

**FLIWAY GROUP LIMITED**  
**UNAUDITED CONSOLIDATED INTERIM REPORT**  
**FOR THE 6 MONTHS ENDED 31 DECEMBER 2015**

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**INDEPENDENT REVIEW REPORT  
TO THE SHAREHOLDERS OF  
FLIWAY GROUP LIMITED**

We have reviewed the condensed consolidated interim financial statements of Fliway Group Limited and its subsidiaries ("the Group") which comprise the statement of financial position as at 31 December 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months ended on that date, and a summary of significant accounting policies and other explanatory information on pages 3 to 13.

This report is made solely to the company's shareholders, as a body. Our review has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company's shareholders as a body, for our engagement, for this report, or for the opinions we have formed.

**Board of Directors' Responsibilities**

The Board of Directors are responsible for the preparation and fair presentation of the condensed consolidated interim financial statements, in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting* and for such internal control as the Board of Directors determine is necessary to enable the preparation and fair presentation of the condensed consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

**Our Responsibilities**

Our responsibility is to express a conclusion on the condensed consolidated interim financial statements based on our review. We conducted our review in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* (NZ SRE 2410). NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the condensed consolidated interim financial statements, taken as a whole, are not prepared, in all material respects, in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*. As the auditor of Fliway Group Limited, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of the condensed consolidated interim financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on those financial statements.

Other than in our capacity as auditor and the provision of taxation advice, we have no relationship with or interests in Fliway Group Limited or its subsidiaries. These services have not impaired our independence as auditor of the Company and Group.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 31 December 2015 and its financial performance and cash flows for the six months ended on that date in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*.

22 February 2016  
Chartered Accountants  
AUCKLAND, NEW ZEALAND

This review report relates to the unaudited condensed consolidated interim financial statements of Fliway Group Limited for the six months ended 31 December 2015 included on the Fliway Group Limited website. The Board of Directors is responsible for the maintenance and integrity of Fliway Group Limited's website. We have not been engaged to report on the integrity of Fliway Group Limited's website. We accept no responsibility for any changes that may have occurred to the unaudited condensed consolidated interim financial statements since they were initially presented on the website. The review report refers only to the unaudited condensed consolidated interim financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these unaudited condensed consolidated interim financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the unaudited condensed consolidated interim financial statements and related review report dated 22 February 2016 to confirm the information included in the unaudited condensed consolidated interim financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**FLIWAY GROUP LIMITED**

**UNAUDITED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE 6 MONTHS ENDED 31 DECEMBER 2015**

	Note	Unaudited		Audited
		6 months ended 31 Dec 2015 \$'000	6 months ended 31 Dec 2014 \$'000	Year ended 30 June 2015 \$'000
Revenue from operating activities		43,822	44,371	84,169
<b>Total operating revenue</b>		<b>43,822</b>	<b>44,371</b>	<b>84,169</b>
Disbursement costs		(11,652)	(11,903)	(22,515)
Freight costs		(1,829)	(2,770)	(4,530)
Depreciation and amortisation		(1,005)	(871)	(2,030)
Rental and leasing charges		(3,622)	(3,628)	(6,997)
Personnel costs		(15,110)	(14,788)	(28,876)
Vehicle expenses		(3,024)	(3,544)	(6,552)
Other operating expenses		(3,130)	(3,644)	(9,210)
<b>Operating profit before financing expenses and joint venture profit</b>		<b>4,450</b>	<b>3,223</b>	<b>3,459</b>
Net financing expenses		(318)	(634)	(1,201)
Share of joint venture profit	(3)	613	602	1,147
<b>Profit before taxation</b>		<b>4,745</b>	<b>3,191</b>	<b>3,405</b>
Income tax expense		(1,165)	(771)	(1,215)
<b>Net profit &amp; total comprehensive income for the period</b>		<b>3,580</b>	<b>2,420</b>	<b>2,190</b>
<b>Earnings per share</b>				
Basic and diluted earnings (in cents)	(6)	7.9	6.4	5.5

The accompanying notes form an integral part of these financial statements and should be read in conjunction with them.

