PROSPECTUS

Mainfreight Limited

Lead Manager
BZW New Zealand Limited


" We are creating a 100 year company. You don't get that by cutting corners."
Bruce Plested mc!

important offer information

Key Dates

Final Date for lodging applications to receive preferential allocations	Wednesday 5 June 1996 at 10am
Offer Closing Date	Friday 7 June 1996 at 4.30pm
Despatch of Share Certificates	Wednesday 12 June 1996
Expected Listing Date"	Friday 14 June 1996

** Note: These dates are approximate only*

Offer Price The Offer Price will be set in an institutional tender and is expected to be in the range of $0.95 to $1.10 per Share.

How to Apply for Shares An application to purchase Shares must be made on an Application Form. The Application Forms contain further information on how to apply and are at the back of this Prospectus.

If you are unsure of any aspect of this Offer, contact your professional adviser or stockbroker, or call 0800 788 898.

Shares to be Offered The Offer is for 35,578,548 existing Shares (60% of issued capital) owned by Bruce Plested and Neil Graham. The size of the Offer may be increased in the manner described on page 6.

Registration This Prospectus is dated 6 May 1996. A copy of this Prospectus, duly signed and having attached thereto copies of the documents required by Section 41 of the Securities Act 1978 (and Regulation 7 of the Securities Regulations 1983) has been delivered for registration to the Registrar of Companies at Auckland.

NZSE listing Application has been made to the New Zealand Stock Exchange for permission to list the Shares and all the requirements of the Exchange relating thereto that can be complied with on or before the date of this Prospectus have been duly complied with. However the Exchange accepts no responsibility for any statement in this Prospectus. The Exchange has authorised members to act in this offer.

Definitions

In this Prospectus:

Mainfreight or *the Company* means Mainfreight Ltd, formerly called Mainfreight Transport Ltd.

Mainfreight Group or *Group* means Mainfreight and all its subsidiaries including Daily Freight (1994) Ltd, Chemcourier Services (1994) Ltd, Mainfreight Distribution Pty Ltd, and the 50% owned Mainfreight International Ltd.

Overview of Mainfreight

business philosophy

The success of Mainfreight is built on two unshakeable beliefs:

1 *The only way to keep ahead of our competitors is by the superior performance of our people.*

2 *The only measurement of that performance is how the customer perceives it.*

Mainfreight's philosophy is based on building, then sustaining, a leading position in the freight industry through consistently out-performing other players in the market. From the outset this has involved:

Getting the business basics right Mainfreight's first objective is to deliver customers' freight on time, every time, complete and damage free. In addition, revenue and margins are monitored closely — 34 profit centres report their financial and operational results on a weekly basis.

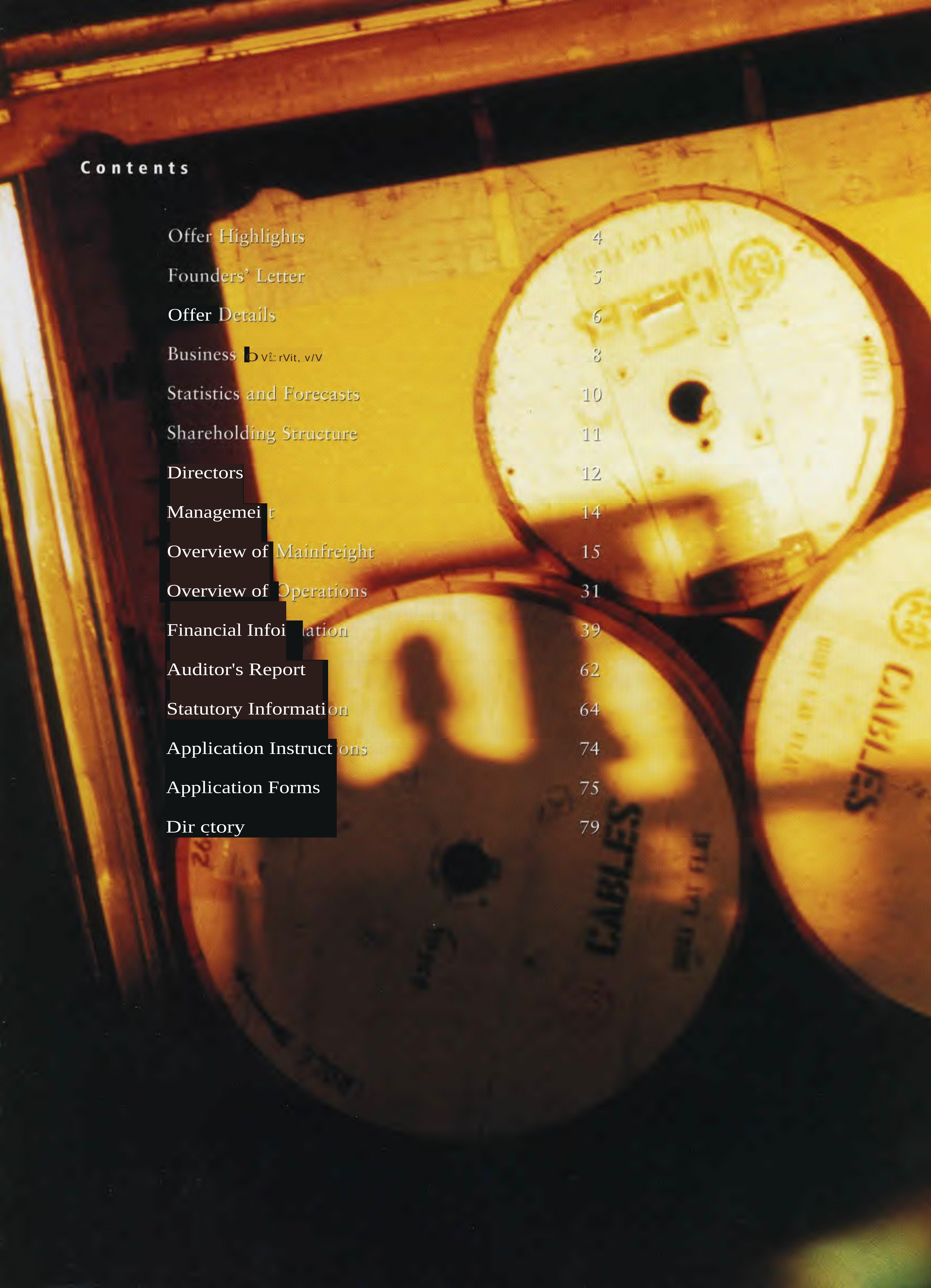
Decision making power for branch managers and individuals

Mainfreight's branch managers are innovative people responsible for the efficiency and profitability of their own operations. This emphasis on individual responsibility has been a feature of the Company since its inception.

Customer focus Mainfreight is driven by the needs of its customers both large and small, urban and rural. This has seen the growth of its network, and investment in new activities, such as managed warehousing.

Mainfreight's commitment has resulted in the development of close business relationships. Mainfreight and a large number of its customers view their mutual business relationship as a partnership, rather than one of buyer and seller.

"By sharing the profits with those who have created them, a better appreciation of capitalism emerges."



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offer highlights

The Offer is of existing shares in Mainfreight Limited by the founders and present shareholders of the Company, Bruce Plested and Neil Graham.

On completion of the Offer, Bruce Plested and Neil Graham will in aggregate retain between a 25% and 40% shareholding in the Company. Bruce Plested will retain his present role as Managing Director.

The Mainfreight Group is a growing organisation providing complete transport solutions to customers in New Zealand and Australia:

- It is New Zealand's largest multi-modal freight forwarder with daily services by road, rail or sea, to over 250 towns and cities in New Zealand.
- Mainfreight moves in excess of 30,000 consignments each week, made up of some 200,000 items.
- Using this established position, it is creating opportunities for growth through extending its activities into related business areas.
- Mainfreight provides warehousing and inventory management services at 12 locations.

Mainfreight had steady sales growth for the period 1991 to 1994, with earnings (EBIT) margins before abnormals averaging 7.1% per annum over this period. In 1995 both sales and EBIT increased significantly due to acquisitions. Earnings growth is continuing from the rationalisation of acquired businesses.

The Offer Price will be set by an institutional tender and is expected to be within the range of $0.95 to $1.10 per Share.

At an Offer Price of $1.10, the forecast P/E ratio is 11.9 times for the year ended 31 March 1997. The forecast P/E ratio for that period adjusting for abnormal items relating to flotation expenses is 10.6 times.

The first dividend is expected to be paid in December 1996 in respect of the 6 months ended 30 September 1996. Dividends of 5.5 cents per share are expected to be paid in respect of the year ended 31 March 1997. The Company expects to continue to pay dividends at a similar level in future years, subject to Mainfreight's cash flow, future earnings and investment needs.

At an Offer Price of $1.10, the dividend yield on Mainfreight Shares for the year ended 31 March 1997 is forecast to be 5.0%. Full imputation credits are expected to be available and therefore this is equivalent to a gross yield of 7.46% at a 33% tax rate.

The Offer represents a unique opportunity to participate in the further development and evolution of Mainfreight as a rapidly growing New Zealand logistics company.

founders' letter

Dear Investor

You are about to learn some of the secrets of this very Kiwi company started in Auckland in 1978 with a paid up capital of $7,200.

Together, with some luck, some vision, and a huge commitment from the Mainfreight team, in eighteen years we have progressed from New Zealand's smallest freight forwarder to the largest in the land.

In addition to our prominent position in less-than-container-load freight forwarding we have competence in managed warehousing, transportation of hazardous substances, international freight and full truckload freight. In all, Mainfreight has some 41 separate operations stretching from Kaitaia to Invercargill and including Sydney, Melbourne and Brisbane.

Very early on we sought a formula to improve our decision making. We decided to imagine that the business was going to last for a hundred years and that our decisions would be made on that basis. Gradually the "hundred" year philosophy took us over and has become the foundation on which the Company now stands.

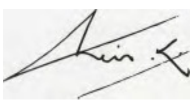
Our decision today to sell down our shares reflects this philosophy. We are motivated by a desire to set up the Company for the decades ahead.

The philosophies will remain the same. We will continue to strive for excellence every day; we will continue to be close to and understand the business of our customers and seek new opportunities. We will continue to promote from within, to seek high energy, intelligent, personable and educated people. And now, with a public float these people will have the opportunity to become shareholders and take ownership of the success they help to create.

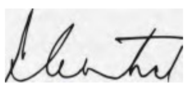
John Fernyhough and the Honourable Richard Prebble are challenging new directors who will bring additional perspectives and skills to our board to add to the wisdom, experience and deep understanding of our Company, chaired by Don Rowlands.

With our talented younger management team in place, our new board members, our unique New Zealand wide branch network, our diversity of related businesses, our thousands of satisfied customers, and the new financial opportunities brought by public ownership, a further 82 years seems a modest target.

We welcome you to the Mainfreight team of shareholders.



Neil Graham



Bruce Plested

offer details

The Offer This Offer is for 35,578,548 fully paid ordinary shares of Mainfreight Limited (being 60% of the issued capital). Over applications of up to a further 8,894,637 shares may also be accepted (being an additional 15% of the issued capital). The shares being offered ("the Shares") are existing shares and are offered for sale pursuant to this Prospectus by Bruce Plested and Neil Graham, ("the Offerors").

Offer Price The Shares are all offered for sale at the Offer Price. The Offer Price is expected to be in the range of $0.95 to $1.10 ("the Price Range"). The Offer Price may be set below $0.95 but will not be set above $1.10. All applicants whose applications are accepted will pay the same Offer Price.

Closing Date The Offer will close at 4.30 pm on Friday 7 June 1996.

Institutional Tender Before the close of the Offer, the Lead Manager will invite certain institutional and other investors to tender for Shares offered for sale pursuant to this Prospectus. These institutional and other investors will be invited to submit binding bids for various numbers of Shares at different prices. The price at which bids are accepted will be the Offer Price as determined by the Lead Manager in conjunction with the Offerors. In setting the price, consideration will be given to five principal factors being:

- the level of demand for Shares at various prices
- the objective of the Offerors to maximise the proceeds of the Offer
- the desire for an orderly secondary market in the Shares
- the encouragement of retail investor, employee, customer and supplier participation in the offering
- the creation of an ownership base of long term shareholders.

Applications Applications for Shares, other than pursuant to the institutional tender described above, must be accompanied by payment of an amount per Share equal to the price at the upper limit of the Price Range ($1.10 per Share) and sent in accordance with the Application Instructions on page 74. If the Offer Price is established at a level below the upper limit of the Price Range, applicants will be entitled to refunds per Share equal to the difference, but not to interest on any part of their application moneys. Until the allocation of Shares, application moneys will held in a trust account operated by the Lead Manager.

An application will constitute an irrevocable offer by the applicant to acquire the number of Shares specified in the Application Form (or such lesser number of Shares as the Lead Manager in conjunction with the Offerors may determine) on the terms and conditions set out in this Prospectus and the Application Form.

Applications for Shares must be for a minimum of 1,000 Shares and thereafter in multiples of 100 Shares. Interest will not be paid on application moneys refunded to applicants whose applications have been unsuccessful. Refunds will be despatched within 7 days of the Closing Date.

Allocation Policy 5% of the Offer will be reserved for preferential allocation to customers, suppliers and employees of the Company.

The Offerors have requested that a substantial proportion of the Shares offered pursuant to this Prospectus be allocated to retail investors.

Preference will be given to Applications from retail investors which are received before Wednesday 5 June 1996 at 10.00 am.

Acceptance of Applications The Offerors reserve the right to reject in whole or in part all or any applications and to accept any application in respect of a lesser number of Shares than that for which application is made.

To ensure that the Company meets the Stock Exchange's spread requirements, the Offer will not proceed if applications (including bids accepted pursuant to the institutional tender) are received from less than 500 applicants representing less than 25% of the Company's issued capital.

Share Certificates Certificates for Shares will be issued to successful applicants within 7 days of the Closing Date.

Underwriting and Brokerage The Offerors have not sought to have the Offer underwritten given that the Offer is for existing shares which they own.

Members of the Stock Exchange will receive brokerage on Shares transferred pursuant to Application Forms bearing their stamp at a rate of 2.0% of the Offer Price, except that brokerage of 1.0% of the Offer. Price is payable to the Lead Manager on Shares allocated pursuant to the institutional tender described on page 6.

Share Registry The Share Registrar is Registry Managers (New Zealand) Limited, Private Bag 92-119, Auckland 1030.

Subsequent transfers of Shares in Mainfreight will be accepted by the Share Registrar upon receipt of an executed transfer in common form and the relevant share certificate, subject to the requirements of the constitution of Mainfreight.

business overview

Activities Mainfreight operates an extensive freight handling network throughout New Zealand with a total of 41 branches, terminals and warehouse facilities in New Zealand and Australia.

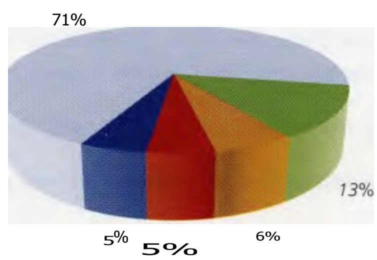
Its business activities include:

- domestic freight pick up, consolidation, forwarding, and delivery
- managed warehousing services
- specialised handling of hazardous substances
- full truck load services
- warehousing and freighting in Australia.

The Company also has a 50% shareholding in Mainfreight International Ltd, an international freight forwarding and customs clearance operation.

Breakdown of revenue

9 months to 31 December 1995



- Forwarding
- International
- Specialised services
- Warehousing
- Australia

The Company is most readily recognised by its Mainfreight, Daily Freight and Chemcouriers brands prominently displayed on vehicles operated by owner drivers and on its buildings. Mainfreight selects the most logical mode or mix of transport (road, rail or sea) to ensure the best combination of price and quality of service for its customers.

