ANNUAL REPORT
FINANCIAL YEAR ENDED 30 JUNE 2022

Freightways

Driving Growth Responsibly

Positive Outlooks:

To each horizon, and beyond...

At Freightways, we've always had an entrepreneurial spirit. The quest for new opportunities gives us energy and enthusiasm.

It's seen us through some challenging times recently and continues to drive how we work and the futures we imagine for our businesses.

Our growth path is framed around three horizons, improving the present, scaling what's next, and looking out beyond that to what our customers will need five, seven, ten years from now.

Strong growth in our courier, temperature-controlled and digital volumes this year was matched by a powerful expansion in waste renewal. But just as exciting was our new acquisition, ProducePronto, and market-ready innovations like Stocka which see us continuing to expand where we operate and add value.

Careful capital management and active portfolio review mean we have the capacity and resources to push the potential of each of our operating areas as far as we can to drive growth. We'll do so ambitiously – and responsibly.

That's the Freightways' way.

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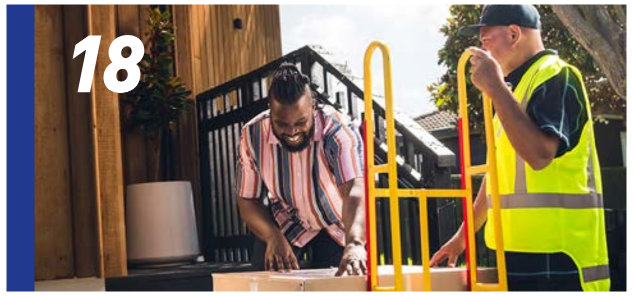

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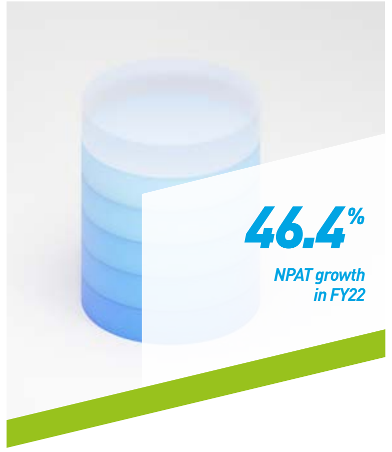
The topline of FY 22

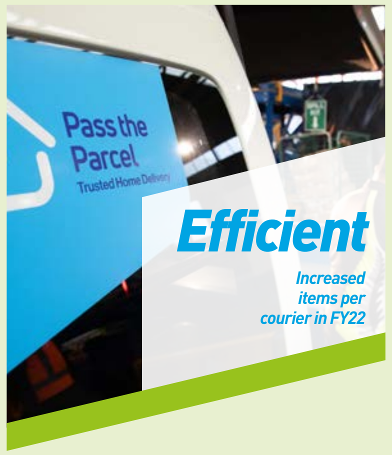
Acquisition, increased market share and product innovation in uncertain times.

We demonstrated our resilience again this year as we dealt with volumes that ebbed and flowed, tight labour markets and absenteeism brought on by the Omicron variant.

Through product innovation and entrepreneurism, we realised third horizon goals in all four business activities and gained market share in our Express Package and Waste Renewal businesses during unprecedented times.

Financial





Environmental

Our strategy on a page:

The Freightways' Growth Strategy

Our purpose:

What we do

Freightways is a business that is always on the move. Across the Group, we **pick-up, process and deliver** physical and digital items with a view to delivering them reliably and efficiently 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.

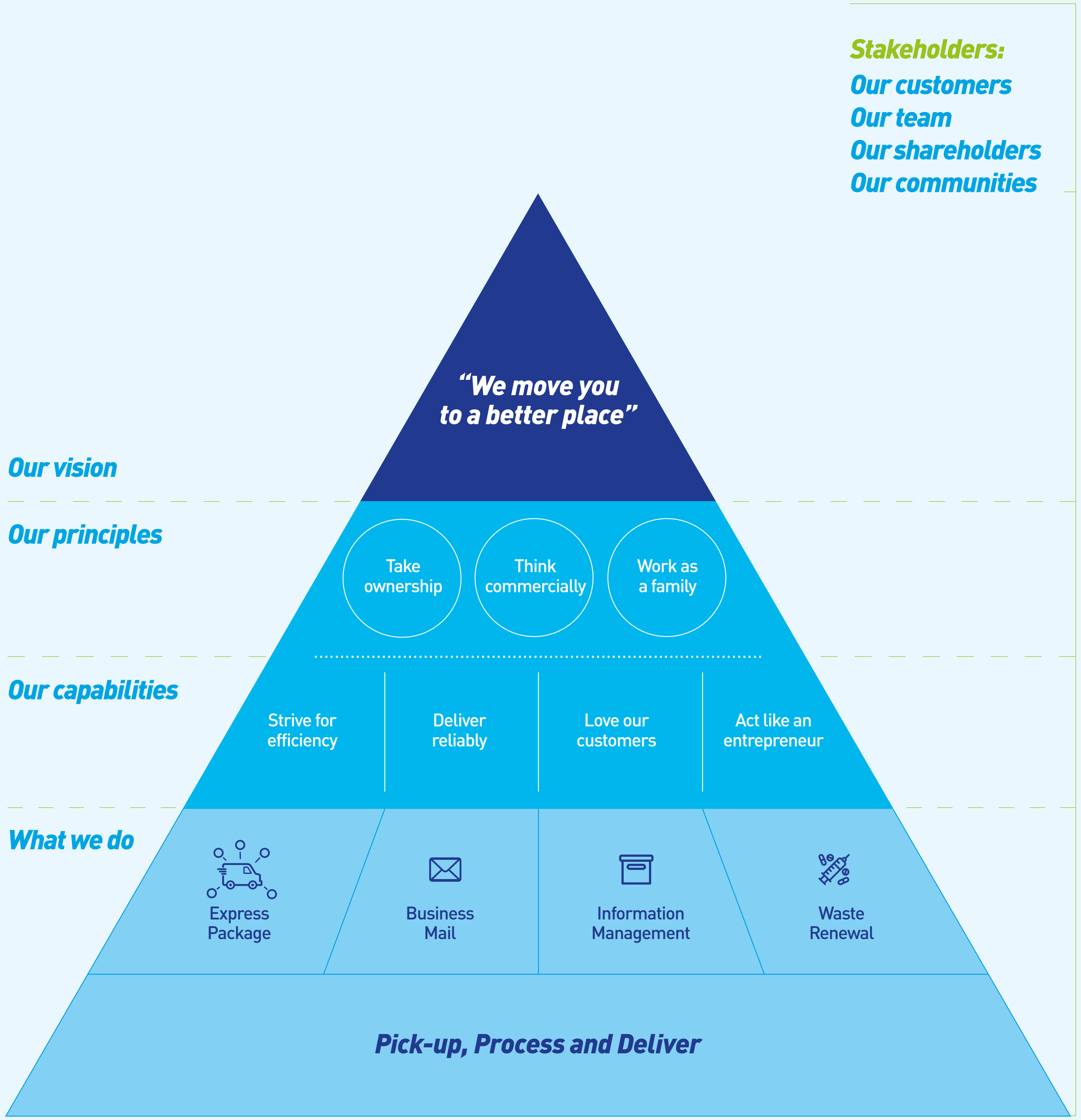
We depend on our capabilities to deliver what our customers, investors and communities expect. *We're efficient*. This critical capability enables us to move around 100,000,000 items through our various businesses every year. *We are reliable*.
We target flawless execution which enables us to shift multiple 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 survival.

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*.



Our organisational diagram:

A 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

Our multi-brand strategy in the New Zealand courier market caters to a range of customer needs and delivery timeframes. All 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, Pass the Parcel, Big Chill Distribution and ProducePronto. We also offer airfreight capability for our overnight Express Package delivery service through our joint venture airline, Parcelair, and our linehaul partner, Parceline. This year we continued to implement our Pricing For Effort (PFE) approach.

Business Mail

DX Mail is New Zealand's only dedicated Business Mail specialist; offering time-sensitive physical postal services from both door-to-door and box-to-box.

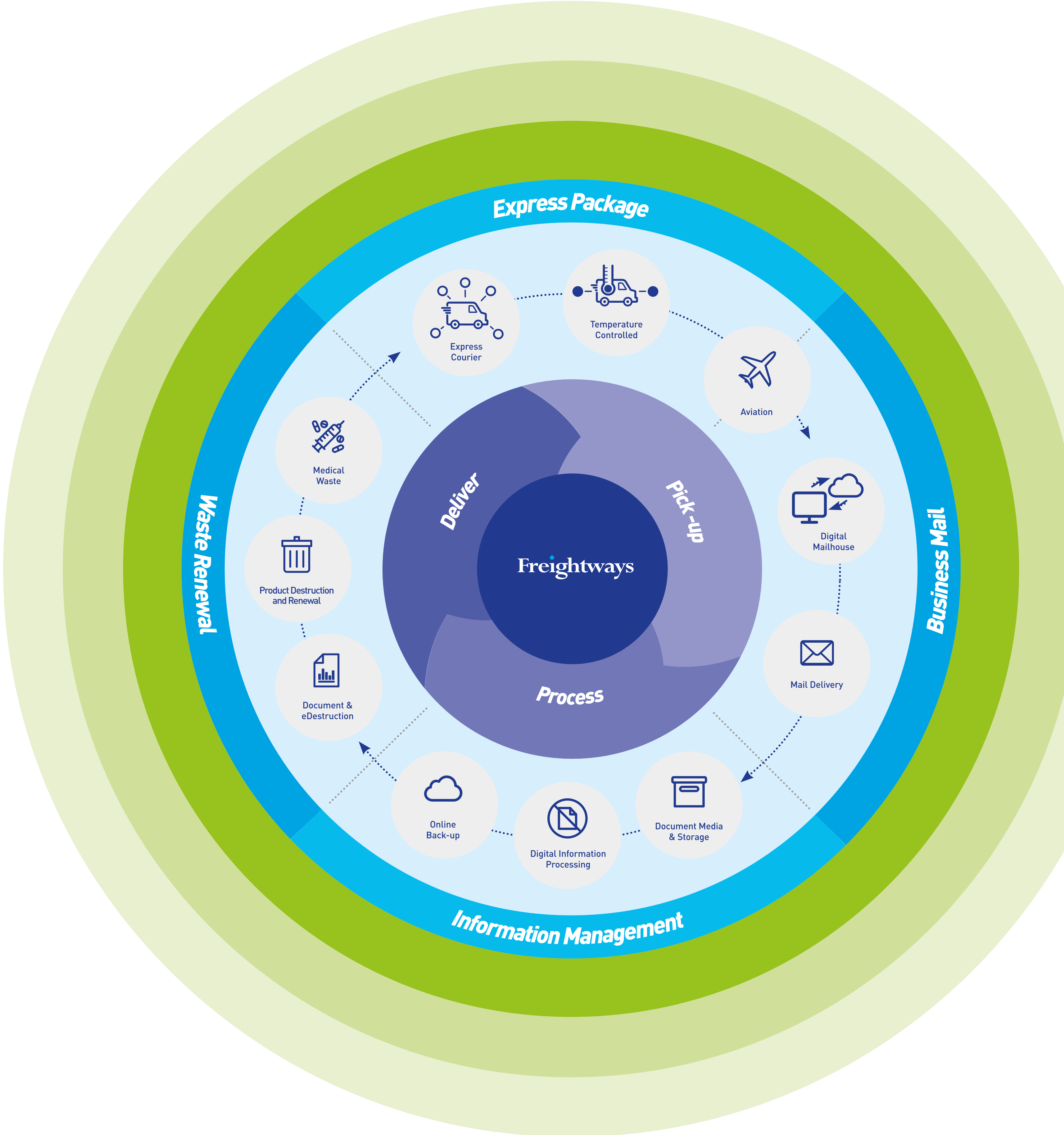
Dataprint offers mailhouse-print services and digital mail presentation platforms across New Zealand. Our technology and solutions transform data into effective communications for customers.

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 leasing out spaces for 3PL and other uses.

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.



Chair and CEO's Report:

Seeing progress, looking ahead

The energy and focus of our teams continues to see us strongly advance our businesses across different horizons.

The challenges of the year were balanced by clear evidence that we have exciting opportunities to explore in the years ahead.

In a year marked by further COVID-19 disruptions and a changing economic background, we have increased our revenue by 9% from last year and our profit by 4% (if we exclude the impact of the increased accrual for the final payment related to the acquisition of Big Chill Distribution).

COVID-19 variants maintained their grip on our workforce this year, at times reducing our frontline numbers by as much as 30%, and impacting not just our customers' businesses but also our branches which form a key part of our distribution network. The resulting staff absences, combined with lower consumer confidence in the later part of the year over inflation, rising costs and labour constraints, moderated the volume growth - and ultimately the full year result.

Overall, volumes were similar to last year's, with periods of particularly high activity pre-Christmas then offset by lower volume during lockdowns and the impact of Omicron on New Zealand businesses. The second half was characterised by a very tight and expensive labour market, ongoing supply chain issues globally and possibly the first signs of a flattening of the New Zealand economy. Despite this, there were some significant spikes, particularly at the end of calendar year 2021, when the team emerged from lockdowns to cope with a sudden surge in volumes. It was a massive effort from staff and contractors and we also thank those who also swapped their office roles to help sort and deliver freight through these tough times. The quality of our services allowed us to increase our overall market share, with new customers offsetting declines in existing business. Our contractors also stayed with us through the ups and downs and that stability absolutely contributed to continuing high levels of service.

Not all businesses were negatively impacted by the pandemic. Our Big Chill business, for example, continued its strong growth and was largely unaffected by changes in volumes, although did feel the impacts of a tight labour market. Our Med-X business in Australia also continued to build its market presence and revenue at an accelerated rate.

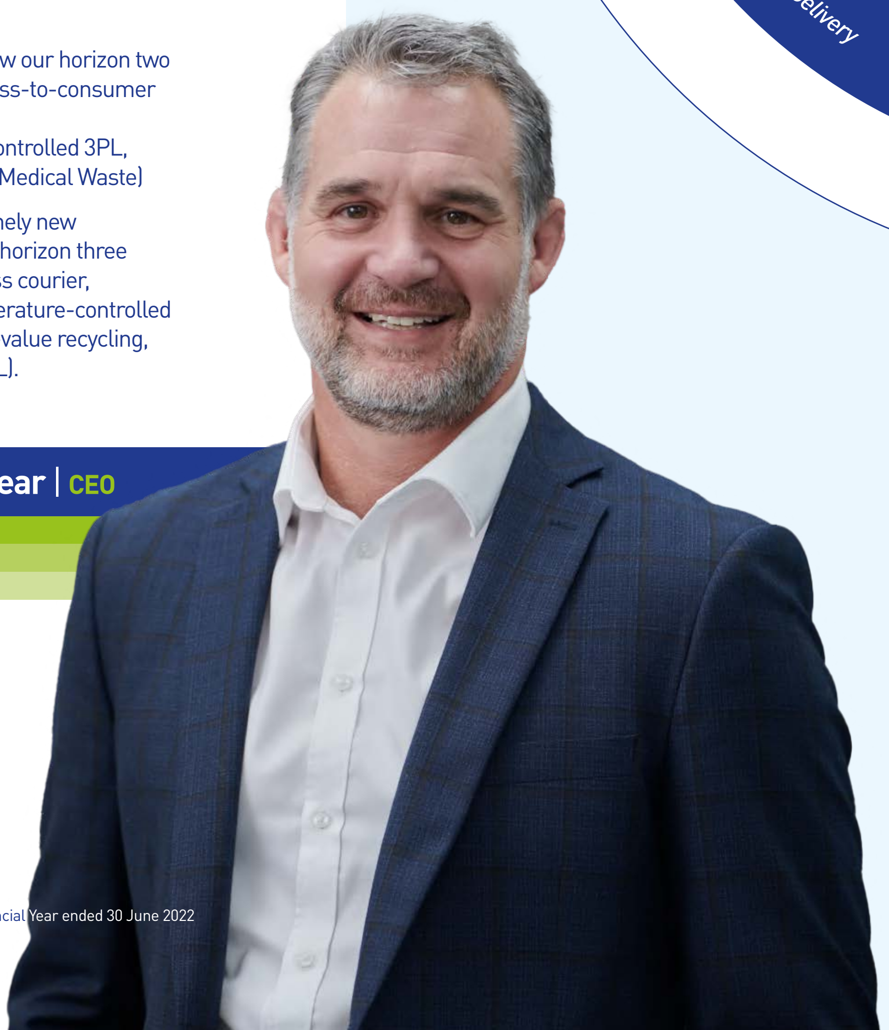
Building through horizons

Last year's report spoke to how our purpose of "moving you to a better place" drives us to grow our revenue and earnings from our existing businesses via organic growth, margin management and efficiency gains.

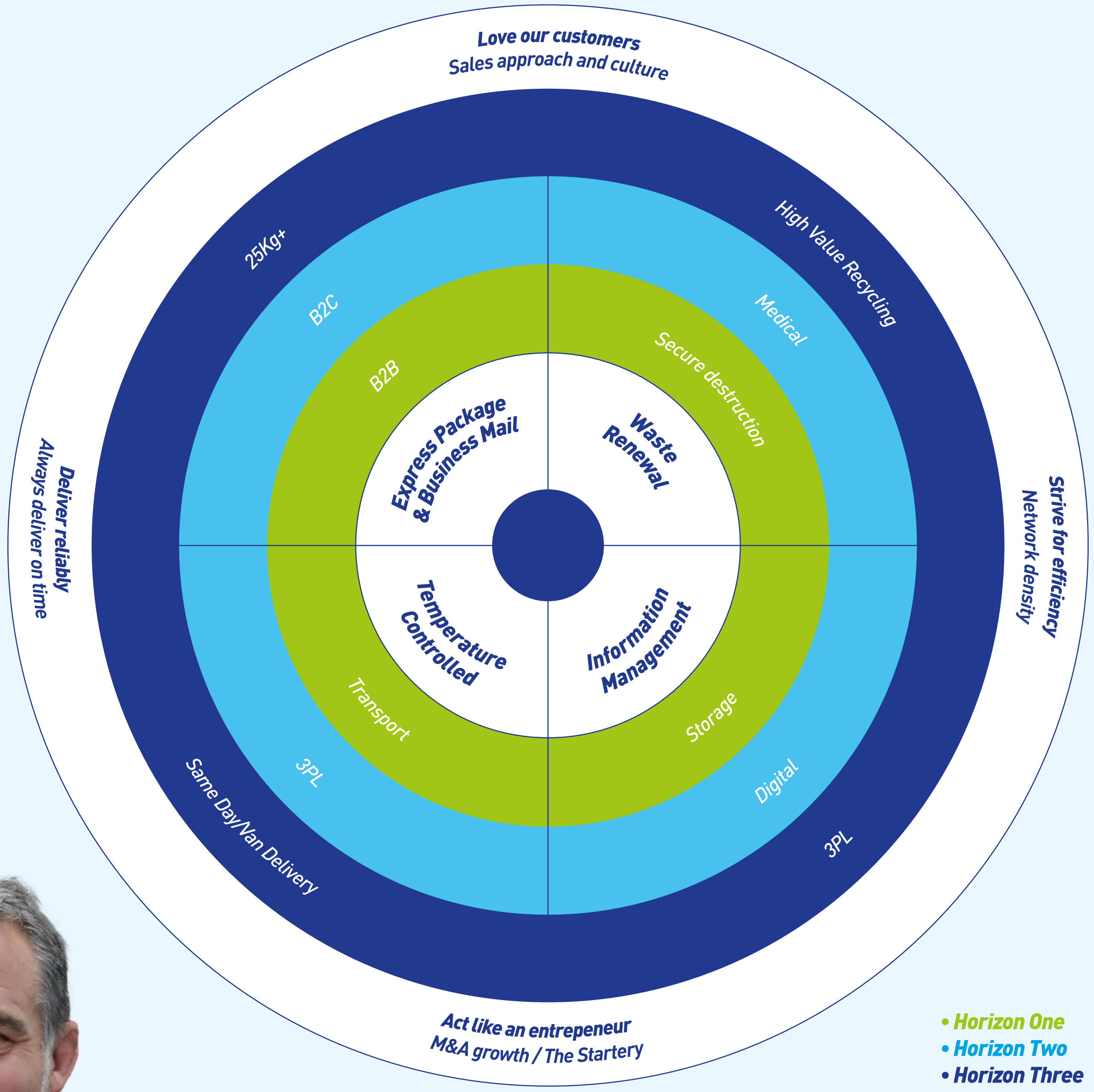
At the same time, we keep finding ways to improve - we look for new ways to pick up, process and deliver that add value. This year, we escalated that "three horizons" approach to four key areas of activity: Express Package & Business Mail; Temperature Controlled Logistics; Information Management; and Waste Renewal.

In our application of the three horizons model, we aim to:

- Extend and defend our first horizon revenue streams (i.e. business-to-business (B2B) deliveries, Temperature-Controlled Transport, Archive Storage and Document Destruction
- Nurture and grow our horizon two services (business-to-consumer (B2C) deliveries, Temperature-Controlled 3PL, Digitisation and Medical Waste)
- Generate genuinely new opportunities in horizon three (Oversize express courier, Same day temperature-controlled deliveries, High-value recycling, eCommerce 3PL).



Mark Troughear | CEO



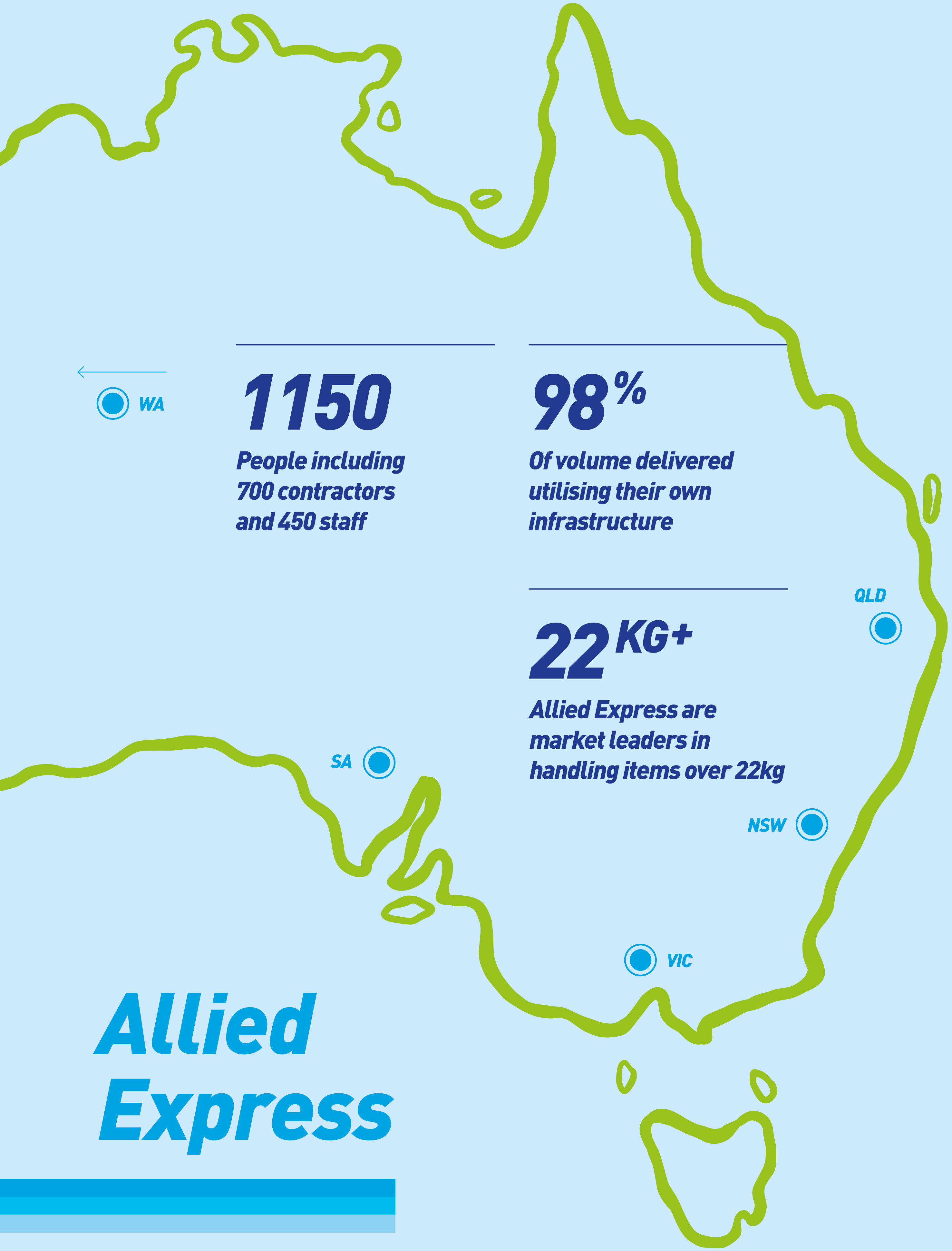
- Horizon One
- Horizon Two
- Horizon Three

Our first horizon services are the backbone of our business often built up over decades of operating and they provide the infrastructure and national network capability on which we establish our second horizon opportunities.

Second horizon revenue streams will typically have faster growth prospects and utilise the fixed cost base established in horizon one. In Express Package our B2C growth leverages the digital platforms, teams of people and physical infrastructure developed over years of B2B deliveries.

Enhanced by our unique Pricing for Effort initiative, this service has developed strongly on the back of a sizeable lift in market demand, delivering strong revenue growth for the Group and fairer earnings for our contractors.

Similarly, our Medical Waste operation in Australia has been built upon our national network established from Document Destruction and the capabilities that allow us to collect bins from customers and process them in a safe, secure and efficient manner.



