

## PRELIMINARY FULL YEAR REPORT ANNOUNCEMENT

### Mainfreight Limited

### For Full Year Ended 31 March 2018

Preliminary full year report on consolidated results (including the results for the previous corresponding full year). This report has been prepared in a manner which complies with generally accepted accounting practice and fairly presents the matters to which the report relates and is based on unaudited financial statements, which are in the process of being audited. The Listed Issuer has a formally constituted Audit Committee of the Board of Directors.

### Income Statement for the Year Ended 31 March 2018

	Note	2018 \$000	2017 \$000
Operating Revenue		2,618,349	2,333,088
Interest Income		511	503
Total Revenue		2,618,860	2,333,591
Transport Costs		(1,607,317)	(1,432,556)
Labour Expenses Excluding Share Based Payments		(538,483)	(476,256)
Occupancy Expenses		(73,192)	(65,792)
Depreciation and Amortisation Expenses		(47,788)	(43,492)
Other Expenses		(183,941)	(160,942)
Finance Costs		(7,567)	(7,728)
Non-cash Share Based Payment Expense		-	(55)
Profit Before Abnormal Items and Taxation for the Year		160,572	146,770
Income Tax on Profit Before Abnormal Items		(48,353)	(43,606)
Net Profit Before Abnormal Items for the Year		112,219	103,164
Abnormal Items	4	(7,224)	(2,448)
Income Tax on Abnormal Items	4	2,898	807
Abnormal Items After Taxation	4	(4,326)	(1,641)
Profit Before Taxation for the Year		153,348	144,322
Income Tax Expense		(45,455)	(42,799)
Net Profit for the Year		107,893	101,523

Earnings per share for profit attributable to the ordinary equity holders of the company are:

		Cents	Cents
Basic Earnings Per Share:	Total Operations	107.14	101.10
Diluted Earnings Per Share:	Total Operations	107.14	100.97

### Statement of Comprehensive Income for the Year Ended 31 March 2018

Net Profit for the Year		107,893	101,523
<b>Other Comprehensive Income</b>			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Exchange Differences on Translation of Foreign Operations		(1,988)	(5,260)
Income Tax effect		3,371	(2,155)
<b>Net Other comprehensive income to be reclassified to profit (loss) in subsequent periods</b>		1,383	(7,415)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Revaluation of Land including Foreign Exchange Movements		638	(789)
Income Tax effect		-	-
<b>Net Other comprehensive income not to be reclassified to profit (loss) in subsequent periods</b>		638	(789)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Defined Benefit Pension Provision		325	(635)
Income Tax effect		(137)	215
<b>Net Other comprehensive income not to be reclassified to profit (loss) in subsequent periods</b>		188	(420)
<b>Other Comprehensive Income for the Year, Net of Tax</b>		2,209	(8,624)
<b>Total Comprehensive Income for the Year, Net of Tax</b>		110,102	92,899

## Balance Sheet as at 31 March 2018

	Note	2018 \$000	2017 \$000
<b>Current Assets</b>			
Bank		80,521	75,312
Trade Debtors		361,737	314,888
Income Tax Receivable		270	1,829
Properties Held for Sale		7,852	-
Other Receivables		60,811	48,008
		<hr/>	<hr/>
		511,191	440,037
<b>Non-current Assets</b>			
Property		483,488	484,244
Plant & Equipment		98,822	86,462
Software		49,374	43,086
Goodwill		207,919	200,721
Brand Names		7,863	10,546
Other Intangible Assets		9,164	10,814
Deferred Tax Asset		8,581	8,855
		<hr/>	<hr/>
		865,211	844,728
		<hr/>	<hr/>
TOTAL ASSETS		1,376,402	1,284,765
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<b>Current Liabilities</b>			
Bank		36	947
Trade Creditors & Accruals		295,000	261,206
Employee Entitlements		53,373	47,907
Provision for Taxation		12,323	14,121
Finance Lease Liability		2,077	1,801
		<hr/>	<hr/>
		362,809	325,982
<b>Non-current Liabilities</b>			
Bank Term Loan		270,753	283,029
Employee Entitlements		3,634	3,800
Deferred Tax Liability		22,296	23,879
Finance Lease Liability		4,507	2,473
		<hr/>	<hr/>
		301,190	313,181
<b>Shareholders' Equity</b>			
Share Capital		85,821	85,821
Retained Earnings		586,211	521,619
Revaluation Reserve		51,254	50,616
Foreign Currency Translation Reserve		(10,651)	(12,034)
Defined Benefit Pension Reserve		(232)	(420)
		<hr/>	<hr/>
TOTAL EQUITY		712,403	645,602
		<hr/>	<hr/>
TOTAL LIABILITIES AND EQUITY		1,376,402	1,284,765
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The accompanying notes form an integral part of these financial statements.