Mainfreight branch network

Leading Market Position In its traditional business of domestic freight forwarding and related services, Mainfreight estimates that it has a 30% share of the fragmented less-than-container-load ("LCL") market. This leading market position has been achieved through:

— the development of an extensive, nationwide branch network spanning from Kaitaia to Invercargill

— continuous commitment to timely delivery of freight with minimal breakages or damage

— information systems which enable close day-to-day management and performance monitoring

— systems which allow customers to track product movements and monitor transit times

— innovation in freight handling equipment, including special trailer and container designs, and substantial investment in dedicated facilities

– expansion of the business base through selective acquisitions.

The Company buys bulk (wholesale) transport capacity from road, rail or ship operators in the form of full truck loads, rail wagon space or containers. It resells the transport capacity along with a package of other services including pick up, documentation, consolidation, freight tracking information, deconsolidation and delivery.

Growth Opportunities There is significant scope for enhancement of Mainfreight's forwarding business through selective acquisitions, productivity gains from economies of scale and continuing innovation.

The Company believes that there are real opportunities for growth in managed warehousing. Specialised freight handling also has robust growth prospects. Mainfreight's Australian activities and the Company's investment in international freight forwarding are also expected to provide long term opportunities for growth.

Managed warehousing allows a customer to contract out to a third party (such as Mainfreight) responsibility for a number of functions such as goods storage, inwards movement, stock-takes, stock rotation, order assembly and despatch.

statistics and forecasts

The table below provides a summary of key performance and financial statistics. Further financial statistics are set out in the Financial Information section of this Prospectus.

Financial Years to 31 March:	Notes	1997F $ 000	1996F $ 000	1995 $ 000	1994 $ 000	1993 $ 000	1992 $ 000	1991 $ 000
Net Sales		137,171	130,383	130,527	76,627	71,085	70,634	67,529
Surplus before Abnormals, Interest & Tax		10,461	8,666	7,361	4,948	5,584	4,354	5,189
Abnormals	3	650	100	1,196	402			
EBIT	3	9,811	8,566	6,165	4,546	5,584	4,354	5,189
Net Interest Cost		958	952	888	96	154	300	443
Net Surplus (NPAT)	4	5,480	4,729	3,315	2,646	3,431	2,554	2,964
Cash Flow	5	8,340	7,166	5,699	3,852	4,778	3,716	4,002
Net Tangible Assets	6, 7	21,644	19,654	16,215	14,900	13,254	10,824	10,169
Net Debt	8	6,426	7,541	7,405	11,454	1,210	4,848	3,646
Total Assets	6	48,316	45,539	41,079	35,905	23,134	22,824	22,536
EBIT Margin (before Abnormals) (%)		7.6	6.6	5.6	6.5	7.9	6.2	7.7
Equity Ratio (%)	9	44.8	43.2	39.5	41.5	57.3	47.4	45.1
Return on NTA (%)	10	25.3	24.1	20.4	17.8	25.9	23.6	29.1
Net Interest Cover (x)	11	10.92	9.10	8.29	51.54	36.26	14.51	11.71
Earnings per Share (cps)	12	9.24	7.98	5.59	4.46	5.79	4.31	5.00
Adjusted Earnings per Share (cps)	12, 13	10.34	8.14	7.61	5.14	5.79	4.31	5.00
Cash Flow per Share (cps)	12	14.06	12.08	9.61	6.50	8.06	6.27	6.75
NTA per Share (cps)	6, 12	36.50	33.14	27.35	25.13	22.35	18.25	17.15
Total Number of Issued Shares (000)		59,298						

Forecast Year to 31 March 1997	Notes	@ $0.95 per Share	@ $1.10 per Share
Price Earnings Ratio (x)		10.28	11.90
Adjusted Price Earnings Ratio (x)	14	9.19	10.64
Gross Dividend Yield (%)	15	8.64	7.46
Net Dividend Yield (%)		5.79	5.00

Notes:

1. *Forecast figures for the year to 31 March 1996 are based on audited figures for the 9 months to 31 December 1995 and a forecast for the three months to 31 March 1996.*
2. *Forecasts are provided on the same assumptions as those set out on pages 40 to 44 of this Prospectus.*
3. *Abnormal items for the years ended 1996 and 1997 relate to flotation costs. Abnormal items for the year ended 31 March 1994 related to due diligence costs with respect to an acquisition which did not proceed, and in the year ended 31 March 1995 related to restructuring costs on the purchase of Daily Freight. 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. *Cash Flow is defined as NPAT plus amortisation of goodwill, depreciation and minorities.*
6. *Figures for Net Tangible Assets, Total Assets and NTA per Share do not take into account:*
   - *the value of the Mainfreight brand (valued by Interbrand Group plc, London ("Interbrand") at $9.425 million). The Interbrand valuation is dated 12 April 1996.*
   - *a $4.3 million excess above book value of land and buildings based on a valuation dated 31 March 1996 by Darroch & Co Ltd ("Darroch") (see note 8 to the Financial Statements on page 57).*

   Interbrand and Darroch have given written consent to the distribution of this Prospectus with the above statements included in the form and context in which they are included. Consent was not withdrawn prior to registration of this Prospectus. The Mainfreight brand has been professionally valued by Interbrand Pacific Pty Ltd, a wholly-owned subsidiary of Interbrand Group plc, London, the world's leading branding consultants. Interbrand pioneered the concept and contemporary techniques of brand valuation, and in the past eight years has valued over 1200 of the world's brands, with an aggregate value in excess of $40 billion. Darroch is a consultant and valuer in property. Neither Interbrand nor Darroch is intended to be a director, officer, or employee of, or professional adviser to Mainfreight, except that Darroch is professionally advising Mainfreight on a rent assessment.
7. *Net Tangible Assets includes 50% of the Net Tangible Assets of Mainfreight International (which is an in-substance subsidiary).*
8. *Net debt is long term plus short term debt less cash balances.*
9. *Equity Ratio is Net Tangible Assets as a percentage of Total Assets.*
10. *Return on NTA is NPAT as a percentage of Net Tangible Assets.*
11. *Net Interest Cover is Surplus before Abnormals, Interest & Tax divided by Net Interest Cost.*
12. *Per Share calculations are based on the current issued capital of 59.298 million Shares.*
13. *Adjusted Earnings per Share figures are based on NPAT with abnormal items added back.*
14. *Adjusted Price Earnings Ratio is the price per Share divided by the Adjusted Earnings per Share.*
15. *Gross dividend yield assumes fully imputed dividends with a 33% tax rate.*

shareholding structure

After completion of the Offer the shareholding structure of the Company will be as follows:

Shareholding structure immediately after the offer

	Number of Shares (000) (minimum — maximum)	Approximate Percentage Ownership (minimum — maximum)
Existing Shareholders	14,824 - 23,719	25% — 40%
New Shareholders	35,579 - 44,474	60% — 75%

Employee share scheme and executive share options Mainfreight proposes to establish an employee share scheme and has agreed to issue share options to senior executives.

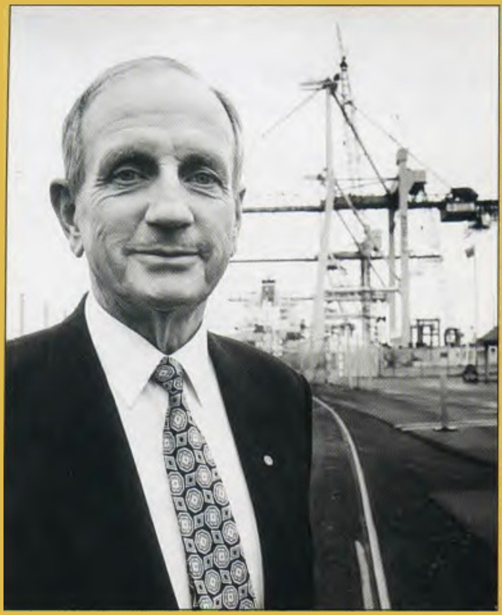
Employee share scheme The scheme Mainfreight proposes to establish is a general scheme under section DF7 of the Income Tax Act 1994 (which was previously section 166 of the Income Tax Act 1976). Under that scheme all full-time employees with more than one year's continuous service will be offered the opportunity to subscribe for new shares for a total maximum price per employee of $2,340. The shares will be offered to employees at a 10% discount to the Offer Price. Approximately 500 employees will be eligible to participate in the scheme. If all eligible employees take up their full entitlements under that scheme, the number of new shares which will be issued will represent less than 2% of Mainfreight's issued capital on a fully diluted basis.

Executive share options Mainfreight has agreed to issue options to subscribe for shares to certain senior executives. On exercise each option entitles the executive to subscribe for one fully paid ordinary share at an exercise price equal to 125% of the Offer Price for Shares offered under this Prospectus. The options are exercisable between 30 June 1999 and 30 June 2001. If all options are exercised new shares will be issued which, based on Mainfreight's existing share capital, will represent approximately 3% of the issued capital on a fully diluted basis. The options carry the right to participate in bonus issues or rights issues made pro rata to all shareholders as if the options had been exercised.

Options to directors Bruce Plested has granted each of the other directors (apart from Neil Graham) options to purchase shares from him. As those options are to purchase existing shares held by Bruce Plested, they will not result in any further shares being issued by Mainfreight. In all material respects, the terms of those options are the same as the terms of the executive share options. Those options relate to less than 3.5% of Mainfreight's capital on a fully diluted basis.

Offerors' Undertaking Bruce Plested and Neil Graham have agreed with the Company that, except in certain specified circumstances, they will not sell any shares so as to reduce the proportion of the Company's issued capital they hold below 20% and 5% respectively for a period of 18 months from the date the Offer closes. Details of that arrangement are set out on page 70 of this Prospectus.

directors

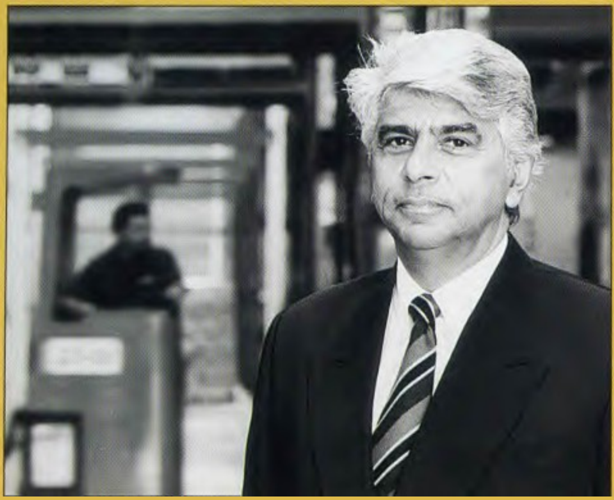


o n CBE Chairillai

A former Managing Director of Fisher & Paykel Industries Ltd, Don is a board member of Fisher & Paykel Industries Ltd, Nestle New Zealand Ltd and CWF Hamilton Ltd. He represented New Zealand in rowing at the 1956 Olympic Games, having won a gold medal in the single sculls at the 1954 Commonwealth Games. Don is Chairman of the Grants Committee of the New Zealand Sports Foundation. He joined the Mainfreight board in 1984.

Bruce is founding director of Mainfreight and has been involved in the freight forwarding business for 26 years. Prior to founding Mainfreight he worked as an accountant with Fisher & Paykel, then moved with Don Rowlands to launch Champion Sparkplugs in 1966. Bruce began his career in the transport industry in 1970 with Container Freights, which later became the Brambles subsidiary, New Zealand Freighters. Bruce is also a member of the Transfund Establishment Board.

Neil joined Mainfreight as Joint Managing Director in 1979. Prior to this, he spent 20 years with Brambles and associated transport companies, beginning as a driver and progressing through to Assistant General Manager in 1978. Neil holds private company directorships in farming and tourism businesses, and is the Patron of the IHC New Zealand Inc., Christchurch branch.

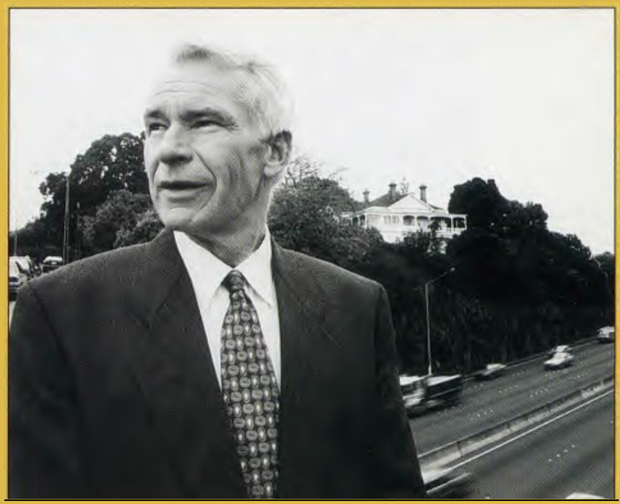


Carl Howard-Smith, *LLB.*

Carl is a barrister and solicitor in private practice in Auckland. He joined the Mainfreight board in 1984 and is also a director of the Auckland SPCA. Carl has been the Company's solicitor since the Company's inception.

John Fernyhough, LLA4 (Honsfi ilx;ctoria) Jr. Dot (Chicago)

John has been a prominent figure in the New Zealand business and political community for many years. Previous offices held include: Chairman of Electricity Corporation of New Zealand Ltd, Chairman of Forestry Corporation of New Zealand Ltd, Council Member of the New Zealand Institute of Directors, Deputy Chairman of the Securities Commission, and a senior advisor to Government. John currently chairs a number of boards of directors, including Direct Capital Partners Ltd, a company listed on the New Zealand Stock Exchange.



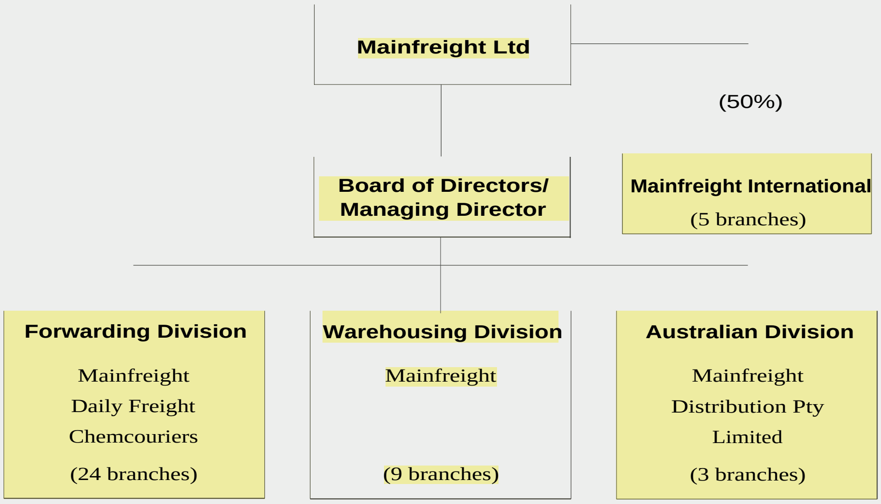
The Hon. Richard Prebble

BA 3 'Hor)s) cez

Richard was elected to Parliament in 1975 and was the first New Zealand Minister of State-Owned Enterprises. As Cabinet Minister his portfolios included Transport, Railways, Civil Aviation, and Finance (Associate Minister). Richard is Deputy Chairman of McConnell International Ltd and is Party Leader of ACT New Zealand.

management

Mainfreight is managed along functional lines as depicted below:



The managers of the three divisions and Mainfreight International have broad experience in the logistics industry, and each has full responsibility for the day-to-day running and strategic direction of a division.

Mainfreight International is 50% owned, with the balance owned by its management who report on a similar basis as the three division managers.

Don Braid *General Manager, Forwarding Division*

Don has worked extensively in the transport industry in the areas of sales management, operations and marketing. For the past three years he has been general manager of Daily Freight and Chemcouriers. In November 1995 Don was appointed General Manager of Mainfreight's Forwarding Division. Prior to joining Mainfreight, Don spent 15 years with the Freightways Group. He is a member of the Chartered Institute of Transport.

Kevin Drinkwater *B Com ACA — General Manager, Warehousing Division*

Kevin joined the Company in 1986, with the responsibility of taking Mainfreight from manual accounting and debtors, to a fully computerised system. Subsequently, he developed computer systems which integrate operations, administration, sales and customer requirements. Kevin developed Mainfreight's first managed warehouse in 1993. Prior to joining Mainfreight, Kevin worked predominantly in computer system implementation with various companies in New Zealand and the United Kingdom.