1150

People including 700 contractors and 450 staff

98%

Of volume delivered utilising their own infrastructure

22KG+

Allied Express are market leaders in handling items over 22kg

Allied Express

Targeting a **50%** *drop in carbon emissions by 2035*

Finally, there are our third horizon opportunities. Here, we use our innovation hub *The Startery* to identify emerging niches that have the potential to deliver tangible long-term revenue streams. In the case of the Express Package businesses, that's enabled us to identify the "Oversize parcels" market as a niche driven by proven need. These parcels include items like bikes, prams and flat pack furniture. They're generally between 25kg and 50kg in weight, too big for the traditional courier network but generally too small to suit heavy freight transport operators. Right now, oversized parcels make up about 5% of our delivered items. Our goal now is to use our Kiwi Express Oversize brand to develop this into a national express delivery service. Repriced to reflect the effort required, this new service will give customers simpler ways to move goods and pay our drivers a fair delivery fee for doing so.

We're seeing the same value progression in our Waste Renewal business. That business began by centring on document destruction. From there, we evolved into medical waste. Now, as a third horizon, we're adding a high-value recycling proposition covering everything from coffee cups to textiles to e-waste and our 100% recycled building product, SaveBoard. The most powerful aspect of all this is that the underlying infrastructure is the same across all three horizons. Our Waste Renewal business uses the same staff, trucks, facilities, shredders and systems across everything it does to generate increased revenue and returns.

Our three horizons approach is attractive because it identifies complementary markets that are under-served, where we have proven capability and generally requires less capital by leveraging existing assets. Evolving our businesses from first horizon to third makes the most of our capabilities *(Act like an entrepreneur, Strive for efficiency, Deliver reliably and Love our customers)* and assists us in achieving sustained growth.

A major acquisition in Australia

Of course, having a horizons approach does not preclude us from accelerating the process to acquire a business that has already got there. At year end, we put the finishing touches to an acquisition that has built a successful "Oversize parcels" courier business.

Allied Express is one of the largest, independently owned, specialised express freight operators in Australia, with a national presence which enables it to deliver 98% of their volume utilising their own infrastructure and the balance through a network of 48 agents. They offer both point to point same day metro delivery services and interstate delivery across Australia.

Allied differentiates themselves from the mainstream players by being market leaders in the delivery of items over 22kg in weight. The acquisition:

- Provides us with a scale entry point into the Australian express package market and a platform to grow from;
- Complements our core capabilities in express pick up, processing and delivery; and
- Provides a backbone network that we can leverage for growth from existing and new customers as well as the potential for service extension.

Allied has a team of around 1,150 people including 700 contractors and 450 staff, with clients ranging from large corporates to SME's operating across a wide range of industries including online retailing, automotive, trade supplies and manufacturing. The sector also has higher barriers to entry because of the complexity associated with moving larger courier items.

We have looked for many years for an Express Package opportunity in Australia before choosing Allied and are excited by this acquisition. This deal has fast-tracked our horizons agenda in Australia exponentially and, of course, progressed our third horizon strategy in our Express Package business overall.

On track in terms of our sustainability goals

This year we will release our third Sustainability Report, having developed a science-based target for emissions reduction last year that will see us targeting a 50% drop in Scope 1, 2 and 3 emissions by 2035. We have been TOITŪ certified since 2014.

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

We continue to keep close to the progress being made in emerging technologies that are aimed to reduce carbon emissions. Based on current progress, our current strategy will commence with company owned vehicles - starting with 25% of company cars being PHEV by 2025 and 100% either PHEV, EV or hydrogen by 2030. We expect that our contractors' light vehicles will begin to meaningfully transition to EV's from 2028 enabled by the rates of remuneration we provide, with a goal to having our entire light vehicle fleet made up of low emission vehicles by 2035. We anticipate that our heavy transport fleet will commence using alternative fuels from 2030, and by 2035 we expect that half of these vehicles will have transitioned. We expect our aircraft fleet will modernise at the end of the current decade. Having said this, the landscape is changing rapidly and we will be flexible in our approach as the emerging technologies are proven, including continuing to monitor and assess the availability of alternate low emissions fuels through this period.

We have already significantly reduced our use of plastics by adopting recycled satchels and fabric freight bags and developed solutions to enable our customers to recycle their soft plastics as well as diverting tens of thousands of tonnes of paper away from landfill and increasing our SaveBoard capability.

As part of our ongoing reporting, we will also refresh our Sustainable Development Goals (SDG) materiality over the next year to ensure that our SDGs continue to align with the interests of our stakeholders.

Full year in review:

Business unit performances

Our businesses continued to adapt to market changes. Here are some highlights.

Express Package and Business Mail

Lockdowns and peak season surges resulted in overall revenue growth of 8.8% for the year with volume moderating as Omicron hit and then the economy began to flatten toward the end of the financial year. Operating costs were significantly higher in the second half – primarily due to the cost of labour to both cover for COVID-19 related absences, increased sick leave payments and the tighter labour market. Profit was largely flat as a result of these costs and the ongoing lag effect of higher fuel prices, where we give our customers the benefit of a two month lag before our FAF (variable fuel adjustment factor) reflects prevailing fuel rates.

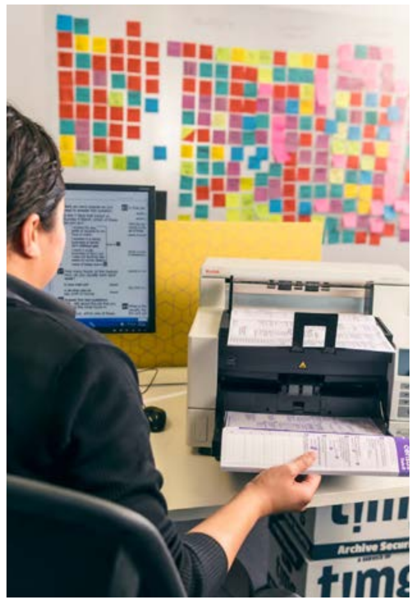
Information Management

Strong growth in digitisation and medical waste drove divisional revenue growth of 9.6% for FY22 despite periods of lockdowns in both New Zealand and Australia which restricted archive related activity and eDiscovery services. This strong revenue growth delivered a 14.3% increase in EBITA over the period.

Capex and Dividends

Total capital expenditure for the year was $24.7m.
In line with our Capital Management Policy, the Board declared a final dividend of 19cps, bringing the full year dividend to 37cps, 3.5cps higher than last year.

Strong growth in digitisation and medical waste drove Information Management divisional revenue growth of 9.6% over the past year...



"Our thanks to all our teams for everything you've done this last year and to our shareholders and customers for your continuing support."

Mark Cairns & Mark Troughear |
Chairman of the Board & CEO

Outlook FY23

We complete the year feeling confident that we have a successful platform for growth and profitability, both now and in the future.

Over the year, we will continue to look after the first horizon of each business activity, further scale our second horizon initiatives and work with *The Startery* to foster those future third horizons. The successful integration of Allied Express, and the growth opportunities this will generate both in Australia and New Zealand, will be a key focus.

The first 6 weeks of FY23 have been characterised by a slight 1% decline in Express Package items consigned on the prior comparative period (pcp). Existing customers are trading 5% lower than in the pcp offset largely by a net 4% market share gain. B2B is down 5% and B2C up 11% reflecting the nature of those market share gains over the past year. While comparing COVID-19 impacted periods is challenging (for example there are far less COVID-19 related personal protective equipment (PPE) and PCR tests travelling through the network compared to the previous year) a comparison to pre COVID-19 levels reveals total item growth of 12%.

We believe the current impact on customer trade we are seeing is driven by a range of factors including a chronic shortage of labour which is restricting businesses from reaching their optimal output, continued disrupted supply chains and some slowing of economic activity. While same customer trade is slightly lower, we have seen no adverse change to our debtors profile.

We expect operational labour costs to increase by around 11% on the pcp reflecting a tight market and the need to secure quality people as well as higher sick leave and costs related to filling those gaps. Fuel prices have had their first material fall in the last year and if this trend is maintained we expect that the fuel lag will allow us to recoup some of the losses we experienced in FY22.

Our General Rate Increase for most lines of business was implemented in July and is expected to largely offset the increased costs of operating. Despite the present challenges in New Zealand and Australia for the businesses we operate - primarily the scarcity and increased cost of labour and some signs of an economic slowdown impacting consumption - we remain confident in our ability to manage the impact of these conditions on each part of our business.

Our people remain our greatest asset. We have a highly experienced and committed team, many of whom have been with us for decades. Our team got us through the challenges of the last two years and they will continue to be our greatest strength regardless of the economic climate. As we enter a new year their safety and well-being remains foremost in our minds.

We have implemented new pricing from July to offset the impact of a higher cost base. One critical advantage we have is that our cost base is highly variable, and this gives us the ability to profitably adjust to a deteriorating economic environment. As always, we will react decisively to any change in volumes while maintaining the service, safety and environmental standards that our customers, investors and other stakeholders expect. We will also prioritise the best strategies to deliver value to shareholders over the long term.

Finally, our thanks to all our teams for everything you've done this past year and to our shareholders and customers for sharing this journey with us and for your continuing support.

Capability one:

Act like an entrepreneur

Responding to COVID-19 and maintaining business as usual has consumed a lot of energy over the last two years. Nevertheless, our entrepreneurial nerve centre, The Startery, has held its own, working up new business ideas in various areas and bringing them through to investment.

Stocka finds its place

Stocka is a new 3PL service developed by TIMG to serve small eCommerce businesses that have outgrown their start-up premises and now need efficient ways to warehouse and deliver their stock to their customers. Until now, this natural change point in developing an eCommerce business has been fraught with frustration. Traditionally these small business customers looked to third-party logistics providers to help them store, stock and then utilise that storage facility as a delivery hub. But large 3PL companies are often only interested in palletised stock, meaning they aren't well equipped to help a growing business warehouse, pick, pack and send items.

Using existing space in TIMG warehouses in Wellington and Auckland, Stocka was developed to service this segment with innovative flat fee pricing offering one fee for warehousing and sending items New Zealand-wide. New Zealand Couriers and Post Haste take care of deliveries.

The business has found a strong target market and has the potential for significant scalability. A lot of new business is coming from Australia, with customers looking for easy and inexpensive ways to launch into the New Zealand market with reasonable cost controls. We will start to fill out the product offering over the next year.

My Checks looks up

My Checks launched in 2020. The business offers comprehensive background checks for recruitment companies, enabling them to check clients without having to import and store sensitive data. COVID-19 and lockdowns made for a tough start as the sector slowed and recruiters were reluctant to pick up a new tool during stressful times. Since then, the business has picked up and continued to grow, posting a profit this year.

Kiwi Express puts on weight

Oversized items are an under-served market segment in New Zealand, but globally this has proven to be a successful and expandable market. The opportunity was spotted and tested by The Startery process and Kiwi Express is now moving into the 25kg+ courier items segment to fulfil a need to move items that are too big for a traditional courier and too small for a traditional transport provider.

SaveBoard keeps building

SaveBoard is already operating in New Zealand, with our Te Rapa facility opening in June 2022. SaveBoard's rigid air barrier makes the product absorbent and dry, and a great substitute in a tight market. We will sell all our capacity this year, with demand significantly exceeding supply at the moment. The partnership is a win/win for Freightways because we earn revenue from transporting materials, and we can sell the end product at a highly competitive rate.

With significant State funding, SaveBoard is all set to open plants in Australia. The first plant will open in Sydney in October 2022, followed by Queensland in 2023 and Victoria in 2024. There is a lot of interest because of the worldwide shortage of building materials and because of the significant environmental benefits, with queries from as far afield as South Korea.

SaveBoard is in partnership with Freightways, Tetra Pak and Closed Loop.

TIMG's logistics expertise

TIMG Australia completed a two-year project at the end of 2021, helping auditors gather, clean, discover and collate evidence for the Royal Commission into banking, started by Prime Minister Scott Morrison in 2019. A national-scale project for TIMG, covering 190 locations across seven states, required wrap-around security, logistical expertise and high-digitisation skills. Due to the project's high profile, multiple touch points and logistic complexity, TIMG needed to ensure that all aspects were managed effectively and efficiently via detailed SLAs with all parties to deliver the project to brief by the required deadline. At its peak, the project employed 330 staff in all states working on a rolling delivery, scanning and delivering over 30 million digitised images to auditors for forensic research purposes.

Since the successful delivery of this project in 2021, TIMG Australia has gone on to provide several similar large-scale information management projects.

Post Haste wins by looking one mile out

Over the last year, Post Haste has been growing their dedicated solutions product (a direct, regular contract delivery between two points) by approaching businesses close to their 16 national branches.

Dubbed their "One Square Mile" strategy, sales teams approached business categories the business was familiar with and had a history of serving well. The result was strong returns with little investment and minimal strain on the existing network.

Hello ProducePronto

Freightways welcomed ProducePronto to the family in 2021, via acquisition. ProducePronto provides national delivery of fresh food for consumption the same day to business and convenience outlets. ProducePronto fulfils the temperature-controlled distribution hub-to-consumer arm, fitting perfectly alongside the larger scale, cross-country Big Chill. Presently ProducePronto delivers fresh fruit, milk, bread, flowers and lunches. An opportunity exists to grow the business by widening the consumer target to include other small businesses and homes.

Med-X scales quickly

Australian-based Med-X had another strong year of growth in FY22, with demand for medical waste disposal threatening to overwhelm their existing systems. PPE, sharps and other medical waste increased exponentially as Med-X grew to serve quarantine hotels and vaccination stations in the major cities. To scale up, fleet and staff increased by up to 4 times in some states.

Using BI data Med-X also studied data outputs to find out where opportunities lay to place more medical waste bins, and rental fees, with their existing clients. Through this simple act, Med-X added an extra $1m of revenue to the FY22 financials.

Case study. Act like an entrepeneur:

Ugly leads to a beautiful opportunity

It started with COVID-19 and the boom in eCommerce. People were buying washing machines and BBQ's, bar fridges and lawn mowers. However couriers were struggling to deliver them because traditional economies of scale, based on a rate card that charged for smaller items, didn't work in the 25kg+ segment.

Freight and logistics people call these items "ugly", meaning they don't fit the usual freight profile. That's because traditional couriers cannot move items that are heavy or large. Not only are they uneconomic to move, but there are health and safety risks.

A sizeable unmet need

Our team at The Startery saw a natural opportunity. Globally, courier companies that deal with oversized items have done very well. So, there was a precedent. But it would need a focussed brand to serve this niche properly.

The more The Startery looked into this, the more interesting the opportunity became. The 25kg+ market accounted for 6% of items but required more than 25% of the overall space inside the Freightways courier networks. So, that was a significant discrepancy. Transport providers were also less interested in this segment. People often used such companies for delivery but were frustrated by the lack of speed and visibility as their goods moved through the network.

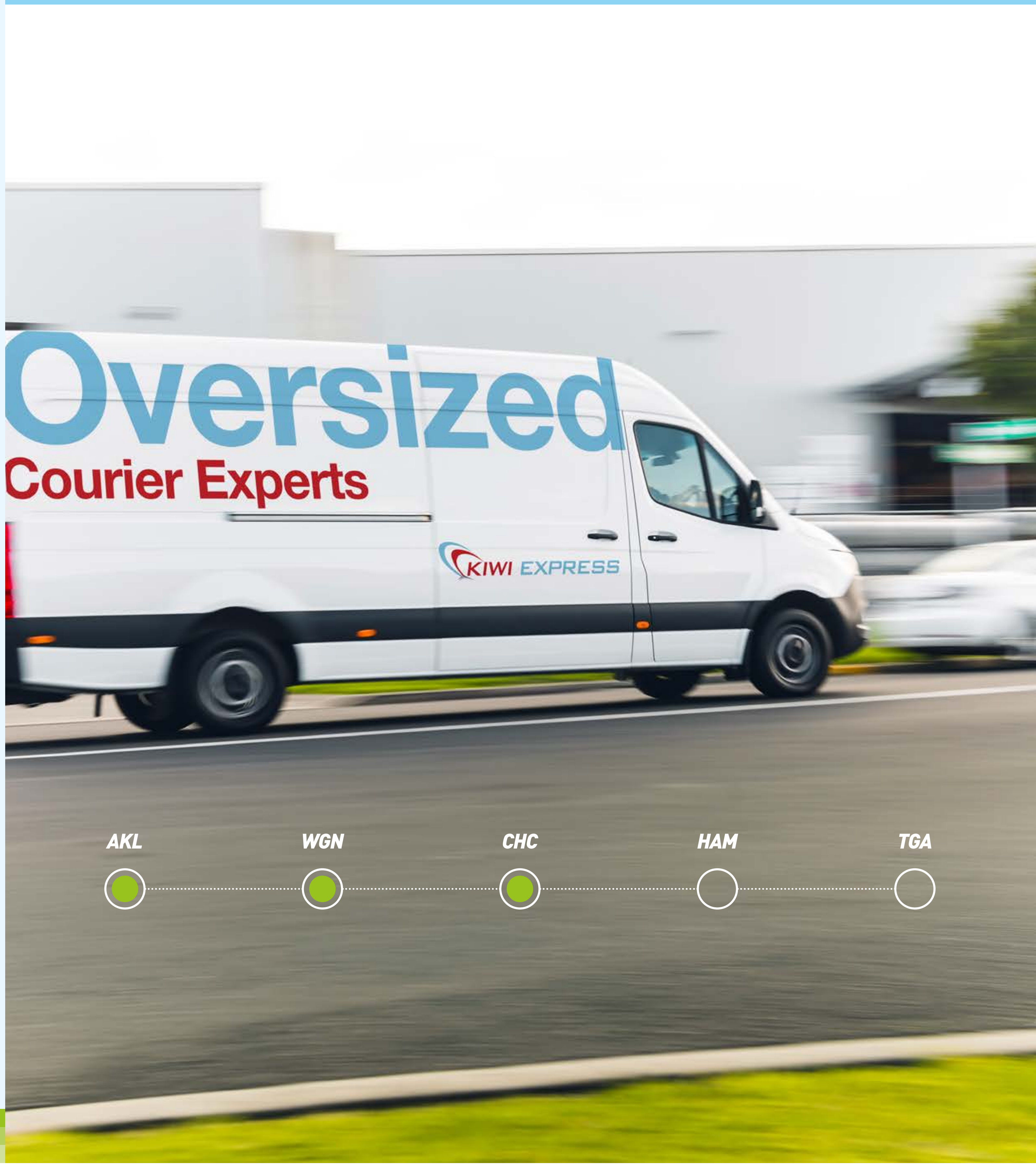
The opportunity existed not just to service this market but to do so in a courier-type way, with speed, track and trace, and easy despatch. We recognised two more things. With the right equipment and health and safety training, we could specialise in this space, and the service itself needed to be national, starting in the main centres of Auckland, Wellington and Christchurch.

Kiwi Express takes up the challenge

Kiwi Express was chosen as the brand to take this offering forward because they already worked as a point-to-point courier business in Auckland, Wellington, and Christchurch and they had the nimbleness and energy to grow into the role while continuing with business as usual. Adopting the new category would give the brand a single-minded proposition they could own and a place in the market to maximise their experience and intellectual property.

The new offering would continue using our proven hub and spoke network but would take on more of the 25kg+ business from across our brands. Trucks and vans would be fitted with tailgates, and two-person teams, trained in health and safety, equipped with heavy-duty trolleys that could walk stairs. Included is a dedicated freight sort at each end and an amended rate card to reflect the Pricing for Effort required to deliver. Deliveries between cities would make use of the Parceline linehaul network.

The service is currently available in the three main centres, potentially expanding to Hamilton and Tauranga later. We can also deliver outside these areas using a traditional courier and amended rate. So far, we're very pleased with our progress. In fact, we expect the new offering to hit budget within the first 12 months.



Capability two:

Strive for efficiency

Attention to detail is a critical part of our customer service. The balance we're always looking to strike is ensuring things are working as efficiently as possible and getting the appropriate level of return where extra effort is required. This year we've continued to look for ways to channel resources more efficiently.

Addressing the lack of validation

Incorrectly validated addresses add significantly to the workload of our Express Package businesses. These packages need more handling and are often returned to us, meaning addresses must to be manually checked, sorted and corrected. In the new year, we'll start including an extra charge of $0.25 per item for deliveries going to residential addresses that haven't been validated. Our Corelogic address validation system accurately validates and categorises addresses based on their latitude and longitude and gives certainty about which services are available at that address. These details are updated in real-time and are available on the home page of all Express Package product websites.

Specific increases

Not all residential deliveries are equal and this year we will be using the data at our disposal to assess those which require more time and complexity to ensure we are recovering appropriately to reward our couriers and recover our margins.

All sorts of help

A new sorting machine at DX Mail has automated our mail sorting for the first time. The automated mail sorting technology takes a photo of each item, reads the addresses and sorts it accordingly, meaning customers can now give us all their mail, and we can separate and post it for them. Faster sorting also means we can handle more significant volumes.

Post Haste Group made another significant shift in sorting and distributing freight at their main depot in Penrose. By separating their consolidation activities from their deconsolidation activities, they've split their fleet and distribution operations, reducing the overall sort time and allowing them to handle volume surges better. It's also safer for staff who are completely separated from the comings and goings of large linehaul vehicles.

Reviewing a range of our rates and processes

Our Pricing for Effort initiative is now in its third year and has been responsible for solid courier pay and per item margin improvement rises across our Express Package brands. This year we're focusing on the carriage of dangerous goods. These types of goods require 17 specific actions to be taken to ensure their packaging, handling, carriage and delivery are completed inside the regulations of the Dangerous Goods Act. When we move such goods, we're also responsible for educating our customers about what's needed. We're repricing the carriage of these goods to reflect the real cost of delivery better.

Non-conveyables are items that pose problems for our automated conveyer belt systems because of the way they are packed. A good example is products packed in glass and then packed in boxes without proper internal packaging such as cardboard inserts.

Wine bottles are a great example of goods which if not packaged correctly can cause damage not only to the bottle but also other customers' freight.

Presently New Zealand Couriers is working with a packaging company to design packaging for wine bottles that is safe to handle and conveyable.

We've also been reviewing across-town deliveries. Local rates for these journeys need to reflect the extra effort, traffic congestion, and travel distances as our towns and cities continue to expand.

We're also reviewing our rates for rural deliveries in the year ahead. Before COVID-19, deliveries that required the driver to leave the city and town boundaries were a low percentage of our overall activity. However, the explosion in online shopping has seen rural percentages almost double in the last 18 months, making them a more costly and time-consuming part of our couriers' days.

Systematic advances

This year, we reviewed our approach to invoicing to make the process more efficient. The review was an opportunity to better cope with volumes and introduce automation where it made sense to do so. Involving our Sales, Finance and Operations teams will ensure the new system answers all our existing issues at once rather than addressing them individually.

A key goal for the review is aligning our invoicing with our wider Pricing for Effort strategy. By getting this right, we ensure our courier partners achieve a fairer allocation of each invoice to match the effort it took for each delivery.

Freightways Information Services has also been hard at work across the business:

- Developing ways to bulk scan multi-pick-ups from one customer
- Developing a web tool that will help couriers and depot sorting staff use their phones to sort freight in every depot in the country accurately.
- Looking at ways to increase the uptake of our API integration. By encouraging our customers, regardless of business size, to integrate directly with our courier mainframe, get better information and achieve more automation. In turn, decreasing errors and increasing efficiencies, volumes and reliability.

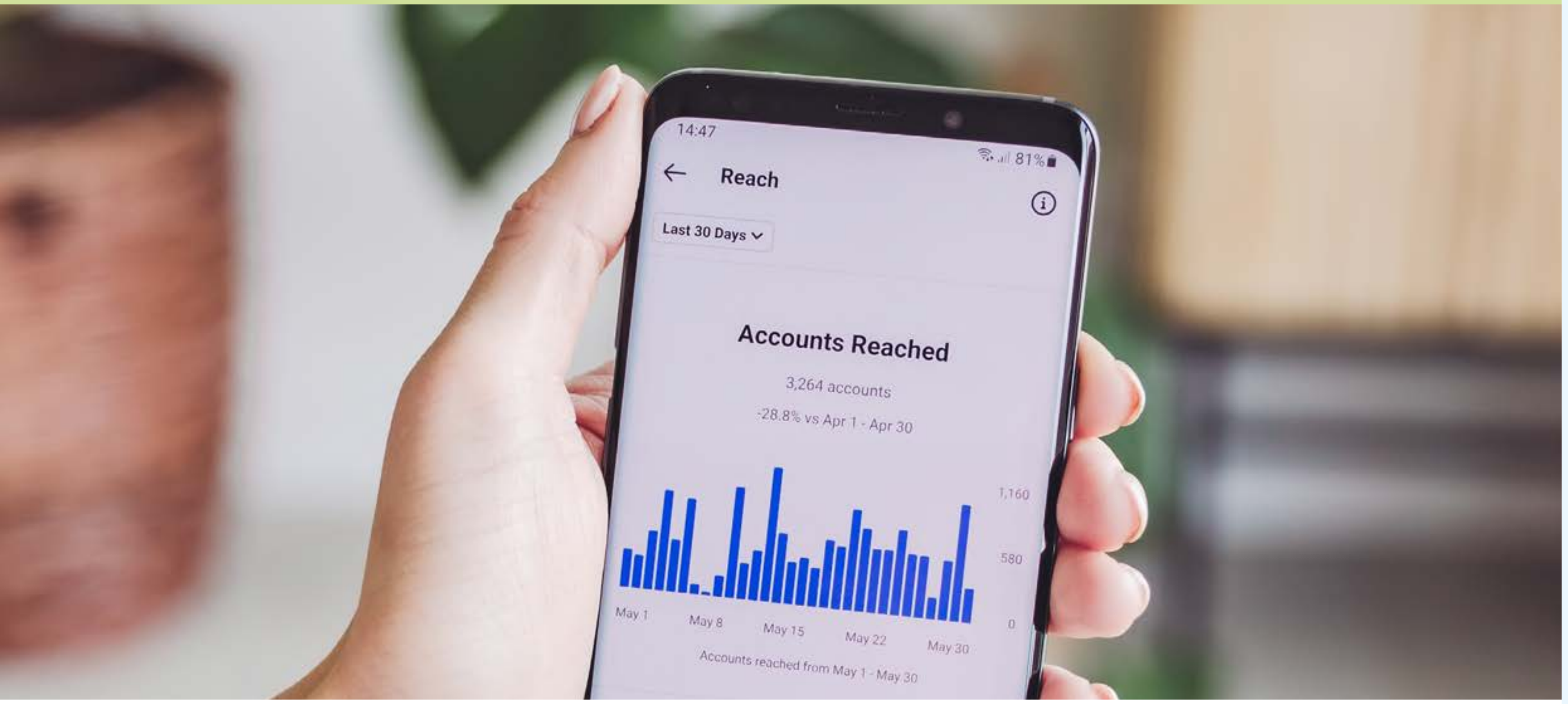
TCPs are the containers used to sort and consolidate freight for their inter-city journey. With the rapid increase in volumes over the last 18 months, we've been looking at how we can use our Power BI system to pre-emptively track where these TCPs might be needed so we can move them around our network. Barcoding the TCPs means we can track and plan where these vital resources are and where they will most be needed.