## Statement of Changes in Equity for the Year Ended 31 March 2018

2018

\$000	Ordinary Shares	Asset Revaluation Reserve	Foreign Currency Translation Reserve	Defined Benefit Pension Reserve	Retained Earnings	Total
Balance at 1 April 2017	85,821	50,616	(12,034)	(420)	521,619	645,602
Profit for the Year	-	-	-	-	107,893	107,893
Other Comprehensive Income	-	638	1,383	188	-	2,209
<b>Total Comprehensive Income for the Year</b>	-	638	1,383	188	107,893	110,102
<b>Transactions with Owners in Their Capacity as Owners:</b>						
Supplementary Dividends	-	-	-	-	(1,497)	(1,497)
Dividends Paid	-	-	-	-	(43,301)	(43,301)
Foreign Investor Tax Credit	-	-	-	-	1,497	1,497
Balance at 31 March 2018	85,821	51,254	(10,651)	(232)	586,211	712,403

2017

\$000	Ordinary Shares	Asset Revaluation Reserve	Foreign Currency Translation Reserve	Defined Benefit Pension Reserve	Retained Earnings	Total
Balance at 1 April 2016	73,912	52,303	(4,619)	-	459,477	581,073
Profit for the Year	-	-	-	-	101,523	101,523
Transfer of Revaluation Reserve for Land Sold	-	(898)	-	-	898	-
Other Comprehensive Income	-	(789)	(7,415)	(420)	-	(8,624)
<b>Total Comprehensive Income for the Year</b>	-	(1,687)	(7,415)	(420)	102,421	92,899
<b>Transactions with Owners in Their Capacity as Owners:</b>						
Shares Issued	11,854	-	-	-	-	11,854
Executive Share Scheme Costs	55	-	-	-	-	55
Supplementary Dividends	-	-	-	-	(1,212)	(1,212)
Dividends Paid	-	-	-	-	(40,279)	(40,279)
Foreign Investor Tax Credit	-	-	-	-	1,212	1,212
Balance at 31 March 2017	85,821	50,616	(12,034)	(420)	521,619	645,602

## Cash Flow Statement for the Year Ended 31 March 2018

	Note	2018 \$000	2017 \$000
<b>Cash Flows From Operating Activities</b>			
Receipts from Customers		2,580,429	2,307,424
Interest Received		511	503
Payments to Suppliers and Team Members		(2,388,030)	(2,132,227)
Interest Paid		(7,567)	(7,729)
Income Taxes Paid		(45,107)	(36,745)
		140,236	131,226
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash Flows From Investing Activities</b>			
Proceeds from Sale of Property, Plant & Equipment		4,507	5,822
Proceeds from Sale of Software		46	38
Repayments by Team Members		213	4
Purchase of Property, Plant & Equipment		(51,509)	(47,696)
Purchase of Software		(17,726)	(19,603)
Advances to Team Members		(10)	(212)
Establishment of Franchises and Acquisition of Subsidiaries		(250)	-
		(64,729)	(61,647)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Cash Flows From Financing Activities</b>			
Proceeds of Long Term Loans		1,974	-
Proceeds of Share Issues		-	11,854
Dividend Paid to Shareholders		(43,300)	(40,279)
Repayment of Loans		(28,441)	(57,131)
		(69,767)	(85,556)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>			
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		5,740	(15,977)
Net Foreign Exchange Differences		380	(2,394)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		74,365	92,736
		80,485	74,365
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>			
<b>Comprised</b>			
Bank and Short Term Deposits		80,521	75,312
Bank Overdraft		(36)	(947)
		80,485	74,365

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

## **1 Corporate Information**

The preliminary full year report announcement of Mainfreight Limited ("the parent") and its subsidiaries ("the Group") for the year ended 31 March 2018 were authorised for issue in accordance with a resolution of the Directors.

Mainfreight Limited is a company limited by shares incorporated in New Zealand whose shares are publicly traded on the NZX Main Board (New Zealand Stock Exchange).

## **2 Accounting Policies**

Accounting policies remain consistent with the 2017 prior year financial statements.

## **3 Required NZX Disclosures**

### ***Movements in Ordinary Shares on Issue***

	<b>2018</b>	<b>2017</b>
	<b>Shares</b>	<b>Shares</b>
Closing Balance	100,698,548	100,698,548
Average Balance During Year	100,698,548	100,417,298

In June and July 2016 a total of 1,125,000 redeemable ordinary shares were fully paid by the participants at an average price of \$10.56 per share.

