SPECIAL PEOPLE. SPECIAL COMPANY.

MAINFREIGHT ANNUAL REPORT | 2004

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Company Profile

Mainfreight Limited operates as a Supply Chain Logistics provider with operating businesses in New Zealand, Australia, Asia and the United States. We have 97 branches located throughout these countries.

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

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

MAINFREIGHT

DAILY FREIGHT

CHEMCOURIERS

LEP INTERNATIONAL

CaroTrans INTERNATIONAL, INC.

MAINFREIGHT INTERNATIONAL LTD

OWENS

The Mainfreight Triangle of Influence

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

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

Notice of Meeting

Notice is hereby given that the Annual Meeting of Shareholders will be held in the Gold Star Room at the Ellerslie Function Centre, Ellerslie Racecourse, Greenlane on Friday 30th July 2004 at 2.30pm.

BUSINESS

1. **Financial Statements.** To receive and adopt the Financial Statements together with the report of the Directors and Auditors for the year ended 31 March 2004.

2. **Re-election of Directors.** Mr Neil Graham, Mr Bruce Plested and Mr Don Braid retire by rotation and, being eligible, offer themselves for re-election.

3. **Auditors.** To record the re-appointment of Ernst & Young as auditors, and to authorise the Directors to fix their remuneration for the ensuing year.

For and on behalf of the Board

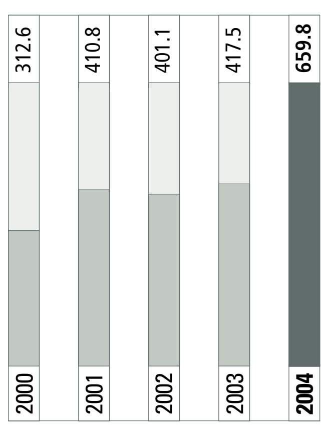
Carl Howard-Smith
Director

28 June 2004

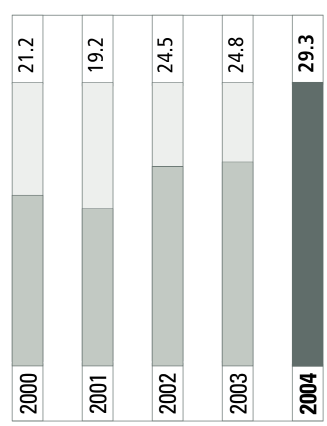
Proxies: Any shareholder of the Company entitled to attend and vote at the Annual Meeting is entitled to appoint a proxy to attend the meeting and vote instead of him or her. A proxy need not be a shareholder of the company. A proxy form is enclosed in this report.

Results in Brief

000's	2004	2003
TRADING RESULTS		
• Group Revenue	659,874	417,503
• Net Surplus Mainfreight exc Owens	12,005	9,010
• Net Surplus Owens	(4,540)	-
• Owens Acquisition Costs	(1,497)	-
• Group Net Surplus	5,968	9,010
FINANCIAL POSITION		
• Total assets	286,444	145,282
• Total shareholders funds	72,716	53,470
RATIOS		
• Group surplus after tax to average		
– Total assets	2.8%	6.2%
– Shareholders' funds	8.7%	16.9%
• Earnings per share (adjusted)	8.6c	11.2c
• Shareholders equity	9.6%	28.7%
• Interest cover (times)	3.7	6.1
DISTRIBUTION TO SHAREHOLDERS		
• Dividends – paid in year		
– Per ordinary share	6.5c	6.5c
– Times covered by surplus after tax	1.11	1.81
PAID UP CAPITAL		
95,370,190 Ordinary shares	54,217	35,773



GROUP OPERATING REVENUE
$ MILLIONS



GROUP EBITDA
$ MILLIONS

Chairman's Report

For the third time, Mainfreight has nearly doubled its revenue through acquisition – firstly in 1987, with the purchase of Mogal, which took our annual revenue from $20 million to $40 million. Then the Daily Freightways purchase in 1994, which increased revenue from $55 million to $105 million. Now the purchase of Owens in 2003, will take our revenue from $516 million to close to $800 million in the year to March 2005.

The total acquisition of Owens has stalled at 79.6%, through the spoiling action of Toll Holdings of Australia, assisted by the deplorable business ethics of AMP Henderson here in New Zealand.

While not being able to fully acquire the Owens business has caused some frustration and unnecessary cost, we are still able to make most of the changes necessary to return the business to profit.

We have found the Owens business severely top heavy, with excessive redundancy packages for senior executives and retirement allowances up to three years for retiring directors. While we are honouring these legal commitments, future arrangements are significantly reduced. A number of the businesses were in even worse shape than we had anticipated.

Following this acquisition it is appropriate to describe our place and capability in the businesses and in the countries in which we operate.

NEW ZEALAND

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

International Freight. LCL/Seafreight – Largest operator on the Tasman and a significant player in the Asia, USA and European markets.

Airfreight. Largest operator through the Auckland and Christchurch airports.

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

Metro/Wharf Cartage. Significant player in main centres.

AUSTRALIA

Domestic LCL Freight. Moving increasing volumes daily by road throughout Australia.

International Freight. LCL Sea Freight – Largest operator on the Tasman and a significant player in the Asia, USA and European markets.

Warehousing. Sophisticated warehousing in Brisbane, Sydney, Melbourne, Adelaide, Perth.

USA

LCL International Sea Freight. Branches in nine cities sending freight to all points of the globe, specialising in Australasia, Asia and Europe.

ASIA

LCL International Sea Freight. Joint ownership with branches in Hong Kong and Shanghai specialising in freight to and from Australasia and USA – soon to open new branches in Shenzhen and Ningbo on the China mainland.

UNITED KINGDOM

LCL International Freight. The acquisition of Owens has resulted in us gaining a minority shareholding in a small British freight forwarder. This gives us a new capability in the United Kingdom which we will progressively develop as our understanding of the market and opportunities occur.

WHAT ARE OUR CORE BELIEFS?

We believe that profit is the most important ingredient in our success. With profit we can continue to operate the company in a sustainable and dynamic way. Without profit, there can be no future.

Bruce Plested, Executive Chairman

Each year, our ethical standards become more important to us in our responsibilities to shareholders, team members, and the public at large. As the business grows and expands, particularly into other cities and countries, so must we be vigilant to constantly reinforce and upgrade our ethical standards.

We are greatly assisted in this by adherence to our culture developed over many years; the intensity with which we strive for excellence in everything we do; the belief in the power of meetings; people development and internal promotion.

> "For the third time, Mainfreight has nearly doubled its revenue through acquisition"

Books in Homes recipient, Kolio Iona of Panmure Bridge School.

"As the business grows and expands, particularly into other cities and countries, so must we be vigilant to constantly reinforce and upgrade our ethical standards."

OUR PEOPLE

To promote people development, this year, and from now on, we will train all new loaders in New Zealand at special training facilities in Auckland and Christchurch. Similarly we will set up a management training facility this year in Auckland to train and highlight future managers. These facilities will later be duplicated and expanded in Australia.

Of our hundred or so branches worldwide, only a handful of managers were recruited from outside the company, the rest have come from within our own ranks, and that is the way it will continue to be.

OUR ENVIRONMENT

Our concern for the environment continues with ongoing recycling in all branches.
At our recently completed Hamilton operation, rainwater collected from the roof was extended from being used just for truck washing to include all toilet facilities.

At our new freight and warehousing complex to be built in Auckland, we will use rainwater and the use of solar power is being investigated.

Also this year we will have a chipping plant operating to dispose of dilapidated pallets and waste wood, to create wood chip mulch for sale or local use.

OUR COMMUNITY

Our support for childhood education, through the Alan Duff Books in Homes programme continues with our support of twenty five schools out of a total now in excess of four hundred. Many of these children are now receiving up to nine books per year to own and take home. We are very proud of this commitment to New Zealand's low decile schools, and also supply a calendar each year to every child, and a sun hat. The Mainfreight Award for Excellent Attitude, awarded to the most outstanding child in each of the four hundred plus Books in Homes schools, has become the most coveted award in many of them and provides great pleasure to visiting Mainfreight team members.

Our relationship with Bairds Mainfreight Primary School remains strong with the first pupil now being assisted at University through a Mainfreight team member scholarship. This is a tangible example that this support is not seen as charitable. Rather, it is our contribution to helping increase educational standards, and therefore the opportunities for individuals to make a more significant financial contribution to our economy, thereby lifting all our living standards.

No one should underestimate the usefulness of business working with society, both locally and internationally. As ex-US President Bill Clinton has discussed, business and business people are the largest group seeking understanding of the cultures and ways of other countries and people in an endeavour to promote trade. That all countries have trade with each other, may be the greatest chance for world peace.

Our vision for the future is unaltered; we seek to create a global supply chain business, built on our strengths in Australia and New Zealand, and one that always operates as if it will continue for another hundred years.

Bruce Plested
Executive Chairman

Jackie Wilson, Travellin Tumai and Mele Siale of Bairds Mainfreight Primary School with their entry in the Soapbox Derby.


NEW ZEALAND
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OWENS
SCANIA

Group Managing Director's Report

GROUP OPERATING RESULTS

This past year has seen development and improvement in our business. We have played a significant part in the consolidation of our industry and at the same time our core operating business has improved through financial performance as we continue to increase our services to our customers.

Our goal of being the pre-eminent global supply chain logistics operator from our home base of Australasia is becoming a reality. Our year-end net profit prior to the consolidation of Owens is $12.005 million an improvement of 33.2% on the previous year. Our EBIT improved to $22.274 million, with revenues improving 24.8%. Adjusted to reflect last year's exchange rates this sees revenue improvement of $44,882 million, a 10.7% increase.

However when consolidating our 79.6% share of Owens Group, our net profit result decreases to $5.968 million. EBIT falls to $14.768 million and revenues increase to $659.874 million. The negative impact consisted of Mainfreight ownership costs of $1.5 million, restructuring costs (after tax and minorities) of $1.2 million and trading losses of businesses being sold of $2.9 million. The Owens result includes $2.7 million of restructuring and acquisition costs, which are one-off. Also included are losses of $2.9 million from Owens business units currently being divested or merged.

IMPROVEMENTS

The improvements for the Mainfreight operations have come from improved performances from all of our New Zealand businesses and our Australian International business. Financial performance in our Australian domestic business remains poor although we have seen a strong improvement in the quality of our operations with revenue levels maintained and improved during the third and fourth quarters. Our financial performance in the United States was below our expectations and that of last year. This has resulted in a full review of costs and agency relationships to ensure profit performance for the future improves. Our commitment to our supply chain logistics service within our Australasian home base remains important to our ongoing growth and development. By extending our international operations into Asia and the United States of America our triangle of influence for freight flow continues to grow and add value to our customer relationships, giving us competitive advantage over larger and more global competitors, particularly in New Zealand and Australia.

The acquisition of Owens provides us with more customers with which to offer our full range of services and in most cases to levels which they have not had access to in the past.

OWENS

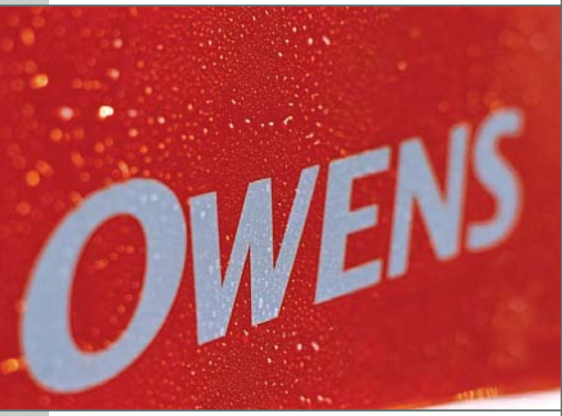
This acquisition opportunity was taken for a number of reasons; not least being the opportunity it presented to acquire our largest competitor in New Zealand and more particularly at a reasonable price. It also assisted our participation in the New Zealand transport sector consolidation and played a small defensive role as that consolidation materialised.

Our "on market and take over" consideration saw us with 79.6% of the company, which has been sufficient for us to take management control and begin the process of improving the business and re-aligning the strategy and direction to what we believe will be successful and that which will complement Mainfreight.

Don Braid, Group Managing Director

"Our goal of being the pre-eminent global supply chain logistics operator from our home base of Australasia is becoming a reality."

Owens and Mainfreight handle 40,000 containers to and from the Auckland wharf each year.



"With only 42% of our top 100 customers utilising two or more of our businesses, we see ample opportunity for growth in this, our most mature market."

Very early in this process we identified those business units that did not fit our supply chain logistics strategy and were disparate in not being able to add value to the customers of the core businesses of domestic transport and international freight. A divestment process was instigated.

Sale and purchase agreements have been entered into for the sale of the Container Services Division, Cooltainers, Rural Transport Services, Shipping Agencies and the financial instrument used to assist the sale of Hirepool. We have retained the operating businesses of Owens Transport and Owens International in New Zealand, as well as the Pacific Island freight forwarding operations of Pan Orient based in Brisbane, Noumea and Papua New Guinea.

The Australian International Operations have been sold to Mainfreight International. The merger of these two operations in Australia has created a larger, more profitable business in our Australian International sector and has improved our market share and competitive advantage over a number of international trade lanes, in particular the trans Tasman trade.

In conjunction with the divestment process the Head Office and Shared Services functions have been decentralised to effect better management and understanding at both business unit and branch level.

Each of the retained businesses has refocused towards being part of the core supply chain logistics strategies and increasing quality and margins. While the acquisition of Owens has brought about a short term negative impact to our 2003/04 year end net result, the medium to long term opportunities are certainly positive and will reflect in improved returns for our company.

FUNDING

In light of the satisfactory progress being made with the sale of some of Owens surplus assets, we have come to the conclusion that a special capital raising programme in the near future is now highly unlikely. This does not rule out the possibility of a future rights issue but is targeted at growth rather than debt repayment.

FUEL

During the past financial year fuel pricing has been relatively steady. This has changed during the new financial year with fuel pricing almost certain to further increase. Once again we will look to recover these increases through the application of fuel surcharges. This creates a neutral fuel cost environment for Mainfreight.

ECONOMIC TRADING CONDITIONS

Trading conditions in New Zealand, Australia and Asia were positive. The fluctuating US dollar created conditions which affected trading for CaroTrans and in the latter part of the year affected the level of exports, particularly perishables from New Zealand.

While it is hazardous to predict economic conditions for the future in each of the countries in which we are operating, we remain positive that in the short term these economies will have trading conditions similar to that of the past year.

Brendon Greer, Mainfreight Logistics, Christchurch.


MAINFREIGHT

New Zealand

OPERATING RESULTS – DOMESTIC

000's	This Year	Last Year
Revenue	$185,054	$160,908
EBIT	$20,414	$15,979
As a % of Revenue	11.06%	9.93%
Market Share (Transport)	31%	28%
Market Share (Outsourced Warehousing)	15%	12%

Our New Zealand Transport and Logistics operations had a strong year in terms of financial performance growing revenues by 14.73% and improving EBIT by 27.76%.