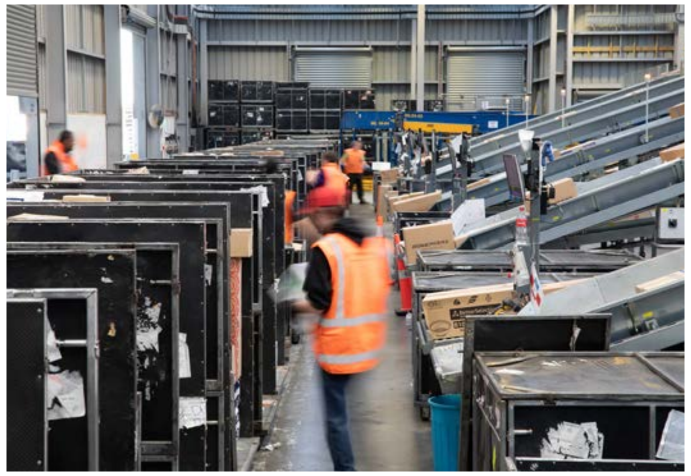
Our Waste Renewal businesses Shred-X and Med-X are currently onboarding a new multi-user IT platform that has helped them consolidate their activities with one overarching platform. The new platform will improve how we manage our inventory and supply chain. But it will also lessen the load on our call centres by enabling our customers to login and self-manage their requirements and billing.

Bagging up the savings

Post Haste Group is looking to reduce the number of plastic satchels they manufacture for their three Express Package brands.

Presently each brand manufactures up to 5 plastic satchels of differing sizes. By shifting to one set of 7 multi-branded satchels, the business intends to reduce its manufacturing and printing plate costs by two-thirds annually.





Case study. Strive for efficiency:

Using BI to create smarter efficiencies

Four years on from when we launched our BI (Business Intelligence) system, we're still finding new ways to make the most of the data we now have available to us.

Every day, as we create and track journeys for the many things we move, we also generate data about those journeys. For example, we use tracking data at every critical point in a parcel's journey:

- when it's collected; as it passes through our depots;
- when it's onboarded and,
- of course, when it's delivered.

Barcode readers and scanners are used by a number of our businesses, including all our Express Package couriers, Waste Renewal operators and our Information Management services teams.

Seeing from the present into the future

We collect various streams of operational, financial and customer data across our businesses. Recently we have been repurposing that information into valuable insights that are changing how we do business.

Today, we're using data to manage our real-time workflow, monitor our performance by customer and aggregate customer and receiver details to help with returns and lost items. Also, we are using data to generate customer insights to tailor our approach and help our customers get more out of our systems and processes.

As our data grows, our ability to forecast more accurately will grow – meaning we will be better able to plan our businesses and project our futures.

Easier than ever to excel

One of the significant advantages of our BI system is that its a Microsoft product – so our people can continue to use all the tools they are familiar with, such as Excel, to build reports themselves, test and run data sets, analyse results and present back findings to the business. The idea has caught on so strongly that some systems teams are now holding training sessions with awards handed out to the most improved "Reporting Power User" every quarter.

Seeing what we didn't know

Power BI allowed us to really understand what is happening for our customers at a granular level. Over the last 12 months, our Express Package businesses, for example, have been using the data from their scanning hardware to run reports based on customer segmentation by run, region, destination, origin and price. Those reports allowed us to see which customers were profitable for us and which weren't, which in turn gave us the opportunity to tailor proposed price increases and service level changes to each customer financially and operationally.

For our profitable customers, we have aligned our service and product to perfectly match their freight profiles and worked with our relationship managers to reinforce communication with them and deepen the relationship. For our lower margin accounts, we've used the opportunity to address rate card increases individually rather than implementing rate card changes across the board.

Our couriers are also benefitting. We've started to map, collect and analyse data around courier runs – specifically, the number of deliveries made against the distance of kilometres travelled. This data can then be fed into scenarios that add and subtract streets to/from a courier run to ensure our contractors are being offered the best opportunities to optimise their earnings.

Capability three:

Deliver reliably

Reliability has been a particular focus for our Express Package and Waste Renewal businesses this year, with each company creating bespoke responses to staff absenteeism, volume surges and continuing COVID-19 restrictions.

Taking our network status to new levels

The health and pharmaceutical sectors both rely heavily on New Zealand Couriers. With the impact of COVID-19 causing potential disruption, New Zealand Couriers have developed a network status framework that enables customers to see what's happening in their areas and the areas they are sending to.

The framework is updated daily and offers individual status levels for all branches and linehaul networks.
There are four levels:

1. Standard

Our network and branches can deliver to our usual service standards, with no expected disruptions.

2. High Pressure

There is a level of disruption and some delays.

3. Very High Pressure

Restrictions are in place that may mean changes for pick-up times and the volume of courier items we can accept. Under this level, we may limit collections, for example, and provide branch drop-offs for critical items only.

4. Network Contingency

Significant restrictions are in place, and medical necessities are the priority. Under such conditions, it may not be possible for courier items to be picked up or dropped off.

So far, the Network Contingency level has yet to be evoked, but the framework ensures we have a plan in place should up to 40% of our national workforce be absent due to COVID-19.

No surprises approach

New Zealand Couriers are working on their third iteration of forecasting models to predict freight volumes. The tool monitors parcel movements every hour and then compares those volumes with the same data one hour ago or for data sets up to 10 weeks in advance. An algorithm then predicts how the future might look. The business can use data to manage volumes, resources and performance.

Outperforming under pressure

This year's pressure test focused on the performance of our residential network. The tests are conducted by an independent third party and compare New Zealand Couriers' performance for overnight delivery of 189 courier items with that of their biggest competitor. The results proved that New Zealand Couriers is still the premium provider in the market, with the best service standard in this category. This year's test ran during difficult times due to Omicron and absenteeism to see how the network performed.

Post Haste acts quickly to address volume surge

Post Haste Group too, had challenges with unprecedented volumes - up by more than 100% in December 2021 in some areas. Post Haste responded by leasing space at Captain Springs Road, Otahuhu, to house and sort the extra freight. To protect items, a large canopy was erected between the Post Haste and New Zealand Couriers depots at our Penrose site. The canopy allows extra freight sorting room when volumes are high and an all-weather area to load and unload linehaul vehicles. Then, to ensure they would be more prepared for high volume fluctuations, they secured a third Auckland depot location in Wiri.

People remain the critical component

This year, the key to delivering reliably has been securing labour and talent in a tight market. While shortages challenged all our businesses, our courier brands were arguably the hardest hit, developing and activating several strategies in response.

- As a Group, we worked with HainesAttract to build a relief team of casual staff to support the permanent sortation teams across the Express Package brands
- We continued to promote people internally, and this has continued to be a solid and valuable strategy
- Remaining competitive with salary packages continues to be a high priority for all businesses inside the Group
- The success of our Pricing for Effort initiative meant we retained our contractors - courier pay saw an average rise of 7.2% in FY22
- Post Haste offered secondments and developed their own cadetship for business graduates while promoting from within, where possible
- New Zealand Couriers launched their internal communication strategy "Driven to be the best" to acknowledge the efforts of their people and to rally the team behind the ongoing challenges of being fast and reliable in the current environment
- Shred-X / Med-X highlighted flexibility by encouraging their teams to work from home
- Ensuring capability and resources can cycle between both brands effectively and safely, across all states, has also proven to be a helpful strategy.

Case study. Deliver reliably:

Staying reliable in an unpredictable world

DIFOT (delivering in full, on time) is critical in our world.

Our depots, van runs, shuttle trucks and linehaul have been purposefully designed to fulfil a reasonably priced, national expectation of next-day delivery, to and from anywhere in the country.

Two types of network

Our courier brands use either hub-and-spoke (New Zealand Couriers, Post Haste, NOW Couriers) or point-to-point (SUB60 and Kiwi Express) network frameworks. Hub-and-spoke accounts for deliveries from local to nationwide (and international in some cases), usually delivered overnight at a reasonable rate card. Point-to-point is an item picked up and delivered by one courier in one trip, at a higher rate card, in our larger cities only.

In the case of our hub-and-spoke network, profitability depends on strategising, planning and executing to the centre of the bell curve – where the majority of freight sits in terms of volumetric weight and reachable, accurate delivery address locations. That's because our hub-and-spoke network uses national airways and roads to connect branches and depots across the country. This interconnectedness makes rapid and reliable delivery possible, but it also means our deliveries are susceptible to factors like weather. This year, those factors were complicated by staffing shortages, volume surges and COVID-19.

We have sortation systems at strategic points in our network to help deal with more volume – but people are still integral to driving, loading, sorting, and problem-solving deliveries to keep the network moving.

If people are affected on a large scale – as with COVID-19 – the courier network, indeed the global supply chain, is deeply affected. Absenteeism, labour shortages and the ensuing need to secure temporary staff had a massive effect on the ability of our couriers to achieve DIFOT reliability during the COVID-19 peak in FY22.

A new normal

The courier industry is growing, powered mainly by online shopping and consumer need for immediacy. But volume surges are problematic because they require us to resource up on various fronts. Bigger teams, sorting space (depots) and equipment (sorting cages, conveyors, trucks and vans) all take time to set up. Unplanned surges like the one we had at the end of 2021 mean we must work harder than ever to counter delays in delivery and stress on resources, depot space, staff and couriers.

COVID-19 brought many of these pressures together at one time. We had volume surges caused by lockdowns and people staying home. Issues around high Christmas deliveries were accentuated by unreliable supply chains internationally. We had high absenteeism due to sickness and stay-at-home rules. Deliveries were more complex, with a higher percentage of residential deliveries compounded by the need to follow COVID-19 health guidelines.

And on top of all this, we had abnormal weather conditions. The result was a new normal that has required our courier businesses to rethink how we reliably deliver.

Customer engagement

Being upfront and honest about the state of play of the courier network with customers was critical to preserving our brands' reputations. All our businesses front-footed communications to their customers, ensuring they knew precisely what would happen to their deliveries.

During the lengthy lockdowns and strict health and safety regulations, all our brands kept up regular communication with customers via their digital channels, updating them on what was happening, how to get more information and what to expect from their courier brand over the coming weeks and months. We did this using a combination of website homepage updates, landing pages and electronic direct mail.

A strong, 'get it done' culture

But if people were our greatest vulnerability, they were also our enduring strength. Perhaps our biggest weapon in the battle to secure DIFOT was our deep sense of working like a family. That commitment saw people helping out colleagues when things suddenly got busy or stepping out of their roles to help in other parts of the business.
We made plenty of operational changes to keep pace with what was happening – but ultimately, the commitment of people to each other, our reputation, and our customers proved our greatest reliability asset in a challenging and unpredictable year.

Capability 4:

Love our customers

Part of our commitment to loving our customers is looking for opportunities to add value for them in their businesses and their lives. Increasingly that commitment revolves around data and providing customers with insights that improve their understanding.

Parcelling up insights

Our New Zealand Couriers teams are using data extracted from our hand-held scanning hardware to compile a new report pack called My Parcel Insights. The report uses the customer's data to help them better understand where they are being efficient and where there's room for improvement in terms of their parcel handling. We can also easily compare their data against our national data averages to show where customers are not hitting national benchmarks.

The Report can also calculate GHG (greenhouse gas emissions) for courier deliveries for customers that they can then use for their public reporting. New Zealand Couriers is TOITŪ verified, which means we can calculate and publish GHG emissions by weight, origin or destination and assign carbon to each delivery.

Love with an emphasis on the 'e'

eCommerce is where the new business is for our courier brands. Positioning ourselves as an eCommerce expert enables us to help eCommerce business owners looking for insights into how to better run their business. We're not the only business doing this of course. Courier brands around the world are becoming eCommerce insight providers. New Zealand Couriers is no different. Through insight reports, blogs and information via our customer services and sales teams, we're engaging with eCommerce business owners early in the cycle of business development - from start up - as they look to grow.
What we're finding is that business owners are asking for thought leadership, 'how to' guides, top tips, market research and reports.

Woo is just the start

CX (customer experience) is the term on every digital marketer's lips right now. Presently, our Express Package courier brands have a sophisticated level of API integration for larger to enterprise level eCommerce businesses. But for start-ups and smaller eCommerce businesses, integration and CX with our courier mainframes is more challenging. We are now looking to resolve this. Recently we developed integration with Woo Commerce (Wordpress eCommerce platform) and are looking to move to more eCommerce platforms this year.

Helping customers to help themselves

Self service is another way that we are helping customers find what they are looking for. Over the last few years, New Zealand Couriers have been building up their Help Centre content. This cache of information pertains to all things courier – educating our customers on how to get the best out of us.

In the last 12 months alone over 150 articles have been posted to the Help Centre and take-up has been high as customers prefer to self-solve their problems rather than call Customer Services. To date, the Help Centre has had more than 470,000 views – which represents a significant number of queries that our Customer Services have not had to deal with.

Helping the banks to box clever

TIMG Australia have just completed a large customer-focused two-year project with a number of Australian banks. As part of the Royal Commission enquiry into banking, our TIMG teams uplifted large swathes of documents from 190 bank locations across all states, digitising and cataloguing thousands and thousands of archive boxes for the inquest. At its peak, we had more than 300 staff around the country working on this.
The project required lengthy collaboration with both customers and auditors.

Chilled future

Big Chill announced the development of their new cold storage facility in Ruakura this year. Expected to open in July 2023, this world-class facility will be capable of storing up to 16,000 pallets inside its 13,000m2 footprint. Positioned inside Ruakura's new SuperHub precinct, the location will help Big Chill bolster its links to the Port of Tauranga, Waikato and Bay of Plenty with crucial overnight and same-day links to Auckland customers.

The new facility will also set the benchmark for environmental performance - achieving at least a 4-star green building rating.

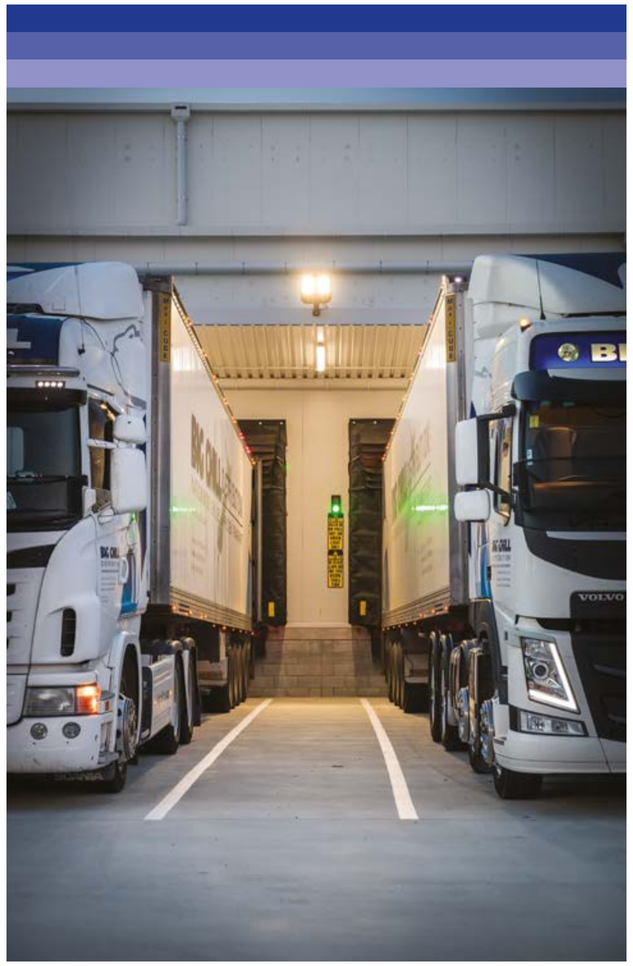
Growing produce demand

ProducePronto deliver perishables to businesses in metro areas via a fleet of temperature-controlled vans and small trucks. Fresh delivery is essential to their customers, as is being reliable. Business growth is generated by fulfilling these capabilities like clockwork. Delivering fresh flowers well every day becomes flowers and sandwiches, then flowers, sandwiches and doughnuts - through well-executed customer service and smart logistics platforms.

Putting the customer first

Dataprint has been nominated for the Westpac Business Awards for 2022. These high-profile awards have been part of Auckland's business calendar for over 15 years and celebrate innovation, creativity and service amongst nominated businesses.

Two recent NPS surveys, carried out six months apart, scoring over 70, verify Dataprint's supportive culture, customer-first ethos and nomination in these prestigious awards.



Case study. Love our customers:

Banking on having access to the right documents

30M
Images scanned, cleaned and prepared for the Royal Commission

In 2019, Australian Prime Minister Scott Morrison established a Royal Commission to investigate whether banking institutions treated Australians fairly. This Royal Commission required evidence in the form of bank documents to be collected and collated from a number of banks. That information then needed to be passed to auditors as part of the discovery process.

Preparing the evidence

The volumes were significant: some 16,500 archive boxes of documents were collected and uplifted from 190 bank locations across seven states and brought to TIMG locations where they were catalogued, cross-checked, prepared, then scanned and digitised. Once the digitised copies had been catalogued into document types (mortgage, loan documents etc.), all the personal information, such as driver's license and Medicare details, had to be individually redacted to comply with privacy requirements, this completed the eDiscovery process.

Wrapping our business around the requirements

TIMG was chosen because we were the only business that could offer a fully managed wrap-around service. We also had the national reach and proven experience in the legal and corporate sectors. Transporting such valuable and personal documents across rural and metropolitan locations across Australia required robust security and logistical processes and a company experienced with high volume digitisation and eDiscovery.

Among the project requirements:

- Clear, secure, logistical plans to move documents from bank locations to TIMG and from there to the client
- Accurate, systematic scanning, cataloguing and cross-checking
- Robust process workflows to manage the document preparation, integrity, order and security
- High-speed scanning to ensure definition, resolution and colour integrity
- Data extraction – which involved delimiting, redacting and objective coding each document in whatever form it was delivered to us
- Documents were then recalibrated, quality checked, copied to Iron Keys and delivered to our client.

Two things really stood out for our customers: how we tailored what we were doing to each customer; and our relationship managers, who dealt with key customers as well as the banks to help keep the information flowing. Specifically, our customers fed back that they enjoyed our methodical and detailed ways of working and the ways we were able to work quickly with large volumes and rigorous security and privacy requirements. They also appreciated the regular communications they received from us.

In total, we scanned, cleaned and prepared some 30 million images, involving all parts of the business in what became a race against time. Even small things like dealing with Post-it notes and shadows/ blotches left behind from sharpies loomed large because of the sheer volumes of documents we were working with.

Since this project, TIMG has secured a number of projects of similar size and capability.

Our people:

Supporting our people to work well

There's no denying it's been a challenging year for our people on multiple fronts. Our volumes of work, illness and the stresses of living in the current COVID-19 environment have all put people under pressure.

Our team members are important to us and we have done what we can to support people appropriately and to ensure that working with us adds to their senses of security, inclusion and wellbeing.

Solidity as an employer

As a longstanding business with a track record of consistent achievement and growth, our ability to offer high levels of job security in an uncertain world is a valuable attribute. We have also ensured we remain competitive with our salary and wage packages. Career progression is another priority, and we have long championed promotion from within. This is very much a personal commitment for our leaders as most of our current executive team have worked their way up through the business.

A culture of accessibility

We deliberately keep our structures as flat as possible. Of course, role descriptions are needed in a commercial environment like ours to create accountability and responsibility, but, at the same time, having access to business leaders and executives is important and indeed part of our cultural norms.

Open door policies, and a current working knowledge of the business, ensure our leaders remain accessible and available, and quite prepared to roll up their sleeves if the situation requires.

Well-tuned to wellbeing

We take the wellbeing of our team members seriously. Our business leaders have accountability for this and each business also has appointed wellbeing champions, coordinated by a lead manager, as part of our approach to Health and Safety.

Wellbeing is often supported and promoted in conjunction with events or special dates across the businesses, like Samoan Language Week or Matariki (the Māori new year). These occasions and celebrations bring people together and add meaning and commitment to our culture as a whole.

Support and information

Our EAP (Employee Assistance Programme) continues to offer our people professional support should they need it. The Programme offers phone access to external, confidential counselling professionals to help people address issues around physical and mental health, financial advice and partner counselling. These services are available free of charge to all our people.

The Movement, a comprehensive online wellbeing resource, is managed by a group of staff volunteers and has a membership of 1062 members.

Both resources are core components of our wellbeing activity.

Welcoming new people to the fold

Acquisition is a key part of our growth strategy, and over the last couple of years we have welcomed new businesses to the Group: Big Chill and ProducePronto.

Welcoming new people is important to us, and we view every business that comes into the Group as an opportunity for all of us. Our communications reflect this, engendering confidence for the newly added business that we respect them for their expertise and for what they will add to the Group.

We also help them understand how their business aligns with Pick-up, Process and Deliver, our Vision, Principles and Capabilities as well as our commitments to wellbeing, diversity and inclusion and our Sustainable Development Goals (SDG) aspirations. This approach is consistent with being a business that encourages people to take ownership, be commercial and work like a family.

Then, as people settle in, we invite them to get to know us and find their own career paths inside the Group, across two countries.

Doing their best work. Soundbytes from our people:

Zane Lomas

Digital and Product Marketing Manager
New Zealand Couriers

I honestly didn't think it would be as exciting as it has been. It's only been four and a half years for me and from where I stand I see so much opportunity for how we can develop as a business.

Designing and implementing the Network Status Framework was a highlight. Complex, crucial and time sensitive, we were designing and building the framework just as the Omicron variant hit. We had to build something that was relevant, trusted, dynamic and easy to update that gave our customers confidence that we had this - inside a month!

Customers need us to help them succeed in business. In the eCommerce space we are privileged to see how big companies do it. Packaging up those learnings, adding our years of expertise and creating digestible chunks of insights as a proof source is highly compelling for eCommerce start-ups. You can be sure they will stay with us for the duration. They grow and we grow.

Understanding where customers are on their business growth spectrum and what they need from us is key – then adapting our approach and message. Business people are always looking for an edge, it's just about extracting it.

David Bould

Security Manager
TIMG

I knew we were finding it hard to replace the people who had moved on to other jobs. So, when a colleague handed in his notice six weeks ago, and his run came available, I put my hand up to help out.

Keeping our runs moving is key to our business. That's what my role is all about - keeping things moving by calling in on our customers, picking up and delivering, and being the friendly face of TIMG. The more work I have to do on my run, the better we are doing as a business.

So, until we find a replacement, I have two runs to do. My normal run in Auckland CBD and my extra run up through Northland and back. We have changed the runs around to make it all work, so I call on all my customers regularly. I am certainly clocking up some major miles these days. Especially since I live in Huntly!

My day starts at 2:30 am when my alarm goes off, and I'm usually at work by 4:00am. If I do my CBD run I finish around 1 or 2pm. If I am going to Northland, I'll be away for a couple of days during the week. It's all about making those regular calls on our customers with a smile and keeping TIMG top-of-mind.

Sandra Soo

National ICT Co-ordinator
Shred-X

I joined the business back in 2014. My career with Shred-X has really been about helping the business be more efficient. As we grew over the years, it became more crucial to have strong systems and processes in place, particularly around our customer service and sales/ new business information.

Purchasing a CRM platform helped us deal with the volume of customers we had on the books– some 100,000 collection points. To realise the benefit of that investment our training was key. Initial training first to get our team proficient, then updates and improvements, adding more functionality, welcoming new businesses to the Group - helping our people understand the value of the way we did things.

