering the impact on forecast performance; • obtaining an understanding of the current and forecast outlook for the business and management's basis for determining the key assumptions in preparing the forecast cash flows. This included management's assessment of the likely impact of climate change; • agreeing forecast future performance included in the impairment assessments to the budgets approved by the Board of Directors, based on the three year forecasts with a growth rate applied for the future periods; • with the assistance of our auditor's valuation expert, assessing the appropriateness of the terminal growth and discount rates and assessing these against industry trends and external market forecasts; and • performing a sensitivity analysis over key assumptions to determine whether reasonably possible changes would result in impairment of goodwill. • We also reviewed the financial statements for appropriate identification and disclosure of key assumptions, including the impact of reasonably possible changes which would result in an impairment.

Independent Auditor's Report
To the shareholders of Freightways Group Limited

Our audit approach

Overview

Overall group materiality: $5 million, which represents approximately 5% of profit before tax.

We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark.

Following our assessment of the risk of material misstatement

- Full scope audits were performed for four components of the Group based on their financial significance
- Specified audit procedures and analytical review procedures were performed on the remaining 18 entities.

As reported above, we have two key audit matters, being:

- Revenue recognition
- Impairment assessment of goodwill and indefinite lived brand names

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Independent Auditor's Report
To the shareholders of Freightways Group Limited

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual report, but does not include the financial statements and our auditor's report thereon, and the Climate-related Disclosures to be published at a later date. Other than the Climate-related Disclosures which we will receive at a later date, we received all other information expected to be included in the annual report

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Climate-related Disclosures, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the Directors for the financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS Accounting Standards, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-1/

This description forms part of our auditor's report.

Independent Auditor's Report
To the shareholders of Freightways Group Limited

Who we report to

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Keren Blakey.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
19 August 2024

Auckland

Income Statement
For the year ended 30 June 2024

	Note	Group 2024 $000	Group 2023 $000
Operating revenue	2 & 3	**1,209,151**	**1,121,620**
Transport and logistics expenses		(523,892)	(479,169)
Employee benefits expenses		(338,679)	(309,879)
Occupancy expenses		(6,176)	(6,935)
General and administration expenses		(111,297)	(110,754)
Depreciation and software amortisation	4	(80,121)	(69,598)
Amortisation of intangibles	4	(12,628)	(11,323)
Operating profit before interest and income tax		**136,358**	**133,962**
Net interest and finance costs	4	(35,062)	(28,585)
Profit before income tax		**101,296**	**105,377**
Total income tax	5	(30,370)	(30,080)
Profit for the year		**70,926**	**75,297**
Profit for the year is attributable to:			
Owners of the parent		70,759	75,144
Non-controlling interests		167	153
		70,926	**75,297**
Earnings per share	25		
Basic earnings per share (cents)		39.8	43.1
Diluted earnings per share (cents)		39.7	43.1

NB: All revenue and earnings are from continuing operations.
The above Income Statement should be read in conjunction with the accompanying notes.

Statement of Comprehensive Income
For the year ended 30 June 2024

	Note	Group 2024 $000	Group 2023 $000
Profit for the year (NPAT)		**70,926**	**75,297**
Other comprehensive income Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	21	1,862	(5,796)
Cash flow hedges taken directly to equity, net of tax	21	(1,380)	226
Total other comprehensive income after income tax		**482**	**(5,570)**
Total comprehensive income for the year		**71,408**	**69,727**
Total comprehensive income for the year is attributable to:			
Owners of the parent		71,241	69,574
Non-controlling interests		167	153
		71,408	**69,727**

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

The Board of Directors of Freightways Group Limited authorised these financial statements for issue on the date below.

For and on behalf of the Board this 19th day of August 2024.

Mark Cairns
Chairman

Abigail Foote
Director

Statement of Changes in Equity

For the year ended 30 June 2024

Group	Note	Contributed equity $000	Retained earnings $000	Cash flow hedge reserve $000	Foreign currency translation reserve $000	Non-controlling interests $000	Total equity $000
Balance at 1 July 2022		**184,349**	**173,939**	**2,178**	**(4,087)**	**235**	**356,614**
Profit for the year		–	75,144	–	–	153	75,297
Exchange differences on translation of foreign operations		–	–	–	(5,796)	–	(5,796)
Cash flow hedges taken directly to equity, net of tax		–	–	226	–	–	226
Total Comprehensive Income		**-**	**75,144**	**226**	**(5,796)**	**153**	**69,727**
Dividend payments	6	–	(63,465)	–	–	–	(63,465)
Shares issued	21	113,726	–	–	–	–	113,726
Balance at 30 June 2023		**298,075**	**185,618**	**2,404**	**(9,883)**	**388**	**476,602**
Profit for the year		–	70,759	–	–	167	70,926
Exchange differences on translation of foreign operations		–	–	–	1,862	–	1,862
Cash flow hedges taken directly to equity, net of tax		–	–	(1,380)	–	–	(1,380)
Total Comprehensive Income		**-**	**70,759**	**(1,380)**	**1,862**	**167**	**71,408**
Dividend payments	6	–	(65,901)	–	–	(151)	(66,052)
Shares issued	21	10,311	–	–	–	–	10,311
Balance at 30 June 2024		**308,386**	**190,476**	**1,024**	**(8,021)**	**404**	**492,269**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Balance Sheet

As at 30 June 2024

	Note	Group 2024 $000	2023 $000
Current assets			
Cash and cash equivalents	7	35,653	44,485
Trade and other receivables	8	160,610	150,434
Inventories	9	9,447	9,650
Contract assets		1,473	1,875
Derivative financial instruments	10	491	1,126
Total current assets		**207,674**	**207,570**
Non-current assets			
Trade receivables and other non-current assets	8	6,194	5,999
Loans to related parties		180	–
Property, plant and equipment	12	160,677	155,200
Right-of-use assets	13	336,083	315,536
Intangible assets	14	668,941	677,639
Investment in associates and joint venture	15	13,335	12,480
Derivative financial instruments	10	938	2,212
Total non-current assets		**1,186,348**	**1,169,066**
Total assets		**1,394,022**	**1,376,636**
Current liabilities			
Trade and other payables	17	152,564	138,602
Lease liabilities	13	51,400	44,774
Income tax payable		17,297	16,807
Provisions	18	3,145	3,552
Contract liability	19	14,497	14,407
Total current liabilities		**238,903**	**218,142**
Non-current liabilities			
Trade and other payables	17	1,920	4,159
Borrowings	20	265,674	297,194
Deferred tax liability	16	52,192	56,824
Provisions	18	11,397	10,216
Lease liabilities	13	331,667	313,499
Total non-current liabilities		**662,850**	**681,892**
Total liabilities		**901,753**	**900,034**
NET ASSETS		**492,269**	**476,602**
EQUITY			
Contributed equity	21	308,386	298,075
Retained earnings		190,476	185,618
Cash flow hedge reserve	10	1,024	2,404
Foreign currency translation reserve		(8,021)	(9,883)
	21	**491,865**	**476,214**
Non-controlling interests		404	388
TOTAL EQUITY		**492,269**	**476,602**

The above Balance Sheet should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the year ended 30 June 2024

	Note	Group 2024 $000 Inflows (Outflows)	2023 $000 Inflows (Outflows)
Cash flows from operating activities			
Receipts from customers		1,201,479	1,119,913
Payments to suppliers and employees		(976,160)	(909,812)
Cash generated from operations		**225,319**	**210,101**
Interest received		879	1,003
Interest and other costs of finance paid		(35,941)	(29,589)
Income taxes paid		(33,594)	(25,707)
Net cash inflows from operating activities	23	**156,663**	**155,808**
Cash flows from investing activities			
Payments for property, plant and equipment		(28,919)	(34,190)
Payments for software		(2,518)	(3,061)
Proceeds from disposal of property, plant and equipment		589	2,296
Payments for businesses acquired (net of cash acquired)	30	(858)	(128,472)
Payments for investment in associates		-	(612)
Receipts from joint venture and associate		1,150	2,711
Net cash outflows from investing activities		**(30,556)**	**(161,328)**
Cash flows from financing activities			
Dividends paid		(57,181)	(63,465)
(Decrease) increase in bank borrowings		(26,993)	128,088
Proceeds from issue of ordinary shares		601	644
Principal elements of lease payments		(50,204)	(41,734)
Net cash (outflows) inflows from financing activities		**(133,777)**	**23,533**
Net (decrease) increase in cash and cash equivalents		(7,670)	18,013
Cash and cash equivalents at beginning of year		44,485	24,137
Exchange rate adjustments		(1,162)	2,335
Cash and cash equivalents at end of year	7	**35,653**	**44,485**

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

For the year ended 30 June 2024

NOTE 1. MATERIAL ACCOUNTING POLICY INFORMATION

(a) Reporting entity and statutory base

Freightways Group Limited is a company registered under the Companies Act 1993 and is an FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013. The financial statements of the Group have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013 and the NZX Main Board Listing Rules. In accordance with the Financial Markets Conduct Act 2013, Group financial statements are prepared and presented for Freightways Group Limited and its subsidiaries. Accordingly, separate financial statements for Freightways Group Limited are not required to be prepared and presented.

The financial statements are stated in New Zealand dollars rounded to the nearest thousand, unless otherwise indicated.

Basis of preparation

The financial statements of the Group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP).

The Group is a for-profit entity for the purposes of complying with NZ GAAP. The financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS. The financial statements also comply with International Financial Reporting Standards (IFRS).

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments and acquisition earn-out payables, which have been measured at fair value.

The Group has negative working capital of $31.2 million. This is due partly to contract liability for deferred revenue (prepaid ticket liability) which is classified as a current liability. The Group has undrawn bank loan facilities as at 30 June 2024 totalling NZD101.4 million to fund short term cash requirements. (2023: negative working capital of $10.6 million due to contract liability)

Critical accounting estimates and judgements

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates, where necessary, and may require management to exercise judgement in the process of applying the Group's accounting policies. Specific areas of critical accounting estimates and assumptions used are as follows:

(i) Carrying value of indefinite life intangible assets

Impairment assessments are performed by management, annually or where there is an indicator of impairment, to assess the carrying value of indefinite life intangible assets, including goodwill and brand names. The recoverable amounts of cash-generating units have been determined based on the greater of value-in-use and fair value less cost of disposal calculations. These calculations require the use of estimates. Refer to Note 14.

(ii) Customer relationships

The estimation of the useful lives of customer relationships has been based on historical experience. The useful lives are reviewed at least once per year and adjustments to useful lives are made when considered necessary. Refer Note 14.

(iii) Acquisition earn-out amounts payable

The valuation of the Group's acquisition earn-out amounts payable are based on the post-acquisition performance of the acquired businesses. These fair value measurements require, among other things, significant estimation of post-acquisition performance of the acquired business and judgement on time value of money. Acquisition earn-out amounts payable shall be remeasured at their fair value resulting from events or factors that emerge after the acquisition date, with any resulting gain or loss recognised in the income statement. Judgement is applied to determine key assumptions (such as growth in sales and margins) adopted in the estimate of post-acquisition performance of the acquired business. Judgement is also applied to determine the appropriate discount rate applied to calculate the present value of the amount payable. Changes to key assumptions may impact the future payable amount. Refer to Note 30.

(iv) Purchase price allocation for acquisitions

During the year, the Group acquired businesses as described in Note 30. All identifiable assets and liabilities, including intangible assets, were measured at fair value at acquisition date. In deriving a fair value for identifiable intangibles, the Group used a variety of valuations methods and key assumptions to reflect what a typical market participant would apply if they were to buy or sell each asset on an individual basis.

Notes to the financial statements
For the year ended 30 June 2024

(b) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities that are controlled either directly by the Company or where the substance of the relationship between the Company and the entity indicates the Company controls it. The results of businesses acquired or disposed of during the year are included in the income statement from the date of acquisition or up to the date of disposal.

The financial statements include the Company and its subsidiaries accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed at the date of acquisition. Costs directly attributable to the acquisition are expensed to the income statement. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at acquisition date. The Group recognises any non-controlling interest in an acquired entity on an acquisition-by-acquisition basis either at fair value or as the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. The excess of the consideration transferred over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

All material transactions between subsidiaries or between the Company and subsidiaries are eliminated on consolidation. Accounting policies of subsidiaries are consistent with those adopted by the Group.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with NZ IFRS 9 in the income statement. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

(ii) Joint arrangements and joint ventures

The Group applies NZ IFRS 11 to all joint arrangements. Under NZ IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in joint venture equals or exceeds its interests in the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures are changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in New Zealand Dollars, which is the Company's functional currency and the Group's presentation currency.

(ii) Transactions and balances

Transactions in foreign currencies are translated into the functional currency using the foreign exchange rate ruling at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges.

(iii) Foreign operations

The results and balance sheets of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for the balance sheet presented are translated at the closing rate at the date of the balance sheet;
- income and expenses for the income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Notes to the financial statements
For the year ended 30 June 2024

(d) Impairment of non-financial assets

Assets that have an indefinite life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value, less costs of disposal, and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(e) Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value either through other comprehensive income or through the income statement; and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in the income statement or other comprehensive income.

(ii) Recognition and derecognition

Regular purchases and sales of financial assets are recognised on the trade date, i.e. the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through the income statement, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through the income statement are expensed in the income statement.

(f) Fair value estimation

The fair value of financial assets and financial liabilities is estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) are determined using accepted treasury valuation techniques, such as estimated discounted cash flows, by an external treasury management system provider. The carrying value of trade receivables (less provision for doubtful receivables) and payables approximate their fair values.

(g) Goods and services tax (GST)

The income statement and statement of cash flows have been prepared so that all components are stated exclusive of GST. All items in the balance sheet are stated net of GST, with the exception of trade receivables and payables, which include GST invoiced.

(h) Changes in accounting policies

The accounting policies and methods of computation are consistent with those used in the year ended 30 June 2023.

(i) New accounting standards issued but not yet effective

The new and amended standard and interpretation that has been issued, but not yet effective, up to the date of issuance of the Group's financial statements is disclosed below. The Group intends to adopt the new and amended standard and interpretation, if applicable, when they become effective.

