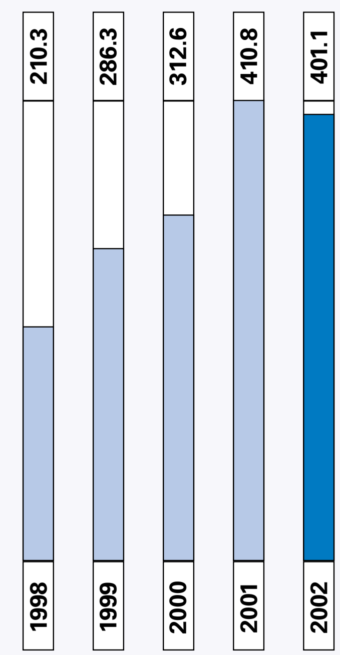
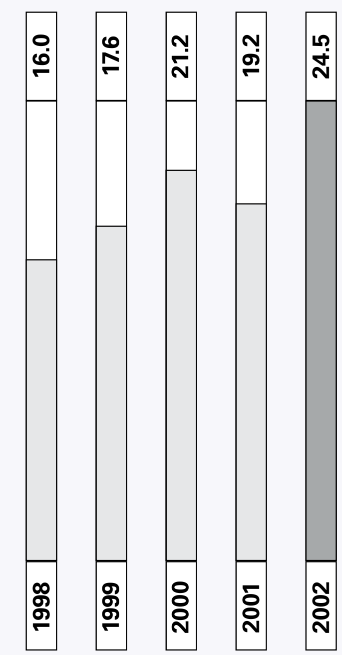
MAINFREIGHT ANNUAL REPORT 2002

Results in brief

	2002	2001
TRADING RESULTS		
• Group revenue ($000's)	**401,074**	410,846
• Group surplus after tax ($000's)	**6,616**	2,442
– First half	**1,154**	812
– Second Half	**5,462**	1,630
FINANCIAL POSITION		
• Total assets ($000's)	**151,642**	154,988
• Total shareholders' funds ($000's)	**52,196**	50,083
RATIOS		
• Group surplus after tax to average		
– Total assets	**4.4%**	1.6%
– Shareholders' funds	**12.7%**	4.9%
• Earnings per share	**9.1¢**	3.3%
• Shareholders equity	**24.6%**	21.3%
• Interest cover (times)	**5.0**	3.2
DISTRIBUTION TO SHAREHOLDERS		
• Dividends – including final dividend		
– Per ordinary share	**6.5¢**	6.5¢
– Times covered by surplus after tax	**1.39**	0.52
PAID UP CAPITAL		
• 73,072,766 Ordinary shares ($000's)	**35,901**	35,651



GROUP OPERATING REVENUE
$ MILLIONS



GROUP EBITDA
$ MILLIONS

Mainfreight Management Team

Tim Williams	Group Financial Controller
Craig Evans	General Manager, Group Supply Chain
Kevin Drinkwater	Group IT Manager
Christine Meyer	Group HR and Training Manager
Mark Newman	National Manager, Transport, New Zealand
John Hepworth	International Manager and Carotrans International Inc
Dennis Basten	National Manager, Lep International NZ
Philip Mitchell	National Manager, Mainfreight International, New Zealand
Chris Knuth	National Manager, Mainfreight Distribution, Australia
Mick Turnbull	National Manager, Lep International Australia
Michael Lofaro	National Manager, Mainfreight International, Australia
Sylvia Tsai	National Manager, Mainfreight Express, Hong Kong
Linda Huang	National Manager, Mainfreight Express, Shanghai

Notice of meeting

Notice is hereby given that the Annual Meeting of Shareholders will be held at the Gold Star Room, Level 3, Ellerslie Function Centre, Ellerslie Racecourse, Greenlane, Auckland on Wednesday 31st July 2002 at 2.30pm.

Business

1. **Accounts.** To receive and adopt the Financial Statements together with the report of the Directors and Auditors for the year ended 31 March 2002.
2. **Re-election of Directors.** Mr Don Braid, Mr Chris Dunphy and Mr Carl Howard-Smith retire in accordance with the constitution 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.
4. **Key employee share issue.** To consider and approve the issue of up to 1,500,000 of Ordinary Shares to key executives of the Company (excluding Directors) in the current financial year which will contain the following terms and conditions:

(a) At a purchase price of $1.30 per share

(b) To be paid within a period of 3 years

(c) The shares to carry all usual rights attaching to such securities including dividend entitlement which will be repaid to the Company in reduction of the amount outstanding on the shares

(d) Any further terms and conditions that the board of Directors deem fit and proper for such an offer

For and on behalf of the Board

Carl Howard-Smith
Director
28 June 2002

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 form of proxy is enclosed in this report on page 59.

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 81 branches located throughout these countries.

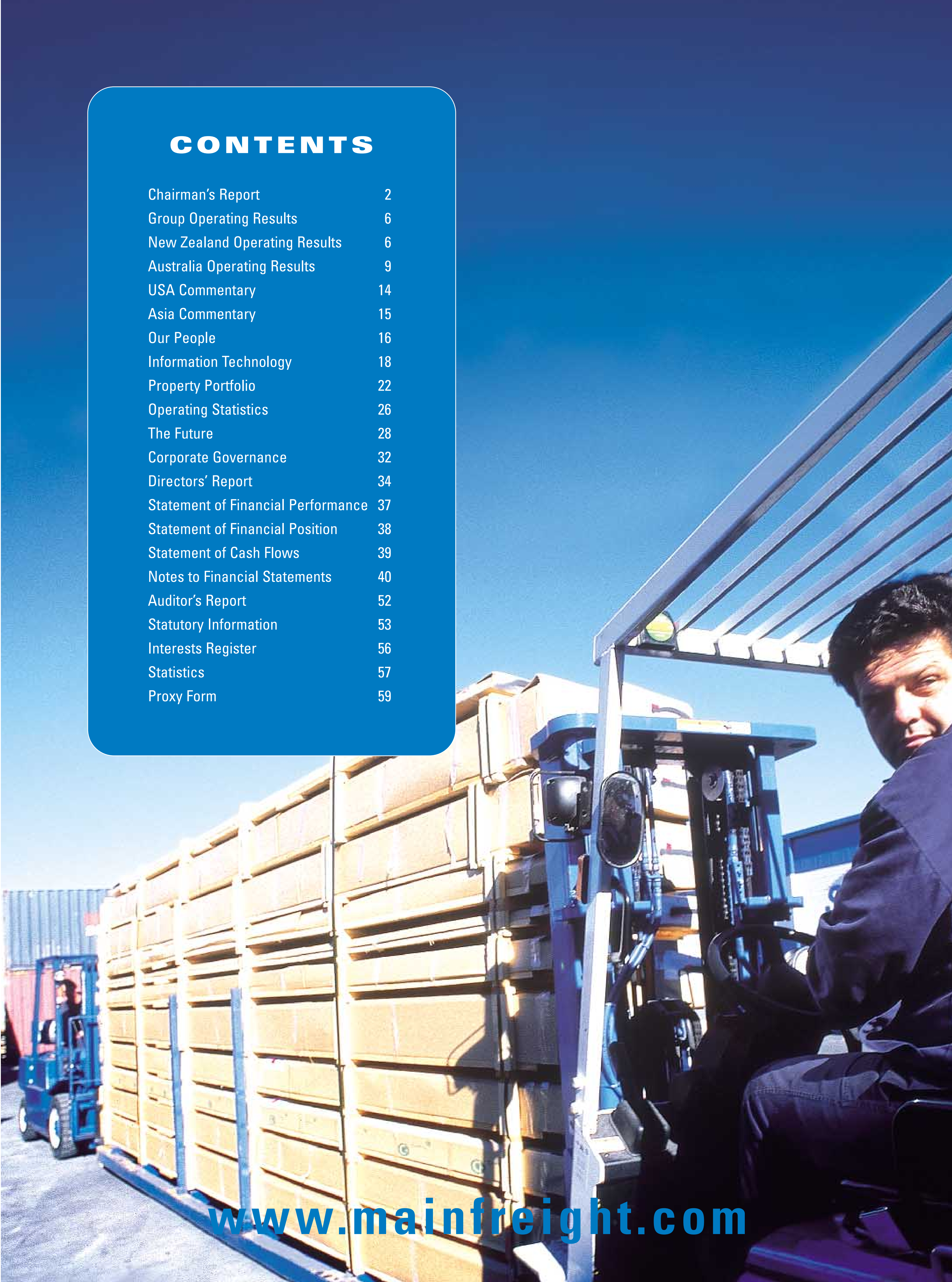
The company began in 1978 by founding Executive Chairman, Bruce Plested, and has quickly become the pre-eminent supply chain logistics provider in this part of the world by providing our customers with world class service across a full range of logistics, including Managed Warehousing, Domestic Distribution 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 18,000 customers worldwide.

The success of the company is based on two unshakeable beliefs:

1. ***The only way to keep ahead of our competitors is by the superior performance of our people; and***
2. ***The only measurement of the superior performance is how the customer perceives it.***

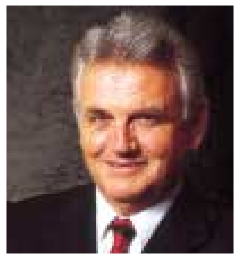
We aim to delight our customers



CONTENTS

www.mainfreight.com

Chairman's Report to Fellow Shareholders



Bruce Plested
Executive Chairman

Whatever time you are reading this report, no matter the day of the week, or the hour, the Mainfreight Team is operating, moving the precious cargoes manufactured and produced by people, for people, to and from all parts of the globe by sea, air, road and rail. No matter the circumstances, night, day, rain, storm, snow, wind, dust, heat, sickness, bereavement, terror or celebration, the freight demands to be moved. That's what we do.

It has been a year where we significantly reduced our losses after a dogged year in the Australian domestic freight market, where we have not yet achieved the goals we set for ourselves, but where for twelve consecutive months we have beaten the corresponding month of the previous year. It may take us most of this current year before we begin operating profitably, but this year will bring us very close to break even, or better.

Why Australia?

It is appropriate to again discuss why we see Australia as such a critical part of our future.

Firstly, it is important to realise that the rest of the world regard Australia and New Zealand as one market. Frequently the multinational companies have their New Zealand operations report back to the head office for the region in Sydney or Melbourne.

Secondly, the multinational companies, usually based in Europe or the USA, increasingly engage a global freight company to provide all their freighting and warehousing services throughout the world.

If Mainfreight were operating in New Zealand only, the first chance we may get to move a multinational company's freight could be from say, the Auckland wharf to the global freight company's warehouse in Auckland. The global freight company would have prices from perhaps six trucking companies to take the freight from the wharf to their warehouse, and would expect to add between $10 and $80 per container when charging back to the global company. This is not the area where Mainfreight seeks to operate.

By having a strong domestic and international presence in both New Zealand and Australia we have a good chance of demonstrating to a multinational company that when it comes to this corner of the globe, we are the people to use. We do not have the choice of only being able to service New Zealand, the multinational is not interested – they see Australia and New Zealand as one.

And the United States

We can now connect our strategic reasons for operating in Australia, together with CaroTrans in the USA.

From our strong base in Australia and New Zealand we can influence the flow of freight from the USA into our region, using CaroTrans. Better still, once CaroTrans gain the freight flow to Australia and New Zealand, it is not difficult to add Asia, Europe and South America. In many instances we would not get the opportunity to quote these areas without first having shown our capabilities in Australia and New Zealand.

It is also worthwhile looking at our record of improving profitability in our Australian international freight businesses since we acquired them in 1998.