Bryan Curtis *General Manager, Australian Division*

Bryan joined Mainfreight at the age of 20 as a freight loader. After 10 years experience working in operations and in sales, Bryan moved to Australia where he was instrumental in setting up the Mainfreight Australia operation. Bryan was appointed General Manager of Mainfreight Distribution Pty Ltd in 1994.

company culture

Blended from the founding directors' personal values and a sense of social responsibility, the Company's culture is clearly reflected in the team spirit of its people and the attention given to Company assets.

- A policy of clean vehicles and a neat appearance of all individuals is evident and distinguishes Mainfreight from other transport operators.
- Mainfreight has a genuine concern for the environment, recycling aluminium, glass, steel and timber. Council approved truck wash facilities are operated.
- Mainfreight has a firm policy of paying creditors on time.
- Individuals are encouraged to take ownership of their own performance rather than being under constant supervision.
- Mainfreight has a policy of recruiting individuals with strong career aspirations.

Perhaps the most powerful aspect of this culture is that, by giving individuals responsibility and rewarding them for using initiative, Mainfreight people have adopted a healthy respect for capitalism.

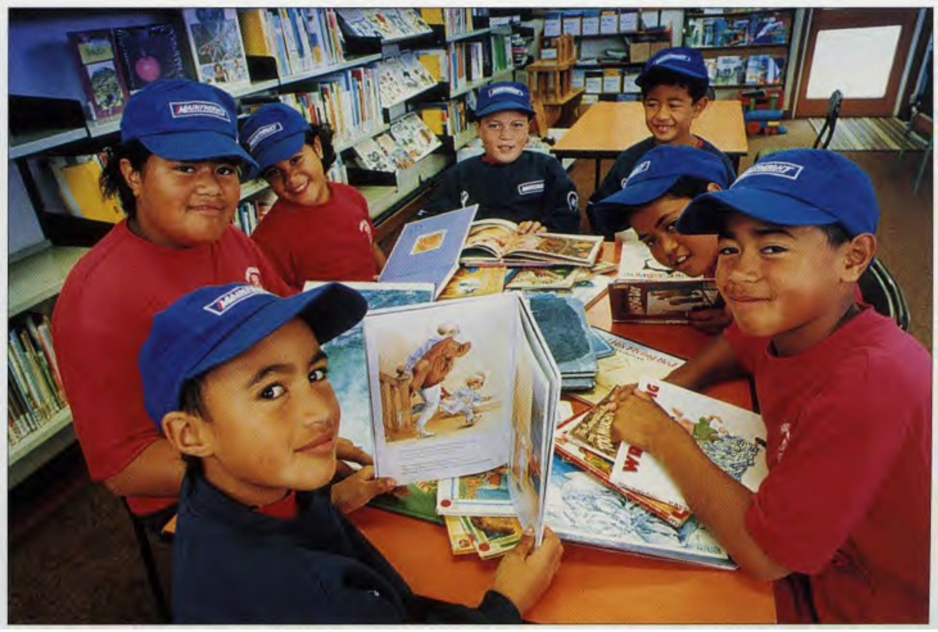
In conjunction with Mainfreight's financial and operational strengths, the attitude of its people unquestionably contributes to the continuing profitability of the Group.

Mainfreight in the Community

In recent years Mainfreight has made a commitment to help children from less well-off schools.

As major sponsors of the 'Alan Duff Books in Homes' programme, the Company is providing 18,000 books over three years to schoolchildren throughout New Zealand.

In January 1996, Mainfreight provided a computer for each classroom at Otara's Bairds Road Primary School.



Chris Knuth *Manager, Main freight, Southdown Lane, Auckland*

Early in his career, Chris showed leadership qualities. However, typical of the Main freight philosophy, he spent many years in operations — first as a freight handler at the Hamilton branch, then as a driver. Building on this experience, Chris was charged with setting up the Main freight Tauranga branch in 1988.

Beginning with just one container, one forklift, one other person and a truck he quickly established the Bay of Plenty branch as a viable operation.

In 1993 he moved back to Hamilton as Branch Manager where, as in Tauranga, Chris's keen eye for opportunity led to the generation of new business.

Today Chris is responsible for Main freight's largest operation at Auckland's Southdown Lane. He has responsibility for over 100 people and 6,500 consignments per week. His hands-on experience equips him to make the decisions needed to successfully manage the sizeable Auckland operation.

" With our customers, we have to be as fanatical about their business as they are."

"If people know what is expected of them, there is a very good chance they will achieve it."

the transport revolution

by the Honourable Richard Prebble, former Minister of Transport and Director of Mainfreight Limited.

In the last decade transport in New Zealand has been through an extraordinary revolution, from heavy regulation to deregulation.

It is because of transport's central role in the economy that government chose this sector to begin the deregulation of the economy. The results have been spectacular. For example, in 1984 New Zealand's ports were Australasia's most inefficient, today they are the most efficient.

The land transport reforms are just as spectacular and as successful. Freight transport has gone from an inefficient, cost plus, price controlled cartel to a deregulated, highly competitive and innovative industry.

Coupled with this regulatory reform is a technological revolution. Ten years ago when the movement of goods was recorded manually on paper, it was difficult to devise a system that could cope. Goods were lost, vehicles travelled half loaded and returned empty, invoicing was frequently late, all because of the paperwork. Computers and instantaneous communications have transformed trucking and freight forwarding from a low tech industry to a high tech industry. Mainfreight has been a leader in this revolution.

" Mainfreight today is a high tech, management information transport company, and that is the future of transport."

the mainfreight history- *as told by Bruce Plested*

Mainfreight evolved from the realisation that coastal shipping was not bound by the land transport laws of the day. The freight market of the 1970s was highly regulated and restricted requiring all freight travelling on land a greater distance than 150 kilometres to be moved by rail.

Mainfreight operated within the confines of the 150 kilometre regulations for nearly eight years. In that time we opened a branch in Auckland in 1978, Christchurch in 1979, Dunedin in 1980, and after the introduction of Pacifica's shipping service between Wellington and Lyttelton, a branch in Wellington in 1983.

We innovated in many ways. We hung Mainfreight blue ribbons on our seafreighters (containers) so that the wharf block-stacked them for quick access. We worked our Auckland operation seven days a week. Perhaps our most significant innovation was the invention of seafreighter extension sides which enabled us to move six extra cubic metres in each unit, for the same fixed cost.

By the time land transport deregulation occurred in 1985, we were hardened and experienced after eight years competing against the system and the giant transport companies. With the playing field almost levelled we were the fittest players, and our company was evolving a deep culture and a vision of what we could achieve.

" We took an oath that nothing, not anything, would get between us and getting our customers' freight delivered when we said we would."

Mainfreight branch growth

1978	Auckland
1979	Christchurch
1980	Dunedin
1983	Wellington
1985	Hamilton, Napier
1986	Invercargill
1988	Tauranga
	Palmerston North
1989	Sydney
1990	Rotorua, Melbourne
1991	Nelson, Brisbane
1993	New Plymouth
1994	Kaitaia, Whangarei,
	Gisborne, Hastings

the mainfreight history *continued*

In 1984 we formed Mainfreight International Ltd with a 50% shareholding, beginning with seafreight to Australia and now offering sea and air services to and from many parts of the world.

In 1989 we established a beachhead in Australia with an operation in Sydney, followed by Melbourne in 1990 and Brisbane in 1991. The concept of setting up in Australia was to offer New Zealand companies warehousing and transport in Australia of a similar standard to that available in New Zealand. That concept has been successful and in addition we now work for a number of Australian companies.

Eight years ago we developed a freight tracking system. Today our pick up and delivery drivers are progressively being equipped to download transit information directly to the computer from the cabs of their trucks.

The size and spread of our branches and services is now and will continue to be one of our greatest strengths.

" We have avoided the internal enemies of complacency and arrogance, and will continue to operate as a lot of s mall businesses within a larger business, firmly focused on each and every customer's requirements."

Judy Davies *Financial Controller, Mainfreight Distribution Pty Ltd. Australia*

Judy Davies began her career with Mainfreight in New Zealand.

Starting as a sales representative in 1985 with a background in accountancy, it became clear that Judy's talents would be of great value to the Company.

Judy was instrumental in the establishment of Main freight's Melbourne office in 1990 and today is responsible for the financial control of the Mainfreight Australia operation.

growth opportunities

Having established a leading position in the freight forwarding industry, Mainfreight has identified and is actively pursuing new and profitable activities. The Company's divisional structure provides the platform for these developments.

Forwarding While Mainfreight and Daily Freight have a substantial share of the freight forwarding market, the opportunities for profitable growth are significant, particularly from the more recently established provincial areas. Wellington and Palmerston North, with their purpose-designed new facilities, are expected to enjoy strong sales and profit growth.

Chemcouriers, with its specialised hazardous substances capability, has secured the business of a number of multi-national chemical companies. Many hazardous substance importers and suppliers are still presently using conventional freight operators to move their products. Chemcouriers is focusing on this market, as the need for specialised transport, driven by quality, security and safety issues comes to the fore.

Mainfreight will continue to seek opportunities in freight forwarding and related businesses by internal development or acquisition.

Warehousing Mainfreight believes that there are significant opportunities for growth in managed warehousing.

In the USA, 70% of all manufactured goods are warehoused by third party contractors. In Australia 30% of consumer durables are warehoused under contract. By contrast, in New Zealand only 11% of goods are warehoused using third parties. (Source: Logistics Management Association of Australia.) As awareness of the opportunities for cost savings grows among manufacturers, importers and distributors, this percentage is expected to rise.

growth opportunities *continued*

Mainfreight is actively developing this market in its already established multi-customer facilities located throughout the country.

The development of additional dedicated single customer facilities is imminent, with one confirmed 100,000 ft^2 (9,294m^2) warehouse presently under construction in Christchurch for Firestone. Other projects of a similar type are under discussion with a number of larger companies.

Australia Mainfreight is well positioned to grow in warehousing and related local and interstate freight in Australia.

New opportunities are being created in Melbourne and Brisbane by the gaining of customs licences. It is anticipated that customs licences will also be obtained in Sydney. These licences enable the loading and deconsolidation of overseas containers, and the associated warehousing and transportation of bonded cargoes.

Mainfreight International Over the last 12 months, Mainfreight International has consolidated the expansion of its facilities and range of services and is now positioned to achieve further growth. It is anticipated that there will be strong growth in the coming year in international airfreight.

" We are constantly reviewing and renewing our source of competitive advantage."


FRESH

technology

In an industry heavily weighted by paperwork, Mainfreight developed its own computerised freight tracking system in 1990. This was driven by customers' need for facts and the operational benefits of removing the excessive paperwork that restricted freight movement.

Driver wands and barcoding are the key to this system which enables Mainfreight and its customers to track freight accurately and quickly.

The Mainfreight voice-activated system called 'Tracey' effectively gives customers 24 hour access to the information they require, from any touchtone telephone within 10 seconds.

You are invited to access Tracey for a demonstration. Phone 0800 503 010, or (09) 526 0951. Your access number is 12345. Your test consignment note numbers can be any or all of the following: 53663013#, 53663024#, 53663035#, or 53663046#.

A more recent innovation, the `FREMAN' (Freight Management) system allows customers to quickly create consignment documentation and delivery address labels. The system allows the customer to send consignment details and receive tracking information electronically. Freman stores this information and allows customers to produce customised reports on a regular basis on their own computers, eliminating the need for traditional hard copy documents. Online reports detail consignments and actual transit times. In effect, customers who use the system have direct access to Mainfreight's internal working database.

By the year 2000 the Company aims to receive 40% of all consignment notes electronically.

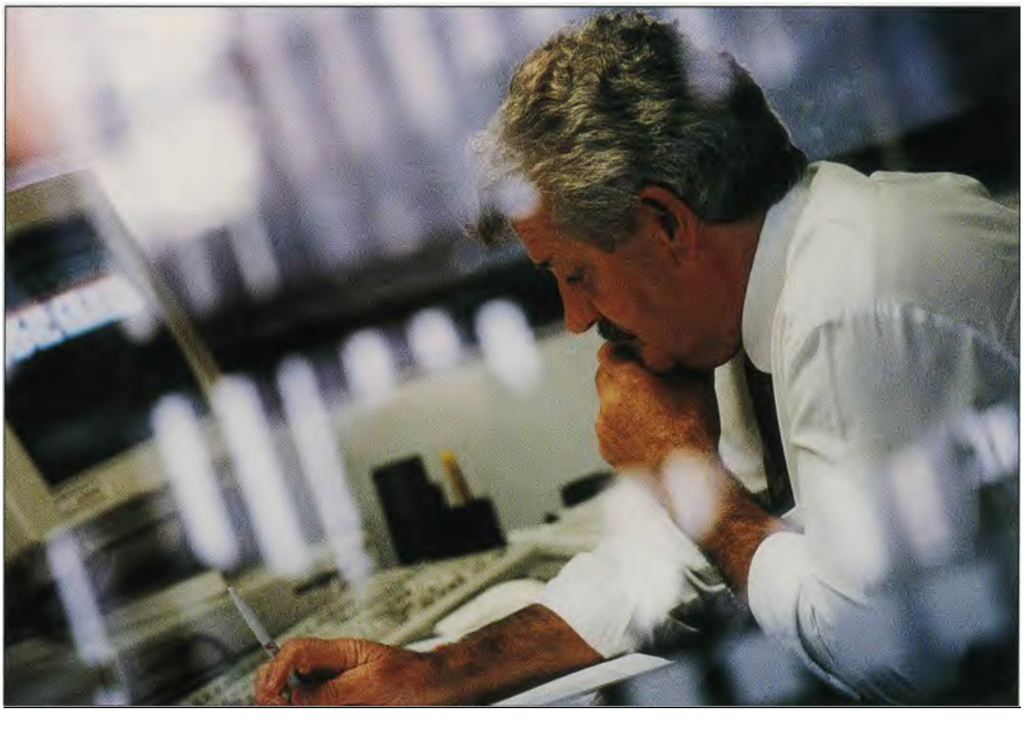
In addition to these systems, Mainfreight has also developed:

- strong financial management systems which allow the Company to accurately measure revenues and costs on a branch, operation and route basis. This enables weekly profit reporting and automatic and accurate payment of owner drivers

- information systems which simplify relatively complex logistics management. These systems are the key to services such as managed warehousing and inventory management.

As these and other developments continue, Mainfreight further distances itself from its competitors.

"Information technology has meant a new relationship with customers that provides a significant competitive edge."



FREMAN in action

Franklin machinery *For Main freight customer Franklin Machinery, the revolutionary freight management system FREMAN, has effectively reduced the time it spends on administration by many hours a day. It also enables Franklin to trace any of its consignments anywhere in the country within 30 seconds, and verify past consignments.*

This Pukekohe-based manufacturer of farm gates and hardware has over 600 customers spread from Gore to the far North. Each day it despatches around 30 gates of varying shapes, sizes and weights.

FREMAN stores all the information Franklin needs to automatically generate the consignment notes required. For every consignment it also generates address labels.

In the past, this involved a lengthy manual process which took around eight minutes per consignment and was subject to error. Today it takes less than 20 seconds with a minimal error rate.

In addition, through a modem link, FREMAN enables Franklin to instantly access transit information from the Main freight database. In turn, Franklin can immediately tell customers the current location of their gates, the time of delivery, transit points and even the driver's name.

"The FREMAN system has proved to be of real economic and commercial value to us."

Ian Richards, *Franklin Machinery Ltd*

facilities

The Company owns a substantial number of properties which house its operations.

When establishing a new branch, Mainfreight works to a proven formula:

- establish the operation in rented premises
- develop Mainfreight in the region, get to know the local market and environment
- assess the viability of the terminal
- if appropriate, the branch manager identifies land or suitable premises for purchase
- invest in facilities.

Over twelve million dollars has been invested in additional facilities and upgrades in the past three years.