IFRS 18 *Presentation and Disclosure in Financial Statements* was issued in April 2024 as replacement for IAS 1 *Presentation of Financial Statements* and becomes effective for reporting periods beginning on or after 1 January 2027. IFRS 18 introduces new requirements on presentation within the income statement, including specified totals and subtotals. It also requires disclosure of management-defined performance measures and includes new requirements for the aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements and the notes.

Notes to the financial statements
For the year ended 30 June 2024

NOTE 2. SEGMENT REPORTING

A segment is a component of the Group that can be distinguished from other components of the Group by the products or services it sells, the primary market it operates in and the risks and returns applicable to it. Operating segments are reported upon in a manner consistent with the internal reporting used by the Chief Executive Officer, as the chief operating decision maker, and the Board for allocating resources, assessing performance and strategic decision making.

The Group is organised into the following reportable operating segments:

Express package and business mail
Comprises network (hub & spoke) courier, express freight, refrigerated transport, point-to-point courier and postal services.

Information management
Comprises secure paper-based and electronic business information management services. This segment also comprises secure handling, treatment and disposal of clinical waste, waste renewal and related services.

Corporate and other
Comprises corporate, financing and property management services.

The Group has no individual customer that represents more than 4% of external sales revenue.

As at and for the year ended 30 June 2024:

	Express Package & Business Mail $000	Information Management $000	Corporate $000	Inter-Segment Elimination $000	Consolidated Operations $000
Income statement					
Sales to external customers	995,080	214,071	-	-	1,209,151
Inter-segment sales	4,016	316	5,943	(10,275)	-
Total revenue	**999,096**	**214,387**	**5,943**	**(10,275)**	**1,209,151**
Operating profit (loss) before interest, income tax, depreciation and software amortisation and amortisation of intangibles	181,861	57,514	(10,268)	-	229,107
Depreciation and software amortisation	(53,437)	(25,167)	(1,517)	-	(80,121)
Operating profit (loss) before interest, income tax and amortisation of intangibles	128,424	32,347	(11,785)	-	148,986
Amortisation of intangibles	(10,486)	(2,142)	-	-	(12,628)
Profit (loss) before interest and income tax	117,938	30,205	(11,785)	-	136,358
Net interest and finance costs	(11,680)	(5,161)	(18,221)	-	(35,062)
Profit (loss) before income tax	106,258	25,044	(30,006)	-	101,296
Income tax	(29,685)	(7,327)	6,642	-	(30,370)
Profit (loss) for the year attributable to the shareholders	**76,573**	**17,717**	**(23,364)**	**-**	**70,926**
Balance sheet					
Segment assets	916,854	363,388	113,780	-	1,394,022
Segment liabilities	441,797	181,396	278,560	-	901,753

Notes to the financial statements
For the year ended 30 June 2024

As at and for the year ended 30 June 2023:

	Express Package & Business Mail $000	Information Management $000	Corporate $000	Inter-Segment Elimination $000	Consolidated Operations $000
Income statement					
Sales to external customers	907,637	213,983	-	-	1,121,620
Inter-segment sales	3,510	315	8,125	(11,950)	-
Total revenue	**911,147**	**214,298**	**8,125**	**(11,950)**	**1,121,620**
Operating profit (loss) before interest, income tax, depreciation and software amortisation and amortisation of intangibles	169,776	56,411	(11,304)	-	214,883
Depreciation and software amortisation	(44,329)	(23,717)	(1,552)	-	(69,598)
Operating profit (loss) before interest, income tax and amortisation of intangibles	125,447	32,694	(12,856)	-	145,285
Amortisation of intangibles	(9,050)	(2,273)	-	-	(11,323)
Profit (loss) before interest and income tax	116,397	30,421	(12,856)	-	133,962
Net interest and finance costs	(8,606)	(4,607)	(15,372)	-	(28,585)
Profit (loss) before income tax	107,791	25,814	(28,228)	-	105,377
Income tax	(29,675)	(7,777)	7,372	-	(30,080)
Profit (loss) for the year attributable to the shareholders	**78,116**	**18,037**	**(20,856)**	**-**	**75,297**
Balance sheet					
Segment assets	866,301	350,506	159,829	-	1,376,636
Segment liabilities	411,652	180,882	307,500	-	900,034

Segment assets and liabilities are disclosed net of inter-company balances.

For the year ended 30 June 2024, external revenue from customers in the Group's New Zealand and Australian operations was $782.9 million and $426.3 million, respectively (2023: $775.8 million and $345.8 million, respectively). As at 30 June 2024, non-current assets in respect of the New Zealand and Australian operations (excluding deferred tax assets and financial assets) were $809.8 million and $376.5 million, respectively (2023: $779.3 million and $389.8 million, respectively).

Notes to the financial statements
For the year ended 30 June 2024

NOTE 3. REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue recognition

The majority of contracts the Group entered into with its customers contain multiple performance obligations. The transaction price is allocated to each performance obligation based on the stand-alone selling prices. As the stand-alone selling prices of all goods and services provided are observable and there is no implicit discount offered, transaction prices allocated to individual performance obligations usually match with respective stand-alone selling prices.

(i) Express package & business mail – courier, express freight, refrigerated transport & storage and postal services

The Group operates network (hub & spoke) courier, express freight, refrigerated transport and storage, point-to-point courier and postal services. Revenue from these services is recognised over the time of delivery, being from the time of acceptance of the goods to delivery to the final destination. Revenue from sale of postal products is recognised at the point the sale occurs. Income invoiced and received in advance of a service being provided is recorded in the balance sheet as 'Contract Liability'. This income is brought to account in the year in which the service is provided. Revenue from refrigerated storage is recognised over time in the reporting period in which the service is provided.

(ii) Information management – storage and destruction revenue

The Group provides archive management services for documents and computer media, including storage, retrieval and destruction services. The Group also provides secure handling, treatment and disposal of clinical waste, waste renewal and related services. Revenue from these services is recognised over time in the reporting period in which the service is provided. Revenue from sale of archive boxes, computer media and products generated from destruction activities is recognised when control of the products has transferred, being when the products are delivered to the customer.

(iii) Information management – digital services

The Group provides digital information management services, including imaging and document capture (scanning), data extraction, customised digital workflow solutions and application (app) development, under fixed-price and variable-price contracts. Revenue from providing these digital information management services is recognised in the period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total service to be provided, because the service does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed. This revenue is determined based on the efforts expended relative to the total expected effort.

Estimates of revenues, costs or extent of progress towards completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the income statement in the period in which the circumstances that give rise to the revision become known by management.

In the case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

If the contract includes an hourly fee, revenue is recognised in the amount to which the Group has a right to invoice.

(iv) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(v) Interest income

Interest income is recognised on a time-proportionate basis using the effective interest method, which takes into account the effective yield on the relevant financial asset.

(vi) Dividend income

Dividend income from investments is recognised when the shareholder's right to receive payment is established.

Notes to the financial statements
For the year ended 30 June 2024

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

2024	Express Package and Refrigerated Transport & Storage $000	Postal $000	Storage & Handling $000	Destruction Activities $000	Other including Digital Services $000	Total $000
Revenue from external customers	938,871	56,209	67,515	99,125	47,431	1,209,151
Timing of revenue recognition:						
At a point in time	-	3,082	-	28,842	7,755	39,679
Over time	938,871	53,127	67,515	70,283	39,676	1,169,472
	938,871	**56,209**	**67,515**	**99,125**	**47,431**	**1,209,151**
2023						
Revenue from external customers	855,631	52,005	64,395	87,175	62,414	1,121,620
Timing of revenue recognition:						
At a point in time	-	2,794	-	27,311	18,326	48,431
Over time	855,631	49,211	64,395	59,864	44,088	1,073,189
	855,631	**52,005**	**64,395**	**87,175**	**62,414**	**1,121,620**

Notes to the financial statements
For the year ended 30 June 2024

NOTE 4. INCOME AND EXPENSES

Profit before income tax includes the following specific income and expenses:

	Note	Group 2024 $000	Group 2023 $000
Income			
Interest income		878	1,003
Operating expenses			
Net gain (loss) on disposal of property, plant and equipment		469	(137)
Depreciation of property, plant and equipment	12	21,399	19,732
Depreciation of right-of-use assets	13	54,357	45,423
Amortisation of intangible assets	14	12,628	11,323
Amortisation of software	14	4,365	4,443
Auditor's fees			
Audit of annual financial statements and review of interim financial statements			
PwC New Zealand		496	561
PwC Australia		341	363
Total		837	924
Greenhouse gas emissions pre-conditions assessment		48	-
General treasury training		-	1
Costs of offering credit			
Impairment gain on trade receivables		(522)	(650)
Interest and finance costs			
Interest on bank borrowings		17,562	15,827
Interest on leases	13	17,359	13,625
Other interest expense		1,019	136
Other			
Directors' fees		762	718
Donations		172	271
Net foreign exchange loss (gain)		169	(287)

Notes to the financial statements
For the year ended 30 June 2024

NOTE 5. INCOME TAX EXPENSE

The income tax expense for the year is the tax payable on the current year's taxable income based on the income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose as a result of a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable income. No deferred tax liability is recognised if it arises from initial recognition of goodwill from a business combination.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts that have been recognised in other comprehensive income or directly in equity, are also taken to other comprehensive income or directly to equity, respectively.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

	Group 2024 $000	Group 2023 $000
Current tax		
Current tax on net profit for the year	34,420	35,776
Deferred tax (Note 16):		
Reversal of temporary differences	(5,583)	(5,696)
New Zealand tax legislation change in building depreciation	1,533	-
Total deferred tax	(4,050)	(5,696)
Income tax expense	**30,370**	**30,080**

Income tax applicable to the Group's net profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the profits of the consolidated entities, as follows:

	Group 2024 $000	Group 2023 $000
Profit before income tax	101,296	105,377
Income tax calculated at domestic tax rates applicable to the accounting profits in the respective countries	29,007	30,040
Tax-effect of amounts which are treated differently when calculating taxable income:		
- (Non-assessable income) / Non-deductible expenses	(27)	(405)
- Reversal of deferred tax on building depreciation	1,533	-
- Other	(143)	445
Income tax expense	**30,370**	**30,080**

The Group has no tax losses (2023: Nil).

There are no unrecognised temporary differences (2023: Nil).

Notes to the financial statements
For the year ended 30 June 2024

	Group	
	2024 $000	2023 $000
Imputation credits account		
Imputation credits available for use in subsequent reporting periods	**55,843**	**58,266**

The above amounts represent the balance of the imputation account as at the end of the reporting period, adjusted for:

(a) Imputation credits that will arise from the payment of the amount of the provision for income tax;

(b) Imputation debits that will arise from the payment of dividends recognised as a liability at the reporting date; and

(c) Imputation credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The tax (charge)/credit relating to components of other comprehensive income is as follows:

2024	**Before tax $000**	**Tax (charge) /credit $000**	**After tax $000**
Exchange difference on translation of foreign operations	1,949	(87)	1,862
Cash flow hedges taken directly to equity	(1,909)	529	(1,380)
Other comprehensive income	**40**	**442**	**482**
Current tax		(87)	
Deferred tax		529	
		442	

2023	**Before tax $000**	**Tax (charge) /credit $000**	**After tax $000**
Exchange difference on translation of foreign operations	(6,865)	1,069	(5,796)
Cash flow hedges taken directly to equity	314	(88)	226
Other comprehensive income	**(6,551)**	**981**	**(5,570)**
Current tax		–	
Deferred tax		981	
		981	

Notes to the financial statements
For the year ended 30 June 2024

NOTE 6. DIVIDENDS

	Group	
	2024 $000	2023 $000
Recognised amounts		
Fully imputed dividends declared and paid during the year:		
Final dividend paid 2023 at 19 cents per share (2022: 19 cents)	33,712	31,527
Interim dividend for 2024 at 18 cents per share (2023: 18 cents)	32,189	31,938
	65,901	**63,465**
Unrecognised amounts		
Final dividend for 2024 at 19 cents per share (2023: 19 cents)	**33,955**	**33,712**

NOTE 7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances and cash deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Bank overdrafts are shown within borrowings in the current liabilities on the balance sheet to the extent they exceed the legal right of off-set against cash included in current assets.

	Group	
	2024 $000	2023 $000
Cash at bank	35,544	44,376
Cash deposits	109	109
Cash and cash equivalents in statement of cash flows	**35,653**	**44,485**

Notes to the financial statements
For the year ended 30 June 2024

NOTE 8. TRADE RECEIVABLES AND OTHER NON-CURRENT ASSETS

Trade and other receivables are recognised at their fair value and subsequently measured at amortised cost using the effective interest rate, less provision for impairment.

	Group	
	2024 $000	2023 $000
Current		
Trade receivables	144,631	129,254
Provision for doubtful receivables	(3,480)	(3,219)
	141,151	126,035
Accrued revenue	5,980	7,918
Other debtors and prepayments	13,003	16,000
Share plan loans receivable from employee	476	481
	160,610	**150,434**
Non-current		
Share plan loans receivable from employees	383	406
Other non-current assets	5,811	5,593
	6,194	**5,999**

Trade receivables are non-interest bearing and are generally on 7-30 day terms.

Recoverability of trade and other receivables is reviewed on an ongoing basis. Amounts that are known to be uncollectible are written-off when identified. The Group applies a simplified approach in calculating expected credit losses, which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. For other receivables, an allowance for doubtful receivables is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable.

The movements in the provision for doubtful receivables for the Group were as follows:

	Group	
	2024 $000	2023 $000
Opening balance	3,219	2,124
Provision for doubtful receivables	449	589
Receivables written off during the year as uncollectible	(196)	(97)
Provisions added from acquired businesses	-	750
Unused amounts reversed	-	(104)
Exchange rate movement	8	(43)
Closing balance (Note 28.1(b))	**3,480**	**3,219**

Notes to the financial statements
For the year ended 30 June 2024

NOTE 9. INVENTORIES

Inventories are stated at the lower of cost, determined on a first-in-first-out basis, and net realisable value. Full provision is made for obsolescence, where applicable. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories recognised as an expense and included in 'general and administration expenses' amounted to $7.0 million (2023: $10.5 million).