Australian International

Year End	Net Profit Before Tax (A$000s)
1999	A$189
2000	A$1,334
2001	A$1,429
2002	A$2,699

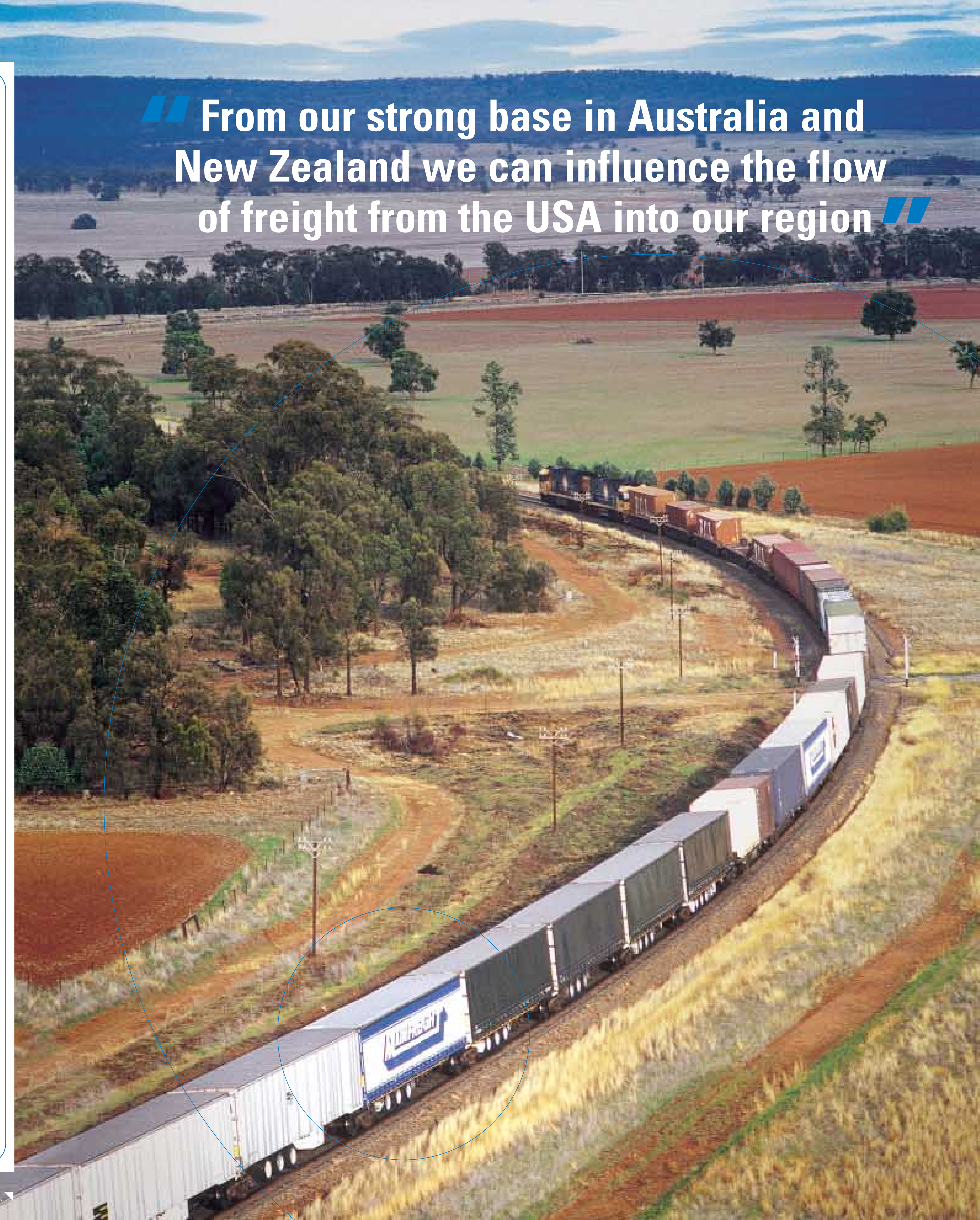
We are in Australia for the long haul. It is the absolute key to our strategy and the direction the business will take for the foreseeable future.

Our New Zealand based domestic freight business continued to grow in the year to March 2002, although that growth is muted in comparison with 2001 where a 4.6% diesel surcharge increased our income, but was progressively reduced to 0.4% in the current year, even though our main suppliers and competitors converted the surcharge into a general increase!

Lep and Mainfreight International in both Australia and New Zealand produced record profits in the current year, as did our shared businesses in Hong Kong and Shanghai.

CaroTrans, our 49% owned international business in the USA, showed a big improvement for the period to August 2001, but fell away sharply after the events of 11 September, to record a loss a little larger than 2001. While this result is disappointing, efforts taken subsequently indicate that we have turned the corner and will produce a break even result for the first quarter to June 2002.

"From our strong base in Australia and New Zealand we can influence the flow of freight from the USA into our region"



Mainfreight containers travel 4000 kilometres across Australia, from Sydney to Perth.

We continue to believe that business is an important and potentially influential part of society, and we strive to play our part. We have a passion to provide New Zealand and Australian business with a world class Supply Chain in service, price, and ongoing innovation, to enable them the best opportunities to compete with the rest of the world.

Playing Our Part

For almost the same reason, we support education in New Zealand for younger, less well-off children, through our sponsorship of 25 schools in the Alan Duff "Books in Homes" (BIH) program. This program, which ensures that each child receives at least five books of their choice per year, to own and take home, now includes 423 of the less privileged schools in New Zealand, covering over 80,000 children. An addition to BIH is "Kids at Home", whereby siblings of children in BIH who are not yet at school, receive a book on their 1st, 2nd, 3rd, 4th and 5th birthdays.

We also organise a painting competition amongst the 5,200 children at our BIH schools to provide artwork for the high quality calendars which we produce each year for our five separate brands. Every child, every teacher (and every member of our own team) receives a calendar each year. Some of the schools hold a supply of these calendars and give new entrants one to take home.

We also continue our support of “Bairds Mainfreight School”, whereby we have recently replaced the majority of the computers originally provided in 1995-1996.

How does this expenditure benefit shareholders?

I believe that we benefit, or will benefit, in the following ways:

1. Firstly, and most importantly, New Zealand needs a better educated population which is capable of producing higher value products, and consequently earning higher incomes. This will create a larger and stronger economy from which we will all benefit. The increased literacy occurring as a result of BIH will help this objective.
2. Our support for education is well known, and is in fact the second comment made by new prospective customers – the first comment is “you’re the people with the very clean blue and white trucks”.
3. As the children leave school and enter the work force, some of them are likely to be “Mainfreight champions” and give us the vital edge in a competitive situation.

Don Rowlands

In September last year, Don Rowlands CBE, our Chairman since 1982, stepped aside to allow the writer to assume the position. Don had been my hero since I started as Wages Clerk at Fisher & Paykel Ltd and met him as Factory Manager in 1964. He had a big reputation for leadership, integrity and industrial relations and I was delighted to get the opportunity to work for him as Assistant Accountant from 1966 to 1970, when Fisher & Paykel set up Champion Spark Plugs in New Zealand.

In 1970 I applied for a job in the freight industry and Don encouraged me to go.

In 1978, the year Mainfreight started, Don offered encouragement and used our building in Morrin Road to build the pontoons for the World Rowing Championships held that year at Lake Karapiro.

In 1982, Don went from unofficial adviser-mentor to become Chairman of our company. He has been of enormous assistance through the years, visiting the company at least once per week, but often more, listening, advising, encouraging and putting forward constructive ideas.

We are very grateful to Don for the statesmanship he has brought to our company, and look forward to his continuing role as a Director.

A long time ago we set out to create a company that would last for more than 100 years, one that would far outlive its founders, and create a way of doing business and relating to society that was of the highest standard. In March 2003, we will celebrate our first 25 years.

We have had a beneficial effect on transport in New Zealand. Firstly, setting a standard of service and presentation superior to anything which had gone before, establishing computer tracking in the late 1980’s - some eight years before any competitor in New Zealand or Australia, and pioneering warehousing and the integrated supply chain in the 1990’s.

The last few years have seen us creating the beginning of a global network, with our own operations in Australia (19 branches), USA (9 branches), Hong Kong and Shanghai.

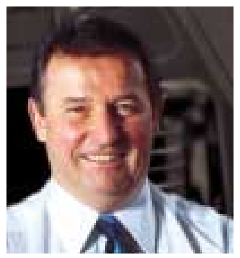
This is what we have achieved in the first quarter of our journey.

Bruce Plested, Executive Chairman

Mainfreight owner-driver Billy Sherman takes immense pride in maintaining his rig’s immaculate condition.

Group Managing Director's Report

Group Operating Results



Don Braid
Group Managing Director

Although our Group revenue declined by 2.4%, our EBITDA improved 27.6% to $24.452 million. Our net surplus increased 170.9% to $6.616 million.

This was an acceptable result with significant improvement on the previous year. The majority of this improvement has been driven by our results in Australia. While these results are still far from satisfactory we have made good progress in developing our business structure in Australia for the future. It is worthwhile noting that the Group's 2002 EBITDA has grown since the acquisition of K & S Express two years ago by $3.205 million, an increase of 15.1%.

A number of developments and divestments were made during the year assisting the positioning of the company for the future. Our relocations business, which specialised in household removals, was sold to New Zealand Van Lines. The kiln drying and timber operation based in Whangarei has also been sold, with accompanying agreements that allow for a continuation of the cartage component.

A new branch, in franchise form, was opened on the West Coast of the South Island in New Zealand. New divisions for the successful Metro and Wharf operations were also opened in Christchurch and Wellington, expanding our Supply Chain capability in both areas. A Canberra branch was established for Mainfreight Distribution and the operation of Perth for Lep Australia completed its first full year. Planned network expansion in the New Year in Australia for Mainfreight Distribution extends to Townsville, Newcastle and Tasmania.

Our Asian and American operations performed solidly throughout the year, both however were affected by issues in their respective economies.

CaroTrans continues to be restructured to improve profitability and its business direction. Changes made through this year have been successful, with improved returns expected from April 2002.

Economic trading conditions in New Zealand were healthy, with regional branches benefiting from the rural upturn. The health of the Australian economy had a muted effect on our results.

Our combined Australian operations contributed EBITDA of $2.422m.

New Zealand

Operating Results Domestic

(000's)	This Year	Last Year
Revenue	$145.136m	$137.200m
EBITDA	$19.413m	$19.790m
As a % of Revenue	13.4%	14.4%

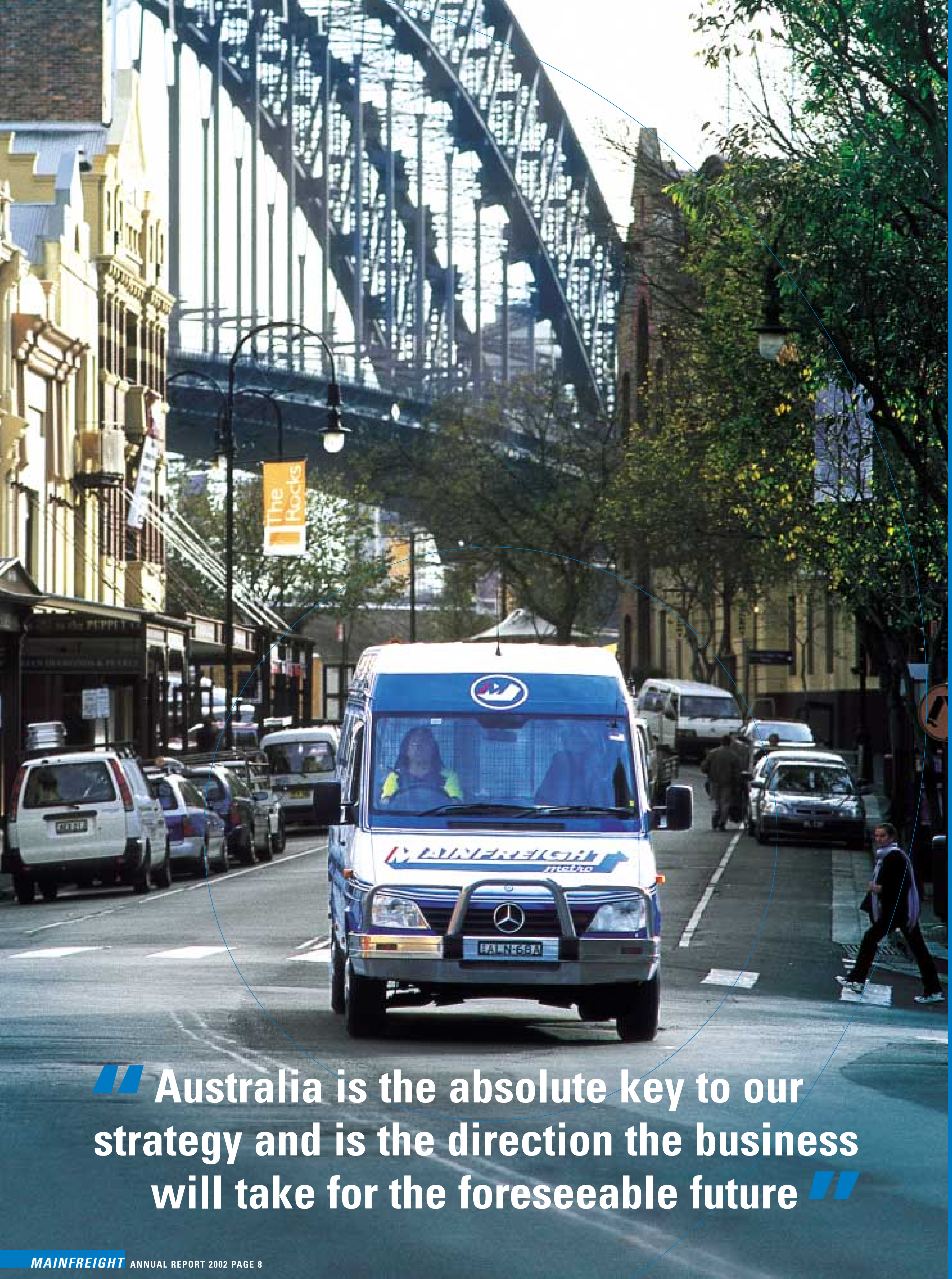
Our New Zealand operations performed satisfactorily with domestic transport and our two International divisions performing very well. Unfortunately difficult trading conditions in our Logistics division overshadowed some of the gains made. These trading conditions are entirely relative to the amount of fixed cost we must invest to attract good quality warehousing customers. Prior to this year our warehousing division had been extremely reliant on a small number of customers, with one in particular contributing in excess of 70% of our warehousing revenue. With the growth of our Supply Chain abilities and direction and a focused strategy to eliminate this dependence we have been successful in attracting new business to our warehousing operations. It is expected that we will see the benefits and profits of this over the next two years.