Mainfreight facilities built or upgraded since 1993

Location (Mainfreight/Daily Freight)	Facility (Operating Description)	Date (of Commission)	Type (of Expenditure)	Size(m^2) (Covered Space)
MF Auckland	Dedicated Warehouse	11/93	Upgrade	4,627
MF Tauranga	Terminal & Warehouse	09/94	New	3,678
DF Auckland	Terminal & Offices	12/94	Upgrade	8,985
DF Christchurch	Terminal & Offices	03/95	Upgrade	4,266
MF Palmerston Nth	Freight Terminal	10/95	New	3,963
MF Christchurch	Administration	11/95	New	720
MF Wellington	Freight Terminal	03/96	New	4,408
MF Dunedin	Terminal & Warehouse	03/96	Upgrade	1,836
				32,483
				(349,517 ft^2)

This policy of owning and developing facilities has the following benefits:

- a reduction in fixed external rental costs
- it enables the Company to secure well positioned sites near major road, rail and port facilities
- facilities can be purpose built for optimum efficiency and productivity
- capacity can be expanded more readily for new businesses such as managed warehousing.

When properties are no longer considered suitable they are sold, and the proceeds reinvested in developing new sites.

acquisitions

Acquisitions have played an important role in Mainfreight's expansion, both as a means of expanding its network and adding revenues. Mainfreight has typically been able to acquire other smaller competitors at minimal net cost, rationalise their operations and incorporate their revenue into its existing administrative and network structure.

In recent years there have been significant opportunities for acquisitions. However the Company has remained very selective, reflecting fifteen years' experience in such transactions.

Business Acquired	Activity	Year	Brief Description
THOMAS TRANSPORT LIMITED	Local Carrier	1980	Dunedin Mainfreight agent
CROCKE ATTS	Freight	1985	Waikato Mainfreight agent
MODAL FRE GHT	Forwarding	1987	Rail and sea forwarder
E:Ezzi	Forwarding	1994	Freightways owned freight businesses
Jr MCHEMCOURIERS	Specialised Freight	1994	Freightways owned hazardous goods carrier
	Full Truck Load	1994	Freightways owned full load carrier
enormano ireiGiir services	Freight	1994	Whangarei/Kaitaia Mainfreight agent
Premier VIP Stores	Warehouse	1994	Australian acquisition
MSAS	Warehouse	1995	Obtained from international forwarder
	Local Cartage	1995	Purchased from New Zealand Post (Local Cartage Assets)

The largest purchase was the business of Daily Freightways. This established Mainfreight as the market leader in the domestic freight forwarding sector. There remain numerous opportunities to expand the revenue and earnings base of Mainfreight through the acquisition of small, sometimes niche, businesses in New Zealand and Australia.

Overview of Operations

forwarding division

This division is active in several business areas. These include domestic freight consolidation and forwarding, hazardous substances forwarding, full truck load ("FTL") transport and local distribution and delivery.

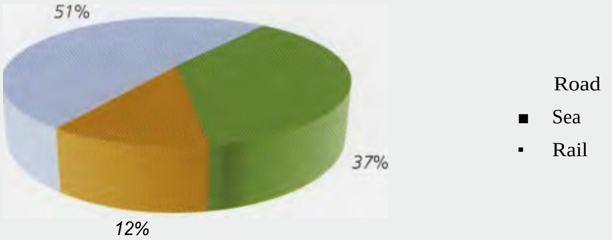
Freight Forwarding

Freight consolidation and forwarding is conducted under the *Mainfreight* and *Daily Freight* brands. The division has around 6,000 customers and no single customer represents more than 4% of revenues. Sales performance tends to reflect overall economic activity.

Strong competition exists not only between transport modes (road, rail and sea) but also within road transport where there are no significant barriers to entry.

Costs by mode*

9 months to 31 December 1995



* Mainfreight depot-to-depot (ie. linehaul) costs only

Mainfreight has established a leading industry position. This reflects several key competitive advantages it has been able to develop and sustain:

Large Network. Mainfreight operates 18 separate freight branches throughout the country. From each of these facilities a delivery service operates to outlying towns. A competitor would face substantial costs and time delay in replicating the Mainfreight network.

Price and Cost Competitiveness. Mainfreight's leadership in information technology provides it with a competitive advantage by being able to accurately cost every route and thereby price accordingly.

Service Quality. The key attributes of quality for this division are timeliness of delivery, availability of information and minimised breakages. Mainfreight's ratio of damage and breakage to consignments moved is one of the lowest in the freight forwarding sector. The Mainfreight branded activities of the division have been IS09002 accredited since 1993 and Daily Freight also received IS09002 accreditation in April 1996. The process of seeking accreditation for other operations within the division has commenced.

Freight Balancing. The most difficult feature of the New Zealand transport market is the North to South freight imbalance. With most imports entering the country via Auckland, freight movements of manufactured goods have a strong southbound bias. The Mainfreight and Daily Freight networks and customer bases maximise opportunities for northbound loadings.

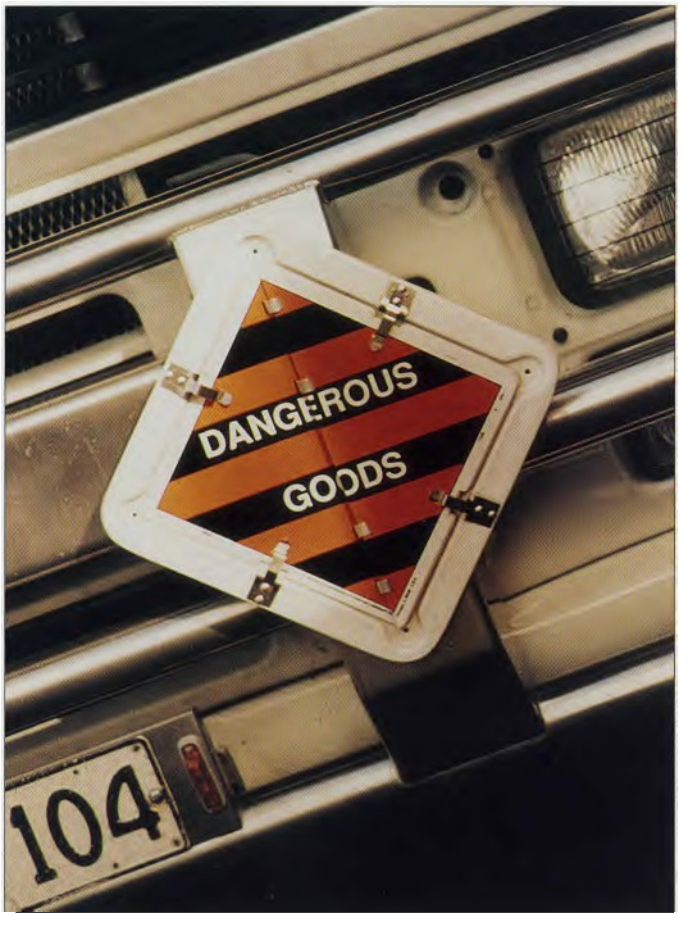
Specialised Services *The Chemcouriers, Mainfreight FTL, Mainfreight Metro* and *Container Repair* business units operate as separate profit centres within the Forwarding division. These operations expand the scope of Mainfreight's logistics activities and complement its other customer services.

Hazardous substances forwarding operates under the *Chemcouriers* brand. It is currently the only freight operation in New Zealand which concentrates solely on the safe transportation of packaged chemicals. Chemcouriers operates mainly in the North Island, and commenced South Island operations in 1995. Chemcouriers has its own team of specialised owner drivers, all trained in the handling and transport of hazardous substances with highly developed 24-hour emergency procedures. Chemcouriers is IS09002 accredited.

Full truck load transport operates under the *Mainfreight FTL* brand. At present the business operates only in the North Island, with operations focused on meeting the specialised requirements of a limited number of bulk customers.

Local delivery and distribution operates in the Auckland area under the *Mainfreight Metro* brand and services the requirements of a specialised contract warehouse company.

The Forwarding Division also carries out *Container Repairs* for customers at its Napier and Christchurch sites.



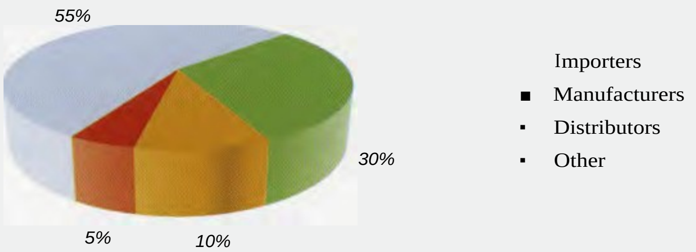
warehousing division

Managed warehousing is a relatively new area of activity. It commenced in 1993 to meet the specific requirements of some larger Mainfreight freight forwarding customers. It has subsequently become a separate division and has experienced excellent sales growth.

Mainfreight has three warehousing facilities in Auckland and two in Christchurch. All are multi-customer sites with the exception of one dedicated facility in Auckland.

Warehousing customer mix by revenue

9 months to 31 December 1995

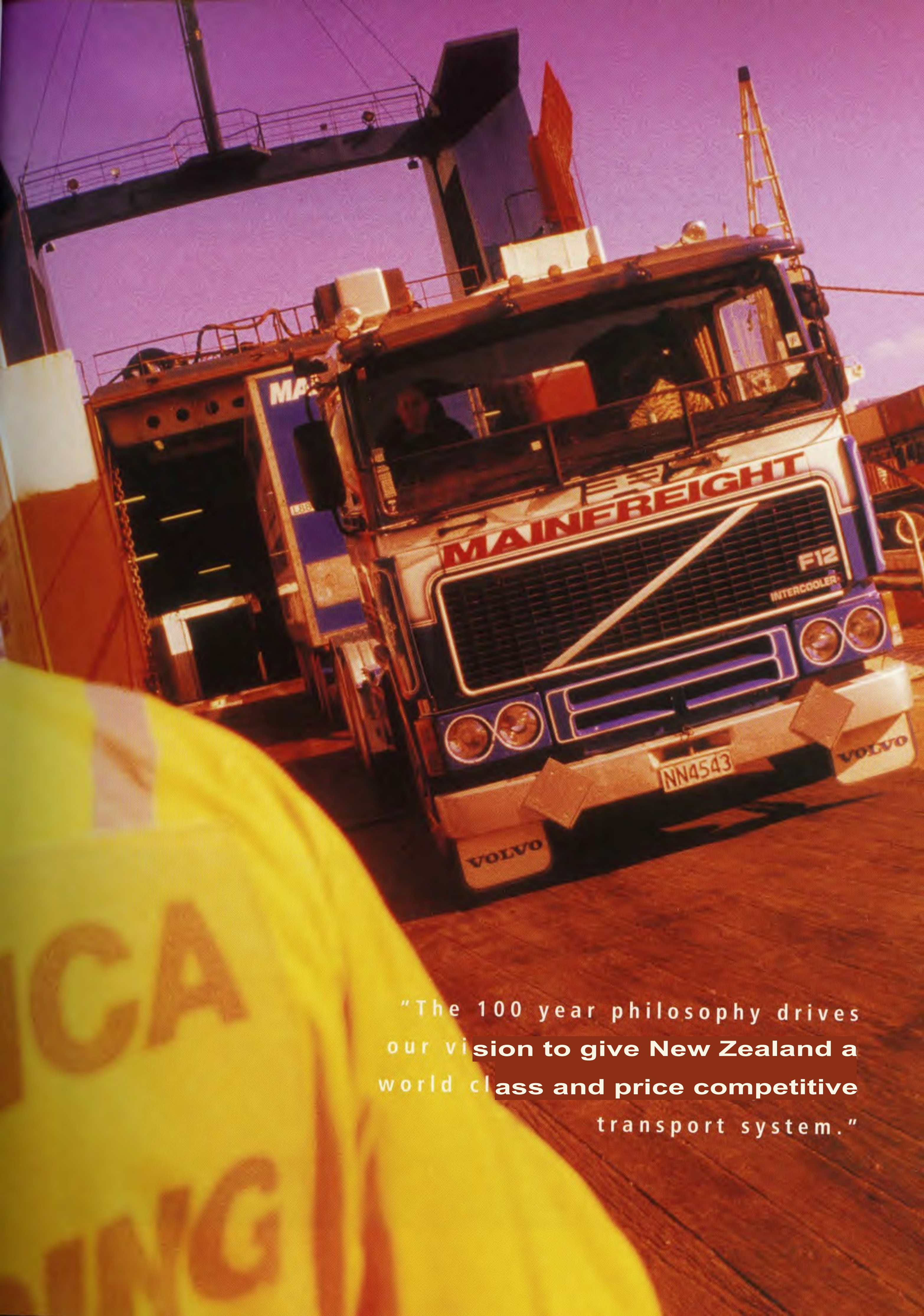


In many instances, the Company's Forwarding Division carries out the distribution of goods entering and leaving the warehousing facilities.

In addition, the Forwarding Division provides dedicated managed warehouse and storage facilities within branches at Mt Maunganui, New Plymouth, Napier, Hastings, Palmerston North, Wellington, Nelson and Dunedin.

The Mainfreight concept of warehousing focuses on information technology to assist in stock and facilities management. Systems are sufficiently developed to permit the Warehousing Division to manage all aspects of inventory requirements at significantly less cost than could be achieved by most customers.

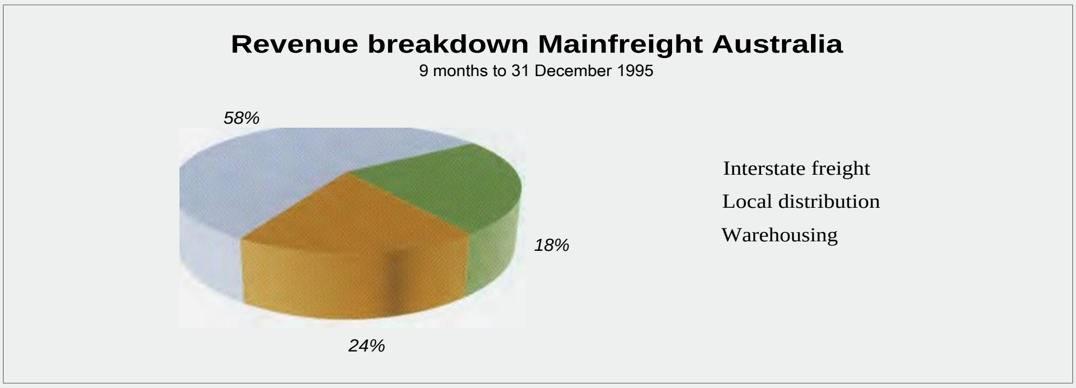
Past growth of the Warehousing Division is attributable to the expanding requirements for managed warehousing by a small number of customers. Although a major customer is expected to take its warehousing in-house during 1996, the opportunity for expansion is significant. As more businesses seek to allocate their capital in the most cost effective manner, the out-sourcing of warehousing is expected to increase in line with world-wide trends.



"The 100 year philosophy drives our vision to give New Zealand a world class and price competitive transport system."

australian division

Mainfreight Distribution Pty Ltd was established in 1989. Initially it provided warehousing and forwarding services in Sydney and subsequently expanded to Melbourne and Brisbane. The business has a relatively small market share, reaching sustained profitability in 1994. The purchase of Premier VIP Stores in Sydney provided the division with critical mass in warehousing customers.



