Results for announcement to the market		
Name of issuer	FREIGHTWAYS LIMITED	
Reporting Period	12 months to 30 June 2022	
Previous Reporting Period	12 months to 30 June 2021	
Currency	New Zealand dollars	
	Amount (000s)	**Percentage change**
Revenue from continuing operations	$873,094	9.1%
Total Revenue	$873,094	9.1%
Net profit/(loss) from continuing operations	$70,182	46.4%
Total net profit/(loss)	$70,182	46.4%
Final Dividend		
Amount per Quoted Equity Security	$0.26388889	
Imputed amount per Quoted Equity Security	$0.07388889	
Record Date	16 September 2022	
Dividend Payment Date	3 October 2022	
	Current period	**Prior comparable period**
Net tangible assets per Quoted Equity Security	$(0.80)	$(0.85)
A brief explanation of any of the figures above necessary to enable the figures to be understood	Refer to the section “Full Year Review” for commentary.	
Authority for this announcement		
Name of person authorised to make this announcement	Stephan Deschamps	
Contact person for this announcement	Stephan Deschamps	
Contact phone number	+64 27 562 5666	
Contact email address	stephan.deschamps@freightways.co.nz	
Date of release through MAP	22 August 2022	

Audited financial statements accompany this announcement

FINANCIAL SUMMARY
FOR THE YEAR ENDED 30 JUNE 2022

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

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

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

FULL YEAR REVIEW

From the Chairman and Chief Executive Officer

SEEING PROGRESS, LOOKING AHEAD

The energy and focus of our teams continues to see us strongly advance our businesses across different horizons. The challenges of the year were balanced by clear evidence that we have exciting opportunities to explore in the years ahead. In a year marked by further COVID-19 disruptions and a changing economic background, we have increased our revenue by 9% from last year and our profit by 4% (if we exclude the impact of the increased accrual for the final payment related to the acquisition of Big Chill Distribution).

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

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

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

Building through horizons

Last year's report spoke to how our purpose of "moving you to a better place" drives us to grow our revenue and earnings from our existing businesses via organic growth, margin management and efficiency gains. At the same time, we keep finding ways to improve - we look for new ways to pick up, process and deliver that add value. This year, we escalated that "three horizons" approach to four key areas of activity: Express Package & Business Mail; Temperature Controlled Logistics; Information Management; and Waste Renewal.

In our application of the 3 horizons model, we aim to:

- Extend and defend our first horizon revenue streams (i.e. business-to-business (B2B) deliveries, temperature-controlled transport, archive storage and document destruction);
- Nurture and grow our horizon 2 services (business-to-consumer (B2C) deliveries, temperature-controlled 3PL, digitisation and medical waste); and
- Generate genuinely new opportunities in horizon 3 (oversize express courier, same day temperature-controlled deliveries, high-value recycling, eCommerce 3PL).

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

Second horizon revenue streams will typically have faster growth prospects and utilise the fixed cost base established in horizon one. In Express Package our B2C growth leverages the digital platforms, teams of people and physical infrastructure developed over years of B2B deliveries. Enhanced by our unique Pricing for Effort initiative, this service has developed strongly on the back of a sizeable lift in market demand, delivering strong revenue growth for the Group and fairer earnings for our contractors. Similarly, our Medical Waste operation in Australia has been built upon our national network established from Document Destruction and the capabilities that allow us to collect bins from customers and process them in a safe, secure and efficient manner.

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

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

Our 3 horizons approach is attractive because it identifies complementary markets that are under-served, where we have proven capability and generally requires less capital by leveraging existing assets. Evolving our businesses from first horizon to third makes the most of our capabilities (*Act like an entrepreneur, Strive for efficiency, Deliver reliably and Love our customers*) and assists us in achieving sustainable growth.

A major acquisition in Australia

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

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

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

- Provides us with a scale entry point into the Australian express package market and a platform to grow from;
- Complements our core capabilities in express pick up, processing and delivery; and

- Provides a backbone network that we can leverage for growth from existing and new customers as well as the potential for service extension.

