Freightways

A New Platform for Growth

Annual Report 2023

FINANCIAL YEAR ENDED 30 JUNE 2023

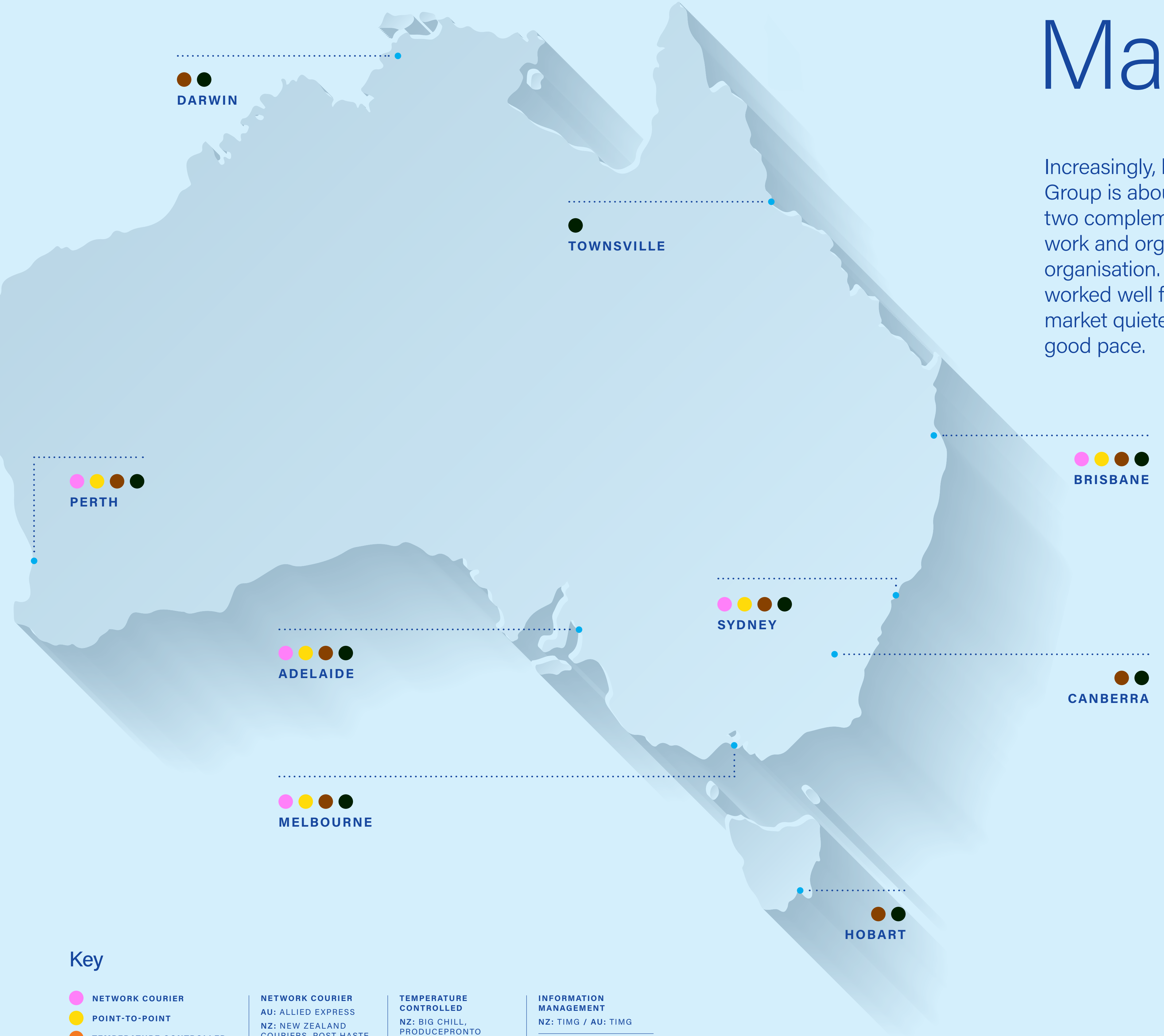
Management commentary
(no financial statements)

Mapping our growth

Increasingly, business for the Freightways Group is about mapping growth across two complementary markets as we think, work and organise as a Trans-Tasman organisation. This year that dual presence worked well for us with the New Zealand market quieter while Australia grew at a good pace.

The significant contributions coming from Allied Express, Big Chill, Shred-X and others prove that we make successful acquisitions. The emerging successes of our innovative start-ups show that we have what it takes to build out a presence in emerging markets like 3PL, digitisation and medical waste. Our workhorse businesses remain well-managed, to meet our busy customers' needs and expectations.

Key things unite us: our underlying capability of pick-up, process and deliver infuses everything we do. Our shared capabilities and principles drive our vision to "move you to a better place". And our commitment to grow sustainably and responsibly is evident in the way we established science-based targets and the plans put in place to achieve them. Market dynamics will always be cyclical. Our approach to growth focuses on seeing past that, through holistic planning, a portfolio approach and investing methodically for the future.



Key

- NETWORK COURIER
- POINT-TO-POINT
- TEMPERATURE CONTROLLED
- BUSINESS MAIL
- SUPPORT
- INFORMATION MANAGEMENT
- WASTE RENEWAL

NETWORK COURIER
AU: ALLIED EXPRESS
NZ: NEW ZEALAND COURIERS, POST HASTE, CASTLE PARCELS, NOW COURIERS, PASS THE PARCEL

POINT-TO-POINT COURIER
AU: ALLIED EXPRESS
NZ: SUB60, KIWI EXPRESS, STUCK

TEMPERATURE CONTROLLED
NZ: BIG CHILL, PRODUCEPRONTO

BUSINESS MAIL
NZ: DX MAIL, DATAPRINT

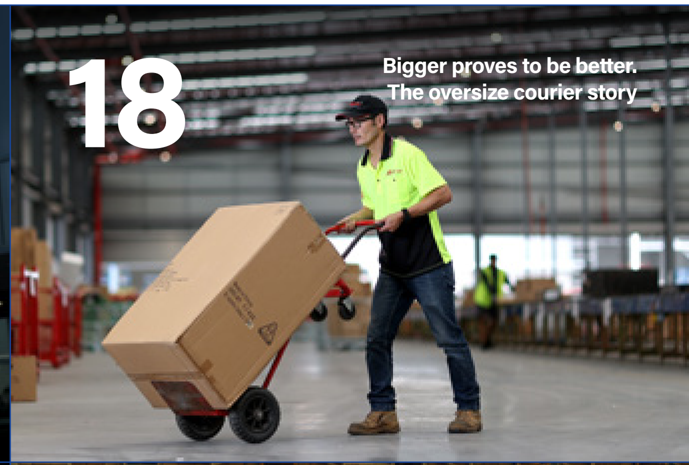
GROUP SUPPORT
NZ: FIELDAIR, PARCELINE

INFORMATION MANAGEMENT
NZ: TIMG / AU: TIMG

WASTE RENEWAL
AU: SHRED-X, MED-X

Contents

This year we combine our Annual and Sustainability Reports to provide insight into our financial and non-financial matters in one document.



Management commentary
(no financial statements)

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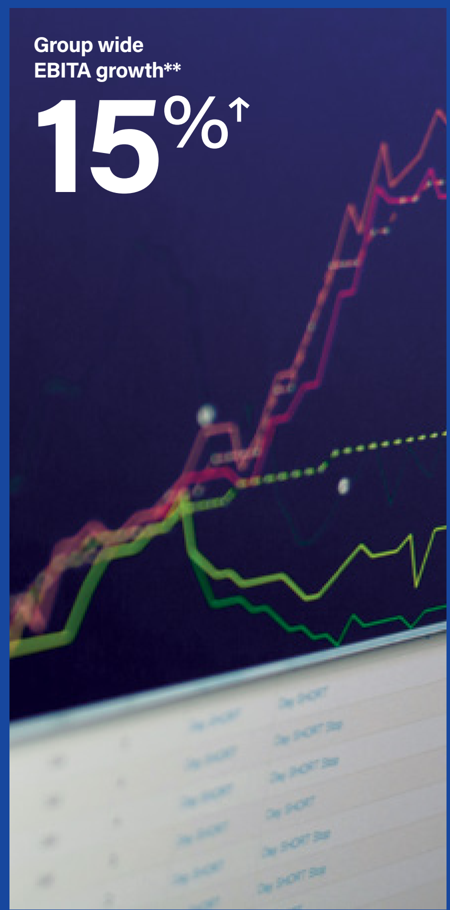

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*Calculation includes impacts of flooding, and Cyclone Gabrielle on volumes

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

1. Operating revenue for FY23
2. NPAT growth in FY23
3. EBITA** growth for FY23
4. Cash flow growth FY23
5. Express Package revenue FY23
6. Information Management revenue FY23
7. Express Package EBITA**
8. Australia revenue for FY23
9. Digitisation growth year-on-year
10. Boxes archived in TIMG NZ/AU

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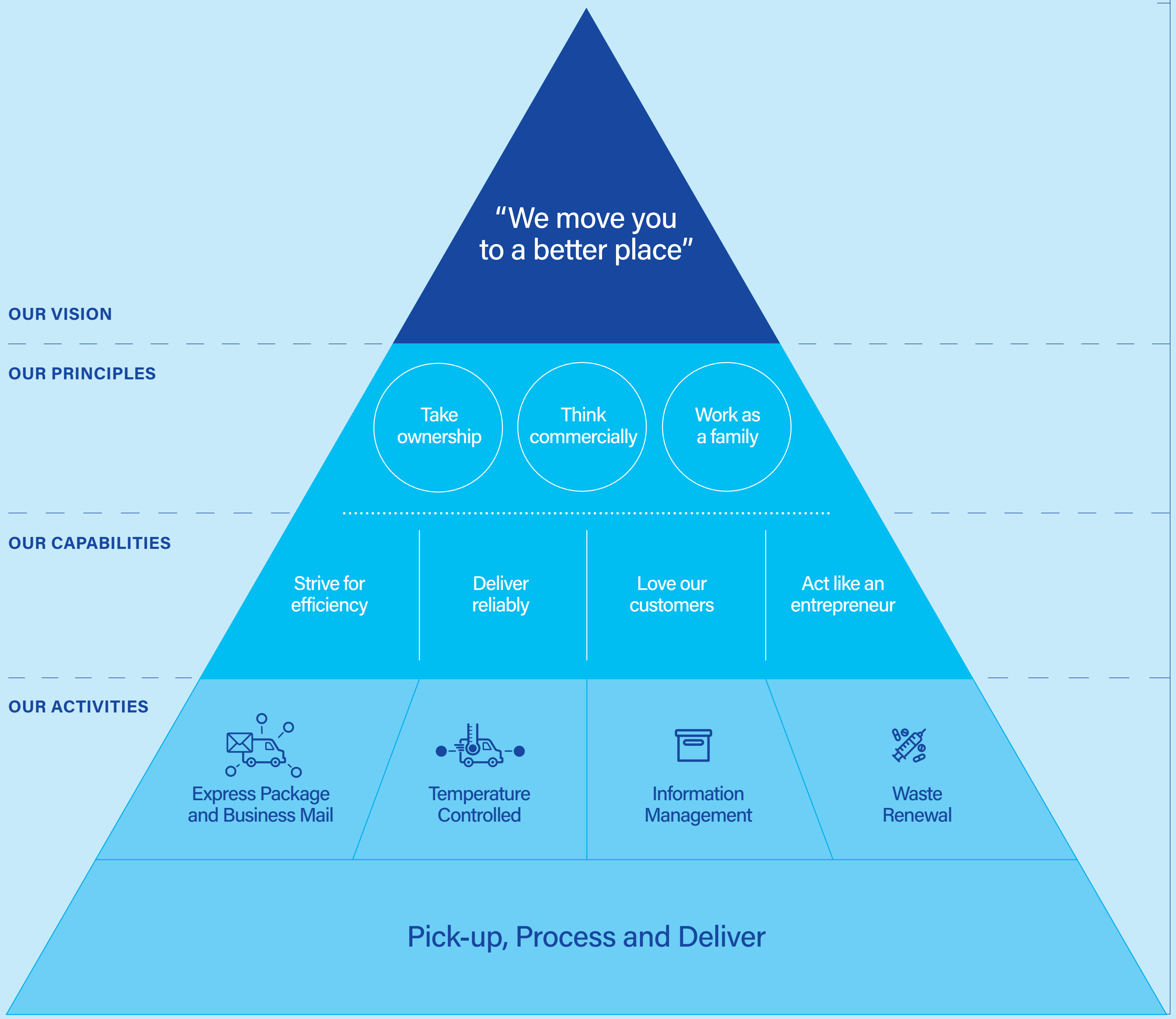
UR STRATEGY ON A PAGE – OUR STRATEGY ON A PAGE – OUR STRATEGY ON A PAGE – OUR STRATEGY ON A PAGE – OUR STRATEGY ON A PAGE

The Freightways Growth Strategy

STAKEHOLDERS:

Our customers
Our team
Our shareholders
Our communities



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 by reducing our emissions 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 everything we can 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.

Management commentary
(no financial statements)

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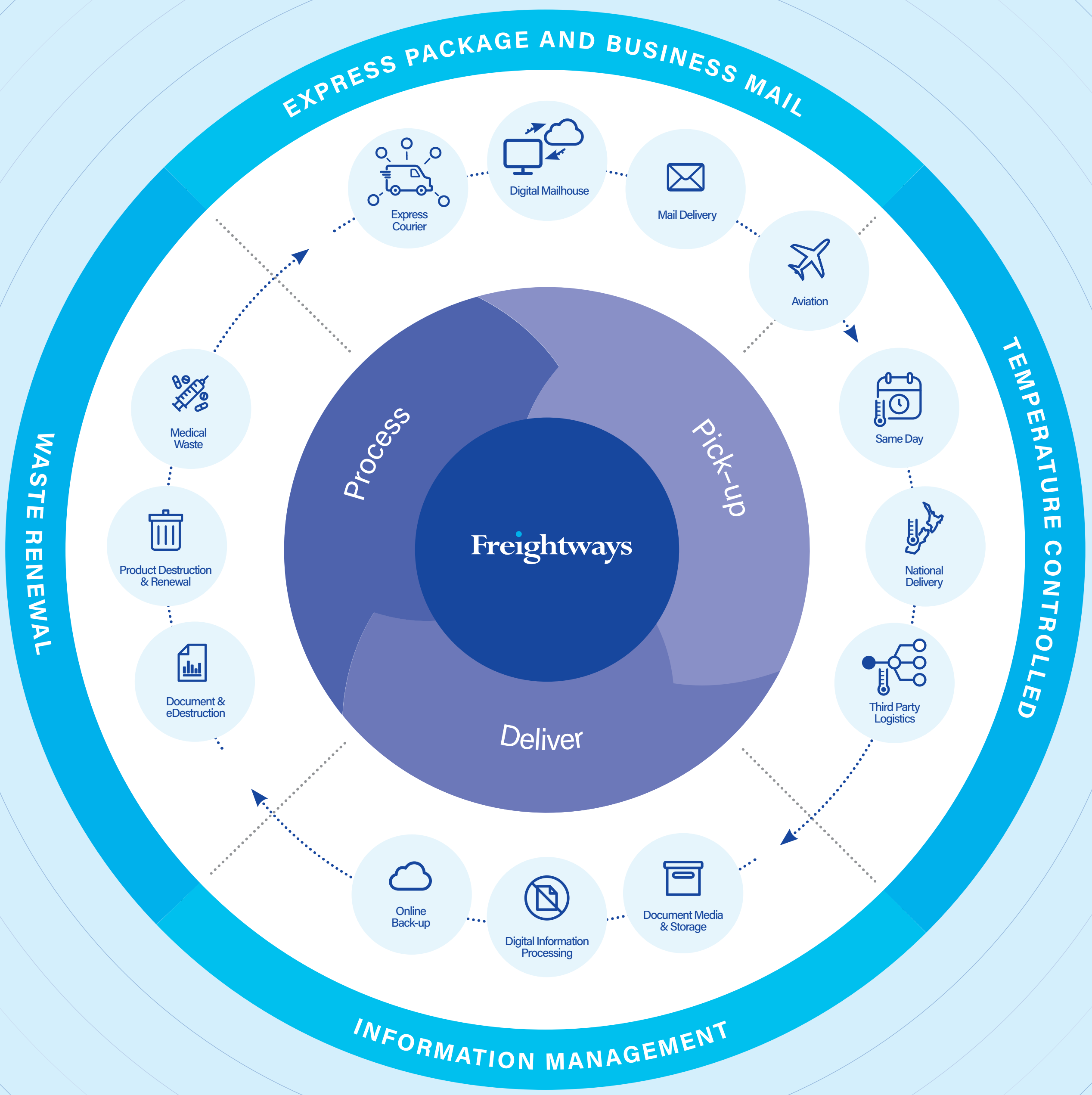
Our family of brands



Our market-leading brands combine shared infrastructure 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. Our New Zealand courier 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 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.

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 & 4PL under one responsive umbrella.

INFORMATION MANAGEMENT

The Information Management Group (TIMG) helps businesses 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. This year we increased the utilisation of our storage facilities by starting an eCommerce 3PL service called Stocka.

WASTE RENEWAL

Shred-X offers document destruction, eDestruction and product destruction services. 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.

Management commentary
(no financial statements)

Chair & CEO's Report 2023

GROWTH ON BOTH SIDES OF THE TASMAN

" Strategically, we are confident these investments will form a powerful, collective catalyst for sustained growth in FY24 and beyond. "

Against a backdrop of quite different market dynamics on each side of the Tasman, our teams have worked tirelessly to meet the needs of our customers and we have selectively invested in the exciting future we see for ourselves.

Growth in the Australian economy in FY23 helped deliver solid financial performance from our Allied Express business, which lifted the overall Group result. The New Zealand economy, by contrast, was sluggish as businesses grappled with the challenges of a tight labour market, high labour costs, inflationary pressures and, of course, destructive weather. While some parts of our business, such as Information Management, have rebuilt after COVID-19, our linehaul businesses for both courier and temperature-controlled goods incurred much higher operating costs and disruptions during the year along with subdued growth in the operating environment.

The end result reflected these contrasts. Overall, operating revenue increased by 29% from last year, with our Australian businesses growing by 143% and our New Zealand businesses increasing by 6% — net profit after tax lifted by 7% overall.

INVESTING IN MOVING YOU TO A BETTER PLACE

Despite economic pressures, we remain committed to "Moving you to a better place". Investment across our four key activities – Express Package and Business Mail, Temperature Controlled, Information Management and Waste Renewal – is broadening our business footprint, leveraging our expertise and presence in exciting ways.

Strategically, we are confident these investments will form a powerful, collective catalyst for sustained growth in FY24 and beyond. Along the way, they will create opportunities to increase volume and achieve economies of scale, enhance our responsiveness and reliability for customers and strengthen our Group overall with more resilient, more efficient businesses.

OUR THREE HORIZONS FUTURE

The exciting feature of our three horizons approach is that it enables us to expand, in a disciplined way, into new areas characterised by greater value.

- Our first horizon revenue streams are the backbone. Often built over decades, they provide the core expertise, infrastructure and national network capabilities. Businesses here range from business-to-business (B2B) deliveries to temperature-controlled transport to archive storage and document destruction.
- Second horizon businesses utilise the fixed cost base established for horizon one but have faster growth prospects. These are activities like business-to-consumer (B2C) deliveries, temperature-controlled 3rd Party Logistics (3PL), digitisation and medical waste.
- Our third horizon businesses are the innovators – focused on delivering long-term revenue streams by identifying emerging niches with healthy potential. Opportunities in this space include oversize express couriers, same-day temperature-controlled deliveries, high-value recycling and 3PL for eCommerce.

CREATING ROOM TO GROW

Our investments this year and next are about adding capacity for growth within our integrated model. For example, our new Big Chill facility in Ruakura will give us the room for growth that we need to meet the ongoing demand for temperature-controlled 3PL as well as expanding our nationwide delivery capability. Equally, our new ProducePronto facility in Auckland will allow us to grow our temperature-controlled same-day and 4PL offering.

The arrival of our first Boeing 737-800 is a game-changer for our air freight services, enabling us to improve the resilience and efficiency of our first horizon businesses. This newer, faster and more fuel-efficient aircraft will allow us to carry more freight with reduced emissions and at better levels of reliability. The remainder of the fleet will be steadily upgraded over the rest of this decade.

In Australia, installing a new automated sortation system for Allied Express and establishing a new medical waste processing facility for Shred-X in Victoria will underpin efficiencies and enable these businesses to pick-up, process and deliver greater quantities at improved efficiency.

LEVERAGING OUR EXISTING NETWORKS

25kg+ couriers, same-day temperature-controlled delivery and high-value recycling all align with our core pick-up, process and deliver ethos. These activities have all been developed by using the facilities, teams of people, IT systems and customer-bases of our horizon one businesses.

A BUSY YEAR FOR ALL

Our Allied Express business has had a very good first year. Leveraging its footprint across five states has produced pleasing revenue growth. Now we are looking to make even more of their presence through world-class facilities that have the capacity to cope with a doubling of revenue in an express delivery market which is around 8 times larger than New Zealand's.

Complementing the larger facilities with automation in NSW and Victoria is the first step. This project, which started towards the end of the year, will pair investment in the best freight sorting automation with Allied Express' deep business relationships to build the capacity for material growth. This will allow us to pursue growing market share and grow the business without worrying about constraints in infrastructure. To assist that growth, we are building a new business sales team in Australia to maximise the opportunities from Allied's service proposition.

We are also actively looking for synergistic merger or acquisition opportunities to complement this investment in the years ahead.

After a surge in growth driven by demand for our services during the peak COVID-19 period, our Waste Renewal businesses have reverted to trend levels in terms of both volumes and growth expectations. We foresaw this. But we also anticipated the opportunity for investment, again to allow these businesses to pursue more growth in the years ahead. With that in mind, we have developed a new medical waste facility set to open in Victoria in early FY24.

In New Zealand, our Express Package brands have experienced a net gain in market share thanks to strong relationship/business development and differentiated service offerings that customers value. While the New Zealand economy goes through tougher times, it has been inspiring to see our teams winning new customers aided by superior performance and reliability and keeping customers better informed about their deliveries.

Management commentary
(no financial statements)

Chair & CEO's Report 2023

GROWTH ON BOTH SIDES OF THE TASMAN

A BUSY YEAR FOR ALL (CONTINUED)...

Cost pressures have been material this year. High labour costs, in particular, have prompted us to announce new pricing from the beginning of the next financial year (1 July 2023) to offset those costs.

Our Temperature Controlled businesses have also faced their share of challenges, with Cook Strait ferry disruptions and Cyclone Gabrielle adversely affecting a finely tuned supply chain system and generating cost pressures through the year's second half. Our teams have done a remarkable job of countering setbacks across a network where there is no inherent 'give' in the system. For both Big Chill and ProducePronto, time is our most significant advantage but potentially a costly adversary. When frozen perishables are waylaid because trucks are stranded in remote locations, often some distance from the nearest depot, the pressures come thick and fast. Our people battled disruptions, shortage of trucks and drivers, and delays to do the best for our customers.

For many of those customers, daily or even multiple-times-per-day deliveries are a commercial necessity. With no redundant refrigeration anywhere in the system to hold stock, stoppages can potentially hurt everyone. The big out-take from what has happened this year was that some extra capacity across our network is a game changer.

We're excited about the opening of Big Chill's new 13,000sqm 3PL cold store facility in Ruakura, adding to the nine depots we already have in our nationwide network.

From October 2023, this state-of-the-art facility will enhance our existing capabilities with increased links to Port of Tauranga, the Waikato and the Bay of Plenty, and increase same-day and overnight services to Auckland. The new site will also allow us to store a significant number of temperature-controlled pallets.

This generates new opportunities to build our customer base in these active food-producing regions and strengthen volumes. Adding 3PL services will align the site with our Auckland and Christchurch facilities and enable us to add more logistics services for clients if needed as part of our nationwide expansion.

We're also investing in new vehicles for the business over the next 12 months. These fleet improvements will add resilience to our model, provide more capacity to take on new business as we look forward to strengthening the Big Chill network and produce lower emissions through better fuel efficiency.

Our Information Management business grew well this year in terms of volumes as people returned to the office. We are especially pleased with our TIMG team's fantastic job in successfully completing a large digitisation project.

The significant growth of the ProducePronto network in recent months has led us to invest in a new, much larger depot for Auckland to meet the same-day delivery needs of the growing convenience food market and quick services restaurants demands. We've identified a similar opportunity for such an offer in Australia.

Work over the coming year will highlight the size of the Australian market, our cost of entry and the approach we will take should we decide to progress.

OUR SUSTAINABILITY JOURNEY CONTINUES

We continue to make steady progress in the area of sustainability. We remain committed to our science-based target of a 50% drop in Scope 1, 2 and 3 emissions by 2035.

We have been TOITŪ certified since 2014. This year, we have brought together our performance and sustainability reporting into this one report, reflecting our wish to think about – and report on – our broader progress as a business. As we signalled last year, we reviewed our Sustainable Development Goals (SDGs) materiality as part of a review we do every five years to ensure our Goals continue to align with the interests of our stakeholders.

We will continue to report on SDG 13 - Climate Action because we have firm commitments to this. Still, we will set a new baseline for those actions with the inclusion of our Australian businesses (and will include a full year of Allied Express in our FY24 report) and our Big Chill business in New Zealand.

We already have milestones in place to move us to alternative fuels through our light vehicle and metro truck fleets as and when the technology to do so realistically becomes available.

Well over 95% of our total Group emissions come from the fuel we use across our vehicles and aircraft. Our 2030 target of a 35% reduction in CO2e and our 2035 target of a 50% reduction in C02e align with what society needs to achieve globally to keep global warming to within 1.5 degrees Celsius.