**FLIWAY GROUP LIMITED**

**UNAUDITED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY**

**FOR THE 6 MONTHS ENDED 31 DECEMBER 2015**

	Note	Issued Capital \$'000	Retained Earnings \$'000	Total \$'000
<u>Unaudited</u>				
Balance at 1 Jul 15		8,769	20,981	29,750
Net Profit and total comprehensive income		-	3,580	3,580
Dividends paid	(4)	-	(1,091)	(1,091)
Balance at 31 Dec 15		<u>8,769</u>	<u>23,470</u>	<u>32,239</u>
<u>Unaudited</u>				
Balance at 1 Jul 14		5,000	18,791	23,791
Net Profit and total comprehensive income		-	2,420	2,420
Redemption of redeemable preference shares		(5,000)	-	(5,000)
Balance at 31 Dec 14		<u>-</u>	<u>21,211</u>	<u>21,211</u>
<u>Audited</u>				
Balance at 1 Jul 14		5,000	18,791	23,791
Redemption of redeemable preference shares		(5,000)	-	(5,000)
Equity raised from IPO		9,040	-	9,040
Issue costs associated with new shares		(271)	-	(271)
Net Profit and total comprehensive income		-	2,190	2,190
Balance at 30 Jun 15		<u>8,769</u>	<u>20,981</u>	<u>29,750</u>

The accompanying notes form an integral part of these financial statements and should be read in conjunction with them.

**FLIWAY GROUP LIMITED**

**UNAUDITED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION**

**AS AT 31 DECEMBER 2015**

	Note	Unaudited		Audited
		31 Dec 2015 \$'000	31 Dec 2014 \$'000	30 Jun 2015 \$'000
<b>Current assets</b>				
Cash at bank and on hand		3,438	2,634	6,837
Accounts receivable		9,938	11,456	9,208
Related party receivables	(7)	603	520	577
Prepaid expenses		750	719	468
<b>Total current assets</b>		<b>14,729</b>	<b>15,329</b>	<b>17,090</b>
<b>Non-current assets</b>				
Deferred taxation asset		583	379	557
Property, plant and equipment	(8)	10,370	10,549	10,438
Intangibles	(8)	274	383	334
Investment in joint venture		2,270	1,613	1,658
Goodwill		23,046	23,046	23,046
<b>Total non-current assets</b>		<b>36,543</b>	<b>35,970</b>	<b>36,033</b>
<b>Total assets</b>		<b>51,272</b>	<b>51,299</b>	<b>53,123</b>
<b>Current liabilities</b>				
Accounts payable & accrued expenses		6,308	5,792	5,757
Provisions		491	680	727
Related party payables	(7)	8	40	14
Employee benefits		1,472	1,187	1,158
Taxation payable		663	212	448
Derivative financial instruments	(9)	291	108	269
<b>Total Current liabilities</b>		<b>9,233</b>	<b>8,019</b>	<b>8,373</b>
<b>Non-current liabilities</b>				
Interest-bearing loans		9,800	19,300	15,000
Unsecured loan (D Hawkesby)	(7)	-	2,236	-
Unsecured loan (D & G Hawkesby Trust)	(7)	-	533	-
<b>Total non-current liabilities</b>		<b>9,800</b>	<b>22,069</b>	<b>15,000</b>
<b>Total liabilities</b>		<b>19,033</b>	<b>30,088</b>	<b>23,373</b>
<b>Net assets</b>		<b>32,239</b>	<b>21,211</b>	<b>29,750</b>
<b>Equity</b>				
Issued capital		8,769	-	8,769
Retained earnings		23,470	21,211	20,981
<b>Total equity</b>		<b>32,239</b>	<b>21,211</b>	<b>29,750</b>
<b>Net tangible assets per ordinary share (\$'s)</b>		<b>0.20</b>	<b>(21,745.10)</b>	<b>0.14</b>
Ordinary shares issued at the end of the period		45,437,910	102	45,437,910

These unaudited interim financial statements are authorised by:



DIRECTOR Duncan Hawkesby  
For and on behalf of the Board 22nd February 2016



DIRECTOR Alan Isaac  
For and on behalf of the Board 22nd February 2016

The accompanying notes form an integral part of these financial statements and should be read in conjunction with them.

**FLIWAY GROUP LIMITED**

**UNAUDITED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS**

**FOR THE 6 MONTHS ENDED 31 DECEMBER 2015**

	Note	Unaudited		Audited
		6 months ended 31 Dec 2015 \$'000	6 months ended 31 Dec 2014 \$'000	Year ended 30 June 2015 \$'000
<b>Cash flows from operating activities</b>				
Receipts from customers		43,929	44,760	86,368
Interest received		57	69	98
Receipts from joint venture		3,849	2,936	5,867
Payments to suppliers and employees		(42,767)	(43,708)	(84,398)
Interest paid		(308)	(540)	(955)
Income taxes paid		(975)	(933)	(1,319)
<b>Net cash generated by operating activities</b>	(5)	3,785	2,584	5,661
<b>Cash flows from investing activities</b>				
Dividend received from joint venture		-	419	919
Sale of property, plant and equipment and intangibles		91	206	264
Payments for property, plant and equipment and intangibles		(984)	(3,465)	(4,605)
<b>Net cash (used in) provided by investing activities</b>		(893)	(2,840)	(3,422)
<b>Cash flows from financing activities</b>				
Dividends paid		(1,091)	-	-
Repayment of related party borrowings		-	(200)	(2,969)
Redemption of redeemable preference shares		-	(5,000)	(5,000)
Equity raised from IPO		-	-	9,040
Issue costs associated with new shares		-	-	(271)
Repayment of borrowings		(5,200)	-	(4,292)
<b>Net cash used in financing activities</b>		(6,291)	(5,200)	(3,492)
<b>Net decrease in cash and cash equivalents</b>		(3,399)	(5,456)	(1,253)
Cash and cash equivalents at the beginning of the period		6,837	8,090	8,090
<b>Cash and cash equivalents at the end of the period</b>		3,438	2,634	6,837

