**FLIWAY GROUP LIMITED**
**ANNUAL REPORT**
**FOR THE YEAR ENDED 30 JUNE 2016**

**Contents**

**FLIWAY GROUP LIMITED**
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED 30 JUNE 2016**

| | Note | 2016 $'000 | 2015 $'000 |
|---|---|---|---|
| Revenue | | 82,644 | 84,169 |
| Share of joint venture profit after tax | *12* | 1,282 | 1,147 |
| Disbursement costs | | (21,543) | (22,515) |
| Freight costs | | (3,502) | (4,530) |
| Rental and leasing charges | | (7,259) | (6,997) |
| Personnel costs | *4* | (29,627) | (28,876) |
| Vehicle expenses | | (5,679) | (6,552) |
| Other operating expenses | *5* | (6,128) | (9,139) |
| **EBITDA** | | 10,188 | 6,707 |
| Depreciation and amortisation | *8,9* | (2,087) | (2,030) |
| **EBIT** | | 8,101 | 4,677 |
| Net financing expenses | *6* | (801) | (1,272) |
| **Profit before income tax** | | 7,300 | 3,405 |
| Income tax expense | *7* | (1,684) | (1,215) |
| **Profit and total comprehensive income for the year** | | 5,616 | 2,190 |
| **Earnings per share** | | | |
| Basic and diluted earnings (in cents) | *14* | 12.4 | 5.5 |

The notes to the financial statements form part of and should be read in conjunction with this statement.

**FLIWAY GROUP LIMITED**
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED 30 JUNE 2016**

| | Note | Issued Capital $'000 | Retained Earnings $'000 | Total $'000 |
|---|---|---|---|---|
| Balance at 1 July 14 | | 5,000 | 18,791 | 23,791 |
| Profit and total comprehensive income | | - | 2,190 | 2,190 |
| Repayment of redeemable preference shares | | (5,000) | - | (5,000) |
| Equity raised from IPO | | 9,040 | - | 9,040 |
| Issue costs associated with new shares | | (271) | - | (271) |
| Balance at 30 June 15 | | 8,769 | 20,981 | 29,750 |
| Profit and total comprehensive income | | - | 5,616 | 5,616 |
| Dividends paid | *15* | - | (2,597) | (2,597) |
| Balance at 30 June 16 | | 8,769 | 24,000 | 32,769 |

**FLIWAY GROUP LIMITED**
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**AS AT 30 JUNE 2016**

| | Note | 2016<br>$'000 | 2015<br>$'000 |
|---|---|---|---|
| **Current assets** | | | |
| Bank | | 4,009 | 6,837 |
| Trade and other receivables | *16* | 9,465 | 9,785 |
| Prepayments | | 429 | 468 |
| **Total current assets** | | 13,904 | 17,090 |
| **Non-current assets** | | | |
| Deferred tax asset | *7* | 524 | 557 |
| Property, plant and equipment | *8* | 10,205 | 10,438 |
| Software | *9* | 826 | 334 |
| Investment in joint venture | *12* | 2,190 | 1,658 |
| Goodwill | *10* | 23,046 | 23,046 |
| **Total non-current assets** | | 36,791 | 36,033 |
| **Total assets** | | 50,695 | 53,123 |
| **Current liabilities** | | | |
| Trade and other payables | *17* | 7,199 | 7,656 |
| Current tax liability | | 541 | 448 |
| Derivative financial instruments | | 133 | 89 |
| **Total Current liabilities** | | 7,873 | 8,193 |
| **Non-current liabilities** | | | |
| Bank term loan | *18* | 9,800 | 15,000 |
| Derivative financial instruments | | 253 | 180 |
| **Total non-current liabilities** | | 10,053 | 15,180 |
| **Total liabilities** | | 17,926 | 23,373 |
| **Net assets** | | 32,769 | 29,750 |
| **Equity** | | | |
| Issued capital | *13* | 8,769 | 8,769 |
| Retained earnings | | 24,000 | 20,981 |
| **Total equity** | | 32,769 | 29,750 |

For and on behalf of the Board of Directors who authorised the issue of the financial statements on 22 August 2016.

Isaac

Alan Isaac, Director

Duncan Hawkesby, Managing Director

The notes to the financial statements form part of and should be read in conjunction with this statement.

**FLIWAY GROUP LIMITED**
**CONSOLIDATED STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED 30 JUNE 2016**

| | 2016<br>$'000 | 2015<br>$'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Receipts from customers | 82,369 | 86,368 |
| Interest received | 74 | 98 |
| Receipts from joint venture | 7,304 | 5,867 |
| Payments to suppliers and employees | (81,018) | (84,398) |
| Interest paid | (485) | (955) |
| Income taxes paid | (1,556) | (1,319) |
| **Net cash generated by operating activities** | 6,688 | 5,661 |
| **Cash flows from investing activities** | | |
| Dividend received from joint venture | 750 | 919 |
| Sale of property, plant and equipment and intangible assets | 131 | 264 |
| Payments for property, plant and equipment and intangible assets | (2,600) | (4,605) |
| **Net cash used in / provided by investing activities** | (1,719) | (3,422) |
| **Cash flows from financing activities** | | |
| Dividends paid | (2,597) | - |
| Repayment of related party borrowings | - | (2,969) |
| Repayment of redeemable preference shares | - | (5,000) |
| Equity raised from IPO | - | 9,040 |
| Issue costs associated with new shares | - | (271) |
| Repayment of bank term loan | (5,200) | (4,292) |
| **Net cash used in financing activities** | (7,797) | (3,492) |
| **Net increase (decrease) in cash and cash equivalents** | (2,828) | (1,253) |
| Cash and cash equivalents at the beginning of the year | 6,837 | 8,090 |
| **Cash and cash equivalents at the end of the year** | 4,009 | 6,837 |

| **Reconciliation of profit after tax with net cash generated by operating activities** | 2016<br>$'000 | 2015<br>$'000 |
|---|---|---|
| Profit after tax | 5,616 | 2,190 |
| *Non-cash items:* | | |
| Depreciation and amortisation | 2,087 | 2,030 |
| Derivative financial instruments | 117 | 303 |
| Share of joint venture net profit | (1,282) | (1,147) |
| Deferred tax | 33 | (169) |
| *Items classified as investing and financing activities:* | | |
| Loss on disposal of non current assets | 123 | 112 |
| Other classified as investing activities | - | 32 |
| *Changes in net assets and liabilities:* | | |
| Trade and other receivables | 320 | 1,442 |
| Prepayments | 39 | (106) |
| Trade and other payables | (458) | 942 |
| Current tax | 93 | 33 |
| **Net cash generated by operating activities** | 6,688 | 5,661 |