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

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

On track in terms of our sustainability goals

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

Well over 95% of our emissions come from the fuel we use across our vehicles and aircraft. Our 2030 target of 35% reduction in CO2e and our 2035 target of 50% reduction in C02e (both for scope 1, 2 and 3) align with what society needs to achieve globally to keep global warming to within 2 degrees Celsius.

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

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

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

Full year review
Business unit performances

Financial performance

Express Package and Business Mail

Lockdowns and peak season surges resulted in overall revenue growth of 8.8% for FY22 with volume moderating as the Omicron variant hit and the economy began to flatten toward the end of the financial year. Operating costs were significantly higher in the second half – primarily due to the cost of labour to cover for COVID related absences, increased sick leave payments and the tighter labour market. Profit was largely flat because of these costs and the ongoing lag effect of higher fuel prices, where we give our customers the benefit of a 2-month lag before our FAF (variable fuel adjustment factor) reflects prevailing fuel rates.

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

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

Outlook FY23
We complete the year feeling confident that we have a successful platform for growth and profitability, both now and in the future. Over the year, we will continue to look after the first horizon of each business activity, further scale our second horizon initiatives and work with *The Startery* to foster those future third horizons. The successful integration of Allied Express, and the growth opportunities this will generate both in Australia and New Zealand, will be a key focus.

The first 6 weeks of FY23 have been characterised by a slight 1% decline in Express Package items consigned, on the prior comparative period (pcp). Existing customers are trading 5% lower than in the pcp offset largely by a net 4% market share gain. B2B is down 5% and B2C up 11% reflecting the nature of those market share gains over the past year. While comparing COVID impacted periods is challenging (for example there are far less COVID related personal protective equipment (PPE) and PCR tests traveling through the network compared to the previous year) a comparison to 2019 pre COVID levels reveals total item growth of 12%.

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

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

Our General Rate Increase for most lines of business was implemented in July and is expected to largely offset the increased costs of operating.

Despite the present challenges in NZ and Australia for the businesses we operate - primarily the scarcity and increased cost of labour and some signs of an economic slowdown impacting consumption - we remain confident in our ability to manage the impact of these conditions on each part of our business.

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

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

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

Mark Cairns	**Mark Troughear**
Chairman	**Chief Executive Officer**

22 August 2022

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2022

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022

GROUP	Contributed equity	Retained earnings	Cash flow hedge reserve	Foreign currency translation reserve	Non-controlling interests	Total equity
	$000	$000	$000	$000	$000	$000
Balance at 1 July 2020	**180,630**	**142,746**	**(2,075)**	**(4,635)**	**114**	**316,780**
Impact of restating accounting treatment of cloud computing arrangement	-	(1,417)	-	-	-	(1,417)
Restated balance at 1 July 2020	**180,630**	**141,329**	**(2,075)**	**(4,635)**	**114**	**315,363**
Profit for the year (restated)	-	47,851	-	-	78	47,929
Exchange differences on translation of foreign operations	-	-	-	(2,310)	-	(2,310)
Cash flow hedges taken directly to equity, net of tax	-	-	880	-	-	880
Total Comprehensive Income (restated)	**-**	**47,851**	**880**	**(2,310)**	**78**	**46,499**
Dividend payments	-	(25,658)	-	-	(44)	(25,702)
Shares issued	1,941	-	-	-	-	1,941
Balance at 30 June 2021 (restated)	**182,571**	**163,522**	**(1,195)**	**(6,945)**	**148**	**338,101**
Profit for the year	-	70,095	-	-	87	70,182
Exchange differences on translation of foreign operations	-	-	-	2,858	-	2,858
Cash flow hedges taken directly to equity, net of tax	-	-	3,373	-	-	3,373
Total Comprehensive Income	**-**	**70,095**	**3,373**	**2,858**	**87**	**76,413**
Dividend payments	-	(59,678)	-	-	-	(59,678)
Shares issued	1,778	-	-	-	-	1,778
Balance at 30 June 2022	**184,349**	**173,939**	**2,178**	**(4,087)**	**235**	**356,614**

BALANCE SHEET
AS AT 30 JUNE 2022

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022

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

ACCOUNTING TREATMENT OF CLOUD COMPUTING ARRANGEMENTS

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

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

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

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

SEGMENT REPORTING

A segment is a component of the Group that can be distinguished from other components of the Group by the products or services it sells, the primary market it operates in and the risks and returns applicable to it. Operating segments are reported upon in a manner consistent with the internal reporting used by the Chief Executive Officer, as the chief operating decision maker, and the Board for allocating resources, assessing performance and strategic decision making.