Sales growth can be attributed to increasing market share in the core inter-city freight forwarding activities, a greater use of our auxiliary services by our loyal incumbent customers and our improving growth in managed warehousing activities. Net margins improved with a greater degree of overhead cost control, however our gross operating margins, although maintained by rate reviews during 2003, have come under continued pressure through meeting customer demands for greater service delivery and the increasing volumes being handled by our depots. Better pickup, delivery and linehaul management control introduced early in our fourth quarter will improve these operating gross margins during the forthcoming financial year. A rate review process not taken late 2003 and effective during June 2004 will also assist.

We continue to see the benefits of our supply chain logistics strategies assisting the growth of our domestic service products, particularly increased inter city tonnage, thriving across town metropolitan and wharf services and managed warehousing opportunities. By no means have the opportunities for growth diminished in this, our most mature market, where today only 42% of our top 100 customers utilise two or more of our businesses for their logistics requirements.

NEW BRANCHES

Our network services 305 destinations every day and our branch network has expanded during the year to include new branches in Blenheim, Masterton and Wanganui.

Throughout the year the continued demise of rail services saw more freight tonnage travel by road than we would like. We are assured by the new owners of the rail network that this will improve. Should this service criteria improve to satisfactory standards over more routes than that serviced currently, there is a significant volume of freight which can be transferred to the rail system. We await these developments with interest.

Coastal shipping services continue to falter under the fundamentally flawed, deregulated coastal shipping laws, which the government of today continues to ignore.

WAREHOUSING

In our New Zealand warehousing operations our business continues to benefit from our investment in further up-skilling our people and operating systems in our pick and pack facilities. New technology and improved practices has promoted the business to levels above world-class benchmarks.

The continual increase in imported goods for the New Zealand market has seen an increase in demand. With our range of facilities which specialise in different sectors of the market we have successfully addressed specific customer requirements, and in a lot of cases are acting remotely for our off shore customers. Some of our buildings which are cheaper in construction are aligned to customers who require bulk storage of high volume product, which is price sensitive. Our more specialised buildings have been constructed to manage food grade inventory, targeting the fast moving consumable goods market. The highly specialised dangerous goods facilities cater for the more difficult nature of managing hazardous substances, which are aligned to our transport division, Chemcouriers.

It has yet again been a very successful year in our most mature market.

OPERATING RESULTS – OWENS TRANSPORT

(Five months of ownership)

000's	This Year
Revenue	$35,515
EBIT	$(387)
As a % of Revenue	(1.1%)
Market Share	12%

This business provides intercity less than container load (LCL) services, wharf operations, full truck load (FTL) services and bulk tanker fleet operations.

Operating gross margins are poor through weakened pricing strategies and a previously held linehaul philosophy that preferred road linehaul over other alternatives. Depot facilities are poor when compared to Mainfreight. However the enthusiasm and commitment of our team including owner-drivers is outstanding and with focused leadership and management, quality freight services and the associated profit will materialise.

COMPETITION

Competition in this sector is intense. During 2003 and 2004 it has come more from regional players rather than national operators such as Mainfreight, in most part competing on price rather than service. The introduction of Australian competitors has yet to cause any major issues and their abilities to compete have yet to be proven. Our advantages continue to be in our network, technology and the added value quality services for supply chain logistics.

We even deliver to "Middle Earth"!

OPERATING RESULTS – NEW ZEALAND INTERNATIONAL

000's	This Year	Last Year
Revenue	$73,957	$73,033
EBIT	$2,509	$1,839
As a % of Revenue	3.39%	2.52%
Market Share	6%	6%

Financial performance has been satisfactory for this division, assisted in most part by an excellent contribution from Mainfreight International. Performance from Lep has been below expectations and management changes have been taken to facilitate improvement. The rising New Zealand dollar against the US dollar affected exports, predominantly in the perishables sector of which Lep has a dominant market share. The strategies introduced last year to improve our inbound market share have only been marginally successful; obviously a greater level of commitment is expected in this area during 2004.

Mainfreight International improved its returns and increased market share across all trade lanes, both inbound and outbound, and has now found an increasing interest in its services from a more informed customer base. Of particular interest are those customers from within the Mainfreight Group. As with last year, our attention to developing our growth from our Asian and American interests is contributing significantly to the increase of inbound tonnage from these regions.

OPERATING RESULTS – OWENS INTERNATIONAL/COOLAIR

(Five months of ownership)

000's	This Year
Revenue	$41,981
EBIT	$168
As a % of Revenue	0.40%
Market Share	8%

Both business units operate in similar markets to those of Mainfreight International and Lep, although their freight volume has a greater ratio of full container loads rather than Less than Container Loads (LCL) and is focused primarily within the trans Tasman trade lanes. The accompanying impact is seen in the less than satisfactory margins.

Like Owens Transport, there are exceptional people within both divisions and with new leadership and management direction we expect to see improved results during the next 12 to 24 months.

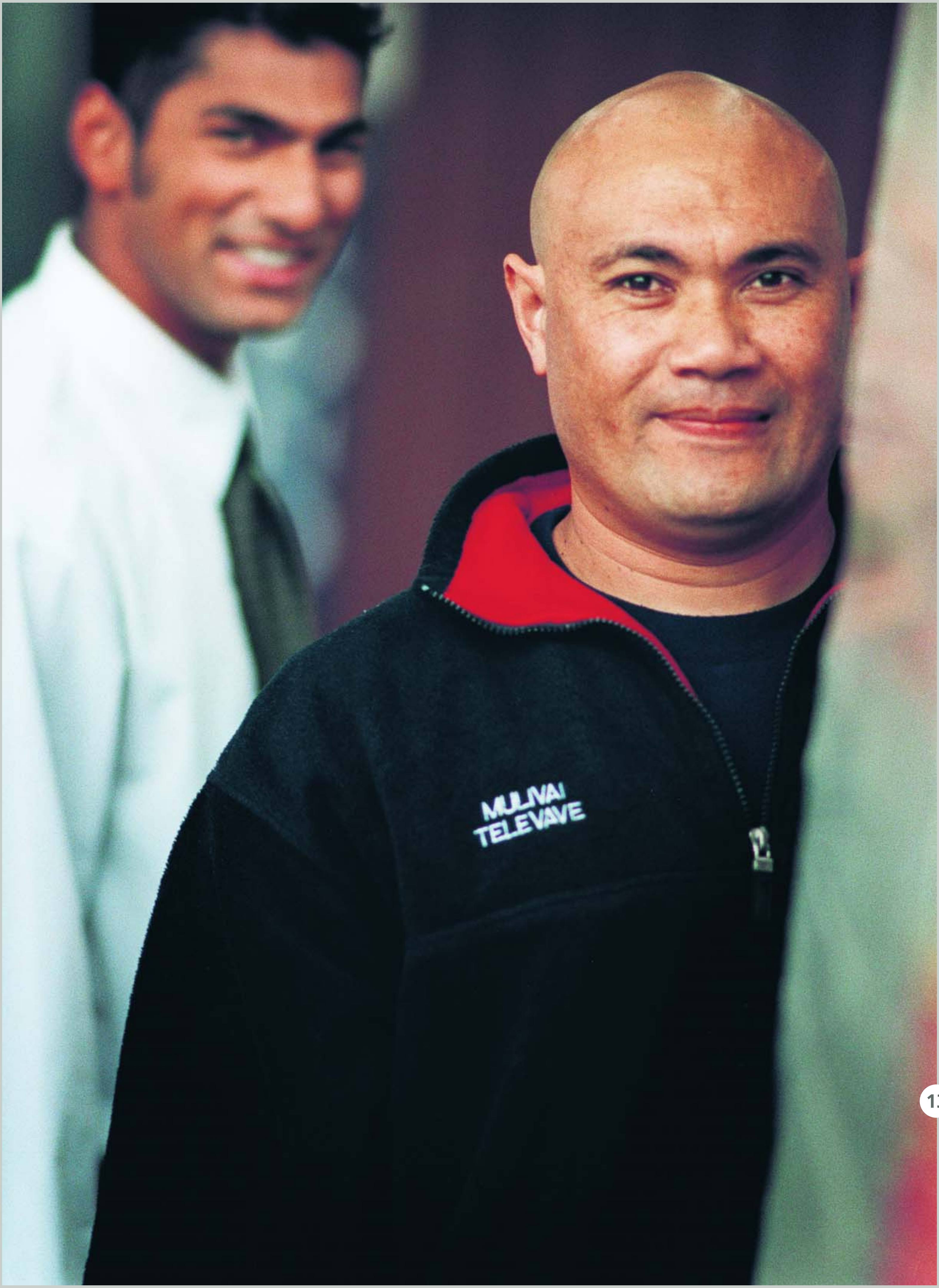
COMPETITION

Competition in this sector is again very intense. It is dominated primarily by global internationally owned companies where cross subsidisation between countries is prevalent.

Our competitive advantage remains within our company owned networks alongside our very loyal international agency arrangements providing buying power, technology and supply chain activities.

"Our attention to developing growth from our Asian and American interests is contributing significantly to the increase of inbound tonnage from these regions."

Riyaz Jordan and Mulivai Televave of Mainfreight Westney Road operation.


MULIVAI
TELEVAVE

Australia

"Our presence in the Australian market remains a key component to our Australasian strategies."

OPERATING RESULTS – DOMESTIC

000's	This Year	Last Year
Revenue	$56,329	$48,031
EBIT	$(5,470)	$(4,876)
As a % of Revenue	(9.71%)	(10.15%)
Market Share	3%	3%

Our financial results for this division continue to disappoint, however the significant management and directional changes made during 2003 have reversed the declining trends of the previous years. It has taken most of 2003 to implement the strategies and direction and for the new Australian management team to find their feet.

Revenue decline and customer loss has been halted with revenue growth being experienced predominantly in the third and fourth quarters. This growth comes from far improved services where freight is received and dispatched on the same day and is delivered within the day definite nominated delivery time.

Our delivery performance in this sector of our business has improved from 76% mid year to 93% by March 2004.

Lease cost relief will also occur this year with the cessation of the Sydney Seven Hills lease.

RE-DEFINED MARKET NICHE

We have more clearly defined our market niche in the Less than Container Load (LCL) sector where day definite delivery is expected. Our customer base is primarily in the small to medium size business sector where quality services are expected and margin erosion is minimal through less aggressive buying/procurement practices, as is common when dealing with larger, multi-national commodity manufacturers. Network expansion has been slowed and modified to ensure the current network becomes better utilised and profitable. Third party delivery agents to areas outside of our own network have been improved and introduced to our technology.

Our driver wand technology to assist our real time freight tracking management processes has been introduced to our total fleet of owner drivers and is delivering a far greater degree of transparency for our customers.

WAREHOUSING

In our managed warehousing operations, we have seen considerable growth in revenue as we increase market share. With this comes the need to increase the amount of warehousing space and the accompanying fixed costs. New facilities were opened in Sydney and improved utilisation has occurred in Brisbane, Melbourne and Perth.

This increase has come with almost a complete transformation from predominantly bulk warehousing to a full pick and pack capability. Now with a network of facilities throughout Australia, the growth and installation of new skills and operating disciplines has seen a significant improvement in services.

As with our New Zealand operations these new customers begin to utilise our domestic and international services once they are comfortable with third party warehousing.

AUSTRALIAN STRATEGIES

Our presence in the Australian market remains a key component to our Australasian strategies. Australasia is now seen as our home base and our ability to offer full supply chain logistics services throughout Australia and New Zealand assists our development as the pre-eminent supply chain operator in this part of the world. We have already begun to develop from a stand alone transport and warehousing division to be a reliable part of the supply chain offering to our customers from within Australasia and from around the world.

COMPETITION

Market share continues to grow, yet remains small in comparison with what is available.

Competition is intense with competitors across the full transport spectrum. Our advantage continues to lie in our LCL niche with day definite delivery and specialised warehouse facilities and services. Already this is being recognised by the establishment of joint venture opportunities with larger operations within the market, which are now understanding and accepting of our presence.

OPERATING RESULTS – AUSTRALIAN INTERNATIONAL

000's	This Year	Last Year
Revenue	$160,802	$145,250
EBIT	$4,602	$3,985
As a % of Revenue	2.86%	2.74%
Market Share	8.5%	8%

Both our international divisions performed credibly, improving margins and profitability.

Volumes for both businesses were adversely affected in the first half of the year due to the SARS epidemic in Asia. Each business has substantial inbound volumes from the Asian area and as the epidemic subsided, volumes increased during the second half of the year.

Mainfreight International continues to benefit greatly by our Asian and American interests with particularly good growth coming from the United States. Our market share in this trade lane now places us second to the market leader.

OWENS INTERNATIONAL

During the fourth quarter Mainfreight International acquired the assets of the very poor performing Owens International. Throughout these months we refocused the business to recognise quality LCL international freight forwarding practices and have merged offices on the Eastern Seaboard, minimising overhead cost structures. Margin and customer service improvement is now paramount and once achieved will see this business a much improved and larger profit contributor for our Group.

LEP INTERNATIONAL

Lep International recovered well in the second half of the year to finish ahead of the year prior. An improved performance by our partner GeoLogistics Worldwide should see inbound tonnages grow further during 2004 and 2005.

In conjunction with the Owens acquisition, Lep has taken the management responsibility for the Pan Orient Group of Companies, which sit within Owens. These businesses based in Papua New Guinea, Brisbane and Noumea provide freight forwarding and project services.

This is providing important leadership and management for Pan Orient and is providing a range of new services for the Lep International team to sell. Our market share continues to increase in this sector with both divisions improving their positions against the larger global players. Both now have very good reputations within the market and are respected in their trade lanes.

MARKET OUTLOOK

The merging of the Owens International business provides important trans Tasman market share which, when managed well and in conjunction with our partner shipping companies, will provide key economies of scale to aid growth, service and procurement opportunities.

COMPETITION

Competition remains intense in this sector, with many local and global competitors. Our abilities to work with very creditable international agent networks (including our own in Asia and the USA) gives us considerable advantage as does our supply chain network and branding awareness with customers buying on Free On Board (FOB) terms from their international suppliers.

"Mainfreight International continues to benefit greatly by our Asian and American interests with particularly good growth coming from the United States. Our market share in this trade lane now places us second to the market leader."

United States of America

OPERATING RESULTS – INTERNATIONAL

000's	This Year	Last Year
Revenue	US$46,475	US$37,119
EBIT	US$265	US$634
As a % of Revenue	0.57%	1.70%
Market Share (Total Trade)	10%	8%

(Above reflects full year's trading for both years).

During the year we took the opportunity to purchase the remaining shares that were held by our partners in this business.

This purchase enabled us to take full control of the business, allowing us to move with pace and certainty and to improve and grow trade between our Australasian and Asian interests.

Disappointingly our financial performance did not improve on the previous year. The weakened US dollar saw import volumes decline. Our own costs increased as we positioned the business for growth.

Small acquisition opportunities that initially looked encouraging were a drain on management time and had a subsequent negative impact on profitability. During the last quarter costs have been better managed and management has been refocused on improving utilisation and margin performance.