FLIWAY GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

1 CORPORATE INFORMATION

The financial statements of Fliway Group Limited (the "Company") and its subsidiaries and joint venture (together the "Group") for the year ended 30 June 2016 were authorised for issue in accordance with a resolution of the Directors.
Fliway Group Limited listed on the New Zealand Stock Exchange on 9 April 2015. Its principal activities are transportation of goods, customer logistics solutions and freight forwarding.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**(a) Statement of Compliance**
Fliway Group Limited is a for profit entity domiciled and registered under the Companies Act 1993 in New Zealand. The Company is a FMC reporting entity under Financial Markets Conduct Act 2013 and is a Tier 1 for-profit entity as defined in the External Reporting Board (XRB) Standard A1.

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable New Zealand Financial Reporting Standards as appropriate for profit-oriented entities. The financial statements also comply with International Financial Reporting Standards (IFRS).

**(b) Basis of Preparation**
The preparation of financial statements in conformity with New Zealand equivalents to International Financial Reporting Standards requires the Directors and management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue and expenses. These estimates and associated assumptions are based on market data, historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from those estimates.

Estimates and assumptions are reviewed on an ongoing basis. Revisions of accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Information about significant areas of uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described below.

Judgements and estimates which are considered material to the Group:
*Impairment of goodwill* determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at 30 June 2016 was $23,046k (2015: $23,046k). Details of the impairment loss testing calculations are provided in note 10.

The financial statements have been prepared on a historical cost basis except for derivative financial instruments that are measured at fair values at the end of each reporting period.
The functional and presentation currency is New Zealand dollars (NZD). Numbers in the consolidated financial statements are presented in thousands of dollars (000's) unless otherwise stated.

**(c) Revenue Recognition**
Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable the economic benefits will flow to the Group and the revenue can be reliably measured. Specific recognition criteria must also be met as follows:
*Rendering of Services*
Revenue for all domestic contracted deliveries is recognised based on the stage of service complete at balance date. Revenues derived from international freight forwarding are recognised for exports on freight departure and for imports on freight arrival. Fees for warehousing are recognised as services are provided to the customer.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**(d) Foreign Currency Transactions**

In preparing the financial statements the transactions in currencies other than New Zealand dollars are recorded at the rates of exchange prevailing at the dates of the transaction. At the end of each reporting period financial assets and liabilities denominated in foreign currencies are retranslated into New Zealand dollars at the rates prevailing at the end of the reporting period. Exchange differences are recognised in profit or loss in the period in which they arise.

**(e) Basis of Consolidation**

The Group's financial statements incorporate the financial statements of the Company and its subsidiaries, and the equity accounted results of the joint venture, as listed in note 12.

The financial statements of members of the Group, other than the joint venture, are prepared for the same reporting period as the parent company, using consistent accounting policies. Subsidiaries are consolidated from the date on which control is obtained to the date on which control is lost.

In preparing the financial statements all material balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated.

**(f) Other Accounting Policies**

The financial statements have been prepared on a going concern basis. The Board believes the preparation of the financial statements using the going concern assumption, which depends on ongoing access to sufficient funding to meet the Group's requirements, is appropriate. In addition, they have considered the circumstances which are likely to affect the Group during the period of one year from the date these financial statements are approved, and to circumstances which they believe will occur after that date which could affect the validity of the going concern assumption.

**(g) Application of new and revised International Financial Reporting Standards (IFRS's)**

The Group has reviewed all Standards, Interpretations and Amendments to existing Standards in issue not yet effective, with the exception of NZ IFRS 9 *Financial Instruments* which is effective for annual periods beginning on or after 1 January 2018 and NZ IFRS 16 *Leases* which is effective for annual periods begining on or after 1 January 2019, and does not expect these Standards to have a material effect on the financial statements of the Group.

NZ IFRS 9 *Financial Instruments* establishes the principles for hedge accounting and impairment of financial assets. The Group has not yet determined the potential impact of this Standard.

NZ IFRS 16 *Leases* eliminates the distinction between operating and finance leases for lessees and will result in bringing most leases onto the statement of financial position. The Group has not yet determined the potential impact of this Standard.

All other standards and amendments which are not yet mandatory for adoption are not expected to have any significant impact on the financial statements of the Group.

**(h) Consistency of application**

The accounting policies have been applied on a consistent basis with the prior year, but as a result of simplifying the financial statements disclosures a number of comparatives have been reclassified to ensure consistent presentation with the current year.

3 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, being the Managing Director. The Managing Director monitors the operating performance of each segment for the purpose of making decisions on resource allocation and strategic direction.

The Group operates in the domestic supply chain and international air and ocean freight and comprises the following operating segments.

**Domestic** – revenue earned from providing goods transport and storage services within New Zealand.
**International** – revenue earned from moving freight between international countries including New Zealand.
**Head Office** - comprises financing and administrative support to other operating segments.
**Joint Venture** – represents equity method accounted joint venture between the Group and UPS.