The accompanying notes form an integral part of these financial statements and should be read in conjunction with them.

**FLIWAY GROUP LIMITED**

**CONDENSED NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**FOR THE 6 MONTHS ENDED 31 DECEMBER 2015**

**1 General Information**

Fliway Group Limited (the "Company") is a profit oriented company incorporated in New Zealand and registered under the Companies Act 1993. The Group consists of Fliway Group Limited, its subsidiaries and joint venture. The principal activities of the Group are transportation of goods, customer logistics solutions and freight forwarding. The Company is an FMC reporting entity in terms of the Financial Markets Conduct Act 2013 and listed on the New Zealand Stock Exchange on 9 April 2015.

**2 Financial Statements**

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). They comply with the New Zealand Equivalent to International Accounting Standard 34 (NZ IAS 34) Interim Financial Reporting and International Accounting Standard 34 (IAS 34) Interim Financial Reporting, as applicable for profit oriented entities.

The same accounting policies and methods of computation are applied in the interim financial statements as were applied in the financial statements for the year ended 30 June 2015. These financial statements should be read in conjunction with the financial statements and related notes included in the Company's Annual Report for the year ended 30 June 2015. The information is presented in thousands of New Zealand dollars unless otherwise stated.

**3 Investment in Joint Venture**

Contribution to net profit.

Name	Principal Activities	Country of Incorporation	Holding (all reporting dates)	Unaudited		Audited
				6 months ended 31 Dec 2015 \$'000	6 months ended 31 Dec 2014 \$'000	Year ended 30 Jun 2015 \$'000
United Parcel Service - Fliway (NZ) Limited	International Parcel Service	New Zealand	50%	613	602	1,147

**4 Dividends**

During the six months ended 31 December 2015 a fully imputed final dividend of 1.9 cents and special dividend of 0.5 cents per share totalling \$1,090,510 was paid on 20 October 2015 in respect of the year ended 30 June 2015. No dividends were paid in prior periods.

**5 Reconciliation of Net Profit after Tax with Cash Flows from Operating Activities**

	Unaudited		Audited
	6 months ended 31 Dec 2015 \$'000	6 months ended 31 Dec 2014 \$'000	Year ended 30 Jun 2015 \$'000
Net profit after tax	3,580	2,420	2,190
Loss on sale or disposal of non-current assets	18	29	112
Depreciation and amortisation	1,005	871	2,030
Share of joint venture net profit	(613)	(602)	(1,147)
Decrease / (increase) in deferred tax assets	(25)	9	(169)
Increase / (decrease) in interest bearing liabilities	-	8	-
<b>Changes in working capital</b>			
<i>(Increase) / Decrease in assets:</i>			
Current receivables	(730)	(682)	1,526
Prepayments	(283)	(357)	(106)
Related party receivables	(26)	(27)	(85)
<i>Increase / (decrease) in liabilities:</i>			
Current payables and accruals	551	667	679
Current provisions	(236)	132	173
Current employee benefits	314	140	111
Related party payables	(6)	5	(21)
Derivative financial instruments	21	142	303
Current tax	215	(202)	33
Classified as investing activities	-	31	32
<b>Net cash generated by operating activities</b>	<b>3,785</b>	<b>2,584</b>	<b>5,661</b>

**6 Earnings per share**

	Unaudited		Audited
	6 months ended 31 Dec 2015	6 months ended 31 Dec 2014	Year ended 30 Jun 2015
Profit after tax \$'000	3,580	2,420	2,190
Weighted average number of ordinary shares	45,437,910	37,904,577	39,617,636
Basic and diluted earnings per share (in cents)	7.9	6.4	5.5

The shareholding conversion which took place on 7 April 2015 has been applied retrospectively to prior periods. The restatement ensures current and prior periods are comparable, as if the conversion was always in place.

**FLIWAY GROUP LIMITED**

**CONDENSED NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS continued**

**FOR THE 6 MONTHS ENDED 31 DECEMBER 2015**

**7 Related parties**

Related parties include subsidiaries in the Group, the joint venture entity and the Directors.