	Group	
	2024 $000	2023 $000
Finished goods	5,076	5,480
Ticket stocks, uniforms and consumables	4,371	4,170
	9,447	**9,650**

NOTE 10. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments, such as interest rate caps and collar contracts and interest rate swaps, are entered into from time to time to manage interest rate exposure on borrowings. Forward exchange contracts are also entered into from time to time to manage foreign exchange exposures. Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the reporting date. The method of recognising the resultant gain or loss depends on whether the derivative financial instrument is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates derivative financial instruments as either fair value hedges (hedges of the fair value of recognised assets or liabilities or a firm commitment) or cash flow hedges (hedges of highly probable forecast transactions).

At the inception of the transaction, the Group documents the relationship between the hedging instrument and the hedged item, as well as its risk management objective and strategy for undertaking the hedge transaction. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivative financial instruments that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Cash flow hedges

The effective portion of changes in the fair value of derivative financial instruments that are designated and qualify as cash flow hedges is recognised in equity in the cash flow hedge reserve. The gain or loss relating to any ineffective portion is recognised immediately in the income statement.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when hedged income or expenses are recognised or when a forecast sale or purchase occurs. When the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are immediately transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken immediately to the income statement.

(ii) Derivatives that do not qualify for hedge accounting

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting or where hedge accounting has not been adopted are recognised immediately in the income statement.

Notes to the financial statements
For the year ended 30 June 2024

	Group	
	2024 $000	2023 $000
	Asset (Liability)	Asset (Liability)
Current		
Interest rate swaps – cash flow hedge	491	107
Forward foreign exchange contracts – cash flow hedge	-	1,019
	491	**1,126**
Non-current		
Interest rate swaps – cash flow hedge	938	2,212
	938	**2,212**

The Group's hedging reserves relate to the following hedging instruments:

	Cash flow hedge reserve			
	Intrinsic value of options $000	**Spot component of currency forwards $000**	**Interest rate swaps $000**	**Total hedge reserve $000**
Balance at 1 July 2022	**-**	**1,197**	**981**	**2,178**
Change in fair value of hedging instrument recognised in Other Comprehensive Income (OCI)	–	(641)	955	314
Less: Deferred tax	–	179	(267)	(88)
Balance at 30 June 2023	**-**	**735**	**1,669**	**2,404**
Change in fair value of hedging instrument recognised in OCI	–	(1,019)	(890)	(1,909)
Less: Deferred tax	–	284	245	529
Balance at 30 June 2024	**-**	**-**	**1,024**	**1,024**

Notes to the financial statements
For the year ended 30 June 2024

Effects of hedge accounting on the financial position and performance are:

	NZD		AUD	
	2024 $000	2023 $000	**2024 $000**	2023 $000
Interest rate swaps:				
Notional amount	65,000	52,000	30,000	15,000
Maturity date	05/25 – 12/29	05/25 – 04/28	04/27 – 09/28	07/23 – 04/27
Hedge ratio	1:1	1:1	1:1	1:1
Change in fair value of outstanding hedging instrument	1,147	1,986	283	333
Change in value of hedge item used to determine hedge effectiveness	(1,147)	(1,986)	(283)	(333)
Weighted average strike rate for the year	3.0%	2.4%	3.4%	2.7%
Forward foreign exchange contracts:				
Notional amount	-	12,631	-	-
Maturity date	-	07/23 – 06/24	-	-
Hedge ratio	-	1:1	-	-
Change in fair value of outstanding hedging instrument	-	1,019	-	-
Change in value of hedge item used to determine hedge effectiveness	-	(1,019)	-	-
Weighted average strike rate for the year	-	USD0.71: NZD1	-	-

There was no derivative movement recognised in the income statement during the year (2023: nil).

Notes to the financial statements
For the year ended 30 June 2024

Hedge effectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and the hedging instrument.

For hedges of foreign currency purchases, the Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The Group therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses the hypothetical derivative method to assess effectiveness.

In hedges of foreign currency purchases, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the Group or the derivative counterparty.

The Group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The Group does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. As all critical terms matched during the year, the economic relationship was 100% effective.

Hedge ineffectiveness for interest rate swaps is assessed using the same principles as for hedges of foreign currency purchases. It may occur due to:

- The credit or debit value adjustment on the interest rate swaps not being matched by the loan; and
- Differences in critical terms between the interest rate swaps and loans.

NOTE 11. INVESTMENTS IN SUBSIDIARIES

The Company's investment in its only directly-owned subsidiary, Freightways Express Limited (FEL), comprises shares at cost. Listed below are all the significant subsidiaries wholly-owned directly or indirectly by FEL. All subsidiaries have a balance date of 30 June.

Name of entity	Principal activities	Country of Incorporation
Air Freight NZ Limited	Express package linehaul	New Zealand
Allied Express Transport Pty Limited	Express package services	Australia
Allied Overnight Express Pty Limited	Express package services	Australia
Big Chill Distribution Limited	Temperature-controlled transport & facilities	New Zealand
Castle Parcels Limited	Express package services	New Zealand
Fieldair Engineering Limited	General & aviation engineering services	New Zealand
Fieldair Holdings Limited	Aviation-related services	New Zealand
Freightways Finance Limited	Group treasury management	New Zealand
Freightways Information Services Limited	IT infrastructure support services	New Zealand
Freightways Properties Limited	Property management	New Zealand
Freightways Trustee Company Limited	Trustee of Freightways Employee Share Plan	New Zealand
Info Management Services Australia LP	Australian treasury services	Australia
LitSupport Pty Limited	Information management	Australia
Med-X Pty Limited	Information management	Australia
Messenger Services Limited	Express package services	New Zealand
New Zealand Couriers Limited	Express package services	New Zealand
New Zealand Document Exchange Limited	Business mail	New Zealand
NOW Couriers Limited	Express package services	New Zealand
Parceline Express Limited	Express package linehaul	New Zealand
Post Haste Limited	Express package services	New Zealand
Shred-X Pty Limited	Information management	Australia
The Information Management Group (NZ) Limited	Information management	New Zealand
The Information Management Group Pty Limited	Information management	Australia

There has been no change in investments in subsidiaries during the year.

Notes to the financial statements
For the year ended 30 June 2024

NOTE 12. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes all expenditure directly attributable to the acquisition or construction of the item, including interest.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated will flow to the Group and the cost of the asset can be measured reliably. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are recognised in the income statement as incurred.

Depreciation is calculated on a straight-line basis on all tangible fixed assets, other than land and leasehold improvements, so as to expense the cost of the assets to their estimated residual values over their estimated useful lives. Land is not depreciated. Leasehold improvements are depreciated over the shorter of the unexpired period of the lease and the estimated useful life of the improvements. Estimated useful lives are as follows:

	Estimated useful life
Buildings	25 to 50 years
Leasehold alterations	Shorter of the period of the lease or estimated useful life
Motor vehicles	5 to 10 years
Equipment	3 to 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

Interest and finance costs incurred for the construction of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other interest and finance costs are expensed.

Group	Land $000	Buildings $000	Leasehold Alterations $000	Motor Vehicles $000	Equipment $000	Total $000
2024						
Opening net book value	**15,827**	**15,560**	**15,422**	**29,418**	**78,973**	**155,200**
Additions	-	1,712	1,719	5,858	17,110	26,399
Acquisitions through business combinations (Note 30)	-	-	2	691	482	1,175
Depreciation expense	-	(1,262)	(2,235)	(5,124)	(12,778)	(21,399)
Disposals / Transfers	-	-	119	(380)	(805)	(1,066)
Exchange rate movement	16	6	13	64	269	368
Closing net book value	**15,843**	**16,016**	**15,040**	**30,527**	**83,251**	**160,677**
As at end of year						
Cost	15,843	45,032	30,034	71,132	176,722	338,763
Accumulated depreciation	-	(29,016)	(14,994)	(40,605)	(93,471)	(178,086)
Net book value	**15,843**	**16,016**	**15,040**	**30,527**	**83,251**	**160,677**

Notes to the financial statements
For the year ended 30 June 2024

Group	Land $000	Buildings $000	Leasehold Alterations $000	Motor Vehicles $000	Equipment $000	Total $000
2023						
Opening net book value	**15,886**	**16,118**	**12,814**	**32,201**	**57,161**	**134,180**
Additions	–	–	3,975	3,037	27,178	34,190
Acquisitions through business combinations	–	–	514	320	7,856	8,690
Depreciation expense	–	(1,328)	(1,923)	(5,247)	(11,234)	(19,732)
Disposals	–	796	97	(678)	(1,255)	(1,040)
Exchange rate movement	(59)	(26)	(55)	(215)	(733)	(1,088)
Closing net book value	**15,827**	**15,560**	**15,422**	**29,418**	**78,973**	**155,200**
As at end of year						
Cost	15,827	43,309	28,462	66,497	163,510	317,605
Accumulated depreciation	–	(27,749)	(13,040)	(37,079)	(84,537)	(162,405)
Net book value	**15,827**	**15,560**	**15,422**	**29,418**	**78,973**	**155,200**

The cost of equipment in respect of assets under construction for which depreciation has not commenced as at 30 June 2024 is $16.2 million (2023: $20.3 million).

The latest independent valuations of land and buildings (performed in June 2024) assess these assets to have a total fair value of $107.5 million. The fair values have been derived using the direct capitalisation approach. The valuation technique uses significant unobservable inputs, namely capitalisation rate and potential new market income of land and buildings. Therefore, these are considered level 3 valuations, as defined in Note 28.1(d).

NOTE 13. LEASES

This note provides information for leases where the Group is a lessee.

The Group's leases predominantly relate to property, equipment and vehicles. Rental contracts are typically made for fixed periods of 3 to 12 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants other than the leased assets may not be used as security for borrowing purposes. The right-of-use (ROU) asset is depreciated over the shorter of the asset's useful life and the expected lease term on a straight-line basis.

Lease liabilities have been measured at the present value of the remaining lease payments, discounted using a discount rate derived from the incremental borrowing rate (IBR) when the interest rate implicit in the lease was not readily available. Factors taken into consideration when calculating the IBR for each asset category included observable market rates, economic conditions and lease tenure. The incremental borrowing rates applied to lease liabilities range between 1.69% to 7.82% (2023: 1.69% to 7.22%), with a weighted average rate of 4.94% (2023: 4.37%).

Some property leases contain an extension option exercisable by the Group. At the commencement of a lease, the Group assesses whether it is reasonably certain an extension option will be exercised. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the Group. The extension options are only exercisable by the Group and not the lessor. Where it is reasonably certain the extension will be exercised, that extension period and related costs are recognised on the balance sheet.

Notes to the financial statements
For the year ended 30 June 2024

The following tables show the movements and analysis in relation to the ROU assets and lease liabilities.
The balance sheet shows the following amounts relating to leases:

Group	2024 $000	2023 $000
Right-of-use assets		
Opening net book value	**315,536**	**271,020**
Lease additions, modifications and terminations	70,976	79,073
Additions through business combinations	3,535	12,791
Depreciation for the year	(54,357)	(45,423)
Exchange rate movement	393	(1,925)
Closing net book value	**336,083**	**315,536**
Cost	558,843	497,950
Accumulated depreciation	(222,760)	(182,414)
Closing net book value	**336,083**	**315,536**

Group	2024 $000	2023 $000
Right-of-use assets		
Buildings	300,686	285,709
Equipment	7,535	6,271
Motor vehicles	27,862	23,556
	336,083	**315,536**

Group	2024 $000	2023 $000
Lease liabilities		
Opening lease liabilities	**358,273**	**310,125**
Lease additions, modifications and terminations	70,959	79,298
Additions through business combinations	3,535	12,791
Interest for the year	17,359	13,625
Lease repayments	(67,715)	(55,442)
Exchange rate movement	656	(2,124)
Closing lease liabilities	**383,067**	**358,273**

Notes to the financial statements
For the year ended 30 June 2024

Group	2024 $000	2023 $000
Analysis of lease liabilities:		
Current	51,400	44,774
Non-current	331,667	313,499
	383,067	**358,273**

Lease liabilities maturity analysis:

2024	Minimum lease payments $000	Interest $000	Present value $000
Within one year	68,254	16,854	51,400
One to five years	207,055	46,615	160,440
Beyond five years	218,005	46,778	171,227
Total	**493,314**	**110,247**	**383,067**
2023			
Within one year	59,108	14,207	44,901
One to five years	188,886	39,557	149,329
Beyond five years	189,170	25,127	164,043
Total	**437,164**	**78,891**	**358,273**

Lease related expenses included in the income statement:

Group	2024 $000	2023 $000
Depreciation charge for right-of-use assets		
Buildings	42,726	36,153
Motor vehicles	8,068	6,104
Equipment	3,563	3,166
	54,357	**45,423**
Interest on leases	17,359	13,625

Total cash outflow in relation to leases is $50.2 million (2023: $41.7 million).

Notes to the financial statements
For the year ended 30 June 2024

NOTE 14. INTANGIBLE ASSETS

(i) Goodwill

Goodwill represents the excess of the consideration transferred in an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired business at the date of acquisition. Goodwill is not amortised but is tested for impairment annually or whenever events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(ii) Brand names

Acquired brand names are recognised at cost, being their fair value at the date of acquisition if acquired in a business combination. Brand names with indefinite useful lives are not subject to amortisation but are tested for impairment annually or whenever events or changes in circumstances indicate that they might be impaired and are carried at cost less amortisation and impairment losses. Brand names with finite useful lives are amortised over their expected useful lives. The useful lives and amortisation methods are reviewed and adjusted, if appropriate, at each balance sheet date.

Brand names are allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the brand names.

(iii) Computer software

External software costs, together with payroll and related costs for employees directly associated with the development of software, are capitalised if the development creates an intangible asset that the Group controls and the intangible asset meets the recognition criteria. Cloud-based software costs that do not result in intangible assets are expensed as incurred, unless the costs are paid to the suppliers of the cloud-based software to significantly customise the cloud-based software for the Group, in which case the costs paid upfront are recorded as prepayments for services and amortised over the expected terms of the cloud computing arrangements. Amortisation is charged on a straight-line basis over the estimated useful life of the software which ranges between 3 and 10 years. There is no software work in progress for which amortisation has not commenced (2023: $0.4 million). Software under development not yet available for use is tested annually for impairment.