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

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

The Group's top 5 customers contribute 32% (2015: 31%) of Group revenue, the total revenue of these customers is $26m (2015: $26m), this is included in the Domestic and International segments.

| **2016** | Domestic $'000 | International $'000 | Joint Venture $'000 | Head Office $'000 | Inter-Segment $'000 | Group $'000 |
|---|---|---|---|---|---|---|
| *Revenue* | | | | | | |
| Sales to customers outside the Group | 55,682 | 26,962 | - | - | - | 82,644 |
| Inter-segment sales | 172 | 24 | - | - | (196) | - |
| **Total revenue** | 55,854 | 26,986 | - | - | (196) | 82,644 |
| **Segment profit (loss) before income tax** | 10,170 | 3,575 | 1,788 | (4,716) | - | 10,817 |
| Share of joint venture interest, depreciation, tax | - | - | (507) | - | - | (507) |
| Gain (loss) on sale of assets | (110) | (11) | - | (1) | - | (122) |
| **EBITDA** | 10,060 | 3,564 | 1,281 | (4,717) | - | 10,188 |
| *Key costs* | | | | | | |
| Depreciation and amortisation | (1,907) | (80) | - | (100) | - | (2,087) |
| Disbursements costs | (2,704) | (19,035) | - | | 196 | (21,543) |
| Personnel costs | (23,177) | (3,513) | - | (2,937) | - | (29,627) |
| Net financing expenses | - | - | - | (801) | - | (801) |
| Segment Assets | 35,771 | 7,525 | 2,865 | 4,534 | - | 50,695 |
| Segment Liabilities | 3,734 | 4,566 | 19 | 9,607 | - | 17,926 |
| Segment acquisition of property, plant, equipment and computer software | 2,345 | 197 | - | 63 | - | 2,605 |

| **2015** | Domestic $'000 | International $'000 | Joint Venture $'000 | Head Office $'000 | Inter-Segment $'000 | Group $'000 |
|---|---|---|---|---|---|---|
| *Revenue* | | | | | | |
| Sales to customers outside the Group | 55,810 | 28,359 | - | - | - | 84,169 |
| Inter-segment sales | 174 | 15 | - | - | (189) | - |
| **Total revenue** | 55,984 | 28,374 | - | - | (189) | 84,169 |
| **Segment profit (loss) before income tax** | 8,390 | 3,873 | 1,593 | (6,591) | - | 7,265 |
| Share of joint venture interest, depreciation, tax | - | - | (446) | - | - | (446) |
| Gain (loss) on sale of assets | (40) | - | - | (72) | - | (112) |
| **EBITDA** | 8,350 | 3,873 | 1,147 | (6,663) | - | 6,707 |
| *Key costs* | | | | | | |
| Depreciation and amortisation | (1,771) | (99) | - | (160) | - | (2,030) |
| Disbursements costs | (2,836) | (19,868) | - | - | 189 | (22,515) |
| Personnel costs | (22,439) | (3,500) | - | (2,937) | - | (28,876) |
| Net financing expenses | - | - | - | (1,272) | - | (1,272) |
| Segment Assets | 35,802 | 7,619 | 2,235 | 7,467 | - | 53,123 |
| Segment Liabilities | 5,767 | 2,589 | 14 | 15,003 | - | 23,373 |
| Segment acquisition of property, plant, equipment and computer software | 4,559 | 46 | - | 53 | - | 4,658 |

In evaluating segment profit management eliminates the impact of asset disposals, depreciation, amortisation and tax expense. The joint venture is accounted for similarily backing out from the Group's share of joint venture's profit the interest income, depreciation, amortisation and tax expense.

| ** Adjustment 50% share of joint venture interest, tax, depreciation derived as follows:* | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Interest income | (9) | (19) |
| Depreciation and amortisation | 11 | 18 |
| Tax expense | 1,012 | 893 |
| Adjustment to joint venture profit | 1,014 | 892 |
| Group share 50% | 507 | 446 |

Deloitte For Identification

## 4 PERSONNEL COSTS

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Salaries and wages | 24,874 | 24,127 |
| Defined contribution plans | 545 | 515 |
| Other employee benefits | 4,068 | 4,199 |
| Directors' fees | 140 | 35 |
| | 29,627 | 28,876 |

## 5 OTHER OPERATING EXPENSES

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| *Other operating expenses include the following items:* | | |
| IPO offer costs excluding auditors fees | - | 1,445 |
| Fees paid to auditors - IPO investigating and review | - | 590 |
| Fees paid to auditors - audit and half year review | 127 | 91 |
| Fees paid to auditors - taxation advice and tax return assistance | 30 | 27 |
| Fees paid to auditors - due diligence services | - | 5 |
| Loss on disposal - property/plant/equipment/intangibles | 122 | 112 |
| Impairment loss on receivables | 147 | 86 |
| Foreign exchange gain | (58) | (87) |
| System maintenance | 1,081 | 1,006 |
| Other expenses | 4,679 | 5,864 |
| | 6,128 | 9,139 |

## 6 NET FINANCING EXPENSES

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| **Finance expenses** | | |
| Interest expense on bank borrowings | (481) | (955) |
| Other interest expense | (4) | - |
| Net fair value unrealised loss on interest rate hedges | (117) | (303) |
| Net fair value realised loss on interest rate hedges | (113) | (41) |
| Bank facility fees | (160) | (71) |
| | (875) | (1,370) |
| **Finance income** | | |
| Interest income | 74 | 98 |
| **Net financing expenses** | (801) | (1,272) |

The Group has reclassified bank facility fees from other operating expenses into net financing expenses, the impact on 2015 is a $71,000 increase in net financing expenses.

Interest is payable monthly in arrears, during the year the interest rate ranged between 3.32% and 5.36% per annum (2015: 5.32% and 5.60%) excluding the impact of any interest rate hedges.