The Group is organised into the following reportable operating segments:

Express package & business mail
Comprises network (hub & spoke) courier, refrigerated transport, point-to-point courier and postal services.

Information management
Comprises secure paper-based and electronic business information management services. This segment also comprises secure handling, treatment and disposal of clinical waste and related services.

Corporate and other
Comprises corporate, financing and property management services.

The Group has no individual customer that represents more than 4% of external sales revenue.

As at and for the year ended 30 June 2022:

	Express Package & Business Mail $000	Information Management $000	Corporate $000	Inter-Segment Elimination $000	Consolidated Operations $000
Income statement					
Sales to external customers	687,023	186,071	-	-	873,094
Inter-segment sales	2,009	996	5,639	(8,644)	-
Total revenue	689,032	187,067	5,639	(8,644)	873,094
Operating profit (loss) before change in fair value of contingent consideration, interest, income tax, depreciation and software amortisation and amortisation of intangibles	142,156	55,232	(8,807)	-	188,581
Change in fair value of contingent consideration – Big Chill Distribution Limited	-	-	(3,700)	-	(3,700)
Operating profit (loss) before interest, income tax, depreciation and software amortisation and amortisation of intangibles	142,156	55,232	(12,507)	-	184,881
Depreciation and software amortisation	(34,687)	(22,105)	(1,567)	-	(58,359)
Operating profit (loss) before interest, income tax and amortisation of intangibles	107,469	33,127	(14,074)	-	126,522
Amortisation of intangibles	(5,195)	(2,333)	-	-	(7,528)
Profit (loss) before interest and income tax	102,274	30,794	(14,074)	-	118,944
Net interest and finance costs	(6,200)	(4,804)	(9,289)	-	(20,292)
Profit (loss) before income tax	96,074	25,990	(23,362)	-	98,702
Income tax	(26,067)	(7,745)	5,292	-	(28,520)
Profit (loss) for the year attributable to the shareholders	70,007	18,245	(18,070)	-	70,182
Balance sheet					
Segment assets	702,906	344,361	41,317	-	1,088,584
Segment liabilities	315,888	185,085	230,997	-	731,970

As at and for the year ended 30 June 2021:

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

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

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

REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

	Express Package and Refrigerated Transport & Storage	Postal	Storage & Handling	Destruction Activities	Other	Total
	$000	$000	$000	$000	$000	$000
2022						
Revenue from external customers	641,410	45,613	59,319	83,521	43,231	873,094
Timing of revenue recognition:						
At a point in time	-	2,540	-	22,033	13,406	37,979
Over time	641,410	43,073	59,319	61,488	29,825	835,115
	641,410	45,613	59,319	83,521	43,231	873,094
2021						
Revenue from external customers	581,285	48,475	60,694	70,616	39,463	800,533
Timing of revenue recognition:						
At a point in time	-	2,706	-	20,492	11,009	34,207
Over time	581,285	45,769	60,694	50,124	28,454	766,326
	581,285	48,475	60,694	70,616	39,463	800,533

INCOME AND EXPENSES

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

		Group	
	Note	2022 $000	2021 $000
Change in fair value of contingent consideration – Big Chill Distribution Limited (BCD)	(i)	3,700	23,046

(i) The estimated discounted future final payment for the BCD has been increased from $51.3 million as at 30 June 2021 to $56.2 million as at 30 June 2022. This increase of $3.7 million (2021: $23 million) (net of impact of unwinding of discount on acquisition earn-out liability of $1.2 million (2021: $1 million)) reflects the strong performance of BCD, which will determine the final payment for the acquisition of the company, to be made in August 2022.