In our Transport Divisions we have again seen healthy trading conditions, with an improvement of 2.6% EBITDA. This growth continues to come from our focused Supply Chain Strategy approach to our customer's requirements. In excess of 50% of the additional revenue has come from our already established customer network including our warehousing customers.

Operating Results International

(000's)	This Year	Last Year
Revenue	$73.954m	$74.849m
EBITDA	$2.617m	$1.869m
As a % of Revenue	3.5%	2.5%

"Growth in our transport divisions continues to come from our focused Supply Chain Strategy"



> **"Australia is the absolute key to our strategy and is the direction the business will take for the foreseeable future"**

Mainfreight Metro delivers in downtown Sydney.

Both Mainfreight International and Lep New Zealand have improved their combined returns by 40.0% to $2.617 million EBITDA. Together they are benefiting from the combined sales approach, where the sales teams are reporting into the Supply Chain Structure.

Our team and our customers obtain a greater understanding of our service offering and product mix, which enables us to implement Supply Chain solutions. This continues to be a key strategic advantage we have over many other competing international businesses.

Margins in airfreight were under considerable pressure in our third quarter (October to December) due to the global air industry slow down. We have recovered from this position and continue to improve our tonnages outbound, in particular those in the perishable market.

We continue to be critical of New Zealand's deregulated coastal shipping environment. These "alternatives" that are plying the coastal trade are having a major impact on the country's transport infrastructure. These foreign owned vessels ply their trade infrequently and are looking for large volume tonnages that are essentially the "cream" of the freight market. It is this tonnage that allows commitment from road, rail and sea operators to provide high volume services for the movement of the more difficult, time sensitive freight.

As this valuable tonnage disappears so too does the viability of the transport infrastructure to meet the deadlines required of every day freight movements. We do urge a rethink of Cabotage for New Zealand.

The future continues to look bright for our New Zealand operations, with our Supply Chain concepts maturing, benefiting each and every one of our business units and with still plenty of potential for additional growth. While much has been made of possible competition expanding here in the New Zealand market, we remain undaunted and welcome the opportunities this may present.

We continue to invest in our network, quality and service to ensure our customers receive world class competitive service solutions.

Australia

Operating Results Domestic

(000's)	This Year NZ$	Last Year NZ$
Revenue	$52.107m	$73.303m
EBITDA	($2.252)m	($5.486)m
As a % of Revenue	(4.3%)	(7.5%)

While these results are still far from satisfactory, we have made considerable progress in Australia. The revenue reduction of $21 million was as a result of restructuring the customer base by eliminating low quality, low cost revenues and as a consequence increased rate structures. Today we have a very quality focused operation throughout Australia that is committed to providing the best possible levels of service for our customers.

We continue to believe that the Australian opportunities are important to our future. The returns possible are still of significant benefit to our shareholders and both countries would still benefit significantly by a political and economic union. Australia remains New Zealand's largest export market for manufactured goods and New Zealand remains a significant market of Australia. The transportation and warehousing of this freight is our core activity and it makes sense that we take advantage of the opportunities this presents to us.

Total New Zealand Imports

AUSTRALIA TO NEW ZEALAND

12 Months ended March 2002	12 Months ended March 2001
$6,994 million	$6,850 million

Total New Zealand Exports

NEW ZEALAND TO AUSTRALIA

12 Months ended March 2002	12 Months ended March 2001
$6,304 million	$6,116 million

Source: Statistics New Zealand

Our progress to date includes the establishment of our owner driver road linehaul network. Operating branches in each capital city now provide world class transport services with quality levels exceeding those of our competitors. Regional networks for each state are established and working, enabling us to deliver freight to almost every city and town in Australia. New branch operations are due to open mid year in Newcastle, Townsville and Tasmania.

The primary focus remains to increase our customer base and sales revenues. These activities will improve our returns as we proceed through this coming year. We continue to expect to have profitable monthly returns by the third quarter ending December 2002.

Alongside the creation of better freight facilities we have established warehouses in Queensland, New South Wales, Victoria, South Australia and Western Australia. Each of these warehouses are contributing to the growth of our service and sales network.

Our Supply Chain Strategy philosophies remain for Australia as they do in New Zealand. This will assist our sales growth utilising our logistics and International operations as key components of our overall sales offering.

Operating Results International

(000's)	This Year	Last Year
Revenue	$129.877m	$125.494m
EBITDA	$4,674m	$2,987m
As a % of Revenue	3.6%	2.4%

Both Lep International and Mainfreight International improved their returns on last year by a combined 56.5% to $4.674 million.

The operations of Lep International benefited greatly from their acquisition of the Brambles Perth International operation. This was acquired in February 2001 and contributed $11.675 million in revenues. The majority of these revenues are related to project or large "one-off" contractual consignments and it has provided our business opportunities that we have not been involved with in the past. A number of pending projects have been quoted and are likely to benefit the business in the New Year. It should be noted that as international shipping rates reduce significantly, this has an effect on our overall revenues. Volumes and margins increased during this period as a consequence of our ability to provide a greater range of added value services.

In conjunction with this growth, the vendor supply management contract for Schefenacker in Adelaide has been very worthwhile, again strengthening our abilities in Supply Chain Management (See Case Study page 12).

Lep also continues to grow both their inbound and outbound tonnages utilising the excellent joint venture relationship/partnership that we have with GeoLogistics worldwide.

Mainfreight International have benefited during the year from better inbound seafreight tonnages particularly from our operations in Asia and the United States, laying more foundations for our development in this corner of the world as the pre-eminent Supply Chain Logistics service provider.

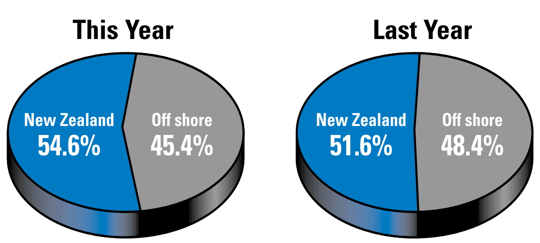
Combined Operating Results of Australia

(000's)	This Year	Last Year
Total Revenue	$181.984m	$198.797m
EBITDA	$2,422m	($2,499)m
As a % of revenue	1.3%	(1.3%)

While due criticism has been levelled at our profit performance in the domestic operations of our Australian businesses, it remains important to understand our progress in Australia as one revenue and profit source.

We have had considerable success with our International operations of Lep International and Mainfreight International. Both operations are predicting better returns again for the forthcoming financial year and we are predicting substantial growth over the next five years. This growth and return is an important part of our success in Australia and will also be important to our development of Mainfreight Distribution.

NZ Revenues vs Off shore Revenues



It is envisaged that our sales revenues derived from off shore operations will surpass those of our New Zealand based operations in the short term. We have become a truly international business, located in four continents across the globe.

An important feature for our shareholders to recognise is this diversification of revenue source, coupled with its ability to protect us from the individual fluctuations of any one economy.

"As our Supply Chain strategy matures, it benefits each and every one of our business units"

Chilled and frozen meat is exported from Lep's Auckland facility.

CASE STUDY

Vendor Managed Inventory Warehousing

Schefenacker Vision Systems Australia are the leading manufacturer of rear vision systems for the automotive industry. They currently supply global car manufacturer Ford in the USA, Mazda in Japan and Schefenacker companies throughout Europe and the USA. They also supply the entire Australian automotive market which accounts for approximately 20% of their global business.

Lep Australia has for the last ten years assisted Schefenacker with their export tonnages worldwide. During 2001 Lep Australia developed a Vendor Managed Inventory Warehousing operation for Schefenacker. Lep now provides warehousing facilities for parts from 42 different suppliers.

The Lep facility operates five days a week, 18 hours a day, managing the flow of inventory into the manufacturing facility.

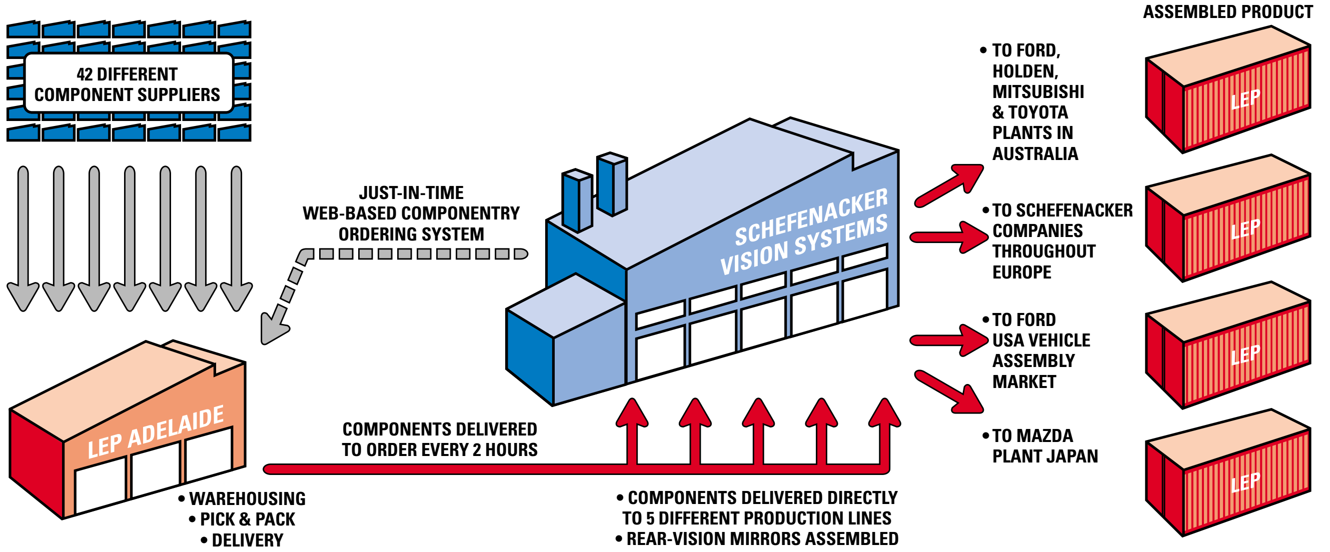
As a result, Schefenacker are "just in time" manufacturers which has resulted in:

- reduced working capital
- Lower stock holding
- increased capacity and productivity
- increased floor area for manufacturing
- better supply chain visibility
- better demand forecasts
- supplier productivity improvements

After a year of trading, both suppliers and Schefenacker are more than comfortable with the standards of service and the unique opportunities that have resulted. So much so that Lep were awarded a "Special Achievement" award at the latest Schefenacker Supplier Conference.

Lep Adelaide now has numerous opportunities to replicate this operation for a number of other automotive suppliers and manufacturers.

The Schefenacker – LEP Operation



Mark Clarke of LEP Adelaide scanning inventory for delivery to Schefenacker.

United States

CaroTrans

Throughout the past year we have aggressively continued the restructure of this business to enable it to perform to our expectations and those of our shareholders.

We have rationalised our trade lanes, concentrating on the most profitable of those with the most opportunity. We have focused on sales direction to our key agencies, in particular those in Asia, Australia and New Zealand. Furthermore, changes to our agency network in South America and the gaining of substantial wholesale and retail accounts on the back of a far improved service has seen good revenue growth for the first two months of trading in the new financial year. We expect this to continue throughout this year. Like Australia, the United States is a large market and one that we are now well established in. The benefits in the future for our business and our shareholders are similar to those of our Australian operations.

We are not contemplating a move into domestic transport in the United States. We do however see a lot of growth in the International and Logistics sector. The opportunity for us to influence global decision making for logistics in our corner of the world is important to our success in the future. Being in the United States with the much-improved business of CaroTrans will allow this to happen. As we expand this business we will place more emphasis on retail supply chain customers rather than wholesale commodity type customers. This will greatly enhance our margin performance.

Hong Kong and Shanghai

Mainfreight Express

Our two operations in Hong Kong and Shanghai, are joint venture partnerships with our Taiwanese agent, Mainfreight International Inc.

In conjunction with this business in Taiwan, the two operations are key to our development in Asia.

These businesses are seafreight export operations for freight from Asia to New Zealand, Australia and the United States. Both are profitable and we expect significant growth from them over the next five years. It is our intention to open a third office in China before the end of 2002 and a fourth during 2003.

"We have become a truly international business, located in four continents across the globe"

"With intelligent, passionate, energetic and creative people, our future is secure"

Our People

Our people are special and remain the critical factor behind the success of our company.

Central to this success is the unique culture (or if you like, simply "the way we do things around here"). Developing and spreading the culture throughout the business is uppermost in all our minds. Albeit with the differences that come from one country to another.

At Mainfreight, as with all business, we are constantly faced with change. While the culture needs to grow and develop to meet those changing needs, there are some things that are non-negotiable. Changes in the law that threaten our culture will be vigorously resisted and we will keep unnecessary bureaucracy out while still maintaining our standards.

We remain vigilant at trying to keep barriers to a minimum, so our people have the opportunity to use their individual talents and can contribute without too many boundaries. With intelligent, passionate, energetic and creative people our future is secure. To ensure that future has good leadership we only ever promote from within, and we are preparing and training our people at every opportunity. Potential managers or those we see who "have what it takes" are exposed to both internal and external leadership courses. One example is the Mainfreight Outward Bound Leadership Course developed in conjunction with the Outward Bound organisation.