## 7 TAXATION

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| **Income tax expense** | | |
| Current tax | 1,666 | 1,387 |
| Deferred tax | 33 | (170) |
| Under (over) provision in previous years | (15) | (2) |
| Income tax expense for the year | 1,684 | 1,215 |

Current and deferred tax is calculated on the basis of the laws enacted or substantively enacted at balance date.

| | 2016 | 2015 |
|---|---|---|
| *Reconciliation of effective tax rate:* | | |
| Profit before income tax | 7,300 | 3,405 |
| Income tax using company tax rate 28% | 2,044 | 953 |
| Non-assessable income - share of joint venture profit after tax | (359) | (321) |
| Non-deductible expenses | 14 | 585 |
| Under / (over) provision in previous years | (15) | (2) |
| | 1,684 | 1,215 |

The tax rate used in the reconciliation above is the corporate tax rate of 28% payable by New Zealand companies under New Zealand tax law.

Deloitte For Identification

7 TAXATION (continued)

**Deferred tax asset**

| 30 June 2016 | Opening balance $'000 | Charged to income $'000 | Closing Balance $'000 |
|---|---|---|---|
| *Temporary differences:* | | | |
| Doubtful debts | 23 | 8 | 31 |
| Holiday liability | 237 | 23 | 259 |
| Provisions | 297 | (63) | 234 |
| | 557 | (33) | 524 |

| 30 June 2015 | Opening balance $'000 | Charged to income $'000 | Closing Balance $'000 |
|---|---|---|---|
| *Temporary differences:* | | | |
| Doubtful debts | 9 | 14 | 23 |
| Holiday liability | 219 | 18 | 237 |
| Provisions | 160 | 137 | 297 |
| | 388 | 169 | 557 |

Deferred tax is recognised in respect of temporary differences at balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Imputation credits available directly and indirectly to shareholders of the Group $1,662,000 (2015: $811,000)

The Fliway Group Limited consolidated imputation credit account group includes Fliway Group Limited and all New Zealand registered subsidiary companies.

## 8 PROPERTY, PLANT AND EQUIPMENT

| | Office equipment $'000 | Furniture and fittings $'000 | Plant and equipment $'000 | Vehicles $'000 | Capital work in progress $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Cost or valuation** | | | | | | |
| Opening balance 1 July 2014 | 2,247 | 2,151 | 2,425 | 14,957 | 132 | 21,912 |
| Additions | 80 | 135 | 101 | 3,852 | 402 | 4,570 |
| Disposals | (586) | (66) | (73) | (2,027) | - | (2,752) |
| Balance at 30 June 2015 | 1,741 | 2,220 | 2,453 | 16,782 | 534 | 23,730 |
| Additions | 273 | 502 | 128 | 1,394 | (340) | 1,957 |
| Disposals | (207) | (250) | (55) | (1,739) | - | (2,250) |
| Balance at 30 June 2016 | 1,807 | 2,472 | 2,526 | 16,437 | 193 | 23,437 |
| **Accumulated depreciation and impairment** | | | | | | |
| Opening balance 1 July 2014 | (2,045) | (1,607) | (1,478) | (8,737) | - | (13,867) |
| Eliminated on disposal of assets | 610 | - | 65 | 1,729 | - | 2,404 |
| Depreciation expense | (98) | (78) | (142) | (1,511) | - | (1,829) |
| Balance at 30 June 2015 | (1,533) | (1,685) | (1,555) | (8,519) | - | (13,292) |
| Eliminated on disposal of assets | 201 | 238 | 44 | 1,510 | - | 1,993 |
| Depreciation expense | (79) | (98) | (133) | (1,622) | - | (1,932) |
| Balance at 30 June 2016 | (1,411) | (1,545) | (1,643) | (8,632) | - | (13,231) |
| **Net book value** | | | | | | |
| As at 30 June 2015 | 208 | 535 | 898 | 8,263 | 534 | 10,438 |
| As at 30 June 2016 | 396 | 927 | 883 | 7,806 | 193 | 10,205 |

*Carrying Amount*

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses to date. Where the carrying amount is assessed to be greater than its recoverable amount, the item is written down to its recoverable amount. The write down is recognised in the profit or loss.

*Depreciation*

Depreciation is charged so as to write off the cost or valuation of assets, other than capital work in progress, by using the diminishing balance method. Under the diminishing balance method, a pre-defined depreciation rate is applied to the opening net book value of the asset to calculate the amount of depreciation for the year. Depreciation is charged to the profit or loss. The following rates have been used:

| | |
|---|---|
| Plant and equipment | 1% to 67% |
| Furniture and fittings | 4% to 60% |
| Vehicles | 9.5% to 39.6% |
| Office equipment | 14.4% to 60% |

The depreciation method and the depreciation rates are reviewed at the end of each reporting period and if there is a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the effect of any changes in estimate is accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

*Assets pledged as security*

Vehicles with a carrying value of $7.8m as at 30 June 2016 (30 June 2015: $8.3m) have been pledged to secure borrowings of the Group, refer to note 18. The Group can sell these assets as part of its replacement and/or investment plan, with notification to the bank required and subject to its covenant commitments regarding budgeted capital expenditure.