POSITIONING FOR GROWTH

Throughout the year a number of initiatives were taken to position the business for more growth.

We expanded our airfreight operations in to Ireland, South Africa and Hong Kong complementing our current services to Australia and New Zealand. We became the very first NVOCC (Non Vessel Operating Common Carrier) to offer live Internet bookings for our customers. This has been extended to include full EDI connections with a number of customers.

Our retail growth (direct importers and exporters) has been in excess of 20% with an additional 2,500 containers moved during the year.

New offices have been opened in Charlotte, with two new offices planned to open during 2004 in Seattle and Cleveland.

CHINA FOCUS

A large amount of focus has been placed on our operations in China. CaroTrans is uniquely placed within the USA market to take advantage of the rapidly growing import/export trade between the two countries. CaroTrans trade directly with our own branches in Hong Kong and Shanghai and the success of these operations now allows us to open two new branches in China in Ningbo and Shezhen.

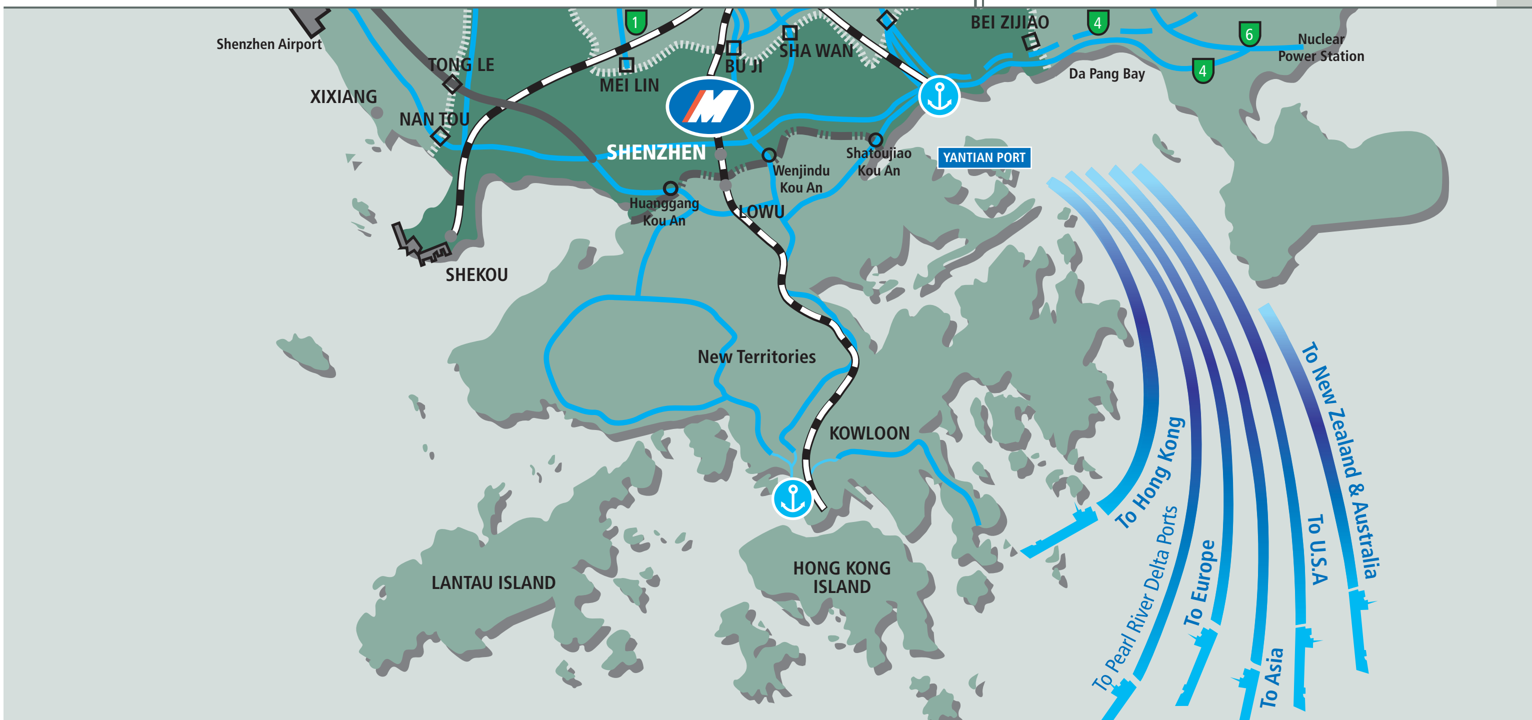
This trade compliments our "triangle of influence" between Australasia, Asia and the USA.

COMPETITION

Competition in the NVOCC LCL wholesale seafreight sector remains intense between three or four major players. Our market share into Australasia has increased, taking us to Number two for this trade lane.

As we move to more retail sales, the competitors increase in number and consist of larger, more global operators.

Asia



OPERATING RESULTS – INTERNATIONAL

000's	This Year	Last Year
Revenue	US$8,938	US$5,934
EBIT	US$954	US$392
As a % of Revenue	10.67%	6.60%
Market Share (Total Trade)	2.25%	1.5%

Note: these results reflect total performance. Mainfreight Limited owns 37.5% of the Hong Kong operation and 50% of the Shanghai operation.

We continue to improve our financial performance and achieve satisfactory growth from this important area of trade.

Managed and run in conjunction with our partner, David Shiau from Mainfreight Taiwan, both operations have increased their market share and profit year on year. These increases have come from increased tonnage to the Australasian market and the development of the United States market both inbound and outbound with CaroTrans.

During our tenure in this region we have continued to look to open additional branches in the developing coastal port regions of China. As our market share and knowledge has grown, the opportunities to develop these additional branches have become a reality.

Commencing this year we intend opening two branches located in Shenzhen in Southern China and Ningbo in Northern China.

SHENZHEN

This city was the first in China to have a free trade zone for international trading. Three ports have been constructed, Yantian, Shekou and Chiwan. During 2003 these three ports handled 10,610,000 containers and are ranked together as the fourth largest port in the world. These three ports service China's largest manufacturing area.

They have recently launched a number of direct shipping services to Australia and trade to Australasia has increased 65% during this time.

Mainfreight's new operations in Shenzhen and Ningbo (Northern China) will provide new opportunities for our customers who trade in this region.

NINGBO

This city is located just south east of Shanghai, some four hours drive. Shanghai is now the world's third largest port handling 26% of China's exports.

The demand for a second neighbouring port has seen Ningbo grow to handle 2,750,000 containers last year. Between Shanghai and Ningbo resides China's second largest manufacturing region.

A number of direct shipping services have been launched, particularly to Europe and the United States. During 2004 a service to Australia will be launched.

A number of our customers to both the USA and Australia reside within this area and our positioning here will service them better and provide a greater opportunity for more growth.

Our Future

We continue to develop our global supply chain activities and are further enhancing our footprint in the Australasian logistics and transport industry.

We have a substantial business and the acquisition of Owens has furthered our presence in this market.

The growth and development that we have achieved in the past 26 years lays credence to our strong belief that profit, ethics and our very strong culture are the key ingredients to our success.

We have recognised that to succeed in one of the more distant and smaller logistics markets of the world we are required to be located throughout Australasia and need to have influence in freight flow from the two larger areas of supply to our region, Asia and the United States. During this past year our influence and market presence in these localities has continued to grow. The benefits have flowed, and will continue to do so, to our Australasian base that we call home.

EBIT COMPARISONS

	NZ Domestic	International Total
2004	20,414	7,330
2003	15,979	5,824

While our New Zealand domestic operations continue to lead the way in profit, quality and entrepreneurship, our dependence on this market becomes less as our international divisions contribute greater growth, profitability and opportunity as our Australian domestic operations consolidate.

OUR COMPETITIVE ADVANTAGE

This expansion provides us with a competitive advantage over the new arrivals into our New Zealand domestic market and allows us to protect our market share and to improve shareholder returns through a greater range of services within the supply chain logistics market. The added value we can now provide our customers remains a key ingredient to better service, more profit and increased customer loyalty.

Clearly we still have much to do in each of the business units, particularly where only 42% of our top 100 customers trade with two or more of our Group operations.

Our quality must continue to improve across all our operations ensuring our customer relationships remain at levels consistent with their requirements. This includes taking a stronger interest in delivering better service every day, thereby increasing the barriers to competitor activity.

TRAINING FOR THE FUTURE

The establishment of the Mainfreight Training Academy for both new recruits and management will be key to delivering consistently high quality service levels. While having an initial cost of set up, the rate of return will be substantial through customer retention, lower claim levels and increased growth opportunity where internal promotion plays a significant role in acquisition and expansion decision making.

The development of quality and profit in the Owens businesses is pressing. While these operations have substantial freight volumes, there is significant change needed to bring about sustainable profitable businesses. We believe our past experience and management ability will bring this about in short order.

Our Australian domestic operations have now developed a very good foundation for growth and profitability for the future. The reduction of losses and revenue growth over the second half of this year clearly points to positive momentum for change in the next two year period. The business has developed a service culture, which strives to deliver our customer's freight on time, and has team morale and branch standards that reflect those that we have in New Zealand.

Our International divisions have plenty of opportunities to further their growth after developing very good foundations. We expect to see greater growth in imports from within our triangle of influence, particularly LCL freight volume.

Airfreight growth remains a priority for all divisions both inbound and outbound to complement our successful sea freight business.

Our network, technology, supply chain logistics, ethics and quality services remain the cornerstones to our ongoing profitability, and competitive advantage. Add the Aroha of the Mainfreight family and the relationships which have evolved with our customers and suppliers and we have a strength and future which is exciting.

The returns for our stakeholders and shareholders are most certainly to continue to inspire and satisfy.

Don Braid
Group Managing Director

Wesley Siakumi, Daily Freight, Auckland.


DAILY FREIGHT

Our Management Team

Craig Evans

General Manager, Supply Chain
18 years with Mainfreight
Revenues $22 million

Craig is responsible for our 15 warehousing operations throughout New Zealand and Australia and plays an integral role in the development of our supply chain strategies and relationships.

Mark Newman

National Manager Transport New Zealand
14 years with Mainfreight
Revenues $172 million

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

Kevin Drinkwater

Group IT Manager
18 years with Mainfreight
IT Operational Spend $9.2 million

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

Christine Meyer

Group Human Resource and Training Manager
10 years with Mainfreight

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

John Hepworth

International Manager
6 years with Mainfreight

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

Mick Turnbull

National Manager, Lep International Australia
6 years with Mainfreight
Revenues $80 million

Mick has the responsibility of managing our Lep International operations throughout Australia as well as the Owens Projects divisions of AFS and AFL in Australia and Pan Orient in Papua New Guinea. Mick is also a Director of Lep Australasia and has a valuable role in our agency/partnership with GEO worldwide. Mick joined Mainfreight at the time of our acquisition of Lep Australia.

Bryan Curtis

National Manager Owens Transport
24 years with Mainfreight
Revenues $80 million

Responsible for the Owens Transport business in New Zealand, Bryan has been with Mainfreight for over 20 years and has had a variety of positions including operational, sales and branch management roles in New Zealand and Australia.

Michael Lofaro

National Manager Mainfreight International Australia

6 years with Mainfreight

Revenues $84 million

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

Greg Howard

CEO, CaroTrans Inc, USA

5 years with Mainfreight

Revenues $75 million

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

Anthony Browne

National Manager, Lep International New Zealand

8 years with Mainfreight

Revenues $51 million

Anthony joined Mainfreight as one of our early graduates and has had a number of roles within Mainfreight including sales, sales management and running the successful business of Chemcouriers. His new responsibilities are with Lep New Zealand.

David Shiau

Managing Director, Mainfreight Express, Asia

David has a relationship with our business which dates back some 20 years, both as a partner and friend. David's responsibilities are the management and Directorship of our operations in Hong Kong, South China, Shanghai and North China. David's own business, Mainfreight Taiwan, acts as our partner, although Mainfreight Limited has no ownership in Mainfreight Taiwan.

Tim Williams

Group Financial Controller

10 years with Mainfreight

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

Rodd Morgan

National Manager, Mainfreight Distribution, Australia

One year with Mainfreight

Revenues $47 million

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

Steven Noble

National Manager, Mainfreight Logistics, Australia

10 years with Mainfreight

Revenues $10 million

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

Kevin Bradley

National Manager, Mainfreight International New Zealand

10 years with Mainfreight

Revenues $25 million

Kevin has recently been appointed to the role of National Manager, Mainfreight International in New Zealand. Kevin joined Mainfreight through the acquisition of Daily Freightways in 1994. He has had some 30 years experience in the New Zealand transport industry.

Our People

The success of our business is measured by the perception our customers have of the service we provide. This perception relies on the service performance of our people.

This belief drives many of our activities as we need to ensure our people are well equipped to provide not just good service – but also be capable of using customer feedback to come up with intelligent ideas and options for growth and service enhancements. Finding the right people to provide this service is never easy. Developing positive attitudes and behaviours and an understanding of Mainfreight's expectations is key to the success of our business.

Before being allowed near a telephone or loading dock, our new people need to be saturated in our culture, learning both WHAT we do and WHY we do it. They need to understand the philosophy of the business; that each day we try to get it better than the last; the family culture of respect and team work and the team involvement in making each business unit profitable. Each new person is given our book "With Passion Anything Is Possible", the Mainfreight story, which provides an understanding of how our special business was built.

Once people understand they have joined something special, they take pride in their day to day roles. This pride cannot be trained; it comes from being made to feel special upon joining the company and from witnessing other people caring about the service provided to our customers.

Once the induction foundation is set then further training ensures that the individual is well equipped to carry out their role with expertise and pride.

THE MAINFREIGHT TRAINING ACADEMY

To ensure comprehensive inductions and training are not left to chance, a Training Academy has now been established. This will enable us to take the training and development of our teams to a higher level.

With our 'promotion from within' culture, we need to focus on giving each person a clear understanding of the skills and standards required in every level of our business. We intend to place greater emphasis on the recognition of achievement, with certificates issued as required standards are tested and reached.

Some of our people will be encouraged to seek certification in all areas of the supply chain, while some will specialise in a particular area of the business. All certificates will provide an ideal balance between practice and theory. We recognise that if we are to get continuous improvement in our service and quality, training is a key element to lifting the level.

In Australia and the USA we are continuing to roll out the quality and training developed in New Zealand, and will move the certification process into these operations once we have success in the Training Academy in New Zealand.

RECRUITMENT

Central to the ongoing development in these countries, particularly in Australia, is the recruitment of young educated people who are willing to start at the ground level and make our business their long term career. The future of our business will be assisted greatly by having young passionate people who understand the culture and are skilled in all aspects of our business, believing in our 100 year vision.

LEP ON-TRACK FOR IIP STANDARD

Lep New Zealand is on target to achieve the "Investors in People" standard in June. This standard, mentioned in last year's annual report, looks at the perception the team holds about the company across a number of areas. The final outcome will reveal whether the team understands what Lep is trying to achieve, that they understand the part they are playing in Lep's success; whether they are being trained to help reach the business targets and how they feel their contribution is being recognised.