Martin Devereux, a young manager in the making from Mainfreight International, New Zealand describes his experience below:

"Outward Bound to me was the great unknown; those alongside me the greatest unknown. As individuals we brought thermals, boots and attitudes, as a team we left knackered, we left motivated, but notably we left as one, we left as Mainfreight Outward Bound Batten Group.

For eight days, the Marlborough Sounds and the Outward Bound bunk house was our home. Set amongst the most scenic location NZ has to offer, we challenged not only our instructors, but we challenged ourselves.

From the heights of Mt Duncan to the solitude of Te Kaenga, we experienced the entire spectrum of emotions. We experienced hardship, we experienced success, and we experienced the phenomenon of individuals coming together and forming a special bond so beneficial for our future working relationships.

Two months on and some of us have assumed new roles. We all however share the common goal of maintaining the momentum we each created in our time at Outward Bound".

Mainfreight Culture

It is also worth reporting to our shareholders some of the key elements of our culture as reported in our last Annual Report.

Generally we employ young people:

- With obvious energy
- Educated (some 95 graduates within the business)
- Positive personalities
- Management potential
- These people learn the basics of their role very well and are slowly promoted to become champions not generalists
- We treat everyone as if they are going to stay in our business for their whole working life
- Promotion is always from within
- We have ongoing training both internal and external in an endeavour to develop our people's full potential
- A continuation of our annual bonus scheme, distributing 10% of branch profits altered up or down to reflect performance in a number of categories, not least profit and quality performance
- To have teams everywhere understand the things we believe in, like clean trucks, care for the environment, weekly profits and our hundred-year vision. Breaking the odd rule and being anti-bureaucracy helps also
- We must give our people an environment to grow and experiment, succeed and fail, but never to accept mediocrity.

Executive Share Options

It is our belief that one significant method of adding incentive, enhancing the commitment and retention of our key people in an increasingly competitive market is to offer employee shares to key team members. New Zealand Stock Exchange rules allow the Board to issue employee shares of no more than 2% of shares on issue in any year and no more than 5% in any rolling 5 year period.

The Board wishes to issue further employee shares (approximately 2% of the shares on issue in this current year) to deserving key executives and will seek approval at our Annual General Meeting. No Director will partake in the offer.

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

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*

*Note: This 2002 figure reflects the introduction of our more stringent definition of handling errors

TECHNOLOGY UPDATE

We have made significant progress in Information Technology since our last annual report. The emphasis remains on producing and implementing customer-focused technology that will create benefits for our customers and their customers. This goal is achieved by improving the quality, availability and flow of information between us. We continue to see our technology as a key differential in the market place.

Our most critical system, the domestic freight system, has been replaced and now runs on a far more advanced modern software and operating system platform. The new system, named Maintrak, while virtually replicating our successful original system, will allow us to introduce much greater sophistication in our technology. One of the keys to this is the system's in-built ability to communicate via the Internet with customers and suppliers.

The quick development and introduction of an electronic Pickup and Delivery system for New Zealand domestic freight branches is an example of the benefits we are already deriving from the new system platform.

Strategic Internet use

We are driving the use of the Internet as a means of enhancing our service to customers more than ever. We now provide customers with direct views, via the Internet, of their critical information such as the ability to track international freight and make international export bookings. In Logistics our clients can enter and track their orders throughout the warehouse via the Internet. Domestic freight customers in Australia and New Zealand can now request and download key reports on our performance.

Our strategic focus over the next year will be to link our information across brand/company/division/country so that our customer can have a macro view across the supply chain. Customers will be able to track their international shipment orders from port of origin, through one of our warehouses and to delivery to their customers door, all from one web site.

The intention is to enable a full line of visibility internally and for the customer, no matter which part or parts of Mainfreight or our agents undertake the physical process.

An extreme, but likely scenario, is to track the progress of an order a customer has placed on a supplier in Shanghai, through to arrival at our warehouse in Westney Rd, then subsequent pick and pack at Westney Rd and delivery to their customers.

This capability will place us at the forefront of full supply chain monitoring and tracking. Although this project will take up to 18 months to complete, its introduction will occur in stages with the first module scheduled within the next 3 months.

We expect this project and our push for enriched functionality in all systems to evolve in the 2003 financial year.

"We continue to see our technology as a key differential in the market place"

World-class technology puts us at the forefront of supply-chain monitoring and tracking.

"By continually investing in our network, service and quality, we remain competitive on the world stage"

FOCUS ON TECHNOLOGY – The Helpdesk

Although the Helpdesk is just beginning to be introduced to our major customers, it is already proving to be one of our most successful new products. It is designed to record and monitor issues and requests for key customers. The key to its success lies in our ability to monitor and measure issues in a way that enables us to improve our business and our customer's business.

Customers can log an issue/request with us by phone or with a secure logon through the Internet. Logging a call assigns the issue/request to the relevant customer service team member for action. Team members or customers can assign the issue/request to any one else in the Mainfreight group or back to the customer for action. Priorities and timeliness of response needed are decided and monitored by the system with alerts being automatically sent for team members to complete the task.

The system keeps a full log of all tasks performed on the issue from time of input to time of resolution. Customers can monitor the progress of their issues via the Internet and generate their own measurements from a suite of reports customised for them.

The key report in this suite presents a summary of issues by type and responsibility. This enables Mainfreight and our customers to pinpoint areas of concern and gauge each other's performance in the continual improvement process.

While Mainfreight continually leads the transport industry with outstanding service the helpdesk will enable us to take our service level to a new high.

A customer's view

"Freman" Technology

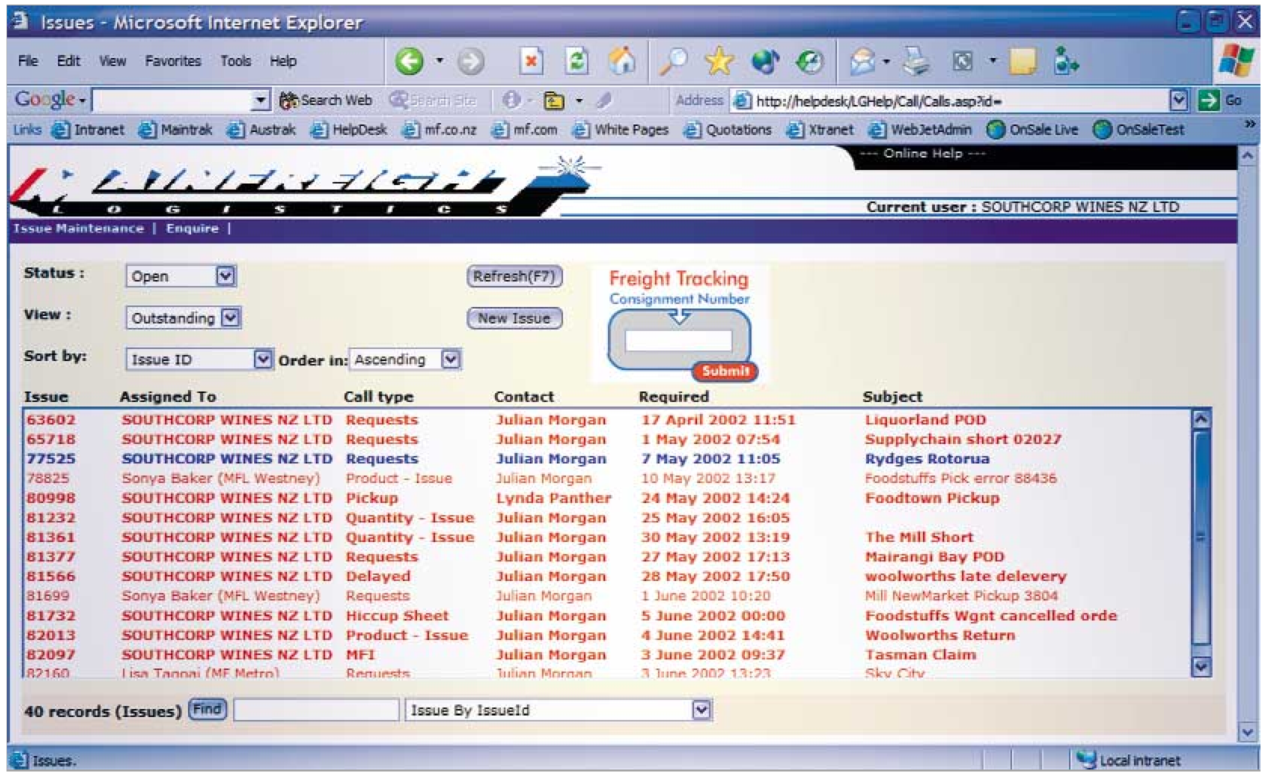
In both New Zealand and Australia our customer link technology (Freman) has constantly been an industry leader in its ability to provide a full range of freight management services. It is constantly reviewed and updated, adding new capabilities each time.

A customer's testimonial to the benefits of this technology is:

"We had searched for a long time to find a company capable of providing great service and who had the technology to back it up. Frankly we wondered if that company actually existed. Then we found Mainfreight. Their service is exceptional, and to match it they have some excellent technology. Their "Freman" package was just what we were looking for. It has the ability to provide a full range of freight management services from consignment note production, real time tracking, to a full statistical reporting function incorporating all that we need."

Cleve Reed,
Manufacturing Manager, Dynea NZ Ltd

◣ Mainfreight's Helpdesk records and monitors issues and requests for key customers.



◤ 14,022 m^2 Westney Road facility in Auckland.

Property Portfolio

We continue to mix our property portfolio with a variety of owned and leased land and buildings. This strategy has worked well for us in the past and we see no reason not to pursue a similar strategy for the future. Location and facility type remain critical to freight operations due to their necessity to be close to good transport infrastructure and be built to enable us to work efficiently and safely. Warehousing and International operations have less importance in terms of ownership. Warehousing requires similar infrastructure to transport and in the future will be located on or near our own freight facilities, enabling critical transport/cross docking efficiency in line with our Supply Chain disciplines.

We continue to desire land banks where possible to facilitate orderly growth and expansion.

All property, be they owned or leased are regularly reviewed for future benefit and optimum use. Those owned sites not meeting our requirements are sold, with leased properties being upgraded.

It is also apparent that as we expand our business in Australia it may well be more beneficial to own land and buildings in strategically important areas due to the demanding requirements of lessors. In contrast we can lease at more favourable rates and conditions in New Zealand due to our proven track record of performance, reliability and maintenance schedules.

Table 1:	Properties Owned & Utilised	m2
Union East Street	Whangarei * !	1,535
Westney Road	Auckland !	14,022
Sunshine Avenue	Hamilton	3,933
Te Maire St	Mt Manganui * !	6,309
Biak Street	Rotorua * !	1,541
Tyne Street	Napier * !	2,774
Omahu Street	Hastings	1,888
Railway Road	Palmerston North * !	4,893
Gracefield Road	Wellington * !	7,958
Parkers Road	Nelson	878
McAlpine Street	Christchurch * !	18,158
	Total Area	63,889

* utilises rail sidings / docks
! involves a land bank

Table 2:	Properties Held for Future Sale	m2
William Angliss Drive	Melbourne	9,010
Melrose Drive !	Melbourne	3,525
	Total Area	12,535
! for sale and lease back		
Railway Lane *	Auckland	6.3ha

* bare land

Table 3:	Leased with Term (3+ years)	m2
O'Rorke Road *	Auckland	18,355
Industry Road *	Auckland	4,063
Richard Pearse Drive	Auckland	5,322
Southdown Lane	Auckland	7,303
Western Hutt Road *	Wellington	7,435
Wilsons Road *	Christchurch	2,249
Jipcho Road *	Christchurch	6,672
Strathallen Street *	Dunedin	4,169
Lower Spey Street	Invercargill	1,153
Baker Street	Sydney	2,800
Doody Street	Sydney	500
Centre Road	Melbourne	12,000
Trade Park Drive	Melbourne	2,850
Miles Plain Road	Perth	6,565
Beaudesert Road	Brisbane	9,000
Lindrum Road	Brisbane	8000
Preston Site	Sydney	9,600
Taminga Street	Adelaide	6000
	Total Area	114,036

* ground leases only

Mainfreight's new temperature-controlled storage facility in Hastings, New Zealand.

Wine Industry Case Study

From our inception we have been involved in the distribution of grocery and grocery related products, or in terms known within the industry, Fast Moving Consumer Goods (FMCG).

As we continue growing our business and our abilities to operate within the FMCG industry, a number of niche product areas have become our speciality. One of those is the wine industry. As the liquor industry became deregulated and can now offer product for sale within a greater range of retail outlets, so too has our ability to provide logistical services for that industry. Over the past five years the number of winemakers and growers has increased markedly within our customer base. Today we have in excess of 30 wine companies as customers, with a variety of services on offer from inter city distribution to full supply chain logistics solutions. Notable customers include Montana Wines from New Zealand, Orlando and Southcorp Wines from Australia and the pioneering charismatic Pinot Noir Wine Growers of Central Otago.

We warehouse and distribute in excess of one million cases of wine per annum throughout New Zealand and for distribution to export markets world wide.

Meeting the market's needs

We have constructed three specialist warehouses to cater for the wine industry, two being located within some of New Zealand's most progressive wine growing regions, the Hawkes Bay and Central Otago. The third and largest, strategically located in Auckland within minutes of Auckland's International Airport.