Related Party	Nature of Transaction	Relationship	Unaudited		Audited
			6 months ended 31 Dec 2015 \$'000	6 months ended 31 Dec 2014 \$'000	Year ended 30 Jun 2015 \$'000
<u>Transactions received / (paid) and outstanding balances receivable / (payable) between the Group and related parties:</u>					
<b>Transactions</b>					
United Parcel Service - Fliway (NZ) Limited	Freight and logistics services	Joint Venture	2,118	2,246	4,155
United Parcel Service - Fliway (NZ) Limited	Freight services	Joint Venture	(61)	(78)	(139)
United Parcel Service - Fliway (NZ) Limited	Recharge expenses	Joint Venture	518	415	952
United Parcel Service - Fliway (NZ) Limited	IATA and Customs expenses	Joint Venture	1,184	508	1,005
United Parcel Service - Fliway (NZ) Limited	Gross dividend payment	Joint Venture	-	450	950
D Hawkesby	Unsecured loan repayment	Managing Director	-	(200)	(2,436)
D & G Hawkesby Trust	Unsecured loan repayment	Shareholder	-	-	(533)
D & G Hawkesby Trust	Shareholder indemnity payment	Shareholder	590	-	-
<b>Outstanding balances</b>					
United Parcel Service - Fliway (NZ) Limited	Trade receivables	Joint Venture	603	520	577
United Parcel Service - Fliway (NZ) Limited	Trade payables	Joint Venture	(8)	(40)	(14)
D Hawkesby	Unsecured loan	Managing Director	-	2,236	-
D & G Hawkesby Trust	Unsecured loan	Shareholder	-	533	-
<u>Key management personnel remuneration - directors and executives:</u>					
Short-term benefits			1,096	752	1,677

Short-term benefits for 30 June 2015 have been restated providing for bonuses and CIO who started during the year.

**8 Property, plant, equipment and intangibles**

	Unaudited		Audited
	6 months ended 31 Dec 2015 \$'000	6 months ended 31 Dec 2014 \$'000	Year ended 30 Jun 2015 \$'000
Opening net book value	10,772	8,574	8,574
Additions	1,007	3,259	4,658
Disposals	(130)	(30)	(430)
Depreciation / Amortisation	(1,005)	(871)	(2,030)
Closing net book value	10,644	10,932	10,772

**9 Financial instruments - fair value**

The Group uses interest rate swaps and options to manage the interest rate risk and volatility on term loans. The Group agrees to exchange at specific intervals the difference between fixed and variable rate interest amounts calculated by reference to a specified notional principal amount.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The resulting gain or loss is recognised in profit or loss immediately.

The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using observable yield curves at the end of the reporting period, discounted at a rate that reflects the credit risk inherent in the contract.

The Group has categorised these interest rate swaps and options as level 2 financial instruments measured at fair value after initial recognition. There were no transfers between fair value hierarchy levels during either the current or prior periods.

The following table provides an analysis of financial instruments that are measured at fair value subsequent to initial recognition.

	Unaudited		Audited
	31 Dec 2015 \$'000	31 Dec 2014 \$'000	30 Jun 2015 \$'000
Interest rate swaps	(184)	(77)	(174)
Interest rate options	(107)	(31)	(95)
	(291)	(108)	(269)

The carrying amount of financial assets and financial liabilities at amortised cost in the financial statements approximates their fair value.

**10 Subsequent events**

An interim ordinary dividend of 3.3 cents per share was declared on 22 February 2015, totalling \$1,499,451.



**FLIWAY GROUP LIMITED**

**CONDENSED NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS continued**

**FOR THE 6 MONTHS ENDED 31 DECEMBER 2015**

**11 Contingent liabilities**

As at 31 December 2015 the bank had issued Flway Group Limited a \$900,000 bond in favour of Macquarie Goodman in relation to the lease of 66 Westney Road, Auckland expiring 30/08/2018, a \$39,000 bond to IATA (International Air Transport Association), and a \$75,000 bond to the NZX while the company remains publicly listed.

As part of the public offering the selling shareholders entered into a deed of indemnity in favour of Flway (the Selling Shareholder Indemnity) dated 5th March 2015. Under the Selling Shareholder Indemnity, the shareholders have agreed to indemnify Flway against any loss of earnings as a result of a third party claim relating to an event that occurred before allotment of shares. However, claims against Flway that arise in the ordinary course of its day-to-day activities as a result of the loss or damage to goods or inventory are excluded from the Selling Shareholder Indemnity. A claim is also excluded to the extent Flway recovers proceeds under its insurance policies. Flway must not make a claim under the Selling Shareholder Indemnity unless the amount of the claim exceeds \$250,000. The Selling Shareholders' liability under the Selling Shareholder Indemnity is limited to an aggregate maximum amount of \$4 million. The limit reduces annually to \$nil by 2020. During the period to 31 December 2015 a claim of \$590,000 has been settled by the selling shareholders in relation to a former customer logistics claim.