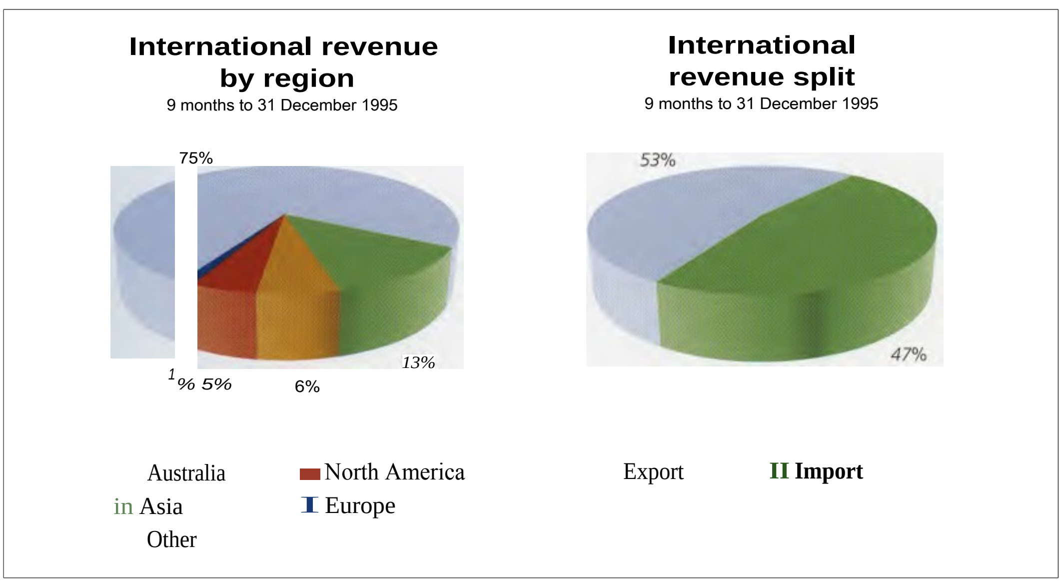
Revenues are sensitive to the exchange rate between Australia and New Zealand, reflecting the nature of the freight flows which are mainly from New Zealand. There is scope to expand beyond the traditional New Zealand exporter customer base. An incremental approach is being taken to such expansion to limit risk.

mainfreight international

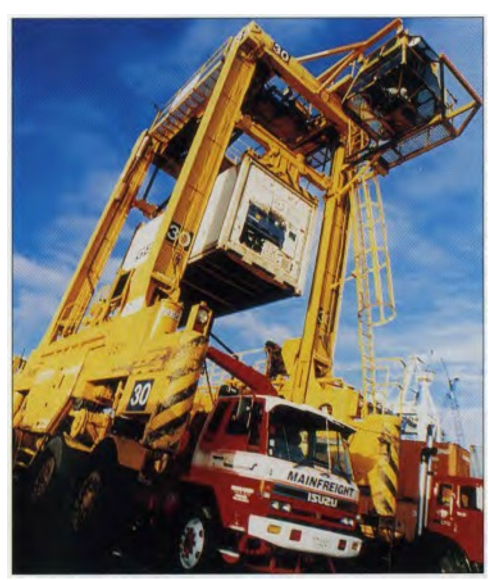
International freight forwarding is conducted under the Mainfreight brand and was established as a separate 50% owned company in 1984. The company provides services for exporters and importers through utilising a network of third party agents in 28 countries. The services provided include less-than-container-load freight forwarding, consolidation and de-consolidation of sea cargo, customs clearance and arranging logistics services at overseas destinations.

Mainfreight International has compatibility with Mainfreight's domestic freight forwarding and Australian operations, through customer base overlap and the ability to offer a broader range of services.

Mainfreight International focuses on the sourcing of New Zealand export freight with the greater proportion of cargo being destined for Australia. Agency relationships are largely based on freight imported into New Zealand.



The industry is highly competitive and volume sensitive. For sea cargo, growth can generally be expected to track New Zealand's overall trade performance in manufactured goods, particularly with Australia. The division established a dedicated freight forwarding operation for air cargo through Auckland International Airport in 1995.



fragile freight

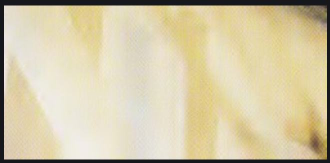
Morton Estate *The Morton Estate Winery in Katikati is renowned nationally — and internationally — for its fine wines. Like many wineries in New Zealand, its remote location poses distribution challenges.*

With regular customers from the Chatham Islands to the deepest South, Morton Estate requires a freight forwarding service which it can rely on for regular and reliable pick up and delivery to even the smallest town. The fragile nature of its merchandise demands careful handling. With orders ranging in size from a single case to a pallet, the cost of delivery is also a major consideration.

With all this in mind, Peter Kennedy of Morton Estate approached Main freight in 1994 to handle the distribution of its wines throughout the country.

"Mainfreight's service has been second to none in terms of their pick up and delivery. We have found their people willing to take on even the most challenging tasks. They get our wines and other products from the Katikati warehouse to even the smallest and most remote destinations.

Peter Kennedy Morton Estate



Prospects and Forecasts

Prospects The directors believe that there is good potential for growth over the medium term. The Group's performance over time is expected to reflect:

> Moderate underlying economic growth and low inflation in New Zealand, resulting in modest real volume growth in the Group's more mature freight areas of operation. Pricing is expected to move broadly in line with inflation.
>
> A continuation of the development of newer business activities in specialised services, such as the transport of hazardous substances, and managed warehousing. These activities have medium term growth prospects greater than the economy as a whole.
>
> Ongoing expansion of the Australian operation from its existing base.
>
> A continuing commitment to capital expenditure to enhance existing facilities and develop the Group's business.

The following is a summary of the forecast financial statements for the Group for the years ending 31 March 1996 and 1997. Although the directors have given due care and attention to the forecasts before adopting them, forecasts by their very nature are subject to uncertainties and variation in factors which are beyond the control of the Group. There can be no guarantee or assurance that the forecasts will be achieved. The forecasts were adopted by the directors of Mainfreight on 12 April 1996 and there is no intention to update the forecasts.

Forecast Group Statement of Financial Performance *For years ended 31 March*

	Forecast 1997 $000	Forecast 1996 (Note 1) $000	Actual 1995 $000
Operating Revenue	137,171	130,383	130,527
Depreciation	2,600	2,244	2,167
Surplus before Abnormals, Interest and Tax	10,461	8,666	7,361
Abnormal Items[2]	(650)	(100)	(1,196)
Interest Expense	(958)	(1,121)	(991)
Surplus before Taxation	8,853	7,445	5,174
Taxation	(3,173)	(2,523)	(1,642)
Surplus after Taxation	5,680	4,922	3,532
Minority Interest	(200)	(193)	(217)
Extraordinary Items			
Net Surplus	5,480	4,729	3,315
Retained Earnings at Start of Year[3]	14,744	11,015	9,700
Provision for Dividend	(3,260)	(1,000)	(2,000)
Bonus Issue	(13,775)		
Retained Earnings at End of Year	3,189	14,744	11,015

Forecast Group Statement of Financial Position *For years ended 31 March*

	Forecast 1997 $000	Forecast 1996 (Note 1) $000	Actual 1995 $000
Issued and Paid Up Capital	18,975	5,200	5,200
Retained Earnings	3,189	14,744	11,015
Total Shareholders' Equity	22,164	19,944	16,215
Minority Interest	776	810	638
Term Liabilities	10,000	10,000	10,000
Current Debt	-	50	565
Other Current Liabilities	15,376	14,735	13,661
Total Liabilities	25,376	24,785	24,226
Total Shareholders' Equity & Liabilities	48,316	45,539	41,079
Tangible Fixed Assets	29,185	27,505	23,031
Cash	3,574	2,509	3,160
Other Current Assets	15,037	15,235	14,888
Total Tangible Assets	47,796	45,249	41,079
Goodwill	520	290	
Total Assets'	48,316	45,539	41,079

Forecast Group Statement of Cash Flows *For years ended 31 March*

	Forecast 1997 $000	*Forecast 1996 (Note 1) $000*	*Actual 1995 $000*
Cash Flows from Operating Activities			
Cash was provided from:			
- Receipts from customers	137,627	131,489	128,940
Interest Received		169	94
	137,627	131,658	129,034
Cash was applied to:			
Payments to suppliers	(125,721)	(120,995)	(117,618)
- Interest Paid	(958)	(1,121)	(991)
- Taxes Paid	(3,173)	(2,180)	(1,468)
	(129,852)	(124,296)	(120,077)
Total Cash Inflows from Operating Activities	7,775	7,362	8,957
Cash Flows from Investing Activities			
Cash was provided from:			
- Proceeds from sale of fixed assets	720	1,300	4,514
- Repayments from Employees and Contractors	-	164	173
- Sale of Shares in MF Dist. Pty Ltd		93	-
	720	1,557	4,687
Cash was applied to:			
- Purchase of fixed assets	(5,000)	(7,911)	(6,608)
- Advances to Employees and Contractors	-	(52)	(100)
- Loan to Mainfreight Trust	-	-	(173)
- Purchase of Shares in MF Dist. Pty Ltd	(800)	-	-
	(5,800)	(7,963)	(6,881)
Net Cash Outflows from Investing Activities	(5,080)	(6,406)	(2,194)
Cash Flows from Financing Activities			
Cash was provided from:			
- Advances by Shareholders	-	1,712	1,928
Cash was applied to:			
- Repayment of Shareholder advances	-	(2,269)	(1,762)
- Repayment of loans		-	(669)
- Payment of Dividend	(1,630)	(1,050)	(2,050)
	(1,630)	(3,319)	(4,481)
Net Cash Outflows from Financing Activities	(1,630)	(1,607)	(2,553)
Net increase (decrease) in cash held	1,065	(651)	4,210
Add Opening Cash Brought Forward	2,509	3,160	(1,050)
Ending Cash Carried Forward	3,574	2,509	3,160

Notes and Assumptions to Forecast Group Financial Statements

Notes:

1. The year ended 31 March 1996 forecast has been compiled from actual results for the 9 months to 31 December 1995 plus forecasts for the three months to 31 March 1996.
2. Abnormal items in the years ended 31 March 1996 and 1997 are flotation costs (see page 41).
3. The reduction in retained earnings between 1996 and 1997 reflects the impact of a bonus issue.
4. Consistent with the audited 1995 data, the forecasts of Total Assets for years ended 31 March 1996 and 1997 do not reflect the value of brands or the excess over book value of land and buildings and leasehold improvements as determined by independent valuations. (See note 6, page 10).

General Assumptions

The forecasts are based on circumstances existing at the date of this Prospectus and the principal assumptions are:

- No material changes in the general economic, fiscal and regulatory environment in New Zealand and Australia over the forecast period.

- Real gross domestic product growth in New Zealand of 3.2% per annum and in Australia of 3.0% per annum.

- Annual inflation of approximately 2% in New Zealand and 3% in Australia over the forecast period.

- No disruptions that would materially affect the Group's operations over the period.

- No significant changes in major competitor strategies and activity which would unduly affect the freight market over the period.

Assumptions Specific to the Years to 31 March 1996 and 1997

Item	*Forecast to 31 March 1996*	*1997*	*Comments*
Operating revenue	Similar to 1995	5.2% rise	1996 — rationalisation of unprofitable business within Daily Freight offsetting the effects of sales gains and rate enhancements. 1997 — Forwarding and International will grow slower than the economy. Warehousing, specialised services and Australia will grow significantly faster than the economy.
Direct expenses	7.3% fall	4.3% rise	1996 — more competitive linehaul rates arising from coastal deregulation. 1997 — higher costs in line with higher revenues.
Gross margin (as a % of Operating Revenue)	4.6% rise	0.6% rise	1996 — further rationalisation of acquisitions leading to improved margins. 1997 — productivity improvements from improved facilities.
Labour	6.6% rise	4.5% rise	1996 & 1997 — salary review, and changing business mix.
Other expenses	19.2% rise	2.5% rise	1996 — growth mainly reflects two substantially 'one-off' factors: increase in ACC levies and writedown of computer equipment. 1997 — absence of 'one-off effects offset by increase in warehousing set-up costs.
Capital expenditure	$7.9m	$5.0m	1996 & 1997 — branch redevelopment and expansions, plus construction of a dedicated warehouse facility for Firestone.
Abnormal items	$100,000	$650,000	The Group's share of flotation costs.
Interest expense	10.0 — 10.3%	9.8 — 10.1%	Forecast on net debt.
Effective tax rate	33.9%	35.8%	Effect of mainly 'one-off' non-deductible items.
Dividend payout	20.2%	60%	
ESOP funding cost		$82,000	Effective after tax cost (maximum).

Risks

— The Group operates within the freight industry and is subject to standard industry risks. Claims due to loss and damage of freight arise from time to time. These claims are generally covered by insurance, or limited by legislative and contract limitations.

— The Group's performance depends on general economic conditions, including economic growth in New Zealand and Australia.

— Major cost exposures include linehaul costs and labour. The Company has been a major beneficiary of transport deregulation over the past decade which has resulted in falling linehaul costs in real terms. Linehaul is expected to remain very competitive and is not anticipated to be a source of cost increases in the forecast period.

— Rapid unanticipated rises in the New Zealand dollar against the Australian dollar can have a significant impact on both the translation of Australian revenues and profits and on short term export volumes from New Zealand to Australia.

— The forecasts assume that competitive activity in the freight sector will continue at present levels. Additional risk could arise in the event of major expansion into nationwide LCL freight by a new entrant or incumbent operator.

— The Group is not significantly exposed to a single customer or industry. However the warehousing division was initially developed around a small number of large clients. Directors are aware that a major warehousing division customer is to withdraw its business commencing in September 1996. This has been allowed for in the forecasts. A broader mix of warehousing customers is being developed to mitigate this risk.

Five Year Financial Summary

The historical information summarised below has been extracted from:

- Consolidated Audited Financial Statements for the Mainfreight Group for the years ended 31 March 1993, 1994 and 1995 and the nine month period ended 31 December 1995.

- Audited Financial Statements for Mainfreight Limited, Mainfreight International Limited and Mainfreight Distribution Pty Limited for the years ended 31 March 1991 and 1992.

During the year to 31 March 1993, the Company changed its policy in respect to accounting for consolidation. Prior to that financial year the Company had accounted for subsidiaries using the equity method of accounting. The summary financial details for the years ended 31 March 1991 and 1992 have been derived from reconstructed consolidated accounts in order to provide directly comparable figures.

Group Statement of Financial Performance *Years ended*

	31 Dec* 1995	31 Mar 1995	*31 Mar 1994*	*31 Mar 1993*	*31 Mar 1992*	*31 Mar 1991*
	$ 000	*$ 000*	*$ 000*	*$ 000*	*$ 000*	*$ 000*
Operating Revenue	99,746	130,527	76,627	71,085	70,634	67,529
Depreciation	1,670	2,167	1,124	1,123	1,019	960
Surplus before Abnormals, Interest and Tax	6,887	7,361	4,948	5,584	4,354	5,189
Abnormal Items (see below)		(1,196)	(402)			
Interest Expense	(979)	(991)	(136)	(214)	(376)	(569)
Surplus before Taxation	5,908	5,174	4,410	5,370	3,978	4,620
Taxation	(1,980)	(1,642)	(1,682)	(1,715)	(1,281)	(1,578)
Surplus after Taxation	3,928	3,532	2,728	3,655	2,697	3,042
Minority Interest	(143)	(217)	(82)	(224)	(143)	(78)
Extraordinary Items						
Net Surplus	3,785	3,315	2,646	3,431	2,554	2,964
Retained Earnings at Start of year	11,015	9,700	8,054	5,623	4,969	3,005
Provision for Dividend	(1,000)	(2,000)	(1,000)	(1,000)	(1,900)	(1,000)
Retained Earnings at End of Year	13,800	11,015	9,700	8,054	5,623	4,969

** 9 month period*

The increase in the 1995 Operating Revenue reflects the acquisition of Daily Freightways' assets in March 1994. The terms of this transaction remain confidential between the vendor and the purchaser.

Abnormal items for the year ended 31 March 1994 related to due diligence costs with respect to an acquisition which did not proceed, and in the year ended 31 March 1995 related to restructuring costs in the purchase of Daily Freight.