Electrification of our forklifts and company vehicles has been a key initiative which commenced this year. At this stage, we plan to convert 25% of our company cars to PHEV by 2025, with 100% either PHEV, EV or hydrogen by 2030. Our contractors' light vehicles will begin to meaningfully transition to EVs from 2028, with our entire light vehicle fleet made up of low-emission vehicles by 2035. We are looking at finance options and continued upward movements in courier incomes to help our contractors do this. We also anticipate that our heavy transport fleet will commence using alternative fuels from 2030, and by 2035 we foresee that half of these vehicles will have transitioned – in particular the metro trucks which service customers within city and town locations.

Management commentary
(no financial statements)

Chair & CEO's Report 2023

GROWTH ON BOTH SIDES OF THE TASMAN

OUTLOOK FY24

The economic climate has presented challenges over the past six months, and we expect this to continue through FY24. In New Zealand, while same-customer volume is lower than in FY23, we have secured new customers who are mitigating this impact. The tight labour markets in both New Zealand and Australia are beginning to ease. In the short term, we are cautious about the impact of the economy, particularly in New Zealand.

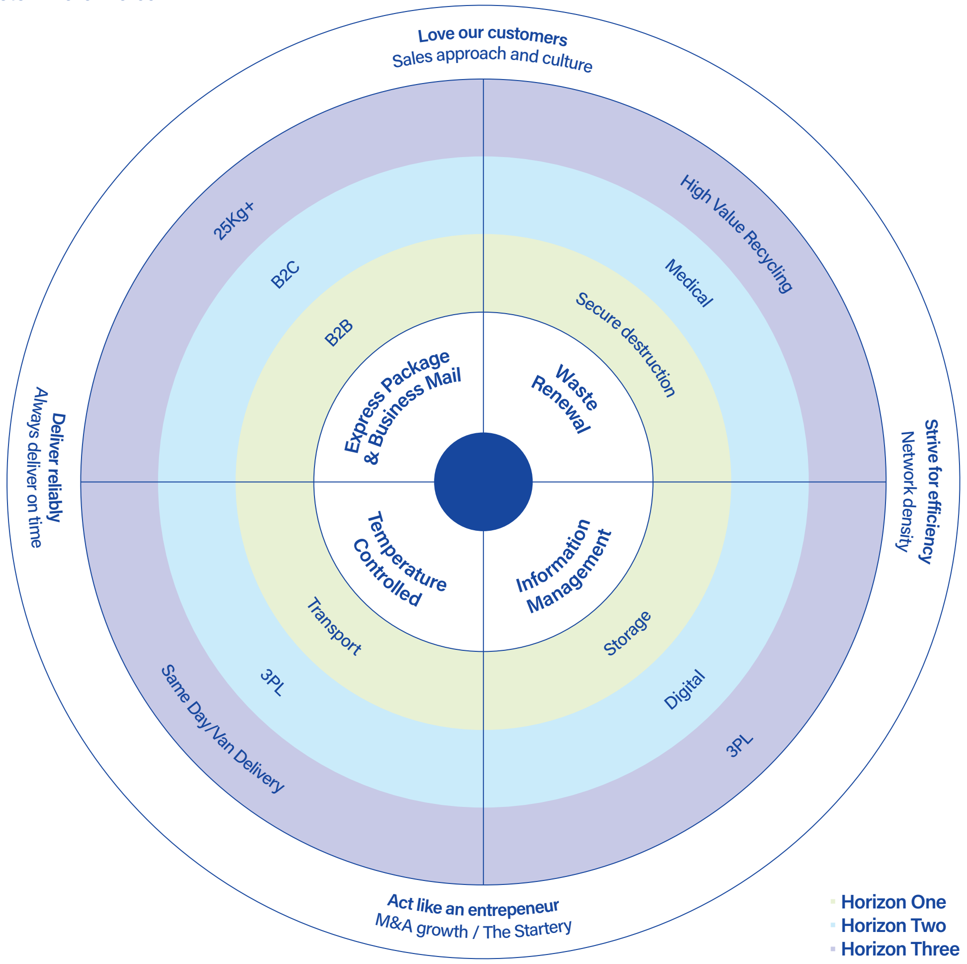
Notwithstanding the current economic environment, we are excited about the potential to grow our revenue and profitability on both sides of the Tasman in the longer term.

We look forward to a resumption of demand across our New Zealand businesses as the economy steadies and re-gathers confidence, hopefully later in the financial year. For our Express Package brands, our goals will be maintaining our quality network at the right price and containing and recovering costs where we can.

Investing in our aviation assets will strengthen the network. At the same time, our investments in Big Chill are about taking advantage of growth opportunities where we see them. What heartens us are the number of new business opportunities we have identified in some of our divisions. Information Management will benefit from utilising existing capacity and Waste Renewal will take advantage of new capacity in Victoria.

We will continue to develop our third horizon business and expect growth in 25kg+ courier, same-day temperature-controlled transport, high value waste opportunities and Stocka – our 3PL eCommerce offering.

In Australia, we're confident that our investment in Allied Express will benefit from organic growth and will seek out complementary acquisition targets.



We will continue to manage capital in a prudent way that seeks to achieve a number of objectives:

- Invest to maintain or improve the level of service quality and network resilience: for example, fleet replacement or new facilities;
- Invest in new technologies that support our value proposition;
- Invest in businesses that support our horizons of growth.

In addition, Freightways, through the acquisition of Allied Express in Australia, has acquired a strong network across Australia and is further investing in capacity there as well as considering bolt-on acquisitions.

We will manage the level of debt carefully and aim to preserve our Investment Grade credit profile at all times. Our capital management will continue to reflect this objective.

ASX DUAL LISTING

Freightways Group Limited will today apply for admission to the official list of the Australian Securities Exchange (ASX) by way of an ASX Foreign Exempt Listing. Freightways' primary listing will remain on the NZX Main Board (NZX) while its dual listing on the ASX reflects the changing profile of the business, with Australian operations representing a higher proportion of Freightways' revenue and profit, particularly since the acquisition of Allied Express in October 2022. Freightways has had a presence in Australia since its 2007 acquisition of Databank and has steadily grown its footprint through the acquisition and growth of its information management, secure destruction and waste management businesses.

Freightways' name was changed to "Freightways Group Limited" and NZX ticker code was changed to "FRW", each with effect from market open on 1 March 2023 to allow for a potential dual listing. Its ASX ticker code will also be "FRW".

Subject to ASX approval, Freightways expects to become officially listed in mid-September 2023.

REGULATORY

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.

TOTAL CAPITAL EXPENDITURE FOR THE YEAR WAS $37M

As we reach the upper range of our target gearing we will assess the tools available to us to reduce debt and stay within the guidelines established by our capital management policy while taking into account the merger and acquisition opportunities that can be accretive for shareholders.

In closing, we'd like to acknowledge our people's fierce loyalty and commitment. Thanks to all of you for engaging with our challenges and giving your all every day to make us the Freightways we are all so proud of.

Thanks, too, to our board for your guidance as we stepped up our investments this year and to our shareholders and customers who continue to believe in and support us. We're excited about what's ahead.

MARK TROUGHEAR
CHIEF EXECUTIVE

MARK CAIRNS
CHAIRMAN

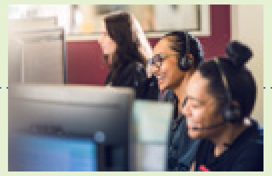
Management commentary
(no financial statements)

Living our capabilities in 2023

Our organisational capabilities are a set of strategic skills that we continuously draw on to get work done, execute our business strategies and meet our customers' expectations. Here are some standout examples from our FY23 activities.

DELIVER RELIABLY

WE MAINTAIN LEADING DIFOT (DELIVER IN FULL ON TIME) THROUGH ALL OF OUR OPERATIONS



WE HAVE MOVED OUR FOCUS FROM CUSTOMER SERVICE TO CUSTOMER EXPERIENCE TO IMPACT THE WAY WE INTERACT WITH OUR CUSTOMERS

WE HAVE LEASED NEXT GENERATION AIRCRAFT FOR OUR AIR NETWORK

STRIVE FOR EFFICIENCY

ESTABLISHMENT OF A MEDICAL WASTE TREATMENT FACILITY IN VICTORIA RESULTING IN LOWER COST PER KG FOR PROCESSING

48% INCREASE IN ADDRESS VALIDATIONS, IMPROVING DELIVERY ACCURACY, SORTING EFFICIENCY AND SUCCESSFUL FIRST ATTEMPT DELIVERIES

WE COMMENCE ALLIED EXPRESS' AUTOMATION STRATEGY IN VIC AND NSW IN FY24

LOVE OUR CUSTOMERS

ALL NEW BUSINESS AND PRODUCT DEVELOPMENT, GROUP WIDE, IS BUILT USING DIRECT CUSTOMER RESEARCH AND INSIGHT

WE HAVE EXPERIENCED GROUP LEVEL EXECUTIVES AND MANAGEMENT TO DRIVE CULTURAL CAPABILITY AROUND CUSTOMER INTERACTION AND SERVICE

THE CUSTOMER-CENTRICITY OF OUR EXPRESS PACKAGE BRANDS CONTINUES TO BE A COMMERCIAL DIFFERENTIATOR

ACT LIKE AN ENTREPRENEUR

WE LAUNCH TWO NEW BUSINESSES: STOCKA AND KIWI OVERSIZE

WE HAVE BROADENED OUR FOOTPRINT ACROSS EXPRESS PACKAGE AND TEMPERATURE CONTROLLED TO MAKE ROOM FOR GROWTH

WE CONTINUE TO ACTIVELY SEARCH FOR NEW HIGH-VALUE RECYCLING BUSINESS OPPORTUNITIES

Management commentary
(no financial statements)

Bigger proves to be better

Our two carriers of express oversized parcels, Allied Express in Australia, and Kiwi Oversize in New Zealand, have quite different backgrounds – but together, they intend to contribute considerably to Freightways in the years ahead.

ALLIED EXPRESS
KIWI EXPRESS

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Allied Express

ABOUT ALLIED EXPRESS:

- Founded in 1978
- $200m+ revenue annually
- Five primary depots across all key states
- 700 drivers (contractor model) and 450 staff
- Nationwide agency of 50 independent partners
- Partners with a network of key linehaulers and airlines
- 98% on-time delivery

Founded 45 years ago, Allied Express specialise in larger courier parcels - items typically greater than 22kgs. The company can reach every corner of Australia with operations across all states and partnerships with key linehaulers and long-term agents in more rural or regional centres.

In fact, Allied Express are now one of the largest independent courier operators in the country, with an established, well-recognised brand and a reputation as the national market leader in specialised freight, including big and bulky freight. Not only does Allied Express operate at a different scale than anyone else, but they can also reach every rural or urban destination, and they specialise in larger, hard-to-handle items.

And because almost everything goes through their network (as opposed to being contracted out to another operator), delivery performance and customer service are consistently high.

The decision to specialise was conscious, enabling Allied Express to side-step the low margin mainstream courier volumes and focus instead on so-called "ugly freight" – the items that mainstream operators struggle to move through their automated sortation systems but that Allied Express can transport efficiently via the specialised network they have built around oversize parcels.

Allied Express has around 1800 customers, ranging from blue chip large corporates to SMEs, predominantly in the business-to-business and business-to-consumer sectors. Prominent industry groups include automotive, retail, electronics, homeware, whiteware and manufacturing. A key reason the company has grown so significantly is its nimbleness. It led the market by evolving quickly and effectively to meet eCommerce needs, doing well through COVID-19 with the rise in demand for online shopping. Allied's bigger depots have also allowed them to use space more efficiently, and their excellent service record has generated more work.

Since being acquired by Freightways, the company has invested significantly in an automation strategy that will give them unique technology to deal with oversized items through their largest depots in Sydney and Melbourne. At the same time, the business has increased the size of its operation to prepare for the projected growth. New or expanded facilities in Sydney, Melbourne, Perth, Adelaide and Brisbane (new build completed July 2024) will create room to pursue more expansion opportunities.

LIVING OUR CAPABILITIES EVERYDAY:

The company has a solid customer service ethic that has built a portfolio of loyal customers. In fact, their top 20 customers have been with them on average for 10 - 12 years.

700 drivers, 450 staff and an agency network across the country mean Allied Express can deliver to almost any location in Australia, with a 98% on-time performance.

Management commentary
(no financial statements)

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LIVING OUR CAPABILITIES EVERYDAY:

LOVE OUR CUSTOMERS

This opportunity is born out of customer need, with a service approach based on deep and recent customer research from The Startery. Kiwi Oversize is a customer-centric business at its core.

ACT LIKE AN ENTREPENEUR

The idea for this business was seeded by our people, who then used The Startery as support. Because the concept is new in New Zealand, we have the advantage of learning and developing with the business and using an entrepreneurial mindset.

Kiwi Oversize

Kiwi Oversize started in New Zealand more than 12 months ago. Like many innovations in the Freightways business, it was made market-ready in The Startery. They are currently at Phase Five in that process - developing out the prototype by finding customers for the product.

ABOUT KIWI OVERSIZE:

- Founded in 2022
- Ready-made for B2B and B2C deliveries
- National reach through Freightways depot network locations
- Leverages Express Package linehaul and technology

Just as in Australia, Kiwi Oversize proved to be the missing link in the market, sitting between bulk transport and Express Package but not fitting easily into the existing business models for either. Customers also said they wanted a service that could reliably deliver at similar network speeds to Express Package. That meant Kiwi Oversize was able to operate a national service out of key locations in Auckland, Wellington and Christchurch, using existing resources within Express Package, including linehaul.

Express Package contractor owners/drivers were already investing in long wheel-based vehicles and box trucks to handle the freight volumes they move daily. A significant advantage for Kiwi Oversize is that they can recruit contractors from the existing network, which ensures experience and high-quality control. Drivers are now opting to do both traditional and Kiwi Oversize courier runs, which lifts their income and enables greater efficiency across runs.

Speed and accuracy are critical, which is also why Kiwi Oversize has used the learnings from Freightways' Price for Effort initiative to ensure contractors' remuneration matches the effort required to deliver.

The company also has a direct sales force in place to target customers. So far, key verticals are predominately in the business-to-consumer (B2C) sector, including flatpack furniture, medical equipment, construction, truck parts and automotive.

Between the established Allied Express business in Australia and the emerging Kiwi Oversize venture, the goal is to build significant business across two markets over the next ten years.

Management commentary
(no financial statements)

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Our people

While COVID-19 has not released its grip entirely in terms of illness and staff and supply shortages, by and large, we saw a solid return to business as usual this year.

Team has always been a critical component of Freightways' culture and that hasn't wavered. We value every individual for their hard work, skills, and contributions to our collective effort daily.

We are as committed to our people as they have proven loyal to us. We want them to be able to develop personally, find happiness here and contribute to our overall cultural health. We foster an inclusive, safe workplace where people can be confident of job security and career advancement if they want it and where we care about their wellbeing.

NEW HEAD OF PEOPLE & CULTURE APPOINTED FOR THE GROUP

People are at the centre of everything we do – they are what makes the difference. To ensure this focus is maintained and progressed, we welcomed Ami Van Gils as our Group Head of People and Culture. Ami's role is responsible for driving the people-related strategic priorities of the business. Ami comes to us after eight years in the Freight and Logistics environment. She is a commercially focused, empathetic HR Leader with a passion for offering pragmatic advice and building strong, high-performing teams. We will utilise Ami's experience across our employee life cycle - including recruitment, talent and capability management, diversity and inclusion, wellbeing, learning and leadership development and remuneration.

REMAINING ATTRACTIVE AS AN EMPLOYER

The talent market remained tight, but we are expecting that to ease slightly in the foreseeable future. We remain competitive, with a workplace offer that includes strong levels of security, competitive salary and wage packages, Pricing for Effort (PFE) for our contractors and career progression inside the business as a cultural norm.

Our commitment to Sustainable Development Goal 8 influences how we help people advance and feel good at work. On page 46, you can read more about what we're doing around learning and development opportunities. We also take wellbeing seriously. Recent developments include a Psychological Safety Training module which is due to go company-wide in FY24.

Another distinguishing feature of our culture is executive accessibility. We recognise the need for structure for commercial reasons. Still, it's essential that everyone feels they can engage personally with leaders when they need to. Executive availability is an intrinsic part of that.

WELCOMING NEW PEOPLE AS WE EXPAND

As we expand our Group and acquire and merge with other businesses, we continue to welcome new people into our Group. It's great to see the fantastic people at Allied Express and ProducePronto now fully embedded into the Freightways family. We are delighted to have all of them with us.

We are cognisant of the challenges associated with joining a large and diverse Group like Freightways, especially for those who have been part of a smaller team. The key to making this work is to give everyone time to adjust to working in the Group, to be supportive and, above all, to respect them and the expertise and experience they bring. We are here to learn from each other.

AMI VAN GILS

STOCKA TEAM

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Our people

Ben Armstrong

NATIONAL BUSINESS DEVELOPMENT MANAGER, SHRED-X

I joined Freightways 12 years ago when Shred-X acquired my business. We were based in Geelong, shredding and recycling paper. So, I came to Freightways with some experience in entrepreneurship.

My role is business development. I find it's important to have a structured week. The first four days I work on sales numbers, and then Friday is when I think about stuff outside the box. Typically that's around searching for residual value in waste.

Textiles are my current obsession. It's a big problem for us all because we never get rid of the stuff we import, so it goes to landfills. We can't recycle textiles, so we look at processes that reduce them to more useful sub-materials or turn them into biodiesel.

It pays to have a bit of tenacity in my job. Finding value in waste means creating a market need and developing the product. We also support many start-ups to help them develop a product we can use.

Making revenue is the end goal, and margins can be small, so it's essential to be efficient – collect volume, build in value, find a market, link it up with our logistics and then scale!

I've learnt a lot in my time here. Always give things a try, fail small, make margin as you go, and create tension between structure and freedom to keep the entrepreneurial spirit alive.

Scarlett Liu

COMMERCIAL FINANCE MANAGER, HEAD OFFICE – POST HASTE GROUP

It's my job to help the business be more efficient - for Head Office, branches, finance and non-finance. Improvements must be quick and make sense to the practical nature of our people — complete information, a bit of guidance and a strong collaborative approach.

I have lots of respect for our operational teams. They have deadline pressures every day.

I am always impressed at how collaborative the business is – within Post Haste and across Express Package. Reliability is vital to what we do, and the collaboration makes that a reality. It honestly takes a village of dedicated people to make reliability happen.

We talk a lot about service at Post Haste. It's how we show love for our customers, and I see strong expressions of this love daily.

Having a duty of care as an employee is essential to excelling at work. I believe we must think and act as if we own the business and ask questions like 'What can I do or how can I respond today to make things better than they were yesterday?'

The family-feel of Post Haste/ Freightways has made engaging easy. I appreciate being part of an organisation that values this. I also appreciate how hard that is to do, considering we are such a large organisation. Our culture builds loyalty, and it stimulates personal growth within our people.

Rebecca Westbury

CHRISTCHURCH OPERATIONS MANAGER, DX MAIL

I look after about 35 DX posties in our Christchurch branch. The job attracts all types - semi-retirees, young people just starting and everything in between. That's my pastoral care role, plus, my business care role ensures we meet our customers' expectations.

A lot is happening in mail. New technology to help efficiency. An increase over here, a decrease over there. It keeps us flexible because we are constantly moving to suit the market.

Reliability in the mail industry is everything. You have to work like clockwork because that's what builds trust. We deal with volume, and we must be consistent. Reliable, over and over again, being great at processing volume - for the long term.

And yet, we still do extraordinary things if needed - like dropping mail off on the way home. It's about looking after the people that trust us with their post. We work with our customers for a long time, some since the earthquakes. The business had to be built from the ground and they were there when we did that.

That creates loyalty, and it makes business a personal thing for me. We are a business, but theres nothing wrong with a bit of heart mixed into your professional life.

The future is bright, which is probably a funny thing to say about mail, but I believe it's true.

Tony Aspey-Gordon

NATIONAL OPERATIONS MANAGER, PARCELINE

It's my job to balance efficiency and cost-effectiveness with our service levels. But the most crucial thing I contribute is helping us deliver the 'can do' attitude – our role is to ensure we 'get through'. That is who we are as a business. Operationally and culturally.

The easiest thing to do is to park and wait. It's much harder to make up our minds about what happens next and find a way. What became very apparent during the lockdowns was the amount of medical, perishable, and critical freight we transported - not getting through had a knock-on effect on everyone connected.

Dealing with disruption is part of our business. Weather, road closures, ferries, trucks breaking down, and aircraft having issues will happen. It's the experience and flexibility of our people that all collaborate to identify options and find the correct answer.

Reliability is in our DNA, but it's more complex than being on time. It's about investing in our equipment, building relationships, looking after the trucks, prioritising freight, and knowing our customers. Our network is entirely shaped by the end customers' expectations.

As a Freightways business, we have a clear focus, good support, and governance. Our guidelines and expectations are clear. I like the tagline "Driven by Freightways" our brands use with their logos – it encapsulates our strength in numbers.

Management commentary
(no financial statements)

Fresh ideas for convenient foods

ProducePronto is a fast-growing part of our Group with a national presence enabling us to stay close to the major fresh produce markets.

Management commentary
(no financial statements)

CASE STUDIES - CASE STUDIES - CASE STUDIES - CASE STUDIES - CASE STUDIES - CASE STUDIES - CASE STUDIES - CASE STUDIES - CASE

ProducePronto

The business started in 2011 when two friends, Josh and Jason, came home from corporate life in the UK and decided to open what they envisaged as an online fresh grocery delivery company that would deliver fresh food to homes, just like they had seen overseas.

The founders imagined it would be a rival to online supermarkets. But a lack of last-mile temperature-controlled logistics options made the business model hard to scale. They pivoted to fresh commercial deliveries such as fruit and milk to offices and quickly built density. "We tried hard to make the first iteration of the business work", says Co-founder Jason Brennan. "We'd seen it do well in the UK, but we were probably a little ahead of the curve here."

From this experience, a picture began to form of where their real future potentially lay – last-mile chilled and frozen boxed deliveries. The challenge was getting enough volume to support a national network of vehicles and depots. The convenience food market was a perfect gateway (service station cafes and large retail cafe chains) as this market was growing strongly and required specialised temperature-controlled boxed deliveries to support this growth.

Once one customer saw the benefits, others followed – and today ProducePronto connects food suppliers with several large retail networks wanting to offer great convenience food to their customers.

Along the way, ProducePronto's food delivery portfolio has grown to include pies, sweet treats, muffins, sandwiches, drinks and most recently, Krispy Kreme doughnuts. They have quickly become an integral part of New Zealand's growing obsession for convenience food on the go and to take home.

Fresh stock is prepared daily by various food suppliers in Auckland and then delivered nationwide by ProducePronto. Daily flights to Wellington and Christchurch meet waiting vehicles where product is cross-docked and road-freighted to multiple destinations making logistics unique and complex.

Alongside their fresh foods, the company also delivers longer-life (frozen or ambient) products. Together, these food deliveries now add up to serious volumes at over 400 sites nationwide daily. And ProducePronto is confident, given trends overseas, that there is still plenty of potential for growth in the years ahead. "Convenience food is a huge business in developed markets like the US and Europe", says Co-founder Josh Bartley-Smith. "We are seeing remarkable growth. Our customers are deeply investing in their store fit-outs and the quality of products to grow sales. Some take a full van-load of food every day."

As they accumulated these more significant volumes, the business realised they would need customised technology. Building it as they went, ProducePronto innovated quickly, allowing customers to place orders directly into the ProducePronto integrated logistics and stock management system. A customer billing system, live delivery tracking, proof of delivery and temperature control management are all part of the system.

In the time that ProducePronto has been part of Freightways, they have grown over 30%, leading to challenges with space. As a result, new premises in Auckland, Wellington, and Christchurch come online through 2023. In Auckland, a considerably larger depot – more than eight times the size of their current premises – goes live in October. Wellington and Christchurch operations will join more extensive shared facilities with Big Chill Distribution.

The business will also undertake a strategic change in the next 12 months to adopt the Freightways contracted owner/drivers model in a bid to lift efficiency and delivery reliability.

ProducePronto is conscious of sustainable business practices, with most vehicles now meeting the Euro 6 emission standard. In the medium term, the company plans to trial EVs as soon as technology allows by utilising the charging stations at many of the service stations they visit. The business is also taking steps to reduce waste via recycling and participating in the Soft Plastics Recycling Scheme with pallet wraps.

produce pronto™ .co.nz

LIVING OUR CAPABILITIES EVERYDAY:

ACT LIKE AN ENTREPRENEUR

ProducePronto's entrepreneurship was evident when Freightways first met them. The ability to self-assess and stay curious while delivering daily for their existing customer base is an excellent capability to be proficient in.

DELIVER RELIABLY

Carrying perishable freight requires logistics that work like clockwork. This means working on the plan daily and having alternatives and back-ups available when the plan goes array. ProducePronto is an expert here because they know fresh food waits for no one.

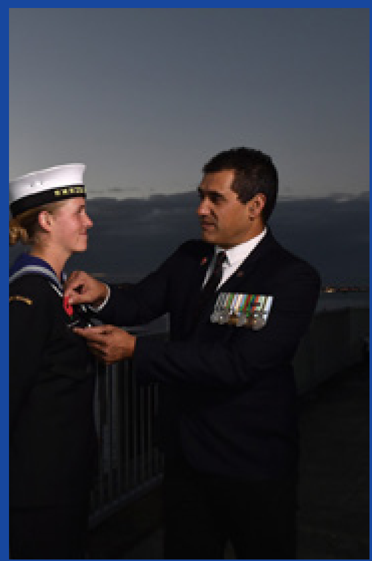
MMUNITIES – OUR COMMUNITIES – OUR COMMUNITIES – OUR COMMUNITIES – OUR COMMUNITIES – OUR COMMUNITIES – OUR COMMUNITIES

Supporting a deeper sense of community

KidsCan

Life Flight

NZRSA



RSPCA Queensland

Ronald McDonald House

Clontarf Foundation

We support a wide range of organisations in the community.

We have 16 charitable organisations that we have worked with for some time. In addition, many of our brands and branches also support worthy grassroots causes locally – from sports clubs and sports people, schools, and childhood care centres to community initiatives.