This standard fits with the company's philosophy "we are only as good as our customers' perception".

It will also assist the Training Academy to develop courses that have been identified as necessary for the business, along with the other courses which will help keep our people and our group of companies leading from the front.

Susan Karora, Westney Road, Auckland.

CASE STUDY

Healtheries of New Zealand Limited

1. **LEP International** — Imports of raw materials and finished product from locations as diverse as Indonesia, USA, Sweden and the EU, through LEP International's global network
2. **Daily Freight** — Distribution of product locally in New Zealand using Daily Freight's network, ranging from bulk consignments to supermarket chains to smaller orders to health food stores and pharmacies
3. **Mainfreight** — Servicing the growing Australian market using LEP to position containers at Mainfreight Logistics in Melbourne who provide pick and pack for delivery throughout Australia using Mainfreight Distribution
4. **LEP International** — Exports to all five continents, for both retail and contract manufacturing clients through LEP International.

Today, Healtheries Supply Chain spans the globe to reach suppliers and customers large and small. These are the key features of the Healtheries Supply Chain.

> "As Healtheries' business has become more global and Mainfreight supply chain capabilities have grown, the relationship has evolved."

Healtheries of New Zealand is among the world's leading health food and supplement manufacturers, distributing their quality products on all five continents.

From humble beginnings as a flour milling business established in Auckland in 1904, Healtheries now has more than 750 health products on sale worldwide, and employs over 220 people at their headquarters and manufacturing base in Mt Wellington, Auckland.

Today almost every supermarket, health food store and pharmacy in New Zealand stocks Healtheries product and with over 60% market share, the business is looking to overseas markets, (especially Australia), and product diversification for continued growth.

MAINFREIGHT AND HEALTHERIES

Healtheries have a successful and longstanding relationship with Mainfreight, which commenced in the 1980s with an agreement with Daily Freight for the New Zealand domestic distribution of Healtheries product.

As Healtheries' business became more global and Mainfreight supply chain capabilities have grown, the relationship has evolved.

LEP International were introduced in 2001, and in February of this year Healtheries engaged Mainfreight to handle their Australian distribution requirements. This is based at Mainfreight Logistics' warehouse in Campellfield, Melbourne and product is distributed to Healtheries customers throughout Australia using Mainfreight Distribution.

A GLOBAL MARKET AND A GLOBAL SUPPLY CHAIN STRATEGY

Mainfreight's Mainchain provides on-line services including real-time track and trace, import order progress reports, full visibility on stock and activity levels for product held in Mainfreight's warehouse and management reporting. Regular contact at all levels ensures that services meet the requirements of an ever changing business.

Healtheries Tea comes off the Auckland production line.

CASE STUDY

LEP Australia – From the Outback to Finland

FROM THE OUTBACK TO FINLAND

The service which Lep Australia provides to OM Group goes well beyond traditional freight forwarding. It involves the management of a complete supply chain logistical process and the information associated with it. It begins in one remote outback location in Western Australia with extreme hot temperatures and ends at another remote location on the opposite side of the world some 13,000 kilometres away, with extreme cold temperatures.

Lep Australia has been providing full logistical services for the OM Group (previously Centeur Nickel) for over six years. OM Group Inc (OMG) is a chemical manufacturer headquartered in Cleveland Ohio which operates manufacturing facilities in the Americas, Europe, Asia and Australia. The company is a vertically integrated producer of value added, metal based speciality materials.

The transport process requires coordination of all transport modes and efficient and effective transfer of paperwork and information to ensure error free processing of product for the OM Group and its customers.

Lep International is involved in the shipping of Nickel Carbonate Paste for use in the manufacture of specialised stainless steel from the remotely located manufacturing site of OMG Cawse based outside of Kalgoorlie, (some 600 kilometres north of Perth in Western Australia), up to Harjvalta located 65 kilometres outside of the town of Pori on the east coast of Finland.

MULTI-MODAL LOGISTICS

The movement of powder product in 20 foot containers totalling 2,000 containers per annum moves across a number of modes of transport. The transport process begins with a triple road train (72 tonne payload) trucks from site to railhead in Kalgoorlie. The goods are then transferred via rail over a 48 hour period for the 600 kilometre journey to the Fremantle port. From there they are shipped by weekly sailing from Fremantle to Antwerp, where the containers are transferred onto smaller feeder vessels fitted with ice breaking capacity for the transit up to the Port of Rama. The total transit takes six weeks to complete.

Upon arrival at the port in Finland the goods, which have been packed in specialised two tonne bulk bags, are devanned and stored in a temperature heated warehouse until required at site. With outside temperatures sometimes reaching minus 30 degrees Celsius, the goods are stored at a constant temperature of plus 4 degrees Celsius to ensure they don't freeze awaiting delivery to site. The goods are despatched to site in bag lots as required for processing.

LOGISTICS PARTNERS

Lep International, as the logistics partner of OMG, provides the complete management and information flow associated with this important aspect of the OMG business. Lep provides a dedicated team member based on site who oversees the loading of all products. This ensures that the maximum product is being packed and evenly distributed over the container, the correct and appropriate load restraints are in place and all paper work and loading certificates are completed. The Lep Perth office then takes responsibility for the co-ordination of all appropriate transport and shipping, completion of all shipping documents and the electronic communication with all parties both in Australia and Finland involved with the movement of OMG product.

> "Lep Australia provides complete supply chain logistics which spans some 13,000kms and engages all transport modes."

Supply chain

MAINFREIGHT'S SUPPLY CHAIN FUNDAMENTALS

- Best in Class by brand
- Simplicity of doing business
- Reduce execution time to implement solutions
- Collective customer focus by all divisions
- Technology transparency able to link all aspects of the supply chain
- Value stream thinking based on lean and agile principles
- Reducing total cost by integration

Aligning the business divisions and team philosophy promotes the Mainfreight Group's Supply Chain. The specific focus of each division continues to be achieving Best in Class. This, combined with our world class technology and common team goals, gives us a strong competitive advantage.

Our Logistics brand continues to expand due to ever-increasing customer demand for technology and warehousing that is information-relevant and quality-driven.

As New Zealanders we are living the realities of globalisation as borders break down and access to new markets emerge.

Faster and more efficient shipping and air services are bridging far off markets. Equally in reverse, New Zealand is being seen as an easy market to gain access to, especially for Australian businesses.

OFF-SHORE RELATIONSHIP

Mainfreight identified these changes some years ago and is now well positioned to benefit from our presence in these markets, to capture and nurture off shore relationships.

From an Australasian base the business has built what we now call the "Triangle of Influence". With operations in the United States, Asia, Australia and New Zealand, we have matured a capability to move and manage freight flows to and from these markets.

Linked international and domestic freight networks, supported by our warehousing facilities throughout Australia and New Zealand, are managing the daily requirements of many of our customer's supply chains.

Australasia represents less than 9% of the global logistics market. To be effective we must have an Australasian presence and an influence on freight flow into both countries.

Mainfreight has identified the importance of being agile and flexible to position our business inside these emerging markets.

INVENTORY RECORD ACCURACY (IRA) STATISTICS

	2000	2001	2002	2003	2004
New Zealand					
	97.8%	98.4%	98.8%	98.9%	99.1%
Australia					
	n/a	n/a	94.0%	97.8%	98.9%

PICK ACCURACY STATISTIC

	2000	2001	2002	2003	2004
New Zealand					
	98.2%	98.4%	98.6%	99.7%	99.7%
Australia					
	n/a	n/a	98.0%	99.2%	99.4%

TRADING OF OUR CUSTOMERS ACROSS OUR BUSINESSES

	Single brand	Two brands	Three or more
LEP	18%	66%	16%
Mainfreight Int	36%	31%	33%
Logistics	1%	28%	71%
Mainfreight tspt	22%	36%	42%
Port operations	24%	48%	50%
Metro operations	8%	42%	50%
Averages	18%	42%	40%

Technology

The focus of the past year has been the integration of Owens Group companies onto Mainfreight systems and infrastructure. Although this process still continues, the key software implementation, with significant benefits, had been achieved within weeks of the acquisition date. It was imperative that Owens received the benefits of our operationally focused software and accounting systems as soon as possible to enable the team to better manage their business.

Owens International Freight in Australia and New Zealand (through their integration into Mainfreight International Australia) were moved to the Mainfreight International operational and accounting software in mid January.

Owens Logistics operations were moved to their version of MIMS (Mainfreight Inventory Management System) in March and April.

By moving to Mainfreight's system, the Owens Group gained immediate benefit from being able to use Mainfreight's customer focused technologies including:

- Mainchain, for supply chain tracking and on line orders
- Real time Proof of Delivery information captured via the driver wands
- Freman, for creating consignment documentation and electronic commerce at the customers dispatch

These moves have meant that Owens systems are now only used for those divisions being divested and for historical reporting. As a result Owens Group has written off the capitalisation of the JD Edwards accounting system and Shared Services.

OWENS UPGRADE

It has taken longer to upgrade the Owens IT infrastructure to the Mainfreight standard. Because of the complexity, this process will continue for another six months. One of the key elements and quick benefits in improving their infrastructure has been the replacement of their very old desktop computers which were causing significant issues. Over 250 new PC's have been installed in Australia just to replace Owens computers that were over six years old.

At the same time we have also replaced all Mainfreight division PC's older than three years. The benefits of making these changes are immediate due to higher levels of productivity resulting from quicker speed and reliability. The new machines have a lease cost considerably less than the old machines.

Remaining members of the Owens IT teams in Australia and New Zealand have been relocated with our Mainfreight IT Team.

We believe the move to Mainfreight systems and infrastructure will result in cost savings for the Owens Group in the coming year and considerable savings in the following year.

INFRASTRUCTURE

Mainfreight has continued to invest in improving its own infrastructure in Australia and New Zealand. This investment has been made to ensure the continuous availability of all systems where devices or telecommunications fail. As more and more business is conducted electronically, it is imperative that we have failsafe systems in place.

As email is now considered mission critical to the business, we have centralised the mail onto clustered servers attached to our enterprise SAN infrastructure, in both Australia and New Zealand.

Additionally, with the ever increasing number and impact of viruses and spam, Mainfreight is implementing the best systems available to ensure that these issues have little or no impact on our business.

"The focus of the past year has been the integration of Owens Group companies onto Mainfreight systems and infrastructure. Although this process still continues, the key software implementation, with significant benefits, had been achieved within weeks of the acquisition date."

MAINCHAIN

Mainchain, our global information portal, continues to have a large increase in usage by our existing customers with more than 400 customers now using it. Mainchain's capabilities have also become a key selling point in attracting many new customers through its ability to provide full visibility of all aspects of their supply chain activities.

Its abilities have been enhanced to allow customers to input their logistics orders and advanced shipping notices into Mainchain, which then places them directly into MIMS (our inventory management system). This gives our customers the full advantage of electronic commerce without needing to have their own sophisticated computer systems. We are receiving an average of over 500 orders per week in this way.

OTHER INITIATIVES

CaroTrans introduced their new web booking system to much acclaim in September. The system allows customers to make international freight bookings via the internet and is integrated directly real time into CaroTrack, the main CaroTrans system.

This ensures that customers have the most up to date information, such as sailing schedules, at the time they make the booking. Once the booking is submitted, the system updates the main computer system, so no re-keying is needed by CaroTrans team members and it automatically emails the customer with a booking confirmation.

The Wharf and FTL (Full Truck Lot) modules have been built and implemented in Maintrak. These two modules have greatly improved the efficiency of our wharf and full truck load operations. The wharf module now allows better tracking and management of the empty container returns.

In Adelaide we have moved the Schefenacker Vendor Supply systems across to MIMS and Mainchain, which should result in an improved ability to service Schefenacker and their suppliers.

IT STATISTICS – DOMESTIC

1. Percentage of Consignment Notes received electronically

	This Year	Last Year
New Zealand	50%	44%
Australia	52%	33%
Owens	22%	0%

2. Percentage of Customer Issues received electronically (Helpdesk)

	This Year	Last Year
New Zealand	57%	31%

3. Percentage of Logistics orders received electronically

	This Year	Last Year
New Zealand	53%	51%
Australia	32%	-

4. Number of consignments tracked electronically

	This Year	Last Year
New Zealand	127,596 pa	46,800 pa

Targets and Achievements

2003

TARGET	ACHIEVED
• Full year profit for Mainfreight Distribution	• Not achievable until 2005
• Open a branch in Darwin	• Researched and not viable or of interest.
• Open a 3rd branch in China	• Third and fourth branches opening in 2004.
• Open a branch in the United Kingdom	• Achieved through the acquisition of Owens.
• Service by Mainfreight Distribution to reach 125 Australian towns	• 173 now being serviced
• Computer integration with most agents	• Completed
• Purchase USA NVOCC	• Purchase of PCL Houston and ACI, USA
• Initiate joint ventures in South Africa, Chile and China	• South Africa – now not of interest • Chile – ongoing • China – completed
• Launch Chemcouriers Australia	• Once profitability secure in Mainfreight Distribution
• Establish additional capacity and brands through further acquisition in New Zealand	• Completed through the acquisition of Owens

2004

TARGET	ACHIEVED
• Open a branch in Rockhampton	• Will not open a Rockhampton branch
• Service by Mainfreight Distribution to 150 Australian towns	• 173 now being serviced
• Begin operations in another Asian country	• Still under review
• List on Australian Stock Exchange	• Still under review
• Purchase Australian Freight Company	• Still under review
• 1,000,000 sq ft of warehousing in Australia	• Currently have 420,000 sq ft now expected in 2006.
• Mainchain technology providing see through track and tracing for all Supply Chain activity	• Completed
• Explore European opportunities for international expansion	• Completed through the Owens acquisition providing a UK base

"Our vision for the future is unaltered; we seek to create a global supply chain business, built on our strengths in Australia and New Zealand, and one that always operates as if it will continue for another hundred years."

2005

TARGET	ACHIEVED
• Further expansion in China	• On target
• Develop direct investments in USA land transportation	• Still focused on logistics and warehousing activities only
• Open International operations in the United Kingdom	• Completed through acquisition of Owens
• Complete new premises for Mainfreight Auckland	• Expect to begin earthworks early 2005
• To launch Mainfreight International in the USA	• Retail freight opportunities under consideration

2006

TARGET	ACHIEVED
• Exceed worldwide revenue of NZ$1 billion	• Possible, but likely to take us until 2008
• Service by Mainfreight Distribution to 250 Australian towns	• On target
• Further expansion within the USA	• On target
• To be consistently profitable in Mainfreight Distribution	• On target
• To consider other possible acquisitions outside of New Zealand	• On target
• To develop interests within South East Asia	• On target
• 1,000,000 sq ft of warehousing in Australia	• On target

2007/2008

LONG RANGE TARGETS

- To be exceeding NZ$1 billion in revenue
- To have offshore businesses contributing similar profits as New Zealand operations
- To have completed successful acquisitions in Australia, Asia and the USA
- To have offshore profits exceeding those from New Zealand

Property Portfolio

Artist's impression of Mainfreight's proposed new 6.3 hectare facility in Otahuhu, Auckland.