(iv) Customer relationships

- **Contractual**
  An intangible asset is recorded at fair value in respect of the amount of any contractual termination fees payable by customers of businesses acquired in respect of their document holdings. As it is not known when permanent retrieval fees may arise, this asset is only amortised upon the actual retrieval fee being charged to the respective customer.
- **Other**
  Non-contractual customer relationships acquired in a business combination are recognised at fair value at the acquisition date. These customer relationships have an estimated finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected useful life of the customer relationship which ranges between 10 and 20 years.

Notes to the financial statements
For the year ended 30 June 2024

Group	Goodwill $000	Brand names $000	Software $000	Customer relationships $000	Other $000	Total $000
2024						
Opening net book value	**406,650**	**157,283**	**13,705**	**94,191**	**5,810**	**677,639**
Additions	–	–	2,518	–	35	2,553
Acquisition through business combinations (Note 30)	3,468	–	–	893	–	4,361
Disposals / Transfers	–	–	(17)	–	–	(17)
Amortisation expense	–	(77)	(4,365)	(11,793)	(758)	(16,993)
Exchange rate movement	972	229	3	179	15	1,398
Closing net book value	**411,090**	**157,435**	**11,844**	**83,470**	**5,102**	**668,941**
As at end of year						
Cost	411,116	157,639	36,439	130,699	11,099	746,992
Accumulated amortisation and impairment	(26)	(204)	(24,595)	(47,229)	(5,997)	(78,051)
Net book value	**411,090**	**157,435**	**11,844**	**83,470**	**5,102**	**668,941**

Group	Goodwill $000	Brand names $000	Software $000	Customer relationships $000	Other $000	Total $000
2023						
Opening net book value	**306,116**	**128,286**	**12,896**	**50,814**	**3,556**	**501,668**
Additions	–	–	3,030	–	31	3,061
Acquisition through business combinations	106,606	30,654	2,167	56,329	3,141	198,897
Disposals / Transfers	–	–	162	–	–	162
Amortisation expense	–	(77)	(4,443)	(10,501)	(745)	(15,766)
Exchange rate movement	(6,072)	(1,580)	(107)	(2,451)	(173)	(10,383)
Closing net book value	**406,650**	**157,283**	**13,705**	**94,191**	**5,810**	**677,639**
As at end of year						
Cost	425,312	157,411	33,701	129,458	11,031	756,913
Accumulated amortisation and impairment	(18,662)	(128)	(19,996)	(35,267)	(5,221)	(79,274)
Net book value	**406,650**	**157,283**	**13,705**	**94,191**	**5,810**	**677,639**

Notes to the financial statements
For the year ended 30 June 2024

Impairment tests for indefinite life intangible assets

Goodwill and brand names are allocated to those cash-generating units (CGU) or groups of CGU that are expected to benefit from them. The carrying amount of intangible assets allocated by CGU or group of CGU is outlined below:

	Goodwill		Brand names	
	2024 $000	2023 $000	**2024 $000**	2023 $000
Allied Express	100,436	100,271	29,537	29,399
Big Chill	85,183	85,183	14,561	14,638
Messenger Services	9,016	8,766	5,100	5,100
New Zealand Couriers	47,752	47,752	58,500	58,500
New Zealand Document Exchange and Dataprint	15,092	15,092	7,318	7,318
Post Haste, Castle Parcels and NOW Couriers	30,646	27,159	18,395	18,395
Total Express Package & Business Mail	**288,125**	**284,223**	**133,411**	**133,350**
The Information Management Group (New Zealand)	17,577	17,577	4,400	4,400
The Information Management Group (Australia)	57,846	57,526	16,244	16,168
Shred-X	47,542	47,324	3,380	3,365
Total Information Management	**122,965**	**122,427**	**24,024**	**23,933**
Total	**411,090**	**406,650**	**157,435**	**157,283**

(i) Key assumptions used for value-in-use calculations

On an annual basis, the recoverable amount of goodwill and brand names is determined based on the greater of value-in-use and fair value less costs of disposal calculations specific to the CGU or group of CGUs associated with both goodwill and brand names.

The value-in-use calculations use pre-tax cash flow projections based on financial budget prepared by management and approved by the Board for the year ended 30 June 2025 and financial projections for the years ended 30 June 2026 and 2027. Cash flows beyond June 2027 have been extrapolated using growth rates which take into consideration current and forecast economic conditions for the relevant products and industries. A probabilistic approach was also adopted where a number of different growth scenarios were considered and weighted by likelihood of achievement. In addition, the sensitivity of the main financial variables was tested and considered in the final estimation. No adjustments have been made to forecast cash flows for the unknown impacts of future climate change, as further disclosed in the note "Climate change" below.

Revenue growth rates and a consistent EBITDA margin assuming costs increase in line with revenue, reflecting both historical and expected growth, have been applied to the value-in-use calculation with the same scenarios and sensitivities applied as described in Section (ii) Significant estimate – sensitive to changes in assumptions below. Growth rates have been aligned with the observed long-term inflation for each geographic region and each CGU's ability to increase customer prices and grow with nominal GDP. Pre-tax discount rates, reflecting the current environment in financial markets and the countries each CGU or group of CGUs operates in, have been used. The CGU or group of CGUs specific growth rates and pre-tax discount rates applied are:

	2024		2023	
	Revenue growth rate FY25 – FY27	**Pre-tax discount rate**	Revenue growth rate beyond FY24	Pre-tax discount rate
Allied Express	3.9% - 8.4%	13.9%	3.0%	13.7%
Big Chill	5.9% - 14.9%	13.7%	2.5%	13.5%
Messenger Services	0.6% - 6.0%	14.9%	2.5%	15.8%
New Zealand Couriers	6.8% - 7.0%	13.2%	2.5%	14.1%
New Zealand Document Exchange and Dataprint	1.8% - 10.0%	14.7%	2.5%	16.9%
Post Haste, Castle Parcels and NOW Couriers	2.0% - 7.7%	14.8%	2.5%	14.6%
The Information Management Group (New Zealand)	1.0% - 5.2%	17.1%	2.5%	16.1%
The Information Management Group (Australia)	3.1% - 5.5%	15.8%	3.0%	14.0%
Shred-X	6.7% - 10.8%	15.7%	3.0%	14.0%

Notes to the financial statements
For the year ended 30 June 2024

(ii) Significant estimate – Sensitivity to changes in assumptions

From the value-in-use assessment for all CGUs, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying values of goodwill and brand names to exceed their respective recoverable amounts.

The financial performance of Big Chill declined in 2024, impacted by the economic downturn in New Zealand and the company's exposure to higher value food. In addition, Big Chill's 3rd party logistics site at Ruakura opened in October 2023, weighing on financial performance as utilisation built up through the year. The site is now at near breakeven and growing, which is expected to improve Big Chill's financial performance in the 2025 financial year.

The recoverable amount of Big Chill would equal its carrying amount if any of the key assumptions were to change as follows:

	2024	
	From %	To %
Achievement of FY25-FY27 revenue	100%	**77%**
Terminal EBITDA growth rate	2%	**(2.2%)**
Pre-tax discount rate	13.7%	**18.2%**

Paper prices falling below long-term average and delays in getting regulatory approval for a Victorian waste treatment facility impacted Shred-X's financial performance. Approval to operate the facility was finally granted in May 2024 and it is expected that this will enable higher volumes of waste to be processed at lower cost in the 2025 financial year, resulting in improving financial performance.

The recoverable amount of Shred-X would equal its carrying amount if any of the key assumptions were to change as follows:

	2024	
	From %	To %
Achievement of FY25-FY27 revenue	100%	75%
Terminal EBITDA growth rate	3.0%	(4.0%)
Pre-tax discount rate	15.7%	22.2%

Climate change

Freightways strongly believes that sustainable business practices are fundamental to our future. These include minimising the environmental impact of our daily operations and actively seeking initiatives to protect the environment.

Most of Freightways' emissions come from the combustion of transport fuel, including that of our contracted couriers. The most significant financial impact would therefore be due to an increase to the cost of fuel and the cost of carbon credits linked to the volume of fuel used. Freightways would expect, however, to be able to recoup most of that impact as mechanisms are already in place to adjust prices for movement of the price of fuel. The risk of disruption due to natural events linked to climate change can be managed through the flexibility of our network across New Zealand. Finally, most of the vehicles used in the Express Packaging businesses are owned by contractors and Freightways is exploring ways through which it will be able to facilitate the transition of the vehicles to electric or hydrogen.

The New Zealand External Reporting Board (XRB) published the Aotearoa New Zealand Climate Standards in December 2022. The new standards are effective for annual reporting periods beginning on or after 1 January 2023. The Group has assessed the new standards and has adopted the new standards in the 2024 financial year. The Group has elected to use most of the first-year adoption provisions, but will report on the Group's owner drivers' emissions, which is a Scope 3 emission and the most material one for the Group.

Notes to the financial statements
For the year ended 30 June 2024

NOTE 15. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The Group has a 33.3% investment and voting rights in Sweetspot Group Limited (GSS), a company that provides freight brokerage service. The principal place of business and country of incorporation of GSS is New Zealand.

GSS is the only material associate of the Group as at 30 June 2024. GSS has share capital consisting solely of ordinary shares, which are held directly by the Group.

GSS is accounted for using the equity method. The carrying value of the investment in GSS is $8.4 million (2023: $7.8 million). GSS is a private entity with no quoted price available.

The tables below provide summarised financial information for GSS. The information disclosed reflects the amounts presented in the financial statements of GSS and not Freightways Group Limited's share of those amounts.

	GSS	
	2024 $000	2023 $000
Summarised Statement of Comprehensive Income		
Revenue	34,426	32,298
Profit from continuing operations	5,180	4,920
Profit for the year	5,180	4,920
Other comprehensive income	-	-
Total Comprehensive Income	**5,180**	**4,920**

	GSS	
	2024 $000	2023 $000
Summarised Balance Sheet		
Total current assets	6,413	4,449
Total non-current assets	428	430
Total current liabilities	(2,569)	(2,287)
Net Assets	**4,272**	**2,592**
Reconciliation to carrying amounts:		
Opening net assets	2,592	4,114
Profit for the period	5,180	4,920
Dividend paid	(3,500)	(6,442)
Closing Net Assets	**4,272**	**2,592**
Group's share in GSS	33.3%	33.3%
Group's share in net assets	1,422	863
Goodwill	6,948	6,948
Carrying Amount	**8,370**	**7,811**

GSS does not have any capital commitments and contingent liabilities as at 30 June 2024 (2023: Nil).

The carrying value of other individually immaterial investments in associates and joint ventures as at 30 June 2024 is $5.0 million (2023: $4.7 million).

Notes to the financial statements
For the year ended 30 June 2024

NOTE 16. DEFERRED TAX LIABILITY

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same jurisdiction, is as follows:

Group	Property, plant and equipment $000	Employee entitlements $000	Accruals and provisions $000	Derivative financial instruments $000	Intangible assets $000	Right-of-use assets $000	Leases $000	Total $000
2024								
Balance at beginning of year	(8,487)	9,559	4,864	(935)	(72,665)	(90,674)	101,514	(56,824)
Prior period adjustment	1,402	419	(1,287)	-	(2,611)	-	1,435	(642)
Transfer to income statement	(1,125)	(744)	1,073	-	4,267	(5,571)	6,792	4,692
Amounts relating to business combinations (Note 30)	303	41	44	-	(250)	(990)	990	138
Adjustment for cash flow hedge reserve	-	-	-	529	-	-	-	529
Exchange rate movement	(21)	24	7	-	(128)	-	33	(85)
Balance at end of year	**(7,928)**	**9,299**	**4,701**	**(406)**	**(71,387)**	**(97,235)**	**110,764**	**(52,192)**

Group	Property, plant and equipment $000	Employee entitlements $000	Accruals and provisions $000	Derivative financial instruments $000	Intangible assets $000	Right-of-use assets $000	Leases $000	Total $000
2023								
Balance at beginning of year	(7,717)	8,278	4,245	(848)	(50,612)	(76,986)	86,553	(37,087)
Prior period adjustment	(1,071)	(217)	(141)	-	39	-	105	(1,285)
Transfer to income statement	909	416	413	-	3,650	(9,946)	11,539	6,981
Amounts relating to business combinations (Note 30)	(1,139)	1,183	871	-	(27,037)	(3,742)	3,742	(26,122)
Adjustment for cash flow hedge reserve	-	-	-	(88)	-	-	-	(88)
Other	480	-	(468)	1	42	-	(347)	(292)
Exchange rate movement	51	(101)	(56)	-	1,253	-	(78)	1,069
Balance at end of year	**(8,487)**	**9,559**	**4,864**	**(935)**	**(72,665)**	**(90,674)**	**101,514**	**(56,824)**

Notes to the financial statements
For the year ended 30 June 2024

NOTE 17. TRADE AND OTHER PAYABLES

Trade and other payables are recognised when the Group becomes obligated to make future payments resulting from the purchase of goods or services. They are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method. Acquisition earn-out payables have been measured at fair value. The amounts are unsecured.

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services rendered up to the reporting date. They are measured for recognition by assessing the amounts expected to be paid when the liabilities are settled. Included in employee entitlements is an accrual of $1.6 million (2023: $2.8 million) for potential remediation for New Zealand Holidays Act non-compliance.

Liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by the employee. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Group	2024 $000	2023 $000
Current		
Trade creditors	56,716	51,291
Employee entitlements	31,065	32,358
Acquisition earn-out payables	4,161	676
Other creditors and accruals	60,622	54,277
	152,564	**138,602**
Non-current		
Acquisition earn-out payables	1,920	4,159
	1,920	**4,159**

NOTE 18. PROVISIONS

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The increase in the provision due only to the passage of time is recognised as an interest expense.