Group Statement of Financial Position *Years ended*

	31 Dec* 1995 $ 000	31 Mar 1995 $ 000	*31 Mar 1994* $ 000	*31 Mar 1993* $ 000	*31 Mar 1992* $ 000	*31 Mar 1991* $ 000
Issued and Paid Up Capital	5,200	5,200	5,200	5,200	5,200	5,200
Retained Earnings	13,800	11,015	9,700	8,054	5,624	4,969
Total Shareholders' Equity	19,000	16,215	14,900	13,254	10,824	10,169
Minority Interest	913	638	471	489	315	182
Term Liabilities	10,052	10,000	10,013	679	4,267	3,042
Current Debt	972	565	1,832	693	1,050	2,176
Other Current Liabilities	11,356	13,661	8,689	8,019	6,368	6,967
Total Liabilities	22,380	24,226	20,534	9,391	11,685	12,185
Total Shareholders' Equity & Liabilities	42,293	41,079	35,905	23,134	22,824	22,536
Tangible Fixed Assets	27,053	23,031	22,517	15,331	14,973	13,431
Cash	830	3,160	391	162	469	1,572
Other Current Assets	14,410	14,888	12,997	7,641	7,382	7,533
Total Tangible Assets	42,293	41,079	35,905	23,134	22,824	22,536

9 month period

Financial Statistics *Years ended*

	31 Dec* 1995	31 Mar 1995	*31 Mar 1994*	*31 Mar 1993*	*31 Mar 1992*	*31 Mar 1991*
NTA backing per share	$3.65	$3.12	$2.87	$2.55	$2.08	$1.96
Dividend per share (cps)	19.23	38.46	19.23	19.23	36.54	19.23
Ordinary $1.00 shares (000)	5,200	5,200	5,200	5,200	5,200	5,200

** 9 month period*

The following table reflects adjusting the financial statistics above so that they are based on Mainfreight's current share capital following the bonus issue and share split which occurred in 1996 (as set out on page 61).

Adjusted Financial Statistics *Years ended*

	31 Dec* 1995	31 Mar 1995	*31 Mar 1994*	*31 Mar 1993*	*31 Mar 1992*	*31 Mar 1991*
NTA backing per Share (cps)	32.04	27.34	25.13	22.35	18.25	17.15
Dividend per Share (cps)	1.69	3.37	1.69	1.69	3.20	1.69
Ordinary Shares (000)	59,298	59,298	59,298	59,298	59,298	59,298

9 month period

Historical Financial Information

- The historical financial information in this Prospectus relates to the consolidated financial statements of Mainfreight Limited (formerly Mainfreight Transport Limited) and its subsidiaries collectively referred to as "Mainfreight Group".
- The information is for the 9 months ended 31 December 1995, and the year ended 31 March 1995.
- All information has been audited, apart from the comparative information as at 31 December 1994 and for the 9 month period then ended which is unaudited.
- As at the date of registration of this Prospectus the accounts for the year ending 31 March 1996 had not been completed.
- The information comprises the following Financial Statements:
  - Consolidated Statement of Financial Performance
  - Consolidated Statement of Movements in Equity
  - Consolidated Statement of Financial Position
  - Consolidated Statement of Cash Flows
- The information also includes notes to and forming part of the Financial Statements.
- The Auditor's Report appears on pages 62 and 63.

Consolidated Statements of Financial Performance

	Notes	9 months to 31 December 1995 $000	1994 (Unaudited) $000	Year to 31 March 1995 $000	1994 $000
OPERATING REVENUE		99,746	99,581	130,527	76,627
SURPLUS BEFORE TAXATION FOR THE PERIOD	2	5,908	4,196	5,174	4,410
Income Tax Expense	3	1,980	1,451	1,642	1,682
SURPLUS AFTER TAXATION FOR THE PERIOD		3,928	2,745	3,532	2,728
Minority Interest in Profits of Subsidiaries		(143)	(161)	(217)	(82)
NET AND OPERATING SURPLUS FOR THE PERIOD		3,785	2,584	3,315	2,646

Consolidated Statements of Movements in Equity

	9 months to 31 December 1995 $000	1994 (Unaudited) $000	Year to 31 March 1995 $000	1994 $000
EQUITY AT THE BEGINNING OF THE PERIOD	16,853	15,371	15,371	13,743
Net surplus	3,785	2,584	3,315	2,646
Total recognised revenues and expenses for the period	3,785	2,584	3,315	2,646
Movements in minority interest during the period	275	111	167	(18)
Distributions to owners during the period	(1,000)	(2,000)	(2,000)	(1,000)
EQUITY AT THE END OF THE PERIOD	19,913	16,066	16,853	15,371

These Statements are to be read in conjunction with the notes on pages 52 to 61 .

Consolidated Statements of Financial Position

	Notes	9 months to 31 December 1995 $000	9 months to 31 December 1994 (Unaudited) $000	Year to 31 March 1995 $000	Year to 31 March 1994 $000
Issued and Paid Up Capital	4	5,200	5,200	5,200	5,200
Retained Earnings		13,800	10,284	11,015	9,700
SHAREHOLDERS' EQUITY		19,000	15,484	16,215	14,900
MINORITY INTEREST		913	582	638	471
TOTAL EQUITY		19,913	16,066	16,853	15,371
NON-CURRENT LIABILITIES					
Bank Term Loan	5	10,000	10,000	10,000	10,000
Finance Lease Liability	6	52	-	-	13
		10,052	10,000	10,000	10,013
CURRENT LIABILITIES					
Bank Overdraft		-	-	-	1,441
Creditors & Accruals		8,923	9,325	12,440	6,991
Employee Entitlements		1,807	1,612	1,221	1,034
Term Loan - Current					648
Provision for Taxation		626	565		-
Shareholder Advances	7	950	952	557	391
Finance Lease Liability	6	22	14	8	16
		12,328	12,468	14,226	10,521
TOTAL LIABILITIES AND EQUITY		42,293	38,534	41,079	35,905
FIXED ASSETS	8	27,053	23,232	23,031	22,517
CURRENT ASSETS					
Bank Account		165	139	2,980	-
Short Term Deposits		665	938	180	391
Trade Debtors		14,029	14,161	14,350	12,579
Tax Refund Due		-	-	299	51
Other Debtors		363	47	221	112
Deferred Tax Asset	3	18	17	18	255
		15,240	15,302	18,048	13,388
TOTAL ASSETS		42,293	38,534	41,079	35,905

These Statements are to be read in conjunction with the notes on pages 52 to 61.

Consolidated Statements of Cash Flows

Cash Flows from Operating Activities

	Notes	9 months to 31 December 1995 $000	9 months to 31 December 1994 (Unaudited) $000	Year to 31 March ,1995 $000	Year to 31 March 1994 $000
Cash was provided from :					
Receipts from Customers		100,030	98,162	128,940	71,912
Interest Received		110	34	94	31
		100,140	98,196	129,034	71,943
Cash was dispersed to :					
Payments to Suppliers		(93,130)	(90,780)	(117,618)	(69,665)
Interest Paid		(979)	(734)	(991)	(136)
Taxes Paid		(1,752)	(473)	(1,468)	(2,646)
		(95,861)	(91,987)	(120,077)	(72,447)
NET CASH FLOWS FROM OPERATING ACTIVITIES	13	4,279	6,209	8,957	(504)

Cash Flows from Investing Activities

	Notes	9 months to 31 December 1995 $000	9 months to 31 December 1994 (Unaudited) $000	Year to 31 March 1995 $000	Year to 31 March 1994 $000
Cash was dispersed from :					
– Proceeds from Sale of Fixed Assets		1,234	3,247	4,514	250
– Repayments by Employees and Contractors		44	80	173	44
– Sale of Shares in Mainfreight Distribution Pty Ltd		93	-	-	-
		1,371	3,327	4,687	294
Cash was applied to :					
Purchase of Fixed Assets		(7,301)	(5,251)	(6,608)	(8,581)
Advances to Employees and Contractors		(48)	(40)	(100)	(68)
Loans to Mainfreight Trust	14	(40)		(173)	
		(7,389)	(5,291)	(6,881)	(8,649)
NET CASH FLOWS FROM INVESTING ACTIVTIES		(6,018)	(1,964)	(2,194)	(8,355)

These Statements are to be read in conjunction with the notes on pages 52 to 61.

Consolidated Statements of Cash Flows (Continued)

Cash Flows from Financing Activities

	Notes	9 months to 31 December 1995 $000	1994 (Unaudited) $000	Year to 31 March 1995 $000	1994 $000
Cash was provided from :					
Proceeds of Long Term Loan		76			9,000
Advances by Shareholders		1,716	1,997	1,928	1,404
		1,792	1,997	1,928	10,404
Cash was applied to :					
Dividend Paid to Shareholders		(1,050)	(2,050)	(2,050)	(1,100)
Repayment of Loans		(10)	(15)	(669)	(19)
Repayment of Shareholders Advances		(1,323)	(2,050)	(1,762)	(1,371)
		(2,383)	(4,115)	(4,481)	(2,490)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(591)	(2,118)	(2,553)	7,914
NET (DECREASE) INCREASE IN CASH HELD		(2,330)	2,127	4,210	(945)
ADD OPENING CASH BROUGHT FORWARD		3,160	(1,050)	(1,050)	(105)
ENDING CASH CARRIED FORWARD		830	1,077	3,160	(1,050)

These Statements are to be read in conjunction with the notes on pages 52 to 61.

Notes to the Financial Statements

1. Statement of Accounting Policies

A. General Accounting Policies

The reporting entity is Mainfreight Limited and subsidiaries. These financial statements have been prepared under the requirements of the First Schedule of the Securities Regulations 1983. The measurement base adopted is that of historical cost.

B. Particular Accounting Policies

The following particular accounting policies which significantly affect the measurement of profit and of financial position have been applied :

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 financial statements of Mainfreight Limited and its subsidiaries as at 31 December 1995. All significant transactions between group companies are eliminated on consolidation using the purchase method.

(iii) *Fixed Assets* All assets are recorded at cost.

(iv) *Depreciation* Depreciation is charged using the diminishing value method on the basis of tax legislation.

Major depreciation rates are:	per annum
– Buildings	4%
– Leasehold Improvements	9.5%
– Furniture & Fittings	12% to 20%
– Motor Cars	26%
– Plant & Equipment	10% to 25%
– Computer Hardware	33% to 40%
– Computer Software	40%

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

(vi) *Taxation* The taxation charge against profit for the period is the estimated total liability in respect of that surplus after allowance for permanent differences. The Group follows the liability method of accounting for deferred taxation in that amounts provided are calculated at the current rate of company taxation. Future taxation benefits attributable

to tax deficits are recognised only to the extent of the accumulated net credits arising from timing differences in the deferred taxation account and where there is virtual certainty of realisation.

(vii) *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 on exchange, both realised and unrealised, are recognised in the period in which they occur by way of a credit or charge in the Statement of Financial Performance.

(viii) *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 amortised over the period the entity is expected to benefit from their use.

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

C. Changes in Accounting Policies

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

Notes to the Financial Statements

2. Consolidated Surplus Before Taxation

	9 months to 31 December 1995 $000	1994 (Unaudited) $000	Year to 31 March 1995 $000	1994 $000
The Consolidated Surplus before Taxation is stated:				
After Charging :				
Audit Fees and Expenses	47	56	60	42
Other Fees Paid to Auditors	8	5	6	8
Depreciation	1,670	1,604	2,167	1,124
Directors' Remuneration (excluding Directors' Fees & Legal Fees - note 15)	436	451	583	628
Directors' Fees	43	54	62	57
Interest: Fixed Loans	786	734	918	101
Other Interest	193	93	73	35
Foreign Currency Losses	-	9	-	
Restructuring Costs		867	867	
Due Diligence Costs Written Off	-			402
Bad Debts Written Off	72	91	300	59
Change in Bad Debt Provision	183	(23)	(27)	99
Loss (Profit) on disposal of Assets	355	(186)	(587)	21
Rental & Operating Lease Costs	2,578	2,083	2,864	1,409
After Crediting:				
Interest Income	118	43	103	40
Rental Income	402	431	566	440
Foreign Currency Gains	7	-	41	97

The depreciation expense for the 9 months to 31 December 1994 and year to 31 March 1995 includes $329,000 of additional depreciation associated with the restructuring. The abnormal item of $1,196,000 shown in the 5 year financial summary for the year ended 31 March 1995 comprises the sum of this additional depreciation plus the restructuring costs of $867,000 as above.

Notes to the Financial Statements

3. Taxation

	9 months to 31 December 1995 $000	9 months to 31 December 1994 (Unaudited) $000	Year to 31 March 1995 $000	Year to 31 March 1994 $000
Surplus Before Taxation	5,908	4,196	5,174	4,410
Prima facie taxation at 33%	1,950	1,385	1,707	1,455
Adjusted by the tax effect of :				
Non-assessable dividend income	(16)	(16)	(16)	(33)
Other non-assessable revenues	(556)	(356)	(470)	(1)
Non-deductible expenses	602	438	421	261
	1,980	1,451	1,642	1,682
Represented by :				
Current Tax	1,998	1,468	1,660	1,937
Deferred Tax	(18)	(17)	(18)	(255)
	1,980	1,451	1,642	1,682
DEFERRED TAX ACCOUNT				
Opening balance	(18)	(255)	(255)	(232)
Adjusted for the tax effect of :				
Movements in provision for doubtful debts	-		(26)	5
Movement in holiday pay and bonus accruals	-	238	213	(5)
Uncompleted sale and linehaul	-		97	(23)
ACC Compensation Accrued	-	-	(47)	
Closing Balance	(18)	(17)	(18)	(255)
IMPUTATION CREDIT ACCOUNT				
Imputation and Dividend Withholding Payment Credits				
Opening Balance	5,636	5,011	5,011	3,832
Credits distributed during the period	(541)	(1,034)	(1,034)	(590)
Credits received during the period	24	24	24	49
Tax Payments made	1,120	693	1,635	1,720
Closing Balance	6,239	4,694	5,636	5,011
Representing credits available to owners of the Group at balance date :	6,239	4,694	5,636	5,011

4. Share Capital

	9 months to 31 December 1995 $000	9 months to 31 December 1994 (Unaudited) $000	Year to 31 March 1995 $000	Year to 31 March 1994 $000
Authorised, Issued and Paid Up Capital				
5,200,000 ordinary shares of $1 each	5,200	5,200	5,200	5,200

5. Term Liabilities

The Group's term liabilities are a $10 million advance from Westpac Banking Corporation. Registered First Mortgages have been taken over properties valued at the time of taking the mortgage at $10,350,000. Interest was payable at the average rate of 10.5%.

Subsequent to 31 December 1995 the Group's banking facilities have been renegotiated (see note 14), with the effect of removing any repayment obligation until April 1999. In addition, the release of the Registered First Mortgages has been negotiated leaving a debenture and cross company guarantees in place. The December 1995 position has been adjusted to reflect the revised obligations.

6. Leases

	9 months to 31 December		Year to 31 March	
	1995	1994 (Unaudited)	1995	1994
	$000	$000	$000	$000
Finance Lease Liabilities				
Payable:				
– not later than one year	22	*16*	9	15
– later than one year but not later than two	22	-	-	18
– later than two years but not later than five	41	-	-	-
Minimum Lease Payments	85	16	9	33
Less Future Finance Charges	(11)	(2)	(1)	(4)
	74	14	8	29
Classified in the Statement of Financial Position as:				
Current	22	14	8	13
Non-Current	52	-	-	16
	74	14	8	29

At balance date the Group had the following operating lease commitments:

Operating Lease Commitments				
– not later than one year	3,164	2,467	2,491	1,896
– later than one year but not later than two	2,647	1,625	1,654	1,256
– later than two years but not later than five	3,278	2,385	2,401	765
– after five years	1,343	1,341	1,375	215
	10,432	7,818	7,921	4,132

Notes to the Financial Statements

7. Shareholder Advances

On 29 March 1996 all advances from Shareholders were repaid in full.

8. Fixed Assets

Asset Description	DECEMBER 1995 Cost $ 000	DECEMBER 1995 Accum. Depn. $ 000	DECEMBER 1995 Book Value $ 000	DECEMBER 1994 Cost $ 000	DECEMBER 1994 Accum. Depn. $ 000	DECEMBER 1994 Book Value $ 000	MARCH 1995 Cost $ 000	MARCH 1995 Accum. Depn. $ 000	MARCH 1995 Book Value $ 000	MARCH 1994 Cost $ 000	MARCH 1994 Accum. Depn. $ 000	MARCH 1994 Book Value $ 000
Freehold Land	4,270	-	4,270	3,575	-	3,575	3,632	-	3,632	3,775	-	3,775
Buildings	15,585	1,636	13,949	12,489	1,344	11,145	11,901	1,237	10,664	11,866	1,266	10,600
Leasehold Improvements	1,742	266	1,476	1,010	264	746	1,323	283	1,040	407	232	175
Plant, Vehicles & Equip.	13,996	6,638	7,358	13,641	5,875	7,766	13,907	6,212	7,695	12,586	4,619	7,967
Totals	35,593	8,540	27,053	30,715	7,483	23,232	30,763	7,732	23,031	28,634	6,117	22,517

At 31 March 1996 Registered Valuers Darroch & Co Ltd performed a valuation on the Group's land and buildings at $23,996,000. 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

Government valuation of the freehold properties is $14,573,192.