**12 Segment reporting**

The Group operates in the domestic supply chain and international air and ocean freight. The Group's operations can be broken down into the following operating segments.

**Domestic** – revenue earned from providing goods transport services within New Zealand.

**International** – revenue earned from moving freight between international countries including New Zealand.

**Joint Venture** – represents equity method accounted joint venture between the Group and UPS

**Head Office** - comprises financing and administrative support to other operating segments.

All segments assets are geographically based in New Zealand, and all services provided are centralised in New Zealand.

Transactions between segments are entered into on a fully commercial basis. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment assets and liabilities are disclosed net of inter-company balances.

	Domestic \$'000	International \$'000	Joint Venture \$'000	Head Office \$'000	Inter-Segment \$'000	Group \$'000
<u>Unaudited</u>						
<b>Six months ended 31 December 2015</b>						
Sales to customers outside the Group	29,217	14,605	-	-	-	43,822
Inter-segment sales	103	15	-	-	(118)	-
<b>Total Revenue</b>	<b>29,320</b>	<b>14,620</b>	<b>-</b>	<b>-</b>	<b>(118)</b>	<b>43,822</b>
<b>Segment profit</b>	<b>5,895</b>	<b>1,962</b>	<b>852</b>	<b>(2,384)</b>	<b>-</b>	<b>6,325</b>
Segment assets	36,001	7,800	2,873	4,598	-	51,272
Segment liabilities	4,909	3,616	8	10,500	-	19,033
Property, plant, equipment and computer software additions	990	2	-	15	-	1,007
<u>Unaudited</u>						
<b>Six months ended 31 December 2014</b>						
Sales to customers outside the Group	29,428	14,943	-	-	-	44,371
Inter-segment sales	87	3	-	-	(90)	-
<b>Total Revenue</b>	<b>29,515</b>	<b>14,946</b>	<b>-</b>	<b>-</b>	<b>(90)</b>	<b>44,371</b>
<b>Segment profit</b>	<b>4,152</b>	<b>2,152</b>	<b>836</b>	<b>(2,181)</b>	<b>-</b>	<b>4,959</b>
Segment assets	37,425	8,490	2,078	3,306	-	51,299
Segment liabilities	5,574	1,936	40	22,538	-	30,088
Property, plant, equipment and computer software additions	3,191	45	-	23	-	3,259
<u>Audited</u>						
<b>Year ended 30 June 2015</b>						
Sales to customers outside the Group	55,810	28,359	-	-	-	84,169
Inter-segment sales	174	15	-	-	(189)	-
<b>Total Revenue</b>	<b>55,984</b>	<b>28,374</b>	<b>-</b>	<b>-</b>	<b>(189)</b>	<b>84,169</b>
<b>Segment profit</b>	<b>8,390</b>	<b>3,873</b>	<b>1,593</b>	<b>(6,662)</b>	<b>-</b>	<b>7,194</b>
Segment assets	35,802	7,619	2,235	7,467	-	53,123
Segment liabilities	5,767	2,589	14	15,003	-	23,373
Property, plant, equipment and computer software additions	4,559	46	-	53	-	4,658

**Reconciliation between segment profit and the Statement of Comprehensive Income**

	Unaudited		Audited
	6 months ended 31 Dec 2015 \$'000	6 months ended 31 Dec 2014 \$'000	Year ended 30 Jun 2015 \$'000
<b>Segment profit</b>	6,325	4,959	7,194
Share of joint venture profit	(613)	(602)	(1,147)
Gross up 50% joint venture interest, tax, depreciation	(239)	(234)	(446)
Loss on disposal property/plant/equipment/intangibles	(18)	(29)	(112)
Depreciation and amortisation	(1,005)	(871)	(2,030)
<b>Operating profit before financing expenses and joint venture profit</b>	<b>4,450</b>	<b>3,223</b>	<b>3,459</b>