Explanation of provisions

Provision for customer claims relates to actual claims received from customers that are being considered for payment as at reporting date and are expected to be resolved within the next two months.

Provision for long service leave relates to the potential leave obligation for employees who reach continuous employment milestones required under Australian regulations. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Provision for lease obligations relates to estimated payments to reinstate leased buildings and equipment used to an appropriate condition upon the expiry of the respective lease terms.

Notes to the financial statements
For the year ended 30 June 2024

Group	Customer claims $000	Long service leave $000	Lease obligations $000	Total $000
2024				
Balance at beginning of year	1,417	6,651	5,700	13,768
Additions through business combinations	-	-	158	158
Current year provision	1,370	1,223	482	3,075
Amounts used during the year	(1,317)	(1,004)	(183)	(2,504)
Movement in exchange rate	-	33	12	45
Balance at end of year	**1,470**	**6,903**	**6,169**	**14,542**

Group	Customer claims $000	Long service leave $000	Lease obligations $000	Total $000
2023				
Balance at beginning of year	873	4,388	3,671	8,932
Additions through business combinations	222	1,773	728	2,723
Current year provision	384	1,310	1,598	3,292
Amounts used during the year	(54)	(517)	(239)	(810)
Movement in exchange rate	(8)	(303)	(58)	(369)
Balance at end of year	**1,417**	**6,651**	**5,700**	**13,768**

	2024 $000	2023 $000
Analysis of total provisions		
Current	3,145	3,552
Non-current	11,397	10,216
Total	**14,542**	**13,768**

NOTE 19. CONTRACT LIABILITY

A contract liability of $14.5 million (2023: $14.4 million) is recorded in the balance sheet reflecting the future service obligation for courier and postal products that have been sold in advance of their use. The balance is supported by reference to historical customer prepaid product usage patterns.

Revenue recognised during the year that was included in the contract liability balance at the beginning of the year was $9.2 million (2023: $9.4 million).

There are no other significant financing components in the Group's revenue arrangement.

Notes to the financial statements
For the year ended 30 June 2024

NOTE 20. BORROWINGS

Interest-bearing bank loans and overdrafts are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method. Costs incurred in establishing finance facilities are amortised to the income statement over the term of the respective facilities.

	Group	
	2024 $000	2023 $000
Bank borrowings		
Non-current	265,674	297,194
	265,674	**297,194**

(a) Bank borrowings

The bank borrowings agreement contains a negative pledge deed. The negative pledge includes a provision restricting the Group from granting security interests and a cross-guarantee of all relevant indebtedness by majority of the Company's subsidiaries.

(b) Finance facilities

The following finance facilities existed at the reporting date:

	Facilities denominated in New Zealand Dollars		Facilities denominated in Australian Dollars	
	2024 $000	2023 $000	**2024 $000**	2023 $000
Bank overdraft				
– total bank overdraft facilities available	8,000	8,000	-	-
– amount of overdraft facilities unused	8,000	8,000	-	-
Loan facilities				
– total loan facilities available	170,000	170,000	180,000	180,000
– US Private Placement (USPP) maturing 11 July 2025	-	-	20,000	20,000
– Bank loan maturing 15 March 2026 (*)	-	120,000	-	-
– USPP maturing 15 December 2026	10,000	10,000	10,000	10,000
– Bank loan maturing 15 March 2027 (*)	30,000	30,000	-	80,000
– USPP maturing 19 March 2028	10,000	10,000	20,000	20,000
– Bank loan maturing 31 May 2028 (*)	120,000	-	-	-
– Bank loan maturing 31 May 2029 (*)	-	-	80,000	-
– USPP maturing 14 December 2029	-	-	50,000	50,000
– amount of loan facilities used	125,000	124,000	128,450	158,700
– amount of loan facilities unused	45,000	46,000	51,550	21,300
Effective interest rate at 30 June as amended for interest rate hedges	6.80%	5.67%	5.57%	4.92%

* In June 2024, the Group negotiated a two-year extension of its NZ$120 million and A$80 million syndicated bank facilities that were maturing on 15 March 2026 and 15 March 2027. The extended facilities became effective from 14 June 2024. The NZ$30 million syndicated bank facility that matures on 15 March 2027 was extended by two years in July 2024 and became effective from 16 July 2024 (as disclosed in Note 31). The extended facilities have the same banking covenants as the previous facilities.

Notes to the financial statements
For the year ended 30 June 2024

The fair values of borrowings are not materially different to their carrying amount, since the interest payable on those borrowings is either close to market rate or the borrowings are of a short-term nature.

The Group has a US$160 million uncommitted finance facility with a US-based lender on the same terms as the syndicated bank facilities. Of this facility, the US dollar equivalent of NZ$20 million and A$100 million was drawn as at 30 June 2024 (2023: NZ$20 million and A$100 million). The drawn amounts mature in July 2025, December 2026, March 2028 and December 2029, as detailed in the maturity table above.

Compliance with banking covenants

The Group was in compliance with all of its banking covenants throughout the year ended 30 June 2024. The Group's banking covenants forecast indicates that the Group will remain compliant with all of its banking covenants in the next twelve months. The forecast includes a sensitivity analysis of a 20% decline in forecast earnings before interest, income tax, depreciation and amortisation.

Net debt reconciliation

An analysis of net debt and movements in net debt are as follows:

	Liabilities from financing activities			
Group	**Cash $000**	**Leases $000**	**Bank borrowings $000**	**Total $000**
Balance at 1 July 2022	**24,137**	**(310,125)**	**(176,210)**	**(462,198)**
Cashflow	14,713	41,734	(124,788)	(68,341)
Lease additions, modifications and terminations	–	(79,298)	–	(79,298)
Additions through business combinations	–	(12,791)	–	(12,791)
Other non-cash movements	–	–	(516)	(516)
Exchange rate movement	5,635	2,207	4,320	12,162
Balance at 30 June 2023	**44,485**	**(358,273)**	**(297,194)**	**(610,982)**
Cashflow	(7,670)	50,204	26,993	69,527
Lease additions, modifications and terminations	–	(70,959)	–	(70,959)
Additions through business combinations	–	(3,535)	–	(3,535)
Other non-cash movements	–	–	(71)	(71)
Exchange rate movement	(1,162)	(504)	4,598	2,932
Balance at 30 June 2024	**35,653**	**(383,067)**	**(265,674)**	**(613,088)**

Notes to the financial statements
For the year ended 30 June 2024

NOTE 21. EQUITY

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a reduction in the amount of proceeds arising from the issue of shares.

Group	**2024 Ordinary shares**	2023 Ordinary shares	**2024 $000**	2023 $000
Balance at beginning of year	177,428,218	165,795,056	298,075	184,349
Shares issued during the year:				
– Share rights	136,713	127,565	870	1,016
– Employee share plan	90,000	65,000	617	595
(Increase) decrease in employee share plan unallocated shares	(2,282)	5,250	(48)	49
Issue of fully paid ordinary shares	1,054,748	11,435,347	8,872	112,066
Balance at end of year	**178,707,397**	**177,428,218**	**308,386**	**298,075**

Contributed Equity

(i) Fully paid ordinary shares

As at 30 June 2024, there were 178,712,819 shares issued and fully paid (2023: 177,431,358). All fully paid ordinary shares have equal voting rights and share equally in dividends and surplus on winding up.

(ii) Share rights

Share rights are issued to certain senior executives under the rules of the Freightways Long Term Incentive (LTI) Scheme, with vesting determined at the end of a 3-year vesting period. Vesting is subject to the achievement of certain financial hurdles set by the Board and included in the annual offer of participation to executives. Each share right converts to one Freightways fully paid ordinary share upon vesting. Share rights do not carry a dividend entitlement and are non-transferable.

On 20 October 2023, 136,713 share rights vested upon achievement of certain financial hurdles set by the Board and each of the share rights converted to one Freightways fully paid ordinary share (2023: 127,565). The issue price per share was $7.38 (2023: $8.06).

On 20 October 2023, 13,717 share rights were redeemed and cancelled (2023: 35,227).

On 1 May 2024, 225,307 share rights were issued to certain senior executives under the rules of the Freightways LTI Scheme (2023: 152,160).

As at 30 June 2024, there were 466,883 share rights on issue (2023: 392,006).

(iii) Dividend Reinvestment Plan

On 2 October 2023, the Company issued 1,054,748 fully paid ordinary shares at $8.4115 under the Freightways dividend reinvestment plan (2023: Nil).

(iv) Employee Share Plan

On 1 December 2023, the Company issued 90,000 fully paid ordinary shares to Freightways Trustee Company Limited, as Trustee for the Freightways Employee Share Plan, at $6.85 each, being a 10% discount on the weighted average market price on the NZX during the one week following Freightways' Annual Shareholders Meeting on 26 October 2023 (December 2022: 65,000 fully paid ordinary shares at $9.16 each). In total, participating employees were provided with interest-free loans of $0.6 million to fund their purchase of the shares in the Share Plan (December 2022: $0.6 million). The loans are repayable over three years and repayment commenced in December 2023.

As at 30 June 2024, the Trustee held 596,285 (2023: 579,717) fully paid ordinary shares representing 0.3% (2023: 0.3%) of all issued ordinary shares of which 5,422 (2023: 3,140) were unallocated. These shares are held for allocation in the future.

The Employee Share Plan operates in accordance with section CW 26C of the New Zealand Income Tax Act 2007 and the Trustees are appointed by the Freightways Group Limited Board of Directors.

Notes to the financial statements
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Nature and Purpose of Reserves

(i) Cash flow hedge reserve

The cash flow hedge reserve is used to record gains or losses on a hedging instrument within a cash flow hedge. The amounts are recognised in the income statement when the associated hedged transactions affect profit or loss, as described in Note 10(i).

(ii) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations into New Zealand dollars, as described in Note 1(c).

NOTE 22. SHARE-BASED PAYMENTS

The Group operates equity-settled, share-based compensation arrangements for senior executives, under which the Group receives services from employees as consideration for share rights in the Company. The fair value of the employee services received in exchange for the share rights is recognised as an expense. The total amount to be expensed is determined at grant date by reference to the fair value of the share rights allotted, taking into account market vesting conditions (for example, total shareholder return measures such as outperforming the median of the NZX50 Index), but excluding the impact of any non-market service and performance vesting conditions (for example, compound growth rates for earnings per share, expected profit target against the capital employed and remaining an employee of the Group over a specified time period). Non-market vesting conditions are included in assumptions about the number of share rights that are expected to vest. The total amount expensed is recognised over the relevant vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the Group revises its estimates of the number of share rights that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement.

a) Description of share-based payment arrangements

Freightways Long-term Incentive Scheme (the 'Scheme')

The Group operates a Board approved long-term incentive scheme for certain Freightways senior executives. Under this Scheme, share rights are issued at 'Nil' consideration which entitles participants to receive ordinary shares in Freightways within three years of vesting period. The total contractual life of share rights is 3 years.

Share rights will vest if the participant remains employed by Freightways for the duration of the vesting period and the following performance hurdles are met over the assessment period. They will vest in the following proportions:

- *Total Shareholder's Return (TSR) class of rights (50% of share rights)*
  This will vest over the assessment period on a progressive vesting scale based on the Group's TSR relative to the TSR of other constituents of the NZX50 Index.
- *Cost of Capital class of rights (50% of share rights)*
  This will vest based on net operating profit after tax (NOPAT) exceeding a cost of capital hurdle (determined by the Board) over the assessment period.

On vesting date, subject to meeting service and performance conditions, each share right can be exercised to receive one ordinary share. The senior executives are liable for tax on the shares received at this point.

Notes to the financial statements
For the year ended 30 June 2024

b) Reconciliation of outstanding share rights

	Number of share rights	
	2024	2023
Balance at beginning of the year	392,006	402,638
Issued during the year	225,307	152,160
Cancelled during the year	(13,717)	(35,227)
Fully paid-up or exercised during the year	(136,713)	(127,565)
Balance at end of the year	**466,883**	**392,006**
Exercisable at end of the year	89,416	166,352

c) Effect of share-based payment arrangements on profit or loss, financial position and equity

	2024 $000	2023 $000
Total amount expensed during the year	886	1,016

Fair value measurement of share-based payment arrangements

The fair value of share rights has been measured using Monte Carlo simulation. The fair value measurement also considers the terms and conditions upon which partly-paid shares and share rights were issued. Service and non-market performance conditions attached to the arrangements were not considered in measuring fair value.

The inputs used in the measurement of fair values at grant date of share rights issued during the year were as follows:

	Share rights		
Grant date:	28 Oct 2021	24 Nov 2022	25 Oct 2023
Fair value at grant date	$7.28 - TSR class of rights $11.73 – NOPAT class of rights	$6.51 - TSR class of rights $9.13 – NOPAT class of rights	$3.70 - TSR class of rights $7.04 – NOPAT class of rights
Exercise price	Nil	Nil	Nil
Share price at grant date	$12.71	$9.99	$8.05
Expected dividends	2.5%	2.5%	4.5%
Expected volatility	26.8%	29.9%	20.8%
Expected life	0.2 years	1.2 years	2.2 years
Risk free interest rate (based on government bonds)	1.82%	4.48%	5.45%

Expected volatility has been based on an evaluation of the historical volatility of the Freightways' share price, particularly over the historical period commensurate with the expected term. The expected term of share rights has been based on historical experience and general option holder behaviour.

Notes to the financial statements
For the year ended 30 June 2024

NOTE 23. RECONCILIATION OF PROFIT FOR THE YEAR WITH CASH FLOWS FROM OPERATING ACTIVITIES

	Note	Group 2024 $000	Group 2023 $000
Profit for the year		**70,926**	**75,297**
Add non-cash items:			
Depreciation and amortisation	4	92,749	80,921
Movement in provision for doubtful debts		522	650
Movement in deferred income tax		(2,774)	(2,595)
Net loss (gain) on disposal of property, plant and equipment		469	(137)
Net foreign exchange (gain) loss		169	(287)
Share of profits of associates		(2,005)	(3,173)
Movement in working capital, net of effects of acquisitions of businesses:			
(Decrease) in trade and other receivables		(8,449)	(3,385)
Decrease (increase) in inventories		622	(1,556)
Increase in trade and other payables		4,884	3,106
(Decrease) increase in income taxes payable		(450)	6,967
Net cash inflows from operating activities		**156,663**	**155,808**

NOTE 24. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Group had made capital commitments to purchase or construct buildings and equipment for $13.5 million at 30 June 2024 (2023: $9.3 million), principally relating to the completion of operating facilities and purchase of replacement equipment throughout the Group.