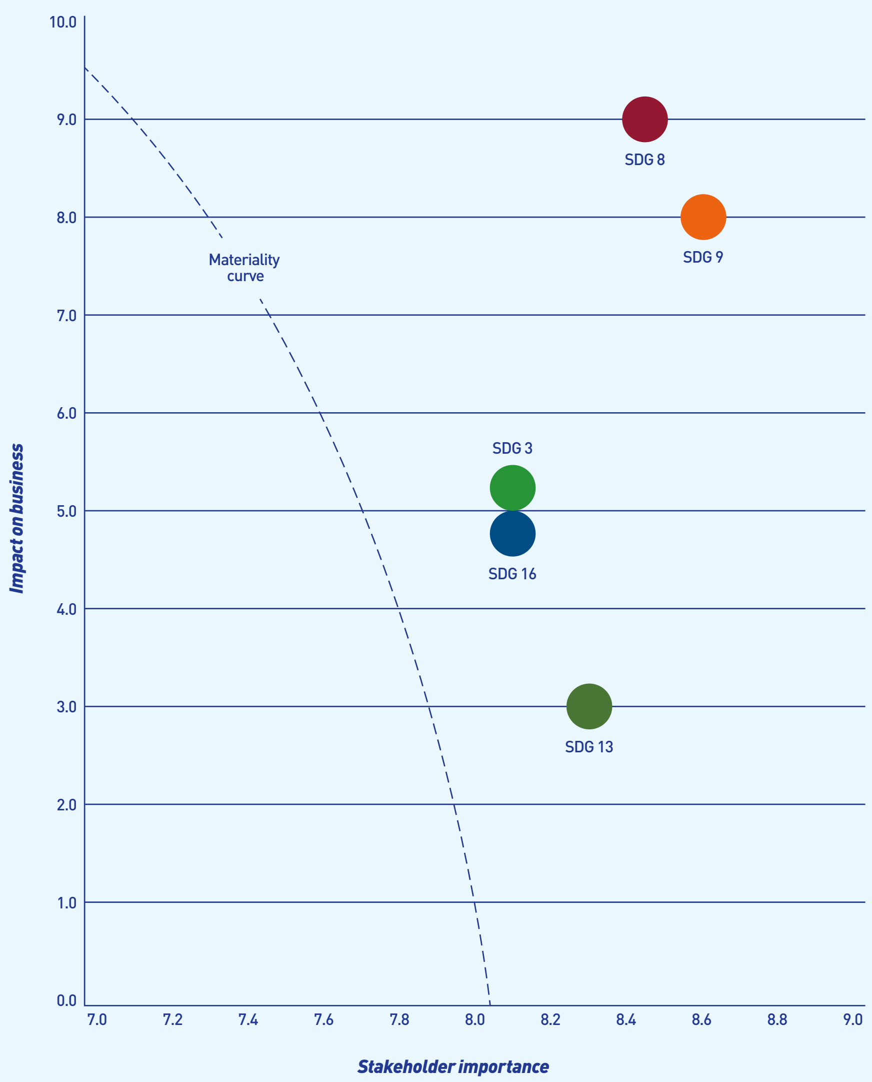
It pays to be an agile thinker. Our WA team needed our help, in the depths of COVID-19, so we trained them all remotely. Things are always changing here. Shred-X is really dynamic, so our approach to our processes and our training follows suit. It pays to stay on top of things.

It's been 8 years and I'm still learning. Being in constant contact with people from across the business keeps me open to new ideas, ways of making things easier and changing things up for the better.

Introduction:

Our Sustainable Development Goals - SDG's

Figure 1 – Stakeholder Materiality Assessment



To meet growing demand by stakeholders for broader information about our activities, we continue to incorporate non-financial criteria into our decision-making and public reporting.

Four years ago we conducted an assessment to determine the issues most material to our business and public reporting via the Sustainable Development Goals framework.

SDG #3
Good health and wellbeing

- Health and safety in employment: Injury reduction - LTIFR reduced from 12 to 11 in FY22
- Deployment of advanced in-cab road safety technology in linehaul vehicles
- Employee wellness programme and mental health awareness training rolled out to all management staff

SDG #8
Decent work and economic growth

- Introduction of literacy and numeracy training to operational teams
- Professional development and management leadership training implemented
- Rewarding contractors for their efforts through PFE

SDG #9
Industry, innovation and infrastructure

- Continual strengthening of reliable networks - through expanded air, road and depot networks
- Horizon 2 and 3 opportunities developed through The Startery

SDG #13
Climate action

- GHG Emissions reduction with a target to reduce reduce scope 1, 2 and 3 emissions by 50% by 2035
- Reducing plastic usage and waste by 75% through our EP Brands

SDG #16
Peace, justice and strong institutions

- Ethics and integrity
- Transparency

SDG 3:

Good health and wellbeing

Our areas of focus:

- Health and safety in employment – injury reduction
- Deployment of advanced in-cab road safety technology in linehaul vehicles
- Employee wellness programme and mental health awareness training rolled out to all management staff

Health and safety training has been challenging over the last 12 months due to the impacts of COVID-19.

We did our best in the current environment, including transferring as much of this training as we could online. We had no Category 1 injuries during the year and our LTIFR measure (lost time injury frequency rate) reduced from 12 to 11 in FY22.

Safety Factors now being rolled out

Safety Factors, our new system was finally rolled out in January across our Australian businesses and into our New Zealand courier businesses in June. We have seen an immediate increase in near-miss reporting because the software makes it easy and fast to report. Knowing this allows us to learn more about the near-misses / problems area that are arising. We expect to implement Safety Factors into the rest of the business in the first quarter of FY23.

We remain committed to gaining better perspectives on areas of high risk within our sites. Our safety app for all executives and board members has been live for 12 months now. Through the app, executives or board members visiting our sites can access immediate information about any critical risks at the site. The app also lets them audit those risks.

Currently, forklift licensing requirements mean operators must train once every three years with us and attend an external course every two years. Our goal with our forklift simulator is to conduct self-certification licencing training once every 12 months. Worksafe have been using us as a test case on whether third-party external certification can eventually be replaced.

Maintaining our road safety record

We have maintained a very low level of road safety incidents considering the total kilometres that our vehicles travel. In part, that can be explained by our high road safety culture, the need for our contractors to operate low mileage vehicles and the duty of care that creates. We are currently setting minimum standards for all trucks within our owned and contracted fleets. These will be monitored by a dash cam that also detects drivers' eyesight movements, such as looking away from the road, looking down or drifting off to sleep. If this happens, the driver is alerted via their seat shaking. The dash cam also watches the road, and footage can be pulled any time there is a near-miss or incident.

COVID-19 measures created for our contractors

This year four stages were created that governed the type of safety operating procedures a contractor would use. Each stage has a different set of operational protocols. These stages proved exceptionally effective at keeping infection rates in the workplace really low. We continued to reinforce social distancing and hand sanitising, and our couriers maintained contactless delivery for pick-ups and deliveries. We had no serious hospital cases of COVID-19 inside our organisation this year.

Improved safety in two of our Australian businesses

We have seen significant improvement in Health and Safety in our Waste businesses (Shred-X and Med-X). As we have acquired small businesses in this area we have needed to instill a new HSE culture which revolves around awareness and taking ownership. This cultural change, supported by new technology, has enabled a significant reduction on lost time injuries throughout the business.

Good progress with wellbeing

Wellbeing remains a priority across all our brands, with each business taking their own approach to caring for their people.

The Movement is our employee wellness programme. This online portal continues to be available to all staff to provide them with support and information.

Our EAP (Employee Assistance Programme) is an important support structure for people seeking guidance in tough times. It includes external professional counselling via a helpline.

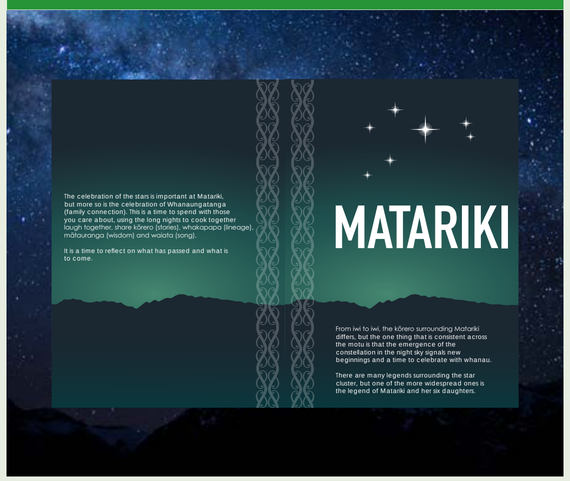
Our people are generous contributors of their time, money and energy to charities, celebrations and global causes. This year, a group-wide communication around Matariki, the Māori New Year celebration, was used as a time to reflect on the year, and find deeper personal meaning in the philosophies of the Matariki celebration. Once again, we celebrated Pink Shirt Day, an annual global event that brings awareness to issues of work place bullying. As always, this event attracted wide participation right across the Group.

Serious hospital cases of COVID-19 inside our organisation for FY22

Zero

Shred-X / Med-X reduce LTIs (Lost Time Injuries) from 18 to 6

LTIs: 6



Contractor income increase

7.2%

1047

attended training

+ Online webinars for sales
+ Health and Safety modules

Our areas of focus:

- Profitability leading to sustainable employment
- Introduction of literacy and numeracy training to teams
- Professional development and management/leadership
- Rewarding contractors for their efforts through PFE

SDG 8:

Decent work and economic growth

Inflation, fuel prices, Omicron and supply chain challenges all had a drag effect on work conditions and economic growth this year. Nevertheless, our businesses all worked hard to protect wellbeing, ensure our hard-working teams were fairly rewarded and maintain our levels of customer service as high as possible.

All our businesses have been adversely affected by COVID-19, but in different ways. TIMG, for example, relies on customers being in offices, so there was a significant downturn during the extended lockdowns in Auckland and Melbourne with little to no documents to process. We did see a slight lift in May, but still lower than pre-COVID-19 levels.

Continuity surcharge applied

After the Kaikoura earthquakes, New Zealand Couriers introduced a continuity surcharge to deal with events that required us to use more resource to deliver. This helped cover significant increases in operating expenses caused by extraordinary events. While we have done everything we can to buffer our customers and receivers from cost impacts that relate to COVID-19 lockdowns and associated safety measures, things reached a point where we had to pass on a portion of these costs. The continuity surcharge is a transparent, limited-period method of sharing these extraordinary costs, which incorporates the flexibility to adjust the figure based on conditions worsening or improving. The surcharge did not apply to customers who had rate card increases in 2022.

Staying flexible

We are carefully moving back to business as usual after many months of working from home. Such a transition is important but requires patience and understanding. For some people, there will be mental health / confidence issues associated with returning to work around others, while for new candidates, hybrid working is often high on their priority list.

Our businesses all have their own approach to this shift. For example, our Freightways Information Services offers their team two days a week in the office on a rotation basis. This suits their culture, where digital platforms are highly utilised, and team members are good at connecting with others online. This team have also remained connected with periodic face-to-face get-togethers throughout the year.

Training continued

Implementing training through the year was also challenging. We did manage to hold some workshops, Freightways Fundamentals / Leadership 1, in July with participants who were interested in stepping into management roles. We also restarted Lead, our executive leadership development course, with 13 delegates via virtual and face-to-face learning.

We completed Welcome / Induction modules with 98 new team members, and 902 people participated in our Manual Handling and Customer Services programs via online videos. We ran 12 online webinars as part of our Sales Accelerator training for both sales cadets and seasoned professionals. Businesses also continued their own training where possible.

New Zealand Couriers, for example, continued to offer corporate training modules for First Aid Certificate, Manual Handling Essentials Training, Dangerous Goods Awareness Training. Promapp, an internal digital archive of knowledge and processes used by all New Zealand Couriers staff, also remains a strong tool for the business, with 2703 views over the last 12 months.

SDG 9:

Industry, innovation and infrastructure

Our areas of focus:

- **Continual strengthening of reliable networks**
- **Horizon 2 and 3 opportunities developed through The Startery**

An innovative spirit runs deep within the Freightways culture, linked directly to two of our core principles and capabilities: Be commercial & Act like an entrepreneur.

Stocka is our next venture into space

Our archiving business demands plenty of warehouse space and there is always some element of spare capacity. This led to a new opportunity - Stocka was born. A 3PL initiative that enables eCommerce business owners to shift their operations into warehousing paid for with a single flat fee that includes storage, pick/ pack and freight within New Zealand. It's an initiative that's also proving popular for Australian eCommerce businesses looking to drop-ship on the other side of the Tasman.

At the same time, we have been rationalising our TIMG warehouses in Victoria – from three sites down to one. This has enabled us to use that warehouse to capacity and, at the same time, enjoy the savings of relinquishing two rents.

SaveBoard continues to build

SaveBoard is in its first year of production and experiencing strong demand thanks in no small part to constricted Gib supplies in New Zealand. In Australia we have a plan and investment ready to get operations up and running in three states. This year, we opened our New Zealand operations in Te Rapa in Hamilton. Meanwhile, New Zealand Couriers have developed a system to collect all their used plastic courier satchels from New Zealand government agencies. These can be sent to SaveBoard and turned into building substrate.

Sharp thinking on sharps containers

Sharps containers have become a growth industry since the onset of COVID-19. Used medical sharps, like injection needles, must be disposed of carefully. Our containers ensure it's safe for medical practitioners/ hospitals, vaccination centres and clinics to do so.

Until now, sharps containers have been made from plastic and designed for single use. But when a competitor found a way of washing and reusing the sharps containers, our Med- X business responded quickly.

We continued to stipulate that our sharps containers are single-use but found a way of granulating the plastic of the used containers to turn them back into plastic sharps containers again. This is more cost-effective than washing and reusing and far safer.

Working with the next era of entrepreneurs

eCommerce is a growth sector for our New Zealand Couriers business because it involves multiple pickups from one point that can then be disseminated across our network. Of course, what's attractive for us is equally interesting for our competitors, which is why activity in the eCommerce sector is highly competitive.

The courier business that stands to gain the most is the one that eCommerce owners trust the most. To facilitate that, we're augmenting our competitive offers with proprietary research that provides insightful knowledge.

New Zealand Couriers have developed a Consumer Insights Report and a Merchants' Insight Report, as well as a blog and a presence at eCommerce conventions. Growing our business in this exciting space starts with helping today's entrepreneurs to learn and grow and succeeding alongside them – based on a shared spirit of developing new ways of doing things.

Stocka is a game-changing 3PL initiative for eCommerce business owners looking to shift up their operations into warehousing, paid for with a single flat fee

SaveBoard will open sites over the next 4 years

4 New sites

Our 2035 CO2e target:

↓50%

New Zealand-sourced recycled plastic is used to make our express packs

80%

Our areas of focus:

- **GHG Emissions reduction with a target to reduce scope 1, 2 and 3 emissions by 50% by 2035**
- **Reducing plastic usage and waste by 75% through our EP Brands**

SDG 13:

Climate action

Freightways has been TOITŪ certified since 2014. We remain focused on reducing our carbon emissions in line with containing global warming to within two degrees. Our commitment includes targeting a 35% reduction in our CO2 emissions by 2030 and a 50% reduction by 2035 – by transitioning the fleets we operate and contract to alternate fuel cell technology over time.

This year we continued to advance in reducing our levels of virgin plastic usage and plastic waste.

Enviro360 offers a collective solution

New Zealand Couriers advanced the development of their Enviro360 recycling bag. Developed for our government clients, the Enviro360 is now helping all participating agencies to recycle their used courier packs.

New Zealand Couriers express packs are already made from 80% New Zealand-sourced recycled material. The Enviro360 recycle bag solves the problem of what to do with express packs once they've been used. Participants simply fill their Enviro360 bag with their used express packs - ours or someone else's – and any Class 4 soft plastics.

When the bag is full, it's collected, and all the contents are moved on in their recycling journey. (We consolidate and linehaul the Enviro360s to their next destination with other courier items to further reduce emission impacts). The used packs make their way to SaveBoard, where we upcycle them into a new, low-carbon building board. SaveBoard products are environmentally stable and can be recycled and used over and over again.

Proud to be part of the Soft Plastics Recycling Scheme

We are proud members of the Soft Plastics Recycle Scheme, where we financially contribute to the collection of eligible plastics from participating stores, the quality control and baling of plastic materials, the transport to the end processor and the cost of processing into new products like picnic tables and fence posts.

Reducing our use of virgin plastic

Across our Express Package businesses, we are progressing toward a critical goal of reducing the amount of virgin plastic used in our company. This work program is now in its second year, and by the end of 2022, we expect to have reduced our fossil-based virgin plastic by more than 70%, or over 100 tonnes. To date, no adequate, sustainable substrate exists to replace the plastic we use completely. (Our current substrate, as above, uses 80% recycled material.) The good news is that all our current express packs are Class 4 and can be recycled through the Soft Plastics Recycling Scheme.

Leading the new ways in Australia

Sustainability is mission-critical to the success of our Shred-X and Med-X businesses. After collecting and breaking down data assets, paper, media and textiles, we recycle around 98.5% of the materials.

Shred-X is the largest secure destruction provider in Australia. This year, we diverted 56,000 tonnes of paper and 87 tonnes of coffee cups from landfill. No single direct competitor offers the ethical landfill diversion solutions that we do. Our Med-X business is challenging how the health sector responsibly disposes of sensitive materials, with products like 'Sharp Cycle' that, for the first time in Australia, enable used sharps containers to be granulated and turned into new containers again. Both businesses use the latest and most environmentally sustainable technologies in their facilities.

We dispose of materials in four ways:

- Ewaste recycling – we work with Australian recyclers to divert ewaste from landfill and to enable precious metals like copper and components to be recycled
- Ewaste repurposing – we find new homes for non-data holding ewaste like keyboards and mouses. Data holding equipment can be sanitised and repurposed as well
- Other waste like printer's waste and plastic can be recycled and reimagined into new products. Paper and coffee cups, for example, become 80gsm office paper, while plastic can be turned into Ewood – a melted plastic composite that is used for things like garden edging, picnic tables and garden tubs
- All of the materials we recycle can be used as ingredients for the SaveBoard manufacturing process.

SDG 16:

Peace, justice and strong institutions

Our areas of focus:

- ***Ethics and integrity***
- ***Transparency***

We place significant emphasis on being straight-up, leading by example and doing the right thing.

Good intentions and behaviours are integral to our commitment to being good corporate citizens. We believe actions speak loudest. So, we pay our taxes in the 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.

From the outset, we've always been a company prepared to stand up for the things we believe in and make the calls we believe need making. Transparency drives credibility. 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. We also continue to offer investors and analysts unfettered access to our senior executives. This year, we've included TCFD filings for the second time. In Australia, we have filed our latest Modern Slavery Statement for our businesses.

That spirit of transparency carries through to our ESG initiatives. This year we will publish our third Sustainability Report. Quantifying our progress in areas such as waste reduction, plastics and, of course, carbon aligns with market expectations around disclosure and continues our commitment to being open and honest about all our initiatives. Included are subjects that are challenging for which there are no easy or immediate answers.

Our experience is that consumers increasingly expect openness and choose brands they consider to be ethical over other options. They want to feel they are buying products and services from companies that behave well, and they are therefore comfortable to support. That same expectation is present in business-to-business interactions. We're the same. We look to partner with other companies that reflect or complement how we work and the sustainability stances and values we work to.

People are a huge force for good in business today. In talking about our successes, we acknowledge the hard work of our teams and the collective impact they have on our success. As we have proven throughout the challenges of COVID-19, their energy, support, and tenacity have been and remain critical to solving problems and overcoming barriers. We want the people who buy from us and through us to see that we celebrate and deeply value our culture. It's something we're very proud of.

Our range of policies and processes includes:

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

Our website includes detailed information about:

- 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

We celebrate and deeply value our culture

Zero

Environmental or safety prosecutions in FY22

Who we are:

Our Freightways' community

100th
Anniversary of the R.S.A's red poppy

200K
Kiwi kids helped by KidsCan yearly

Supported charities:

- Auckland Kidney Society
- Beanies for Babies
- Cancer Society
- Child Cancer Foundation
- Clontarf Foundation
- Duffy Books in Homes
- Keep New Zealand Beautiful
- KidsCan
- McGrath Foundation
- New Zealand Breast Cancer Foundation
- RSA
- Rotary St Johns
- The Hearing House

NZRSA

This year marks the 100th anniversary of the R.S.A.'s red poppy. A symbol of remembrance worldwide, the red poppy is made famous by the poem "In Flanders Field" written by Lieutenant Colonel John McCrae. One hundred years on, the poppy has become a symbol used by the Royal New Zealand R.S.A. as their primary funding vehicle for Poppy Day on 22 April and Anzac Day on 25 April, where they receive donations from the one million poppies they produce.

This year, to mark the poppy's centenary, the R.S.A. raised awareness around their membership's age diversity as younger New Zealanders are sent on peacekeeping deployments to war-torn countries like East Timor, Afghanistan, Iraq and Africa.

New Zealand Couriers helped with this year's national poppy campaign by distributing the poppies to multiple locations nationally.

Life Flight

Freightways is proud to partner with Life Flight – the not-for-profit organisation that operates New Zealand's fleet of fixed-wing air ambulances and Westpac Rescue Helicopters. Life Flight helps over 1,200 Kiwis each year in times of their greatest need, from critical care hospital transfers to accidents and medical emergencies across the country. Life Flight has been in operation for over 30 years.

Freightways subsidiary, FieldAir, holds the Airline Operating Certificate for Life Flight and crews and maintains the fixed-wing aircraft from their base in Christchurch. Freightways/Field Air and Life Flight have been in partnership since 2014.

KidsCan

Unfortunately, supporting kids in need is a growth industry, with KidsCan currently helping over 200,000 children in 800 schools and 100 earlier childhood centres with over five million items yearly.

KidsCan is New Zealand's leading charity dedicated to helping Kiwi kids affected by poverty. They partner with low-decile schools and early childhood centres across the country to provide kids in hardship with essentials such as food, jackets, shoes and health products.

As an associate partner, we provide them with direct financial support. We also offer direct supplier support through NOW Couriers and New Zealand Couriers by providing discounted services and bulk warehousing.

Via the New Zealand Couriers website homepage, users, some 18,000 views per week, have direct access to the KidsCan donations page.

1.2K
Kiwis helped by Life Flight every year, in their times of greatest need

Governance

Task Force on Climate-Related Financial Disclosures

Climate risk disclosures prepared in response to the recommendations.

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 decarbonisation 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.

The transport sector is responsible for 19.7 percent of New Zealand's total greenhouse gas emissions[1]. The New Zealand Climate Change Commission estimates that a 50% reduction in transport emissions is required by 2035 to achieve net zero emissions by 2050[2].

As one of New Zealand's major transport services provider, the bulk of our GHG emissions are generated from consuming transport fuels. We have a number of businesses in New Zealand and Australia, covering express package and other complementary services in information management, business mail and chilled transport. Freightways has grown organically and by acquisitions and has representation in every major town in New Zealand.

Our core business of collecting, consolidating, processing and delivering 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 second annual climate disclosure and describes our current governance and management approach to assessing and managing climate change risks and opportunities to our businesses. As part of this disclosure, we have also strengthened our emissions reporting – see page 69.

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.

Board oversight

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

The Charter of the Board's Audit & Risk Committee requires that an annual review of key risks and mitigations is performed by each of Freightways' controlled businesses and is consolidated at a corporate level.

The Audit & 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[3]. Risks are assessed according to their likelihood and potential impact. Each business is responsible for identifying events that could impact their ability to deliver on its strategy or reduce profitability.

Freightways currently engages a specialist external third party to supplement our internal expertise on climate-related issues on an annual basis to support the preparation of our TCFD report. Freightways performs annual measurement and receives third-party assurance of our GHG emissions, which allows us to understand the trajectory of our GHG emissions and carbon price exposure year on year. Exposure to climate-related risks and carbon prices has been considered when assessing potential business acquisitions.

Freightways' Board is also taking on a longer-term focus, which will be reflected in an updated risk assessment methodology and the prioritisation of climate-related risks.

The Board has approved the development of Freightways' GHG emission reduction target and strategic climate initiatives. Progress against those strategic objectives and targets are reviewed annually by the whole Board.

Management's role

Freightways' Chief Executive Officer (CEO) and Chief Financial Officer (CFO) take responsibility for assessing and managing climate-related risks and opportunities at a corporate level. 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.

Freightways' business GMs and executive teams are responsible for identifying and assessing risks at an operational level, including climate-related risks, and providing those to Freightways' executive leadership team at least on an annual basis for board Audit & Risk Committee review.

[1]Ministry of Transport report: Transport Emissions: Pathways to Net Zero by 2050May 2021.
[2]New Zealand Climate Change Commission Draft Advice. March 2021.
[3]https://www.freightways.co.nz/content/uploads/2018/08/Audit-Risk-CommitteeCharter.pdf
https://www.freightways.co.nz/content/uploads/2021/12/RM-Risk-Management-Policy-Jul20.pdf

Risk Management

Climate-related risks are identified through multiple sources including:

Freightways' process of identifying and assessing climate-related risks takes into consideration activities occurring across its value chain. This approach sees Freightways considering risks that lie both upstream and downstream 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. Climate-related risks are identified through multiple internal and external sources. These include:

Internal sources:

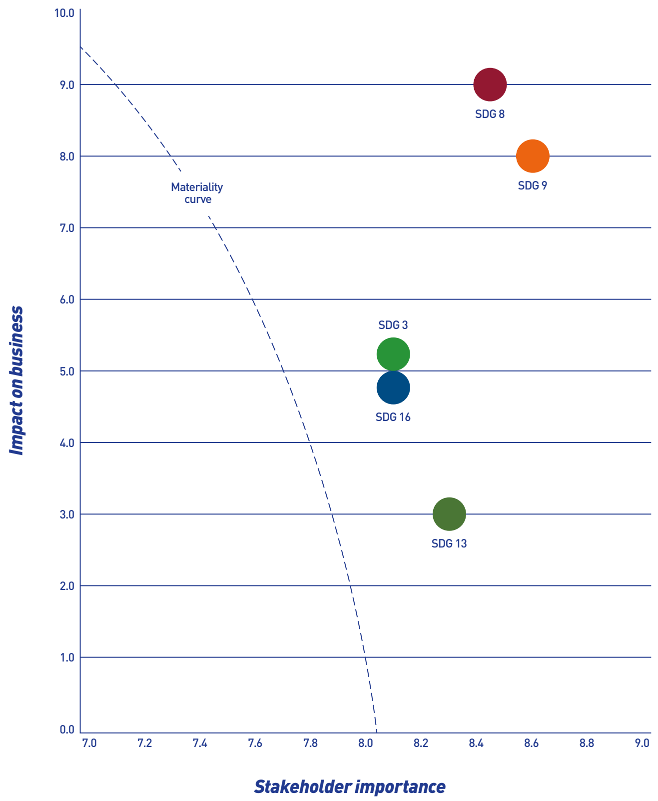
- Our disaster recovery and business continuity plans assess the impacts of acute events.
- Regular reviews of the Critical risks assessments which are regularly reviewed.