Mainfeight's mobile labelling plant which operates from a 20 foot container in New Zealand's Hawkes Bay

Distribution of wine throughout New Zealand can be quite complex with the fragmented on-premise requirements and the quality of service required from an industry sector that has a passion and image unrivalled elsewhere.

We are able to provide a service from vintage to restaurant table that is secure, familiar with the wine and spirit nuances and sensitive to their specific requirements.

The wine sector is certainly a complimentary investment to the ambient temperature and quality requirements of the FMCG sector, and we are delighted to be involved with such a passionate, forward-thinking industry.

Mainfeight services more than 30 wine companies including Montana Wines.

Mainfreight's commitment to the wine industry in Hawkes Bay includes:

- A purpose-built temperature-controlled storage facility (opened June 2002)
- Mainfreight-operated mobile wine-labelling plant
- Dedicated vehicle supplies CO2 to vineyards
- Distribution of imported barrels and bottles to vineyards
- Packaging, warehousing and distribution of wine throughout New Zealand and around the world

Operating Statistics

People

TEAM NUMBERS	This Year	Last Year
NZ DOMESTIC		
Mainfreight, Daily Freight, Chemcouriers	886	877
All International (New Zealand, Australia)	365	372
Australian Domestic	294	405
Total Group	1752	1831

Information Technology

	This Year	Last Year
Information Technology Spend	$8.8m	$7.3m
As a % of Revenue	2.20%	1.78%

Training and HR

	This Year	Last Year
Training and HR Spend	$1.24m	$1.02m
As a % of Revenue	0.31%	0.25%

Revenue Comparison

	This Year	Last Year
NZ Domestic	$145.1m	$137.2m
NZ International	$74.0m	$74.8m
Australian Domestic	$52.1m	$73.3m
Australian International	$129.9m	$125.5m

EBITDA Comparison

	This Year	Last Year
NZ Domestic	$19.4m	$19.8m
NZ International	$2.6m	$1.9m
Australian Domestic	($2.3)m	($5.5)m
Australian International	$4.7m	$3.0m

Our apple giveaways have become popular with both our customers and our own people.

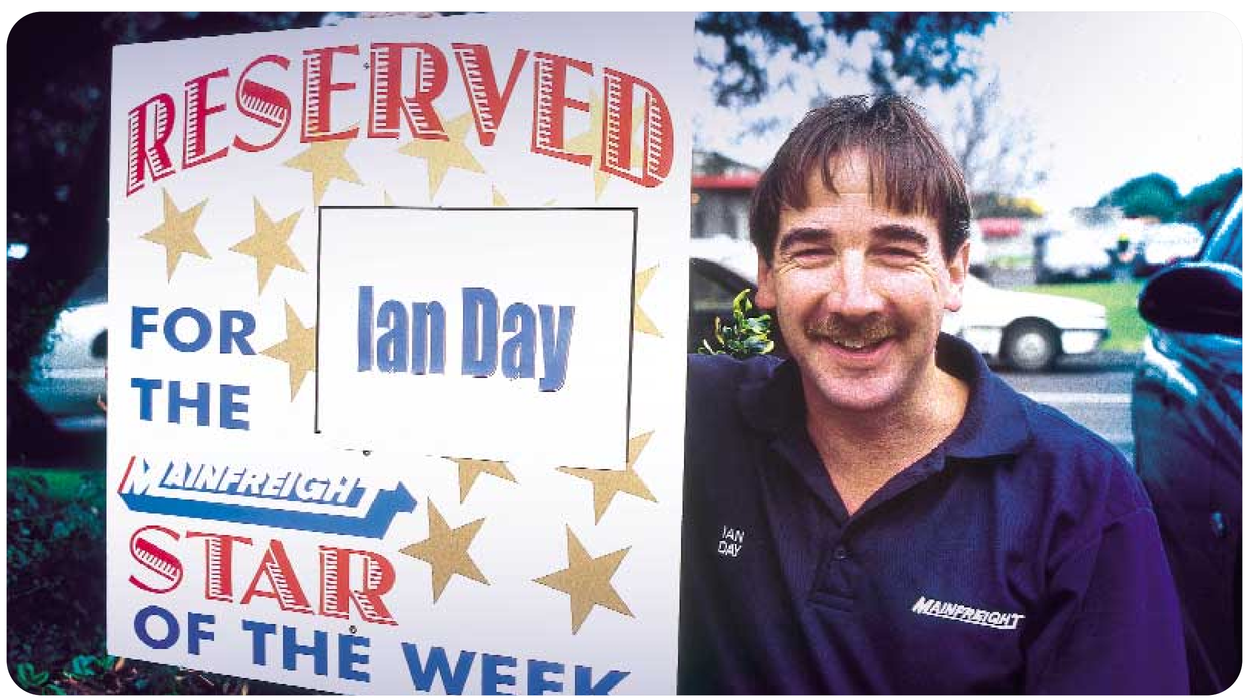
The Future

The future of Mainfreight is very bright and exciting. We have established ourselves very well in Australia, Asia and the United States, as well as continuing to grow our established operations in New Zealand.

While results from some of our off-shore operations this last financial year have been far from satisfactory, we have been able to establish our brands and networks in readiness for future growth. These networks are now well prepared to provide our full range of services to our current customer base and the many prospective customers now available.

Our Australian domestic operations continue to need effort and attention to ensure profitability is forthcoming. We are confident that we now have an excellent business primed and ready to grow. New business gains are the priority and we have a number under quotation or gained, ready for commencement in our second quarter.

Our technology continues to push us out in front of the rest of the industry and, when utilised alongside our quality motivated networks and Supply Chain solution activities our service offering becomes one of the best in the world.



It is clear that we have now come to terms with our Australian acquisitions, positioned them for our future growth and must now aggressively continue our expansion plans.

More importantly the success of the network will further advance Supply Chain solution strategies for our customers.

Future growth will come from both acquisitions and organic growth – in particular our ability to grow through the marketplace advantage provided by our physical network, technology, quality and unique style of doing business. Suitable acquisitions continue to be evaluated. Where these fit our strategic direction and can add value to our business and shareholder value, they shall be pursued.

We expect our returns to continue to improve dramatically from their finish of 2002 and are of a firm belief that our growth, particularly in Australia will be beneficial to shareholders, stakeholders and customers alike.

Don Braid
Group Managing Director

William Paul, Storeman, LEP, Auckland

Our targets and achievements for the next five years

2002

TARGET	ACHIEVED
• Open a branch in Canberra and Newcastle	Canberra opened 1 April Newcastle opened 1 June
• Be operating profitably in Mainfreight Distribution Pty	Expected 3rd quarter
• Open another branch in China	Expected 3rd quarter
• Open first warehousing in USA	More likely 2003
• Service by Mainfreight Distribution to 100 Australian towns	Achieved 110
• Computer integration with all our businesses in New Zealand, Australia, USA, Hong Kong and China	Now due late 2003

2003

TARGET	ACHIEVED
• Full year profit for Mainfreight Distribution	On target
• Open a branch in Darwin	On target
• Open another branch in China	On target
• Open a branch in the United Kingdom	On target
• Service by Mainfreight Distribution to 125 Australian towns	On target
• Computer integration with most agents	On target
• Purchase USA NVOCC	Not likely
• Initiate joint ventures in South Africa and Chile or China	On target for South America and China
• Launch Chemcouriers Australia	On Target

2004

TARGET	ACHIEVED
• Open a branch in Rockhampton	Likely 2003
• Service by Mainfreight Distribution to 150 Australian towns	On target
• Begin operations in another Asian country	On target
• List on Australian Stock Exchange	Possibly, but due for review.
• Purchase Australian freight company	Likely 2003
• 1,000,000 sq ft of warehousing in Australia	On target

2005

TARGET	ACHIEVED
• Open another branch in China	Complete during 2004
• Develop direct investments in USA land transportation	Develop logistics and warehousing operations in USA

2006

TARGET	ACHIEVED
• Exceed worldwide revenue of NZ$1B	On target
• Service by Mainfreight Distribution to 250 Australian towns	On target

Corporate Governance

The Board of Mainfreight acknowledges the need for the continued review of 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, organisational 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, 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 Executive Chairman and Group Managing Director.

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, one Executive Director and five 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 four occasions in the financial year ended 31 March 2002.

Directors Meetings

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

Director	Meetings Held	Meetings Attended
Bruce Plested	**4**	**4**
Don Rowlands	**4**	**4**
Neil Graham	**4**	**4**
John Fernyhough	**4**	**3**
Richard Prebble	**4**	**4**
Carl Howard-Smith	**4**	**4**
Chris Dunphy	**4**	**4**
Don Braid	**4**	**4**

Share Trading by Directors

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 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 and the Quarterly Shareholder Bulletins. 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 a number of 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 overviewing business risk.

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.

Funding

Banking

During the past year we have re-evaluated our banking requirements and have now settled on an appropriate facility with the Westpac Banking Corporation, which provides a lower cost of banking, and a more flexible facility with greater capacity. We are now confident that our balance sheet is appropriately structured. This now provides some of the necessary funding requirements for us to appropriately evaluate potential acquisitions that meet our value objectives, industry niche and structure.

Tax credits

As a consequence of our dividend policy, we have accumulated a large balance of imputation tax credits. Your Directors view this as a significant latent shareholder asset and intend to review the opportunities available to them to enhance shareholder value with this asset.

Directors' report

The Directors are pleased to present this seventh published annual report of Mainfreight Limited.

Activities

There were no changes during the year in the principal activities of the Group as supplier of freight, warehousing and logistics services to customers in New Zealand, Australia, Asia and USA.

Financial Result

Consolidated sales for the year were $401.1m, down on the previous year by $9.7m (2.4%). Acquisitions contributed $11.7m. The net surplus increased by 170.9%, from $2.4m to $6.6m. This result included an amortisation of goodwill increase on last year of $0.118m. Comparisons to the 2001 result are set out in the statistics section, page 57 of the financial statements.

Financial Position

The Group has maintained a satisfactory financial position, with shareholders' equity of $52.2m, funding 34.4% of total assets. Earnings cover interest on debt 5.0 times. Net cash flow from operations was $16.2m, up from $2.6m last year. Acquisition purchases of $2.2m and net property and plant sales of $1.8m resulted in net cash outflow from investing activities of $0.4m. Net cash flow from financing activities was a deficit of $4.4m as a result of dividends paid.

Dividend

A dividend of 3.5 cents per share was paid on 20 July 2001, 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 on 14 December 2001, 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 19th July 2002, is proposed together with a supplementary dividend of 0.62 cents per share for non-resident shareholders.

Statutory Information

Additional information is set out on pages 53 to 56 including directors' interests as required by the Companies Act 1993.

Directors

Mr DR Braid, Mr CS Dunphy and Mr CG Howard-Smith 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 2002 is scheduled for release on 21 August 2002.

Outlook

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

For and on behalf of the Board

28 June 2002

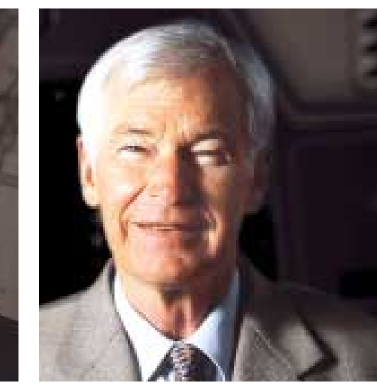
Bruce Plested, Executive Chairman

Carl Howard-Smith, Director

Bruce Plested
Executive Chairman

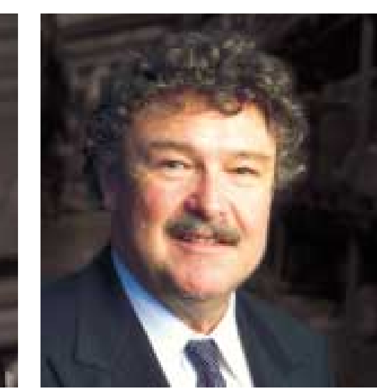
Don Braid
Group Managing Director

Don Rowlands
Director



John Fernyhough
Director

Carl Howard-Smith
Director



Neil Graham
Director

Chris Dunphy
Executive Director

The Hon. Richard Prebble
Director

FINANCIAL CONTENTS

Statement of Financial Performance for the Year Ended 31 March 2002

		Group		Parent	
		2002	2001	2002	2001
	Notes	$000	$000	$000	$000
Operating revenue		$401,074	$410,846	$111,113	$105,841
Surplus before amortisation and taxation for the year	2	15,112	8,606	8,593	12,426
Amortisation expense	8	2,178	2,060	-	-
Surplus before taxation for the year		12,934	6,546	8,593	12,426
Income tax expense	4	4,355	2,650	1,714	2,926
Surplus after taxation for the year		8,579	3,896	6,879	9,500
Minority interest in surpluses of subsidiaries		(719)	(430)	-	-
Share of surplus (deficit) of associates	11	(1,244)	(1,024)	-	-
NET AND OPERATING SURPLUS FOR THE YEAR		$6,616	$2,442	$6,879	$9,500