As at 30 June 2024, the Group had outstanding letters of credit and bank guarantees issued by its lenders totalling approximately $13.6 million (2023: $9.9 million). The letters of credit relate predominantly to support for regular payroll payments. The bank guarantees relate to security given to various landlords in respect of leased operating facilities.

Freightways is subject to a Commerce Commission investigation and is cooperating with the Commerce Commission. Freightways does not consider that this process will have a material financial or operational impact on the Group.

NOTE 25. EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to shareholders by the weighted average number of ordinary shares outstanding during the year:

	Group 2024	Group 2023
Profit for the year attributable to shareholders ($000)	70,926	75,297
Weighted average number of ordinary shares ('000)	178,366	174,525
Basic earnings per share (cents)	**39.8**	**43.1**

Notes to the financial statements
For the year ended 30 June 2024

Diluted earnings per share

Diluted earnings per share is calculated by dividing the profit for the year attributable to shareholders by the weighted average number of ordinary shares outstanding during the year, adjusted to include all dilutive potential ordinary shares (for example, share rights on issue) as if they had been converted to ordinary shares at the beginning of the year:

	Group 2024	Group 2023
Profit for the year attributable to shareholders ($000)	70,926	75,297
Weighted average number of ordinary shares ('000)	178,366	174,525
Effect of dilution ('000)	467	392
Diluted weighted average number of ordinary shares ('000)	178,833	174,917
Diluted earnings per share (cents)	**39.7**	**43.1**

NOTE 26. NET TANGIBLE ASSETS PER SECURITY

Net tangible assets (liabilities) per security at 30 June 2024 was ($0.92) (2023: ($1.06)). Net tangible assets exclude intangible assets but includes software. There were 178,712,819 shares issued and fully paid as at 30 June 2024 (2023: 177,431,358).

NOTE 27. TRANSACTIONS WITH RELATED PARTIES

Trading with related parties

The Group has not entered into any material external related party transactions which require disclosure. The Group does trade, on normal commercial terms, with certain companies in which there are common directorships.

Purchases from entities controlled by key management personnel

The Group leases a property, on normal commercial terms, from an entity that is controlled by a member of the Group's key management personnel.

Payments to associates

During the year, the following transactions occurred with Sweetspot Group Limited (GSS), an entity incorporated in New Zealand and is 33.3% owned by the Group:

	Group 2024 $000	Group 2023 $000
Sale of courier services to GSS	12,256	13,304
Purchase of goods and services from GSS	1,661	1,463
Receivables from GSS at end of year	1,355	1,290
Payables to GSS at end of year	89	82

Notes to the financial statements
For the year ended 30 June 2024

Payments to joint venture

During the year, the Group paid Parcelair Limited $14.3 million (2023: $16.3 million) for the provision of airfreight linehaul services on normal commercial terms. Parcelair Limited is incorporated in New Zealand and is half-owned by the Group.

Intercompany loan

An intercompany promissory note of $14.5 million (2023: $14.5 million) and intercompany receivable which arose on the acquisition of Allied Express Transport Pty Limited (AEX), exists between IMS Group Australia Pty Ltd (IMS) and AEX. The receivable and promissory note are eliminated in the consolidated financial statements of Freightways.

Key management compensation

Compensation paid during the year (or payable as at year end in respect of the year) to key management, which includes senior executives of the Group and non-executive independent directors, is as follows:

	Group	
	2024 $000	2023 $000
Short term employee benefits	11,827	10,668
Share-based payments (Note 22)	886	1,016

NOTE 28. FINANCIAL RISK MANAGEMENT

28.1 Financial Risk Factors

The Group's activities expose it to various financial risks, including liquidity risk, credit risk and market risk (which includes currency risk and cash flow interest rate risk). The Group's overall risk management programme focuses on the uncertainty of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Treasury activities are performed centrally by the Group's corporate team, supplemented by external financial advice and the use of derivative financial instruments is governed by a Group Treasury Policy approved by the Company's Board of Directors.

The Group does not engage in speculative transactions or hold derivative financial instruments for trading purposes.

(a) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group's approach to liquidity risk management includes maintaining sufficient cash reserves and ensuring adequate committed finance facilities are available. In assessing its exposure to liquidity risk, the Group regularly monitors rolling 3, 6 and 12 months cash requirement forecasts.

The table below analyses the Group's financial liabilities into relevant maturity groupings, based on the remaining period from the reporting date to the contractual maturity date.

The amounts disclosed below are contractual, undiscounted cash flows.

Group	Less than 6 months $000	6-12 months $000	1-2 years $000	2-5 years $000	More than 5 years $000	Total $000
2024						
Bank borrowings	7,946	7,870	13,631	242,395	56,219	328,061
Trade and other payables	128,841	32,830	-	1,920	-	163,591
Lease liabilities	34,754	33,500	63,903	143,152	218,005	493,314
2023						
Bank borrowings	9,243	9,252	18,238	283,217	59,306	379,256
Trade and other payables	117,499	33,008	4,159	-	-	154,666
Lease liabilities	29,955	29,150	55,228	133,659	189,171	437,163

The amounts expected to be payable in relation to the interest rate swaps have been estimated using forward interest rates applicable at the reporting date.

Notes to the financial statements
For the year ended 30 June 2024

(b) Credit Risk

Credit risk refers to the risk of a counterparty failing to discharge its obligation. Financial instruments which potentially subject the Group to credit risk principally consist of bank balances, accounts receivable and derivative financial instruments.

The Group has credit policies that are used to manage the exposure to credit risk. As part of these policies, exposures with counterparties are monitored on a regular basis. The Group performs credit evaluations on all customers requiring credit and generally does not require collateral.

A default in a financial asset is when the counterparty fails to make contractual payments when debt recovery processes have been exhausted and/or the counterparty is declared bankrupt or in the case of companies, placed in administration, receivership or liquidation.

The Group's Treasury Policy ensures due consideration is given to the financial standing of the counterparty banks with which the Group holds cash reserves and transacts derivative financial instruments. A minimum Standard & Poor's long-term credit rating of A/A- is required to qualify as an approved counterparty, with the exception that a maximum of 1% of total debt exposure may be with counterparty with BBB credit rating. The quantum of transactions entered into with the Group's various financial lenders is also balanced to mitigate exposure to concentrated counterparty credit risk with any one financial provider.

The Group does not have any significant concentrations of credit risk.

For counterparties to trade receivables that are neither past due nor impaired, payments have historically been received regularly and on time.

The Group considers its maximum exposure to credit risk to be as follows:

Group	**2024 $000**	2023 $000
Cash and cash equivalents	35,653	44,485
Trade and other receivables	146,794	137,510
	182,447	**181,995**

Cash and cash equivalents are held with banks with Standard & Poor's rating of AA-.

Trade receivables analysis

At 30 June aging analysis of trade receivables is as follows:

	2024			2023		
Group	**Gross carrying amount $000**	**Expected loss rate %**	**Loss allowance $000**	Gross carrying amount $000	Expected loss rate %	Loss allowance $000
Current	115,904	0.8%	927	105,382	1.0%	1,053
31-60 days over standard terms	22,854	3.5%	800	20,081	4.5%	900
60-90 days over standard terms	2,427	22.5%	546	2,202	25.0%	551
91+ days over standard terms	3,446	35.0%	1,207	1,589	45.0%	715
	144,631		**3,480**	**129,254**		**3,219**

The Group has $25.2 million (2023: $20.7 million) of financial assets that are overdue and not impaired.

Notes to the financial statements
For the year ended 30 June 2024

(c) Market Risk

Foreign exchange risk

Exposure to foreign exchange risk arises when (i) a transaction is denominated in a foreign currency and any movement in foreign exchange rates will affect the value of that transaction when translated into the functional currency of the Company or a subsidiary; and (ii) the value of assets and liabilities of overseas subsidiaries are required to be translated into the Group's reporting currency.

The Group's Treasury Policy is used to assist in managing foreign exchange risk. In accordance with Treasury Policy guidelines, foreign exchange hedging is used as soon as a defined exposure to foreign exchange risk arises and exceeds certain thresholds.

As disclosed in Note 20, at 30 June 2024 the Group had Australian dollar denominated bank borrowings of AUD128,450,000 (2023: AUD158,700,000). Of these borrowings, AUD14,200,000 (2023: AUD14,200,000) were borrowed by a New Zealand subsidiary and have been translated at the prevailing foreign currency rate as at balance date. The rest of the Australian dollar denominated bank borrowings have been borrowed by an Australian subsidiary and are translated as part of the consolidation of the Group for reporting purposes. The Group has no other outstanding foreign currency denominated monetary items.

The table on the following page details the Group's sensitivity to the increase and decrease in the New Zealand dollar (NZD) against the Australian dollar (AUD) in respect of the Australian dollar denominated bank borrowings, borrowed in New Zealand. The sensitivity analysis only includes outstanding foreign currency denominated monetary items at the reporting date and adjusts their translation as at that date for the change in foreign currency rates. A positive number indicates a decrease in liabilities (bank borrowings) where the NZD strengthens against the AUD.

Interest rate risk

Exposure to cash flow interest rate risk arises in borrowings of the Group that are at the prevailing market interest rate current at the time of drawdown and are re-priced at intervals not exceeding 180 days.

Interest rate risk is identified by forecasting short and long-term cash flow requirements.

The Group's Treasury Policy is used to assist in managing interest rate risk. Treasury Policy requires projected annual core debt to be effectively hedged within interest rate risk control limits against adverse fluctuations in market interest rates.

The following table demonstrates the sensitivity of the Group's equity and profit after tax to a potential change in interest rates by plus or minus 100 basis points, with all other variables held constant and in relation only to that portion of the Group's borrowings that are subject to floating interest rates.

Significant assumptions used in the interest rate sensitivity analysis include:

(i) reasonably possible movements in interest rates were determined based on the Group's current mix of debt in New Zealand and Australia, the level of debt that is expected to be renewed and a review of the last two year's historical movements; and

(ii) price sensitivity of derivatives has been based on a reasonably possible movement of interest rates at balance dates by applying the change as a parallel shift in the forward curve.

Notes to the financial statements
For the year ended 30 June 2024

Sensitivity Analysis

	Interest rate Movement					NZD/AUD Movement
	Impact on profit			Impact on other components of equity		Impact on liabilities & equity
	Carrying amounts $000	+100 basis points $000	-100 basis points $000	+100 basis points $000	-100 basis points $000	+ or – 10% in value of NZD $000
2024						
Financial assets						
Cash and cash equivalents	35,653	257	(257)	257	(257)	-
Trade and other receivables	152,988	-	-	-	-	-
Derivative financial instruments	1,429	-	-	1,299	(1,352)	-
Financial liabilities						
Borrowings	265,674	(1,218)	1,218	(1,218)	1,218	1,413/(1,726)
2023						
Financial assets						
Cash and cash equivalents	44,485	320	(320)	320	(320)	-
Trade and other receivables	143,510	-	-	-	-	-
Derivative financial instruments	3,338	453	(453)	1,652	(1,864)	-
Financial liabilities						
Borrowings	297,194	(2,140)	2,140	(2,140)	2,140	1,406/(1,718)

Notes to the financial statements
For the year ended 30 June 2024

(d) Fair Value Estimation

The carrying value less impairment provision of trade receivables and payables is a reasonable approximation of their fair values due to the short-term nature of trade receivables and payables. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The fair values of financial instruments are estimated using discounted cash flows. The fair value of interest rate swaps and foreign exchange hedges are calculated as the present value of the estimated future cash flows.

Unless otherwise stated, all other carrying amounts are assumed to equal or approximate fair value.

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – Quoted prices (adjusted) in active markets for identical assets or liabilities at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 – Inputs that are observable for the asset or liability, either directly (i.e., as prices; other than quoted prices referred to in Level 1 above) or indirectly (i.e., derived from prices). The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives and US Private Placement (USPP)) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the fair value of an instrument is included in Level 2.

Level 3 – Inputs for the asset or liability that are not based on observable market data (i.e., unobservable inputs). In these cases, the fair value of an instrument would be included in Level 3.

Specific valuation techniques used to value financial instruments include:

- In respect of interest rate swaps, the fair value is calculated as the present value of the estimated future cash flows based on observable yield curves;
- In respect of forward foreign exchange contracts, the fair value is calculated using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;
- In respect of USPP, the fair value is calculated on a discounted cash flow basis using the USD Bloomberg curve and applying discount factors to the future USD interest payment and principal payment cash flows; and
- Discounted cash flow analysis for other financial instruments.

Specific valuation techniques used to value contingent consideration in a business combination and estimated purchase price adjustments include:

- fair value is calculated as the present value of the estimated future cash flows based on management's assessment of future performance; and
- management's knowledge of the business and the industry it operates in.

Notes to the financial statements
For the year ended 30 June 2024

(d) Fair Value Estimation (continued)

The amounts below are for the derivative financial instruments, USPP and contingent consideration in a business combination. There were no transfers between levels during the year.