**FLIWAY GROUP LIMITED**

**CONDENSED NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS** *Continued*

**FOR THE 6 MONTHS ENDED 31 DECEMBER 2015**

**13 Comparison with Prospective Financial Information**

**(i) Prospective Consolidated Interim Statement of Comprehensive Income**

	6 months ended 31 Dec 2015 \$'000 Actual	6 months ended 31 Dec 2015 \$'000 Prospectus	\$'000 Variance
Revenue from operating activities	43,822	44,749	(927)
<b>Total operating revenue</b>	<b>43,822</b>	<b>44,749</b>	<b>(927)</b>
Disbursement costs	(11,652)	(12,233)	581
Freight costs	(1,829)	(2,382)	553
Depreciation and amortisation	(1,005)	(1,200)	196
Rental and leasing charges	(3,622)	(3,368)	(254)
Personnel costs	(15,110)	(15,193)	83
Vehicle expenses	(3,024)	(3,492)	468
Other operating expenses	(3,130)	(3,266)	136
<b>Operating profit before financing expenses and joint venture profit</b>	<b>4,450</b>	<b>3,615</b>	<b>835</b>
Net financing expenses	(318)	(352)	34
Share of joint venture profit	613	515	98
<b>Profit before taxation</b>	<b>4,745</b>	<b>3,778</b>	<b>967</b>
<b>Income tax expense</b>	<b>(1,165)</b>	<b>(913)</b>	<b>(252)</b>
<b>Net profit and total comprehensive income for the period</b>	<b>3,580</b>	<b>2,865</b>	<b>715</b>

When necessary, prospective financial information have been regrouped to conform with the classification of the current year actuals.

**Explanation of variances:**

Total comprehensive income at \$3,580,000 is \$715,000 higher than forecast. This is due to capacity management and good cost control offsetting lower than forecast revenue resulting from lower fuel costs passed through to customers and lower international shipping rates.

**(ii) Prospective Consolidated Interim Statement of Changes in Equity**

	6 months ended 31 Dec 2015 \$'000 Actual	6 months ended 31 Dec 2015 \$'000 Prospectus	\$'000 Variance
Opening balance	29,750	29,341	(409)
Net profit and total comprehensive income	3,580	2,865	(715)
Dividends paid	(1,091)	(863)	228
Closing balance	<b>32,239</b>	<b>31,344</b>	<b>(896)</b>

**Explanation of variances:**

Total equity at 31 December 2015 is \$896,000 higher than forecast. This is the result of the increase in comprehensive income being partially offset by the special dividend payout.

**FLIWAY GROUP LIMITED**

**CONDENSED NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS Continued**

**FOR THE 6 MONTHS ENDED 31 DECEMBER 2015**

**Comparison with Prospective Financial Information (cont).**

**(iii) Prospective Consolidated Interim Statement of Financial Position**

	31 Dec 2015 \$'000 Actual	31 Dec 2015 \$'000 Prospectus	\$'000 Variance
<b>Current assets</b>			
Cash at bank and on hand	3,438	3,607	(169)
Accounts receivable	9,938	11,356	(1,418)
Related party receivables	603	520	83
Prepaid expenses	750	721	29
<b>Total current assets</b>	<b>14,729</b>	<b>16,204</b>	<b>(1,475)</b>
<b>Non-current assets</b>			
Deferred taxation asset	583	379	204
Property, plant and equipment	10,370	10,164	206
Intangibles	274	323	(49)
Investment in joint venture	2,270	1,639	631
Goodwill	23,046	23,046	0
<b>Total non-current assets</b>	<b>36,543</b>	<b>35,551</b>	<b>992</b>
<b>Total assets</b>	<b>51,272</b>	<b>51,755</b>	<b>(483)</b>
<b>Current liabilities</b>			
Accounts payable & accrued expenses	6,308	5,611	697
Provisions	491	480	11
Related party payables	8	40	(32)
Employee benefits	1,472	1,208	264
Taxation payable	663	464	199
Derivative financial instruments	291	108	183
<b>Total Current liabilities</b>	<b>9,233</b>	<b>7,911</b>	<b>1,322</b>
<b>Non-current liabilities</b>			
Interest-bearing loans	9,800	12,500	(2,700)
<b>Total non-current liabilities</b>	<b>9,800</b>	<b>12,500</b>	<b>(2,700)</b>
<b>Total liabilities</b>	<b>19,033</b>	<b>20,411</b>	<b>(1,378)</b>
<b>Net assets</b>	<b>32,239</b>	<b>31,344</b>	<b>895</b>
<b>Equity</b>			
Issued capital	8,769	8,904	8,904
Retained earnings	23,470	22,440	22,440
<b>Total equity</b>	<b>32,239</b>	<b>31,344</b>	<b>895</b>

**Explanation of variances:**

The more significant changes in the consolidated statement of financial position were as follows:

Decrease in current assets due to accounts receivable reduction from stronger collections converted into cash used to reduce debt and lower revenue.

Increase in non-current assets due to pushing out the JV's dividend payout after delays implementing a new customer management system and stronger profitability.

The increase in current liabilities driven by increased accounts payable and accruals.

Non-current liabilities reduced as cash generated was used to repay bank debt that is now redrawable.