We encourage all businesses to develop relationships with the charities of their choice and to offer them support through volunteered time and resources.

- Beanies for Babies
- Cancer Society New Zealand
- Child Cancer Foundation
- Clontarf Foundation
- Keep New Zealand Beautiful
- KidsCan
- Life Flight
- New Zealand Breast Cancer Foundation
- Prostate Cancer Foundation Australia
- NZRSA
- Ronald McDonald House
- RSPCA Queensland
- The Hearing House
- Westpac Rescue Helicopter

KIDSCAN

The 2022 Child Poverty Monitor found that 16.3% of New Zealand's children live in low-income households. One in six children lives in households where food runs out sometimes or often due to a lack of money. Students growing up in disadvantaged communities are also more likely to leave school before they achieve NCEA levels.

Our company's principal charity KidsCan is dedicated to helping Kiwi kids affected by poverty. KidsCan's programmes are available in 897 schools and 206 early childhood centres nationwide - where they are helping to feed over 55,000 children, plus provide jackets, shoes, socks, and health products, so our most vulnerable can thrive.

RSPCA QUEENSLAND

Sadly, pets can also be the victims of domestic violence situations. TIMG Australia is proud to support the excellent work of RSPCA Queensland as part of their 'Pets in Crisis, supported by the Petbarn Foundation' – set up to regularly investigate and find safe shelter for pets in domestic violence incidents. Most domestic violence refuges are neither equipped nor permitted to take pets, which can cause stress to violence victims, potentially preventing them from leaving. Indeed, research has shown that 25% of victimised women have stayed in violent relationships due to pets at home.

Pets in Crisis provides a safe house, and vet care for pets of individuals at serious risk of domestic violence. With an average stay of up to 33 days, and some 350 people affected annually, the programme finds shelter at RSPCA's Animal Care Shelters or through RSPCA foster carers network.

TIMG Australia supports RSPCA Queensland via an annual donation.

RONALD MCDONALD HOUSE

Ronald McDonald House Charities (RMHC) keeps families of seriously ill or injured children together and close to the medical care they need. Families of children undergoing treatment are accommodated within walking distance of major hospitals across Australia through their network of support homes.

The charity has been close to our company's heart as a part of our workplace giving for over 20 years. Our people have donated for every 'Dress Down' or casual Friday. Shred-X and Med-X partnered with RMHC as part of the national Easter 2023 campaign, raising $17,000 by donating a percentage of sales over the campaign. RMHC's 11 Australian chapters will benefit from the funds raised.

In New Zealand, New Zealand Couriers and Post Haste - Christchurch are also proud to support this foundation.

LIFE FLIGHT

Freightways are proud to partner with Life Flight, a registered charity that operates aeromedical services in both fixed-wing aircraft and rescue helicopters in New Zealand. The partnership has a tenure of 15 years now, and it has helped Life Flight support over 1,200 Kiwis every year in their times of greatest need, from hospital transfers to accidents and emergencies.

The Fieldair Group, Freightways' aviation business, operates fixed-wing aircraft for Life Flight, including all the crewing and regulatory functions. Fieldair also provides aviation engineering services for these aircraft. The partnership has recently expanded to include the Fieldair Group as the primary sponsor of Life Flight's annual company golf day.

Parcel–sized fulfilment

Stocka is revolutionising how eCommerce businesses based in Australia can build their customer base in New Zealand.

Stocka
Despatching Your Ecommerce Orders

Management commentary
(no financial statements)

CASE STUDIES - CASE STUDIES - CASE STUDIES - CASE STUDIES - CASE STUDIES - CASE STUDIES - CASE STUDIES - CASE STUDIES - CASE

LIVING OUR CAPABILITIES EVERYDAY:

LOVE OUR CUSTOMERS

We developed Stocka with a particular customer in mind. This customer profile has influenced all business set-up and growth aspects, including Stocka's processes, key performance indicators and rate card calculations.

ACT LIKE AN ENTREPENEUR

Stocka is a meeting place for several need states for our business, plus some need states we saw that customers required to have met. Familiarity with 3PL was a strength, and the pathway to profit was reasonably straightforward.

Stocka

In a first for small-to-medium-sized eCommerce companies looking to grow their New Zealand presence, Australian businesses can store their inventory on this side of the Tasman and Stocka's Auckland-based team will manage, pick, pack and book couriers to ship their offering around the country.

As part of the service, the Stocka team can prepare stock for delivery and select from Freightways' Express Package couriers to deliver packages at the best speed and price.

SHIPPING MADE EASY

Stocka was established to cater for all-sized businesses but has the specific capability to help start-ups and smaller eCommerce companies who need a logistics partner that understands their challenges and will work constructively with them to remove obstacles. Dan Ward, Head of Product at The Startery, says, "It makes sense to cater to new and smaller customers because they aren't that well served presently. We can teach them so much and grow our footprint alongside them".

For emerging eCommerce companies, organising to get what they offer to the people who have bought from them is not a core business. So, the Stocka team teach their customers how to build up stock, manage and deliver their products into the market. The flat fee structure removes much of the uncertainty that eCommerce businesses might otherwise face. Stocka's set-up also means customers don't have to arrange storage or run delivery vehicles. Removing all these potential barriers and points of worry adds stability and simplicity to businesses that want to cross borders.

AIMING TO BE A TOP PERFORMER

A new venture by TIMG and supported by Freightways' innovation programme, The Startery, the goal is for Stocka to become New Zealand's go-to eCommerce fulfilment company, with the highest Net Promoter Score in the industry and strong annual revenues in the next few years. As part of embedding the business into the Group, Freightways' executives will stay involved to ensure consistency across processes, lift performance, establish reporting set-ups and strengthen customer service and stock control processes as Stocka continues to scale. For example, one of the significant learnings for the Stocka team has been shifting their understanding of stock control from documents and boxes to products as varied as electronics and cosmetics. Mid to long-term stock management needed a series of small trials and errors to work out how best to ensure stock was cared for and always consumer-ready. Customers are 50% New Zealand-based and 50% based in Australia.

The business is scaling nicely, with several big clients already onboard and a healthy growing pipeline. A lot of the enquiries are coming through Stocka's digital platforms as digitally savvy business owners interact in the ways that feel most natural to them.

A BIT OF A SQUEEZE, BUT A GREAT FIT

Space is the one big issue for the business as it expands. Until now, Stocka has been using TIMG's warehousing capacity – but with their three businesses already growing into those spaces, having enough room is a pressing priority. "Striking the balance between space for the business to grow and paying for unutilised space is the challenge for this business, but one we are working to solve", says Dan. The benefit is that Stocka is very close, both physically and philosophically, to other businesses inside the Freightways Group, and, as everyone is finding out, there are plenty of learnings from different parts of the Group that can be applied to Stocka's benefit.

The current site in Auckland is also an advantage. Recent research recommends locating a 3PL provider as close to the most significant concentration of consumers and customers as possible. We decided not to extend the idea to other New Zealand locations due to the Express Package courier brands' reliability and ability to reach all parts of the country within 24 hours. This is well inside customers' expected timeframes. So one existing building offers fulfilment for a nationwide end-customer base in one place.

A feasibility study on opening in Australia will need to be completed before we can be confident about that opportunity. The immediate goal is to firm up the pathway to profit, which includes securing good margins as Stocka scales. Achieving this is about balancing set-up costs with planned revenue to achieve a consistent margin. At this point, Stocka has surpassed its initial target, **hitting $1 million in annual revenue** during start up. The business is now ready to scale and set new growth records in the coming 24 months.

REVENUE: **$1M** annually during development

Management commentary
(no financial statements)

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Management commentary
(no financial statements)

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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 (which includes external audit and year-on-year carbon reduction) 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.

TOITŪ Certification

TOITŪ certification allows us to take a very positive step toward reducing our carbon emissions and further minimising our relative impact on the environment. We are currently committed to a 50% reduction to Scope 1,2 and 3 emissions by 2035.

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 TOITŪ certification, so that as we grow, we 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 that it's within current 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 business utilise 'best in class' recycling technologies to avoid resource waste and landfill solutions.
- We position and promote our document destruction business in the marketplace as 'secure recycling'.
- We encourage our customers to receive electronic invoices to minimise paper wastage.
- 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.

OUR GOAL:

50%

reduction in C02e Scope 1, 2 and 3 by 2035

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 TOITŪ certification, 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.

Management commentary
(no financial statements)

Having a material impact

ASSESSING OUR MATERIAL ISSUES

Four years ago, we undertook an assessment of our material issues for stakeholders as we looked to incorporate more non-financial criteria into our decision-making and reporting. In FY23, we reviewed our materiality to check the relevance of our ESG activities.

Results will be published in FY24, and we will update our reporting then to reflect the findings. We expect the assessment to lead to some adjustments in how we report beyond the bottom line.

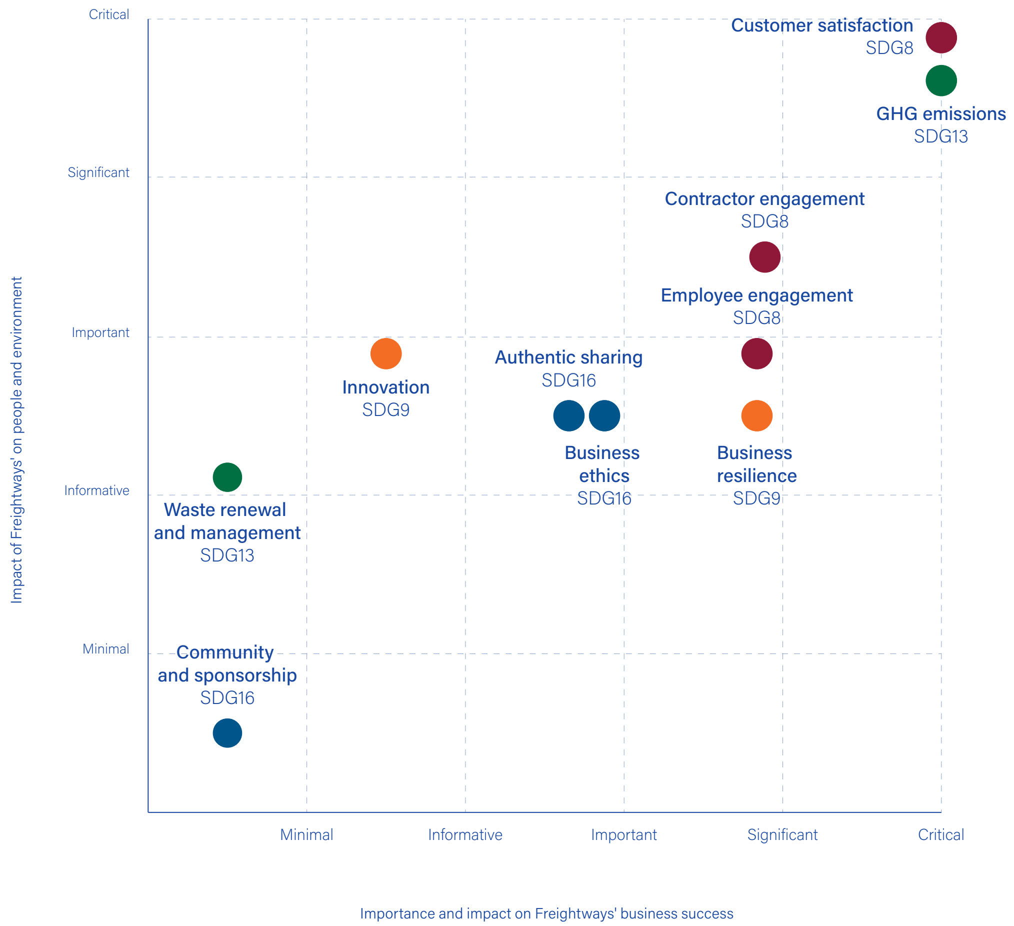
A DOUBLE APPROACH

The assessment has involved an external party engaging with various internal and external stakeholders – from board members and leadership to staff and contractors to customers, suppliers and investors – to get their opinions.

We've used a double materiality assessment approach because it provides greater insights and directly recognises that organisations such as ours have financial and non-financial impacts that are significant and that need to live alongside one another. As the name suggests, double materiality adopts different perspectives to gain a more holistic view:

- 'Inside out' impacts – which looks at the company's impacts on society and the environment by assessing scale (impact on health, the environment and society), 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 financial impact) and likelihood (the chances of an impact happening).

2023 DOUBLE MATERIALITY MATRIX



Staying on course for 2023

This year we will continue to report on our existing SDG framework and Areas of Focus as part of our non-financial decision making and reporting in FY23.

SDG #3 Good health and wellbeing

- Health and safety in employment. Injury reduction TRIFR reduced from 8 to 6
- Deployment of handbrake alarm technology in all linehaul vehicles

SDG #8 Decent work and economic growth

- Delivered numerous training and skills development programmes
- Increased contractor earnings, ensuring sustainability
- Increased employee earnings

SDG #9 Industry, innovation and infrastructure

- Cybersecurity resilience
- Operating culture of accountability and ownership
- Significant linehaul network and building infrastructure investment
- Airfreight network upgrade

SDG #13 Climate action

- GHG Emissions reduction with a target to reduce Scope 1, 2 and 3 emissions by 50% by 2035 to ensure that our contribution to global warming is no greater than 1.5 degrees Celsius
- Reduced plastic usage and waste by replacing single use mother bags with multi-use bags

SDG #16 Peace, justice and strong institutions

- Ethics and integrity
- Transparency

Management commentary
(no financial statements)

SDG 3 — Good health & wellbeing

OUR AREAS OF FOCUS:

- Health and safety in employment. Injury reduction TRIFR reduced from 8 to 6
- Deployment of handbrake alarm technology in all linehaul vehicles

SDG3 & OUR BUSINESS:

People lie at the heart of who we are. Relationships, expertise and hard work are integral to our ability to add value on a daily basis. Our commitment to SDG3 reflects our intention to protect the health and wellbeing of those who work here and to minimise the adverse impacts that our vehicles have on communities. Applying this SDG to how we plan ensures that we always carefully consider the human implications in the acquisitions we make and the actions and initiatives we undertake.

We adopt a proactive approach to minimising physical and mental harm across our business. A crucial part of that is encouraging people to speak up when needed and providing external help and support when they need guidance.

INJURY / SICKNESS REDUCTION

TRIFR (Total Recordable Incident Frequency Rate) is a calculation that includes every incident relating to health and safety, including lost time, injuries, accidents, medical treatment, and medical practitioner visits - divided by manhours.

We use this metric because we regard it as a more transparent, holistic calculation: it records all injuries, not just lost time, giving us a more accurate view of how often incidents happen, not just the serious injuries.

This year, we are pleased to report that our TRIFR reduced from 8 to 6. We had a lot less COVID-19 cases this year.

ROAD SAFETY TOP-OF-MIND

On any given day, we have a significant number of drivers on the road in two countries. In the course of their work, they are subject to a range of pressures - weather, traffic, personal stress and deadlines – that have the potential to compromise their safety.

Mitigating the risks to our drivers and contractors is very important to us. We've had in-cab monitoring in place for well over 12 months. It's proven very successful, helping us to diagnose and eliminate driver behaviours such as fatigue and distraction that could put drivers at risk.

Cameras in cabins look in on the driver and out on the road, enabling us to quickly resolve situations if incidents occur.

We've also installed handbrake alarms in our linehaul and metro trucks across the New Zealand fleet. They sound if the driver's door opens and the handbrake hasn't been applied.

Another vital component for safety is vehicle age and maintenance. We have high minimum standards for our owned and contractor-owned vehicles. Our Pricing for Effort strategy (PFE) ensures our contractors are well compensated so they can afford to upgrade their vehicles regularly. Pride in their work and vehicles has proven a compelling motivation to our people to engender a duty of care towards their customers and us.

NEW AI TECH IS IMPROVING OUR FORKLIFT SAFETY

Forklifts are a safety focus for all companies that use them. They are responsible for most of the accidents and near misses in any depot situation.

We are currently trialing AI technology to analyse all our depot video footage retrospectively. After hours, the technology assesses CCTV footage of human versus forklift interactions and checks that a safety distance of three metres has been followed. Importantly, it captures near-miss situations where people may have breached the three-metre rule and loads those incidents into a reel for us to view the following day.

We use this technology primarily as an identification and education tool to keep safety in the depot front-of-mind for the people concerned. It helps us pick up patterns and gives us lead indicators of potential issues. It also enables us to identify repeat offenders so that we can take this up with them individually.

PSYCHOLOGICAL HEALTH AND SAFETY TRAINING

We are currently developing a training module to encourage open dialogue within our workplaces. We want people to speak up and ask questions, to forward ideas, concerns or mistakes, share feedback, and work through disagreements together — knowing that leaders value honesty, candour, and truth-telling and that team members will have one another's backs. The training will help leaders identify and control risks associated with psychological safety at work and how to respond to incidents. The new module will be available company-wide in 2023/24.

EMPLOYEE ASSISTANCE PROGRAMME (EAP)

EAP offers access to external confidential counselling professionals to help people address physical and mental health issues and provide financial advice and partner counselling. It's proven a powerful and practical resource for our people, especially during the last few years with the pressures of COVID-19, rising economic pressures and cost of living matters.

TRIFR REDUCTION FROM: **8-6**

All Total Recordable Injury Frequency Rates are based on 200,000 hours worked"

Management commentary
(no financial statements)

SDG 8 Decent work & economic growth

OUR AREAS OF FOCUS:

- Delivered numerous training and skills development programmes
- Increased contractor earnings, ensuring sustainability
- Increased employee earnings

SDG8 & OUR BUSINESS:

To be successful as a business, employer and as a partner to our contractor drivers, we need to foster an inclusive work environment and provide the services that meet the needs of our customers. Success depends on building an environment where a diverse team of committed Kiwis and Australians can contribute, develop their skills, and be paid fairly. Our businesses growth is fuelled by encouraging our team of professionals to consistently learn and develop.

It matters deeply to us that our people feel happy and safe in their work. Our people were paid fairly this year, and we competed effectively in the labour market to maintain our service levels. As part of that, we continued our serious commitment to training and developing our people at all levels.

GROUP LEARNING & DEVELOPMENT

Learning and development was in full swing this year, with a full range of courses and modules available across the business. Some of those programmes included:

- IGNITE - a customer experience programme initiated by New Zealand Couriers. A core team of customer experience (CX) experts representing different business areas come together to diagnose, implement and coach improvements in our customer experience delivery.
- Grow our People – a development course for budding people leaders at our Post Haste Group. This course covers both personal growth (via self-presentation and management) and business information (improving sales and reporting).
- Strengths Development - a Strengths-based approach is a powerful differentiator that helps companies attract top talent, bringing out the best performance in every employee and creating organic business growth.
- Manual Handling and Dangerous Goods – this training is for all Freightways staff who lift, hold and move freight. It also provides crucial learning for those who interact with dangerous goods.
- Driving Safety Culture (DSC) - a Health & Safety Culture awareness programme delivered to all operational managers and supervisors.

NUMBER OF PARTICIPANTS:

4400+

completed training and development, Group wide

LEADERSHIP DEVELOPMENT

New Zealand Couriers are currently running a leadership development programme – Driving Ahead – a partially funded programme by the Tertiary Education Commission (TEC) through the employer-led Workplace Literacy and Numeracy fund. Driving Ahead focuses on core leadership skills like health and safety practices, feedback processes and problem-solving that leaders can directly implement into their roles. Graduates with 52 credits receive a New Zealand Certificate in Business (Introduction to Team Leadership) – Level Three, a nationally recognised qualification. Driving Ahead started with four groups in Auckland but is now rolling out nationally.

PEOPLE MANAGER TRAINING

This two-year course equips managers at all levels of TIMG NZ, DX Mail, Dataprint and Parceline in New Zealand with essential people management skills in the modern workplace. Immersive, hands-on and practical, the training covers employee relations, communication, conflict, mentoring and coaching techniques and problem-solving.

PAYING OUR PEOPLE WELL

It's important to us that our people feel remunerated fairly for their energy and expertise. We regularly review salaries and wages to ensure they are competitive. We offer clear pathways for anyone looking to increase their take-home pay and value to the business through learning and development.

Contractor remuneration is another area of ongoing focus for us. Through our groundbreaking PFE initiative, we ensure our contractors are fairly paid for their effort. Underpinning the initiative is the philosophy of loading rates to our customers where delivery involves extra time, care and resources. Examples include deliveries that are 25kg+ on Saturdays or in rural areas or regions that lack density to support delivery costs.

As customers adjust to this approach to pricing, we will continue to incrementally lift our rates. In doing so, we want to prepare our contractors to invest in alternatively fuelled vehicles. We want them to be able to move quickly when the right technology becomes available.

PERCENTAGE INCREASE:

6.6%

in contractor remuneration for FY23

Management commentary
(no financial statements)

SDG 9 Industry, innovation & infrastructure

OUR AREAS OF FOCUS:

- Cybersecurity resilience
- Operating culture of accountability and ownership
- Significant linehaul network and building infrastructure investment
- Airfreight network upgrade

SDG9 & OUR BUSINESS:

Freightways businesses are focused on adding value for our customers at every opportunity. Whether it is working to constantly improve our transport businesses, helping our customers improve their supply chain and 'final mile' services, or introducing 'step-change' improvements in our Information Management businesses, we play an integral role in helping our customers work more efficiently, responsibly and profitably.

Our commitment to growing our horizon opportunities continued at a pace this year. Getting this right is about building our network to meet the needs of our expanding capacity. Businesses like ProducePronto successfully supply nationwide convenience stores and service stations daily and have outgrown their Auckland depot, while the new Ruakura depot for Big Chill is about accommodating their next ten years of growth.

SO MUCH HAPPENING ON THE HORIZON

Particularly exciting has been the steady emergence of the third horizon activities, with the launch of Stocka (a horizon 3 initiative for our Information Management businesses), textile waste as a high-value recycling opportunity in Australia for Shred-X (horizon 3 for our Waste Renewal activities) and the launch of Kiwi Oversize in New Zealand and ongoing growth of Allied Express in Australia (horizon 3 for the Express Package and Business Mail part of our Group). ProducePronto is also a horizon 3 business for Temperature Controlled.

At the same time, we have been careful to ensure our growth remains aligned with our sustainability responsibilities. The lease of the more fuel efficient 737-800 aircraft with lower emissions is a good example.

ACCOUNTABILITY AND OWNERSHIP

Our principles of Take Ownership, Think Commercially, and Work as a Family build accountability and ownership for staff and people leaders and are an intrinsic part of our shared cultural DNA.

Our growth strategy permits our people to take ownership and treat the business like their own.

Our experience is that promoting accountability and ownership motivates people to think in commercial ways, display good problem solving and stand by their decisions. Our goal for all our people is increased feelings of competency and commitment. Ownership for leaders means no overbearing or micro-management practices. We assess our leaders by their ability to build team confidence, trust and respect.

Together, these principles and ideas engender commercially strong, industrious, innovative companies resourced by confident problem solvers.

INFRASTRUCTURE INVESTMENT ACROSS THE BOARD

Our new 737-800 aircraft will allow us to carry more freight at better economies of scale. The remainder of the fleet will be steadily upgraded over the rest of this decade as part of a significant upgrade to our air network. Our goal is a fleet that is wider, longer and can shift more freight in fewer cycles.

Our new Big Chill facility in Ruakura is a 13,000 sqm 3PL cold store that will help us prepare for the next ten years of growth in that business. It also improves our links from the Port of Tauranga and the food-producing Waikato and Bay of Plenty and enables easy, daily links to Auckland.

We are making ongoing fleet improvements in linehaul and metro vehicles for our Express Package and Temperature Controlled businesses to cover replacement, increasing the fleet size for growth and having contingency vehicles available in times of need. These improvements are on top of our ongoing high quality and maintenance standards for our vehicles, which give us the best performance, better safety, lower emissions and positive brand association.

ProducePronto's new, much larger depot in Auckland will help them meet same-day delivery demands for convenience and QSR restaurants in Auckland and enable easier stock transfer nationally.

Allied Express is beginning its automation strategy through the purchase of the only automation belt for oversized items in Australia - for Sydney and Melbourne. They have also expanded facilities in all five major cities: Sydney, Melbourne, Adelaide, Perth and Brisbane.

Our new recycling facility for Shred-X in Victoria is in preparation for expected growth as the business continues finding new ways to find value in the stuff people throw away.

SECURING OUR CYBER-ENVIRONMENTS

We are aligning to industry best practices by adopting a risk-based approach to cybersecurity.

Recognising that each business within the Group has a different risk profile and appetite, we've taken a business-led risk-based approach to discovering, mapping, and applying risk measures for their services and the information and IT assets they manage. This approach enables us to leverage a consistent Group-wide baseline capability while also individually tailoring cyber risk management strategies that are suitable and appropriate for each business's unique risk profile within the Group.

To ensure the best outcome for our businesses and stakeholders, we've had the programme externally audited receiving feedback that the consistency and pragmatism of the program reflected a comprehensive and mature understanding of our diverse business functions and associated risks.

Compliance requirements remain different for each business and industry vertical, making external audits against security standards such as ISO27001, SOC2 and PCI DSS an essential part of our businesses offering. Customising the risk management and mitigation across the Group, and having a governance function across security, provides cost oversight and peace of mind for our businesses and investors. It also means cybersecurity is one less roadblock for sales because our customers are confident that we are operating at the correct levels of capability.