	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
2024				
Assets				
Derivative financial instruments	–	1,429	–	1,429
Total assets	**-**	**1,429**	**-**	**1,429**
Liabilities				
USPP	–	129,421	–	129,421
Contingent consideration in a business combination	–	–	6,081	6,081
Total liabilities	**-**	**129,421**	**6,081**	**135,502**
2023				
Assets				
Derivative financial instruments	–	3,338	–	3,338
Total assets	**-**	**3,338**	**-**	**3,338**
Liabilities				
USPP	–	128,909	–	128,909
Contingent consideration in a business combination	–	–	4,835	4,835
Total liabilities	**-**	**128,909**	**4,835**	**133,744**

The following table shows the valuation technique used in measuring Level 3 contingent consideration in a business combination and estimated purchase price adjustments:

Description	Fair value as at 30 June 2024	Fair value as at 30 June 2023	Unobservable Input	Range of inputs 2024	Range of inputs 2023	Relationship of unobservable inputs to fair value (sensitivity)
Contingent Consideration	6,081	4,835	Achievement of Annual Budget	92.5% - 107.5%	92.5% - 107.5%	A change in the achievement of the annual budget by 250 bps would increase/ decrease the FV of the consideration by $0.1 million (2023: $0.1 million)
			Probability weighted average of achieving Annual Budget	99%	99%	A change in the achievement of the annual budget by 250 bps would increase/ decrease the FV of the consideration by $0.1 million (2023: $0.1 million)
			Discount Rate	6.8%	4.0%	A change in the discount rate by 100 bps would increase/decrease the FV of the consideration by $0.1 million (2023: $0.1 million)

Notes to the financial statements
For the year ended 30 June 2024

The following table presents the changes in Level 3 instruments, which are carried at fair value through profit or loss.

	Contingent consideration in a business combination	
	2024 $000	2023 $000
Opening balance	4,835	59,892
Acquisition of businesses	2,000	1,126
Settlement	(754)	(56,183)
Closing balance	**6,081**	**4,835**

28.2 Capital Risk Management

Group capital (Shareholders Funds) consists of share capital, other reserves and retained earnings. To maintain or alter the capital structure, the Group has the ability to vary the level of dividends paid to shareholders, return capital to shareholders or issue new shares, reduce or increase bank borrowings or sell assets. The Group does not have any externally imposed capital requirements.

The Group's long term debt facilities impose a number of banking covenants. These covenants are calculated monthly and are reported to the banks half-yearly on a rolling 12-months basis. The most significant covenant relating to capital management is a requirement for the Group to maintain its operating leverage (net debt divided by profit before interest, tax, depreciation and amortisation) below a maximum level. There have been no breaches of banking covenants or events of review during the current or prior year.

NOTE 29. FINANCIAL INSTRUMENTS BY CATEGORY

(a) Assets, as per balance sheet

	Financial assets at amortised cost		Derivatives used for hedging		Total	
	2024 $000	2023 $000	**2024 $000**	2023 $000	**2024 $000**	2023 $000
Group						
Trade and other receivables (excluding prepayments)	152,988	137,510	–	–	152,988	137,510
Cash and cash equivalents	35,653	44,485	–	–	35,653	44,485
Derivative financial instruments	–	–	1,430	3,338	1,430	3,338
Total	**188,641**	**181,995**	**1,430**	**3,338**	**190,071**	**185,333**

(b) Liabilities, as per balance sheet

	Derivatives used for hedging		Other financial liabilities at amortised cost		Other financial liabilities held at fair value		Total	
	2024 $000	2023 $000	**2024 $000**	2023 $000	**2024 $000**	2023 $000	**2024 $000**	2023 $000
Group								
Borrowings (excluding lease liabilities)	–	–	265,674	297,194	–	–	265,674	297,194
Lease liabilities	–	–	383,067	358,273	–	–	383,067	358,273
Trade and other payables	–	–	115,229	100,667	6,081	4,835	121,310	105,502
Total	**-**	**-**	**763,970**	**756,134**	**6,081**	**4,835**	**770,051**	**760,969**

Notes to the financial statements
For the year ended 30 June 2024

NOTE 30. BUSINESS COMBINATIONS

Acquisitions during the year

Effective 1 November 2023, the Group acquired the business and assets of First Global Logistics, an end-to-end international e-commerce logistics business in New Zealand for total consideration of $5.9 million. The consideration comprises a $3.9 million non-cash settlement of trade payables between the Group and the acquiree and a future earn-out of up to $2 million payable at the end of the 2025 financial year. The acquired business expands the Group's international e-commerce logistics know-how and operates within the Group's express package division.

Effective 15 April 2024, the Group acquired the business and assets of OnSend, a courier services provider in New Zealand for total cash consideration of $1 million. The acquired business expands the Group's oversized courier services and operates within the Group's express package division.

Prior period acquisition – Allied Express Transport Pty Ltd (AEX)

Effective 30 September 2022, the Group acquired 100% of AEX, a company operating in Australia in the courier and express freight market for total consideration of $215.3 million. The consideration comprises a cash payment of $88.1 million, issue of Freightways shares of $112.1 million, promissory note of $14.5 million and a completion adjustment of $0.7 million. A$50 million of the shares issued to the vendors are subject to an escrow on sale for a period of 12 months from 30 September 2022 and A$25 million of those shares will then remain subject to an escrow on sale for a further period of 12 months thereafter. The completion adjustment of $0.7 million was paid during the year ended 30 June 2024.

The fair value of certain assets and liabilities arising from the acquisition had previously been determined on a provisional basis, pending confirmation of certain determinants and finalisation of independent valuations. The fair value of assets acquired and liabilities assumed were subsequently finalised within 12 months from the acquisition date. There was a minor adjustment to deferred tax recognised in the current year.

Prior period acquisition – ProducePronto ("PP")

Effective 1 November 2021, the Group acquired the business and assets of PP for an initial consideration of approximately $12.1 million and future earn-out of up to $3.8 million over 3 years. PP operates fourth party logistics (4PL) services with 365 days per year, same-day fresh and frozen delivery to convenience outlets in New Zealand and businesses across Auckland. This acquired business operates within the Group's express package & business mail operating segment.

As at 30 June 2024, the estimated discounted future earn-out payment for the acquisition of PP was $3.7 million (2023: $3.7 million). This represents no change in the estimated undiscounted future earn-out payment from the last balance date. The Group has forecast several scenarios and probability-weighted each to determine an updated fair value for this contingent payment arrangement. The actual contingent payment is in the process of being finalised. The liability is presented within current trade and other payables in the balance sheet and is expected to be settled in the first half of the 2025 financial year.

Reconciliation of payments for businesses acquired	**$000**
Cash paid for completion adjustment for the acquisition of AEX	671
Cash paid for acquisition	960
Cash acquired from acquisition	(773)
Payments for businesses acquired, net of cash acquired	**858**

NOTE 31. SIGNIFICANT EVENTS AFTER BALANCE DATE

Dividend declared

On 19 August 2024, the Directors declared a fully imputed final dividend of 19 cents per share (approximately $34 million) in respect of the year ended 30 June 2024. The dividend will be paid on 1 October 2024. The record date for determination of entitlements to the dividend is 13 September 2024. The Freightways Dividend Reinvestment Plan will not be offered for this dividend.

Debt facility

The Group has negotiated a two-year extension to its existing syndicated bank facility of NZ$30 million that was maturing on 15 March 2027. The extension is effective from 16 July 2024.

At the date of this report, there have been no other significant events subsequent to the reporting date.

Shareholder information

Stock exchange listing

The Company's fully paid ordinary shares are listed on NZX (the New Zealand Stock Exchange) and ASX (Australian Securities Exchange) as a foreign exempt listing. The Foreign Exempt Listing means that the Company is expected to comply primarily with the Listing Rules of the NZX Main Board (being the rules of its home exchange) and is exempt from complying with most of ASX's Listing Rules.

For the purpose of ASX Listing Rule 1.15.3, the Company confirms that it has complied with the NZX Listing Rules during the year ended 30 June 2024.

The Company has not been granted or relied on any waiver published by NZX during the year ended 30 June 2024. Neither NZX nor ASX has taken any disciplinary action against the Company during the financial year ended 30 June 2024. In particular, there was no other exercise of powers by NZX under NZX Listing Rule 9.9.3.

Distribution of shareholders and shareholdings as at 31 July 2024

	Number of holders	Number of shares held	% of issued capital
Size of shareholding			
1 to 1,999	3,848	3,347,631	1.87
2,000 to 4,999	2,333	7,030,307	3.93
5,000 to 9,999	1,045	6,833,487	3.82
10,000 to 49,999	694	11,914,216	6.67
50,000 to 99,999	26	1,635,952	0.92
100,000 to 499,999	32	6,604,152	3.70
500,000 to 999,999	9	6,559,116	3.67
1,000,000 and over	23	134,787,958	75.42
Total shareholders	**8,010**	**178,712,819**	**100.00**
Geographic distribution			
New Zealand	7,634	142,332,518	79.64
Australia	305	36,118,586	20.21
Other	71	261,715	0.15
	8,010	**178,712,819**	**100.00**

Substantial product holders as at 31 July 2024

Based upon notices received, the following persons are deemed to be substantial product holders in accordance with Section 293 of the Financial Markets Conduct Act 2013:

	Voting securities	
	Number	%
Colin McDowell	11,282,382	6.31
FirstCape Group Limited	9,698,762	5.43
ANZ New Zealand Investments Limited, ANZ Bank New Zealand Limited and ANZ Custodial Services New Zealand Limited	9,053,023	5.07

The total number of issued voting securities of the Company as at 31 July 2024 was 178,712,819.

Shareholder information

Top twenty registered shareholders of listed shares as at 31 July 2024

	Number of Shares held	% of issued capital
Custodial Services Limited <A/C 4>	23,278,025	13.03
BNP Paribas Nominees (NZ) Limited <BPSS40> *	12,713,662	7.11
Colin McDowell < Low Cost Base A/C>	10,989,294	6.15
FNZ Custodians Limited	9,172,183	5.13
Forsyth Barr Custodians Limited <1-Custody>	8,365,645	4.68
TEA Custodians Limited <TEAC40> *	8,099,629	4.53
JPMorgan Chase Bank <CHAM24> *	7,727,826	4.32
Citibank Nominees (New Zealand) Limited <CNOM90> *	6,642,596	3.72
HSBC Nominees (New Zealand) Limited <HKBN90> *	6,315,002	3.53
Accident Compensation Corporation <ACCI40> *	4,603,150	2.58
ANZ Wholesale Australasian Share Fund <PNAS90> *	4,396,166	2.46
ANZ Custodial Services New Zealand Limited <PBNK90> *	4,142,456	2.32
HSBC Nominees A/C NZ Superannuation Fund Nominees Limited <SUPR40> *	4,115,068	2.30
HSBC Nominees (New Zealand) Limited <HKBN45> *	3,991,612	2.23
New Zealand Depository Nominee Limited <A/C 1 Cash Account>	3,892,978	2.18
JBWere (NZ) Nominees Limited <NZ Resident A/C>	3,114,080	1.74
PTJR Pty Limited	3,006,571	1.68
Generate Kiwisaver Public Trust Nominees Limited <NZPT44> *	2,443,133	1.37
Dean John Bracewell & Phillipa Anne Bracewell & Bracewell Trustee Company Limited <Bracewell Family A/C>	1,753,733	0.98
Simplicity Nominees Limited *	1,722,906	0.96
	130,485,715	**73.00**

* held through NZ Central Securities Depository Limited

Corporate Governance Statement

This statement is an overview of the Group's main corporate governance policies, practices and processes adopted or followed by the Board of Directors of Freightways Group Limited (the Board). The Group's corporate governance processes do not materially differ from the principles set out in the NZX Corporate Governance Code, except as set out within this statement. In preparing this statement, Freightways has reported against the NZX Corporate Governance Code dated 1 April 2023.

This statement has been approved by the Board and is current as at 30 June 2024.

The role of the Board of Directors

The Board is committed to the highest standards of corporate governance and ethical behaviour, both in form and substance, amongst its Directors and the people of the Company and its subsidiaries (**Freightways**).

Board responsibilities

The Board's corporate governance responsibilities include overseeing the management of Freightways to ensure proper direction and control of Freightways' activities.

In particular, the Board will establish corporate objectives and monitor management's implementation of strategies to achieve those objectives. It will approve budgets and monitor performance against budget (including Financial Reporting and any applicable Non-Financial Reporting). The Board will ensure adequate risk management strategies are in place and monitor the integrity of management information and the timeliness of reporting to shareholders and other stakeholder groups.

The Board will follow the NZX Corporate Governance Code and Directors will act in accordance with their fiduciary duties in the best interests of the Company.

A formal Board Charter, which can be found at https://www.freightways.co.nz/about/corporate-governance/, has been adopted by the Board that elaborates on Directors' responsibilities. The Board will internally evaluate its performance and the performance of its committees annually. Any recommendations flowing from this review will be implemented promptly. The Board will review its Corporate Governance practice against current best practice and continue to develop company policies and procedures, as deemed necessary.

Board composition, appointment and performance

In accordance with the NZX Listing Rules, the Board will comprise not less than three Directors. The Board will be comprised of a mix of persons with complementary skills appropriate to the Company's objectives and strategies, having regard to the Diversity & Inclusion Policy and any measurable objectives set by the Board.

The Board must include not less than two persons (or if there are eight or more Directors, three persons or one third rounded down to the nearest whole number of Directors) who are deemed to be independent. The majority of the Board must be independent Directors, including the Chairman. The Chairman and the CEO must be different people.

Freightways' Board currently comprises six Directors: the non-executive Chairman and five non-executive Directors. All Freightways' Directors are independent. Key executives attend board meetings by invitation.

The procedures for the nomination and appointment of Directors are administered by the Board and detailed in the Board Charter. The Board is responsible for making Director nominations available in accordance with the procedure set out in the NZX Listing Rules, reviewing the suitability of a Director nominee in respect of that nominee's proposed appointment, procuring appropriate checks to confirm that a Director nominee is fit and proper to be appointed a Director, ensuring effective induction programmes are in place for the Directors and confirming the status of Directors' independence for external reporting purposes.

Each Director must enter into a written agreement with the Company on appointment that outlines the terms of the Director's appointment.

The Directors all undertake appropriate training to remain current on how to best perform their duties as Directors of the Company. The Board Charter requires an annual review of the Board and Committee composition, structure and succession to ensure its members are performing in line with their obligations and the Company's values and strategy. The Board assesses its own performance, and the Board Chair continually monitors the dynamic of the Directors to ensure it is always working optimally. This will include an assessment by an external consultant in the 2025 financial year.

Please see Director's Report section of this Annual Report for further disclosures relating to the Board.