Statement of Movements in Equity for the Year Ended 31 March 2002

Equity at the beginning of the year	50,837	49,506	57,020	49,106
Net surplus for the year	6,616	2,442	6,879	9,500
Foreign currency translation reserve	(16)	45	-	-
Total recognised revenues and expenses for the year	6,600	2,487	6,879	9,500
Contributions from owners (executive options)	250	600	250	600
Movements in minority interest during the year	719	430	-	-
Supplementary dividends	(103)	(33)	(103)	(33)
Dividends paid	(4,737)	(2,186)	(4,737)	(2,186)
Foreign investor tax credit	103	33	103	33
EQUITY AT END OF THE YEAR	$53,669	$50,837	$59,412	$57,020

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

Statement of Financial Position as at 31 March 2002

		Group		Parent	
		2002	2001	2002	2001
	Notes	$000	$000	$000	$000
Shareholders' Equity					
Share capital	3	35,901	35,651	35,901	35,651
Accumulated surplus		16,268	14,389	23,511	21,369
Foreign currency translation reserve		27	43	-	-
Shareholders' equity		52,196	50,083	59,412	57,020
Minority interest		1,473	754	-	-
TOTAL EQUITY		53,669	50,837	59,412	57,020
Non-current Liabilities					
Bank term loan	5	48,097	48,062	48,097	48,062
Finance lease liability	6	1,897	2,238	-	-
		49,994	50,300	48,097	48,062
Current Liabilities					
Bank overdraft		3,116	6,870	199	1,495
Commercial bills		-	1,466	-	-
Intercompany creditors	18	-	-	6,142	5,007
Trade creditors and accruals		35,330	38,126	9,567	8,762
Employee entitlements		7,505	6,545	1,817	1,755
Advances from director	18	1,563	308	1,563	308
Provision for taxation		-	29	-	-
Finance lease liability	6	465	507	-	-
		47,979	53,851	19,288	17,327
TOTAL LIABILITIES AND EQUITY		$151,642	$154,988	$126,797	$122,409
Non-current Assets					
Fixed assets	7	53,487	55,912	43,051	44,240
Goodwill	8	14,955	17,108	-	-
Investments in subsidiaries	10	-	-	14,460	14,460
Investments in associates	11	1,876	871	4,287	2,038
Other investments		824	957	824	957
Future tax benefit		2,917	2,285	-	-
Deferred tax asset	4	1,918	1,635	319	175
		75,977	78,768	62,941	61,870
Current Assets					
Bank		3,876	564	-	-
Short term deposits		3,200	300	3,200	300
Intercompany advances	18	-	-	31,523	31,907
Associate company advances	18	2,569	1,492	2,569	1,492
Trade debtors		51,146	55,376	13,561	12,291
Intercompany debtors	18	-	-	2,696	1,691
Tax paid in advance		438	527	956	64
Other debtors		5,131	3,772	2,865	1,493
Property held for resale	7	9,177	14,056	6,358	11,168
Employee share purchase scheme	9	128	133	128	133
		75,665	76,220	63,856	60,539
TOTAL ASSETS		$151,642	$154,988	$126,797	$122,409

For and on behalf of the Board who authorised the issue of the financial report on 28 June 2002.

Dated 28 June 2002

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 31 March 2002

		Group		Parent	
		2002	2001	2002	2001
	Notes	$000	$000	$000	$000
Cash Flows From Operating Activities					
Cash was provided from:					
Receipts from customers		404,834	398,834	109,982	104,253
Interest received		266	207	261	202
Dividend received		-	-	3,000	3,000
		405,100	399,041	113,243	107,455
Cash was dispersed to:					
Payments to suppliers		(380,304)	(387,551)	(99,754)	(90,875)
Interest paid		(3,533)	(3,947)	(4,920)	(2,094)
Income taxes paid		(5,073)	(4,928)	(2,758)	(2,869)
		(388,910)	(396,426)	(107,432)	(95,838)
NET CASH FLOWS FROM OPERATING ACTIVITIES	15	$16,190	$2,615	$5,811	$11,617
Cash Flows From Investing Activities					
Cash was provided from:					
Proceeds from sale of assets		9,092	5,117	8,139	5,054
Net proceeds from sale of business division		133	-	133	-
Repayments by employees and contractors		151	218	35	72
		9,376	5,335	8,307	5,126
Cash was applied to:					
Purchase of fixed assets		(7,311)	(20,242)	(4,991)	(15,914)
Advances to employees and contractors		(191)	(112)	(38)	(60)
Purchase of businesses		-	(11,729)	-	(877)
Investments in associates	11	(2,249)	(1,456)	(2,249)	(1,310)
		(9,751)	(33,539)	(7,278)	(18,161)
NET CASH FLOWS FROM INVESTING ACTIVITIES		$(375)	$(28,204)	$1,029	$(13,035)
Cash Flows From Financing Activities					
Cash was provided from:					
Proceeds of long term loan		304	23,773	33	21,323
Advances from director	18	5,073	2,588	5,073	2,588
Repayments from subsidiaries		-	-	2,647	-
Employee share purchase scheme	9	5	44	5	49
Proceeds of share issue		250	600	250	600
		5,632	27,005	8,008	24,560
Cash was applied to:					
Dividend paid to shareholders		(4,737)	(2,186)	(4,737)	(2,186)
Repayment of advances from director	18	(3,818)	(2,280)	(3,818)	(2,280)
Repayment of loans		(383)	(167)	-	-
Advances to subsidiary companies		-	-	(1,020)	(20,073)
Advances to associate companies		(1,077)	(610)	(1,077)	(610)
		(10,015)	(5,243)	(10,652)	(25,149)
NET CASH FLOWS FROM FINANCING ACTIVITIES		$(4,383)	$21,762	$(2,644)	$(589)
NET (DECREASE) INCREASE IN CASH HELD		11,432	(3,827)	4,196	(2,007)
ADD OPENING CASH BROUGHT FORWARD		(7,472)	(3,645)	(1,195)	812
ENDING CASH CARRIED FORWARD		$3,960	$(7,472)	$3,001	$(1,195)
Comprised					
Bank and short term deposits		7,076	864	3,200	300
Bank overdraft		(3,116)	(8,336)	(199)	(1,495)
		$3,960	$(7,472)	$3,001	$(1,195)

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

Notes to the 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) Principles of Consolidation

The consolidated financial statements are prepared from the audited financial Statements of the Parent Company and its subsidiaries as at 31 March 2002 using the purchase method. All significant balances and transactions between Group Companies are eliminated on consolidation. Where subsidiaries are acquired during the year, their results are included only from the date of acquisition, while for subsidiaries disposed of during the year, their results are included to the date of disposal.

(iii) Associate Companies

There are companies in which the Group holds substantial shareholdings and on whose commercial and financial policy decisions it has significant influence.

The accounts of associate companies have been reflected in the consolidated financial statements on an equity accounting basis, which shows the Group's share of surpluses in the Consolidated Statement of Financial Performance and its share of post acquisition increases in net assets in the Consolidated Statement of financial Position.

(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 and Fittings	10% to 20%
• Motor Cars	26% to 31%
• Plant and Equipment	10% to 25%
• Computer Hardware	28% to 36%
• Computer Software	20% to 36%

(vii) Debtors

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

Notes to the Financial Statements

1 Statement of Accounting Policies

(viii) 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 follows 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.

(ix) Foreign Currencies

Assets and liabilities expressed in foreign currencies are converted to New Zealand dollars at the rate of exchange ruling at balance date. Surpluses and deficits realised on exchange are recognised in the period in which they occur by way of a credit or charge in the Statement of Financial Performance. Unrealised surpluses and deficits on translation of foreign currency subsidiaries are taken to the Foreign Currency Translation Reserve.

This represents the only movement in this reserve.

(x) 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 installments over the lease term.

(xi) 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.

(xii) Investments

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

(xiii) 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 to 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.

(xiv) 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.

Notes to the Financial Statements

2 Surplus Before Amortisation and Taxation

		Group		Parent	
The Surplus before Amortisation and Taxation is stated:		2002	2001	2002	2001
		$000	$000	$000	$000
After Charging:					
Audit fees and expenses - parent company auditors		174	146	107	71
Audit fees and expenses - other auditors		189	135	-	-
Other fees paid to auditors		54	60	42	54
Depreciation:	Buildings	883	810	761	688
	Leasehold improvements	419	402	200	183
	Plant vehicles and equipment - owned	3,899	3,593	2,234	1,950
	Plant vehicles and equipment - finance leased	607	210	-	-
Directors fees		166	165	150	150
Foreign currency losses (gains)		(497)	(340)	234	-
Interest:	Fixed loans	2,821	3,109	2,821	3,109
	Finance leases	198	88	-	-
	Other interest	513	750	2,296	733
Bad debts written off		1,696	188	323	86
Change in bad debt provision		155	952	126	77
Donations		170	165	142	129
(Surplus) Deficit on disposal of assets		(285)	(476)	(344)	(645)
Rental and operating lease costs		12,092	13,559	3,866	3,876
After Crediting:					
Interest income		266	207	647	1,954
Rental income		1,431	1,748	3,608	3,388
Dividend received		-	-	3,000	3,000

3 Share Capital

PAID UP CAPITAL	35,901	35,651	35,901	35,651
73,072,766 ordinary shares (2001 72,872,766)				

During the financial year the Company issued 200,000 ordinary shares upon the exercise of executive share options. 150,000 shares were issued for 120 cents per share and 50,000 shares were issued for 140 cents per share.

At balance date there were 2,765,000 (2001 3,555,000) 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 2002 the following options were outstanding

Quantity	Exercise Price	Exercise Dates
1,025,000	120 cents	01/07/99 to 30/06/03
585,000	140 cents	01/06/01 to 01/06/04
1,155,000	150 cents	01/07/02 to 01/07/07

A dividend of 3.5 cents per share was declared after balance date totalling $2,557,547. Payment date is to be 19 July 2002.

Notes to the Financial Statements

4 Taxation

	Group		Parent	
	2002	2001	2002	2001
	$000	$000	$000	$000
Surplus before taxation	12,934	6,546	8,593	12,426
Prima facie taxation at 33% NZ and 30% Australia	4,152	2,084	2,835	4,101
(2001 NZ 33% and Australia 34%)				
Adjusted by the tax effect of:				
Non-assessable dividend income	-	-	(990)	(990)
Tax loss benefit not previously utilised	(477)	(302)	-	-
Tax rate change	48	338	-	-
Other non-assessable revenues	(146)	(199)	(146)	(199)
Non-deductible expenses	778	729	15	15
	4,355	2,650	1,714	2,926
Represented by:				
Current tax	4,638	3,354	1,858	2,795
Deferred tax	(283)	(704)	(144)	(131)
	4,355	2,650	1,714	2,926
Deferred Tax Account				
Opening balance	(1,635)	(931)	(175)	(306)
Adjusted for the tax effect of:				
Difference between accounting and	(96)	131	(35)	138
tax accumulated depreciation				
Uncompleted sale and linehaul	-	(31)	-	-
Acquisition of provisions on purchase of subsidiary	-	(675)	-	-
Movements in provisions	(187)	(129)	(109)	(7)
CLOSING BALANCE	(1,918)	(1,635)	(319)	(175)
Imputation Credit Account				
Opening balance	12,251	8,399	10,163	6,893
Credits distributed during the year	(2,332)	(1,076)	(2,333)	(1,077)
Credits received during the year	-	-	1,478	1,478
Tax payments made	5,073	4,928	2,758	2,869
CLOSING BALANCE	14,992	12,251	12,066	10,163
REPRESENTING CREDITS AVAILABLE TO OWNERS				
OF THE GROUP AT BALANCE DATE:	14,538	12,090	12,066	10,163

Tax Losses

Unrecognised tax losses available for				
set off against future assessable income:				
Tax Losses	1,938	5,318	-	-
TAX SAVINGS THEREON	581	1,595	-	-

Parent company shareholders would be entitled to the benefit of 75% of these tax losses. The ability to use these tax losses depends on the generation of sufficient assessable income in the respective tax jurisdictions and continuity of business or ownership.

MAINFREIGHT

5 Term Liabilities

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

	Group		Parent	
	2002	**2001**	**2002**	**2001**
	$000	$000	$000	$000
Current	-	-	-	-
Non-Current	48,097	48,062	48,097	48,062
	48,097	48,062	48,097	48,062

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. Subsequent to year end 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.

Interest was payable during the year at the average rate of 5.94% per annum (2001 7.08%).

6 Leases

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

FINANCE LEASE LIABILITIES				
Payable:				
• not later than one year	629	696	-	-
• later than one year but not later than two years	629	594	-	-
• later than two years but not later than five years	1,518	2,028	-	-
• after five years	-	-	-	-
Minimum Lease Payments	2,776	3,318	-	-
Less future finance charges	(414)	(573)	-	-
	2,362	2,745	-	-
CLASSIFIED IN THE STATEMENT OF FINANCIAL POSITION AS:				
Current	465	507	-	-
Non-Current	1,897	2,238	-	-
	2,362	2,745	-	-
OPERATING LEASE COMMITMENTS				
• not later than one year	11,858	8,923	2,644	2,374
• later than one year but not later than two years	9,004	6,588	1,725	1,324
• later than two years but not later than five years	13,987	10,495	1,863	1,825
• after five years	20,876	14,714	821	1,174
	55,725	40,720	7,053	6,697

Notes to the Financial Statements

7 Fixed Assets

Group

	2002			**2001**		
		Accum	Book		Accum	Book
	Cost	Depn	Value	Cost	Depn	Value
Asset Description	$000	$000	$000	$000	$000	$000
Freehold land	6,730	-	6,730	8,773	-	8,773
Buildings	30,231	4,886	25,345	28,600	4,192	24,408
Leasehold improvements	7,585	2,179	5,406	7,000	1,806	5,194
Plant, vehicles and equipment						
• Owned	34,325	20,460	13,865	32,905	18,060	14,845
• Finance leases	3,109	968	2,141	3,090	398	2,692
TOTALS	81,980	28,493	53,487	80,368	24,456	55,912

At 31 March 2002 Registered Valuers DTZ New Zealand Ltd and DTZ Australia (Vic) Pty Ltd performed a valuation of the Group's land and buildings at $60,069,000 (2001 $65,180,000). This includes a valuation on the properties held for resale.