External sources:

- Our involvement in the Climate Leaders Coalition[4] and other industry groups focused on addressing climate change.
- Briefings and advice from climate change specialists.
- Reports produced by government agencies, such as the Climate Change Commission and the United Nations.

Freightways' commitment to incorporating non-financial criteria into our broader risk assessment and decision-making led us to conduct a materiality assessment in 2017. This assessment helped us to understand and incorporate into our strategy the views of key stakeholders. The results of this process, shown in Figure 1, clearly indicated the importance of Climate Action (Sustainable Development Goal 13).[5]

Figure 1 – Stakeholder materiality assessment



Collective action

Part of the process of identifying climate-related risks and opportunities is working with other industry participants on opportunities for collective action. That's why Freightways joined the Climate Leaders Coalition at its inception and has undertaken work to establish science based targets to contribute to action towards the Paris Agreement.

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 impacts

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.

How policy changes align or impact our business model

Another aspect of identifying climate-related risks and opportunities is understanding how policy changes align or could impact our business model. For example, the New Zealand's Ministry of Transport's May 2021 Transport Emissions Pathways document sets out themes to phase out emissions across our transport system. Table 1 below shows Freightways' actions in line with Themes 2 and 3.

Table 1: Pathways to Zero Carbon by 2050 – initiatives by theme

	Transport sector emission reduction themes[6]	Freightways initiatives
Theme #2	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	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.

A more structured approach

A more structured approach is being established and progressively implemented to maximise the benefits of acting in line with our carbon reduction target – see the Metrics and Targets' section.

Some of the initiatives we have undertaken or have planned, in order to manage the climate-related risks and opportunities identified, include:

- Leasing/purchasing more fuel-efficient vehicles, with plans to start EV uptake in 2024.
- Collaborating on air freight movements using more fuel-efficient airplanes.
- More efficient use of our network and an increase of run density, leading to improved fuel efficiency.
- Employing a contractor model which incentivises efficient fuel use in their own vehicle through factors such as the routes taken, maintenance and minimising total kilometres travelled.
- Collaborating between our separate courier businesses to gain further efficiencies.
- Reducing use of virgin fossil-fuel based materials for packaging.
- Implementing the use of plastic courier satchels, that contain 80% recycled content, for customers.
- Investing in our circular economy recycling business aiming to reduce waste to landfill.
- Upgrading to LED lighting and solar based energy in warehouses.
- Investing in saveBOARD, a waste-to-product business capable of converting used plastics — such as courier satchels — into building materials.

[4] https://www.climateleaderscoalition.org.nz/who/signatories/freightways
[5] https://www.un.org/sustainabledevelopment/climate-change/
[6] Ministry of Transport report: Transport Emissions: Pathways to Net Zero by 2050

Risk Management

Likelihood and impact

To determine the risk rating of climate-related risks, we use our general business risk matrix.

This approach considers two variables: likelihood and impact (Figure 2 and 3). The ratings reflect our short, medium and long-term timeframes and the financial impact on the company. The combination of the ratings results in the ratings matrix, as seen in Figure 4. As most of our risks and opportunities assessments are currently only qualitative, we currently 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 this the likelihood rating as part of our determination of other risks Freightways' faces, we are able to also determine the relative likelihood of climate-related risks to other risks.

Figure 2: 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 – 5 years	Medium-term
Possible	Has happened before within the company or industry	1 – 2 years	Short-term
Likely	Regular occurrence within the company or industry	1 year	Short-term
Very likely	Happens with high frequency	1 month	Short-term

Figure 3: Freightways' risk impact ratings

	Financial Impact	Reputation	H&S	Compliance
Impact	*Could ↘ EBIT 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 hospitalisation/ 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

Risk register

Each business unit is required to maintain a risk register which also considers mitigation and risk trends.

Freightways' executive leadership team is given the opportunity 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.

During the course of our initial climate risk assessment, we identified that climate risks will typically peak in their 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, over the next annual risk and strategy sessions with the Board, we will:

- Review an updated brief on the material risks currently identified and any new risks identified in the preceding year.
- Review our risk rating thresholds to assess whether our enterprise risk framework could better reflect the nature of climate risks.
- Decide whether to assign a higher risk rating to our material climate risks to ensure a response proportionate to their potential impact on the business.

Figure 4 – Risk Rating Matrix

Likelihood: probability of occurance	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
Impact when occurs (EBITA reduction)	Minor	Moderate	Significant	Major	Catastrophic	

[1]Ministry of Transport report: Transport Emissions: Pathways to Net Zero by 2050. May 2021.

Strategy

Considering both a low and high emissions scenario, and their impacts

Freightways' conducted a qualitative assessment of its climate-related risks and opportunities in a low and high emissions scenario, taking into account 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 analysis are provided to the board through regular updates on ESG matters throughout the year. 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.

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 (see above). Understanding the full risk assessment rating, will require quantitative modelling of the financial impact of each risk in the future.

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 (see table 2).

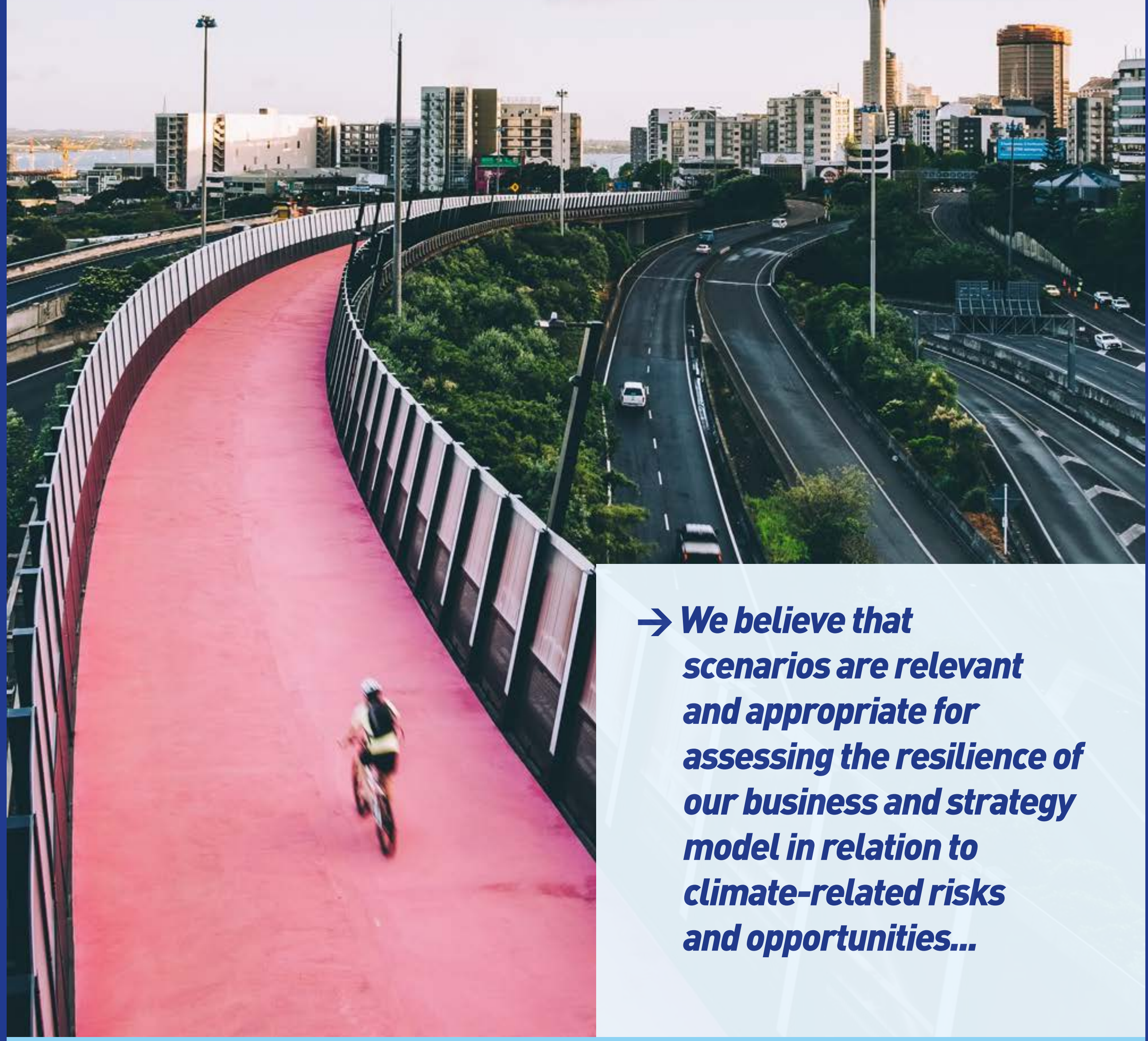
The tables that follow below describe the physical risks (Table 3), transition risks (Table 4) and climate-related opportunities (Table 5) that were identified, and their expected impacts on the business.

Table 2: *Climate 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 EA 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

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

These scenarios, outlined in Table 2 on the previous page, are informed by Intergovernmental Panel on Climate Change (IPCC) reports, the International Energy Agency (IEA) energy scenarios and recommendations provided by the New Zealand Climate Change Commission on how New Zealand can meet its emissions budgets. Leveraging the expertise from these three organisations provides a 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.



→ *We believe that scenarios are relevant and appropriate for assessing the resilience of our business and strategy model in relation to climate-related risks and opportunities...*

Strategy

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

Physical risk description – Disrupted transport network

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 the 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[10]. 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, have provided us with experience in managing disruption successfully.

Physical risk description – 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[11].

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

Physical climate risks

Table 3: Material physical climate 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
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 a nd 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
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	

[10&11] https://environment.govt.nz/publications/national-climate-change-risk-assessment-for-new-zealand-main-report

Strategy

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 - increasing fuel costs as a result of 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.

This, together with offering an adequate return to our contractor drivers, is helping to drive our adoption of low-emission alternatives in order to avoid the increasing costs of fossil fuel.

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

Climate transition risks

Table 4: **Material transitional risk**

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
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) Qualitative (2050 assessment)	2035 Low **emission** scenario: Medium High **emission** scenario: High 2050 Likelihood rating Low **emission** scenario: Unlikely High **emission** scenario: Possible	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 science-based targets initiative[9] 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[12]	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
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 renumeration rates to support them into low emission vehicle	

[12]Freightways 2020 Sustainability Report

Strategy

Cost of carbon exposure:

$1.3m

estimated based on 2019 emissions

Assessment methodology

We have assessed the net present value (NPV) of our financial exposure to increasing fuel costs as a result of an increasing cost of carbon under two different scenarios as of 2021. These scenarios took into consideration the estimated rates of low-emission vehicle uptake within our fleet, our science-based 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.

These scenarios both assume that 100% of the carbon price is passed through in the cost of fuel.

NZ 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.

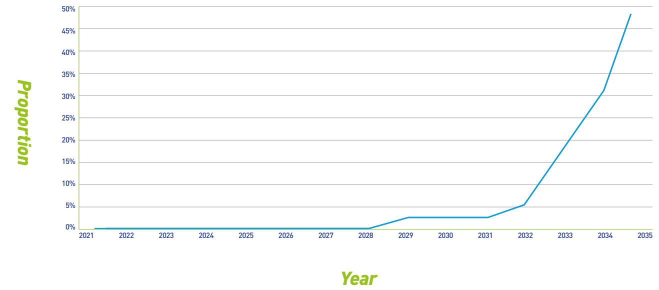
Due to uncertainties surrounding the adoption of low emissions technologies for heavy vehicles and aircraft, the 2050 assessment of this risk is qualitative. Due to Australia not having a carbon price at this time, this modelling was limited to our New Zealand operations.

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.

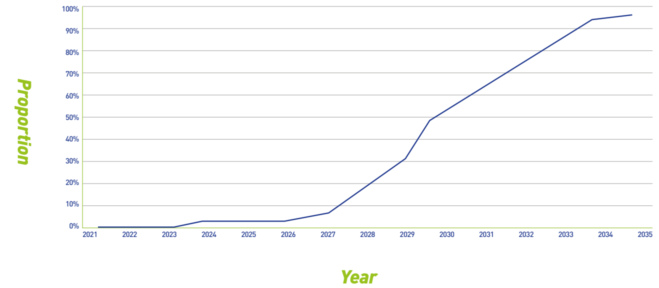
Low emission vehicle adoption rates

Freightways' adoption of low emissions vehicles varies between the Headwinds and Tailwinds scenarios. This reflects the differing rate of change between the two scenarios. Under a Tailwinds scenario, Freightways acts early to reduce emissions, while a Headwinds scenario sees us delay our emissions response. This is based on the differing costs of technology between the Headwinds and Tailwinds scenario, with low emissions vehicle technology costs decreasing more quickly under Tailwinds than Headwinds.

Low emissions vehicles as a proportion of total fleet (Headwinds)



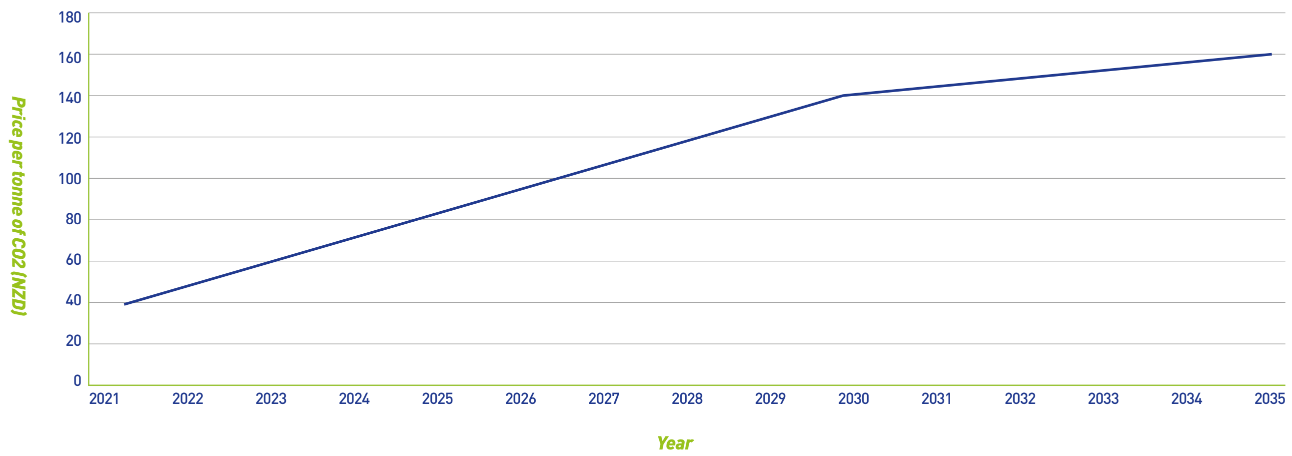
Low emissions vehicles as a proportion of total fleet (Tailwinds)



Carbon price

The annual carbon price in the Climate Change Commission's analysis was 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, as can be seen below:

Estimated Carbon Price (2021-2035)



Strategy

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 and 2035 period is approximately NZD 68.3m with a peak financial exposure of approximately NZD 10.1m in 2029, then this 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 becomes 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 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 186% of 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 onto consumers will itself depend on the impact that these higher carbon costs have on the demand for transportation services and also 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 science-based 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. For example, over the past year, we have managed to decrease our fleet by 4% while still increasing the number of items sent through our networks.

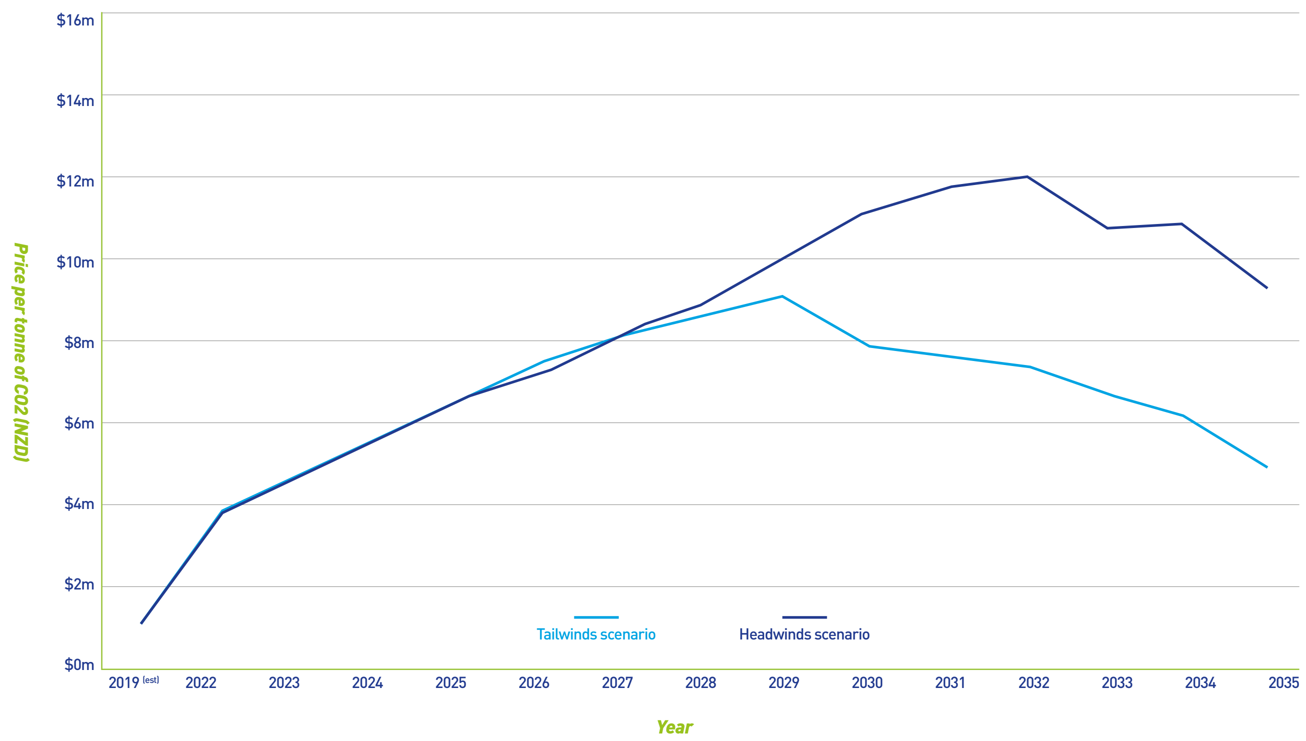
Figure 5, to the right, shows the projected financial exposure that Freightways has to a rising cost of carbon in transport fuels. The New Zealand dollar amount represents only the carbon cost component of the cost of fuel. The remaining components embedded in the price per litre, for example other taxes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

Reduced our fleet by:

4.0%

whilst increasing the number of items sent through our network

Figure 5. Additional cost of fuel due to carbon prices 2019 – 2035 (NZ only)



'Tailwinds' scenario:

By 2035, all vehicles in the motorbike, passenger vehicle and van fleets are expected to be fully electric

Strategy

Climate compliance requirements impact pool of contractor drivers - risk description

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.

Conversely, 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 in order to meet our reduction targets. This allows our current and future contractors to factor in the potential extra 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 5, to the right, describes the climate-related opportunities that were identified, and their expected impacts on the business.

Table 5: ***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
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
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
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

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.

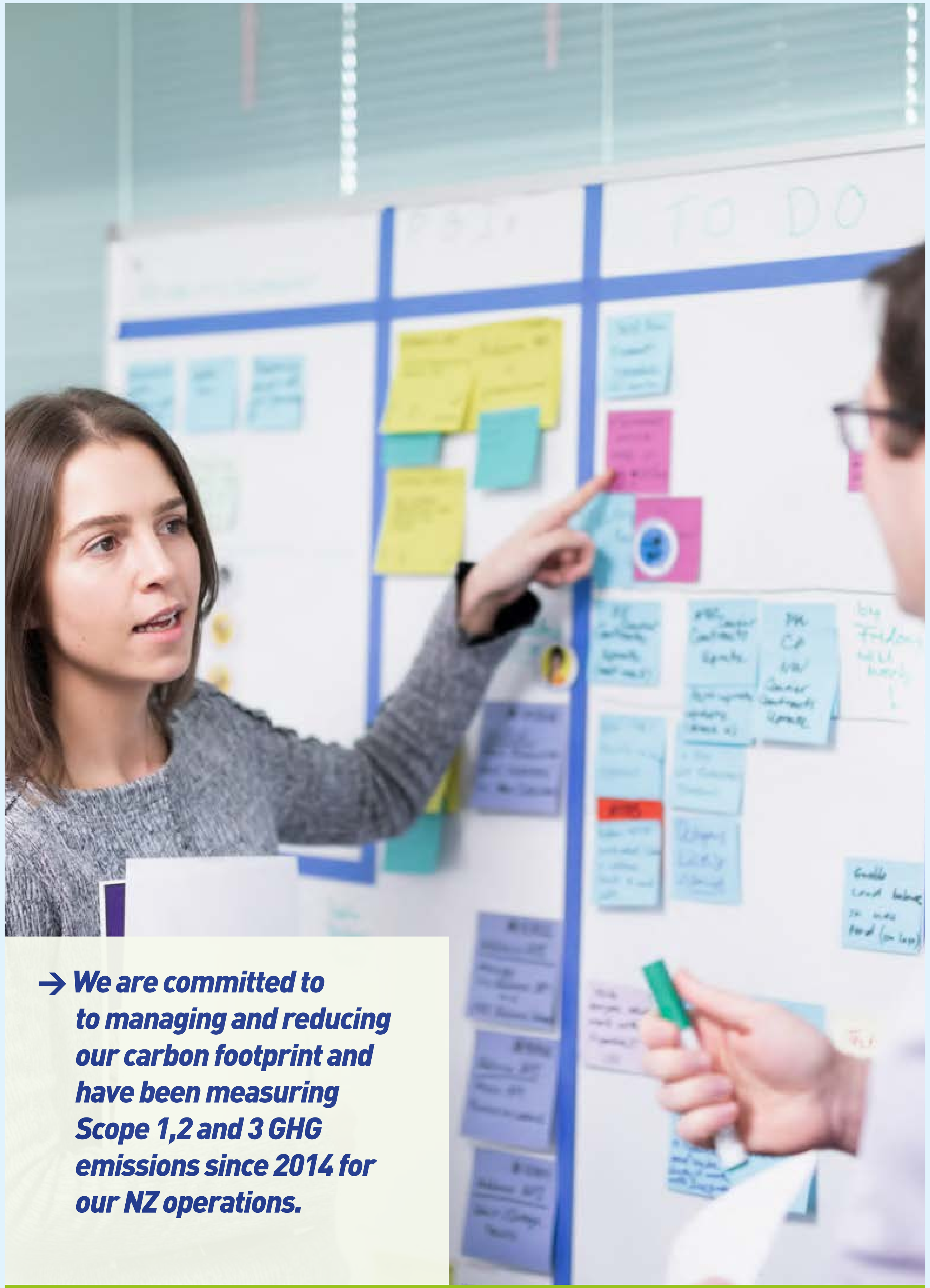
> ***→ As physical climate risks become more material, the importance of a resilient transport network will grow...***

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.

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.



→ We are committed to to managing and reducing our carbon footprint and have been measuring Scope 1,2 and 3 GHG emissions since 2014 for our NZ operations.

Metrics and targets

Our key transition activities are the rate of uptake of low emission vehicles within our fleet and other steps to reduce GHG emissions per tonne kilometre.

We expect these activities will be reflected in how quickly we are able to reduce our 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.

Scope 1, Scope 2, and 3 emissions

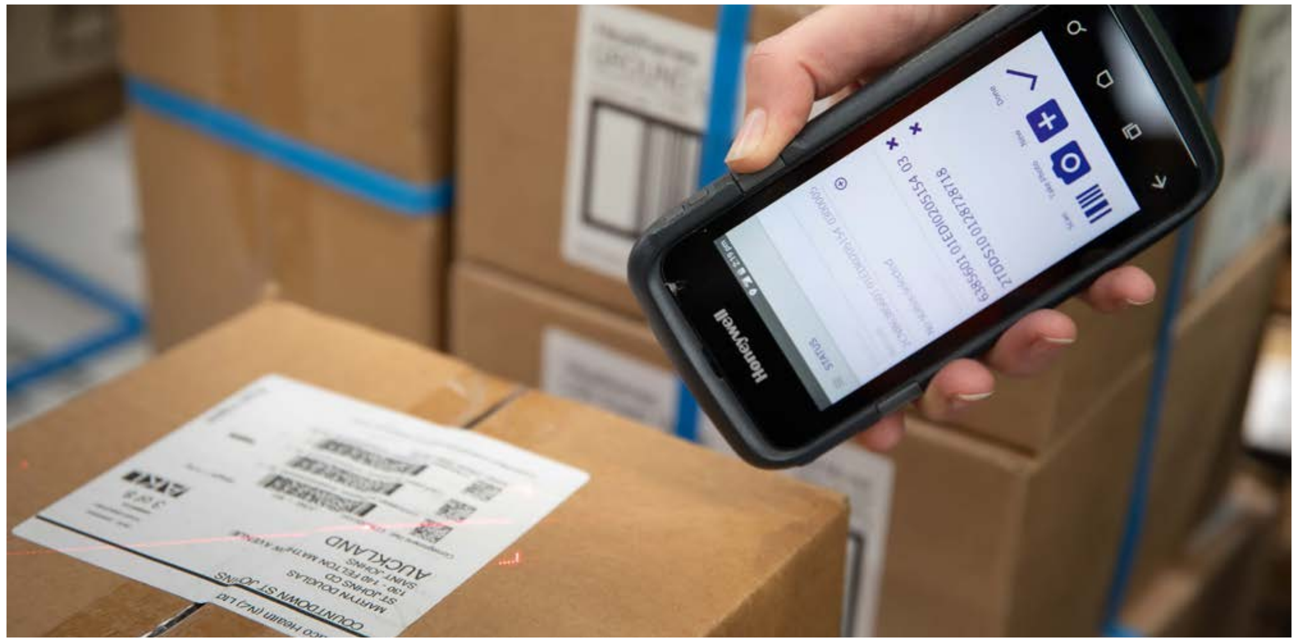
Over 95% of our emissions come from the fuel we use in our fleet cars, our contracted courier vans and trucks, and the aircrafts we use.