## 9 INTANGIBLES

| | Computer software $'000 | Customer list $'000 | Total $'000 |
|---|---|---|---|
| **Cost or valuation** | | | |
| Opening balance 1 July 2014 | 2,118 | 67 | 2,185 |
| Additions | 88 | - | 88 |
| Disposals | (431) | (67) | (498) |
| Balance at 30 June 2015 | 1,775 | - | 1,775 |
| Additions | 648 | - | 648 |
| Disposals | (87) | - | (87) |
| Balance at 30 June 2016 | 2,336 | - | 2,336 |
| **Accumulated amortisation and impairment** | | | |
| Opening balance 1 July 2014 | (1,656) | - | (1,656) |
| Eliminated on disposal of assets | 416 | - | 416 |
| Amortisation expense | (201) | - | (201) |
| Balance at 30 June 2015 | (1,441) | - | (1,441) |
| Eliminated on disposal of assets | 86 | - | 86 |
| Amortisation expense | (155) | - | (155) |
| Balance at 30 June 2016 | (1,510) | - | (1,510) |
| **Net book value** | | | |
| As at 30 June 2015 | 334 | - | 334 |
| As at 30 June 2016 | 826 | - | 826 |

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and impairment losses. Amortisation is recognised using the diminishing balance method. Under the diminishing balance method, a pre-defined amortisation rate is applied to the opening net book value of the asset to calculate the amount of amortisation for the year. Amortisation is charged to the profit or loss. The following rates have been used:

| | |
|---|---|
| Computer software | 21.6% to 60% |

The amortisation method and the amortisation rates are reviewed at the end of each reporting period and if there is a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the effect of any changes in estimate is accounted for on a prospective basis.

Deloitte For Identification

## 10 GOODWILL

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| **Cost** | | |
| Balance at beginning and end of the year | 23,046 | 23,046 |

Goodwill arising on the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

Before recognition of impairment losses, the carrying amount of goodwill was allocated to cash-generating units based on EBITDA split at the time the business was acquired in October 2006.

| *Allocation of goodwill to cash-generating units for impairment testing* | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Domestic - moving and storing freight within New Zealand | 19,426 | 19,426 |
| International - moving freight between countries | 3,620 | 3,620 |
| | 23,046 | 23,046 |

A cash generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently if there is an indication the unit may be impaired. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to other assets of the unit pro rata based on the carrying amount of each asset. Any impairment loss for goodwill is recognised directly in the profit or loss and is not reversed in subsequent periods.

As at 30 June 2016, the Directors have determined, based on discounted cash flow and value in use calculations, that there is no impairment of goodwill associated with the Domestic and International cash generating units. Domestic forecast profitability can be reduced by 13% per annum in the forecast period, everything else being equal, without causing impairment. International forecast profitability can be reduced by 2% per annum in the forecast period, everything else being equal, without causing impairment.

The key assumptions used for the value in use calculations for Domestic and International cash-generating units are based on forecast revenue and costs for the first year then a 2% per annum revenue growth rate and forecast costs at the consumer price indices 2 year average for future periods. A weighted average cost of capital of 10% is used, based on the average cost of debt and equity, for the purposes of discounted cash flows.

## 11 INVESTMENT IN SUBSIDIARIES

| Name | Principal Activities | Shareholding 2016 | 2015 |
|---|---|---|---|
| Fliway Holdings Limited | Holding Company - non trading | 100% | 100% |
| Fliway Transport Limited | Transport Services | 100% | 100% |
| Fliway International Limited | Freight Forwarding | 100% | 100% |
| Fliway Logistics Limited | Third Party Logistics | 100% | 100% |

All subsidiaries are incorporated in New Zealand, and have the same balance date of 30 June.

## 12 INVESTMENT IN JOINT VENTURE

| Name | Principal Activities | Shareholding 2016 | 2015 |
|---|---|---|---|
| United Parcel Service - Fliway (NZ) Limited | International Parcel Service | 50% | 50%' |

The reporting date of United Parcel Service - Fliway (NZ) Limited is 31 December, matching the UPS Group. For the purpose of applying the equity method of accounting, the financial reports as at 30 June 2016 of United Parcel Service - Fliway (NZ) Limited have been used. New Zealand is the principal place of business for the joint venture.

| *Carrying value of joint venture:* | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Share of profit before taxation | 1,788 | 1,593 |
| Share of income tax | (506) | (446) |
| **Share of profit and total comprehensive income for the year** | 1,282 | 1,147 |
| Carrying value at beginning of period | 1,658 | 1,461 |
| Dividends received | (750) | (950) |
| **Investment in joint venture** | 2,190 | 1,658 |
| *Joint venture aggregate amounts:* | | |
| Revenue | 16,599 | 16,677 |
| Interest income | 9 | 19 |
| Expenses | (13,021) | (13,492) |
| Depreciation and amortisation | (11) | (18) |
| Tax expense | (1,012) | (892) |
| **Profit and total comprehensive income** | 2,563 | 2,294 |
| Cash | 1,123 | 633 |
| Trade and other receivables | 4,492 | 4,650 |
| Non-current assets | 137 | 152 |
| **Total assets** | 5,752 | 5,435 |
| Trade and other payables | 1,209 | 2,049 |
| Tax provision | 165 | 71 |
| **Total liabilities** | 1,374 | 2,120 |

A joint venture is a joint arrangement whereby all parties that have joint control over the arrangement have rights to the net assets of the joint venture. The results, assets and liabilities of the joint venture is incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and the other comprehensive income of the joint venture. Dividends or distributions received from a joint venture reduce the carrying amount of the investment in the joint venture in the Group financial statements.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture until the date it ceases to be a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. The requirements of NZ IAS 36 are applied to determine whether it is necessary to recognise any impairment loss.

The joint venture has no commitments or contingent liabilities as at 30 June 2016 (2015: nil).

## 13 SHARE CAPITAL

| | Issued Capital 2016 (Shares) | Issued Capital 2016 $'000 | Issued Capital 2015 (Shares) | Issued Capital 2015 $'000 |
|---|---|---|---|---|
| **Redeemable preference shares** | | | | |
| Balance at beginning of the year | - | - | 5,000,000 | 5,000 |
| Repayment of redeemable preference shares on 6 October 2014 | - | - | (5,000,000) | (5,000) |
| Balance at end of the year | - | - | - | - |
| **Ordinary shares** | | | | |
| Balance at beginning of the year | 45,437,910 | 8,769 | 102 | - |
| Conversion of existing shares on 7 April 2015 | - | - | 37,904,475 | - |
| New shares issued on 8 April 2015 | - | - | 7,533,333 | 9,040 |
| Issue costs associated with new shares | - | - | - | (271) |
| Balance at end of the year | 45,437,910 | 8,769 | 45,437,910 | 8,769 |
| | 45,437,910 | 8,769 | 45,437,910 | 8,769 |

All ordinary shares are fully paid ordinary shares, carry one vote per share and carry the right to dividends and net assets upon winding up. The shares have no par value.