The valuations were carried out on the following basis:

Vacant Properties	; Open market value
Napier/Palmerston North/Gracefield Rd, Wellington	; Depreciated replacement cost
Others	; Existing use value

All properties were covered by these valuations this year. (2001 all except directors valuation $849,452).

Parent

	2002			**2001**		
		Accum	Book		Accum	Book
	Cost	Depn	Value	Cost	Depn	Value
Asset Description	$000	$000	$000	$000	$000	$000
Freehold land	6,730	-	6,730	8,773	-	8,773
Buildings	28,725	4,539	24,186	26,542	3,854	22,688
Leasehold improvements	4,776	1,168	3,608	4,733	968	3,765
Plant, vehicles and equipment						
• Owned	19,694	11,167	8,527	18,868	9,854	9,014
• Finance leases	-	-	-	-	-	-
TOTALS	59,925	16,874	43,051	58,916	14,676	44,240

At 31 March 2002 Registered Valuers DTZ New Zealand Ltd and DTZ Australia (Vic) Pty Ltd performed a valuation of the Company's land and buildings at $54,362,000 (2001 $59,481,000). This includes a valuation on the properties held for resale.

The valuations were carried out on the following basis:

Vacant Properties	; Open market value
Napier/Palmerston North/Gracefield Rd, Wellington	; Depreciated replacement cost
Others	; Existing use value

All properties were covered by these valuations this year. (2001 all except directors valuation $849,452).

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8 Goodwill

	Group		Parent	
	2002	**2001**	**2002**	**2001**
	$000	$000	$000	$000
Opening balance	17,108	7,464	-	-
Adjustment for movement in exchange rate	25	1	-	-
Amounts paid for acquisitions during the year in excess of the fair value of their net tangible assets	-	11,703	-	-
Goodwill amortised over the year	(2,178)	(2,060)	-	-
CLOSING BALANCE	14,955	17,108	-	-

Goodwill arose during the year from the purchase of:				
K & S Express Division	-	10,349	-	-
Brambles Perth International Division	-	1,354	-	-
	-	11,703	-	-

9 Employee Share Purchase Scheme

Opening balance	133	177	133	182
Staff loan repayment during the year	(5)	(44)	(5)	(49)
CLOSING BALANCE	128	133	128	133

On 15 December 1997 the Company issued 216,000 ordinary shares to the Trustees of the Mainfreight Ltd Staff Share Purchase Scheme for 130 cents per share. Fulltime staff with a minimum of 1 years continuous service who had not been issued shares under the previous staff share issue were entitled to participate in the scheme. 120 staff took up the offer and were issued 1,800 shares each. The purchase price is repayable over 3 years from date of issue.

The shares issued amounted to 0.3% of issued capital. Voting rights remain with the Trustees and the power to control the Trustees of the Scheme is held by the Company's Board of Directors.

Notes to the Financial Statements

10 Investment in Subsidiary Companies

The Parent Company's investment in subsidiary companies comprised:

	2002	**2001**
	$000	$000
Shares at cost	14,460	14,460

Principal Subsidiary Companies Include:	**Balance Date**	**Principal Activity**	**Effective Percentage Shareholding**	
Mainfreight International Ltd	31 March	International freight forwarding	100%	100%
Mainfreight Distribution Pty Ltd	31 March	Freight forwarding	100%	100%
Daily Freight (1994) Ltd	31 March	Freight forwarding	100%	100%
Lep International (NZ) Ltd	31 March	International freight forwarding	75%	75%
Lep International Pty Ltd	31 March	International freight forwarding	75%	75%
Mainfreight International Pty Ltd	31 March	International freight forwarding	100%	100%
Mainfreight Holdings Pty Ltd	31 March	Australian Holding Company	100%	100%

11 Investment in Associate Companies

Carotrans International Inc	31 March	International freight forwarding	49.5%	49.5%
Bolwick Ltd	31 March	International freight forwarding	37.5%	25.0%
Mainfreight Express Ltd	31 March	International freight forwarding	50.0%	50.0%
Travel Style Pty Ltd	31 March	International freight forwarding	50.0%	50.0%

A further 12.5% of Bolwick Ltd was purchased on 2 April 2001 for $77,000 (HK$250,000) bringing the shareholding to 37.5%.

On 16 April 2001 further capital of $2,172,000 was invested in Carotrans International Inc. This maintained the Company's shareholding in the business at 49.5%

The share of surplus (deficit) of associates comprised:

	Group		Parent	
	2002	**2001**	**2002**	**2001**
	$000	$000	$000	$000
Operating deficit before goodwill amortisation & restructuring	(1,014)	(794)	-	-
Amortisation costs	(230)	(230)	-	-
	(1,244)	(1,024)	-	-
Investment in associates comprised of:				
Opening balance	871	439	2,038	729
Purchase in year and additional capital	2,249	1,456	2,249	1,309
Share of surplus (deficit)	(1,244)	(1,024)	-	-
CLOSING BALANCE	1,876	871	4,287	2,038

Notes to the Financial Statements

12 Capital Commitments and Contingent Liabilities

The Group and Company had the following capital commitments at 31st March 2002 (2001 1,045,716).

- Hastings coolstore 665,226
- Dunedin depot extensions 149,194

All obligation guarantees are 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

The Company purchased land for $850,000 in Hamilton for a replacement freight terminal on 7 May 2002.

14 Segmental Reporting

The Group operates in the domestic freight and international freight industries.
The Group operates predominantly in two geographical segments - New Zealand and Australia.
The basis for intersegment pricing is at normal trade price.

Industrial and Geographical Segments

	N.Z. Domestic	N.Z. Internat.	Australia Domestic	Australia Internat.	Intercoy	2002 $000 Consolidated
Operating revenue						
• sales to customers outside the group	145,136	73,954	52,107	129,877	-	401,074
• intersegments sales	1,795	1,830	657	4,455	(8,737)	-
Total revenue	146,931	75,784	52,764	134,332	(8,737)	401,074
EBITDA	19,413	2,617	(2,252)	4,674	-	24,452
TOTAL ASSETS	129,248	14,353	25,996	27,454	(45,409)	151,642

						2001 $000
Operating revenue						
• sales to customers outside the group	137,200	74,849	73,303	125,494	-	410,846
• intersegments sales	1,639	1,789	697	5,463	(9,588)	-
Total revenue	138,839	76,638	74,000	130,957	(9,588)	410,846
EBITDA	19,790	1,869	(5,486)	2,987	-	19,160
TOTAL ASSETS	123,631	14,143	33,335	26,714	(42,835)	154,988

Notes to the Financial Statements

15 Reconciliation of Cash Flows with Reported Net Surplus

	Group 2002 $000	Group 2001 $000	Parent 2002 $000	Parent 2001 $000
Net surplus after taxation	8,579	3,896	6,879	9,500
Non-cash items:				
Depreciation	5,808	5,015	3,195	2,821
Amortisation of goodwill	2,178	2,060	-	-
(Increase) Decrease in deferred tax asset	(283)	(704)	(144)	131
	16,282	10,267	9,930	12,452
Add (Less) movements in other working capital items, net of effect of acquisitions:				
(Increase) Decrease in accounts receivable	2,224	(13,645)	(4,309)	(979)
Increase (Decrease) in accounts payable	(1,369)	9,207	1,061	879
Increase (Decrease) in interest payable	(219)	542	(313)	542
(Increase) Decrease in interest receivable	111	(128)	667	(506)
Increase (Decrease) in taxation payable	(572)	(3,254)	(892)	(138)
Increase (Decrease) in net GST	18	102	11	12
Less item classified as investing activity:				
Net (surplus) deficit on sale of fixed assets	(285)	(476)	(344)	(645)
NET CASH INFLOW FROM OPERATING ACTIVITIES	16,190	2,615	5,811	11,617

16 Provisions

	Group 2002	Group 2001	Parent 2002	Parent 2001
Opening balance	1,280	525	-	-
Amounts credited during the year	395	453	-	-
Amounts utilised during the year	(173)	(247)	-	-
Amounts acquired on purchase of business	-	549	-	-
CLOSING BALANCE	1,502	1,280	-	-

A provision has been recognised for the Group's expected liability for long service leave for Australian employees. Timing of the realisation of this liability is uncertain. This provision is shown under employee entitlements in the Statement of Financial Position.

MAINFREIGHT

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.

CURRENCY AND 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. To manage foreign exchange risk the Group uses natural hedges where available. Short term foreign exchange contracts are used when deemed necessary.

An interest rate participating swap for $25,000,000 was entered into on 30 November 2001 for twelve months. The interest rate paid including margin was fixed at 5.73%. The Company receives a floating rate of interest at the BKBM rate which was 6.36% at balance date. The fair value of the interest rate swap is not recognised in the Statement of Financial Position.

At 31 March 2002 the Group has the following monetary assets and liabilities denominated in foreign currencies, 45% of accounts payable (trade), 50% of accounts receivable (trade), 19% of cash assets and 93% of cash liabilities. 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	**2002** Value of Transactions $000	**2001** Value of Transactions $000
B. Plested	Director and Shareholder	Interest on advances (8.5%)	(108)	(107)
B. Plested	Director and Shareholder	Advances to company	(5,073)	(2,588)
B. Plested	Director and Shareholder	Repayment of advances	3,818	2,280
C. Howard-Smith	Director and Shareholder	Legal and trustee fees	139	113

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	1,714	900
Mainfreight International Ltd	Subsidiary	Trade - 30 days	185	261
Lep International (NZ) Ltd	Subsidiary	Trade - 30 days	230	156
Lep International Pty Ltd	Subsidiary	Trade - 30 days	50	324
Mainfreight International Pty Ltd	Subsidiary	Trade - 30 days	95	50
Mainfreight Holdings Pty Ltd	Subsidiary	Trade - 30 days	422	-
Mainfreight International Ltd	Subsidiary	Advance - On call	-	681
Mainfreight Distribution Pty Ltd	Subsidiary	Advance - On call	31,523	28,489
Lep International Pty Ltd	Subsidiary	Advance - On call	-	2,737
Carotrans International Inc	Associate	Advance - On call	2,569	1,492
			36,788	35,090

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	81	56
Mainfreight International Ltd	Subsidiary	Trade - 30 days	6	20
Lep International (NZ) Ltd	Subsidiary	Trade - 30 days	31	15
Mainfreight Holdings Pty Ltd	Subsidiary	Trade - 30 days	-	135
Daily Freight (1994) Ltd	Subsidiary	Advance - On call	3,477	4,200
Lep International (NZ) Ltd	Subsidiary	Advance - On call	2,547	581
B. Plested	Director and Shareholder	Advance - On call	1,563	308
			7,705	5,315

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 (2001 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	Legal fees	30	30

Name of Related Party	Type of Transaction	Terms of Settlement	Balance Payable $000	Balance Payable $000
Geologistics Ltd	Advance	On call	530	216

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

Auditor's Report

ERNST & YOUNG ▪ Chartered Accountants

To the Shareholders of Mainfreight Limited.

We have audited the financial statements on pages 37 to 51. The financial statements provide information about the past financial performance of the company and group and their financial position as at 31 March 2002. This information is stated in accordance with the accounting policies set out on pages 40 and 41.

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 2002 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 and consulting advice to the company and group.

Unqualified Opinion

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

In our opinion:

- proper accounting records have been kept by the company as far as appears from our examination of those records; and
- the financial statements on pages 37 to 51:
  - 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 2002 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 28 June 2002 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 ^^	$167,000	Current
Don Braid #	$332,000	Current
Don Rowlands	$50,000	Current
Neil Graham	$25,000	Current
Carl Howard-Smith*	$25,000	Current
John Fernyhough	$25,000	Current
Richard Prebble	$25,000	Current
Chris Dunphy #	$306,000	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. Chris Dunphy is remunerated in Australian currency.

Employees' Remuneration

The Group paid remuneration including benefits to 23 New Zealand based and 34 overseas based employees (other than directors) during the year in excess of $100,000 in the following bands:

Remuneration	New Zealand Based Number of Employees	Overseas Based Number of Employees
$100,000 - $110,000	7	8
$110,000 - $120,000	3	9
$120,000 - $130,000	3	8
$130,000 - $140,000	2	1
$140,000 - $150,000	2	2
$150,000 - $160,000	1	1
$160,000 - $170,000	1	1
$170,000 - $180,000	1	1
$180,000 - $190,000	1	-
$190,000 - $200,000	1	1
$200,000 - $210,000	-	1
$210,000 - $220,000	-	1
$240,000 - $250,000	1	-

Donations and Auditors' Fees

Donations and auditors' fees are set out in note 2 of the Financial Statements. The company has an Audit Committee comprising of Carl Howard-Smith and Richard Prebble.

Minority Veto Provisions

The Company has adopted "minority veto" provisions in its constitution.

Statutory Information

Directors' Shareholdings at Balance Date

	2002	2001
BG Plested		
• beneficially owned	21,495,567	21,393,567
• held by associated persons	345,820	270,100
NL Graham		
• beneficially owned	5,909,561	5,909,561
CG Howard-Smith		
• held as trustee of staff share purchase scheme	130,840	130,840
• held by associated persons	550,000	550,000
DD Rowlands		
• beneficially owned	642,000	642,000
CJ Fernyhough		
• beneficially owned	100,000	100,000
• held by associated persons	126,300	126,300
CS Dunphy		
• beneficially owned	475,000	325,000
• held by associated persons	588,000	578,000
DR Braid		
• beneficially owned	6,264	6,264
• held by associated persons	506,000	506,000
RW Prebble		
• beneficially owned	500,000	500,000
TOTAL	31,375,352	31,037,632

Statutory Information

Substantial Security Holders

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

The following are recorded by the Company as at 4 June 2002 as Substantial Security Holders in the Company, and have declared the following relevant interest in voting securities under the Securities Amendment Act 1988:

BG Plested	21,495,567
Harris Associates L.P.	7,059,751
NL Graham	5,909,561

Largest Security Holders as at 4 June 2002

BG Plested	21,495,567	29.42%
National Nominees NZ Ltd	8,328,039	11.40%
NL Graham	5,909,561	8.09%
Trustees Executors and Agency Company of New Zealand Ltd	4,346,632	5.95%
National Mutual Life Assurance of Australasia Ltd	2,329,552	3.19%
Royal and Sun Alliance Life Ltd	1,967,016	2.69%
Guardian Trust Ltd	1,556,035	2.13%
ASB Nominees Limited	1,178,000	1.61%
Penumbra Investments	1,000,000	1.37%
RDH Steel	1,000,000	1.37%
Armstrong Jones (NZ) Ltd	771,146	1.06%
DD Rowlands	642,000	0.88%
CG and PD Howard-Smith	550,000	0.75%
Hendry Nominees Ltd	539,242	0.74%
Invia Custodians Pty Ltd	525,000	0.72%
PM Masfen and J.A. Masfen	500,000	0.68%
RW Prebble	500,000	0.68%
Portfolio Nominees Ltd	487,787	0.67%
Westpac Superannuation Nominees	444,476	0.61%
ABN Amro Nominees Ltd	275,000	0.38%

Spread of Security Holders as at 4 June 2002

Size of Shareholding	Number of Holders	%	Total Number Held	%
1 - 999	142	6.19%	69,742	0.10%
1,000 - 4,999	1,153	50.15%	2,650,179	3.63%
5,000 - 9,999	436	18.96%	2,803,344	3.84%
10,000 - 49,999	481	20.92%	8,156,237	11.16%
50,000 - 99,999	41	1.78%	2,691,923	3.68%
100,000 - 999,999	38	1.65%	11,760,239	16.09%
1,000,000 - PLUS	8	0.35%	44,941,102	61.50%
TOTAL	2,299	100.00%	73,072,766	100.00%

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Interests Register

Name of Director or other Person having Interest	Details of Interest	Date Interest Disclosed
Bruce Plested	Purchased 102,000 shares at $1.58 per share.	23 August 2000
	Associated person sold 17,000 shares at $1.47 per share.	30 November 2001
	During the year associated persons purchased 92,720 shares at an average price of $1.05	31 March 2002
	At 1 April 2001 had a loan balance to Mainfreight of $308,021 outstanding at an interest rate of 8.5%. During the March 2002 financial year he advanced a further $5,073,499 and had repaid to him $3,818,721 leaving a balance at 31 March 2002 of $1,562,799. Interest of $108,353 was paid or accrued at balance date.	31 March 2002
Chris Dunphy	Exercised options to purchase 150,000 shares at $1-20 each.	22 March 2002
	Related party purchased 10,000 shares at $1.47 per share.	26 March 2002
Carl Howard-Smith	Associated person purchased 6,800 shares at $1.28 per share.	28 September 2001
	Associated person sold 10,000 shares at $1.45 per share.	27 November 2001
	Associated person purchased 3,200 shares at $1.45 per share.	20 December 2001

Statistics

The table below provides a summary of key performance and financial statistics.

	Notes	2002 ($000's)	2001 ($000's)	2000 ($000's)	1999 ($000's)	1998 ($000's)
Net Sales		401,074	410,846	312,614	286,321	210,322
EBITDA	1	24,452	19,160	21,247	17,588	16,020
Surplus before abnormals, interest and tax		16,466	12,085	16,570	13,100	12,565
Abnormals	2	0	1,592	0	537	0
EBIT	3	16,466	10,493	16,570	12,563	12,565
Net Interest Cost		3,266	3,740	1,607	1,266	777
Net Surplus (NPAT)	4	6,616	2,442	8,975	6,882	7,258
CASHFLOW	5	15,321	9,947	14,156	11,559	11,059
Net Tangible Assets	6	37,241	32,975	41,718	34,673	35,530
Net Debt	7	48,062	58,279	30,557	25,637	11,909
Total Assets		151,642	154,988	116,460	104,625	89,823
EBIT Margin (before Abnormals) (%)		4.1	2.9	5.3	4.6	6.0
Equity Ratio (%)	8	24.6	21.3	35.8	33.1	39.6
Return on NTA (%)	9	17.8	7.4	21.5	19.8	20.4
Net Interest Cover (x)	10	5.04	3.23	10.31	10.35	16.17
EARNINGS PER SHARE (CPS)	11	9.05	3.34	12.28	9.42	9.93
Adjusted Earnings per Share (cps)	11,12	9.05	5.52	12.28	10.15	9.93
Cashflow per Share (cps)	11	20.97	13.61	19.37	15.82	15.13
NTA per Share (cps)	11	50.96	45.13	57.09	47.45	48.62

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 1999 relate to restructuring costs in Lep International Pty Ltd, Mainfreight International Ltd and Mainfreight Distribution Pty 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. Cashflow is defined as NPAT plus amortisation of goodwill, depreciation and minorities.
6. Net Tangible Assets includes 75% of Lep International (NZ) Ltd and 75% of Lep International Pty 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 73.072 million Shares.
12. Adjusted Earnings per Share figures are based on NPAT with abnormal items added back.

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Notes

Mainfreight Proxy Form

I/We ______________________________

(full names in block letters)

Of ______________________________

____

(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 Wednesday 31 July 2002 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. 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 D R Braid as a Director	☐	☐
b) To re-elect Mr C S Dunphy as a Director	☐	☐
c) To re-elect Mr C G Howard-Smith as a Director	☐	☐
3. To authorise the Directors to fix the remuneration of the Auditors.	☐	☐
4. Issue of shares to Key employees.	☐	☐

Signed this ____________ day of ____________ 2002

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 registered office of Mainfreight Limited at 12-14 Southdown Lane, Penrose, Auckland, not less than 48 hours before the holding of the Annual Meeting.

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".

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tape here

No postage stamp required
if posted in New Zealand

tape here

BUSINESS REPLY POST
Authority No. 2888 Auckland NZ
Postage and fee will be paid on delivery to:

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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
Christopher S. Dunphy BA, Dip Bus. Fin
C John Fernyhough, LLM (Hons) Jr. Dur.
Neil L. Graham QBE
Carl G O Howard-Smith, LLB
The Hon. Richard W Prebble, BA, LLB (Hons),

Administration Office

473 Great South Road
Penrose
PO Box 14-038, Panmure
Auckland
Tel (09) 526 6370

Registered Office

12-14 Southdown Lane
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P.O. Box 14-038, Panmure
Auckland
Tel (09) 526 0950
www.mainfreight.com

Overseas offices

Lep International Pty Ltd
154 Melrose Drive
Tullamarine
Victoria 3043
Private Bag 8PO
Tel (613) 9339 0888
www.lep.com.au

Mainfreight Distribution Pty Ltd
1653 Centre Road
Clayton
Victoria 3168
Tel (613) 9265 5300
www.mainfreight.com.au

Mainfreight International Pty Ltd
Incorporating ISS Express Lines
Trade Park Drive
Tullamarine
Victoria 3043
Tel (613) 9330 6000
www.mainfreight-international.com.au

CaroTrans International Inc.
2401 Morris Avenue
Union, NJ 7083
United States of America
www.carotrans.com

Mainfreight International Hong Kong
Room 902,
Hollywood Plaza,
610 Nathan Road,
Mongkok, Kowloon
Hong Kong

Mainfreight Express Ltd
Room 15A
Dong Hai Commercial Building
588 Yan An Dong Road
Shanghai
China

Auditors

Ernst & Young
National Bank Centre
209 Queen Street
PO Box 199
Auckland

Bankers

Westpac Banking Corporation
Westpac Tower
120 Albert Street
PO Box 934
Auckland

Barristers to the Company

Howard-Smith & Co
45 Lake Road, Takapuna
Private Bag 33-339
Auckland

Share Registry

Computershare Registry Services Ltd
Level 2, 159 Hurstmere Road, Takapuna
Private Bag 92-119
Auckland

Annual Report by

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www.magnumltd.co.nz

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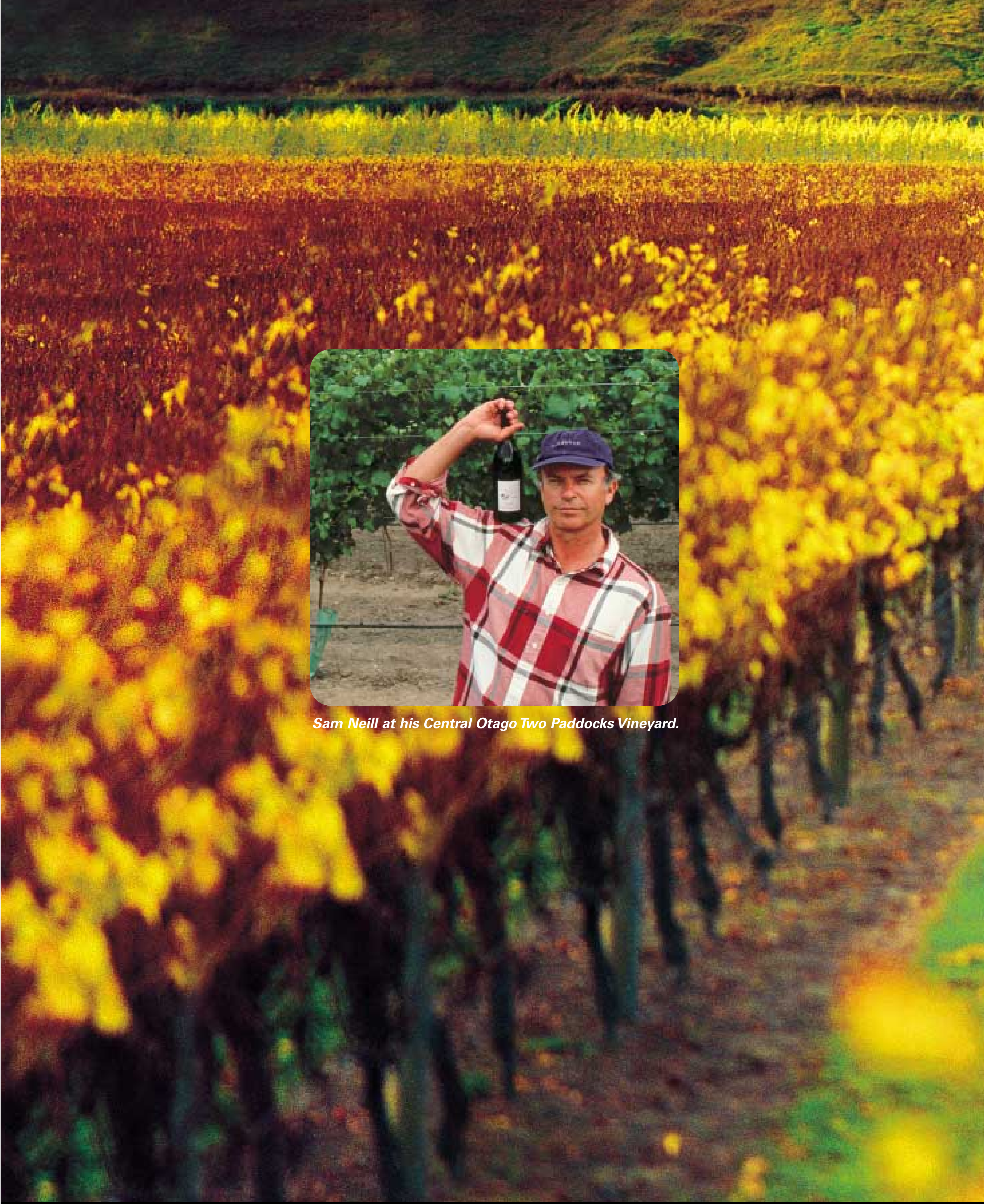

Sam Neill at his Central Otago Two Paddocks Vineyard.

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www.mainfreight.com