**FLIWAY GROUP LIMITED**

**CONDENSED NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS Continued**

**FOR THE 6 MONTHS ENDED 31 DECEMBER 2015**

**Comparison with Prospective Financial Information (cont).**

**(iv) Prospective Consolidated Interim Statement of Cash Flows**

	6 months ended 31 Dec 2015 \$'000 Actual	6 months ended 31 Dec 2015 \$'000 Prospectus	\$'000 Variance
<b>Cash flows from operating activities</b>			
Receipts from customers	43,929	45,566	(1,637)
Interest received	57	-	57
Receipts from joint venture	3,849	2,958	891
Payments to suppliers and employees	(42,767)	(43,910)	1,143
Interest paid	(308)	(329)	21
Income taxes paid	(975)	(838)	(137)
<b>Net cash generated by operating activities</b>	<b>3,785</b>	<b>3,447</b>	<b>338</b>
<b>Cash flows from investing activities</b>			
Dividend received from joint venture	-	450	(450)
Sale of property, plant and equipment and intangible assets	91	-	91
Payments for property, plant and equipment and intangible assets	(984)	(1,200)	216
<b>Net cash used in / provided by investing activities</b>	<b>(893)</b>	<b>(750)</b>	<b>(143)</b>
<b>Cash flows from financing activities</b>			
Dividends paid	(1,091)	(863)	(229)
Repayment of borrowings	(5,200)	-	(5,200)
<b>Net cash used in financing activities</b>	<b>(6,291)</b>	<b>(863)</b>	<b>(5,429)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(3,399)</b>	<b>1,835</b>	<b>(5,234)</b>
Cash and cash equivalents at the beginning of the year	6,837	1,772	5,065
<b>Cash and cash equivalents at the end of the year</b>	<b>3,438</b>	<b>3,607</b>	<b>(169)</b>

**Explanation of variances:**

The cash and cash equivalents at 31 December 2015 has reduced due to significant debt reduction (now redrawable) from cash reserves, a lift in working capital and delay in receipt of joint venture dividend. Receipts from customers were lower due to reduced revenue compensated in part through lower payments to suppliers.

**FLIWAY GROUP LIMITED**

**CONDENSED NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS Continued**

**FOR THE 6 MONTHS ENDED 31 DECEMBER 2015**

**Comparison with Prospective Financial Information (cont).**

**(v) Prospective Interim Financial Performance by Segment**

	6 months ended 31 Dec 2015 \$'000 Actual	6 months ended 31 Dec 2015 \$'000 Prospectus	\$'000 Variance
<b>Domestic</b>			
Total revenue	29,320	29,547	(227)
Segment profit	5,895	5,167	728
<u>Less:</u>			
Depreciation & amortisation	(911)	(1,022)	111
Gain / (loss) on disposal - property/plant/equipment/intangibles	(23)	-	(23)
Operating profit before financing expenses	4,961	4,145	816

**Explanation of variances:**

The increase of \$816,000 in Domestic operating profit resulted from improved warehousing performance and lower than forecast transport costs offsetting lower than forecast transport revenue. Actual result includes \$86,000 elimination of IT recharges from Head Office, not eliminated in the prospectus.

**International**

Total revenue	14,620	15,302	(682)
Segment profit	1,962	2,011	(49)
<u>Less:</u>			
Depreciation & amortisation	(36)	(73)	37
Gain / (loss) on disposal - property/plant/equipment/intangibles	5	-	-
Operating profit before financing expenses	1,931	1,938	(7)

**Explanation of variances:**

The decrease of \$7,000 in International operating profit was due to a 4% revenue reduction of actual from forecast primarily resulting from lower shipping rates and volumes, offset by improved margins minimising the profit impact.

**Joint Venture**

Segment profit	852	726	126
<u>Less:</u>			
Gross up 50% joint venture interest, tax, depreciation	(239)	(211)	(29)
Share of joint venture profit	613	515	97

**Explanation of variances:**

The increase of \$97,000 in the Joint Venture operating profit was due to higher than expected net exports revenue leading to a better than forecast result of the joint venture.

**Head Office**

Segment profit / (loss)	(2,384)	(2,363)	(21)
<u>Less:</u>			
Depreciation & amortisation	(58)	(104)	46
Operating profit before financing expenses	(2,442)	(2,467)	26

**Explanation of variances:**

Operating profit improved \$26,000 due to reversing the provision for selling shareholder indemnity claim offset by executive bonus provisions, unrealised foreign exchange loss, additional line of credit fees and elimination of \$95,000 intercompany IT recharges received, not eliminated in the prospectus.