Management commentary
(no financial statements)

SDG 13 — Climate action

OUR AREAS OF FOCUS:

- GHG Emissions reduction with a target to reduce Scope 1, 2 and 3 emissions by 50% by 2035 to ensure that our contribution to global warming is no greater than 1.5 degrees Celsius
- Reduced plastic usage and waste by replacing single use mother bags with multi-use bags

EACH OF OUR BUSINESSES CONTRIBUTE INDIVIDUALLY TO OUR GREATER TRANS-TASMAN ENVIRONMENTAL FOOTPRINT

ALLIED EXPRESS COURIERS
CO2 EMISSIONS MEASURED FY24

BIG CHILL
TOITŪ CARBON REDUCE MEMBER

CASTLE PARCELS COURIERS
TOITŪ CARBON REDUCE MEMBER

DATAPRINT
TOITŪ ENVIROMARK DIAMOND

DX MAIL
TOITŪ CARBON REDUCE MEMBER

FIELDAIR
TOITŪ CARBON REDUCE MEMBER
LEASE OF 737 800 FOR FUEL EFFICENCIES AND LOWER EMISSIONS

KIWI EXPRESS
TOITŪ CARBON REDUCE MEMBER

MED-X
CLOSED LOOP SYSTEM FOR SHARPS AND SHARPS CONTAINERS

NOW COURIERS
TOITŪ CARBON REDUCE MEMBER

NEW ZEALAND COURIERS
TOITŪ CARBON REDUCE MEMBER
CUSTOMER EMISSION REPORTING-ISO14041 COMPLAINT
VIRGIN PLASTIC USAGE REDUCTION
MEMBER OF SOFT PLASTICS RECYCLING SCHEME
UPCYCLING OF USED COURIER SATCHELS INTO BUILDING-BOARD

PARCELINE
TOITŪ CARBON REDUCE MEMBER

PASS THE PARCEL
TOITŪ CARBON REDUCE MEMBER

POST HASTE COURIERS
TOITŪ CARBON REDUCE MEMBER
VIRGIN PLASTIC USAGE REDUCTION

PRODUCEPRONTO
TOITŪ CARBON REDUCE MEMBER
EURO 6 EMISSION STANDARD VEHICLES

SECURITY EXPRESS
TOITŪ CARBON REDUCE MEMBER

SHRED-X
PAPER / CARD RECYCLING
EWASTE AND IT ASSETS REPURPOSING AND RECYCLING
PRINTER'S WASTE RECYCLING

STUCK
TOITŪ CARBON REDUCE MEMBER

SUB60
TOITŪ CARBON REDUCE MEMBER

TIMG AU
PAPER / CARD RECYCLING

TIMG NZ
TOITŪ CARBON REDUCE MEMBER
PAPER / CARD RECYCLING

As a transport-focused business, we are well aware of the climate implications of our everyday business. One of the key reasons we instigated science-based targets was to look realistically at what reductions we could achieve over time in greenhouse gas (GHG) emissions. Elsewhere, we continue to make good progress with reducing our use of virgin plastics.

DOING WHAT WE CAN WITHIN LIMITATIONS

While there are strong expectations from customers and investors that logistics companies like us will address contributions to climate change within their businesses, there has been a noticeable slowdown from Government from a legislative / directional perspective this year. Our enterprise-sized clients are also looking for movement, or direction setting at the least, to comply with their international reporting standards. This is significant because the infrastructural support for all alternative fuels needs to rest with central Government.

There is a shared appetite between all stakeholders to address the climate change profile of the logistics sector. Indeed, we are feeling pressure from customers and investors to show progress in this area and to help our enterprise-sized clients to comply with their international reporting standards. We are also acutely aware of the reputational risk should they think we need to be faster to change.

We would move quickly and decisively if we could, but the reality is more complex. For example, there have been no significant technology improvements since last year for either EVs or hydrogen transportation in New Zealand. Hydrogen trucks were due to land last year. They haven't arrived yet – and, not surprisingly, there is corresponding reluctance for scaled first-mover investment from a range of parties. Some first-generation EV vans have arrived in the country, but they remain too small for our purposes, and once loaded, the battery doesn't last long enough.

Dialogue continues. We have engaged with Government about commercial infrastructure for EVs. We are also awaiting further details on the capacity of the power grid to handle the capacity that would be needed."

Creating our own infrastructure through Government funding, while an alternative, would also require us to make the refuelling centre publicly accessible around the clock. That's impractical given the items we carry 24/7 (dangerous goods, medicines, secure documents etc.)

Currently, the Government's EV rebate scheme caps out at $80,000 – far below the cost of the light commercial vehicles we need. However, we are in the process of putting together finance packages for our contractors to enable them to transit to alternatively fuelled vehicles once this becomes tenable.

We are prepared to move quickly and decisively. Still, any transition must make commercial sense, and the infrastructure has to be reliable. We can't afford to break down or not have the ability to recharge our vehicles – because of the types of products we move. We must play it safe. Our customers depend on us doing so.

PLASTICS REDUCTION

We continue to reduce our use of plastic waste through recycling and repurposing. In particular, we are now using less virgin plastic than ever before.

Our courier express packs across Express Package are made from up to 80% reclaimed New Zealand-sourced plastic diverted from landfills. All our courier brands are also part of the Soft Plastics Recycling Scheme.

Enviro360 is a New Zealand Couriers innovation that has been running for two years. Enviro360 allows customers to collect used express packs using our Enviro360 collection bag. When the bag is full, we pick them up, consolidate the load and linehaul them to saveBOARD, where they are upcycled into a new low-carbon building board.

Mother bags enable us to consolidate our express courier packs into destination/branch-specific bags, protecting them from the rigours of the network and improving security and accuracy by consolidating all items into one inter-branch movement. In the past, mother bags have been made of virgin, single-use soft plastic and were only good for two/three cycles. Thanks to the excellent work of our inventory team, we have now sourced reusable mother bags that can be used hundreds of times and last for years. We currently have over 14,000 of these bags in our branches and networks throughout our courier businesses, vastly reducing the amount of Class 4 plastics we use.

SDG13 & OUR BUSINESS

The efficiencies our transport business brings to our customers' supply chain substantially reduce emissions through the economy. Intensification of all our networks – increasing the business we do against the kilometres we travel – means growth doesn't necessarily equate to higher emissions. We are in an emissions-intensive industry – but long-term planning and collaboration, coupled with our modern, fuel efficient fleet of planes, trucks and vans means we are on track for a steady reduction in CO2e per item we carry.

SDG 16 Peace, justice & strong institutions

OUR AREAS OF FOCUS:

- Ethics and integrity
- Transparency

SDG16 & OUR BUSINESS:

As a publicly listed company that partners with numerous other institutions and contractors in both Australia and New Zealand, our geographic spread of brands, employees and worksites, and our desire to contribute to business and community leaves no flexibility in the context of ethics and legal obligations. Whether it be gender equality, diversity of thought and origin, or justice – we will be fair and accountable.

We place significant emphasis on being straight-up and acting as good corporate citizens. We pay our taxes in both countries we operate in and abide by all laws and regulations. We pay our suppliers on time, every time, and we seek to enter into responsible partnerships.

WORKING OPENLY

Our Annual Reports and investor presentations bring a high level of disclosure to our communications with regulators, investors, customers, communities and other stakeholders.

It's important to us that stakeholders know our stories and our intentions.

This year, we decided to combine our sustainability and annual reporting to give investors a clearer sense of what we are doing across our financial and non-financial activities. We are also in the middle of reviewing our materiality. This year, we've included TCFD filings for the third time. In Australia, we have filed our latest Modern Slavery Statement for our businesses.

We openly acknowledge our teams' hard work and commitment and the collective impact they have on our success. Our people make our success real. We maintain a focus on engagement, accountability and ownership to build duty of care and loyalty.

Finally, we know that we cannot affect change on our own. Our Climate Leaders Coalition and TOITŪ membership indicates our willingness to work alongside others to achieve cleaner ways of doing business.

OUR RANGE OF POLICIES AND PROCESSES INCLUDES THE FOLLOWING:

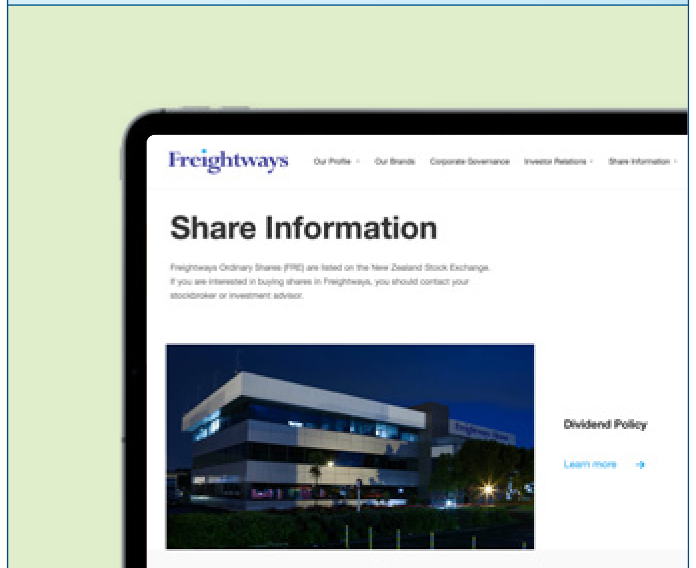
- Charters for our board and each of our sub-committees
- Code of Ethics
- Disclosure & Communication Policy
- Diversity & Inclusion Policy
- Insider Trading Policy
- Protected Disclosures (Whistleblower) Policy
- Remuneration Policy
- Risk Management

OUR WEBSITE INCLUDES DETAILED INFORMATION ABOUT THE FOLLOWING:

- Our Board of Directors
- Our leadership team
- Our brands
- Our results
- Our dividends – including our dividend history, reinvestment plan and policy

WE REPORT ON OUR ACTIONS THROUGH:

- Disclosures to the NZX
- Climate Leaders Coalition Annual Questionnaire



Management commentary
(no financial statements)

Climate–related disclosures

Background

CLIMATE CHANGE IS ONE OF THE MOST SIGNIFICANT CHALLENGES WE FACE AS A SOCIETY AND WILL RAISE MANY BUSINESS RISKS – AND OPPORTUNITIES – ACROSS THE ECONOMY.

Governments and businesses alike are taking steps to face these challenges in several ways: enacting legislation to foster a low-carbon economy, defining transition pathways and deadlines to achieve carbon neutrality, making the disclosure of greenhouse gas ('GHG') emissions inventories and reduction targets mandatory, and industry-led initiatives such as the Climate Leader's Coalition, which Freightways joined in 2019.

Aotearoa New Zealand's first Emissions Reduction Plan ('ERP') was published in June 2022, containing strategies, policies, and actions for New Zealand to achieve its first emissions budget as required by the Climate Change Response Act 2002[1]. The transport sector is responsible for 17% of New Zealand's total gross GHG emissions and 39% of total CO2 emissions[2]. To support New Zealand's emissions budget, the ERP states that the transport sector would need to achieve a 41% reduction in total emissions by 2035 from 2019 levels. For freight transport[3], this would mean a 35% reduction in emissions by 2035.

As one of New Zealand's major transport services providers, the bulk of Freightways' GHG emissions are generated from consuming transport fuels. We operate several businesses in New Zealand and Australia, covering express package and other complementary services in information management, business mail and chilled transport (Figure 1 displays our organisational structure). Freightways has grown organically and through acquisitions, and now has representation in every major town in New Zealand.

Our core business of picking up, processing, and delivering goods enables us to move thousands of items per day in a resource and emissions-efficient way. Our investments in technology to drive continuous improvement of fuel efficiency aligns with the objective of reducing our GHG emissions.

This is our third annual climate-related disclosure and describes our current governance and management approach to assessing and managing climate change risks and opportunities to our businesses.

FIGURE 1: FREIGHTWAYS GROUP LIMITED'S STRUCTURE

[1] New Zealand Government, 2022. Aotearoa New Zealand's First Emissions Reduction Plan. June 2022.
[2] Figures are 2019 emissions based on New Zealand's Greenhouse Gas Inventory 1990–2020.
[3] Freight transport includes emissions from trucks, rail, and ships. It excludes light vehicles and aviation.

Climate–related disclosures

Freightways' position on climate change

Freightways recognises that our core business of providing transportation services for our customers is currently emissions intensive.

We have an important role to play, both in building resilience to climate change impacts and in the transition to a low-carbon economy. We intend to make direct contributions to climate adaptation and mitigation efforts within our sector and the markets we operate in.

We will also work to be a strategic partner for our customers, supporting and enabling their responses to the climate change challenge.

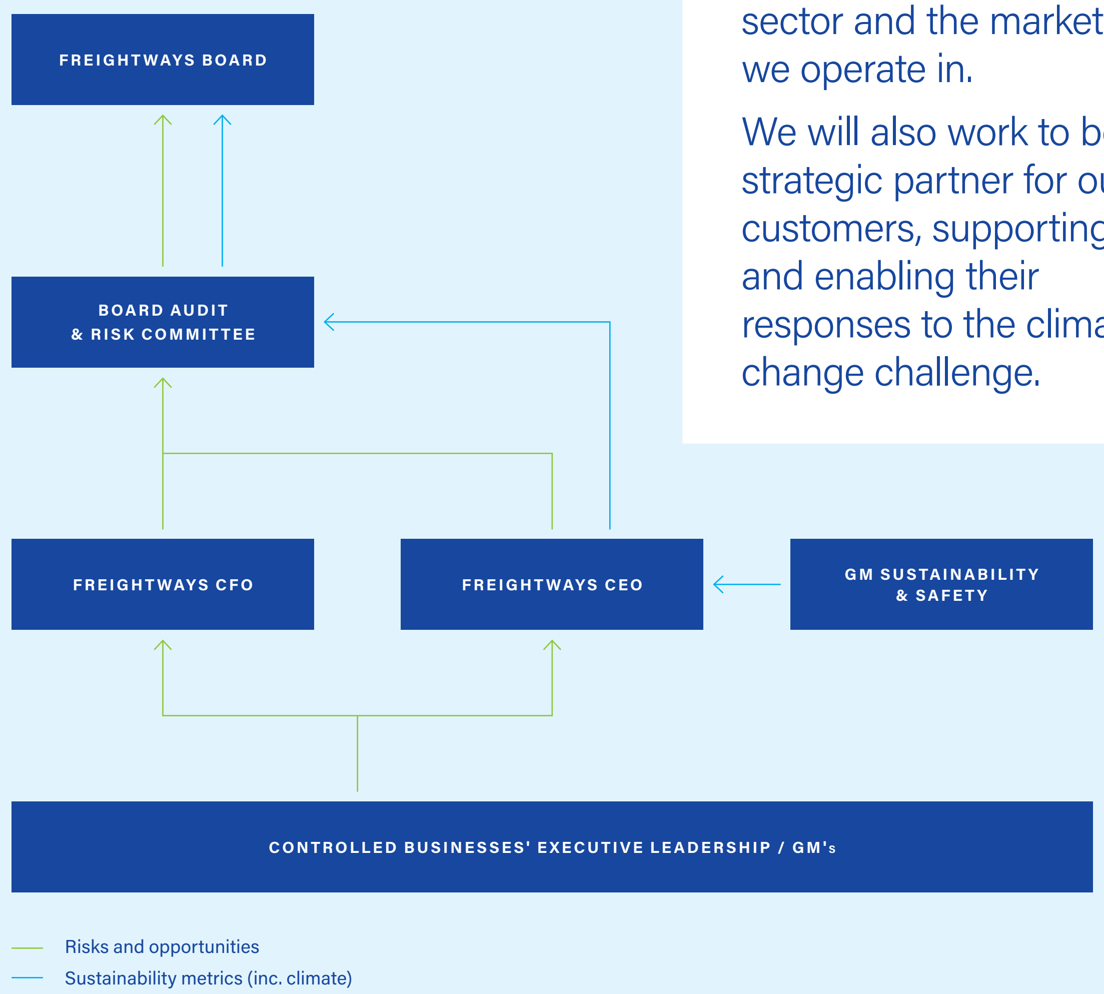


FIGURE 2: GOVERNANCE STRUCTURE FOR CLIMATE-RELATED RISKS AND OPPORTUNITIES, AND METRICS

Climate-related disclosures

Following the release by the New Zealand External Reporting Board ("XRB") of New Zealand Climate Standards ("NZ CS") in December 2022, mandatory climate-related reporting now applies to certain New Zealand entities – including Freightways - for reporting periods commencing 1 January 2023 onwards.

For Freightways, this means the first year of mandatory reporting is 1 July 2023 to 30 June 2024. The NZ CS follows the format of the Task Force on Climate-related Financial Disclosures ("TCFD") guidelines and is structured around four thematic areas that represent core elements of how organisations operate: governance, strategy, risk management, and metrics and targets.

Governance

GOVERNANCE BODY OVERSIGHT

Freightways' Board of Directors are responsible for overseeing the management of risk, including those related to climate change.

The Board is also responsible for approving the development of Freightways' GHG emission reduction target and strategic climate initiatives. The Board receives monthly updates on progress against climate-related metrics and reviews strategic objectives and climate targets annually. Freightways performs annual measurement and receives third-party assurance of our GHG emissions, which allows us to understand changes in our GHG emissions and our carbon price exposure year on year. The Board is also responsible for approving management remuneration, which is not currently linked to climate-related metrics.

The Audit and Risk Committee is responsible for the management, monitoring, and reporting of risks, as well as the review of risk management policy. Climate risks fit within Freightways' definition of risk and are assessed according to their likelihood and potential impact. Each Freightways-owned business is responsible for identifying their own risks and opportunities (including those relating to climate) and developing future strategies. These are then consolidated at corporate level and taken to the Board for review. The Audit and Risk Committee conducts an annual review of those risks and mitigating actions[4].

Our Directors have experience in climate change and sustainability matters and this is supplemented by specialist external third party when required. Third-party support has included advice related to our climate-related reporting.

MANAGEMENT'S ROLE

Freightways' Chief Executive Officer (CEO) and Chief Financial Officer (CFO) have delegated authority from the Board to take responsibility for assessing and managing consolidated risks and opportunities related to all controlled businesses. As part of this role, the CEO and CFO are engaged in structuring Freightways' strategic and risk management approach to these climate-related risks and opportunities. General Managers and executive teams at each of Freightways' controlled businesses are responsible for identifying and assessing risks at an operational level, including climate-related risks and opportunities, and providing those to Freightways' executive leadership team. This process occurs annually.

At the corporate level, the daily management of Freightways' sustainability metrics and strategy (including climate) is delegated to the General Manager ("GM") of Safety and Sustainability. The GM of Safety and Sustainability prepares monthly reports on progress against targets and relevant metrics, which is shared with the executive leadership and the Board.

The relationship between the Board and Management in relation to climate risk and opportunities is provided in Figure 2.

[4] https://www.freightways.co.nz/about/corporate-governance/

Climate–related disclosures

Strategy

FREIGHTWAYS' BOARD OF DIRECTORS ARE RESPONSIBLE FOR OVERSEEING THE MANAGEMENT OF RISK, INCLUDING THOSE RELATED TO CLIMATE CHANGE.

Freightways conducted a qualitative assessment of its climate-related risks and opportunities in a low and high GHG emissions scenario, considering the physical, policy, technology, markets, and stakeholder impacts associated with those scenarios.

The scenario analysis process is led by Freightways' management, who engage a third-party consulting service with expertise in analysing climate-related risks and opportunities to support internal risk assessment activities.

The results of any scenario analyses are provided to the Freightways Board of Directors annually. Climate-related scenario analysis is currently a standalone process; however, Freightways will continue to look for ways to integrate scenario analysis into our strategy processes as the management of climate-related risks and opportunities matures. Our scenario analysis was first set in 2020 and will be updated prior to FY24 reporting.

Due to the qualitative nature of this assessment, the results do not speak to the impact on earnings and only assess the likelihood based on our enterprise risk management framework. Freightways will continue to develop an understanding of the full risk assessment rating to enable quantitative modelling of the financial impact of each risk in the future.

The scenarios outlined in Table 1 are informed by Intergovernmental Panel on Climate Change (IPCC) reports[5], the International Energy Agency (IEA) energy scenarios[6] and recommendations provided by the New Zealand Climate Change Commission on how New Zealand can meet its emissions budgets[7]. Leveraging the public reports from these organisations provides a transparent and credible source of information on physical climate change predictions, the energy and transportation transition, and potential New Zealand-specific policy settings. Because of this, we believe that the scenarios are relevant and appropriate for assessing the resilience of our business model and strategy in relation to climate-related risks and opportunities.

For our key transition risk – exposure to an increasing carbon cost – we conducted a quantitative assessment of the cost of fuel under the New Zealand Climate Change Commission's 'Headwinds' and 'Tailwinds' scenarios in combination with our in-house assessment of our fleet's transition to low emission vehicles (Table 1).

The tables that follow below describe the physical risks (Table 2), transition risks (Table 3) and climate-related opportunities (Table 4) that were identified, and their expected impacts on the business.

SCENARIO ANALYSIS

TABLE 1: CLIMATE-RELATED RISK AND OPPORTUNITY SCENARIOS RELEVANT TO THE TRANSPORTATION SECTOR

SCENARIO	THE PATH TO 2100 IN A HIGH EMISSIONS SCENARIO	THE PATH TO 2100 IN A LOW EMISSIONS SCENARIO
Physical impact	Emissions continue to rise Average global temperature rise of 3.2°C – 5.4°C by 2100	Global emissions decline from the short-term Average global temperature rise of 0.9°C – 2.3°C by 2100
Policy	Little / ineffectual policy action on climate change The Paris Agreement fails as major economies withdraw Australia continues its current climate and energy policy, e.g. no pricing on carbon emissions	Consistent with the International IEA Sustainable Development Scenario and NZ Climate Change Commission advice, which shows a carbon price of around US$80/tCO2e (NZD$110-120) by 2030 and NZD$160 by 2035 Strict regulatory requirements e.g. carbon budgets, fuel emission restrictions, increased monitoring and reporting obligations
Technology	Advancements in low-carbon technologies such as alternative transport fuels and energy mainly driven by market supply and demand mechanisms	The NZ Climate Change Commission's advice to the Government is for 100% of new light vehicles and 10% of heavy trucks be electric by 2035 Globally, IEA modelling projects EVs to reach 12.25% of global vehicle fleet, and 28.8% of sales by 2030
Market	Consumer and business purchasing behaviour is driven by quality / price ratio irrespective of the carbon footprint of the product or service	High demand for low-carbon products or services to reduce emissions, this could provide a competitive advantage / disadvantage depending on whether the business can meet the market demand
Stakeholder	Little to no expectations from stakeholders to act on climate change	High stakeholder expectations concerning climate mitigation efforts and resilient investments

[5] https://www.ipcc.ch/site/assets/uploads/2018/02/ipcc_wg3_ar5_chapter8.pdf
[6] https://www.iea.org/reports/energy-technology-perspectives-2020
[7] https://www.climatecommission.govt.nz/our-work/advice-to-government-topic/inaia-tonu-nei-a low-emissions-future-for-aotearoa/modelling/

Climate–related disclosures

PHYSICAL RISK DESCRIPTION 1: DISRUPTED TRANSPORT NETWORK

Freightways' business model relies on a network of transportation assets and logistics infrastructure to move goods for our customers.

The impacts of climate change, including more prevalent extreme weather events, sea level rise, increased average temperatures and high wind speeds all threaten to damage and disrupt the roads, airports and shipping ports that keep our customers' goods moving around the country and the world.

Extreme weather events such as storms combined with king tides are likely to increase temporary disruption to the transport network, especially coastal roads in New Zealand and Australia. This could lead to longer delivery times for customers and higher transport costs as freight is diverted to alternative routes. In the second half of this century, sea level rise and increased temperatures are expected to lead to long term or permanent damage to assets such as Auckland Airport or the Cook Strait ferry crossing and further amplify the impacts of extreme weather events (e.g. storm surges, surface flooding). This could cause cost increases and impacts on the resilience of our operations. Our planning of alternate routes or alternate runways is helping to address this risk.

Freightways understands this risk is greater under a high emissions scenario where physical climate impacts are more prevalent. According to the New Zealand National Climate Change Risk Assessment, the exposure to physical climate hazards experienced by New Zealand roads, airports and ports varies[8].

Ports are currently considered to have limited exposure to climate hazards; however, this increases to a moderate exposure in 2050. Roads and airports, on the other hand, are already considered to have a major exposure to climate hazards through to 2050. Under a low emissions scenario, this risk is expected to be significantly lower.

We are currently in the beginning stages of understanding this risk to our business, particularly in relation to our business strategy. Previous disruptions to the transportation network, most notably the 2016 Kaikoura Earthquake and 2023 flooding in Auckland and Hawkes Bay, have provided us with experience in managing disruption successfully.

PHYSICAL RISK DESCRIPTION 2: ASSET DAMAGE AND UTILITY SERVICES DISRUPTION

A core part of our business is the processing of items we deliver for our customers. To achieve this, we rely on a wide range of fixed assets and utilities services (e.g., fuel, electricity) across our network. Physical climate change impacts such as more prevalent extreme weather, sea level rise and heat stress threaten to damage and disrupt operations at our buildings or the utilities that support these buildings. This may limit our ability to process and deliver goods for our customers on time.

Due to the expansive nature of our network, our buildings are likely to experience different physical climate impacts depending on their location.

For buildings in Australia and the north of New Zealand, building failure due to heat may become an issue, making it difficult for buildings' electrical systems to operate and, in some areas, uncomfortable and unproductive for our staff during high temperature days.

For operational assets in low lying and coastal areas, damage from continued flooding caused by sea level rise and storm events may eventually render the buildings unusable or uninsurable from mid-century. These kinds of disruption could have a longer-term impact on our network while a suitable replacement building is found. At a country wide level, extreme weather events may lead to damage of electricity infrastructure that could impact several of our sites simultaneously.

Under a high emissions scenario the physical risk posed to buildings is expected to be greater than under a low emissions scenario.
According to the National Climate Change Risk Assessment, the exposure of New Zealand's buildings to climate hazards is already considered major and is expected to grow to an extreme exposure by 2050[9].

As with the risk of damage and disruption to the transportation network, we are currently still in the early stages of understanding this risk to our business. Going forward, we will need to assess the climate-related risks at a site level. This information will allow us to proactively manage our assets as climate change impacts materialise, as well as providing a better understanding of the overall impact of this risk on our business strategy.

Table 2, below, describes the significant physical risks that were identified, and their expected impacts on the business strategy.