In FY21 we set science-based emission reduction targets. 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. These targets are science-based, aligning with what society needs to achieve globally to keep global warming to within 2°C.

In FY22 we completed updates to our GHG emissions inventory to include business acquisitions and emissions from our Australian operations.

Figure 6: Freightways' FY22 Emissions

Scope	tC02e
Scope 1	9,867.44
Scope 2	4,248.46
Scope 3 Mandatory	15,459.94
Scope 3 Additional	56,042.21
Scope 3 One Time	-
Total Gross Emissions	**85,618.05**



Our Board

Mark Cairns
Chairman
BE (Hons), BBS, MMGT, FIPENZ

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 Team

Mark Troughear
Chief Executive Officer
BMS, University of Waikato

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

Neil Wilson
General Manager
Freightways

Steve Wells
General Manager
Express Package Division

Matthew Cocker
Chief Information Officer
PhD, Georgetown University

Nicola Silke
General Counsel and Company Secretary
LLB (Hons), BA: University of Canterbury

Financial Summary
For the year ended 30 June 2022

	Note	**2022 $000**	2021 $000 (restated)	**Increase %**
Operating revenue		873,094	800,533	**9.1**
EBITA	(i)	126,522	105,839	**19.5**
NPAT	(ii)	70,182	47,929	**46.4**
EBITA (excluding other income & expenses)		130,222	128,885	**1.0**
NPAT (excluding other income & expenses, net of tax)		73,882	70,975	**4.1**
Other income and expenses:				
Change in fair value of contingent consideration – Big Chill Distribution Limited		(3,700)	(23,046)	
Total		**(3,700)**	**(23,046)**	
Tax benefit applicable to other income and expenses		-	-	
Other income and expenses, net of tax		**(3,700)**	**(23,046)**	

Notes:

(i) Operating profit before interest, income tax and amortisation of intangibles
(ii) Profit for the year attributable to the shareholders

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

Director's Report

The Directors of Freightways Limited **(Freightways)** resolved to submit the following report with respect to the financial position of the Group as at 30 June 2022 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, FIPENZ

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, Meridian Energy Limited and Sanford 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 13 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 and Sanford 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 also a director of Sanford Limited and 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, BNZ Life Insurance Limited and BNZ Insurance Services Limited 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.

The Board has determined for the purposes of the NZX Listing Rules that, as at 28 June 2022, Mark Cairns, Abby Foote, David Gibson, Peter Kean, Fiona Oliver and Mark Rushworth are independent 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	●	●		●	●	
Entrepreneurial	●		●	●		●

Principal activities

The principal activities of the Group during the year ended 30 June 2022 were the operation of express package & business mail services and information management services.

Director's Report

Consolidated result for the year

	2022 $000	2021 $000 (restated)
Operating revenue	**873,094**	**800,533**
Operating profit before interest and income tax	118,994	98,187
Net interest and finance costs	(20,292)	(22,667)
Profit before income tax	98,702	75,520
Income tax	(28,520)	(27,591)
Profit for the year attributable to the shareholders	**70,182**	**47,929**

Directors holding office during the year were:

Parent:

Mark Cairns (Chairman)

Abby Foote

David Gibson (Appointed 1 April 2022)

Peter Kean

Fiona Oliver (Appointed 5 July 2021)

Mark Rushworth

Mark Verbiest (Resigned 31 March 2022)

Kim Ellis (Resigned 28 October 2021)

Subsidiaries:

Mark Troughear

Stephan Deschamps

Stephen Micallef (Australian subsidiaries only)

Colin Neal (Big Chill Distribution Limited only)

Mark Shapland (Big Chill Distribution Limited only)

Approved remuneration of directors (effective 1 November)

			Group Fees (per annum)	
	Position	Note	**2022 $**	2021 $
Board of Directors	Chair	(i)	180,000	165,000
	Member – NZ		100,000	93,000
	Member – NZ		100,000	93,000
	Member – NZ		100,000	-
	Member – NZ		100,000	-
	Member – AU	(ii)	-	98,900
Audit & Risk Committee	Chair	(i)	120,000	104,000
People & Remuneration Committee	Chair	(i)	115,000	100,000
Committee work pool (if required)			42,145	42,145
Total annual fee pool limit		(iii)	**857,145**	**696,045**

Notes:
(i) Inclusive of Board member fee
(ii) Based on A$93,000
(iii) Approved by shareholders at Annual Shareholders Meeting in October

Director's Report

Remuneration received by directors

	2022 $	2021 $
Directors of Freightways (Parent company)		
Mark Cairns (appointed 1 April 2021)	123,917	23,250
Abby Foote	114,667	104,000
David Gibson (appointed 1 April 2022)	25,000	-
Peter Kean	101,417	93,000
Fiona Oliver (appointed 5 July 2021)	97,667	-
Mark Rushworth	97,667	93,000
Mark Verbiest (resigned 31 March 2022)	130,000	165,000
Kim Ellis (resigned 28 October 2021)	33,333	100,000
Andrea Staines (resigned 29 October 2020)	-	33,595
Total non-executive Directors	**723,668**	**611,845**

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 83.

Chief Executive's remuneration

	2022 $	2021 $
CEO – Mark Troughear		
Salary	874,000	692,000
Benefits	39,000	37,000
Subtotal	913,000	729,000
Pay for Performance:		
STI	565,000	241,000
LTI	190,000	-
Subtotal	755,000	241,000
Total remuneration	**1,668,000**	**970,000**

Director's Report

Five-year summary: Chief Executive's remuneration

Financial Year	CEO / MD	Total remuneration ($000)	% STI against maximum	% vested LTI against maximum	Span of LTI performance period
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
2018	Mark Troughear (appointed 1 Jan 2018)	342	100	-	FY14-FY19
2018	Dean Bracewell (resigned 31 Dec 2017)	850	100	87	FY13-FY18

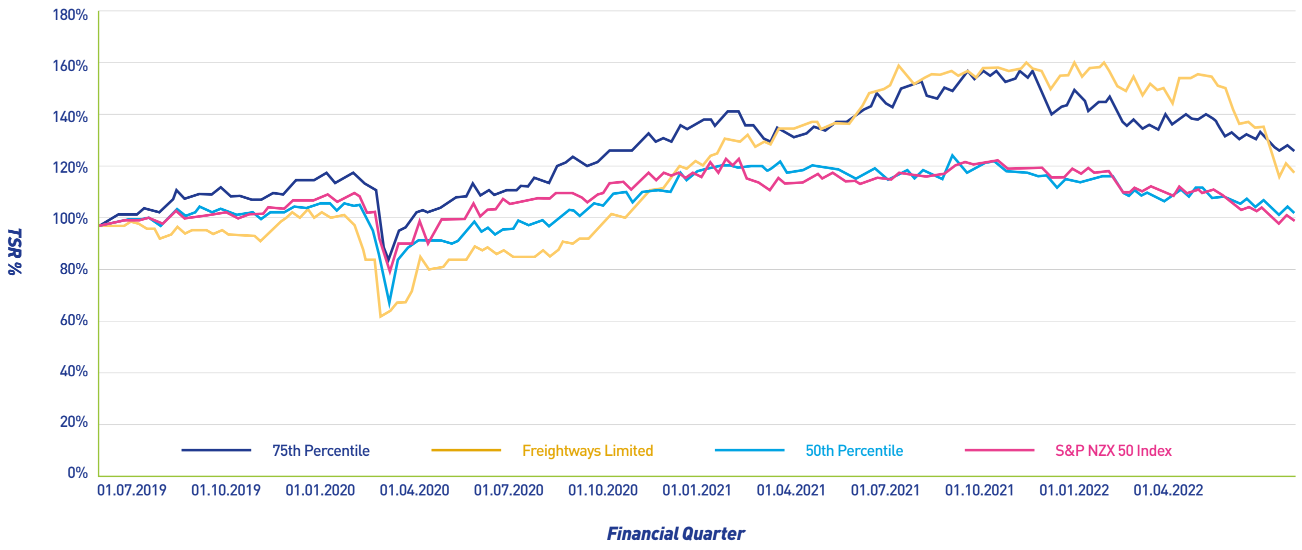
The remuneration of the CEO in the remuneration tables above includes the STI and LTI incentive payments made during the year ended 30 June 2022 in respect of the two previous six-month performance periods (1 January to 30 June 2021 and 1 July to 31 December 2021). No amount is included above in respect of incentive payments for the period 1 January to 30 June 2022, as these were paid in August 2022.

Breakdown of Chief Executive's pay for performance (related to FY22 objectives)

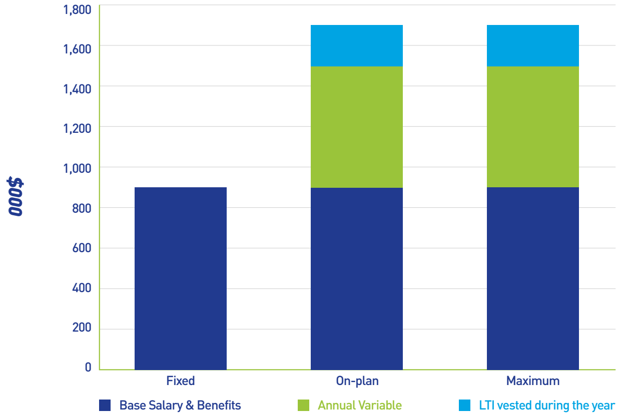
	Description	Performance measures	Achieved (%)
STI	55% of base salary. Based on a combination of financial and non-financial performance measures.	50% weighting on achievement of Board approved earnings before interest, tax and amortisation (EBITA).	80
		50% weighting on individual performance comprising strategy development & delivery, health & safety and carbon emissions reduction strategy.	100
LTI	Conditional awards of shares prior to July 2019 under long-term incentive scheme.	50% weighting on a minimum 3-year annual compound growth rate in Earnings Per Share (EPS).	100
		50% weighting on Total Shareholder Return (TSR) performance against NZX50 index median, pro-rated up to 100% for achieving the 75th quartile of the index constituents.	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 2022.	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.	84% achieved and will be exercised in the first half of FY23
		Absolute TSR (aTSR) - Up to 50% of Share Rights will vest based on exceeding a cost of capital hurdle over the vesting period.	84% achieved and will be exercised in the first half of FY23

Director's Report

Three-year summary: TSR performance



Chief Executive's remuneration performance pay for FY22



Remuneration of other officers

Fixed remuneration of other officers, not being directors of the Company, representing a range from 76% 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 24% 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 24 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 24. 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/.

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	
	2022	2021
$100,000 – $109,999	101	55
$110,000 – $119,999	56	50
$120,000 – $129,999	41	41
$130,000 – $139,999	42	29
$140,000 – $149,999	29	16
$150,000 – $159,999	16	23
$160,000 – $169,999	18	9
$170,000 – $179,999	11	14
$180,000 – $189,999	11	10
$190,000 – $199,999	9	9
$200,000 – $209,999	6	11
$210,000 – $219,999	12	7
$220,000 – $229,999	4	6
$230,000 – $239,999	7	4
$240,000 – $249,999	3	5
$250,000 – $259,999	3	1
$260,000 – $269,999	8	2
$270,000 – $279,999	2	6
$280,000 – $289,999	3	-
$290,000 – $299,999	5	1
$300,000 – $309,999	1	2
$310,000 – $319,999	1	3
$320,000 – $329,999	1	-
$330,000 – $339,999	1	1
$350,000 – $359,999	2	1
$370,000 – $379,999	-	1
$380,000 – $389,999	1	-
$390,000 – $399,999	1	-
$400,000 – $409,999	1	-
$420,000 – $429,999	2	1
$430,000 – $439,999	2	1
$440,000 – $449,999	-	1
$480,000 – $489,999	1	-
$510,000 – $519,999	1	-
$530,000 – $539,999	1	-
$600,000 – $609,999	-	1
$650,000 – $659,999	1	-
$740,000 – $749,999	1	-
$780,000 – $789,999	2	-
$820,000 – $829,999	1	-
$970,000 – $979,999	-	1
$1,660,000 – $1,669,999	1	-

Director's Report

Entries in the register of Directors' interests

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

Freightways Limited shares

At balance date Directors of Freightways Limited held the following number of equity securities in the Company:

	Fully-paid ordinary shares	
	Beneficially	Non-beneficially
Director		
Mark Cairns	-	50,000
Abby Foote	-	14,363
David Gibson	20,812	-
Peter Kean	51,500	-
Fiona Oliver	-	2,800
Mark Rushworth	-	18,000

The following table shows transactions recorded in respect of securities acquired or disposed of by Directors of Freightways Limited during the year ended 30 June 2022:

	Number	$000
	Acquired (Disposed)	Cost (Sale)
Mark Cairns		
Non-beneficial ownership in ordinary shares acquired on 27 August 2021	40,000	507
Fiona Oliver		
Non-beneficial ownership in ordinary shares acquired on 27 August 2021	2,800	35

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 2022.

Name	Name of company / entity	Nature of interest
Mark Cairns	Auckland International Airport Limited	Director*
	Meridian Energy Limited	Director
	Sanford Limited	Director*
Abby Foote	KMD Brands Limited	Director*
	Sanford Limited	Director
	Z Energy Limited	Director & Chair**
David Gibson	Goodman (NZ) Limited	Director
	NZME Limited	Director
	Rangatira Limited	Director
	Trustpower Limited	Director**
Peter Kean	Sanford Limited	Director
	Southfuels 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 Limited	Director
	First Gas Services Limited	Director
	Kingfish Limited	Director*
	Marlin Global 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.

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 22nd day of August 2022.

Mark Cairns
Chairman

Abigail Foote
Director

Financial Statements

Independent Auditor's Report
To the shareholders of Freightways Limited

Independent auditor's report
To the shareholders of Freightways Limited

Our opinion
In our opinion, the accompanying financial statements of Freightways Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 30 June 2022, 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 2022;
- 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 Executive's remuneration benchmarking. 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.

Independent Auditor's Report
To the shareholders of Freightways Limited

Description of the key audit matter	How our audit addressed the key audit matter
Revenue recognition The Group's revenue of $873 million for the current year primarily consisted of express package & business mail – courier, refrigerated transport and postal services, and information management – storage, destruction & digitisation revenue, as disclosed in note 4 of the financial statements. The Group has deferred revenue of $15.9 million for service obligations not yet performed as at 30 June 2022, reported as a contract liability in note 21. 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 21.	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 under NZ IFRS 15 included: ● challenging 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; ● 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 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 16, the Group has intangible assets which include goodwill of $306 million and indefinite lived brand names of $128 million as at 30 June 2022. 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, EBITDA margin, terminal year growth rate and the discount rate. 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. However, as disclosed in note 16, the value in use model for The Information Management Group (Australia) and New Zealand Document Exchange and Dataprint is more sensitive to changes in the key assumptions. Therefore, additional disclosures are provided for changes in key assumptions that would result in the recoverable amount being equal to the carrying amount.	In addressing the estimation and judgements used in the value in use models, our audit procedures included: ● gaining an understanding of the business process applied by management in preparing the impairment assessments; ● considering the appropriate 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; ● agreeing forecast future performance included in the impairment assessments to the budgets approved by the Board of Directors; ● with the assistance of our auditor's valuation expert, assessing the appropriateness of the terminal growth and discount rates as well as considering industry trends and external market forecasts for the industry; and ● performing a sensitivity analysis over key assumptions to determine whether reasonably possible changes would result in impairment of goodwill. These audit procedures were varied to reflect the level of headroom and sensitivity to impairment for each CGU. We also reviewed the financial statements for appropriate identification and disclosure of key assumptions.

Independent Auditor's Report
To the shareholders of Freightways Limited

Our audit approach
Overview

Overall Group materiality: $4.9 million, which represents 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 and analytical review procedures were performed on the remaining 18 entities.

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

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

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

Materiality

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

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

How we tailored our group audit scope

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

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.

Independent Auditor's Report
To the shareholders of Freightways Limited

pwc

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
22 August 2022

Auckland

Income Statement
For the year ended 30 June 2022

	Note	Group 2022 $000	Group 2021 $000 (restated)
Operating revenue	3 & 4	**873,094**	**800,533**
Transport and logistics expenses		(344,534)	(309,318)
Employee benefits expenses		(252,488)	(226,669)
Occupancy expenses		(6,857)	(7,063)
General and administration expenses		(80,634)	(71,647)
Change in fair value of contingent consideration – Big Chill Distribution Limited	32	(3,700)	(23,046)
Depreciation and software amortisation	5	(58,359)	(56,951)
Amortisation of intangibles	5	(7,528)	(7,652)
Operating profit before interest and income tax		**118,994**	**98,187**
Net interest and finance costs	5	(20,292)	(22,667)
Profit before income tax		**98,702**	**75,520**
Total income tax	6	(28,520)	(27,591)
Profit for the year		**70,182**	**47,929**
Profit for the year is attributable to:			
Owners of the parent		70,095	47,851
Non-controlling interests		87	78
		70,182	**47,929**
Earnings per share	27		
Basic earnings per share (cents)		42.3	29.0
Diluted earnings per share (cents)		42.2	28.9

NB: All revenue and earnings are from continuing operations.

Refer to Note 2 for an explanation of the prior year restatement.

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

Statement of comprehensive income
For the year ended 30 June 2022

	Note	Group 2022 $000	Group 2021 $000 (restated)
Profit for the year (NPAT)		**70,182**	**47,929**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	23	2,858	(2,310)
Cash flow hedges taken directly to equity, net of tax	23	3,373	880
Total other comprehensive income after income tax		**6,231**	**(1,430)**
Total comprehensive income for the year		**76,413**	**46,499**
Total comprehensive income for the year is attributable to:			
Owners of the parent		76,326	46,421
Non-controlling interests		87	78
		76,413	**46,499**

Refer to Note 2 for an explanation of the prior year restatement.

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

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

For and on behalf of the Board this 22nd day of August 2022.

Mark Cairns
Chairman

Abigail Foote
Director

Statement of changes in equity
For the year ended 30 June 2022

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 2020		**180,630**	**142,746**	**(2,075)**	**(4,635)**	**114**	**316,780**
Impact of restating accounting treatment of cloud computing arrangement	2	-	(1,417)	-	-	-	(1,417)
Restated balance at 1 July 2020		**180,630**	**141,329**	**(2,075)**	**(4,635)**	**114**	**315,363**
Profit for the year (restated)		-	47,851	-	-	78	47,929
Exchange differences on translation of foreign operations		-	-	-	(2,310)	-	(2,310)
Cash flow hedges taken directly to equity, net of tax		-	-	880	-	-	880
Total Comprehensive Income (restated)		**-**	**47,851**	**880**	**(2,310)**	**78**	**46,499**
Dividend payments	8	-	(25,658)	-	-	(44)	(25,702)
Shares issued	23	1,941	-	-	-	-	1,941
Balance at 30 June 2021 (restated)		**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	8	-	(59,678)	-	-	-	(59,678)
Shares issued	23	1,778	-	-	-	-	1,778
Balance at 30 June 2022		**184,349**	**173,939**	**2,178**	**(4,087)**	**235**	**356,614**

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

Balance sheet
As at 30 June 2022

	Note	Group 2022 $000	Group 2021 $000 (restated)
Current assets			
Cash and cash equivalents	9	24,137	19,940
Trade and other receivables	10	127,072	103,947
Inventories	11	8,674	7,438
Contract assets		1,332	-
Derivative financial instruments	12	963	-
Total current assets		**162,178**	**131,325**
Non-current assets			
Trade receivables and other non-current assets	10	6,070	6,825
Property, plant and equipment	14	134,180	128,338
Right-of-use assets	15	271,020	275,849
Intangible assets	16	501,668	491,382
Investment in associates and joint venture	17	11,407	7,510
Derivative financial instruments	12	2,061	-
Total non-current assets		**926,406**	**909,904**
Total assets		**1,088,584**	**1,041,229**
Current liabilities			
Trade and other payables	19	172,822	102,944
Lease liabilities	15	34,735	31,078
Income tax payable		7,209	11,982
Provisions	20	1,550	1,562
Derivative financial instruments	12	-	1,082
Contract liability	21	15,876	14,593
Total current liabilities		**232,192**	**163,241**
Non-current liabilities			
Trade and other payables	19	3,709	51,352
Borrowings (secured)	22	176,210	163,696
Deferred tax liability	18	37,087	36,726
Provisions	20	7,382	6,979
Lease liabilities	15	275,390	280,557
Derivative financial instruments	12	-	577
Total non-current liabilities		**499,778**	**539,887**
Total liabilities		**731,970**	**703,128**
Net assets		**356,614**	**338,101**
Equity			
Contributed equity	23	184,349	182,571
Retained earnings		173,939	163,522
Cash flow hedge reserve	12	2,178	(1,195)
Foreign currency translation reserve		(4,087)	(6,945)
	23	**356,379**	**337,953**
Non-controlling interests		235	148
Total equity		**356,614**	**338,101**

Refer to Note 2 for an explanation of the prior year restatement. The above Balance Sheet should be read in conjunction with the accompanying notes.

Statement of cash flows
For the year ended 30 June 2022

	Note	Group 2022 $000 Inflows (Outflows)	Group 2021 $000 (restated) Inflows (Outflows)
Cash flows from operating activities			
Receipts from customers		851,573	792,279
Payments to suppliers and employees		(672,075)	(596,493)
Cash generated from operations		**179,498**	**195,786**
Interest received		83	22
Interest and other costs of finance paid		(20,375)	(22,748)
Income taxes paid		(35,522)	(39,835)
Net cash inflows from operating activities	25	**123,684**	**133,225**
Cash flows from investing activities			
Payments for property, plant and equipment		(23,020)	(12,360)
Payments for software		(4,098)	(3,857)
Proceeds from disposal of property, plant and equipment		1,148	399
Payments for businesses acquired (net of cash acquired)	32	(12,070)	-
Payments for investment in associates		(2,674)	-
Receipts from joint venture and associate		2,930	3,354
Cash flows from other investing activities		2	(213)
Net cash outflows from investing activities		**(37,782)**	**(12,677)**
Cash flows from financing activities			
Dividends paid		(59,678)	(25,702)
Increase (decrease) in bank borrowings		9,803	(58,985)
Proceeds from issue of ordinary shares		1,778	799
Principal elements of lease payments		(34,008)	(33,319)
Net cash outflows from financing activities		**(82,105)**	**(117,207)**
Net increase in cash and cash equivalents		3,797	3,341
Cash and cash equivalents at beginning of year		19,940	16,686
Exchange rate adjustments		400	(87)
Cash and cash equivalents at end of year	9	**24,137**	**19,940**

Refer to Note 2 for an explanation of the prior year restatement.
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 2022

Note 1. Summary of significant accounting policies

(a) Reporting entity and statutory base

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 Limited and its subsidiaries. Accordingly, separate financial statements for Freightways 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 judgments

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 16.

(ii) Customer relationships

The estimation of the useful lives of customer relationships has been based on historical experience. The useful lives are reviewed at least once per year and adjustments to useful lives are made when considered necessary. Refer Note 16.

(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 32.

(iv) Purchase price allocation for acquisitions

During the financial year ended 30 June 2022, the Group acquired the business and assets of ProducePronto. All identifiable assets and liabilities including intangible assets were measured at fair value at acquisition date (refer Note 32). 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 2022

(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 a 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 2022

(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 2021.

Notes to the financial statements
For the year ended 30 June 2022

Note 2. Accounting treatment of cloud computing arrangements

The Group previously capitalised costs incurred in configuring or customising certain suppliers' application software in certain cloud computing arrangements as intangible assets, as the Group considered that it would benefit from those costs to implement the cloud-based software over the expected terms of the cloud computing arrangements. Following the International Financial Reporting Standards Interpretations Committee (IFRIC) agenda decision on Configuration or Customisation Costs in a Cloud Computing Arrangement in March 2021 (ratified by the International Accounting Standards Board (IASB) in April 2021), the Group has completed a review of these capitalised costs to determine whether they would need to be expensed or reclassified as prepayments. The IFRIC concluded that costs incurred in configuring or customising software in a cloud computing arrangement can be recognised as intangible assets only if the activities create an intangible asset that the entity controls and the intangible asset meets the recognition criteria. Costs that do not result in intangible assets are expensed as incurred, unless they 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.

As a result of the IFRIC clarification, the Group has determined that certain costs relating to the implementation of cloud-based software would need to be expensed when they were incurred, as the amounts were paid to third parties who were not subcontracted by the supplier of the cloud-based software and did not create separate intangible assets controlled by the Group, or significantly customise the cloud-based software for the Group.

The change has been applied retrospectively and comparative information has been adjusted. The impact on the consolidated financial statements is as follows:

- General and administrative expenses in the consolidated income statement for the year ended 30 June 2021 has increased by $1.8 million.
- Depreciation and software amortisation in the consolidated income statement for the year ended 30 June 2021 has decreased by $0.1 million.
- Intangible assets in the consolidated balance sheet at 30 June 2021 has reduced by $3.1 million.
- Retained earnings in the consolidated balance sheet at 30 June 2021 has reduced by $3.1 million.
- Payments for software on the statement of cash flows has been reduced by $1.8 million and payments to suppliers and employees has been increased by $1.8 million.
- Basic earnings per share (EPS) for the year ended 30 June 2021 has reduced from 30.0 cents per share (CPS) to 29.0 CPS.
- Diluted EPS for the year ended 30 June 2021 has been reduced from 29.9 CPS to 28.9 CPS.
- Basic EPS excluding change in fair value of contingent consideration (Big Chill Distribution Limited) and other income and expenses, net of tax, for the year ended 30 June 2021 has been reduced from 43.9 CPS to 42.9 CPS.
- Diluted EPS excluding change in fair value of contingent consideration (Big Chill Distribution Limited) and other income and expenses, net of tax, for the year ended 30 June 2021 has been reduced from 43.8 CPS to 42.8 CPS.
- Net tangible assets per fully paid ordinary share as at 30 June 2021 has reduced from ($0.83) to ($0.85).