## 14 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit after tax of the group by the weighted average number of ordinary shares outstanding during the year.

| | 2016 | 2015 |
|---|---|---|
| Profit after tax $'000 | 5,616 | 2,190 |
| Weighted average number of ordinary shares | 45,437,910 | 39,617,636 |
| Basic and diluted earnings per share (in cents) | 12.4 | 5.5 |

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. There were no potential ordinary shares with a dilutive effect during the year ended 30 June 2016 (2015: nil).

## 15 DIVIDENDS

| | 2016 | 2015 |
|---|---|---|
| Dividends recognised and unrecognised $'000 | 3,937 | 1,091 |
| Weighted average number of ordinary shares | 45,437,910 | 39,617,636 |
| Dividends per share (in cents) | 8.7 | 2.8 |

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| **Recognised Amounts** | | |
| 2015 final dividend 1.90 cents per share (2014: nil) | 864 | - |
| 2015 special dividend 0.50 cents per share (2014: nil) | 227 | - |
| 2016 interim dividend 3.30 cents per share (2015: nil) | 1,506 | - |
| | 2,597 | - |
| **Unrecognised Amounts** | | |
| 2016 final dividend 5.35 cents per share (2015: 1.90 cents) | 2,431 | 1,091 |

After balance date the above unrecognised dividend was approved by director's resolution dated 22 August 2016. These amounts have not been recognised as a liability in 2016, but will be brought to account in 2017.



Deloitte For Identification

## 16 TRADE AND OTHER RECEIVABLES

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Trade Receivables | 8,622 | 8,965 |
| Allowance for impairment loss | (109) | (81) |
| Related party receivables | 676 | 577 |
| Other receivables | 277 | 324 |
| | 9,465 | 9,785 |

Included in trade receivables are debtors which are past due at balance date, as payment was not received within agreed credit terms, and no provision has been made as there has not been a significant change in credit quality and the amounts are still considered recoverable. No collateral is held over these balances and interest is not charged on overdue debts.

| *Ageing of past due but not impaired trade receivables:* | 2016 $'000 | 2015 $'000 |
|---|---|---|
| One month | 860 | 974 |
| Two months | 60 | 94 |
| Three months and over | 162 | 248 |
| | 1,082 | 1,316 |

| *Movements in the allowance for impairment loss:* | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Opening balance | 81 | 13 |
| Impairment loss recognised on receivables | 147 | 86 |
| Amounts written off | (119) | (18) |
| Balance at year end | 109 | 81 |

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off when identified. An impairment provision is recognised when there is objective evidence based on the customers circumstances and by using past default experience. Trade receivables are written off as bad when all avenues of collection have been exhausted.

## 17 TRADE AND OTHER PAYABLES

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Trade payables | 2,261 | 2,208 |
| Accruals | 2,352 | 3,135 |
| Provisions | 398 | 727 |
| Related party payables | 19 | 14 |
| Employee entitlements | 1,786 | 1,158 |
| Goods and services tax (GST) payable | 383 | 414 |
| | 7,199 | 7,656 |

The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. The average credit period on purchases is 38 days (42 days as at 30 June 2015).

## 18 INTEREST-BEARING LOANS

All loans are recorded initially at fair value. After initial recognition, interest-bearing loans are subsequently measured at amortised cost using the effective interest method. Any difference between the initial recognised amount and the redemption value is recognised in the profit and loss over the period of the loan.

| *Financing facilities:* | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Bank overdraft facility: | | |
| Amount used | - | - |
| Amount unused | 1,500 | 1,500 |
| | 1,500 | 1,500 |
| Flexible credit facility: | | |
| Amount used | - | - |
| Amount unused | 1,500 | 1,500 |
| | 1,500 | 1,500 |
| Term loan facility: | | |
| Amount used non-current | 9,800 | 15,000 |
| Amount unused | 5,200 | - |
| | 15,000 | 15,000 |
| Total funding available: | | |
| Amount used non-current | 9,800 | 15,000 |
| Amount unused | 8,200 | 3,000 |
| | 18,000 | 18,000 |

The total ANZ Bank facility of $20,025,000, includes $15,000,000 term loan facility, $1,500,000 flexible credit facility, $1,500,000 bank overdraft facility, $1,475,000 financial guarantee facility, $300,000 credit card facility and $250,000 clean credit facility. The term facility with a term of 3 years was drawn down on 5 November 2014. The ANZ holds security over all vehicles of the Group, refer to note 8.

The term loan facility is at a floating interest rate. Interest was payable during the year at the average rate of 4.20% per annum (2015: 5.21%).

Deloitte For Identification

19 FINANCIAL RISK MANAGEMENT

**Financial risk management objectives**

The Directors have identified interest rate risk, credit risk and liquidity risk as the key risks faced by the Group.

The Group seeks to minimise the effects of interest rate risk by using derivative financial instruments to hedge risk exposures. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

**(i) Fair value of financial instruments**

All financial assets and liabilities recognised in the Statement of Financial Position, whether they are carried at cost or at fair value are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described below:

> level 1 inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities that the entity can access at the measurement date;
> level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly;
> level 3 inputs are unobservable inputs for the asset or liability.