PHYSICAL CLIMATE RISKS

TABLE 2: SIGNIFICANT PHYSICAL CLIMATE-RELATED RISKS

RISK TO FREIGHTWAYS	CLIMATIC DRIVERS	TCFD RISK TYPE	OPERATIONAL IMPACT	TYPE OF RISK ASSESSMENT	RISK ASSESSMENT AND TIMEFRAME	INITIAL RISK TREATMENT ACTIONS	BUSINESS MODEL AND STRATEGY RESPONSE
1. Extreme weather events and sea level rise cause prolonged/sustained disruptions to the transport network	Extreme weather Sea level rise Increased temperature	Acute/chronic	Temporary disruption to certain transport routes Delays in service delivery Higher costs for transportation Significant alteration to network design, routes and transport methods	Qualitative	**2035 Likelihood ratings** **Low emission scenario: Unlikely** **High emission scenario: Possible** **2050 Likelihood ratings** **Low emission scenario: Unlikely** **High emission scenario: Very likely**	Review our established processes for dealing with weather related events preparing alternate operational plans Review the capability of our experienced team who are involved in the decision-making process to prepare for future events	Build flexibility and redundancies through our network Build facilities to increase resistance to weather-related events
2. Higher temperatures and extreme weather impair operating assets and disrupt utility services	Extreme weather Sea level rise Increased temperature Heat Stress	Acute/chronic	Temporary disruption to processing activities at select buildings Increased delivery times for customers Higher insurance costs for certain buildings Certain buildings are no longer usable	Qualitative	**2035 Likelihood ratings** **Low emission scenario: Unlikely** **High emission scenario: Possible** **2050 Likelihood ratings** **Low emission scenario: Unlikely** **High emission scenario: Likely**	Further analyse our assets and associated utility services for their vulnerability to physical climate impacts	

[8/9] https://environment.govt.nz/publications/national-climate-change-risk-assessment-for-new-zealand-main-report

Climate–related disclosures

Our business model and strategy is reliant on efficient utilisation of various vehicles and assets to process and transport our customers' items at each step in our logistics network.

TRANSITION RISK DESCRIPTION 1: INCREASING FUEL COSTS RESULTING FROM HIGHER COST OF CARBON

Fuel costs at Freightways are largely paid by our independent contractor drivers as a cost of operating their vehicles.

We believe that this model promotes efficient fuel usage, reducing the amount of transport fuel used by our businesses.

However, regardless of how our fuel costs are paid, we understand that our business has significant financial exposure to changes in transport fuel prices.

With the cost of carbon expected to rise in New Zealand, increases in the carbon price will impact Freightways' fuel costs and could make other forms of freight transport, such as electric vehicles more cost competitive. A higher carbon price may also provide an increased incentive to source goods locally, decreasing the demand for freight.

This, together with offering an adequate return to our contractor drivers, is driving our transition strategy of adopting low-emission alternatives to reduce carbon costs from fossil fuel consumption.

In 2021 we undertook quantitative modelling to better understand the approximate financial impact that higher carbon prices would have on our fuel costs by 2035.

Table 3, below, describes the significant transition risks that were identified, and their expected impacts on the business.

CLIMATE TRANSITION RISKS

TABLE 3: SIGNIFICANT TRANSITIONAL RISKS

RISK TO FREIGHTWAYS	TRANSITION DRIVERS	TCFD RISK TYPE	OPERATIONAL IMPACT	TYPE OF RISK ASSESSMENT	RISK ASSESSMENT AND TIMEFRAME	RISK TREATMENT	BUSINESS MODEL AND STRATEGY RESPONSE
1. Increasing cost of fuel as a result of higher carbon costs	Reduced availability of New Zealand Units (NZUs) Reducing carbon allowance under national carbon budgets Higher costs of operating ICE vehicles	Technology Policy and Legal	Higher operational costs Increased costs for customers Loss of competitive advantages over other freight companies that have lower carbon footprints Exacerbation of the cost of inefficiencies across the delivery network	Quantitative (2035 assessment)	2035 Low **emission** scenario: Medium High **emission** scenario: High	Achieve reductions in line with our science-based targets Currently planning to transition the fleet to low emissions vehicles in line with targets set using the Paris-aligned targets Continue ongoing optimisation and utilisation improvements to our routes and service offerings Frequent upgrading of linehaul units to lower emitting vehicles In the past year, we have managed to decrease our fleet by 4% while increasing the number of items sent through our networks[10]	Progressively replace our fleet of vans and trucks with cleaner energy models Continue to optimise our network to reduce energy consumption Support our contractors to acquire clean-energy vehicles Ensure drivers are enabled to switch to cleaner energy vehicles
				Qualitative (2050 assessment)	2050 Likelihood rating Low **emission** scenario: Unlikely High **emission** scenario: Possible		
2. Climate compliance requirements raise barriers for new drivers, hindering business growth	Restrictions on import and use of internal combustion engine vehicles Increasing fuel costs (due to cost of carbon) High upfront cost of low emissions vehicles	Technology Reputation	Inability to retain or attract drivers or higher cost to contract drivers due to their need for EVs Delays and a loss of reliability for our services Reputational damage	Qualitative	2035 Low **emission** scenario: Possible High **emission** scenario: Very Unlikely 2050 Likelihood rating Low **emission** scenario: Likely High **emission** scenario: Possible	Designing of contracts to incentivise efficient driving, route choices and proper vehicle maintenance Providing early signals to contractors about when replacement vehicles must be low emission Reviewing and adapting contractor remuneration rates to support them into low emission vehicle	

[10] Freightways 2020 Sustainability Report

Climate–related disclosures

Assessment methodology

We have assessed the net present value (NPV) of our financial exposure to increasing fuel costs resulting from an increasing cost of carbon under two different scenarios as of 2021 – note this will expand to three scenarios for FY24. These scenarios took into consideration the estimated rates of low-emission vehicle uptake within our fleet, our Paris-aligned targets work, and the "Headwinds" and "Tailwinds" scenarios released as part of the draft advice from the New Zealand Climate Change Commission in February 2021.

Our methodology assumes that 100% of the carbon price is translated to the cost of fuel.

'Tailwinds' and 'Headwinds'

New Zealand Climate Change Commission Scenarios used for modelling the impact of carbon price changes on fuel costs:

'TAILWINDS'

- The most optimistic emissions reductions scenario with a steady and clear reduction to net zero emissions by 2050.
- Presents a future where there are fewer barriers to the uptake of new vehicle technology and widespread behaviour change amongst the population.
- Freightways can follow its planned transition to low emissions vehicles, beginning in 2024.

'HEADWINDS'

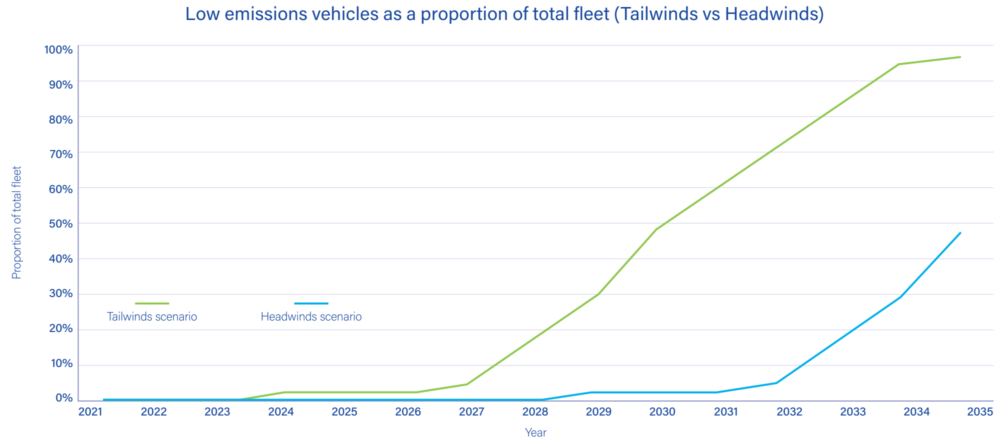
- The least optimistic emissions reductions scenario with a much more sudden and aggressive reduction to net zero emissions by 2050.
- Presents a future where there is delayed uptake of new vehicle technology and slow behaviour change amongst the population.
- Freightways' planned transition to low emissions vehicles is delayed by five years, beginning in 2029.

Due to Australia not having a carbon price at this time, this modelling was limited to our New Zealand operations. As a reference point, Freightways estimated exposure to the cost of carbon (embedded in fuel prices) based on 2019 fuel consumption was approximately NZD1.3m. Work is under way to capture all emissions from our Australian businesses and model the financial impact.

Low emission vehicle adoption rates

Freightways' (and its driver-contractors') adoption of low emissions vehicles varies between the Headwinds and Tailwinds scenarios. This reflects the differing rate of change between the two scenarios as illustrated in Figure 3 below. Under a Tailwinds scenario, Freightways acts early to reduce emissions with relevant technology being widely available, while a Headwinds scenario sees us delay our emissions response. This is based on the differing availability and costs of technology between the Headwinds and Tailwinds scenario, with low emissions vehicle technology costs decreasing more quickly under Tailwinds than Headwinds. Due to uncertainties surrounding the adoption of low emissions technologies for heavy vehicles and aircraft, the costs associated with transitioning the fleet to low-carbon fuel sources is currently excluded from this analysis.

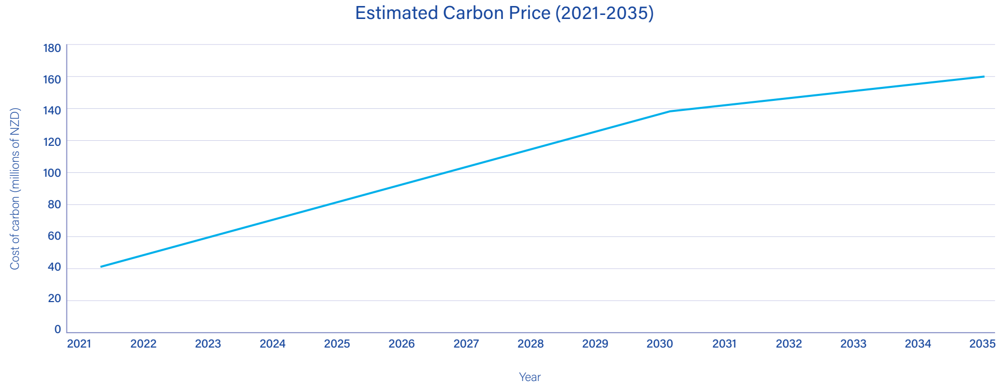
FIGURE 3: LOW EMISSIONS VEHICLE ADOPTION COMPARED FOR A HEADWINDS AND TAILWINDS SCENARIO. SOURCE: FREIGHTWAYS MODELLING



Carbon price

The annual carbon price in the Climate Change Commission's analysis is consistent across both the Headwinds and Tailwinds scenarios. They are a yearly prediction of what the price of carbon could be to create economic incentives to meet emission reduction targets. This is presented in Figure 4 below:

FIGURE 4: ESTIMATED CARBON PRICE (2021-2035) UNDER HEADWINDS AND TAILWINDS SCENARIOS. SOURCE: CLIMATE CHANGE COMMISSION



Climate–related disclosures

Assessment findings

Under a "Tailwinds" scenario, by 2034 all vehicles in the motorbike, passenger vehicle, and van fleets are expected to be fully electric. The 2021 NPV of our financial exposure to the cost of carbon in transport fuels over the 2022 to 2035 period is approximately NZD 68.3m with a peak financial exposure of approximately NZD 10.1m in 2029 when the risk subsides as the proportion of EVs in the fleet increases steadily. Despite this, continued growth in aviation fuel use means the cost of carbon to the business in 2035 is 33% higher than 2019 levels. By 2050, it is expected that all land-based light transport fleets will be fully electric (or similar low emissions technology), which will considerably reduce Freightways' exposure to this risk. While we have not made any commitments at this time to invest in low-emission aviation fuels or propulsion types, we anticipate more of these options becoming available from 2030 onwards.

Under a "Headwinds" scenario, none of our vehicle fleets become fully electric by 2035. The NPV of our financial exposure to the cost of carbon in transport fuels between 2022 and 2035 is approximately NZD 82.1m, with a peak financial exposure of approximately NZD 13.4m in 2032, when the reduction in fuel use from the introduction of plug-in hybrid electric vehicles (PHEVs) in the passenger vehicle fleet (from 2029) begins to counteract the rising cost of carbon. Combined with the growth in aviation fuel use, the cost of carbon in 2035 remains at 86% higher than 2019 levels. By 2050, this risk is expected to have reduced from 2035 levels. However, the delay in adoption of low emission heavy vehicles and the continued use of hydrocarbons in the aircraft fleet mean that Freightways may have exposure to the risk posed by the increasing cost of carbon in transport fuels.

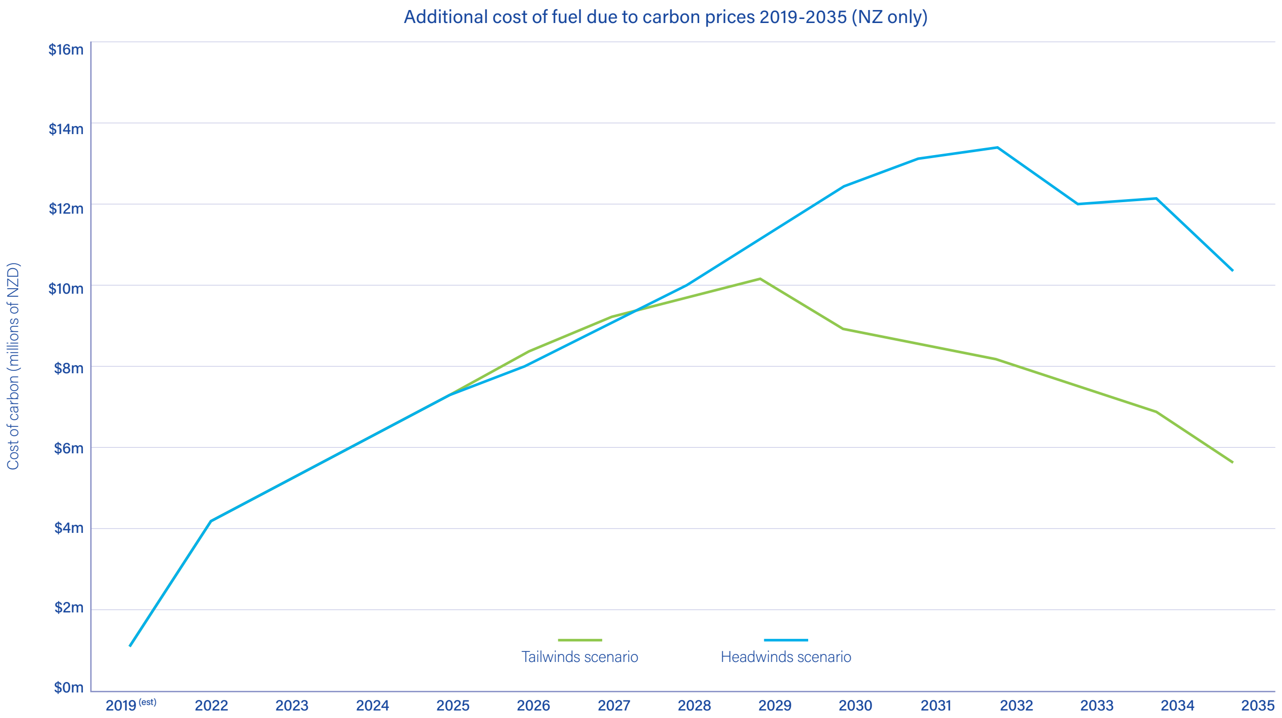
The overall financial impact of this increasing carbon cost exposure will depend on the extent to which this cost can be passed onto consumers. Freightways' ability to pass this cost on to consumers will itself depend on the impact that these higher carbon costs have on the demand for transportation services and the speed at which our competitors decarbonise their fleets.

Our transition initiatives

To help reduce this risk over time, we have several initiatives underway. Firstly, we have annual measurement and third-party assurance of our GHG emissions, which allows us to understand the trajectory of our carbon exposure year-on-year. Secondly, Freightways has developed its emissions reduction using Paris-aligned targets. This work includes planning our transition towards low emissions vehicles. Lastly, Freightways is constantly exploring ways to improve the efficiency and utilisation of our routes and service offerings.

Figure 5, to the right, shows the projected financial exposure that Freightways has to a rising cost of carbon in transport fuels. The New Zealand dollar amount represents only the carbon cost component of the cost of fuel. The remaining components embedded in the price per litre (i.e., other taxes and the cost of the fuel itself) are in addition to the amount show.

FIGURE 5: FINANCIAL IMPACTS OF CARBON CONTENT IN TRANSPORT FUELS (2019-2035). SOURCE: FREIGHTWAYS MODELLING



Climate–related disclosures

TRANSITION RISK DESCRIPTION 2: CLIMATE COMPLIANCE REQUIREMENTS IMPACT POOL OF CONTRACTOR DRIVERS

Freightways recognises the essential role that our contractor drivers play in the success of our business model and strategy. To ensure we attract and retain the best people in the freight and logistics sector, we work to offer a competitive package for our contractors. A transition to a low carbon economy has the potential to undermine this competitiveness if we do not factor in costs that a transition could bring. In particular, we understand that a low carbon economy will likely lead to higher upfront costs for contractors as they transition to low emissions vehicles.

Additionally, the projected carbon prices in New Zealand will increase fuel costs for those who continue to use fossil fuel vehicles, which may raise barriers to attracting new contractor drivers. This would limit many of our core business activities, causing delays in our services and causing reputational damage amongst our customers.

To help mitigate this risk in the future, Freightways is leveraging several initiatives. Firstly, we have designed the agreements with our contractors to incentivise fuel-efficient driving, route choice and vehicle maintenance. This helps to reduce the emission intensity of our operations and improves margins for our contractors. Having established our emissions reduction plan, we can signal to our contractors when we will require any new replacement vehicles to be low emissions to meet our reduction targets. This allows our current and future contractors to factor in the potential additional up-front cost of this transition early on in their financial planning. Finally, to support the upcoming changes to our fleet, we have been improving the remuneration rates for contractors to help them meet any higher upfront costs of transitioning to low emissions vehicles when the time comes.

Table 4, to the right, describes the climate-related opportunities that were identified, and their expected impacts on the business.

TABLE 4: CLIMATE-RELATED OPPORTUNITIES

OPPORTUNITY FOR FREIGHTWAYS	OPPORTUNITY DRIVERS	TCFD OPPORTUNITY TYPE	POTENTIAL BENEFITS	TYPE OF OPPORTUNITY ASSESSMENT	OPPORTUNITY MATERIALISATION TIMEFRAME	BUSINESS MODEL AND STRATEGY RESPONSE
1. New markets and efficiencies spring up as part of the economic transition to net zero	Increased investment and expansion of renewable, low emission, zero waste and social equity activities throughout the economy	Markets Products and Services	Market growth Market share Improved fleet utilisation Greater breadth of revenue streams	Qualitative	5 to 10 years	Ensure that our contractors are sufficiently rewarded and incentivised to be able to invest in cleaner energy vehicles
2. New offerings enhance customer relationships	Freightways being a partner in its customers' emission reduction Customer demand for greater emissions transparency Improved emissions measuring and reporting tools	Resource Efficiency Products and Services	Additional/ enhanced service offerings for customers Lower prices for freight services for customers Improved company reputation	Qualitative	5 to 10 years	Measure and reflect the environmental cost of services
3. Climate resilient transport network provides Freightways a strategic advantage	Impact of physical climate risks Customer demand for a reliable freight delivery network Investment in the resilience and adaptability of Freightways' network	Resilience	Improved reputation amongst both current and potential customers Overall business resilience against climate change	Qualitative	20 to 30 years	Invest in clean energy infrastructures and fleet

OPPORTUNITY 1: NEW MARKETS AND EFFICIENCIES

The drivers of climate change are known to extend beyond simply emissions from transport. As the world continues to invest in sustainability activities that reduce carbon emissions, we believe that there will be new markets and customers that our business can serve. For example, the rise of product stewardship and producer responsibility is increasing the need for reverse logistics. Not only will this develop new business opportunities for Freightways, but it will also support improved fleet utilisation and optimisation through a reduction in 'empty kilometres' vehicles travel. This will work to support our business strategy by strengthening our capability of striving for efficiency.

OPPORTUNITY 2: CUSTOMER GROWTH AND IMPROVED RELATIONSHIPS

Our customers are becoming increasingly aware of not just their own direct carbon emissions but the often much larger volume of indirect emissions of their suppliers and business partners. Leveraging our technology to provide customers with accurate data on the emissions embedded in their transported goods is a transition action we are already fielding requests for. As low emissions vehicles enter the fleet over the coming decade, customers will also be able to report on the reduction in indirect transportation emissions. Additionally, transitioning our fleet to low emissions, low cost-to-run vehicles could yield cost savings to our drivers and our business. As with the new markets and efficiencies opportunity, this will work to support our business strategy by strengthening our capability of striving for efficiency.

OPPORTUNITY 3 - IMPROVED COMPETITIVE ADVANTAGE

As physical climate risks become more material, the importance of a resilient transport network will grow. Through investing in our network over the coming decade, including assessing and responding to our network's vulnerabilities to physical climate change impacts, we can improve our network resilience and flexibility. This has the potential to give Freightways an advantage amongst others in our sector who do not attempt to invest in their network's resiliency. The result would likely see new customers leverage our network as they seek our reliability in the face of increase physical climate impacts. This will work to support our business strategy by strengthening our capability of delivering reliably.

Climate–related disclosures

Risk management

Freightways' process of identifying, assessing, and managing climate-related risks and opportunities takes into consideration activities occurring across its value chain. This approach requires Freightways to consider both the upstream and downstream risks of its direct operations. For example, physical risks impacting upstream infrastructure such as ports are considered due to their impact on our ability to deliver packages to our customers.

Freightways uses climate scenario analysis to support our identification and assessment of climate related risks. Climate-related risks are identified as:

PHYSICAL CLIMATE IMPACTS:

Physical climate impacts arise from extreme weather events (e.g., storm, flood, drought) or from the longer-term shifts in climate patterns (e.g., increasing temperatures). These changes may result in financial risks or opportunities due the direct and indirect impacts they can have on business operations, assets, markets or to supply chains.

TRANSITION CLIMATE PACTS:

Transition climate impacts refer to risks and opportunities resulting from the policy, legal, technology, and market changes occurring in the transition to a low carbon economy. Depending on the nature, speed, and focus of these changes, transition impacts may pose varying levels of financial and reputational risk or opportunity.

For example, the New Zealand's Ministry of Transport's *Pathway to Net Zero by 2050* document[11] sets out three themes to phase out emissions across our transport system. Table 5 below shows Freightways' actions in line with them (where applicable).

TABLE 5: PATHWAYS TO ZERO CARBON BY 2050 – INITIATIVES BY THEME

TRANSPORT SECTOR EMISSION REDUCTION THEMES		FREIGHTWAYS INITIATIVES
Theme 1 Changing the way we travel	Land-use changes; improvements to walking, cycling, and public transport networks; and demand management levers (including parking, congestion, and distance-based pricing).	N/A
Theme 2 Improving passenger vehicles	Phasing out the importation of Internal Combustion Engine (ICE) light vehicles by 2035; banning the use of all ICE light vehicles in 2050; adoption of biofuels in light vehicles and buses and electrifying the Public Transport bus fleet by 2035.	Our plan for EV uptake starts in 2024 and ramps up as availability of alternatives allow. With early action our entire fleet can be made up of low emission vehicles by 2035.
Theme 3 Supporting a more efficient freight system	Energy saving and logistic improvements (such as freight routes optimisation; freight consolidation and improved last mile efficiency); mode-shift from road freight to rail and to coastal shipping; adoption of biofuels for road freight and accelerating uptake of electric medium trucks.	Freightways have systems in place to enable optimisation, such as freight consolidation and last mile efficiency and driver training. As a consolidation business we understand the economic and environmental benefit of being resource efficient.

[11] Ministry of Transport – Transport Emissions: Pathway to Net Zero by 2050

Risk management

Climate-related risks are identified through multiple internal and external sources. These include:

INTERNAL SOURCES

- Our disaster recovery and business continuity plans assess the impacts of acute events.
- Regular reviews of critical risks assessments.

EXTERNAL SOURCES

- Our involvement in the Climate Leaders Coalition[12] and other industry groups focused on addressing climate change.
- Briefings and advice from climate change specialists.
- Reports produced by government agencies, such as the Emissions Reduction Plan and the Climate Change Commission's recommendations.

[12] https://www.climateleaderscoalition.org.nz/who/signatories/signatories/freightways

Climate–related disclosures

Risk management

LIKELIHOOD AND IMPACT

To determine the risk rating of climate-related risks, we use our general business risk matrix (Figure 6). This approach considers two variables: likelihood and impact (Table 6 and Table 7). The ratings reflect our short, medium, and long-term timeframes and the financial impact on the company; scenario analysis is also included in assessing risks. As most of our risks and opportunities assessments are currently only qualitative, we only use the likelihood rating elements. The likelihood rating produced from the assessment of each identified climate-related risk is used to determine the relative significance of all climate-related risks. Because we also use the likelihood rating as part of our determination of other risks Freightways faces, we can also determine the relative likelihood of climate-related risks in relation to other risks.