Note 3. 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, 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 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.

Notes to the financial statements
For the year ended 30 June 2022

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 change in fair value of contingent consideration, 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 32)	-	-	(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)	-	118,944
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

Notes to the financial statements
For the year ended 30 June 2022

As at and for the year ended 30 June 2021:

	Express Package & Business Mail	Information Management	Corporate	Inter-Segment Elimination	Consolidated Operations
	$000 (restated)	$000	$000	$000	$000 (restated)
Income statement					
Sales to external customers	629,760	170,770	3	-	800,533
Inter-segment sales	3,254	(104)	4,795	(7,945)	-
Total revenue	**633,014**	**170,666**	**4,798**	**(7,945)**	**800,533**
Operating profit (loss) before change in fair value of contingent consideration, interest, income tax, depreciation and software amortisation and amortisation of intangibles	141,029	50,849	(6,042)	-	185,836
Change in fair value of contingent consideration – Big Chill Distribution Limited (Note 32)	-	-	(23,046)	-	(23,046)
Operating profit (loss) before interest, income tax, depreciation and software amortisation and amortisation of intangibles	141,029	50,849	(29,088)	-	162,790
Depreciation and software amortisation	(33,239)	(21,876)	(1,836)	-	(56,951)
Operating profit (loss) before interest, income tax and amortisation of intangibles	107,790	28,973	(30,924)	-	105,839
Amortisation of intangibles	(5,280)	(2,372)	-	-	(7,652)
Profit (loss) before interest and income tax	102,510	26,601	(30,924)	-	98,187
Net interest and finance costs	(6,290)	(4,881)	(11,496)	-	(22,667)
Profit (loss) before income tax	96,220	21,720	(42,420)	-	75,520
Income tax	(27,208)	(6,509)	6,126	-	(27,591)
Profit (loss) for the year attributable to the shareholders	**69,012**	**15,211**	**(36,294)**	-	**47,929**
Balance sheet					
Segment assets	638,459	360,217	42,553	-	1,041,229
Segment liabilities	257,853	171,871	273,404	-	703,128

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

For the year ended 30 June 2022, external revenue from customers in the Group's New Zealand and Australian operations was $730.1 million and $142.4 million, respectively (2021: $672.1 million and $128.4 million, respectively). As at 30 June 2022, non-current assets in respect of the New Zealand and Australian operations (excluding deferred tax assets and financial assets) were $707.8 million and $259.8 million, respectively (2021 restated: $454.7 million and $172.5 million, respectively).

Notes to the financial statements
For the year ended 30 June 2022

Note 4. 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, refrigerated transport & storage and postal services

The Group operates network (hub & spoke) courier, 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 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 2022

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:

	Express Package and Refrigerated Transport & Storage	Postal	Storage & Handling	Destruction Activities	Other	Total
2022	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
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**
2021						
Revenue from external customers	581,285	48,475	60,694	70,616	39,463	800,533
Timing of revenue recognition:						
At a point in time	-	2,706	-	20,492	11,009	34,207
Over time	581,285	45,769	60,694	50,124	28,454	766,326
	581,285	**48,475**	**60,694**	**70,616**	**39,463**	**800,533**

Notes to the financial statements
For the year ended 30 June 2022

Note 5. Income and expenses

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

	Note	Group 2022 $000	2021 $000 (restated)
Income			
Interest income		83	22
Operating expenses			
Net loss (gain) on disposal of property, plant and equipment		(81)	367
Depreciation of property, plant and equipment	14	17,800	17,000
Depreciation of right-of-use assets	15	36,909	35,148
Amortisation of intangible assets	16	7,528	7,652
Amortisation of software	16	3,650	4,803
Auditor's fees			
Audit of annual financial statements and review of interim financial statements		628	622
Annual Shareholders Meeting – agreed upon procedures		-	9
Executives' remuneration benchmarking		6	31
Costs of offering credit			
Impairment loss on trade receivables		(782)	329
Interest and finance costs			
Interest on bank borrowings		8,352	10,110
Interest on leases	15	10,864	11,111
Derivative fair value movement		1,232	1,468
Other			
Directors' fees		724	612
Donations		215	252
Net foreign exchange loss (gain)		465	(2,366)
Change in fair value of contingent consideration – Big Chill Distribution Limited "(BCD)"	32 & (i)	3,700	23,046

(i) The estimated discounted future final payment for the BCD has been 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 (2021: $23 million) (net of impact of unwinding of discount on acquisition earn-out liability of $1.2 million (2021: $1 million)) reflects the strong performance of BCD, which will determine the final payment for the acquisition of the company, to be made in August 2022. Refer Note 32.

Notes to the financial statements
For the year ended 30 June 2022

Note 6. 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 2022 $000	2021 $000
Current tax		
Current tax on profit for the year	31,121	34,022
Deferred tax (Note 18):		
Reversal of temporary differences	(2,601)	(6,431)
Total deferred tax	(2,601)	(6,431)
Income tax expense	**28,520**	**27,591**

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:

	2022 $000	2021 $000
Profit before income tax	98,702	75,520
Income tax calculated at domestic tax rates applicable to the accounting profits in the respective countries	27,880	21,773
Tax-effect of amounts which are treated differently when calculating taxable income:		
- Additional amounts non-deductible	640	5,727
- Other	-	91
Income tax expense	**28,520**	**27,591**

The Group has no tax losses (2021: Nil).

There are no unrecognised temporary differences (2021: Nil).

Notes to the financial statements
For the year ended 30 June 2022

	Group 2022 $000	Group 2021 $000
Imputation credits account		
Imputation credits available for use in subsequent reporting periods	**56,872**	**55,131**

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:

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)	

2021	Before tax $000	Tax (charge) /credit $000	After tax $000
Exchange difference on translation of foreign operations	(2,310)	-	(2,310)
Cash flow hedges taken directly to equity	1,222	(342)	880
Other comprehensive income	**(1,088)**	**(342)**	**(1,430)**
Current tax		-	
Deferred tax		(342)	
		(342)	

Note 7. Impact of COVID-19

The sustained COVID-19 pandemic and the public health response to the virus have continued to impact Freightways' operations. The pandemic has had both positive and negative impacts on Freightways with increased adoption of online shopping compared to pre-pandemic levels partly negated by a high number of customers working from home negatively impacting the volume of services provided by our Information Management businesses, although the trend is slowly improving. The Omicron variant of the COVID-19 virus has had a significant impact on absenteeism, leading to higher than usual costs as Freightways' businesses were relying on temporary workers. The risk of a resurgence of COVID-19 in New Zealand or Australia creates a continued level of uncertainty, although Freightways' businesses are well prepared to operate efficiently despite the impact of the pandemic and the public health response.

Notes to the financial statements
For the year ended 30 June 2022

Note 8. Dividends

	Group 2022 $000	Group 2021 $000
Recognised amounts		
Fully imputed dividends declared and paid during the year:		
Final dividend paid 2021 at 18 cents per share (2020 : nil)	29,833	-
Interim dividend for 2022 at 18 cents per share (2021:15.5 cents)	29,845	25,658
	59,678	**25,658**
Unrecognised amounts		
Final dividend for 2022 at 19 cents per share (2021:18 cents)	**31,503**	**29,797**

Note 9. 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 2022 $000	Group 2021 $000
Cash at bank	24,026	19,833
Cash deposits	111	107
Cash and cash equivalents in statement of cash flows	**24,137**	**19,940**

Notes to the financial statements
For the year ended 30 June 2022

Note 10. 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	
	2022 $000	2021 $000
Current		
Trade receivables	107,747	90,711
Provision for doubtful receivables	(2,124)	(3,014)
	105,623	87,697
Accrued revenue	6,865	774
Other debtors and prepayments	14,100	14,963
Share plan loans receivable from employee	484	513
Other current assets	-	-
	127,072	**103,947**
Non-current		
Share plan loans receivable from employees	470	373
Other non-current assets	5,600	6,452
	6,070	**6,825**

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	
	2022 $000	2021 $000
Opening balance	3,014	2,909
Provision for doubtful receivables	124	176
Receivables written off during the year as uncollectible	(244)	(73)
Unused amounts reversed	(792)	-
Exchange rate movement	22	2
Closing balance (Note 30.1(b))	**2,124**	**3,014**

Notes to the financial statements
For the year ended 30 June 2022

Note 11. 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 $9.8 million (2021: $11.3 million).

	Group	
	2022 $000	2021 $000
Finished goods	4,324	3,491
Ticket stocks, uniforms and consumables	4,350	3,947
	8,674	**7,438**

Note 12. 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 acounting

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 2022

	Group	
	2022 $000 Asset (Liability)	2021 $000 Asset (Liability)
Current		
Interest rate swaps – cash flow hedge	175	(1,039)
Forward foreign exchange contracts – cash flow hedge	788	(43)
	963	**(1,082)**
Non-current		
Interest rate swaps – cash flow hedge	1,189	(791)
Forward foreign exchange contracts – cash flow hedge	872	214
	2,061	**(577)**

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 2020	**(6)**	**1,189**	**(3,258)**	**(2,075)**
Change in fair value of hedging instrument recognised in Other Comprehensive Income (OCI)	8	(1,481)	2,695	1,222
Less: Deferred tax	(2)	415	(755)	(342)
Balance at 30 June 2021	-	**123**	**(1,318)**	**(1,195)**
Change in fair value of hedging instrument recognised in OCI	-	1,491	3,193	4,684
Less: Deferred tax	-	(417)	(894)	(1,311)
Balance at 30 June 2022	**-**	**1,197**	**981**	**2,178**

Notes to the financial statements
For the year ended 30 June 2022

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

	NZD		AUD	
	2022 $000	2021 $000	**2022 $000**	2021 $000
Interest rate swaps:				
Notional amount	37,000	42,000	10,000	20,000
Maturity date	05/23 – 05/26	05/22 – 05/25	06/23 – 07/23	01/22 – 07/23
Hedge ratio	1:1	1:1	1:1	1:1
Change in fair value of outstanding hedging instrument	2,325	1,633	868	1,061
Change in value of hedge item used to determine hedge effectiveness	(2,325)	(1,633)	(868)	(1,061)
Weighted average strike rate for the year	2.7%	2.9%	3.1%	3.8%
Foreign currency options:				
Notional amount	-	-	-	-
Maturity date	-	-	-	-
Hedge ratio	-	-	-	-
Change in fair value of outstanding hedging instrument	-	8	-	-
Change in value of hedge item used to determine hedge effectiveness	-	(8)	-	-
Weighted average strike rate for the year	-	USD0.68: NZD1	-	-
Forward foreign exchange contracts:				
Notional amount	12,988	18,381	-	-
Maturity date	07/22 – 06/24	07/21 – 06/24	-	-
Hedge ratio	1:1	1:1	-	-
Change in fair value of outstanding hedging instrument	1,491	(1,481)	-	-
Change in value of hedge item used to determine hedge effectiveness	(1,491)	1,481	-	-
Weighted average strike rate for the year	USD0.69: NZD1	-	-	-

There was no derivative movement recognised in the income statement during the year (2021: nil).

Notes to the financial statements
For the year ended 30 June 2022

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 2022

Note 13. 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
Big Chill Distribution Limited	Temperature-controlled transport & facilities	New Zealand
Castle Parcels Limited	Express package services	New Zealand
Fieldair Engineering Limited	General & aviation engineering services	New Zealand
Fieldair Holdings Limited	Aviation-related services	New Zealand
Freightways Finance Limited	Group treasury management	New Zealand
Freightways Information Services Limited	IT infrastructure support services	New Zealand
Freightways Properties Limited	Property management	New Zealand
Freightways Trustee Company Limited	Trustee of Freightways Employee Share Plan	New Zealand
Info Management Services Australia LP	Australian treasury services	Australia
LitSupport Pty Limited	Information management	Australia
Med-X Pty Limited	Information management	Australia
Messenger Services Limited	Express package services	New Zealand
New Zealand Couriers Limited	Express package services	New Zealand
New Zealand Document Exchange Limited	Business mail	New Zealand
NOW Couriers Limited	Express package services	New Zealand
Parceline Express Limited	Express package linehaul	New Zealand
Post Haste Limited	Express package services	New Zealand
Shred-X Pty Limited	Information management	Australia
The Information Management Group (NZ) Limited	Information management	New Zealand
The Information Management Group Pty Limited	Information management	Australia

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

Notes to the financial statements
For the year ended 30 June 2022

Note 14. 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
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 (Note 32)	-	-	-	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	283,669
Accumulated depreciation	-	(23,797)	(10,253)	(20,944)	(94,494)	(149,489)
Net book value	**15,886**	**16,118**	**12,814**	**32,201**	**57,161**	**134,180**

Notes to the financial statements
For the year ended 30 June 2022

Group	Land $000	Buildings $000	Leasehold Alterations $000	Motor Vehicles $000	Equipment $000	Total $000
2021						
Opening net book value	**15,771**	**19,004**	**12,223**	**29,327**	**58,324**	**134,649**
Additions	-	13	1,263	4,007	7,151	12,434
Acquisitions through business combinations (Note 32)	-	-	-	11	-	11
Transferred to intangible assets (Note 16)	-	-	-	-	(1,115)	(1,115)
Depreciation expense	-	(1,576)	(1,826)	(4,551)	(9,047)	(17,000)
Disposals	-	-	(66)	(240)	(459)	(765)
Exchange rate movement	11	7	5	34	67	124
Closing net book value	**15,782**	**17,448**	**11,599**	**28,588**	**54,921**	**128,338**
As at end of year						
Cost	15,782	39,847	19,873	45,013	138,046	258,561
Accumulated depreciation	-	(22,399)	(8,274)	(16,425)	(83,125)	(130,223)
Net book value	**15,782**	**17,448**	**11,599**	**28,588**	**54,921**	**128,338**

The cost of equipment in respect of assets under construction for which depreciation has not commenced as at 30 June 2022 is $0.7 million (2021: $0.1 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 30.1(d).

Note 15. 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 5.27% (2021: 1.69% to 4.39%), with a weighted average rate of 3.74% (2021: 3.69%).

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 2022

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	2022 $000	2021 $000
Right-of-use assets		
Opening net book value	**275,849**	**278,142**
Lease additions, modifications and terminations	29,719	32,671
Depreciation for the year	(36,909)	(35,148)
Exchange rate movement	2,361	184
Closing net book value	**271,020**	**275,849**
Cost	420,968	393,757
Accumulated depreciation	(149,948)	(117,908)
Closing net book value	**271,020**	**275,849**

Group	2022 $000	2021 $000
Right-of-use assets		
Buildings	248,950	257,385
Equipment	7,630	3,647
Motor vehicles	14,440	14,817
	271,020	**275,849**

Group	2022 $000	2021 $000
Lease liabilities		
Opening lease liabilities	**311,635**	**311,072**
Lease additions, modifications and terminations	29,818	32,929
Interest for the year	10,864	11,111
Lease repayments	(44,815)	(43,725)
Exchange rate movement	2,623	248
Closing lease liabilities	**310,125**	**311,635**

Notes to the financial statements
For the year ended 30 June 2022

Group	2022 $000	2021 $000
Analysis of lease liabilities		
Current	34,735	31,078
Non-current	275,390	280,557
	310,125	**311,635**

Lease liabilities maturity analysis:

2022	Minimum lease payments $000	Interest $000	Present value $000
Within one year	46,710	10,575	36,135
One to five years	144,045	31,986	112,058
Beyond five years	189,784	27,855	161,932
Total	**380,539**	**70,416**	**310,125**
2021			
Within one year	41,674	10,599	31,075
One to five years	137,308	33,456	103,852
Beyond five years	210,064	33,356	176,708
Total	**389,046**	**77,411**	**311,635**

Lease related expenses included in the income statement:

Group	2022 $000	2021 $000
Depreciation charge for right-of-use assets		
Buildings	28,122	26,244
Motor vehicles	5,991	6,502
Equipment	2,494	2,402
	36,607	**35,148**
Interest on leases	10,864	11,111

Total cash outflow in relation to leases is $43.1 million (2021: $43.7 million).

Notes to the financial statements
For the year ended 30 June 2022

Note 16. 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. (Refer to Note 2 for further details on the accounting treatment of 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 $0.1 million (2021: $1.4 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 2022

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 (Note 32)	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**

Group	Goodwill $000	Brand names $000	Software $000 (restated)	Customer relationships $000	Other $000	Total $000 (restated)
2021						
Opening net book value	**295,163**	**126,807**	**14,345**	**58,683**	**4,931**	**499,929**
Additions	-	-	3,774	-	68	3,842
Acquisition through business combinations	-	-	-	61	-	61
Transferred from property, plant and equipment	-	-	1,115	-	-	1,115
Amortisation expense	-	-	(4,803)	(6,214)	(1,438)	(12,455)
Written-off	-	-	(1,565)	-	-	(1,565)
Exchange rate movement	342	62	6	38	7	455
Closing net book value	**295,505**	**126,869**	**12,872**	**52,568**	**3,568**	**491,382**
As at end of year						
Cost	314,167	126,869	34,507	70,605	7,103	553,251
Accumulated amortisation and impairment	(18,662)	-	(21,635)	(18,037)	(3,535)	(61,869)
Net book value	**295,505**	**126,869**	**12,872**	**52,568**	**3,568**	**491,382**

Notes to the financial statements
For the year ended 30 June 2022

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	
	2022 $000	2021 $000	**2022 $000**	2021 $000
Big Chill	85,183	77,635	14,714	14,000
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	7,210
Post Haste, Castle Parcels and NOW Couriers	27,159	27,159	18,395	18,395
Total Express Package & Business Mail	**183,952**	**176,404**	**104,027**	**103,205**
The Information Management Group (New Zealand)	17,577	17,577	4,400	4,400
The Information Management Group (Australia)*	58,478	56,798	16,438	15,945
Shred-X*	46,109	44,726	3,421	3,319
Total Information Management	**122,164**	**119,101**	**24,259**	**23,664**
Total	**306,116**	**295,505**	**128,286**	**126,869**

* The increases in goodwill and brand names in The Information Management Group (Australia) (TIMG AU) and Shred-X are due to foreign currency translation.

New Zealand Document Exchange (NZDX) and Dataprint (DAP) were previously accounted for as two separate CGU's, reflecting the fact that these businesses were managed and operated as independent businesses. In the current financial year, NZDX and DAP organisational structure was changed to reflect an integrated business. The changes include:

- common management and back-office teams;
- common technology being implemented across both businesses; and
- customers being jointly approached by both businesses to provide integrated solutions with a significant percentage of revenue being generated through joint contracts.

As NZDX and DAP are now closely integrated, these two businesses have been combined into a single CGU in the current year.

(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 post-tax cash flow projections based on financial budgets prepared by management and approved by the Board for the year ended 30 June 2023. Cash flows beyond June 2023 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.

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Post-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 post-tax discount rates applied are:

	Growth rate rate beyond next financial year, including terminal growth		Post-tax discount rate	
	2022 %	2021 %	**2022 %**	2021 %
Big Chill	2.0%	1.0%	9.2%	7.0%
Messenger Services	2.0%	1.0%	8.4%	7.5%
New Zealand Couriers	2.0%	1.0%	8.4%	7.5%
New Zealand Document Exchange and Dataprint	2.0%	1.0%	12.5%	11.4%
Post Haste, Castle Parcels and NOW Couriers	2.0%	1.0%	8.4%	7.5%
The Information Management Group (New Zealand)	2.0%	2.0%	8.4%	7.5%
The Information Management Group (Australia)	2.5%	2.0%	9.9%	6.9%
Shred-X	2.5%	2.0%	9.9%	6.9%

(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.

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.

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

- 100% achievement of FY23 budgeted revenue;
- 2% Revenue growth per year (with a range of scenarios from – 4% to 4% p.a considered);
- 2% terminal EBITDA growth rate; and
- post-tax discount rate of 12.5%.

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

	2022		2021	
	From %	To %	From %	To %
Achievement of FY23 budgeted revenue	100%	72%	100%	73%
Revenue growth per year (FY24-FY27)	2%	(8.8%)	1%	(9.1%)
Terminal EBITDA growth rate	2%	(5.8%)	1%	(6.1%)
Post-tax discount rate	12.5%	17.0%	11.4%	15.6%

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		2021	
	From %	To %	From %	To %
Achievement of FY23 budgeted revenue	100%	81%	100%	84%
Revenue growth per year (FY24-FY27)	2.5%	(3.9%)	2%	(3.1%)
Terminal EBITDA growth rate	2.5%	0%	2%	0.8%
Post-tax discount rate	9.9%	11.7%	6.9%	7.9%

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.

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Note 17. 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 2022. GSS has share capital consisting solely of ordinary shares, which are held directly by the Group. GSS is accounted for using the equity method. The carrying value of the investment in GSS is $8.3 million (2021: $7.5 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 Limited's share of those amounts.

	GSS	
	2022 $000	2021 $000
Summarised Statement of Comprehensive Income		
Revenue	33,380	26,289
Profit from continuing operations	5,116	3,953
Profit for the year	5,116	3,953
Other comprehensive income	-	-
Total Comprehensive Income	**5,116**	**3,953**

	GSS	
	2022 $000	2021 $000
Summarised Balance Sheet		
Total current assets	6,257	3,519
Total non-current assets	563	500
Total current liabilities	(2,706)	(2,330)
Total non-current liabilities	-	-
Net Assets	**4,114**	**1,689**
Reconciliation to Carrying Amounts		
Opening net assets	1,689	1,672
Profit for the period	5,116	3,953
Other comprehensive income	-	-
Dividend paid	(2,691)	(3,936)
Closing Net Assets	**4,114**	**1,689**
Group's share in GSS	33.3%	33.3%
Group's share in net assets	1,370	562
Goodwill	6,948	6,948
Carrying Amount	**8,318**	**7,510**

GSS does not have any capital commitments and contingent liabilities as at 30 June 2022 (2021: Nil).
The carrying value of other individually immaterial investments in associates and joint ventures as at 30 June 2022 is $3.1 million (2021: Nil).

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Note 18. 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
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 (Note 32)	-	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)**

Group	Property, plant and equipment $000	Employee entitlements $000	Accruals and provisions $000	Derivative financial instruments $000	Intangible assets $000	Leases $000	Total $000
2021							
Balance at beginning of year	(8,553)	4,952	3,954	806	(50,011)	7,427	(41,425)
Prior period adjustment	-	413	158	-	(289)	-	282
Transfer to income statement	573	2,592	885	-	2,156	962	7,168
Amounts relating to business combinations	-	-	-	-	(2,398)	-	(2,398)
Adjustment for cash flow hedge reserve	-	-	-	(342)	-	-	(342)
Exchange rate movement	-	7	4	-	(34)	12	(11)
Balance at end of year	**(7,980)**	**7,964**	**5,001**	**464**	**(50,576)**	**8,401**	**(36,726)**

Notes to the financial statements
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Note 19. 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 (2021: $3.5 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	2022 $000	2021 $000 (restated)
Current		
Trade creditors	48,416	44,970
Employee entitlements	27,587	24,566
Acquisition earn-out payables	56,184	-
Other creditors and accruals	40,635	33,409
	172,822	**102,944**
Non-current		
Acquisition earn-out payables	3,709	51,251
Other non-current payables	-	101
	3,709	**51,352**

Certain comparative numbers above have been restated to conform with current year presentation. The Group previously included income received in advance in trade creditors and payroll related taxes in employee entitlements. These have now been included in other creditors and accruals.

Note 20. 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
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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**

Group	Customer claims $000	Long service leave $000	Lease obligations $000	Total $000
2021				
Balance at beginning of year	905	3,639	3,012	7,556
Current year provision	943	606	489	2,038
Amounts used during the year	(905)	(149)	(10)	(1,064)
Movement in exchange rate	(5)	12	4	11
Balance at end of year	**938**	**4,108**	**3,495**	**8,541**

	2022 $000	2021 $000
Analysis of total provisions		
Current	1,550	1,562
Non-current	7,382	6,979
Total	**8,932**	**8,541**

Note 21. Contract liability

A contract liability of $15.9 million (2021: $14.6 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 $9.6 million (2021: $12.9 million).

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

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Note 22. 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	
	2022 $000	2021 $000
Bank borrowings		
Non-current	176,210	163,696
	176,210	**163,696**

(a) Secured borrowings

The bank borrowings are secured by 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	
	2022 $000	2021 $000	2022 $000	2021 $000
Bank overdraft				
Total bank overdraft facility available	8,000	8,000	-	-
Amount of overdraft facility unused	8,000	8,000	-	-
Loan facilities				
Total loan facilities available	170,000	170,000	200,000	130,000
Maturing 30 June 2023	-	-	70,000	-
Maturing 15 March 2024	-	120,000	-	-
Maturing 15 March 2025	-	30,000	-	80,000
Maturing 11 July 2025	-	-	20,000	20,000
Maturing 15 March 2026	120,000	-	-	-
Maturing 15 December 2026	10,000	10,000	10,000	10,000
Maturing 15 March 2027	30,000	-	80,000	-
Maturing 19 March 2028	10,000	10,000	20,000	20,000
Amount of loan facilities used	89,000	71,000	78,200	85,500
Amount of loan facilities unused	81,000	99,000	121,800	44,500
Effective interest rate at 30 June as amended for interest rate hedges	5.30%	5.37%	4.13%	4.41%

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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.

During May 2022, the Group negotiated a two-year extension of its syndicated bank facilities that were maturing on 15 March 2024 and 15 March 2025. The extended facilities became effective from 25 May 2022.

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$50 million was drawn as at 30 June 2022. The drawn amounts mature in July 2025, December 2026 and March 2028, as detailed in the maturity table above.