**(ii) Interest rate risk management**

The Group is exposed to interest rate risk as it borrows at floating interest rates. To manage interest rate risk and volatility the Group provides for interest rate swaps and options to be used, where 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. The Group regularly analyses its interest rate risk exposure with consideration given to potential renewals of existing positions, alternative financing and the mix of fixed and variable interest rates. As at 30 June 2016 the current bank term loan floating interest rate was 3.32% (2015: 5.36%). The interest rate review period on bank term loans is 90 days, this is unchanged from the prior year. At 30 June 2016 102% (2015: 67%) of Group interest-bearing loans are on fixed rates of interest through the use of interest rate derivatives. All interest rate swaps / options expire 2 September 2018.

There are no bank term deposits held (2015: $3m) as at 30 June 2016 the Group holds funds on call.

The following table details the weighted average effective interest rate of the Group's financial assets and liabilities during the year:

| | 2016 | 2015 |
|---|---|---|
| Interest-bearing loans | 4.20% | 5.21% |
| Interest-bearing deposits | 1.66% | 1.97% |

*Interest rate sensitivity:*

It is estimated a 1% increase in interest rates would increase the Group's profit by $104,000 (2015: $154,000 increase). If interest rates decreased by 1% the Group's profit would decrease by $275,000 (2015: $214,000 decrease). This reflects the impact of interest rate swaps and options.

*Interest rate swap contracts:*

The Group have entered into interest rate swaps and options to hedge against the interest exposure on the term loans. Interest rate swaps and options are classified as level 2 financial instruments measured at fair value after initial recognition. The fair value of interest rate swaps and options at the end of the reporting period is determined by discounting the future cash flows using the yield curves at the end of the reporting period and the credit risk inherent in the contract. The average interest rate is based on the outstanding balances at the end of the reporting period.

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding at the end of the reporting period.

| | Average contracted fixed rate % | | Notional principal value | | Fair value assets (liabilities) | |
|---|---|---|---|---|---|---|
| | 2016 | 2015 | 2016 $'000 | 2015 $'000 | 2016 $'000 | 2015 $'000 |
| 2 - 5 years | 4.57% | 4.57% | 10,000 | 10,000 | (133) | (89) |

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is the wholesale bank bill rate plus a margin. The Group will settle the difference between the fixed and floating interest rate on a net basis with the bank.

**(iii) Liquidity risk management**

Liquidity risk represents the Group's ability to meet its contractual obligations. The Group's objective is to maintain an adequate level of cash, bank overdraft facilities, and bank loan facilities. The Group also manages liquidity risk by continuously monitoring forecast and actual cash flows and matching maturity profiles of financial assets and financial liabilities.

*Financial liabilities undiscounted contractual cash flows:*

Cash flows attributed to payables are based on the earliest date at which the Group is required to pay.

For interest bearing loans, the Group's remaining contractual maturity with agreed repayment periods is presented.

The table below includes both interest and capital cash flows from financial instruments.

| 30 June 2016 | Weighted average effective interest rate % | Balance Sheet $'000 | Contractual Cash Flow $'000 | Less than 1 year $'000 | 1-2 years $'000 | 2 years plus $'000 |
|---|---|---|---|---|---|---|
| Trade and other payables | - | 4,632 | 4,632 | 4,632 | - | - |
| Bank term loan | 4.20% | 9,800 | 10,354 | 412 | 9,942 | - |
| Derivative financial instruments | - | 386 | 386 | 134 | 205 | 47 |

| 30 June 2015 | Weighted average effective interest rate % | Balance Sheet $'000 | Contractual Cash Flow $'000 | Less than 1 year $'000 | 1-2 years $'000 | 2 years plus $'000 |
|---|---|---|---|---|---|---|
| Trade and other payables | - | 5,357 | 5,357 | 5,357 | - | - |
| Bank term loan | 5.21% | 15,000 | 16,834 | 782 | 782 | 15,270 |
| Derivative financial instruments | - | 269 | 269 | (4) | 146 | 127 |

19 FINANCIAL RISK MANAGEMENT (continued)

**(iv) Credit risk management**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. Financial instruments that potentially expose the Group to credit risk consist primarily of accounts receivable. The credit risk on cash and cash equivalents and derivative financial instruments is limited because the counterparties are banks with high credit ratings.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including industry references and credit worthiness, company enquiries and past experience. Credit risk limits and terms are set for each customer. Debtor balances are monitored on an ongoing basis.

The joint venture is a profitable business that is solvent and the Directors believe there is a lower level of credit risk.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk. As at 30 June 2016 the maximum exposure to credit risk is $13,474,000 (2015: $16,622,000).

**(v) Foreign currency risk management**

Foreign currency risk is the risk that the value of the Group's assets, liabilities and financial performance will fluctuate due to changes in foreign currency rates. The Group minimises its foreign currency risk by invoicing customers, where possible, in foreign currency to offset any foreign currency payables. The Group's foreign currency is not hedged for this reason, with any net foreign exchange gains / losses taken to the profit or loss. Net foreign exchange gain for 2016 is $58,000 (2015: $87,000 gain). The sensitivity of the Group's profit or loss and equity to fluctuations in foreign currencies is not expected to be material.

**(vi) Capital management**

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 18, bank, and equity, comprising share capital disclosed in note 13 and retained earnings.

Capital requirements are imposed on the Group by the bank. When the Group does not comply with these requirements, the bank may cancel the facility immediately with all amounts due and payable upon demand. During the year, the Group complied with its covenant requirements. Key covenant requirements are as follows:
>Interest cover ratio greater than 3.5
>Leverage ratio less than 3.0
>Capital expenditure within the current year budget approved by the bank

The Directors review the capital structure on a regular basis. As part of this review the Directors consider the cost of capital and the risks associated with each class of capital. The Directors will balance the overall capital structure through the payment of dividends, new share issues, and the issue of new debt or the redemption of existing debt.