TABLE 6: FREIGHTWAYS' RISK LIKELIHOOD RATINGS

LIKELIHOOD	DEFINITION	COULD HAPPEN WITHIN:	TIME HORIZON
Very unlikely	Only expected to happen in exceptional circumstances	10 years	Long-term
Unlikely	Has been known to occur, including in other organisations	3 to 5 years	Medium-term
Possible	Has happened before within the company or the industry	1 to 2 years	Short-term
Likely	Regular occurrence within the industry or company	1 year	Short-term
Very likely	Happens with high frequency	1 month	Short-term

TABLE 7: FREIGHTWAYS' RISK IMPACT RATINGS

	FINANCIAL IMPACT	REPUTATION	H&S	COMPLIANCE
IMPACT	COULD > EBITA BY:			
Minor	<1%	Can be ignored or managed through informal communication	Minor physical injury or emotional impact or near miss; can be managed at team level	Breach of internal policy only
Moderate	<5%	Minor but credibility/integrity of FRE questioned and requires formal response	Lost time injury less than 5 days; emotional impact requiring EAP assistance; minor increase in absenteeism or turnover	Breach of external guidelines; non-notifiable breach of privacy law; breach of administrative or non-material provision of other statute or regulation
Significant	<10%	Moderate incident that could damage FRE's reputation and lead to some media coverage	Lost time injury between 5 and 10 days, professional/medical treatment required; incident attracts some media attention; WorkSafe investigation with risk of improvement or prohibition notice	Breach of statutory or regulatory obligation; relevant regulator aware or must be notified (e.g. privacy breach requiring notification to privacy regulator)
Major	<33%	Credibility/integrity of FRE challenged with national/sustained media coverage; shareholder enquiries likely	Serious harm with hospitalization/lost time injury of more than 10 days; WorkSafe investigation with risk of prosecution/significant penalties	Breach of NZX Listing Rule or other material legislative breach with risk of financial penalty and/or restriction on operation
Catastrophic	33%+	Significant and sustained negative media coverage; requires communications to shareholders and/or NZX	Severe accident involving multiple hospitalisations/permanent disability or death; WorkSafe investigation with risk of prosecution/significant penalties	Breach of NZX Listing Rule or other material legislative breach with risk of trading suspension, high profile court proceeding, FMA/SFO investigation and/or criminal penalty

Climate–related disclosures

Risk management

RISK REGISTER

We conducted our scenario analysis in 2020, and the resulting climate risks were incorporated into Freightways' risk register. Each controlled business is required to maintain their risk register which also considers mitigation and risk trends, including climate related risks. Freightways' executive leadership team is required to reflect on each risk at least annually. A collective agreement on prioritisation follows, which informs the decisions on how to mitigate, transfer, accept or control each risk. Note that the scenario analysis and risk register will be updated prior to FY24 reporting to reflect the XRB requirement to analyse three scenarios (currently Freightways has considered two).

During our initial scenario analysis, we identified that climate risks will peak in impact beyond the upper 10-year limit of our risk assessment framework with a reasonably high degree of certainty. Therefore, it is possible that these risks may not be rated sufficiently using our current risk framework. Given this, and the fact that Freightways has acquired new businesses, we will update our risk assessment approach over the next year to review time horizons, risks and opportunities identified, and use most up-to-date scientific data.

FIGURE 6: RISK RATING MATRIX

Likelihood: probability of occurrence	5	4	3	2	1	
Very likely	Medium	Medium	High	Very high	Very high	A
Likely	Low	Medium	High	High	Very high	B
Possible	Low	Medium	Medium	High	High	C
Unlikely	Low	Low	Medium	Medium	High	D
Very unlikely	Low	Low	Low	Medium	High	E
	Minor	Moderate	Significant	Major	Catastrophic	

Impact when occurs (EBITA reduction)

Metrics and targets

Freightways uses emissions data and targets to measure and assess our climate related risks, as well as emissions price. Emissions price used (NZD per tonne of CO2e) are as per Climate Change Commission's advice, set as NZD140 in 2030, NZD190 in 2040 and NZD250. Below, we outline our Scope 1, 2 and 3 emissions, and our Paris-aligned targets.

SCOPE 1, SCOPE 2, AND 3 EMISSIONS

To understand and report transparently against our emissions reduction goals, we are committed to managing and reducing our carbon footprint and have been measuring Scope 1, 2, and 3 GHG emissions since 2014 for our New Zealand operations, meeting the requirements of TOITŪ Carbonreduce™ certification and ISO 14064-1:2006. Table 8 provides a summary of emissions.

Our emissions calculation approach can be found here (https://www.toitu.co.nz/our-members/members/freightways-limited). Freightways' emissions calculation uses an operational control consolidation approach and only includes fuel, electricity, and refrigerants. Emissions factors and Global Warming Potentials (GWPs) were provided by TOITŪ and reference the IPCC fifth assessment report (AR5). Remaining sources have been excluded on the basis that they are de minimis. The following business unit was excluded:

- Prior to FY22, GHG emissions below excluded Big Chill Distribution Limited and the Group's Australia operations.
- Freightways acquired Allied Express Transport Pty Limited (Allied) effective 30 September 2022. The GHG emissions below exclude Allied. Freightways intends to include Allied's GHG emissions from FY24.

TABLE 8: SUMMARY OF GHG EMISSIONS *FY23 GHG emissions data to be audited in November 2023

	BASELINE 2019	FY20	FY21	FY22	FY23*
Scope 1 (tCO2e)	3,912.34	3,679.88	4,151.34	10,083.61	11,700.31
Scope 2 (tCO2e)	873.07	825.95	802.04	4,485.67	3,549.33
Scope 3 (tCO2e)	40,277.60	46,118.74	47,483.49	71,502.15	68,271.04
Total absolute emissions (tCO2e)	45,063.01	50,624.57	52,436.87	86,071.43	83,520.68
Total emissions intensity (gross tCO2e / $Millions	**90.85**	**102.98**	**94.16**	**98.58**	**89.38**

EMISSIONS REDUCTION TARGETS

In FY21, we set 2030 and 2035 emission reduction targets, which were supported by a third-party consultant. We are working toward a 2030 target of 30% reduced GHG emissions and a 2035 target of 50% reduction in absolute GHG emissions from a 2019 baseline. Over 95% of our emissions come from the fuel we use in our fleet cars, our contracted courier vans and trucks, and the aircrafts we use. Freightways' efforts to achieve our targets are dependent on low emissions technology, which is not yet available to allow for meaningful progress made against the targets.

Our Board

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

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

PETER KEAN
PMD – Harvard

MARK RUSHWORTH
BE(Hons), MEM

FIONA OLIVER
LLB, BA, CF Inst D

DAVID GIBSON
B.Com LL.B (Hons)

Our Leadership

MARK TROUGHEAR
Chief Executive Officer
BMS – University of Waikato

AMI VAN GILS
Head of People and Culture, BA – University of Auckland
Freightways

NEIL WILSON
General Manager
Freightways

STEPHAN DESCHAMPS
Chief Financial Officer, MBA – Master in Finance
B Poli Sci, M Fin (Institut d'Etudes Politiques, Paris)

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

MATTHEW COCKER
Chief Information Officer
PhD – Georgetown University

STEVE WELLS
General Manager
Express Package Division

Management commentary
(no financial statements)

Financial Summary
For the year ended 30 June 2023

	Note	2023 $000	2022 $000	Increase %
Operating revenue		1,121,620	873,094	**28.5**
EBITA*	(i)	145,285	126,522	**14.8**
NPAT	(ii)	75,297	70,182	**7.3**
EBITA* (excluding other expenses)		145,285	130,222	**11.6**
NPAT (excluding other expenses, net of tax)		75,297	73,882	**1.9**
Other expenses:				
Change in fair value of contingent consideration – Big Chill Distribution Limited (BCD)	(iii)	-	(3,700)	
Total		**-**	**(3,700)**	
Tax benefit applicable to other expenses		-	-	
Other expenses, net of tax		**-**	**(3,700)**	

Notes:

(i) Operating profit before interest, income tax and amortisation of intangibles
(ii) Profit for the year attributable to the shareholders
(ii) The estimated discounted future final payment for the BCD acquisition was increased from $51.3 million as at 30 June 2021 to $56.2 million as at 30 June 2022. This increase of $3.7 million (net of impact of unwinding of discount on acquisition earn-out liability of $1.2 million) reflected the strong performance of BCD, which determined the final payment in August 2022 for the acquisition of the company.

The Directors believe that the other expenses detailed above should not be included when assessing the underlying trading performance of the Group.

*EBITA is a non-GAAP measure

Management commentary
(no financial statements)

Director's 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 2023 and its financial performance and cash flows for the year ended on that date.

DIRECTORS

The names 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 and Meridian Energy 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 14 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, Sanford Limited and Christchurch City Holdings 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 NZME Limited, Goodman (NZ) Limited 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 renewable energy, natural gas, technology, and financial services. She is a director (and Audit Committee Chair) of Gentrack Group Limited, the First Gas Group, and Wynyard Group Limited (in liquidation). Fiona's executive career was in the financial services sector in New Zealand and overseas. In New Zealand, her roles included Chief Operating Officer of Westpac's investment arm, BT Funds Management, and General Manager of AMP NZ's Wealth Management division. In Sydney and London, Fiona managed the Risk and Operations function for AMP's private capital division. Prior to this, Fiona was a senior corporate and commercial 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 29 June 2023, 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.

Director's Report

BOARD SKILL 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 Skill Matrix below sets out the skills of each Director against the range of expertise Freightways requires to succeed.

Deep Expertise (NED)	Mark Cairns	Abby Foote	David Gibson	Peter Kean	Fiona Oliver	Mark Rushworth
Governance	●	●	●	●	●	●
NZ Listed Market	●	●	●	●	●	
Audit And Risk	●	●	●		●	●
Business Operations At Scale	●			●		●
International Transport, Logistics, Sector Aligned Expertise	●			●		
Marketing / Brand / Sales				●		●
It Platforms And Digital Innovation	●				●	●
Australian Market				●	●	
Health & Safety	●	●		●	●	
Environmental, Social & Governance (ESG)	●	●	●	●	●	●
Entrepreneurial	●		●	●		●

PRINCIPAL ACTIVITIES

The principal activities of the Group during the year ended 30 June 2023 were the operation of express package & business mail services and information management services.

Management commentary
(no financial statements)

Director's Report

CONSOLIDATED RESULT FOR THE YEAR

	2023 $000	2022 $000
Operating revenue	**1,121,620**	**873,094**
Operating profit before interest and income tax	133,962	118,994
Net interest and finance costs	(28,585)	(20,292)
Profit before income tax	105,377	98,702
Income tax	(30,080)	(28,520)
Profit for the year attributable to the shareholders	**75,297**	**70,182**

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 2021)

	Position	Note	Group Fees (per annum) 2023 $	2022 $
Board of Directors	Chair	(i)	180,000	180,000
	Member – NZ		100,000	100,000
	Member – NZ		100,000	100,000
	Member – NZ		100,000	100,000
	Member – NZ		100,000	100,000
Audit & Risk Committee	Chair	(i)	120,000	120,000
People & Remuneration Committee	Chair	(i)	115,000	115,000
Committee work pool (if required)			42,145	42,145
Total annual fee pool limit		(ii)	**857,145**	857,145

Notes:
(i) Inclusive of Board member fee
(ii) Approved by shareholders at Annual Shareholders Meeting in October 2021

Director's Report

REMUNERATION RECEIVED BY DIRECTORS

	2023 $	2022 $
Directors of Freightways (Parent company)		
Mark Cairns	180,000	123,917
Abby Foote	120,000	114,667
David Gibson (appointed 1 April 2022)	100,000	25,000
Peter Kean	115,000	101,417
Fiona Oliver (appointed 5 July 2021)	100,000	97,667
Mark Rushworth	100,000	97,667
Mark Verbiest (resigned 31 March 2022)	-	130,000
Kim Ellis (resigned 28 October 2021)	-	33,333
Total non-executive Directors	**715,000**	**723,668**

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 89.

CHIEF EXECUTIVE'S REMUNERATION

	2023 $	2022 $
CEO – Mark Troughear		
Salary	945,000	874,000
Benefits	39,000	39,000
Subtotal	984,000	913,000
Pay for Performance:		
STI	511,000	565,000
LTI	298,000	190,000
Subtotal	809,000	755,000
Total remuneration	**1,793,000**	**1,668,000**

Management commentary
(no financial statements)

Director's 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
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
2019	Mark Troughear	873	100	-	N/A

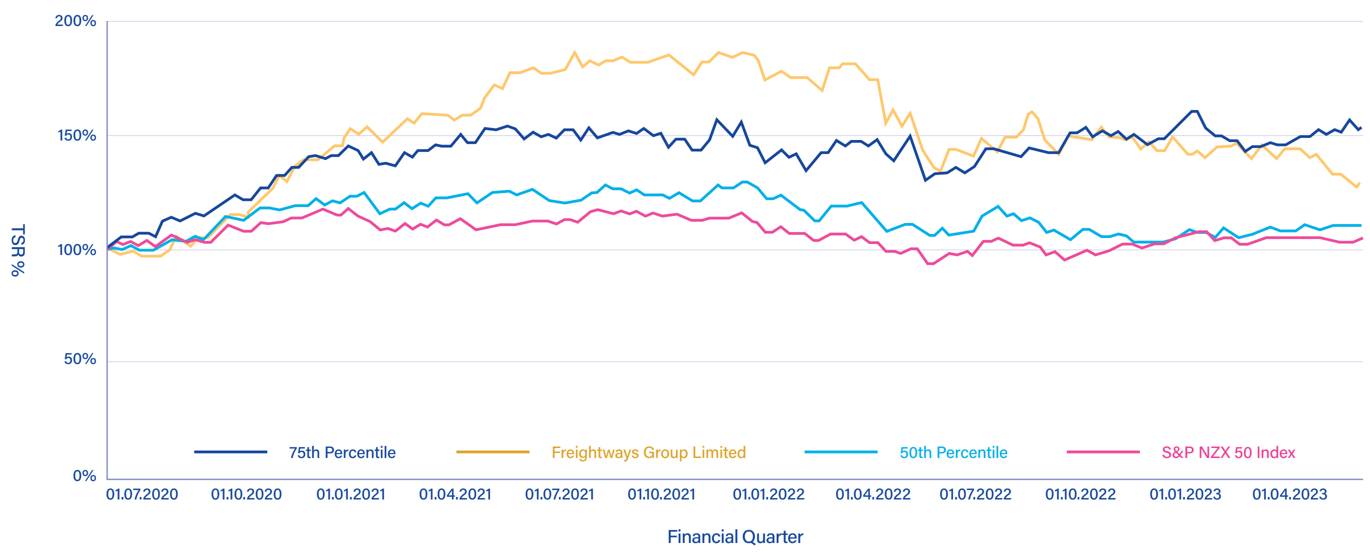
The remuneration of the CEO in the remuneration tables above includes the STI and LTI incentive payments made during the year ended 30 June 2023 in respect of the two previous six-month performance periods (1 January to 30 June 2022 and 1 July to 31 December 2022). No amount is included above in respect of incentive payments for the period 1 January to 30 June 2023, as these were paid in August 2023.

BREAKDOWN OF CHIEF EXECUTIVE'S PAY FOR PERFORMANCE (RELATED TO FY23 OBJECTIVES)

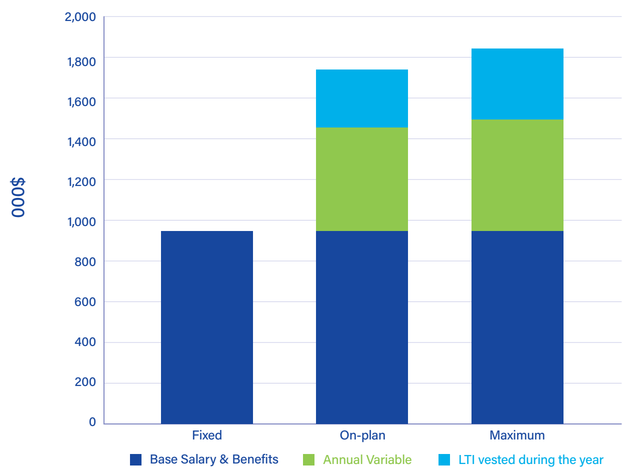
	Description	Performance measures	Achieved (%)
STI	55% of base salary. Based on a combination of financial and non-financial performance measures.	50% weighting on achievement of Board approved earnings before interest, tax and amortisation (EBITA).	60
		50% weighting on individual performance comprising strategy development & delivery, health & safety and carbon emissions reduction strategy.	100
LTI	Conditional awards of shares under long-term incentive scheme. Introduced in July 2019 with a vesting period of 3 years ending 30 June 2023.	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.	91% achieved and will be exercised in the first half of FY24
		Absolute TSR (aTSR) - Up to 50% of Share Rights will vest based on exceeding a cost of capital hurdle over the vesting period.	91% achieved and will be exercised in the first half of FY24

Director's Report

THREE-YEAR SUMMARY: TSR PERFORMANCE



CHIEF EXECUTIVE'S REMUNERATION PERFORMANCE PAY FOR FY23



REMUNERATION OF OTHER OFFICERS IN THE FREIGHTWAYS GROUP

Fixed remuneration of other officers, not being Directors of the Company, representing a range from 73% to 80% 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 20% to 27% 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 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.

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

Management commentary
(no financial statements)

Director's Report

REMUNERATION OF EMPLOYEES

The number of employees, not being Directors of the Company, within the Group receiving annual remuneration and benefits above $100,000 are as indicated in the following table:

Group	2023	2022
$100,000 – $109,999	136	101
$110,000 – $119,999	96	56
$120,000 – $129,999	63	41
$130,000 – $139,999	48	42
$140,000 – $149,999	33	29
$150,000 – $159,999	24	16
$160,000 – $169,999	22	18
$170,000 – $179,999	24	11
$180,000 – $189,999	14	11
$190,000 – $199,999	13	9
$200,000 – $209,999	13	6
$210,000 – $219,999	9	12
$220,000 – $229,999	8	4
$230,000 – $239,999	4	7
$240,000 – $249,999	4	3
$250,000 – $259,999	6	3
$260,000 – $269,999	1	8
$270,000 – $279,999	4	2
$280,000 – $289,999	1	3
$290,000 – $299,999	4	5
$300,000 – $309,999	2	1
$310,000 – $319,999	1	1
$320,000 – $329,999	1	1
$330,000 – $339,999	1	1
$340,000 – $349,999	2	-
$350,000 – $359,999	4	2
$360,000 – $369,999	1	-
$370,000 – $379,999	2	-
$380,000 – $389,999	-	1
$390,000 – $399,999	-	1
$400,000 – $409,999	-	1
$410,000 – $419,999	1	-
$420,000 – $429,999	-	2
$430,000 – $439,999	-	2
$440,000 – $449,999	1	-
$480,000 – $489,999	-	1
$510,000 – $519,999	-	1
$530,000 – $539,999	-	1
$550,000 – $559,999	1	-
$580,000 – $589,999	1	-
$610,000 – $619,999	1	-
$640,000 – $649,999	1	-
$650,000 – $659,999	1	1
$740,000 – $749,999	-	1
$780,000 – $789,999	-	2
$820,000 – $829,999	-	1
$840,000 – $849,999	1	-
$1,660,000 – $1,669,999	-	1
$1,790,000 – $1,799,999	1	-

Director's 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 balance date 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	14,363
David Gibson	20,812
Peter Kean	51,500
Fiona Oliver	2,800
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 2023:

	Number Acquired (Disposed)	$000 Cost (Sale)
Mark Rushworth		
Ordinary shares acquired on 24 March 2023	10,000	93

Management commentary
(no financial statements)

Director's 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 2023.

Name	Name of company / entity	Nature of interest
Mark Cairns	Auckland International Airport Limited	Director
	Meridian Energy Limited	Director
	Sanford Limited	Director**
Abby Foote	Christchurch City Holdings Limited	Director*
	KMD Brands Limited	Director
	Sanford Limited	Director
David Gibson	Goodman (NZ) Limited	Director
	NZME Limited	Director
	Rangatira Limited	Director
Peter Kean	Sanford Limited	Director**
	Trojan Holdings Limited	Director
Fiona Oliver	Barramundi Limited	Director
	BNZ Life Insurance Limited	Director**
	BNZ Insurance Services Limited	Director**
	Gentrack Group Limited	Director
	First Gas group companies	Director
	Guardians of New Zealand Superannuation	Director*
	Kingfish Limited	Director
	Marlin Global Limited	Director
	Summerset Group Holdings Limited	Director*
Mark Rushworth	UP Education	Group Chief Executive

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

Director's 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 21st day of August 2023.

Mark Cairns
Chairman

Abigail Foote
Director

Management commentary
(no financial statements)

Financial Statements

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

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Independent auditor's report

To the shareholders of Freightways Group Limited (formerly known as Freightways 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 2023, 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 (IFRS).

What we have audited

The Group's financial statements comprise:

- the balance sheet as at 30 June 2023;
- 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, which include significant accounting policies 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 standardised general treasury training. 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 have 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 $1,122 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 $14.4 million included in contract liabilities for service obligations not yet performed as at 30 June 2023. 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; • performed test of controls to ensure the controls in place are effective to prevent and detect material misstatement at a transactional level; • performed 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 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 $406.7 million and $157.3 million respectively (30 June 2022: $306.1 million and $128.3 million) which include the provisional goodwill and indefinite lived brands for Allied Express Transport Pty Limited (AEX) of $100.3 million and $29.4 million respectively. 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. Our audit focused on this area as it 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. A probabilistic approach was also adopted where a number of different growth scenarios were considered and weighted by likelihood of achievement. For each CGU, the recoverable amount based on the value in use 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 estimations and judgments in the VIU models included some or all of the following: • gaining an understanding of the business process 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 FY24 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 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

Description of the key audit matter	How our audit addressed the key audit matter
Allied Express Transport Pty Limited (AEX) acquisition accounting As disclosed in Note 30, on 30 September 2022, the Group completed the acquisition of AEX, for a total consideration of approximately NZ$215.3 million which includes cash, the issue of shares in the Group, a promissory note and a completion adjustment. AEX was an independently owned courier and express freight business in Australia at the time of purchase. As disclosed in Note 30, the fair value of certain assets and liabilities arising from the acquisition have been determined on a provisional basis as the completion adjustment is currently being finalised. We consider this acquisition to be a key audit matter due to the significance of the acquisition to the Group and the application of significant management judgement in completing a provisional assessment of the fair value of the assets and liabilities acquired, including recognising the following separately identifiable intangible assets: • Brands of $30.6 million • Non-compete agreements with the founders/directors of $3.1 million • Customer relationships of $54.7 million.	Our procedures over accounting treatment of the acquisition included: • reading the Sale and Purchase Agreement to understand the key terms and conditions; • agreeing the consideration to supporting documentation. This included agreeing the value assigned to the Company shares that were issued as part of the consideration to the market value of the Company's shares at the transaction date; • with the assistance of our internal experts considered the appropriateness of the accounting treatment and disclosure of the Promissory Note under NZ IFRS 3 Business combinations (NZ IFRS 3); • gaining an understanding of the valuation approach and methodology undertaken by management to identify separately identifiable intangible assets against the criteria in NZ IFRS 3 and fair value the assets and liabilities acquired; • obtaining and reading the valuation report prepared by management's external experts on the purchase price allocation for the acquisition and engaging our auditor's valuation expert to: a) assess the valuation approach, methodology and assumptions undertaken by management in relation to the valuation of the brands, customer relationships and non-compete agreements; b) test the mathematically accuracy of the calculations; • recalculating the provisional purchase price allocation and the resulting provisional goodwill as a result of the acquired assets and liabilities; and • assessing the disclosures made against the requirements of the NZ IFRS 3.

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

Our audit approach

Overview

Overall group materiality: $5,268,000 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 22 entities.

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

- Revenue recognition
- Impairment assessment of goodwill and indefinite lived brand names
- Allied Express Transport Pty Limited (AEX) acquisition accounting

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

pwc

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.

Our opinion on the financial statements does not cover the other information and we do 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.

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, 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.

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 Auckland
21 August 2023

PwC

Income Statement
For the year ended 30 June 2023

	Note	Group 2023 $000	Group 2022 $000
Operating revenue	2 & 3	**1,121,620**	**873,094**
Transport and logistics expenses		(479,169)	(344,534)
Employee benefits expenses		(309,879)	(252,488)
Occupancy expenses		(6,935)	(6,857)
General and administration expenses		(110,754)	(80,634)
Change in fair value of contingent consideration – Big Chill Distribution Limited	30	-	(3,700)
Depreciation and software amortisation	4	(69,598)	(58,359)
Amortisation of intangibles	4	(11,323)	(7,528)
Operating profit before interest and income tax		**133,962**	**118,994**
Net interest and finance costs	4	(28,585)	(20,292)
Profit before income tax		**105,377**	**98,702**
Total income tax	5	(30,080)	(28,520)
Profit for the year		**75,297**	**70,182**
Profit for the year is attributable to:			
Owners of the parent		75,144	70,095
Non-controlling interests		153	87
		75,297	**70,182**
Earnings per share	25		
Basic earnings per share (cents)		43.1	42.3
Diluted earnings per share (cents)		43.1	42.2

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 2023

	Note	Group 2023 $000	Group 2022 $000
Profit for the year (NPAT)		**75,297**	**70,182**
Other comprehensive income Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	21	(5,796)	2,858
Cash flow hedges taken directly to equity, net of tax	21	226	3,373
Total other comprehensive income after income tax		**(5,570)**	**6,231**
Total comprehensive income for the year		**69,727**	**76,413**
Total comprehensive income for the year is attributable to:			
Owners of the parent		69,574	76,326
Non-controlling interests		153	87
		69,727	**76,413**

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 21st day of August 2023.