IMPACT OF COVID-19

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

LEASES

The following tables show the movements and analysis in relation to the ROU assets and lease liabilities under NZ IFRS 16.

The balance sheet shows the following amounts relating to leases:

Right-of-use assets:

	Group	
	2022	**2021**
	$000	**$000**
Opening net book value	**275,849**	**278,142**
Lease additions, modifications and terminations	29,719	32,671
Depreciation for the year	(36,909)	(35,148)
Exchange rate movement	2,361	184
Closing net book value	**271,020**	**275,849**
Cost	420,968	393,757
Accumulated depreciation	(149,948)	(117,908)
Closing net book value	**271,020**	**275,849**
Right-of-use assets:		
Buildings	248,950	257,385
Equipment	7,630	3,647
Motor vehicles	14,440	14,817
	271,020	**275,849**

Lease liabilities:

	Group	
	2022	**2021**
	$000	**$000**
Opening lease liabilities	**311,635**	**311,072**
Lease additions, modifications and terminations	29,818	32,929
Interest for the year	10,864	11,111
Lease repayments	(44,815)	(43,725)
Exchange rate movement	2,623	248
Closing lease liabilities	**310,125**	**311,635**
Analysis of lease liabilities:		
Current	34,735	31,078
Non-current	275,390	280,557
	310,125	**311,635**

Lease liabilities maturity analysis:

Group 2022	Minimum lease payments $000	Interest $000	Present value $000
Within one year	46,710	10,575	36,135
One to five years	144,045	31,986	112,058
Beyond five years	189,784	27,855	161,932
Total	**380,539**	**70,416**	**310,125**

Group 2021	Minimum lease payments $000	Interest $000	Present value $000
Within one year	41,674	10,599	31,075
One to five years	137,308	33,456	103,852
Beyond five years	210,064	33,356	176,708
Total	**389,046**	**77,411**	**311,635**

Lease related expenses included in the income statement:

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

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

INTANGIBLE ASSETS

(i) Goodwill

Goodwill represents the excess of the consideration transferred in an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired business at the date of acquisition. Goodwill is not amortised but is tested for impairment annually or whenever events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(ii) Brand names

Acquired brand names are recognised at cost, being their fair value at the date of acquisition if acquired in a business combination. Brand names with indefinite useful lives are not subject to amortisation but are tested for impairment annually or whenever events or changes in circumstances indicate that they might be impaired and are carried at cost less amortisation and impairment losses. Brand names with finite useful lives are amortised over their expected useful lives. The useful lives and amortisation methods are reviewed and adjusted, if appropriate, at each balance sheet date.

Brand names are allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the brand names.

(iii) Computer software

External software costs, together with payroll and related costs for employees directly associated with the development of software, are capitalised if the development creates an intangible asset that the Group controls and the intangible asset meets the recognition criteria. Cloud-based software costs that do not result in intangible assets are expensed as incurred, unless the costs are paid to the suppliers of the cloud-based software to significantly customise the cloud-based software for the Group, in which case the costs paid upfront are recorded as prepayments for services and amortised over the expected terms of the cloud computing arrangements. Amortisation is charged on a straight-line basis over the estimated useful life of the software which ranges between 3 and 10 years. Included in the cost of software is work in progress of $0.1 million (2021: $1.4 million) for which amortisation has not commenced. Software under development not yet available for use is tested annually for impairment.

(iv) Customer relationships

- **Contractual**

An intangible asset is recorded at fair value in respect of the amount of any contractual termination fees payable by customers of businesses acquired in respect of their document holdings. As it is not known when permanent retrieval fees may arise, this asset is only amortised upon the actual retrieval fee being charged to the respective customer.

- **Other**

Non-contractual customer relationships acquired in a business combination are recognised at fair value at the acquisition date. These customer relationships have an estimated finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected useful life of the customer relationship which ranges between 10 and 20 years.

Group	**Goodwill**	**Brand names**	**Software**	**Customer relationships**	**Other**	**Total**
2022	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Opening net book value	295,505	126,869	12,872	52,568	3,568	491,382
Additions	-	-	3,788	-	310	4,098
Acquisition through business combinations	7,549	873	-	4,554	525	13,501
Amortisation expense	-	(51)	(3,650)	(6,549)	(928)	(11,178)
Written-off	-	-	(144)	-	-	(144)
Exchange rate movement	3,062	595	30	241	81	4,009
Closing net book value	**306,116**	**128,286**	**12,896**	**50,814**	**3,556**	**501,668**
As at end of year						
Cost	324,778	128,337	36,171	75,772	8,047	573,105
Accumulated amortisation and impairment	(18,662)	(51)	(23,275)	(24,958)	(4,491)	(71,437)
Net book value	**306,116**	**128,286**	**12,896**	**50,814**	**3,556**	**501,668**

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

Impairment tests for indefinite life intangible assets
Goodwill and brand names are allocated to those cash-generating units (CGU) or groups of CGU that are expected to benefit from them. The carrying amount of intangible assets allocated by CGU or group of CGU is outlined below:

	Goodwill		**Brand names**	
	2022 $000	**2021 $000**	**2022 $000**	**2021 $000**
Big Chill	85,183	77,635	14,714	14,000
Messenger Services	8,766	8,766	5,100	5,100
New Zealand Couriers	47,752	47,752	58,500	58,500
New Zealand Document Exchange and Dataprint	15,092	15,092	7,318	7,210
Post Haste, Castle Parcels and NOW Couriers	27,159	27,159	18,395	18,395
Total Express Package & Business Mail	**183,952**	**176,404**	**104,027**	**103,205**
The Information Management Group (New Zealand)	17,577	17,577	4,400	4,400
The Information Management Group (Australia)*	58,478	56,798	16,438	15,945
Shred-X*	46,109	44,726	3,421	3,319
Total Information Management	**122,164**	**119,101**	**24,259**	**23,664**
Total	**306,116**	**295,505**	**128,286**	**126,869**

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

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

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

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

(i) Key assumptions used for value-in-use calculations

On an annual basis, the recoverable amount of goodwill and brand names is determined based on the greater of value-in-use and fair value less costs of disposal calculations specific to the CGU or group of CGUs associated with both goodwill and brand names.

The value-in-use calculations use post-tax cash flow projections based on financial budgets prepared by management and approved by the Board for the year ended 30 June 2023. Cash flows beyond June 2023 have been extrapolated using growth rates which take into consideration current and forecast economic conditions for the relevant products and industries. A probabilistic approach was also adopted where a number of different growth scenarios were considered and weighted by likelihood of achievement. In addition, the sensitivity of the main financial variables was tested and considered in the final estimation. No adjustments have been made to forecast cash flows for the unknown impacts of future legislative changes in relation to climate change, as further disclosed in the note "Climate change" below.

Revenue growth rates and a consistent EBITDA margin assuming costs increase in line with revenue, reflecting both historical and expected growth, have been applied to the value-in-use calculation with the same scenarios and sensitivities applied as described in the Significant estimate – sensitive to changes in assumptions section below. Growth rates have been aligned with the observed long-term inflation for each geographic region and each CGU's ability to increase customer prices and grow with nominal GDP. Post-tax discount rates, reflecting the current environment in financial markets and the countries each CGU or group of CGUs operates in, have been used. The CGU or group of CGUs specific growth rates and post-tax discount rates applied are:

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

(ii) Significant estimate - Sensitivity to changes in assumptions

From the value-in-use assessment for all CGU's, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying values of goodwill and brand names to exceed their respective recoverable amounts.

COVID-19 has particularly impacted the financial performance of NZDX and TIMG AU, which are more sensitive to changes in the key assumptions. Revenue of the two businesses have decreased and in the case of NZDX, costs have increased due to inefficiencies arising from operating in the COVID-19 environment, especially due to staff absenteeism. The value-in-use analysis prepared for NZDX and TIMG AU assume the FY23 financial performance returns to pre COVID-19 level, through higher volume and significant price increases that are already being implemented. Growth rate of 2.0% for NZDX and 2.5% for TIMG AU is then assumed from FY24.

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

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

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

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

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

- 100% achievement of FY23 budgeted revenue;
- 2.5% Revenue growth per year (with a range of scenarios from -4% to 4% p.a considered);
- 2.5% terminal EBITDA growth rate; and
- post-tax discount rate of 9.9%

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

	2022		**2021**	
	From	**To**	**From**	**To**
Achievement of FY23 budgeted revenue	100%	81%	100%	84%
Revenue growth per year (FY24-FY27)	2.5%	(3.9%)	2%	(3.1%)
Terminal EBITDA growth rate	2.5%	0%	2%	0.8%
Post-tax discount rate	9.9%	11.7%	6.9%	7.9%

Climate change

Freightways strongly believes that sustainable business practices are fundamental to our future. These include minimising the environmental impact of our daily operations and actively seeking initiatives to protect the environment.

More than 95% of Freightways' emissions come from the combustion of transport fuel, including that of our contracted couriers. The most significant financial impact would therefore be due to an increase to the cost of fuel and the cost of carbon credits linked to the volume of fuel used. Freightways would expect, however, to be able to recoup most of that impact as mechanisms are already in place to adjust prices for movement of the price of fuel. The risk of disruption due to natural events linked to climate change can be managed through the flexibility of our network across New Zealand. Finally, most of the vehicles used in the Express Packaging businesses are owned by contractors and Freightways is exploring ways through which it will be able to facilitate the transition of the vehicles to electric or hydrogen.

EARNINGS PER SHARE

Basic earnings per share
Basic earnings per share is calculated by dividing the profit for the year attributable to shareholders by the weighted average number of ordinary shares outstanding during the year:

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

Diluted earnings per share
Diluted earnings per share is calculated by dividing the profit for the year attributable to shareholders by the weighted average number of ordinary shares outstanding during the year, adjusted to include all dilutive potential ordinary shares (for example, partly-paid shares and share rights on issue) as if they had been converted to ordinary shares at the beginning of the year:

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

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

NET TANGIBLE ASSETS PER SECURITY

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

BUSINESS COMBINATIONS

Acquisition of ProducePronto ("PP")

Effective 1 November 2021, the Group acquired the business and assets of PP for an initial consideration of approximately $12.1 million and future earn-out of up to $3.8 million over 3 years. PP operates fourth party logistics (4PL) services with 365 day/year, same-day fresh and frozen delivery to convenience outlets nationally and businesses across Auckland. This acquired business operates within the Group's express package & business mail operating segment.

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

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

Purchase consideration	**$000**
Cash paid during the year	12,070
Fair value of future earn-out payment	3,709
Total purchase consideration	15,779
Fair value of assets and liabilities arising from the acquisition	
Contract assets	1,301
Plant and equipment	2,562
Right-of-use assets	499
Software	250
Brand name	765
Customer relationships	4,554
Non-compete agreement	525
Trade and other payables	(126)
Deferred tax liability	(1,601)
Lease liabilities	(499)
Net identifiable assets acquired	8,230
Add: Goodwill	7,549
Net assets acquired	15,779

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

The goodwill of $7.5 million arising upon this acquisition is attributable to the business know-how and the premium paid for strategic reasons, including acquiring an entry point into the 4PL temperature-controlled transport and facilities industry.

Prior year acquisition - Big Chill Distribution Limited ("BCD")

On 1 April 2020, the Group acquired 100% of BCD, a company operating in the New Zealand temperature-controlled transport and facilities market, for an initial consideration of $114.6 million and future contingent consideration representing 20% of BCD Enterprise Value as at 30 June 2022.

At 30 June 2022 the estimated discounted future payment for the acquisition of BCD was $56.2 million (30 June 2021: $51.3 million), with the change during 30 June 2022 arising from unwinding of discount on the future payment increasing by $1.2 million (2021: $1 million) and an increase in the estimated future final payment for the acquisition by $3.7 million (2021: increased by $23 million). The Group has forecast several scenarios and probability-weighted each to determine an updated fair value for this contingent payment arrangement. The liability is presented within current trade and other payables in the balance sheet.

SIGNIFICANT EVENTS AFTER BALANCE DATE

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

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

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

At the date of this report, there have been no other significant events subsequent to the reporting date.