In June 2022, the Group negotiated an increase of A$70 million to its existing syndicated bank facilities with 1-year maturity. The increased facility became effective from 30 June 2022 and are at similar pricing to existing facilities.

Compliance with banking covenants

The Group was in compliance with all of its banking covenants throughout the year ended 30 June 2022. 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 the movements in net debt are as follows:

		Liabilities from financing activities		
Group	Cash $000	Leases $000	Bank borrowings $000	Total $000
Balance at 1 July 2020	**16,686**	**(311,072)**	**(221,694)**	**(516,080)**
Cashflow	3,341	32,594	58,870	94,805
Lease additions, modifications and terminations	-	(32,929)	-	(32,929)
Other non-cash movements	-	-	(861)	(861)
Exchange rate movement	(87)	(228)	(11)	(326)
Balance at 30 June 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)**

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Note 23. 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	2022 Ordinary shares	2021 Ordinary shares	2022 $000	2021 $000
Balance at beginning of year	165,530,836	165,405,051	182,571	180,630
Share-based payment expenses	-	-	(471)	1,116
Shares issued during the year:				
- partly-paid shares, fully paid up to ordinary shares	200,342	-	1,489	-
- employee share plan	65,000	125,000	747	830
(Increase) decrease in employee share plan unallocated shares	(1,122)	785	13	(5)
Balance at end of year	**165,795,056**	**165,530,836**	**184,349**	**182,571**

Contributed equity

(i) Fully paid ordinary shares

As at 30 June 2022, there were 165,803,446 shares issued and fully paid (2021: 165,538,104). All fully paid ordinary shares have equal voting rights and share equally in dividends and surplus on winding up.

(ii) Share rights

On 24 November 2021, 94,370 share rights were issued to certain senior executives under the rules of the Freightways Long Term Incentive (LTI) Scheme (2021: 308,268). The LTI Scheme offers share rights to senior executives, 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.

As at 30 June 2022, there were 402,638 share rights on issue (2021: 308,268).

(iii) Partly-paid ordinary shares

On 31 August 2021, 200,342 partly-paid shares were fully paid-up by certain Freightways senior executives upon the achievement of agreed performance targets in accordance with the terms of the original issue of the relevant partly-paid shares under the Freightways Senior Performance Share Plan (2021: Nil). The average issue price per share was $7.43 (2021: Nil).

No partly-paid shares were redeemed and cancelled during the year (2021: 63,474). As at 30 June 2022, there were no partly-paid shares on issue (2021: 200,342 paid up to one cent per share). Partly-paid shares have no voting rights and no rights to dividends and surplus on winding up.

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(v) Employee Share Plan

On 24 December 2021, the Company issued 65,000 fully paid ordinary shares at $11.49 each to Freightways Trustee Company Limited, as Trustee for the Freightways Employee Share Plan (October 2020: 125,000 fully paid ordinary shares at $6.64 each). In total, participating employees were provided with interest-free loans of $0.7 million to fund their purchase of the shares in the Share Plan (October 2020: $0.8 million). The loans are repayable over three years and repayment commenced in January 2022.

As at 30 June 2022, the Trustee held 593,573 (2021: 631,958) fully paid ordinary shares (representing 0.4%) (2021: 0.4%) of all issued ordinary shares) of which 8,390 (2021: 7,268) 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 Limited Board of Directors.

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 12(i).

(ii) Foreign currency translation reserve

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

Note 24. 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 partly-paid ordinary shares and share rights in the Company. The fair value of the employee services received in exchange for the partly-paid ordinary shares and 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 partly-paid ordinary shares and 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 partly-paid ordinary shares and 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 partly-paid ordinary shares and 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. At each balance sheet date, the Group records tax obligation in relation to partly-paid shares that are expected to vest, with revisions to original estimates, if any, recognised in the income statement.

a) Description of share-based payment arrangements

During the year, the Group had the following share-based payment arrangements.

(i) Freightways Senior Executive Performance Share Plan (the 'Plan')

In September 2008, the Board approved the introduction of a long-term incentive scheme for certain Freightways senior executives using a performance share plan. The Plan aligns senior executives' long-term objectives with the interests of Freightways Limited shareholders.

Payment of any benefit is dependent upon the achievement of agreed performance targets. Partly-paid shares (paid up to one cent per share) are issued at the discretion of the Board and are generally subject to a three-year escrow period. At the end of each escrow period the Group will pay a bonus to the senior executives to the extent the performance targets have been achieved, sufficient for the shares to be fully paid up. The total contractual life of partly-paid shares is 5 years.

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The partly-paid shares vest if the participant remains employed by the Group for the duration of the vesting period and the following performance hurdles are met over the assessment period. They vest in the following proportions:

- *Total Shareholder's Return (TSR) class of shares (50% of partly-paid shares)*
  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.
- *Earnings per Share (EPS) class of shares (50% of partly-paid shares)*
  This will vest based on achievement of TSR hurdle or EPS growth hurdle (derived from the budgets in respect of the escrow period) over the assessment period.

In the event that the performance targets have not been achieved at the expiry of the escrow period, the partly-paid shares may be redeemed by the Company. The Group settles the tax obligation in relation to the vesting of partly-paid shares on the date the shares are fully paid-up.

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

In July 2020, the Board approved a long-term incentive Scheme for the senior executives to replace the existing Plan. 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	
	2022	2021	**2022**	2021
Balance at beginning of year	200,342	263,816	308,268	-
Issued during the year	-	-	94,370	308,268
Cancelled during the year	-	(63,474)	-	-
Fully paid-up or exercised during the year	(200,342)	-	-	-
Expired during the year	-	-	-	-
Balance at end of year	**-**	**200,342**	**402,638**	**308,268**
Exercisable at end of the year	-	200,342	158,854	-

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

	2022 $000	2021 $000
Total amount expensed during the year	1,031	806
Liability recognised at year end for estimated income tax applicable to bonuses payable to facilitate the paying-up of vested partly-paid shares	-	607

d) 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:	31 July 2020	19 Oct 2020	28 Oct 2021
Fair value at grant date	$1.56 – TSR class of rights $6.52 – NOPAT class of rights	$4.14 – TSR class of rights $7.43 – NOPAT class of rights	$7.28 - TSR class of rights $11.73 – NOPAT class of rights
Exercise price	Nil	Nil	Nil
Share price at grant date	$7.01	$8.29	$12.71
Expected dividends	4%	4%	2.5%
Expected volatility	24.6%	24.9%	26.8%
Expected life	0.2 years	1.2 years	2.2 years
Risk free interest rate (based on government bonds)	0.35%	0.10%	1.82%

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 partly-paid shares and share rights have been based on historical experience and general option holder behaviour.

Notes to the financial statements
For the year ended 30 June 2022

Note 25. Reconciliation of profit for the year with cash flows from operating activities

		Group	
	Note	2022 $000	2021 $000
Profit for the year		70,182	47,929
Add non-cash items:			
Depreciation and amortisation	5	65,887	64,687
Movement in provision for doubtful debts		(782)	329
Movement in deferred income tax		(2,601)	(4,726)
Net loss (gain) on disposal of property, plant and equipment		(81)	367
Net foreign exchange (gain) loss		466	(2,366)
Change in fair value of contingent consideration – Big Chill Distribution Limited		3,700	23,046
Write-off of software		144	1,565
Share of profits of associates		(3,386)	(1,318)
Movement in working capital, net of effects of acquisitions of businesses:			
Decrease (increase) in trade and other receivables		(20,907)	(5,099)
Decrease (increase) in inventories		(2,498)	(1,414)
Increase (decrease) in trade and other payables		15,432	17,152
Increase (decrease) in income taxes payable		(1,872)	(6,927)
Net cash inflows from operating activities		**123,684**	**133,225**

Note 26. Capital commitments and contingent liabilities

The Group had made capital commitments to purchase or construct buildings and equipment for $6.5 million at 30 June 2022 (2021: $8.4 million), principally relating to the completion of operating facilities and purchase of replacement equipment throughout the Group.

As at 30 June 2022, the Group had outstanding letters of credit and bank guarantees issued by its lenders totalling approximately $4.6 million (2021: $5.2 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.

Note 27. 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	
	2022	2021 (restated)
Profit for the year attributable to shareholders ($000)	70,182	47,929
Weighted average number of ordinary shares ('000)	165,739	165,502
Basic earnings per share (cents)	**42.3**	**29.0**

Notes to the financial statements
For the year ended 30 June 2022

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, partly-paid shares and share rights on issue) as if they had been converted to ordinary shares at the beginning of the year:

	Group	
	2022	2021 (restated)
Profit for the year attributable to shareholders ($000)	70,182	47,929
Weighted average number of ordinary shares ('000)	165,739	165,502
Effect of dilution ('000)	403	509
Diluted weighted average number of ordinary shares ('000)	166,141	166,011
Diluted earnings per share (cents)	**42.2**	**28.9**

* Basic and diluted earnings per share calculated on the profit for the year attributable to shareholders, excluding change in fair value of contingent consideration (Big Chill Distribution Limited) and other income and expenses, net of tax (refer Note 5), are 44.6 and 44.5 cents, respectively (2021 restated: 42.9 and 42.8 cents, respectively).

Note 28. Net tangible assets per security

Net tangible assets (liabilities) per security at 30 June 2022 was ($0.80) (2021 restated: ($0.85)). Net tangible assets exclude intangible assets but includes software. There were 165,803,446 shares issued and fully paid as at 30 June 2022 (2021: 165,538,104).

Notes to the financial statements
For the year ended 30 June 2022

Note 29. 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. These counterparties include Z Energy Limited and Sanford Limited.

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	
	2022 $000	2021 $000
Sale of courier services to GSS	14,841	12,625
Purchase of goods and services from GSS	1,620	1,191
Receivables from GSS at end of year	1,616	1,418
Payables to GSS at end of year	140	90

Payments to joint venture

During the year, the Group paid Parcelair Limited $14.8 million (2021: $14.3 million) for the provision of airfreight linehaul services on normal commercial terms. Parcelair Limited is incorporated in New Zealand and is half-owned by the Group.

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	
	2022 $000	2021 $000
Short term employee benefits	11,384	7,508
Share-based payments (Note 24)	1,031	806

Notes to the financial statements
For the year ended 30 June 2022

Note 30. Financial risk management

30.1 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.

Whilst the COVID-19 pandemic and its economic impact could potentially make access to funding more difficult than previously, Freightways maintains strong relationship with lenders and has access to a range of funding sources that would mitigate that risk.

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
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
Derivative financial instruments – interest rate swaps	-	-	-	-	-	-
2021						
Bank borrowings	3,674	3,835	8,702	129,026	54,387	199,624
Trade and other payables	82,482	27,818	51,251	-	101	161,652
Lease liabilities	15,721	15,357	28,770	75,083	176,704	311,635
Derivative financial instruments – interest rate swaps	856	696	359	-	-	1,911

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

Notes to the financial statements
For the year ended 30 June 2022

(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	2022 $000	2021 $000
Cash and cash equivalents	24,137	19,940
Trade and other receivables	118,529	92,730
	142,666	**112,670**

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:

	2022			2021		
Group	Gross carrying amount $000	Expected loss rate %	Loss allowance $000	Gross carrying amount $000	Expected loss rate %	Loss allowance $000
Current	90,246	0.5%	451	78,898	1%	870
31-60 days over standard terms	12,205	2.0%	244	7,759	6%	466
60-90 days over standard terms	2,559	16%	409	1,487	26%	387
91+ days over standard terms	2,737	37.2%	1,020	2,567	50%	1,291
	107,747		2,124	90,711		3,014

The Group has $15.4 million (2021: $8.8 million) of financial assets that are overdue and not impaired.

Notes to the financial statements
For the year ended 30 June 2022

(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 22, at 30 June 2022 the Group had Australian dollar denominated bank borrowings of AUD78,200,000 (2021: AUD85,500,000). Of these borrowings, AUD14,200,000 (2021: 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 2022

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
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)
2021						
Financial assets						
Cash and cash equivalents	19,940	144	(144)	144	(144)	-
Trade and other receivables	98,507	-	-	-	-	-
Financial liabilities						
Borrowings	163,032	(1,174)	1,174	(1,174)	1,174	1,387/(1,695)
Derivative financial instruments	1,659	410	(410)	983	(998)	-

(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
For the year ended 30 June 2022

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
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**
2021				
Liabilities				
Derivative financial instruments	-	1,659	-	1,659
USPP	-	82,130	-	82,130
Contingent consideration in a business combination	-	-	51,305	51,305
Total liabilities	**-**	**83,789**	**51,305**	**135,094**

Notes to the financial statements
For the year ended 30 June 2022

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 2022	Fair value as at 30 June 2021	Unobservable Input	Range of inputs 2022	Range of inputs 2021	Relationship of unobservable inputs to fair value (sensitivity)
Contingent Consideration	59,892	51,305	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 (2021: $1.3 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 (2021: $1.3 million)
			Discount Rate	4.0%	2.6%	A change in the discount rate by 100 bps would increase/ decrease the FV of the consideration by $0.1 million (2021: $0.5 million)

Notes to the financial statements
For the year ended 30 June 2022

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	
	2022 $000	2021 $000
Opening balance	51,305	27,386
Acquisition of businesses (a)	3,709	-
Settlement	(54)	(139)
Purchase price adjustment	-	-
Change in fair value of contingent consideration (b)	3,700	23,046
Unwinding of discount on contingent consideration	1,232	1,012
Exchange rate adjustments	-	-
Closing balance	**59,892**	**51,305**
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	23,046
• Net interest and finance costs	1,232	1,012
	4,932	**24,058**

a. Acquisition of ProducePronto (PP).
b. Change in fair value of contingent consideration relates to an increase in the estimated future final payment for the acquisition
c. Refer to Note 32 for details of the PP and BCD acquisitions.

30.2 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
For the year ended 30 June 2022

Note 31. Financial instruments by category

(a) Assets, as per balance sheet

	Financial assets at amortised cost		Derivatives used for hedging		Total	
	2022 $000	2021 $000	**2022 $000**	2021 $000	**2022 $000**	2021 $000
Group						
Trade and other receivables (excluding prepayments)	115,225	98,507	-	-	115,225	98,507
Cash and cash equivalents	24,137	19,940	-	-	24,137	19,940
Derivative financial instruments	-	-	3,024	-	3,024	-
Total	**139,362**	**118,447**	**3,024**	**-**	**142,386**	**118,447**

(b) Liabilities, as per balance sheet

	Derivatives used for hedging		Other financial liabilities at amortised cost		Other financial liabilities held at fair value		Total	
	2022 $000	2021 $000	**2022 $000**	2021 $000	**2022 $000**	2021 $000	**2022 $000**	2021 $000
Group								
Borrowings (excluding lease liabilities)	-	-	176,210	163,696	-	-	176,210	163,696
Lease liabilities	-	-	310,125	311,636	-	-	310,125	311,636
Derivative financial instruments	-	1,659	-	-	-	-	-	1,659
Trade and other payables	-	-	84,783	66,802	59,892	51,305	144,675	118,107
Total	**-**	**1,659**	**571,118**	**542,134**	**59,892**	**51,305**	**631,010**	**595,098**

Notes to the financial statements
For the year ended 30 June 2022

Note 32. Business combinations

Acquisition of 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/year, same-day fresh and frozen delivery to convenience outlets nationally and businesses across Auckland. This acquired business operates within the Group's express package & business mail operating segment.

The contribution of PP to the Group results for the year ended 30 June 2022 was revenue of $5.2 million, operating profit before interest, income tax and amortisation of intangibles of $0.9 million and net profit after tax of $0.2 million. If this acquisition had occurred at the beginning of the year, the consolidated pro-forma revenue and net profit after tax for the year is estimated at $881 million and $70.3 million respectively.

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

Purchase consideration	Preliminary $000
Cash paid during the year	12,070
Fair value of future earn-out payment	3,709
Total purchase consideration	**15,779**

Fair value of assets and liabilities arising from the acquisition:	
Contract assets	1,301
Plant and equipment	2,562
Right-of-use assets	499
Software	250
Brand name	765
Customer relationships	4,554
Non-compete agreement	525
Trade and other payables	(126)
Deferred tax liability	(1,601)
Lease liabilities	(499)
Net identifiable assets acquired	8,230
Goodwill	7,549
Net assets acquired	**15,779**

Notes to the financial statements
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The estimated discounted future earn-out payment of $3.7 million may be payable in August 2024 and has been accrued for in the financial statements, but is contingent upon certain financial performance hurdles, predominantly earnings before interest, tax and amortisation growth, being achieved over the years ending 30 June 2022, 2023 and 2024. The potential undiscounted amount of the future earn-out payment that the Group expects could be required to be made in respect of this acquisition is between nil and $3.8 million. The Group has forecast several scenarios and probability-weighted each to determine a fair value for this contingent payment arrangement (refer to Note 30(1)(d)).

The goodwill of $7.5 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 4PL temperature-controlled transport and facilities industry.

Prior year 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 20% of BCD Enterprise Value as at 30 June 2022.

At 30 June 2022 the estimated discounted future payment for the acquisition of BCD was $56.2 million (30 June 2021: $51.3 million), with the change during 30 June 2022 arising from unwinding of discount on the future payment increasing by $1.2 million (2021: $1 million) and an increase in the estimated future final payment for the acquisition by $3.7 million (2021: increased by $23 million). 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 current trade and other payables in the balance sheet.

Notes to the financial statements
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Note 33. Significant events after balance date

Dividend declared

On 22 August 2022, the Directors declared a fully imputed final dividend of 19 cents per share (approximately $31.5 million) in respect of the year ended 30 June 2022. The dividend will be paid on 3 October 2022. The record date for determination of entitlements to the dividend is 16 September 2022.

Acquisition

On 19 August 2022, Freightways entered into a sale and purchase agreement to acquire 100% of Allied Express Transport Pty Limited, an express package business based in Australia, for aggregate purchase consideration totalling approximately A$160 million. Completion and settlement are expected to occur on 30 September 2022. The purchase consideration will be settled by issue of A$100 million worth of Freightways Limited ordinary shares and A$60 million in cash. There is no contingent consideration arrangement in place for this acquisition.

Incremental annual revenue of $237.6 million and operating profit before interest, income tax and amortisation of intangibles of $22.7 million, is expected to be generated after the business have been fully integrated into Freightways. The initial accounting for this business combination is incomplete at this point in time given the relatively short period between finalising the acquisition and the issuance of the financial statements. The fair value of assets and liabilities acquired, including identifiable intangible assets, will be disclosed in the financial statements for the half year ended 31 December 2022 on a provisional basis and finalised by 30 June 2023.

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 29 July 2022

	Number of holders	Number of shares held	% of issued capital
Size of shareholding			
1 to 1,999	3,982	3,647,543	2.20
2,000 to 4,999	2,543	7,612,715	4.59
5,000 to 9,999	1,184	7,789,196	4.70
10,000 to 49,999	762	13,118,478	7.91
50,000 to 99,999	31	1,956,340	1.18
100,000 to 499,999	28	5,417,661	3.27
500,000 to 999,999	10	7,473,732	4.51
1,000,000 and over	25	118,787,781	71.64
Total shareholders	**8,565**	**165,803,446**	**100.00**
Geographic distribution			
New Zealand	8,392	150,177,990	90.58
Australia	103	15,369,773	9.27
Other	70	255,683	0.15
	8,565	**165,803,446**	**100.00**

Substantial product holders as at 29 July 2022

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	**%**
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 29 July 2022 was 165,803,446.

Shareholder Information

Top twenty registered shareholders of listed shares as at 29 July 2022

	Number of Shares held	% of issued capital
Custodial Services Limited <A/C 4>	22,653,608	13.66
FNZ Custodians Limited	10,412,498	6.28
Citibank Nominees (New Zealand) Limited <CNOM90>*	10,249,507	6.18
Forsyth Barr Custodians Limited <1-Custody>	7,893,803	4.76
Accident Compensation Corporation <ACCI40>*	6,942,406	4.19
TEA Custodians Limited <TEAC40>*	5,676,190	3.42
JPMorgan Chase Bank <CHAM24>*	5,643,324	3.40
ANZ Custodial Services New Zealand Limited <PBNK90>*	5,320,442	3.21
BNP Paribas Nominees (NZ) Limited <BPSS40>*	5,033,641	3.04
HSBC Nominees (New Zealand) Limited <HKBN90>*	4,802,385	2.90
HSBC Nominees A/C NZ Superannuation Fund Nominees Limited <SUPR40>*	4,220,073	2.55
HSBC Nominees (New Zealand) Limited <HKBN45>*	3,694,890	2.23
JBWere (NZ) Nominees Limited <NZ Resident A/C>	3,637,575	2.19
New Zealand Depository Nominee Limited <A/C 1 Cash Account>	3,278,143	1.98
ANZ Wholesale Australasian Share Fund <PNAS90>*	2,993,414	1.81
PTJR Pty Limited	2,989,054	1.80
National Nominees Limited <NNLZ90>*	2,186,728	1.32
Dean John Bracewell & Phillipa Anne Bracewell & Bracewell Trustee Company Limited <Bracewell Family A/C>	1,753,733	1.06
Generate Kiwisaver Public Trust Nominees Limited <NZPT44>*	1,669,240	1.01
BNP Paribas Nominees (NZ) Limited*	1,557,614	0.94
	112,608,268	**67.93**

*Held through NZ Central Securities Depository Limited

Corporate Governance Statement

This statement is an overview of the Group's main corporate governance policies, practices and processes adopted or followed by the Board of Directors. The Group's corporate governance processes do not materially differ from the principles set out in the NZX Corporate Governance Code.

The role of the Board of Directors

The Board of Directors of Freightways Limited (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. 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 corporate governance rules established by the New Zealand Stock Exchange 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 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 Company's constitution 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. 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.

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.

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 2022, the Board was comprised of 4 male and 2 female directors (2021: 5 male and 1 female directors), and all 5 officers of the Company, who are not directors of the Company, were male (2021: all 5 officers of the Company, who were not directors of the Company, were male).

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 2022, these under-represented groups make up 51% 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 2022 financial year:

Director	Meetings Held	Meetings Attended
Mark Cairns	10	10
Abby Foote	10	10
David Gibson (Appointed 1 April 2022)	2	2
Peter Kean	10	10
Fiona Oliver (Appointed 5 July 2021)	10	10
Mark Rushworth	10	10
Mark Verbiest (Resigned 31 March 2022)	8	8
Kim Ellis (Resigned 28 October 2021)	4	4

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 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	8	8
Mark Cairns (Appointed 1 April 2022)	2	2
David Gibson (Appointed 1 April 2022)	2	2
Fiona Oliver (Appointed 25 November 2021 and resigned 1 April 2022)	2	2
Mark Rushworth (Resigned 1 April 2022)	6	5
Mark Verbiest (Resigned 31 March 2022)	6	6

Corporate Governance Statement

People & Remuneration Committee: The People & Remuneration Committee is responsible for overseeing the Freightways human resource practices, 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 members of the People & Remuneration Committee are Peter Kean (Chair), Mark Cairns, David Gibson and Fiona Oliver. Meetings were held and attended, as follows:

Director	Meetings Held	Meetings Attended
Peter Kean	6	6
Mark Cairns	6	6
Fiona Oliver (Appointed 1 April 2022)	2	2
Mark Rushworth (Appointed 1 April 2022)	2	2
Kim Ellis (Resigned 28 October 2021)	2	2
Mark Verbiest (Resigned 31 March 2022)	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, 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. Meetings were held and attended, as follows:

Director	Meetings Held	Meetings Attended
Mark Cairns	1	1
Abby Foote	1	1
David Gibson (Appointed 1 April 2022)	-	-
Peter Kean	1	1
Fiona Oliver (Appointed 5 July 2021)	1	1
Mark Rushworth	1	-
Kim Ellis (Resigned 28 October 2021)	-	-
Mark Verbiest (Resigned 31 March 2022)	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. 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.

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. The Company's Protected Disclosure (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 New Zealand's insider trading laws. This policy requires prior consent by the Chief Financial Officer 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. The Company's Insider 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/.

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 and evaluated, that effective responses and control activities are developed and that appropriate monitoring and timely re-evaluation is conducted.

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/.

Corporate Governance Statement

Donations

In accordance with section 211(1)(h) of the Companies Act 1993, the Freightways Group made donations totalling $0.2 million during FY22. 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 Limited and its subsidiaries

Messenger Services Limited

32 Botha Road
Penrose
DX EX10911
Auckland
Telephone: 09 526 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: 09 571 9600
www.nzcouriers.co.nz

Post Haste Limited

32 Botha Road
Penrose
DX EX10978
Auckland
Telephone: 09 579 5650
www.posthaste.co.nz
www.passtheparcel.co.nz

Castle Parcels Limited

163 Station Road
Penrose
DX CX10245
Auckland
Telephone: 09 525 5999
www.castleparcels.co.nz

NOW Couriers Limited

161 Station Road
Penrose
Auckland
Telephone: 09 526 9170
www.nowcouriers.co.nz

New Zealand Document Exchange Limited

20 Fairfax Avenue
Penrose
DX CR59901
Auckland
Telephone: 09 526 3150
www.dxmail.co.nz
www.dataprint.co.nz

The Information Management Group (NZ) Limited

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DX EX10975
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Telephone: 09 580 4360
www.timg.co.nz

Fieldair Holdings Limited

Palmerston North International Airport
Palmerston North
DX PX10029
Palmerston North
Telephone: 06 357 1149
www.fieldair.co.nz

Big Chill Distribution Limited

28 Pukekiwiriki Place
Highbrook
Auckland
Telephone: 09 272 7440
www.bigchill.co.nz

ProducePronto

10 Te Apunga Place
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www.timg.com
www.filesaver.com.au
www.litsupport.com.au

For inquiries in relation to Freightways' services and products contact the offices listed above or refer to Freightways' website at:
www.freightways.co.nz

Company Particulars

Board of Directors

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

Registered Office

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

Freightways