The Group's overall strategy remains unchanged from 2015.

| **(vii) Categories of financial assets and financial liabilities** | 2016<br>$'000 | 2015<br>$'000 |
|---|---|---|
| *Financial assets* | | |
| Bank and receivables at amortised cost | 13,474 | 16,622 |
| | 13,474 | 16,622 |
| *Financial assets* | | |
| Derivatives classified as fair value through profit or loss | 386 | 269 |
| Loan and other payables at amortised cost | 14,432 | 20,357 |
| | 14,818 | 20,626 |

Deloitte For Identification

## 20 RELATED PARTIES

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

A number of Fliway directors are non-executive directors of other companies.

| *Transactions and outstanding balances between the Group and related parties:* | | 2016 $'000 | 2015 $'000 |
|---|---|---|---|
| **Transactions** | | | |
| Joint Venture | Revenue from services provided | 4,288 | 4,155 |
| Joint Venture | Services received | (121) | (139) |
| Joint Venture | Recharged expenses | 3,231 | 1,957 |
| Joint Venture | Dividends received | 750 | 950 |
| Duncan Hawkesby | Unsecured loan repayment | - | (2,436) |
| D & G Hawkesby Trust | Unsecured loan repayment | - | (533) |
| **Outstanding balances** | | | |
| Joint Venture | Trade receivables at balance date | 676 | 577 |
| Joint Venture | Trade payables at balance date | (19) | (14) |

All joint venture trade transactions are on a fully commercial basis, on end of month following invoice payment terms. Recharge expenses, IATA (International Air Transport Authority) and Customs expenses are at cost and payment terms are no later than end of month following invoice. There is no interest charged on any outstanding balances between the joint venture and Fliway Group Limited.

During the period to 30 June 2016 a claim was settled by the D & G Hawkesby Trust, pursuant to the selling shareholder deed of indemnity in note 22, for $590,000 including defence costs in relation to a former customer logistics claim.

During the period to 30 June 2016 following the achievement of PFI forecast the D & G Hawkesby Trust directly paid senior executives bonuses in accordance with the arrangement disclosed to the market in October, 2015.

| **Key Management Personnel** | 2016 $'000 | 2015 $'000 |
|---|---|---|
| The compensation of the directors and executives, being the key management personnel of the Group is as follows: | | |
| Short-term benefits | 2,213 | 1,740 |
| Termination Benefits | 55 | - |
| | 2,268 | 1,740 |

2015 short-term benefits are restated to include an additional executive member, not previously accounted for.

## 21 COMMITMENTS

| **Operating leases** | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Obligations payable after balance date on non-cancellable leases are as follows: | | |
| Within one year | 6,849 | 7,038 |
| 1-5 years | 16,377 | 9,422 |
| 5+ years | 6,588 | 7,230 |
| | 29,814 | 23,690 |

The majority of operating leases relate to property leases, non-freight vehicles and equipment leases. Lease terms are between 1 to 10 years for property leases. Operating leases for property contain annual rental review clauses. During the year the property lease at the Westney Road site in Auckland was extended. The Group does not have an option to purchase any of the properties or non-freight vehicles at the expiry of any of the contracts.

| **Capital** | 2016 $'000 | 2015 $'000 |
|---|---|---|
| As at 30 June 2016 there are capital commitments for: | | |
| Motor Vehicles | 1,176 | 135 |
| Warehousing Software | - | 283 |
| | 1,176 | 418 |

## 22 CONTINGENT LIABILITIES AND ASSETS

As at 30 June 2016 the bank had issued Fliway 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 Fliway (the Selling Shareholder Indemnity) dated 5th March 2015. Under the Selling Shareholder Indemnity, the shareholders have agreed to indemnify Fliway against any loss of earnings as a result of a third party claim relating to an event that occurred before allotment of shares. Fliway 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.

## 23 SUBSEQUENT EVENTS

A final dividend of 5.35 cents per share was declared on 22 August 2016, totalling $2,430,928.

Deloitte For Identification

**Deloitte.**

**INDEPENDENT AUDITOR'S REPORT**
**TO THE SHAREHOLDERS OF**
**FLIWAY GROUP LIMITED**

## Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Fliway Group Limited and its subsidiaries ('the Group') on pages 2 to 17, which comprise the consolidated statement of financial position as at 30 June 2016, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the company's shareholders, as a body. Our audit has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's 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 audit work, for this report, or for the opinions we have formed.

## Board of Directors' Responsibility for the Consolidated Financial Statements

The Board of Directors are responsible on behalf of the company for the preparation and fair presentation of these consolidated financial statements, in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the Board of Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibilities

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates, as well as the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 any of its subsidiaries. These services have not impaired our independence as auditor of the Company and Group.

## Opinion

In our opinion, the consolidated financial statements on pages 2 to 17 present fairly, in all material respects, the financial position of Fliway Group Limited and its subsidiaries as at 30 June 2016, and their financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Deloitte

**Chartered Accountants**
22 August, 2016
Auckland, New Zealand

**FLIWAY GROUP LIMITED**
**DIRECTORY**

| | |
|---|---|
| **Board of Directors** | Craig Stobo (Chairman)<br>Duncan Hawkesby (Managing Director)<br>Alan Isaac |
| **Audit and Risk Committee** | Alan Issac (Chairman)<br>Craig Stobo<br>Duncan Hawkesby |
| **Auditors** | Deloitte<br>Deloitte Centre<br>80 Queen Street<br>Auckland 1010 |
| **Bankers** | ANZ Bank New Zealand Limited |
| **Solicitors** | Bell Gully<br>Vero Centre<br>23 - 29 Albert Street<br>Auckland 1141 |
| **Registered Office** | 66 Westney Road<br>Westney Industrial Park<br>Mangere<br>New Zealand |
| **Postal Address** | PO Box 73-011<br>Auckland International Airport<br>Auckland 2150<br>New Zealand |
| **Telephone** | +64-9-255-4600 |
| **Website** | www.fliway.com |
| **Share Registry** | Link Market Services<br>Level 7, Zurich House<br>21 Queen Street<br>Auckland |