Mark Cairns
Chairman

Abigail Foote
Director

Statement of Changes in Equity
For the year ended 30 June 2023

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 2021		**182,571**	**163,522**	**(1,195)**	**(6,945)**	**148**	**338,101**
Profit for the year		-	70,095	-	-	87	70,182
Exchange differences on translation of foreign operations		-	-	-	2,858	-	2,858
Cash flow hedges taken directly to equity, net of tax		-	-	3,373	-	-	3,373
Total Comprehensive Income		**-**	**70,095**	**3,373**	**2,858**	**87**	**76,413**
Dividend payments	6	-	(59,678)	-	-	-	(59,678)
Shares issued	21	1,778	-	-	-	-	1,778
Balance at 30 June 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**

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

Balance Sheet
As at 30 June 2023

	Note	Group 2023 $000	Group 2022 $000
Current assets			
Cash and cash equivalents	7	44,485	24,137
Trade and other receivables	8	150,434	127,072
Inventories	9	9,650	8,674
Contract assets		1,875	1,332
Derivative financial instruments	10	1,126	963
Total current assets		**207,570**	**162,178**
Non-current assets			
Trade receivables and other non-current assets	8	5,999	6,070
Property, plant and equipment	12	155,200	134,180
Right-of-use assets	13	315,536	271,020
Intangible assets	14	677,639	501,668
Investment in associates and joint venture	15	12,480	11,407
Derivative financial instruments	10	2,212	2,061
Total non-current assets		**1,169,066**	**926,406**
Total assets		**1,376,636**	**1,088,584**
Current liabilities			
Trade and other payables	17	138,602	172,822
Lease liabilities	13	44,774	34,735
Income tax payable		16,807	7,209
Provisions	18	3,552	1,550
Contract liability	19	14,407	15,876
Total current liabilities		**218,142**	**232,192**
Non-current liabilities			
Trade and other payables	17	4,159	3,709
Borrowings	20	297,194	176,210
Deferred tax liability	16	56,824	37,087
Provisions	18	10,216	7,382
Lease liabilities	13	313,499	275,390
Total non-current liabilities		**681,892**	**499,778**
Total liabilities		**900,034**	**731,970**
NET ASSETS		**476,602**	**356,614**
EQUITY			
Contributed equity	21	298,075	184,349
Retained earnings		185,618	173,939
Cash flow hedge reserve	10	2,404	2,178
Foreign currency translation reserve		(9,883)	(4,087)
	21	**476,214**	**356,379**
Non-controlling interests		388	235
TOTAL EQUITY		**476,602**	**356,614**

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

Statement of Cash Flows
For the year ended 30 June 2023

	Note	Group 2023 $000 Inflows (Outflows)	Group 2022 $000 Inflows (Outflows)
Cash flows from operating activities			
Receipts from customers		1,119,913	851,573
Payments to suppliers and employees		(909,812)	(672,075)
Cash generated from operations		**210,101**	**179,498**
Interest received		1,003	83
Interest and other costs of finance paid		(29,589)	(20,375)
Income taxes paid		(25,707)	(35,522)
Net cash inflows from operating activities	23	**155,808**	**123,684**
Cash flows from investing activities			
Payments for property, plant and equipment		(34,190)	(23,020)
Payments for software		(3,061)	(4,098)
Proceeds from disposal of property, plant and equipment		2,296	1,148
Payments for businesses acquired (net of cash acquired)	30	(128,472)	(12,070)
Payments for investment in associates		(612)	(2,674)
Receipts from joint venture and associate		2,711	2,930
Cash flows from other investing activities		-	2
Net cash outflows from investing activities		**(161,328)**	**(37,782)**
Cash flows from financing activities			
Dividends paid		(63,465)	(59,678)
Increase in bank borrowings		128,088	9,803
Proceeds from issue of ordinary shares		644	1,778
Principal elements of lease payments		(41,734)	(34,008)
Net cash inflows (outflows) from financing activities		**23,533**	**(82,105)**
Net increase in cash and cash equivalents		**18,013**	**3,797**
Cash and cash equivalents at beginning of year		24,137	19,940
Exchange rate adjustments		2,335	400
Cash and cash equivalents at end of year	7	**44,485**	**24,137**

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 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting entity and statutory base

Freightways Group Limited, formerly known as Freightways 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.

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 to 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 financial year ended 30 June 2023, the Group acquired Allied Express Transport Pty Limited. All identifiable assets and liabilities including intangible assets were measured at fair value at acquisition date (refer Note 30). 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 2023

(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 2023

(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 2022.

Notes to the financial statements
For the year ended 30 June 2023

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 2023:

	Express Package & Business Mail	Information Management	Corporate	Inter-Segment Elimination	Consolidated Operations
	$000	**$000**	**$000**	**$000**	**$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

Notes to the financial statements
For the year ended 30 June 2023

As at and for the year ended 30 June 2022:

	Express Package & Business Mail	Information Management	Corporate	Inter-Segment Elimination	Consolidated Operations
	$000	$000	$000	$000	$000
Income statement					
Sales to external customers	687,023	186,071	-	-	873,094
Inter-segment sales	2,009	996	5,639	(8,644)	-
Total revenue	**689,032**	**187,067**	**5,639**	**(8,644)**	**873,094**
Operating profit (loss) before other income and expense, interest, income tax, depreciation and software amortisation and amortisation of intangibles	142,156	55,232	(8,807)	-	188,581
Change in fair value of contingent consideration – Big Chill Distribution Limited (Note 30)	-	-	(3,700)	-	(3,700)
Operating profit (loss) before interest, income tax, depreciation and software amortisation and amortisation of intangibles	142,156	55,232	(12,507)	-	184,881
Depreciation and software amortisation	(34,687)	(22,105)	(1,567)	-	(58,359)
Operating profit (loss) before interest, income tax and amortisation of intangibles	107,469	33,127	(14,074)	-	126,522
Amortisation of intangibles	(5,195)	(2,333)	-	-	(7,528)
Profit (loss) before interest and income tax	102,274	30,794	(14,074)	-	118,994
Net interest and finance costs	(6,200)	(4,804)	(9,289)	-	(20,292)
Profit (loss) before income tax	96,074	25,990	(23,362)	-	98,702
Income tax	(26,067)	(7,745)	5,292	-	(28,520)
Profit (loss) for the year attributable to the shareholders	**70,007**	**18,245**	**(18,070)**	**-**	**70,182**
Balance sheet					
Segment assets	702,906	344,361	41,317	-	1,088,584
Segment liabilities	315,888	185,085	230,997	-	731,970

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

For the year ended 30 June 2023, external revenue from customers in the Group's New Zealand and Australian operations was $775.8 million and $345.8 million, respectively (2022: $730.1 million and $142.4 million, respectively). As at 30 June 2023, non-current assets in respect of the New Zealand and Australian operations (excluding deferred tax assets and financial assets) were $779.3 million and $389.8 million, respectively (2022: $707.8 million and $259.8 million, respectively).

Notes to the financial statements
For the year ended 30 June 2023

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 2023

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:

2023	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	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**

2022						
Revenue from external customers	641,410	45,613	59,319	83,521	43,231	873,094
Timing of revenue recognition:						
At a point in time	-	2,540	-	22,033	13,406	37,979
Over time	641,410	43,073	59,319	61,488	29,825	835,115
	641,410	**45,613**	**59,319**	**83,521**	**43,231**	**873,094**

Notes to the financial statements
For the year ended 30 June 2023

NOTE 4. INCOME AND EXPENSES

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

	Note	Group 2023 $000	Group 2022 $000
Income			
Interest income		1,003	83
Operating expenses			
Net gain on disposal of property, plant and equipment		(137)	(81)
Depreciation of property, plant and equipment	12	19,732	17,800
Depreciation of right-of-use assets	13	45,423	36,909
Amortisation of intangible assets	14	11,323	7,528
Amortisation of software	14	4,443	3,650
Auditor's fees			
Audit of annual financial statements and review of interim financial statements			
PwC New Zealand		561	485
PwC Australia		363	143
Total		924	628
General treasury training		1	-
Executives' remuneration benchmarking		-	6
Costs of offering credit			
Impairment loss (gain) on trade receivables		(650)	(782)
Interest and finance costs			
Interest on bank borrowings		15,827	8,352
Interest on leases	13	13,625	10,864
Other interest expense		136	1,232
Other			
Directors' fees		718	724
Donations		271	215
Net foreign exchange (gain) loss		(287)	465
Change in fair value of contingent consideration – Big Chill Distribution Limited "(BCD)"	30 & (i)	-	3,700

(i) The estimated discounted future final payment for the BCD acquisition was increased from $51.3 million as at 30 June 2021 to $56.2 million as at 30 June 2022. This increase of $3.7 million (net of impact of unwinding of discount on acquisition earn-out liability of $1.2 million) reflected the strong performance of BCD, which determined the final payment in August 2022 for the acquisition of the company. Refer Note 30.

Notes to the financial statements
For the year ended 30 June 2023

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	
	2023 $000	2022 $000
Current tax		
Current tax on net profit for the year	35,776	31,121
Deferred tax (Note 16):		
Reversal of temporary differences	(5,696)	(2,601)
Total deferred tax	(5,696)	(2,601)
Income tax expense	**30,080**	**28,520**

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:

Profit before income tax	105,377	98,702
Income tax calculated at domestic tax rates applicable to the accounting profits in the respective countries	30,040	27,880
Tax-effect of amounts which are treated differently when calculating taxable income:		
- Additional amounts non-deductible	(405)	640
- Other	445	-
Income tax expense	**30,080**	**28,520**

The Group has no tax losses (2022: Nil).

There are no unrecognised temporary differences (2022: Nil).

Notes to the financial statements
For the year ended 30 June 2023

	Group	
	2023 $000	2022 $000
Imputation credits account		
Imputation credits available for use in subsequent reporting periods	**58,266**	**56,872**

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:

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)	

2022	**Before tax $000**	**Tax (charge) /credit $000**	**After tax $000**
Exchange difference on translation of foreign operations	2,907	(49)	2,858
Cash flow hedges taken directly to equity	4,685	(1,312)	3,373
Other comprehensive income	**7,592**	**(1,361)**	**6,231**
Current tax		-	
Deferred tax		(1,361)	
		(1,361)	

Notes to the financial statements
For the year ended 30 June 2023

NOTE 6. DIVIDENDS

	Group	
	2023 $000	2022 $000
Recognised amounts		
Fully imputed dividends declared and paid during the year:		
Final dividend paid 2022 at 19 cents per share (2021: 18 cents)	31,527	29,833
Interim dividend for 2023 at 18 cents per share (2022: 18 cents)	31,938	29,845
	63,465	**59,678**
Unrecognised amounts		
Final dividend for 2023 at 19 cents per share (2022: 19 cents)	**33,712**	**31,503**

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	
	2023 $000	2022 $000
Cash at bank	44,376	24,026
Cash deposits	109	111
Cash and cash equivalents in statement of cash flows	**44,485**	**24,137**

Notes to the financial statements
For the year ended 30 June 2023

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	
	2023 $000	2022 $000
Current		
Trade receivables	129,254	107,747
Provision for doubtful receivables	(3,219)	(2,124)
	126,035	105,623
Accrued revenue	7,918	6,865
Other debtors and prepayments	16,000	14,100
Share plan loans receivable from employee	481	484
	150,434	**127,072**
Non-current		
Share plan loans receivable from employees	406	470
Other non-current assets	5,593	5,600
	5,999	**6,070**

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	
	2023 $000	2022 $000
Opening balance	2,124	3,014
Provision for doubtful receivables	589	124
Receivables written off during the year as uncollectible	(97)	(244)
Provisions added from acquired businesses	750	-
Unused amounts reversed	(104)	(792)
Exchange rate movement	(43)	22
Closing balance (Note 28.1(b))	**3,219**	**2,124**

Notes to the financial statements
For the year ended 30 June 2023

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 $10.5 million (2022: $9.8 million).

	Group	
	2023 $000	2022 $000
Finished goods	5,480	4,324
Ticket stocks, uniforms and consumables	4,170	4,350
	9,650	**8,674**

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 2023

	Group	
	2023 $000 Asset (Liability)	2022 $000 Asset (Liability)
Current		
Interest rate swaps – cash flow hedge	107	175
Forward foreign exchange contracts – cash flow hedge	1,019	788
	1,126	**963**
Non-current		
Interest rate swaps – cash flow hedge	2,212	1,189
Forward foreign exchange contracts – cash flow hedge	-	872
	2,212	**2,061**

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

	Cash flow hedge reserve			
	Intrinsic value of options	Spot component of currency forwards	Interest rate swaps	Total hedge reserve
	$000	**$000**	**$000**	**$000**
Balance at 1 July 2021	**-**	**123**	**(1,318)**	**(1,195)**
Change in fair value of hedging instrument recognised in Other Comprehensive Income (OCI)	-	1,491	3,193	4,684
Less: Deferred tax	-	(417)	(894)	(1,311)
Balance at 30 June 2022	**-**	**1,197**	**981**	**2,178**
Change in fair value of hedging instrument recognised in OCI	-	(641)	955	314
Less: Deferred tax	-	179	(267)	(88)
Balance at 30 June 2023	**-**	**735**	**1,669**	**2,404**

Notes to the financial statements
For the year ended 30 June 2023

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

	NZD		AUD	
	2023 $000	2022 $000	**2023 $000**	2022 $000
Interest rate swaps:				
Notional amount	52,000	37,000	15,000	10,000
Maturity date	05/25 – 04/28	05/23 – 05/26	07/23 – 04/27	06/23 – 07/23
Hedge ratio	1:1	1:1	1:1	1:1
Change in fair value of outstanding hedging instrument	1,986	2,325	333	868
Change in value of hedge item used to determine hedge effectiveness	(1,986)	(2,325)	(333)	(868)
Weighted average strike rate for the year	2.4%	2.7%	2.7%	3.1%
Forward foreign exchange contracts:				
Notional amount	12,631	12,988	-	-
Maturity date	07/23 – 06/24	07/22 – 06/24	-	-
Hedge ratio	1:1	1:1	-	-
Change in fair value of outstanding hedging instrument	1,019	1,491	-	-
Change in value of hedge item used to determine hedge effectiveness	(1,019)	(1,491)	-	-
Weighted average strike rate for the year	USD0.71: NZD1	USD0.69: NZD1	-	-

There was no derivative movement recognised in the income statement during the year (2022: nil).

Notes to the financial statements
For the year ended 30 June 2023

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.

Notes to the financial statements
For the year ended 30 June 2023

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

Other than the acquisition of Allied Express Transport Pty Limited and subsidiaries, there has been no change in investments in subsidiaries during the year.

Notes to the financial statements
For the year ended 30 June 2023

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
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 (Note 30)	-	-	514	320	7,856	8,690
Depreciation expense	-	(1,328)	(1,923)	(5,247)	(11,234)	(19,732)
Disposals / Transfers	-	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**

Notes to the financial statements
For the year ended 30 June 2023

Group	Land $000	Buildings $000	Leasehold Alterations $000	Motor Vehicles $000	Equipment $000	Total $000
2022						
Opening net book value	**15,782**	**17,448**	**11,599**	**28,588**	**54,921**	**128,338**
Additions	-	-	2,928	7,433	10,511	20,872
Acquisitions through business combinations	-	-	-	1,684	878	2,562
Depreciation expense	-	(1,376)	(1,727)	(4,818)	(9,879)	(17,800)
Disposals	-	-	(43)	(1,050)	(100)	(1,193)
Exchange rate movement	104	46	57	364	830	1,401
Closing net book value	**15,886**	**16,118**	**12,814**	**32,201**	**57,161**	**134,180**
As at end of year						
Cost	15,886	39,915	23,067	53,145	151,655	283,668
Accumulated depreciation	-	(23,797)	(10,253)	(20,944)	(94,494)	(149,488)
Net book value	**15,886**	**16,118**	**12,814**	**32,201**	**57,161**	**134,180**

The cost of equipment in respect of assets under construction for which depreciation has not commenced as at 30 June 2023 is $20.3 million (2022: $0.7 million).

The latest independent valuations of land and buildings (performed in June 2022) assess these assets to have a total fair value of $104.4 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 contains 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 7.22% (2022: 1.69% to 5.27%), with a weighted average rate of 4.37% (2022: 3.74%).

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 2023

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	2023 $000	2022 $000
Right-of-use assets		
Opening net book value	**271,020**	**275,849**
Lease additions, modifications and terminations	79,073	29,719
Additions through business combinations	12,791	-
Depreciation for the year	(45,423)	(36,909)
Exchange rate movement	(1,925)	2,361
Closing net book value	**315,536**	**271,020**
Cost	497,950	420,968
Accumulated depreciation	(182,414)	(149,948)
Closing net book value	**315,536**	**271,020**

Group	2023 $000	2022 $000
Right-of-use assets		
Buildings	285,709	248,950
Equipment	6,271	7,630
Motor vehicles	23,556	14,440
	315,536	**271,020**

Group	2023 $000	2022 $000
Lease liabilities		
Opening lease liabilities	**310,125**	**311,635**
Lease additions, modifications and terminations	79,298	29,818
Additions through business combinations	12,791	-
Interest for the year	13,625	10,864
Lease repayments	(55,442)	(44,815)
Exchange rate movement	(2,124)	2,623
Closing lease liabilities	**358,273**	**310,125**

Notes to the financial statements
For the year ended 30 June 2023

Group	2023 $000	2022 $000
Analysis of lease liabilities:		
Current	44,774	34,735
Non-current	313,499	275,390
	358,273	**310,125**

Lease liabilities maturity analysis:

2023	Minimum lease payments $000	Interest $000	Present value $000
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**
2022			
Within one year	46,710	10,575	36,135
One to five years	144,045	31,987	112,058
Beyond five years	189,784	27,852	161,932
Total	**380,539**	**70,414**	**310,125**

Lease related expenses included in the income statement:

Group	2023 $000	2022 $000
Depreciation charge for right-of-use assets		
Buildings	36,153	28,122
Motor vehicles	6,104	5,991
Equipment	3,166	2,494
	45,423	**36,607**
Interest on leases	13,625	10,864

Total cash outflow in relation to leases is $41.7 million (2022: $43.1 million).

Notes to the financial statements
For the year ended 30 June 2023

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. Included in the cost of software is work in progress of $0.4 million (2022: $0.1 million) for which amortisation has not commenced. 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 2023

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 (Note 30)	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**

Group	Goodwill $000	Brand names $000	Software $000	Customer relationships $000	Other $000	Total $000
2022						
Opening net book value	**295,505**	**126,869**	**12,872**	**52,568**	**3,568**	**491,382**
Additions	-	-	3,788	-	310	4,098
Acquisition through business combinations	7,549	873	-	4,554	525	13,501
Amortisation expense	-	(51)	(3,650)	(6,549)	(928)	(11,178)
Written-off	-	-	(144)	-	-	(144)
Exchange rate movement	3,062	595	30	241	81	4,009
Closing net book value	**306,116**	**128,286**	**12,896**	**50,814**	**3,556**	**501,668**
As at end of year						
Cost	324,778	128,337	36,171	75,772	8,047	573,105
Accumulated amortisation and impairment	(18,662)	(51)	(23,275)	(24,958)	(4,491)	(71,437)
Net book value	**306,116**	**128,286**	**12,896**	**50,814**	**3,556**	**501,668**

Notes to the financial statements
For the year ended 30 June 2023

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	
	2023 $000	2022 $000	**2023 $000**	2022 $000
Allied Express	100,271	-	29,399	-
Big Chill	85,183	85,183	14,638	14,714
Messenger Services	8,766	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	27,159	27,159	18,395	18,395
Total Express Package & Business Mail	**284,223**	**183,952**	**133,350**	**104,027**
The Information Management Group (New Zealand)	17,577	17,577	4,400	4,400
The Information Management Group (Australia)	57,526	58,478	16,168	16,438
Shred-X	47,324	46,109	3,365	3,421
Total Information Management	**122,427**	**122,164**	**23,933**	**24,259**
Total	**406,650**	**306,116**	**157,283**	**128,286**

Notes to the financial statements
For the year ended 30 June 2023

(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 budgets prepared by management and approved by the Board for the year ended 30 June 2024. Cash flows beyond June 2024 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 legislative changes in relation to 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 the Significant estimate – sensitive to changes in assumptions section 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:

	Growth rate beyond next financial year, including terminal growth		Pre-tax discount rate	
	2023 %	2022 %	**2023 %**	2022 %
Allied Express	3.0%	-	13.7%	-
Big Chill	2.5%	2.0%	13.5%	12.1%
Messenger Services	2.5%	2.0%	15.8%	11.1%
New Zealand Couriers	2.5%	2.0%	14.1%	11.1%
New Zealand Document Exchange and Dataprint	2.5%	2.0%	16.9%	16.9%
Post Haste, Castle Parcels and NOW Couriers	2.5%	2.0%	14.6%	11.1%
The Information Management Group (New Zealand)	2.5%	2.0%	16.1%	11.1%
The Information Management Group (Australia)	3.0%	2.5%	14.0%	13.2%
Shred-X	3.0%	2.5%	14.0%	13.2%

Note: Post-tax discount rates were disclosed in the annual report for the year ended 30 June 2022. Pre-tax discount rates, including for the 2022 comparatives, have now been disclosed to conform with NZ IAS 36: Impairment of Assets.

(ii) Significant estimate – Sensitivity to changes in assumptions

From the value-in-use assessment for all CGU's, 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.

Following are the significant estimate notes included in last year's annual report carried forward to this year's annual report for comparative purposes:

COVID-19 has particularly impacted the financial performance of NZDX and TIMG AU, which are more sensitive to changes in the key assumptions. Revenue of the two businesses have decreased and in the case of NZDX, costs have increased due to inefficiencies arising from operating in the COVID-19 environment, especially due to staff absenteeism. The value-in-use analysis prepared for NZDX and TIMG AU assume the FY23 financial performance returns to pre COVID-19 level, through higher volume and significant price increases that are already being implemented. Growth rate of 2.0% for NZDX and 2.5% for TIMG AU is then assumed from FY24.

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The value-in-use analysis prepared for NZDX is based on the following key assumptions:

- *100% achievement of FY23 budgeted revenue;*
- *2.5% Revenue growth per year (with a range of scenarios from -4% to 4% p.a considered);*
- *2.5% terminal EBITDA growth rate; and*
- *Post-tax discount rate of 9.9%.*

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

	2022	
	From %	*To %*
Achievement of FY24 budgeted revenue	*100%*	*72%*
Revenue growth per year (FY25-FY28)	*2%*	*(8.8%)*
Terminal EBITDA growth rate	*2%*	*(5.8%)*
Post-tax discount rate	*12.5%*	*17.0%*

The value-in-use analysis prepared for TIMG AU is based on the following key assumptions:

- *100% achievement of FY23 budgeted revenue;*
- *2.5% Revenue growth per year (with a range of scenarios from – 4% to 4% p.a considered);*
- *2.5% terminal EBITDA growth rate; and*
- *Post-tax discount rate of 9.9%*

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

	2022	
	From %	*To %*
Achievement of FY24 budgeted revenue	*100%*	*81%*
Revenue growth per year (FY25-FY28)	*2.5%*	*(3.9%)*
Terminal EBITDA growth rate	*2.5%*	*0%*
Post-tax discount rate	*9.9%*	*11.7%*

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.

More than 95% 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. Early adoption is permitted. The Group is currently assessing the new standards and intends to adopt the new standards in the 2024 financial year.

Notes to the financial statements
For the year ended 30 June 2023

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 2023. 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 $7.8 million (2022: $8.3 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	
	2023 $000	2022 $000
Summarised Statement of Comprehensive Income		
Revenue	32,298	33,380
Profit from continuing operations	4,920	5,116
Profit for the year	4,920	5,116
Other comprehensive income	-	-
Total Comprehensive Income	**4,920**	**5,116**

	GSS	
	2023 $000	2022 $000
Summarised Balance Sheet		
Total current assets	4,449	6,257
Total non-current assets	430	563
Total current liabilities	(2,287)	(2,706)
Total non-current liabilities	-	-
Net Assets	**2,592**	**4,114**
Reconciliation to carrying amounts:		
Opening net assets	4,114	1,689
Profit for the period	4,920	5,116
Other comprehensive income	-	-
Dividend paid	(6,442)	(2,691)
Closing Net Assets	**2,592**	**4,114**
Group's share in GSS	33.3%	33.3%
Group's share in net assets	863	1,370
Goodwill	6,948	6,948
Carrying Amount	**7,811**	**8,318**

GSS does not have any capital commitments and contingent liabilities as at 30 June 2023 (2022: Nil).

The carrying value of other individually immaterial investments in associates and joint ventures as at 30 June 2023 is $4.7 million (2022: $3.1 million).

Notes to the financial statements
For the year ended 30 June 2023

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	Leases $000	Total $000
2023							
Balance at beginning of year	(7,717)	8,278	4,245	(848)	(50,612)	9,567	(37,087)
Prior period adjustment	(1,071)	(217)	(141)	-	39	105	(1,285)
Transfer to income statement	909	416	413	-	3,650	1,593	6,981
Amounts relating to business combinations (Note 30)	(1,139)	1,183	871	-	(27,037)	-	(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)**	**10,840**	**(56,824)**

Group	Property, plant and equipment $000	Employee entitlements $000	Accruals and provisions $000	Derivative financial instruments $000	Intangible assets $000	Leases $000	Total $000
2022							
Balance at beginning of year	(7,980)	7,964	5,001	464	(50,576)	8,401	(36,726)
Prior period adjustment	(138)	74	(415)	-	(140)	-	(619)
Transfer to income statement	407	112	(378)	-	2,051	1,028	3,220
Amounts relating to business combinations	-	35	-	-	(1,636)	-	(1,601)
Adjustment for cash flow hedge reserve	-	-	-	(1,312)	-	-	(1,312)
Exchange rate movement	(6)	93	37	-	(311)	138	(49)
Balance at end of year	**(7,717)**	**8,278**	**4,245**	**(848)**	**(50,612)**	**9,567**	**(37,087)**

Notes to the financial statements
For the year ended 30 June 2023

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 $2.8 million (2022: $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	2023 $000	2022 $000
Current		
Trade creditors	51,291	48,416
Employee entitlements	32,358	27,587
Acquisition earn-out payables	676	56,184
Other creditors and accruals	54,277	40,635
	138,602	**172,822**
Non-current		
Acquisition earn-out payables	4,159	3,709
Other non-current payables	-	-
	4,159	**3,709**

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 2023

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**

Group	Customer claims $000	Long service leave $000	Lease obligations $000	Total $000
2022				
Balance at beginning of year	938	4,108	3,495	8,541
Current year provision	873	385	128	1,386
Amounts used during the year	(938)	(232)	-	(1,170)
Movement in exchange rate	-	127	48	175
Balance at end of year	**873**	**4,388**	**3,671**	**8,932**

	2023 $000	2022 $000
Analysis of total provisions		
Current	3,552	1,550
Non-current	10,216	7,382
Total	**13,768**	**8,932**

NOTE 19. CONTRACT LIABILITY

A contract liability of $14.4 million (2022: $15.9 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 $9.4 million (2022: $9.6 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 2023

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	
	2023 $000	2022 $000
Bank borrowings		
Non-current	297,194	176,210
	297,194	**176,210**

(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	
	2023 $000	2022 $000	**2023 $000**	2022 $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	200,000
Maturing 30 June 2023	-	-	-	70,000
Maturing 11 July 2025	-	-	20,000	20,000
Maturing 15 March 2026	120,000	120,000	-	-
Maturing 15 December 2026	10,000	10,000	10,000	10,000
Maturing 15 March 2027	30,000	30,000	80,000	80,000
Maturing 19 March 2028	10,000	10,000	20,000	20,000
Maturing 14 December 2029	-	-	50,000	-
Amount of loan facilities used	124,000	89,000	158,700	78,200
Amount of loan facilities unused	46,000	81,000	21,300	121,800
Effective interest rate at 30 June as amended for interest rate hedges	5.67%	5.30%	4.92%	4.13%

Notes to the financial statements
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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.