**Group**

Total revenue	43,940	44,849	(909)
Inter-segment sales	(118)	(100)	(18)
Total revenue from customers outside the Group	43,822	44,749	(927)
Segment Profit	6,325	5,541	785
<u>Less:</u>			
Depreciation & amortisation	(1,005)	(1,200)	195
Share of joint venture profit	(613)	(515)	(97)
Gross up 50% joint venture interest, tax, depreciation	(239)	(211)	(29)
Gain / (loss) on disposal - property/plant/equipment/intangibles	(18)	-	(18)
Operating profit before financing expenses	4,450	3,615	835
<u>Reconciliation to Prospectus:</u>			
Share of joint venture profit	613	515	97
Net fair value gain / (loss) on interest rate swap / options	(67)	(23)	(44)
Operating profit before financing expenses	4,996	4,108	888

The Group operating profit before financing expenses shown above excludes share of joint venture profit \$613,000 and derivatives loss of \$67,000. In the prospectus these were both shown in operating profit before financing expenses, but have been adjusted to be consistent with actual results.

**FLIWAY GROUP LIMITED**  
**SUPPLEMENTARY INFORMATION**

**Reconciliation to Pro-Forma EBITDA EBIT & NPAT**

	6 months ended 31/12/2015 \$'000 Actual	6 months ended 31/12/2015 \$'000 Prospectus	\$'000 Variance	12 months ended 31/12/2015 \$'000 Actual	12 months ended 31/12/2015 \$'000 Prospectus	\$'000 Variance
Revenue	43,822	44,749	(927)	83,620	85,642	(2,022)
Disbursement costs	(11,652)	(12,233)	581	(22,264)	(23,344)	1,080
Freight costs	(1,829)	(2,382)	553	(3,589)	(4,455)	866
Depreciation and amortisation	(1,005)	(1,200)	196	(2,163)	(2,383)	220
Rental and leasing charges	(3,622)	(3,368)	(254)	(6,992)	(6,795)	(197)
Personnel costs	(15,110)	(15,193)	83	(29,198)	(29,498)	300
Vehicle expenses	(3,024)	(3,492)	468	(6,032)	(6,842)	810
Other operating expenses	(3,130)	(3,266)	136	(8,696)	(8,935)	239
<b>Reported Operating Profit</b>	<b>4,450</b>	<b>3,615</b>	<b>835</b>	<b>4,686</b>	<b>3,390</b>	<b>1,296</b>
<u>Adjusted for:</u>						
UPS-Fliway EBIT (50%)	848	714	134	1,602	1,282	320
Loss on sale	18	-	18	101	-	101
Public Company Costs	-	-	-	(70)	(70)	-
IPO Costs	-	-	-	2,035	2,505	(470)
<b>Pro-Forma EBIT</b>	<b>5,316</b>	<b>4,329</b>	<b>987</b>	<b>8,354</b>	<b>7,107</b>	<b>1,247</b>
Depreciation (including share of JV)	1,009	1,212	(203)	2,172	2,407	(235)
<b>Pro-Forma EBITDA</b>	<b>6,325</b>	<b>5,541</b>	<b>784</b>	<b>10,526</b>	<b>9,514</b>	<b>1,012</b>
<b>Reported Operating Profit</b>	<b>4,450</b>	<b>3,615</b>	<b>835</b>	<b>4,686</b>	<b>3,390</b>	<b>1,296</b>
<u>Adjusted for:</u>						
UPS-Fliway NPAT (50%)	613	515	98	1,158	925	233
Net interest cost	(251)	(329)	78	(636)	(764)	128
(Gain)/Loss on Derivatives	(67)	(23)	(44)	(249)	(44)	(205)
Income tax expense	(1,165)	(913)	(252)	(1,609)	(1,415)	(194)
<b>Reported NPAT</b>	<b>3,580</b>	<b>2,865</b>	<b>715</b>	<b>3,350</b>	<b>2,092</b>	<b>1,258</b>
Pro-Forma Adjustments (net of tax)	-	-	-	1,985	2,454	(469)
<b>Pro-Forma NPAT</b>	<b>3,580</b>	<b>2,865</b>	<b>715</b>	<b>5,335</b>	<b>4,546</b>	<b>789</b>

## **DIRECTORY**

### **Board of Directors:**

Craig Stobo (Chairman)  
Alan Isaac  
Duncan Hawkesby

### **Audit and Risk Committee:**

Alan Isaac (Chairman)  
Craig Stobo  
Duncan Hawkesby

### **Auditors:**

Deloitte  
Deloitte Centre  
80 Queen Street  
Auckland 1010

### **Bankers:**

ANZ Bank New Zealand Limited  
ANZ Centre  
23-29 Albert Street  
Auckland 1141

### **Solicitors:**

Bell Gully  
Vero Centre  
48 Shortland Street  
Auckland 1140

### **Registered Office:**

66 Westney Road  
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Mangere  
New Zealand

### **Postal Address:**

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### **Telephone:**

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### **Website:**

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### **Share Registry:**

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