Diversity & inclusion

The Company has a formal diversity & inclusion policy which can be found at https://www.freightways.co.nz/about/corporate-governance/. The Company is committed to encouraging diversity throughout all levels of its operations and by ensuring all employees have an equal opportunity to realise their career ambitions within Freightways. As required to be reported by the NZX Listing Rules, the Company advises that from a gender diversity perspective, as at 30 June 2024, the gender balance of the Company's Directors and Officers is as below:

	Officers		Directors	
	June 2024	June 2023*	**June 2024**	June 2023*
Female	1	1	2	2
Male	7	7	4	4
Total	**8**	**8**	**6**	**6**

*Updated from the 2023 annual report to reflect the Company's revised view that there are 8 (rather than 5) officers of the Company for the purposes of the diversity reporting obligations.

Corporate Governance Statement

The Company has committed to promoting diversity and inclusion in the workplace through the development and advancement of under-represented groups in the Group with career opportunities, professional development courses and training. The Company has set an objective of having 40% of the Executive, Leadership Teams and Freightways Board to be composed of representatives of currently under-represented groups (women, ethnic groups and employees under 43 years-old) by 2030. As at 30 June 2024, these under-represented groups make up 47% of the Executive, Leadership Teams and Freightways Board, exceeding the 40% objective.

Board meetings

The following table outlines the number of board meetings attended by Directors during the course of the 2024 financial year:

Director	Meetings Held	Meetings Attended
Mark Cairns	8	8
Abby Foote	8	8
David Gibson	8	8
Peter Kean	8	8
Fiona Oliver	8	8
Mark Rushworth	8	8

Board committees

Standing committees have been established to assist in the execution of the Board's responsibilities. These committees utilise their access to management and external advisors at a suitably detailed level, as deemed necessary and report back to the full Board. Each of these committees has a charter outlining its composition, responsibilities and objectives. The committees are as follows:

Audit & risk committee:

The Audit & Risk Committee is responsible for overseeing risk management, accounting and audit activities and reviewing the adequacy and effectiveness of internal controls, meeting with and reviewing the performance of external auditors, reviewing the Annual Report and Half Year Results Release, making recommendations on financial and accounting policies, and, in relation to the Company's climate-related risks and opportunities, reviewing: their inclusion in the development of the Company's strategy, the proposed metrics and targets for their management and the climate-related disclosures for the Company. The Company's Audit & Risk Committee Charter can be found at https://www.freightways.co.nz/about/corporate-governance/.

The Audit & Risk Committee oversees the Company's engagement and communications with its external auditors, which includes meetings between members of the Audit & Risk Committee and the external auditors (both with and without management present). Services provided by the external audit firm to the Company outside of its statutory audit role are monitored by the Audit & Risk Committee to ensure that the independence of its auditors is maintained.

The external auditor is invited to attend meetings when it is considered appropriate by the Audit & Risk Committee. The Company's external auditor also attends the annual meetings and is available to answer shareholder questions relating to the audit.

The Group has an established internal audit function for financial controls and draws on external expertise where required to perform complementary internal audits of non-financial control related areas of the Group. The internal audit programme covers a broad spectrum of risks and findings are presented to the Audit & Risk Committee.

The members are Abby Foote (Chair), Mark Cairns and David Gibson. All members are independent non-executive Directors. Meetings were held and attended, as follows:

Director	Meetings Held	Meetings Attended
Abby Foote	7	7
Mark Cairns	7	6
David Gibson	7	7

Corporate Governance Statement

People & safety committee:

The People & Safety Committee (previously the People & Remuneration Committee) is responsible for overseeing the Freightways human resource practices, providing for a remuneration policy for Directors and executives, reviewing the remuneration and benefits of the senior management, reviewing and recommending the remuneration of Board members, making recommendations to the Board in respect of succession planning, and reviewing and making recommendations to the Board in respect of health & safety standards and practices. The Company's People & Safety Committee Charter and the Company's Remuneration Policy can be found at https://www.freightways.co.nz/about/corporate-governance/. The Company's Remuneration Policy does not prescribe specific relative weightings to remuneration and relevant performance criteria as the Board has determined that it is more appropriate for the People & Safety Committee to consider and adopt relevant weightings and performance criteria on a case-by-case basis in respect of each applicable officer.

The members of the People & Safety Committee are Peter Kean (Chair), Mark Cairns, Fiona Oliver and Mark Rushworth. All members are independent non-executive Directors and members of management attend only at the invitation of the People & Safety Committee. Meetings were held and attended, as follows:

Director	Meetings Held	Meetings Attended
Peter Kean	3	3
Mark Cairns	3	3
Fiona Oliver	3	3
Mark Rushworth	3	3

Disclosure committee:

The Disclosure Committee is responsible for ensuring that adequate processes and controls are in place for the identification of material information and the release of material information when required, reviewing disclosure obligations (including reviewing announcements and assessing whether trading halts may be required) and engaging with the Board as required on such obligations and overseeing compliance with continuous and periodic disclosure requirements.

The members of the Disclosure Committee are Mark Cairns, Abby Foote, the Chief Executive Officer, the Chief Financial Officer and the General Counsel. Meetings are held as required to ensure that the Company's disclosure obligations are met in an accurate and timely manner.

Code of ethics

Freightways expects its Directors and employees to maintain high ethical standards that are consistent with Freightways' core values, business objectives and legal and policy obligations. A formal Code of Ethics has been adopted by the Board and can be found at https://www.freightways.co.nz/about/corporate-governance/. Freightways' people are expected to continue to lead according to this Code. New and existing employees will be required to complete training on the Code of Ethics in FY25, then subsequently as required by the Code. The Code deals specifically with conflicts of interest, proper use of information, proper use of assets and property, conduct and compliance with applicable laws, regulations, rules and policies and the other matters set out in recommendation 1.1 of the NZX Corporate Governance Code.

Breaches of the Code of Ethics are required to be notified in accordance with the Company's Protected Disclosures (Whistleblower) Policy or via other channels made available from time to time.

Protected disclosures (whistleblower)

The Company is committed to encouraging, supporting and respecting open and honest accountable work practices. The Company believes all employees have a responsibility to eliminate serious wrongdoing in the workplace and has adopted a formal whistleblowing policy that provides employees with access to a confidential third-party agency. The Company's Protected Disclosures (Whistleblower) Policy can be found at https://www.freightways.co.nz/about/corporate-governance/.

Delegation of authority

The Board delegates its authority where appropriate to the Chief Executive Officer for the day-to-day affairs of Freightways. Formal policies and procedures exist that detail the parameters that the Chief Executive Officer and in turn his direct reports are able to operate within.

Share trading by directors and management

The Board has adopted a policy that ensures compliance with applicable securities trading laws. This policy requires prior consent by the Chief Financial Officer and General Counsel in relation to any trading by executive management, and in the case of Directors of the Company and its subsidiaries, prior consent by the Chairman of the Board, Chief Financial Officer and General Counsel. Any trading by the Chairman of the Board requires prior consent by the Chair of the Audit & Risk Committee, Chief Financial Officer and General Counsel. The Company's Securities Trading Policy can be found at https://www.freightways.co.nz/about/corporate-governance/.

Corporate Governance Statement

Treasury policy

Exposure to foreign exchange and interest rate risks is managed in accordance with the Group's Treasury Policy that sets limits of management authority. Derivative financial instruments are used by the Group to manage its business risks; they are not used for speculative purposes.

Reporting and disclosure

The Company is committed to promoting investor confidence by providing timely, accurate and full disclosure of information in accordance with the NZX Listing Rules and ASX Listing Rules applicable to the Company as a foreign-exempt entity. The Company has appointed its Chief Financial Officer as its Disclosure Officer. The Disclosure Officer is responsible for monitoring Freightways' business to ensure it complies with its disclosure obligations. The Disclosure Officer has access to all necessary information provided by the direct reports of Freightways' Chief Executive Officer in respect of their areas of responsibility. The Disclosure Officer will regularly request certification from the Chief Executive Officer's direct reports that all reasonable enquiries have been made to ensure all relevant material information has been disclosed to the Disclosure Officer. The Company's Disclosure & Communications Policy can be found at https://www.freightways.co.nz/about/corporate-governance/.

Copies of other key governance documents, including the Code of Ethics, Securities Trading Policy and Guidelines, Board and Committee Charters, Diversity and Inclusion Policy and Remuneration Policy, and are all available on the Company's website at https://www.freightways.co.nz/about/corporate-governance/.

Copies of the Company's Annual Report from prior years can be found at https://www.freightways.co.nz/investor-relations/annual-reports/.

In accordance with the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021, the Company will be required to meet climate-related disclosure obligations set out in the External Reporting Board's reporting standards in respect of its financial reporting period commencing on 1 July 2023. The Company will release this report not later than Wednesday 23 October 2024 and once released it will be available on the Company's website at https://www.freightways.co.nz/investor-relations/annual-reports/ (noting the name of the page may be updated to reflect such additional content).

Risk management

The Company operates in an environment that contains a number of operational and strategic risks. It actively manages risk to ensure it operates a safe workplace and is able to sustain the achievement of its business objectives. Risk management techniques and capability assist managers to focus on uncertainties and vulnerabilities associated with the future, thereby improving the likelihood of meeting business objectives.

The management of risk is a core management responsibility. All managers and employees are accountable to employ risk management processes within their area of control to aid in the achievement of business objectives. A process to ensure risk has been adequately identified, considered and can be managed, is evident in all key decision-making processes. The Chief Executive Officer, Chief Financial Officer and subsidiary management ensure that risks to the business are identified, evaluated and, where necessary, reported to the Board, that effective responses and control activities are developed and that appropriate monitoring and timely re-evaluation is conducted. The Company reports externally on key risks which it considers are relevant to shareholders and other external stakeholders, including climate related risks and health and safety risks, but does not report generally on all material risks which may apply to the Group. All risks to the Group are included within a detailed internal risk reporting regime where risks relevant to specific business units are identified and mitigating actions are recorded.

The Board and its Audit & Risk Committee are responsible for setting policy, assessing and monitoring strategic risks and ensuring management maintains an effective risk management framework.

The Company draws on external expertise where required to perform internal audit on areas assessed to be highest risk for the business and these areas are reviewed on a regular basis, including IT project management, payroll processing and managing business continuity.

The Company's Risk Management Policy can be found at https://www.freightways.co.nz/about/corporate-governance/.

Donations

In accordance with section 211 (1) (h) of the Companies Act 1993, the Freightways Group made donations totalling $0.2 million during the year. No political contributions were made during the year.

Health, safety & wellbeing risks

Under the Board and its People & Safety Committee's oversight, the Company's management team and Health & Safety Committee are responsible for oversight of the Company's health, safety and wellbeing risks. The prevention of accidents and injuries is of vital importance and no task is regarded to be so important that it may be done in an unsafe manner. The Company has developed and maintains a Health & Safety Manual that details the procedures required of all managers, employees and contractors to maintain a healthy and safe working environment.

The Company is subject to internal and external audit and review, including external audit as part of the Accident Compensation Corporation's Accredited Employers Programme and also New Zealand's Civil Aviation Authority audit of the Group's Fieldair operations.

The Company has a mental health and wellbeing programme that includes Freightways' The Movement online portal available to all employees to provide them with support and information. Employees can also access EAP (Employee Assistance Programme) which is an external professional counselling helpline.

The Board and People & Safety Committee monitor, support and complete their own due diligence on the health, safety and wellbeing practices of the Company. Health, safety and wellbeing is a standing Board agenda item that is discussed at all scheduled Board meetings.

Takeover response plan

The Board has a Takeover Response Plan to assist the Directors and management with the response to unexpected takeover activity. The Plan summarises key aspects of takeover preparation, and sets out, governance, conflict and communications protocols for takeover response. This Plan provides that in the event of a takeover offer, the Board would establish an Independent Takeover Response committee to manage its takeover response obligations.

FREIGHTWAYS GROUP LIMITED AND ITS SUBSIDIARIES

Directory

ALLIED EXPRESS TRANSPORT PTY LIMITED

3 Murray Jones Drive
Bankstown Aerodrome
New South Wales 2200
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Telephone: +61 13 13 73
www.alliedexpress.com.au

BIG CHILL DISTRIBUTION LIMITED

28 Pukekiwiriki Place
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www.bigchill.co.nz

CASTLE PARCELS LIMITED

163 Station Road
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www.castleparcels.co.nz

FIELDAIR HOLDINGS LIMITED

Palmerston North International Airport
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Palmerston North
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www.fieldair.co.nz

MESSENGER SERVICES LIMITED

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www.sub60.co.nz
www.kiwiexpress.co.nz
www.stuck.co.nz
www.securityexpress.co.nz

NEW ZEALAND COURIERS LIMITED

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NEW ZEALAND DOCUMENT EXCHANGE LIMITED

20 Fairfax Avenue
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Telephone: +64 9 526 3150
www.dxmail.co.nz
www.dataprint.co.nz

NOW COURIERS LIMITED

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Telephone: +64 9 526 9170
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POST HASTE LIMITED

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www.timg.com
www.filesaver.com.au
www.litsupport.com.au

FOR INQUIRIES IN RELATION TO FREIGHTWAYS' SERVICES AND PRODUCTS CONTACT THE OFFICES LISTED ABOVE OR REFER TO FREIGHTWAYS' WEBSITE AT:

WWW.FREIGHTWAYS.CO.NZ

Company particulars

BOARD OF DIRECTORS

Mark Cairns (Chairman)
Abby Foote
David Gibson
Peter Kean
Fiona Oliver
Mark Rushworth

REGISTERED OFFICE

32 Botha Road
Penrose
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Auckland
Telephone: (09) 571 9670
www.freightways.co.nz

AUDITORS

PricewaterhouseCoopers

15 Customs Street West
Auckland CBD
Auckland 1010

SHARE REGISTRAR

Computershare Investor Services Limited

159 Hurstmere Road
Takapuna
North Shore City 0622
DX CX10247

STOCK EXCHANGE

The fully paid ordinary shares of Freightways Group Limited are listed on the New Zealand Stock Exchange (NZX) and Australian Securities Exchange (ASX).

Freightways

Image:
Big Chill's newly opened chilled facility in Ruakura

Financial Year Ended 30 June 2024

Better places

Annual Report 2024