At 31 March 2017 and 31 March 2018 there were no partly paid shares outstanding.

### ***Net Tangible Assets***

	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
Net Tangible Assets	487,457	423,521
Net Tangible Assets per Security (cps)	484.08	421.76

Net Tangible Assets includes Software and Deferred Tax Assets and Liabilities.

### ***Dividends Paid and Proposed***

	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
<b>Recognised Amounts</b>		
Declared and Paid During the Year to Parent Shareholders		
Final Fully Imputed Dividend for 2017: 24.0 cents (2016: 23.0 cents)	24,168	23,160
Interim Fully Imputed Dividend for 2018: 19.0 cents (2017: 17.0 cents)	19,133	17,119
	<hr/> 43,301	<hr/> 40,279

### ***Unrecognised Amounts***

Final Fully Imputed Dividend for 2018: 26.0 cents (2017: 24.0 cents)	26,182	24,168
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After the balance date, the above unrecognised dividends were approved by directors' resolution dated 28 May 2018. These amounts have not been recognised as a liability in 2018 but will be brought to account in 2019.

#### **4 Abnormal Items**

During the year the Group had \$7,224,000 of abnormal expenses (2017 \$2,698,000). The related after tax expense was \$5,048,000 (2017 \$1,891,000).

In the year the Group had no abnormal gains (2017 \$250,000). The related after tax gain was \$722,000 (2017 \$250,000).

These items comprised of:

<b><u>2018 Year</u></b>	<b><u>Pre-Tax</u></b> <b><u>\$000</u></b>	<b><u>Tax</u></b> <b><u>\$000</u></b>	<b><u>After Tax</u></b> <b><u>\$000</u></b>
Brand Name Impairment ***	(3,763)	941	(2,822)
Redundancies	(3,461)	1,235	(2,226)
Tax Rate Changes	-	722	722
	(7,224)	2,898	(4,326)

  

<b><u>2017 Year</u></b>	<b><u>Pre-Tax</u></b> <b><u>\$000</u></b>	<b><u>Tax</u></b> <b><u>\$000</u></b>	<b><u>After Tax</u></b> <b><u>\$000</u></b>
Redundancies	(2,698)	807	(1,891)
Earnout Accrual Written Back	250	-	250
	(2,448)	807	(1,641)

\*\*\* With the process of rebranding our European operations to Mainfreight underway it was decided to impair the purchased brand of Wim Bosman by one third in the 2018 financial year. This impairment entry has no cash impact.

#### **5 Annual Report and Annual Meeting**

The annual report is expected to be available on 26 June 2018.

The Annual Meeting is to be held at the Barrel Hall, Villa Maria Estate, 118 Montgomerie Road, Mangere, Auckland at 4.00pm on Thursday 26 July 2018.

## 6 Segmental Reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses whose operating results are regularly reviewed by the entity's chief operating decision maker and for which discrete financial information is available.

The Group operates in the domestic supply chain (i.e. moving and storing freight within countries) and air and ocean freight industries (i.e. moving freight between countries).

New Zealand, Australia, The Americas and Europe are each reported to management as one segment as the businesses there perform both domestic and air and ocean services.

The accounting policies of the operating segments are the same as those described in the notes in note 2 with the exception of deferred tax and the fair value of derivative financial instruments which are not reported on a monthly basis.

The segmental results from operations are disclosed below.

### Geographical Segments

The following table represents revenue, margin and certain asset information regarding geographical segments for the years ended 31 March 2018 and 31 March 2017.