In March 2021, the Group entered into a new 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 2023 (2022: NZ$20 million and A$50 million). The drawn amounts mature in July 2025, December 2026, March 2028 and December 2029, as detailed in the maturity table above.

In June 2023, A$70 million of the syndicated bridge facility used to fund the acquisition of Allied Express Transport Pty Limited matured. The Group has sufficient headroom in its remaining finance facilities and the A$70 million was not required to be renewed.

Compliance with banking covenants

The Group was in compliance with all of its banking covenants throughout the year ended 30 June 2023. 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 follow:

	Liabilities from financing activities			
Group	Cash $000	Leases $000	Bank borrowings $000	Total $000
Balance at 1 July 2021	**19,940**	**(311,635)**	**(163,696)**	**(455,391)**
Cashflow	3,797	34,008	(9,803)	28,002
Lease additions, modifications and terminations	-	(29,818)	-	(29,818)
Other non-cash movements	-	-	(471)	(471)
Exchange rate movement	400	(2,680)	(2,240)	(4,520)
Balance at 30 June 2022	**24,137**	**(310,125)**	**(176,210)**	**(462,198)**
Cashflow	14,713	41,734	(128,088)	(71,641)
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	7,620	15,462
Balance at 30 June 2023	**44,485**	**(358,273)**	**(297,194)**	**(610,982)**

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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	2023 Ordinary shares	2022 Ordinary shares	2023 $000	2022 $000
Balance at beginning of year	165,795,056	165,530,836	184,349	182,571
Share-based payment expenses	-	-	-	(471)
Shares issued during the year:				
- Partly-paid shares, fully paid up to ordinary shares	-	200,342	-	1,489
- Share rights	127,565	-	1,016	-
- Employee share plan	65,000	65,000	595	747
(Increase) decrease in employee share plan unallocated shares	5,250	(1,122)	49	13
Issue of fully paid ordinary shares	11,435,347	-	112,066	-
Balance at end of year	**177,428,218**	**165,795,056**	**298,075**	**184,349**

Contributed equity

(i) Fully paid ordinary shares

As at 30 June 2023, there were 177,431,358 shares issued and fully paid (2022: 165,803,446). 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 16 September 2022, 127,565 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 (2022: Nil). The issue price per share was $8.06 (2022: Nil).

On 21 September 2022, 35,227 share rights were redeemed and cancelled (2022: Nil).

On 17 May 2023, 152,160 share rights were issued to certain senior executives under the rules of the Freightways LTI Scheme (2022: 94,370).

As at 30 June 2023, there were 392,006 share rights on issue (2022: 402,638).

(iii) Partly-paid ordinary shares

No partly-paid shares were fully paid-up during the year (2022: 200,342). The average issue price per share for the shares issued in 2022 was $7.43.

As at 30 June 2023, there were no partly-paid shares on issue (2022: Nil).

Notes to the financial statements
For the year ended 30 June 2023

(iv) Employee Share Plan

On 5 December 2022, the Company issued 65,000 fully paid ordinary shares at $9.16 each to Freightways Trustee Company Limited, as Trustee for the Freightways Employee Share Plan (December 2021: 65,000 fully paid ordinary shares at $11.49 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 2021: $0.7 million). The loans are repayable over three years and repayment commenced in December 2022.

As at 30 June 2023, the Trustee held 579,717 (2022: 593,573) fully paid ordinary shares representing 0.3% (2022: 0.4%) of all issued ordinary shares of which 3,140 (2022: 8,390) 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.

Issue of fully paid ordinary shares
On 30 September 2022, the company issued 11,435,347 fully paid ordinary shares as part of a placement to the vendors of Allied Express Transport Pty Limited (AEX) in connection with the acquisition of AEX by the Group. (Refer to Note 30).

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).

The increase from the prior year reflects:
- increased value of foreign operations and balance sheet following the acquisition of AEX (refer Note 30 for fair value of assets and liabilities arising from the AEX acquisition); and
- a change in the NZD:AUD closing exchange rate from 1:0.9031 at 30 June 2022 to 1:0.9182 at 30 June 2023.

Notes to the financial statements
For the year ended 30 June 2023

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')

In July 2020, the Board approved a 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.

b) Reconciliation of outstanding partly-paid shares and share rights

	Number of partly-paid shares		Number of share rights	
	2023	2022	**2023**	2022
Balance at beginning of the year	-	200,342	402,638	308,268
Issued during the year	-	-	152,160	94,370
Cancelled during the year	-	-	(35,227)	-
Fully paid-up or exercised during the year	-	(200,342)	(127,565)	-
Balance at end of the year	**-**	**-**	**392,006**	**402,638**
Exercisable at end of the year	-	-	166,352	158,854

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

	2023 $000	2022 $000
Total amount expensed during the year	1,016	1,031

Notes to the financial statements
For the year ended 30 June 2023

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:	19 Oct 2020	28 Oct 2021	24 Nov 22
Fair value at grant date	$4.14 - TSR class of rights $7.43 – NOPAT class of rights	$7.28 - TSR class of rights $11.73 – NOPAT class of rights	$6.51 - TSR class of rights $9.13 – NOPAT class of rights
Exercise price	Nil	Nil	Nil
Share price at grant date	$8.29	$12.71	$9.99
Expected dividends	4%	2.5%	2.5%
Expected volatility	24.9%	26.8%	29.9%
Expected life	0.2 years	1.2 years	2.2 years
Risk free interest rate (based on government bonds)	0.10%	1.82%	4.48%

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 2023

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

	Note	Group 2023 $000	Group 2022 $000
Profit for the year		75,297	70,182
Add non-cash items:			
Depreciation and amortisation	4	80,921	65,887
Movement in provision for doubtful debts		650	(782)
Movement in deferred income tax		(2,595)	(2,601)
Net gain on disposal of property, plant and equipment		(137)	(81)
Net foreign exchange (gain) loss		(287)	466
Change in fair value of contingent consideration – Big Chill Distribution Limited		-	3,700
Write-off of software		-	144
Share of profits of associates		(3,173)	(3,386)
Movement in working capital, net of effects of acquisitions of businesses:			
Increase in trade and other receivables		(3,385)	(20,907)
Increase in inventories		(1,556)	(2,498)
Increase in trade and other payables		3,106	15,432
Increase (decrease) in income taxes payable		6,967	(1,872)
Net cash inflows from operating activities		**155,808**	**123,684**

NOTE 24. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Group had made capital commitments to purchase or construct buildings and equipment for $9.3 million at 30 June 2023 (2022: $6.5 million), principally relating to the completion of operating facilities and purchase of replacement equipment throughout the Group.

As at 30 June 2023, the Group had outstanding letters of credit and bank guarantees issued by its lenders totalling approximately $9.9 million (2022: $4.6 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 2023	Group 2022
Profit for the year attributable to shareholders ($000)	75,297	70,182
Weighted average number of ordinary shares ('000)	174,525	165,739
Basic earnings per share (cents)	**43.1**	**42.3**

Notes to the financial statements
For the year ended 30 June 2023

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 2023	Group 2022
Profit for the year attributable to shareholders ($000)	75,297	70,182
Weighted average number of ordinary shares ('000)	174,525	165,739
Effect of dilution ('000)	392	403
Diluted weighted average number of ordinary shares ('000)	174,917	166,142
Diluted earnings per share (cents)	**43.1**	**42.2**

NOTE 26. NET TANGIBLE ASSETS PER SECURITY

Net tangible assets (liabilities) per security at 30 June 2023 was ($1.06) (2022: ($0.80)). Net tangible assets exclude intangible assets but includes software. There were 177,431,358 shares issued and fully paid as at 30 June 2023 (2022: 165,803,446).

Notes to the financial statements
For the year ended 30 June 2023

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	
	2023 $000	2022 $000
Sale of courier services to GSS	13,304	14,841
Purchase of goods and services from GSS	1,463	1,620
Receivables from GSS at end of year	1,290	1,616
Payables to GSS at end of year	82	140

Payments to joint venture

During the year, the Group paid Parcelair Limited $16.3 million (2022: $14.8 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 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. (Refer to Note 30).

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	
	2023 $000	2022 $000
Short term employee benefits	10,668	11,384
Share-based payments (Note 22)	1,016	1,031

Short-term employee benefits paid during the year are lower than the prior comparative period (pcp) due predominantly to:

- a higher number of partly-paid shares vesting in the pcp upon achievement of agreed performance targets in accordance with the terms of the Freightways Senior Executives Performance Share Plan; and
- short-term incentives paid to key management during the pcp were higher due to achievement of predetermined company profit levels and individual performance objectives.

Notes to the financial statements
For the year ended 30 June 2023

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
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
2022						
Bank borrowings	4,231	4,638	8,614	163,245	32,852	213,580
Trade and other payables	149,912	22,910	-	3,709	-	176,531
Lease liabilities	23,158	22,152	41,885	103,833	189,784	380,812

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
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(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	2023 $000	2022 $000
Cash and cash equivalents	44,485	24,137
Trade and other receivables	137,510	118,529
	181,995	**142,666**

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:

	2023			2022		
Group	Gross carrying amount $000	Expected loss rate %	Loss allowance $000	Gross carrying amount $000	Expected loss rate %	Loss allowance $000
Current	105,382	1.0%	1,053	90,246	0.5%	451
31-60 days over standard terms	20,081	4.5%	900	12,205	2.0%	244
60-90 days over standard terms	2,202	25.0%	551	2,559	16.0%	409
91+ days over standard terms	1,589	45.0%	715	2,737	37.2%	1,020
	129,254		3,219	107,747		2,124

The Group has $ 20.7 million (2022: $15.4 million) of financial assets that are overdue and not impaired.

Notes to the financial statements
For the year ended 30 June 2023

(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 2023 the Group had Australian dollar denominated bank borrowings of AUD158,700,000 (2022: AUD78,200,000). Of these borrowings, AUD14,200,000 (2022: 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 2023

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
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)
2022						
Financial assets						
Cash and cash equivalents	24,137	187	(187)	187	(187)	-
Trade and other receivables	122,336	-	-	-	-	-
Derivative financial instruments	3,024	340	(340)	1,017	(1,300)	-
Financial liabilities						
Borrowings	176,210	(1,269)	1,269	(1,269)	1,269	1,429/(1,747)

(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.

Notes to the financial statements
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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.

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
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**
2022				
Assets				
Derivative financial instruments	-	3,024	-	3,024
Total assets	**-**	**3,024**	**-**	**3,024**
Liabilities				
USPP	-	72,738	-	72,738
Contingent consideration in a business combination	-	-	59,892	59,892
Total liabilities	**-**	**72,738**	**59,892**	**132,630**

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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 2023	Fair value as at 30 June 2022	Unobservable Input	Range of inputs 2023	Range of inputs 2022	Relationship of unobservable inputs to fair value (sensitivity)
Contingent Consideration	4,835	59,892	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 (2022: $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 (2022: $0.1 million)
			Discount Rate	4.0%	4.0%	A change in the discount rate by 100 bps would increase / decrease the FV of the consideration by $0.1 million (2022: $0.1 million)

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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	
		2023 $000	2022 $000
Opening balance		59,892	51,305
Acquisition of businesses		1,126	3,709
Settlement	(a)	(56,183)	(54)
Purchase price adjustment		-	-
Change in fair value of contingent consideration		-	3,700
Unwinding of discount on contingent consideration		-	1,232
Closing balance		**4,835**	**59,892**
Total losses for the year included in the income statement for liabilities held at the end of the reporting period, under:			
- Change in fair value of contingent consideration – Big Chill Distribution Limited		-	3,700
- Net interest and finance costs		-	1,232
		-	**4,932**

a. Payment of contingent consideration for the acquisition of Big Chill Distribution Limited (BCD).

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.

Notes to the financial statements
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NOTE 29. FINANCIAL INSTRUMENTS BY CATEGORY

(a) Assets, as per balance sheet

	Financial assets at amortised cost		Derivatives used for hedging		Total	
	2023 $000	2022 $000	**2023 $000**	2022 $000	**2023 $000**	2022 $000
Group						
Trade and other receivables (excluding prepayments)	137,510	115,225	-	-	137,510	115,225
Cash and cash equivalents	44,485	24,137	-	-	44,485	24,137
Derivative financial instruments	-	-	3,338	3,024	3,338	3,024
Total	**181,995**	**139,362**	**3,338**	**3,024**	**185,333**	**142,386**

(b) Liabilities, as per balance sheet

	Derivatives used for hedging		Other financial liabilities at amortised cost		Other financial liabilities held at fair value		Total	
	2023 $000	2022 $000	**2023 $000**	2022 $000	**2023 $000**	2022 $000	**2023 $000**	2022 $000
Group								
Borrowings (excluding lease liabilities)	-	-	297,194	176,210	-	-	297,194	176,210
Lease liabilities	-	-	358,273	310,125	-	-	358,273	310,125
Trade and other payables	-	-	100,667	84,783	4,835	59,892	105,502	144,675
Total	**-**	**-**	**756,134**	**571,118**	**4,835**	**59,892**	**760,969**	**631,010**

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NOTE 30. BUSINESS COMBINATIONS

Acquisition of Allied Express Transport Pty Limited (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 of 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.

Included in AEX at the time of the acquisition was a shareholder loan of $14.5 million receivable by AEX from the vendor. Concurrent with the acquisition, this receivable of $14.5 million in AEX was satisfied through the issue of a promissory note (non-cash) from IMS Group Australia Pty Limited (IMS), a Freightways subsidiary, to AEX. This obligation is now within the Freightways Group and is reflected in the respective Group legal entities of AEX and IMS. The receivable and promissory note are eliminated in the consolidated financial statements of Freightways.

AEX operates within the Group's express package & business mail division.

The contribution of AEX to the Group results for the year ended 30 June 2023 was revenue of $187.2 million and net profit after tax of $13.2 million. If this acquisition had occurred at the beginning of the year, the contribution to revenue and net profit after tax for the period is estimated at $249.2 million and $18.2 million, respectively.

The following table summarises the amounts determined for purchase consideration and the provisional fair value of assets acquired and liabilities assumed:

Purchase consideration	Preliminary $000
Cash paid during the year	88,070
Issue of Freightways shares	112,066
Promissory note	14,472
Completion adjustment	681
Total purchase consideration	**215,289**

Fair value of assets and liabilities arising from the acquisition	
Cash and cash equivalents	18,512
Trade and other receivables	24,414
Intercompany receivable	14,472
Plant and equipment	8,644
Right-of-use assets	12,791
Software	2,167
Brand name	30,654
Customer relationships	54,739
Non-compete agreement	3,141
Goodwill	104,553
Trade and other payables	(18,319)
Income tax payable	(2,053)
Deferred tax liability	(25,635)
Lease liabilities	(12,791)
	215,289

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The goodwill of $104.6 million arising upon this acquisition is attributable to the business know-how and the premium paid for strategic reasons, including acquiring an entry point into the Australian courier and express freight market.

The fair value of certain assets and liabilities arising from the acquisition have been determined on a provisional basis as the completion adjustment is currently being finalised. Plant and equipment, software, customer relationships, brand name, non-compete agreement, other payables and income tax payable have been measured provisionally, pending confirmation of certain determinants and finalisation of independent valuations. The fair value of these assets will be finalised within 12 months from the acquisition date.

Other acquisition

During the year, the Group acquired a small IT asset disposal and recycling services business in Australia for $2.7 million. This business operates with the Group's information management division.

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 day 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 2023, the estimated discounted future earn-out payment for the acquisition of PP was $3.7 million (30 June 2022: $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 liability is presented within non-current trade and other payables in the balance sheet.

Prior period acquisition – Big Chill Distribution Limited ("BCD")

On 1 April 2020, the Group acquired 100% of BCD, a company operating in the New Zealand temperature-controlled transport and facilities market, for an initial consideration of $114.6 million and future contingent consideration representing approximately 20% of BCD Enterprise Value as at 30 June 2022.

At 30 June 2022 the estimated discounted future contingent consideration for the acquisition of BCD was $56.2 million and this was paid in August 2022.

Reconciliation of payments for businesses acquired	$000
Cash paid for the acquisition of AEX	88,070
Cash paid for contingent consideration for the acquisition of BCD	56,162
Cash paid for other acquisitions during the year	2,752
Cash acquired from acquisition of AEX	(18,512)
Payments for businesses acquired (net of cash acquired)	**128,472**

Notes to the financial statements
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NOTE 31. SIGNIFICANT EVENTS AFTER BALANCE DATE

Dividend declared

On 21 August 2023, the Directors declared a fully imputed final dividend of 19 cents per share (approximately $33.7 million) in respect of the year ended 30 June 2023. The dividend will be paid on 2 October 2023. The record date for determination of entitlements to the dividend is 15 September 2023. The Freightways Dividend Reinvestment Plan will be offered for this dividend.

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 NZSX (the New Zealand Stock Exchange).

Distribution of shareholders and shareholdings as at 31 July 2023

	Number of holders	Number of shares held	% of issued capital
Size of shareholding			
1 to 1,999	4,077	3,571,219	2.01
2,000 to 4,999	2,415	7,242,246	4.08
5,000 to 9,999	1,136	7,459,447	4.20
10,000 to 49,999	737	12,635,345	7.12
50,000 to 99,999	30	1,846,447	1.04
100,000 to 499,999	32	6,483,830	3.66
500,000 to 999,999	8	6,207,262	3.50
1,000,000 and over	26	131,985,562	74.39
Total shareholders	**8,461**	**177,431,358**	**100.00**
Geographic distribution			
New Zealand	8,077	144,863,780	81.65
Australia	314	32,315,762	18.21
Other	70	251,816	0.14
	8,461	**177,431,358**	**100.00**

Substantial product holders as at 31 July 2023

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	6.80
ANZ New Zealand Investments Limited, ANZ Bank New Zealand Limited and ANZ Custodial Services New Zealand Limited	9,053,023	5.46

The total number of issued voting securities of the Company as at 31 July 2023 was 177,431,358.

Shareholder information

Top twenty registered shareholders of listed shares as at 31 July 2023

	Number of Shares held	% of issued capital
Custodial Services Limited <A/C 4>	23,290,157	13.13
Colin McDowell <Account low cost base>	10,989,294	6.19
FNZ Custodians Limited	10,239,753	5.77
BNP Paribas Nominees (NZ) Limited <BPSS40> *	8,932,409	5.03
Forsyth Barr Custodians Limited <1-Custody>	8,536,960	4.81
TEA Custodians Limited <TEAC40> *	6,860,100	3.87
JPMorgan Chase Bank <CHAM24> *	6,585,066	3.71
Citibank Nominees (New Zealand) Limited <CNOM90> *	6,528,659	3.68
ANZ Custodial Services New Zealand Limited <PBNK90> *	5,031,704	2.84
HSBC Nominees (New Zealand) Limited <HKBN90> *	4,965,276	2.80
HSBC Nominees A/C NZ Superannuation Fund Nominees Limited <SUPR40> *	4,654,117	2.62
Accident Compensation Corporation <ACCI40> *	4,328,523	2.44
ANZ Wholesale Australasian Share Fund <PNAS90> *	3,914,421	2.21
HSBC Nominees (New Zealand) Limited <HKBN45> *	3,858,216	2.17
New Zealand Depository Nominee Limited <A/C 1 Cash Account>	3,610,087	2.03
JBWere (NZ) Nominees Limited <NZ Resident A/C>	3,551,861	2.00
PTJR Pty Limited	2,989,054	1.68
Generate Kiwisaver Public Trust Nominees Limited <NZPT44> *	1,895,807	1.07
Dean John Bracewell & Phillipa Anne Bracewell & Bracewell Trustee Company Limited <Bracewell Family A/C>	1,753,733	0.99
FNZ Custodians Limited <DTA Non Resident A/C>	1,520,683	0.86
	124,035,880	**69.90**

*Held through NZ Central Securities Depository Limited

Management commentary
(no financial statements)

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 elected to report against the NZX Corporate Governance Code dated 17 June 2022.

This statement has been approved by the Board and is current as at 30 June 2023.

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.

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.

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 2023, the Board was comprised of 4 male Directors, 2 female Directors and no Directors who identify as gender diverse (2022: 4 male Directors, 2 female Directors and no Directors who identify as gender diverse), and the officers of the Company were comprised of 5 male officers and no officers who identify as gender diverse (2022: all 5 officers of the Company were male and no officers who identify as gender diverse).

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 2023, these under-represented groups make up 43% of the Executive, Leadership Teams and Freightways Board, exceeding the 40% objective.

Corporate Governance Statement

Board Meetings

The following table outlines the number of board meetings attended by Directors during the course of the 2023 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	6

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 and making recommendations on financial and accounting policies. 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 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	6	6
Mark Cairns	6	6
David Gibson	6	5

Management commentary
(no financial statements)

Corporate Governance Statement

People & Remuneration Committee:

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, and making recommendations to the Board in respect of succession planning. The Company's People & Remuneration 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 & Remuneration 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 & Remuneration Committee are Peter Kean (Chair), Mark Cairns, Fiona Oliver and Mark Rushworth.
All members are independent non-executive Directors. Meetings were held and attended, as follows:

Director	Meetings Held	Meetings Attended
Peter Kean	4	4
Mark Cairns	4	4
Fiona Oliver	4	4
Mark Rushworth	4	4

Nominations Committee:

The Nominations Committee is responsible for ensuring the Board is composed of Directors who contribute to the successful management of the Company, reviewing the suitability of a Director nominee in respect of that nominee's proposed appointment, ensuring formal review of the performance of the Board, individual Directors and the Board's committees, ensuring effective induction programmes are in place for the Directors and confirming the status of Directors' independence for external reporting purposes. The Company's Nominations Committee Charter can be found at https://www.freightways.co.nz/about/corporate-governance/.

The members of the Nominations Committee are Mark Cairns (Chair), Abby Foote, David Gibson, Peter Kean, Fiona Oliver and Mark Rushworth.
All members are independent non-executive Directors. Meetings were held and attended, as follows:

Director	Meetings Held	Meetings Attended
Mark Cairns	1	1
Abby Foote	1	1
David Gibson	1	1
Peter Kean	1	1
Fiona Oliver	1	1
Mark Rushworth	1	1

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 are required to complete training on the Code of Ethics. 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.

Corporate Governance Statement

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/.

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. 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, Insider 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, Freightways 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. Work is under way to ensure compliance with the standards.

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.

Corporate Governance Statement

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 $0.3 million during the year.
No political contributions were made during the year.

Health, safety & wellbeing risks

Under the Board'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 monitors, supports and completes its 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 adopted 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.

Directory

FREIGHTWAYS GROUP LIMITED AND ITS SUBSIDIARIES

Allied Express Transport Pty Limited

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

Big Chill Distribution Limited

28 Pukekiwiriki Place
Highbrook
Auckland
Telephone: +64 9 272 7440
www.bigchill.co.nz

Castle Parcels Limited

163 Station Road
Penrose
DX CX10245
Auckland
Telephone: +64 9 525 5999
www.castleparcels.co.nz

Fieldair Holdings Limited

Palmerston North International Airport
Palmerston North
DX PX10029
Palmerston North
Telephone: +64 6 357 1149
www.fieldair.co.nz

Messenger Services Limited

32 Botha Road
Penrose
DX EX10911
Auckland
Telephone: +64 9 526 3680
www.sub60.co.nz
www.kiwiexpress.co.nz
www.stuck.co.nz
www.securityexpress.co.nz

New Zealand Couriers Limited

32 Botha Road
Penrose
DX CX10119
Auckland
Telephone: +64 9 571 9600
www.nzcouriers.co.nz

New Zealand Document Exchange Limited

20 Fairfax Avenue
Penrose
DX CR59901
Auckland
Telephone: +64 9 526 3150
www.dxmail.co.nz
www.dataprint.co.nz

NOW Couriers Limited

161 Station Road
Penrose
Auckland
Telephone: +64 9 526 9170
www.nowcouriers.co.nz

Post Haste Limited

32 Botha Road
Penrose
DX EX10978
Auckland
Telephone: +64 9 579 5650
www.posthaste.co.nz
www.passtheparcel.co.nz

ProducePronto

10 Te Apunga Place
Mt Wellington
Auckland
Telephone: +64 800 12 34 55
www.producepronto.co.nz

Shred-X Pty Limited

PO Box 1184
Oxenford
Queensland 4210
AUSTRALIA
Telephone: +61 1 300 747 339
www.shred-x.com.au
www.med-xsolutions.com.au

The Information Management Group (NZ) Limited

33 Botha Road
Penrose
DX EX10975
Auckland
Telephone: +64 9 580 4360
www.timg.co.nz

The Information Management Group Pty Limited

PO Box 21
Enfield
New South Wales 2136
Australia
Telephone: +61 2 9882 0600
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**

Management commentary
(no financial statements)

Company particulars

BOARD OF DIRECTORS

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

REGISTERED OFFICE

32 Botha Road
Penrose
DX CX10120
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 NZX Limited (the New Zealand Stock Exchange).

A New Platform For Growth

Freightways

Management commentary
(no financial statements)