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

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

Our property asset values in the past year have increased by $7.1 million. Our Group properties having a market value of $23.7 million over book value.

For nearly five years our facility for Mainfreight Transport at Southdown Auckland has been operating above capacity. We intend to utilise our Railway Lane, Otahuhu land to build a new transport and warehousing facility, commencing with earth works in late 2004, early 2005. These facilities will occupy 6.3 hectares of land and will provide us with increasing leadership, growth and competitive advantage for the foreseeable future.

"Today, we have 97 branches located throughout New Zealand, Australia, Asia and the USA."

PROPERTY PORTFOLIO

		New Zealand		Australia	
		2004 m²	**2003 m²**	**2004 m²**	**2003 m²**
Properties Owned & Utilised	Freehold	70,806	67,281	3,525	3,525
	Leasehold	31,445	38,880	-	-
Properties Held for Future Sale		7,435	7,996	9,010	9,010
Leased with Term (3+ years)		35,463	13,778	74,436	57,315
TOTAL PROPERTIES		145,149	127,935	86,971	69,850

Capital Expenditure

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

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

PROPERTY AND BUILDINGS

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

Monies expended on property in the past year totalled $4.778 million. Property disposals were $7.728 million from properties in Melbourne, Hamilton and Auckland.

INFORMATION TECHNOLOGY

Information Technology expenditure decisions are based on improving ongoing operational and administrative efficiencies and the ability to further enhance our competitive advantages within the market, including adding further value to our customer relationships and their supply chain requirements. Capital Expenditure on Information Technology in this past year was $3.987 million.

GENERAL

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

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

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

Capital Expenditure in the past year in this category was $3.668 million. Disposal of assets was $1.439 million, which includes some vehicles sold to our owner drivers.

"It is not our desire to be an owner of trucks and associated equipment."

Operating Statistics

NEW ZEALAND DOMESTIC CUSTOMER SERVICE MEASUREMENT

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

Claims

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

Loading Errors

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

* Note: The 2002, 2003 and 2004 figures reflect the introduction of a more stringent definition of handling errors.

OPERATING STATISTICS

Team Numbers

	This Year	Last Year
NZ Domestic *Mainfreight, Daily Freight, Chemcouriers, Logistics*	1,204	1,079
NZ International *LEP and Mainfreight International*	137	139
Australian Domestic *Mainfreight Distribution, Logistics*	331	227
Australian International *Lep Pty and Mainfreight International Pty*	328	230
International *CaroTrans, USA and Mainfreight Express, Asia*	107	144
Total Group	2,107	1,819

Gender Ratios

	Male	Female
New Zealand	73%	27%
Australia	57%	43%
USA	29%	71%
Total	**64%**	**36%**
Last Year	**64%**	**36%**

Training and Human Resource

	This Year	Last Year
Training and HR Spend	$1.80m	$1.30m
As a % of Revenue	0.27%	0.31%

NEW ZEALAND DOMESTIC STATS

Total Tonnes	1,919,584
Total Cube Metres	4,346,489
Total Consignments	2,707,174

Revenue Comparison

(000's)	This Year	Last Year
NZ Domestic	$181,618	$158,473
NZ International	$71,308	$71,170
Australian Domestic	$55,499	$47,281
Australian International	$152,413	$140,579
USA International	$55,319	N/A
Owens Group	$143,717	N/A

Information Technology

	This Year	Last Year
Information Technology Spend	$9.164m	$9.653m
As a % of Revenue	1.78%	2.31%

Note: Mainfreight businesses only

EBITDA Comparison

	This Year	Last Year
NZ Domestic	$24,997	$20,035
NZ International	$3,300	$2,736
Australian Domestic	$(3,772)	($3,145)
Australian International	$5,962	$5,138
USA international	$1,378	-
Owens Group	$(2,507)	-

	This Year	Last Year
Debtors Days Outstanding	38.22	37.99

Note: Mainfreight businesses only

INTERNATIONAL STATISTICS

Airfreight Inbound and Outbound (kilos)	30,922,520
Seafreight Inbound and Outbound TEU's	102,611
Customs Entries	74,716

Arthur Tusa completes out-turn checks on freight into Mainfreight Southdown in Auckland.

Corporate Governance

The Board of Mainfreight is committed to the highest standards of Corporate Governance Practice, including the ethical conduct of all Directors and people of Mainfreight Limited and its subsidiaries.

THE ROLE OF THE BOARD OF DIRECTORS

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

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

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

BOARD MEMBERSHIP

The Board currently comprises eight Directors, comprising an Executive Chairman, a Group Managing Director and six independent Directors. From time to time key executives are invited to attend full Board Meetings and are encouraged to fully participate in all debate. The Board met on seven occasions in the financial year ended 31 March 2004.

DIRECTORS MEETINGS

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

Bruce Plested and Don Braid also attend three Board Meetings of CaroTrans in the USA, two Board Meetings of Lep in either New Zealand or Australia and two Board Meetings of Mainfreight Express in Asia.

The following table outlines the number of Board Meetings attended by Directors during the course of this past financial year.

Director	Meetings Held	Meetings Attended	Meetings Attended
		Mainfreight	Subsidiaries
Bruce Plested	7	7	5
Don Rowlands	7	7	-
Neil Graham	7	7	-
Richard Prebble	7	7	-
Carl Howard-Smith	7	7	-
Don Braid	7	7	5
Emmet Hobbs	7	5	-
Bryan Mogridge	7	7	-

SHARE TRADING BY DIRECTORS AND KEY MANAGEMENT

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

GROUP MANAGEMENT STRUCTURE

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

THE ROLE OF SHAREHOLDERS

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

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

AUDIT COMMITTEE

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

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

Audit Committee:

Richard Prebble, Director
Carl Howard-Smith, Director
Bryan Mogridge, Director

REMUNERATION COMMITTEE

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

Remuneration Committee:

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

Directors

Bruce Plested

Executive Chairman & founding owner
25 years with Mainfreight
Appointment to Board 1978

Founding Managing Director of Mainfreight.
Chairman of Owens Group.

Don Braid

Group Managing Director
10 years with Mainfreight
Appointment to Board 2000

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

Neil Graham, QBE

25 years with Mainfreight
Appointment to Board 1979

Joint Managing Director of Mainfreight 1979-1999
Various property and agriculture management roles.

Other Directorships: Columbia Motor Yachts (Australasia) Ltd, Cherrywood Enterprises Ltd, Graham Management Services Ltd, Valley of Peace Alpacas Ltd, Scott Forestry Ltd.

Don Rowlands

Appointment to Board 1983

Former Managing Director Fisher & Paykel
Former Director Nestlé NZ Ltd
Former President of the Manufacturers Federation.

Other Directorships: CWF Hamilton Ltd.

Carl Howard-Smith

26 years with Mainfreight
Appointment to Board 1983

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

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

Richard Prebble

Appointment to Board 1996

Former Minister of Civil Aviation, Former Minister of Transport, Railways.

Fellow of the New Zealand Transport Institute.

Other Directorships: McConnell International Ltd.

Bryan Mogridge, ONZM

Appointment to Board – March 2003

Other Directorships: Pyne Gould Corporation, Designworks (Chairman), West Auckland Trust Services Ltd, Waitakere City Holdings Ltd, Enterprise Waitakere.

Emmet Hobbs

Appointment to Board – March 2003

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

Directors' Report

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

ACTIVITIES

This current financial year has seen the acquisition by Mainfreight of 79.6% of the Owens Group.

Asia continues to expand and present exciting possibilities.

On 6 June 2003 Mainfreight purchased the 42.6% shareholding in CaroTrans from our partners, Ziegler. CaroTrans is now 100% owned by Mainfreight.

FINANCIAL RESULT

Consolidated sales for the year were $659.9 million, up on the previous year by $417.5 million (58.1%). The net surplus decreased by 33.8%, from $9.010 million to $5.968 million. Comparisons to the 2003 result are set out in the statistics section; page 65 of the financial statements.

FINANCIAL POSITION

The Group has improved its financial position with shareholders' equity of $72.7 million, funding 25.4% of total assets. Earnings cover interest on debt by 3.7 times. Net cash flow from operations was $16.8 million down from $16.9 million and equity last year. Net property and plant purchases of $3.3 million and equity investments of $53.4 million were reflected in the cash outflow from investing activities. Dividends of $5.4 million, combined with increased net borrowings of $37.7 million, and capital raising of $18.4 million resulted in receipts of $50.8 million from financing activities.

DIVIDEND

A dividend of 3.5 cents per share was paid in July 2003, fully imputed. A supplementary dividend of 0.62 cents per share was paid to non-resident shareholders with this dividend. A further dividend of 3.0 cents per share was paid in December 2003, fully imputed. A supplementary dividend of 0.53 cents per share was paid to non-resident shareholders with this dividend. A fully imputed dividend of 3.5 cents per share, payable on 23 July 2004 is proposed, together with a supplementary dividend of 0.62 cents per share for non-resident shareholders. Books close for this dividend on 16 July 2004.

STATUTORY INFORMATION

Additional information is set out on pages 61 to 64 including Director's interests as required by the Companies Act 1993

NZX WAIVER 23 FEBRUARY 2004

NZX Ruling and Confirmation In Relation to Certain Transactions Between Mainfreight Limited and Owens Group Limited

Because Owens Group Limited is a 79.6% owned subsidiary of Mainfreight Limited (both companies being listed on NZX) certain transactions between Owens and Mainfreight are related party transactions under the NZX Listing Rules.

Mainfreight and Owens have obtained a waiver from the NZX that is relevant to some particular transactions between Mainfreight and Owens as follows:

Provision of Regional Agency Freight Delivery Services by Mainfreight to Owens

Mainfreight to provide Owens with regional agency freight delivery services to certain provincial areas.

The Panel has ruled that arrangements for the provision of regional agency freight delivery services by Mainfreight to Owens on the relevant routes fall within the exception in Listing rule 9.2.4(c) (i.e. the NZX is satisfied that the terms of those service contracts have been set on an arms' length commercial basis).

This ruling will expire three months after the end of Owens' 2003-2004 financial year. At that point Owens will be required to reapply to the Panel and produce further evidence of the arms' length commercial nature of the arrangements.

"No one should underestimate the usefulness of business working with society – both internationally and locally."

IT SYSTEMS

Mainfreight are to licence to Owens three of Mainfreight's IT systems. These are the Maintrak freight management system, the MIMS warehouse management system and a HelpDesk system.

The Panel has agreed with Mainfreight and Owens that the acquisition of the licence of these systems by Owens should be treated as an acquisition of an asset which has a materiality threshold of 5% of the lower of shareholders funds and average market capitalisation.

The Panel has also stated that the annual maintenance fee to be charged by Mainfreight for those systems is a service and has a materiality threshold of 0.5% of the lower of shareholders funds and average market capitalisation.

Mainfreight and Owens are to ensure that the arrangements between them in relation to the acquisition of the licence and the service fee will both be below those relevant thresholds.

Mainfreight and Owens believe that their entry into these Regional Agency Freight arrangements and the arrangements and the provisions of Mainfreight's IT systems to Owens will be of benefit to both companies.

DIRECTORS

Messrs DR Braid, BG Plested and NL Graham retire by rotation and are available for re-election.

AUDIT

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

REPORTING AND COMMUNICATIONS

Mainfreight continues to support high levels of public company disclosure. Quarterly reporting is extremely effective in communicating the Group's affairs to shareholders, the Stock Exchange, regulatory bodies and the media. The first quarter result to 30 June 2004 is scheduled for release on 19 August 2004.

OUTLOOK

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

For and on behalf of the Board
28 June 2004

Bruce Plested
Executive Chairman

Carl Howard-Smith
Director

Mark Ambler, Mainfreight, Auckland.

Financial Contents

Statement of Financial Performance for the Year Ended 31st March 2004

		Group		Parent	
		2004	2003	2004	2003
	Notes	$000	$000	$000	$000
Operating Revenue		$659,874	$417,503	$145,238	$121,475
Surplus Before Associates, Amortisation, Non-recurring items and Taxation for the Year	2	16,105	15,862	12,861	10,575
Non-recurring items	9	(2,262)	-	-	-
Share of Surplus (Deficit) of Associates	11	1,119	918	-	-
Amortisation Expense	8	(3,830)	(2,045)	-	-
Surplus Before Taxation for the Year		11,132	14,735	12,861	10,575
Income Tax Expense	4	5,605	5,021	2,586	2,733
Surplus After Taxation for the Year		5,527	9,714	10,275	7,842
Minority Interest in (Surpluses) Deficits of Subsidiaries		441	(704)	-	-
NET AND OPERATING SURPLUS FOR THE YEAR		$5,968	$9,010	$10,275	$7,842

Statement of Movements in Equity for the Year Ended 31st March 2004

Net Surplus for the Year – Parent interest		5,968	9,010	10,275	7,842
Net Surplus for the Year – Minority interest		(441)	704	-	-
Currency translation difference – Parent Interest		181	(2,639)	186	(503)
Currency translation difference – Minority interest		124	(96)	-	-
Total Recognised Revenues and Expenses for the Year		5,832	6,979	10,461	7,339
Contributions from Owners (Share Issue & Executive Options)		18,444	-	18,444	-
Minority Interest arising on Acquisition		7,829	-	-	-
Treasury Stock as a result of accounting policy change	1	-	(128)	-	(128)
Supplementary Dividends		(123)	(110)	(123)	(110)
Dividends Paid		(5,347)	(4,969)	(5,347)	(4,969)
Foreign Investor Tax Credit		123	110	123	110
MOVEMENTS IN EQUITY FOR THE PERIOD		$26,758	$1,882	$23,558	$2,242
Equity at the start of the Year					
Parent Interest		53,470	52,196	61,654	59,412
Minority Interest		2,081	1,473	-	-
		55,551	53,669	61,654	59,412
Equity at the end of the Year					
Parent Interest		72,716	53,470	85,212	61,654
Minority Interest		9,593	2,081	-	-
		82,309	55,551	85,212	61,654

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

Statement of Financial Position as at 31 March 2004

		Group		Parent	
		2004	2003	2004	2003
	Notes	$000	$000	$000	$000
Shareholders' Equity					
Share Capital	3	54,217	35,773	54,217	35,773
Accumulated Surplus		20,930	20,309	31,312	26,384
Foreign Currency Translation Reserve		(2,431)	(2,612)	(317)	(503)
Shareholders' Equity		72,716	53,470	85,212	61,654
Minority Interest		9,593	2,081	-	-
TOTAL EQUITY		82,309	55,551	85,212	61,654
Non-current Liabilities					
Bank Term Loan	5	54,346	37,074	43,638	37,074
Intercompany Advances	18	-	-	40,000	40,000
Employee Entitlements	16	620	701	-	-
Finance Lease Liability	6	622	1,007	-	-
		55,588	38,782	83,638	77,074
Current Liabilities					
Bank Overdraft	5	4,392	2,914	1,239	1,467
Associate Company Advances	18	-	52	-	52
Intercompany Creditors	18	-	-	12,265	10,896
Trade Creditors & Accruals		105,237	40,055	16,796	13,859
Employee Entitlements	16	12,845	6,770	2,775	2,059
Provision for Taxation		399	850	-	-
Current Portion Bank Loan	5	25,400	-	25,400	-
Finance Lease Liability	6	274	308	-	-
		148,547	50,949	58,475	28,333
TOTAL LIABILITIES AND EQUITY		$286,444	$145,282	$227,325	$167,061
Non-current Assets					
Fixed Assets	7	77,728	57,841	52,630	48,205
Goodwill	8	45,338	11,837	-	-
Investments in Subsidiaries	10	-	-	139,871	81,711
Investments in Associates	11	5,773	2,320	-	4,287
Other Investments		449	824	368	824
Future Tax Benefit		3,376	2,750	-	-
Deferred Tax Asset	4	6,652	2,509	1,116	343
		139,316	78,081	193,985	135,370
Current Assets					
Bank	15	8,067	-	-	-
Intercompany Advances	18	-	-	6,353	2,899
Associate Company Advances	18	225	-	-	-
Trade Debtors		121,808	54,143	19,135	14,616
Intercompany Debtors	18	-	-	4,131	3,498
Tax Paid in Advance		1,518	159	910	375
Other Debtors		5,902	4,850	2,811	2,979
Property Held for Resale	7	471	8,049	-	7,324
Other Investments		5,400	-	-	-
Inventories	19	3,737	-	-	-
		147,128	67,201	33,340	31,691
TOTAL ASSETS		$286,444	$145,282	$227,325	$167,061

For and on behalf of the Board who authorised the issue of the Financial Report on 28 June 2004.

Dated 28 June 2004

B.G. Plested, Executive Chairman

C.G.O. Howard-Smith, Director

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

Statement of Cash Flows for the Year Ended 31st March 2004

		Group		Parent	
		2004	2003	2004	2003
	Notes	$000	$000	$000	$000
Cash Flows From Operating Activities					
Cash was provided from:					
Receipts from Customers		745,009	412,023	141,260	120,462
Interest Received		184	326	46	321
Dividend Received		-	-	5,658	3,000
		745,193	412,349	146,964	123,783
Cash was dispersed to:					
Payments to Suppliers		(715,128)	(387,069)	(128,451)	(105,177)
Interest Paid		(4,755)	(3,120)	(2,849)	(3,330)
Income Taxes Paid		(8,494)	(5,283)	(3,708)	(2,680)
		(728,377)	(395,472)	(135,008)	(111,187)
NET CASH FLOWS FROM OPERATING ACTIVITIES	15	$16,816	$16,877	$11,956	$12,596
Cash Flows From Investing Activities					
Cash was provided from:					
Proceeds from Sale of Assets		9,167	1,125	8,108	194
Repayments by Employees and Contractors		23	92	24	59
		9,190	1,217	8,132	253
Cash was applied to:					
Purchase of Fixed Assets		(12,433)	(10,176)	(8,868)	(9,251)
Advances to Employees and Contractors		(7)	(42)	(10)	(38)
Investment in Subsidiaries		(53,382)	-	(53,384)	(67,251)
Bank Overdraft from Acquisitions	8	(4,408)	-	-	-
		(70,230)	(10,218)	(62,262)	(76,540)
NET CASH FLOWS FROM INVESTING ACTIVITIES		$(61,040)	$(9,001)	$(54,130)	$(76,287)
Cash Flows From Financing Activities					
Cash was provided from:					
Proceeds of Long Term Loans & Bridging Finance		39,823	-	31,400	-
Advances from Director		665	-	665	-
Advances and Repayments from Subsidiaries		-	-	(2,094)	72,922
Repayments from Associates		-	2,288	-	2,288
Proceeds of Share Issues		18,444	-	18,444	-
		58,932	2,288	48,415	75,210
Cash was applied to:					
Dividend Paid to Shareholders		(5,347)	(4,969)	(5,347)	(4,969)
Repayment of Advances from Director	18	(665)	(1,563)	(665)	(1,563)
Repayment of Loans		(2,055)	(10,506)	-	(9,456)
Advances to Subsidiary Companies		(52)	-	-	-
		(8,119)	(17,038)	(6,012)	(15,988)
NET CASH FLOWS FROM FINANCING ACTIVITIES		$50,813	$(14,750)	$42,403	$59,222
NET (DECREASE) INCREASE IN CASH HELD		6,589	(6,874)	229	(4,469)
ADD OPENING CASH BROUGHT FORWARD		(2,914)	3,960	(1,468)	3,001
ENDING CASH CARRIED FORWARD		$3,675	$(2,914)	$(1,239)	$(1,468)
Comprised					
Bank and Short Term Deposits		8,067	-	-	-
Bank Overdraft		(4,392)	(2,914)	(1,239)	(1,468)
		$3,675	$(2,914)	$(1,239)	$(1,468)

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

1 Statement of Accounting Policies

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

(i) Revenue

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

(ii) Basis of Consolidation-Purchase Method

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

(iii) Associate Companies

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

(iv) Joint Ventures

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

(v) Fixed Assets

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

(vi) Depreciation

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

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

(vii) Impairment

If the recoverable amount of an asset is less than its carrying amount, the item is written down to its recoverable amount. The write down of an asset recorded at historical cost is recognised as an expense in the statement of financial performance. When a revalued asset is written down to recoverable amount the write down is recognised as a downward revaluation to the extent that the revaluation reserve of the class of asset concerned is in credit.

The carrying amount of an asset that has previously been written down to recoverable amount is increased to its current recoverable amount if there has been a reversal of the impairment loss. The increased carrying amount of the item will not exceed the carrying that would have been determined if the write down to recoverable amount had not occurred. On assets that are not revalued the reversal is recognised in the statement of financial performance. On revalued assets the reversal is recognised as revenue to the extent that the impairment was recognised as an expense, and the balance is treated as an upward revaluation.

(viii) Debtors

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

1 Statement of Accounting Policies continued

(ix) Taxation

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

(x) Foreign Currencies

Assets and liabilities expressed in foreign currencies are converted to New Zealand dollars at the rate of exchange ruling at balance date. Exchange differences arising on trading items are recognised in the period in which they occur by way of a credit or charge in the Statement of Financial Performance. Exchange differences on translation of foreign currency subsidiaries are taken to the Foreign Currency Translation Reserve. This represents the only movement in this reserve.

(xi) Leases

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

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

(xii) Goodwill

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

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

(xiii) Investments

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

(xiv) Financial Instruments

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

(xv) Impact of Recently Introduced Financial Reporting Standards

In the prior year the Financial Reporting Standards Board (FRSB) issued a number of new standards:

Business Combinations

FRS 36 – Accounting for acquisitions resulting in combinations of entities or operations, and

FRS 37 – Consolidating investments in subsidiaries. The introduction of these standards has had the effect last year of revising the treatment of the Employee Share Scheme. Shares held by the scheme are now treated as treasury stock, and so have been accounted for as a reduction to equity. This change has resulted in both receivables and share capital last year being reduced by $128,000.

(xvi) Inventories

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

(xvii) Changes in Accounting Policies

There have been no changes in accounting policies during the year. All policies have been applied on a consistent basis with previous years.

2 Surplus Before Amortisation and Taxation

The Surplus before Amortisation and Taxation is stated:	Group 2004 $000	Group 2003 $000	Parent 2004 $000	Parent 2003 $000
After Charging:				
Audit Fees – Parent Company Auditors	316	193	106	73
Audit Fees – Other Auditors	271	189	-	-
Other Fees Paid to Parent Company Auditors	201	126	171	112
Depreciation: Buildings	970	933	843	817
Leasehold Improvements	677	442	207	204
Plant Vehicles & Equipment – Owned	6,717	4,159	3,160	2,650
Plant Vehicles & Equipment – Finance Leased	134	258	-	-
Directors Fees	386	190	280	175
Foreign Currency Losses (Gains)	(673)	(294)	229	333
Interest: Fixed Loans	3,951	2,743	7,142	2,743
Finance Leases	120	137	-	-
Other Interest	684	230	1,246	587
Bad Debts Written Off	919	1,251	122	220
Change in Bad Debt Provision	(85)	(456)	(29)	20
Donations	124	174	72	146
(Surplus) Deficit on disposal of Assets	(1,536)	(216)	(1,287)	3
Rental & Operating Lease Costs	22,757	13,083	4,008	3,854
After Crediting:				
Interest Income	184	326	46	368
Rental Income	1,315	1,036	4,275	3,449
Dividend received	-	-	5,658	3,000

3 Share Capital

Paid Up Capital	54,217	35,773	54,217	35,773
95,370,190 ordinary shares (2003 80,380,035)				

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

During the year a total of 2,370,500 executive options were exercised at an average price of $1.07 per share.

110,834 Treasury Stock shares at market value of $147,933 were used in the acquisition of a minority interest share of Carotrans International Incorporated in June 2003.

On 7 December 2003 there was an issue of 12,619,655 ordinary shares raising $15,762,509.

At balance date there were 1,226,500 (2003 2,766,500) options outstanding issued under an executive share option scheme.

Each option gives the right to purchase one ordinary share at predetermined prices and dates.

At 31 March 2004 the following options were outstanding.

Quantity	Exercise Price	Exercise Dates
269,500	127.3 cents	01/06/01 to 01/06/04
957,000	136.4 cents	01/07/02 to 01/07/07

A dividend of 3.5 cents per share was declared after balance date totalling $3,337,957. Payment date is to be 23 July 2004

4 Taxation

	Group		Parent	
	2004	2003	2004	2003
	$000	$000	$000	$000
Surplus Before Taxation	11,132	14,735	12,861	10,575
Less Share of Surplus (Deficit) of Associates	1,119	918	-	-
Surplus Before Taxation and Associates	10,013	13,817	12,861	10,575
Prima facie taxation at 33% NZ & 30% Australia	3,005	4,554	4,244	3,490
(31 March 2003 NZ 33% & Australia 30%)				
Adjusted by the tax effect of:				
Non-assessable dividend income	-	-	(1,815)	(990)
Tax Loss Benefit not previously utilised	-	(451)	-	-
Tax Rate Change	-	-	-	-
Other non-assessable revenues	(40)	(4)	(39)	(3)
Non-deductible expenses	2,640	922	196	236
	5,605	5,021	2,586	2,733
Represented by:				
Current Tax	7,872	5,748	3,359	2,757
Deferred Tax	(2,267)	(727)	(773)	(24)
	5,605	5,021	2,586	2,733
Deferred Tax Account				
Opening balance	(2,509)	(1,918)	(343)	(319)
Adjusted for the tax effect of:				
Deferred Tax arising on Acquisition	(1,801)	-	-	-
Difference between accounting and tax				
accumulated depreciation	(49)	(85)	(45)	(41)
Foreign Exchange Movement on Opening Balances	(72)	136	-	-
Movements in provisions	(2,221)	(642)	(728)	17
Closing Balance	(6,652)	(2,509)	(1,116)	(343)
Imputation Credit Account				
Opening balance	13,263	14,992	9,659	12,066
Credits distributed during the year	(2,633)	(7,149)	(2,634)	(6,694)
Credits received during the year	-	-	2,709	1,478
Tax payments made	5,712	5,420	3,052	2,809
Closing balance	16,342	13,263	12,786	9,659
Representing credits available to owners of the				
Group at balance date:	15,668	12,767	12,786	9,659

5 Term Liabilities

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

	Group		Parent	
	2004	2003	2004	2003
	$000	$000	$000	$000
Current	25,400	-	25,400	-
Non-Current	54,346	37,074	43,638	37,074
	79,746	37,074	69,038	37,074

A long term revolving facility with the Westpac Banking Corporation remains in place secured by debenture and cross company guarantees over the assets of wholly owned subsidiaries of the Group. The facility was renewed for a further three years to 28 May 2005 at an increased level of $60,000,000, up from the previous $55,500,000.

Bridging finance of $25,400,000 for the Owens acquisition is due to expire 7 November 2004 which is secured with the Westpac Banking Corporation as described above. Negotiations for our long term debt structure will be finalised prior to this expiry date.

Interest was payable during the year at the average rate of 6.20% per annum (2003 5.90%).

6 Leases

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

FINANCE LEASE LIABILITIES				
Payable:				
– not later than one year	330	396	-	-
– later than one year but not later than two years	433	396	-	-
– later than two years but not later than five years	241	723	-	-
– after five years	-	-	-	-
Minimum Lease Payments	1,004	1,515	-	-
Less Future Finance Charges	(108)	(200)	-	-
	896	1,315	-	-
CLASSIFIED IN THE STATEMENT OF FINANCIAL POSITION AS:				
Current	274	308	-	-
Non-Current	622	1,007	-	-
	896	1,315	-	-
OPERATING LEASE COMMITMENTS				
– not later than one year	26,940	12,287	3,691	3,347
– later than one year but not later than two years	19,787	9,328	1,903	2,556
– later than two years but not later than five years	28,821	11,792	1,501	1,521
– after five years	33,068	19,229	1,101	644
	108,616	52,636	8,196	8,068

7 Fixed Assets

Group

	2004			2003		
		Accum	Book		Accum	Book
	Cost	Depn	Value	Cost	Depn	Value
Asset Description	$000	$000	$000	$000	$000	$000
Freehold Land	10,139	-	10,139	9,968	-	9,968
Buildings	37,724	7,261	30,463	29,289	5,527	23,762
Leasehold Improvements	20,480	11,702	8,778	7,563	2,524	5,039
Plant, Vehicles & Equipment						
– Owned	91,596	63,696	27,900	38,054	23,234	14,820
– Finance Leases	830	382	448	1,703	559	1,144
Work in Progress	-	-	-	3,108	-	3,108
TOTALS	160,769	83,041	77,728	89,685	31,844	57,841

At 31 March 2004 Registered Valuers DTZ New Zealand Ltd and DTZ Australia (Vic) Pty Ltd performed a valuation of the Group's land and buildings and leasehold improvements at $68,640,000 (2003 $63,081,000). This includes a valuation on the properties held for resale whose book value is $471,000 (2003 $8,049,000). The valuations were carried out on the following basis:

Vacant Properties ; Open market value
Others ; Existing use value

Properties held within the Owens Group Ltd were not included in these valuations. Included in the Group book values above but not in the valuations are Land $97,000, Buildings $126,000 and Leashold Improvements of $3,871,000 (2003 $Nil).

Parent

	2004			2003		
		Accum	Book		Accum	Book
	Cost	Depn	Value	Cost	Depn	Value
Asset Description	$000	$000	$000	$000	$000	$000
Freehold Land	9,445	-	9,445	9,397	-	9,397
Buildings	34,366	5,870	28,496	26,534	5,028	21,506
Leasehold Improvements	4,905	1,579	3,326	4,811	1,372	3,439
Plant, Vehicles & Equipment						
– Owned	27,727	16,364	11,363	24,335	13,580	10,755
– Finance Leases	-	-	-	-	-	-
Work in Progress	-	-	-	3,108	-	3,108
TOTALS	76,443	23,813	52,630	68,185	19,980	48,205

At 31 March 2004 Registered Valuers DTZ New Zealand Ltd and DTZ Australia (Vic) Pty Ltd performed a valuation of the Company's land and buildings and leasehold improvements at $61,485,000 (2003 $54,637,000). This includes a valuation on the properties held for resale whose book value is $471,000 (2003 $7,324,000). The valuations were carried out on the following basis:

Vacant Properties ; Open market value
Other ; Existing use value

8 Goodwill

	Group		Parent	
	2004	2003	2004	2003
	$000	$000	$000	$000
Opening balance	11,837	14,955	-	-
Adjustment for movement in exchange rate	128	(1,073)	-	-
Amounts Paid for Acquisitions during the year in excess of the fair value of their net tangible assets	37,203	-	-	-
Goodwill Amortised over the year	(3,830)	(2,045)	-	-
Closing Balance	45,338	11,837	-	-
Goodwill arose during the year from the purchase of:				
Carotrans International Inc	5,292	-	-	-
Owens Group Limited	31,911	-	-	-
	37,203	-	-	-

In June 2003 the Group acquired the remaining shares in Carotrans International Inc for $3,353,000. This resulted in the business being treated as a subsidiary rather than the previous treatment as an associate.
On 31 October 2003 the Group increased its shareholding in Owens Group Ltd to 79.66%. Total price for this shareholding including acquisition costs was $50,001,000.

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

	Carotrans International	Owens Group
Property, plant & equipment	2,547	13,792
Investments	-	9,181
Receivables	8,100	63,009
Inventories	-	4,016
Future Tax Benefit	-	1,801
Payables	(7,911)	(61,472)
Term Loan	(3,284)	-
Bank Overdraft	-	(4,408)
	(548)	25,919
Minority Interest	-	(7,829)
Investment previously held in associate	(1,391)	-
	(1,939)	18,090
Goodwill	5,292	31,911
TOTAL CONSIDERATION	3,353	50,001
Made up of:		
Cash	3,205	50,001
Treasury Stock	148	-
TOTAL CONSIDERATION	3,353	50,001

9 Non-Recurring Items

After the acquisition of Owens Group Ltd on October 2003 the Group incurred restructuring costs of $2,262,000. These costs were primarily redundancy and lease exit costs.

10 Investment in Subsidiary Companies

The Parent Company's investment in subsidiary companies comprised:

	2004 $000	2003 $000
Shares at Cost	139,871	81,711

Principal Subsidiary Companies all with 31 March Balance Dates Include:		Effective Percentage Shareholding	
Mainfreight International Ltd	International Freight Forwarding	100.0%	100.0%
Mainfreight Distribution Pty Ltd	Freight Forwarding	100.0%	100.0%
Daily Freight (1994) Ltd	Freight Forwarding	100.0%	100.0%
Lep International (NZ) Ltd	International Freight Forwarding	75.0%	75.0%
Lep International Pty Ltd	International Freight Forwarding	75.0%	75.0%
Mainfreight International Pty Ltd	International Freight Forwarding	100.0%	100.0%
Mainfreight Holdings Pty Ltd	Australian Holding Company	100.0%	100.0%
Carotrans International Inc #	International Freight Forwarding	100.0%	52.1%
Owens Group Ltd *	Group Services	79.7%	Nil
Crossocean Forwarding Services (NZ) Ltd *	International Freight Forwarding	79.7%	Nil
Seatrans New Zealand Ltd *	Shipping Agency	79.7%	Nil
Owens International Freight Ltd *	International Freight Forwarding	79.7%	Nil
Owens Transport Ltd *	Freight Forwarding	79.7%	Nil
Owens Refrigerated Freight Ltd *	International Freight Forwarding	79.7%	Nil
Owens Shipping Services Ltd *	Shipping Agency	79.7%	Nil
Owens Container Services Ltd *	Container Services	79.7%	Nil
Nelson Shipping Ltd *	Shipping Agency	79.7%	Nil
Owens Group Services Ltd *	Group Services	79.7%	Nil
Kurada No. 8 Ltd *	International Freight Forwarding	79.7%	Nil
Crossocean Forwarding Services Pty Ltd *	International Freight Forwarding	79.7%	Nil
Seatrans Australia Pty Ltd *	Shipping Agency	79.7%	Nil
Owens International Freight (Australia) Pty Ltd *	International Freight Forwarding	79.7%	Nil
Owens Transport Pty Ltd *	Freight Forwarding	79.7%	Nil
Quality Container Management Pty Ltd *	Container Services	79.7%	Nil
Pan Orient Shipping Services Pty Ltd *	International Freight Forwarding	79.7%	Nil
Owens Container Services Australia Pty Ltd *	Container Services	79.7%	Nil
The McArthur Shipping & Agency Co. Pty Ltd *	Shipping Agency	79.7%	Nil
Hyde Park Tank Container Holdings Pty Ltd *	Container Services	79.7%	Nil
Melbourne Container Park Pty Ltd *	Container Services	58.9%	Nil
Westfield Container Depot Ltd *	Container Services	58.9%	Nil
Owens Premier Inc *	International Freight Forwarding	63.7%	Nil
Suva Container Park Ltd * ◊	Container Services	40.6%	Nil

A further 47.9% of Carotrans International Inc was acquired in June 2003. Carotrans was previously an associate entity.
* A 79.66% stake in Owens Group Ltd and subsidiaries was obtained on 31 October 2003.
◊ Suva Container Park Ltd is 51% owned by the Owens Group.

11 Investment in Associate Companies

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

* These companies are associates of the Owens Group.

The share of surplus (deficit) of associates comprised:	Group		Parent	
	2004	2003	2004	2003
	$000	$000	$000	$000
Operating Surplus (Deficit) before goodwill amortisation	1,150	1,038	-	-
Amortisation Costs	(31)	(120)	-	-
	1,119	918	-	-
Investment in Associates comprised of:				
Opening balance	2,320	1,876	4,287	4,287
Transfer to Investment in Subsidiaries	(1,391)	-	(4,287)	-
Dividend Received	(157)	-	-	-
Adjustment for movement in exchange rate	(49)	(474)	-	-
Purchase in Year and Additional Capital	3,931	-	-	-
Share of Surplus (Deficit)	1,119	918	-	-
Closing Balance	5,773	2,320	-	4,287

Goodwill included in the carrying value of investments in associates totalled $1,050,000 (2003 $1,735,000).

12 Capital Commitments and Contingent Liabilities

The Group and Company had no capital commitments at 31st March 2004 (2003 $2,467,577).

The Group has had a claim made against it in relation to make good on an Owens' leasehold property. The total of this claim is $1,181,000 however the directors believe that any liability related to the claim, including legal fees, will be minor and is provided for adequately.

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

13 Subsequent Events

Owens Group sold an unsecured subordinated note with a face value of $7,500,000 and coupon rate of 5.45% for $5,400,000 on the 30 April 2004 to Goldman Sachs JBWere NZ Limited.

On the 28 May 2004 Owens Group paid $816,667 for new ordinary shares in its associate Rakino Group Ltd. This kept Mainfreight's effective shareholding at 19.5%. The additional share capital is to be used for Hirepool Ltd's continuing expansion programme.

On 1 June 2004 269,500 Mainfreight Ltd executive options were exercised at an exercise price of 127.27c per share.

The sale of the rural division of Owens Transport Limited to a consortium of local operators went unconditional on the 2 June 2004. The sale price was $2,500,000 with settlement by 30 June 2004.

On 14 June 2004 Owens Group entered into an agreement for the sale of certain assets and shares by Owens subsidiaries to Sea Containers Australia Ltd (Seaco) for an aggregate cash sale price of $12,437,000. In addition an Owens subsidiary will purchase from Sea Containers British Isles the 26% of shares it does not own in Westfield Container Depot Ltd for $1,000,000. The Seaco sales are expected to be unconditional by the end of July with completion expected to be soon after. The Seaco purchase is expected to complete on 30 June 2004 and there are no conditions precedent to be satisfied.

On 15 June 2004 Owens Group entered into a sale agreement for Seatrans New Zealand Ltd with McKay Shipping.

On 16 June 2004 Owens Group entered into an agreement for the sale of certain assets and shares by Owens subsidiaries to United Containers Limited (UCL) for an aggregate cash sale price of $6,300,000. The sale is expected to be unconditional by the end of June with completion expected to be soon thereafter.

14 Segmental Reporting

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

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

Industrial and Geographical Segments

	2004			2003		
	Total Revenue	EBITDA	Total Assets	Total Revenue	EBITDA	Total Assets
	$000	**$000**	**$000**	**$000**	**$000**	**$000**
N.Z. Domestic	185,054	24,997	226,907	160,908	20,035	167,795
N.Z. International	73,957	3,300	17,320	73,033	2,736	17,288
Australia Domestic	56,329	(3,772)	63,810	48,031	(3,145)	63,608
Australia International	160,802	5,962	40,880	145,250	5,138	27,750
USA International	63,239	1,378	12,583	-	-	-
Owens Group	148,976	(2,507)	93,914	-	-	-
Intercompany	(28,483)	-	(168,970)	(9,719)	-	(131,159)
Consolidated	659,874	29,358	286,444	417,503	24,764	145,282

15 Reconciliation of Cash Flows with Reported Net Surplus

	Group		Parent	
	2004	2003	2004	2003
	$000	$000	$000	$000
Net surplus after taxation	5,527	9,714	10,275	7,842
Non-cash items:				
Depreciation	8,498	5,792	4,210	3,671
Amortisation of goodwill	3,830	2,045	-	-
Equity accounted earnings of associate companies	(1,119)	(918)	-	-
(Increase) decrease in deferred tax asset	(824)	(591)	(773)	(23)
	15,912	16,042	13,712	11,490
Add (less) movements in other working capital				
items, net of effect of acquisitions:				
(Increase) decrease in accounts receivable	2,029	(2,911)	(4,895)	(2,100)
Increase (decrease) in accounts payable	1,620	4,472	4,125	2,854
Increase (decrease) in interest payable	298	(187)	284	(136)
(Increase) decrease in interest receivable	-	17	-	62
Increase (decrease) in taxation payable	(2,437)	1,296	(535)	581
Increase (decrease) in net GST	456	21	366	12
Adjustment for movement in exchange rate	474	(1,657)	186	(170)
Less item classified as investing activity:				
Net (surplus) deficit on sale of fixed assets	(1,536)	(216)	(1,287)	3
NET CASH INFLOW FROM OPERATING ACTIVITIES	16,816	16,877	11,956	12,596

Cash balances of $9,405,000 (2003 $Nil) are held in Owens Group on behalf of shipping principals and are only available to settle shipping principal creditors. Trade receivables include $703,000 (2003 $Nil) held on behalf of shipping principals. Trade creditors include $9,838,000 (2003 $Nil) payable in relation to shipping principal creditors.

16 Provisions

Opening balance	1,433	1,502	-	-
Amounts acquired on acquisition	956	-	-	-
Adjustment for movement in exchange rate	67	(168)	-	-
Amounts credited during the year	468	254	-	-
Amounts utilised during the year	(674)	(155)	-	-
CLOSING BALANCE	2,250	1,433	-	-

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

17 Financial Instruments

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

CREDIT RISK

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

FAIR VALUE

The fair value of all financial instruments recognised in the Statement of Financial Position is their stated value except for the interest rate participating swap as disclosed below.
There are no financial instruments not disclosed in the Statement of Financial Position.

17 Financial Instruments continued

INTEREST RATE RISK

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

An interest rate participating swap for $12,500,000 was renewed on 30 November 2003 for twelve months. The interest rate paid including margin was fixed at 6.52%. The Company receives a floating rate of interest at the BKBM rate which was 5.98% at balance date. The fair value of the interest rate swap is a loss of $45,123 not recognised in the Statement of Financial Position.

FOREIGN CURRENCY RISK

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

The Group is primarily exposed to currency risk as a result of its operations in Australia, America and Asia. The risk to the Group is that the value of the overseas subsidiaries' and associates' financial positions and financial performances will fluctuate in the consolidated accounts due to changes in overseas exchange rates.

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

	Group		Parent	
	2004	**2003**	**2004**	**2003**
	A$000	A$000	A$000	A$000
Net Assets & $A advances of Australian subsidiaries	28,216	19,352	-	-
Investment in Australian Subsidiary and Advances in $A	-	-	25,151	27,043
Australian dollar loan held by parent company	(11,000)	(11,000)	(11,000)	(11,000)
Net Assets relating to Australian Overseas Subsidiaries exposed to currency risk	17,216	8,352	14,151	16,043
	US$000	**US$000**	**US$000**	**US$000**
Net Assets & $USA advances of American subsidiary	2,386	-	1,448	-
Net Investments in Asian & American associates	797	1,026	797	1,026
Net Assets relating to Other Overseas Subsidiaries and Associates exposed to currency risk	3,183	1,026	2,245	1,026

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

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

At 31 March 2004 the Group has the following monetary assets and liabilities denominated in foreign currencies, 50% of trade accounts payable (2003 42%), 58% of trade accounts receivable (2003 49%), 0% of cash assets (2003 0%) and 99% of cash liabilities (2003 88%). The Group monitors exchange rate movements.

18 Related Parties

The ultimate holding company is Mainfreight Limited.

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

Name of Related Party	Nature of Relationship	Type of Transactions	2004 Value of Transactions $000	2003 Value of Transactions $000
B. Plested	Director & Shareholder	Interest on Advances (8.5%)	6	26
B. Plested	Director & Shareholder	Advances to Company	665	-
B. Plested	Director & Shareholder	Repayment of Advances	665	1,563
C. Howard-Smith	Director & Shareholder	Legal & Trustee Fees	200	150

Related Party Receivables Outstanding at Balance Date:

Name of Related Party	Nature of Relationship	Type of Transactions	Balance Receivable $000	Balance Receivable $000
Daily Freight (1994) Ltd	Subsidiary	Trade-30 Days	1,975	2,214
Mainfreight International Ltd	Subsidiary	Trade-30 Days	425	225
Lep International (NZ) Ltd	Subsidiary	Trade-30 Days	94	260
Lep International Pty Ltd	Subsidiary	Trade-30 Days	34	104
Mainfreight International Pty Ltd	Subsidiary	Trade-30 Days	506	81
Mainfreight Holdings Pty Ltd	Subsidiary	Trade-30 Days	890	614
Owens Group Ltd	Subsidiary	Trade-30 Days	744	-
Carotrans International Inc	Subsidiary	Trade-30 Days	62	-
Mainfreight International Ltd	Subsidiary	Advance-On Call	-	-
Mainfreight Distribution Pty Ltd	Subsidiary	Advance-On Call	669	2,899
Owens Group Ltd	Subsidiary	Advance-On Call	5,655	-
Owens Associate Companies	Associate	Advance-On Call	225	-
			11,279	6,397

Related Party Payables Outstanding at Balance Date:

Name of Related Party	Nature of Relationship	Type of Transactions	Balance Payable $000	Balance Payable $000
Daily Freight (1994) Ltd	Subsidiary	Trade-30 Days	14	35
Mainfreight International Ltd	Subsidiary	Trade-30 Days	52	21
Lep International (NZ) Ltd	Subsidiary	Trade-30 Days	6	7
Daily Freight (1994) Ltd	Subsidiary	Advance-On Call	6,027	5,937
Mainfreight International Ltd	Subsidiary	Advance-On Call	2,400	1,450
Lep International (NZ) Ltd	Subsidiary	Advance-On Call	3,766	3,446
Mainfreight Distribution Pty Ltd	Subsidiary	Advance-On Call	40,000	40,000
Carotrans International Inc	Associate	Advance-On Call	-	52
			52,265	50,948

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

No related party debts have been written off or forgiven during the period (2002 nil).

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

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

Name of Related Party	Type of Transactions	Terms of Settlement	Balance Payable $000	Balance Payable $000
Geologistics Ltd	Advance	On Call	29	178

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

18 Related Parties continued

Certain assets and liabilities of Owens International Freight Pty Limited and Crossocean Forwarding Services Pty Ltd were sold to Mainfreight International Pty Limited. These companies no longer trade and are treated as discontinued activities but are still subsidiaries of Owens Group.

19 Inventories

	Group		Parent	
	2004	2003	2004	2003
	$000	$000	$000	$000
Inventories				
Raw Materials	1,286	-	-	-
Consumables	2,382	-	-	-
Work in progress	69	-	-	-
	3,737	-	-	-

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

Auditor's Report

ERNST & YOUNG ■ Chartered Accountants

To the Shareholders of Mainfreight Limited.

We have audited the financial statements on pages 43 to 59. The financial statements provide information about the past financial performance of the company and group and their financial position as at 31 March 2004. This information is stated in accordance with the accounting policies set out on pages 46 and 47.

Directors' Responsibilities

The directors are responsible for the preparation of financial statements which comply with generally accepted accounting practice in New Zealand and give a true and fair view of the financial position of the company and group as at 31 March 2004 and of their financial performance and cash flows for the year ended on that date.

Auditor's Responsibilities

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

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the directors in the preparation of the financial statements; and
- whether the accounting policies are appropriate to the circumstances of the company and group, consistently applied and adequately disclosed.

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

Ernst & Young provides taxation advice and related services to the company and group.

Unqualified Opinion

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

In our opinion:

- proper accounting records have been kept by the company as far as appears from our examination of those records; and
- the financial statements on pages 43 to 59:
  - comply with generally accepted accounting practice in New Zealand; and
  - give a true and fair view of the financial position of the company and group as at 31 March 2004 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 28 June 2004 and our unqualified opinion is expressed as at that date.

Ernst & Young

Auckland

Statutory Information

Directors

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

Name	Remuneration	Current Director or Date Appointed or Resigned
Bruce Plested ^^	$224,000	Current
Don Braid #	$460,000	Current
Don Rowlands	$35,000	Current
Neil Graham	$35,000	Current
Carl Howard-Smith *	$35,000	Current
Richard Prebble	$35,000	Current
Bryan Mogridge	$35,000	Current
Emmet Hobbs	$35,000	Current

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

Employees' Remuneration

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

	Mainfreight excluding Owens Number of Employees Full Year Remuneration		Owens Group Full Year Remuneration Number of Employees Full Year Remuneration	
Remuneration	New Zealand Based	Overseas Based	New Zealand Based	Overseas Based
$100,000 - $110,000	9	15	12	3
$110,000 - $120,000	4	7	8	5
$120,000 - $130,000	4	1	3	3
$130,000 - $140,000	4	6	4	4
$140,000 - $150,000	-	6	2	5
$150,000 - $160,000	-	1	2	1
$160,000 - $170,000	-	1	1	1
$170,000 - $180,000	1	1	-	-
$180,000 - $190,000	-	1	-	-
$190,000 - $200,000	1	1	2	1
$200,000 - $210,000	2	1	1	1
$210,000 - $220,000	-	1	2	-
$220,000 - $230,000	1	-	-	1
$250,000 - $260,000	-	1	-	-
$260,000 - $270,000	1	1	1	-
$270,000 - $280,000	1	-	-	1
$280,000 - $290,000	-	-	1	1
$300,000 - $310,000	-	1	-	-
$310,000 - $320,000	-	-	-	1
$530,000 - $540,000	-	-	1	-
$870,000 - $880,000	-	-	1	-
TOTAL NUMBER OF EMPLOYEES	28	45	41	28

A number of Owens Group employee remuneration includes a redundancy component.
Overseas based employees' remuneration is converted to NZ dollars.

Donations and Auditors' Fees

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

Directors' Shareholdings at Balance Date

	2004	2003
BG Plested		
– shares held with beneficial interest	21,377,766	23,666,574
– held by associated persons	1,231,460	355,502
NL Graham		
– shares held with beneficial interest	6,300,517	6,500,517
CG Howard-Smith		
– held as trustee of staff share purchase scheme	33,090	143,924
– shares held with beneficial interest	625,000	625,000
DD Rowlands		
– shares held with beneficial interest	706,200	706,200
B Mogridge		
– shares held with beneficial interest	100,000	-
E Hobbs		
– shares held with beneficial interest	100,000	-
DR Braid		
– shares held with beneficial interest	1,211,890	881,890
– held by associated persons	7,750	7,750
RW Prebble		
– shares held with beneficial interest	550,000	550,000
TOTAL	32,243,673	33,437,357

Directors' holdings at balance date were 33.8% of total shares issued.

Statutory Information

Substantial Security Holders

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

The following are recorded by the Company as at 2 June 2004 as Substantial Security Holders in the Company, and have declared the following relevant interest in voting securities under the Securities Markets Act 1988:

BG Plested & C Howard-Smith as trustees of Pie Melon Bay Trust	21,377,766
Harris Associates L.P.	7,765,726

The total number of voting securities issued by the Company as at 2 June 2004 was 95,639,690.

Largest Security Holders as at 2 June 2004

BG Plested & C Howard-Smith as trustees of Pie Melon Bay Trust	21,377,766	22.35%
National Nominees NZ Ltd	11,249,984	11.76%
Trustees Executors and Agency Company of New Zealand Ltd	6,877,345	7.19%
Accident Compensation Corporation	5,032,832	5.26%
Woodhams Properties Ltd	3,885,000	4.06%
NL Graham Family Trust	3,150,259	3.29%
HM Graham Family Trust	3,150,258	3.29%
Westpac Banking Corp	2,965,270	3.10%
ASB Nominees Limited	2,201,000	2.30%
Rect Funds Management Ltd	2,000,000	2.09%
Cogent Nominees Ltd	1,365,000	1.43%
Custody and Investment Nominees Ltd	1,294,260	1.35%
RDH Steel	1,000,000	1.05%
Portfolio Nominees Ltd	833,694	0.87%
DD Rowlands	706,200	0.74%
Macquarie Equities Custodians Ltd	640,000	0.67%
CG & PD Howard-Smith Family Trust	625,000	0.65%
Invia Custodians Pty Ltd	577,500	0.60%
P.M Masfen & J.A. Masfen	550,000	0.58%
RW Prebble	520,000	0.54%

Spread of Security Holders as at 2 June 2004

Size of Shareholding	Number of Holders	%	Total Number Held	%
1 - 999	217	7.44%	113,655	0.12%
1,000 - 4,999	1,456	49.88%	3,544,688	3.71%
5,000 - 9,999	563	19.29%	3,691,302	3.86%
10,000 - 49,999	590	20.21%	10,544,225	11.02%
50,000 - 99,999	41	1.40%	2,798,974	2.93%
100,000 - 999,999	39	1.34%	10,297,962	10.77%
1,000,000 - PLUS	13	0.45%	64,648,884	67.60%
TOTAL	2,919	100.00%	95,639,690	100.00%

Interests Register

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

Name of Director or other Person having Interest	Details of Interest	Date Interest Disclosed
Bruce Plested	Sale of 715,000 shares under option to Mainfreight Ltd employee and former Mainfreight director's estate at 109.09c per share by beneficial trust.	30 May 2003
	Sale of 1,500,000 shares to associated person by beneficial trust at 130c per share.	10 June 2003
	Sale of 17,808 shares under option to Mainfreight employee by beneficial trust at 127.27c per share.	17 October 2003
	Sale of 24,000 shares under option to Mainfreight employee by beneficial trust at 127.27c per share.	21 November 2003
	Transfer of 22,000 shares to associated people and 10,000 shares to other people by beneficial trust for nil consideration.	16 December 2003
	Sale of 596,042 shares by associated person at average price of 139c.	16 December 2003
	Sale of 50,000 shares by associated person at average price of 146c.	17 December 2003
Don Braid	Exercise of 330,000 options held since 1996 at 109.09c per share.	24 June 2003
Neil Graham	Sold 200,000 shares at $1.30 per share to other Mainfreight directors.	25 June 2003
Emmet Hobbs	Purchased 100,000 shares at $1.30 per share from other Mainfreight director.	25 June 2003
Bryan Mogridge	Purchased 100,000 shares at $1.30 per share from other Mainfreight director.	25 June 2003

Statistics

	Notes	2004 ($000's)	2003 ($000's)	2002 ($000's)	2001 ($000's)	2000 ($000's)
Net Sales		659,874	417,503	401,074	410,846	312,614
EBITDA	1	29,358	24,764	24,452	19,160	21,247
Surplus before Abnormals, Interest & Tax		17,030	16,927	16,466	12,085	16,570
Abnormals	2	2,262	0	0	1,592	0
EBIT	3	14,768	16,927	16,466	10,493	16,570
Net Interest Cost		4,571	2,784	3,266	3,740	1,607
Net Surplus (NPAT)	4	5,968	9,010	6,616	2,442	8,975
PRO-FORMA CASHFLOW	5	16,736	16,633	16,565	10,971	14,446
Net Tangible Assets	6	27,378	41,633	37,241	32,975	41,718
Net Debt	7	76,967	41,303	48,062	58,279	30,557
Total Assets		286,444	145,282	151,642	154,988	116,460
EBIT Margin (before Abnormals) (%)		2.6	4.1	4.1	2.9	5.3
Equity Ratio (%)	8	9.6	28.7	24.6	21.3	35.8
Return on NTA (%)	9	21.8	21.6	17.8	7.4	21.5
Net Interest Cover (x)	10	3.73	6.08	5.04	3.23	10.31
EARNINGS PER SHARE (CPS)	11	6.26	9.45	6.94	2.56	9.41
Adjusted Earnings per Share (cps)	11,12	8.63	9.45	6.94	4.23	9.41
Pro-forma Cashflow per Share (cps)	11	17.55	17.44	17.37	11.50	15.15
NTA per Share (cps)	11	28.71	43.65	39.05	34.58	43.74

Notes:

1. EBITDA is defined as earnings before interest expense, tax, depreciation,amortisation,abnormals, minority interests and associates.
2. Abnormal items for the year ended 31 March 2001 relate to restructuring costs in Mainfreight Distribution Pty Ltd following the acquisition of the K & S Express business.
   Abnormal items for the year ended 31 March 2004 relate to restructuring costs in Owens Group Ltd.
3. EBIT is defined as earnings before interest and tax.
4. Net Surplus (NPAT) is net profit after tax, abnormals and minorities but before dividends.
5. Pro-forma Cashflow is defined as NPAT before amortisation of goodwill, depreciation, minorities and associates.
6. Net Tangible Assets includes 75% of Lep International (NZ) Ltd, 75% of Lep International Pty Ltd and 79.6% of Owens Group Ltd.
7. Net debt is long term plus short term debt less cash balances.
8. Equity Ratio is Net Tangible Assets as a percentage of Total Assets.
9. Return on NTA is NPAT as a percentage of Net Tangible Assets.
10. Net Interest Cover is Surplus before Abnormals,Interest and Tax divided by Net Interest Cost.
11. Per Share calculations are based on the current issued capital of 95.370 million Shares.
12. Adjusted Earnings per Share figures are based on NPAT with abnormal items added back.

Notes

Mainfreight Proxy Form

I/We ____

(full names in block letters)

of ____

(address)

____

(full names in block letters)

being a shareholder/shareholders of Mainfreight Limited hereby appoint*

Full Name of Proxy ____

Address ____

or failing him/her ____

of ____

as my proxy for me/us on my/our behalf at the Annual Meeting of Mainfreight Limited to be held on Friday 30 July 2004 at 2.30pm, and at any adjournment thereof.

Unless otherwise instructed below, the Proxy may vote as he or she thinks fit or abstain from voting on any resolution or motion put to the meeting. Should the shareholder(s) wish to direct the Proxy how to vote, please indicate with a tick in the appropriate boxes below.

Resolutions

	For	Against
1. To receive the Financial Statements and Reports of Directors and Auditors		
2. (a) To re-elect Mr Neil Graham as a Director		
(b) To re-elect Mr Bruce Plested as a Director		
(c) To re-elect Mr Donald Braid as a Director		
3. To authorise the Directors to fix the remuneration of the Auditors		

Signed this ____________ day of ____________ 2004

Usual Signatures(s) ____________________ Number of Shares held ____________

Note

All Shareholders are entitled to attend this meeting and are entitled to vote.

A Shareholder of Mainfreight Limited entitled to attend and vote is entitled to appoint a proxy to attend and vote on his/her behalf.

A Proxy need not be a Shareholder of Mainfreight Limited. To be valid, instruments appointing a proxy must be deposited at the office of Computershare Registry Services Ltd, 159 Hurstmere Road, Takapuna, Auckland, not less than 48 hours before the holding of the Annual Meeting (that is on or before 2.30pm on Wednesday 28 July 2004).

Joint holders should all sign this form. Companies should execute this form by an officer or attorney duly authorised in accordance with their constitution. If this form is executed under Power of Attorney a Certificate of Non-revocation of Power of Attorney together with a copy of the Power of Attorney, should be forwarded with this form if they have not already been produced to Mainfreight Limited.

Change of Address Advice

Previous Address ____

____

Present Address ____

____

* If you wish you may appoint as your proxy "The Chairman of the Meeting".

FOLD

FOLD

FreePost Authority Number **3948**

Free

The Registrar
Mainfreight Ltd
C/- Computershare Registry Services Ltd
Private Bag 92119
Auckland 1020
New Zealand

FOLD

FOLD

MAILING INSTRUCTIONS	
1	**If mailing proxy form from within New Zealand,** use this proxy form as a reply paid envelope by following the directions below: **i** Fold along lines indicated **ii** Seal with tape
2	**If mailing proxy form from outside New Zealand,** place proxy form in an envelope and affix the necessary postage from the country of mailing. Address to: **The Registrar** **Mainfreight Ltd** **C/- Computershare Registry Services Ltd** **Private Bag 92119** **Auckland 1020** **New Zealand**

Directory

BOARD OF DIRECTORS

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

ADMINISTRATION OFFICE

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Tel (09) 526 6370

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www.mainfreight.com

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Victoria 3168
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www.mainfreight.com.au

Mainfreight International
Incorporating ISS Express Lines
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www.mainfreight-international.com.au

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www.carotrans.com

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Westpac Tower
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