. Capital Commitments and Contingent Liabilities

The Group has the following capital commitments at 31 December 1995 (31 March 1995 $1,593,244; 31 December 1994 $1,854,128).

- Storage Facility, Christchurch	$2,300,000
- Rotorua Transport Depot	$1,050,000
- Whangarei Transport Depot	$360,000

The following guarantees are given by the Company in favour of Westpac Banking Corporation:

- In respect of Mainfreight Distribution Pty Limited - all obligations.
- In respect of Daily Freight (1994) Limited - all obligations.

Notes to the Financial Statements

10. Director's Loan

At 31 December 1995 K.M. Drinkwater, who resigned as a director on 31 March 1996, had a non-interest bearing loan from the company of $3,666 payable on demand. The loan was repaid in full on 15 March 1996.

11. Financial Instruments

At balance date the Group 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 balance sheet value. There are no financial instruments not disclosed in the statement of financial position.

Currency & 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.

At 31 December 1995 the following financial instruments are denominated in foreign currencies: 3% of accounts payable (trade), and 6% of related party receivables. The Company monitors exchange rate movements.

Notes to the Financial Statements

12. Segmental Reporting

The Group operates in the freight industry.

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

Geographical Segments

	New Zealand				Australia			
	9 months to 31 December		Year to 31 March		9 months to 31 December		Year to 31 March	
	1995	1994 (Unaudited)	1995	1994	1995	1994 (Unaudited)	1995	1994
	$000	$000	$000	$000	$000	$000	$000	$000
External Revenue	95,256	95,763	125,619	71,776	4,490	3,818	4,907	4,851
Intersegment Revenue					96	32	45	40
Total revenue	95,256	95,763	125,619	71,776	4,586	3,850	4,952	4,891
Segment surplus before tax	5,422	4,175	5,019	4,528	486	21	155	(118)
Segment Assets	40,919	37,636	40,139	34,853	1,391	903	944	1,056

Segment assets may be reconciled to consolidated assets as follows:.

	9 months to 31 December		Year to 31 March	
	1995	1994 (Unaudited)	1995	1994
	$000	$000	$000	$000
New Zealand as above	40,919	37,636	40,139	34,853
Australia as above	1,391	903	944	1,056
	42,310	38,539	41,083	35,909
Less Intersegment receivables	(17)	(5)	(4)	(4)
Consolidated	42,293	38,534	41,079	35,905

Notes to the Financial Statements

13. Reconciliation of Cash Flows with Reported Net Surplus

	9 months to 31 December 1995 $000	1994 (Unaudited) $000	Year to 31 March 1995 $000	1994 $000
Net surplus	3,928	2,745	3,532	2,728
Non-cash items:				
– Depreciation	1,670	1,604	2,167	1,124
– Increase (decrease) in deferred tax	-	238	237	(23)
	5,598	4,587	5,936	3,829
Movements in other working capital items:				
(Increase) decrease in accounts receivable	321	(1,582)	(1,771)	(5,317)
Increase (decrease) in accounts payable	(3,061)	2,596	5,350	1,156
Increase (decrease) in interest payable	4	2	2	3
(Increase) decrease in interest receivable	(2)	1	1	2
Increase (decrease) in taxation payable	925	616	(248)	(78)
Increase (decrease) in net GST	139	175	274	(120)
Less item classified as investing activity:				
Net (gain) loss on sale of fixed assets	355	(186)	(587)	21
Net cash inflow from operating activities	4,279	6,209	8,957	(504)

14. Subsequent Events

On 29 March 1996 the Mainfreight Trust (refer note 15) was terminated and all advances repaid.

On 29 March 1996 the Company agreed to buy for $200,000, all of the issued share capital of a company wholly-owned by Kevin Drinkwater, who was a director of the Company until he resigned on 31 March 1996. Likewise on 29 March 1996, the Company agreed to buy for $200,000 all of the issued share capital of a company wholly-owned by Kerry Crocker who was a director of the Company until he resigned on 31 March 1996. Both of the vendors continue as executives of the Group. At the time those purchases were completed, those companies had no assets or liabilities except that they owned 10% each of the share capital of Mainfreight Distribution Pty Ltd.

On 29 March 1996 all advances from Shareholders were repaid in full.

Notes to the Financial Statements

14. *Subsequent Events (cont'd)*

On 1 April 1996 Mainfreight Distribution Pty Ltd agreed to buy back the shares of its remaining minority shareholders (representing 20% of the share capital of Mainfreight Distribution Pty Ltd.). 10% was purchased from each of Judith Davies and Bryan Curtis for $200,000 each. Both of the vendors continue as executives of Mainfreight Distribution Pty Ltd.

On 3 April 1996 a bonus issue of 13,775,226 ordinary $1.00 shares was made out of retained earnings, increasing the share capital to 18,975,226 ordinary $1.00 shares.

In April 1996 the banking facility of the Group with Westpac Banking Corporation was re-negotiated. Mortgages over specific properties (see note 5) are being released. The long term facility limit has been increased to $20,000,000. Principal is repayable in April 1999 unless the facility is extended.

On 30 April 1996 the share capital of the Company was subdivided in the ratio of 6.25 shares of 32 cents each for every 2 shares of $1.00 each.

On 3 May 1996 the Company was reregistered under the Companies Act 1993.

15. *Related Parties*

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

				9 months to 31 December		*Year to 31 March*	
				1995	*1994 (Unaudited)*	*1995*	*1994*
				$000	*$000*	*$000*	*$000*
Name of Related Party	Nature of Relationship	Type of Transactions	Terms of Settlement				
Carl Howard-Smith	Director	Legal Fees		80	73	107	65

Related Party Balances Outstanding at balance date included:

				9 months to 31 December		*Year to 31 March*	
				1995	*1994 (Unaudited)*	*1995*	*1994*
				$000	*$000*	*$000*	*$000*
Name of Related Party	Nature of Relationship	Type of Transactions	Terms of Settlement				
Mainfreight Trust	-	Advances	On Call	213		173	
Bruce Plested	Managing Director	Shareholder Advance	On Call	835	670	430	207
Neil Graham	Director	Shareholder Advance	On Call	115	282	127	184

No related party debts have been written off or forgiven during the period (31 March 1995- nil; 31 December 1994 - nil).
Interest was paid on shareholder advances at an average rate of 10.5% (1994 - 0%).

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ANDERSEN

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National Bank Centre
209 Queen Street Auckland 1
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(64 9) 302 0280
Financial Consulting Fax (64 9) 302 0370
Taxation Fax (64 9) 302 0916
Business Advisory Fax (64 9) 302 3451
Corporate Recovery Fax (64 9) 302 0915

To the Directors of Mainfreight Limited
We have prepared this report for inclusion in a Prospectus dated 6 May 1996 relating to the offer of ordinary shares in Mainfreight Limited (the "Company").

Forecasts
We have reviewed the accompanying forecast Statements of Financial Position, Statements of Financial Performance and Statements of Cash Flows of Mainfreight Limited and subsidiaries (together the "Group") for the periods ended 31 March 1996 and 1997 set out on pages 40 to 44.

In our opinion, so far as the accounting policies and calculations are concerned, the forecasts have been properly compiled on the footing of the assumptions made or adopted by the Group set out at pages 43 and 44 of this Prospectus and are presented on a basis consistent with the accounting policies normally adopted by the Group.

Actual results are likely to be different from the forecasts since anticipated events frequently do not occur as expected and the variation may be significant. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

Historical Financial Information
We have audited the Statements of Financial Position of the Group as at 31 December 1995 and 31 March 1995 and the related Statements of Financial Performance and Statements of Cash Flows for the 9 month period and year then ended respectively, together the "Financial Report" set out on pages 47 to 61. We have not audited either the comparative Statement of Financial Position of the Group as at 31 December 1994 or the related comparative Statement of Financial Performance and Statement of Cash Flows for the 9 month period then ended and these are not included in the "Financial Report" for the purposes of this opinion.

Directors' Responsibilities
The Directors of the Company are responsible for the preparation of the Financial Report and for ensuring that the Financial Report gives a true and fair view of the financial position of the Group as at 31 December 1995 and 31 March 1995 and of the results for the period and year then ended respectively.

Auditor's Responsibilities
It is our responsibility to express an independent opinion on the Financial Report presented by the Directors.

Basis of Opinion
An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the Financial Report. It also includes assessing:

- the significant estimates and judgements made in the preparation of the Financial Report; and

ARTHUR ANDERSEN

whether the accounting policies are appropriate to the circumstances, 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. We obtained 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.

Our firm carries out other assignments for the Group including taxation advice and consultancy projects. We have no other relationship with or interests in the Group.

Unqualified Opinion

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

In our opinion:

proper accounting records have been kept in respect of the Group as far as appears from our examination of those records; and

the Financial Report

i) complies with clauses 23 to 38 of the First Schedule to the Securities Regulations 1983; and

ii) subject to those regulations complies with generally accepted accounting practice; and

iii) gives a true and fair view of the state of affairs of the Group at 31 December 1995 and 31 March 1995 and of the results and cash flows of the Group for the nine month period ended 31 December 1995 and the year ended 31 March 1995; and

for the years ended 31 March 1993 to 1995, the amounts stated pursuant to Clauses 8(2) and 8(3) of the First Schedule to the Securities Regulations 1983, set out on pages 45 and 46, have been properly taken from audited financial statements, other than that additional information not included in the audited financial statements, in the form of "surplus before abnormals, interest and tax" and "abnormal items", has been disclosed. Abnormal items are required to be disclosed by Clause 8(3)(a) (iii) of the First Schedule of the Securities Regulations 1983, but the term is no longer recognised in Financial Reporting Standards; and

for the years ended 31 March 1991 and 1992 the amounts stated pursuant to Clauses 8(2) and 8(3) of the First Schedule to the Securities Regulations 1983 have been properly taken from unaudited consolidated financial statements compiled from individual company audited financial statements.

Arthur Andersen take no responsibility for, nor have we authorised or counselled the issue of any part of this Prospectus other than the forecasts on pages 40 to 44, the five year financial summary on pages 45 and 46, and the Financial Report included on pages 47 to 61.

Arthur Andersen

Auckland
6 May 1996

Statutory Information

The following information is provided in accordance with the First Schedule to the Securities Regulations 1983.

In this section, the term "Issuing Group" means Mainfreight Limited and all its subsidiaries on the date of registration of this Prospectus.

1. Main Terms of Offer

(1) The issuer of the Shares which are being offered in this Prospectus is Mainfreight Limited ("Mainfreight" or the "Company") whose registered office is at Southdown Lane, Penrose, Auckland.
(2) The Shares being offered are ordinary shares.
(3) The maximum number of Shares offered is 44,473,185.
(4) Mainfreight has been granted an exemption from clause 1(4) of the First Schedule of the Securities Regulations 1983. The price payable for each Share is expected to be in the range of $0.95 to $1.10. How that price will be set is described on pages 6 and 7 of this Prospectus.

2. Name and Address of Offeror

(a) The Offerors of the Shares which are being offered in this Prospectus are Bruce George Plested and Neil Lindsay Graham.
(b) Details of Bruce Plested and Neil Graham's addresses are set out in the Directory on page 79 of this Prospectus.
(c) On 3 April 1996 the Company's issued share capital was $18,975,226 consisting of 18,975,226 ordinary shares of $1.00 each. The net amount of the consideration the Company had received for these shares amounted to $18,975,226 and was received by a combination of payment in cash (as to $20,000) and of capitalisation of retained earnings and reserves (as to $18,955,226).
On 30 April 1996 the share capital of Mainfreight was subdivided in the ratio of 6.25 shares of 32 cents each for every 2 shares of $1.00 each.
On 3 May 1996, Mainfreight was reregistered under the Companies Act 1993. As a result its shares now have no nominal value.

Following the subdivision the Company now has 59,297,580 shares on issue including the Shares being offered under this Prospectus.

3. Details of Incorporation of Issuer

(1) Mainfreight is a limited liability company incorporated under the Companies Act 1955 on 23 March 1978. Its registered number is AK102720. The public file relating to the registration of Mainfreight is kept at the Companies Office, Ministry of Commerce, 3 Kingston Street, Auckland.
(2) Mainfreight was reregistered under the Companies Act 1993 on 3 May 1996.

4. Principal Subsidiaries of Issuer

Set out below is:

(a) the name of each subsidiary of Mainfreight the amount of whose total tangible assets exceeds 5 percent of the amount of the total tangible assets of the Issuing Group; and

(b) the proportion of its issued capital held by members of the Issuing Group:

Name of Subsidiary	Proportion of issued capital held by members of the Issuing Group
—Daily Freight (1994) Ltd	100%
—Mainfreight International Ltd	50%

5. Directorate and Advisers

(1) The names, residential addresses, and technical or professional qualifications of every director of Mainfreight are set out in the Directory on page 79 of this Prospectus.

(2) The position or positions held by each director who is an employee of Mainfreight or any of its subsidiaries are set out in the Directory on page 79 of this Prospectus.

(3) No director has been adjudged bankrupt during the 5 years preceding the date of registration of this Prospectus.

(4) The names of Mainfreight's auditors, share registrar, sharebrokers and solicitors are set out in the Directory on page 79 of this Prospectus.

5A. Restrictions on Directors' Powers

The constitution of Mainfreight provides that the directors may not cause Mainfreight to:

(a) enter into any transaction or series of linked or related transactions to acquire, sell, lease, exchange or otherwise dispose of (otherwise than by way of charge) assets which would change the essential nature of the business of the Company or in respect of which the gross value is in excess of 50% of the Mainfreight Group's shareholders' funds; or

(b) enter into certain transactions with related parties, without the prior approval of a resolution of shareholders.

There are no other modifications, exceptions, or limitations on the powers of the board of Mainfreight imposed under the Companies Act 1993 or Mainfreight's constitution, and in force at the date of registration of this Prospectus.

6. Substantial Equity Security Holders of Issuer

(1) As at 3 May 1996 there were only two registered holders of equity securities of Mainfreight.

The names of those persons and the amounts of their respective holdings are set out below:

— Bruce George Plested — 37,467,962; and
— Neil Lindsay Graham — 21,829,618.

Mainfreight has granted options to certain key executives to subscribe for Shares and Bruce Plested has granted options to other directors to acquire Shares. Those options are described in more detail on page 11 of this Prospectus.

(2) Bruce Plested and Neil Graham do not undertake any liability in respect of the Shares being offered other than liability by virtue of being deemed to be "issuers" of the Shares within the meaning of the Securities Act 1978.

7. Description of Activities of Issuing Group

(1) The business activities of the members of the Issuing Group are described on pages 32 to 37 of this Prospectus. The activities carried on by the members of the Issuing Group have been carried on by each of them respectively during the period of 5 years preceding the date of registration of this Prospectus, or since the date of incorporation in the case of each member of the Issuing Group incorporated during that 5 year period.

(2) The principal fixed assets held by members of the Issuing Group are land, buildings, leasehold improvements, vehicles and plant which are owned or held under lease. Those assets are all used by members of the Issuing Group in carrying on its respective business activities.

8. Summary of Financial Statements

Consolidated financial statements, in summary form, for the Issuing Group which comply with the provisions of clause 8 of the First Schedule to the Securities Regulations 1983 are set out on pages 45 and 46 of this Prospectus.

9. Prospects and Forecasts

(1) A statement as to the trading prospects of the Issuing Group is set out on page 40 of this Prospectus. Financial forecasts are set out on pages 40 to 44.