	New Zealand	Australia	The Americas	Asia	Europe	Inter-Segment	2018 \$000
Operating Revenue							
- Sales to customers outside the group	666,156	675,217	610,913	117,304	549,270	-	2,618,860
- Inter-segment sales	294	18,631	40,811	64,084	30,228	(154,048)	-
Total Revenue	666,450	693,848	651,724	181,388	579,498	(154,048)	2,618,860
EBITDA	98,633	54,040	26,906	6,861	28,976	-	215,416
Depreciation & Amortisation	21,174	7,173	5,786	644	13,011	-	47,788
Capital Expenditure	33,463	7,860	6,495	240	21,173	-	69,231
Trade Receivables	85,475	92,321	94,181	15,212	93,488	(18,940)	361,737
Non-current Assets	372,010	174,896	83,823	11,094	223,388	-	865,211
Total Assets	473,466	299,228	200,561	50,897	371,190	(18,940)	1,376,402
Total Liabilities	201,965	145,993	114,016	21,996	198,969	(18,940)	663,999
Operating Revenue							
- Sales to customers outside the group	609,238	568,056	615,280	89,328	451,689	-	2,333,591
- Inter-segment sales	999	17,379	13,785	73,809	20,182	(126,154)	-
Total Revenue	610,237	585,435	629,065	163,137	471,871	(126,154)	2,333,591
EBITDA	91,021	44,930	26,205	8,806	26,580	-	197,542
Depreciation & Amortisation	18,943	6,843	5,341	639	11,726	-	43,492
Capital Expenditure	38,627	6,222	6,875	577	14,998	-	67,299
Trade Receivables	85,043	80,743	78,418	14,016	73,746	(17,078)	314,888
Non-current Assets	363,308	178,398	86,536	18,261	198,225	-	844,728
Total Assets	455,008	289,716	186,934	51,637	318,548	(17,078)	1,284,765
Total Liabilities	208,496	143,285	104,208	23,853	176,399	(17,078)	639,163

Reconciliation between Segment EBITDA and the Income Statement	2018 \$000	2017 \$000
Profit from Operations Before Abnormal Items and Taxation for the Year	160,572	146,770
Interest Income	(511)	(504)
Derivative Fair Value Movement	-	-
Non-cash Share Based Payment Expense	-	55
Finance Costs	7,567	7,729
Depreciation & Amortisation	47,788	43,492
EBITDA	215,416	197,542

EBITDA is defined as earnings before net interest expense, tax, depreciation, amortisation, abnormal items, royalties, share based payment expense, minority interests and associates.

There are no customers in any segment that comprise more than 10% of that segment's revenue.

Bank term loan is allocated based on segment net assets excluding bank term loan.

The geographical segments are determined based on the location of the Group's assets.

**Notice of event affecting securities**

NZSX Listing Rule 7.12.2. For rights, NZSX Listing Rules 7.10.9 and 7.10.10. For change to allotment, NZSX Listing Rule 7.12.1, a separate advice is required.

Number of pages including this one  
(Please provide any other relevant details on additional pages)

Full name of Issuer:

Name of officer authorised to make this notice:  Authority for event, e.g. Directors' resolution:

Contact phone number:  Contact fax number:  Date:

**Nature of event**  
Tick as appropriate

Bonus Issue  If ticked, state whether: Taxable  / Non Taxable  Conversion  Interest  Rights Issue Renounceable

Rights Issue non-renounceable  Capital change  Call  Dividend  If ticked, state whether: Interim  Full Year  Special  DRP Applies

**EXISTING securities affected by this** *If more than one security is affected by the event, use a separate form.*

Description of the class of securities:  ISIN:   
*If unknown, contact NZX*

**Details of securities issued pursuant to this event** *If more than one class of security is to be issued, use a separate form for each class.*

Description of the class of securities:  ISIN:   
*If unknown, contact NZX*

Number of Securities to be issued following event:  Minimum Entitlement:  Ratio, e.g. ① for ②  for

Conversion, Maturity, Call Payable or Exercise Date:  Treatment of Fractions:

Strike price per security for any issue in lieu or date Strike Price available:  Tick if *pari passu*  OR provide an explanation of the ranking:

**Monies Associated with Event** *Dividend payable, Call payable, Exercise price, Conversion price, Redemption price, Application money.*

*In dollars and cents*

Amount per security (does not include any excluded income):  Source of Payment:

Excluded income per security (only applicable to listed PIEs):

Currency:  Supplementary dividend details - NZSX Listing Rule 7.12.7:

Total monies:  Date Payable:

**Taxation** *Amount per Security in Dollars and cents to six decimal places*

In the case of a taxable bonus issue state strike price:  Resident Withholding Tax:  Imputation Credits (Give details):

Foreign Withholding Tax:  FWP Credits (Give details):

**Timing** (Refer Appendix 8 in the NZSX Listing Rules)

**Record Date 5pm** *For calculation of entitlements -*  **Application Date** *Also, Call Payable, Dividend / Interest Payable, Exercise Date, Conversion Date. In the case of applications this must be the last business day of the week.*

**Notice Date** *Entitlement letters, call notices, conversion notices mailed*  **Allotment Date** *For the issue of new securities. Must be within 5 business days of application closing date.*

**OFFICE USE ONLY**  
Ex Date:  
Commence Quoting Rights:  
Cease Quoting Rights 5pm:  
Commence Quoting New Securities:  
Cease Quoting Old Security 5pm:

Security Code:  
Security Code:

