Results for announcement to the market		
Name of issuer	FREIGHTWAYS GROUP LIMITED	
Reporting Period	12 months to 30 June 2023	
Previous Reporting Period	12 months to 30 June 2022	
Currency	New Zealand dollars	
	Amount (000s)	**Percentage change**
Revenue from continuing operations	$1,121,620	28.5%
Total Revenue	$1,121,620	28.5%
Net profit/(loss) from continuing operations	$75,297	7.3%
Total net profit/(loss)	$75,297	7.3%
Final Dividend		
Amount per Quoted Equity Security	$0.26388889	
Imputed amount per Quoted Equity Security	$0.07388889	
Record Date	15 September 2023	
Dividend Payment Date	2 October 2023	
	Current period	**Prior comparable period**
Net tangible assets per Quoted Equity Security	$(1.06)	$(0.80)
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	21 August 2023	

The information set out in this announcement is based on the audited financial statements of the Group for the financial year ended 30 June 2023. An unqualified audit opinion was issued by the Group's auditors in relation to those financial statements.

FINANCIAL SUMMARY
FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 $000	2022 $000	Increase %
Operating revenue		1,121,620	873,094	28.5%
EBITA*	(i)	145,285	126,522	14.8%
NPAT	(ii)	75,297	70,182	7.3%
EBITA*, excluding other expenses		145,285	130,222	11.6%
NPAT, excluding other expenses, net of tax		75,297	73,882	1.9%
Other expenses:				
- Change in fair value of contingent consideration – Big Chill Distribution Limited (BCD)	(iii)	-	(3,700)	
Total		-	(3,700)	
Tax benefit applicable to other expenses		-	-	
Other expenses, net of tax		**-**	**(3,700)**	

Note:

(i) Operating profit before interest, income tax and amortisation of intangibles

(ii) Profit for the year attributable to the shareholders

(iii) The estimated discounted future final payment for the BCD acquisition was 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 (net of impact of unwinding of discount on acquisition earn-out liability of $1.2 million) reflected the strong performance of BCD, which determined the final payment in August 2022 for the acquisition of the company.

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

* EBITA is a non-GAAP measure.

FULL YEAR REVIEW

From the Chairman and Chief Executive Officer

GROWTH ON BOTH SIDES OF THE TASMAN

Against a backdrop of quite different market dynamics on each side of the Tasman, our teams have worked tirelessly to meet the needs of our customers and we have selectively invested in the exciting future we see for ourselves.

Growth in the Australian economy in FY23 helped deliver solid financial performance from our Allied Express business, which lifted the overall Group result. The New Zealand economy, by contrast, was sluggish as businesses grappled with the challenges of a tight labour market, high labour costs, inflationary pressures and, of course, destructive weather. While some parts of our business, such as Information Management, have rebuilt after COVID-19, our linehaul businesses for both courier and temperature-controlled goods incurred much higher operating costs and disruptions during the year along with subdued growth in the operating environment.

The end result reflected these contrasts. Overall, operating revenue increased by 29% from last year, with our Australian businesses growing by 143% and our New Zealand businesses increasing by 6% - net profit after tax lifted by 7% overall.

INVESTING IN MOVING YOU TO A BETTER PLACE

Despite economic pressures, we remain committed to "Moving you to a better place". Investment across our four key activities – Express Package and Business Mail, Temperature Controlled, Information Management and Waste Renewal – is broadening our business footprint, leveraging our expertise and presence in exciting ways.

Strategically, we are confident these investments will form a powerful, collective catalyst for sustained growth in FY24 and beyond. Along the way, they will create opportunities to increase volume and achieve economies of scale, enhance our responsiveness and reliability for customers and strengthen our Group overall with more resilient, more efficient businesses.

OUR THREE HORIZONS FUTURE

The exciting feature of our three horizons approach is that it enables us to expand, in a disciplined way, into new areas characterised by greater value.

- Our first horizon revenue streams are the backbone. Often built over decades, they provide the core expertise, infrastructure and national network capabilities. Businesses here range from business-to-business (B2B) deliveries to temperature-controlled transport to archive storage and document destruction.

- Second horizon businesses utilise the fixed cost base established for horizon one but have faster growth prospects. These are activities like business-to-consumer (B2C) deliveries, temperature-controlled 3rd Party Logistics (3PL), digitisation and medical waste.

- Our third horizon businesses are the innovators – focused on delivering long-term revenue streams by identifying emerging niches with healthy potential. Opportunities in this space include oversize express couriers, same-day temperature-controlled deliveries, high-value recycling and 3PL for eCommerce.

CREATING ROOM TO GROW

Our investments this year and next are about adding capacity for growth within our integrated model. For example, our new Big Chill facility in Ruakura will give us the room for growth that we need to meet the ongoing demand for temperature-controlled 3PL as well as expanding our nationwide delivery capability. Equally, our new ProducePronto facility in Auckland will allow us to grow our temperature-controlled same-day and 4PL offering.

The arrival of our first Boeing 737-800 is a game-changer for our air freight services, enabling us to improve the resilience and efficiency of our first horizon businesses. This newer, faster and more fuel-efficient aircraft will allow us to carry more freight with reduced emissions and at better levels of reliability. The remainder of the fleet will be steadily upgraded over the rest of this decade.

In Australia, installing a new automated sortation system for Allied Express and establishing a new medical waste processing facility for Shred-X in Victoria will underpin efficiencies and enable these businesses to pick-up, process and deliver greater quantities at improved efficiency.

LEVERAGING OUR EXISTING NETWORKS

25kg+ couriers, same-day temperature-controlled delivery and high-value recycling all align with our core pick-up, process and deliver ethos. These activities have all been developed by using the facilities, teams of people, IT systems and customer-bases of our horizon one businesses.

A BUSY YEAR FOR ALL

Our Allied Express business has had a very good first year. Leveraging its footprint across five states has produced pleasing revenue growth. Now we are looking to make even more of their presence through world-class facilities that have the capacity to cope with a doubling of revenue in an express delivery market which is around 8 times larger than New Zealand's.

Complementing the larger facilities with automation in NSW and Victoria is the first step. This project, which started towards the end of the year, will pair investment in the best freight sorting automation with Allied Express' deep business relationships to build the capacity for material growth. This will allow us to pursue growing market share and grow the business without worrying about constraints in infrastructure. To assist that growth, we are building a new business sales team in Australia to maximise the opportunities from Allied Express' service proposition.

We are also actively looking for synergistic merger or acquisition opportunities to complement this investment in the years ahead.

After a surge in growth driven by demand for our services during the peak COVID-19 period, our Waste Renewal businesses have reverted to trend levels in terms of both volumes and growth expectations. We foresaw this. But we also anticipated the opportunity for investment, again to allow these businesses to pursue more growth in the years ahead. With that in mind, we have developed a new medical waste facility set to open in Victoria in early FY24.

In New Zealand, our Express Package brands have experienced a net gain in market share thanks to strong relationship/business development and differentiated service offerings that customers value. While the New Zealand economy goes through tougher times, it has been inspiring to see our teams winning new customers aided by superior performance and reliability and keeping customers better informed about their deliveries.

Cost pressures have been material this year. High labour costs, in particular, have prompted us to announce new pricing from the beginning of the next financial year (1 July 2023) to offset those costs.

Our Temperature Controlled businesses have also faced their share of challenges, with Cook Strait ferry disruptions and Cyclone Gabrielle adversely affecting a finely tuned supply chain system and generating cost pressures through the year's second half. Our teams have done a remarkable job of countering setbacks across a network where there is no inherent ‘give’ in the system. For both Big Chill and ProducePronto, time is our most significant advantage but potentially a costly adversary. When frozen perishables are waylaid because trucks are stranded in remote locations, often some distance from the nearest depot, the pressures come thick and fast. Our people battled disruptions, shortage of trucks and drivers, and delays to do the best for our customers.

For many of those customers, daily or even multiple-times-per-day deliveries are a commercial necessity. With no redundant refrigeration anywhere in the system to hold stock, stoppages can potentially hurt everyone. The big out-take from what has happened this year was that some extra capacity across our network is a game changer.

We’re excited about the opening of Big Chill’s new 13,000sqm 3PL cold store facility in Ruakura, adding to the nine depots we already have in our nationwide network. From October 2023, this state-of-the-art facility will enhance our existing capabilities with increased links to Port of Tauranga, the Waikato and the Bay of Plenty, and increase same-day and overnight services to Auckland. The new site will also allow us to store a significant number of temperature-controlled pallets.

This generates new opportunities to build our customer base in these active food-producing regions and strengthen volumes. Adding 3PL services will align the site with our Auckland and Christchurch facilities and enable us to add more logistics services for clients if needed as part of our nationwide expansion.

We’re also investing in new vehicles for the business over the next 12 months. These fleet improvements will add resilience to our model, provide more capacity to take on new business as we look forward to strengthening the Big Chill network and produce lower emissions through better fuel efficiency.

Our Information Management business grew well this year in terms of volumes as people returned to the office. We are especially pleased with our TIMG team's fantastic job in successfully completing a large digitisation project.

The significant growth of the ProducePronto network in recent months has led us to invest in a new, much larger depot for Auckland to meet the same-day delivery needs of the growing convenience food market and quick services restaurants demands. We’ve identified a similar opportunity for such an offer in Australia. Work over the coming year will highlight the size of the Australian market, our cost of entry and the approach we will take should we decide to progress.

OUR SUSTAINABILITY JOURNEY CONTINUES

We continue to make steady progress in the area of sustainability. We remain committed to our science-based target of a 50% drop in Scope 1, 2 and 3 emissions by 2035.

We have been TOITŪ certified since 2014. This year, we have brought together our performance and sustainability reporting into this one report, reflecting our wish to think about – and report on – our broader progress as a business. As we signalled last year, we reviewed our Sustainable Development Goals (SDGs) materiality as part of a review we do every five years to ensure our Goals continue to align with the interests of our stakeholders.

We will continue to report on SDG 13 - Climate Action because we have firm commitments to this. Still, we will set a new baseline for those actions with the inclusion of our Australian businesses (and will include a full year of Allied Express in our FY24 report) and our Big Chill business in New Zealand.

We already have milestones in place to move us to alternative fuels through our light vehicle and metro truck fleets as and when the technology to do so realistically becomes available. Well over 95% of our total Group emissions come from the fuel we use across our vehicles and aircraft. Our 2030 target of a 35% reduction in CO2e and our 2035 target of a 50% reduction in C02e align with what society needs to achieve globally to keep global warming to within 1.5 degrees Celsius.

Electrification of our forklifts and company vehicles has been a key initiative which commenced this year. At this stage, we plan to convert 25% of our company cars to PHEV by 2025, with 100% either PHEV, EV or hydrogen by 2030. Our contractors' light vehicles will begin to meaningfully transition to EVs from 2028, with our entire light vehicle fleet made up of low-emission vehicles by 2035. We are looking at finance options and continued upward movements in courier incomes to help our contractors do this. We also anticipate that our heavy transport fleet will commence using alternative fuels from 2030, and by 2035 we foresee that half of these vehicles will have transitioned – in particular the metro trucks which service customers within city and town locations.

OUTLOOK FY24

The economic climate has presented challenges over the past six months, and we expect this to continue through FY24. In NZ, while same-customer volume is lower than in FY23, we have secured new customers who are mitigating this impact. The tight labour markets in both NZ and Australia are beginning to ease. In the short term, we are cautious about the impact of the economy, particularly in NZ.

Notwithstanding the current economic environment, we are excited about the potential to grow our revenue and profitability on both sides of the Tasman in the longer term.

We look forward to a resumption of demand across our New Zealand businesses as the economy steadies and re-gathers confidence, hopefully later in the financial year. For our Express Package brands, our goals will be maintaining our quality network at the right price and containing and recovering costs where we can.

Investing in our aviation assets will strengthen the network. At the same time, our investments in Big Chill are about taking advantage of growth opportunities where we see them. What heartens us are the number of new business opportunities we have identified in some of our divisions. Information

Management will benefit from utilising existing capacity and Waste Renewal will take advantage of new capacity in Victoria.

We will continue to develop our third horizon business and expect growth in 25kg+ courier, same-day temperature-controlled transport, high value waste opportunities and Stocka – our 3PL eCommerce offering.

In Australia, we're confident that our investment in Allied Express will benefit from organic growth and will seek out complementary acquisition targets.

We will continue to manage capital in a prudent way that seeks to achieve a number of objectives:

- Invest to maintain or improve the level of service quality and network resilience: for example, fleet replacement or new facilities;
- Invest in new technologies that support our value proposition;
- Invest in businesses that support our horizons of growth.

In addition, Freightways, through the acquisition of Allied Express in Australia, has acquired a strong network across Australia and is further investing in capacity there as well as considering bolt-on acquisitions.

We will manage the level of debt carefully and aim to preserve our Investment Grade credit profile at all times. Our capital management will continue to reflect this objective.

ASX DUAL LISTING

Freightways Group Limited will today apply for admission to the official list of the Australian Securities Exchange (ASX) by way of an ASX Foreign Exempt Listing. Freightways' primary listing will remain on the NZX Main Board (NZX) while its dual listing on the ASX reflects the changing profile of the business, with Australian operations representing a higher proportion of Freightways' revenue and profit, particularly since the acquisition of Allied Express in October 2022. Freightways has had a presence in Australia since its 2007 acquisition of Databank and has steadily grown its footprint through the acquisition and growth of its information management, secure destruction and waste management businesses.

Freightways' name was changed to "Freightways Group Limited" and NZX ticker code was changed to "FRW", each with effect from market open on 1 March 2023 to allow for a potential dual listing. Its ASX ticker code will also be "FRW".

Subject to ASX approval, Freightways expects to become officially listed in mid-September 2023.

REGULATORY

Freightways is subject to a Commerce Commission investigation and is cooperating with the Commerce Commission. Freightways does not consider that this process will have a material financial or operational impact on the Group.

TOTAL CAPITAL EXPENDITURE FOR THE YEAR WAS $37M

As we reach the upper range of our target gearing we will assess the tools available to us to reduce debt and stay within the guidelines established by our capital management policy while taking into account the merger and acquisition opportunities that can be accretive for shareholders.

In closing, we'd like to acknowledge our people's fierce loyalty and commitment. Thanks to all of you for engaging with our challenges and giving your all every day to make us the Freightways we are all so proud of.

Thanks, too, to our board for your guidance as we stepped up our investments this year and to our shareholders and customers who continue to believe in and support us. We're excited about what's ahead.

Mark Cairns
Chairman

Mark Troughear
Chief Executive Officer

21 August 2023

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2023

	Group 2023 $000	Group 2022 $000
Operating revenue	**1,121,620**	**873,094**
Transport and logistics expenses	(479,169)	(344,534)
Employee benefits expenses	(309,879)	(252,488)
Occupancy expenses	(6,935)	(6,857)
General and administration expenses	(110,754)	(80,634)
Change in fair value of contingent consideration – Big Chill Distribution Limited	-	(3,700)
Depreciation and software amortisation	(69,598)	(58,359)
Amortisation of intangibles	(11,323)	(7,528)
Operating profit before interest and income tax	**133,962**	**118,994**
Net interest and finance costs	(28,585)	(20,292)
Profit before income tax	**105,377**	**98,702**
Total income tax	(30,080)	(28,520)
Profit for the year	**75,297**	**70,182**
Profit for the year is attributable to:		
Owners of the parent	75,144	70,095
Non-controlling interests	153	87
	75,297	**70,182**

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023

	Group	
	2023 **$000**	**2022** **$000**
Profit for the year (NPAT)	75,297	70,182
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(5,796)	2,858
Cash flow hedges taken directly to equity, net of tax	226	3,373
Total other comprehensive income after income tax	**(5,570)**	**6,231**
Total comprehensive income for the year	**69,727**	**76,413**
Total comprehensive income for the year is attributable to:		
Owners of the parent	69,574	76,326
Non-controlling interests	153	87
	69,727	**76,413**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023

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 2021	**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**
Profit for the year	-	75,144	-	-	153	75,297
Exchange differences on translation of foreign operations	-	-	-	(5,796)	-	(5,796)
Cash flow hedges taken directly to equity, net of tax	-	-	226	-	-	226
Total Comprehensive Income	**-**	**75,144**	**226**	**(5,796)**	**153**	**69,727**
Dividend payments	-	(63,465)	-	-	-	(63,465)
Shares issued	113,726	-	-	-	-	113,726
Balance at 30 June 2023	**298,075**	**185,618**	**2,404**	**(9,883)**	**388**	**476,602**

BALANCE SHEET
AS AT 30 JUNE 2023

	Group 2023 $000	2022 $000
Current assets		
Cash and cash equivalents	44,485	24,137
Trade and other receivables	150,434	127,072
Inventories	9,650	8,674
Contract assets	1,875	1,332
Derivative financial instruments	1,126	963
Total current assets	**207,570**	**162,178**
Non-current assets		
Trade receivables and other non-current assets	5,999	6,070
Property, plant and equipment	155,200	134,180
Right-of-use assets	315,536	271,020
Intangible assets	677,639	501,668
Investment in associates and joint venture	12,480	11,407
Derivative financial instruments	2,212	2,061
Total non-current assets	**1,169,066**	**926,406**
Total assets	**1,376,636**	**1,088,584**
Current liabilities		
Trade and other payables	138,602	172,822
Lease liabilities	44,774	34,735
Income tax payable	16,807	7,209
Provisions	3,552	1,550
Contract liability	14,407	15,876
Total current liabilities	**218,142**	**232,192**
Non-current liabilities		
Trade and other payables	4,159	3,709
Borrowings	297,194	176,210
Deferred tax liability	56,824	37,087
Provisions	10,216	7,382
Lease liabilities	313,499	275,390
Total non-current liabilities	**681,892**	**499,778**
Total liabilities	**900,034**	**731,970**
NET ASSETS	**476,602**	**356,614**
EQUITY		
Contributed equity	298,075	184,349
Retained earnings	185,618	173,939
Cash flow hedge reserve	2,404	2,178
Foreign currency translation reserve	(9,883)	(4,087)
	476,214	356,379
Non-controlling interests	388	235
TOTAL EQUITY	**476,602**	**356,614**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023

	Group	
	2023	2022
	$000	$000
	Inflows (Outflows)	Inflows (Outflows)
Cash flows from operating activities		
Receipts from customers	1,119,913	851,573
Payments to suppliers and employees	(909,812)	(672,075)
Cash generated from operations	**210,101**	**179,498**
Interest received	1,003	83
Interest and other costs of finance paid	(29,589)	(20,375)
Income taxes paid	(25,707)	(35,522)
Net cash inflows from operating activities	**155,808**	**123,684**
Cash flows from investing activities		
Payments for property, plant and equipment	(34,190)	(23,020)
Payments for software	(3,061)	(4,098)
Proceeds from disposal of property, plant and equipment	2,296	1,148
Payments for businesses acquired (net of cash acquired)	(128,472)	(12,070)
Payments for investment in associates	(612)	(2,674)
Receipts from joint venture and associate	2,711	2,930
Cash flows from other investing activities	-	2
Net cash outflows from investing activities	**(161,328)**	**(37,782)**
Cash flows from financing activities		
Dividends paid	(63,465)	(59,678)
Increase in bank borrowings	128,088	9,803
Proceeds from issue of ordinary shares	644	1,778
Principal elements of lease payments	(41,734)	(34,008)
Net cash inflows (outflows) from financing activities	**23,533**	**(82,105)**
Net increase in cash and cash equivalents	18,013	3,797
Cash and cash equivalents at beginning of year	24,137	19,940
Exchange rate adjustments	2,335	400
Cash and cash equivalents at end of year	**44,485**	**24,137**

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, express freight, 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, waste renewal 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 2023:

	Express Package & Business Mail $000	Information Management $000	Corporate $000	Inter-Segment Elimination $000	Consolidated Operations $000
Income statement					
Sales to external customers	907,637	213,983	-	-	1,121,620
Inter-segment sales	3,510	315	8,125	(11,950)	-
Total revenue	911,147	214,298	8,125	(11,950)	1,121,620
Operating profit (loss) before interest, income tax, depreciation and software amortisation and amortisation of intangibles	169,776	56,411	(11,304)	-	214,883
Depreciation and software amortisation	(44,329)	(23,717)	(1,552)	-	(69,598)
Operating profit (loss) before interest, income tax and amortisation of intangibles	125,447	32,694	(12,856)	-	145,285
Amortisation of intangibles	(9,050)	(2,273)	-	-	(11,323)
Profit (loss) before interest and income tax	116,397	30,421	(12,856)	-	133,962
Net interest and finance costs	(8,606)	(4,607)	(15,372)	-	(28,585)
Profit (loss) before income tax	107,791	25,814	(28,228)	-	105,377
Income tax	(29,675)	(7,777)	7,372	-	(30,080)
Profit (loss) for the year attributable to the shareholders	78,116	18,037	(20,856)	-	75,297
Balance sheet					
Segment assets	866,301	350,506	159,829	-	1,376,636
Segment liabilities	411,652	180,882	307,500	-	900,034

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 other income and expense, 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

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

For the year ended 30 June 2023, external revenue from customers in the Group's New Zealand and Australian operations was $775.8 million and $345.8 million, respectively (2022: $730.1 million and $142.4 million, respectively). As at 30 June 2023, non-current assets in respect of the New Zealand and Australian operations (excluding deferred tax assets and financial assets) were $779.7 million and $398.8 million, respectively (2022: $707.8 million and $259.8 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 including Digital Services	Total
	$000	$000	$000	$000	$000	$000
2023						
Revenue from external customers	855,631	52,005	64,395	87,175	62,414	1,121,620
Timing of revenue recognition:						
At a point in time	-	2,794	-	27,311	18,326	48,431
Over time	855,631	49,211	64,395	59,864	44,088	1,073,189
	855,631	52,005	64,395	87,175	62,414	1,121,620
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

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	
	2023	**2022**
	$000	**$000**
Opening net book value	**271,020**	**275,849**
Lease additions, modifications and terminations	79,073	29,719
Additions through business combinations	12,791	-
Depreciation for the year	(45,423)	(36,909)
Exchange rate movement	(1,925)	2,361
Closing net book value	**315,536**	**271,020**
Cost	497,950	420,968
Accumulated depreciation	(182,414)	(149,948)
Closing net book value	**315,536**	**271,020**
Right-of-use assets:		
Buildings	285,709	248,950
Equipment	6,271	7,630
Motor vehicles	23,556	14,440
	315,536	**271,020**

Lease liabilities:

	Group	
	2023	**2022**
	$000	**$000**
Opening lease liabilities	**310,125**	**311,635**
Lease additions, modifications and terminations	79,298	29,818
Additions through business combinations	12,791	-
Interest for the year	13,625	10,864
Lease repayments	(55,442)	(44,815)
Exchange rate movement	(2,124)	2,623
Closing lease liabilities	**358,273**	**310,125**
Analysis of lease liabilities:		
Current	44,774	34,735
Non-current	313,499	275,390
	358,273	**310,125**

Lease liabilities maturity analysis:

Group 2023	**Minimum lease payments $000**	**Interest $000**	**Present value $000**
Within one year	59,108	14,207	44,901
One to five years	188,886	39,557	149,329
Beyond five years	189,170	25,127	164,043
Total	**437,164**	**78,891**	**358,273**

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	31,987	112,058
Beyond five years	189,784	27,852	161,932
Total	**380,539**	**70,414**	**310,125**

Lease related expenses included in the income statement:

	Group	
	2023	**2022**
Depreciation charge for right-of-use assets	**$000**	**$000**
Buildings	36,153	28,122
Motor vehicles	3,166	5,991
Equipment	6,104	2,494
	45,423	**36,607**
Interest on leases	13,625	10,864

Total cash outflow in relation to leases is $41.7 million (2022: $43.1 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 $0.4 million (2022: $0.1 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**
2023	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Opening net book value	306,116	128,286	12,896	50,814	3,556	501,668
Additions	-	-	3,030	-	31	3,061
Acquisition through business combinations	106,606	30,654	2,167	56,329	3,141	198,897
Disposals / Transfers	-	-	162	-	-	162
Amortisation expense	-	(77)	(4,443)	(10,501)	(745)	(15,766)
Exchange rate movement	(6,072)	(1,580)	(107)	(2,451)	(173)	(10,383)
Closing net book value	**406,650**	**157,283**	**13,705**	**94,191**	**5,810**	**677,639**
As at end of year						
Cost	425,312	157,411	33,701	129,458	11,031	756,913
Accumulated amortisation and impairment	(18,662)	(128)	(19,996)	(35,267)	(5,221)	(79,274)
Net book value	**406,650**	**157,283**	**13,705**	**94,191**	**5,810**	**677,639**

Group 2022	Goodwill $000	Brand names $000	Software $000	Customer relationships $000	Other $000	Total $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**

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	
	2023 $000	**2022 $000**	**2023 $000**	**2022 $000**
Allied Express	100,271	-	29,399	-
Big Chill	85,183	85,183	14,638	14,714
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	7,318
Post Haste, Castle Parcels and NOW Couriers	27,159	27,159	18,395	18,395
Total Express Package & Business Mail	**284,223**	**183,952**	**133,350**	**104,027**
The Information Management Group (New Zealand)	17,577	17,577	4,400	4,400
The Information Management Group (Australia)	57,526	58,478	16,168	16,438
Shred-X	47,324	46,109	3,365	3,421
Total Information Management	**122,427**	**122,164**	**23,933**	**24,259**
Total	**406,650**	**306,116**	**157,283**	**128,286**

(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 pre-tax cash flow projections based on financial budgets prepared by management and approved by the Board for the year ended 30 June 2024. Cash flows beyond June 2024 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. Pre-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 pre-tax discount rates applied are:

	Growth rate beyond next financial year, including terminal growth		**Pre-tax discount rate**	
	2023	**2022**	**2023**	**2022**
Allied Express	3.0%	-	13.7%	-
Big Chill	2.5%	2.0%	13.5%	12.1%
Messenger Services	2.5%	2.0%	15.8%	11.1%
New Zealand Couriers	2.5%	2.0%	14.1%	11.1%
New Zealand Document Exchange and Dataprint	2.5%	2.0%	16.9%	16.9%
Post Haste, Castle Parcels and NOW Couriers	2.5%	2.0%	14.6%	11.1%
The Information Management Group (New Zealand)	2.5%	2.0%	16.1%	11.1%
The Information Management Group (Australia)	3.0%	2.5%	14.0%	13.2%
Shred-X	3.0%	2.5%	14.0%	13.2%

Note: Post-tax discount rates were disclosed in the annual report for the year ended 30 June 2022. Pre-tax discount rates, including for the 2022 comparatives, are now disclosed to conform with NZ IAS 36: Impairment of Assets.

(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.

Following are the significant estimate notes included in last year's annual report carried forward to this year's annual report for comparative purposes:

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	
	From	***To***
Achievement of FY24 budgeted revenue	*100%*	*72%*
Revenue growth per year (FY25-FY28)	*2%*	*(8.8%)*
Terminal EBITDA growth rate	*2%*	*(5.8%)*
Post-tax discount rate	*12.5%*	*17.0%*

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	
	From	***To***
Achievement of FY24 budgeted revenue	*100%*	*81%*
Revenue growth per year (FY25-FY28)	*2.5%*	*(3.9%)*
Terminal EBITDA growth rate	*2.5%*	*0%*
Post-tax discount rate	*9.9%*	*11.7%*

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.

The New Zealand External Reporting Board (XRB) published the Aotearoa New Zealand Climate Standards in December 2022. The new standards are effective for annual reporting periods beginning on or after 1 January 2023. Early adoption is permitted. The Group is currently assessing the new standards and intends to adopt the new standards in the 2024 financial year.

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	
	2023	**2022**
Profit for the year attributable to shareholders ($000)	75,297	70,182
Weighted average number of ordinary shares (‘000)	174,525	165,739
Basic earnings per share (cents)	**43.1**	**42.3**

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, share rights on issue) as if they had been converted to ordinary shares at the beginning of the year:

	Group	
	2023	**2022**
Profit for the year attributable to shareholders ($000)	75,297	70,182
Weighted average number of ordinary shares (‘000)	174,525	165,739
Effect of dilution (‘000)	392	403
Diluted weighted average number of ordinary shares (‘000)	174,917	166,142
Diluted earnings per share (cents)	**43.1**	**42.2**

NET TANGIBLE ASSETS PER SECURITY

Net tangible assets (liabilities) per security at 30 June 2023 was ($1.06) (2022: ($0.80)). Net tangible assets exclude intangible assets but includes software. There were 177,431,358 shares issued and fully paid as at 30 June 2023 (2022: 165,803,446).

BUSINESS COMBINATIONS

Acquisition of Allied Express Transport Pty Limited (AEX)

Effective 30 September 2022, the Group acquired 100% of AEX, a company operating in Australia in the courier and express freight market for total consideration of $215.3 million. The consideration comprises of cash payment of $88.1 million, issue of Freightways shares of $112.1 million, promissory note of $14.5 million and a completion adjustment of $0.7 million. A$50 million of the shares issued to the vendors are subject to an escrow on sale for a period of 12 months from 30 September 2022 and A$25 million of those shares will then remain subject to an escrow on sale for a further period of 12 months thereafter.

Included in AEX at the time of the acquisition was a shareholder loan of $14.5 million receivable by AEX from the vendor. Concurrent with the acquisition, this receivable of $14.5 million in AEX was satisfied through the issue of a promissory note (non-cash) from IMS Group Australia Pty Limited (IMS), a Freightways subsidiary, to AEX. This obligation is now within the Freightways Group and is reflected in the respective Group legal entities of AEX and IMS. The receivable and promissory note are eliminated in the consolidated financial statements of Freightways.

AEX operates within the Group's express package & business mail division.

The contribution of AEX to the Group results for the year ended 30 June 2023 was revenue of $187.2 million and net profit after tax of $13.2 million. If this acquisition had occurred at the beginning of the year, the contribution to revenue and net profit after tax for the period is estimated at $249.2 million and $18.2 million, respectively.

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

	Preliminary
Purchase consideration	**$000**
Cash paid during the year	88,070
Issue of Freightways shares	112,066
Promissory note	14,472
Completion adjustment	681
Total purchase consideration	215,289
Fair value of assets and liabilities arising from the acquisition	
Cash and cash equivalents	18,512
Trade and other receivables	24,414
Intercompany receivable	14,472
Plant and equipment	8,644
Right-of-use assets	12,791
Software	2,167
Brand name	30,654
Customer relationships	54,739
Non-compete agreement	3,141
Goodwill	104,553
Trade and other payables	(18,319)
Income tax payable	(2,053)
Deferred tax liability	(25,635)
Lease liabilities	(12,791)
	215,289

The goodwill of $104.6 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 Australian courier and express freight market.

The fair value of certain assets and liabilities arising from the acquisition have been determined on a provisional basis as the completion adjustment is currently being finalised. Plant and equipment, software, customer relationships, brand name, non-compete agreement, other payables and income tax payable have been measured provisionally, pending confirmation of certain determinants and finalisation of independent valuations. The fair value of these assets will be finalised within 12 months from the acquisition date.

Other acquisition

During the year, the Group acquired a small IT asset disposal and recycling services business in Australia for $2.7 million. This business operates with the Group's information management division.

Prior period acquisition – 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 per year, same-day fresh and frozen delivery to convenience outlets in New Zealand and businesses across Auckland. This acquired business operates within the Group's express package & business mail operating segment.

As at 30 June 2023, the estimated discounted future earn-out payment for the acquisition of PP was $3.7 million (30 June 2022: $3.7 million). This represents no change in the estimated undiscounted future earn-out payment from the last balance date. 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 non-current trade and other payables in the balance sheet.

Prior period 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 approximately 20% of BCD Enterprise Value as at 30 June 2022.

At 30 June 2022 the estimated discounted future contingent consideration for the acquisition of BCD was $56.2 million and this was paid in August 2022.

Reconciliation of payments for businesses acquired

	$000
Cash paid for the acquisition of AEX	88,070
Cash paid for contingent consideration for the acquisition of BCD	56,162
Cash paid for other acquisitions during the year	2,752
Cash acquired from acquisition of AEX	(18,512)
Payments for businesses acquired (net of cash acquired)	128,472

DIVIDEND

Dividends declared

On 21 August 2023, the Directors declared a fully imputed final dividend of 19 cents per share (approximately $33.7 million) in respect of the year ended 30 June 2023. The dividend will be paid on 2 October 2023. The record date for determination of entitlements to the dividend is 15 September 2023. The Freightways Dividend Reinvestment Plan will be offered for this dividend.

On 20 February 2023 the Directors declared an interim dividend of 18 cents per share, fully imputed at a tax rate of 28%. That represented an aggregate payout of approximately $32 million. The dividend was paid on 3 April 2023 and had a record date of 10 March 2023.

Dividend policy
The Group's dividend policy is to declare dividends at a rate of between 75% and 80% of NPATA (net profit after tax and before amortisation, and excluding one-off non-cash items) in conjunction with the release of the half year and full year results. Payment of dividends is proposed to be in April and October each year.

The Directors reserve the right to amend the dividend policy at any time. Each dividend will be determined after due consideration of the capital requirements, operating performance, financial position and cash flows of the Group at the time.