(2) A description of any special trade factors and risks which are not mentioned elsewhere in this Prospectus, are not likely to be known or anticipated by the general public and could materially affect the prospects of the Issuing Group is set out on page 44 of this Prospectus.

10. Provisions relating to Initial Flotations

(1) (a) The directors of Mainfreight and the directors of the other members of the Issuing Group plan that during the year commencing on the date of registration of this Prospectus Mainfreight and the members of the Issuing Group will continue the trading activities and businesses described on pages 32 to 37 of this Prospectus. Those trading activities and businesses are intended to be financed by existing funds available within the Issuing Group, funds generated from the trading activities of the Issuing Group and funds raised from borrowings considered appropriate by the directors of Mainfreight and the directors of the other members of the Issuing Group.

(b) This Prospectus relates to an offer of existing shares in Mainfreight rather than a new issue of shares. Mainfreight will therefore not be receiving any of the proceeds of the offer.

(c) Mainfreight has been granted an exemption from clause 10(1)(c) of the First Schedule to the Securities Regulations 1983. Forecast financial information is set out on pages 40 to 44 of this Prospectus.

(d) Because this Prospectus relates to an offer of existing shares rather than an issue of new shares, for the purposes of section 37(2) of the Securities Act 1978 there is no minimum amount that, in the opinion of the directors, must be raised by the issue of Shares.

11. Acquisition of Business or Subsidiary

In the 2 years preceding the date of registration of this Prospectus, no member of the Issuing Group has acquired a business, subsidiary or body corporate, or become a subsidiary of Mainfreight, where the consideration paid or payable for the acquisition of the business, subsidiary or body corporate was more than one fifth of the amount of the total tangible assets shown in the balance sheet of the Issuing Group as at 31 March 1995.

12. Securities Paid Up Otherwise than in Cash

On 3 April 1996, Mainfreight made a bonus issue of 13,775,226 ordinary shares. 8,704,059 of those shares were allotted to Bruce Plested and 5,071,167 of those shares were allotted to Neil Graham. The issue price of those shares was $1.00 per share and all of those shares were credited as fully paid up otherwise than in cash by the capitalisation of the amount of $13,775,226 standing to the credit of the Company's retained earnings account.

On 30 April 1996, the share capital of Mainfreight was subdivided in the ratio of 6.25 shares of 32 cents each for every 2 shares of $1.00 each. After the subdivision and as at the date of registration of this Prospectus Mainfreight has on issue 59,297,580 shares.

During the 5 years preceding the date of registration of this Prospectus there have been no other equity or participatory securities that have been allotted by a member of the Issuing Group to a person who is not a member of the Issuing Group or that have been subscribed for and are to be so allotted, as fully or partly paid up otherwise than in cash.

13. Options to Subscribe for Securities of Issuing Group

Mainfreight has established an executive share option scheme under which Mainfreight has agreed to issue a total of 1,800,000 options to senior executives to subscribe for fully paid ordinary shares in Mainfreight. Those options will be issued on the closing date of the Offer of Shares under this Prospectus. No cash consideration was paid for the issue of those options. On exercise, subject to any adjustments resulting from any alterations to Mainfreight's capital, the holder of each option is entitled to subscribe for one fully paid ordinary share in Mainfreight for each option held.

The subscription price payable for each share issued on the exercise of an option will be 125% of the Offer Price set for the Shares offered in this Prospectus, and is to be paid in cash in one sum on exercise of the option. The options cannot be exercised before 30 June 1999. Any options which have not been exercised before 30 June 2001 will lapse. The options carry the right to participate in any bonus issue or rights issue made pro rata to all shareholders as if the options had been exercised.

There have been no other options to subscribe for securities of any member of the Issuing Group granted to, or which are proposed to be granted to, any person by or on behalf of that member of the Issuing Group.

Mainfreight proposes to establish an employee share scheme on the terms set out on page 11.

In addition, Bruce Plested has given options to each of Donald Rowlands, John Fernyhough, Richard Prebble and Carl Howard-Smith to purchase from Bruce Plested ordinary shares in Mainfreight. In all material respects, including exercise price and the period in which those options can be exercised, the terms of those options are the same as the terms of the options issued by Mainfreight to senior executives. Bruce Plested has agreed to pass on to those option holders any rights to participate in any pro-rata bonus issues or rights issues in respect of the shares to which those options relate.

14. Appointment and Retirement of Directors

(1) Bruce Plested was appointed as a director of Mainfreight by its articles of association on the date the Company was incorporated. Donald Rowlands, Neil Graham and Carl Howard-Smith were all appointed as directors of the Company either by the shareholders or the existing directors at the time of their respective appointments. No other director of Mainfreight has been appointed in a manner which is materially different from that specified in sections 153 and 155 of the Companies Act 1993. Both John Fernyhough and the Hon. Richard Prebble were appointed directors of Mainfreight on 31 March 1996.

(2) The constitution of Mainfreight provides for the shareholders to set (in general meeting) a maximum age beyond which a person will not be eligible for appointment, election or

(3) No person (other than members of Mainfreight in general meeting or the directors of Mainfreight acting as a board to fill a casual vacancy) has the right to appoint a director or directors of Mainfreight.

15. Directors' Interests

(1) Bruce Plested is employed by Mainfreight as its Managing Director.

The Managing Director of Mainfreight is entitled to an annual salary of $245,000.

(2) Carl Howard-Smith is entitled to remuneration from Mainfreight by way of solicitor's fees for legal services rendered by him or his legal firm to Mainfreight.

In addition to the payment of directors' fees, Mainfreight's constitution permits the payment of special remuneration to any Director rendering any special service for the purposes of, or in the interests of Mainfreight or for undertaking any work not in his or her capacity as a Director or work additional to that normally required of directors of a company similar to the Company. Mainfreight's constitution also permits the payment of travelling, hotel and other expenses incurred by Directors in and about the business of Mainfreight (including the expenses of travelling to and from board or committee meetings).

(3) Mainfreight's constitution permits the payment of a lump sum or pension to a Director, or his or her dependents, on retirement or cessation of his or her office as a Director. The total amount of the payment (or the base for the pension) must not exceed the total remuneration of the Director in his or her capacity as a Director in any three years chosen by Mainfreight. Any amounts paid or payable by Mainfreight in this regard are to be in addition to amounts paid or payable to any such Director under any superannuation scheme established by Mainfreight or any of its subsidiaries.

(4) In September 1991 each of Kevin Drinkwater and Kerry Crocker (who were each directors of the Company at the time) agreed to acquire from the Company 10% of the issued share capital of Mainfreight Distribution Pty Limited for $26,666 each.

On 29 March 1996 the Company agreed to buy for $200,000 all of the issued share capital of a company wholly-owned by Kevin Drinkwater, who was a director of the Company until he resigned on 31 March 1996, although he continues as an executive of the Mainfreight Group. The purchase was completed on 19 April 1996. The company whose shares were purchased was called Sankey Limited, which had no assets or liabilities at the time of the acquistion except that it owned 10% of the share capital of Mainfreight Distribution Pty Limited. Kevin Drinkwater acquired the shares in Sankey Limited on 19 April 1996 in consideration for transferring to Sankey Limited 10% of the share capital of Mainfreight Distribution Pty Limited.

On 29 March 1996 the Company agreed to buy for $200,000 all of the issued share capital of a company wholly-owned by Kerry Crocker, who was a director of the Company until he resigned on 31 March 1996, although he continues as an executive of the Mainfreight Group. The purchase was completed on 19 April 1996. The company whose shares were purchased was called Crockco Limited, which had no assets or liabilities at the time of the acquistion except that it owned 10% of the share capital of

Mainfreight Distribution Pty Limited. Kerry Crocker acquired the shares in Crockco Limited on 19 April 1996 in consideration for transferring to Crockco Limited 10% of the share capital of Mainfreight Distribution Pty Limited.

There are no other material transactions which have been entered into during the 5 years preceding the date of registration of this Prospectus or which are proposed to be entered into after that date which fall within the categories referred to in clause 15(4) of the First Schedule of the Securities Regulations 1983.

16. Promoters' Interests

There are no promoters of the Shares offered in this Prospectus.

17. Material Contracts

The following material contracts have been entered into by Mainfreight in the two years preceding the date of registration of this Prospectus:

(a) A letter agreement dated 4 April 1996 between Mainfreight and Westpac Banking Corporation relating to a $20 million multi-option credit line facility and a $1 million risk management product facility.

(b) A deed between Bruce Plested and Neil Graham and the Company under which Bruce Plested and Neil Graham agree in favour of the Company that they will not, for a period of 18 months from the date the Offer closes, sell any of their Shares to reduce the proportion of the Company's total issued capital they hold below 20% and 5% respectively except in the following circumstances:

with the prior written approval of the board of directors of the Company; or
if a takeover offer for 50% or more of the Shares in the Company is made and the board of directors of the Company recommends acceptance of that takeover offer or proposes to make no recommendation; or
in the event of financial hardship as determined by the board of directors of the Company;
in the case of Bruce Plested, as a result of the exercise of any of the options he has given to other directors of the Company to purchase shares from him.

(c) A Deed of Indemnity dated 3 May 1996 under which Mainfreight has given indemnities to its directors to the extent permitted by the Companies Act 1993.

18. Pending Proceedings

There are no legal proceedings or arbitrations which are pending as at the date of registration of this Prospectus that may have a material adverse effect on the Issuing Group.

The current rental for a property leased by the Company is likely to be settled by arbitration. There are several claims against the Company by former employees in relation to alleged personal grievances or alleged breaches of the Human Rights Act. There are also occasional prosecutions against members of the Issuing Group under the Transport Act. The outcome of that arbitration and of those claims and prosecutions is not expected to have a material adverse effect on the Issuing Group.

19. Preliminary and Issue Expenses

(1) (a) Issue expenses, including registry expenses, brokerage, legal fees, advertising and printing are estimated to be $1.5 million.

Of this amount, the Offerors will pay all brokerage commissions and Mainfreight will pay some or all of the remaining issue expenses up to a maximum of $750,000. Any excess will be paid by the Offerors.

(b) Brokerage commission of 2.0% of the Offer Price is payable to members of the New Zealand Stock Exchange on Shares allocated pursuant to Application Forms bearing their stamp, except that brokerage of 1.0% of the Offer Price is payable to the Lead Manager on Shares allocated pursuant to the institutional tender described on page 6.

20. Restrictions on Issuing Group

The ability of Mainfreight to distribute profits and borrow is restricted by the terms of its borrowing arrangements with Westpac Banking Corporation which require the following financial ratios to be complied with:

(a) Equity Ratio (defined as share capital plus general reserves, retained earnings and revaluations (subject to independent valuation) less intangibles expressed as a percentage of Total Tangible Assets) not to be less than 40% at any time.

(b) Funding Cost Cover (defined as Earnings Before Interest and Tax divided by total funding costs) shall not be less than 2.0 times at any time.

There are no other restrictions on the ability of any member of the Issuing Group to distribute profits or borrow, being restrictions that result from any undertaking given, or contract or deed entered into, by Mainfreight or any of its subsidiaries.

21. Other Terms of Offer and Securities

All the terms of the Offer and the Shares being offered to the public are set out in this Prospectus and in the accompanying Application Form (other than those implied by law or referred to in this Prospectus).

22-38. Requirements in respect of Financial Statements

The information required by clauses 22-38 (inclusive) of the First Schedule of the Securities Regulations 1983 is set out on pages 47 to 61 of this Prospectus.

39. Places of Inspection of Documents

During the currency of this Prospectus, copies of the constitution of Mainfreight and the material contracts referred to in clause 17 of this Statutory Information section may be inspected without fee at the offices of Mainfreight Ltd located at 473 Great South Road, Penrose, Auckland during normal business hours, or upon payment of the required fee at the office of the District Registrar of Companies, District Court Building, 3 Kingston Street, Auckland.

40. Other Material Matters

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

Other than matters set out elsewhere in this Prospectus and contracts entered into in the ordinary course of business of a member of the Issuing Group, there are no material matters relating to the offer of Shares.

41. Directors' Statement

After due enquiry by the directors of Mainfreight in relation to the period between 31 December 1995 and the date of registration of this Prospectus, the directors are of the opinion that no circumstances have arisen that materially adversely affect the trading or profitability of the Issuing Group, the value of its assets or the ability of the Issuing Group to pay its liabilities due within the next 12 months.

42. Auditor's Report

A copy of the report by Mainfreight's auditor, is set out on pages 62 and 63 of this Prospectus.

This Prospectus has been duly signed by Bruce Plested and Neil Graham as the Offerors and by or on behalf of each of the directors of Mainfreight.

Bruce G. Plested	Neil L. Graham
Donald D. Rowlands	Carl G. 0. Howard-Smith
C. John Fernyhough	Richard W. Prebble

Application Instructions

Lodging of Application Forms

Completed Application Forms, together with payment of the total purchase price of the Shares applied for, should be mailed or delivered (having regard to instruction 2 below) to any of:

(a) Mainfreight Share Offer
Registry Managers (New Zealand) Limited
Private Bag 92-119
277 Broadway, Newmarket
Auckland 1030

(b) any Member of the New Zealand Stock Exchange; or

(c) The Lead Manager,
BZW New Zealand Ltd
CPO Box 3464
Level 10, Southpac Tower
45 Queen Street
Auckland

Instructions

1. Applications must be made on an Application Form forming part of this Prospectus.

2. Applications must be lodged either with the Share Registrar, or any member of the New Zealand Stock Exchange in sufficient time to allow them to lodge the application with the Share Registrar, in either case, on or before 4.30pm on Friday 7 June, 1996. Applications mailed must be actually received by the Share Registrar on or before that date.

   Preference will be given to Applications which are received by the Share Registrar before 10am on Wednesday 5 June, 1996.

3. Applications must be for a minimum of 1,000 Shares and thereafter in multiples of 100 Shares.

4. Application Forms must be accompanied by payment in full.

5. *Cheques must be made payable to "Main freight Share Offer", crossed "not negotiable"* and attached to the Application Form. Cheques must be drawn on a New Zealand bank and all payments must be made in New Zealand dollars for value on or before the date specified.

Directory

Directors

Donald D Rowlands, CBE
Chairman
18 Riverview Road, Panmure, Auckland
Board responsibilities: Chairman, Member of the Remuneration Committee

Bruce G Plested, ACA
Managing Director
123 Fisher Parade, Pakuranga, Auckland

Neil L Graham
Rose Cottage, Hoon Hay Valley Road, Cashmere, Christchurch
Board responsibilities: Trustee of the proposed Mainfreight Employee Share Scheme

Carl G 0 Howard-Smith, LLB
91 Wellesley Street, Auckland
Board responsibilities: Member of the Audit Committee, Trustee of the proposed Mainfreight Employee Share Scheme

C John Fernyhough, LLM (Hons), Jr. Dur.
282 Remuera Road, Remuera, Auckland
Board responsibilities: Member of the Remuneration Committee

The Hon. Richard W Prebble, BA LLB (Hons), CBE
58 Titirangi Road, Titirangi, Auckland
Board responsibilities: Member of the Audit Committee

Administration Office
473 Great South Road
Penrose
PO Box 14-038, Panmure
Auckland

Registered Office
12-14 Southdown Lane
Penrose
PO Box 14-038, Panmure
Auckland

Auditors
Arthur Andersen
National Bank Centre, 209 Queen Street
PO Box 199
Auckland

Lead Manager & Organising Broker
BZW New Zealand Limited
Level 10, Southpac Tower, 45 Queen Street
CPO Box 3464
Auckland

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

Share Registry
Registry Managers (New Zealand) Limited
Level 3, 277 Broadway, Newmarket
Private Bag 92-119
Auckland 1030

Solicitors to the Company
Howard-Smith & Co
45 Lake Road
PO Box 33-339
Takapuna
Auckland

Solicitors to the Offer
Bell Gully Buddle Weir
The Auckland Club Tower
34 Shortland Street
PO Box 4199
Auckland

Solicitors to the Lead Manager
Russell McVeagh McKenzie Bartleet & Co
The Shortland Centre
51-53 Shortland Street
PO Box 8
Auckland